

2022 — 2023 GOODMAN'S TAX GUIDE

Celebrating Our ... **40th** Anniversary

1983 - 2023

January 3, 2023

Happy New Year and welcome to our **40th** anniversary celebration all tax season!! While the past 3 years have been quite challenging in all aspects of our personal and business lives, we all made it through to tackle another year.

Last tax season caught all of us behind the 8 ball, stressed and overwhelmed. Due to new tax challenges and workload; I would expect a backlog again but we do everything we can to provide "Excellence in Personal Service". The entire staff works long hours and at times, the mental health of the staff is most important for their families, work growth and of course our clients and friends.

We will, as always, assure you that our office is serious about our client and staff safety and health and will remain diligent on cleaning before and after all client appointments.

My health has had it's ups and downs all year but I am diligent on compliance with my health providers and Plan. Strong odors including second hand smoke have become strong irritants causing me allergic sinus symptoms. Please refrain from smoking immediately before coming in for your appointment.

Feeling better and maintaining my health is the main goal and I will continue to limit my "in office hours" to work at home and allow me time to rest, catch up, reflect and refresh for more workload that doesn't need an in-office appt.

We are doing what we can to accommodate **all** of our clients during this, my favorite time of the year! Your patience and understanding is appreciated as my medical Plan has been successful to this point and with your help, will remain so.

Please call the office to make your in-office appointment with Terri or Brit-tani. You can opt to drop off or if you wish to remit electronically, contact the office for a secure drop box link.

Please understand that the cost of doing business has risen for us with increased education costs, supplies, and staff costs as well as the IRS increased regulations and forms. We appreciate your understanding and continued support.

Terri

- All stimulus payments and credits have **EXPIRED**.
- Standard bsns mileage rate for **2022 Jan—June** is 58.5 cents per mile.
- Standard bsns mileage rate for **2022 July—Dec** is 62.5 cents per mile.
- **2023** standard bsns mileage rate is 65.5 cents per mile.
- **2022** Charitable "Cash" Contribution deduction for non-itemizers is **EXPIRED**.
- **2023** long term capital gains rates remain the same at 0%, 15% or 20%.
- All personal or bsns tax receipts **MUST** be retained.
- Business mileage logs are **REQUIRED** - we can't "dup" mileage driven from prior year.
- 100% bsns meals for **2023** has **EXPIRED**.

What's New in 2022

- * Mortgage Insurance (PMI) is no longer a Sch A deduction
- * You may only deduct qualified charitable contributions **IF** you exceed the standard deduction for your filing status.
- * The \$600 above the line charitable deduction for MFJ or Single returns has **EXPIRED**.
- * All contributions/donations must be receipted.
- * Married Filing Joint standard deduction is \$25,900
- * Single standard deduction is \$12,950
- * Head of Household standard deduction is \$19,400
- * 2022 CHILD is defined as "under age 17" not under age 18 for Child Tax Credit
- * Lifetime Learning Credit has decreased to \$1,000 from \$2,000



All 2022 tax returns **must** be in our office **BY MARCH 31, 2023** to assure timely filing. All returns thereafter will be put on an Extension Form 4868 for our client's protection.

Tips to Identify Scams BEFORE they Happen

Hints of a Scam:

- * Personal information is requested via email, social media or phone
- * The contact comes to you and not the other way around.
- * Emails ask you to "click" on something
- * You are asked to visit a website
- * Social media friend requests of people you already are friends with
- * Initial contact with "IRS" is anything other than mail.
- * You feel threatened and fear is used as a tactic against you.

You are a Target

If you fit into one of the following groups of people, your scam meter should go way up. Here are the groups most at risk for Identity Theft.

- * **ELDERLY:** High trust, generally less tech savvy
- * **STUDENTS:** Low income, high debt and lack of street smarts
- * **HEAVY SOCIAL MEDIA USERS:** More willing to give away their identity and to click on things such as games and quizzes, etc.



Non Bsns Energy Credits for Homeowners

Retroactive to 12/31/2022 / Main home only / No rental

Updates extended for 2023 - 2032

Under the Inflation Reduction Act of 2022, federal income tax credits for energy efficiency home improvements will be available through 2032. A broad selection of **ENERGY STAR** certified equipment is eligible for the tax credits. Independently certified to save energy, **ENERGY STAR** products are a smart investment for energy efficiency you can count on. Taking advantage of tax credits, along with any available **rebates**, is a good way to help make the transition to a clean energy future more affordable.

We have an exhaustive list in the office but **URGE** everyone to do their research and obtain certified documentation **BEFORE** purchase as all documentation must be presented and retained. All products must meet or exceed the highest efficiency. The credits are **not** REFUNDABLE but reduce your tax. **BE WISE!**

Heating and Cooling Tax Credits

Air Source Heat Pumps - 30% credit of job cost or \$2,000 maximum credit Central Air Conditioners—30% credit of job cost or \$600 maximum credit Hot Water Boilers—30% of job cost or \$600 maximum credit Biomass Fuel Stoves—30% of job cost or \$2,000 maximum credit. Furnace (nat gas, oil, propane) - 30% job cost or \$600 maximum credit.

Water Heating Tax Credits

Heat Pump Water Heaters - 30% job cost or \$2,000 maximum credit. Water Heaters (nat gas, oil, propane) 30% job cost or \$600 maximum credit.

Building Products Tax Credits

Insulation - 30% job cost or \$1,200 maximum credit. Window/Skylights - 30% job cost or \$600 maximum credit. Exterior Doors - 30% job cost or \$500 max credit for 2 door or more.

Residential Clean Energy Credits

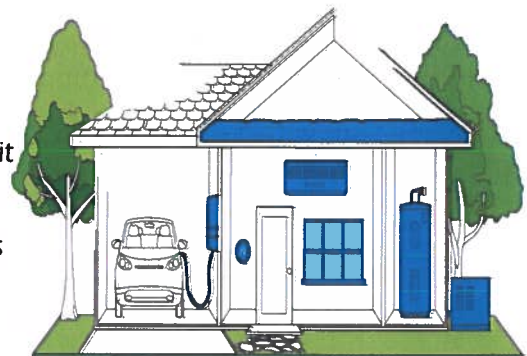
Geothermal Heat Pumps Small Wind Turbines Solar Energy Systems Fuel Cells Battery Storage Technology. - - - these credits change year by year. Do your research on the products as these are more expensive and range from a 22% to 30% credit of job costs.

Electric Panel Upgrade - For products purchased and installed between 1/1/2023—12/31/2032 - Credit is 30% of job cost or \$600 maximum credit.

Home Energy Audit Tax Credit - \$150 maximum credit

Always be sure you are an informed shopper as the sales people are merely there to sell the product and entice you to the "tax credits" when you "have to have a tax liability" to apply the credit to since this is **not** refundable dollars.

Also, these credits apply to your principal residence not business or rental property.



Credits for New Clean Vehicles Purchased in 2023 or After

If you buy a new plug-in electric vehicle (EV) or fuel cell vehicle (FCV) in 2023 or after, you may qualify for a clean vehicle tax credit. Find out if you qualify.

Who Qualifies

You may qualify for a credit up to \$7,500 under Internal Revenue Code Section 30D if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV). The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032.

The credit is available to individuals and their businesses.

To qualify, you must:

- Buy it new for your own use, not for resale
- Use it primarily in the U.S.

In addition, your modified adjusted gross income (AGI) may not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in 1 of the two years, you can claim the credit.

The credit is **nonrefundable**, so you can't get back more on the credit than you owe in taxes. You can't apply any excess credit to future tax years. You **can** apply the credit to the Dealer towards your down payment. Make a wise decision BEFORE you sign on the dotted line.



Qualified Vehicles

To qualify, a vehicle must:

- Have a battery capacity of at least 7 kilowatt hours
 - Have a gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer. See our [index of qualified manufacturers and vehicles](#).

FCVs do not need to be made by a qualified manufacturer to be eligible. See [Rev. Proc. 2022-42](#) PDF for more detailed guidance.

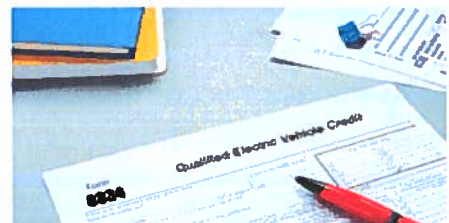
In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

MSRP is the retail price of the automobile suggested by the manufacturer, including options, accessories and trim but excluding destination fees. It isn't necessarily the price you pay.

You can find your vehicle's weight, battery capacity, final assembly location (listed as "final assembly point") and VIN on the vehicle's window sticker.

To check online if a specific vehicle meets the requirements for final assembly location, go to the Department of Energy's page on [Electric Vehicles with Final Assembly in North America](#) and use the VIN Decoder tool under "Specific Assembly Location Based on VIN."





Beneficial Ownership Information Reporting

The **Corporate Transparency Act (CTA)**, part of the Anti-Money Laundering Act of 2020 establishes uniform beneficial ownership information reporting requirements for certain types of corporations, limited liability companies, and other similar entities created in or registered to do business in the United States.

The CTA authorizes **FinCEN** to collect that information (under penalties and perjury) and disclose it to authorized government authorities and financial institutions, subject to effective safeguards and controls.

The CTA and its implementing regulations will provide essential information to law enforcement, national security agencies, and others to help prevent criminals and terrorists from hiding illicit money or other property in the United States.

The CTA is meant to enhance US National Security by making it more difficult for criminals to establish opaque legal structures to launder money, humans and drugs, commit serious tax fraud and other crimes that harm the American taxpayers. At the same time, this rule aims to "limit the burden on small businesses and reporting companies. ** This will not be the case because then comes the BOI reporting requirements subject to heavy fines for non filing which is effective **Jan 1, 2024**.

The database will not be publicly assessable as is solely for the use of legal enforcement, national security agencies, intelligence agencies and federal agencies charged with enforcing money laundering statutes.

If there is a change in ownership, we have 30 days to file an update otherwise fines and penalties are applicable.

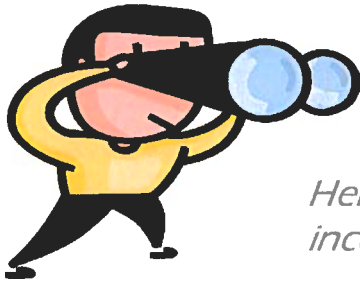
This includes all Sch C clients who have created an LLC., Sch E Rental LLCs, and Farm LLCs.

Information to be reported is the Name, Address, SSN of each beneficial owner including a copy of your Drivers License or valid US Passport.

The pressures and regulations are **serious** and real. We will do all that is necessary for our clients to maintain compliance and limit penalties and fines.

We will be discussing this in more detail as the year advances.





Here we go again ... The Govt looking for unreported income.

Treasury Dept claims IRS to monitor all US bank transactions over \$600

We have been speaking about a new tax law PROPOSED by the Biden Administration wherein ANY checking, savings or investment acct with a value over \$600 would be reported to the IRS annually. The Proposal would require Banks to report the annual "money in" and the annual "money out" of your accts so that the IRS could match the income to your tax return and catch the "tax cheats" .

Due to social media and banking outcry, the value changed from \$600 to \$10,000 per year to be reported to the IRS.

Then along came the Prohibiting IRS Financial Surveillance Act which cites the IRS is seeking great power to oversee taxpayer financial accounts and therefore seeks to prohibit the implementation of new requirements to report bank account deposits and withdrawals due to the IRS overstepping on American's financial privacy.

The new Proposal is still on the Senate floor. To be continued

IRS now requiring Cash Apps to report 1099-Ks

- as income on cash apps like Venmo, PayPal, eBay, Zelle, Etsy, etc. which will now impact 3rd party payment networks and subject them to IRS reporting rules. I spoke of this in detail earlier in 2022 to bring this to your attention.

On December 23, 2022: the IRS "suspended" the 2022 1099-K reporting requirement of the 3rd party payment networks but "it is on" for 2023.

I'm still taking the tax position that the income will need to be reported and expenses can be deducted. Using personal emojis will not make this go away. The reporting requirements on the 3rd party networks will be cumbersome and it more than likely will turn into a "we don't care issue" "let them deal with it" when submitting total data.

There has been legislation introduced to reverse the IRS Snooping of Third-Party Payment Platforms. This Proposal is also still on the Senate Floor. To be continued

Education Credits, Tuition Expense, Education Withdrawals, Home Schooling Credit, Educator Expense Deduction



- ◆ Parents can annually use \$10,000 of 529 savings plans for tuition at private and religious K-12 schools.. Parents can also use the funds for home schooled student expenses.
- ◆ American Opportunity Credit and Lifetime Learning Credit are still available. However, Form 1098T and a college payment transcript **must** be provided in order to claim the credit. No exceptions. Income limitation MFJ \$160,000—\$180,000. Single \$80,000—\$90,000.
- ◆ Student loan interest deduction remains the same with maximum deduction of \$2,500.
- ◆ Ohio 529 tax free withdrawals can also be used to pay K-12 tuition up to \$10,000 per student, per year, for enrollment at public, private, or religious elementary or secondary schools
- ◆ Ohio taxpayers can deduct contributions they made to an Ohio 529 (CollegeAdvantage) savings plan. This deduction is limited to \$4,000 per beneficiary per year which includes a grandchild who isn't a dependent.
- ◆ Ohio home school credit qualification is for "**educational** expenses" you paid for your dependent who is home schooled. This **nonrefundable** credit equals the lesser of \$250 or the amount you paid for educational expenses for all home schooled dependents.
- ◆ The Federal Educator Expense Deduction allows eligible educators to deduct **up to \$300** worth of qualified expenses from their income for 2022. Qualified expenses include purchases such as: Books and classroom supplies. Technology and computer software used in the classroom during the process of teaching students. The State of Ohio also allows another \$250 Educator expense deduction in excess of the Federal deduction.

Affordable Care Act is still in effect due to the Supreme Court upholding the constitutionality of the ACA. Form 1095-A which is Marketplace purchased health insurance, **MUST** be provided at the time of the 2022 tax return preparation otherwise there will be a delay in filing until it is received.

The IRS allows all taxpayers to deduct their qualified unreimbursed medical care expenses that exceed **7.5%** of their adjusted gross income. You must itemize your deductions on IRS Schedule A in order to deduct your medical expenses. Even if you can't file Sch A due to the standard deduction limitations, the medical deduction could be a deduction on your Ohio tax return.

***PLEASE** come to your tax appointment prepared with all documentation to avoid delays.*

Digital Assets Virtual Currency Cryptocurrency Stablecoins Non-Fungible tokens (NFTs)

Crypto traders are legally bound to pay taxes on their gains, but cryptocurrency exchanges have not been required to send reporting forms and won't be required until the provision in the infrastructure bill **takes effect in 2024**. Without the reporting forms, the IRS has had no way of knowing what those gains are short of going to court. Broker Forms 1099-B will be required and must be reported as "property" accordingly. Coinbase reported in 2022 they had 103 million users with only 8.5 million making monthly trades and no gains.

This will be a huge amount of reporting and will increase revenue but more than likely will cost the taxpayer in additional expenses to keep track of said reporting.

Crypto traders still retain one "loophole" which is the wash sales which allow them to sell to book a loss but immediately rebuy the same asset. Congress declined to ban the wash sales even after the recent bankrupt FTX which legally took \$4 billion of tax deductions using said loophole.

IRS draft regulations are being promised to regulate private wallet sales. The misconception that because your name is not publicly attached to your digital assets doesn't mean the IRS can't come after you. YOU are making a digital foot print by transacting on any centralized place that can exchange and the IRS has authority to be able to retrieve the data.

What's New for Ohio Tax Year 2022

Ohio Income Tax Tables. Ohio's individual income tax brackets have been modified so that individuals with Ohio taxable nonbusiness income of \$26,050 or less are **not** subject to income tax.

Ohio Minimum Wage . Effective 1/1/2023 is \$10.10/hour and Tipped Employees are \$5.05/hour

Ohio Small Bsns Deduction. 100% of pass thru entity income (25% owner) and Sch C small business taxpayers net income up to \$250,000 is deductible from income.



Ohio Scholarship Donation Credit

In tax year 2022, individual taxpayers and pass-through entities can claim a credit for monetary donations made to an eligible scholarship granting organization (SGO). The credit equals the lesser of \$750 per taxpayer or the total amount donated to SGOs during the tax year not to exceed \$1,500 for MFJ.

- * This credit is **non refundable** (limited by your tax liability) and no carry forward
- * No current expiration date
- * **MUST** be receipted by SGO and can be used on Federal Sch A as applicable
- * Paid "directly" to the SGO which **MUST** be registered as an SGO on the Ohio OAG website at charitable.ohioago.gov/Scholarship-Granting-Organization-Certification/List

ESTIMATED TAX PAYMENTS ARE THE TAXPAYERS RESPONSIBILITY



Annually, we run into situations wherein clients misunderstand the IRS “penalty” letter received after filing and having a balance due. Taxes **must** be paid as you earn or receive income during the year, either thru withholding or estimated payments.

Generally, taxpayers can AVOID an IRS underpayment of estimated tax penalty if

1. you owe less than \$1,000 after withholding and credits, or
2. you pay at least 90% of the current year tax or
3. you pay 100% of the prior year tax, whichever is smaller. Estimated tax penalties are your responsibility. We offer quarterly mock up services wherein staff calls to remind you we need your income and expenses in order to calculate your ES voucher and pay timely to avoid said penalties.

State and Local estimated tax payments are required if you expect to owe \$200 or more at filing.

Quarterly ES payments are due April 15th, June 15, September 15th, and January 15th of the next tax year. We suggest ES #4 payments be paid by December 15th of current tax year.

LATE FILING PENALTIES The minimum penalty for returns filed 60 days after the due date is the lesser of \$435 or 100% of the amount of tax shown on the return!!!! If you file a Form 4868 Extension of Time to File and expect a balance due, an estimated tax payment **must** be paid at the time of filing the Form 4868. An extension grants 6 months additional time **to file**, **not** additional time to **pay** as all tax balances are due by April 18.

The IRS remains in “crisis” with a backlog of 8 million 2021 tax returns, 4 million business tax returns, 2 million amended tax returns, 3 million being worked for possible Identity Theft, 250,000 unprocessed Forms 941 payroll returns, 4.5 million pieces of correspondence and 6 million paper returns. ENOUGH said that there will be continued REFUND DELAYS for the 2022 filing season.

Please don't take your frustrations out on our staff. We are doing the very best we can to keep up with the increased demand and workload. Please consider DirDep for a quicker refund.



Make sure all IRS and other Govt Agency letters are forwarded to our office for review !

2022 Tax Return Checklist

PERSONAL IDENTIFICATION:

All Clients—Drivers License, SS Card, Dates of Birth, address, telephone #, change of address, dates of move, dependent SSN and DOB.

New Clients—all above including marriage license and divorce decree.

Be **sure** to include Closing Statements on buy and/or sale of residence, rental or commercial properties, bank account and routing number information..

INCOME:

Form W2, 1099-G for State Unemployment benefits including Federal Pandemic payments., Form SSA 1099, Form 1099-INT, Form 1099-R, Form 1099B (Stock Sales), Rental Sch E income and expenses, Sch C sole proprietor business income and expenses, Cost Basis of securities sold.

EXPENSE:

Charitable contributions, medical expenses, Form 1098 Tuition, College transcript of payments made, Form 1098 mortgage interest, real estate taxes, proof of estimated tax payments paid.





Let's Talk

Everyone needs to be reasonable and “see the light” at the end of the 2022 tunnel this tax season. Over the prior couple years we have been bombarded with Economic Stimulus EIP1, EP2 and even EIP3. Unemployment subsidized with federal grant money weekly and even non wage earners received unemployment with the subsidized federal grant as well and they never paid into the unemployment system. THEN, the Govt “forgave” \$ 10,200 of those unemployment benefits per taxpayer!

PPP loans were rampant to keep small business open. However, PPP1 was used up immediately by large corporations and PPP Loan 2 was to make up for the failure of PPP1 only to have the same demise and then recipients had to apply for forgiveness and PROVE how they spent the money when the prerequisite to the funds was to use for the employees and keep them off of unemployment. Heck, they made more on unemployment! We COULD talk longer about the fraud here.

Revitalization Grants, Workers Comp Grants, EIDL Loans, increased Child Tax Credits, increased Earned Income Tax Credit thresholds, increased Day Care credits, Health Care Premium refunds, Advance Child Tax Credit payments monthly, Extended Unemployment Benefits, 100% COBRA subsidies for unemployed workers, SNAP benefits increased and extended, various other business credits that provided refunds, Homeowner Mortgage Assistance Funds, Student Loan payments suspended, Rent Assistance Funds, ER Bans on Evictions and expanded Utility Assistance Grants.

People complained and were offended and pushed until they got what they wanted. Now, we all are going to be paying for this for many years. Inflation is thru the roof, interest rates are off the chart, house sales are pathetic, investment accounts have put you back in the poor house, food and gas — well you need a loan for that and people STILL are not working. There is no more money coming. But what we have to face already is that all of the above “freebies” calculated to larger refunds in the past — is **NO MORE!**

Inflation has increased the tax brackets and rates, deductions and credits have **EXPIRED**, the withholding tables are rigged so that you can take more money home weekly but that equates to under withholding at the end of the year. **FACE it!** Refunds will **not** be as lucrative for 2022 tax season.

Be kind to our office personnel.

Terri, Brittani, Tracey, Jane and Sara

We accept the following credit cards as payment for services subject to a 4% fee not to exceed \$10 under normal circumstances. No credit will be “extended” for services completed. Full payment is expected at pick up.



@goodman bookkeeping and tax services

GOODMAN BKPG & TAX SERVICES
7429 INTERNATIONAL DRIVE, SUITE B
HOLLAND, OHIO 43528
Telephone: 419-868-1040
Fax: 419-868-5540 Web: www.goodmantaxservices.com