

# Tax Guide



# Know Your Rights

Before filing this year, be aware of the fundamental rights you have as a taxpayer.

They're enumerated in a list established by Congress as part of the official Internal Revenue Code.

## **RIGHT TO BE INFORMED**

You are entitled to complete and understandable information about what must be done to comply with tax burdens and any applicable laws. These details may be shared in forms, publications, direct instructions, official notices and correspondence.

## **RIGHT TO QUALITY SERVICE**

You are entitled to "prompt, courteous and professional" service from IRS personnel. If answers aren't easily understandable or otherwise inadequate, you have the right to speak to a supervisor.

## **RIGHT TO PAY CORRECT AMOUNT**

You are entitled to a specific tax bill, payable on a specific date, including any interest or penalties. Taxpayers also have a right to have all payments directed properly.

## **RIGHT TO CHALLENGE**

You are entitled to object and provide additional documentation to refute any formal IRS action or proposed



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action. You also have the right to be heard promptly and fairly, and to receive a response from the IRS.

## **RIGHT TO INDEPENDENT APPEAL**

You are entitled to an impartial administrative appeal of most decisions, including many IRS penalties.

Taxpayers also have a right to receive written responses detailing any decision by the

Office of Appeals, and generally to take these cases to court.

## **RIGHT TO FINALITY**

You are entitled to know the maximum amount of time allowed to challenge the IRS, the maximum amount of time the IRS has to audit a tax year, and the maximum amount of time you have to collect a debt. Taxpayers also have the right to know when an IRS

audit has been concluded.

## **RIGHT TO PRIVACY AND CONFIDENTIALITY**

You have a right to expect any IRS inquiry to comply with privacy laws and due process rights. None of this information is to be disclosed unless authorized by the law or the taxpayer.

## **RIGHT TO REPRESENTATION**

You are entitled to autho-

rized representation, including assistance from the Low Income Taxpayer Clinic if needed.

## **RIGHT TO FAIRNESS AND JUSTICE**

You are entitled to consideration of extenuating circumstances that impact liabilities or your ability to pay. You also have a right to assistance from the Taxpayer Advocate Service.





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# The Latest Tax Changes

## Standard deductions and Earned Income Tax Credits have been updated for the coming year.

Changes for the 2023 tax year include an increase in the standard for married couples filing jointly, rising \$1,800 from the prior year to \$27,700.

Single taxpayers and married individuals who file separately will see their standard deduction go up \$900 to \$13,850 for 2023. For heads of households, the standard deduction rises \$1,400 from tax year 2022 to \$20,800.

The IRS has also set marginal tax

rates, depending on pay brackets. It's 12% for individuals with incomes over \$11,000 — or \$22,000 for married couples who file jointly. It's 22% for individuals who make more than \$44,725, and \$89,450 for married couples filing jointly.

It's 24% for incomes over \$95,375, and \$190,750 for married couples filing jointly. It's 32% for those with incomes of more than \$182,100, and \$364,200 for married couples who file jointly. It's 35% for incomes over \$231,250, and \$462,500 for married couples filing jointly.

Single individuals with incomes of \$11,000 or less will pay 10%, as well as married couples filing jointly who make

\$22,000 or less. The top tax rate remains 37% for individual single taxpayers with incomes of more than \$578,125 — and married couples filing jointly who make more than \$693,750.

The tax year 2023's maximum Earned Income Tax Credit amount is \$7,430 for taxpayers with three or more qualifying children — up from \$6,935. The Alternative Minimum Tax exemption amount is \$81,300 and begins to phase out at \$578,150. It's \$126,500 for married couples filing jointly, and their exemption begins to phase out at \$1,156,300.

The limit on employee salary reductions for contributions to health flexible spending arrangements increases to \$3,050. Estates of decedents who died

in 2023 now have a basic exclusion amount of \$12.92 million, up from \$12.06 million in 2022.

Medical Savings Account figures have also been updated for the 2023 tax year. Those with self-only coverage must have an annual deductible that is not less than \$2,650 (up \$200 from 2022), but not more than \$3,950 (up \$250). Maximum out-of-pocket expense is \$5,300, up \$350 from 2022. The annual deductible for family coverage is not less than \$5,300 (up from \$4,950 in 2022), but not more than \$7,900 (up \$500). The limit on out-of-pocket expenses for family coverage is \$9,650 — an increase of \$600 from tax year 2022.

# Most Common Errors

Avoid the hassle of an audit by avoiding the usual pitfalls.

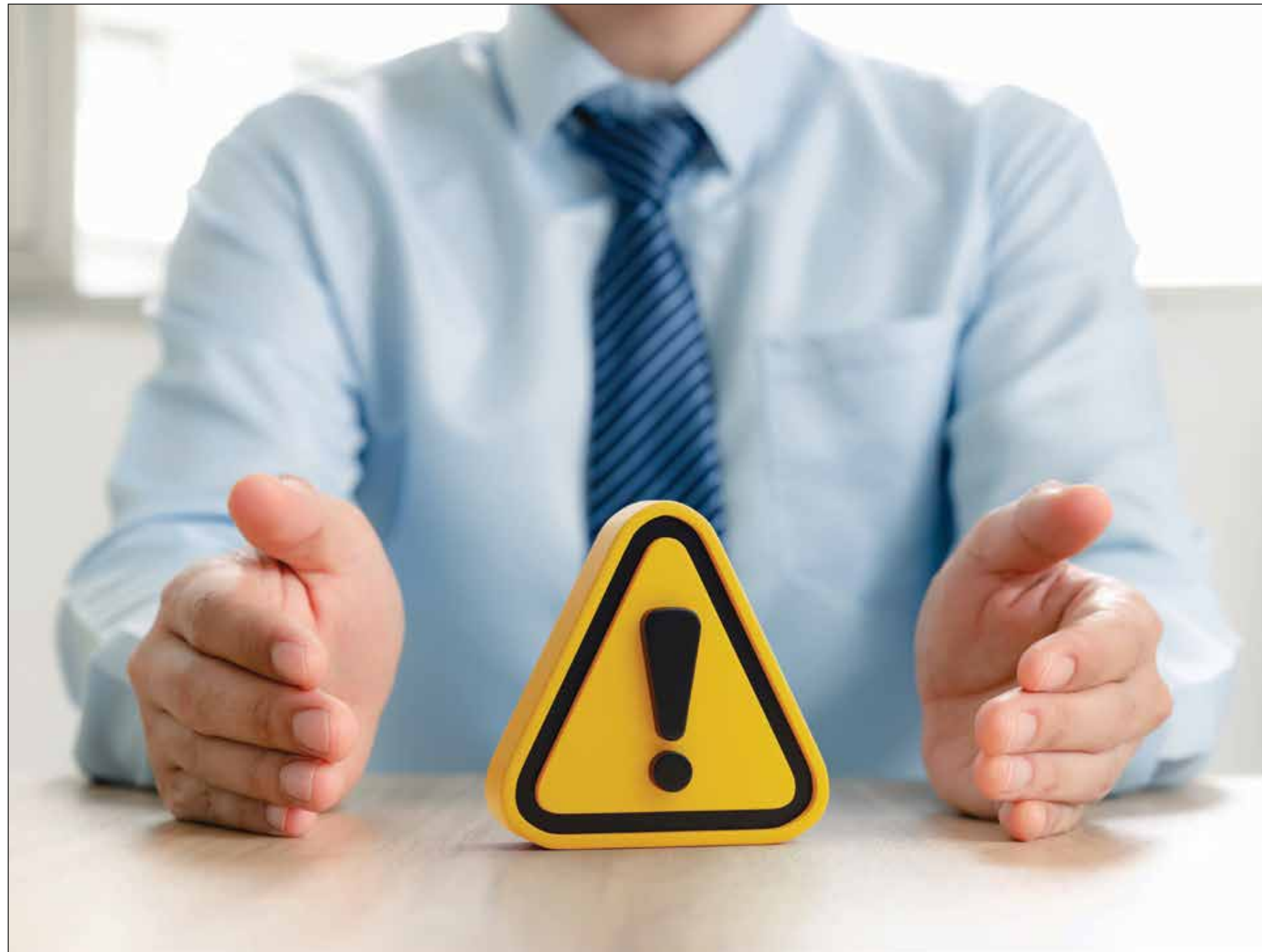
The risk with even simple mistakes is an extended delay in resolving your tax burden while corrections are made. In the worst-case scenario, you may even be subject to an audit. So take the time to look for these common errors, even if you have hired a professional to prepare your taxes.

## THE FINE PRINT

Most of the mistakes in tax forms are actually basic errors. Someone might be a digit off when entering a Social Security number or misspell a name. Be on the lookout for these kinds of typographical errors. A helpful way to make sure they're right is to read the information out loud. Your ear will hear the mistake. Contact the Social Security Administration if a name has changed since the last filing, usually following a marriage or divorce. Submitting the new name may be technically correct, but it won't match the information on file.

## E-FILING

Filing electronically streamlines the process. It's faster than standard mail and professional service providers can transmit your information securely over the internet. Still, the tendency may be to rush through the process since that's how we typically lead our online lives, anyway. Many of



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these programs include accuracy-check features that will alert taxpayers to potential errors. Pay close attention to any warnings and remember to check (and double-check) your information, just as you would with an old-fashioned paper return.

## WHAT TO DO

If you discover an error after

you've filed, don't panic. You can amend your tax return, typically by filing IRS Form 1040X. Note changes in deductions, credit or income on the form and resubmit as soon as possible. It's not necessary to complete an entirely new tax return. The 1040X form only requires updates to the numbers that have changed.

## PAYMENTS

Specific information is required with payment, and confusion follows if any of it is wrong.

Paying electronically when filing ensures that your information matches and that the bill ends up in the correct hands. If you choose to pay by money order or check, howev-

er, remember to make funds payable to the U.S. Treasury, and note the tax form and tax year of payment.

Include your name, address and Social Security number, along with a daytime phone number. If any of these things is missing, or incorrect, your payment may be delayed or lost.



# Hiring a Tax Accountant

Working with a CPA will give you new confidence when filing.

It's easy to become rattled when faced with the Internal Revenue Service's reams of compliance requirements and specifications. Even the most seasoned taxpayer may have a year when income, deductions and credits become too complicated to deal with alone. That's when it's time to call a certified public accountant.

## DEFINING 'CPA'

Finding a trustworthy CPA starts with understanding what they do. Certified public accountants must undergo rigorous multi-course training to ensure they grasp the complexity of our ever-changing tax code and how it all impacts your return. The CPA exam is actually four individual tests over an 18-month timeframe, covering topics like auditing, regulations, business concepts, reporting and more. These accountants typically must then work under the direct supervision of another CPA for roughly one year before being certified. There are also ongoing professional development requirements to make sure they remain up-to-date on the latest IRS updates.

## WHY THEY'RE NEEDED

For some people, an EZ form is all that's needed. In that case, you probably don't need a CPA. But tax preparation can



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be a lot more complex for business owners, freelancers, second homeowners and others. Freelancers may end up with a lengthy client list sending 1099 forms, while business owners try to sort out complex federal requirements. Second homeowners might be subject to taxation in another state. Those are just a few of the complicat-

ed tax situations that are more easily addressed by certified public accountants.

## MAKING A GOOD HIRE

Some accountants only focus on business clients, while others handle individuals or both. Ask about their specialization. You can also verify their Preparer Tax Identification

Number online. Make sure your prospective CPA hire offers e-filing services and consider their fees. Remember that cheaper doesn't always mean better.

Ask friends and family members for personal recommendations among local CPAs, read online reviews and then meet with more than one candidate

to see which best fits your individual needs. Check classified advertising and business publications, since they'll likely have advertisements for local CPAs — especially during the busy tax season. The American Institute of Certified Public Accountants also offers a "Find a CPA" web tool that's both easy to use and comprehensive.



# Filing Back Taxes

Mistakes happen, and when they do you'll have to catch up.

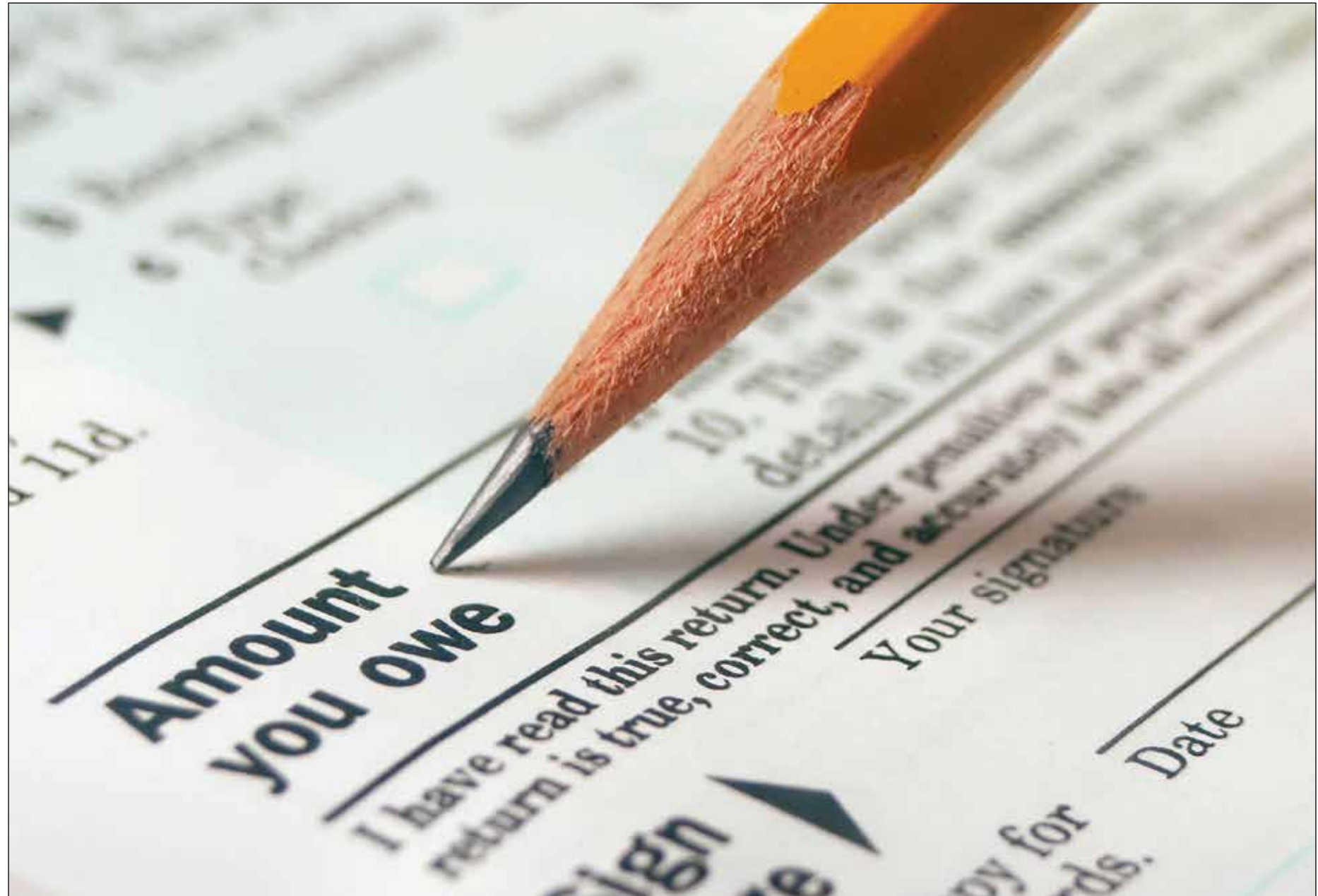
In the end, IRS requirements are quite simple: You must file every year that your income is greater than the standard deduction. Your tax responsibility is then based on how much you made. If we don't pay what's legally owed, even because of simple carelessness, back taxes must be filed.

Most often, this is required because of a simple error. A 1099 form or receipt be late-arriving, forgotten or misplaced. A line was accidentally missed when preparing your form. In any circumstance, you'll have to make things right with Uncle Sam.

## COLLECTING INFORMATION

So, you've realized an error or have been alerted to one by the IRS. The first step is collecting the needed information. Your obligation won't expire, however, and interest and penalties can begin to pile up — so time is of the essence. Missing individual paperwork like last year's W-2 or 1099 is typically easy to recover by contacting your employer.

For those who are further behind, however, the gathering process may become more complex. In the meantime, request a substitute from the IRS by filing Form 4852 and estimate your income. Report any additional sources of



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income and make a payment while you wait on the requested additional income paperwork to arrive. That may halt penalties and compound interest.

## COMPLETING NEW FORMS

You must file using forms for the year (or years) that were missed. As with Form 4852, you can find this downloadable paperwork on the IRS

website, which maintains a backlog of previous forms. You can also request them by standard mail, or through select tax-preparation software websites.

If you have additional deductions, that can serve to reduce your bill. Again, documentation is key if you plan to itemize. Either way, remember to claim the standard deduction, along with any other eligible credits including dependents

during the period for which you did not file.

## THINGS TO REMEMBER

It's important to use the form from the corresponding year because tax laws often change, so this specific paperwork will reflect the applicable rules for that year. Using the wrong form might lead to a situation where you pay too much or too little. File the form and any supporting docu-

mentation just as you normally would, either through the mail or with e-filing software.

Should the preparation process become too complicated, or if you become worried that a new mistake might have been made along the way, consider contacting a qualified tax accountant to double-check your work. The last thing you want is another delay, since accruing interest and penalties might come into play again.

# Avoiding Tax Scams

Be wary of threatening telephone calls: That isn't an IRS agent.

Those menacing phone calls are fake. Those offers of tax relief that sound too good to be true are just that. Beware of unsolicited phone calls from anyone claiming to be from the IRS.

## INSIDE THE NUMBERS

One of the most common scams involves demanding pre-payment of your tax debt through a wire transfer or pre-paid debit card. They may even promise to lower your overall payment. The treasury inspector general for tax administration at the IRS reports nearly 100,000 complaints about this type of scam annually. Millions have been stolen by fraudsters, with thousands of victims. Others are promised a tax refund, but asked to reveal personal information like a banking account number.

## REMAIN ALERT

Scammers often frame their call with a time limit and are often described as pushy and hostile. You may be threatened with arrest, suspension of your license, or deportation if payment isn't made immediately. The IRS will only make initial contact with taxpayers by mail, and payment is never solicited over the phone. You are never asked for a credit or debit card or any banking information during a call. The IRS also doesn't demand immediate pay-



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ment at the risk of any enforcement action.

## TELLTALE SIGNS

These calls can often seem quite official. A key way for fraudsters to trick the unsuspecting is by reciting the last four digits of a Social Security number as confirmation — but those numbers can be stolen.

Scammers may also spoof official IRS caller ID or toll-free numbers, in order to make things look on the up and up. Fake emails may also “confirm” your conversations. Sometimes additional scam calls follow — as others threaten enforcement actions from the department of motor vehicles or the police department.

## WHAT TO DO

Don't answer the phone if you suspect you've receiving a scam call. If you answer and realize what's happening, immediately hang up and contact the authorities. Report scams, bad business practices or fraud at [ReportFraud.ftc.gov](https://www.reportfraud.ftc.gov). If you think someone has stolen your identity, go to

[IdentityTheft.gov](https://www.identitytheft.gov). Unwanted calls should be reported to [DoNotCall.gov](https://www.donotcall.gov). In addition to their main offices in Washington, D.C., the Federal Trade Commission also has eight regional offices located in Atlanta, Chicago, Cleveland, Dallas, Los Angeles, New York, San Francisco and Seattle.



# Stay on Top Next Time

You don't have to wait until the last moment to address taxes.

There's a reason CPAs work such long hours during tax season: Most people don't deal with their taxes until the last possible moment — particularly if they owe money. But there's a powerful argument to be made for dealing with this responsibility more incrementally throughout the year. Aside from lessening your worry and guilt over what's owed, you'll also be able to make smaller, more manageable payments.

## **BUNDLED SERVICES**

Certified public accountants will typically offer bundled services for a fixed monthly fee. This allows the firm to monitor your income and expenses throughout the year. These services also include bookkeeping, payroll and general financial consulting, all of which are especially valuable to business owners. Freelancers and those who work from home also take advantage of these services since their taxes aren't automatically deducted from a regular paycheck by their employer. But it's a useful service for anyone who wants to stay on top of their tax responsibility, rather than having to deal with it all at once every spring.

## **MANAGING EXPENSES**

Addressing your tax responsibility on a monthly or quarterly basis can be much easier on the pocketbook. Depending



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on how much they needed, bundled services may also end up saving money, since monthly arrangements eliminate the hourly bills for these same services. You pay a CPA for their knowledge and expertise, but also their time — and those invoices can stack up. Working on a monthly basis also allows

CPAs to adjust to changing laws and business practices in real-time. Trends will become clearer sooner as they monitor things like payroll, financial reporting and bookkeeping throughout the year.

## **REQUIRED ESTIMATES**

Those who are self-employed

and certain other wage earners may be required to pay estimated taxes each quarter through IRS Form 1040-ES. Estimated taxes are owed on income that's not subject to withholding, including interest, stock dividends or sales gains, business earnings and taxable alimony. Those who do not pay

taxes through quarterly estimated payments — or traditional withholding — are subject to penalty for underpayment. The exceptions are for those who will owe less than \$1,000, and for those whose withholding amounts to at least 90 percent of their total tax, among others.