

# TAX TALK



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**Fall 2022**

**APPOINTMENTS**



## Dear Client:

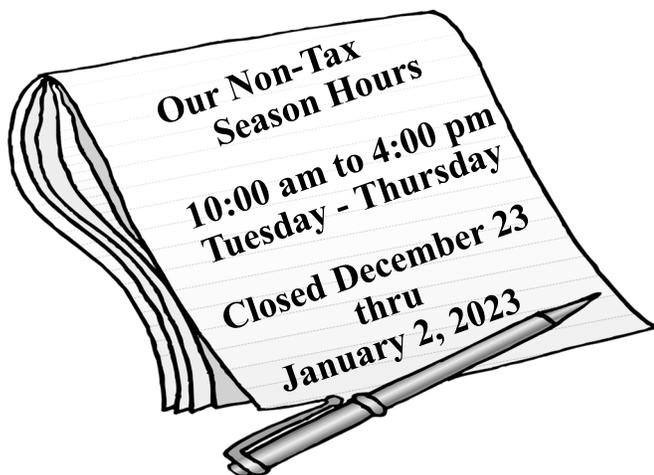
The leaves have dropped along with the temperatures. It's fall already and tax season is not that far away. Where did the year go?

We have combined this newsletter and your appointment letters in one mailing. We have again chosen to allow prior clients the option of dropping off their information rather than requesting an appointment.

Last season we tried the "drop off option" and found it did not work as well as we thought it might. It was our first year (other than with Covid) to offer that alternative. If your request was for a certain preparer, it may not have been completed in a timely manner. We want to get it right. Reassessing the situation has made us change our policy. If you choose to drop off your information, your return will be completed by any one of our preparers and completed in the order received. Please have patience while we work through this new option. We may need to make adjustments again to maintain the service you expect.

We have tried to keep our cost of a return down for a few years now, but as every other cost of doing business rises, so must our fees. On average, you will see at least an increase of \$10 per return. We will continue to offer the 10% senior discount and the \$10 discount for answering our entire questionnaire. The maximum combined discount is \$20 per tax return.

New tax laws are coming your way. It may affect some but not all. The January newsletter will have the highlights. Stay tuned. We want to keep you informed. Being informed can save you money – and that's always our goal. Read on!



Prescheduling is still the most requested option. However, not everyone will receive an appointment. If you chose to drop your information off last year, you probably don't have a prescheduled appointment for the upcoming tax season. If your circumstances change and you would prefer an appointment this year, please call as soon as possible to reserve a time for you.

Jane Graf will return for another year. She is slowly reducing her workload and you MAY be reassigned to Sharon or Nick. Sharon is almost at capacity and has very few appointments left. If you have a prescheduled appointment, and would prefer to drop your information off, please call us and allow someone who wants an appointment the option for your time slot. Please do not expect another appointment if you miss your time without notification.

If you have moved or will be moving, be sure to let us know your new address, change of email, or change of phone number. That way you will continue to receive our newsletters, get an appointment reminder, and our most important January mailing in 2023.

If you are one that files an extension because you go where it is warm for the months it's cold here, you MUST call us if you would like us to file an extension for you. To have it timely filed, it needs to be filed by April 18, 2023.

## Student Loan Forgiveness



On August 24th 2022, the Biden-Harris Administration announced a Student Debt Relief Plan. The plan includes a one-time student loan debt relief targeted to low and middle income families. The US Department of Education will provide relief to borrowers whose annual income in 2020 OR 2021 was under \$125,000 (single) or \$250,000 (married).

Borrowers who received a Pell Grant in college will be eligible for up to \$20,000 in debt cancellation. Others who did not receive Pell Grants will be eligible for up to \$10,000.

At the time of publishing this newsletter, the debt cancellation will not be taxable on your Federal return, but Wisconsin currently has plans to tax the loan forgiveness. I believe Illinois will not tax the loan forgiveness, but we are still waiting for an official announcement from Illinois.

Social Security beneficiaries will see a cost of living adjustment (COLA) increase in 2023 of 8.75% and Medicare Part B premiums decrease to \$164.90 (down from \$170.10/mo. in 2022).



It is always a good idea to periodically check how much federal and state income tax you're having withheld from your paycheck. Life events such as the following can effect your bottom line:

- Marriage
- Divorce
- Birth of a child
- Adult children no longer dependents
- Starting a new job
- Start or stop a second job
- Unemployment Compensation
- Retirement income
- Social Security income



Once your child reaches 18, information regarding their education will no longer be disclosed to you without their written consent. Even if you are the one paying the college tuition. A FERPA authorization allows you to access all of your adult child's educational records.

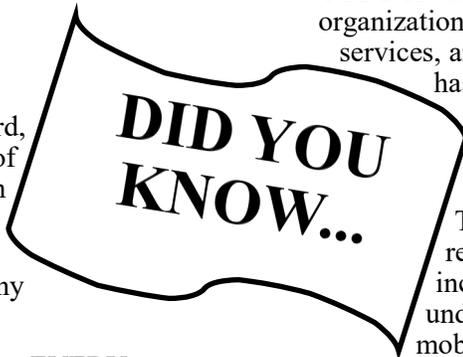
If you or your spouse are age 72 or older in 2022 and have IRA's, 401(k), or 403(b) etc., you will **need** to take a 2022 Required Minimum Distribution (RMD). Check with your Financial Advisor for the amount you need to take out for 2022.

**Virtual Currency:**

At any time during 2022, did you:



- Receive as an award, reward, or payment of property or services in cryptocurrency; and/or
- Sell, exchange, gift, or otherwise dispose of any Crypto?



**1099-K** changes are in store for third party settlement organizations, such as credit card providers, mobile payment services, and many gig workers. The new reporting threshold has reduced the reporting requirements from \$20,000 to \$600 in aggregate payments and 200 transactions to **no** minimum transaction requirement.

The change means many more individuals will be receiving Form 1099-K and will need to report their income. This will apply to people who sell online under Mercari, Etsy, eBay, etc. along with the users of mobile payment services.

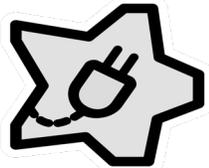
That's a question we need to answer on EVERY tax return. If you do answer "yes", we will also need any tax reporting forms. Please download and print out any forms that may come to you electronically (Coinbase, Robinhood, etc.) to prepare your 2022 tax return.

If you moved in 2022, you should be sure to notify the federal and state taxing authorities of your new address. Why? If you are sent any correspondence from either, they will send it to your old address. It may hold up your upcoming refund due to their identity theft parameters. A new address (especially if a different state) may require them to "verify" your identity before they will issue you your refund. Contact us for the correct forms to file.



**Business owners and farmers are required to issue Form 1099 to a single recipient or business when a total amount paid during the calendar year adds up to or more than \$600. Items that need to be reported on a Form 1099 include commissions, fees, rents, veterinarian and attorney services, interest, royalties, and other compensation for services. THESE FORMS NEED TO BE ISSUED BY JANUARY 31ST OF EACH YEAR - FOR THE PRIOR YEAR.**

**\*\* NEW in 2023 \*\*** Changes for the newly named "Energy Efficient Home Improvement Credit". Starting January 1st, you will be allowed a tax credit of up to \$1200 PER YEAR. This will take the place of the old \$500 lifetime credit. If you are considering energy improvements, you may want to wait until 2023 for any energy efficient improvements to increase your credits. MORE information coming. Stayed tuned.



Recent court cases have denied charitable contribution deductions to taxpayers who have failed to substantiate their contributions. ALL deductions must have a receipt (*cancelled check, credit card statement, etc.*). Any single contribution of \$250 or more, must have an acknowledgement letter from the charity and must be dated before the date you filed your return. All receipts must also state that "No goods or services were received in exchange for the contribution".

Your annual exclusion for gifts for 2022 is \$16,000. 2023 exclusion increases to \$17,000.



**STANDARD MILEAGE RATES CHANGE**

Due to increased fuel costs, the Internal Revenue Service has changed the optional standard mileage rate for 2022. Standard mileage rates apply to deductible transportation expenses paid or incurred for business, medical, or moving expenses. You will be required to report deductible mileage for the first half separately from the last half of the year. Be sure you have the right calculation at tax time.

| PURPOSE        | 01/01– 06/30                         | 07/01 –12/31        |
|----------------|--------------------------------------|---------------------|
| Business       | 58.5 cents per mile                  | 62.5 cents per mile |
| Medical/Moving | 18 cents per mile                    | 22 cents per mile   |
| Charitable     | Remains at 14 cent per mile all year |                     |