

ST JOHNS BUSINESS AND TAX SERVICES

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Happy New Year! We hope everyone had a wonderful holiday season. Our staff is ready to get to work, preparing your tax returns for 2022.

We will again be taking in-person appointments but on limited schedules. Therefore, if you have **no significant changes**, we encourage you to **drop off your material**. We plan to have returns completed for pick-up within a week's time assuming all required material is present. If you do require an in-person appointment, please call and we will do our best to accommodate you. Our small office is working to keep its customers and employees as safe and healthy as possible.

This year's personal tax deadline is Tuesday, April 18th. That is also the last day to make any contributions to your IRA, HSA or to file for any extensions. Corporate returns are due Monday, March 15th. **It is your responsibility to notify us if you will not have your material to us by the tax deadline and will require an extension. Anyone submitting material between April 7th and the 18th may be subject to an automatic extension.**

For those individuals with busy schedules or those simply comfortable communicating online, we do have a secure portal available for use. Materials can be uploaded to us and in turn we can send you a completed return by pdf and provide you with the ability to electronically sign. If you are interested, call and ask us to send you a link.

Included with this letter is a **Client Information Form**. Returning customers are asked to fill out their names, answer the questions asked and note information **that has changed** since last year. We are requesting new clients complete this form in full and include it with your tax material when you meet or drop off.

Together we will partner to prepare complete and accurate returns for you. We thank you for your continued trust and patronage.

Brad Baltimore, EA * Vickie Black, EA * Kay Arens, EA
Gail Baltimore, AFSP * Jake Baltimore, AFSP * Drew Tucker, AFSP * Sue Fox

NEW FOR THIS YEAR

Charitable Contributions. Only those itemizing will be able to claim contributions for 2022.

IRS.gov Create a personal online account at IRS.gov for access to all your IRS information. You can view balances owed (with a breakdown by tax year), make payments and see up to 5 years of payment history, create payment plans, manage communications, access past tax returns, and view and authorize Power of Attorney forms. STOP waiting on IRS hold, it only takes about 10 minutes with a smart phone and personal email account.

TAX INFORMATION

SOCIAL SECURITY

Social Security Administration has announced gross social security benefits will increase by 8.7% for 2023. Base Medicare Part B monthly premiums will **decrease** to \$164.90 (depends on MAGI). If married couples modified adjusted gross income exceeded \$194,000 or single filers exceeded \$97,000 in 2021, Medicare premiums Part B begin to increase and there will be a surcharge for Part D.

REQUIRED MINIMUM DISTRIBUTION

The required minimum distributions from your IRA accounts start in the year you reach age 72. You can delay the first year's distribution until April 1st of the following year but you will then have to take a second RMD that same year. Although your plan trustee should notify you, it is your final responsibility to arrange for any distributions. Missing an RMD results in penalties.

ELECTRIC VEHICLES

The federal income tax credit for an electric vehicle presently ranges from \$2,500 to \$7,500. This only applies to purchases of new electric vehicles, there are various limitations and income phase outs.

STANDARD DEDUCTION for 2022

Married filing joint	\$25,900
Married filing separate	\$12,950
Head of household	\$19,400
Single	\$12,950
65+/blind additional (MFJ)	\$ 1,400
65+/blind additional (single)	\$ 1,750

2022 STANDARD MILEAGE RATES

Business .585 cents per mile Jan – June
Business .625 cents per mile July - Dec
Medical: 18 cents per mile
Charitable: 14 cents per mile

AFFORDABLE CARE ACT

The tax law eliminated the shared responsibility penalty after 2018, however the advanced premium tax credit from the Marketplace must be reconciled on the tax return. Please supply us with the 1095-A you receive.

CHARITABLE CONTRIBUTIONS FROM IRA'S

An IRA owner who is 70½ or older may make qualified charitable distributions (QCDs) directly from their IRAs to charities of up to \$100,000. You will receive a 1099R for this distribution that you must bring to your tax appointment. This can be a beneficial tax planning strategy for some taxpayers in keeping income down and receiving a benefit for charitable contributions especially if you don't itemize. Please request a letter from your broker to substantiate the donation(s).

AMERICAN OPPORTUNITY TAX CREDIT- AOTC

The maximum credit is \$2500. Part of the credit may be refundable. The credit applies to the first four years of qualified college tuition as well as qualifying course material expenses, computers, software, internet access, and related expenses if they are used primarily by the student during college enrollment at a qualified institution. **We must have the form 1098-T and statements showing the amount of tuition PAID in 2022 as well as receipts for books, supplies and equipment.** Your student may have to access the 1098-T and billing statements on their on-line student account. Many institutions no longer mail these documents.

FOREIGN ACCOUNTS - If the combined value of all foreign accounts over which you have signature authority exceeds \$10,000 at any time during the year, reporting is required. Foreign financial accounts include bank, brokerage accounts and pension funds. Please advise us if you have any foreign accounts.

ANNUAL GIFT EXCLUSION - For 2022 you could gift up to \$16,000 to each person without having to file a gift tax return. This is simply an additional filing and will not result in taxes due unless you have exceeded the Lifetime Gift Exemption of \$12.06million. For 2023 that amount has increased to \$17,000

Early Withdrawal from Retirement Plans

Under the CARES ACT early withdrawals taken in 2020 due to COVID-19 hardships were not subject to the 10% penalty and could be taxed over 3 years, 2022 is the 3rd year of the 3 year cycle. If you are a new client this year and took advantage of this last year, please let us know

IRS, STATE OR CITY CORRESPONDENCE

If you receive a notice or letter regarding changes or requests for more information, please provide us with a copy of the correspondence. **We strongly suggest you consult with us before responding.** We are happy to assist you year round.

Website and Email

www.StJohnsBTS.com

sjbts@hotmail.com

BUSINESS & VEHICLE

MILEAGE SUBSTANTIATION

If you plan to take a mileage deduction for business/self-employment, make sure you have the beginning and ending odometer readings for 2022. We need your business miles, personal miles, and your total miles for the year for each vehicle. Your mileage must be substantiated, preferably by written detail in your calendar or in a mileage log.

If you use your vehicle(s) for business purposes, we need the following information *split by vehicle*:

Date you began using vehicle in business: _____

Total of all miles you drove your vehicle in 2022 _____

Jan - June: _____

July - Dec: _____

Number of business miles you drove in 2022 _____

Jan - June: _____

July - Dec: _____

MEALS PER DIEM

For 2022 the per diem for meals is \$59 per day unless you traveled to a specifically listed location. Use 75% of the rate for partial travel days. .

HOME OFFICE DEDUCTION AND SAFE HARBOR

In order to take your mileage from doorstep to doorstep, your home must be your principal place of business. A home office will qualify as a principal place of business if it is used to conduct administrative activities and there is no other fixed location for the business. The office must be used regularly and exclusively for the business. The safe harbor deduction is \$5 per square foot up to a maximum of a \$1,500 deduction. If the office qualifies, no other record keeping is required. Actual expenses may be a better deduction however, the safe harbor is an easy method for those who qualify but who prefer not to do the record keeping.

ISSUING 1099/1096 FORMS

If you pay a **non-incorporated** individual or entity \$600 or more in the course of your trade or business you are **required** to file forms 1099 and 1096. Examples include rent, web and computer consultants, repair persons, and billing services. The 1099 is also required for therapists who deduct their own counseling as a business expense. Our staff can assist in filing these forms or prepare them for you. **THE DUE DATE TO RECIPIENTS AND FOR FILING THE FORMS TO SOCIAL SECURITY ADMINISTRATION is January 31, 2023.** You no longer have until the end of February.

RETIREMENT PLANNING

MAXIMIZE YOUR PENSION CONTRIBUTIONS!

ELECTIVE 401(k) DEFERRALS

Elective deferrals are capped at \$20,500 FOR 2022 AND \$22,500 for 2023 plus an additional \$6,500 if you are 50 or older.

SIMPLE CONTRIBUTIONS

The maximum elective deferral to your SIMPLE plan for 2022 is \$14,000 AND \$15,500 for 2023 plus an additional \$3,000 if you are 50 or older.

CONTRIBUTE TO YOUR IRA

The contribution limits for 2022 for traditional and ROTH IRAs is the smaller of \$6,000 or your total earned income. Using the special catch-up provision, you may contribute an additional \$1,000 if you are 50 or older. The contribution deadline for 2022 is April 18, 2023. The contribution limit will increase to \$6,500 for 2023. There are income limits for the deductibility of traditional IRAs.

ROTH ELIGIBILITY

The ROTH contribution limits are the same as traditional IRA's though ROTH contributions are not deductible. Be sure to let us know if you are contributing to a ROTH, there are income limits for the Roth contributions. Better still let's talk before you contribute if there is any doubt as to whether you are eligible. There is no income limit for converting traditional IRA's into ROTH IRA's.

REQUIRED MINIMUM DISTRIBUTIONS - RMD

Your minimum required distributions from your IRA accounts start in the year you reach age 72. You can delay the first year's distribution until April 1st of the following year but you will then have to take a second RMD in that same year. Although you should be notified by your plan trustee, you have final responsibility for arranging the distributions. The penalties for not taking your RMD's are severe.

SOCIAL SECURITY - www.SSA.gov (great site!)

The earnings limit before having to repay social security benefits if you have not reached full retirement age in 2022 is \$19,560 and increases to \$21,240 for 2023. Full retirement age is 66 for those born in 1943-1954. The amount of earnings subject to Social Security taxes for 2022 is \$147,000 and increases to \$160,200 for 2023. The phone number for the Lansing Social Security Office is (800) 772-1213. The full fact sheet, addresses, and other phone numbers can be found at www.socialsecurity.gov.