

Benson Tax Notes

www.bensontaxservice.com

860-429-1001

January 2023

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.

No Stimulus or Advances

For 2022 returns there are no stimulus or advanced child tax credits for us to resolve on your tax returns. Therefore, we are not expecting any letters from the IRS.

Form 1099-Ks are coming

1099Ks report any money you received, of \$600 or more, from a third-party processor such as PayPal. Reporting has been postponed to 2024, but you may still receive some this year. If you do, add them to your tax papers and tell me what you sold. We must not ignore 1099-Ks.

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, excluding corporations. 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.



Nitsa's Notes:

It is hard to believe 2023 is here. I know 2022 was hard for many of you. Hopefully tax filing will not add to your stress.

Just a heads up that your refunds may be less this year. In 2020 and 2021 several temporary law changes resulted in unusual tax savings in an effort to help you through the pandemic. These are now gone.

On a positive note, energy credits will be with us for a few years. They are substantial starting in 2023. Don't lose out on saving energy and taxes. See page 3.

Please read this update. Chances are, several matters pertain to you. As you become better prepared tax-wise, it is less likely we'll miss something important.

May God bless you and yours,

Xlitsa



How do we meet?

In person: Please call early for an appointment. If you are sick, please postpone. Feel free to wear a mask, and if you wish me to also wear a mask, let me know.

Drop off: Let me know you are coming and I'll receive your papers. Make sure your packet is complete.

Snail mail: You are welcome to mail me your complete tax papers. Make sure you include current telephone numbers and emails so that I can contact you.

No E-mail of documents: Please give me hard copies of documents unless I agree ahead of time.



Recent Changes

Mortgage Insurance Premiums
PMI is no longer deductible.

Teacher Expenses
Up to \$300 of teacher expenses.

Charitable Donations
The \$300 & \$600 charitable donations deduction on the front of the 1040 are gone. Now all donations are reported on Schedule A.

RMDs for Retirees
The age one must start taking IRA or 401(K) or 403(b) distributions is now 72 years old. Anyone born after 1951 has to start distributions at age 73.

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

Benson Income Tax Service

860-429-1001

18 Ridgewood Rd, Willington, CT 06279

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Social Security/Medicare

For 2023:

- Wages subject to Social Security: \$160,200/yr.
- Wages subject to Medicare tax: No ceiling
- Earnings needed/quarter of coverage: \$1,640/quarter
- Max earnings before full retirement: \$21,240/yr.
- Medicare premiums for new enrollees: \$164.80/month, minimum, \$560.50/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:

	2023	2022
Traditional IRAs	6,500	6,000
Roth IRAs	6,500	6,000
Catch-up for 50+	1,000	1,000
401k & 403b	22,500	20,500
Catch-up for 50+	7,500	6,500
Simple plans	15,500	14,000
Simple catch-up	3,500	3,000

IRA contributions are limited by income. Excess withdrawals must be made by April 15th, 2023.



Health Savings Accounts

Contribution limits :

	2023	2022
Single	3,850	3,650
Family	7,750	7,300
Catch-up for 55+	1,000	1,000

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

Mileage Allowance

Please note year-end odometer readings.

Self employed individuals: please bring your business mileage logs.

Mileage allowances (cents per mile):

	2023	Jan 2022	Jul 2022
Business	65.5	58.5	62.50
Medical	22.0	18.0	22.00
Charity	14.0	14.0	14.00

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 2022, 50% in 2023.

All Income is Reportable

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

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.



Correct Withholding

The IRS and CT have been changing W-4 withholding forms, and adding new ones, like the W-4R. Let me make sure your withholdings are OK.

Please print and bring a recent, normal paystub from 2022 for every source of income into your household.

Marketplace Health Insurance

If you obtained health insurance from the Healthcare Marketplace, include **Form 1095-A** with your papers. If we file your taxes without the 1095-A, the IRS will reject your return.

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 Payments

- Mortgage Insurance Premiums are no longer deductible.
- If you bought a home or have re-financed, please bring all closing (disclosure) statements.
- Home equity loans are not deductible unless used for purchase or improvement of your home.
- Mortgage interest is deductible up to \$750,000 in mortgage loan.

Form 1099-A and 1099-C

Credit card forgiveness or restructuring, house repossession and other loan forgiveness may result in debt forgiveness.

Amounts forgiven may be taxable. You may receive 1099-A and/or C. Include these in your tax documents.



Gift & Estate Limits

The person donating anything (including a home) that is worth more than \$16,000 is responsible for filing a gift tax return.

If you have given any one person more than \$16,000 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:

	2023	2022
Gifts	17,000	16,000
Estates	12,920,000	12,060,000
CT Estates	11,400,000	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 under 17 year old, current document showing child's name and your address.

◆ 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.



Dependent Care Credit

If your employer offers you a dependent care benefit through payroll, do seriously look into it. It can be a great tax savings for you. And it is not subject to social security/Medicare withholding.

You do need to prove you use this benefit for qualified child care while you work.

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.

College Expenses

The two credits below phase out by \$90,000 Single, \$180,000 Married.

* Bring 1098-Ts and tuition bills *

You may have to ask your student to supply these for you.

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 gives 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

If you have applied for or have been issued an Identity Protection PIN in the past, please let me know your 2023 IP PIN. We cannot file your federal return without it.

All taxpayers can apply to the IRS for a free IP PIN to protect against others filing on your social security number.

Apply at: www.irs.gov/GetAnIPPIN.

IRAs

Inherited IRAs

Now inherited IRAs have new rules. Unless the person inheriting the IRA is a spouse, is underage or is a special needs individual, all IRA distributions must be withdrawn within 10 years following year of death.

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. A great way to support your church or favorite charities.

Schedule K-1, K-2, K-3

Schedule K-1: You may receive Schedule K-1 forms from estates, trusts, partnerships, S Corporations, investment companies.

We need to incorporate these into your personal tax returns. Please make sure you bring the complete packet. The first page it not enough.

Schedule K-2 and K-3: These are now arriving with Schedule K-1s. If so, please include with your tax papers. We need the whole packet.

Energy Credits

To benefit from energy credits, you have to have federal 'tax liability'. That means the IRS will keep some of your money, either through payroll withholding, or you send money in. If you have no tax liability, then you cannot get these credits.

Retirees, beware. Some of you pay no tax, thus cannot receive these credits.

2022 Energy Credits

The lifetime maximum of \$500 for 10% of windows, insulation, doors etc. is still in effect for tax year 2022.

For solar, the credit went from 26% to 30% retroactively.

2023 -2032 Energy Credits

Energy Efficient Home Improvement Credit, 30% of item.

Part 1

- \$1,200 yearly annual credit limit.
- Windows, doors, insulation, (materials only, and on your primary home). Has limits, must qualify.
- Furnaces, water heaters & central air. Has limits, must qualify. Labor, 2nd home installation included.

Part 2

- \$2,000 yearly annual limit for heat pumps & heat pump water heaters. Includes labor. Must qualify.
- Available for 2nd homes.

Residential Clean Energy Credit

30% of cost for Solar, Wind, Geothermal and more.

Electric Vehicles Credit

These must meet certain qualifications and your income must be below a set amount. Research this carefully, to make sure you qualify.

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 2022, 100% not CT taxable

3. IRAs

For 2023, 25% not CT taxable

For 2024, 50% not CT taxable and so on

Retired Teachers (not subject to income limit)

For 2022 and onwards, 50% of pensions received from the CT Teachers Retirement system are not CT taxable. Teachers can use either this or the 100% non-taxable if within the earnings limit.

Retired Soldiers

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

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### Property Tax Deduction

For 2022, the property tax deduction is \$300, and is available to everyone, subject to income limitations.

### 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.



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](http://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](http://www.irs.gov)**  
**CT DRS: 800-382-9463 [www.ct.gov/DRS](http://www.ct.gov/DRS)**

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