

TAX TALK

FROM



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DEAR CLIENT:

It's tax time! This newsletter is to help you get ready for your tax appointment. This year, we are taking drop off returns and having face to face meetings. Those who have chosen to drop off will need to fill out the PURPLE *and* the YELLOW questionnaire **PRIOR** to dropping off your information. Those who have chosen a face to face meeting will only need to fill out the PURPLE sheet, since we can ask the other questions while you are here. We have also included worksheets for specific situations if we thought you would need them. *We are requesting that anyone with forms that require signatures be read, filled out, and signed.*

If you did not receive any of the worksheets or misplaced any of the required sheets, and you need one, call and request what you need or download them directly from our website at www.acc.tax They will be posted shortly.

If you choose to drop off your information, please keep in mind, there will be a longer wait time than what you are used to if you've always had a face to face appointment. Our goal is to keep our process as fast as we possibly can and keep your wait time to a minimum. To keep the returns moving, we cannot allow preparer requests for drop offs.

We have also added a part time preparer. Amanda Scott (or Mandy as we call her) is currently new to tax preparation. We have faith that she will do an accurate and complete tax return for the few drop offs she will prepare this year.

To Our Clients with Businesses: A friendly reminder that the deadline for W-2's and 1099's is the end of January. You should be issuing 1099's to anyone you paid \$600 or more for the year. That includes monies paid for rent, attorneys, veterinarians and accountants.

Partnership/Corporation tax return filing due date is March 15th. If you would like your returns finished timely, we request that you have the information to us as soon as it is possible. Depending on when we receive your information, we may need to file an extension.



OUR EXTENDED HOURS BEGIN
JANUARY 23rd

MON., TUES., WED.
9:00 AM TO 6:00 PM

THUR., FRI., SAT.
9:00 AM TO 5:00 PM



APPOINTMENTS

We are offering you a choice of whether you would like a face to face appointment or choose to drop off your information. The combination of dropping off and seeing clients is fairly new and we are still trying to work through this option. Please have patience. We may have to reconsider whether we can continue to offer both or have to return to appointments.

While we are currently training new preparers, our appointments are still limited. Those who want a face to face appointment and have not yet made an appointment, should do so soon. Appointments will be on a first come first serve basis. Once there are no more appointments available, your only option will be to drop off your information and hope we can finish it without an extension.

If you have a pre-scheduled appointment and don't need it, please call and cancel so it's open for someone else who needs an appointment.

CLIENT APPRECIATION DRAWING



We appreciate each and every one of our clients and, as our special way of saying thanks, Accurate Tax offers a "Client Appreciation Drawing."

Drawing is April 18th unless we have another tax extension from Congress. You may win any of the following:

Free tax preparation of your 2023 tax return—up to \$250.

Additional Prizes:

\$50 Visa Card—to use anywhere
\$50 Menards gift card



ALL CLIENTS WILL AUTOMATICALLY BE ENTERED.

(Winner's names will be published in our next newsletter)

UPDATE—1099K

On December 23rd, the IRS announced a delay in applying the lower thresholds for third-party settlement organizations to take affect for the upcoming tax filing season.

As a result of this delay, third-party settlement organizations will NOT be required to report tax year 2022 transactions on a Form 1099-K to the IRS or payee for the lower of \$600. The existing threshold of \$20,000 in payments from over 200 transactions will remain in effect. Some lower 1099-Ks may still be issued from companies that have already made changes to their systems, however, reporting thresholds do not affect the taxability of income.



The Inflation Reduction Act (IRA of 2022)

The tax legislation that has received the most attention in the past year, which was signed into law this August. One of its goals was to address climate change by offering tax incentives for going green. While some of these incentives are targeted at US businesses, most are available to US homeowners who make energy-saving improvements to their homes.



Many of the tax benefits offered by the IRA of 2022 are not new but are actually extensions and modifications to existing credits that either had expired or were set to expire soon. For example, the non-business energy property tax credit was renamed the Energy Efficient Home Improvement Credit and extended through 2032. Beginning in 2023, the credit amount will be 30% of the costs of eligible home improvements made during the tax year, **with a \$1,200 annual limit**. The specific annual limits for improvements are:



- \$150 for home energy audits.
- \$250 for exterior doors meeting Energy Star requirements (\$500 total for all doors).
- \$600 for windows and skylights meeting Energy Star's most efficient certification requirements.
- \$2,000 for specified heat pumps and heat pump water heaters, biomass stoves and boilers (neither the \$1,200 annual limit on total credits nor the \$600 limit on other qualified energy property applies to this amount).
- \$600 for other qualified energy property, including central air conditioners; electric panels and certain related equipment; water heaters powered by natural gas, propane, or oil; oil furnaces and water boilers.

The IRA of 2022 also renames the residential energy efficient property credit as the residential clean energy credit. This credit was scheduled to expire at the end of 2023 but has been extended through 2034. The credit amount increased to 30% for 2023 through 2032, but drops to 26% in 2033 and 22% for 2034. The energy efficient home improvement credit no longer applies to biomass furnaces and water heaters, but will apply to battery storage technology with a capacity of at least three kilowatt hours.

Educator's Expense Deduction Increased

One law that's doesn't have anything to do with going green.....The out-of-pocket expenses that educators can claim as a deduction increased to \$300 for 2022, up \$50 from last year. The deduction for unreimbursed expenses is available to all educators, even those claiming the standard deduction. Married educators who are both claiming the deduction can claim a deduction of up to \$600. If you or your spouse are an educator who plans on claiming the deduction for 2022, remember that you need to track the receipts for your out-of-pocket expenses to verify the amounts you claim.

Updated Electric Vehicle Credit

It may seem like the \$7,500 tax credit for purchases of new electric vehicles is just a continuation of a credit that was already available, but the legislation made many changes. The credit is now known as the clean vehicle credit, and the IRA of 2022 placed several restrictions on the credit that may make it difficult for some buyers of electric vehicles to take advantage of it.

The changes that are expected to have the broadest impact include caps on the income of the taxpayers eligible for the credit, a limit on the retail price of qualifying vehicles and new sourcing requirements. Starting in 2023, only households with incomes of up to \$300,000 qualify for the credit, with the credit limited to individual taxpayers with incomes below \$150,000. Additionally, only battery-powered cars priced at less than \$55,000 are eligible, or \$80,000 for vans, SUVs and trucks. Finally, final assembly of the vehicle must have been in North America, and the materials from which it is constructed must meet specified sourcing requirements.

Other Notes

- ◆ One of the primary benefits of the Paycheck Protection Program (PPP) loans to help businesses keep their workforce employed during the pandemic was that many eligible borrowers qualified to have their loans forgiven, and the forgiveness is not taxed. However, there were some borrowers whose loan was forgiven despite not being eligible. Those loans that were improperly forgiven **MUST BE** included in taxable income.
- ◆ The summer's crash in cryptocurrency prices has many Americans souring on digital assets as an investment, but the IRS continues to expand its efforts to locate taxpayers who are using cryptocurrency to avoid taxation. The pandemic slowed down the Agency's Virtual Currency Compliance Campaign. Now the IRS is ramping up its enforcement efforts.
- ◆ Student loan forgiveness of a portion of student loans will not be taxable on the federal level. However, Wisconsin residents are required to include it as income on their state tax return. As most know, any forgiveness is currently being determined by the Courts.
- ◆ If you can no longer itemize deductions and you are 70 1/2 years of age or over and have IRAs, you should consider a QCD (Qualified Charitable Distribution). A QCD has very explicit requirements that you must follow to qualify.
 - *A QCD can be made from any type of IRA - except a SEP IRA and be a taxable distribution.
 - *The maximum amount you can give is \$100,000 per year.
 - *The distribution must be made directly by the IRA trustee to the qualifying charitable organization.
 - *There must be substantiation and a written acknowledgement from the donee if \$250 or more.

This newsletter is published as a service to clients of Accurate Tax & Accounting Ltd. and has been prepared with due diligence. However, the possibility of mechanical and/or human error does exist. If you have questions after reading this information, contact your tax advisor for clarification and assistance.

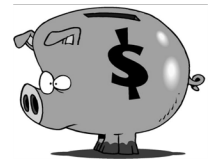
GETTING YOUR RECORDS TOGETHER - A Quick Checklist

Personal Information -

- * Name, address, social security number, and date of birth for yourself, spouse and dependent IF you have not provided it to us in prior years. Make a notation if you have a new baby or other additions to your family. Include anyone who was not on your return in prior years.
- * The PURPLE questionnaire (for everyone) filled out if you want \$10.00 off your fee.
- * The PURPLE and the YELLOW drop off sheet filled out completely - if you have no appointment.
- * If you've moved or changed your phone number, make sure we have the correct address and phone number.
- * A copy of your driver's license. If you have provided it in an earlier year, and you DID NOT need to renew in 2022, you do not need to provide it to us again. Those who had to renew, we need the new issue date and expiration date.

Income -

- * Wages, (W-2's) and/or Unemployment 1099 - you **MAY** need to retrieve it online. Don't overlook it.
 - * Interest from banks and other accounts. If no 1099, please jot down the total YTD interest from your December statement. Please tell us what banking institution it's from.
 - * Dividends from stocks and mutual funds. Be sure we get **ALL** the paperwork they mailed you. Don't just assume we don't need it. If no 1099, please include your year end statement. Any stock/bond sales.
 - * Social security income.
- * Amount received for child support, worker's compensation, and VA **ONLY** if filing for the WI Homestead credit.
- * Pension, IRA, 401K, 403B, SEP, SIMPLE, and annuity income.
- * Partnership, S Corporation, Trust, Estate Income. You should have a Form K-1.
- * ANY other income such as: Gambling/lottery winnings and losses, prizes, bonus income, jury duty, scholarships, settlements, and polling income - if not on a W-2.
- * Make a listing of ANY cryptocurrency transactions. Some apps offer free crypto, please tell us how much you received.
- * Alimony received if divorce was prior to 2019.
- * Form 1095-A, "If" you had insurance through the "Marketplace". You may have more than one.
- * Rental income - see worksheet.
- * Self employment income - see worksheet.
- * Tips not reported to your employer.
- * Foreign income.



Expenses -

- * Child Care Costs - separated between providers if more than one. Include how much paid for each child. Be sure we have your child care provider(s) name, address, tax ID or SSN
- * Student loan interest paid in 2022 (if you paid any).
- * Education/Tuition Costs/Materials Purchased (Form 1098T, school billing statement, and other receipts).
- * Real Estate Taxes PAID in 2022 on your home. Also include other properties **IF** you can itemize deductions.
- * Estimated Tax payments made to the federal and/or state government along with dates they were paid.
- * IRA/Roth/Retirement Contributions you made. Do not include any withheld through your employer.
- * Any contributions YOU made to an HSA - not withheld by your employer - along with Form 1099-SA that tells us the amount of distributions in 2022.
- * Purchases qualifying for The Residential Energy Credit. If you purchased solar, geo thermal, or wind for your home, include receipts and any amount you received as a rebate from utility, state, or local government programs.
- * Health insurance premiums that YOU paid. Medicare, prescription drug plan, supplemental, vision, LTC, and dental. It must be paid by you, not deducted by your employer. Do not include any that are reimbursed, or used with tax free funds. WI residents will need this - even if you cannot itemize. IL residents - only if you can itemize deductions.
- * Mortgage interest, charitable contributions - separated by cash/check and items donated. Any medical, vision, and dental out-of-pocket expenses, including mileage **IF** you can itemize deductions. (WI residents **MAY** be able to itemize deductions on their state return and not on the federal—and should include the above).



IMPORTANT INFORMATION

You know the saying “One bad apple spoils the whole bunch”? Due to the increase in some preparer’s and taxpayer’s dishonesty, **the IRS now requires preparers to ask YOU to show proof that you are eligible to claim the credits on your tax return. We then need to document the information.** The credits this rule involves are the following:

Do you have a child age 16 or under on December 31st, 2022? **Is that child a dependent?**

Child Tax Credit/Additional Child Tax Credit - Dependent children age 16 and under may qualify you for the child tax credit of \$2,000. The IRS requires preparers to ask you to show proof that your dependent child either lives with you, OR you are the noncustodial parent and have a Form 8332 from the custodial parent allowing you to claim the child on your tax return. Include the information to avoid any delays in your preparation. **It is more important if we do not have an “in person” meeting.**



Custodial parents, please bring something to show your child lived with you in 2022. School record, medical records, day care records, or social services records showing **each** child’s name and your address.

Noncustodial parents, please bring your signed Form 8332.

Education Credits - Clients who may qualify for any Education Credits will need the following information when you come to your tax interview appointment.

- 2022 Form 1098-T Tuition Statement from the education institution.



- You will need the student’s full “Billing Account Statement” showing all activity from the beginning of when the student started attending the educational institution.
- The amount paid for Course Materials (if applicable) in 2022 (including required books, supplies, equipment, but no computers).
- If you have used any 529 funds for your child’s education, we will also need the room and board information (should be on the “billing statement”), along with computer, software, or internet access costs.

Earned Income Tax Credit -**We must ask for documentation** to show that YOU and YOUR CHILD lived together at the same address for more than six months of 2022. We must have documentation for **EACH CHILD’S** name, address of record and dates lived with you (if applicable). Acceptable documentation may include:



- **School records (not a report card) - printed online records are a good start**
- **Daycare records**
- **Medical records**
- **Social Services records - such as BadgerCare annual notification for 2022.**

Self employed individuals need to bring copies of documents to substantiate your business income and expenses.



Head Of Household - To file as Head of Household, you must provide more than 1/2 the cost of keeping up a home, and your child must live with you for **MORE** than 6 months. We may need to ask personal questions to verify that you qualify for the filing status. If you lived with another adult in the home, we may request that you fill out a worksheet “Cost of Keeping Up a Home” to determine which one of you is eligible. If you would like to determine if you qualify, we have the worksheets available for you at the office.

PLEASE BE SURE TO INCLUDE ANY OF THE ABOVE IF IT PERTAINS TO YOUR SITUATION.

It is more important “IF” we do not have an “in person” meeting.