

Monthly Newsletter - February 2022

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How to Pay Your Income Taxes

The April 15th deadline for individuals to file and pay your income taxes is fast approaching. While paying taxes is not optional, you do have options when it comes to how to pay your taxes.

These options are available for your balance due and your quarterly estimated taxes, if applicable.

IRS Options

The Internal Revenue Service offers a variety of payment options summarized below. You can find out more and get started at <https://www.irs.gov/payments>. You can either setup an IRS Online Account (more on this below) or Make a Guest Payment.

- 1) Bank Account Direct Pay – pay by direct withdrawal from your bank account at no charge.
- 2) Debit or credit card – pay using a payment processor with a debit or credit card, plus applicable fees.
- 3) Electronic Federal Tax Payment Systems (EFTPS) – individuals and businesses can use EFTPS at no charge.
- 4) Electronic funds withdrawal when we e-file your return – for balances due and your quarterly estimates at no charge. However, if you want to change your quarterly estimates during the year, you must contact the government directly (we cannot do so on your behalf).
- 5) Same-day wire transfer – bank fees may apply.
- 6) Check or money order.
- 7) Cash – there are still IRS Taxpayer Assistance Centers that accept cash payments – call ahead if you are considering this (IRS wants 30-60 days' notice).

Illinois Options

The Illinois Department of Revenue offers a variety of payment options summarized below. You can find out more and get started at <https://www2.illinois.gov/rev/individuals/pay/Pages/default.aspx>.

1. MyTax.Illinois.gov – create an account and pay online. You can schedule your quarterly payments all at once for the year. This is for personal and business use.
2. Credit card – pay using a payment processor with a debit or credit card, plus applicable fees.
3. ACH credit – you direct your bank to transfer funds to the IDOR. Using MyTaxIllinois is preferred over this method.
4. Check or money order.

Other states will have similar options. Start with a Google search or ask us for help finding the options for additional states.

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_hm/video-mfa-netclient-portal.htm.

If you have questions, please call the office or email info@colemancpas.com.

Create An IRS Online Account

An IRS online account is a safe and easy way for individual taxpayers to view specific details about their federal tax account. To setup an account, go to <https://www.irs.gov/payments/your-online-account>. Click the “Sign in to your Online Account” to get started.

Here are some of the benefits and features of this online system.

You can view:

- Payment history.
- Key information from your most current tax return as originally filed.
- Payment plan details if you have one.
- Digital copies of select IRS notices.
- Economic Impact Payments if you received any.
- Your address on file.

After viewing your information, you can:

- Select an electronic payment option (as described above).
- Set up an online payment agreement.
- Go directly to Get Transcript to request prior year transcripts

New authorization feature

The new the “authorization” option in Online Account allows you to approve and electronically sign Power of Attorney and Tax Information Authorization requests from your tax professional.

Allow 1 to 3 weeks for payments to show up in the payment history.

Minimum Wage Increase

Just a reminder that the minimum wage increased on 1/1/2022 to \$12/hour:

| Illinois State Minimum Wage Chart | | | |
|-----------------------------------|--------------|--------|--|
| Year | Minimum Wage | Tipped | Youths (under 18) (working less than 650 hours per calendar year) |
| 1/1/20 | \$9.25 | \$5.55 | \$8 |
| 7/1/20 | \$10 | \$6 | \$8 |
| 1/1/21 | \$11 | \$6.60 | \$8.50 |
| 1/1/22 | \$12 | \$7.20 | \$9.25 |
| 1/1/23 | \$13 | \$7.80 | \$10.50 |
| 1/1/24 | \$14 | \$8.40 | \$12 |
| 1/1/25 | \$15 | \$9 | \$13 |

Tax Documents to Watch For

With tax season now officially underway, here are several tax documents that may be easy to miss in your mailbox or inbox:

- **Child tax credit letter.** From July through December 2021, the IRS paid out 50% of projected child tax credit payments to qualified households. The IRS is sending out a recap of these advance payments in **Letter 6419** that you can use to correctly account for these payments on your tax return. This letter should have arrived in your mailbox by late January. No letter received? Go to: <https://www.irs.gov/payments/your-online-account>.
- **Stimulus payment letter.** The IRS issued millions of economic impact payments in 2021. The IRS is mailing a summary of these payments you received in **Letter 6475**. As with the child tax credit letter, you can use this letter to accurately report your economic impact payments on your tax return. This letter also should have arrived in your mailbox by late January. No letter received? Go to: <https://www.irs.gov/payments/your-online-account>.

- **Identification PIN.** The IRS may have assigned you an Identity Protection PIN (IP PIN) to help protect your identity. An IP PIN is a six-digit number that prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. This IP PIN is known only to you and the IRS. If you are a confirmed victim of tax-related identity theft and the IRS has resolved your tax account issues, the IRS will mail you a CP01A Notice with your new IP PIN each year.

5 Surprising Taxable Items

Wages and self-employment earnings are taxable, but what about the random cash or financial benefits you receive through other means? If something of value changes hands, you can bet the IRS considers a way to tax it. Here are five taxable items that might surprise you:

1. **Scholarships and financial aid.** Applying for scholarships and financial aid are top priorities for parents of college-bound children. But be careful — if any part of the award your child receives goes toward anything except tuition, it might be taxable. This could include room, board, books, travel expenses or aid received in exchange for work (e.g., tutoring or research).
2. **Gambling winnings.** All gambling winnings are taxable, including casino games, lottery tickets and sports betting. Thankfully, the IRS allows you to deduct your gambling losses (to the extent of winnings) as an itemized deduction, so keep good records.
3. **Unemployment compensation.** Congress gave taxpayers a one-year reprieve in 2021 from paying taxes on unemployment income. Unfortunately, this tax break did not get extended for the 2022 tax year, therefore unemployment will once again be taxable starting with your 2022 tax return. If you are collecting unemployment, you can either have taxes withheld and receive the net amount or make estimated payments to cover the tax liability.
4. **Social Security benefits.** If your income is high enough after you retire, you could owe income taxes on up to 85% of Social Security benefits you receive. Consider if delaying when you start collecting Social Security benefits makes sense for you. Waiting to start benefits means you'll avoid paying taxes on your Social Security benefits for now, plus you'll get a bigger payment each month you delay until you reach age 70.
5. **Alimony.** Prior to 2019, alimony was generally deductible by the person making alimony payments, with the recipient generally required to report alimony payments received as taxable income. Now the situation is flipped: For divorce and separation agreements executed since December 31, 2018, alimony is no longer deductible by the payer and alimony payments received are not reported as income.

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

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