



# Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

## September 2022

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- Pat Longanecker Is Retiring at the End of September
- New Electric Vehicle and Other Energy Credits
- Tips to Protect Your Social Security Number
- Student Loan Forgiveness Q&A

### Reminders:

#### ❖ September 15

- Deadline for extended 2021 calendar-year S corporation and partnership tax returns
- 3rd quarter installment of 2022 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

#### ❖ October 17

- Deadline for extended 2021 individual and C corporation tax returns

### Pat Longanecker Is Retiring at the End of September

After 20 years at Coleman & Associates, Pat is retiring on September 28<sup>th</sup>. Pat started as our office manager and 1040 processor in 2002 and then transitioned into full-time client service a few years later. She's been taking care of our clients ever since.

In preparation for free time ahead, Pat spent the summer taking golf lessons. Pat and her husband Bruce have lots of travel plans already on the calendar for the upcoming months. In the fall, they are heading Portugal to celebrate both of their retirements. In the spring, a river cruise to Mendoza & Santiago Chile, then to Antarctica and finally Buenos Aires to celebrate a milestone Wedding Anniversary.

Pat will be missed for her strong client relationships, wisdom, sense of humor and infectious laugh.

Pat says she will miss the people. "I've been blessed to work with a fabulous group of people doing something I love doing."

Please join us and wishing Pat well as she embarks on a well-deserved retirement!

### New Electric Vehicle and Other Energy Credits

Tax incentives for purchasing clean (electric) vehicles and installing high efficiency home improvements are some of the featured provisions in the recently-passed Inflation Reduction Act (IRA). Here's a closer look at some of the bill's tax provisions regarding the new incentives.

## **Clean Vehicle Credit (formerly Plug-In Electric Vehicle Credit)**

Here is a summary of the details surrounding the new Clean Vehicle Credit:

- The tax credit of up to \$7,500 for electric vehicles (EVs) is extended for 10 years until December 2032.
- Starting in 2023, used cars now qualify for up to a \$4,000 tax credit.
- Starting in 2024, you can take the credit as a discount at the time you purchase the vehicle instead of waiting to file your tax return.
- In the past, if a manufacturer had produced at least 200,000 EVs, you could no longer qualify for the tax credit if purchasing a vehicle from that manufacturer. The new bill removes this 200,000 vehicle cap starting in 2023.

On the other hand, there are significantly more hurdles you'll have to overcome to qualify for the new Clean Vehicle Credit:

### **MSRP limits on new and used clean cars**

- New clean cars must have a manufacturer's suggested retail price (MSRP) of no more than \$55,000.
- New clean vans, pickup trucks, and SUVs must have an MSRP of no more than \$80,000.
- Used clean vehicles must cost no more than \$25,000.

### **Adjusted gross income maximums**

- For a new clean vehicle, your adjusted gross income must be less than \$150,000 if single, \$225,000 if head of household, or \$300,000 if married.
- For a used clean vehicle, your adjusted gross income must be less than \$75,000 if single, \$112,500 if head of household, or \$150,000 if married.

### **Domestic production hurdle**

- The final assembly of a new clean vehicle must occur in North America as of August 16, 2022.
- Starting in 2023, at least 40% of critical battery minerals and 50% of battery components must be recycled, mined, or manufactured in the U.S.
- Many automakers are unsure whether they will be able to meet these criteria as the new law is currently written.

### **What you can do**

- **Wait until 2023 to buy Tesla and GM vehicles.** Because Tesla and General Motors have both crossed the 200,000 electronic vehicle threshold, any Tesla or GM vehicle purchased in 2022 won't qualify for the tax credit. Starting in 2023, certain Tesla and GM vehicles will once again qualify for the credit once the 200,000 limit is removed.
- **Government to release further guidance.** There are still many unanswered questions about how the new Clean Vehicle Credit will be implemented. The federal government plans to release further guidance by the end of the year that hopefully answers some of these questions.

## **Other Tax-Related Provisions**

- Qualifying high efficiency home improvements now qualify for an annual \$1,200 credit, up from a \$500 maximum lifetime credit.
- Energy efficient heat pumps, heat pump water heaters, central air conditioners, wood stoves, and natural gas or oil furnaces or boilers qualify for a \$2,000 credit.

## **What you can do**

- **Look for the details.** Prior to purchasing new high efficient home improvements, double check how the new credit will apply to your purchase.
- **Check with manufacturers.** Most manufacturers are motivated to understand the new program and could be a good resource to see how they apply to your situation.

There will be more details on how to obtain these credits in the future. Stay alert and check before making any purchase decisions if you are expecting to take any of these new energy saving credits.

## **Tips to Protect Your Social Security Number**

Very few things in life can create a higher degree of stress than having your Social Security number (SSN) stolen. This is because, unlike other forms of identification, your SSN is virtually permanent. Here are some things that you can do to minimize the risk of having your number fall into the hands of the wrong people.

- **Never carry your card.** Place your SSN card in a safe place. That place is never your wallet or purse. Only take the card with you when you need it.
- **Know who needs it.** As identity theft continues to evolve, there are fewer who really need to know your SSN. Here is that list:
  - **The government.** The federal and state governments use this number to keep track of your earnings for retirement benefits and to ensure you pay proper taxes.
  - **Your employer.** The SSN is used to keep track of your wages and withholdings. It also is used to prove citizenship and to contribute to your Social Security and Medicare accounts.
  - **Certain financial institutions.** Your SSN is used by various financial institutions to prove citizenship, open bank accounts, provide loans, establish other forms of credit, track digital payments, report your credit history or confirm your identity. In no case should you be required to confirm more than the last four digits of your number.
- **Challenge all other requests.** Many other vendors may ask for your SSN, but having it may not be essential. The most common requests come from health care providers and insurance companies, but requests can also come from subscription services when setting up a new account. When asked on a form for your number, leave it blank. If your supplier really needs it, they will ask you for it. This allows you to challenge their request.
- **Destroy and distort documents.** Shred any documents that have your number listed. When providing copies of your tax return to anyone, distort or cover your SSN. Remember, your number is printed on the top of each page of Form 1040. If the government requests your SSN on a check payment, only place the last four digits on the check, and replace the first five digits with Xs.

- **Keep your scammer alert on high.** Never give out any part of the number over the phone or via email. Do not even confirm your SSN to someone who happens to read it back to you on the phone. If this happens to you, file a police report and report the theft to the IRS and Federal Trade Commission.
- **Proactively check for use.** Periodically check your credit reports for potential use of your SSN. If suspicious activity is found, have the credit agencies place a fraud alert on your account. Remember, everyone is entitled to a free credit report once a year. You can obtain yours on the Annual Credit Report website.

Replacing a stolen SSN is not only hard to do, it can create many problems. Your best defense is to stop the theft before it happens.

## **Student Loan Forgiveness Q&A**

While there may be legal and Congressional challenges around the recent presidential executive order, here are some questions and answers about what is known so far about the announced student loan forgiveness program.

### **Can the President forgive this debt?**

Who knows how this will play out, but maybe not. Only Congress has spending authority. And the forgiveness of debt is considered income in the eyes of the IRS. To avoid any long-standing legal battle, Congress may need to authorize this estimated \$1 trillion dollar program. Whether it does is up for debate.

### **If approved, who qualifies for the forgiveness program?**

Here's a checklist of qualifications in the executive order:

- **Loan Type.** You have student loans that are held by the U.S. Department of Education (DoE), including Pell Grants, Federal Family Education Loans, and Direct Loans such as Parent PLUS and Grad PLUS loans. Certain loans from the Federal Perkins Loan Program may be excluded. All private student loans are also excluded.
- **Loan Issue Date.** Student loans taken out after June 30, 2022 are not eligible for forgiveness.

**Income Threshold.** Your income does not exceed \$125,000 if single and \$250,000 if married based on your 2020 or 2021 federal tax return.

### **What are the limits?**

- **\$20,000.** Recipients of a Pell Grant can have up to \$20,000 in student loan forgiveness.
- **\$10,000.** For non-Pell Grant loans, the maximum student loan forgiveness is \$10,000.

### **Is the forgiven student loan taxable?**

- **Federal Level.** Per the executive order, forgiven student loans will not be considered taxable income on federal tax returns. The approach the executive order takes is by using the American Rescue Plan that prevents taxation on student loans forgiven through 2025.
- **State Level.** While many states follow the federal law that excludes student loan forgiveness from being considered taxable income, several states currently do not

conform to federal law. Details are being worked out in these states to try and keep student loan forgiveness from being considered taxable income.

### **What you need to do**

Stay alert to any twists and turns regarding challenges to this executive order. In the meantime:

- **Watch for the forgiveness application.** An application for student loan forgiveness on the Department of Education's website, ed.gov, will be the next step. There may be exclusions to this application requirement, with many borrowers potentially receiving automatic forgiveness if the Department of Education already has your income data.
- **Double-check your loan balance.** Take a screen shot of your loan balance the day you submit your forgiveness application and compare it to your balance after the forgiveness is eventually applied to make sure the forgiveness is properly applied to your account.

There are still lots of unanswered questions about this student loan forgiveness program, including whether it is even legal. Stay tuned for future updates.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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