

2022 TAX NEWSLETTER

CRESSEY RICE TAX SERVICE LLC

September 2022

**YOUR TAX SUPPORT TEAM
STRONGER THAN EVER**

Cressey, E.A.



Since establishing my tax business in 2006, I have dreamed of having such a trustworthy and excellent team. As many of you know, I started my practice in Phoenix, AZ (servicing the whole country), and moved to Mount Vernon, WA in December of 2012.

Brandy has been learning the tax business with me since 2014, and her role has evolved into close customer care in preparing tax returns. This gives us two sets of eyes/hearts on your return and allows more time for tax planning.

In 2019 Rick joined our team to assist with office tasks after he retired from his full-time accounting job.

We were running smoothly until Covid not only hit the tax business but our children's lives (1st and 2nd graders). Tax preparation took on an additional 50% workload during 2020 and 2021.

In July of 2020, we were BLESSED that Heather was able and willing to join our staff. She stepped into the front desk/office manager role at the height of my stress and has shaped the office procedures and workflow into a thing of beauty.

Heather is now our lead on payroll and WA Business clients and works directly with clients to gather tax return information/answer questions.

With our client base growing, we have brought in one more team member to take over the front desk/office duties role. Shasta is currently working 3 days a week but will be full-time starting the end of January. We know you'll enjoy her help just as much as we do.

With Brandy able to prepare even the most complex returns for my check-out, and Heather working closely with businesses & client needs, I am able to spend high quality time reviewing your taxes, planning with you, and addressing your tax needs.

CR TAX SERVICE SUPER HEROS

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Heather



I work closely with all clients to help gather tax return information, answer questions, and address your needs. I specialize in assisting payroll and WA Business clients, and I am usually the first point of contact with new clients.

Brandy



I have been working with Cressey since 2014.

I prepare many of the tax returns before Cressey takes clients through the final check-out process.

Shasta



I am CRTS's new office assistant. I answer the phone and emails, monitor work flow, and assist clients once the returns are finalized.

Rick

I like to make the girls laugh when I come in to do the mail run, scan documents, and do extra work around the office to keep me busy in retirement.





DEADLINES FOR 2021 TAX RETURNS

September 15th
for extended Business filing

October 17th
for extended personal filings

Please send your information to us ASAP if you fall under one of these deadlines. If you aren't sure if your taxes have been filed or not, please reach out.

TIMELINE FOR 2022 TAX PREPARATION



2022: Tax planning

make sure you know where your numbers stand

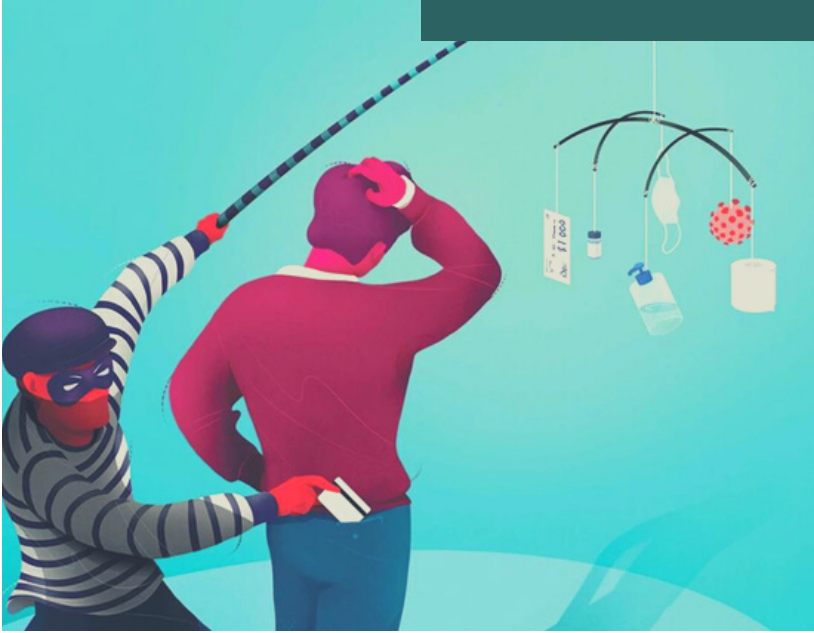
JANUARY OF 2023: Businesses needing to file 1099- forms should submit numbers/info to us by January 15th

MARCH 1, 2023: Last day for **NEW** clients to submit tax forms and information to us (minus any forms that had not been released yet likely from investments/business K-1's). We will still work with new clients for the 2022 taxes after this deadline, but only to file extensions and assist with any estimated tax payments that may be required. These new clients will be on the first-served list for the first week of May 2023.

MARCH 15, 2023: Last day for **CURRENT** clients to submit tax forms and information to us (minus any forms that had not been released yet likely from investments/business K-1's). We will still work with clients for the 2022 taxes after this deadline, but only to file extensions and assist with any estimated tax payments that may be required. We will resume working on current client returns in the second week of May 2023.

APRIL 16, 2023: Filing deadline for the 2022 taxes

SCAMS REMINDER



The IRS's first point of contact will be a letter in the mail. Anything else is a scam trying to phish for your information.

If you receive a letter from the IRS or state taxing agencies, please send us a copy of **ALL PAGES** of the letter **ASAP** and we will help you decipher the next steps.

REFERRING NEW CLIENTS TO CRTS

We appreciate that our client base continues to grow with your referrals, and we are proud that this is our **ONLY** form of advertising. We are still open for new clients, and you can give out our contact information/website to anyone who asks. Even though we have more time to give customer care to new clients in the off-season, we understand that there will be new client referrals during tax season as well. To continue to give the best service to all tax returns during tax season, we are asking that any new clients for the 2022 tax year either do extensive planning with us in the off-season or submit the tax documents/info for the 2022 taxes by March 1st of 2023.





WHEN ARE TAX PAYMENTS DUE?

The IRS wants all taxpayers to pay their taxes owed by the original April tax deadlines (& estimated taxes sooner if your liability is high enough).

If you owe taxes with your return and you do not pay by the original filing deadline, then you are assessed a **late-payment penalty**.

This penalty is much greater without an extension, but an extension does not exempt you from a late-payment penalty.

PENALTY RELIEF FOR 2019 & 2020 TAXES

NOTICE: The IRS is granting **late-filing penalty relief for 2019 and 2020 taxes that were filed late (and filed by September 30, 2022)**. This removes any penalty for late filing but does not remove the penalties and interest for PAYING late.

If you were assessed a penalty for late filing on the 2019 or 2020 taxes, the IRS is automatically recalling those penalties.

If you PAID the penalty amount, the IRS is in the process of refunding those penalty payments.

If you still have penalties once the dust settles, we can prepare penalty abatement requests for you.

PENALTY WAIVER REQUESTS

In ordinary circumstance, the IRS allows requests for penalties to be waived. Upon the first penalty, a phone call to the IRS should be sufficient to request the penalty waiver, and that is your one free pass. After that, an official penalty abatement form must be submitted. Interest on taxes due but not paid begins to accrue on the original filing deadline. Although interest/penalties are assessed together, you can only request a waiver on the penalty amount, not the interest.

2022 TAX CHANGES

We had a lot of changes for the 2020 and 2021 tax years, and now almost everything is resorting back to previous levels. If you have any questions about how these changes affect your 2022 taxes, please reach out! Here are the most common provisions that will cause confusion with the changes come 2022 tax preparation:

- Purchasing **solar energy** for your main home qualifies for the full 30% of cost tax credit, rising back to the previous rate, and extending the credit's lifetime.

- **Child tax credit reverts back to \$2,000 per child under 17 years old**. The advanced payments during 2021 should have covered the Covid-era increase, so you shouldn't see too much of a difference on your 2022 taxes (unless you had not received the advanced payments)

- **Earned Income Credit**: for taxpayers without children, the credit was increased for 2021 but is reverting to the previous levels. Many of you noticed the increase when we filed in 2021, so just plan on going back to what was "normal" for your taxes before 2021.

- **DEPENDENT CARE CREDIT** – this was a BIG change that helped many of our clients on the 2021 taxes, but it was short-lived. The 2022 dependent care credit is back to only \$600/per dependent per \$3,000 of dependent care if your income is under a certain threshold. We are sending an alert email to all our clients who had dependent care credits on the 2021 taxes in hopes that you will make sure you understand how your 2022 taxes will be affected.

- Taxpayers with **student loan forgiveness** will not have a federal tax liability, but you may have a state income tax liability on loan forgiveness. More info to come by December on this.

- No more stimulus payments from the IRS to report, but **some states are giving out stimulus funds**. Based on your 2022 income taxes, you may qualify for these if you did not receive them during 2022.

One Covid-era provision remains ONLY for 2022 – that businesses can deduct 100% of business-related meals purchased at restaurants instead of the usual 50% allowance. For 2023 purposes the meal expenses are all allocated to 50% of the cost (unless you are under the DOT rules, that remains at 80%).

SOCIAL SECURITY ARE YOU PLANNING?

We often field questions about Social Security Benefits as this is a much more layered and complex process than you imagine when you start your first job and see the FICA taxes w/held from your paycheck (and cancel the out-to-dinner plans you had). This two-page fact sheet from SSA (attached) is an overview and points out important details. For example, "If you plan to delay receiving benefits because you're working, you'll still need to sign up for Medicare 3 months before reaching age 65." You can still sign up later, but there are late penalty charges if you miss this cut-off.



Remember to include your Social Security income changes when we talk about tax planning. Depending on your other income, some or all the SS income is taxable.

INFLATION REDUCTION ACT & TAXES



For the most part, this new legislation affects taxes for 2023 and beyond, and we will be addressing these changes in the next newsletter.

Like you read on a previous page, the residential solar energy credit has been restored to 30% of the purchase cost (not for leases) for the tax year 2022 – and forward through 2032 before it begins to drop 4% a year again.

NOTE: There are only a handful of cars that qualify for the **Electric vehicle (EV) credits on the 2022** tax returns. Tesla's do not qualify if purchased in 2022. Reach out if you have questions about the EV credits for 2022 or 2023.