

Silver Creek Financial Services, Inc.

175 Hwy 82 ~ Lostine, OR 97857 OTB#00641

Phone: (541) 569-2272 Email: team@silvercreekteam.com

Fax: 1(866) 569-0020 Fax: (541) 569-2269



HELLO VALUED CLIENTS,

Thanks for being part of our Silver Creek family. We hope you had a wonderful holiday season. Now let's get ready to do taxes!

We have two new members on our office staff that we are thrilled about. Marnee Morton is our new office manager and Terri Bronson will be manning our front desk. Pam Diggins moved from Wallowa County and Jeane e Hibbert has taken a job with the Enterprise Flower Shop. We miss them both and wish them all the best in the future with our thanks for their service to us. Our team that joins Marnee and Terri are Cissy Shelton, Tracy Johnson, Melissa Wight, Linda Estes, Conley Didier, Kristen Brockamp, Jus n Bird, and myself. Among us we have 150 years of experience with Silver Creek!

The pre-arranged tax appointments worked well for most people last year, so we are doing them again this year. If you normally have an appointment, by now you should have received a postcard with the time and date of your appointment. If this appointment needs to be changed, or if you didn't receive one and would like an appointment, just call us and we will assist you.

Because of our workload, we have decided to again not accept new clients this year, unless there is an association with a current client or prior arrangements have been made.

We value you and look forward to working with you soon. >>Cathy & Crew

WHAT IS ENCLOSED IN THIS MAILING

We are enclosing either an update form or an organizer with this letter. We are also enclosing an engagement letter for our services for you to review and sign if acceptable to you. Please note the short list of items you will need to provide if you have them. If you did not receive an organizer and would like one, please call us and we will get one to you right away.

2022 TAX CHANGES

Most of the tax law changes for 2022 (so far) involve reverting to pre-2021 levels.

Cash Charitable Contributions. Non-itemizers have been able to deduct small amounts for cash contributions for the last two years. This changes in 2022. Now the only way taxpayers can deduct charitable contributions is by itemizing.

100% Deductible Business Meals. Under current law, 2022 is the last year business meals provided by a restaurant are fully deductible. After 2022, these business meals become only 50% deductible. A restaurant means a business that prepares and sells food or beverages to retail customers for immediate consumption. For example, McDonalds qualifies but Safeway deli does not. A deductible business meal is one the taxpayer or their employee is present, it is not lavish or extravagant, is provided to a client or potential client or business contact, and is not entertainment in nature.

Child Tax Credit returns to the 2020 levels of \$2,000 per child under age 17. This is a decrease from \$3,600 for children under age six and \$3,000 for children ages six to under eighteen we had in 2021. Children age 17 and over can qualify for a \$500 credit.

The Dependent Care Credit has decreased to \$3,000 for one child and \$6,000 for more than one child for qualifying daycare expenses. 2021 held limits of \$8,000 for one child and \$16,000 for two or more children. The 50% credit limit has reduced to 35% for most taxpayers.

Dependent Care Benefits have also been returned to the pre-2021 limits of \$5,000 (\$2,500 for single taxpayers) for those taxpayers who have cafeteria plans at work which allows them to reduce their wages for amounts used for child care.

Earned Income Credit has returned to the age qualifications of 25 to 65. Those taxpayers under 25 and over 65 will not qualify for the earned income credit in 2022, which they did in 2021.

The IRS has not yet announced when **Electronic Filing** will open for the 2022 tax season. Normally, this is the second or third week of January. April 18, 2023 is the filing deadline for individual tax returns for the 2022 calendar year. Partnerships and S Corporations must file by March 15, 2023.

1099s and W-2s are required to be electronically filed by January 31, 2023. 1099s are used to report sub-contract labor, interest paid to non-corporate lenders, and rents. The IRS can impose penalties when these forms are not filed timely. Oregon can completely deny deductions when appropriate 1099s are not filed. We are always happy to help with filing these forms.

Standard deductions are increased to \$25,900 for married filing jointly, \$19,400 for head of household, \$12,950 for single and married filing separately, and \$1,150 for dependents.

The **Standard Mileage Rate** this year is divided in 2022: 58.5¢ for business miles driven between January 1 and June 30, 2022, and 62.5¢ for miles driven between July 1 and December 31, 2022. The medical mileage rate is also split this year: 18¢ for medical miles driven the first six months and 22¢ for medical miles driven the last six months in 2022. The charitable mileage rate remains at 14¢.

The Nonbusiness Energy Property Credit was extended to December 31, 2022. This provides a 10% credit for such energy-efficient items as qualifying windows, doors, and insulation. Qualifying heat pumps, central air conditioners, and water heaters can earn the taxpayer a \$300 credit, qualifying natural gas, propane, or oil furnaces, or hot water boilers can receive a \$150 credit. The total credit that can be taken for these expenditures cannot exceed the \$500 lifetime limitation (\$200 for windows) for credits taken from 2005 through 2022.

Medicare Premiums Decreases from \$170.10 per month in 2022 to \$164.90 per month in 2023. Taxpayers who had 2022 modified adjusted gross income above certain levels are required to pay higher Medicare premiums in 2024. These levels are Married Filing Taxpayers above \$194,000 and Single taxpayers above \$97,000. The higher the income, the higher the Medicare premium that will be charged.

As most Social Security recipients know, there is an 8.7% increase in benefits beginning in 2023.

Lowered 1099-K Filing Requirements. 1099-K forms are filed by third-party payment networks such as credit card companies, PayPal, Venmo, Cash App, Amazon, Square, and Zelle. The filing limit before 2023 is at least \$20,000 and 200 transactions. This drastically changes in 2023 when the filing requirements change to total sales of at least \$600. This means taxpayers who sell things over eBay or transfer money through Venmo will have income reports filed with the IRS. This will require a reconciliation to be made on that taxpayer's tax return. This provision was originally scheduled for 2022 transactions. The IRS recently postponed the implementation of this to 2023. Because of the earlier guidance, taxpayers may receive 1099-Ks reporting small amounts.

The **Teacher's Classroom Expense Deduction** increases from \$250 to \$300 in 2022. This applies to any kindergarten through grade 12 teacher, counselor, principal, or aide who has unreimbursed expenses for books, supplies, computer equipment, and supplementary materials used in the classroom. Personal protection expenses (such as masks and cleansing agents) are also deductible.

Student Loan Debt Relief (Maybe). President Biden, Vice-President Harris, and the US Department of Education announced a three-part student loan debt relief plan last fall. There have been 26 million applicants, with no debts relieved to date. The Supreme Court blocked this action on December 1, 2022. The Court agreed to hear oral arguments in February and expect to render a decision in June 2023.

OREGON CHANGES

Tax Kicker. There is no tax kicker this year since this can only happen every other year. We had a tax kicker in 2021.

PTE-E is a new provision that allows Oregon partnerships and S Corporations to pay 9% of their distributable net income to the Oregon Department of Revenue. This is then treated as a business expense deductible for federal purposes only, which reduces the federal tax. The 9% tax is then passed to the owners as pre-paid Oregon tax. Since the savings are a small percentage compared to the total distributable net earnings, we think these earnings need to be at least \$50,000. Under current legislation, this is applicable to 2022 and 2023.

COMING UP FOR 2023

The **Annual Gift Tax Exclusion** increases in 2023 to \$17,000 from \$16,000. This does **not** mean taxpayers can give away these amounts and deduct them from their taxable income, it **does** mean taxpayers can gift these amounts to any individuals and not have to file a gift tax return.

In 2023 **Bonus Depreciation** decreases to 80% from 100% in 2022.

The **Secure 2.0 Act** was passed recently and increases many retirement provisions in 2023.

MILEAGE DEDUCTION INFORMATION

If you claim auto deductions for business, medical or charitable purposes, please use the 2022 Mileage Deduction Information form included with this letter. As preparers, we continue to be required to verify that the taxpayer has written documentation for mileage expenses.

A mileage log needs to record the beginning and ending odometer readings for the year, as well as the number of business miles driven each day and the business purpose of these travels. This information needs to be recorded close to the time of the travel. We have calendar books for your use. If you haven't received one yet and would like to, just contact us and we will get one to you.

HOW TO HANDLE AN IRS OR STATE LETTER

First of all, don't panic. We are always here to help and can perform all these jobs for you. Just let us know. If you wish to handle the letters yourself, here are some tips. Simply responding to most notices will resolve the situation. Secondly, don't ignore the letter.

Each letter deals with a specific issue and contains some instructions on what to do. Be sure to respond timely. If the letter makes changes to the originally filed return, be sure to look at the changes to make sure they are correct. Just because the government thinks the changes are accurate, does not mean they are. Always keep copies of the letter and your response. The IRS and Oregon will never initiate contact using social media or text messages. They also will not call on the telephone unless you have already had regular mail correspondence.

Thank you for taking the time to read this newsletter. If you have any questions regarding any of the items in this newsletter, please call us. We are here to help you.

PRIVACY ACT NOTICE

Under the Gramm-Leach-Bliley Act of 1999, tax advisors and accountants (among others) are required to notify their customers of their privacy policies. We do not share nor disclose any information about any of our customer's nonpublic personal information to any non-affiliated third parties without prior consent. In other words, we do not sell any of your information to anyone. We collect only the information that is required to prepare a complete and accurate income tax return for our income tax clients, or a complete and accurate set of books for our accounting clients. We maintain appropriate physical, electronic, and procedural safeguards to protect the security and confidentiality of your nonpublic personal information. All of us at Silver Creek Financial Services are educated about the terms of this notice and the importance of customer privacy. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide the service you have requested. **YOUR PRIVACY IS IMPORTANT TO US AND VITAL TO THE CONTINUATION OF OUR BUSINESS!**