



3092 Brickhouse Ct • Virginia Beach, VA 23452 • Office: (757) 200-1040 • Fax: (757) 216-3887

2023 PERSONAL TAX RETURNS

Thank you to all our clients for choosing Commonwealth Tax to prepare your 2023 income tax returns. We appreciate the confidence you place in us.

Our tax preparers prefer to meet with you in person to receive and discuss your tax documents. If you cannot meet, please send your documents to us via our secure document portal, US Mail, or by drop off at our office. *It is important your name, current mailing address, email address and telephone numbers be clearly stated in writing with your documents and that you include a completed tax organizer.*

The best way to avoid omission of important information is to carefully complete your tax organizer. Tax organizers will be available by mid-January and will be uploaded to your secure document portal. If you have not used the portal before, please give us a call to verify your e-mail address and we will create a portal for you. Tax organizers can be filled in on your computer and returned to us via the portal, so you do not need a computer printer.

We must have a clear copy of your current driver's licenses to complete your return. Information from your current licenses is required to be entered on your return before we can print it. Overlooking this will delay completion of your return.

CHANGES FOR 2023:

Non-Cash Charitable Contributions: a recent Tax Court case that all separate contributions of similar non-cash property donated to charities be aggregated for the purposes of determining if a value appraisal is

required. If the aggregate value of items donated exceeds \$5,000, a qualified appraisal of the fair market value of the items must be attached to your tax return.

Form 1099-K: You may receive a new tax form – Form 1099-K – if you sold items on eBay, Facebook Marketplace, or other online services or if you made online cash transfers using an app such as Zelle, VENMO or CashApp. If you receive a 1099-K, please make sure to provide it to us and be prepared to tell us what transactions you made to cause the form to be issued so we may report it properly and minimize your income tax or determine that tax does not apply.

REMINDERS:

YOU MAY BE REQUIRED TO ISSUE FORMS 1099-NEC OR 1099-MISC BY JANUARY 31:

If you are self-employed or operate a Partnership, LLC, or Corporation and make payments in the course of your business which total \$600 or more during the year to an individual or to a business that is not a corporation, you are required to issue a Form 1099-NEC or 1099-MISC to those payees no later than January 31. Failure to do so will result in IRS penalties which are substantial. We can prepare the required Forms 1099-NEC and 1099-MISC for you.

For your forms to be timely filed, you must contact our office no later than January 19 with the name, address, tax identification number, and dollar amount paid to each payee. If your information is received after this date, the forms may not be ready before the deadline.

We suggest you make a practice of requiring these payees to give you a completed and signed IRS Form W-9 *before* you pay them. The W-9 form gives you the information you

need from the payee to issue the Form 1099. You may download a copy of IRS Form W-9 from the IRS website www.irs.gov, or from our website, www.ctaxva.com.

CITY BUSINESS LICENSE TAX RETURNS:

We are happy to complete your city business license tax return for an additional fee. Please be sure you specifically call our attention to the city business license tax return paperwork when you bring us your tax documents because earlier filing deadlines apply to these returns. Do not combine these with your other tax papers for they may be overlooked and your business license return not completed on time.

KEY DEADLINE DATES IN 2023:

- January 31 -- provide W-2 forms to household and business employees and 1099-MISC and 1099-NEC forms to business non-employee contractors and others.
- January 31 -- deadline to e-file 1099-NEC forms.
- January 31 -- Large employers who provided health insurance to employees must file and deliver IRS Form 1095C to each employee.
- February 28, 2023 -- deadline for paper-filing 1099-MISC Forms.
- March 15 -- S-Corporation (Form 1120S), and Partnership (Form 1065) income tax returns are due.
- March 31 -- deadline for e-filing 1099-MISC Forms.
- April 15 -- C-Corporation (Form 1120), Individual (Form 1040), and trust and estate (Form 1041) federal income tax returns are due.
- May 15 -- Deadline for non-profit organizations to file Form 990 annual information returns.

IDENTITY PROTECTION (IP) PINs: If your identity has previously been stolen and used on a tax return, the IRS or state Department of Taxation will issue you an IP PIN each year by a letter mailed to your address shown on your prior year's tax return. You must provide

this letter to us to be able to e-file your tax return.

IF YOU BUY OR SELL A HOME OR RE-FINANCE A MORTGAGE: We must have a copy of the Closing Disclosure, HUD1, or ALTA statement you received when your new loan was closed as well as all Forms 1098 Mortgage Interest Statements for each of your mortgage loans.

CRYPTOCURRENCY: Cryptocurrency, also known as virtual currency, continues to cause major tax problems for people who believe it is not reportable. Cryptocurrency is taxable, is reportable, and results in incredible penalties for not reporting. Be sure to discuss this with us if you had a cryptocurrency account regardless of whether you made cryptocurrency transactions in 2023. Cryptocurrency includes BitCoin, Ethereum, Dogecoin and many others.

VIRGINIA SECTION 529 EDUCATION SAVINGS PLANS: If you made contributions to a Virginia Section 529 Education Savings plan, you may be eligible to claim a deduction on your Virginia income tax return. Please provide us a copy of the year-end account statement for each plan to which you made a contribution for us to determine the amount of the possible deduction.

USE OUR SECURE DOCUMENT TRANSFER PORTAL: To increase the security of your sensitive tax documents and fight computer viruses and cybercrime, please take advantage of our secure document portal. **We will not accept documents attached to email; they will be discarded without being opened.**

To access our document portal, please visit our website www.ctaxva.com and click on "DOCUMENT PORTAL" on the menu bar.

FIGHT IDENTITY THEFT -- FILE EARLY: The earlier you file, the less the likelihood a criminal who has stolen your identity will file before you do. If your identity has been

stolen, your e-filed return will be rejected and you will be required to file a paper copy of your return by US Mail. IRS processing of your return will be delayed by many months.

EARLY BIRD: We offer a \$25 "Early Bird" discount on Form 1040 returns to clients who complete their intakes by Saturday, February 17, 2023. Schedule your appointment early and save money!!!

USE THE TAX ORGANIZER: We offer a \$25 discount on Form 1040 tax returns to clients who both receive their tax-organizer by web portal and thoroughly complete it. We will be happy to send you a tax-organizer by US Mail, but we do not offer the discount for organizers we deliver in paper form.

DON'T DELAY: As a result of many tax law changes in the last few years, the complexity and time required to complete each tax return has increased. Our experience is that many taxpayers fail to initially provide us all the newly required information and take more time to gather missing information. As a result, it takes us more time to complete a tax return. **We request everyone have their personal tax return information in to us no later than March 18, 2023.** We will utilize all our resources to provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount.

EXTENSIONS OF TIME TO FILE:

- If you cannot file your tax return by the due date, you should request an extension of time to file. This is ***NOT an extension of the time to pay the tax you owe.*** If you expect to owe additional tax with your return, you must make a payment when you file the extension to avoid a late payment penalty.
- We will not request extensions for prior-year clients who have not contacted us. You must confirm with us that you will engage us to prepare your 2023 tax return and request an extension on your behalf.

- If additional tax is due, it is due as of the original due date of the return, not the extended due date. For Form 1040 returns, tax paid after April 15 is assessed a late-payment penalty.
- It is your responsibility to ensure the full amount of tax due is paid by the filing due date *regardless of whether or not the tax return has been completed and filed.*
- If you plan to have Commonwealth Tax prepare your 2023 income tax return and cannot complete your intake by March 18, please contact us and ask that we request an extension of time to file for you.

LATECOMERS AND EXTENSIONS:

Because it is impossible to determine at the time you bring your tax documents to us when your return can be completed, and to prevent IRS penalties for filing returns late, if your personal tax return intake (this includes meeting with preparer or drop off) occurs on or after March 18, we will automatically add a request for extension of time to file to your return. By doing so, if your return cannot be completed and filed by the April tax filing deadline, it will not be penalized for being late.

WHEN YOUR RETURN IS COMPLETE: You may simply drop by to pick it up. If you have questions or concerns about the results you wish to discuss, it is important you schedule a delivery appointment with your preparer to ensure he or she is available to meet with you either by telephone or in person.

TAX RETURNS FOR CHILDREN &

STUDENTS: We highly recommend that you DO NOT ALLOW your dependent children or college students to file their own tax returns. We should file their returns because the Affordable Care Act and kiddie-tax rules require information on these returns to be coordinated with yours. Allowing a child to file his or her own return -- particularly a student - - can cost you and your child literally thousands of dollars in Health Care penalties

and/or credits. We offer a **\$240 discount** to prepare your dependent children's income tax returns.

HEAD OF HOUSEHOLD FILING STATUS:

Tighter rules now apply to documenting eligibility to claim this filing status. If you claim this filing status, we will need to re-verify certain details of your child's residency and the support you provide with you each year. Please fill-in all blocks on the tax organizer in the dependents section.

AFFORDABLE CARE ACT: If you or anyone listed on your tax return was covered by health insurance obtained from healthcare.gov, we must have a copy of the Form 1095-A issued by healthcare.gov to complete your tax return. Your return cannot be completed without this document.

HEALTH CARE FOR THE SELF-

EMPLOYED: If you are self-employed we must receive a copy of all Forms 1095-B and 1095-C provided to you or your spouse by your employers and must know how much you paid for health insurance premiums for yourself and your family in order to consider a specific, valuable tax deduction for you.

CHARITY: You must keep a record for ALL charitable deductions claimed in any amount. Any individual contribution over \$250 must also have an acknowledgement letter from the charity and the letter must be dated no later than the date you file your return. The letter must show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

STANDARD vs. ITEMIZED DEDUCTIONS:

Because of a mis-match in the amount allowed as a standard deduction on federal and state returns, to get the optimum result on your tax return, we must consider itemized deductions on both your federal and Virginia returns when determining whether or not to itemize. If you do not provide us with your expenses which qualify as itemized deductions, we cannot evaluate this possible tax savings for you.

SOME REFUNDS MAY BE DELAYED: Tax law requires the IRS to hold refunds for all tax returns which claim the Earned Income Tax Credit or Additional Child Tax Credit until at least February 15. The IRS cautions these refunds likely won't be received by taxpayers until the week of March 1 if there are no processing issues with the tax return. Taxpayers who opt to receive their refund via paper check will likely experience much longer delays.

TAX PLANNING: The simplest and most effective tax reduction tool for all Americans of all income levels is full participation in retirement plans. To reduce income tax, make sure you maximize your 401(k) deferral if available, or contribute to tax-deductible IRAs.

Check your employee handbook and see what other fringe benefits are available at work and call us if you aren't sure if they will benefit you. Some of the best fringe benefits provided by employers include cafeteria (or Section 125) plans, as well as child care plans and wellness programs.

VISIT OUR WEBSITE www.ctaxva.com FOR UPDATES TO OUR OFFICE HOURS AND LATE BREAKING NEWS.

There is no substitute for a carefully completed tax organizer, but as a minimum, please complete this checklist and include it with your tax documents:

Name _____

Mailing address _____
(if different from the address label on this newsletter).

Telephone numbers (cell, home, work) _____

E-mail addresses _____

Did you refinance a mortgage or buy or sell a home? (Include a copy of the Closing Disclosure/ALTA Statement/HUD-1 form for each transaction.) _____

Did you have the authority to sign on any bank or financial account which is located in a foreign country? _____

Did you receive, sell, send, exchange or acquire any form of virtual currency (such as BitCoin) in 2023? _____

Have you renewed or changed your driver's license in the last year? ____ If yes, provide a copy.

For active duty military, what was the total amount of housing and subsistence allowances you received in 2023? \$ _____

If you received non-taxable VA disability payments, how much did you receive in 2023? \$ _____

Did you purchase health insurance from **www.healthcare.gov**? _____
(If yes, include a copy of Form 1095-A which lists each person covered by this insurance.)

Did you owe any debt that was cancelled or forgiven? _____ (Include Form 1099-C.)

Did you have a Health Savings Account? _____ Was coverage for the entire family, or only one person? _____ (Include Forms 5498-SA and 1099-SA.)

Items to include:

- All Forms 1095-A, -B, and -C offers of and proofs of health insurance coverage.
- Form 1099-G for state income tax refunds and unemployment compensation.
- Forms 1099-INT for interest earned.
- Forms 1099-DIV for dividends received from Mutual Funds or stocks you own directly.
- Form 1099-B if you sold any mutual funds, stocks, or bonds.
- Forms 1099-R if you received any distributions from an IRA, 401(k), or other retirement plan.
- Forms SSA-1099 from the Social Security Administration.
- Forms W-2.
- Forms 1099-NEC and 1099-MISC.
- Schedules K-1 from Partnerships, S-Corporations, Estates and Trusts.
- A listing of the date and amount of each Federal and/or state estimated income tax payment you made for 2023. taxes

Commonwealth Tax
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TAX YEAR 2023

2023

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Tax

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At Commonwealth Tax we treat visitors like guests in our home rather than clients. We hope to offer you a warm and comfortable experience while minimizing your stress as well as your taxes.

We strive to give you the confidence that you have received a great service -- an experience that will encourage you to stay with us. Our visitors usually become valued lifetime friends - - and refer us to their friends.

We understand that tax season can be a scary time in people's lives usually caused by lack of knowledge and understanding of what to do all year to prepare for tax time. We will teach you to take proactive planning steps all year long so we can help keep you from having to pay an unnecessarily high annual tax bill.