



**Beck's Tax & Business Services**

**KNOWLEDGE. EXPERIENCE. DEDICATION**

**Happy New Year!** May 2022 bring peace, health and prosperity to both you and your family. I look forward to seeing you soon! We will be available for appointments starting **Monday, January 24<sup>th</sup>**, this is the first official day that IRS starts accepting returns. Last day for individual timely filing will be **April 18<sup>th</sup>**.

We have highlighted a few key issues to watch for as you get ready to have your 2021 tax return prepared.

### **Tax Appointments**

In-person tax appointments, drop offs, mail-ins and upload of documents through our secure portal will be available. Due to the Covid surge, we prefer drop-offs and/or document upload. Do **NOT** email tax documents. Per IRS policy, tax documents must be submitted through our secure portal. Please request more information if you would like to upload documents.

**Appointments only** – No Walk-Ins –  
**Masks required**



# TaxBrief

Keeping you informed **January 2022**

### **News from the IRS**

There may be processing, and refund delays this tax season. As of late December, the IRS had backlogs of 6 million unprocessed original individual returns (Forms 1040), 2.3 million unprocessed amended individual returns (Forms 1040-X), more than 2 million unprocessed employer's quarterly tax returns (Forms 941 and 941-X), and about 5 million pieces of taxpayer correspondence – with some of these submissions dating back at least to April and many taxpayers still waiting for their refunds nine months later. Please be patient.

### **Reminders**

- Unemployment is taxable income – bring your tax form or download it from your EDD account.
- Retirement/Pension distributions are taxable income with a 10% penalty if you do not meet the 59 ½ years of age or older requirement.

### **2021 IRS and State Stimulus Payments**

Make sure to document the exact amount received from the third IRS stimulus payments. The amount from the State Golden Stimulus, if applicable.

In January 2022, the IRS will send a letter which provides the total amount of stimulus payment(s) that were disbursed to you during 2021. **Keep this letter to give to us when we prepare your 2021 tax return.**

## Payment Apps (Venmo, Zelle, etc.)

If you use these applications for personal reasons, any amounts transferred for personal reasons and to personal accounts is not taxable income. You should not receive a 1099-K form. This form will only be sent to those that use payment apps for business accounts and business purposes. If you sell on Etsy, eBay, etc., you only received this form if the income exceeded \$20,000 annually, now, any sales or business income above \$600 annually, starting in 2022 tax year, you will receive the 1099-K form.

## Charitable contributions

Ordinarily, if you choose to claim the standard deduction, you cannot deduct your charitable contributions. Good news though, if you don't itemize deductions for 2021, you may deduct up to \$300 (\$600 if MFJ) on your 2021 tax return for cash contributions made to most charitable organizations.

If it's better for you to itemize deductions, you can elect to apply a 100%-of-AGI deduction limit for cash contributions made to most charitable organizations during 2021. Without this election, the usual percentage limit applies (normally 60%), and the nondeductible amount carries over up to five years. We can discuss which AGI limit is best for you based on your specific facts and circumstances.

Remember to obtain an acknowledgment letter from the charity before filing your return and retain a canceled check or credit card receipt for contributions of cash.

## Child and dependent care credit

For 2021 only, the child and dependent care credit increased significantly and is fully refundable even if you have no tax liability, so don't forget to keep track of your work-related childcare expenses. The dollar limit for eligible expenses is \$8,000 for one child and \$16,000 for two or more qualifying children. If your income is \$125,000 or less, you get the maximum 50% credit rate. Otherwise, if your income is more than \$125,000, the 50% rate decreases as your income rises. The credit becomes unavailable when your income exceeds \$438,000.

In addition, you may be eligible to exclude up to \$10,500 (\$5,250 if MFS) of employer-provided dependent care benefits from gross income for 2021. However, you cannot use any childcare expenses paid with these tax-free benefits for the child and dependent care credit.



## Child tax credit

For 2021 only, the child tax credit (CTC) increased from \$2,000 to \$3,000 for each child under age 18, or \$3,600 for each child under age 6. Unfortunately, the extra amount (\$1,000 or \$1,600, respectively) is reduced

when income exceeds \$150,000 for married taxpayers filing a joint return (MFJ) and qualifying widow(er)s (QW), \$112,500 for heads of household (HOH) and \$75,000 for single taxpayers. Good news though: the normal \$2,000 credit amount

phases out as usual at \$400,000 for MFJ and \$200,000 for all others. Thus, higher income taxpayers may lose some of the credit but not all of it. It's also fully refundable if you have no tax liability.

You also probably noticed that advance CTC payments were made monthly from July through December 2021. These payments were estimates of your 2021 CTC, generally based on your 2020 tax return. If you received advance payments in excess of the CTC allowed on your 2021 return due to a change in circumstances, you may have to repay some or all of the excess amount. For example, you may have a 2021 repayment in a shared custody arrangement if you claim your child only in even-numbered years.

There is some repayment protection depending on your income level. However, if your income equals or exceeds \$120,000 for MFJ or QW, \$100,000 for HOH or \$80,000 for single or MFS, plan on repaying the entire excess amount as additional income tax on your 2021 return.

In January 2022, the IRS will send **Letter 6419**, which provides the total amount of advance CTC payments that were disbursed to you during 2021. **Keep this letter to give to us when we prepare your 2021 tax return.**

## Education tax benefits

For 2021, the tuition and fees deduction is gone, but you might benefit from the lifetime learning credit if your income is below \$90,000 (\$180,000 if MFJ), which matches the income limitations for the American opportunity tax credit. Bring in your tuition statements at tax time so we can claim the maximum credit using all eligible expenses.

# 2021 Income Tax Brackets

2021 Tax Brackets for Single Individual		
Tax Rate	Taxable Income (Single)	2021 Tax Payable Amount
10%	Up to \$9,950	10% of the taxable income
12%	\$9,951 to \$40,525	\$995 plus 12% of excess over \$9,950
22%	\$40,526 to \$86,375	\$4,664 plus 22% of excess over \$40,525
24%	\$86,376 to \$164,925	\$14,751 plus 24% of excess over \$86,375
32%	\$164,926 to \$209,425	\$33,603 plus 32% of excess over \$164,925
35%	\$209,426 to \$523,600	\$49,177 plus 35% of excess over \$209,425
37%	Over \$523,601	\$159,138 plus 37% of excess over \$523,600

2021 Tax Brackets for Married Filing Jointly / Surviving Spouse		
Tax Rate	Taxable Income (Married Filing Jointly)	2021 Tax Payable Amount
10%	Up to \$19,900	10% of the taxable income
12%	\$19,901 to \$81,050	\$1,990 plus 12% of excess over \$19,900
22%	\$81,051 to \$172,750	\$9,328 plus 22% of excess over \$81,250
24%	\$172,751 to \$329,850	\$29,502 plus 24% of excess over \$172,750
32%	\$329,851 to \$418,850	\$67,205 plus 32% of excess over \$39,850
35%	\$418,851 to \$628,300	\$98,355 plus 35% of excess over \$418,850
37%	Over \$628,300	\$171,662 plus 37% of excess over \$628,300

2021 Tax Brackets for Heads of Households		
Tax Rate	Taxable Income (Head of Household)	2021 Tax Payable Amount
10%	Up to \$14,200	10% of the taxable income
12%	\$14,201 to \$54,200	\$1,420 plus 12% of excess over \$14,100
22%	\$54,201 to \$86,350	\$6,220 plus 22% of excess over \$53,700
24%	\$86,351 to \$164,900	\$13,293 plus 24% of excess over \$85,500
32%	\$164,901 to \$209,400	\$32,144 plus 32% of excess over \$163,300
35%	\$209,401 to \$523,600	\$47,719 plus 35% of excess over \$207,350
37%	Over \$523,600	\$157,689 plus 37% of excess over \$518,400

2021 Tax Brackets for Married Individuals Filing Separate		
Tax Rate	Taxable Income (Married Filing Separately)	2021 Tax Payable Amount
10%	Up to \$9,950	10% of the taxable income
12%	\$9,950 to \$40,525	\$988 plus 12% of excess over \$9,875
22%	\$40,526 to \$86,375	\$4,664 plus 22% of excess over \$40,125
24%	\$86,376 to \$164,925	\$14,751 plus 24% of excess over \$85,525
32%	\$164,926 to \$209,425	\$33,603 plus 32% of excess over \$163,300
35%	\$209,426 to \$314,150	\$49,177 plus 35% of excess over \$207,350
37%	Over \$314,150	\$85,831 plus 37% of excess over \$311,025

## Premium tax credit

In general, if you purchase health insurance through the Marketplace/Covered CA, you don't qualify for any premium assistance when your income is too high. However, for 2021 and 2022, if your household income is more than 400% of the federal poverty line (FPL), you may be eligible to claim the premium tax credit (PTC) and will not pay more than 8.5% of your income for coverage.

Also, if you were unemployed and received, or were approved to receive, unemployment compensation for any week during 2021, you may be eligible for the PTC as if your household income was only 133% of the FPL, which means more premium assistance regardless of the level of your household income. If this special rule applies to you, be prepared to provide self-attestation and documentation that demonstrates the receipt of such unemployment compensation or approval.

## Earned income credit

If your 2019 earned income was more than your 2021 earned income, you can use your 2019 earned income to determine the earned income credit (EIC) on your 2021 tax return. You may benefit from this provision if your income went down after 2019 due to the pandemic, or any other reason for that matter, and you're eligible for the EIC. Be prepared to provide the amount of your 2019 earned income at tax time if we don't already have it.

Last but not least, for 2021 only, the minimum age to claim the EIC without any children decreased from age 25 to age 19 for most taxpayers (age 24 for certain students), and the maximum age limit was eliminated. Thus, if you're a recent high school graduate

or retirement age, you might qualify for the childless EIC for 2021, assuming you meet all the other requirements.

## Convert a Traditional IRA to a Roth IRA

When a traditional IRA is converted to a Roth IRA, generally the amount converted is taxable in the conversion year. Taxpayers whose incomes have been very low in 2021 may be able to move the assets currently in their traditional IRA into a Roth IRA at a much lower tax rate than if they waited to make the conversion in a higher-income year.

## Avoid Required Minimum Distribution (RMD) Penalties

Once U.S. taxpayers reach the age of 72, they are required to take what is known as a "required minimum distribution" from their qualified retirement plan or IRA every year. Of course, if you wait until 2022 to take your 2021 distribution, you're going to end up having to take two distributions in one year – one for 2021 and one for 2022. For those who have fallen into this category before 2021, you only have until December 31st to take the required distribution if you want to avoid penalties.

## Where's My Refund?

For updates on your 2021 refund, visit:  
IRS: [www.irs.gov/refunds](http://www.irs.gov/refunds)  
California: [www.ftb.ca.gov/refund](http://www.ftb.ca.gov/refund)

**We hope this year-end newsletter answered some questions you may have had. As always, please reach out if you have any additional questions before your annual appointment.**



T A X   S E A S O N



# Beck's Tax & Business Services

## Tax Organizer

Our tax organizer will give you a better understanding of what paperwork you need to provide to us, which will help us in completing your return. Please complete the information below and submit it with your documentation.

General Information							
	Last Name	First Name, M.I.	Soc. Security #	Birth Date	Occupation	Blind	Disabled
Taxpayer							
Spouse							
Marital Status:	<input type="checkbox"/> Married	<input type="checkbox"/> Single	<input type="checkbox"/> Widow(er) Date of Spouse's Death:				
Filing Jointly:	<input type="checkbox"/> Yes	<input type="checkbox"/> No					
Street Address		City			State	Zip	
Home Phone		Work Phone		Cell Phone	Email		

Dependents (Children & Others)						
Name (As it appears on the Social Security card)	Relationship	Date of Birth	Social Security#	Months Lived With You	Disabled	Full Time Student

List of documents to reference and bring to your interview
*New Clients Only: Please bring copies of last years' tax returns.
<b>DID YOU RECEIVE THE 2021 EIP (STIMULUS PAYMENT UP TO \$1400 per person)?</b>
<input type="checkbox"/> Received payment totaling \$ <span style="float: right;"><input type="checkbox"/>Did not receive any payments</span>

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Wage statements/W-2s  | <input type="checkbox"/> Interest and dividend income /1099-INT/1099-DIV   | <input type="checkbox"/> Mortgage or home equity loan interest paid/1098   |
| <input type="checkbox"/> Self-employment business income and expenses/1099-MISC/1099-K | <input type="checkbox"/> Lottery or gambling winnings/losses   | <input type="checkbox"/> Unreimbursed employment-related expenses  |
| <input type="checkbox"/> Commissions received/paid                                     | <input type="checkbox"/> State refund amount/1099-G  | <input type="checkbox"/> Job-related educational expenses  |
| <input type="checkbox"/> Pension, retirement income/1099-R                             | <input type="checkbox"/> Income and expenses from rentals  | <input type="checkbox"/> Educator/Teacher expenses   |
| <input type="checkbox"/> Unemployment income/1099-G                                    | <input type="checkbox"/> Alimony paid or received  | <input type="checkbox"/> Tuition and Education Fees/1098-T   |
| <input type="checkbox"/> Canceled Debt Amount/1099-C                                   | <input type="checkbox"/> Record of purchase, sale or refinance of personal residence or rental property (Escrow Summary) | <input type="checkbox"/> Student loan interest/1098-E  |
| <input type="checkbox"/> Social Security income/SSA-1099                               | <input type="checkbox"/> Medical and dental expenses   | <input type="checkbox"/> Childcare expenses and provider information   |
| <input type="checkbox"/> IRA contributions   | <input type="checkbox"/> Real estate and personal property taxes (DMV, etc.)   | <input type="checkbox"/> Purchase Contract for Solar Panels, Energy efficient appliances, windows or roof.                       |
| <input type="checkbox"/> Statements on the sales of stocks or bonds/1099-B             | <input type="checkbox"/> State or local taxes paid   | <input type="checkbox"/> Dependents' Documents: Social Security cards/numbers, dates of birth, school records or residency proof |
| <input type="checkbox"/> Estimated taxes or foreign taxes paid                         | <input type="checkbox"/> Cash and non-cash charitable donations  |  |



See You!  
**Soon!**

## Office Hours

January-April

Monday -Friday: 9:00 am-6:00 pm.

Saturday: 9:00 am-3:00 pm

Some evening appointments available  
By Appointment Only, No Walk-ins  
Cell Phone Calls/Texts will only be  
responded to during office hours.

Non-Peak Season Hours – May through  
December: Office Hours Vary/By  
appointment Only



## Important Dates/Deadlines

- |                   |  |
|-------------------|--|
| <b>January 24</b> | Tax Season Starts  |
| <b>January 31</b> | Businesses: Must File & mail W2 and 1099 forms   |
| <b>March 15</b>   | S Corporations and Partnerships returns due  |
| <b>April 18</b>   | Individual Tax Returns<br>C Corporations, Sole Proprietors, Single-owner<br>LLCs, freelancers, household employers |



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