



HONECK ·
O'TOOLE

...where people count



renews

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

4th Quarter 2022

Get Ready for the 2022 Tax Season

With the 2021 filing season behind us, we've been gearing up for the fast-approaching 2022 Tax Season. Our team's preparation includes hours of seminars on the latest tax laws as well as mapping out ways to improve the upcoming tax preparation process.

Some of those ways include you! Here are five steps you can take to help us get your return done on time next spring.

1. Plan to Complete Our Annual Tax Organizer – Coming in January

Completing your Tax Organizer in full is crucial because it helps us be substantially more efficient in preparing your returns AND avoiding delays. To help with collecting your 2022 information, we summarized all your 2021 tax data in the Organizer. For 2021 items, simply include the updated 2022 numbers where relevant. If you don't, we may have to set your return aside until we can follow up. If you've had changes during the year (such as having a child, starting a new business, retiring, etc.), let us know.

Please return your completed Tax Organizer with supporting documents, signed engagement letter, and any other items we need to prepare your returns as early as possible (see Important Dates on next page). If you'd like to access a PDF Organizer copy through SmartVault, let us know!



This is a Do Bee. He's a cheerful, smiling fellow because he completed his Tax Organizer and has time for his hobby.



This is frustrated Don't Bee. He's sad for missing the tax deadline because he did not complete his Tax Organizer.

continued on page 2

THANK YOU FOR YOUR BUSINESS

We're grateful for your business and your kind referrals... and we look forward to serving you in 2023 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

If you've had changes in your business or personal life this year or you're not sure about the 2022 tax law changes...contact us ASAP for assistance with your 2022 tax-year picture. We may discover steps to take now for your benefit! **Contact us at 207-774-0882 or info@honeckotoole.com**



USE OUR SMARTVAULT CLIENT PORTAL

It's the fastest and most secure way to send us your tax information and access previous documents. Need help with your Client Portal? **Contact us at 207-774-0882 or info@honeckotoole.com**



ELECTRONICALLY SIGNING & FILING YOUR TAX RETURNS

The IRS accepts electronically signed E-File Authorization Forms (Series 8879 Forms). We have partnered with DocuSign to facilitate your secure electronic signatures, and we are able to offer E-Signature capabilities for nearly all of the returns our office prepares. All that we need are the current Email addresses for anyone signing a tax return. **Be sure to update our office if your contact information changes!**

2. Help Us Meet Important Dates for 2022 Tax Season

Returns for Individuals, Fiduciaries, and Corporations:

We need ALL of your information by Wednesday, March 1st, 2023, so we can file your return by Monday, April 17th. (Any final missing items before April 4th.) In 2023, Income Tax Day is Monday, April 17th since the 15th falls on Saturday. (In Maine, it's April 18th due to Emancipation Day.)

If you can't 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 17th. We can help you estimate the amounts based on your 2021 income... so be sure you sound the alarm to someone in our office directly, before March 1st, if there was significant change in 2022.

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, 2023. Sooner is always better!

3. JANUARY: Opt-in or Renew Your SSN IRS Identity Protection PIN for Extra Security

An Identity Protection PIN (IP PIN) is a six-digit number that prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. The IP PIN, known only to you and the IRS, helps us verify your identity when you file your electronic or paper tax return. (For more information, [please see our 2021 Fourth Quarter Newsletter at *bit.ly/3TPvOqc*](#).)

If you're a confirmed victim of tax-related identity theft, and the IRS has resolved your tax account issues,

you'll receive a CP01A Notice with your new IP PIN each year.

If you don't already have an IP PIN, you may elect to enroll as a proactive step to protect yourself from tax-related identity theft. Apply for your IP PIN at bit.ly/3V6HuWI.

IMPORTANT! The IP PIN renews in January 2023

If you received an IP PIN this year (2022), it's only valid for tax filings submitted before December 31, 2022. Each January, you'll need to get a newly generated IP PIN to file returns during the year. Those who are enrolled in the IP PIN program cannot electronically file their tax returns without including their IRS issued IP PIN. Be sure to write your 2023 IP PIN in the space provided on your Tax Organizer (and provide us with a copy of your IRS Notice CP01A if you have one).

4. Sign Up for Secure Access to Your IRS Portal with ID.me

You can securely access and view your IRS tax information any time through your individual online account. There, you'll find estimated tax payments, IRS correspondence, transcripts, and more. If you haven't set up portal access, you can do so at bit.ly/3Grn1b7.

5. Watch For and Provide Extra Information Related to Tax Law Changes

You may recall that our last newsletter outlined several changing tax provisions. Be sure to carefully update your Tax Organizer accordingly, because we may need more information. For instance, the mileage rate for 2022 was 58.50 cents/mile for the first six months, but then increased to 62.50 cents/mile for the rest of the year. Or your home improvements made in 2022 may qualify for new credits. 🏠

IRS E-Filing Shut Down and Other News

Every year, the IRS temporarily shuts down E-Filing capabilities as they gear up for the upcoming tax season.

E-Filing capabilities for Individual Tax Returns (Form 1040) were shut down on November 26, 2022.

Non-1040 returns will have E-Filing temporarily shut down at a later date. Last year, that period was December 26, 2021, through January 7, 2022, so we expect a similar shut down for this year.

Due to the IRS's backlog of unprocessed paper-filed returns, we still advise you to elect to E-File returns, even if that means waiting until the E-Filing system re-opens in January 2023. As of November 4, 2022, the IRS still had 4.2 million unprocessed individual returns, 1 million unprocessed individual amended returns, 2.7 million unprocessed payroll returns, plus an unspecified number of unprocessed business returns.

With the Inflation Reduction Act, the IRS received increased funding (\$79.6 Billion). This enabled them to add 4,000 new customer service representatives to answer phone calls... and they intend to add 700 Individual Taxpayer Advisory Specialists to provide face-to-face assistance in IRS Tax Assistance Center (TAC) offices, plus Initial Assistance Representatives to greet and determine the needs of taxpayers

visiting TAC offices. We hope they'll soon add more staff to process filed returns as well! 🏠

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.

Maine Educational Opportunity Credit is OUT!

Student Loan Repayment Tax Credit is IN!

As of January 1, 2022, the Maine Educational Opportunity Credit (EOTC) has been replaced by the Student Loan Repayment Tax Credit (SLRTC).

The SLRTC provides an annual refundable tax credit of up to \$2,500 for Maine residents repaying certain student loans incurred for obtaining an Associate's, Bachelor's, or Graduate degree from an accredited community college, college, or university with graduation occurring after 2007, and who have earned income over \$11,934 (minimum wage, \$12.75, multiplied by 936 hours). The program has a lifetime credit cap of \$25,000.

If you're eligible and have not yet done so, The Maine EOTC can still be claimed for tax years beginning on or after January 1, 2008, and not later than December 31, 2021.

The Maine EOTC is a nonrefundable credit (refundable for STEM degrees) of up to \$4,524 depending on your degree and year of graduation. Unlike the SLRTC, there's no lifetime cap on the Maine EOTC program.

If you had a Maine EOTC credit that was carried over to 2022, you may use the amount toward the SLRTC until January 1, 2027. Any EOTC carried over into 2022 will count against the \$25,000 lifetime cap.

One last thing...if you acquired a STEM degree between January 1, 2019, and January 1, 2022, the maximum credit allowed under this section is \$3,500 for either 2022 or 2023 if elected and can only be elected once. This extra \$1,000 does not count towards the \$25,000 lifetime cap. 📄



“Thrive Maine” Supports Small Business COVID Challenges

The Finance Authority of Maine (FAME) launched its first round of “Thrive Maine” funding. This program — for eligible Maine small businesses and nonprofits who experienced losses, increased costs, or market interruptions due to the pandemic — provides a forgivable loan of up to \$2 million if selected.

Awardees that follow program terms may have their loans fully forgiven over a four-year period. The Round One application period was to remain open until December 3rd, or until the funds were exhausted, which occurred on October 19th! Round Two is expected to open in January 2023, so be ready if you think you're eligible.

See if your business may qualify under this FAME eligibility criteria:

- Must be a Maine business or nonprofit with fewer than 500 employees
- Must have significant operations in Maine (a minimum of 50% of employees and contract employees based in Maine)
- Must demonstrate COVID-related negative economic impact in one of the following:
 - Loss of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). You may apply for EBITDA losses of 2020, 2021, or 2020 & 2021 combined.
 - Expenses incurred for the purchase and installation of materials, systems, and/or software to ensure patron and employee safety (e.g., HVAC systems, plastic partitions, and temperature scanners).
 - Increased Capital Project Cost due to the pandemic (e.g., the cost of the project went from “X” to “Y” and caused “Z” amount of increased cost).
- Business must be in good standing with the State of Maine
- Payroll, state, and federal taxes must be current
- Must have a Unique Entity Identifier (UEI)

Losses for which the business previously received federal and/or state pandemic relief, such as Paycheck Protection Program (PPP), Maine Technology Institute PRIME Grant, Maine Small Business Grant funding, and others, cannot be re-submitted (only expenses not covered by prior funding can be submitted).

Loan Terms:

- Total amount of funds to be distributed: a minimum of \$10,000 to a maximum of \$2 million
- Loan forgiven at a rate of 25% of the total distribution per year over a four-year period
- Forgivable loans are considered taxable income at the rate they are forgiven
- Forgivable loans will be administered on a first-come, first-served basis

To learn more or to apply, visit FAME Maine at bit.ly/3V9aeOp 📄

FUN STUFF

MEET OUR NEW TEAM MEMBER, MICHAEL SCHERMULY

We're delighted to introduce you to Michael, who was born in Wichita, Kansas, but has lived in Maine most of his life. Michael achieved his MBA at Northeastern University's D'Amore-McKim School of Business and his undergraduate degree at the University of Southern Maine. He has one and a half years of public accounting experience preparing federal and state returns for businesses and individuals. He has also provided consulting, management, and public relations functions for musical artists, and he worked on a public relations team for well known A-list celebrities (cool, right?). Michael said, "My passion in business is helping small business owners achieve their personal dreams. In my off time, I enjoy hiking, camping, and fishing, and I am a stalwart Kansas City Chiefs football fan." **Welcome, Michael!** 🎉



Mike Schermuly

1. Where do snowmen put their money?
2. What do you call it when a snowman throws a temper tantrum?
3. What is a snowman's favorite snack?
4. Where do snowmen love to dance?
5. What's a snowman's favorite drink?
6. What did Jack Frost say to Frosty the Snowman?
7. What do you get when you cross a snowman with a vampire?



- ANSWERS:**
1. Snowbanks
 2. A meltdown
 3. Ice krispies treats
 4. At a snow ball
 5. Iced tea
 6. "Have an ice day!"
 7. Frostbite



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.

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