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FILING YOUR TAXES – MADE EASY

The 2022 tax filing season is in full swing and as of today February 27, 2023, individuals have approximately seven weeks to file their taxes. According to the IRS, the deadline for filing taxes this year is April 18, 2023. In case you are wondering, the typical deadline is April 15, however, given April 15, 2023 will be on a Saturday and Monday April 17, 2023 is recognized as Emancipation Day in Washington DC, the deadline has been extended to April 18, 2023 as indicated above. Due to the storms or other natural disasters, the deadline for residents in Georgia, California and Alabama has been extended to October 16, 2023.

Whether you prepare your taxes, use one of the popular tax software or whether you a professional such as an EA or a CPA, it's important to ensure you have all required documents prior to filing in order to ensure there are no delays or issues when the IRS process your tax return. Below is a summary of the typical forms most individuals will need in order to file their taxes by the deadline:

- Form W-2 – all employers are required to provide a W-2 form to their employees. This form summarizes and includes all your earned income, taxes withheld and social security and medical taxes withheld.
- Form 1099 – there are many types of 1099, however, for purposes of simplicity as well as thinking of which 1099 forms most taxpayers generally receive, the following are discussed.
 - 1099-MISC - according to the IRS, this form is used to report “rent, royalties, prizes and awards and other fixed determinable income.” An example of income used on this form includes prize or “gambling” income.
 - 1099-INT - this form is used by banks to report interest income on your savings account of \$10 or more.
 - 1099-DIV - taxpayers who have brokerage accounts and who invest in stocks, mutual funds and bonds may receive dividends on their investments. These dividends are income and are reported on this form.
 - 1099-B - similar to form 1099-DIV above, taxpayers with brokerage accounts who buy and sell stocks and have incurred gains or losses receive form 1099-B. All gains will have to be reported and are taxable and losses in excess of \$3,000 are carried forward to offset or reduce future gains.
 - 1099-G - IRS indicates that this form is used when the taxpayer receives “unemployment compensation, state or local income taxes refund, credits or offsets, taxable grants or agricultural payments.”

- 1099-R - taxpayers who receive retirement or profit sharing income, or income from an Individual Retirement Account (IRA), annuities, pension, insurance contracts or survivor income benefit plans will receive form 1099-R.

There are additional 1099 forms including 1099-A, 1099-C, 1099-CAP, 1099-H, 1099-OID, 1099-Q, 1099-NEC and 1099-S among others which are not discussed here given that these forms are not received by and will not apply to most taxpayers.

Now that you have documented and better understand your sources of income, it's also important to understand your expenses or deductions in order to legally reduce your tax obligations or tax liability. Taxpayers can elect the standard deduction, which as the name implies is standard for all filers depending on one's filing status, whether they are 65 or older or blind and whether another taxpayer can claim them as a dependent. The standard deduction is a reduction to the taxpayer's adjusted gross income which ultimately lowers one's taxable income and thereby reduces your tax liability. The standard deduction for 2022 is \$12,950 for single filers, \$19,400 for heads of household and \$25,900 for those filing joint returns.

Taxpayers with expenses in excess of the standard deduction may choose to itemize their deductions by filing Schedule A with Form 1040. According to IRS itemized deductions taxpayers may claim include the following:

- State and local income or sales taxes
- Real estate and personal property taxes
- Home mortgage interest
- Mortgage insurance premiums on a home mortgage
- Personal casualty and theft losses from a federally declared disaster
- Gifts to a qualified charity
- Unreimbursed medical and dental expenses that exceed 7.5% of adjusted gross income

This is a brief summary of the income and expense items most taxpayer will need and should have in order to prepare their tax return. Your individual situation may be more complicated and involve substantially more items than what is included here and you are encouraged to consult your Tax Advisor. **PA Financial, CPA** will continue to feature, highlight and explain additional tax information such as Tax Credits and other changes for tax year 2022 in order for us to get through this tax season together. In the interim, if you have any questions, please visit our website: www.pafinancials.com or send email inquiry to: Philip@pafinancials.com.