



# Newsletter

JANUARY 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:**

#### **January 16**

- Martin Luther King Jr. Day

#### **January 17**

- 4th quarter installment of 2022 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates (But see **Due Dates Extended...** below)

#### **Begin tax filing for 2022**

- Organize tax documents (W-2s, 1099s, 1098s and other records)
- Schedule tax appointment for document drop off or meeting

#### **Begin tax planning for 2023**

- Create a budget - Adjust your withholdings - Rebalance investment portfolios

## **Due Dates Extended For Some Federal Tax Returns and Payments**

The IRS just announced that it is granting extensions to California storm victims until May 15, 2023, for the following filing and payment deadlines that were normally scheduled for on or after January 8, 2023:

- Individual income tax returns;
- Business return filings normally due between March 15 and April 18, 2023;
- Third and fourth quarter estimated tax payments due on January 17, 2023, and April 18, 2023. Individual taxpayers can skip making the fourth quarter estimated tax payment and instead include it with the 2022 return as long as the return is filed on or before May 15, 2023;

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## Due Dates Extended For Some Federal Tax Returns and Payments (Cont'd)

- IRA and health savings account (HSA) contributions; and
- Quarterly payroll and excise tax returns, normally due on January 31, 2023, and April 30, 2023.

The relief is automatically available to taxpayers who reside or have a business in the following counties:

Colusa	Merced	San Diego	Sonoma
El Dorado	Monterey	San Joaquin	Stanislaus
Glenn	Napa	San Luis Obispo	Sutter
Humboldt	Orange	San Mateo	Tehama
Los Angeles	Placer	Santa Barbara	Ventura
Marin	Riverside	Santa Clara	Yolo
Mariposa	Sacramento	Santa Cruz	Yuba
Mendocino	San Bernardino	Solano	

**Please note that, as of the date of release of this newsletter, automatic relief is only available to residents of the above listed counties and that Franchise Tax Board has not indicated it will conform to the Federal changes.**

It's tax time! In the next couple of weeks you will be inundated with W-2s and various informational tax forms like 1099s. By paying attention to them, ensuring their accuracy, and that you are getting them all, you will be miles ahead in getting your tax return done. Spend a minute reviewing ways to get your tax information organized.

All this plus new inflation adjustments are providing a retirement contribution opportunity for those who plan, plus ideas on resolving common financial surprises that will take the sting out of most of them.

## It's Tax Time! Tips to Get Organized

The beginning of a new year brings the need to recap the previous one for Uncle Sam. Here are some tips and a checklist to help get you organized.

- **Look for your tax forms.** Forms W-2, 1099, and 1098 will start hitting your inbox or mailbox in the

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## It's Tax Time! Tips to Get Organized (Cont'd)

next couple of weeks. If you have not already done so, review last year's records and create a checklist of the forms to make sure you get them all.

- **Collect your tax documents using this checklist.** Using a tax organizer or last year's tax return, sort your tax records to match the items on your tax return. Here is a list of the more common tax records:
  - Informational tax forms (W-2s, 1099s, 1098s, 1095-A) that disclose wages, interest income, dividends and capital gain/loss activity
  - Other forms that disclose possible income (jury duty, unemployment, IRA distributions and similar items)
  - Business K-1 forms
  - Social Security statements
  - Mortgage interest statements
  - Tuition paid statements
  - Property tax statements
  - Mileage log(s) for business, moving, medical and charitable driving
  - Medical, dental and vision expenses
  - Business expenses
  - Records of any asset purchases and sales, including cryptocurrency
  - Health insurance records (including Medicare and Medicaid)
  - Charitable receipts and documentation
  - Bank and investment statements

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## It's Tax Time! Tips to Get Organized! (Cont'd)

- o Credit card statements
- o Records of any out of state purchases that may require use tax
- o Records of any estimated tax payments
- o Home sales (or refinance) records
- o Educational expenses (including student loan interest expense)
- o Casualty and theft loss documentation (federally declared disasters only)
- o Moving expenses (military only)

If you aren't sure whether something is important for tax purposes, retain the documentation. It is better to save unnecessary documentation than to later wish you had the document to support your deduction.

- **Clean up your auto log.** You should have the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
- **Coordinate your deductions.** If you and someone else share a dependent, confirm you are both on the same page as to who will claim the dependent. This is true for single taxpayers, divorced taxpayers, taxpayers with elderly parents/grandparents, and parents with older children.

With proper organization, your tax filing experience can be timely and uneventful.

## Tips to Get Your Finances in Tip-Top Shape

Here are some tips to get your finances in tip-top shape for 2023.

- **Know your net worth.** The first step to improving your finances in 2023 is to create a snapshot of your current financial situation. So note all your assets, then subtract all your liabilities (what you owe others) to calculate your net worth. When done on a regular basis, you will be able to evaluate changes to your financial status and identify steps to reach your financial goals.

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## Tips to Get Your Finances in Tip-Top Shape (Cont'd)

- **Plan for hardships.** If the pandemic has taught us anything, it's to plan for the unexpected. Now is the time to prepare by building an emergency fund that covers six or more months of expenses.
- **Prepare for a lower refund.** The 2021 tax year saw increases to the child tax credit and the dependent care credit, resulting in a big jump in tax refunds for many taxpayers. These changes, however, were not extended to 2022. If you plan to take advantage of either of these two credits on your 2022 tax return, be prepared for a possible decrease in your refund.
- **Create a debt repayment plan.** Design a plan to pay off your existing debts and try to avoid taking on any new debt. Pay special attention to credit card debt, as inflation is vastly increasing the cost of this debt every month! Also consider whether consolidating your debt is a good option for you.
- **Save for retirement.** Plan for your future self by building your retirement fund. In 2023 you can contribute up to \$22,500 in your 401(k), plus another \$7,500 if you're 50 or older. Keep in mind your company may provide matching contributions up to a stated percentage of compensation. And you may be able to supplement this account with contributions to IRAs and/or other qualified plans.
- **Review and re-balance your portfolio.** Review your investments periodically and reallocate funds to reflect your main objectives, risk tolerance, and other personal preferences. This will put you in a better position to handle the ups and downs of the markets.
- **Set a date to review your estate.** Review your estate and legal documents at least once a year, in addition to whenever you experience a significant change in your life. Now is a good time to review your will, trust documents, beneficiary designations, powers of attorney, healthcare directives, and other estate- and legal-related documents.

## Plan Your Retirement Savings Goals for 2023

A big jump in cost-of-living calculations means a big jump in how much you can contribute to retirement accounts in 2023! Now is the time to plan your retirement contributions to take full advantage of this tax benefit. Here are annual contribution limits for several of the more popular retirement plans:

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## Plan Your Retirement Savings Goals for 2023 (Cont'd)

Plan		2023	2022	Change
<b>SIMPLE</b>	<b>Annual Contribution</b>	\$15,500	\$14,000	+ \$1,500
<b>IRA</b>	<i>50 or over catch-up</i>	<i>Add \$3,500</i>	<i>Add \$3,000</i>	+ \$500
<b>401(k), 403(b),</b>	<b>Annual Contribution</b>	\$22,500	\$20,500	+ \$2,000
<b>457 and</b>	<i>50 or over catch-up</i>	<i>Add \$7,500</i>	<i>Add \$6,500</i>	+ \$1,000
<b>SARSEP</b>				
<b>Traditional</b>	<b>Annual Contribution</b>	\$6,500	\$6,000	+ \$500
<b>IRA</b>	<i>50 or over catch-up</i>	<i>Add \$1,000</i>	<i>Add \$1,000</i>	No Change
AGI Deduction	Single; Head of Household	73,000 - 83,000	68,000 - 78,000	+ \$5,000
Phaseouts:	Joint nonparticipating	218,000 - 228,000	204,000 - 214,000	+ \$14,000
	spouse	116,000 - 136,000	109,000 - 129,000	+ \$7,000
	Joint participating spouse	0 - 10,000	0 - 10,000	No Change
	Married Filing Separately (any spouse participating)			
<b>Roth</b>	<b>Annual Contribution</b>	\$6,500	\$6,000	+ \$500
<b>IRA</b>	<i>50 or over catch-up</i>	<i>Add \$1,000</i>	<i>Add \$1,000</i>	No Change
Contribution	Single; Head of Household	138,000 - 153,000	129,000 - 144,000	+ \$9,000
Eligibility	Married Filing Jointly	218,000 - 228,000	204,000 - 206,000	+ \$14,000
	Married Filing Separately	0 - 10,000	0 - 10,000	No Change
Rollover to Roth	Joint, Single, or Head of	No AGI Limit	No AGI Limit	No AGI Limit
Eligibility	Household	Allowed / No AGI Limit	Allowed / No AGI Limit	Allowed / No AGI Lim-
	Married Filing Separately			it

### What you can do

- Look for your retirement savings plan from the table and note the annual savings limit of the plan. If you are 50 years or older, add the catch-up amount to your potential savings total.
- Then make adjustments to your employer-provided retirement savings plan as soon as possible in 2023 to adjust your contribution amount.
- Double check to ensure you are taking full advantage of any employee matching contributions into your account.

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## **Plan Your Retirement Savings Goals for 2023 (Cont'd)**

- Use this time to review and re-balance your investment choices as appropriate for your situation.
- Set up new accounts for a spouse and/or dependents. Enable them to take advantage of the higher limits, too.
- Consider IRAs. Many employees maintain employer-provided plans without realizing they could also establish a traditional or Roth IRA. Use this time to review your situation and see if these additional accounts might benefit you or someone else in your family.
- Review contributions to other tax-advantaged plans, including flexible spending accounts (FSAs) and health savings accounts (HSAs).

The best way to take advantage of increases in annual contribution limits is to start early in the year. The sooner, the better.

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.*