

H&K TAX SERVICES, INC.

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January 2023,

Dear Valued Client(s):

We hope that you and your family are doing well. Enclosed is the annual checklist to help you gather all your 2022 tax documents. It has been an interesting year with important tax changes that will impact you. Here are some of the changes and issues you need to know about.

Inflation Reduction Act: The Inflation Reduction Act was passed into law late last summer and contained numerous green energy credit provisions including extended credits for clean energy vehicles (new and used) and energy-efficient home improvements. However, there are many limitations for these credits including income limitations and manufacturers suggested retail price limitations in the case of Clean Vehicle Credit.

Be sure to consult our office before making any purchase where the salesperson asserts that you are eligible for a tax credit. It is very possible that your individual tax situation, of which the salesperson has no knowledge, will limit your credit.

Please provide us with receipts and purchase contracts for energy efficient home improvements made during 2022, such as new windows, doors, and skylights. If you aren't sure if a home improvement you made qualifies for the credit, please ask.

Affordable Care Act: The IRS has issued new regulations that may allow more taxpayer to claim subsidies for the purchasing health insurance through a state insurance exchange. These subsidies are also known as the Premium Tax Credit.

If you, as an employee, must pay any portion of your health insurance premiums or the health insurance premiums of your family members as payroll deductions, then we should discuss your options for purchasing health insurance through an exchange and whether you are eligible to claim Premiums Tax Credit for doing so.

Large Inflation Adjustment: Inflation was at its highest point in decades in 2022, which resulted in large inflation adjustments for the 2023 tax year for tax rate brackets, deductions, annual gift tax limitations, social security benefits, and retirement contribution limitations, just name a few.

Be sure to provide your tax information to us as early as possible, so that we can determine what effects these large inflation adjustments may have for you as we plan for the remainder of 2023.

Property Transaction: Did you sell any real estate this year? Be sure to provide us copies of escrow statements, as well as the Loan Estimate form, the Closing Disclosure form, and California Form 593, Real Estate Withholding Tax Statement. We need these documents to properly prepare your return.

1099s and K-1s: If you received 1099s or K-1s from investments in 2022, we may extend your return in case these documents are corrected after the original filing deadline. We are seeing increasing numbers of corrected information returns, which require taxpayers to amend their original tax returns to reflect the corrected amounts. In some cases, the amounts are vastly different and can create additional costs in amending the tax returns and potential penalty problems.

1099-K ARPA Updated on 12/23/2022: IRS is delaying the lower 1099-K reporting thresholds of \$600.

The IRS announced on 12/23/2022 that it will delay the implementation of the American Rescue Plan Act's (ARPA's) lower \$600 per payee 1099-K filing threshold from the third-party settlement organizations (e.g., Venmo and PayPal) for payments made during the 2022 calendar year. This means the \$20,000 per payee or 200 transaction thresholds will remain in effect for payments made in 2022. (IRS Notice 2023-10)

Foreign accounts: You must report your foreign accounts with value having exceed \$10,000 USD at any time during the year. The penalties for failure to report are continuing to be harsh.

Online IRS account: We recommend that each of our clients set up their own IRS online account. Accounts can be set up in as little as 10 minutes at www.irs.gov. With an online IRS account, you can view your account status, make payments (including balances due and estimate, among others), view past payments, confirm economic impact payments received, pull IRS transcripts, and view new IRS notices and letters you received, among other activities.

Tax return due dates for the 2022 tax year:

- Individual must file returns by April 18th, 2023.
- Partnership & S-corporation must file returns by March 15th, 2023.
- C-corporation must file returns by April 15th, 2023.

Please take extra care in preparing your organizer and documentations; so, we can do the best possible job to find new tax benefits that are hidden in the law and protect you from more aggressive audit programs and larger penalties.

We appreciate your trust in us over the years. We look forward to working with you again this tax season. Please call us at (510) 324-1206, Ext 0 to schedule your tax appointment.

To avoid NOT getting the tax appointment time that you prefer, we would like to ask you to call in to schedule your appointment as soon as you have all your tax documents ready.

48-hour advance notice is required for any changes or cancellation to avoid a \$45 fee.

Sincerely,

Hank & Karyn

Your tax professionals