

Gardner's Tax Service, Inc.
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December 1, 2021

Greetings to All

Here we are again with another tax season upon us. I don't know about the rest of you, but it feels like we just sent last year's newsletter as 2021 was a blur. I know we thought with the new year Covid would be behind us, unfortunately, that did not happen. All of us here are approaching 2022 with a bit more optimism.

We will again begin 2022 with limited staff, so please be patient with us as we try to get everyone taken care of. Because of the limited staff, we will be unable to open every Sunday. We plan to open one Sunday each month during tax season. If this does not work for you, you can drop your tax documents off. We'll complete your return and call or email you when they are ready for pickup. For those that prefer dropping off your papers, you may do so at your convenience. We have a drop box located behind our tax office for off hours. Just be sure to include your phone number or email so we can contact you.

To make your scheduled appointment go smoothly, this year we will be asking you to give your tax documents to the receptionist when you come in. Please just give them your 1099s, W2s, and worksheets you may have already prepared. We will not need your receipts. We appreciate your cooperation.

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EXTENSIONS

As far as we know the filing date will be **April 15th** individual and C-corporation returns.

For S-corporations, partnerships and trusts the due date is **March 15th**. If you can't file by that time then you need to file an extension. If you need an extension, give us a call and we will send you an extension form for you to mail. We suggest sending it certified so you

have proof that it went out on time.

Remember you cannot file an extension after the due date has passed.

Remember that filing an extension is not an extension to pay the taxes you owe, but an extension to file. If you owe anything, the IRS and OTC will charge you a penalty and additional interest if it isn't paid by April 15th.

(On filing his tax return) "This is too difficult for a mathematician. It takes a philosopher. 'Albert Einstein

Tax changes for tax year 2021:

- The standard deductions were increased due to inflation:
Married Individuals Filing Joint Returns and Surviving Spouses: \$25,100.
Heads of Households: \$18,800.
Single and Married Individuals Filing Separate: \$12,550.
- There was a change in the mileage rate for:
Business is 56 cents, that is down from 2020 which was 57.5 cents.
Medical is 16 cents.
Charitable is 14 cents.
- The Required Minimum Distribution (RMD) is resumed for 2021. It was only waived for 2020.
- For 2021, the IRS will continue allowing \$300 deduction for cash charitable contributions and \$600 for married filers, for taxpayers that can't itemize. If you have any cash donations for 2021, let your preparer know.
- Any taxpayers that elected to spread out their Covid-related distributions from their eligible retirement plans will have to include 1/3 of it on their 2021 tax return. If the taxpayer has paid back any of the money withdrawn from their eligible retirement, they can claim a refund of any taxes

Tax changes for tax year 2021:

- If you weren't eligible for or didn't get the third stimulus of \$1,400 you may be eligible when you file the 2021 tax return. Let your preparer know the exact amount that you received if you received only a portion of the 3rd stimulus. Last tax season, many tax returns were delayed due to the incorrect amount entered for first two stimulus payments. To avoid that delay, please make sure you know the exact amount.
- Families with children will see an increase in the child tax credit for 2021. The credit is now \$3,000 for dependent children under the age of 18. The previous years the credit was only for those under 17. Those dependent children under the age of 5 the child tax credit is \$3,600. Several taxpayers have already received monthly payments of the advance child tax credit. That money was an advance credit which must be reported on your 2021 tax return. **We will need to know the exact amount you have received.** If you are receiving the advance child tax credit and are not eligible to claim those dependents on your 2021 tax return, then you will have to pay it back when you file. For those over the age of 17 and are claimed as dependents you still have a \$500 dependent credit.
- Another big change this year is the child and dependent care credit. Tax year 2021 will be the first time we will see it as a refundable credit. The yearly threshold per child has also increased. If you have an eligible child under the age of 13 and pay a daycare provider, we will need the provider's name, federal ID number and amount paid to them. For 2021, the maximum credit received will be increased to \$4,000, (50% of \$8,000 in expenses) for one qualifying child or \$8,000 (50% of the \$16,000 in childcare expenses) for two qualifying children.

DIVORCED PARENTS

If you are a divorced parent with dependent children and alternate the children as dependents, you should know that your divorce decree has no bearing with the IRS. This is a state level court decree only. This is something that gets misunderstood so to ensure you have no issues claiming a dependent on your return, you need to get the custodial parent to sign the form 8332. We can provide the form if you need it. If you are supposed to claim the children every other year, then this form will allow you to get that exemption with no fight with the IRS. Make sure to stay ahead of the letters and the fight. This also applies to past tax debt if you were married. If the divorce decree states one taxpayer is responsible for the debt, the IRS does not recognize this decree since you both signed your name on the tax return, and you are both equally responsible for the debt until it is paid in full.

SMALL BUSINESS OWNERS/SELF-EMPLOYED

We frequently get asked about the requirements to start a business so we thought we might list some of those items. With all businesses, and this includes farms; we must first ask, is it a business or a hobby? For the IRS to decide, the taxpayer needs to be able to answer yes to the following questions:

- Is the activity you are engaged in, one that is motivated by profit seeking?

Are you conducting this activity in a manner that is like those of other comparable activities that were profitable?

This could include advertising, have a business plan, or have a plausible strategy for earning a profit.

This could also be shown if you changed operations or adopted new techniques with the intent to improve profitability.

- Do you devote time to this activity, more than the bare minimum or sporadically?
It stands to reason that the more time the taxpayer spends on the activity, the more likely it is that profit is the motive.
- Does the taxpayer keep separate books, which is a step to show the devotion spent on the activity?
- The activity is not recreational and or personal motives are not involved?

Having income from other sources especially if the losses from the activity produce a tax benefit may indicate it is not a for-profit business but a hobby and especially if there are recreational elements involved.

If you are running a small business, we urge you to maintain accounts and records that are separate from your personal accounts. This is what the IRS and the tax courts typically look at. If you aren't doing so, then we highly recommend you start. Separating the business assets from the taxpayer's personal assets will go a long way toward establishing that the taxpayer is pursuing the activity in a business-like manner.

Another frequently asked question is what qualifies as a business expense?

If you can answer yes easily to the following questions, then that would be the threshold to qualify it as a business expense incurred on a profitable trade or business:

- Was it paid during the taxable year?
- Was the purchased used in your business?
- Was the expense ordinary?
- Was the expense necessary?

This is just a guideline, but we hope it helps.

HOW TO KEEP A MILEAGE LOG

If you deduct mileage for your business, then it is necessary to keep a mileage log. Clients wonder what does the mileage log need to look like and what all does it need to encompass? The log needs to include the mileage for each trip, the date, the place and the purpose for the trip. You must keep your receipts. Receipts are known to fade so you can scan your receipts to avoid any issues with this.

Sample:

9 miles	11/1	Post Office	Mail packages for client
7 miles	11/8	Client's house	Met to discuss new project
4 Miles	11/12	Bank	Deposited business checks
6.1 Miles	11/16	Office Depot	Picked up supplies

ITEMS TO BRING TO YOUR TAX APPOINTMENT

Dependents' Social Security Numbers & Dates of Birth

Wage Statements –Form W-2

Pension or Retirement Income -1099-R

Interest and Dividend Income – Form 1099-INT/Form 1099-DIV

State Income Tax Refund Amount –Form 1099-G

Social Security Income – Form SSA-1099

Unemployment Income – Form 1099-G

Lottery or Gambling Winnings – From W-2G

Sales of Stocks or Bonds – Form 1099-B

Cancellation of Debt –Form 1099-C

Child Care Expenses & Provider Information

Let your preparer know if you have dependent care benefits through your employer

Student Loan Interest –Form 1098-E

Tuition and Education Fees –Form 1098-T

Estimated Taxes Paid (We need the date it was paid)

If you had Health Insurance through the Marketplace we need the 1095-B

Advance child tax credit payments received in 2021

If you purchased merchandise from out of state you are required to pay a

ITEMIZED DEDUCTIONS

Medical:

Doctor/Dental \$ _____

Prescriptions \$ _____

Long Term Care \$ _____

Other Medical \$ _____

Medical Miles _____

Mortgage/Taxes:

Real Estate Taxes \$ _____

Other Taxes \$ _____

Home Mortgage \$ _____

Home Equity \$ _____

Contributions:

Church \$ _____

Non Cash donations \$ _____

Other Charity \$ _____

Charity Mileage _____

TAX DEADLINES

GARDNER'S TAX SERVICE, INC.

5618 SOUTH MINGO ROAD

TULSA, OK 74146

WE ARE HERE TO HELP.

If you are ready to make your appointment you can call us at

918-250-7381

Or email us at

Gardner@gardnertaxservice.com

As of the time of this newsletter the filing dates are:

Individual and C-corporations returns are due **April 15, 2022**

You can file an extension which will you give 6 months to file, remember that an extension is just an extension to file not pay.

S-Corporations/Partnership/Trust returns are **due March 15th, 2022**

Penalty for not filing on time or filing an extension on time is **\$200 a month** per shareholder. So don't miss this date.



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