

Professional Tax Consultants, Inc.

General email: ptc@ptcfl.com

PO Box 7166, Winter Haven FL 33883
Office: 863-294-5462 Fax: 863-299-8907

December 19, 2022

Dear Friends and Clients:

Once again all of us at Professional Tax Consultants would like to take this opportunity to let you know how much we value your business and the trust you place in us as Enrolled Agents and accountants. It is our goal to provide you with the most accurate tax return possible while keeping your tax liability to a legal minimum.

COVID-19 and additional last minute tax law changes continue to complicate the tax landscape. Rest assured that we continue to follow all tax changes and regularly attend continuing education classes to stay up to date with the tax law and its application to our clients. Keeping up with these changes, new forms and increased IRS filing requirements necessitates that we will be making a modest increase in our fees for the coming year. As usual we will again require that each of you sign our engagement agreement (enclosed with this letter) before we begin any work on your tax returns. This is part of the due diligence requirements we must follow to be compliant with IRS requirements.

As you may recall, in July 2022 our computer system was attacked from an outside source. While NO client information was taken or compromised, we have had to do significant rebuilding of our client files. To this end, if you have not already done so, we must require that you provide us with the original bound copy of the last tax return that we did for you. You may bring this to us when you provide your 2022 tax return information, however we must have this to ensure that all of your tax items and carryovers have been properly carried over to 2022.

We have some reminders and new information for you regarding important issues for this year's tax return.

1. We certainly hope that nobody was severely impacted by Hurricane Ian or any other Presidentially declared disaster in 2022. If you were, however, and you suffered uninsured or unreimbursed disaster-related losses, keep in mind you can choose to claim them either on the return for the year of the loss (2022) **OR** on the return for the prior year (2021) whichever generates a larger refund. Please let us know if this applies to your situation and be sure to gather all the information on your damages, insurance claim and payment and other out-of-pocket expenses.
2. Electronic filing will probably begin in late January. We can prepare returns prior to that date but not submit them to the IRS until electronic filing opens. If you are an early filer, please wait until you have received all of your tax forms before you schedule an appointment. Many tax documents will arrive between late-January and mid-February.

3. Employee Business Expense: There is no longer any deduction for work related expenses on Schedule A. If you have an employee handbook, check to see if your employer offers a reimbursement program for job related expenses. If not, you might want to discuss this with them to explain the cost out of your pocket. Reimbursement would be a deductible expense for the business.

4. **If you claim Earned Income Credit, Head of Household status, Child Tax Credit or Education Credits, the IRS requires all tax preparers to verify your entitlement to such special tax benefits AND maintain proof in our files.** Be prepared to provide us with a copy of one of the following for our files:
 - A copy of your dependents' Social Security card or Birth certificate
 - Form 1095 proof of Health coverage for your dependent(s)
 - School or medical records showing your dependent lived at your address
 - Child care provider statement showing your dependent
 - Social service placement record
 - Form 1098-T (for education credits)
 - Or such other proof that you and your tax preparer deem sufficient to satisfy the IRS records retention requirement.

5. Itemized deductions: Many folks no longer are able to itemize due to the significantly higher standard deductions. You can still itemize for 2022 if your mortgage interest, real estate taxes and charitable deductions exceed \$12,950 (single) or \$25,900 (joint) or \$19,400 (Head of Household). The amounts are even higher if either or both of you are age 65 or older.

6. Charitable contributions: Please remember that all charitable deductions must have a receipt and those that exceed \$250 must have a written receipt from the organization showing date and amount. For non-cash contributions, we need an itemized list for the donation and "fair market value" of the items donated. The ability to deduct a portion of your charitable donations even if you do not itemize has expired and no longer applies to 2022. If you are age 70 ½ or older and especially if you are unable to itemize your deductions, consider making annual charitable donations through Qualified Charitable Distributions (QCD) from your traditional IRAs. These distributions are made directly to charities from your IRAs, and the amount of the contribution is neither included in your gross income nor deductible as an itemized deduction.

7. Children/Student Returns: If your dependent children need to file a tax return, please request that they not file their return before you file yours (or be sure to mark their return that they are a dependent on another return). This is also important for you to be able to claim an education credit for college students who are dependents on your tax return. In the case of the education credit we NEED the Form 1098-T issued by the college in order to claim the credit. Your child will probably need to download this from their account on the school web-site.

8. Identity Theft: If you have had an identity theft issue that has affected your tax return in the last few years, IRS will issue you an ID PIN. It will come in a letter to you in January; **DO NOT THROW THIS AWAY.** Put it with your tax return documents. We cannot E-File your tax return without that special PIN #.

Professional Tax Consultants, Inc.

General email: ptc@ptcfl.com

PO Box 7166, Winter Haven FL 33883
Office: 863-294-5462 Fax: 863-299-8907

9. Solar Tax Credit – The Inflation Reduction Act of 2022 made significant improvements to the Solar tax credit for 2022 and future years:
 - (a) The Solar tax credit for systems installed in 2022 was raised to 30%,
 - (b) The Solar tax credit for systems installed in 2023 to 2032 is 30% **AND** will also include the cost of eligible Solar battery storage systems.
 - (c) Please check with your system installer and be prepared to provide us with proof of the date and cost of the installation.

10. Foreign Accounts: IRS is becoming ever more diligent in finding information about foreign based bank accounts of taxpayers. They have engaged the cooperation of most large foreign banks. We suggest that you carefully consider whether you have control over a foreign checking account or hold stock in an account located outside of the United States. These must be reported or you could face penalties of up to 50% of the account value. This is handled by a separate form that can be E-Filed with your tax return.

11. Business Owners: (Sole Proprietors, LLCs, Corporations & Partnerships)
 - (a) Businesses that file as a S-Corporation or Partnership (this may be an LLC) have a due date of **March 15, 2023**. It is imperative that we have your accounting information in **a written form with bank statements as back-up** in sufficient time for us to file your return timely.
 - (b) If you are unable to get the information necessary to file your returns by March 15th, you must notify us in time to file an extension on your behalf. We will no longer do this automatically if we haven't heard from you.
 - (c) All businesses are required to provide 1099-NEC Forms to individuals and other businesses (who are not corporations) to whom you have paid more than \$600 for the year. These **MUST** be in the mail by January 31, 2023. The penalties for neglecting to do this are substantial, up to \$500/form. If you want us to prepare these for you, we need your list of payees with social security or EIN numbers, addresses and amounts paid no later than January 16, 2023.

12. Other Income: As we always emphasize, ALL your “worldwide” income is subject to tax unless specifically exempted. This includes income from AirBNB and other similar organizations and any forms 1099-K from sales through Square, Etsy, CashApp, etc. Digital assets (like bitcoin, NFTs, etc.) have also become a focus for the IRS. ALL crypto-currency and digital asset transactions are reportable just as any other income. Please advise us if you have received, sold, sent, exchanged or otherwise disposed of any interest in any digital assets as this **must** be reported to the IRS.

These are only a few of the many tax situations that may apply to you. If you have any questions about something specific, please give us a call. Please call ahead to make an appointment when you have your paperwork ready. If you would like an organizer sent to you, please contact us, we will be happy to send you one. Rest assured, we will utilize our best resources to once again provide you with timely, complete and accurate service. Just a reminder, unless other

arrangements have been made in advance, we ***require full payment of preparation fees upon presentation of our invoice.***

As an update on our PTC “family”, Ron’s wife, Judy, continues to have health issues that will require him to work half-time for the foreseeable future. Please continue to be patient with his half-time work schedule and understand that some things may be out of his control. Both he and Judy appreciate your concerns and well wishes.

Our Best Wishes to you all. Sincerely,

All the Staff of
Professional Tax Consultants, Inc.

Ronald Yost, EA (ron@ptcfl.com)
Karin G. Nelson, EA (karin@ptcfl.com)
Mary Ann Bauerle, EA (ma@ptcfl.com)
David C. Ullman, EA (david@ptcfl.com)
Bonnie Warnick, EA (bonnie@ptcfl.com)
Cade Bickert (cade@ptcfl.com)
Jeff McKinney, Administrative Assistant (jeff@ptcfl.com)
Charlotte Davis, EA, ABA, ATA, ATT, CFP, (Contract Associate) (charlotte@ptcfl.com)

As a reminder, we still need the annual information forms that are sent to you for tax purposes. Here is a partial checklist:

- W-2 for wages
- 1099-DIV for dividends
- 1099-NEC for income
- 1099-R for retirement
- 1099-Int for mortgages
- K-1 forms from investments in S corporations or partnerships
- Form 5498 for IRA values
- W-2G for gambling
- 1099-B Brokerage
- 1099-Misc for income
- 1099-G for refunds & unemployment
- 1098-T for tuition
- IRA and Roth IRA contributions for 2021
- 1099-Int for interest
- SSA-1099 Social Security
- 1099-K for income
- 1099-SA for HSA's
- Child care costs, and the name, address, amount and ID # of the recipient
- Charitable donations-total amounts and recipients
- Property tax paid on your home, property or cars
- Estimated tax payments and dates
- Any letters you received from the IRS or state tax authorities
- Our engagement letter