

**December
2021
Newsletter
End of Year
Concise Tax
Updates**



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**Have a Very Merry Christmas
and a Happy New Year!**

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*Accounting, Audits,
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Name Changes If you changed your name because of marriage, divorce or another reason... Be sure to report the name change to the Social Security Admin. Go to <https://www.ssa.gov/ssnumber> and select "Name change" to get the details. Names shown on tax returns must match Social Security records. Mismatches can lead to IRS delays in return processing and issuance of refunds.



Social Security I get lots of questions on the federal taxation of Social Security benefits. Let's go over the rules. First, you need to figure your "provisional income." That's your adjusted gross income plus tax-free interest from municipal bonds and 50% of your Social Security benefits. If your provisional income is below \$25,000... \$32,000 on a joint return...then the benefits are tax-free. If your provisional income is between \$25,000 and \$34,000 on a single return, or between \$32,000 and \$44,000 for joint filers, then up to half the benefits are taxable. For provisional income over \$34,000 for singles...\$44,000 for couples...up to 85% of your benefits are taxable.



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Questions and Answers

Inheritances I just inherited from my mom EE savings bonds that haven't reached maturity. Will I owe federal income tax on the accrued but untaxed predeath interest?

It depends. I assume your mom opted to defer reporting the bond interest as income until the earlier of the year the bonds mature or when they're cashed in. Now that she has died, her executor can opt to include on her final income tax return all predeath interest earned on the bonds. If this is done, then you would report only post death interest on your 1040 in the year the bonds mature or are redeemed. If the executor doesn't include the interest income on your mom's final return, you will owe taxes on all bond interest in the year of maturity or redemption.

Electric Vehicles What federal tax breaks are available if I decide to buy an electric vehicle?

Presently, the federal income tax credit ranges from \$2,500 to \$7,500. It applies only to purchases of new electric cars, and there are various limitations. The House-passed Build Back Better bill would increase the tax break to a maximum of \$12,500 for new electric vehicles bought in 2022 through 2031. The vehicle's manufacturer's suggested retail price can't exceed \$55,000 for sedans, or \$80,000 for vans, SUVs or pickup

trucks. The credit would begin to phase out for taxpayers with modified adjusted gross income over \$500,000 for joint filers, \$375,000 for household heads and \$250,000 for single or married-filing-separate filers. The bill would also allow a lesser credit for people who buy used electric vehicles. Will these proposed higher credits survive in the Senate? I'll keep looking for answers to this question!



Amended Returns Amended return filers need a lot of patience this year. As of Nov. 13, the agency had a backlog of 2.7 million unprocessed Forms 1040-X. Normally, it can take IRS up to 16 weeks to process an amended return. Now, the wait time is considerably longer than 20 weeks, according to IRS's National Taxpayer Advocate.

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