

GRANITE POINT TAX GROUP, LLC



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Annual Newsletter, Vol. 13

Can we just go on a small rant here? Is it just us, or did the last three years really highlight how the whole business of filing extensions by April 15 is a complete waste of time and utterly arbitrary? Maybe you're unaware, but most states at this point don't even require an extension at all – as long as you pay them anything you expect to owe by April 15, no paperwork is required until the actual tax forms are due in October. Did the world fall apart when the IRS moved the spring deadline to July 15 in 2020 and May 15 in 2021? No - In fact, tax season was a whole lot smoother. Alas, it's the IRS and we're back to sending in a silly piece of paper a mere eight weeks after most people have finally received all their W-2s and 1099s. It stresses people out, us especially, and for no reason! Sigh...

In other news, it's tax season again – hooray! (dripping with sarcasm). Not a lot of direct changes to the 2022 tax code, other than most of the Covid19 provisions expiring. Some pretty big changes coming for 2023, though, so we'll cover some of that.

Covid-Related Provisions Expiring

Most of the pandemic-related tax provisions expired at the end of 2021. Most notably, the Child Tax Credit and the Dependent Care Credit both drop back to pre-pandemic levels. And, as mentioned in our little rant up top, tax returns or extension are once again due by April 15 (note, however, that due to April 15 falling on a Saturday this year and the following Monday being a federal holiday, the actual due date for 2023 is Tuesday, April 18).

Covid-Related Provisions *Not* Expiring (yet)

Business meals (if from a restaurant) remain 100% deductible for 2022, falling back to the old 50% limit in 2023. Entertainment expenses remain non-deductible.

Federal student loans forgiven in 2022 remain non-taxable for federal purposes, but not all states follow the same rule.

The health premium tax credit (Obamacare) remained available at an expanded level through 2022.

New for 2023 and Beyond

Energy credits and retirement plan improvements will be the stars of the show for 2023 and beyond.

The credit for adding solar panels to your home has been extended through 2034. Starting in 2023 this credit also includes the cost of battery storage technology along with the cost of wind turbines. This credit is good for either your primary residence or vacation home. The credit is equal to 30% of the cost, including installation, for 2022 through 2032, then 26% in 2033, 22% in 2034.

The credit for energy-efficient improvements to your main home (no vacation or second homes) has also expanded starting in 2023. The credit is 30% of cost for most items, up to an annual limit of \$1,200. Exterior windows and skylights have a lower annual limit at \$600 combined and exterior doors are limited to \$500. Heat pumps and hot water boilers have an annual limit of \$2,000. There is also a new credit of up to \$150 of the cost of a home energy audit.

The electric vehicle tax credit has also changed. The maximum credit is still \$7,500, but the rules for qualifying for the credit have changed. The vehicle must meet a mineral requirement (a certain percentage of the battery minerals must be from or processed in the US or from a free trade territory with the US) and a certain percentage of battery components must be manufactured or assembled in North America. Final assembly of the vehicle must also have taken place in North America. The auto manufacturers and dealers will be able to tell you if a particular vehicle meets those standards. There will also be an online tool through the Department of Energy that can tell you. The previous manufacturer sales thresholds have gone away, so more vehicles should now qualify. There are some income limits, however. Your modified adjusted gross income (current or previous year, whichever is lower) cannot exceed \$300,000 for Married Filing Jointly, \$225,000 for Head of Household and \$150,000 for single filers. Also, the manufacturer's retail price cannot exceed \$55,000 for sedans and \$80,000 for vans, SUVs and pickup trucks. Please note that in many cases, you won't actually know your AGI until your tax returns are complete, which could be more than a *year* after purchasing your new vehicle, and recapture provisions apply – this seems like a potential mess in our opinion. Used EVs can also qualify for the credit if purchased from a dealer. The credit is a bit smaller and the vehicle has to be at least two years old and cost \$25,000 or less. The credit for used EVs is the lesser of \$4,000 or 30% of the purchase price.

Retirement plan changes take effect over the next several years. For 2023, the age for starting Required Minimum Distributions is now 73 instead of 72. If you turned 72 in 2022, you still need to take your first RMD by 4/1/2023. The excise tax for account owners who fail to take their RMD has been lowered to 25% from 50%. This drops to 10% if the missed RMD is corrected in a timely manner.

The maximum contribution limit for 401(k), 403(b), and 457 plans is \$22,500 in 2023. If you were born before 1974, you can add an extra \$7,500. The contribution limit for SIMPLEs is \$15,500 and if you are 50 or over you can add \$3,500 more. Traditional and Roth IRA contribution limits are now \$6,500 plus an extra \$1,000 “geezer pleaser” (50 or over). The income threshold for Roth IRA contributions has increased. Allowable contributions phase out at an AGI of \$218,000 to \$228,000 for couples and \$138,000 to \$153,000 for singles. Traditional IRA deduction phaseout limits are now AGI of \$116,000 to \$136,000 for couples and \$73,000 to \$83,000 for singles.

Business News

For those who missed our business-related mailer a few weeks back, there are a couple things business owners should be aware of. First, many states and even local taxing jurisdictions have changed their rules for determining which businesses are subject to their taxes. This includes Oregon, Multnomah County, the City of Portland, and Portland Metro. Under the old rules, a business was subject to tax if it maintained a physical presence within the tax jurisdiction’s boundary. Under the *new* rules, a business is subject to tax if it conducts substantial economic activity within the jurisdiction. This could include sales or services delivered to customers located within the jurisdiction, hiring remote workers who physically live and work within the jurisdiction, and many other factors.

The other news is that the IRS has started auditing the PPP, EIDL, and ERC programs and that Congress has extended the statute of limitations for the audits from six years to ten. We recommend that any person or business that benefited from any of these programs start finding and saving copies of any documents (bank statements, canceled checks, etc) that can help prove they followed the rules of the program. It is unlikely those documents will still be available online a decade from now!

Other News

The \$600 charitable contribution deduction for non-itemizers expired at the end of 2021 and is no longer available.

Pricing Change – With all the hubbub about inflation lately, we were worried about what that might mean for our pricing model heading into 2023, but it seems like things are easing off a bit so we’re going to take a chance and stick with our normal modest annual bump up. Our target rate for 2023 will be \$175/hr, up from \$160/hr last year. Unless prices go completely bonkers, our plan is to hold that rate throughout the calendar year. [As an aside, I remember when I started doing taxes in 2000 our rate was \$85/hr, which works out to an average increase of 4.5% per year]

Cell Phone Photos and Data Security

Our new secure e-mail system seems to be working well. If you would like to send sensitive documents to us by e-mail, please go to the Secure Access page of our website (link located at the bottom of every page as well as in the main menu) and click the Encyro link for either Matt or Rachel. This will ensure documents are fully encrypted before being

sent along the wire. Unencrypted e-mails can be easily intercepted and read by hackers. And there's always snail-mail and the good ol' fax machine, although these days we utilize a service that sends incoming faxes to our e-mail inbox.

Please consider downloading and using a scanner app to send us documents from your phone or other mobile device. Adobe Scan and Tiny Scanner are both excellent and free. These apps use your phone's camera to create highly readable PDF documents.

If you prefer to send us photo images of documents (jpg format, for example), please observe the following guidelines:

- Ensure the document is flattened – photos of partially folded papers are very difficult to read!
- Align the camera properly – Photo should be straight down, not at an angle.
- Ensure readability – Please LOOK at your photo to ensure it is legible before sending it to us!
- Include the entire document – Be sure the photo captures the entire page. Also be sure to check for relevant information on the *back* of each page.
- If this seems like too much work, please just mail us the originals – it's what we'd prefer anyway. Don't worry, we'll send them back to you when we're done with them.

The IRS now allows all taxpayers to opt in to their Identity Protection PIN program. This allows taxpayers to obtain a personal ID# for their tax return that must be included when the return is e-filed in order to combat fraudulent filings in their name. A rigorous identity verification process is required to obtain the PIN and a new PIN is required each year. Spouses and dependents are also eligible for the program. A PIN may be obtained at www.irs.gov/IPPIN. If you get one be sure to pass it along to us or your return will be rejected when we e-file.

Our Mask & Vaccination Policy

Our policy is simple and has nothing to do with politics: Don't get us sick. Please avoid visiting our office in person if you are feeling sick or have recently been in close contact with a sick person – we'll be happy to meet with you via Zoom instead. Same goes if you're not fully vaccinated against any highly transmissible disease such as Covid-19, measles, etc. If any of these apply to you and you choose to visit our office anyway, please at least wear a mask and sanitize your hands. We'll do the same.

Thank You!

As always, we must thank you – our loyal clients – for making this all possible. We worked long and hard to get where we are, but none of it would have been possible without your trust and faith, and once in a while forgiveness! Thank you so much!

Please note that although we make every effort to confirm the information contained in this letter is accurate, we cannot guarantee it.

Income Taxes • Business Taxes • Tax Advocacy • Bookkeeping • Tax Planning

PO Box 14068, Tumwater WA 98511 – Phone: 503-208-3736- Fax: 503-894-9683