



Sauppé Tax News

Brought to you by
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Taxes in the Future

Special points of interest:

- Annual Questionnaire Explained
- IRS Issues
- Charitable Donation Recap Required

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What will your tax situation look like in the future? If we had a crystal ball, we could answer this question for you. Taxes are constantly changing. At present, the current rules, which were established by the Tax Cuts and Job Act on 2017, will sunset on 12/31/2025. Even these rules have been tweaked in recent years with the expansion of the child tax credit and the child care credit among others. As of this writing, one tax bill known as the Bipartisan Infrastructure Bill (BIB) and also known as the Infrastructure Investment and Jobs Act was signed into law on November 15, 2021. Another bill known as the Build Back Better Act (BBBA) has not yet been passed but is still under discussion in Congress.

The main stated purpose of the BIB is to provide federal funding for roads, bridges, broadband access, clean water, and the electric grid among other items. The BIB has only two tax related items. The first item is the early ending of the Employee Retention Credit (ERC) one quarter sooner than anticipated. The ERC allowed employers to obtain a credit from the IRS for part of the amount of wages paid to employees IF the employer's income was down when compared to 2019 or 2020. The ERC

first came into play with the CARES Act in 2020 which allowed the credit thru December 31, 2020. It was extended to the end of the second quarter 2021 via the Taxpayer Certainty and Disaster Tax Relief Act which was passed on December 27, 2020. It was further extended to December 31, 2021 under the American Rescue Plan Act of 2021. The BIB changed the ending date to wages paid no later than September 30, 2021.

The second tax issue in the BIB is the requirement for more detailed crypto currency reporting. If you do not deal in crypto currency and do not have any employees working for you, you only need to worry about the potential for an increase in the US debt between now and 2031 of \$256 billion because of this bill.

The Build Back Better Act has numerous tax provisions. However, since this bill has only been approved by the House and is currently under debate in the Senate, any or all of these tax provisions could be eliminated from the final bill. If this bill is passed, an update on the tax provisions included in the final bill will be posted on our website at www.sauppetax.com

Advance Child Tax Credit

If you claimed children under the age of 18 on your 2020 tax return, you may have been eligible for the Advance Child Tax Credit payments. These payments will need to be reconciled on your 2021 tax return so you must provide this of-fice with the total amount of advance you received. The IRS is supposed to be sending out Letter 6419 in early 2022 providing this information. Please be sure to include this letter with your tax documents. However, if you don't receive the letter you will still need to provide the amount of the advance you did receive.

Unemployment and Taxes

If you received unemployment benefits in 2021, you should receive a 1099G which will report the total amount of these benefits and show any taxes withheld. Please be sure to include that document with your other tax paperwork.

These benefits ARE currently taxable to you for 2021 and will be reported on your tax return. Only benefits received in 2020 were exempted by the American Rescue Plan Act of 2021.

Tax and Money Facts



- In 2019, 76 million of US household (or 44% of the total) paid no federal income tax. For 2020, that rose to 107 million households (61%).
- Per the IRS, each US household that complies with the tax rules is effectively paying an average annual surtax of greater than \$3,000 to subsidize those who are non-compliant.
- The IRS estimates that it will have over \$7.5 trillion in uncollected taxes by 2029.
- The US federal budget debt at the end of August 2021 was \$22.3 trillion. This is an increase of \$1.5 trillion since August 2020. For fiscal 2020, the federal deficit was \$3.13 trillion. In other words, the federal government spent \$3.13 trillion more than it took in. For fiscal 2021, the deficit is estimated to be \$2.8 trillion.
- The federal tax code was 400 pages in 1913 when the first *permanent* US income tax was established. It was 70,000 pages by 2010.
- Between 2001 and 2016, there have been 5,900 tax code changes.
- Tax Day started out as March 1st. In 1918, the date your return was due was changed to March 15th. In 1954, it was changed to April 15th. As we all know, it was changed to July 15th for 2019 returns only, and May 17th for 2020 returns only.
- Tax Freedom Day—the day the average taxpayer stops working simply to pay their tax bill, and starts keeping the money they earned was May 31, 2021 per the Adam Smith Institute. For a Canadian taxpayer, they got to experience Tax Freedom Day on May 24, 2021 (7 days earlier).
- The US and the African nation of Eritrea are the only two countries that require their citizens to pay taxes on their income even if they live and work outside of the country. This has caused some taxpayers to renounce their US citizenship to avoid US tax.

KEEPING YOUR FEES LOW

We try to keep our tax preparation fees as low as possible. However, we need to continue the policy of charging you if you do not provide the required information with your tax paperwork.

If you do not complete the annual questionnaire in its entirety and return it with your tax documents, there will be an extra fee of \$25. This means the questionnaire must be signed (by both taxpayers in the case of a married couple), all questions must be completely answered, and all documents requested in the questionnaire must be included. If you have questions about what to send, please ask us before sending your documents.

Failure to complete the estimated tax portion of the annual questionnaire will incur another \$25 charge per taxing agency. This includes any federal, state, or city estimated taxes you paid during 2021 or the first few months of 2022. So if you pay city estimated taxes to two cities but fail to complete that information on the questionnaire, there will be a \$50 extra charge.

Because we need to have your current driver's license data on file to electronically file your return, there will be an additional \$25 fee if your driver's license has expired and you do not send us a copy of the new license with your tax documents.

No matter what method you use to send us your tax documents (see page 8 for a list of the recommended methods), please be sure to send them in an efficient manner. For example, if you are sending them electronically, please be sure to send as few scans as possible and to send them all at the same time. If you send documents over multiple days or weeks, or scan each document separately, we have to spend extra time to log in, download, review, and enter those documents. That extra time will now be added to your bill. Be sure to include both pages of a form that has information on both sides as oftentimes the back page does contain vital information. Please send the documents as **pdf scans** not as jpg files as it takes extra time for us to process picture files.

The later in the tax season your documents are received, the higher the overall tax preparation fee will be. We cannot create more hours into the time period available before the tax filing deadline.

We regret having to institute these additional fees, but you can easily avoid them by simply taking a few extra minutes when gathering and submitting your documents to ascertain that you have everything needed.

Please note when paying your fees, you can certainly simply send a check with your signed 8879. If you prefer to make your payment electronically, we can accept payment via PayPal (admin@sauppeta.com but please select paying a friend) or your credit card (you will need to call us with your credit card information).



Should You Set Up An Online IRS Account?

The IRS now allows online access to your account. This access allows you to see or do the following items:

- The total amount you owe, including balance details by year
- Your payment history
- Key information from your most recent tax return
- Payment plan details if you have one
- Digital copies of select notices from the IRS
- Your Economic Impact Payments, if any
- Your address on file
- Make a payment
- See payment plan options
- Access your tax records via Get Transcript

Information on how to apply for online access can be found at <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools>.

As with any online access, the potential downfall is the loss of your username and/or password to this online access, or someone else obtaining this information and using it illegally.

Please note that this office CANNOT set up this account for you. You must do it yourself.

Should You Get an IP Pin?

You may have heard something about IP Pins on the news. If you have been a victim of tax identity theft in the past, you may already be familiar with this. An IP Pin is a six digit number assigned to you by the IRS and is entered on your tax return. If you have been assigned an IP Pin and you attempt to file your tax return without the number, the return will be rejected. This should reduce if not completely eliminate the ability for someone to file a return using your social security number.

In the past, the IRS would only issue an IP Pin to people who had fictitious returns filed under their social security number. Now, anyone can request an IP Pin from the IRS, but should you?

There are three ways to obtain an IP Pin.

1. Fill out a request online at <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin> and pass a rigorous identity verification process.
2. If your income is below \$72,000, you may complete Form 15227. The IRS will process the form, call you to verify certain information, and then issue the Pin.
3. Request an appointment at your local IRS Taxpayer Assistance Center.

Keep in mind once you are approved for an IP Pin, you will be issued a new number EACH year and must include the number on that year's tax returns. If you lose your Pin, you will have to contact the IRS to get a new one issued which could delay the filing of your return.

There is currently no known procedure for getting removed from the IP Pin database.

Issues at the IRS

As many of you are probably aware, the IRS has been struggling the last few years to handle their functions. Congress has been cutting their budget for a number of years now while expecting them to do more tasks. For example, the IRS was required to quickly determine who would be eligible to receive the first Economic Impact Payment (EIP1) in the midst of the 2020 tax filing season. Many employees were also required to work remotely which hampered their ability to access sensitive data. EIP2 and EIP3 were subsequently added to the mix along with the Advance Child Tax Credit Payments.

It is no wonder that the IRS is reeling from all these items. A report in mid-year 2021 indicated that the IRS had a backlog of 35 million tax returns not yet processed. Many of these were submitted via paper and may still be sitting unopened in a mail room somewhere.

If you were unfortunate enough to receive correspondence from the IRS about a tax matter (either for 2020 or an earlier year), you were really in a quandary. Written correspondence to the IRS was again probably unopened for months, and calling the IRS was an exercise in futility as only 7% of the callers to the IRS were able to reach a live human (and that dropped to 3% for callers needing help with Form 1040).

Even the correspondence from the IRS was problematic. Some people received a billing notice for a return that had been submitted electronically but payment was delayed until May 17th (the extended due date for 2020 returns). These notices were dated in early May (before the taxes were even due) and added penalty and interest to the tax balance. Other correspondence indicated there was an issue with a tax return that the IRS was investigating, but there was no known issue and the IRS letter did not expound upon it. Many refunds were delayed (and some have still not been paid) for people who did not report the correct amount of the EIP1 and EIP2 received. In some cases this was because one or both of the payments were sent via debit cards which the taxpayers threw away assuming they were scams. Per the IRS the payments had been issued. The fact that the debit cards were never activated or used was immaterial to the IRS. In fact, they had no way of knowing this as the debit card company did not notify the IRS even if the taxpayer called the debit card company to indicate the cards had been destroyed.

The moral of the story here is to state that it is in your best interest to get your tax return prepared properly the first time around to reduce the chance of IRS correspondence and the inherent delays. Be sure to review your documents for completeness and accuracy including providing the correct amount of the EIP3 payments sent in March or April 2021 and the total amount of any Advance Child Tax Credits received from July to December 2021.

Annual Questionnaire Explained

To assist you with accurately completing the annual questionnaire, below is a recap of some of the questions and the information about those questions. If this does not help you determine the correct way to answer any question, please contact this office so we can assist you directly.

Question 1—Foreign bank account. This question does NOT refer to any funds you may have invested in foreign corporations through a US brokerage firm. For example, if you own shares of Barclays Bank (which is a United Kingdom company) via your US brokerage account with Morgan Stanley, you can answer NO to this question. But if you own shares of Barclay's Bank that are NOT held by a US brokerage firm (for example, you physically hold the stock shares), you should answer yes. By the same token if you have money in Barclay's Bank in the UK or any other country besides the US, you would also have to answer yes. There are foreign financial reporting requirements that will need to be met if you answer yes, and there are stiff fines for not complying.

Question 2—For 2021, the tax laws allow an above the line deduction for certain charitable contributions. This means that even if you do not itemize your deductions, you may be able to reduce your taxable income by some or all of your qualified charitable donations. In order for this office to determine if you can take this above the line deduction, you MUST complete our annual charitable recap in its entirety.

Question 3—Most states impose a USE tax as well as a SALES tax. If you purchase an item online that is normally subject to sales tax in your state, and do not pay sales tax on the purchase, you must pay use tax on this item or items. Failure to report this information means you are underpaying your tax and can be subject to penalties and fines. Most states require that your return indicate if you did or did not make purchases subject to use tax.

Question 4—You MUST have kept a contemporaneous log of your business trips if you wish to deduct business mileage. When completing the mileage log at the bottom of the page, you would fill out all appropriate blocks including the personal miles driven during 2021 so that the last box (Total Miles) is equal to the total of all the previous boxes. All this information is required for your tax return even if it does not show directly on the tax forms sent to you upon completion of the return.

Question 8—Most people have a Health Savings Account through their employer and make contributions to the account via payroll deductions from their paycheck. The employer is then supposed to show this total deduction your W2. However, contributions can be made outside of your work and you must provide us with all this information so that we can get you all the deductions to which you are entitled.

Question 9—A 529 plan is a savings tool for college costs and can also be referred to as a qualified tuition plan or a Coverdell Savings Account. Many parents start one of these plans when the child is young and contribute to it over the years. There is no deduction allowed on the federal return for the contributions, but many states do allow a deduction if the state requirements are met. For example, Ohio requires that the contributions be made to a plan sponsored by the Ohio Tuition Trust Authority. When the child attends college, these funds can be used to pay for qualified education expenses. The key here is to utilize these funds in such a way that you can still take full advantage of any Education Credits that may be available for that year.

Question 13—When you operate a business (and a rental home can be considered a business), you are required to send a 1099 form to any individual to whom you paid \$600 or more from your business during the year. If the total paid was under \$600, no reporting is required. There are penalties for not filing the form if required to do so. This office can assist you with filing these forms but note that the due date for these forms is 1/31 of the year following the year of payment (for 2021 payments that would mean 1/31/2022).

Question 16—The IRS does not limit the amount of gifts you can give each year. However, if you give any one person a gift **or gifts** that have a total value for all combined of \$15,000 (2021 limit) or more in one year, you are required to report that gift to the IRS. There is rarely any tax consequence to that gift but it must still be reported. Keep in mind that gifts are not just cash gifts but can include stock, real property, or personal property. An accurate value must be assigned to all non-monetary gifts to determine if the \$15,000 limit has been reached.

Question 17—If you have a child or children under the age of 18, you may have received an advance of the new child tax credit amount on a monthly basis starting in July. It is imperative that we are provided an accurate amount of this advance as we need to reconcile this amount on the 2021 tax return to determine how much additional child tax credit you may receive. An inaccurate amount may delay your refund (see Question 21 below). As of this writing, the IRS has no plans to allow tax preparers to "look up" the amount sent.

Question 19—Virtual currency includes Bitcoin, Ethereum, Litecoin, Chainlink, Stellar and others. All these types of virtual currency can have tax consequences on your tax return depending on what you have done with them. The IRS has a question on the tax return about virtual currency and must be answered before the return can be filed. Virtual currency issues can be a relatively complex area of tax laws, so if you are involved in this, please contact our office to discuss in detail.

Question 20—Admittedly this question is a bit of a catch all. However, if any of these items apply to you, you may be entitled to credits or deductions, or be required to complete additional forms and schedules. Be sure to include as much information as you can if you answer yes to this question. For the domestic service in your home, this would only be answered yes if you do **NOT** use a service such as Molly Maid or Visiting Angels.

Question 21—Congress authorized a total of three Economic Stimulus Payments. The first two payments (\$1,200 and \$600 for each qualifying adult) were reconciled on the 2020 tax return. If you did not receive enough with the advance payments, you could claim the balance on your return. The third payment of \$1,400 per qualifying person) will be reconciled on the 2021 tax return. It is imperative that you report the exact amount of this third advance payment you received either via direct deposit, check, or debit card. Millions of refunds were delayed on the 2020 returns due to the IRS requiring manual reviews, many of these because of discrepancies on the Economic Stimulus payments reported on returns compared to the IRS records.

OUR PLEDGE

- We will provide you with top notch tax preparation service.
- We will prepare your federal, primary state, and primary city (if applicable) returns based on the information you provide.
- We will file your federal and state returns electronically as required. If you prefer to mail a paper return, you must notify us of your intent when you submit your tax paperwork, and you will be required to include a waiver request with your mailed return (which we will provide).
- We will gladly answer questions for you throughout the year regarding tax situations you may encounter. Please keep in mind that tax season is a very busy time for us. If you have questions, it may be better to ask them outside of tax season so we can give a full and complete answer.
- If you request, we will represent you before the IRS when questions arise about your return. However, you must send us copies of any notices you receive from the IRS, the state, or city regarding your returns. In a timely manner. We do not automatically receive copies of these notices and cannot assist you with them, without first reviewing the information in the notice.
- We will explore every available tax break for which you may be eligible and keep up with all the new tax laws to see how they may impact you.



However, keep in mind that there are some limitations to the services we can offer. We CANNOT do the following:

1. File any extension request form without the required authorization from you.
2. Maintain your tax paperwork indefinitely in our files (we only keep 4 years of records).
3. Track cost basis on your portfolio investments. However, for an additional fee we will try to calculate cost basis if you provide us all pertinent data in a timely fashion.
4. Prepare returns other than those mentioned above unless you have requested this in writing.
5. Give you financial or legal advice except indirectly as it relates to your tax situation.
6. Place a value on non-monetary items donated by you to a charity.
7. Discuss your tax information with anyone without your express written permission. The IRS requires a very specific disclosure notice be completed anytime a disclosure is requested. A verbal request or written note from you is NOT sufficient. This includes a request to fax or e-mail information to a third party.

8879 Requirements and Payment Methods

Just a reminder that when we send your completed tax returns to you, the returns have NOT been filed with the taxing agencies. We send you the copies of the returns (whether by mail or digitally) so that you have the opportunity to review the returns and ask questions about any part of it you do not understand. Only after you have reviewed the return should you sign the 8879 and any other signature documents sent to you. Upon receipt of the signed 8879 (and if the return is joint, BOTH taxpayers must sign), we will electronically submit your tax returns to the taxing agencies noted in your cover letter. Unless you hear from us otherwise, you can assume your tax returns have been accepted by the respective agencies.

Payment for our tax preparation services is due when you return the signed 8879. You can submit payment by a few different methods. You can simply include a check with your mailed 8879 form. You can use PayPal to send a payment to Janice Sauppe @ SauppeTaxServ. Please be sure to select "sending payment to a friend" Finally, if you wish to use a credit card for payment, you can contact our office with your credit card information. Please note there will now be a 4% surcharge for a credit card payment.

Retirement Distributions in 2020 and 2021

The CARES act (which was signed into law on March 27, 2020) had a number of changes to required minimum distributions (RMD) and taxability of distributions.

For 2020, RMDs were NOT required in most cases. But this did not preclude you from taking a distribution if you wanted. In fact, even if you were not yet age 59 1/2 (the usual minimum age for taking a retirement distribution without a penalty), you could take a penalty-free but not tax free distribution of up to \$100,000.00 in 2020 IF you were considered a qualifying person. We won't go into the rules for a qualified person as this no longer applies in 2021 (see below). However, if you are one of those individuals who utilized this rule in 2020, you were able to spread the taxable amount of this distribution over three years (2020, 2021, and 2022). You also have the option of repaying some or all of the distribution back any time within three years from the date the funds were first distributed.

If you did repay some or all of these funds, it is imperative that you provide this office with the paperwork to substantiate this as this can impact your returns for all three years, and may require an amended return for any year already filed.

This rule does NOT apply for 2021, so you must take your RMD for this year no later than 12/31/2021 or face stiff penalties. If you are unsure of your RMD status, contact your financial advisor or the financial institution that holds your retirement accounts.



Sending Your Paperwork

Our mailing address is

P O Box 245 Trempealeau, WI 54661-0245

Our phone (voice or fax) is 608-534-2122. The email address is admin@sauppetax.com

Please send your tax documents by one of the following methods:

1. Use the US Postal Service—we recommend using Priority Mail so that you can track the package and confirm it was delivered.
2. Use UPS SurePost or FedEx Smart Post—both of these services start at UPS or FedEx but use the US postal service to complete the delivery process. Again you may want to look into tracking options. You must use one of these services as regular UPS and FedEx deliveries cannot deliver to a post office box.
3. Use our encrypted storage service (Verfyle) to send **pdf** scans of your documents. If you used the service last year, you should still have access and can simply use it again. If you wish to use this service for the first time, simply send us an email and we will set you up on this end. You will then receive an email which will direct you to a web page to establish your Verfyle account. You will get a randomly generated password (or you can change it to one of your choosing). Once in, you can upload any files you wish and we will get an email notifying us that the files are waiting. This service is through the National Society of Accountants. Every message, thread, and document has its own encryption key for maximum security unlike many other cloud-based storage services which use a master key to encrypt information in bulk.
4. We do not recommend it, but you can send **pdf** scans of all your documents via Dropbox or Google drive. If using this method, you **must** be sure you send all pages of every document, send **all** the documents at one time, and be sure all the pages are legible and complete before you send them. You must include our annual questionnaire. **Be sure to send us an email letting us know you are sending your documents this way.** For security reasons, we **never** click on a link in an email that is from an unknown or corporate sender so don't use an email inside the cloud storage to contact us. We won't open it!

Please do NOT send your documents as an attachment to an email as this is unsecured and your attachments often contain sensitive personal data. It is too easy for this information to be waylaid on its way from your computer to ours.

As always, we will send your completed returns back to you for your review and signing of the 8879. We cannot electronically file your return until we have the signed 8879 in our possession.

If you wish an "in person" meeting, we can do a Skype call. You simply need to contact us to arrange a time for this call.

If you would like a checklist of the documents you submitted to our office for last year's taxes, please let us know and we will provide one.



Tidbits

2021 Mileage Rate—The 2021 rate for deducting business miles is 56.0 cents per mile. The medical rate is 16.0 cents and the charitable rate is 14 cents for 2021. If you accurately complete the mileage section of our annual questionnaire, we will compute this deduction for you. The charitable rate for 2022 will remain at 14 cents per mile. The business and medical rates for 2022 were not yet available as of the date this newsletter was printed. Check our website at www.sauppetax.com for the latest info.

Useful Apps and websites

Zerodollarmovies—A collection of over 15,000 movies that are available to watch for free on Youtube.

Faxzero—Allows you to send faxes to the US and Canada for free.

Instructables—Provides instructions to help you build just about anything

Dark Sky Weather—provides hyper local weather information for the next hour.

Skyscanner - Allows instant online comparison on millions of flights. Also includes car rental and hotels

Pdftescape— An online PDF editor that allows you to change a PDF without any extra software

CloudConvert—Let's you convert a file to a different format. This will help you if your tax documents are currently in a jpg format and you need to convert them to pdf before submitting them to our office.

MyScript Calculator—Allows you to do mathematical operations via handwriting. Simply enter the expression and the program does the rest. Available for both Android and iOS

Taxpayer Name _____

Charitable Donation Recap for 2021

Must be completed for ANY donations you wish to claim on your 2021 tax return.

Monetary donations

You may combine donations made to the same organization in this section. For example, if you gave three checks of \$100 each to the Red Cross, you may simply list the total. In this case, since each donation was under \$250, you do not need to provide any receipts from the charity and may enter NO in the last column. For method of payment, indicate check, bank debit, payroll deduction, or cash. If cash, you must include the receipt from the charity recognizing the donation. Please note that any purchase of raffle tickets from a charity does NOT represent a charitable donation. Also, if you receive something of value in return for your donation, your donation must be reduced by the fair market value of that item. The charity will normally provide you with this information.

Name of Charity	Method of Payment	Amount	Any single donation greater than \$250? YES/NO
EXAMPLE: Red Cross	Checks	300.00	NO

Non-Monetary Donations

List each donation separately. In all cases, a receipt from the charity and a list of the items donated with the value assigned to each item **must** be included with your paperwork. For car donations, a 1098-C should also be included. If the **total** of all your non-monetary donations is greater than \$500, you **MUST** complete the last three columns for **all** donations. A valuation guide can be found on our website at www.sauppeta.com. The value assigned to any item must be the **smaller** of fair market value or your basis (usually your cost). For example, if you found an item on the street and then donated it, your deduction for tax purposes would be zero because you had no basis.

Name of Charity	Date of Donation	Total Fair Market Value of Items Donated	How Acquired by Donor	Date Acquired by Donor	Donor's Basis
EXAMPLE Goodwill	12/15/20	\$75	Purchased**	12/5/03**	\$600**

** Not needed if the total of **all** non-cash donations are less than \$500.