

# Tax Facts News



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

## Pandemics End, Taxes Don't

The IRS is back post-pandemic, and better funded than ever! And they're going to go after the *wealthy* to pay their *fair share*! Don't worry, they promise not to target anyone earning less than \$400k per year. Yeah, right. With that in mind, we are partnering with **Protection Plus** this year, a company that specializes in dealing with tax problem resolution as well as ID Theft. Not that we aren't great (duh!), but Protection Plus has full-time experts who do nothing but deal with IRS problems. Wow, and you thought you hated your job!

We are also welcoming **Judy Bennett** to our staff. She is a CPA with decades of tax experience and will be handling some of our more complicated "drop-off" clients along with Dalila and the rest of the team. Penny is taking yet another step back (she's been "retired" for years now!) and will only be providing guru assistance as needed. Rest assured, you're still in very good hands!

Many of you prefer to do your taxes with us remotely and have gotten used to using our **SecureFilePro** portal (eTaxPrep aka TeleTaxPrep) for sending/receiving documents as well as signatures and payments. Well, now **there's an app for that!** I kinda prefer using a PC myself, but I remember when "dialing a phone number" really meant dialing! Phones had an actual rotary dial ... never mind. Just go to your **Apple** or **Google** app store if you're a phony. Heh, an unintentional dad pun!

I sent out **Tax Organizers** about a week ago. Let me know if you need help gathering your tax documents or have any other questions.

– *Clint*

## Did You Know?

- The **Standard Deduction** for a **married couple** is \$25,900 (\$28,700 if both over age 65 or blind).
- **DOT drivers** can deduct 100% of per diem for 2022.
- Entertainment and recreation are no longer a **business deduction**.
- Your dependent must have a social security # and be under 17 for you to get the **Child Tax Credit**. The Child Tax Credit is \$2000 for 2022.
- 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 up to \$300 as an "off-the-top" deduction.
- You cannot deduct a **casualty loss** unless it happened in a FEMA Disaster Area.

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Our 2023 Tax Season hours will be:

Monday – Thursday	8:30–6:00
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 eTaxPrep 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 2022

- **Business Mileage rate:** \$0.565 until 7/1 then \$0.625
- **Medical/Moving mileage rate:** \$0.18 until 7/1 then \$0.22
- **Volunteer mileage for charity rate:** \$0.14
- **Contribution to an IRA max:** \$6,000  
Increase to \$7,000 if over age 50
- **Social Security Wage Max:** \$147,000



## Are you audit-proof?

If the thought of a **letter from the IRS** sends *chills* down your spine, you aren't alone! So how can you be sure that it will *never* happen to you? There are two schools of thought about that, but assuming that you would rather "*play it safe*" than "*push the envelope*", are there precautions you can take when you file your taxes that will keep your return free from scrutiny? Not really.

**Some of the things you think will keep you safe from notice may actually get you audited.** Why?

The IRS processed 164 million tax returns in 2021. Multiply that by 50 years or so and they have about 8 trillion tax returns' worth of data they can use to draw conclusions. IRS KNOWS the average amount of contributions someone earning \$50,000 a year makes. They KNOW the average number of miles a self-employed plumber drives during the year. All that data is in the IRS computers. **When you file a tax return, the IRS computers compare your return to the averages.** If there is something on your return outside the average, the computer sends the return to an IRS person to look for answers. If the answer isn't apparent, you get a letter. (If the agent is having a bad day, you get a letter). So, **other than the luck of the draw, what may trigger an audit?**

**1. Unreported W-2s and 1099s.** If you got a form (or should have), a copy also went to the IRS. Even if you don't owe anything as a result, **DO NOT LEAVE IT OFF YOUR RETURN!**

**2. Your occupation.** Occupations that deal mainly in **cash sales** (pawn shops, junkyards, pizza delivery, wait staff) are looked at more closely at the IRS.

**3. Child Tax Credit.** In particular, IRS looks at **single men who claim young children** living in the household.

**4. Cyber-Currency.** If you are trading in **virtual currency**, IRS is looking at your return.

**5. Possible error on the return (EXAMPLE).** The day care credit is limited to children age 12 and under, but it is also available for your disabled dependent. If you claim daycare for your 15 year old but don't tell the IRS that child is disabled, you will get a letter.

**6. Unanswered Questions.** Take a close look at every item you list on your tax return. Does it leave an unanswered question? If so, where is the place on the return to give IRS the answer? In the day care example above, there is a checkbox when you listed your dependents to tell IRS your dependent is disabled. Skipping the checkbox will get your return looked at and probably trigger a letter.



"My accountant says this is the best way for me to avoid paying taxes until he comes up with a better plan."

## Tax Law Changes for 2022

IRS is a collection agency whose sole job is to collect money to keep the federal government running. As the government spends more and more, the IRS is tasked with increasing the money it collects.

IRS told the administration that there is about \$600 Billion of unreported income (Tax Cheats) out there and Washington wants that money! so Congress advanced **\$80 Billion to Funding the IRS and Improving Taxpayer Compliance** in the Inflation Reduction Act.

57% of this funding is for hiring 87,000 new IRS agents and for enforcement, criminal investigation, legal and litigation costs.

I do not, for even a nano-second, think the IRS will skip anyone making less than \$400,000 per year!

### Changes that affect your 2022 Tax Return:

- **Teacher expense** credit is Up to \$300 and can include masks and other PPE items.
- Businesses can deduct **100% of meals** as long as the meal was prepared in a restaurant for eat-in or take-out. Pre-packaged food items are the usual 50%. The rules for what is deductible apply.
- Payment cards and third-party transactions (**Paypal, Venmo, Cash App, Apple Pay, eBay, etc as well as credit cards**) reporting requirement is lowered from \$20,000 per person per year to \$600 starting on Jan 1, 2022. IRS suspended this requirement for 2022, but it has not gone away!
- **Energy Efficient Home Improvement Credit** is extended through December 31, 2022, but is limited to \$500 lifetime.
- **Child Tax Credit** has reverted back to pre-pandemic amount of \$2,000 per dependent under the age of 17.
- **Child and dependent Day Care** is \$3,000 for one child/\$6,000 for two or more.
- No deduction for **donations** made in 2022 unless you itemize.
- **Earned Income Credit** for those with no children is limited to age 25-65

### You should know for 2023:

- **Residential Energy Tax Credit is renamed the Energy Efficient Home Improvement Credit**, extends the credit through 2032, and increases the amount of the credit beginning in 2023. The new credit can apply to ANY personal residence you own located in the US.
- The age when you have to start taking a **Minimum Required Distribution** increases to 73 starting January 1, 2023.
- **Cybercurrency** Companies/Operators are required to issue 1099-B statements of buys and sales and file IRS Form 8300: Report of Cash Payments over \$10,000. Since this is a Red Flag issue, start the year off right and keep good records!

