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As with any tax season, the 2022 tax season will be full of questions and learning. We are now booking appointments for the 2022 tax filing season. Call anytime or book through our website. Also, you can use our SafeSend platform to send us your documents from the convenience of your home, or you can drop off your tax file at any time. We will be emailing out tax organizers via SafeSend shortly, and these will help you organize your tax file for us & ensure you have everything. Also, attached on the email will be the general questionnaire/checklist that you will need to fill out and return with the rest of your tax documents (there may be additional questionnaires needed, depending on your situation). We will also have these documents and additional questionnaires available for download, on our website, under the Tax Organizer section.

Key tax considerations from recent tax legislation

Many of the unique things from 2021 are now gone:

- Increased Child Tax Credit (now back to \$2000 per child)
- No EIP payments this year
- Refundable Child Care Tax Credit
- Charitable Contribution for Non-itemizers

Some items that look like they may get extended for after 2022 are:

- Full deduction for business meals provided by a restaurant
- Bonus depreciation is scheduled to be reduced each year until 2025 when it is gone, however this may change. Congress has been discussing this as of late.

IRS Form 1099-k: Will you get one from Venmo, PayPal, or Cash App?

Did you get paid more than \$600, in 2022, for goods or services through a third-party payment network like Venmo, PayPal, Amazon, or Square? Then, due to a changed tax reporting rule, you will most likely receive an IRS Form 1099-K from your payment network - even if you haven't received a 1099-K in the past. That's because the 1099-K tax reporting rule now requires third-party payment networks to send a 1099-K if those payments exceed the \$600 reporting threshold. (A higher \$20,000 threshold previously triggered the Form 1099-K.) When you receive the Form 1099-K you will want to make sure that it matches the information that you have in your records. If there are any problems with your 1099-K (ex: the amounts listed don't belong to you or other information on the form is incorrect), you should contact the third-party payment network that sent the form. They might be able to issue a corrected 1099-K. The 1099-K reporting requirement means that the 1099-K Form will go to you and to the IRS. It's best to report your taxable income and to keep good records that substantiate that income.

Standard mileage rate for business driving is higher; you will need to have your records SPLIT

The business rate is 58.5 cents per mile for Jan-June 2022; 62.5 cents per mile July-Dec.

The medical rate is 18 cents per mile for Jan-June 2022; 22 cents per mile July-Dec.

The charitable driving rate stays at 14 cents a mile.

Virtual currency/cryptocurrency

Virtual currency transactions are becoming more common. There are many different types of virtual currencies such as Bitcoin, Ethereum and non-fungible tokens (NFTs). The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services or holding such currencies as an

investment, generally has tax impacts. Please remember to include with your tax documents any information related to any cryptocurrency that you are holding, sold, traded, etc.

Solar panels & alternative energy systems

Now have been extended through 2034. Individuals get a tax credit for installing alternative energy systems that rely on renewable energy source such as solar, wind, geothermal or fuel cell technology. The credit equals 30% of the cost of equipment & installation for 2022 through 2032.

Energy-efficient improvements to your home

For 2022 the credit applies to 10% for certain types of insulation, windows, doors & skylights. There is also credit for heat pumps, water heaters & some central air-conditioning systems. There is a lifetime credit limitation of \$500 and the credit is capped for many items. Starting **2023 through 2032** the credit is bigger & better. First, the credit percentage increases to 30% of costs. Second, the \$500 lifetime limit is replaced with a \$1,200 annual limit, but the max credit is still capped on some items.

Buyers of electric vehicles get a revamped tax credit, starting 2023

Presently, for new electric vehicles that are bought & placed into service in 2022, the federal income tax credit taken on the 1040 ranges from \$2500 to \$7500. Some car brands don't qualify for the credit because it starts to phase out for vehicles manufactured by a car company that has sold over 200,000 plug-ins in the U.S. As of Aug. 17th, final assemble must take place in North America. **Many changes to the newly named clean vehicle credit take effect next year.** If you are thinking of purchasing a vehicle we should talk about your situation.

Income tax brackets for individuals are wider for 2022 than for 2021 because of inflation during the 2021 fiscal year. Tax rates are unchanged.

FEDERAL INCOME TAX BRACKET FOR 2022 (FILING DEADLINE: APRIL 17, 2023)

	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	\$0 – \$10,275	\$0 – \$20,550	\$0 – \$10,275	\$0 – \$14,650
12%	\$10,276 – \$41,775	\$20,551 – \$83,550	\$10,276 – \$41,775	\$14,651 – \$55,900
22%	\$41,776 – \$89,075	\$83,551 – \$178,150	\$41,776 – \$89,075	\$55,901 – \$89,050
24%	\$89,076 – \$170,050	\$178,151 – \$340,100	\$89,076 – \$170,050	\$89,051 – \$170,050
32%	\$170,051 – \$215,950	\$340,101 – \$431,900	\$170,051 – \$215,950	\$170,051 – \$215,950
35%	\$215,951 – \$539,900	\$431,901 – \$647,850	\$215,951 – \$323,925	\$215,951 – \$539,900
37%	\$539,901+	\$647,851+	\$323,926+	\$539,901+

Standard Deduction

- Single is \$12,950 + \$1,750 for each spouse 65 or older
- Married is \$25,900 + \$1,400 for 65 or older
- Head of Household is \$19,400 + \$1,750 for 65 or older
- Blind people received \$1,400 more

2022 Long-Term Capital Gains Tax Rate Thresholds

Capital Gains Tax Rate	Taxable Income (Single)	Taxable Income (Married Filing Separate)	Taxable Income (Head of Household)	Taxable Income (Married Filing Jointly)
0%	Up to \$41,675	Up to \$41,675	Up to \$55,800	Up to \$83,350
15%	\$41,675 to \$459,750	\$41,675 to \$258,600	\$55,800 to \$488,500	\$83,350 to \$517,200
20%	Over \$459,750	Over \$258,600	Over \$488,500	Over \$517,200

Additional planning considerations

Here are a few more tax and financial planning items to discuss with us:

- Let us know about any major changes in your life such as marriages or divorces, births or deaths in the family, job or employment changes, starting a business and significant expenditures (real estate purchases, college tuition payments, etc.).
- Consider tax benefits related to using capital losses to offset realized gains and move any gains to the lowest tax brackets, if possible.
- Make sure you're appropriately planning for estate and gift tax purposes. There is an annual exclusion for gifts (\$16,000 per donee; \$32,000 for married couples) to help save on future estate taxes.
- Consider Sec. 529 plans to help save for education; there can be MN income tax benefits to do so.
- Discuss tax consequences of converting traditional IRAs to Roth IRAs.
- Let's review withholding and estimated tax payments.

Looming potential tax legislation

With potential tax changes looming as Congress debates things going into the end of the year, there remains uncertainty in how this will impact taxpayers. As legislation continues to evolve, and if things pass, we will discuss how any changes impact you at your tax appointment.

1099 Reporting

The season for 1099s and W-2s is through the month of January. This is an area that we strongly stress you complete accurately. If you are in need of help with filing any 1099s or W-2s, please contact us as soon as possible, so we can process them for you timely and accurately. Anything received after January 23rd will not be guaranteed to be completed by January 31st due to volume and time constraints.

Due Dates Coming Up

Reminder:

- All 1099s need to be filed with the recipients and the IRS by January 31, 2023.
- Any W-2s or payroll tax returns are also due by January 31, 2023.
- Any farm tax returns are due by March 1, 2023. There is also the option to pay an estimated tax payment by January 15, 2023; and extend the due date of your return to April 18, 2023.
- All Partnership and S-Corporation tax returns are due by March 15, 2023.

- All Individual and C-Corporation returns are due by April 18, 2023.

Partnerships & S Corp exception to completing Schedules K-2 & K-3 for the 2022 tax year

The IRS has released the draft 2022 instructions for Schedules K-2 and K-3 (Form 1120-S & Form 1065). The draft instructions include a new exception for filing and furnishing Schedules K-2 and K-3 for tax years beginning in 2022. An S Corporation/Partnership does not need to (A) complete and file with the IRS the Schedules K-2 and K-3, or (B) furnish a shareholder/partner the Schedule K-3 if each of the following criteria are met with respect to the S Corporation's/Partnership 2022 tax year.

1. No or limited foreign activity
2. During the 2022 tax year, the S Corporation/Domestic Partnership either has no foreign activity, or has limited foreign activity.
3. Shareholder/Partner notification
4. US citizen/resident alien partners

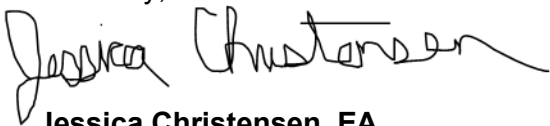
The S Corporation/Partnership **must notify its shareholders the Schedule K-3 will not be provided to them unless requested.** The notification can be made either electronically or by mail no later than two months before the original due date of the 2022 Form 1120-S/1065. The signed notification from all shareholders/partners needs to be delivered to the tax office with the rest of your documents for preparing the business tax return for 2022.

If you are concerned about what this year will look like and you would like to do tax planning before December 31st, please contact me as soon as possible. This will allow us adequate time to assess your situation and take any steps needed before the new year.

As with every year, it is very helpful and appreciated, if you can do your best to provide your information as organized and as timely as possible. Please use all of our tax organizers to help speed the processing of your returns. Our SafeSend suite allows us to automate the delivery, review, and signature of your federal and state income tax returns from the convenience of your computer, smartphone, or tablet. It is user-friendly, highly secure and an easier way for you to manage your tax return. You will receive an email from **Parkers Prairie Tax Service** at noreply@safesendreturns.com. **Add this email to your safe list to prevent it from being categorized as spam or junk.** We will use SafeSend Returns to electronically deliver your tax return unless you contact our office to opt-out.

Please, rest assured, that we will utilize our best resources to provide you, once again, with timely, complete, and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support and patience during the upcoming tax season.

Sincerely,



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