

OLD TOWN BUSINESS AND TAX SERVICES

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JANUARY 2023

2023 TAX OFFICE STAFF AND HOURS

Vickie Black, Brad Baltimore, Gail Baltimore and Jean Lodge will prepare your tax documents. During tax season, our office hours are Monday through Friday 9-5 and Saturdays 9-1. All of us at Old Town Business and Tax Service thank you for your patronage and look forward to a relationship lasting for years.

The tax office is sad to announce the retirement of Jeanne Harrington. Jeanne has provided her customers exceptional service through the years and we look to continue that same relationship. We wish Jeanne all the best in her retirement adventures. Many of Jeanne's clients will be handled by our new Jean and others will transfer to Gail. Your appointment sticker will confirm.

WHEN TO CALL US

We begin tax season regular hours on Monday, **January 9th**. If you connect to voice mail, leave us a message and you will receive a quick response. We are available year round.

NEW CLIENTS AND REFERRALS

We are delighted to accept new client referrals and we thank you for your confidence in us by recommending us to your friends and family.

PREPARATION OF YOUR TAX RETURN

Our mission is to educate ourselves as fully as possible to make sure your tax returns reflect only the tax you are legally required to pay. We will ask questions in reviewing your income and deductions. We invite you to bring us your questions, including tax information that is specific to your profession, articles you have read that you think may pertain to your tax situation. Together we will partner to prepare complete and accurate tax returns for you.

IRS, STATE OR CITY CORRESPONDENCE

If you receive a notice or letter regarding changes or requests for more information, please provide us with a copy of the correspondence. **We strongly suggest you consult with us before responding.** We are happy to assist you year round.

WHAT'S NEW FOR 2022

Charitable Contributions

We are back to pre-Covid rules so only those itemizing will be able to claim any charitable contributions. The \$300/\$600 amount allowed last year has not been extended.

TAX PREPARATION FOR 2022 TAX RETURNS

WE WILL BE OPEN FOR CLIENT IN-PERSON APPOINTMENTS THIS YEAR. HOWEVER, WE ARE ENCOURAGING RETURNING CLIENTS WITH NO SIGNIFICANT TAX CHANGES TO SIMPLY DROP OFF AS YOU HAVE THE PAST TWO SEASONS.

Appointments for our returning clients are prescheduled based on previous years. Your scheduled date and time are noted on the back of this newsletter. This is the date we would like to meet with you or have you **DROP OFF** your tax information. Those choosing to **DROP OFF** will be contacted for any questions or additional information.

If you don't have an appointment, you may drop off, mail or email your information, the earlier the better.

We will e-mail, use USPS Priority Mail, or arrange for in-person pick up when your return is completed. We also provide the ability to electronically sign through Verifyle, our secure portal.

If you have questions or require any other special arrangements, please give us a call. We will do whatever we can to accommodate you. And as always, we **appreciate and value your business.**

WITHDRAWS FROM RETIREMENT PLANS

Under the CARES ACT early withdrawals taken in 2020 due to COVID-19 hardships were not subject to the 10% penalty and could be taxed over 3 years, 2022 is the 3rd and final year of the 3 year cycle. If you are a new client this year and took advantage of this the past two years, please let us know.

IRS.GOV

Create a personal online account at IRS.gov for access to all your IRS information. You can view balances owed (with a breakdown by tax year), make payments and see up to 5 years of payment history, create payment plans, manage communications, access past tax returns, and view and authorize Power of Attorney forms. **STOP** waiting on IRS hold, it only takes about 10 minutes with a smart phone and personal email account.

E-MAIL AND WEBSITE

www.OldTownBTS.com

Clientsupport@OldTownBTS.com

TAX INFORMATION

SOCIAL SECURITY

Social Security Administration has announced gross social security benefits will increase by 8.7% for 2023. Base Medicare Part B monthly premiums will **decrease** to \$164.90 (depends on MAGI). If married couples modified adjusted gross income exceeded \$194,000 or single filers exceeded \$97,000 in 2021, Medicare premiums Part B begin to increase and there will be a surcharge for Part D.

ELECTRIC VEHICLES

The federal income tax credit for an electric vehicle presently ranges from \$2,500 to \$7,500. This only applies to purchases of new electric vehicles, there are various limitations and income phase outs. Also, limitations set forth in the Inflation Reduction Act as of August 17, 2022.

STANDARD DEDUCTION for 2022

Married filing joint	\$25,900
Married filing separate	\$12,950
Head of household	\$19,400
Single	\$12,950
65+/blind additional (MFJ)	\$ 1,400
65+/blind additional (single)	\$ 1,750

2022 STANDARD MILEAGE RATES

Business .585 cents per mile Jan – Jun
Business .625 cents per mile Jul - Dec
Medical: 18 cents per mile
Charitable: 14 cents per mile

AFFORDABLE CARE ACT

The tax law eliminated the shared responsibility penalty after 2018, however the advanced premium tax credit from the Marketplace must be reconciled on the tax return. Please supply us with the 1095-A that you receive.

CHARITABLE CONTRIBUTIONS FROM IRA'S

The tax law is now permanent. An IRA owner who is 70½ or older may make qualified charitable distributions (QCDs) directly from their IRAs to charities of up to \$100,000. You will receive a 1099R for this distribution that you must bring to your tax appointment. This can be a beneficial tax planning strategy for some taxpayers in keeping income down and receiving a benefit for charitable contributions especially if you don't itemize. Please request a letter from your Broker to substantiate the donation(s).

ANNUAL GIFT EXCLUSION - For 2022 you could gift up to \$16,000 to each person without having to file a gift tax return. This is simply an additional filing and will not result in taxes due unless you have exceeded the Lifetime Gift Exemption of \$12.06 million. (This will reset to \$5.49 million in 2026) For 2023 the annual amount will increase to \$17,000.

AMERICAN OPPORTUNITY TAX CREDIT- AOTC

The maximum credit is \$2500. Part of the credit may be refundable. The credit applies to the first four years of qualified college tuition as well as qualifying course material expenses, computers, software, internet access, and related expenses if they are used primarily by the student during college enrollment at a qualified institution. **We must have the form 1098-T and statements showing the amount of tuition PAID in 2022 as well as receipts for books, supplies and equipment.** Your student may have to access the 1098T and billing statements on their on-line student account. Many institutions no longer mail these documents.

FOREIGN ACCOUNTS - If the combined value of all foreign accounts over which you have signature authority exceeds \$10,000 at any time during the year, reporting is required. Foreign financial accounts include bank, brokerage accounts and pension funds. Please advise us if you have any foreign accounts.

TAX RECORDS: WHAT TO KEEP?

Retain your federal tax returns and copies of your W-2's at least until you are satisfied your social security records are correct. Keep records of capital purchases, such as real estate, for four years after the sale of these assets. Retain your documentation of all business and rental depreciable assets. You can dispose of other documentation for all years 2017 and before. The year 2018 materials may be disposed of after July 1, 2023. We suggest you retain records of all improvements on your personal residence in a separate file.

DUE DILIGENCE

The IRS requires that paid professional tax preparers exercise due diligence in determining eligibility for three credits: the earned income credit, the child tax credit and the American Opportunity (education) Tax Credit. We will ask additional questions to verify these credits. We are also required to ask additional questions for the head of household status. These are the tax situations that the IRS has identified as the most fraudulent and they continue to audit these returns at a higher percentage.

VIRTUAL CURRENCY

The IRS is expanding the information reporting of cryptocurrency. Requiring brokers to report sales prices etc., and **PROPOSING** businesses treat cryptocurrency as cash transactions and to file Form 8300 to report cash transactions of over \$10,000.

BUSINESS & VEHICLE

MILEAGE SUBSTANTIATION

If you plan to take a mileage deduction for business/self-employment, make sure you have the beginning and ending odometer readings for 2022. We need your business miles, personal miles, and your total miles for the year for each vehicle. Your mileage must be substantiated, preferably by written detail in your calendar or in a mileage log.

If you use your vehicle(s) for business purposes, we need the following information *split by vehicle*:

Date you began using vehicle in business: _____

Total of all miles you drove your vehicle in 2022 _____

Jan - June: _____

July - Dec: _____

Number of business miles you drove in 2022 _____

Jan - June: _____

July - Dec: _____

MEALS PER DIEM

For 2022 the per diem for meals is \$59 per day unless you traveled to a specifically listed location. Use 75% of the rate for partial travel days. .

HOME OFFICE DEDUCTION AND SAFE HARBOR

In order to take your mileage from doorstep to doorstep, your home must be your principal place of business. A home office will qualify as a principal place of business if it is used to conduct administrative activities and there is no other fixed location for the business. The office must be used regularly and exclusively for the business. The safe harbor deduction is \$5 per square foot up to a maximum of a \$1,500 deduction. If the office qualifies, no other record keeping is required. Actual expenses may be a better deduction however, the safe harbor is an easy method for those who qualify but who prefer not to do the record keeping.

ISSUING 1099/1096 FORMS

If you pay a **non-incorporated** individual or entity \$600 or more in the course of your trade or business you are **required** to file forms 1099 and 1096. Examples include rent, web and computer consultants, repair persons, and billing services. The 1099 is also required for therapists who deduct their own counseling as a business expense. Our staff can assist in filing these forms or prepare them for you. **THE DUE DATE TO RECIPIENTS AND FOR FILING THE FORMS TO SOCIAL SECURITY ADMINISTRATION is January 31, 2023.** You no longer have until the end of February.

RETIREMENT PLANNING

MAXIMIZE YOUR PENSION CONTRIBUTIONS!

ELECTIVE 401(k) DEFERRALS

Elective deferrals are capped at \$20,500 FOR 2022 AND \$22,500 for 2023 plus an additional \$6,500 if you are 50 or older.

SIMPLE CONTRIBUTIONS

The maximum elective deferral to your SIMPLE plan for 2022 is \$14,000 AND \$15,500 for 2023 plus an additional \$3,000 if you are 50 or older.

CONTRIBUTE TO YOUR IRA

The contribution limits for 2022 for traditional and ROTH IRAs is the smaller of \$6,000 or your total earned income. Using the special catch-up provision, you may contribute an additional \$1,000 if you are 50 or older. The contribution deadline for 2022 is April 18, 2023. The contribution limit will increase to \$6,500 for 2023. There are income limits for the deductibility of traditional IRAs.

ROTH ELIGIBILITY

The ROTH contribution limits are the same as traditional IRA's though ROTH contributions are not deductible. Be sure to let us know if you are contributing to a ROTH, there are income limits for the Roth contributions. Better still let's talk before you contribute if there is any doubt as to whether you are eligible. There is no income limit for converting traditional IRA's into ROTH IRA's.

REQUIRED MINIMUM DISTRIBUTIONS - RMD

Your minimum required distributions from your IRA accounts start in the year you reach age 72. You can delay the first year's distribution until April 1st of the following year but you will then have to take a second RMD in that same year. Although you should be notified by your plan trustee, you have final responsibility for arranging the distributions. The penalties for not taking your RMD's are severe.

SOCIAL SECURITY - www.SSA.gov (great site!)

The earnings limit before having to repay social security benefits if you have not reached full retirement age in 2022 is \$19,560 and increases to \$21,240 for 2023. Full retirement age is 66 for those born in 1943-1954. The amount of earnings subject to Social Security taxes for 2022 is \$147,000 and increases to \$160,200 for 2023. The phone number for the Lansing Social Security Office is (800) 772-1213. The full fact sheet, addresses, and other phone numbers can be found at www.socialsecurity.gov.

THINGS YOU NEED TO BRING TO YOUR APPOINTMENT

- Prior year returns (2 years) if you are new.**
- All official forms that you receive.**
- Refinance Info.** If you refinanced your home this year, bring your settlement statement. .
- Property Tax Receipts.** Receipts for taxes paid as well as the current year receipts, whether paid or not, are helpful.
- Affordable Care Act.** Did you purchase health insurance through the marketplace? If yes, bring your **form 1095** as well as income for all dependents.
- Closing Documents:** If you bought or sold real estate, bring your closing documents.
- Child Care Expenses.** Name, address, social security number, and amount paid to each provider, even if you used a flex plan through work that reimbursed your dependent care expenses.
- College Tuition.** Your student will receive a form 1098-T, probably on-line. Also provide statements showing the **dates and tuition amounts PAID in 2022**. Also include receipts for required course materials, fees, and computers.
- New or Used Vehicle Purchase Papers** if you use your vehicle for work or business.
- 1099 forms from your bank, broker or investment company.** These forms are arriving later each year. Please keep your drop off time even if you do not have all of these documents yet.
- Bank Information for DIRECT DEPOSIT,** voided check with routing number and account number.
- Estimated payments.** Fill out our yellow sheet with the amount of each check and date paid.
- Sales of Mutual Funds and Stock.** Bring the sales information as well as the dates of purchase and purchase prices for what was sold. Don't throw away records relating to initial purchases and dividend reinvestments. You will need your records when you sell.
- Mileage records.** Make sure you have kept a written record of the date, miles driven and business purpose for all mileage you plan to deduct. Bring us the beginning and ending odometer reading for the year (your best estimate if you don't have records) and your business miles.
- Contributions.** Bring your receipts for any single contribution of \$250 or more. Also, list your non-cash contributions as separate amounts and bring the receipts with the lists of items donated. The IRS requires an itemized list and fair market value of each of the items donated.
- Use Tax.** Total your out of state catalog and internet purchases if no MICHIGAN sales tax was charged.
- ANYTHING ELSE you think you need.**
Each tax return is unique!
- SHREDDING SERVICES:** Friedland Industries (517-482-3000) 405 E. Maple Street (near our office). Cost is \$5 per 100 pounds. They shred all day Wednesday and at the end of other days. You are not able to watch your materials being shredded because of Covid restrictions.
- WHERE'S MY REFUND?** Go to [IRS.gov](https://www.irs.gov) or www.michigan.gov/taxes/ and follow the prompts.

SPECIAL REQUESTS: *If you are sick, please don't come to your appointment. We will reschedule at a time convenient to you. Thanks for not sharing.*

YOUR APPOINTMENT FOR IN PERSON or DROP OFF IS SCHEDULED FOR:

Please drop off or mail in your tax documents at your convenience the earlier the better

**HAPPY
NEW YEAR!
SEE YOU
SOON!**