TTAA Legislative Update

June 27, 2022

IRS Increases Mileage Rate for Final 6 Months of 2022

The Internal Revenue Service (IRS) has announced an increase in the optional standard mileage rate for the final six months of 2022 due to soaring gas price increases.

Effective July 1 through December 31, 2022, the standard mileage rate for business travel will be 62.5 cents per mile, up 4 cents from the 58.5 cents per mile rate effective at the start of the year.

Employers are not required to pay employees mileage.

If employers have any questions or concerns, we recommend they contact their accountant to ensure compliance.

Outlook For Congressional Funding With Onset Of Inflation

A major shift is underway in the economy and Congress with the advent of stubborn inflation. The Federal Reserve's stringent tightening of money supply last week, coupled with a plan to continue tightening through 2023 and 2024 to bring down inflation, is causing the tax-writing committees to re-think not only appropriations for Fiscal Year 2023, but also Democrats' replacement for the Build Back Better Act being negotiated by Senate Majority Leader Chuck Schumer and Senator Joe Manchin.

House Appropriations Committee is well underway approving the dozen appropriations bills for FY 2023, but Senate appropriators are far behind and a continuing resolution can be expected.

We are also a long way from Finance and Ways and Means agreeing to a tax title covering WOTC, ERTC, and the major programs small business owns are seeking for disabled persons, military spouses, disadvantaged youth, and other productive changes to WOTC. Both tax-writing committees kicked off discussion of budget and inflation issues with Treasury Secretary Janet Yellen last week.

But we are already beginning to see the outlines of new proposals in the Senate designed to shape fiscal policy to bring down inflation costs to the American people, and we believe this will be a major thrust of new legislation attached to the must-do bill to fund the government for FY 2023.

The Federal Reserve has thrown its strongest monetary resources against inflation, leaving it clear for Congress to move now to harness fiscal policy to the same end. By "fiscal policy" we mean the tax and expenditure programs of the Federal government.

Last week, some members of the tax-writing committees began discussions of ideas pertaining to anti-inflation fiscal policy. Several senators have made good ideas public, but are too incomplete at this point.

Anti-inflation fiscal policy, increased WOTC credits, and retroactive ERTC credits for this year, go together. For example, some senators who would support increased tax credits during inflation believe they must pay for the those credits because of the deficit. This is unnecessary because, in a business cycle with inflation rising, reducing taxes or increasing tax credits while the Fed is tightening can help prevent a recession. Pay-fors would have the effect of slowing business and consumer spending while the Fed is tightening, possibly bringing on a recession.

Small business would like to see anti-inflation fiscal policy emerge not only for FY 2023, but also for FY 2024 and FY 2025, the years the Fed believes it will need to bring inflation under control.

We believe it would help workers and businesspeople if Congress took steps NOW to prevent a recession in 2024 or 2025 by passing a bill this year granting enhanced WOTC benefits for 2023, 2024, and 2025.

As we look ahead to 2025, many of small business owners may be interested in when various tax credits expire. CLICK HERE to view a summary of the various credits and when they expire.

Stagflation

Stagflation is becoming a real concern for small business owners. It is like an imperfect storm, a weather happening with lots of contributing factors. Stagflation is an economic condition caused by a combination of increasing inflation and high unemployment rates, which cause a decrease in consumer demand for goods and services.

In a good economy, there's a balance, where slow steady economic growth is in step with consumer demand. With Stagflation, the economy is out of balance in a bad way.

So what Does Stagflation Mean?

Stagflation occurs when high inflation happens at the same time as high unemployment. Despite recent growth in the unemployment rates, the country is still about 2 million jobs shy of employment numbers in pre-pandemic days.

The pandemic also caused problems that are contributing factors to Stagflation, such as supply chain issues. Lack of product contributes to inflation because rising prices are the result as consumers vie to purchase from an insufficient supply.

For an in depth discussion to better understand Stagflation; it’s impact on your business and how to prepare, read the article in the Wednesday edition of the ***TTAA TODAY*** weekly member email.

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