



Tax Matters

January 2022

Tax Time

Hello:

We are hoping this message finds your family, friends, and you safe and well. The year 2021 was a very challenging year for so many of us. We're praying that this new year brings us closer to our normal.

BYB is hoping to provide tax preparation services to you again this year. Because of COVID-19 and the necessity to social distance, we have four alternatives for submitting your tax documents.

1. Postal mail to our corporate address at 333 Westchester Ave, S201 White Plains, NY 10604
2. Email documents in PDF format to Ressy@thebyb.com
3. Drop off to office or security desk in our lobby in sealed envelope. Please let us know when you leave it.
4. Make an appointment with our receptionist at 914-761-7380

When the returns are complete, we will schedule a ZOOM or telephone call to review the returns together or, if you prefer, you may make an in office appointment by calling and scheduling.

We are hoping to see you again this year. Call us at 914.761.7380 or email Myra@TheBYB.com to schedule an appointment.

Sincerely,

The BYB Team

Gather And Organize Tax Records

Having your tax records organized makes preparing a complete and accurate tax return much easier! Beginning in January, you will likely start to receive the forms we need to properly complete your tax return. Once you have received your documents, first give them a review to make sure they are correct and contact the sender if there are any discrepancies. Remember, even a simple misspelling can cause a flag with your tax return. Inspect all your documents carefully. Some of the forms you will need to look out for include:

Forms W-2 from your employers

Forms 1099 from banks, issuing agencies, dividends, pension distribution, annuity, or retirement plans.

Form 1099-K, 1099-MISC, W-2 or other income statements for gig economy workers and Form 1099-INT for interest received

Other income documents and records of virtual currency transactions

Form 1098 from your mortgage lender

Form 1098-C for any large-scale charitable donations to a tax-exempt organization

Form 1098-E/T - for tuition paid or student loan interest paid

Receipts of expenses for medical bills, charitable contributions, retirement contributions, educational expenses, childcare expenses, etc.

Business Expenses – if you are a business-owner or self-employed, be sure that you also collect your business expenses – receipts, invoices, mileage logs, etc.

These income documents are very important – in addition to ensuring that you comply with your legal obligation as a Taxpayer to report all income – these documents also help determine your eligibility for deductions or credits

Claiming Your Missing 3rd Stimulus Payment

We will need to request any missing third stimulus payments on your 2021 tax return by claiming the Recovery Rebate Tax Credit. This is the case if you received a partial amount (less than the full stimulus payment amount of \$1,400) or didn't previously qualify for the third stimulus payment.

If you're unsure of the amount of your third stimulus payment, you should review your IRS online account or use the Get My Payment app. You can also refer to your Notice 1444-C, a letter sent by the IRS to recipients, which shows the third stimulus payment amount for 2021.

In Jan. 2022, the IRS will mail you a Letter 6475 confirming the total amount of the third stimulus payments received for the 2021 tax year. After you determine your correct recovery rebate credit amount, we will need to report it on your 2021 tax return. Unlike direct stimulus payments, where payments were issued directly by the federal government to eligible people, the Recovery Rebate Tax Credit will reduce any taxes owed or increase your tax refund.



Advance Child Tax Credit Payments



These payments were advance payments of a credit that already existed before 2021. This means, that you won't be able to claim the full amount of Child Tax Credit on your tax return for 2021, if you already received some of that money in advance over the final months of 2021.

The monthly payments will affect your tax bill or tax refund. Since they represent advance payments of the child tax credit, they'll be subtracted from the credit amount you're allowed to claim on your 2021 return. That will make your 2021 child tax credit smaller, which means either your tax bill will be higher, or your tax refund will be smaller.

The IRS will mail you Letter 6419 to provide the total amount of advance Child Tax Credit payments that were disbursed to you during 2021. Please keep this letter regarding your advance Child Tax Credit payments with your tax records. We may need to refer to this letter when we file your 2021 tax return.

Frequently Asked Questions

When does tax season begin?

Traditionally, the IRS starts accepting tax returns during the last week of January. So, early tax filers who are due a refund can often see them as early as mid or late February. However, taxpayers with the Earned Income Tax Credit or Child Tax Credit generally have their refunds delayed by about one month while the IRS confirms eligibility for these credits.

I heard that I can deduct charitable contributions this year without itemizing my deductions. True?

Normally, taxpayers who take the standard deduction cannot deduct charitable contributions. The government now permits you to claim a limited deduction on your 2021 federal returns for contributions you made to qualifying charitable organizations. If you support a charity or other not for profit, you can deduct up to \$300 above-the-line (\$600 for married couples) even if you don't itemize. Be sure to get receipts and retain them in your records.

Can I deduct business trips and other miscellaneous business deductions?

The 2018 new tax law took away the deductions for miscellaneous employee expenses. They are still deductible at the NYS level. However, NYS is very aggressive with auditing these deductions.

Can I deduct my student loan interest payments?

You can deduct up to \$2,500 interest you pay on a student loan. The deduction is claimed as an adjustment to income so it is allowed even if you don't itemize. However, you cannot deduct the interest if you are a dependent of another taxpayer or use the married filing separately filing status. This deduction is also subject to a AGI limit.

I own a home but am considering purchasing a condo in Florida as a second residence. What can I deduct for the condo?

The mortgage interest and real estate taxes are deductible on a second home, just as they are on your main home. However the rules are different if you are planning to rent out the condo. Also, remember that you are still subject to the \$10,000 limit for state and local taxes.

During 2021, I started a small business to supplement my income. Do I need to include on my returns?

Many of us worked side businesses in 2020. Some drove for Uber. I have talked to a few clients that sewed and sold masks. Whether you made a profit or loss, it should be included in your returns. Summarize the income and list the expenses. If you drove Uber, how many miles did you drive? They are worth 56 cents per business mile as a business deduction against the income.

Are home repairs deductible?

Generally, home repairs are not deductible. Major repairs could add to your basis in your home. New carpet and a new roof are examples of major repairs. These will come into play if and when you sell the home.

I was under the impression that a Dependent Care Benefit Plan would benefit me, not penalize me with an increase in taxes. How can my employer say they provided a benefit in the total amount of \$5,000 in W-2, Box 10 when I had \$5,000 in wages set aside for dependent care benefits?

The actual mechanism for this type of plan is an agreement to voluntarily reduce your salary in return for an employer-provided fringe benefit. These plans must be set up this way because you have a choice of whether to receive the cash wages or the benefits, which would make the benefit taxable to you. Therefore, the benefits are actually employer provided or funded. You are receiving a tax benefit because you are not paying taxes on the money that is set aside. But you must use the dollars in childcare and reflect on your tax returns the expenditure.

Can I make IRA contributions for my child?

You can help your child jump-start his or her retirement savings by providing the funds for an IRA contribution. As long as your child has earned income (e.g., from a part-time or summer job), you can make a gift of the contribution amount to your child.