

## **Monthly Newsletter - January 2022**

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### **Important Dates & Deadlines to Note**

#### **January 14<sup>th</sup>**

- ❖ 1099 information due in our office if we prepare your forms

#### **January 15<sup>th</sup>**

- ❖ 4th quarter estimated tax payments due

#### **January 31<sup>st</sup>**

- ❖ W-2's must be distributed to employees and submitted to Social Security Administration
- ❖ 1099's must be distributed to recipients

### **Retirement Contributions Limits Increased for 2022 – Did You Adjust Your Withholding?**

You can contribute an extra \$1,000 into your retirement accounts for 2022. Did you ask your employer to increase your withholding?

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$20,500 and \$27,000 if you are over 50.

Now is also a good time to review your retirement plan beneficiaries, if you haven't done so recently. You can help avoid unintended consequences by updating beneficiary designations of your 401(k) or 403(b) plans, annuities, pensions and IRAs to account for life changes such as marriage, divorce or the death of a spouse or other listed beneficiary.

### **Coleman Portal Requires Multi-Factor Authentication for Enhanced Security**

Effective November 2021, there were changes to your Coleman Portal.

Our firm partners with Thomson Reuters (TR) to provide the platform for our Coleman Portals (called NetClient CS), and TR is updated the sign-in process to make it more secure by requiring multi-factor authentication (MFA) and reCAPTCHA. MFA and reCAPTCHA add a layer of protection to the sign-in process, increasing your protection against cyber security attacks.

What you need to know:

- You will continue using your current username and password to access your Coleman Portal.
- If you do not already have MFA enabled, you will be prompted to add it.
- Here is a link to a 3-minute video on how to setup your MFA:  
[https://cs.thomsonreuters.com/ua/login\\_security/cs\\_us\\_en/videos.htm/video-mfa-netclient-portal.htm](https://cs.thomsonreuters.com/ua/login_security/cs_us_en/videos.htm/video-mfa-netclient-portal.htm)

If you have questions, please call the office or email [info@colemancpas.com](mailto:info@colemancpas.com).

## **IRS Doesn't Have the Staff to Clear Its Backlog of Unprocessed Returns**

The IRS does not have sufficient staff to clear its backlog of unprocessed returns any time soon. As of late November 2021, 6.5 million 2020 individual tax returns and 2.6 million amended returns filed on Form 1040-X still needed to be processed. Staffing issues, the COVID pandemic, and a heavier workload contribute to the delay.

## **IRS is Using Data From Form 1099-K to Generate Audit Leads**

Third-party payment networks (like PayPal and Stripe, for example), must send a 1099-K to payees who have over 200 transactions and were paid more than \$20,000 during the year.

If you receive a 1099-K, be sure to correctly report the income. IRS's computers flag mismatches with receipts reported on Schedule C of your 1040.

If you receive a 1099-K, please include it with your tax documents.

## **Prepare for This Year's Tax Return Filing Season**

Due to new tax legislation and guidance from the IRS, there is a wide variety of tax changes, some of which relate to the pandemic. Here are several tips to help you prepare.

### **Economic impact payments**

Congress paid three rounds of Economic Impact Payments to individuals, 2 payments in 2020 and 1 in 2021. The third payment provided a maximum of \$1,400 per person, including dependents, subject to a phaseout. For single filers, the phaseout begins at \$75,000 of AGI; \$150,000 for joint filers. Please review your records to determine the amount you received in 2021. Please include the amounts with your tax documents.

### **Child tax credit**

Many families will benefit from an enhanced Child Tax Credit (CTC) on their 2021 tax return. The new rules provide a credit of up to \$3,000 per qualifying child ages 6 through 17 (\$3,600 per qualifying child under age six), subject to a phaseout beginning at \$75,000 of AGI for single filers and \$150,000 for joint filers.

What will complicate this year's tax filing are any advance payments you received from the IRS during the second half of 2021. It is important that you accurately identify all the payments you received. The IRS will send Letter 6419 to the recipients of the advance payments, which is an end of year statement that outlines payments received. Please include this letter with your tax documents.

### **Dependent care credit**

The available dependent care credit for qualified expenses incurred in 2021 is much higher than 2020, with a corresponding increase in phaseout levels. The maximum credit for households with an AGI up to \$125,000 is \$4,000 for one under-age-13 child and \$8,000 for two or more children. The credit is gradually reduced, then disappears completely if your AGI exceeds \$440,000.

## **Small Business Year End To-Do List**

Take these steps to make tax season easier this year for your small business:

1. **Make your estimated tax payments.** Tuesday, January 18<sup>th</sup>, is the due date to make your 4th quarter payment for the 2021 tax year. Now is also the time to plan your initial estimate for first quarter 2022 tax payments. The due date for this payment is Monday, April 18.
2. **Reconcile your bank accounts.** Preparing an accurate tax return starts with accurate books. Reconciling your bank accounts is the first step in this process. Consider it the cornerstone on which you build your financials and your tax return. Up-to-date cash accounts will also give you confidence that you're not over-reporting (or under-reporting!) income on your tax return.
3. **Reconcile credit card statements.** You can reconcile your credit card accounts just like a bank account. Attach actual copies of the expenses in the credit card statement as part of your record keeping process.
4. **Reconcile accounts payable.** One of the first tax deadlines for many businesses is issuing 1099 forms to vendors and contractors at the end of January. Get your accounts payable and cash disbursements up-to-date so you have an accurate account of which vendors you paid.
5. **Get your 1099 information in order.** Identify anyone you paid during the year that will need a 1099. Look for vendors that are not incorporated like consultants or those in the gig economy and your attorney. You will need names, addresses, identification numbers (like Social Security numbers) and amounts billed. Send out W-9s as soon as possible to request missing information.
6. **File payroll tax forms.** If you have employees, file all necessary W-2 and W-3 forms, along with the applicable federal and state payroll returns (Forms 940 and 941). Do this as soon as possible in January to allow time to identify any potential problems.
7. **Compile a list of major purchases.** Prepare a list of any purchases you made during 2021 for \$2,500 or more. Once the list is compiled, find detailed invoices that support the purchase and create a fixed asset file. This aids in determining the most efficient depreciation method for your tax situation.
8. **Review the impact of COVID-19.** There are a number of federal and state initiatives that will need to be considered when filing your 2021 tax return. If you received payroll credits for employee retention or have a Paycheck Protection Program loan that needs to be accounted for this year, be prepared with the details. It will be important to correctly account for these funds.

## **Ideas to Improve Your Financial Health in 2022**

A new year. New resolutions. Here are five ideas to consider to help improve your financial health in the upcoming year.

1. **Save more for retirement.** Plan for the future by feathering your retirement nest egg. For instance, you can contribute up to \$20,500 to a 401(k) account in 2022, plus another \$6,500 if you're age 50 or older. Plus, your company may provide matching contributions up to a stated percentage of compensation. And you can supplement this account with contributions to IRAs and/or other qualified plans.
2. **Update your estate plan.** Now is a good time to review your will and make any necessary adjustments. For example, your will may need to be updated due to births, deaths, marriages or divorces in the family or other changes in your personal circumstances. Also review trust documents, powers of attorney (POAs) and healthcare directives or create new ones to facilitate your estate plan.
3. **Rebalance your portfolio.** Due to the volatility of equity markets, it's easy for a portfolio to lose balance against your investment objectives. To bring things back to where you want, review your investments periodically and reallocate funds to reflect your main objectives, risk tolerance, and other personal preferences. This will put you in a better position to handle the ups and downs of the markets.
4. **Review, consolidate, and lower debt levels.** One method for improving your financial health is to spend less and save more. Start by chipping away at any existing debts. This may mean giving up some luxuries, but it's generally well worth it in the long run. Pay extra attention to debts with high interest charges like credit card debt. If possible, consider consolidating several of these debts into one or two obligations if you can lower your interest rate in the process.
5. **Contingency planning.** No one can foresee every twist and turn that 2022 will take. To avoid potential financial hardship, look to improve your emergency fund by setting aside enough funds to pay for six months or more of your expenses in case of events like a job loss or a severe health issue.

As always, contact the office with questions by emailing us at [info@colemancpas.com](mailto:info@colemancpas.com) or calling 773-444-3100. We are here to help.

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