

# Tax Facts News



*Please don't wait until the last minute! Schedule your appointment today.*

## Another Pandemic Year

The Treasury Department is warning taxpayers to **brace for a turbulent tax-filing season**. Oh really?! Don't you mean ANOTHER, er, a third? It seems the more \$\$ we throw at the IRS, the worse their service gets, and then they tell Congress they need EVEN MORE \$\$ to improve their terrible customer support. And Congress gives it to them! (aarrgg!)

I urge everyone to go to our website [www.taxfacts.com](http://www.taxfacts.com) and read the article "A Pandemic Year in Review" from our [2021 Newsletter](#) (last year's) once again to remind you of the **Tax Law changes that happened in 2020**. I'm here to tell you that it hasn't gotten any better! All these mega-bills in 2020 and 2021 were designed to help American households and businesses get through the pandemic without the whole country repeating the 1930s. FYI, a mega-bill is one that is too big to read before the vote, so all those hidden gems become known after the law is already in place. **Every one of these new laws affect your taxes!** Just *some* of the tax consequences for 2021 are listed on page 2 of this newsletter...

Meanwhile, the "2 weeks to flatten the curve" has turned into 2 years, and we still need to be concerned about COVID (sigh). Last year went pretty well with many of you opting to do your taxes with us remotely, and we recommend that again this year (not that we don't like seeing all of you!). **We will be limiting office appointments and expect preparers' schedules for in-office visits to be tight, so please schedule early.**

I sent out Organizers last week. Let me know if you need help gathering your tax documents or have any other questions.

– *Clint Tokash*

## Did You Know?

- The monthly (ACTC) checks the gov't sent you this year were an advance and will affect your tax return.
- **Unemployment** received in 2021 is fully taxable!
- **DOT drivers** can deduct 100% of per diem for 2021/2022.
- Entertainment and recreation are no longer a **business deduction**.
- Your dependent must have a social security # for you to get the **Child Tax Credit**.
- If you work for a company (W-2 income), you can't deduct a **home office** even if you work from home.
- If you are a **teacher**, you can include PPE in your \$250 "off-the-top" deduction.
- You cannot deduct a **casualty loss** unless it happened in a FEMA Disaster Area.

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Our 2022 Tax Season hours will be:

Monday – Thursday	8:30–7:00
Friday	8:30–5:00
Saturday	8:30–2:00

Walk-ins are always welcome!

Drop-Offs are encouraged!

If you are a prior client and comfortable that your tax situation hasn't changed much, **you can use TeleTaxPrep to get us your tax information** and we'll have your taxes prepared in a few days. You can find useful forms at our [website](#) or call us for a personalized organizer.



## FYI for 2021 (2022)

- **Business Mileage rate** is \$0.56 (\$0.585)
- **Medical/Moving mileage rate** is \$0.16 (\$0.18)
- **Volunteer mileage for charity rate** is \$0.14 (\$0.14)
- **Contribution to an IRA max** \$6,000 (\$6,000)  
Increase to \$7,000 (\$7,000) if over age 50
- **Social Security Wage Max** is \$142,800 (\$147,000)
- **ACA Max Penalty** is \$0 (\$0)

# The Sharing (GIG) Economy

The IRS is cracking down on **self-employed people that use the internet and delivery apps to conduct business**. IRS calls it the Sharing or GIG Economy and according to 2019 statistics close to \$70 Billion go unreported each year. This is the fastest growing segment of the economy. In order to force a higher level of compliance, Congress has passed several laws to close the gap. Beginning in 2021, on-line vendors must issue statements (1099-K) for anyone who receives \$600 or more through them. (The former law was \$20,000 or 200 transactions). **If you sell services or products on the internet, you should expect to see 1099-Ks from Etsy, Paypal, Ebay, Amazon and others. If you accept credit card payments for your product or services, you will also get a 1099-K from each credit card processor.** We've found that these 1099-Ks are often incorrect but bring them in and we'll help you sort it out.

## So, are you part of the GIG Economy?

You can be part-time, full-time, or occasionally. You could have a full-time job and drive **Uber** or **Lyft** on the weekends. You might have a full-time job and **make jewelry** in the evenings. You might be out of work and offer yourself for home repairs. Unlike a pizza delivery person who goes to the pizza shop to pick up a delivery order, your **contact is through email or text** arranged at a website. **For tax purposes, you are self-employed and will owe income tax, social security and medicare tax on your profit.**

## What can you deduct?

Regardless of how big or small your business is, **you can deduct all the expenses** of an on-going business plus the fees charged by the web host. Our **website** has a list of common deductions. It is important that you keep a list of income and expenses plus the backup receipts. Keep in mind that **you are in a "higher risk of audit" group** (yay you!). Should IRS examine your return, they will expect to see a set of books for your business.

## 1099-K issues

Businesses who take credit card payments from customers have been receiving 1099-Ks for several years but with the amount lowered to \$600 per year, I expect to see **unsuspecting people caught in the net**. For example: what if you sold your beanie baby collection or your exercise equipment on ebay? Ebay will send you a 1099-K. Remember that **every statement issued to you also goes to the IRS**. The IRS computer treats every 1099-K the same way, so you are going to have to explain on your tax return why it isn't taxable.

# Tax Law Changes for 2021

## December 2020: The Consolidated Appropriations Act (CAA)

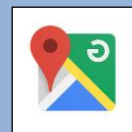
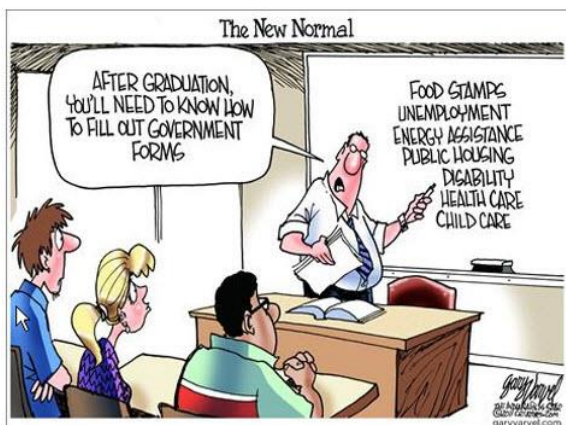
- **Teachers** can deduct the cost of masks and other health items (PPE) as part of the \$250 teacher credit.
- **Sick pay/family leave** rules are extended to 2021
- **Donations** up to \$300 (S) or \$600 (MFJ) can be deducted on the return **without itemizing**.
- Clarification that **Business PPP loans** are NOT to be included in income and do not deduct from expenses. **IRS HATES THIS!**
- Businesses can deduct 100% of **meals** as long as the meal was prepared in a restaurant for eat-in or take-out. The same rules for what is deductible apply.

## March 2021: The American Rescue Plan Act (ARP)

- **Stimulus (3)** of \$1400 per person and dependents **regardless of age** approved.
- Payment cards and Third-Party **transactions (Paypal, eBay, Venmo, etc as well as credit cards)**: reporting requirement is lowered from \$20,000 per person per year to \$600. (1099-K to be issued)
- Disqualifying investment income for **Earned Income Credit (EIC)** purposes is increased to \$10,000.
- **(2021 only)** Qualifying age for **EITC** is lowered to 19 and age 65 limit is removed.
- **(2021 only)** **Child and Dependent Care** is increased to \$8,000 for one person or \$16,000 for 2 or more dependents. Qualifying Income limits are greatly expanded.
- **(2021 only)** **Child Tax Credit (CTC)** increased to \$3,000 per child under age 18. Add \$600 if child was under 6 on Dec 31, 2021. Income phase-outs apply but have been expanded so more people qualify.
- **(2021 only)** Half of **CTC** to be paid in advance starting July 2021. Advance payments (ACTC) will be reconciled on 2021 tax return.
- **(2021 only)** There is a Safe Harbor for taxpayers who receive too much advance **ACTC**. The overpayment does not have to be paid back.
- **Business: Net Operating Losses (NOL)** 100% can be carried back 2 years and then forward.

## November 2021: Infrastructure and Investment Jobs Act (IIJA)

- Effective after Dec 31, 2023 **Cybercurrency Companies / operators** are defined as "Brokers", requiring them to issue 1099-B statements reporting buys/sales and **file IRS Form 8300, Report of Cash Payments over \$10,000 Received in a Trade or Business**.



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