

The Post-Midterm-Elections Tax Outlook



Even though there was no “Big Red Wave” from the elections in November, it doesn’t mean the impact of the elections will not be felt. Gridlock is expected to be the norm in Washington, DC for the next two years. While there may be a lot to talk about, not much action will take place that will benefit business over the next couple of years. There will be fights over government funding and averting a shutdown of

government, debt ceiling face-offs will be part of the 2023 agendas and the January 6 hearings will be replaced with inquiries related to President Biden’s administration. So pretty much business as usual in our nation’s capital.

The legislature may succeed in passing tax changes

Even with the anticipated gridlock, tax changes around the edges are not out of

the question. Here are some items that have a decent shot in the lame-duck session:

- **Retirement legislation could be enhanced** with bipartisan proposals in both houses that would go further than the SECURE Act that was passed in 2019. These proposals would encourage more individuals to save for retirement, provide relief to people withdrawing funds during

retirement and urge employers to offer retirement plans.

- **A package of temporary tax extenders** for businesses and individuals, some that expired at the end of 2021 and others that ended in 2022, will be the focus by both sides. These include full expensing of R&D costs and interest deduction limitations changes.
- **A combination of business tax breaks and a bigger child tax credit** may happen if both parties are inclined to negotiate. Some moderates are negotiating a package that would benefit businesses and parents. Businesses want to see a multiyear extension of the 100% bonus depreciation for asset purchases. In 2023 these breaks begin to phase out over the next few years. They also want to end or delay a narrowing of the research and development tax break. Before 2017, companies could opt to fully expense R&D expenses in the year

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BUSINESS MANAGEMENT

Recycling Market Update: Cardboard



Over the last two years supply chain constraints have been the theme, impacting everyone’s life in unprecedented ways. It started with a roaring post-Covid economy that resulted in delays in sourcing materials and labor shortages. Now we’re dealing with record inflation and the Russian war’s impact on oil and gas.

The current situation in the cardboard market is very concerning

What we are seeing is unprecedented market conditions with Brown grades. For example, here are some statistics regarding corrugated/boxboard/mixed paper as of October 2022:

- Per RISI, Brown Bulk grades like OCC and Mix dropped by 70% in the previous 90 days. The price of corrugated dropped by a staggering \$90.00 per ton!
- Export bulk grade pricing dropped by 60% over the previous 90 days.
- Retail demand for cardboard boxes has dropped by an estimated 40%.
- India (largest export market) buying has been non-existent.

- Domestic mills are taking extended market-related downtime.

The RISI Index and its predecessor, the Yellow Sheet, have tracked recovered paper since 1993. Never in recorded history has this dramatic of a decline ever occurred. The root causes of the decline include the global economy, an over-supplied market and a stark reduction in the demand for new boxes.

This situation with cardboard is of great concern for the global economy. As you know, virtually everything comes to our homes and businesses in cardboard boxes. When mills and box plants do not have orders, this says that manufacturing and retail are suffering. Mills have less orders and are treating this market decline differently than they did in the past, when they would inventory material. The question is why?

Cardboard inventories in China are skyrocketing

One of the dynamics not being spoken about in the news is the China effect on the global economy. Under normal

market conditions there is \$1 to 2 billion of cardboard finished goods in China waiting to be cut into boxes. It is now being reported that due to a sharp reduction in manufacturing, there is an estimated \$12 billion in cardboard inventory.

Part of what is fueling the China situation is the ongoing Covid restrictions across various provinces, including Shanghai. This results in worker shortages for manufacturing facilities, which harms the global economy and demand for recyclable fiber.

The domestic recycling market has been disrupted

Domestically the largest retailer was recently informed that their recycler was abruptly terminating service in six states. This displaced an estimated 400,000 annual tons of cardboard into the marketplace. There are reports of large mill groups exporting cardboard at significant losses, due to supply agreements and a sharp reduction in orders.

In speaking to several large solid waste processors, they are reporting seeing a sharp increase in the amount of cardboard in their trash dumpsters. Based on these dynamics there is no doubt that municipalities will have to start landfilling their cardboard.

Source: Based on information provided by 4G Recycling, <https://Agrecycling.com>

MEMBER NEWS



PrintReleaf Carbon Offsets Program

In addition to their legacy reforestation offsets, PrintReleaf is now offering Carbon Offsets that make it easy for commercial printers to offset their carbon footprint as it relates to paper use. Learn more at <https://info.printreleaf.com/newcarbonoffsets>.

Rollem International Champion Semi-Slitter

Rollem International announces that its Semi-Slitter, the industry standard for partial slitting of PSA liner stocks or face slitting of pressure sensitive products, was recently installed at three U.S. and one Canadian facility. For more information about the Semi-Slitter see www.rollemusa.com/ss.

On-Demand Business Networking Course

Plumtree Marketing Academy has released its new on-demand, video-based course, “Nailing Your 30-Second Business Networking Commercials.” Learn more at www.BusinessNetworkingCourse.com.

HUMAN RESOURCES

Your 2022 Labor Law Posters are No Longer Valid

If you have not yet purchased your 2023 labor law posters, you are now out of compliance. As of January 1, your 2022 posters became outdated. The updated California State & Federal 2023 posters include important revisions to the California Minimum Wage Notice and the Discrimination Notice.

Get in compliance now

Posters are available in both English and Spanish. PIASC is able to save our members money by offering the California State and Federal posters for just \$20.50 each (versus the CalChamber cost of \$42.99). These prices are for PIASC members only.

Download the order form at <https://bit.ly/2023-labor-law-poster> or contact Emily Holguin, 323.728.9500, Ext. 200 or emily@piasc.org.



GOVERNMENT & LEGISLATIVE

REMINDER: It's Time to Post Your 2022 OSHA Form 300A



It is time to complete and post your 2022 OSHA Form 300A (completed and dated by January 31, 2023, and posted no later than February 1, 2023), for your facility’s lost time and restricted duty injuries that took place in 2022. Your Form 300A must be posted where all employees can see it, such as an all-employee bulletin board, and kept posted through April 30. This must be done even if you had no injuries!

Additionally, no later than March 2, 2023, all high-hazard-industry employers, in all states, which have at least 20 or more total employees, must also post their Form 300A information online at <https://www.osha.gov/injuryreporting>. Note that “high-hazard-industry employers” includes all commercial printers.

Be sure to avoid over-reporting

Do not post any injuries on your forms 300 and 300A unless you are actually required to do so. To be recordable, at a

minimum the injuries or illnesses must result in one or more of the following:

- **Medical treatment beyond first aid**
- **Loss of consciousness**
- **Days away from work**
- **Restricted work or transfer to another job**
- **Death**

When recording data on OSHA Form 300 you must first determine if the injury or illness was “significantly” caused by the employee’s job. Did the employee’s job cause the injury or illness and not just aggravate or re-injure an injury caused by situations outside of work? Once it is determined to be job-related, record only those days that the employee is “away from work” or “job-restricted/transferred.” Do not count the day of the injury.

Source: Information provided by John Holland, President and Certified OSHA Trainer, Assured Compliance Solutions, Inc., www.complianceanswers.com.

On Our Radar

Approved regulations and other issues that we’ve been following:

- **New OSHA injury reporting login** – The OSHA Injury Tracking Application (ITA) has transitioned its login procedures. All current and new account holders must connect their ITA account to a Login.gov account with the same email address. To create a Login.gov account, go to www.osha.gov and follow their instructions. This login will be used to report your injury data for 2022.
- **Certain NDAs are now prohibited** – On December 7 President Biden signed S. 4524, known as the “Speak Out Act,” into law. This Act prohibits pre-dispute non-disclosure and non-disparagement agreements, as well as similar clauses in employment agreements, that prevent employees or contractors from discussing sexual harassment or sexual assault disputes.



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incurred. Now for R&D costs incurred in tax years after 2020, companies must amortize the write off of these costs over five years (or 15 years for overseas research).

Democrats want to revive the 2021 child tax credit expansions. It's unlikely that full refundability and monthly payments of the credit will return, but maybe the Dems can get a higher credit with more refundability than under current law. All of these proposals are up for negotiation.

The Republicans will be pushing for certain changes

Going forward into 2023, Republicans will put pressure on President Biden to make the 2017 tax law permanent. Many provisions, both business and personal, are slated to expire between 2023 and 2025. The President will not be in any hurry to act on these and he does have veto power.

The Republicans also want to bar the IRS from getting the \$80 billion in extra funds that passed in the Inflation Reduction Act. This will be hard to do while Biden is in office, but they have other means to try to starve the IRS over the next two years by cutting annual funding.

What won't happen are the Democrat-supported tax hikes on wealthy individuals and big corporations. This includes the

proposed windfall profits tax on large oil and gas companies.

The burden of Schedules K-2 and K-3 will ease

For partnerships and S corporations, Schedules K-2 and K-3 will be less of an issue for 2022 tax filings. These schedules caused a lot of pain for companies and CPAs filing those returns in 2021, which caused increased tax preparation fees for small businesses. These schedules were designed to give greater clarity to partners and S corporation owners on how to compute their U.S. income tax liability with respect to foreign tax credits and income from non-U.S. sources of income. Even if you didn't have foreign income, the regulations were not very flexible when it came to not having to file these forms. The IRS has recently issued updated regulations that will result in fewer companies being required to file these schedules. This, of course, will save many businesses tax preparation fees.

You'll need to revisit your basis calculations

The IRS will continue to focus on pass-through entities when it comes to basis calculations. They have created form 7203, which will require more disclosures about partner and shareholder basis approaches. You will want to discuss this with your CPA before filing your company taxes, to understand some of the new approaches to calculating basis

and how this will affect you now and into the future.

You may need to revise your LLC documents

Another issue you may want to talk to your CPA and attorney about relates to inadvertently terminating your S corporation election. Specifically, if you are legally an LLC, but elected to be taxed as an S corporation, you have to go back to your organizing documents and make sure you do not have wording (that had been considered standard) that can deem you to have two classes of stock.

While S corporations cannot have multiple classes of stock, LLCs in the traditional wording can have this happen. Look for wording around "maintaining capital accounts" and "liquidating distributions in accordance with capital positive capital accounts." If not corrected, these concepts and terms can cause the termination of your S corporation election, so be sure to consult with your CPA and attorney about cleaning this up.

The IRS may have shredded your paper returns

One last consideration. If you had to file paper returns, especially your 1099 forms, and the IRS is trying to impose failure-to-file penalties, you will want to point out that those forms were filed, and the IRS may have shredded those forms.

The IRS purposely destroyed over

30 million paper documents, including some forms that had not yet been processed. The reasons they gave for this were that their systems needed updates prior to the 2021 filing season due to antiquated technology, and their focus on reducing backlogs of tax returns. The IRS won't impose penalties on taxpayers for this, but it's not bullet proof that the IRS will catch all of these.

You should consult your tax advisor

Whether or not you think any of the above items will affect you, please consult your tax advisor to be sure. Being proactive with the changing taxation landscape business owners can save you a significant amount of time and money.

Source: Chris Falco, CPA, CBI, CM&AA is a founding partner with Falco Sult in Redmond, WA. He is also a PIASC board member and has worked with the printing industry for many years.



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WELCOME NEW MEMBERS!

PIASC's Board of Directors and staff welcome the following new members:

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www.printcraftpress.com/

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www.scodix.com/

Snowball Print Marketing
Print Marketing.
Palo Alto, CA
(408) 462-2112
www.snowballpm.com/

PIASC Events Calendar

JAN 11
Taktiful Webinar - Sensory Marketing
Wednesday, January 11
10:00 am PT
https://bit.ly/Taktiful-Webinar

JAN 19
Cocktails & Conversations
Thursday, January 19
5:30 - 7:30 pm
Costa Mesa, CA
https://bit.ly/23Cocktails_Conversations

JAN 26
Cocktails & Conversations
Thursday, January 26
5:30 - 7:30 pm
Pasadena, CA
https://bit.ly/23Cocktails_Conversations

FEB 17
Print Excellence Awards
Call for Entries Deadline: Feb. 17, 2023
Send in pieces to:
5800 S. Eastern Avenue #400
Los Angeles, CA 90040
https://www.piasc.org/printexcellence/

MAY 4
Graphics Night 2023
Thursday, May 4
Marconi Automotive Museum
Tustin, CA
https://bit.ly/GraphicsNight2023

For full list of events, please visit www.piasc.org/events