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# HARTLEY

Tax & Accounting, LLC

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## Greetings to clients and friends,

Once again, I would like to say how appreciative I am of the opportunity to serve you. This tax year has seen tremendous changes by Congress and the IRS. As I write this letter there is talk of many last-minute changes. Rest assured, as changes are made, I will let you know the affect it will have on your specific situation when we prepare your return in 2022.

If you would like to drop off your information to us, your return will be processed in the order it has been dropped off or mailed. Once the return has been completed, we will notify you with the results. Due to extra forms and all the new IRS regulations and additional reconciliations with stimulus payments and child tax credit payments, we will be increasing pricing by \$8 this year.

We are once again making our **tax organizers** available. This year, they will also be **available online** at Hartleytaxaccounting.com. It is our attempt to be as thorough as possible in the preparation of your return. Make sure you look it over and fill in or check everything that applies to your tax situation. If you are uncomfortable filing in AND have your own system, we are fine with that. As long as we receive all your tax information, we are good.

This year (as in last) we have a **DUE DILIGENCE form** that **MUST be filled out and signed**. We are **REQUIRED by the IRS** to have this form on file. PLEASE fill this out and bring to our office. If we don't have it, we will have to call and get this information before we can begin your return.

This year we have a **secure portal** where you can upload all your tax documents. We will have a link on our website with instructions on how to use.

## We want to bring some special items to your attention below.

**Below is a list of some of the important tax law changes for 2021.**

-Most tax payers received a third **stimulus check** for \$1400 for each person on your tax return last year. The payments were phased out for joint filers with adjusted gross incomes above \$150,000, HOH filers with AGIs above \$112,500 and single filers with AGIs above \$75,000. Your stimulus check was an **advance payment** of a special 2021 tax credit. When we prepare your return, we will reconcile what you received to what you are entitled to claim. If you should have received more, you will get it on your 2021 return. If you were supposed to receive less, you will not have to pay it back. These checks are not taxable

**Advanced Child Tax Credit Payments** – Many received monthly advances to their 2021 child tax credits. WE WILL HAVE TO KNOW HOW MUCH YOU RECEIVED BEFORE WE CAN BEGIN YOUR RETURN! These payments were advances to the credits you received on your 2021 return. For 2021 only (as of the time of this letter), the amounts for the credit have changed. It is \$3,600 for children 5 years old and younger, \$3,000 for children 6 to 17 years old. These credits do decrease with income limitations. You will receive these amounts less the advance payments you received in 2021.

**Required Minimum distributions** (RMDs) are back for 2021. If you are 72 or older you are required to start taking distributions from certain retirement accounts.

**IRA** limits remain the same for 2021. Maximum contribution limits for **403(b), 401(k) and 457 plans** stay at \$19,500 (if born before 1972 you can contribute \$6,500 more). SIMPLE IRAs are the same at \$13,500 (additional \$3,000 for those that are 50 and up). Traditional IRAs and ROTH IRAs are the same at \$6,000 (additional \$1,000 for those that are 50 or more). There are income limitations for these.

**Earned Income Credit** There are more tax payers that will be eligible for this credit this year. The age has been lowered to 19 (down from 25) for those that are eligible (except for full time students) AND now there is no maximum age! (before, if you were 65 or older you were not eligible). For now, these changes are for 2021 only). Also, the investment income limitation for receiving this credit has increased from \$3,650 to \$10,000.

**Unemployment Compensation** On your 2020 return, if you received unemployment (for federal tax) the first \$10,200 was not taxable. For 2021 this benefit has gone away.

**Contributions** For the 2020 tax return, you were able to deduct up to \$300 for cash contributions on top of your standard deduction (if you did not itemize). This was extended to 2021's return BUT includes an additional boost. For 2021, you can deduct up to \$300 per person. So, married couples can deduct up to \$600 on their joint return.

**Long Term Capital Gains** In 2021 the 0% tax rate applies for single taxpayers with taxable income up to \$40,400, \$54,100 for head of household filers and \$80,800 for joint filers. Taxable income between the 0% and 20% break points is 15%.

**Adoption Credit** The adoption credit for qualified expenses is \$14,440. You can receive this amount in full for a special needs child even if you did not spend that much. This credit does phase out at a higher income.

**Gift tax Exclusion** This amount remains at \$15,000 (\$30,000 if you and your spouse give to the same person). If you give money to an individual for more than this amount, you must let us know.

**Education credits and deductions** We lost the tuition deduction for year 2021. You still can claim the Life Time Learning credit and American Opportunity Credit for 2021. These credits phase out with higher income. Not having the complete and proper information has continued to be an occasional problem in completing returns when claiming **education credits**. These credits can **save you thousands of dollars**, so it is very important that we receive and apply appropriate information.

**Foreign Earned income Exclusion** This exclusion increased to \$108,700 for 2021.

**Standard mileage rates for business** = 56 cents, medical travel and military moves = 16 cents and charitable 14 cents a mile.

**Health savings accounts** (HSAs) contributions have increased to \$3600 for self-coverage and \$7200 for family coverage. (Those born before 1967 can contribute \$1000 more)

**Premium Tax Credit** for the market place health insurance. The American Rescue Plan suspended the repayment of excess advanced payments of the premium tax credit for 2020. Advance payments in 2021 that exceed the credit amount on your 2021 tax return will be repaid on your tax return.

**Business Meals for self employed** The deduction increased from 50% to 100% for 2021!

**Medical Expenses** The 7.5% of adjusted gross income threshold has been made permanent

**If you have sold property**, make sure we know. If the property is not your personal residence you should receive a Form 1099-S. We need that form. You should keep track of all expenses for preparation of sale, closing costs and such. This will decrease your taxable income. Some will receive Form 1099-S on their personal residence. If you do, we must have it and report your sale on your return. It may not be taxable (depends on how long you lived there) but it still must be reported.

The IRS disclosed that **identity theft continues** to be an issue. Due to this problem, some may have been given a PIN from the IRS. We HAVE TO HAVE that PIN in order to e-file your return

Rest assured that we will utilize the best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. I look forward to using my over 30 years of tax experience to get you these results.

**Wishing you a healthy and happy 2022!**

Jean Hartley, CEO, EA  
Hartley Tax & Accounting, LLC  
(260) 749-0444  
(260) 749-4002 (fax)