



Newsletter

FEBRUARY 2023

Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.

This Month:

Upcoming dates:

February 14

- Valentine's Day

February 20

- Presidents' Day

Reminders

- Organize filing records (1099s, 1098s, W-2s, etc.)
- Schedule tax appointment for drop off or meeting
- Begin tax planning for 2023

Now that tax documents have started arriving in your inbox and mailbox, it's easy to set them off to the side to worry about later. There may be some benefit, however, to filing your tax return as soon as you can. In this month's newsletter, read about several reasons why you should consider filing your return early.

There are also tips to help make sure the preparation of your tax return doesn't get stuck, and read about 3 rules to help jumpstart your savings and the latest on 1099-K reporting.

As always, feel free to reach out with any question or comments.

Why You Should File Your Tax Return Early

Tax filing season officially began on Monday, January 23rd. Not many people file that early, but for some taxpayers it makes sense to do so. Here are common reasons to consider trying to be at the head of the line:

- **You want to avoid identity theft.** One of the more popular scams by identity thieves is to impersonate someone, file a tax return on their behalf and swipe their refund check. But once you've filed your tax return, the window of opportunity for identity thieves closes. If you've had problems

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Why You Should File Your Tax Return Early (Cont'd)

with your identity being stolen in the past, or your information has been compromised, consider filing as early as you can.

- **You want to avoid a dependent dispute.** One of the most common reasons a tax return is rejected by the IRS is when you try to claim a dependent who has already been claimed by someone else. This often occurs when there is shared custody of a child.
- **Someone needs a completed tax return from you.** Completing certain transactions require your most recent tax return as evidence of your income, for example when you buy a house. Consider filing your tax return early so you can provide current tax information. This is especially important if you are self-employed and don't have regular salaried pay stubs to use as proof of income.
- **You need the refund ASAP.** Of course everyone would like their refund as soon as possible. One thing to remember, though, is that while the IRS started accepting returns in January, they won't begin processing them until mid-February. Returns that claim the Earned Income Tax Credit and the Additional Child Tax Credit will see processing of their returns start some time after Feb. 15. But otherwise, the sooner your tax return is in the queue, the sooner you should receive your refund.
- **You just want to get it out of the way.** Nothing reduces the stress of filing your tax return better than just getting it done. Instead of thinking about your return for several months and potentially running into a time crunch as the April filing deadlines gets closer and closer, you may want to just get it over with and file your return as soon as you are able.

Tips to Make Sure Your Tax Return Doesn't Get Stuck!

Here are several ways to make sure that your tax return is prepared and filed as quickly (and as accurately!) as possible.

- **Keep tax documents in one place.** Missing tax documents are one of the biggest reasons that filing a tax return gets delayed! If you receive documents via both physical mail and e-mail, it's even more important that you have one place to store all your documents once you receive them.
- **Organize your tax documents by type.** To help make filing your tax return as easy as possible, sort your tax documents in tax return order. Glance through last year's tax return and create a folder for each section including income, business and rental information, adjustments to income, itemized deductions, tax credit information, and a miscellaneous bucket.

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Tips to Make Sure Your Tax Return Doesn't Get Stuck! (Cont'd)

- **Create list of special events from the previous year.** You receive a Form W-2 from your employer every year. If you're in business, you probably receive a Form 1099 from certain clients each year. But certain tax documents you won't see each year. Selling a home doesn't happen every year for most people. Likewise with getting married (or divorced) or sending a kid to college. So create a list of special events that have happened over the past year, as some of these occasions may affect your taxes.
- **Don't forget your signature!** You (and your spouse, if married) must sign and date your tax return if physically mailing it to the IRS. Forgetting your signature could delay the processing of your return (and potential tax refund!) by up to several months. If e-filing, don't forget to sign Form 8879. This form authorizes the e-filing of your tax return.
- **E-file your return.** The IRS has struggled over the past 3 years to process paper-filed tax returns. In 2021, this backlog reach more than 20 million tax returns. You can avoid getting your physical return potentially misplaced by the IRS by e-filing. Even better, you can typically receive any refunds more quickly when e-filing.

These are some of the more common reasons why the preparation and filing of your tax return may get delayed. Be prepared and file your return this year without a hitch!

1099-K Reporting Change Delayed

Late-breaking IRS change

In a last minute about face, the IRS is rolling back the requirement for third-party payment providers to issue 1099-Ks for anyone receiving payments over \$600 in 2022. They are moving the reporting requirement back to \$20,000 in activity and 200 or more transactions as they transition to the lower threshold in 2023.

Why the change

The bottom line? The IRS is not ready to figure out how to automate the auditing of those under-reporting their income from things like Ebay, Esty and Amazon sales or from sales of tickets and other goods through payment systems like Venmo and Ticketmaster.

What does not change

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1099-K Reporting Change Delayed (Cont'd)

While this last-minute change may keep you from receiving a 1099-K this year, don't count on it. Many providers are already geared up to send them out and will probably do so, since the IRS reprieve in reporting is temporary. So keep your eyes open for these forms throughout February.

While the IRS informational return reporting is temporarily changing, what is not changing is your requirement to report this income. So if you have activities that provide income to you, including your side hustle buying and selling event tickets, that activity is reportable on your tax return.

Stay tuned

In further developments, Congress is up to their old tricks in changing the rules at the end of the year. Preliminary review, of the yet unsigned bill, indicates the major changes will impact 2023 and beyond. So stay tuned, future tax tips will lay out the basic tax law changes and how you can take advantage of them.

Jumpstart Your Savings with These 3 Rules

While U.S. savings habits are improving, nearly 50% of Americans have no more than \$500 in the event of an emergency. If you want to ramp up your savings, every little bit helps. Consider these 3 rules to jumpstart your savings and start building wealth.

1. **Create a budget.** Track your expenses for one month to discover how much you really spend. Be sure to track everything, including food, utilities, household items and debt payments. Take your total expenses and multiply it by 6. This the amount of money to aim for saving in your emergency fund.
2. **Make household debt your enemy.** If you're juggling credit card, vehicle and mortgage payments, your savings accounts may be starved. And without enough cash to cover emergencies, many people resort to credit cards and lines of credit to cover unforeseen expenses. So the debt cycle continues. Since you now have a budget, you can see exactly how much debt you have to pay off.
3. **Review your income.** With your current level of income, calculate how long it will take to pay off all your debt, then build up your 6-month emergency fund. Depending on your financial goals, consider whether it makes sense to start a side gig, or continue upgrading your current skillset, to continue growing your income.

How to Stay on Track

- Treat your savings like a monthly bill. Once you have an emergency fund, treat your savings as your

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Jumpstart Your Savings with These 3 Rules (Cont'd)

most important monthly bill. Write a check to your savings account first, or have money automatically deducted from your checking account or paycheck and transferred to your savings account.

- **Contribute to retirement accounts.** Tax-deferred retirement accounts offer a smart way to save money for retirement. If your employer offers a 401(k) or SIMPLE retirement plan, contribute as much as you can. If your employer doesn't offer a plan, consider opening an individual retirement account (IRA). The money you contribute to a retirement account can reduce your taxable income and grow tax-free until withdrawn.
- **Control your spending.** When it comes to saving, think control. For example, control the use of your credit cards. The amount you pay each month in finance charges could go towards savings instead. Also control the use of your ATM card. Get in the habit of giving yourself a regular cash allowance, and try to live with it.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.