TAX TALK

Summer 2022

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Dear Client:

Everyone here at Accurate Tax wants to thank you and tell you how much we appreciated your patience, understanding and cooperation with us during this tax season. Since Covid, we have had adjustments in appointment days and times, and working in drop off returns. At the moment—we are not accepting any new clients due to lack of preparers. We are diligently trying to work on the latter.

In case we cannot find any available preparers, we will be pre-scheduling appointments for the clients who requested appointments this past season. Clients who don't receive an appointment will still have the opportunity to do so. Look for the fall mailing for more information.

Below are our current office hours. We no longer require you to wear a mask, they are now optional. Face to face appointments are also available.

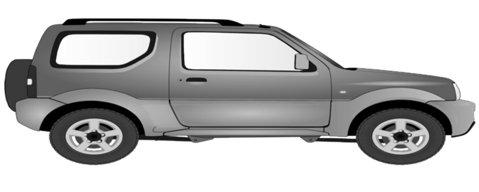
CHANGE IN MILEAGE RATES

For those who use the standard mileage rate: The Internal Revenue Service has revised the standard mileage rate for the final 6 months of 2022. The new rates apply to business, medical or moving miles. Charitable miles will not increase and remains at 14 cents per mile.

Usually late in the calendar year, IRS publishes the rates for the following year, effective January 1st. Now IRS has changed the rate mid year, probably as a reaction to the spiking fuel costs.

What do you need to do? Everyone must keep a mileage log to be able to deduct any mileage on their business return. When adding up your mileage for 2022, you will be required to split your computation. Be sure to have the right calculation at tax time.

PURPOSE	1/1 THRU 6/30	7/1 THRU 12/31
Business	58.5 cents per mile	62.5 cents per mile
Medical/Moving	18 cents per mile	22 cents per mile



And the Winners are...

As our way of saying thanks, Accurate Tax held a "Customer Appreciation Drawing" on April 18th.

We appreciate each and every one of our clients. Congratulations to the following winners:

Free 2022 Tax Preparation
(up to $250)

Don/Kathryn Halpern

$50 Visa Gift Card

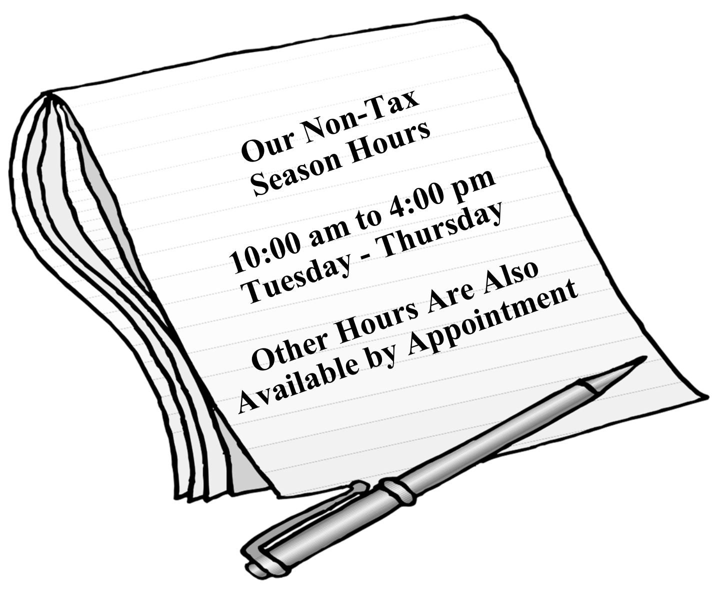
Steve/Pat Hannemann

$50 Menards Gift Card

Joe/Barb Morrow

ALL current clients and those on extension, were automatically entered.

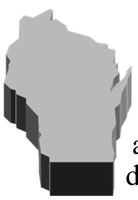
Those who didn't win – there's always next year!



ESTATE AND GIFT TAX EXCLUSION PORTABILITY

An act of Congress made permanent the concept of estate and gift tax exclusion portability. Portability means that spouses, under certain circumstances, can share their unused $12.6 million estate and gift tax exclusion with each other. This portability allows spouses to effectively use a combined $24.12 million exclusion. Portability allows a surviving spouse to elect to use any exclusion unused by his/her last deceased spouse in addition to his/her own $12.06 million exclusion.

It is important to note that portability is only available if an election is made on the deceased spouse's estate tax return. Also, portability is not available for the Generation Skipping Tax (GST) exemption. Further, in the event of a remarriage and subsequent death of the new spouse, the surviving spouse will no longer have access to the unused estate tax exclusion of the first deceased spouse. To elect portability after the first spouse dies, contact your attorney to see if portability is right for you.



ESTATE PLANNING CONSIDERATION

Both Wisconsin and Illinois allow you to transfer an interest in real estate avoiding probate to a designated TOD (Transfer On Death) beneficiary of a sole owner or the last to die of multiple owners. A TOD must be designated on a deed by including the words "Transfer on Death", or "Payable on Death" or the abbreviation "TOD" or "POD" after the name of the owner(s) of the property and before the names of the beneficiary(s).

The designation of a TOD beneficiary on a deed does not affect ownership of the property until the owner(s) death. A TOD beneficiary has no interest in the property during the life of the property owner(s). The actual transfer does not occur until death. The designation may be canceled or changed at any time by the owner(s) without the consent of the beneficiary.

A TOD beneficiary designation is not effective unless the TOD designation is recorded with the Register of Deeds. The designation may be on an original deed that passes the property interest or may be made at a later time by executing and recording another deed. Anything that you can't designate, would be covered in a will. Any questions should be referred to an attorney.

POWER OF ATTORNEY FORMS

In general, a power of attorney (POA) is a document authorizing an individual to make decisions on behalf of another person while they are still living, but unable to make decisions for themselves. Because life is unpredictable, it is recommended that anyone over the age 18 should have a power of attorney. Once you become a legal adult, no one is legally allowed to make decisions on your behalf or talk to doctors about your medical decisions. There are two common POA's that sometimes get confused, so here's the difference:

Financial Power of Attorney
This POA permits someone you have designated to oversee your finances. Typically, this person can pay bills or handle other financial or real estate matters. **<u>This is the form we are required to have on file for someone other than the taxpayer picking up or signing for someone.</u>**

Healthcare power of Attorney
This POA permits someone you designate to make decisions about your healthcare on your behalf when you can't. **<u>We can not accept this for filing a tax return.</u>**

Our office does provide a Consent to Release tax information form (available on our website or at the office) for those that need to pickup and deliver tax information but do not have a POA for the individual. Please let your tax preparer know if you may need this form.

CHILDREN OVER THE AGE OF 18? THINGS TO CONSIDER......

Once your child turns 18 years old, you lose the ability to make decisions for them or even to find out basic information. You cannot even see your college student's grades without permission. Most parents find they can no longer access many things they normally could.

When your child leaves for college or reaches the age of majority, you may want your child to consider:

- A Hippa authorization for you to discuss their medical situations or healthcare POA.
- A Durable Power of Attorney.
- A Financial POA

Without the above legal documents, you are limited to what doctors can tell you, and who can make decisions for them if they are unable.

Again, any child over the age of 18 (who is not a dependent) needs to sign a form (Consent to Release form) that allows us to release their tax return to you or anyone other than the child themselves.

DEALING WITH A DEATH

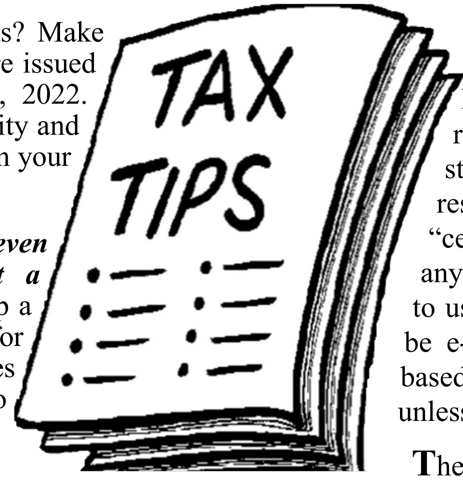
When a person dies, there are a number of tax documents that may have to be filed. It is the responsibility of the personal representative to file these documents. This may be the trustee, executor, spouse or anyone who has control of the property.

The personal representative must file a final 1040 for the deceased person, if required. If the deceased person was married, the surviving spouse can file a joint return. If the deceased person is single, a final Form 1040 with a short year, ending on the date they died, is filed. The rest of the year is reported on a Form 1041, which is the income tax return for estates and trusts. During the probate of the deceased person or the administration of their trust, the administrator or trustee must file this income tax return.

If the value of an estate exceeds over 12.6 million, there are additional filing requirements.

Alimony is no longer deductible to the paying spouse and no longer taxable to the receiving spouse for divorce decrees and separation agreements AS OF January 1, 2019.

The annual gift exclusion for 2022 increased to $16,000 per person. If your gifts exceed the annual amount, you are required to file a gift tax return.



Do you own any U.S. Savings Bonds? Make sure that you cash any bonds that were issued in 1992 or earlier by December 31, 2022. These bonds have reached final maturity and all accrued interest must be reported on your 2022 income tax return.

All gambling winnings are taxable even if you didn't win enough to get a reporting document. You should keep a log of all your winnings and losses for tax purposes. New "logging" rules called "sessions" are available to gamblers who keep meticulous records.

Contribution limits for 401(k), 403(b), and 457 plans increased to $20,500 with an additional "catch up" contribution of $6,500 if you are age 50 or over. Limits on Simple Plans remain at $14,000 with an additional $3,000 if you are age 50 or over. IRA and ROTH limits remain at $6,000 with a "catch up" contribution of an additional $1,000 if you are age 50 or over.

The IRS backlog continues. They're open and processing mail, tax returns, payments, refunds and correspondence. However, COVID-19 continues to cause delays in some of their services. Their service delays include:

- Live phone support
- Processing tax returns filed on paper
- Answering mail from taxpayers
- Reviewing tax returns, even for returns filed electronically

The IRS is opening mail within normal timeframes and all paper and electronic individual returns received prior to **October 2021** have been processed if the return had no errors or did not require further review.

As of June 1st, they had 10.5 million unprocessed individual returns which include returns received before 2022, and new tax year 2021 returns. Of these, 2 million require error correction or other special handling, (mistakes, missing information, or suspected fraud) and 8.5 million are paper returns waiting to be reviewed and processed. In these instances, this work could take 90 to 120 days. If a correction is made, the IRS will send taxpayers an explanation.

Mysocialsecurity on the SSA website (www.ssa.gov) can give you immediate access to important information and tools. You can receive personalized estimates of future benefits based on your real earnings, see your latest statement, and review your earnings history. You can even request a replacement Social Security card, or a request a copy of your 1099 you lost. You can also check the status of an application, from anywhere!

More and more retailers are charging sales tax on your online purchases. However, not all do. If the retailer does not charge sales tax, you are responsible to pay it on your state tax return. Wisconsin residents are required to "certify" if you did not have any purchases that were subject to use tax before your return can be e-filed. Illinois uses a chart based on your total income—unless you track everything.

The American Rescue Plan Act of 2021 (ARPA) included a change in the 1099-K reporting. Under the new rules, business owners should be aware that they will receive a 1099-K if the dollar amount of sales now exceeds $600 for the year. It does not matter if it's 1 transaction or 1000.

The Act clarifies that the third party network transactions include only transactions for the provision of "goods and services." as a result, personal gifts, charitable contributions, and reimbursements should not be included.

Do you have a financial interest in or signature authority over a financial account LOCATED OUTSIDE of the US? These include (but not limited to) bank accounts, securities, brokerage, commodities, options, insurance policy or annuities with cash value and also offshore online gambling companies. If the value is over $10,000 (at any point during the year) you are required to file a FinCEN Form 114 (FBAR) online. Failure to file incurs HUGE penalties.

You may want to check your Credit report. Normally, once a year you can access all three reporting agencies. However, due to Covid they are allowing **FREE WEEKLY** access to your credit reports. Be sure you are accessing the "official" website before entering any personal information. This option does not include credit scores.

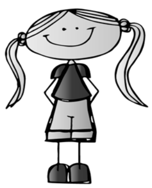
www.annualcreditreport.com

If you move or change you phone number or email address in 2022, please let us know your new address and/or phone number and email. You will then continue to receive this newsletter, your pre-scheduled appointment in late fall, and your appointment reminder.

EXPIRED

At the end of 2021 many existing tax rules expired, awaiting the normal Congressional extender bills and long drawn out political posturing before retroactive rule changes. This year it does not look like Congress will be able to extend anything in the current political climate, so here is a special list of things that have already expired and that are no longer in effect for 2022.

DISAPPEARING TAX BREAKS



- The 1 year only increase in the **Child Tax Credit** expired at the end of 2021. This credit reverted back to $2,000. In 2021 it was $3,000 for children age 6-17 and $3,600 per dependent 0-6. The age reduction reverts back to under 17 (from under 18); is no longer fully refundable ($1,400 max); and reverts back to lower income phaseouts. No advanced payments will be distributed.
- The 1 year only increase in the **Dependent Care Credit** also expired at the end of 2021. It reverts back to 20% (from 50%). The income phaseout drops back to the very low amount prior to 2021 (at $15,000 it begins reducing from 35% to 20%). It also lowers qualified expenses back to $3,000 for 1 child ($6,000 for more than 1) from the one year only amounts of $8,000 and $16,000.
- Cafeteria plan deferrals (dependent care benefits) for child care revert back to $5,000 from $10,500.

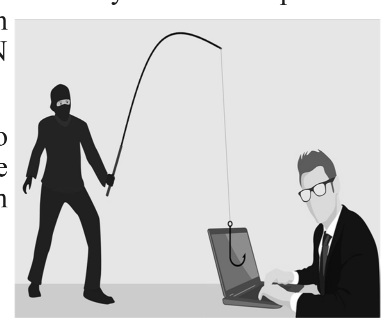
- The 2021 increases to the **Earned Income Credit** for taxpayers without children and for older and younger Americans reverts back to 2020 rules. Not available to taxpayers under 25 or over 65 (2021– age 19 with no age limit).
- The up to $600 charitable deduction amount expired at the end of 2021. Available to taxpayers that could not itemize their deductions.
- The 100% of AGI charity deduction for cash contributions reverted back to a 60% limit.
- The credits for personal residential energy efficient upgrades (insulation, storm windows and doors, etc.) and alternative fuel refueling (electric car chargers) expired at the end of 2021.
- The deduction for mortgage insurance premiums as mortgage interest expired at the end of 2021. Available only if you could itemize your deductions.
- The 1099-K reporting threshold for businesses with transactions of $20,000 for 2021 has been dropped to $600 for 2022 and beyond.

IP PIN NUMBER

An Identity Protection PIN (IP PIN) is a six-digit number that prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. The IP PIN is known only to you and the IRS. It helps them verify your identity when you file your electronic or paper tax return. The IRS is recommending the use of the PIN for taxpayers. Even though you may not have a filing requirement, an IP PIN still protects your account.

If you are a confirmed victim of **tax-related identity theft** and they have resolved your tax account issues, they will mail you a **CP01A Notice** with your new IP PIN annually. The PIN changes every year and you will be notified of your new PIN usually in/by January.

The IRS is now suggesting that you get an IP PIN if you don't already have one. You may now get an IP PIN as a **proactive step** to protect yourself from **tax-related** identity theft. To request an IP PIN, you must pass an identity verification process. Spouses and dependents are also eligible for an IP PIN if they can pass the identity verification process. **An IP PIN is distributed to each person**. A joint return would have two (2) PIN numbers if both applied.



The fastest way to receive an IP PIN is by using the online “Get an IP PIN tool”. If you wish to get an IP PIN and you don’t already have an account on IRS.gov, you must register to validate your identity. The IP PIN tool is generally available starting in mid-January through mid-November.

Anyone who receives an IP PIN, must keep their notice and provide it to your tax preparer.
You will not be able to e-file without your PIN number once it has been assigned.