



HONECK ·
O'TOOLE

...where people count



renews

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

4th Quarter 2021

PROTECT YOUR FINANCES WITH CYBER INSURANCE, IRS SECURE ACCESS, AND MORE


With data breaches and Social Security fraud happening quite often these days, it's critical to protect yourself, your business, and your customers. Here, we offer our four favorite ways to keep your accounts protected.

1. Ask your insurance provider about Cyber Insurance.

Yikes: 55% of small businesses have experienced a data breach and 53% have had multiple breaches. We found this statistic in a Nationwide Insurance article about cyber insurance: <https://www.nationwide.com/lc/resources/small-business/articles/what-is-cyber-insurance> — where it explains,

"Cyber insurance generally covers your business' liability for a data breach involving sensitive customer information, such as Social Security numbers, credit card numbers, account numbers, driver's license numbers and health records."

You can protect your business with a Cyber Insurance policy. This chart below, from a recent CPA seminar, shows what it covers (and what it doesn't).

Debrief: Cybersecurity insurance cost coverage 	
<p>Covered</p> <ul style="list-style-type: none"> • Post-breach forensic investigations • Legal advice about whether to notify consumers • Notification costs • Credit-monitoring expenses for victims • Public relations • Business interruption • Bank liability for reissuing cards • Regulatory fines and penalties 	<p>Not covered</p> <ul style="list-style-type: none"> • Reputational harm • Loss of future revenue • Improving internal technology, post-breach • Lost value of intellectual property

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Thank You for Your Business

We're grateful for your business and your kind referrals...and we look forward to serving you in 2022 and beyond. **May you and yours have a joyous Holiday Season and a safe and happy New Year!**
Your Honeck O'Toole Team

CALL NOW FOR A YEAR-END PROJECTION AND LAST-MINUTE ADVICE

This is the best time to consider how 2021 tax changes may affect you, especially if you've experienced business or life changes this year. Contact us as quickly as possible for assistance with your 2021 tax-year picture. We may discover steps to take now for your benefit! **207-774-0882 or info@honeckotoole.com**.

ANNUAL TAX ORGANIZER: COMING SOON!

In early January, expect to receive our annual Tax Organizer. Completing it in full helps us be more efficient in preparing your returns. Please return your completed Tax Organizer with supporting documents as early as you can. If you'd like a copy of your organizer to be sent to you through SmartVault, let us know!

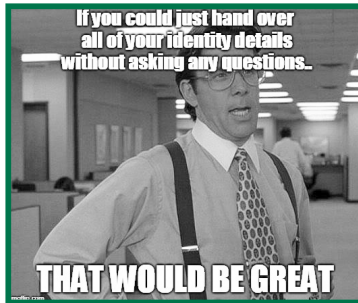
BE A SMARTY! SIGN UP FOR SMARTVAULT SECURE DOC SHARING

To help you upload and download documents safely, securely, and easily with us — you're invited to join SmartVault, our trusted cloud-storage portal. To sign up, contact John Lydon in our office at **207-774-0882 or jlydon@honeckotoole.com**. He'll send you an invitation and link to join our SmartVault "Client Portal," which prompts you to set up private login credentials starting with your email address. You can access your SmartVault Client Portal anytime by visiting our website.

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2. Sign up for secure access to your IRS portal with ID.me.

When our Honeck O'Toole team is preparing your tax return or advising you on your finances, we may need certain documents you can find in your IRS account. For instance, we may request documents relating to the advance child tax credit or stimulus payments.



You can access and download these documents on your personal IRS portal... but only if you set up your secure IRS account access!

PLEASE NOTE:

- If you already set up *ID.me* access, the IRS recently changed the portal. This means everyone (including YOU!) needs to go back and sign up again by summer 2022. You'll find details here: <https://www.irs.gov/newsroom/irs-unveils-new-online-identity-verification-process-for-accessing-self-help-tools>.
- If you've never set up *ID.me*, the updated platform requires an ID and a selfie. This IRS FAQ page provides details on how this works: <https://bit.ly/3CV6g2F>

3. JANUARY: Opt-in or renew your IP PIN for an extra layer of security

Early this year, the IRS expanded its Identity Protection PIN Opt-In Program to all taxpayers who can properly verify their identity — their Social Security Number (SSN) or Individual Tax Identification Number) — on the IRS website. This 6-digit IP PIN helps prevent others from using your SSN on fraudulent income tax returns.



Everything you need to know is on this IRS web page (including a helpful YouTube video): <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>.

Here are the basics:

- The online "Get an IP PIN" tool is the only one that immediately reveals the PIN to the taxpayer
- If you want to voluntarily opt in to the IP PIN program, you don't need to file a Form 14039, Identity Theft Affidavit
- The IP PIN must be properly entered on electronic and paper tax returns to avoid rejections and delays
- Any primary taxpayer (listed first on a return), secondary taxpayer (listed second on a return) or dependent may obtain an IP PIN if they can pass the identify proof requirements
- There is no change in the IP PIN program for confirmed victims of a tax-related identity theft. Those taxpayers should still file a Form 14039 if their e-filed tax return is rejected because of a duplicate SSN filing.

IMPORTANT! Remember to Renew in January 2022

If you already opted in and received an IP PIN this year, please keep in mind that it's only valid for 2021. Each January, you're required to obtain a newly generated IP PIN. Please note that the service is available in January 2022, according to the IRS website.

4. Set up your many passwords in one secure, double-walled portal.

Imagine losing the pieces of paper or online documents you use to track passwords for your many online accounts — or trying to update those passwords every quarter or so to stay secure. What a nightmare! That's why we recommend using a secure online password management service such as LastPass.com, 1Password.com, and others.

Are these systems really secure? They're way more secure than paper or a spreadsheet if you use 2-factor authorization and other strategies on the password manager sites. A single online system can help you create unique passwords at any time... so you never have to memorize them again. Plus, you can designate a trusted family member as an authorized backup to access your accounts on your behalf if needed. (This is especially helpful for estate planning/wills.)

Not sure which system is the best? Visit this recent Wired.com article on the top-rated options: <https://www.wired.com/story/best-password-managers/>.

Questions? Start with the links above or contact us at 207-774-0882 or info@honeckotoole.com. 📞

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.



2022 TAX BRACKETS RELEASED

Each year, the U.S. government adjusts tax brackets for income earned to account for inflation and reduce “bracket creep” (where taxpayers could get pushed into a higher bracket due to inflation only).

PLEASE NOTE: *These are accurate as of this writing... BUT follow news on the “Build Back Better” Act, since its passing may cause significant state and local tax deduction changes. If it does, you may want to revisit your fourth quarter state estimated tax payments. You can always contact us if you have questions.*

Here's how the Federal brackets change for tax year 2022 over 2021:

2022: 37% for incomes over \$539,900 (\$647,850 for married couples filing jointly)

2021: 37% for incomes over \$523,600 (\$628,300 for married couples filing jointly)

2022: 35% for incomes over \$215,950 (\$431,900 for married couples filing jointly)

2021: 35% for incomes over \$209,425 (\$418,850 for married couples filing jointly)

2022: 32% for incomes over \$170,050 (\$340,100 for married couples filing jointly)

2021: 32% for incomes over \$164,925 (\$329,850 for married couples filing jointly)

2022: 24% for incomes over \$89,075 (\$178,150 for married couples filing jointly)

2021: 24% for incomes over \$86,375 (\$172,750 for married couples filing jointly)

2022: 22% for incomes over \$41,775 (\$83,550 for married couples filing jointly)

2021: 22% for incomes over \$40,525 (\$81,050 for married couples filing jointly)

2022: 12% for incomes over \$10,275 (\$20,550 for married couples filing jointly)

2021: 12% for incomes over \$9,950 (\$19,900 for married couples filing jointly)

2022: 10% for incomes up to \$10,275 (\$20,550 for married couples filing jointly)

2021: 10% for incomes up to \$9,950 (\$19,900 for married couples filing jointly)

NEW RULE: HOW 3RD-PARTY PAYMENT APPS REPORT YOUR BUSINESS TRANSACTIONS

Do you use PayPal, Square, Venmo, or other payment apps for your small business transactions? If YES, this important news may affect your income reporting requirements starting in tax year 2022.

What's the scoop? Under a new provision of the 2021 American Rescue Plan (1099-K Threshold Change), the government is requiring third-party apps to follow a new reporting procedure to cut down on unreported income (a big problem with small or micro businesses, according to the IRS). Therefore, effective 2022...

- Payment app providers are required to report any user's business transactions (payments) that, in aggregate, total \$600 or more for the year. (Before this change, third-party app providers only had to send the IRS a Form 1099-K if an account had at least 200 business transactions in a year with a combined gross sales/payment amount of at least \$20,000.)
- This means if you're a seller on Etsy, eBay, or anywhere and you use a third-party payment app... you'll receive a 1099-K in early 2023 if your annual sales are at least \$600. You'll need to report those 1099-K amounts on your annual income tax return.
- You may start hearing from the third-party payment providers you use... asking for your Social Security Number or Tax ID so you can continue using your account to accept sales payments.

For more information, visit this PayPal article with several answers on the requirement: <https://newsroom.paypal-corp.com/2021-11-04-New-US-Tax-Reporting-Requirements-Your-Questions-Answered>. 📄

QUICK TIP: SMALL BUSINESS HEALTH INSURANCE PREMIUM RELIEF

If your Maine-based business is enrolled in a fully-insured, community-rated small group comprehensive health insurance plan (covering 50 or fewer employees) — you may benefit from The Small Business Health Insurance Premium Relief Program.

Here are a few quick notes from the Maine.gov website:

- “The program will run from November 1, 2021, to April 30, 2023, depending on the continued availability of funding.
- All insurance carriers in Maine offering fully insured small group plans in Maine are participating in this program: Aetna, Anthem, CHO (Community Health Options), Harvard Pilgrim, and United Healthcare.
- The initial credit amounts are expected to be \$50 per adult + \$30 for plans that include coverage for a child, based upon different subscriber types.”

For more complete details, visit the State of Maine Insurance Bureau's Information Sheet about the program: <https://bit.ly/311CeOb> 📄

CLIENT PROFILE

MEET OUR NEW TEAM MEMBER, LOUIS MANDEVILLE

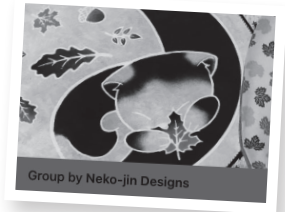
Welcome Louis Mandeville as a Honeck O'Toole staff accountant! Louis has a BA in Economics and master's degree in Taxation. He joins us after working 19 years with Maine Revenue Services as a corporate income tax auditor. Louis is a fourth generation Portlander, and eighth generation Mainer! After many years of playing guitar, he has recently turned his attention to the electric bass. We're delighted to have him on board to help you with your financial needs.



Louis Mandeville

TADAIMA, INC. (NEKO-JIN DESIGNS)

Back in 2008, we profiled an exciting Portland, Maine-based client of ours called Neko-jin Designs. They specialize in handmade home décor and gifts for all seasons... following the concept of Tadaima, Japanese for 'I'm home.' We recently caught up with owners Danelle and Chris to see what's happening there now.



Danelle said, "For over twelve years, we had taken our business on the road, selling our handmade merchandise at conventions, conferences, fairs, and festivals all over the country; often seeing the same folks year after year. Covid was not kind to our line of work, and we saw our entire industry obliterated overnight. But, because of the relationship we had built with our customers and patrons, we've been able to endure and thrive in these precarious times. Recently, we've taken steps to strengthen our online presence, cultivating a wider audience and broadening the selection of what we offer. The road we travel now may be more dubious than it was, but we're excited to see where it leads."

Danelle described their seasonal themes. "In springtime, we celebrate cats with our unique lineup of sleeping felines. In summer, we honor the trials and triumphs of our LGBTQIA+ community with our diverse selection of pride merchandise. As autumn approaches, we delve into the creepy and mysterious with our expansive assortment of cryptid and folklore themed décor. We round out the year with Old World charm, channeling the arts of our European ancestors in a collection of folk inspired winter delights." **Visit NekoJinDesigns.com for details.**

IRS E-FILING SHUT DOWN

Every year, the IRS temporarily shuts down e-filing capabilities as they gear up for the upcoming tax season. The IRS shut down E-Filing capabilities for Individual Tax Returns (Form 1040) on November 20, 2021 (non-1040 E-Filing is scheduled to temporarily shut down on December 26, 2021). Due to the IRS's massive backlog of unprocessed paper-filed returns, we still advise clients to elect to E-File returns even if that means waiting until the E-Filing system re-opens in late January 2022.

WATCH FOR YOUR PURPLE PRE-BILL

Recently, we mailed your 2021 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill"). You can choose to pay part of next spring's tax return preparation fee before 12/31/21 and take the deduction in this tax year (if you qualify). Please note that this payment is always OPTIONAL, not required.



Call for Assistance Anytime! We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.

www.honeckotoole.com

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