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2022 Year End Housekeeping Reference Guide

The following guide is to help you put your arms around year end bookkeeping, information we will require from you, and a very brief glimpse into a couple changes and deadlines for 2023.



Time to get your hippos in a row!

2023 Retirement Account Contribution Limits

- IRA under age 50: \$6,500
- IRA over age 50: \$7,500
- SEP: \$66,000 (or 25% of net profit)
- SIMPLE under age 50: \$15,500
- SIMPLE over age 50: \$19,000
- 401(k) under age 50: \$22,500
- 401(k) over age 50: \$30,000

Bookkeeping Checklist & Tips

- EIDL SBA Loans: If you have started making loan payments, please visit: https://caweb.sba.gov/cls/dsp_login.cfm – click on your loan number and print the entire page to include with your business tax data. This will give us the interest portion of each payment made.
- All checking, savings, and credit card accounts should be reconciled in QuickBooks against the statements provided by the banking institutions, using the “Banking/Reconcile” process in QuickBooks. (Especially if you have bank feeds set up to sync transactions between your banking institution(s) and QuickBooks.) If you need assistance with this process, please let us know.
- In QuickBooks, separate out “Meals” vs. “Entertainment” expenses incurred. Utilize the “Memo” field to indicate a brief description of the purpose of the expense. (You may need to create a new account in QuickBooks to separate out the meals vs. entertainment expenses.) REMINDER: Deductible business meals only result when a client or prospect is present or when provided for employees such as a social event.
- If you utilize the Accounts Receivable & Accounts Payable functions in QuickBooks, review the A/R and A/P Aging Reports found under the Reports Menu, “Customers & Receivables” & “Vendors & Payables”. You will need to alert us to any items that need our attention. (ex: uncollectable/old outstanding money due to you to potentially write off.)
- Collect and provide December statements for mortgage, vehicle/equipment loan(s) and/or line of credit accounts, and EIDL, if applicable..
- If real property was purchased, provide a copy of real estate closing statements, if not previously provided.
- If any assets (vehicles/equipment) were sold, traded or purchased provide the Bill of Sale.
- Collect and provide Quarterly Payroll Tax Returns (Form 941 & State payroll tax returns) and W3 & W2’s for 2022 to us. (If we prepare your payroll tax returns and W2’s, you do not need to provide another copy.)

- If your payroll processor prepared Form 941x to claim Employee Retention Credit, or for any other reason, please provide a copy. (If we prepared Form 941x for you, you do not need to provide another copy.)
- We will also be asking for the detail of any refunds received as a result of the Employee Retention Credit; date of refund, amount of refund, and the quarter to which the refund applies to. (A copy of the IRS refund check is preferred.)
- Provide the dates and amounts, or detailed report from QuickBooks, of all Federal and/or State Estimated Tax payments made in 2022 and January of 2023 for the 2022 tax year.
- If you have any question about how to allocate the expenses or transactions in QuickBooks, please utilize the “Ask My Accountant” account, and indicate your question in the “Memo” field. When we review the financials prior to preparing the tax return(s), we will see that the Ask My Accountant account needs our attention.
- Make **SURE** you are backing up your QuickBooks for Desktop data file. We recommend doing a back up on a removable memory device (like a flash drive or external hard drive) even if you are regularly backing up to a cloud-based backup service. And while you’re backing up QuickBooks – make sure to also double check that your data backup service is capturing all the other files you don’t want to live without.

These bookkeeping tasks should be reviewed & performed *prior to* the scheduled time we arrange to pull financial statements for tax preparation.

The information that we have requested above can be uploaded to the Dropbox folder we set up for you (if you need the link again, please let us know) or dropped by the office.

2022 Form 1099-NEC Review & Preparation

**** 1099-MISC IS NO LONGER BE USED FOR SUBCONTRACTORS! FORM 1099-NEC REPLACED THE 1099-MISC FORM FOR *MOST* REPORTING. SEE FORM INSTRUCTIONS IF WE DO NOT PREPARE YOUR 1099'S FOR YOU.**

- ❖ Form 1099-NEC is issued to a person or entity using the following criteria:
 - NOT Incorporated (Inc.) – People/entities who are an individual, LLC, or PA should receive Form 1099-NEC,
 - Provides a service, or goods and services,
 - Paid \$600 or more in a calendar year.

In QuickBooks Desktop, use the Vendor Summary Report to identify who may need a 1099-NEC issued, use the following instructions:

- Reports
- Vendors & Payables
- 1099 Summary
- Correct the dates to be 1/1/2022 through 12/31/2022
- Change the three “1099 Options” drop down menus to:
 - “All Vendors”
 - “All Allowed Accounts”
 - “Ignore Thresholds”

This will display all of the Vendors that were paid in 2022. Review the list, and identify who will need Form 1099-NEC issued based on the criteria listed above.

- ❖ Form 1099-MISC is issued (in general) for rents paid to an individual or LLC, the \$600 per calendar year threshold remains in effect.

You can utilize the same Vendor Summary Report, toggled to 1099-MISC to view the amount paid for rents.

In QuickBooks Online, unless you have previously indicated in the Vendor center to track a specific vendor for 1099 tracking, the “1099 Transaction Detail Report” will not populate.

To see if you have selected vendors for 1099 tracking: navigate to Reports/Expenses & Vendors and select the “1099 Transaction Detail Report”, change the dates to be 01/01/2022 – 12/31/2022. If no data is displayed, then you have not indicated in the Vendor center to track any vendors for 1099 reporting.

To correct: navigate back to Reports/Expenses & Vendors and select the “Transaction List by Vendor” – this will display all payments to every vendor made in the time period selected, however it will not total the payments to vendors. Review the list, and identify who falls in the criteria for needing a 1099 issued. (See criteria at the beginning of this section.) Then, navigate back to the Vendor center and select the first vendor to edit. When you have the vendor open, click “edit”, scroll down to the “Additional Info” section and check off the “Track payments for 1099”. Also populate the Business ID No/ Social Security No from the W9 completed from the vendor.

The “shortcut” (only if you’re in a real time crunch): navigate to Reports/Expenses & Vendors and select the “Transaction List by Vendor”, change the date range, then export this report to Excel and total manually by vendor.

Form W-9 - Request for Taxpayer Information: should be completed by the applicable vendors identified using the criteria mentioned above, and returned to you so this information can be utilized when issuing Form 1099-NEC. Please contact each applicable vendor and ask that they complete and return the Form W-9 to you. (For the most updated forms, please search “2022 Form W9”, and utilize the free form from the IRS.gov website.)

The fine print: the penalties for non-compliance are getting steep – intentional disregard for not filing comes with potential penalties starting at \$550 per **form**. If a vendor will not provide their Employer Identification Number let us know.

Timelines & Deadlines

- ❖ We will contact you mid-January to schedule a remote access or QuickBooks Online appointment to pull your 1099 Vendor Report and/or financials for tax preparation.
- ❖ If our office prepares the Form 1099-NEC for you, we will need the completed Form W-9 from new vendors, and total paid to each vendor, no later than **Friday, January 20th, 2023**
- ❖ Form 1099-NEC are required to be postmarked by Monday, January 31, 2023.

