

HUDSON POPE PLLC

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Year End News

As we wrap up 2022 and look forward into 2023, we would like to take this opportunity to wish all of you and yours a joyous holiday season. It has been our privilege to work with you this year and we thank each of you for your continued support and for allowing us to serve you.

As a reminder to our business clients, we need to furnish W-2's to employees and the Social Security Administration by January 31, 2023. We appreciate you furnishing us with the information as soon as possible.

Please note our office hours will vary around the Holidays.

REMINDERS:

Corporate Estimated Income Tax
payments are due December 15, 2022.

Individual Estimated Income Tax
payments are due January 17, 2023.

You may want to consider paying your North Carolina estimate by December 31, 2022.

Required Minimum Distributions (RMDs)
must be taken by December 31, 2022.

Year-End Payroll Reporting:

As a reminder to our business clients, you are required to furnish W-2's and 1099-NEC by January 31, 2023. E-file requirements also apply to most forms.

What the IRS \$80 billion in funding means for your tax return

Nearly \$46 billion of the IRS's extra funding for the next 10 years is earmarked for enforcement or scrutinizing and auditing returns to collect unpaid tax dollars. The remaining \$34 billion will fund upgrades to the IRS computer systems with the goal of making internal operations more efficient and to make it easier for taxpayers to speak with an IRS employee on the phone.

As a result of the Inflation Reduction Act of 2022 the boost in IRS funding aims to hire approximately 87,000 employees through 2023 to include auditors, technology specialists and customer service representatives. However, that figure does not account for an estimated 52,000 employees who will be eligible to retire or may resign within the next six years.

Additionally, finding the talent needed could also prove to be difficult. Estimates show that the number of employed accountants and auditors fell by 17% between 2019 and 2021. While the number of students graduating with an accounting degree also continues to drop and was down nearly 9% in 2020 compared to its peak in 2012, according to a 2021 study by the American Institute of CPAs.

The agency also is still facing a large backlog of unprocessed paper returns waiting to be reviewed and processed by IRS employees.

In summary the IRS has a lot of work to do and has begun an action plan; but it is still in the early stages, and we will have to wait and see what happens next. In the meantime, contacting the IRS is still a challenge.

More taxpayers will be receiving Form 1099-K

As a result of changes in the American Rescue Plan Act of 2021, Congress lowered the threshold for businesses to send the form 1099-K from \$20,000 to \$600 for the year 2022. This could trigger a wave of information reporting forms going out to taxpayers who have never received a 1099-K from payment services such as Venmo, PayPal and Apple Cash and online merchants like eBay, Etsy, Facebook Marketplace, and Amazon Marketplace.

Taxpayers have always been required to report all income received but will now receive an information reporting form indicating the amount of income received which is also reported to the IRS. Remember, the money received through third-party payment applications from friends and relatives as personal gifts or reimbursements for personal expenses is not taxable. Those who receive a 1099-K reflecting income they did not earn should call the issuer. The IRS cannot correct it.

Gather and organize your Tax Records

As a reminder we are approaching the time of year to receive mail marked "tax documents included". Please be sure to maintain all documents received in one location and provide to us at one time if possible.

Many of our clients receive tax organizers to help in gathering their information to complete their individual tax returns. If you do not receive an organizer and would like to or would prefer to receive your organizer by email, please let Wendy Reid know at wendy.reid@hudsonpope.com

Organized tax records make preparing a complete and accurate tax return easier. Following are the most common forms and information needed. All these forms may not apply to you specifically.

- Forms W-2 from your employer(s)
- 1099-DIV Dividends and Distributions
- 1099-INT Interest Income
- 1099-K Payment Card and Third-Party Transactions
- 1099-MISC Miscellaneous Information
- 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, etc.
- Other income documents and records of virtual currency transactions
- Form 1095-A, Health Insurance Marketplace Statement
- IRS or other agency letters.
- Federal and State estimate amounts and dates paid.

REMEMBER:

Watch for your IRS PIN – If you are a victim of IRS identity theft, you will be mailed a one-time use personal identification number (PIN) as added security. You should receive it via mail in December. Please save and provide to us as we will need this information to file your return.