

TAX PREP FINANCIAL SERVICES

(Rev. 1/18/22)

"Pay YOURSELF, not the IRS"

www.JeffTheTaxMan.com

Personal Income Tax Preparation
Personal Tax Estimating
Personal Tax Planning

January 18, 2022

Dear Clients,

Happy New Year! If 2020 was our craziest year, then 2021 was our most challenging. I started the year having to quarantine for 10 days due to exposure to COVID-19, followed by totaling Brenda's car and flooding from a busted pipe during "Snowmageddon," a breach in our former Secure Client Portal, a mid-season tax law change, moving the tax filing deadlines (again), and having to work both tax deadlines without Joyce, due to injury and COVID. Moreover, because of the breach in our former portal - though less than 8% of our clients were affected, out of an abundance of caution, we turned off the portal. Additionally, the IRS required me to email them a spreadsheet by 2 PM local time of all the tax returns I would be e-filing to them the next business day, which made the midnight filing deadline, for me, shorter by 34 hours (a big deal in this business).

After all that, I am please to announce that we have a new, more secure client portal. It is provided by my trusted tax software company, integrates into the software, and employs multi-factor authentication for added security. It will help us take our business paperless, and **we encourage you to use it**. All documents are digitized, making them easy to manipulate, and all transmissions are encrypted. **Because of this new resource, we will deliver copies of returns either to your portal folder for you to download and store on your device(s) or via password protected email. We will mail returns to clients who specifically request it.** (We still charge \$15 for each extra paper copy of your tax return, \$35 for overnight delivery, and for consultations over 15 minutes in length.) **This web-based portal can be accessed from any device possessing internet access by going to jeffthetaxman.securefilepro.com.** Remember, **our email address changed to mktaxguy@gmail.com.** This letter is to inform and instruct you of (any changes to) our firm's resources, features, policies, and procedures, and the accompanying **TAX NOTICE** is to alert you to tax law changes that may impact you. Please avail yourself of our resources:

- As mentioned, our new client portal will take over as the primary means of receiving and delivering your sensitive tax information and returns. Upload our worksheets and your tax forms (W-2, etc.) to it. Existing clients should have received an invitation to set up a portal folder. New clients can do so by going to jeffthetaxman.securefilepro.com.
- **Our most significant resource to date is a re-usable Cosmetics Business Spreadsheet in Excel™, updated to version 2.0. It is a contemporaneous record keeping system customized to your M-K cosmetics business and designed to flow directly into our Cosmetics Business tax worksheet. You enter your activity as you incur it and have the computer total it for you on the spot. It provides a summary of your cosmetics business' entire year at-a-glance on one page (front and back) so that you can see where your income and expenses stand at any given time. At year-end simply transfer the totals to our tax worksheet. Get it at our website for only \$25.**
- **Get our professionally produced M-K tax workshop education video for only \$10 through our website so that you can watch and learn from it or show it to your Unit(s)/Area as often as you like.**
- Remember you can purchase audit protection for only \$55 on a tax return we prepare that is good for 3 years and comes with one year's worth of identity theft protection. If you receive a notice from the IRS or state for that tax return during that 3-year period, audit specialists will provide up to \$1 million of services at no charge. *It would benefit out of state clients or those with complex returns, but it must be purchased at the time the return is prepared.*
- **Please continue to email our fees to mktaxguy@gmail.com using the Zelle app. It saves us the CC merchant fees.**
- **After 5 years without a rate increase and due to increased costs, I am forced to raise my hourly rate to \$90/hour.**

Although the Tax Cuts and Jobs Act (TCJA) of 2017 reduced the federal penalty to \$0 for not having health insurance within the Affordable Care Act (ACA) of 2010 (Obamacare), taxpayers who receive health insurance subsidies through the Marketplace Exchange must reconcile their advance premium tax credits on their tax returns. Also, some states passed their own mandates for health coverage. **As a result, clients who received subsidies or those living in a state that has a state income tax must still complete the Healthcare Coverage Questionnaire and submit it, and Forms 1095, to our office.**

Remember you must use the correct *INCOME TAX DATA-ITEMIZER* worksheet for the tax year being prepared – use *PRE-2018* for 2017 and earlier years or *POST-2017* for 2018 and later years, including for tax year 2021. Always read the attached **Tax Notice** to inform yourself of tax law changes and check our website throughout the year for tax alerts.

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All our submission documents are .pdf fillable forms. **HOWEVER, PLEASE NOTE THAT IN ORDER FOR THE DATA YOU TYPE TO BE RETAINED ONTO THESE DOCUMENTS, YOU MUST FIRST NAME THE FORM AND SAVE IT TO YOUR COMPUTER. THEN ONCE SAVED, YOU MUST OPEN IT IN YOUR .pdf READABLE SOFTWARE.** If you do not have any .pdf readable software, you can obtain Adobe Acrobat Reader™ by simply clicking the link to their website at the bottom of the "Tax Worksheets" and "For Directors" pages of our website. Read the worksheets carefully and use any of the notes we wrote on last year's worksheets as a guide to fill out this year's worksheets. **Incomplete worksheets cause delays and raise your bill (possibly hundreds of dollars). FILERS OF 2021 RETURNS MUST FILL OUT THE POST-2017 INCOME TAX DATA-ITEMIZER AND READ AND SIGN A TAX RETURN ENGAGEMENT LETTER. IN ADDITION, IF YOU RECEIVED HEALTH INSURANCE SUBSIDIES FROM THE MARKETPLACE EXCHANGE OR YOU LIVE IN A STATE THAT ASSESSES STATE INCOME TAX, YOU MUST COMPLETE AND REMIT A HEALTHCARE COVERAGE QUESTIONNAIRE. ALL FORMS 1095, IF ANY, THAT YOU RECEIVED (-A from the state exchange, -B from insurance companies, AND/OR -C from employers) PLUS A COPY OF ALL YOUR MEDICAL INSURANCE CARDS.** If you operated a Mary Kay Cosmetics business, you must complete a Cosmetics Business worksheet. If you performed contract work for compensation or operated any other type of business, you must complete a Sole Proprietorship worksheet. **Also, be sure to report on it any income from the sharing economy (Uber, Airbnb, etc.).** If you were a practicing ordained minister, then complete a Minister worksheet to claim any compensation and expenses from that activity. For depreciable assets, report only the changes from the previous year for the information we already have on file, such as new or retired assets, or changes in business use percentage. Finally, if you received the Advance Child Tax Credit, then we must reconcile on the tax return the eligible amount vs. the amount received, and **YOU MUST PROVIDE US WITH IRS LETTER 6419 YOU RECEIVED.** Likewise, if you received the third stimulus (EIP3) in 2021, we MUST see letter 6475. Submit **ALL** relevant **COMPLETED** worksheets, plus Forms W-2, **1095**, 1098, 1099, and Schedules K-1. **Make copies of anything you mail us** so that you can refer to them if we have a question about anything. We will return to you all unused originals, copies of our worksheets, including our notes, along with your copy of the tax return via the portal or U.S. mail. The ONLY receipts we need from you are from NON-CASH (clothes, etc.) charitable contributions when the TOTAL FOR THE YEAR exceeds \$500.

Upon completing the worksheets, Tax Return Engagement Letter, and Healthcare Coverage Questionnaires, submit your data via **our new portal**, email, mail, or drop-off this data to us in our lockable mailbox at the back of our driveway on the side of our house, and we will put you in line. Scans, copies, photos, or faxes of your documents are acceptable. You may email us a few days later to find out what number you are in line. When my assistant, Joyce, works on your return, she will email you if she has any questions. Then I will call or email you if I have any additional questions. When I am finished, I will call you with the results and request payment for our services. Then I will upload to the portal or email you a form(s) to sign and remit before we file the return(s) electronically. **Be sure we have your email address and latest copies of your IDs.**

We prepare returns on a first-come first-served basis yet returns without a business will be expedited. SUBMITTING COMPLETED WORKSHEETS, NOT JUST W-2 FORMS, RESERVES YOUR PLACE IN LINE. WE MUST HAVE YOUR TAX DATA 6 WEEKS BEFORE ANY INDIVIDUAL TAX DEADLINE (3/1/22); 4 weeks for S corporations (2/15/22). However, this DOES NOT guarantee completion by that deadline. Due to vast differences in complexity of various client returns, we cannot predict completion dates. Instead, follow my progress toward your number in line on our website. Out-of-state clients, allow extra time for mail delivery or pay \$35 to have us overnight your returns.

We look forward to preparing your 2022 tax return. Join our M-K Tax Workshop conference call on 1/24/22 (see the "Speaking Calendar" page of our website for details). Please continue to demand and vote for smaller government and lower taxes. It benefits all of us. Thank you for your repeat tax business! God bless you and God bless America!

Sincerely,

Jeffrey C. Peterson, President
TAX PREP FINANCIAL SERVICES

TAX NOTICE!!

BE SURE TO ANSWER THE QUESTIONS ON OUR DATA-ITEMIZER REGARDING VIRTUAL CURRENCY AND EIP3 STIMULUS. *Please read this notice thoroughly for the following tax law changes that may affect you:*

1. Although the Tax Cuts and Jobs Act (TCJA) of 2017 reduced the federal penalty to \$0 for not having health insurance within the Affordable Care Act (ACA) of 2010 (Obamacare), **clients who received health insurance subsidies through the Marketplace Exchange or those living in a state that has a state income tax must still complete the Healthcare Coverage Questionnaire and submit it, and Forms 1095, to our office.**
2. The standard deduction increased to \$12,550 for Single and \$25,100 for MFJ, with an additional deduction of \$1,700 for Single and HOH filers and \$1,350 for MFJ, MFS, and QW filers who are over 65 or blind.
3. For 2021 only, the American Rescue Plan (ARP) Act of 2021 expanded the child tax credit (CTC) to include 17-year-olds and increased it from \$2,000 to \$3,600 per child under age 6 and \$3,000 per child ages 6-17. The "other dependent" credit remained unchanged at \$500. The increased amount (\$1,000 or \$1,600) begins to phase-out at \$75,000 for single filers, \$112,500 for HOH, and \$150,000 for MFJ and QW, and once the increased credit amount is fully reduced, the regular \$2,000 credit begins to phase-out at \$400,000 MFJ and \$200,000 all others. Eligible amounts vs. amounts already received through CTC advances must be reconciled on the 2021 tax return, with any underpayments being credited and **OVERPAYMENTS BEING REPAID BY THE TAXPAYER** on the return.
4. Also, for 2021 only, the child and dependent care eligible expense limit increases from \$3,000 to \$8,000 for one and from \$6,000 to \$16,000 for 2 or more eligible children. Moreover, the max. credit rate increases from 35% to 50%.
5. **For 2021 and 2022, business meals at or from (takeout or Grubhub) a restaurant are 100% deductible.**
6. Congress made permanent the deduction for medical expenses exceeding 7.5% of your Adjusted Gross Income.
7. The adoption credit increased to \$14,440 for 2021; adoptive parents can take up to \$5,000 per taxpayer per child in penalty-free distributions from an IRA to pay for the birth or adoption of a child; and they can be re-contributed.
8. For 2021 IRA contribution limits remained at \$6,000 for taxpayers under age 50; and \$7,000 for those 50 and older. **The age you must start taking required minimum distributions (RMD) was raised to 72, and THERE IS NOW NO AGE LIMIT FOR CONTRIBUTING TO AN IRA.**
9. For 2021 the standard mileage rate is \$.56 per business mile driven; \$.14 for charity; and \$.16 for medical/moving.
10. The standard meal allowance stayed at \$55/day, increasing to \$59 on 10/1/21, when away from home on business.
11. The gift tax exclusion (the max. amount you may give to any one individual in a year without having to file a gift tax return) for 2021 is \$15,000. A husband and wife can give \$15,000 each, \$30,000 total, to the same person.
12. **If you were a 2008 first-time homebuyer who received the first-time homebuyer's credit, you must notify us of that fact so that we can compute the amount of the credit you must repay (in the form of additional tax) each year.**
13. Note that you must provide us a Form 1098-T from the educational institution in order to claim the American Opportunity tuition tax credit. If there is an amount in Box 2, compare it against what you **ACTUALLY PAID.**
14. **The IRS has a new Form 1099-NEC to be used for nonemployee compensation, instead of Form 1099-MISC.**
15. **Starting in 2022, credit card sales of \$600 or more – even if on eBay – will trigger a Form 1099-K. Also, if you receive a Form 1099-K from a merchant, only report the amount that represents business revenue.**
16. **Business owners, a new filing requirement to report to the Financial Crimes Enforcement Network (FinCEN) the name, address, DOB, & driver's license number of all beneficial owners or pay a \$500/day fine is coming.**
17. Self-employed taxpayers may be able to claim a Sick & Family Leave credit if unable to work due to COVID-19.
18. The threshold for required tax withholding and wage reporting on household employees is \$2,300.
19. The standard charitable deduction remains at \$300 for Single filers and \$600 for MFJ
20. Any single non-cash charitable contribution of \$250 or more requires a letter from the non-profit organization.
21. Virtual currency (Crypto) is treated as property for federal tax purposes, for which **YOU MUST** track your basis. If you sold or exchanged Crypto for other property (including goods or other Crypto), then treat it as a sale for which gain/loss **MUST BE** recognized on the tax return. If you were gifted Crypto, then your basis is the donor's basis plus any gift tax the donor paid on the gift. If you received new Crypto following a hard fork, your basis in the new Crypto is the amount included in income from that hard fork event. Mining Crypto is a business, subject to S-E tax.