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Tax client,

We hope that 2022 finds you healthy and safe. Here are a few reminders as you get information compiled and documents gathered for your 2021 tax returns.

**IRS will be sending letters** to taxpayers in January 2022 showing the amount of Advanced Child Tax Credit received in 2021 and the amount of the 3<sup>rd</sup> stimulus payment received (in January 2021). I will need these letters in order to prepare your 2021 tax return. Please bring these letters with you to your appointment or include them in the tax documents dropped off at the office. **I WILL NOT BE ABLE TO FILE YOUR RETURN WITHOUT THIS INFORMATION.**

With Covid still being so prevalent in our communities, we are bringing back some procedures to help reduce the spread, especially with the new variants where it is more likely that someone will show no symptoms but still be carrying and spreading the virus. **Everyone in the office is required to wear a mask.** In a typical week, we have 100+ people in our offices so we are encouraging everyone to take precautions to keep everyone healthy.

- Unemployment is fully taxable in 2021.
- Standard deductions have increased slightly for 2021 and the continued limitation on deducting state withholding and income tax, and property tax means that more taxpayers will be using the standard deduction instead of itemizing deductions. However, the state of Iowa did not increase the standard deduction as much so you may itemize on your state return even if you use the standard deduction on your federal return. The federal and Iowa standard deductions are as follows:

	Federal	Iowa
Single	12,550	2,130
Married filing Jointly	25,100	5,240
Married filing Separately	12,550	2,110
Head of Household	18,800	5,240

- Tax rates changed as shown below.

Rate	Single	Head of Household	Married, Joint	Married, Separately
	Taxable Income			
10%	\$0-9,950	\$0-14,200	\$0-19,900	\$0-9,950
12%	\$9,951-40,525	\$14,201-54,200	\$19,901-81,050	\$9,951-40,525
22%	\$40,526-86,375	\$54,201-86,350	\$81,051-172,750	\$40,526-86,375

24%	\$86,376-164,925	\$86,351-164,900	\$172,751-329,850	\$86,376-164,925
32%	\$164,926-209,425	\$164,901-209,400	\$329,851-418,850	\$164,926-209,425
35%	\$209,426-523,600	\$209,401-523,600	\$418,851-628,300	\$209,426-314,150
37%	above \$523,601	above \$523,601	above \$628,301	above \$314,151

- If you use the standard deduction you are allowed to deduct up to \$300 (\$600 if married filing jointly) of cash charitable donations to qualified charities against your income. You will still need documentation for those donations.
- Dependent Care Credit (for daycare paid for a dependent) increased from \$3,000 to \$8,000 for qualified expenses.
- The Covid stimulus payments received earlier this year are NOT taxable income! However, I will still need the amount of the payment received as indicated in the letter you received from IRS.
- Even if you use the standard deduction on federal, Iowa allows you to use itemized deductions if those would be more than the standard deduction.
- If you file as Head of Household, you will need to provide evidence to show that you have a qualifying child or relative, that no one else can use that child/relative to meet the Head of Household requirements and that the child/relative lived with you more than half the year. You will also need to show that you paid more than half the cost of maintaining your home and you paid more than half the support for the child/relative.

Depending on your situation, here is some additional information that you may need to bring with you to your tax appointment.

- Form 1095-A if purchased health insurance through the marketplace/exchange or Form 1095-B if you had medical insurance through your employer.
- If you have children attending college, bring Form 1099-T from the college or university showing the amount of tuition and other fees paid, amount paid for textbooks and other classroom materials.
- **If you claim a child as a dependent who does not live with you, you will need to have your ex-spouse sign Form 8332 before your return is filed. Form 8332 is required even if your divorce decree states that you can claim the child. Please call my office to get the Form 8332, if needed and bring the signed form with you to your appointment. Whichever parent can prove that the child lived with him/her more than half the nights in 2021, is allowed the dependency exemption for the child. IRS requires that you have proof of the nights the child is with you.**

Our office hours during tax season will be Monday-Friday 8-5. **We will be scheduling 45 minute appointments beginning at 8:00 and the final appointment will begin at 5:00 on Monday, Tuesday and Thursday. Friday appointments will begin at 8:00 and the last one will begin at 4:15. We do not schedule appointments on Wednesdays so that Kay has time to work on tax returns that are dropped off. You are always welcome to drop off your tax information instead of making an appointment with Kay.**

We did not enclose a tax organizer this year. If you would like an organizer, please call the office and we'll send one to you. When you have your tax information ready, please call Eva at



264-1385 to schedule an appointment. February 1st will be our first day for appointments.

**Please be sure you have received all your tax documents (W-2s, interest and dividend 1099s, mortgage interest statements, etc.) before your appointment.** Forms for the sale of stocks or investments are not required to be sent out until February 15<sup>th</sup> so you may not receive them until mid-February. If you receive additional tax documents or information after your taxes have been prepared and we need to file an amended return, there will be an additional fee of \$100 for the amended return. Amended returns will be done after tax season because IRS won't process until the current filing season is over. Amended returns also take the IRS longer to process, usually mid-summer.

Thank you for entrusting your tax preparation to us. We appreciate your business.

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We have a website ([www.kaychapmancpapc.com](http://www.kaychapmancpapc.com)) for you to reference for many of your tax needs or questions. Along with the website we also have a Facebook page (KayLChapmanCPAPC) that you can check out for updates.

*Eva*      *Kay*

*Dana*      *Megan*      *Terri*