

Hons Tax Associates

April 2022 update, end of tax season

Thank you all who trusted Hons Tax Associates and I to prepare and e-file your tax return.

Tax season was harder this year, going back to the traditional deadline. Getting the exact number to put in the returns for advance child tax credit (reflected in IRS letter 2419) and third stimulus ("third recovery credit"), also paid in advance (reflected in IRS letter 2475), took attention, both from you and me.

It seems that the IRS has been processing most of the refunds in a comparable time with last year. A few refunds have been delayed. I have tried as much as possible to avoid IRS delays by entering accurately 3rd stimulus and child credit on your return and checking with you we were not missing any income or tax document. The IRS is taking at this time one year or more to process paper returns and amendments, and it is best to avoid these as much as we can. You and I want your return to be processed automatically and electronically, without an IRS employee's manual intervention, which delay things by months.

Good news

Over 2021 and 2022 I had to raise the price on more than half of the returns of the Tax Office clients as previous prices were in my opinion not sustainable. I am happy to announce that except for less than 5 clients, and when no notable change in your tax situation, your price will now remain within 5% of previous year price. This also applying to Hons Tax Associates new clients since 2021. If you return clearly simplifies, price will be lowered accordingly.

I was able again to save tax for some of you. Usual tools I have used with you for this are energy efficient credits, HSA and/or IRA contributions before April 18, "segregation" of fixed assets for depreciation (using bonus depreciation as allowed on certain classes of assets) and checking on allowable deductions with you. One should not expect to find tax savings every year, but I am confident that over the years I will find some for most of you and when allowed by the tax code.

Meeting with you (instead of you simply dropping your documents without seeing anybody) has allowed us a few times to find something we could have missed otherwise.

My wife Suzan, who has been an immigration attorney for many years, is winding down her practice and will be preparing returns with me. Our policy will be to review (between us) the more complex returns (price above \$300 or so) as it is the best way to avoid mistakes and find possible missed things. Suzan has previous tax experience including preparing tax returns for expatriates. She already prepared a number of 2021 returns, that I reviewed.

Off season and next year

For simple returns (less than \$250) I will be offering tax preparation in only one visit (office on the other side of the training room) and e-file your return right away after. If you would like this next tax season, schedule a one-hour appointment. If your tax documents are complete and we can complete the return at once, you will get a 10% discount. The hardest part for me during tax season is having many returns open with things missing/unclear in each that I need to follow up on and get.

I would be happy to meet with you for tax planning before the end of the year. This can often be done in less than one hour and is particularly useful when changing situations: retirement, sale

of home or a property, changing self-employment situation, large capital gain and unique situations.

If you get a letter from the IRS or a state (Colorado usually):

- if it is clearly just a bit of penalty and interest, for say less than \$50, I would suggest you just pay it. Nobody wants to fight the IRS and Colorado for small penalties, IRS response time is about a year on mailed letters, it is very difficult to reach them on the phone, with most often no resolving of the matter, and it is not worth the aggravation for most of us.

- if the letter is not clear to you, or you need help on how to respond, please (allowing at least two weeks before response deadline) either:

 - . email it to me (I need all the pages and pdf format: please not jpgs). I will check it against the tax return filed and get back to you. This letter could be for 2019, 2020 or 2021 return (top right of letter)

 - . drop it with a note (under my office door if I am not there). Best is if you can keep the original and make me a full copy, if not convenient ask me in your note to scan the letter and email it to you for your file.

Most IRS letters (usually they have 3 years after tax filing deadline to issue them) are either for something forgotten in the return, that they received and their computers flagged (retirement distribution, forgotten W2, other), or something input wrong in the return. The IRS is often right, but sometimes is not, or only partially right. When the IRS is not right, it can get problematic as it takes them one year or more to process amended returns (correcting what they did) and they keep sending notices in the meantime (not taking in account the amended return not processed yet...). This is the reason I spend time and efforts checking nothing gets forgotten in your return as things are much harder to correct after.

Next newsletter (by September) will cover known changes coming in for 2022 taxes and a couple of previously not covered tax aspects affecting many returns.

If you have any question, feel free to call me on my cell phone 303-929-8090. Off tax season I have reduced regular hours at the office.

Thank you

Michael