



HONECK ·  
O'TOOLE

...where people count

renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

1st Quarter 2022

## EXPECT QUESTIONS IF YOU BOUGHT A HOME OR REFINANCED A MORTGAGE

If you bought a home or refinanced an existing loan in 2021, we may be asking you for details on the loan closing to make sure you take full advantage of any potential tax benefits. Be prepared for the following questions:

- How much was the loan?
- How did you use the proceeds if your loan included funds for home repairs or other uses?
- May we have a copy of the closing document?

The reason we're asking is... everyone's situation and loan arrangements are different, and the IRS has some rules we need to help you follow. Below are some frequently asked questions on debt and your home. (NOTE: This discussion relates to personal homes and not rental or business properties. Please feel free to reach out directly for questions about those.)

### Is mortgage debt interest deductible?

If you itemize, YES! The amount you can deduct varies based on the type of loan, the loan amount, and what you did with the money.

- If your loan was taken out after December 15, 2017: Interest is deductible on the loan amount of \$750,000 for married filers. If you refinance this debt, the refinanced amount can't exceed: 1) the amount of the original debt and 2) \$750,000. (It may be more than the original debt if you take out funds to improve your home. So, the original debt plus the new improvement debt must be less than \$750,000.)
- If your loan was taken out after October 13, 1987, and before December 15, 2017, you can only deduct mortgage interest on the debt up to \$1,000,000. If you refinance the debt, the refinanced amount can't exceed: 1) the amount of the original debt and 2) \$1,000,000 (\$500,000 if married filing separate.)
- If your loan was taken out before October 13, 1987, all the interest on this loan is deductible. If you refinance, the interest is fully deductible as long as the old mortgage term hasn't expired. For most people with a 30-year loan, this category is no longer applicable.

continued on page 2

1

## Important Dates for 2021 Tax Season

### Returns for Individuals, Fiduciaries, and Corporations:

- **We need ALL your information by Tuesday, March 1st** so we can file your return by MONDAY, April 18th. (Any final missing items before April 4th.). Income Tax Day 2022 is April 18th. But, Maine and Massachusetts residents have until April 19th due to Patriot's Day. Our goal is still to have everyone filed or extended by April 18th.
- **If you're unable to meet this deadline**, we'll file an extension for you. However, you'll need to send any balances due to the IRS and state(s) **on or before April 18th**. We can help you estimate the amounts.

**Returns for S Corporations and Partnerships:** We need your information as soon as possible so we can help you file your return by the March 15th deadline. Or, we can extend until September 15th, 2022. Sooner is always better!

**Use Our SmartVault Client Portal.** It's the fastest and most secure way to send us your information. Need help accessing your Client Portal? **Contact us at 207-774-0882 or info@honeckotoole.com.**

**E-FILE FORM ALERT!** We're required to file all returns electronically. Beginning this year, nearly all tax returns will be exclusively delivered electronically via SmartVault, and we will also be requesting electronic signatures for E-File Authorization Forms through DocuSign.com. Both spouses must e-sign Form 8879, so be sure we have both e-mail addresses on file! Make sure you've reviewed and e-signed your return no later than **5:00 PM on Wednesday, April 13th, 2022** so we can eFile your return before Monday, April 18th. Every return has its own eFile form(s) every year and can only be signed once returns are complete. Some states (not Maine) even have separate eFile forms that must also be e-signed and returned to us. **Read your cover letter for instructions** and make any necessary payments directly to the taxing agencies. Do not send checks to us! Payment vouchers are included in the electronic copy of your return for you to print and mail.

**I had to pay points to get a lower rate. Is that deductible?**

Points are deductible... but it varies depending on when and how much you paid.

- Points paid when buying your primary home are deductible in the year of original purchase.
- Points paid on a loan secured by a second home are only deductible over the life of the loan.
- When you refinance, points paid on your primary or secondary home are deductible each year over the life of the loan. (You may be able to deduct the remaining points on a refinancing if, and when, you refinance a second time.)
- If you take out more than the original loan and use the funds to improve your primary home, you may be able to deduct additional points this year. Please be sure to let us know if this applies to you.

**Are other mortgage and refinancing costs deductible?**

Beyond mortgage interest and points, a few other closing costs are deductible. If you paid property taxes (directly, not escrow), you can deduct those. In addition, you may be able to deduct mortgage insurance premiums. If you paid this as a lump sum fee, you can deduct it in the year of closing. If you are paying monthly, it's deductible as you go along. There is a catch: the deduction begins to phase out when the borrower's income exceeds \$100,000.

Unfortunately, the remaining costs you may have paid (appraisal fees, inspections fees, title insurance, attorney fees, report fees, and transfer taxes) are not deductible. But it's important to check EVERYTHING, because we may find something. That's why we want to see your closing document.

**Are mortgage debt and home equity debt the same thing?**

No, they're not the same thing, and the interest may be treated differently.

- While home equity debt, like mortgage debt, is debt secured by your primary or second home, it's usually taken out AFTER the initial purchase. In contrast, mortgage debt is typically taken out at the very beginning to acquire, build or improve a residence, and the funds are used only for that purpose.
- With home equity debt (you may have heard home equity loan or HELOC), you do not need to use the funds only for improving your home. You may wish to use them for other purchases or to pay off other debt such as credit cards. However, only the interest on funds used to build or improve your home

are deductible. The interest on funds used to pay other debts or make other purchases is not deductible.

- Also, the funds must have been used on the home that secures the loan. So, if you have a HELOC secured by your primary home but use the proceeds to pay for improvements to your second home, the interest on those funds will not be deductible.
- Most of the time, home equity debt is used for things other than the home, so if you used the funds to improve your home, please be sure to let us know! 🏠

**Questions about your mortgage?**

**Contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com)**

**2 IMPORTANT REMINDERS FOR YOUR 2021 TAX RETURN**

**Protect Your Identity with a 2022 IP PIN!**

Each year, you'll want to sign up for the IRS Identity Protection PIN Opt-In Program. This IP PIN is a 6-digit number assigned to eligible taxpayers to help prevent the misuse of your SSN on fraudulent income tax returns. The IP PIN is valid for one year, so you'll need a new one for filing your 2021 tax return. This website explains everything: [irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin](https://irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin)



**Keep Those Letters for Advance Child Care Credit and Economic Stimulus Payments**

In December 2021, the IRS announced that it began issuing information letters to Advance Child Tax Credit recipients. And, the IRS noted that at the end of January, letters were sent to recipients of the third round of the Economic Impact Payments. The IRS cautioned, "Using this information when preparing a tax return can reduce errors and delays in processing... so hold onto [the letters] to assist in preparing 2021 federal tax returns in 2022." Please include these letters (if relevant) when sending us your 2021 tax-return information. In addition, recent guidance suggests these letters may not be accurate, so please confirm the numbers by reviewing your bank account and IRS portal. If you believe the letters incorrectly state what you received, you may want to check your IRS portal now. 🏠






## GUIDELINES ON DEDUCTING BUSINESS MEALS


**Puzzled about which meals can be deducted as a business expense on your tax return?** We found a helpful resource for you. This visual, inspired by *KeeperTax.com*, gives you a snapshot of which restaurant meals are deductible, and which are off limits.

### YES

- With clients 
- Prospective clients 
- With co-workers 
- business discussion 

### NO

- Snacks while working 
- Groceries 
- Solo-lunch 

Reminder, food and beverages bought from a restaurant are 100% deductible for 2021 and 2022. "Restaurant" means a business that prepares and sells food or beverages for immediate consumption, regardless of where it's consumed (so you can eat-in or take-out.) A restaurant does not include a business that primarily sells prepackaged food or beverages not for immediate consumption, including a grocery store; specialty food store; beer, wine, or liquor store; drug store; convenience store; newsstand; or a vending machine or kiosk. The 50% limitation continues to apply to food and beverages purchased from these non-restaurants. 

## WHAT'S YOUR TAX BRACKET? (NEW FOR 2022)

The standard (ordinary) income tax rates and brackets have been updated for 2022:

	Taxable Income	Pay	% On Excess	Of the Amount Over...
<b>Single</b>	\$0-10,275	\$0	10%	\$0
	\$10,276-41,775	\$1,027.50	12%	\$10,275
	\$41,776-89,075	\$4,807.50	22%	\$41,775
	\$89,076-170,050	\$15,213.50	24%	\$89,075
	\$170,051-215,950	\$34,647.50	32%	\$170,050
	\$215,951-539,900	\$49,335.50	35%	\$219,950
	\$539,901+	\$162,718	37%	\$539,900
<b>Married Filing Jointly</b>	\$0-\$20,550	\$0	10%	\$0
	\$20,551-83,550	\$2,055	12%	\$20,550
	\$83,551-178,150	\$9,615	22%	\$83,550
	\$178,151-340,100	\$30,427	24%	\$178,150
	\$340,101-431,900	\$69,295	32%	\$340,100
	\$431,901-647,850	\$98,671	35%	\$431,900
	\$647,851+	\$174,253.50	37%	\$647,850
<b>Married Filing Separately</b>	\$0-\$10,275	\$0	10%	\$0
	\$10,276-41,775	\$1,027.50	12%	\$10,275
	\$41,776-89,075	\$4,807.50	22%	\$41,775
	\$89,076-170,050	\$15,213.50	24%	\$89,075
	\$170,051-215,950	\$34,647.50	32%	\$170,050
	\$215,951-323,925	\$49,335.50	35%	\$215,950
	\$323,926+	\$87,126.75	37%	\$323,925
<b>Head of Household</b>	\$0-14,650	\$0	10%	\$0
	\$14,650-55,900	\$1,465	12%	\$14,650
	\$55,901-89,050	\$6,415	22%	\$55,900
	\$89,051-170,050	\$13,708	24%	\$89,050
	\$170,051-215,950	\$33,148	32%	\$170,050
	\$215,951-539,900	\$47,836	35%	\$215,950
	\$539,901+	\$161,218.50	37%	\$323,925
<b>Estates and Non-Grantor Trusts</b>	\$0-2,750	\$0	10%	\$0
	\$2,751-9,850	\$275	24%	\$2,750
	\$9,851-13,450	\$1,979	35%	\$9,850
	\$13,451+	\$3,239	37%	\$13,450

**DISCLAIMER:** Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.



## CLIENT PROFILES

### MARY MILLER

#### Branch Manager, Retail Lending at CMG Financial



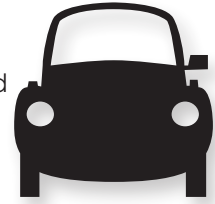
If you're looking for a mortgage lender... you've just found an excellent resource. Mary Miller has been the Branch Manager and Loan Officer at CMG (in Portland) for 2 years, but she started her mortgage industry career in 1982 as a loan processor.

Mary chose this line of work as a result of her first job experience. She said, "I started working at Portland Savings Bank as a teller when I was in high school. I've always enjoyed working with customers. Buying a home or refinancing can be overwhelming, and I enjoy finding the best financing options among many different programs available. My goal is to help each customer navigate the process with minimum stress."

Mary told us that Maine has been a strong purchase and refinance market for the last 2+ years (as you may well know!). "Low interest rates, combined with increasing values, have combined to keep us very busy. I'm hoping this spring we'll see more homes on the market. The low inventory has driven prices higher, making it more important than ever to get preapproved before looking at homes."

Mary grew up in Portland, went to college in Massachusetts, and came back home. In her spare time, she enjoys photography, the outdoors, and her 15-year-old yorkie, Misty. Need assistance with a mortgage? You can reach Mary (and read her 5-star rating testimonials) here: <https://www.cmgi.com/mysite/mary-miller>

### 2022 MILEAGE RATES



The IRS recently issued its 2022 standard mileage rates for cars, vans, pickups and panel trucks. Here's the scoop:

- **Business use:** 58.5 cents per mile driven, up 2.5 cents from the rate for 2021
- **Medical use or moving (qualified active-duty members of the Armed Forces):** 18 cents per mile driven... up 2 cents from the rate for 2021
- **Charitable service-related:** 14 cents per mile driven, which remains unchanged from 2021

Be sure to keep a record of the number of miles driven, the time and place of travel, and the purpose of the travel. Your log is the first thing the IRS asks for when reviewing mileage deductions.

### GOT YOUR 2021 TAX YEAR ORGANIZER?

In mid-January, we mailed our annual Tax Organizer questionnaire to use for gathering the 2021 items we need to prepare your income tax return. If you didn't receive your Organizer, please call or email us right away at **207-774-0882** or [info@honeckotoole.com](mailto:info@honeckotoole.com). If you are mailing your documents to us, **please do not staple, tape, or clip** any forms (W-2s, 1099s, etc.) directly to your Tax Organizer pages. Please do not send us unopened mail with tax information. Just send the necessary pages. **Thank you!**

SEND US YOUR TAX INFORMATION BY MARCH 1ST TO MEET YOUR APRIL 18, 2022 FILING DEADLINE



**Questions?** During tax season, we're incredibly busy, so it may take a little longer for us to get back to you. We appreciate your patience!

Thank you

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