

Tax Season 2022 (for tax year 2021)



COVID has arrived and stayed. We are all still confused and uncertain of the near future. But Tax Season 2022 (tax year 2021) is upon us and we must proceed with the anticipation that we all have a Tax Return Due Monday 4/18/2022. But we also know it all could change with a moment's notice.

We are hoping you and your family are safe, secure and finding Joy.

Northwest Accounting Information

- Currently plan to have face to face Tax Appointments for those who want them.
- You must wear a mask in our office space.
- **We have a drop off table in our Lobby.** You can bring your paperwork to us, fill out a few forms and drop it in a box. We will work on it, call you to ask more questions and give you information.
- Use our Portal System (we call it ATOM and love it!). It is Encrypted and Secure. You can send emails, send text messages, provide documents, receive documents, sign your tax return, pay your bill and more
 - The Portal sign in is https://login.atomanager.com/ATOM_NWATAX/WebInfo.aspx.
 - The Portal Email is nwatax@parse.atomanager.com and Text Message to 360-535-7300.
 - You can link to the portal on WEBSITE www.vancouvertaxandaccounting.com also nwatax.net).
- Our office phones are a great way to make an appointment and coordinate our schedules 360-694-8206.
- Our traditional emails still work: nwatax@yahoo.com , susan@nwatax.net, Suzanne@nwatax.net.

Due Date Reminders: (as of today)

All Corporations, Partnerships and Estates are due March 15th. 2022

All 2020 Individual Returns are due Monday April 18th. 2022

If you wish to extend filing, do so by these due dates. Extensions do not extend the payment dates.

Interest and penalties are due if you pay your tax after the original filing date.

Our Engagement and privacy statements are provided with this letter.

Please READ it, SIGN it, and bring or send it with your tax records. We MUST have this to start our work. You may sign one in our office if you do not bring it.

Please feel free to call and ask any questions you have prior us starting your work

We must know You and Your Dependents.

- Your ID card. However now that we are storing them...if it has not expired, we will be good until it does.

- **Dependents:** We need to verify this person lives in your home (bring some proof) and/or that you support them (we may ask lots of questions) and if they have any income of their own (ask them before you come). If this is a child that you claim because of a divorce document, you need a 8332 signed by the custodial parent. *We still have a “Kiddy Tax” on investment earnings of dependent children if over \$1100.
- **College Students:** Need information showing that you are still maintaining a home for them, plus their college expense (a college expense transcript + the 1098-T from the college and any Book/required supply receipts)
- **-Head of Household Status:** Please provide proof that you maintain your home (Rent or Mortgage receipts).
- If you or your dependents have a **IRS ID Theft PIN.** You must bring it to your appointment. A new one is mailed to you every January. All taxpayers can now request an IRS ID PIN, but please understand this is a “lifetime” election. Once in this program you will need the yearly PIN number to be able to e-file your return.

Tax News!

- **2021 Federal Standard Deduction** went up slightly: \$12,550-Single \$25,100 Married Joint, \$18,800 HOH. If you are over 65 you receive an additional SD of \$1350-Single or \$1700 MFJ.
- 2021 Oregon Standard Deduction \$2,350 Single; \$4,700; Married Joint \$3,780
- **Tax Brackets** adjusted up slightly
 - Medical Expense is deductible as an itemized deduction if it exceeds 7.5% of adjusted income. Oregon: if you are over 65 you get 100% of your medical.
 - **Long Term Capital Gains Rates** remain at 0% if your income is in the 10 or 12% tax Brackets. Then it is 15% tax for middle income taxpayers. Higher income taxpayer (think \$400,000 +) will pay a 20% Tax. If you need tax planning help to efficiently use these rates, please ask.
 - You must report the sales of your **Virtual Currency.**
 - **Foreign Bank Accounts:** If you have more than \$10,000 on any day in 2021 in a Foreign Bank or Investment Account you must file a FBAR Tax Return by the same due date as your 1040 tax return. Please let us know.
 - **Amended Returns:** You can always change your tax return after it is filed. Report forgotten income or deductions.
 - To get a refund of money paid you generally must amend within 3 years of the due date or 2 years of the money paid to IRS. Please tell us if you need to amend any tax returns.
 - **Oregon Employees:** If you spent work time outside Oregon this past year and you are a WA resident, you do not have to pay Oregon for work time you were not in Oregon. Please provide a work log showing: Days Work and where you were + Vacation Days and other time off. You will also need to have a letter from your employer saying you worked outside of Oregon
 - **Giving a Gift to an individual over \$15,000** will require you to file a Gift Tax Return.

American Recue Plan Act (ARPA) – March 11, 2021

- **Stimulus Checks:** The third round of checks came out last spring (up to \$1400 per person). Please look up and know how much you received so we can reconcile this on the tax return. If needed go to IRS.gov > “View Your Account Information” > “Log into your Online Account” and find out the amounts. This credit phased out at \$75,000-\$80,000 Single, \$150,000-\$160,000 MFJ. If you did not get the check and are eligible, we will claim it on your tax return.
- **Advanced Child Tax Credits:** The Child Tax Credits (CTC) increased from \$2,000 to \$3,600 for each child 5 years and under. For children ages 6-17 the maximum increased to \$3,000 for 2021 only. In July eligible family that did not opt out began receiving Advanced CTC Payments up to \$300 per month for each child age 5 and under and up to \$250 for each child age 6-17. IRS will issue a letter 6419 in January 2022 to provide the amount taxpayers received in advance and how many children were taken into accounts to determine the amount received. **The amounts received in advance will reduce the credits you can now claim on the 2021 return. **If a child is no longer your dependent you may have to pay back the advanced payment. **The extra \$1,600 or \$1,000 CTC has income phase out limits of Single \$75,000-\$80,000, MFJ \$150,000-\$160,000. **If your

income increased above those limits you may have to pay back the advance. The first \$2,000 of Child Tax Credit per child (but now includes 17 year old children) continues to have income phase out limits starting at \$200,000 for Single taxpayers and \$400,000 for Married Joint taxpayers.

- **Unemployment for 2020 became not taxable up to \$10,400 per taxpayer.** Many taxpayers filed returns before this bill was finalized on March 11, 2021 and thus paid taxes on their unemployment. IRS stated they would automatically adjust and send taxpayers an additional check during the summer. **Then July 2021, IRS Clarified that in a community property state (WA and CA are community property states) that unemployment is jointly owned.** Thus, a Married Couple could have an exemption up to \$20,800 (\$10,400 each) even if only one received unemployment. Again, IRS stated they would automatically adjust these returns and send checks to the taxpayers effected. IF you feel IRS did not adjust your return....Call IRS, Check your IRS account information or have a discussion with us.

2021 Changes: Most things that changed were started back with the COVID CARES ACT and we heard about them most of last year. The new bill "Build Back Better" has not passed Congress as of this writing.

- **Unemployment tax is again taxable in 2021.**
- **The penalty is back for Early distribution from a Retirement Accounts (prior to age 55 without a exception).**
- **Minimum Distributions from Retirement Accounts** are required again in 2021 but the age you must start distributions increased to age 72.
- **Penalties for NOT having Health Insurance are back in place.**
- **Energy Credits** (windows, insulation, etc.) available thru 12/31/2021. Renewable Energy Credits are available thru 12/31/23. **Solar Credits** are 26% for 2021 & 2022 and continue at a lower rate in 2023.
- **Charitable Donations without Itemizing:** You are allowed \$300 (\$600 for married) deduction of CASH paid charities without itemizing.
- Mortgage Insurance Premiums (an Itemized deduction) were extended thru 2021 and then ends.
- **Child/Dependent Care Credit** : 2021 only the credit amounts are up to \$8000 (was \$3000) for one dependent and \$16,000 for 2 or more dependents so you could have the ability to work or go to school. **2021 Only** this is a REFUNDABLE Credit and the maximum credit is increased to 50% of amount paid for taxpayers with AGI up to \$125,000, 20% if AGI greater than \$185,000 and 0% if above \$400,000. **After 2021** the Credit range will be 20% to 35% with the max credit of 20% if income it over \$43,000. The amounts you can claim will again reduce to \$3000 for one child and \$6000 for two or more children.

Small Business and Rentals

- Self-employed Individual may qualify for Sick Leave Credit for an COVID event before 9/30/2021.
- **Net Operating Losses:** Some people have Losses from their Business or Rental that produce overall Negative Income on the tax return. NOL's once again are only carried and deducted against future years.
- **If you own Business Rentals or a Business, please check your records to see if you must issue any 1099's.** If you paid any individuals (including LLC's) \$600 or more for services and they are not your employee, you MUST issue a 1099-NEC by January 31st, 2021 to this person. IRS is promising to get aggressive about penalties and there are questions on your tax return asking about 1099's. You really do not want to face a \$100 + penalty for missing the January 31st deadline. Oregon also has the same requirement for people hired to do work in Oregon.
- **If your received PPP Loans, Grants or other assistance** (even though they say it is not taxable) please bring the information. On 12/29/2020 it was declared that the PPP Loan was really "free money" however other Grant money is generally taxable to you.

Build Back Better Act (Suspended in Congress as I write). The House of Representatives version passed 11/18/2021 but has still not been acted on by the Senate. This bill includes:

- Another year of expanded Child Tax credits

- SALT Deduction increase. Currently you can only deduct \$10,000 of State and Local Taxes as an itemized deduction. This bill would increase the allowable deduction to \$80,000.
- Put a 15% minimum tax on profit of large Corporations (\$1 billion in profit)
- High-Income Surcharge: An extra tax of 5% if your AGI is 10 million or more plus 3% if your AGI is \$25 million.
- Expanded Green Energy Incentives and new Electric Vehicle
- More Money for IRS: We are thankful...maybe we can now get things processed and taxpayers the timely service they deserve.
- And more?? The bill is not complete, nor fully negotiated at this point...anything can happen.

Thank you for Reading. We look forward to helping you this tax season.

We are hiring a Receptionist for Tax Season (Full Time or 2 Part Time) if you know anyone looking.

Susan Lauderdale, EA -Tax Preparer/Accounting & More

Suzanne Clem, EA – Tax Preparer/Accounting & More

Ryan Bee – Tax Preparer/Accounting

Dave Lauderdale – Tax Preparer/Quality Control

Janelle Baker - Tax Preparer (new role) and Payroll/Bookkeeping

Christina St Clair- Payroll Clerk/Bookkeeping (new role)

Receptionist (Open Position)