

Hons Tax Associates Summer 2022 Newsletter

Hi all

Hope you are enjoying your summer, despite the heat. If you have any question, feel free to call me on my cell phone 303-929-8090. Off tax season I have reduced hours at the office and my cell phone is the best way to reach me. Below are August 2022 general tax updates and info applying to many of us.

Colorado refund!

Most taxpayers will receive in August and September a TABOR Colorado cash refund. Colorado plans to send checks (not direct deposit). If you have moved, change your address online (you need to have or set a Colorado account) <https://www.colorado.gov/revenueonline/>

Single filers will receive \$750 and joint filers \$1,500. The conditions to receive it are:

- be at least 18-year-old
- be a full year 2021 Colorado resident
- having filed your Colorado 2021 tax return by June 30, 2022, OR having filed a federal extension and file Colorado 2021 return by October 2022 (in which case refund will come later and by the end of January 2023)

General

We have been able for about a year to e-file (vs paper return) amended returns when mistake(s) in the original return, but these returns are not processed electronically like regular returns: IRS still enters them manually and takes up to a year to process them (with also possible entry errors), so it is basically always best to get it right in the original return. The attitude of "let's just file it like this, we can/will amend it later" is not a good way to deal with the IRS.

Off tax season

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 can be particularly useful when changing situations: retirement, sale of home or a property, changing self-employment situation, large capital gain(s) and unique situations.

If you get a notice 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 can be up to a year on mailed letters, it is 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 notice 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. The IRS notice 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 (generally they have 3 years after the 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 is harder to resolve as they often keep sending notices while they have not processed an amended return filed to correct the return.

2022 returns

- Mileage rates 2022

For those of you self-employed (also rentals to an extent), 2022 business mileage rate is 58.5 cents/mile to June 30 and 62.5 cents/mile after. If your business had a seasonal aspect, was new, is winding down, or other aspects, you'll need to come up with at least a decent estimate (best is to use a mileage app.) to apportion your business mileage between the 1st and 2nd half of the year. If steady business and mileage, I am OK to take the reasonable position that it was half and half, but I will need to hear it from you as you are responsible for your mileage figures and records.

- Stimulus money

Three rounds of stimulus money were paid (a total of about 930 billion paid by the Federal Government), applying to 2020 and 2021 returns. For 2022 return you will not need to keep track anymore of any stimulus money payments.

- Dependent care credit

Will be back to 2020 tax year level (was higher in 2021 for Covid extra help)

- "Climate, Tax and Health Care package"

This complex bill with many aspects (H.R 5376, 2140 pages) just barely passed in the Senate, (51 democrats votes for, 50 republicans votes against) with a few amendments and is being sent back to the House. One of its goals is to reduce greenhouse emissions about 40% below 2005 levels by 2030. I am understanding that most of its provisions start applying in 2022, but it is complex with many provisions and different budget amounts for each year. Below are a few general tax related aspects of note for individual taxpayers:

- . higher energy efficient tax credits for solar (30% credit), heat pumps, electric HVAC, water heaters, energy efficient windows and exterior doors.
- . \$7,500 tax credit for all new electric cars (Tesla had exhausted the earlier tax credit due to the numbers of cars sold), and \$4,000 for used electric cars (nothing before). However electric cars are not cheap and there are supply chain issues, for example Ford is not taking new orders for its Lightning pickup.
- . extension for another 3 years of the enhanced Affordable Care Act (Obamacare) premium subsidy
- . cap of prescription drugs out of pocket annual costs for seniors to \$2,000

If and when this bill passes the House, its complex tax aspects provisions should be covered by the professional media and then reflected in the 2022 tax return forms.