

2022 TAX NEWSLETTER



Important Items

Special points of interest

IRS will accept Efiling January 24.

1. You will receive - **IRS Letter 6419** which is needed to reconcile Advance Child tax credit. We need this letter to do your taxes.
2. You will receive - **IRS Letter 6475** to calculate Recovery Rebate Credit to claim stimulus #3 for those who did not received during 2021.
3. If you received Unemployment benefits, you need to bring Form 1099G
4. If you don't itemize your deductions, you may qualify to take a deduction for charitable contributions of up to \$300/\$600 for MFJ.
5. Foreign Financial Assets for any account overseas with over 10,000 dollars balance any time during the year – Reporting due in **April 15.**

IMPORTANT TIP

Check the IRS website for refund information.

www.irs.gov/refunds

The information is updated ONCE a Day.

WHAT'S NEW FOR THIS TAX SEASON

VISIT OUR WEBSITE

www.estelalorenzocpa.com

Welcome to a new tax season. As in previous years, we are prepared to offer you our professionalism and expertise in the income tax return preparation. Our goal is to provide the highest quality service to our loyal clientele.

Important Tax changes for Individuals:

Tax reform due to the CARES Act is complicated due to changes and specific situation.

Recovery rebate credit: you can only claim stimulus payment 3 with your 2021 taxes. If you did not received stimulus payment 1 or 2, you need to file 2020 tax return or do an amended to claim it.

You must file Form 1040 or Form 1040-SR to claim the Recovery Rebate Credit even if you are normally not required to file a tax return.

Educator expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus

Please call our office for guidance on all of the provisions that directly affect you.

IRS will **hold refunds** claiming the Earning Income Credit (EITC) and Additional Child Tax Credit (ACTC) **until 1s week of March.** If you don't reconcile the ACTC credit, the IRS WILL NOT process your return.

If you have insurance thru **Market Place**, we must complete the insurance reconciliation with your taxes to avoid delays on your refund. The delays could take 8-16 weeks. **You need FORM 1095A**

If you don't bring your **FORM 1095A for all your dependents**, we will not be able to submit the taxes to the IRS, and the IRS WILL NOT process your return.

Call the Market place at 1-800-318-2596 (open 7 days a week—24 hrs.) before your appointment if you have not received the **1095A FORM.**

Save a trip to the office and **avoid Covid spread**, send your documents in advance by **email, mail or fax.** Take advantage of the **internet and email** us your questions, deduction lists or any other important information.

We are open Monday to Saturday. **Please, call in advance for your appointment.**

To stop the spread of COVID, we are also offering telephone and zoom conferences instead of in person appointment. Email your documents in advance and will call you afterwards.

Bring the following notes and information:

- Social security Card for all Dependents
- Date of birth for all your dependents
- Copy of passport or residence card.
- College tuition paid **Form 1098-T and expenses paid for books and tuition.**
- Bring information for your child care provider: name, address and tax ID
- If you **Sold stock** we need year-end statement from brokerage company

Bring tax documents received:

- Form **W-2** from your employer.
- Form **1099s** for Interest, Dividends, Sale of Stocks **1099B** from Banks or Investment companies.
- Form **1099-Nec** for Self Employed
- Form **1099-Misc** Other Income.
- **If self employed**, list of business expenses (call us for a worksheet).
- **If rental income**, list of rental expenses (call us for a worksheet).
- Form **1099-R** for Pension Plan or IRA-Distribution.
- Form **1098** from your mortgage company for Principal Residence and Rental Properties.
- Form **1099-G** for unemployment
- Form **Form 1099-SSA** Social Security Benefits
- **Letter 6419 and Letter 6475**
- Form **1095A** from Market Place
- List your medical expenses and health insurance paid
- Bring a voided check for direct deposit.

We take this opportunity to thank you for the confidence you have bestowed on us.

**Maria Estela Lorenzo,
Certified Public
Accountant**

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Established 1983



**Income Tax &
Accounting
Services**

To avoid wrongful credits, deductions, etc. Make sure all your records and backup documents have the **correct current address for you and your children such as school records, medical records, bank statements, utility bills, lease agreement. Bring social security card, passport or residence card for you and all dependents. You need to submit all documents for the preparation of your taxes.** Name must match Social security card and Immigration status according to the social security card. You must have an updated social security card if the name or immigration status changed. Having the incorrect immigration status on your social security card, could affect your credits and stimulus payments

Tax Credits:

Child Tax Credit: The child tax credit is expanded by increasing the credit amount for each **qualifying child under age of 6 to \$3600 and under the age of 18 years to \$3000.** The credit is reduced by the amount of Advance payment already received per **IRS Letter 6419.** A taxpayer may claim a \$500 credit for each dependent **child older than 18 years of age,** or a dependent who is a qualifying relative for purposes of claiming a dependency exemption.

Child Care Credit: **this credit has been expanded for expenses related to your children's care under the age of 13,** or disabled person up to two children. **You may qualify for a credit for related expenses of \$4,000 for one qualifying person and \$8,000 for two or more qualifying persons.** There are limits and other restrictions to the credit. You must report the payments made to the childcare provider, name, address and Tax ID Number.

Educational Credits: American Opportunity Credit and Lifetime Learning Credits

You must Bring Form 1098 T from college and qualified college expenses.

To claim these credits, the student must be your dependent. The maximum credit is \$2,500 per student/year. Eligible expenses to include books. Allowing the credit for first 4 years of college. Higher education expense is expanded to include the purchase of new computer technology or equipment. The lifetime maximum credit remains at \$2,000 per return.

Earned Income Credit – You may receive a maximum credit up to:

If no Children	\$ 1,502	Income less than 21,430 (27,380 if married)
One Child	\$ 3,618	Income less than 42,158 (48,108 if married)
Two Children	\$ 5,980	Income less than 47,915 (53,865 if married)
Three or more	\$ 6,728	Income less than 51,464 (57,414 if married)

You must have a valid social security to claim this credit and be a U.S. citizen or a resident alien all year. Your child must be under 19 years old or under age 24 and a student.

Investment income (interest, dividends, etc.) must be less than **\$10,000** to qualify.

Individual Retirement Accounts and Roth IRA:

- You can open an account per beneficiary for your children's education. The earnings withdrawals from this account are tax free if used for educational purposes (**Plan 529**).
- You and your spouse will be allowed an IRA deduction of **\$6,000 each (\$7,000 if you are age 50 or older).**

Other Items:

- **Long Term Care Deduction:** Depending on your age you will be allowed a deduction for a portion of your premiums as medical deduction subject to limits.

- **Long Term capital gains and dividends:**

<u>FILING STATUS</u>	<u>0% RATE</u>	<u>15% RATE</u>	<u>20% RATE</u>
Single	Up to \$40,400	\$40,400 – \$445,850	Over \$445,850
Married filing jointly	Up to \$80,800	\$80,800 – \$501,600	Over \$501,600
Married filing separately	Up to \$40,400	\$40,400 – \$250,800	Over \$250,800
Head of household	Up to \$54,100	\$54,100 – \$473,750	Over \$473,750

- **Foreign earned** income exclusion amount is 108,700.
- **FBAR Filing requirement** - FBAR stands for "Foreign Bank Account Report", **Persons required to file a FBAR** : US persons (citizens and residents) who have ownership or control (for example signature authority) of foreign accounts with an aggregate value of over \$10,000 in the calendar year. High penalties if not filed.
- **Forgiveness of debts** such as Short Sales, and cancellation of debts might be taxable.
- **All charitable contributions** must be supported by receipts and cancelled checks. Used clothing and household items must be in good used condition in order to be deducted.

Please call our office for guidance on all of the provisions that directly affect you.