



TAX TIPS

The News Reporter

A guide with useful information from
the Internal Revenue Service

2024

Thursday, January 18, 2024

Checklist of common errors when preparing your tax return

Before filing your return, make sure it's correct and complete. It's important that you review your entire return, even if you have someone else prepare it, because you are responsible for all of the information entered on your return and any errors may delay the processing of your return.

The following checklist may help you avoid common errors:

- Submitting your tax return **electronically** ensures greater accuracy than mailing your return. The e-file system often detects common errors and rejects your tax return, sending it back to you for correction. This could save you delays in processing your tax return. For more information, see e-file options.

- Did you clearly print your

name, taxpayer identification number, and current address, including your ZIP code, directly on your return?

- Did you choose **only one** correct filing status? See What Is My Filing Status?

- Did you enter the correct dependent information? Did you check the box to show that your dependent qualifies for the child tax credit or credit for other dependents?

- Did you enter the names and taxpayer identification numbers for everyone listed on your return? If using social security numbers, enter the names and numbers exactly as they appear on each person's social security card. If there have been any name changes, be sure to contact the Social Security Administration at SSA.gov or call them at 800-772-1213.

- Did you enter your income on the correct lines? Did you attach Schedule 1 (Form 1040), Additional Income and Adjustments to Income, if necessary?

- Did you calculate deductions and credits correctly, put them on the right lines, and attach the necessary forms or schedules?

- Did you put brackets around negative amounts?

- If you're taking the standard deduction and checked any box indicating either you or your spouse are age 65 or older or are blind, did you find the correct standard deduction? See How Much Is My Standard Deduction?

- Did you figure the tax correctly? If you used the tax tables, did you use the correct column for your filing status?

- Did you sign and date the

return? If it's a joint return, did your spouse also sign and date the return?

- If you received an **IP PIN** (Identity Protection PIN) from the IRS, see "identity protection PIN" in the instructions for your form and The Identity Protection PIN (IP PIN) page.

- Do you have a Form W-2 from each of your employers and did you attach Copy B of each Form W-2 to your return? If you have more than one job, combine the wage and withholding amounts from all Forms W-2 you received and report those amounts on one return.

- Did you attach each Form 1099-R that shows federal tax withholding?

- Did you attach all other necessary schedules and forms in the order of the sequence

number shown in the upper right-hand corner?

- Did you use the correct mailing address from your tax form instructions?

- Did you use the correct postage on the envelope?

- If you owe tax, did you enclose a check or money order made payable to "United States Treasury" with your return and include your name, address, taxpayer identification number, daytime telephone number, tax form, and tax year on the payment? For additional information, refer to Topic No. 158.

- If you're due a refund and requested direct deposit, did you double-check your routing and account numbers for your financial institution?

- Did you make a copy of the signed return and all schedules for your own records?

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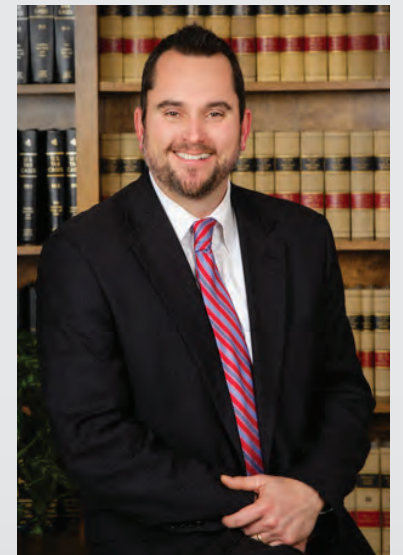
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Get ready to file your taxes

Tax planning is for everyone. Get ready today to file your federal income tax return. Planning ahead can help you file an accurate return and avoid delays that can slow your tax refund.

Steps you can take now to make tax filing easier

Create or access your account information at [IRS.gov/account](https://www.irs.gov/account)

Use online account to securely access the latest information available about your federal tax account and see information from your most recently filed tax return.

You can:

- View your tax owed, payments, and payment plans
- Make payments and apply for payment plans
- Access your tax records
- Sign power of attorney authorizations electronically from your tax professional
- Manage your communication preferences from the IRS

Gather and organize your tax records

Organized tax records make preparing a complete and accurate tax return easier. It helps you avoid errors that lead to delays that slow your refund and may also help you find overlooked deductions or credits.

Wait to file until you have your tax records including:

- Forms W-2 from your employer(s)
- Forms 1099 from banks, issuing agencies and other payers including unemployment compensation, dividends, pension, annuity or retirement plan distributions
- Form 1099-K, 1099-MISC, W-2 or other income statement if you worked in the gig economy
- Form 1099-INT if you were paid interest
- Other income documents and records of digital asset transactions
- Form 1095-A, Health Insurance Marketplace Statement, to reconcile advance payments or claims Premium Tax Credits for 2022 Marketplace coverage
- IRS or other agency letters
- CP01A Notice with your new Identity Protection PIN

Notify the IRS if your address changes, and notify the Social Security Administration of a legal name change.

Remember, most income is taxable.

This includes:

- unemployment income,
- interest received,
- income from the gig economy, and
- digital assets.

Check your Individual Tax Identification Number (ITIN)

An ITIN only needs to be renewed if it has expired and is needed on a U.S. federal tax return. If you do not renew an expiring or expired ITIN, the IRS can still accept your tax return, but it may delay processing it or delay tax credits owed to you, such as the Child Tax Credit and the American Opportunity Tax Credit, which can impact when you get your tax refund.

If your ITIN wasn't included on a U.S. federal tax return at least once for tax years 2020, 2021, and 2022, your ITIN will expire on Dec. 31, 2023.

As a reminder, ITINs with middle digits 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, or 88 have expired. In addition, ITINs with middle digits 90, 91, 92, 94, 95, 96, 97, 98, or 99, IF assigned before 2013, have expired. If you previously submitted a renewal application and it was approved, you do not need to renew again.

The IRS processes requests in the order they were received. Your patience is appreciated. You will be notified once your ITIN is assigned or if additional information is needed.

Make sure you've withheld enough tax

Consider adjusting your withholding if you owed taxes or received a large refund when you filed. Changing your withholding can help you avoid a tax bill or let you keep more money each payday. Credit amounts may change each year, so visit [IRS.gov](https://www.irs.gov) and use the Interactive Tax Assistant to identify whether you qualify for any tax credits that may call for a withholding adjustment. Life changes – getting married or divorced, welcoming a child, or taking on a second job – may also mean changing withholding.

Use the Tax Withholding Estimator to help you determine the right amount of tax to have withheld from your paycheck. This tool on [IRS.gov](https://www.irs.gov) will help determine if you need to adjust your withholding and submit a new Form W-4 to your employer.

Consider estimated tax payments. If you receive a substantial amount of non-wage income like self-employment income, investment income, taxable Social Security benefits and in some instances, pension and annuity income,

you should make quarterly estimated tax payments. For estimated tax purposes, the year is divided into four payment periods, with the last payment due in mid-January.

Log in to your online account to make a payment online or go to [IRS.gov/](https://www.irs.gov/) payments.

Get banked to speed tax refunds with direct deposit

The fastest way for you to get your tax refund is by filing electronically and choosing direct deposit. Direct deposit gives you access to your refund faster than a paper check. Get your routing and account number by signing into your online banking account or contacting your bank.

Don't have a bank account? Learn how to open an account at an FDIC-Insured bank or through the National

for tax year 2023. The threshold for tax year 2023 will continue to be payments over \$20,000 and 200 transactions, although taxpayers could still get forms reporting less than that amount. The IRS is planning a threshold of \$5,000 for tax year 2024. Get details on the IRS Nov. 21, 2023 announcement.

It is important for taxpayers to understand why they received a Form 1099-K, then use the form and their other records to help figure and report their correct income on their tax return. It is also important for taxpayers to know what to do if they received a Form 1099-K and shouldn't have.

What's taxable?

There's no change to the taxability of income. All income, including from part-time work, side jobs or the sale of goods is still taxable. Taxpayers must report all income on their tax return



Credit Union Locator Tool. If you are a Veteran, see the Veterans Benefits Banking Program (VBBP) for access to financial services at participating banks.

Prepaid debit cards or mobile apps may allow direct deposit of tax refunds. They must have routing and account numbers associated with them that can be entered on your tax return. Check with the mobile app provider or financial institution to confirm which numbers to use.

Direct deposit also avoids the possibility that a refund check could be lost or stolen or returned to the IRS as undeliverable.

What's new and what to consider the next time you file

Taxpayers may receive a Form 1099-K

The \$600 threshold for payment apps and online marketplaces to report payments on Form 1099-K is delayed

unless it's excluded by law, whether they receive a Form 1099-K, a Form 1099-NEC, Form 1099-MISC, or any other information return or not.

What's not taxable?

You shouldn't receive a Form 1099-K for personal payments, including money received as a gift and for repayment of shared expenses. That money isn't taxable. To prevent getting an inaccurate Form 1099-K next filing season, note those payments as "personal," if you can.

Good recordkeeping is key

Be sure to keep good records because it helps you when it's time to file your tax return. Don't forget to keep track of expenses, what you've sold and what you've been paid for services throughout the year. And it's a good idea to keep business and personal transactions separate to make it easier to figure out what you may owe.

Changes that may affect your tax refund

Life events, such as purchasing a

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Get ready

Continued from page 3

home, going to college or losing a job, may make you eligible for certain tax benefits. Other circumstances, such as getting married or divorced, welcoming a child or experiencing the death of a spouse or a dependent you claim, could also affect your tax benefit eligibility and filing status. These changes could mean you qualify for tax credits like the Child Tax Credit (CTC), the Earned Income Tax Credit (EITC) and the Child and Dependent Care Credit.

- For 2023, the CTC is worth \$2,000 for each qualifying child. A child must be under age 17 at the end of 2023 to be a qualifying child.

- For the EITC, eligible taxpayers with no qualifying children may get \$600 for the 2023 tax year.

For the Child and Dependent Care Credit, taxpayers may receive up to 35% of their employment expenses. Visit Credits and Deductions for more details.

Energy-related credits and deductions

Clean vehicle tax credit. Review the changes under the Inflation Reduction Act of 2022 to see if you qualify for the new electric vehicles purchased in 2022 or before or the new clean vehicles purchased in 2023 or after credit.

Home energy tax credit. If you make energy improvements to your home, tax credits are available for a portion of qualifying expenses. The credit amounts and types of qualifying expenses were expanded by the Inflation Reduction Act of 2022.

Avoid refund delays and understand refund timing

Many different factors can affect the timing of your refund after we receive your return. Although the IRS issues most refunds in less than 21 days, the IRS cautions taxpayers not to rely on receiving a refund by a certain date, especially when making major purchases or paying bills.

Identity theft and refund fraud. Some returns may require additional review and may take longer. The IRS, along with its partners in the tax industry, continue to strengthen security reviews to help protect against identity theft and refund fraud.

IRS cannot issue EITC and ACTC refunds before mid-February. Refunds for people claiming the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) can't be issued before mid-February. The law requires the IRS to hold the entire refund – even the portion not

associated with EITC or ACTC.

Returns requiring manual review. Some returns, filed electronically or on paper, may need manual review delaying the processing if our systems detect a possible error; the return is missing information, or there is suspected identity theft or fraud. Some of these situations require us to correspond with taxpayers, but some do not. This work does require special handling by an IRS employee so, in these instances, it may take the IRS more than the normal 21 days to issue any related refund. In cases where the IRS is able to correct the return without corresponding, the IRS will send an explanation to the taxpayer.

Bookmark IRS.gov resources and online tools

Make your first stop IRS.gov where you'll find online tools to help you get the information you need. The tools are easy-to-use and available 24 hours a day. Millions of people use them to help file and pay taxes, find information about their accounts, and get answers to tax questions.

File your taxes

Use IRS Free File

Almost everyone can file electronically for free on IRS.gov or with the IRS2Go app. The IRS Free File program, available only through IRS.gov, offers eligible taxpayers brand-name tax preparation software packages to use at no cost. Some of the Free File packages also offer free state tax return preparation. The software does all the work of finding deductions, credits and exemptions for you.

If you're comfortable preparing your own taxes, you can use Free File Fillable Forms, regardless of your income, to file your tax returns either by mail or online.

Use MilTax if you're a service member or qualifying veteran

Members of the armed forces and some veterans may take advantage of MilTax. This free tax resource is available for the military community, offered through the Department of Defense. There are no income limits. MilTax includes tax preparation and electronic filing software, personalized support from tax consultants and current information about filing taxes. It's designed to address the realities of military life – including deployments, combat and training pay, housing and rentals and multi-state filings. Eligible taxpayers can use MilTax to electronically file a federal tax return and up to three state returns for free.

Use the VITA Locator Tool
The IRS's Volunteer Income Tax

Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs offer free basic tax return preparation to qualified individuals. The VITA Locator Tool will help you locate an open VITA site near you.

Find a tax professional

There are various types of tax return preparers, including enrolled agents, certified public accountants, attorneys and some who don't have a professional credential.

Preparers should be skilled in tax preparation and accurately filing income tax returns. You trust them with your most personal information. They know about your marriage, your income, your children and your social security numbers – the details of your financial life.

Most tax return preparers provide outstanding and professional tax service. However, choosing the wrong tax return preparer hurts taxpayers financially every year. Be sure to check our tips for choosing a tax preparer and how to avoid unethical "ghost" return preparers.

The Directory of Federal Tax Return Preparers with Credentials and Select Qualifications can help you find preparers in your area who currently hold professional credentials recognized by the IRS, or who hold an Annual Filing Season Program Record

of Completion.

Use the Interactive Tax Assistant (ITA)

Beginning in January, use the ITA to find out if life event changes make you eligible for credits you didn't qualify for in the past. The ITA is a tool that provides answers to many tax law questions. It can determine if a type of income is taxable, if you're eligible to claim certain credits, or if you can deduct expenses on your tax return. It also provides answers for general questions, such as determining your filing status, if you can claim dependents, or if you have to file a tax return.

Get Your Refund Status

After you file, check the status of your refund by going to IRS.gov and clicking on Where's My Refund? The status of your refund will be available within 24 hours after the IRS accepts your e-filed tax return. The Where's My Refund? tool updates once every 24 hours, usually overnight, so you only need to check once a day.

File electronically and choose Direct Deposit for your tax refund – it's the fastest and safest way to receive your money. Electronically filed tax returns are received within 24 hours, and paper tax returns take weeks. If you file a paper return, you can still choose direct deposit.

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Understanding tax return preparer credentials and qualifications

Any tax professional with an IRS Preparer Tax Identification Number (PTIN) is authorized to prepare federal tax returns. However, tax professionals have differing levels of skills, education and expertise.

An important difference in the types of practitioners is “representation rights.” Here is guidance on each credential and qualification:

Unlimited Representation Rights: Enrolled agents, certified public accountants, and attorneys have unlimited representation rights before the IRS. Tax professionals with these credentials may represent their clients on any matters including audits, payment/collection issues, and appeals.

• **Enrolled Agents** – Licensed by the IRS. Enrolled agents are subject to a suitability check and must pass a three-part Special Enrollment Examination, which is a comprehensive exam that requires them to demonstrate proficiency in federal tax planning, individual and business tax return preparation, and representation. They must complete 72 hours of continuing education every 3 years. Learn more about the Enrolled Agent Program.

• **Certified Public Accountants** – Licensed by state boards of accountancy, the District of Columbia, and U.S. territories. Certified public accountants have passed the Uniform CPA Examination. They have completed a study in accounting at a college or university and also met experience and good character requirements established by their respective boards of accountancy. In addition, CPAs must comply with ethical requirements and complete specified levels of continuing education in order to maintain an active CPA license. CPAs may

offer a range of services; some CPAs specialize in tax preparation and planning.

• **Attorneys** – Licensed by state courts, the District of Columbia or their designees, such as the state bar. Generally, they have earned a degree in law and passed a bar exam. Attorneys generally have on-going continuing education and professional character standards. Attorneys may offer a range of services; some attorneys specialize in tax preparation and planning.

Limited Representation Rights: Some preparers without one of the above credentials have limited practice rights. They may only represent clients whose returns they prepared and signed, but only before revenue agents, customer service representatives, and similar IRS employees, including the Taxpayer Advocate Service. They cannot represent clients whose returns they did not prepare, and they cannot represent clients regarding appeals or collection issues even if they did prepare the return in question. Tax return preparers with limited representation rights include:

• **Annual Filing Season Program Participants** – This voluntary program recognizes the efforts of return preparers who are generally not attorneys, certified public accountants, or enrolled agents. It was designed to encourage education and filing season readiness. The IRS issues an Annual Filing Season Program Record of Completion to return preparers who obtain a certain number of continuing education hours in preparation for a specific tax year.

• Beginning with returns filed after Dec. 31, 2015, only Annual Filing Season Program participants

have limited practice rights. Learn more about this program.

• **PTIN Holders** – Tax return preparers who have an active preparer tax identification number, but no professional credentials and do not participate in the Annual Filing Season Program, are authorized to prepare tax returns. Beginning January 1, 2016, this is the only authority they have. They have no authority to represent clients before the IRS (except regarding returns they prepared and filed Dec. 31, 2015, and prior).

Directory of Federal Tax Return Preparers with Credentials and Select Qualifications: To help taxpayers determine return preparer credentials and qualifications, the IRS has a public directory containing certain tax professionals. The searchable, sortable database includes the name, city, state, and zip code of attorneys, CPAs, enrolled agents, enrolled retirement plan agents, and enrolled actuaries with valid PTINs for 2022, as well as Annual Filing Season Program Record of Completion recipients.

Reminder: Everyone described above must have an IRS issued preparer tax identification number (PTIN) in order to legally prepare your tax return for compensation. Make certain your preparer has one and enters it on your return filed with the IRS. (They are not required to enter it on the copy they provide you.)

Tax return preparers who have PTINs but are not listed in the directory may provide quality return preparation services, but choose any return preparer wisely. Always inquire about their education and training.



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When, how and where to file

When to file

If you're a calendar year filer and your tax year ends on December 31, the due date for filing your federal individual income tax return is generally April 15 of each year. If you use a fiscal year (tax year ending on the last day of any month other than December), your return is due on or before the 15th day of the fourth month after the close of your fiscal year. If your due date falls on a Saturday, Sunday, or legal holiday, the due date is moved to the next business day. For the 2023 tax return, the due date for most filers is April 15, 2024 (April 17, 2024, if you live in Maine or Massachusetts).

Your return is considered filed on time if the envelope is properly addressed, has enough postage, is postmarked, and is deposited in the mail by the due date. If you file electronically, the date and time in your time zone when your return is transmitted controls whether your return is filed timely. You will later receive an electronic acknowledgement that the IRS has accepted your electronically filed return.

If you served or are serving in the Armed Forces in a combat zone or a contingency operation, or become hospitalized as the result of an injury received while serving in such an area or operation, after the end of your tax year but before the normal filing due date of your return, you may have additional time to file and pay taxes. You generally have at least 180 days after you leave the designated combat zone/contingency operation to file and pay taxes. See Publication 3, Armed Forces' Tax Guide. If the Service determines you to be affected by a federally declared disaster, a significant fire or a terroristic or military action, you may have up to one year after the due date of your return to file and pay taxes, depending on the deadline specified by the Service. If you're living and working outside the United States and Puerto Rico or in the military or naval service on duty outside the United States and Puerto Rico, you may qualify for an automatic two-month extension to file and pay the tax without filing Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. You will be charged interest on any amount not paid by the regular due date until the date the tax is paid. Please refer to "What if You Can't File on Time?" in the Instructions for Form 1040 (and Form 1040-SR) and the instructions in Form 4868.

Extensions to file - If you cannot file by the due date of your return, you should request an extension of time to file. To receive an automatic six-month extension of time to file your return, you can file Form 4868. File your extension request by the due date of your return. An extension of time to file is not an extension of time to pay so you'll owe interest if the tax you owe isn't paid by the original due date of your return. You may also be subject to a late-payment penalty on any tax not paid by the original due date of your return. For more information about extensions, see Extension of Time to File, What Is the Due Date of My Federal Tax Return or Am I Eligible to Request an Extension? and Topic No. 304.

How to file

You may want to file your return electronically. You'll usually receive your refund within three weeks

of the date when the IRS receives your return, even faster if you elect to have it directly deposited into your checking or savings account. Most professional tax return preparers offer electronic filing of tax returns with their return preparation services and may charge a fee to file your return electronically. Also, when you prepare your return yourself using tax-preparation software, you may have to pay a fee to file your return electronically. However, you may qualify for free electronic filing through Free File. For more information on electronic filing in general, visit Electronic Filing Options for Individuals.

If you mail a paper Form 1040 or Form 1040-SR, it can take six weeks to process. For delays, check current IRS operations and services. Be sure to attach:

- A copy of all Forms W-2 and any other applicable forms (for example, Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains) to the front of your return.
- Related schedules and forms behind your return in the order of the sequence number located in the upper right-hand corner of the schedule or form.
- Form W-2c (a corrected Form W-2) if received; attach a copy of both your original Forms W-2 and any Forms W-2c.
- Form W-2G and Form 1099-R if there was federal income tax withheld.

Signing the return - For signing an electronic return see Topic No. 255 and How do I sign my tax return when I e-file?

For signing a paper tax return:

- If you file a joint return, both spouses must sign the return. If your spouse cannot sign because of a medical condition and requests that you sign the return, sign your spouse's name in the proper place, followed by the words "By (your name), Spouse." Be sure to also sign in the regular space provided for your signature. Attach a dated statement signed by you that includes the form number of the return you're filing, the tax year, the reason your spouse cannot sign the return, and that your spouse has agreed to your signing for them. If you're the guardian for your spouse who is mentally incompetent, you may sign the return for your spouse as "guardian."
- If your spouse cannot sign the return for any other reason, you may only sign it if you have a valid power of attorney. You should attach the document granting you power of attorney to the return. You may use Form 2848, Power of Attorney and Declaration of Representative for this purpose.
- If you're filing a return for a minor child

who cannot sign the return, sign the child's name followed by the word "by," then your signature, and your relationship, such as "parent" or "guardian for minor child."

For information on filing and signing a return for a decedent, refer to Topic No. 356.

Where to file

When you e-file a return, since it's electronically transmitted, you don't need to worry about sending it to the right area. However, when filing a paper return, send it to the address indicated in the instructions for the form you're filing. See Where to File Paper Tax Returns With or Without a Payment.

When you owe a balance - For electronic payment options, please visit Payments. Alternatively, you may enclose a check or money order with your paper return or with the 2023 Form 1040-V, Payment Voucher, if you filed electronically:

- Make the check or money order payable to "United States Treasury."
- On the front of your payment include your name, address, taxpayer identification number (SSN, ITIN, EIN), daytime phone number, the tax year, and type of form you're filing (for example, 2023 Form 1040).
- Enclose your payment loosely with your return; don't staple or otherwise attach your payment or Form 1040-V to your return.
- **Don't** mail cash with your return.

If you prepare your return using tax-preparation software, consult your software's instructions to determine how to make payment through the software. For detailed information on paying your taxes by credit or debit card, digital wallet, other electronic payment options, or cash, visit our Payments page. For more information on paying your taxes, refer to your form instructions and to Topic No. 158..

If you cannot pay your balance - If you cannot pay all of the tax due on your return, the IRS may be able to assist you with a payment arrangement. For additional information on what to do if you cannot pay your income tax, refer to Topic No. 202.



What to expect for refunds this year

The IRS issues more than nine out of 10 refunds in less than 21 days. However, it's possible your tax return may require additional review and take longer.

If Your Refund Isn't What You Expected

If your refund amount isn't what you expected, it may be due to changes we made to your tax return. These may include:

- Corrections to errors
 - Payments on past-due tax or debts, offset from all or part of the refund
- For more details, see Tax Season Refunds Frequently Asked Questions.

Where's My Refund?

You can find the most up to date information about your refund on Where's My Refund? The tool is updated once day, overnight, so you don't need to check more often.

You can use the tool to check the status of your return:

- 24 hours after e-filing a tax year 2023 return
- Three or four days after e-filing a tax

year 2022 or 2021 return

- Four weeks or more after mailing a return

Where's My Refund? has a tracker that displays progress through three stages: (1) Return Received, (2) Refund Approved and (3) Refund Sent.

You will get personalized refund information based on the processing of your tax return. The tool will provide an actual refund date as soon as the IRS processes your tax return and approves your

refund.

Call us about your refund status only if Where's My Refund? recommends you contact us.

Direct Deposit

Join the taxpayers who get their

refunds faster by using e-file and direct deposit. It's always been the easiest, safest, and fastest way to receive your refund. Just select it as your refund method through your tax software and type in the account number and routing number, or tell your tax preparer you want direct deposit. You can even use direct deposit if you are still filing by paper. Be sure to double check your entry to avoid errors.

Your routing and account numbers can be found on the bottom of your checks, through your online banking application or by contacting your financial institution directly. Do not enter the number on your bank card.

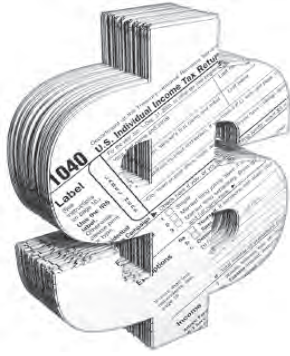
If you have a prepaid debit card, you may be able to have your refund applied to the card. Many reloadable prepaid cards have account and routing numbers that you could provide to the IRS. You would need to check with the financial institution to ensure your card can be used and to obtain the routing number and account number, which may be different from the card number.

Your refund should only be deposited directly into U.S. bank or U.S. bank affiliated accounts that are in your own name; your spouse's name or both if it's a joint account. No more than three electronic refunds can be deposited into a single financial account or pre-paid debit card. Taxpayers who exceed the limit will receive an IRS notice and a paper refund.

Whether you file electronically or on paper, direct deposit gives you access to your refund faster than a paper check. Refunds that are direct deposited are not delayed for disaster and other weather-related events affecting mail delivery.

Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding

If you requested a refund of tax withheld on a Form 1042-S by filing a Form 1040NR, we will need additional time to process the return. Please allow up to six months from the original due date of the 1040NR return or the date you actually filed the 1040NR, whichever is later, to receive any refund due.



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IRS notices and bills, penalties, and interest charges

Generally, April 15 is the deadline for most people to file their individual income tax returns and pay any tax owed. During its processing, the IRS checks your tax return for mathematical accuracy. When processing is complete, if you owe any tax, penalty, or interest, you will receive a bill.

• Generally, **interest** accrues on any unpaid tax from the due date of the return until the date of payment in full. The interest rate is determined quarterly and is the federal short-term rate plus 3%. Interest compounds daily. Visit Newsroom Search for the current quarterly interest rate on underpayments.

• In addition, if you file a return but don't pay all tax owed on time, you'll generally have to pay a late payment penalty. The **failure-to-pay penalty** is one-half of one percent for each month, or part of a month, up to a maximum of 25%, of the amount of tax that remains unpaid from the due date of the return until the tax is paid in full. The one-half of 1% rate increases to one percent if the tax remains unpaid 10 days after the IRS issues a notice of intent to levy property. If you file your return by its due date and request an installment agreement, the one-half of one percent rate decreases to one-quarter of one percent for any month in which an installment agreement is in effect. Be aware that the IRS applies payments to the tax first, then any penalty,

then to interest. Any penalty amount that appears on your bill is generally the total amount of the penalty up to the date of the notice, not the penalty amount charged each month. See Topic No. 202 at irs.gov for information about payment options.

• If you owe tax and don't file on time, there's also a penalty for not filing on time. The **failure-to-file penalty** is usually five percent of the tax owed for each month, or part of a month that your return is late, up to a maximum of 25%. If your return is over 60 days late, there's also a minimum penalty for late filing; it's the lesser of \$450 (for tax returns required to be filed in 2023) or 100 percent of the tax owed. See Topic No. 304 for information about extensions of time to file if you can't file on time.

You must file your return and pay your tax by the due date to avoid interest and penalty charges. Often, you can borrow the funds necessary to pay your tax at a lower effective rate than the combined IRS interest and penalty rate.

Electronic payment options, available on the IRS Payments page, are the most convenient ways for you to pay your federal taxes. However, if you decide to pay by mail, be sure to return the tear-off stub on your bill and use a return envelope, if provided. To make sure your payment credits properly to your account, please:

• Make your check or money order payable to the **United States Treasury**

• Enter the taxpayer identification number (social security number, individual taxpayer identification number, or employer identification number) of the primary taxpayer

• Enter the tax year and form number

• Ensure your name, address, and telephone number are on the payment

• Don't send cash

For more information about ensuring proper credit of payments, see Topic No. 158.

The IRS may abate your penalties for filing and paying late if you can show reasonable cause and that the failure wasn't due to willful neglect. Making a good faith payment as soon as you can, may help to establish that your initial failure to pay timely was due to reasonable cause and not willful neglect. If you're billed for penalty charges and you have reasonable cause for abatement of the penalty, send your explanation along with the bill to your service center, or call us at 800-829-1040 for assistance (see telephone assistance for hours of operation). The IRS doesn't generally abate interest charges and they continue to accrue until all assessed tax, penalties, and interest are fully paid.

There are some exceptions to the general deadlines for filing a return and paying tax, such as:

• If you're a member of the Armed

Forces and are serving in a combat zone or contingency operation. Refer to Publication 3, Armed Forces' Tax Guide for additional information and qualifications.

• If you're a citizen or resident alien working abroad. Refer to Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad for details.

• If you were a victim in certain disaster situations. In those situations, the IRS has the authority to postpone filing and payment deadlines. Search keyword "disaster" on IRS.gov for more information.

It's important that you review your notice or bill. If after reviewing it you believe there's an error, write to the IRS office that sent it to you within the time frame given or call the number listed on your notice or bill for assistance. You should provide photocopies of any records that may help the IRS address the error. If you're correct, we'll make the necessary adjustment to your account and send you a revised notice.

For more information about IRS notices and bills, refer to Publication 594, The IRS Collection Process. For more information about penalties, refer to our Penalties page. For more information about penalty and interest charges, refer to Chapter 1, Filing Information, of Publication 17, Your Federal Income Tax for Individuals.

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forms (W2, 1099, etc.) and
all your deductions you can
come in to pre-process your
information and have your
return ready to e-file on
opening day.*



Darlene Bass,
Reception, Accounting Assistant

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Get your refund faster — tell IRS to direct deposit your refund to one, two or three accounts

Now, more than ever, you need a reliable, fast, secure, contact-less way to receive your money. The best and fastest way to get your tax refund is to have it electronically deposited for free into your financial account. The IRS program is called direct deposit. You can use it to deposit your refund into one, two or even three accounts. Even if you don't have a checking account, there are other options available for direct deposit. Direct deposit is now also available for returns filed after their due date.

Eight out of 10 taxpayers get their refunds by using direct deposit. It is simple, safe and secure. This is the same electronic transfer system used to deposit nearly 98 percent of all Social Security and Veterans Affairs benefits into millions of accounts.

Combining direct deposit with electronic filing is the fastest way to receive your refund. There's no chance of it going uncashed, getting lost, stolen, or destroyed. The IRS

issues more than nine out of 10 refunds in less than 21 days. Taxpayers who used direct deposit for their tax refunds also received their stimulus



payments more quickly. You can track your refund using our Where's My Refund? tool.

Direct deposit is easy to use. Just select it as your refund method through your tax software and type in the account number and routing number. Or, tell your tax preparer you want direct deposit. You can even use direct deposit if you are one of the few people still filing by paper. Be sure to double check your entry to avoid errors.

Don't have a check available to locate your routing and account number? A routing number identifies the location of the bank's branch where you opened your account and most banks list their routing numbers on their websites. Your account number can usually be located by signing into your online banking account or by calling your bank branch.

If you have a prepaid debit card, you may be able to have your refund deposited to the card. Many reloadable prepaid cards have account and routing numbers that you can provide to the IRS. Check with the financial institution to ensure your card can be used and to obtain the routing number and account number, which may be different from the card number.

Mobile apps may be an option. Some mobile apps and prepaid debit cards allow for direct deposit of tax refunds. They must have routing and

account numbers associated with them that can be entered on a tax return. Taxpayers should check with the mobile app provider or financial institution to confirm which numbers to use.

Don't have a bank account? Visit the FDIC website or the National Credit Union Administration using their Credit Union Locator Tool for information on where to find a bank or credit union that can open an account online and how to choose the right account for you. If you are a Veteran, see the Veterans Benefits Banking Program (VBBP) for access to financial services at participating banks. You can also ask your preparer if they have other electronic payment options that they offer.

Direct deposit also saves you money. It costs the nation's taxpayers more than \$1 for every paper refund check issued, but only a dime for each direct deposit made.

The federal tax refund is often the largest single check many people receive. It's an opportune time to start or add to your savings. You can divide your refund into two or three additional financial accounts, including your Individual Retirement Account, or

purchase up to \$5,000 in U.S. Series I Savings Bonds.

Splitting your refund is easy. You can use your tax software to do it electronically. Or, use IRS' Form 8888, Allocation of Refund (including Savings Bond Purchases) if you file a paper return. Just follow the instructions on the form. If you want the IRS to deposit your refund into just one account, use the direct deposit line on your tax form.

With split refunds, you have a convenient option for managing your money — sending some of your refund to an account for immediate use and some for future savings — teamed with the speed and safety of direct deposit.

Your refund should only be deposited directly into a United States bank or United States bank affiliated accounts that are in your own name, your spouse's name or both if it's a joint account. No more than three electronic refunds can be deposited into a single financial account or pre-paid debit card. Taxpayers who exceed the limit will receive an IRS notice and a paper refund.

Whether you file electronically or on paper, direct deposit gives you access to your refund faster than a paper check.

Earned Income Credit

You may qualify for the earned income tax credit (EITC) if you worked last year but earned a low or moderate income. EITC is a refundable tax credit, which means that even if you don't owe any tax, you can still receive a refund.

To qualify for the credit, your adjusted gross income (AGI) must be below a certain amount, and you must:

- Have a Social Security number (SSN) valid for employment (if you're filing a joint return, your spouse also must have an SSN valid for employment) by the due date of your return (including extensions). If you don't have an SSN by the due date of your return (including extensions), you can't claim the EIC on either an original or an amended return, even if you later get an SSN. Any qualifying child listed on Schedule EIC

(Form 1040) also must have an SSN valid for employment by the due date of your return (including extensions). If a child didn't have an SSN by the due date of your return (including extensions), you can't count that child as a qualifying child in figuring the EIC on either your original or an amended return, even if that child later gets an SSN. Beginning with the 2021 tax year, singles and married couples who have SSNs can claim the credit, even if their children don't have SSNs. In this instance, they would get the smaller credit available to childless workers.

- Have a filing status other than married filing separately. Beginning with the 2021 tax year, married but separated spouses can choose to be treated as not married for EITC purposes. To qualify, the spouse claiming the credit cannot file jointly with the other spouse, cannot

have the same principal residence as the other spouse for at least six months out of the year and must have a qualifying child living with them for more than half the year.

- Be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return
- Not file Form 2555 (related to foreign earned income)
- Not have investment income over \$10,300
- Have earned income from employment or from self-employment
- Not be a qualifying child of another person (if you're filing a joint return, your spouse also can't be a qualifying child of another person)
- Have a qualifying child who meets the age, relationship, residency, and

joint return tests, and isn't treated as the qualifying child of another person. Or, if you don't have a qualifying child, you must:

- be age 25 but under 65 at the end of the year,
- not qualify as a dependent of another person; and
- live in the United States for more than half of the year

If you qualify for the credit, the amount of your EITC will depend on your filing status, whether you have a qualifying child, and if so, how many, and the amount of your wages and income last year. Qualifying children must be listed on Schedule EIC (Form 1040)PDF.

For more information or to see if you qualify, see Publication 596, Earned Income Credit and visit Earned Income Tax Credit (EITC).

Who should file a tax return?

Most U.S. citizens – and permanent residents who work in the United States – need to file a tax return if they make more than a certain amount for the year.

You may want to file even if you make less than that amount, because you may get money back if you file. This could apply to you if you:

- Have had federal income tax withheld from your pay
- Made estimated tax payments
- Qualify to claim tax credits such as the Earned Income Tax Credit and Child Tax Credit

Do You Need to File a Tax Return?

Here's how to figure out if you should file a tax return this year:

- Look at your income to see if you made the minimum required to file a tax return
- Decide which filing status is best for you (you may be required to file a tax return depending on your filing status, income and age)
- If you're retired, find out if your retirement income is taxable
- Find out if you qualify to claim certain credits and deductions to lower the amount of tax you owe
- Use the Interactive Tax Assistant to see if you need to file

Benefits of Filing a Tax Return

Get money back. In some cases, you may get money back when you file your tax return. For example, if your employer

withheld taxes from your paycheck, you may be owed a refund when you file your taxes.

Avoid interest and penalties. You may avoid interest and penalties by filing an accurate tax return on time and paying any tax you owe in the right way before the deadline. Even if you can't pay, you should file on time or request an extension to avoid owing more money.

Protect your credit. You may avoid having a lien placed against you when you file an accurate tax return on time and pay any tax you owe in the right way before the deadline. Liens can damage your credit score and make it harder for you to get a loan.

Apply for financial aid. An accurate tax return can make it easier to apply for help with education expenses.

Build your Social Security benefit. Claiming your self-employment income on your return ensures that it will be included in your benefit calculation.

Get an accurate picture of your income. When you apply for a loan, lenders will look at your tax return to figure your interest rate and decide if you can repay. If you file accurate tax returns, you may get a loan with a lower interest rate and better repayment terms.

Get peace of mind. When you file an accurate tax return and pay your taxes on time, you'll know that you're doing the right thing to follow the law.

Where's my refund?

1. When to check...

- 24 hours after you e-file
- 4 weeks after you mail your paper return
- Updates are made daily, usually overnight

2. What you need...

- Social security number
- Filing status
- Exact refund amount

3. How...

Get your refund status at
<https://sa2.Www4.Irs.Gov/irfof/lang/en/irfofgetstatus.Jsp>

If you e-file, you can generally expect your refund in less than 21 days. There is no need to call our toll-free number unless "where's my refund?" specifically indicates that you should.

Also download the IRS2Go app to check your refund status.

Information courtesy of irs.gov



Year-End Tax Tips To Help Boost Your Return

By Mary B. Williamson, State Farm® Agent

Take advantage of smart year-end financial moves that can help reduce your income tax liability when you file next spring. Bernard Kiely, CFP, CPA, dean of the National Association of Professional Financial Advisors (NAPFA) University School of Taxation, offers these tips:

1. Donate to qualified charities and organizations: You can generally deduct contributions of up to 50 percent of your adjusted gross income to qualified charities and organizations if they're made before December 31. Consider:

Donating stock. You can generally deduct the fair market value of donated stock.

Using a community foundation. You direct the money, and the foundation pays it out over a period of years. You can generally deduct the donation the year you paid the foundation.

2. Contribute to your 401(k): Add pre-tax money to your 401(k) before the end of the year to reduce your taxable income.

3. Sell losing stock: Sell losing stock before year's end to deduct the capital losses against any capital gains you realized, and reduce your taxes on the money you earned from successful stock. Once you've offset your capital gains, you, as an individual, can generally use any excess losses to reduce ordinary income up to an annual limit of \$3,000.

4. Focus on long-term capital gains: "A short-term capital gain is a stock or mutual fund you've bought and sold in less than one year," says Kiely. Long-term capital gains are taxed at fixed interest rates. Short-term capital gains are taxed at your ordinary income tax rate. Use the time now to evaluate your financial portfolio and shift more funds to investments that offer longer-term tax savings.

5. Fund a Coverdell Education Savings Account (ESA): Many states allow residents to deduct contributions made to an education savings account. In general, the designated beneficiary of a Coverdell ESA can receive tax-free distributions to pay qualified education expenses.

These are just five ways to help reduce your tax liability—visit a financial planner for many more.

State Farm® agents do not provide tax, legal or investment advice. Please consult a tax, legal or investment advisor in regards to your personal situation.

Before investing, consider the funds' investment objectives, risks, charges and expenses. Contact State Farm VP Management Corp (1-800-447-4930) for a prospectus or summary prospectus containing this and other information. Read it carefully. AP2011/10/1024

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Individual Retirement Arrangements (IRAs)

An individual retirement arrangement (IRA) is a tax-favored personal savings arrangement, which allows you to set aside money for retirement. There are several different types of IRAs, including traditional IRAs and Roth IRAs. You can set up an IRA with a bank, insurance company, or other financial institution.

Traditional IRAs

You may be able to deduct some or all of your contributions to a traditional IRA. You may also be eligible for a tax credit equal to a percentage of your contribution. Amounts in your traditional IRA, including earnings, generally aren't taxed until distributed to you. IRAs can't be owned jointly. However, any amounts remaining in your IRA upon your death will be paid to your beneficiary or beneficiaries.

Contributions

To contribute to a traditional IRA, you, and/or your spouse if you file a joint return, must have taxable compensation, such as wages, salaries, commissions, tips, bonuses, or net income from self-employment. For tax years beginning after 2019, there is no age limit to contribute to a traditional IRA. Compensation for purposes of contributing to an IRA doesn't include

earnings and profits from property, such as rental income, interest and dividend income, or any amount received as pension or annuity income, or as deferred compensation. In certain cases, other amounts may be treated as compensation for purposes of contributing to an IRA, including certain alimony and separate maintenance payments received, certain amounts received to aid in the pursuit of graduate and postdoctoral studies, and certain difficulty of care payments received.

You can figure your allowable deduction using the worksheets in the Instructions for Form 1040 (and Form 1040-SR)PDF or in Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) and claim your IRA deduction on Form 1040, U.S. Individual Income Tax Return or Form 1040-SR, U.S. Tax Return for Seniors (attach Schedule 1 (Form 1040), Additional Income and Adjustments to IncomePDF). If you made nondeductible contributions to a traditional IRA, you must attach Form 8606, Nondeductible IRAs.

Use Form 8880, Credit for Qualified Retirement Savings Contributions and Do I Qualify for the Retirement Savings Contributions Credit? to determine whether you're also eligible for a tax credit.

Enter the amount of the credit on Form 1040 or Form 1040-SR (attach Schedule 3 (Form 1040), Additional Credits and PaymentsPDF).

Distributions

Distributions from a traditional IRA are fully or partially taxable in the year of distribution. To determine if your IRA is taxable, see Is the Distribution From My Traditional, SEP or SIMPLE IRA Taxable? If you made only deductible contributions, distributions are fully taxable. Use Form 8606 to figure the taxable portion of withdrawals when the traditional IRA contains nondeductible contributions.

IRA-to-IRA Rollover Limitation

You can only make one rollover from an IRA to another (or the same) IRA in any one-year period, regardless of the number of IRAs you own. A trustee-to-trustee transfer isn't a rollover and isn't affected by this rule. This rule also doesn't apply with respect to a conversion of a traditional IRA to a Roth IRA.

Early Distributions

Distributions made prior to age 59½ may be subject to an additional 10% tax. You may also owe an excise tax if you don't begin to withdraw minimum distributions by April 1 of the year after the year you reach age 73 after 12/31/2022.

These additional taxes are figured and reported on Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts. Refer to the Instructions for Form 5329PDF, Topic No. 557 and Do I Meet an Exception to the Additional Tax on Early Distributions From IRAs or Retirement Plans? for exceptions to the additional taxes.

Roth IRAs

A Roth IRA differs from a traditional IRA in several ways. Contributions to a Roth IRA aren't deductible (and you don't report the contributions on your tax return), but qualified distributions or distributions that are a return of contributions aren't subject to tax. To be a Roth IRA, the account or annuity must be designated as a Roth IRA when it's set up. For more information on Roth IRA contributions, refer to Topic No. 309 and to determine if a distribution from your Roth IRA is taxable, see Is the Distribution From My Roth Account Taxable?

Additional Information

For additional information on the different types of IRAs, including information on contributions, distributions, as well as conversions from one type of IRA to another, refer to Publication 590-A and Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

401(k) Plans

A 401(k) plan is a qualified deferred compensation plan. If you're eligible under the plan, you generally can elect to have your employer contribute a portion of your compensation to the plan on a pretax basis. Generally, your deferred compensation (commonly referred to as elective contributions) isn't subject to income tax withholding at the time of deferral, and you don't report it as wages on Form 1040, U.S. Individual Income Tax Return or Form 1040-SR, U.S. Tax Return for Seniors, because it isn't included in box 1 wages on your Form W-2, Wage and Tax Statement. However, it's included as wages subject to withholding for social security and Medicare taxes. In addition, your employer must report the elective contributions as wages subject to federal unemployment taxes. Some plans also allow you to elect to make your elective contributions on an after-tax basis as designated Roth contributions.

Contributions

The Internal Revenue Code limits the amount that an employee may elect to defer in a 401(k) plan. Your elective contributions may also be limited based on the terms of your 401(k) plan and are reported as an information item in box 12 of your Form W-2. Refer to Publication 525, Taxable and Nontaxable Income for more information about elective contributions. Employers should refer to Publication 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans) for information about setting up and maintaining retirement plans for employees, including 401(k) plans.

Distributions

The plan will specify the form of distribution. Some distributions from a 401(k) plan may qualify for lump-sum distribution treatment or rollover treatment as long as they meet the respective requirements. For more information, refer to Topic No. 412, Lump-Sum Distributions, Do I Need to Report the Transfer or Rollover of an IRA or Retirement Plan on My Tax Return? and Topic No. 413, Rollovers From Retirement Plans. To determine if your distribution is taxable, refer to Is My Pension or Annuity Payment Taxable?

Hardship Withdrawals - Many 401(k) plans allow employees to make a hardship withdrawal because of immediate and heavy financial needs. Historically, hardship distributions from a 401(k) plan were generally limited to the amount of the employees' elective contributions only, and didn't include any income earned on the deferred amounts. However, since 2019, the plan may expand the funds available for hardship distributions. Hardship distributions aren't treated as eligible rollover distributions.

Additional 10% Tax - Distributions received before age 59½ are subject to an additional 10% tax unless an exception applies. For more information, refer to Topic No. 558, Additional Tax on Early Distributions From Retirement Plans Other than IRAs or Do I Meet an Exception to the Additional Tax on Early Distributions From IRAs or Retirement Plans? Qualification for a hardship distribution isn't an exception to the additional 10% tax. For more information about the treatment of retirement plan distributions, refer to Publication 575, Pension and Annuity Income.

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Canceled debt – Is it taxable or not?

If you borrow money and are legally obligated to repay a fixed or determinable amount at a future date, you have a debt. You may be personally liable for a debt or may own a property that secures a debt for which you may or may not also be personally liable.

If your debt is forgiven or discharged for less than the full amount owed, the debt is considered canceled for the forgiven or discharged amount that you no longer need to pay. Cancellation of a debt may occur if the creditor can't collect, or gives up on collecting, the amount you're obligated to pay. If you own property securing a debt, cancellation of the debt may occur due to foreclosure, repossession, voluntary transfer of the property to the lender, abandonment of the property, or a mortgage modification.

In general, if your debt is canceled, forgiven, or discharged for less than the amount owed, the amount of the canceled debt is taxable. If taxable, you must report the canceled debt on your tax return for the year in which the cancellation occurred.

However, the law provides several exceptions in which the discharged amount is not considered canceled debt. These exceptions will be discussed later.

After a debt is canceled, the creditor may send you a Form 1099-C, Cancellation of Debt showing the amount canceled and date of cancellation. Contact the creditor if you receive a 1099-C reflecting incorrect information. If a creditor continues to attempt to collect the debt after you receive a 1099-C, the debt may not have been canceled and you may not have income from a canceled debt. Verify your specific situation with the creditor. Your responsibility to report the correct taxable amount of canceled debt as income on your tax return for the year in which the cancellation occurred remains, regardless of the accuracy of the Form 1099-C you received.

In general, you must report any taxable amount of a canceled debt as ordinary income on Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return (attach Schedule 1 (Form 1040), Additional Income and Adjustments to Income) if the debt is a nonbusiness debt, or on an applicable schedule if the debt is a business debt. See Publication 4681.

Caution: If your debt is secured by property, and the creditor takes that property in full or partial satisfaction of your debt, you are treated as having sold that property to the creditor. The tax treatment of the deemed sale depends on whether you were personally liable for the debt (recourse debt) or not personally liable for the debt (nonrecourse debt).

For recourse debt, your amount realized on the sale is the fair market value (FMV) of the property. The difference between FMV and your adjusted basis (usually your cost) will be a gain or loss on the disposition of the property. Your ordinary income from the cancellation of the debt is the amount by which the discharged debt exceeds the FMV of the property. Include this cancellation of debt in gross income unless an exception or exclusion, discussed below, applies.

For nonrecourse debt, your amount realized is the entire amount of the nonrecourse debt, plus the amount of cash and the FMV of any non-cash property you received. You will not have ordinary income resulting from debt cancellation.

The examples below show the difference between how recourse and nonrecourse debt is treated.

1. You bought a boat for business use for \$20,000, paying \$2,000 down and signing a recourse note for \$18,000. After paying down \$4,000 on the note, you are no longer able to make payments. The boat dealer repossesses the boat, which is now worth \$11,000, and cancels the remaining balance (\$3,000). Your adjusted basis in the boat is now \$10,000 due to allowable depreciation deductions of \$10,000. You will have ordinary income from cancellation of debt of \$3,000 (\$14,000 remaining debt owed minus \$11,000 FMV of boat). You will have \$1,000 of gain on disposition of the boat, the excess of the boat's FMV of \$11,000 (the amount you realized on repossession) over your \$10,000 adjusted basis in the boat.

2. The facts are the same except that you signed a nonrecourse note when buying the boat. When the dealer repossesses the boat, you will have gain of \$4,000, the difference between the \$14,000 realized (the face amount of the remaining debt) and your \$10,000 adjusted basis in the boat. You have no ordinary income from cancellation of the debt.

See Publication 4681 for detailed information on canceled debt and on reporting a gain or loss from repossession, foreclosure, or abandonment of property. See also Publication 544, Sales and Other Dispositions of Assets and Publication 523, Selling Your Home.

Amounts that meet the requirements for any of the following exceptions aren't cancellation of debt income.

EXCEPTIONS to Cancellation of Debt Income:

1. Amounts canceled as gifts, bequests, devises, or inheritances
 2. Certain qualified student loans containing loan provisions for cancellation based on length of employment in certain professions for a broad class of employers
 3. Certain student loan discharges after Dec. 31, 2020, and before January 1, 2026
 4. Amounts received or forgiven under certain student loan repayment assistance programs
 5. Amounts of canceled debt that would be deductible if you, as a cash basis taxpayer, had paid it
 6. A qualified purchase price reduction given by the seller of property to the buyer
- Amounts that meet the requirements for any of the following exclusions aren't included in income, even though they're cancellation of debt income.

EXCLUSIONS from Gross Income:

1. Debt canceled in a Title 11 bankruptcy case
2. Debt canceled to the extent insolvent
3. Cancellation of qualified farm indebtedness
4. Cancellation of qualified real property business indebtedness
5. Cancellation of qualified principal residence indebtedness that is discharged before January 1, 2026, or discharged subject to an arrangement that is entered into and evidenced in writing before January 1, 2026

Generally, if you exclude canceled debt from income under one of the exclusions listed above, you must reduce certain tax attributes (certain credits and carryovers, losses and carryovers, basis of assets, etc.) (but not below zero) by the amount excluded. You must report the amount qualifying for exclusion, and any corresponding reduction of those tax attributes on Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and attach to your tax return. For cancellation of qualified principal residence indebtedness that's excluded from income, you must only reduce your basis in your principal residence. For cancellation of qualified real property business indebtedness, you must only reduce your basis in your depreciable real property.



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Child and dependent care credit

You may be able to claim the child and dependent care credit if you paid expenses for the care of a qualifying individual to enable you (and your spouse, if filing a joint return) to work or actively look for work. Generally, you may not take this credit if your filing status is married filing separately. However, see What's Your Filing Status? in Publication 503, Child and Dependent Care Expenses, which describes an exception for certain taxpayers living apart from their spouse and meeting other requirements. The amount of the credit is a percentage of the amount of work-related expenses you paid to a care provider for the care of a qualifying individual. The percentage depends on your adjusted gross income.

Dollar Limit

The total expenses that you may use to calculate the credit may not be more than \$3,000 (for one qualifying individual) or \$6,000 (for two or more qualifying individuals). Expenses paid for the care of a qualifying individual are eligible expenses if the primary reason for paying the expense is to assure the individual's well-being and protection. If you received dependent care benefits that you exclude or deduct from your income, you must subtract the amount of those benefits from the dollar limit that applies to you.

Qualifying Individual

A qualifying individual for the child and dependent care credit is:

- Your dependent qualifying child who was under age 13 when the care was provided,
- Your spouse who was physically or mentally incapable of self-care and lived with you for more than half of the year, or
- An individual who was physically or mentally incapable of self-care, lived with you for more than half of the year, and either: (a) was your dependent; or (b) could have been your dependent except that he or she received gross income of \$4,400 or more, or filed a joint return, or you (or your spouse, if filing jointly) could have been claimed as a dependent on another taxpayer's 2022 return.

Physically or Mentally Not Able to Care for Oneself - An individual is physically or mentally incapable of self-care if, as a result of a physical or mental defect, the individual is incapable of caring for his or her hygiene or nutritional needs or requires the full-time attention of another person for the

individual's own safety or the safety of others.

Children of Divorced or Separated Parents or Parents Living Apart - A noncustodial parent who is claiming a child as a dependent should review the rules under the topic Child of divorced or separated parents or parents living apart in Publication 503PDF, because a child may be treated as the qualifying individual of the custodial parent for the child and dependent care credit, even if the noncustodial parent is entitled to claim the child as a dependent.

Individual Qualifying for Part of Year - If an individual is a qualifying individual for only a part of the tax year, only those expenses paid for care of the individual during that part of the year are included in calculating the credit.

Taxpayer Identification Number (TIN) - You must provide the TIN (usually the social security number) of each qualifying individual.

Care of a Qualifying Individual

The care may be provided in the household or outside the household; however, don't include any amounts that aren't primarily for the well-being of the individual. You should divide the expenses between amounts that are primarily for the care of the individual and amounts that aren't primarily for the care of the individual. You must reduce the expenses primarily for the care of the individual by the amount of any dependent care benefits provided by your employer that you exclude from gross income. In general, you can exclude up to \$5,000 for dependent care benefits received from your employer. Additionally, in general, the expenses claimed may not exceed the smaller of your earned income or your spouse's earned income. If you or your spouse is a full-time student or incapable of self-care, then you or your spouse is treated as having earned income for each month that you or your spouse is a full-time student or incapable of self-care. Your or your spouse's earned income for each month is \$250 if there is one qualifying person (\$500 if two or more qualifying individuals). See the topic Earned Income Limit in Publication 503PDF for further information.

Care Providers

You must identify all persons or organizations that provide care for your child or dependent. You must report the name, address, and TIN (either the social security number or the employer identification number) of the

care provider on your return. If the care provider is a tax-exempt organization, you need only report the name and address of the organization on your return. You can use Form W-10, Dependent Care Provider's Identification and Certification to request this information from the care provider. If you can't provide information regarding the care provider, you may still be eligible for the credit if you can show that you exercised due diligence in attempting to provide the required information. If you pay a provider to care for your dependent or spouse in your home, you may be a household employer. If you're a household employer, you may have to withhold and pay social security and Medicare taxes and pay federal unemployment tax. For more information, refer to Do You Have Household Employees? in Publication 503, Publication 926, Household Employer's Tax Guide, or Topic No. 756.

Payments to Relatives or Dependents - The care provider can't be your spouse, the parent of your qualifying individual if your

qualifying individual is your child and under age 13, your child who is under the age of 19, or a dependent whom you or your spouse may claim on your return.

Reporting on Your Tax Return

If you qualify for the credit, complete Form 2441, Child and Dependent Care Expenses and attach to Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Non-resident Alien Income Tax Return. If you received dependent care benefits from your employer (an amount is shown on your Form W-2, Wage and Tax Statement), you must complete Part III of Form 2441.

Additional Information

For more information about qualifying for this credit and dependent care benefits, refer to Publication 503, Child and Dependent Care Expenses and Am I Eligible to Claim the Child and Dependent Care Credit?



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Reduced refund

The Department of Treasury's Bureau of the Fiscal Service (BFS) issues IRS tax refunds and Congress authorizes BFS to conduct the Treasury Offset Program (TOP). Through the TOP program, BFS may reduce your refund (overpayment) and offset it to pay:

- Past-due child support;
- Federal agency nontax debts;
- State income tax obligations; or
- Certain unemployment compensation debts owed to a state (generally, these are debts for (1) compensation paid due to fraud, or (2) contributions owing to a state fund that weren't paid).

You can contact the agency with which you have a debt to determine if your debt was submitted for a tax refund offset. You may call BFS's TOP call center at the number below for an agency address and phone number. If your debt meets submission criteria for offset, BFS will reduce your refund as needed to pay off the debt you owe to the agency. Any portion of your remaining refund after offset is issued in a check or direct deposited as originally requested on the return.

BFS will send you a notice if an offset occurs. The notice will reflect the original refund amount, your offset

amount, the agency receiving the payment, and the address and telephone number of the agency. BFS will notify the IRS of the amount taken from your refund once your refund date has passed. You should contact the agency shown on the notice if you believe you don't owe the debt or if you're disputing the amount taken from your refund. Contact the IRS only if your original refund amount shown on the BFS offset notice differs from the refund amount shown on your tax return. If you don't receive a notice, contact the BFS's TOP call center at 800-304-3107 (or TTY/TDD 800-877-8339), Monday through Friday 7:30 a.m. to 5 p.m. CST.

Injured Spouse Claim

If you filed a joint return and you're not responsible for debt that is subject to offset because it is owed by your spouse, you're entitled to request your portion of the refund back from the IRS. You may file a claim for this amount by filing Form 8379, Injured Spouse Allocation.

You may file Form 8379 in any of the following ways:

- With your original joint tax return (Form 1040 or Form 1040-SR),

- With your amended joint tax return (Form 1040-X) if you are claiming a joint refund, or



- By itself after you receive notification of an offset.

When filing a Form 8379 by mail either with your joint return or with an amended return, write "Injured Spouse" in the top left corner of the first page of the joint return.

The IRS can process your Form 8379 before an offset occurs. If you file Form 8379 with your original return, it may take 11 weeks to process an electronically-filed return or 14 weeks if you filed a paper return. If you file the Form 8379 by itself after a joint return

has been processed, then processing will take about eight weeks. To avoid delays, be sure to follow the instructions for Form 8379PDF.

When filing Form 8379 by itself, you must show both spouses' taxpayer identification numbers in the same order as they appeared on your joint income tax return. You, the injured spouse, must sign the form. Follow the instructions on Form 8379 carefully and be sure to attach the required Forms W-2 and W-2G for both spouses and any Forms 1099 showing federal income tax withholding to avoid delays. Don't attach the previously filed joint tax return. Send Form 8379 to the Service Center where you filed your original return and allow at least 8 weeks for the IRS to process your request. The IRS will compute the injured spouse's share of the joint refund. If you lived in a community property state during the tax year, the IRS will divide the joint refund based upon state community property law. Not all debts are subject to a tax refund offset. To determine whether an offset will occur on a debt owed (other than federal tax), contact BFS's TOP call center at 800-304-3107 (800-877-8339 for TTY/TDD help).

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