



15655 W. Roosevelt St. Suite 101  
Goodyear, AZ 85338  
623.935.7483

January 8, 2024

Happy New Year!

It's that time of year when we like to send you information regarding the coming tax season. Please review the information contained in this letter as it will be essential to timely and accurately completing your tax return. Please be aware that once again more documentation, forms, and information will be needed to correctly complete your returns.

### **2023 ITEMS TO NOTE (unless Congress changes at the last minute)**

1. **Standard Deduction** for 2023 for married filing joint is \$27,700, head of household is \$20,800 and single is \$13,850. If you have more than these amounts for medical, mortgage interest, property tax, state withholding, car tags and contributions you should consider itemizing to lower your tax liability. This list has some restrictions and is not inclusive.
2. **Required Minimum Distribution (RMD)** The age to start taking the required distribution from your IRA and retirements has been changed to 73 years old. The penalty for not taking the annual RMD has been lowered from 50% of the amount not distributed to 25% of the amount not distributed in the year.
3. **Individual Retirement Account (IRA) Contribution** The Amount of possible contributions for Traditional IRA or Roth IRA have been increased to \$6,000 and \$7,000 if you are over the age of 50. There are rules and limitations to qualify for an IRA depending upon if you or your spouse has a retirement account available to you or if your income exceeds certain thresholds. Before you contribute to an IRA become aware of the requirements. There is a 6% per year penalty for having funds in an IRA if you do not meet the qualifications.
4. **Qualified Charitable Distribution (QCD)** A QCD is a nontaxable distribution made from a retirement account directly to an eligible charitable organization. This contribution can be counted as your RMD for the year. QCD maximum amount is \$100,000 in a year. There are strict rules for QCDs so please seek out guidance prior to doing a QCD.
5. **Health Savings Account (HSA)** If you have an HSA account and did not make the maximum contribution for 2023 then you may want to consider doing so. If you did not deduct enough through your employer, you are allowed to put money into your existing account by April 15, 2024, for the 2023 tax year. The contribution limits for 2023 are Self plan \$3,850/Family plan \$7,750 and for 2024 are Self plan \$4,150/Family plan is \$8,300.
6. **1099K Reporting Changes:** The IRS has made changes to require payment apps such as Zelle, Venmo, PayPal, Cash App, Etc.. to report transactions that meet certain thresholds on form 1099K. The 1099K reporting threshold changes were supposed to go into effect for 2023 but the IRS has pushed these changes out another year to the 2024 tax year. This change was not made until late in the year, therefore, some taxpayers may still receive a 1099-K for 2023. If you do receive a 1099-K, please include it with your tax documents.

7. **Residential Energy Credits Changes** There have been changes to energy credits that may allow additional benefits to some taxpayers. If you are interested in learning more about residential energy credits, please refer to this link for more information and let your tax preparer know about any energy efficient purchase you made or plan on making.  
<https://www.energy.gov/policy/articles/making-our-homes-more-efficient-clean-energy-tax-credits-consumers>

## **Process Changes for 2024**

### **Important**

Returns are prepared on a first come, first served basis. We try to complete all returns by the due date. If we do not have all your information, or we receive your information late in the season we may have to place you on an extension. The extension is an extension of time to file, and any taxes owed would still need to be paid by the due date or incur penalties and interest. Get your information to us as soon as possible to ensure you are in the queue to be completed by the due date. If you typically must wait to receive broker statements, please provide all your other tax information to us so that your return can be quickly completed once you receive your broker statement. For the best chance of having your return completed by the April due date, please plan on providing us with your tax documents no later than March 15<sup>th</sup>. After March 15<sup>th</sup> the likelihood that your return will need to be put on extension can significantly increase depending on how many returns we already have in our queue.

### **Tax Organizer**

Within the next few days, we will be emailing you a tax organizer, engagement letter and questionnaire. We require that the engagement letter and questionnaire be completed before work will begin on your return. Also, we strongly suggest that you complete the tax organizer. The organizer shows the information that we had last year to prepare your tax return and can be essential in helping you determine which tax documents to gather and provide. Not completing the organizer may result in additional time needed to prepare your return which can increase your tax preparation fees and increase the chance that your return will have to be put on extension. Please, ensure that we have all the information that we need to complete your return. **If you did not get an organizer, call the office and we will get it sent to you.**

### **Limited “Sit-Down” Appointments**

For the coming tax season, we will have availability of sit-down tax appointments, but the number is limited. If you require a sit-down appointment, please call the office to check for availability as soon as possible as available slots will quickly be filled.

We have many convenient ways to exchange information and communicate with you about your tax year. You can drop off your documents at our office, scan and upload them to our portal, or fax/mail your documents to us. *Please do not email your tax documents to us as email is not generally considered a secure communication method.* Due to cybersecurity concerns, we will not open email attachments. If you decide to mail your documents to us, we recommend sending copies and not original documents to avoid potentially losing your original documents if there are issues with the mail service.

Once we have received your information, we will contact you by phone or email to discuss your return or request additional information. Your return will be prepared and reviewed for accuracy, and you will be notified once your return is complete and ready for signing. At this point you can stop by the office to pick up and sign your returns or we can upload your returns to our secure portal for you to review and sign. To make the tax preparation process as convenient as possible for our clients, we offer the ability to electronically sign most tax forms.

## **Engagement Letter & Questionnaire**

**All clients are required to sign an engagement letter and complete our questionnaire *before* we will begin preparing a tax return. A signed engagement letter is also required *before* an extension will be filed.** The engagement letter is an important document that communicates the rights and responsibilities and relationship between our firm and you as our client. The engagement letter can be signed when dropping off your tax documents or we can send an engagement letter for electronic signature if you are providing your documents via our portal or fax/mail.

## **Missing Documents**

**All documentation/information needed to prepare your return must be provided before starting the tax preparation process. Please refrain from sending us your documents and information if you know that there is missing information that you still need to gather. Your return will be on hold until you notify us all the information has been received by our office.**

## **Document Drop Off and Virtual/Phone Appointments**

Our office hours for tax season are Monday through Friday 9 a.m. – 5 p.m. for virtual/phone meetings. Saturday and evening virtual/phone meetings and drop offs will be available by request.

Drop offs are welcome any time the office is open. Please ensure that your signed engagement letter, completed questionnaire/organizer, and all documentation needed to prepare your return is included in your drop off packet.

## **Extensions**

If you are unable to file your 2023 individual tax returns by the original due date of April 15, 2024, you should file an extension form to extend your filing due date to October 15, 2024. Please note that filing an extension only extends the time you must file your return; there is no extension to pay, only an extension to file. If you will have a tax liability for the year, you are still required to pay that liability by the original due date of the return. If you need to file an extension, please contact the office and we can file one for you. If you think you may owe but will not be able to file by the original due date, please let us know and we may be able to do an estimate for you and help you make an estimated tax payment with your extension to avoid some late payment penalties and interest.

## **Payments**

All outstanding invoices on your account from prior years must be paid before we will begin work on your current year return. For your convenience, we accept cash, check, e-check, and credit/debit cards. Your current year invoice is required to be paid in full or an approved payment arrangement must be made with our office before your return will be filed. Starting this year debit/credit card payments will be subject to a 3% transaction fee. There will be no fee for payments made by Cash, Check or ACH.

## **Fee**

Our base fee of \$350 will not change for the federal and one state return this year. There will be a minimum fee of \$50 for each state return after the first. Also, certain more complex state returns including California and New York will be billed at a higher rate starting at \$150 per state return.

## **Notice of Required Documentation**

REMINDER: The IRS has high expectations and statutory requirements for tax preparers to collect documentation to support claims that are made by the taxpayer. Paid tax preparers are subject to significant fines if required documentation is not collected from the taxpayer or specific questions are not asked of the taxpayer. This means that depending on your individual tax situation, you as the taxpayer may be required to provide us with additional documentation to prepare your return. When claiming the following credits or filing status your preparer will ask for additional documentation.

### **Qualified Dependent, Child Tax Credit & Earned Income Credit:**

To claim a dependent on a tax return, the taxpayer must provide documentation to prove the dependent's relationship to the taxpayer and prove the dependent lived with the taxpayer. The following documents are some that can be used for this proof.

#### Relationship

- Birth Certificate
- Adoption Papers
- Agency Placement Letters
- Baptismal Certificate

#### Residency (Documents must have dependent's name and taxpayer's address)

- School Records
- Medical Records
- Agency Placement Letters
- Other documents that contain the dependent's name and the taxpayer's address.

### **Head of Household:**

The IRS requires documentation to prove eligibility for the Head of Household filing status. The requirements to file head of household are:

- Be considered unmarried for the tax year.
- Claim a qualifying person as your dependent.
- Provide more than 50% of the financial support for the household.

If you would like to claim the Head of Household status on your tax return, you must provide us with the following documents to prove your eligibility. In addition to the documentation required to prove dependency (listed above), documents from the list below can be used to provide proof that the taxpayer provided more than 50% financial support for the home.

- Rent receipts
- Mortgage interest statements
- Property tax payments
- Utility and other household bills

Please keep in mind that all documents must be in the taxpayer's name. We will not file a tax return claiming the Head of Household filing status until proper documentation has been provided to support eligibility.

### **American Opportunity Tax Credit (AOTC-Education Credit):**

To take this credit, the taxpayer must provide a copy of the 1098-T form and a financial account transcript from the school or college. The IRS requires the taxpayer to maintain receipts for educational materials and supplies that were not purchased from the school or college that are reported on the tax return. In addition, the student must:

- Be pursuing a degree or other recognized education credential
- Be enrolled at least half time for at least one academic period beginning in the tax year
- Not have finished the first four years of higher education at the beginning of the tax year
- Not have claimed the AOTC or the former Hope credit for more than four tax years
- Not have a felony drug conviction at the end of the tax year

## **Service Document Requirements**

In addition to the documentation required to claim certain credits and filing statuses, we require certain documents and our fee to be received before we can finish your return. The following is a list of some of the documents that are/may be required to complete your return:

- **Engagement Letter:** All clients must sign an engagement letter before we will begin tax preparation services or file extensions.
- **Tax Questionnaire:** All clients must provide a completed tax questionnaire before we will begin tax preparation services.
- **Tax Organizers:** While we highly recommend that the organizer be filled out and returned, it will not be mandatory this year. However, please note that your fees may be higher if the organizer is not completed as it can affect the time it takes to prepare your return.
- **E-file signature authorization (Form 8879):** All clients electronically filing their return will be provided Form 8879 (and related State forms) to sign before their return can be electronically filed.
- **Each Dependent Child's Documentation:** Social security card, proof of address (Medical bill, school record, or anything with the child's name and address)
- **Release of Claim to Exemption (Form 8332):** Required for non-custodial parents to claim a child as a dependent.

## **Tax Packet**

Once your return is completed, your tax packet will be uploaded to the portal for you to access. You will be sent an email confirmation when the packet is ready to download. If you have not setup a portal account, you will be getting an email invite to set one up. If you have not provided us with an email address or if you would like the packet to be mailed to you, please call the office. We look forward to hearing from you soon!

Sincerely,

The Desert Edge Tax & Accounting Team