

Benson Tax Notes

www.bensontaxservice.com

860-429-1001

January 2022

IRS LETTERS THAT MUST BE SAVED & BROUGHT

LETTER 6475 &/or 1444-C Stimulus #3

This month the IRS will send letter #6475 &/or 1444-C to tell you how much you received for Stimulus #3.

Stimulus #3 was \$1,400 per person and started being received April 2021. The stimulus is NOT taxable. It is a tax credit, estimated on your 2019 or 2020 income. However, your 2021 income is what determines the correct amount of stimulus for you.

If you received less than your correct amount, we ask for the difference on your 2021 tax return. However, I must include the amount you actually received on your return. If we report the wrong amount, it will hold up your refund for many months.

LETTER 6419 Advance Child Tax Credit

Also this month the IRS will send letter #6419 to all who received some advanced child tax credit telling you how much you received.

In summer I recommended you opt-out of this credit so you can get the correct credit on your 2021 taxes.

Unlike the stimulus payments, if you received too much of this child credit, **you do end up paying it back.**



Nitsa's Notes:

We are saying goodbye to another difficult year. Many of you have lost loved ones, others have seen your income diminish. Uncertainty is stressful. I will try my best to keep up with constantly changing tax laws in order to help ease any stress from your income taxes.

Last year was also extremely difficult tax-wise. Laws changed mid-stream. Some of you are still waiting for your 2020 tax or amended returns to be processed. The IRS is still backed up.

If you are waiting for a tax return to be processed, or have any outstanding issues with a previous year, please let me know so that I can try to help.

For 2021 we will again see issues, especially with stimulus #3 and with the advanced child tax credit. I must know what you received in order for the IRS to process your return in a timely fashion.

God's blessings to you all,

Xlita



How do we meet?

If you are healthy and wish to meet in person, masked, I am open to that since we are triple vaccinated. Otherwise, feel free to snail mail me your complete tax papers, or drop them off. I can meet you in front of the garage to receive them. Do not email documents, and please include ALL documents, IRS letters, and completed organizer.

Make sure you include current telephone numbers and emails so that I can contact you with questions.

Deadline for appointments:

Contact me before the end of March if you wish to have your taxes prepared by April 15th. As always, I prefer no extensions.

Marketplace Health Insurance

If you obtained health insurance from the Healthcare Marketplace, include **Form 1095-A** with your papers.

Correct Withholding

In order for us to make sure your withholdings are adequate, please print and bring a recent normal paystub from 2021 for every source of income into your household.

Advanced Child Tax Credit

At this point, the child tax credit drops to \$2,000 for 2022, unless new laws pass. Those who received advanced child tax credit may find you did not have enough taxes withheld from your income.

E. Nitsa Benson, EA, MS
(Enrolled to Practice before the IRS, Master of Science)

Benson Income Tax Service

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Social Security/Medicare

For 2022:

- Wages subject to Social Security: \$147,000/yr.
- Wages subject to Medicare tax: No ceiling
- Earnings needed/quarter of coverage: \$1,470/quarter
- Max earnings before full retirement: \$19,560/yr.
- Medicare premiums for new enrollees: \$170.10/month, minimum, \$578.30/month maximum.
- Additional Medicare taxes: 0.9% on wages over \$250,000
3.8% on investment income

If your retirement income will drop substantially, contact Social Security to fill out paperwork to lower your Medicare premiums.



Retirement Contribution

Elective limits:

| | 2021 | 2022 |
|------------------|--------|--------|
| Traditional IRAs | 6,000 | 6,000 |
| Roth IRAs | 6,000 | 6,000 |
| Catch-up for 50+ | 1,000 | 1,000 |
| 401k & 403b | 19,500 | 20,500 |
| Catch-up for 50+ | 6,500 | 6,500 |
| Simple plans | 13,500 | 14,000 |
| Simple catch-up | 3,000 | 3,000 |

IRA contributions are limited by income. Excess withdrawals must be made by April 15th.



Health Savings Accounts

If you personally contribute additional money to your HSA, please let me know and we will make it non-taxable.

Please print and bring both forms:

Form 5498-SA
Form 1099-SA

Contribution limits for eligible high deductible health insurance plans (2022: \$7,050 self, \$14,100 family):

| | 2021 | 2022 |
|------------------|-------|-------|
| Single | 3,600 | 3,650 |
| Family | 7,200 | 7,300 |
| Catch-up for 55+ | 1,000 | 1,000 |

Mileage Allowance

Please note year-end odometer readings.

Self employed individuals: please bring your business mileage logs.

Mileage allowances (cents per mile):

| | 2021 | 2022 |
|----------|------|------|
| Business | 56.0 | 58.5 |
| Medical | 16.0 | 18.0 |
| Charity | 14.0 | 14.0 |



Business Meals

Please list the number of nights spent in each city for business. Note arrival and departure times from home for first and last day. I will then find the meal allowance for that city.

Business meals at restaurants are 100% deductible in 2021 and 2022.

Business Owners:

File 1099-NEC or 1099-MISC

You must issue a 1099-NEC for services, and a 1099-MISC for rent, to anyone you pay \$600 or more, unless they are a Corporation. Penalties for not doing this are high.

I stock blank 1099-MISC, 1099-NEC and 1096 forms. If you would like them prepared, please let me know well before the January 31 deadline for filing.

Business Organizer

Business owners, the **Business Organizer** is available on my website. Please use it, or a similar report (like Quicken), that clearly shows income and expenses.

All Income is Reportable

- ◆ Deal with virtual currency?
- ◆ Started a new business?
- ◆ Renting out a room?
- ◆ Driving passengers for pay?
- ◆ Landscaping for neighbors?

All income is reportable, and taxable unless the law says it is not. Please report all income to me so that we can file your tax returns correctly.

Foreign Accounts

FinCEN Form 114, FBAR.

Foreign bank accounts that exceed \$10,000 must be disclosed on Schedule B, and on FinCEN Form 114 (FBAR), or pay penalties.

Form 3938. Foreign assets over \$50,000 must be disclosed on Form 3938 to avoid a \$10,000 penalty.

Mortgage Interest

If you bought a home or refinanced existing loans, please bring all closing (disclosure) statements.

Home equity loans are not deductible unless used for the purchase or improvement of the home.

Mortgage interest is deductible for up to \$750,000 in mortgage loans.



Debt Forgiveness, Credit Card Restructures

If you have cars repossessed, credit cards forgiven or restructured, or if you walk away from your house, chances are you had debt forgiven. Amounts forgiven may be taxable.

Please make me aware of any such situation, and include in your tax papers all 1099A or 1099C forms.



Gift & Estate Limits

The person donating anything (including a home) that is worth more than \$15,000 is responsible for filing a gift tax return.

If you have given any one person more than \$15,000 worth of cash, car, home etc., please let me know so that we can file a gift tax return for you.

Federal Gift and Estate Limits:

| | 2021 | 2022 |
|------------|------------|------------|
| Gifts | 15,000 | 15,000 |
| Estates | 11,700,000 | 12,060,000 |
| CT Estates | 7,100,000 | 9,100,000 |

Custodial Parent

For tax purposes, the custodial parent is the parent with whom the child spends more than half the nights in a year, despite what the divorce decree says.

A custodial parent can assign the dependency to the non-custodial parent by signing Form 8332.



Proof Needed

The IRS requires proof for certain credits and claims. I need to keep that proof in my files to avoid fines.

Please include written proof with your papers for:

- ◆ **Child Tax Credit**
For children less than 18 year old, current document showing child's name and your address.
- ◆ **American Opportunities Credit**
Form 1098T and tuition bills.
- ◆ **Earned Income Tax Credit**
Current document showing child's name and your address, and list dates child lived with you.
- ◆ **Head of Household**
Who else lives in your home, their income, how support is provided.



College Expenses

Student Loan Interest up to \$2,500 can be deducted if taxpayer is liable for the loan. Phases out by \$85,000 Single, \$170,000 Married.

The two credits below phase out by \$90,000 Single, \$180,000 Married. Bring 1098Ts and tuition bills.

American Opportunity Credit up to \$2,500 per student for tuition, fees, books, for first four years of college.

Lifetime Credit of up to \$2,000 per tax return, for tuition and fees.

College Savings (529s)

Contributions to your state's 529 plans may give you a state tax benefit.

Connecticut does give a nice credit. It reduces your CT taxable income, up to \$5,000 for singles and up to \$10,000 for married couples.

Please inform me of any such contributions, and bring the proof.

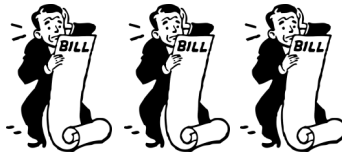
Identity Protection Pin

All taxpayers can now apply to the IRS for a six digit Identity Protection PIN (IP PIN) for their federal tax return to help protect against others filing using your social security number.

It is not an easy process since you have to validate your identity.

Apply at: www.irs.gov/GetAnIPPIN.

If you receive such a PIN, please let me know. We cannot file your federal return without it.



Unemployment Income

Many of you have received unemployment compensation this year. So far, it is taxable in 2021. Unemployment only withholds 0% or 10% federal tax. This will most likely not be enough tax withheld, so be prepared.

Please include your unemployment benefits statement with your papers.

You may have to go on line to print out your unemployment statement.



Gambling Win/Loss

All gambling winnings must be reported whether you did or did not receive an income statement.

Please bring your gambling logs and casino win/loss statements.

Recent Changes

Mortgage Insurance Premiums
Extended through 2021.

Energy Credits for windows, doors, etc. unless you already reached the \$500 credit limit, through 2021.

Discharge of Debt Forgiveness on primary residence, through 2025.

Solar & Similar Credits is 26% for 2021 and 2022, 22% for 2023.



Charitable Donations

In 2021, even if you do not itemize, all can deduct up to \$300 of money donations to charity. Married couples can deduct up to \$600.

Medical Threshold

Stays at 7.5% of income.



Teacher Expenses

Up to \$250 of teacher, professional and PPE expenses, permanently.

RMD age is 72

Required Minimum Distributions (RMDs) from retirement accounts and IRAs now start at age 72.

Donations from IRAs

At 70.5 years old, IRA distributions up to \$100,000 per year are not taxable if contributed directly to qualified charities.

Contributions to IRAs

If you still work after 70, you can contribute to an IRA.

On a Sad Note...

Over his 13 years, many of you have kindly brought goodies, asked about, and petted our border collie Teddy. Alas, Teddy is not with us any more.



CONNECTICUT NEWS & REMINDERS

Keeping Retirees in CT

ONLY FOR

Singles with AGI of less than \$75,000
Couples with less than \$100,000:

1. Social Security benefits

will not be taxable on your Connecticut return.

2. Pensions & Annuities (not IRAs)

For 2021, 42% not CT taxable
For 2022, 56% not CT taxable
For 2023, 70% not CT taxable
For 2024, 84% not CT taxable

3. IRAs (this is new)

For 2023, 25% not CT taxable
For 2024, 50% not CT taxable and so on

Retired Teachers (not subject to income limit)

A portion of pensions received from the CT Teachers Retirement system is excluded from CT tax.

For 2021, 50% not CT taxable

Property Tax Deduction

Extended for 2021 and 2022, the property tax deduction of \$200 is available. However, it is only for taxpayers 65 & over, and to anyone with dependents.

Sales Tax for Out-of-State Purchases

All states require you to pay sales tax on anything purchased out-of-state, that has not already been taxed. This is handled on your state return. Please supply a list of such purchases.

Earned Income Credit

This has increased to 30.5% of the federal credit.

Retired Soldiers

100% of military retirement income continues to be tax exempt for CT. Widows/widowers receiving survivor benefits also qualify for this exclusion.



Please: Call Early for Appointment ~ Read Newsletter
Complete Organizer and include with your papers
Do not send sensitive documents by e-mail
Print and bring/mail all documents



E-mail and Phone Scams

The IRS never initiates contact with you via e-mail or by telephone.

Any e-mail, however sophisticated, informing you of a refund or seeking any personal information is a scam.

Any telephone call from the 'IRS' is suspect unless you are already in dialogue with the IRS due to previous authentic correspondence from the IRS.

Do not open or respond to any such emails or phone calls.

Never click a link in any email. If you are not sure, call the office first to see if your IRS communication is genuine.

At the IRS's website, www.irs.gov, there is information on how to handle such scams.

Privacy Policy

The policy of Benson Income Tax Service is to handle all information you provide us with utmost care, and to hold it in the strictest of confidence. We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted or required by law.

If you wish any such information to be disclosed to anyone, such as a financial advisor, bank representative or relative, a signed **Disclosure** Form, available on our website, must be received by the office ahead of time.

IRS: 800-829-1040 www.irs.gov
CT DRS: 800-382-9463 www.ct.gov/DRS

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