

Hons Tax Associates

May 2023 update, end of tax season

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

Taxes were a bit simpler than last two years as we did not have to take in account and input Covid previous years stimulus. On the other hand, quite a few of you get somewhat lower refunds as tax law for personal returns came mostly back to what it was pre-Covid. It seems that the IRS was processing most of the refunds in a comparable time with last year.

Meeting with you (instead of you simply dropping your documents without seeing anybody or emailing/uploading documents) is nicer and has allowed us to avoid miscommunication and omissions. My wife Suzan, an immigration attorney with tax experience, has been preparing returns with me and will continue to do so. Our policy was to review each other returns as it is the best way to avoid mistakes

Off season and next year

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), and it could normally be for 2019 to 2022 returns (top right of letter)

- 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 up to a year on mailed letters, it is difficult to reach them on the phone, with 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.

- . drop it with a note (under my office door if I am not there). Please keep the original and give me a full copy.

Most IRS letters 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 gets unpleasant as it takes them up to a year to process amended returns (correcting what they did) and they keep sending notices in the meantime . This is the reason I always try to check if nothing gets forgotten in your return as things are harder to correct after.

IRS Funding and Plan

Below is an article about how the IRS want to spend its additional \$80 billion funding in the next 10 years (with the link to the IRS plan). "*The IRS has no plan to increase the most current audit rate we have for households making less than \$400,000*" said Mr Werfel, the IRS Commissioner.














<https://news.bloombergtax.com/daily-tax-report/irs-details-priorities-to-spend-80-billion-in-long-awaited-plan>










Electric cars

So things got more complicated. The basic rules are:

- the tax credit (maximum \$7,500) is now under 3 conditions: assembly in North America, "critical minerals", and battery components requirements (see link below for details). These conditions becoming more stringent every year. (see below link)
- in 2023 the credit will still be claimed in the tax returns, 2024, the credit will be deducted directly from the selling price at the dealer (all above addresses new vehicles only)
- Vans, SUVs, and pickups maximum MSRP is \$80,000
- other vehicles (regular cars basically) maximum MSRP is \$55,000
- Adjusted Gross income conditions are:
 - . below 300k joint files
 - .below 225k head of households
 - .below 150k single filers

And, under all these conditions, here is the list of qualifying new vehicles (the condition "assembled in North America" disqualify many foreign cars). "PHEV" means Plug-in Hybrid

Make	Model	Year	Vehicle Type	Credit Amount	MSRP Limit	Assembled in N. America
Cadillac						
	LYRIQ	2023-2024	EV	\$7,500	\$80,000	✓
Chevrolet						
	Blazer	2024	EV	\$7,500	\$80,000	✓
	Bolt	2022-2023	EV	\$7,500	\$55,000	✓
	Bolt EUV	2022-2023	EV	\$7,500	\$55,000	✓
	Equinox	2024	EV	\$7,500	\$80,000	✓
	Silverado	2024	EV	\$7,500	\$80,000	✓
Chrysler						
	Pacifica PHEV	2022-2023	PHEV	\$7,500	\$80,000	✓
Ford						
	E-Transit	2022-2023	EV	\$3,750	\$80,000	✓
	Escape Plug-in Hybrid	2022-2023	PHEV	\$3,750	\$80,000	✓
	F-150 Lightning (Extended Range Battery)	2022-2023	EV	\$7,500	\$80,000	✓
	F-150 Lightning (Standard Range Battery)	2022-2023	EV	\$7,500	\$80,000	✓
	Mustang Mach-E (Extended Range Battery)	2022-2023	EV	\$3,750	\$80,000	✓
	Mustang Mach-E (Standard Range Battery)	2022-2023	EV	\$3,750	\$80,000	✓

Make	Model	Year	Vehicle Type	Credit Amount	MSRP Limit	Assembled in N. America
Jeep						
	Grand Cherokee PHEV 4xe	2022-2023	PHEV	\$3,750	\$80,000	✓
	Wrangler PHEV 4xe	2022-2023	PHEV	\$3,750	\$80,000	✓
Lincoln						
	Aviator Grand Touring	2022-2023	PHEV	\$7,500	\$80,000	✓
	Corsair Grand Touring	2022-2023	PHEV	\$3,750	\$80,000	✓
Tesla						
	Model 3 Performance	2022-2023	EV	\$7,500	\$55,000	✓
	Model 3 Standard Range Rear Wheel Drive	2022-2023	EV	\$3,750	\$55,000	✓
	Model Y All-Wheel Drive	2022-2023	EV	\$7,500	\$80,000	✓
	Model Y Long Range All-Wheel Drive	2022-2023	EV	\$7,500	\$80,000	✓
	Model Y Performance	2022-2023	EV	\$7,500	\$80,000	✓

Updated 4/17/2023

Source: Internal Revenue Service

<https://afdc.energy.gov/laws/409>

Reviewing the specialized press, I see nothing worth noting at this time, next newsletter (by September) will cover changes for 2023 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 hours at the office.

Thank you
Michael

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