

The Rudolph Report

www.rudolphcpa.com The Winter Meetings 2021

To all our clients:

We hope that you celebrated Thanksgiving without a trip to animal emergency care unless your dog swallowed a drumstick whole and chased it with a quart of gravy. We are thankful for your business, and I'm personally grateful to the GM of the St. Louis Cardinals. After his manager led the team to a seventeen game winning streak into the playoffs, he was rewarded with a pink slip. Discord in St. Louis is harmony in Chicago.

We have eliminated appointments.

We prefer to receive documents electronically. If you can enroll for our portal, please call us for a link. But if the only link in your life involves a golf course or sausage, you can provide us the hard copies by:

1. Mailing your documents.
2. Dropping off documents.
3. Transporting them telepathically.

For those who drop off hard copies, we ask that you schedule a time to later pick up your documents. This helps us to stagger incoming clients in the office for distancing.

Last season Front Desk Karen appreciated how accommodating everyone was. Thank you. She'll get that candy bowl filled with chocolate and Covid shaped Skittles.

In this newsletter, we will look at 2021 tax changes that impact you, 2022 tax legislation, and inherited IRAs. Let's get more smarter.

Happy Festivus

Chris Rudolph CPA

Christmas Cards from the IRS

Many of you will receive two letters from the IRS in January. If you are a parent (neuroticsleepdeprivedpoliceofficerJudgeJuryExecutionerprisonerinyourownhomeCourtappointedpsychologist247bank), then you may have been receiving **advanced child** tax payments from the IRS since July. These are pre-payments of your year-end tax child tax credit. Previously you redeemed them at year end. The IRS is supposed to mail you a letter in January, informing you of the aggregate amount of payments you received in 2021. (No, the IRS does not write a bubble heart above the "i"). We will need the letter in computing the remaining child tax credit on your 1040.

Most of you will also receive a letter from the IRS, indicating the amount you collected for the **third stimulus payment**. We'll need that letter to see if you are due any additional stimulus. If the incorrect amount of stimulus credit is calculated, it can delay your refund up to five months. We suggest you open up an online account with the IRS to allow you to view all of your 2021 credits, payments and recipes for government issued cheese.

Big FSA change in 2021

Companies allows employees to make changes to F.S.A. accounts once a year, often in the winter. These accounts allow you to set aside money pretax for daycare, medical, and large Cubs #1 foam fingers. The day care allowance has doubled to \$10,500 for 2021. Additionally, you may carry unused balances into the next year (this aspect is good for one year only like relief pitchers).

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Gifts

The annual gift exclusion increases to \$16,000 in 2022. Gifts to individuals over that amount must be reported and are subtracted from your lifetime allowance. The federal estate tax exclusion amount is \$12 million for 2022. The estate exclusions remain at \$4 million in Illinois and 452\$C in Saskatchewan.

2022 Pending Tax Changes

Biden's **Build Back Better** boasts bustling benefits of tactfully targeted tax transformations of pickled peppers that Peter Piper picked. The House of Representatives (*historically referred to as "Ye 'ol Rats Nest"*) has passed a version that has similar provisions to a Senate version. Normally, this would be a call for proactive year-end planning. But Congress may not finalize this legislation until after the new year. Unfortunately, any tax planning would pivot on words like would, might, may, could, and that & \$@# Congress.

The most wide reaching potential change impacts Illinois residents. State and local taxes known as **SALT taxes** (NACL) have been capped at \$10,000 since 2018. This means that you can only deduct \$10,000 even if you pay \$11,000 in state income tax and \$49,000,000 in property tax. Proposed changes increase the SALT tax deduction to \$80,000. This would allow many of you to itemize again and deduct charity.

Roth conversions may be on the chopping block. The bill eliminates a Roth conversion for people with either IRA balances of \$10 million or income over \$450,000.

Renewable energy incentives increase the credit for buying an electric vehicle to \$12,500, presuming it is manufactured in the United States. ('merica to y'all). The phase out for the credit begins at an AGI of \$250,000 for single filers and \$500,000 for those married filing jointly.

But who's paying for this?

Cryptocurrency traders. Currently, assets like Bitcoin are not subjected to wash sale rules, and Congress aims to change that which will limit capital losses.

Millionaires and Zillionaires. Mammals with incomes over \$10 million may see a 5% tax surcharge. \$25 million earners can tack on another 3% surcharge (*pause for sympathy*).

Tax evaders. Congress plans to allocate extra money to the IRS to increase the enforcement of tax collections by hiring snarky agents to escort you into panic.

Will these tax increases pay for the tax cuts? Congress and liberal arts majors have one thing in common: aversion to arithmetic.

Inherited IRAs in 1.5 inches

The Secure Act mandated that inherited IRAs need to be liquidated within ten years unless the beneficiary is a spouse or "eligible beneficiary." These eligible folk can extend the withdrawing period over the course of their own lives according to the single life expectancy table. They include minor children, chronically ill & disabled, beneficiaries who are not more than ten years younger than the decedent, and a player to be named later. If you have questions about inheriting an IRA, please give us a shout so we can help.

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