
Year-End Newsletter

(aka: Stu's Views)

December 2021

NEWS FOR TAX YEAR 2021

Welcome

Happy New Year 2022! How are you? Don't answer, we know.

CHANGES TO FEDERAL TAX LAW:

-Only a few.

Reminders from last year:

All W-2's and 1099's must be sent to IRS and the recipient on or before January 31, 2022. Penalties have doubled if you are late.

-Mortgage Interest will be limited to loans of \$750K or less, no HELOCs included.
-State tax deductions are limited to \$10K.
-No deductions for **Miscellaneous Itemized Deductions!!** You should consider becoming an S Corp if you lost these deductions.

-Marginal tax rates are reduced for inflation.
-The Alternative Minimum Tax is reduced for individuals. AMT is gone for Corps.
-Pass through entity tax is lowered by 20%. That includes LLCs, S Corps, Partnerships, Schedule C businesses, and Schedule E rental properties.
-Child tax credit can now be claimed in advance monthly.

S Corporation, Partnership and LLC **filing deadline** is now **March 15, 2022**. The C Corporation deadline has moved to **April 15, 2022** for calendar year corporations.

Foreign Assets:

If you have \$10,000 or more of foreign bank or stock accounts during the prior year let us know before April 15 even if you file an extension each year. There are large penalties for not disclosing even if it is not taxable. That includes FBAR and FinCen Reporting. If you have any accounts outside the US, you need to report.

The Estate Tax Exemption has increased to \$11.7 Million. You know who you are.

Retirement Funds:

Defined Contribution plan limits are increased to \$58,000 for 2021. SEP IRA's and other defined Contribution plans allow contributions up to 20% of net business income.

**Employee 401K salary deferral plans allow contributions up to \$20,000 for 2021. Plus, you can contribute an additional \$6,500 if you are age 50 or over. The self-employed 401K program can be used with the profit-sharing plan that combines with a 401K plan in one account.

**IRA contribution maximums are increased to \$6,000 for 2021. The deadline is April 15, 2022. Taxpayers 50 years and older can increase IRA contributions by \$1,000 per year.

Stock Sales: If you sold stock in 2021 we need the original cost basis and purchase date of stock sold along with form 1099-B.

Business Equipment:

If you purchased equipment or furniture for your business we need the date, description, and amount paid for each item.

Mileage:

For business autos we need total miles, business miles, and actual expenses for each vehicle. The standard mileage rate for tax 2021 was \$ 0.56 and is not yet determined for 2022.

Charitable Deductions:

You now must have cancelled checks or a receipt for all cash donations. If donations are greater than \$250 you need a receipt from the organization. Noncash donations (clothing & household goods) over \$500 require an itemized receipt from the organization with a description and value of each item donated.

Health Insurance Requirements:

No longer required by the Feds but still required for CA residents. Penalties are similar to Federal penalties if you don't have minimum coverage.

Business Use of Home:

A home office qualifies as a Taxpayer's principal place of business if: (1) Office is used by taxpayer to conduct administrative or management activities of taxpayer's trade or business; and (2) There is no other fixed location of the trade or business.

Qualified State Tuition Programs:

California has a "qualified state tuition program" for qualified higher educational expenses. The California plan uses TIAA-CREF. You can find more information online at the following: www.collegesavings.org.

Federal and State websites:

Internet addresses are: www.irs.gov and www.ftb.ca.gov . Good luck calling. Wait times are over an hour. You can use these sites to make payments and check for refunds.

Trouble in LA City:

The City of Los Angeles is contacting residents who have a small business to file for a city business license. If you receive a 1099, they may be looking for you. Their email address is www.lacity.org.

Identity Theft:

Have you been victimized recently? This is the fastest growing illegal activity. We have a checklist to follow if you are a victim.

Fake IRS phone calls:

Don't fall for this scam. IRS will not call you before first sending a series of letters to you.

New Type of Investments:

Are you the bold and brave type of investor? Then, Crypto may be for you. Beware of scams more than ever. If you do buy Crypto you must disclose that fact on your tax returns.

Many Have Asked:

Do we still have in-person appointments? The short answer is no, but we will do that in rare instances when it's necessary and all safety protocols must be followed.

Tax appointment reminders:

Please send forms W-2, 1099, 1098 and K-1s. at least one week prior to your appointment. You can scan, mail, or fax them to us when you receive them. If you refinanced or sold or purchased real estate, please bring your escrow closing statement.

Our new protections and procedures:

IRS and FTB have received a deluge of fake tax returns by Identity Theft. For your protection, we now only use password protected or PDF secure links for attachments. We also now offer electronic signature for your convenience.

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We wish you a happy, healthy, and prosperous year in 2022.

Stuart R. Paul, EA