

Centenal Tax Group, Inc.

600 Coolidge Drive, Suite 350
Folsom, CA 95630

(855) 893-2305
www.centenaltax.com

Social Security Review



Social Security Benefits are increasing for 2023. Americans who collect Social Security will receive an 8.7% increase in their monthly payouts in 2023. The extra benefits kick in on January 1. Annual increases in Social Security are determined every year based on changes in a component of the consumer price index. Social Security recipients got a 5.9% cost-of-living adjustment in 2022, 1.3% in 2021, 1.6% in 2020, 2.8% in 2019, 2.0% in 2018 and 0.3% in 2017. These annual increases are meant to keep up with inflation. The average retiree received a benefit of \$1,656 in 2022, meaning that the average retiree can expect to see a gross increase of about \$144 per month. This will be the largest cost-of-living adjustment in 40 years.

Social Security Recipients Medicare Premiums for 2023

While it's still uncertain what the standard premium will be for 2023 — it is based on an actuarial formula and is typically revealed in early November for the next year. Early estimates would have

most people pay about \$164.90 per month for Medicare Part B in 2023. This would be a decrease of \$5.20 per month from the current rate of \$170.10 per month they are currently paying for 2022.

Social Security benefits are increasing by 8.7% in 2023.

The increase in Social Security benefit payments and decrease in Medicare premiums will be a double bonus for retirees in 2023.

Premiums are increased for higher-income beneficiaries—those with adjusted gross income (AGI) plus tax-exempt interest income (for tax year 2021) of more than \$97,000 if single or \$194,000 if married filing jointly. These beneficiaries will continue to see the income limits adjust to general price inflation annually.

Social Security Wage Base Increases for 2023

The base upon which working taxpayers must pay the 6.2% Social Security tax for 2023 is increasing to \$155,100. This is an increase of \$8,100 over the 2022 limit of \$147,000.

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Attention! Many Popular Tax Breaks from 2020 & 2021 Have Gone Away



Several tax breaks that led to bigger refunds or smaller bills during the 2020 & 2021 tax seasons won't be available any longer. Those laws were temporary changes intended to help taxpayers economically survive the worst of the COVID-19 pandemic. Let's review the major changes which will affect many taxpayers when their 2022 tax returns are prepared.

- Gone... Economic Stimulus Payments**
For the past two years, most taxpayers received economic stimulus payments. Those who were eligible for a stimulus payment but didn't receive one could claim it as tax credit (recovery rebate credit) when they filed their tax return.
- Gone... Earned Income Credit (EIC) for Seniors**
The American Rescue Plan Act lifted that age limit for the 2021 tax year. This allowed some taxpayers over 64 years old and who worked in 2021 to receive the EITC when they filed their 2021 tax return. This tax break was only effective for the 2021 tax year. Under the current tax law, no seniors age 65 or older will qualify for the EITC after December 31, 2021.
- Gone... Earned Income Tax Credit for Younger Taxpayers**
The Earned Income Tax Credit (EITC) is available to eligible workers from ages 25 through 64. However, the lower end of that age range was lowered just for 2021 by the American Rescue Plan. Therefore, some taxpayers ages 19 to 24 became eligible for the EITC for 2021 only. Under the current tax code, the age restrictions return so that no one under the age of 25 will qualify for the EITC when they file their 2022 tax.
- Gone... Increased Child Tax Credit (CTC)**
The American Rescue Plan increased the Child Tax Credit for 2021 not only in the amount of the credit but also in the age requirements. The maximum credit was increased from \$2,000 to \$3,600 for children under age 6 and \$3,000 for children ages 6 through 17 (previous maximum age UNDER age 17 will return for 2022 tax year). These changes to the Child Tax Credit were temporary for 2021 only. Most taxpayers with dependent children should expect to receive a smaller child tax credit for 2022.

INSIDE THIS ISSUE OF TAX NEWS & TIPS

- Social Security Updates..... 1
- Popular Tax Breaks Eliminated... 1
- Truth vs. Myth.....2
- Frequently Missed Info 3
- Tax Tips For You... *Now!* 3
- Tax Calendar 4



“Important Tax Information Enclosed” Is Coming.

Prepare for the April 17, 2023, Filing Deadline.

Most of the needed tax records to prepare your 2022 tax return will show up in the mail or online in January 2023. 1099-B Forms or 1099 Consolidated Forms from Brokers detailing investment account activities may arrive later in mid-February. Collecting all your tax related



documents is important so that we prepare a complete and accurate return.

The IRS also gets copies of many of these documents and will match your tax return to their records.

Here's what you should be looking for...

NEW! The 1099-K now will report Payment Card and Third-Party Network Transactions. These could occur for individuals who may have sold personal property (used car sales, ticket exchanges or personal property sales) and received payment through settlement services like PayPal or Ebay...make sure that you provide me with any 1099-Ks that you may receive. We will discuss the tax effects when your return is prepared. Be careful not to mix business and personal transaction together!

W-2s. Read them carefully. Contact your employer if there is a discrepancy or if you do not receive it by the end of January.

1099s. You should receive these forms for any accounts that pay interest or dividends. Even tax-exempt interest must be reported.

IMPORTANT: “Corrected” forms are always a possibility. Be alert for such

announcements and get them to me as soon as possible!

1099-K. This form may also indicate proceeds for transactions involving the sale, redemption, or use of Cryptocurrency (i.e., Bitcoin). Cryptocurrencies are treated similarly to property like stocks, bonds, and real estate.

During the year, if you have more than \$20,000 in proceeds and 200 transactions in one crypto exchange, you will receive Form 1099-K.

You may have reportable crypto transactions even though you may not receive a 1099-K if you have transactions below these reporting requirements.

I will need a listing of each of your crypto transactions so that all tax reporting requirements are met.

Other 1099s. You will generally receive a 1099 for self-employment income called 1099-NEC (if you are not incorporated) if:

- You received the payment from someone who is not your employer (you may be considered an independent contractor),
- You received the payment for services
- You received payments of at least \$600 during the year.

Uber/Lyft or Airbnb? You are considered self-employed or in the rental business. You may be able to deduct expenses related to this work from the income generated (may be reported to you on a **1099-NEC or 1099-Misc**). This income is reportable even if you did not receive a 1099. Call me to discuss what to look for if you are involved in these activities.

You will generally receive a **1099-MISC** for rents or royalty payments that you received. Real estate sales are often reported on 1099-S. Stock sales on 1099-B or Consolidated 1099. Pension, 401K, and IRA distributions are reported on 1099-R. Pay special attention to forms 1099-A and 1099-C. These report foreclosures



Myth: Energy related tax credits have expired and are no longer available for the 2022 tax year.

Truth: False. The credits expired at the end of 2021 but, Congress has now revived them! For 2022, the credit applies to 10% of the cost of insulation, external windows, doors, and skylights. Additionally, the credit is 100% for electric heat pumps and water heaters. There is a lifetime credit limit of \$500 with some individual capped limit items. The credit will increase to 30% and an annual limit of \$1,200 starting in 2023.

Myth: I can deduct a \$600 cash charitable contribution on my 2022 tax return even if I do not itemize my deductions and claim the standard deduction instead.

Truth: False for now. For tax years 2020 & 2021, taxpayers who gave charitable contributions in cash and didn't file Schedule A (itemized

deductions) could deduct up to \$300 for 2020 or up to \$600 (for joint filers) for 2021. If Congress does not revive this provision, then non-itemizing taxpayers will not be allowed the deduction for 2022.

Myth: Social Security benefits are tax-free.

Truth: Maybe false. Up to 85% your Social Security benefits may be taxed. The IRS uses a formula to determine the taxable amount. The amount of your benefit that will be subject to tax is based upon other income reported on your tax return.



Myth: Ebay sent me a 1099-K, but I only sold some of my personal stuff so I don't have to report it, we can ignore it.

Truth: It might not be taxable, but we need to report all items detailed on a 1099-K since the IRS has a record of the transactions.

and debt consolidations or debt cancellations which may or may not result in taxable income. We need to see them to correctly prepare your return.

1095-A. You would receive a 1095-A if you purchased Health Care through the Health Insurance Marketplace and had part of your premiums offset by the Advance Payments of Premium Tax Credit. This form

is needed to calculate the actual Premium Tax Credit for which you would be entitled.

Form 1098. Reports mortgage interest paid to a bank, savings & loan, or credit union. These forms may also report real estate taxes (if payments are escrowed by the

lender).

Other Income. Look for 1099s of state tax refunds, unemployment income, prizes or gambling winnings or rents that you collect. Read each one carefully and keep them with all your other tax documents. Gambling winnings can also be reported on Form W-2G.

Your Records. Review records for possible income or deductions. Add up medical expenses and any taxes paid. If you recall paying a deductible expense but do not have a receipt, jot it down and we can discuss it before your return is prepared. Charitable contributions are different – you must have receipts, or your deduction could be challenged and denied! If you are missing a receipt, contact the charity to see if you can get the document(s) needed.



Tax Tips For You... Now!

2023 is rapidly approaching but, there is still time left to complete 2022 mandatory and optional tax-related actions! Some of these could help offset the negative effects that the previously mentioned expiring credits will have on some taxpayer's tax returns.

✓ **There's Still Time to Act: Retirement Plan Contributions**

The limit on contributions to 401(k), 403(b) and most 457 Plans for 2022

IRAs, SEP IRAs and employer-sponsored plans such as 401(k)s and 403(b)s.

If you turned age 72 in 2022 and are taking your first RMD, you have until April 1, 2023, to do so. For each subsequent year, your RMD must be taken by December 31. Keep in mind, if you delay your initial RMD until April 1, you'll be responsible for 2 withdrawals that year (one by April 1 and one by December 31), which could result in a larger tax liability. Most taxpayers take



increases to \$20,500. If you are age 50 or older, additional catch-up contributions are unchanged at \$6,500.

✓ **Re-Align Your Portfolio**

Many taxpayers have experienced a downturn in their stocks or mutual funds so far in 2022. The markets have become increasingly volatile and by selling losing investments (retirement plan investments are not included) you may not only reduce your risk to further downturns in the market, but you may also be eligible to claim net losses (excess of losses over gains) up to \$3,000 on your 2022 tax return.

✓ **Required Minimum Distributions (RMDs) Now Begin at Age 72**

RMDs are required minimum distributions taxpayers must take every year from their retirement savings accounts. Starting at age 72, these accounts include traditional

their first RMD by December 31. Call me if you have questions about delaying your first RMD to April 2023.

If you're already older than 72, you must take your RMD by December 31 each year.

✓ **You Can Make IRA Contributions Beyond Age 70½**

You can continue to contribute from your earned income (i.e., paycheck) to your traditional IRA past age 70½. These contributions can be made up to April 17, 2023, and still be counted for the 2022 tax year. Contribution limits for 2022 remain the

same as 2021 with limits of \$6,000 and additional \$1,000 catch-up for those age 50 and older.

Roth IRA contribution limits (income limitations apply) for 2022 are also \$6,000 with \$1,000 for catch-up contributions.

RMDs (required minimum distributions) now begin at age 72

Frequently Overlooked Tax-Related Info!

Take extra time to make sure that you have all the necessary facts if any of the following situations applies to you.

✓ **Child Care Expenses.**

I need the full name, address, telephone number and tax ID number of your care providers, and the total paid per child to each caregiver.

✓ **Estimated Federal Tax Payments.**

Find the date and amount for payments. April 18, 2022, June 15, 2022, September 15, 2022, and January 17, 2023. A Federal January 2022 payment would have been claimed on your 2021 return. Don't forget State estimated payments if any were made.

✓ **Sales of Property.** The most important item is the Final Settlement Statement. Include a list of home improvements in all prior years since purchase. You may also receive a 1099-S showing the gross sales price for the property. Also needed is a copy of the final settlement statement from the purchase of the property – or some other way to confirm what was paid for the property.

✓ **College Tuition.** Form 1098-T lists tuition paid.

These forms are generally available electronically to the student. Make sure that the "student" checks for these forms and gives them to you. I need these forms as well as details on the courses, all education-related expenses for required equipment and related fees, when each item was paid and who the "student" was.

✓ **Sales of Stock.**

Form 1099-B shows sale prices or proceeds. If this form

does not show the original purchase information (basis), you will need to provide this.

✓ **Tax Rules on Pass-Through Entities**

Continue. Schedules K-1 from partnerships, S-Corps and Trusts always seem to arrive late. Don't worry. We can do the rest of your return and be ready to finish when the elusive K-1 arrives.

✓ **Social Security**

Benefits. Look for Form 1099-SSA. We must report the gross amount and not just your net monthly benefit. Your Medicare Premiums listed on the form may also provide you with a medical deduction.

✓ **Employees – Last Pay Stub.**

Your W-2 is critical, but your last pay stub may reveal tax deductions that do not usually show up anywhere else. Some charitable contributions may be reported that are deductible on your Federal Income Tax Return. Other reported items, such as union dues or employee expenses are no longer deductible on your Federal Income Tax Return but may continue to be deductible on your State or Local Income Tax Returns.

✓ **Special Accounts.** Do

you contribute to an IRA, Roth IRA, or Health Savings Account? These and others can affect your taxes. Make sure I have all 1099s and information on contribution and distribution amounts and dates.

✓ **Complex Transactions.**

Please call if you have a foreclosure, sale or exchange of real estate, casualties such as a natural disaster.



Inflation Adjustments: Greatest Interest To Most Taxpayers For Tax Year 2022

The standard deduction (for taxpayers not electing to itemize their deductions on Schedule A) for married filing jointly rises to \$25,900 for tax year



2022, up \$800 from 2021. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,950 for 2022, up \$400, and for heads of households, the standard deduction will be \$19,400 for tax year 2022, up \$600.

The personal exemption for tax year 2022 remains at \$0.



Happy New Year!

May 2023 bring peace, health, and prosperity to both you and your family.

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RETURN SERVICE REQUESTED



Your Tax Calendar

- Dec 31** A check mailed today or a credit card or electronic payment counts for 2022. Last chance for deductions.
- Jan 17 2023** 4th Quarter 2022 estimated tax payments due.
- Jan 31 2023** W-2s and 1099s due to recipients.
- Apr 17 2023** Tax Returns or extension requests for 2022 due.

Anytime you have any questions, don't hesitate to call me. I am here for you!

Beware of Scammers Posing As The IRS

Note that the IRS does not:

- Call you
 - Does not ask you to confirm your social security number
 - Demand that you use a specific payment method, such as a prepaid debit card, gift card or wire transfer. The IRS will not ask for your debit or credit card numbers over the phone.
 - Demand that you pay taxes without the opportunity to question or appeal the amount that they say you owe. Generally, the IRS will first mail you a bill if you owe any taxes.
 - Threaten to bring in local police, immigration officers or other law enforcement to have you arrested for not paying. The IRS also cannot revoke your driver's license, business licenses, or immigration status.
- Threats like these are common tactics scam artists use to trick victims into buying into their schemes.
- Do not give them any information. Always ask the caller for their federal ID # and a number to call them back on **- but don't call!**

Annual Gift Limits

The annual exclusion for gifts to one person is \$16,000 fair market value for calendar year 2022. This is an increase of \$1,000, the first increase since calendar year 2018.

If you've given or are planning on making gifts this year, more than \$16,000 fair market value to any one person, let me know or give me a call first to make sure it's done correctly. A gift tax return may be needed (but not taxable). I may be able to help you with how to structure these gifts.