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New for 2023! We are excited to announce that we've opened a second office in Garrison, ND! McKenzie, Dwight, and Gavin will all be meeting with clients at that location this tax season. If you are in the area, we look forward to seeing you. Along with another location we are welcoming three new employees to our team for 2023. Katelyn Petersen and Robin Lorentzen are joining us in Washburn, and Kimberly Nerem will be working from our Garrison location. Lastly, we are proud to announce that both McKenzie and Katelyn passed the CPA exam in 2022!

We require all clients complete the tax disclosures worksheet included with this letter. We've been using this worksheet for several years, and we feel it is necessary for us to accurately prepare your tax return. Secondly, this form has helped us save our clients thousands of tax dollars by simply reminding them of items that may be deductible or for which there is a tax credit. Please help us by having this worksheet filled-out, signed, and included in your 2022 tax paperwork.

One form you may see this year is the form 1099-K. This form is used for reporting credit card payment transactions. However, it is possible that you could receive one if you've sold on Ebay, or Facebook Marketplace, or even if you've simply received money through Zelle or Venmo. If you receive a form 1099-K, you must provide us with the form and an explanation of why the funds were received.

Energy efficient home improvements/property: You may recall, there have been tax credits for installing energy efficient windows and doors in your home in the past. These credits have been reinstated and increased starting in 2022. Examples of what may qualify include: windows, doors, roof, solar, geothermal, and furnaces. Lastly, the tax credit for electric cars now includes used vehicles.

IRS scrutiny of foreign accounts means you need to be absolutely clear about any non-US accounts or income so we report it correctly. You have a reporting requirement if you have as little as \$10,000 in a foreign country.

If you or your employer funds a Health Savings Account (HSA) and money from that account was used for medical expenses in 2022, you will receive a Form 1099-SA. This form is required to file your tax return.

We will not email tax returns, W-2's, or other documents with personal identifying information on them. However, we will utilize our secure portal where you are able to retrieve your documents in a much safer manner than email. We will not provide any information to a third (3rd) party without your signature on our form.

If you purchased your health insurance through the marketplace (healthcare.gov), you will receive Form 1095-A. We must receive a copy of this form to prepare your return, even if you didn't receive a premium tax credit in advance.

Cryptocurrency activities continue to cause major tax problems for people that believe it is not reportable. Bluntly, cryptocurrency is taxable, is reportable, and carries incredible penalties for not reporting, so make sure to discuss it with us if you dipped your toes in that water. All tax returns have a question about digital assets that must be answered.

Deductions and Tax Rates

- Tax tables, mileage rates, the standard deduction, estate planning limits, and retirement contribution limits are available on our resources page at www.hetcpa.com/resources. Note: The mileage rate for 2022 has two separate rates. You'll need to determine your mileage from Jan – Jun and Jul – Dec.
- In order to take a charitable contribution deduction, you must have the contribution receipt or letter from the church or organization that was dated before we prepare your return.

Tips

- We recommend you check your social security earnings annually. www.ssa.gov
- Confirm that your SSN is correct on all tax documents received, and follow up if you find an error.
- A recent audit required the following to prove income, credits and deductions for dependents: copies of medical documents, daycare receipts, birth certificates, and social security cards to prove the dependent is the taxpayer's child(ren). IRS did not accept only copies of the W-2's as proof of income, they also required pay stubs. In light of this, we want to remind all of our clients that it is important to save the previously mentioned information.
- Always wait to file a dependent's tax return until after yours is completed. Along the same lines, please provide us with all dependent's income information (W-2s, 1099s, etc) even if you are not requesting our assistance in the preparation of their tax returns. You may have options to maximize a credit on your tax return by including certain income on your dependent's return.
- Making estimated tax payments? Visit our website: www.hetcpa.com/estimated-tax-payments. Both the IRS and the ND state tax department have options for making your payments online.

All Businesses

- We must have copies of all invoices for equipment purchases, especially if an asset was traded.
- Mileage logs are required. We also recommend an oil change that notes your odometer reading around the first of the year for substantiation.
- Business, farm, and rental schedules have two questions that must be answered: Is there a 1099 filing requirement? If yes, was it filed? Be sure that you have filed any necessary 1099's for rent, interest, veterinary services or labor.
- Several court cases have disallowed deductions and determined the operation was not engaged in for profit because it was not operated in a business-like manner. They had no business plan, insufficient records and did not seek professional advice. This is just a reminder to all businesses that documenting processes and keeping appropriate records is required in order to justify deductions.

Farmers

- Farmers are not required to file their returns until April 15th if they make one estimated tax payment by January 15th. There are several reasons we feel this is a good strategy for 2022.
- Farmers can make contributions to charities with commodities. This results in the most tax savings; however, there are specific requirements for this to be done correctly. Contact us for more information.

Employers

- If you hire an independent contractor, you will need to prove the individual is an independent contractor and not an employee. A 1099 must be issued to any independent contractor paid more than \$600.
- If you'd like us to prepare any 1099's and/or W-2's, we must have the necessary information by January 15th. We always recommend you get a W-9 from the individual or business before you pay them.

We are encouraging our clients to use our web portal for your copy of the tax return. We will put prior year returns on the portal upon request. The returns are a printable electronic copy (pdf) and would not require you to contact us for an additional copy.

Every year we are reminded how much we value your business, and we want to say thank you! Please contact us if you have any questions.