

ANDERSON ACCOUNTING AND TAX SERVICES OF BLOOMER, INC.

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December 15th, 2021

Another year has passed and we are looking at the start of another tax season. Let me thank you for trusting Anderson Accounting with your tax return preparation.

There are several tax planning items that I would like to bring to your attention:

- Child tax credit has increased this year and many people with qualifying children have received an Advance Child Tax Credit. This will decrease your refund and in the case of divorce and/or sharing of dependency from year to year you may have to repay the Advanced Child Credit you received 2021 as the other biological parent that claims child for 2021 will receive the full credit on their tax return. You will receive a 6419 from the IRS in early January stating the amount you received. We must have that to accurately complete your taxes. Any error in this will **significantly** delay your refund.
- Many employers that are offering Medical insurance are providing some money for a Health Saving Account. If your employer is providing an HSA make sure you add to it. If your private coverage is HSA qualified using an HSA is a good way to put tax free money away for medical expenses. The money you put in is ALWAYS yours. You can use this for medical expenses after age 65.
- Your Social Security benefits are based on your highest 35 years of earnings. So taking time away from the workforce or aggressively writing off business expenses can really have a long-term negative effect on your Social Security benefits and thus your retirement income.
- With lower tax rates and higher standard deductions theoretically there should be more disposable income in **most** households. So I want to encourage clients to start or put more into their retirement accounts. It is never too early to or too late to start saving for your retirement!
- If you did not receive your Stimulus payment for 2021 based on 2019 or 2020 taxes you may receive the payment on your 2021 income tax return.
- If you have children that qualify you for Earned Income Credit, any of Education Credits or Child Tax Credit, please fill out verification statement found on our website and bring in documentation requested.
- If you are **over 70 ½** and have an IRA and routinely give a significant amount to a charity you should be using the "Direct IRA to Charity" tool. You can give the same amount you normally give in a year, but now it is tax free. The money from the IRA **MUST** go from your IRA directly to the designated charity and it counts as Required Minimum Distribution and is tax free!

This is not all inclusive!

As the year winds down, the tax reporting forms begin to arrive and we want to remind you which ones we need you to accumulate and send to us with your tax information. First, there are a couple of new forms this year that most people will see, and which we need you to provide to us:

- IRS Notice 1444-C for the 2021 stimulus check; and
- IRS Letter 6419 for those folks that received the advance child credit.

Speaking of the advanced child credit, if you received it in advance, please understand that your refund this year may be greatly reduced!

We still need the annual information forms that are sent to you for tax purposes. As a reminder, here is a simple checklist:

- W-2 for wages
- 1099-DIV for dividends
- 1099-NEC for income
- 1099-R for retirement
- 1098-Int for mortgages
- K-1 forms from investments in S corporations or partnerships
- Form 5498 for IRA values
- W-2G for gambling
- 1099-B Brokerage
- 1099-Misc for income
- 1099-G for refunds & unemployment
- 1098-T for tuition
- IRA and Roth IRA contributions for 2021
- 1099-Int for interest
- SSA-1099 Social Security
- 1099-K for income
- 1099-SA for HSA's
- Child care costs, and the name, address, amount and ID # of the recipient
- Charitable donations-total amounts and recipients
- Property tax paid on your home
- Estimated tax payments and dates
- Any letters you received from the IRS or state tax authorities
- Foreign accounts and virtual currency transaction details

If you have a small business or rental property we can provide you with a separate checklist for those activities if needed.

Again, IRS scrutiny of foreign accounts means that you need to be absolutely clear about any non-US accounts or income so that we report it correctly.

Virtual Currency bought and sold in 2021 is now treated as an investment so detailed records are needed. See website

If you have bought and/or sold a home in 2021 we need the closing statements on both purchases and sale.

Finally, in some tentative year-end planning, we are reasonably certain that Federal income tax rates will increase in 2022, so tax deductions will be more valuable next year vs. this year, and if you have any control over year-end bonuses it would be wise to call us and see if they would be better to receive them before the end of 2021, or wait until 2022.

Every year we are reminded how much we value your business, and we want to once again say thank you. Please call us with any questions.

Please see our website for more detailed information regarding the many changes for 2021.