


We at Cascade Tax Professionals, Inc. are looking forward to 2023 and wishing everyone a peaceful holiday season.

We will be back to in person appointments! We've started some pre-scheduling, if you haven't heard from us and want an appointment please call. Packets should be ready for you to pick-up, have emailed out to you or paper mailed to you in mid-January. Our office hours, when someone will definitely be available to answer the phone, are 10 to 2 Tuesday to Thursday. We will be closed the week between Christmas and New Year's.



I'm sad to let everyone know that my best buddy and office greeter, Zeus, is gone. I lost him on April 3rd. He loved all of the people coming through the office. I know that you will miss him.



The last years have been challenging and difficult for the tax preparation industry across the country. At our office, we have been slightly understaffed. During Covid many preparers in Oregon retired and those people have not been replaced. There were many changes to tax law (some retroactive). There was a lack of face-to-face education opportunities. All this with the extended deadlines added to our workload and stress. Looking back, we used to start preparing tax returns in mid-January and most people were ready by late February. Now, we are lucky if we can get more than a handful of clients to come in early. This has pushed the same amount of increasingly complex tax work into a shorter and shorter work season. We are making some changes that should allow us to complete the work with less stress. The mental stress from this job is extreme and we are taking longer to 'bounce back'.

March 10th is our intake deadline for returns that we will attempt to complete by the April Deadline. There will be no appointments scheduled after March 10th. Returns that are

mailed in or dropped off after March 10th will be worked on only after all the work currently in the office as of that date, is complete or on hold for final information. We are aware that many people have a particular tax document that always shows up late, a K-1 or a brokerage statement. You should schedule your appointment early and bring in that final document when it shows up.

Bring the majority of your information to your appointment. Then, submit any missing information as soon as possible, hopefully in just one submission. We may have told you that we need ten pieces of information from you. That does not mean that we want to print ten emails to our document management system. It does not mean that we want ten voice messages where you only give your first name (very quickly, so John sounds like Don, or maybe Ron) and then don't clearly state the information. We want the additional information in one, maybe two drop offs / emails. If you're waiting for one last address or amount, then wait to give us the information. Getting information in multiple pieces, multiple formats at many different times makes the preparation of your return more difficult. It makes things very hard for assuring accuracy. **We reserve the right to charge for our time when we need to open your return multiple times for data entry and review, or we spend time making sure that ten different pieces of information have been scanned and entered.**

Clients should be ready to file an extension. To avoid penalty and interest you should make an extension payment to send in an estimate of what is owed. If you want us to help you figure extension payment amounts, we need time. Don't call us on April 12th and expect us to have the time to figure amounts out. More on extension payments later.

Looking at the future: Mary Beth Wilson and Laurie Brock formed Cascade Tax Professionals, Inc. on May 12, 1995. We've been doing this a long time. Ideally, we want to get a younger person in to learn our business and eventually buy us out. Mary Beth is already retired. I (Laurie Brock) have at least one full time tax season left in me. Maybe it'll be two, three or even four full time tax seasons, who knows? I anticipate continuing to work on a part-time basis for many years. If you know of someone with a crazy attention to detail who likes working with people tell them to come and talk to us next summer. Oregon has a licensing law and required classes and tests. We can help get an interested person started on the track to being a small business owner.

Payments: Be ready to pay when you pick up your return. We can make payment arrangements for long time clients at our discretion. Pay or set up payment arrangements for overdue amounts in January 2023 before your tax appointment. If you're paying cash, having the exact amount or smaller bills is best. The credit union won't let employees go change those \$100 bills into \$20s, \$10s, \$5s and \$1s. Laurie has to go the credit union personally to get change. Those smaller bills disappear fast sometimes.

Extensions and extension payments: Filing an extension only extends the filing deadline...you have more time to complete the details and get the return submitted. It does not extend the time to pay. Any tax paid after the

April 15th (April 17th for 2023) deadline is subject to late payment penalties and interest. The interest rates on late payments have been increasing through the year and are currently at 6%. Further interest rate hikes are reported to be coming. If you owe \$2000 and don't pay until September, the interest charged will be at least \$50.00 and there will be some late payment penalties as well. You will want to make an extension payment to avoid these additional costs.

If you end up filing an extension, please know that We are not able to drop everything and complete your return in late April, May or even June. During that time period we are completing payroll reports, starting our required continuing education, dealing with all the things that were set aside while we tried to complete the maximum number of returns by April 15 and generally recovering from the mental stress of tax season. You can pay toward tax due at anytime before the return is filed. Paying sooner will reduce the late payment penalty and interest you may owe. Payments can be made on the IRS website and through Oregon Revenue Online. Paying electronically is best. Married couples should make payments in the social security number of the first person listed on the return (called taxpayer). We provide you with paper payment vouchers if we know what dollar amount you will be sending. Do not mail a check without a voucher.

Some general rules for estimating how much to pay with an extension request:

- Did you owe last year? If you did and there have been no significant changes to dependents, withholding and/or income you should expect to owe a similar amount.
- If you owed last year and the tax was due to a one-time event, then look at the prior year.
- If you made withholding changes during the year compare the tax statement with the prior year statement to see if the change was sufficient.
- If there was a big tax event (sale of a rental, large bonus, large lottery winnings) then talk to us in January about the possible impact on your tax due.
- If there were changes to income, starting Social Security, a new job, a higher withdrawal from an IRA, we need to see if there is enough tax paid in. If you think that you will owe a significant amount you should have an appointment with us before March 10th.
- Partially paying your estimated tax immediately is better than waiting until you can pay the whole amount in one payment.

Milage rates and recordkeeping: There were two increases to the standard mileage rates in 2022.

Time period	2021	Jan through June 2022	July through Dec 2022	2023
Business miles	56 cents	58.5 cents	62.5 cents	65.5 cents
Medical miles	16 cents	18 cents	22 cents	22 cents
Charitable – fixed by law	14 cents	14 cents	14 cents	14 cents

With **two** rates available for business and medical miles you will need to add up your allowable mileage for each period. If you give us a single number, we will use the lower rate. Don't ask us to 'just use half and half'. Deductions for use of your personal car have extremely strict substantiation requirements, especially for business miles. **Estimating** is not allowed. See IRS Tax Topic No. 310 and IRS Publication 463 for more information. If a tax return with business miles is selected for audit by the IRS or Oregon, expect that one of the first requests for information will be your mileage records.

Keep in mind that the IRS requires not just the number of business miles that you want to deduct but **also** the total miles the vehicle drove during the year. Help yourself out and **write down each vehicle's odometer reading on New Year's Day** every year. We need that information for your tax return. If you have questions about what documentation will meet the recordkeeping requirements, please refer to the IRS information and ask us. If you have only a few business trips during the year, we can recreate your mileage records at your appointment. If you drive a vehicle regularly for business purposes, then you need to stay caught up on your recordkeeping.

Recovery Rebate Credits: There were three Economic Impact Payments (EIPs), also called Stimulus payments, \$1200, \$600 and \$1400. Most of you have received all three payments. If you think that you are still due one or more payments, they can't be recovered on your 2022 tax return. Set up an account on IRS.gov and you can see what the government believes that you have already been paid. Then you need to look at your records and see if you actually received those payments.

Make sure that you are receiving our emails.

Email providers are increasingly protective of their users. This is a good thing. Your email provider wants to protect you from scammers and thieves who want your money or your personal information. You need to 'whitelist' all emails

coming from castax.com. This means that you tell your provider to let our emails through to you. The web address below is a good source for Whitelisting emails.

<https://clean.email/blog/email-security/how-to-whitelist-an-email>

Don't click on any of the buttons in the blog post. Scroll through the providers, Gmail, Outlook, Yahoo, AOL, Zoho, ProtonMail, and follow the instructions. If your provider is not listed, get the help of that person you know who seems to know all about this.

Using the organizer: We go to considerable effort and expense to get those organizers out.

Some parts are required. We reserve the right to charge for our time when we need to chase down these required items.

- The engagement letter must be signed **before** we start to work on your return. This is recommended by the IRS and many legal advisors. There will be blank copies available at our office and on our website, www.castax.com, under the **Resources** section.
- Some questions have required answers. We can't answer for you. We can't complete the return without those answers. Go through the questionnaire and answer all those marked '**required**'. A blank questionnaire is also available at our office and on our website.
- For returning clients, all organizer pages for **rentals, businesses, and farms** are required this year. Fill in the 2022 amounts next to the 2021 amounts. This should help find most of your deductions and lower your overall tax. If you leave a 2022 box empty when there is an amount in 2021 you may be missing some deductions. We see many instances when insurance is left blank even though you pay it every year. Then we call or email you to ask about your insurance. Also, take the time to consider what new expenses you might have for 2022.
- Give complete information on the auto expense sections.
 - Answer all the yes / no questions. Substantiation requirements for these deductions are **VERY** strict. Ask us what adequate written records are. Keep in mind that contemporaneous records (those created close to the time of an actual event) are far stronger than records that are reconstructed months after the actual event.
 - In addition to business mileage, make sure to include commuting and other mileage. **The total mileage for the year is also required.**
 - If you have been using the actual expenses method, complete the section with Gas, Insurance, Oil etc.. You can also fill in this section if your car had expensive repairs in 2022 and you think that actual expenses may be more than the mileage rate.

Some parts of the organizer are to help you gather and organize your information.

- The 'Checklist' shows returning clients what tax documents they had last year. You should be using this checklist to compare to the 2022 documents as they arrive. If you are missing something that you had last year, does that make sense?
- Note information that is new this year.
- The Schedule A – Itemized deduction pages show amounts and sometimes descriptions of what you deducted last year. This is a starting point to help you start organizing your 2022 medical and charitable deductions. We can add up lists of numbers for you very quickly. You don't need to worry about adding everything up. We enter mortgage interest and sometimes property tax directly from the 1098-INT form. That is why the prior year amounts for property tax and mortgage interest may not be showing on the organizer.

Some parts help us find changes, credits, deductions or special tax situations that impact your tax return.

- Review the 'Personal Information' section.
 - Clearly note changes to addresses, phone numbers and email addresses.
 - Answer all questions. Maybe all your answers are 'NO', but please answer them anyway.
 - **If your driver's license / ID card has expired, please bring your new one to your appointment so we can scan it.**
 - If your bank information has changed, please bring us the updated information.
- Answer all questions in the 'Questionnaire' – These questions are designed to find credits or deductions that you may be eligible for. They are designed to make us aware of possible tax situations. If you don't tell us that you bought \$30,000 worth of solar panels, how can we know to give you a \$9,000 tax credit? So, even if most answers are 'NO', take the time to help make your tax return as accurate as possible and answer everything.

Tax changes for 2022:

- All things that are indexed for inflation will go up, standard deductions, tax brackets, income limitations on credits, allowable amounts of credits etc...
- The Child Tax Credit and the Child and Dependent Care Credit were both increased for 2021 and are now back to the 2020 amounts.

- The Earned Income Tax Credit was expanded in 2021 for people aged 19 to 24 and people over 65. In 2021, there was a larger credit available for low-income taxpayers with no qualifying children. All rules for this credit are back to pre-pandemic definitions.
- The Premium Tax Credit for taxpayers who get insurance through the government health insurance exchange was enhanced by the American Rescue Plan Act (ARPA) in March of 2021. The Inflation Reduction Act (IRA) of 2022 extended some of the enhancements out to 2025. The special rules for people who drew unemployment were only available in 2021.
- People who sell items using third party settlement networks like Paypal or Venmo will be issued a 1099-K if income was above \$600. Previously this was \$20,000 and there had to be more than 200 transactions.
- There was an 'above the line' charitable deduction of up to \$300/\$600 available on the federal return. That deduction is gone for 2022.
- The table used to calculate Required Minimum Distributions (RMDs) from IRA was updated and the required distributions will be smaller.
- The Student Loan Interest Deduction is still available for people who were making payments. The deduction is still limited to \$2500 and is phased out as income increases.
- The Inflation Reduction Act (IRA) increased and expanded energy credits. The man on TV selling woodstoves says 26%, it's actually 30%. Other parts of the 2022 Inflation Reduction Act go into effect in 2023.
- For 2022 classroom teachers and other educators can deduct up to \$300 per taxpayer for qualified expenses. This amount has been \$250 since the deduction was first introduced in 2002.

New Credits coming for 2023: The Inflation Reduction Act of 2022 created expanded credits for energy savings. There are credits for energy efficient windows, heat pumps, water heaters and more. Through 2022 there was a \$500 lifetime limit on the residential energy credit. This has been extended to an annual \$1200 limit. The Solar Credits have increased to 30% of costs.

There are new credits for "clean" vehicles that meet certain requirements. The final assembly must be completed in North America. The credit is up to \$7500 for new qualifying vehicles and up to \$4000 for certain used vehicles more than two years old.

IMPORTANT: These credits do not carry forward. If you are eligible for a \$7500 credit and your federal tax is only \$1000, then you miss out on \$6500. We can discuss tax planning that may help you maximize these credits.

GET READY FOR TAX TIME!

Checklist

_____Don't wait for the last minute to start gathering information.

_____Schedule an appointment if you haven't already done so. REMEMBER there will be no appointments after March 10th.

_____Let us know if you want a person specific organizer mailed or emailed to you.

_____Refer to the 'Using your Organizer' section in this newsletter (PAGE 3) and at a minimum complete the required tasks. To make your return complete and more accurate you should also fill out the other parts of the organizer.

BEFORE YOUR APPOINTMENT!

_____Watch as your tax documents start to show up in the mail and keep them all in one place. Electronic copies are often available earlier and are sometimes the only copy that will be provided to you.

_____Gather the items that are new this year. In other words, help make sure that we are aware of new income sources, dependents, credits and expenses.

_____Have your engagement letter signed. We may have mailed you one. We can email one. You can get one in the 'Resources' area of our website castax.com.

_____Answer all the required questions in our questionnaire. Answering the other questions is good too. Most answers will probably be 'NO'. Put a question mark next to any that you are unsure of.

_____For clients with businesses, farms and rentals, use the organizer pages. Try to make sure that numbers are entered on every line that had a value last year. If the 2022 value is zero, put zero on the line. Make notes about specific expenses you have questions about.

_____Collect medical and charitable information. If you think that you might be able to itemize deductions. To find these amounts going through bank statements and credit card statements will show you the payments that you made. We can add lists of numbers for you quickly. Don't stress about addition. You can leave this task for after the appointment if you think you might not have enough. We can tell you how much you will have needed to spend to get tax benefit.

_____Come on in and see us. We've missed you.