

Bacon and Gendreau Tax Preparation
Tax Preparation and Financial Services
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January 1, 2022

To All Our Valued Clients,

The 2021 tax filing season is upon us. We especially wish that all is well with you and your family. We would also like to thank you for allowing us to prepare your income tax returns last year and thank you for your continued patronage, support and trust in us by continually referring your friends and family. Steve, Susan, Andrew, Sue, Michael and I are truly humbled and grateful to every one of our clients.

Individual filing season will begin accepting electronic and paper returns around Monday January 31, 2022. The filing deadline is April 15th, 2022 for all 2021 calendar year tax returns for individuals. We ask that you do not wait until the last minute. If anyone comes after April 1st, we cannot guarantee that we will be able to complete your tax return on time and we will make the determination if an extension is necessary.

Tax Year 2021 -What's NEW

Please note that the information below is based on information up to 12/19/2021. We will update our website and Facebook page with any new tax changes.

Advance Child Tax Credits In January 2022, the IRS will send **Letter 6419** with the total amount of advance child tax credit payments taxpayers received in 2021. Please keep this and any other IRS letters about advance child tax credit payments with your tax records and submit to us so we can accurately prepare your tax return. **Individuals can also create or log in to IRS.gov online account to securely access their child tax credit payment amounts.**

Economic Impact Payment In January 2022, the IRS will send **Letter 6475** that contains the total amount of the third economic impact payment you received, and any additional payments received. People should keep this and any other IRS letters about their stimulus payments with other tax records and submit them to us. **Individuals can also create or log in to IRS.gov online account to securely access their economic impact payment amounts.**

Refunds that include the Earned Income Tax Credit or Additional Child Tax Credit should be available by the first week of March. By law, the IRS cannot issue refunds for people claiming the EITC or ACTC before mid-February. The law requires the IRS to hold the entire refund – even the portion not associated with EITC or ACTC. The IRS expects most EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards by the first week of March, if they chose direct deposit and there are no other issues with their tax return.

Charitable contributions Taxpayers who don't itemize deductions may qualify to take a deduction of up to \$600 for married taxpayers filing joint returns and up to \$300 for all other filers for cash contributions made in 2021 to qualifying organizations.

Certain Expenses of Elementary and Secondary School Teachers – For 2021, an eligible educator is allowed a deduction of up to \$250 for expenses of books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials used by the eligible educator in the classroom.

Medical Savings Accounts – For 2021, to qualify as a "high deductible health plan" the annual deductible must not be less than \$2,400 (\$4,800 for family coverage) and not more than \$3,600 (\$7,150 family coverage). The limit on annual out-of-pocket expenses (other than for premiums) for covered benefits cannot exceed \$4,800 (\$8,750 for family coverage).

Interest on Education Loans – For 2021, certain taxpayers with qualified education loans are eligible for a \$2,500 maximum deduction for interest paid. This amount is subject to phase-out for taxpayers with modified adjusted gross income in excess of \$70,000 (\$140,000 for joint returns). No deduction is available when modified adjusted gross income is \$85,000 or more (\$170,000 or more for joint returns).

For 2022 The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$20,500, up from \$19,500. The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at \$6,500.

For 2022 The limit on annual contributions to an IRA remains unchanged at \$6,000. The IRA catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

AMERICAN RESCUE PLAN ACT OF 2021 (ARPA) In March 2021, Congress passed another bill that brought about several changes to important tax benefits.

CHILD TAX CREDIT (CTC) Child Tax Credit improvements for 2021 include: The credit is fully refundable for qualifying taxpayers. Qualifying child age is increased to younger than 18. The credit amount increases to \$3,000 (ages 6-17) and \$3,600 (5 and under). Income phaseout ranges are reduced.

CHILD AND DEPENDENT CARE CREDIT For 2021, the top credit percentage of qualifying expenses increased from 35% to 50%. In addition, eligible families can claim qualifying child and dependent care expenses of up to:

- \$8,000 for one qualifying individual, up from \$3,000 in prior years, or
- \$16,000 for two or more qualifying individuals, up from \$6,000 before 2021.

This means that the maximum credit in 2021 of 50% for one dependent's qualifying expenses is \$4,000, or \$8,000 for two or more dependents.

When figuring the credit, employer-provided dependent care benefits, such as those provided through a flexible spending account (FSA), must be subtracted from total eligible expenses.

As before, the more a taxpayer earns, the lower the credit percentage. But under the new law, more people will qualify for the new maximum 50% credit rate. That's because the adjusted gross income (AGI) level at which the credit percentage is reduced is raised substantially from \$15,000 to \$125,000. Above \$125,000, the 50% credit percentage is reduced as income rises, plateauing at a 20% rate for taxpayers with an AGI above \$183,000. The credit percentage level remains at 20% until reaching \$400,000 and is then phased out above that level. It is completely unavailable for any taxpayer with AGI exceeding \$438,000.

In 2021, for the first time, the credit is fully refundable. This means that an eligible family can get it, even if they owe no federal income tax.

EMPLOYER-PROVIDED DEPENDENT CARE ASSISTANCE For 2021, the maximum amount of tax-free employer-provided dependent care benefits increased from \$5,000 to \$10,500. This means that an employee can set aside \$10,500 in a dependent care FSA, if their employer has one, instead of the normal \$5,000.

Workers can only do that if their employer adopts this change. Interested employees should contact their employer for details.

GIFTS The annual exclusion for gifts is \$15,000 for calendar year 2021. This will increase to \$16,000 for calendar year 2022.

Important Information about IP PINs An IP PIN is valid for one calendar year. A new IP PIN is generated each year for your account. Logging back into the Get an IP PIN tool on the IRS Website, will display your current IP PIN. An IP PIN must be used when filing any federal tax returns during the year including prior year returns.

Housekeeping Guidelines

First and foremost, the safety of our clients and our staff is the most important priority during this tax season. We will take all precautions to make our office environment safe.

There are several ways in order to get your tax information to us.

- 1) Drop off. We will process and follow up with a phone call before finalizing.***
- 2) Mail in. We recommend you make copies and keep your originals.***
- 3) Use our Secure Portal accessible through our website. Please call us to set up initial access.***
- 4) Office appointments if necessary.***

We will be uploading organizers to our secure portal for your convenience. You should receive an email indicating it is ready to print. Call the office if you need one mailed to you!

Payment and signature of Form 8879 is required prior to the actual filing of your income tax returns electronically. We regret and apologize for any inconvenience this may cause you.

Stephen Bacon - Suite 201, Please call office at 860-216-2195 or 860-233-1171

David Gendreau - Suite 305, Please call office at 860-216-2195

Susan Glazier - Suite 305, Please call office at 860-216-2195

Andrew Melaragno – Suite 201, Please call office at 860-216-2195

Best Regards,

Steve and David