Cloister Group
ACCOUNTANTS + ADVISORS + TAXES

*Great Service Makes Cents.*

Hello – The tax season is here already. To help you take advantage of all possible tax-saving opportunities, we've enclosed our *Income Tax Checklist*. Please complete as thoroughly as possible and return to us. Having complete information will help us **REDUCE** your tax liabilities. A more comprehensive version is available by request.

## IMPORTANT ITEMS:

Be sure to review the enclosed pages highlighting this year's *Important Items* – including Virtual Currency issues, Form 1099-K issues, tax packet return preferences, and more.

## REMINDERS:

- Sign and return the included *Client Engagement Agreement*.
- If you expect to receive investment-related 1099/K1 forms, please wait until you have all forms before submitting materials to us. They may arrive as late as March.
- **New Client?** Please provide all family birthdates, copies of Social Security cards, and also provide a complete copy of last year's tax return.

## OFFICE HOURS – *January 28, 2023, through April 18, 2023:*

- **Akron Office --** 359 South 7th Street, Akron, PA 17501
  *Hours: Mon 1pm-5pm, Wed 8am-5pm, Fri 1pm-430pm, Sat 830am-12pm*
- **Lancaster Office --** 245 Butler Avenue, Suite 102, Lancaster, PA 17601
  *Hours: Weekdays 8am–5pm, Saturdays 830am-12pm*

## SUBMITTING DOCUMENTS & RECEIVING COMPLETED RETURN PACKET:

Please review our guidelines in the *Important Items* information section. Then at the beginning of the the Tax Checklist be sure to indicate your preference on how to receive your completed tax returns packet.

## DEADLINE FOR MATERIALS / EXTENSIONS:

Returns received after the April 1 deadline will automatically be considered for extension (depending on our backlog of work).

**If you require an extension, you must notify us via email by April 1. Additionally, taxes are to be paid by April 18. That means if you owe money when you file after April 18, penalties and interest may apply.**

## PAYMENT FOR SERVICES:

Invoice payment is due upon receipt. We accept most major credit cards. If you have any financial hardship, please let us know in advance. We can establish a payment plan.

Do you know someone who might benefit from our services? We would appreciate your personal referral.

*Thank you for choosing Cloister Group!*

# 2022 Taxes: Important Items

There are new and recurring issues that may affect your 2022 tax return. Please review these important highlights, and contact our office with any questions.

## VIRTUAL CURRENCY / CRYPTO CURRENCY / BITCOIN

The virtual currency question is on Page 1 of the 1040 form and MUST be answered by all taxpayers. Essentially, the question being asked is: *At any time during 2022, did you receive as a reward, award, or payment for property or services; or sell, exchange, gift, or otherwise dispose of a digital asset?* Virtual currency is treated as an asset for tax purposes. Therefore, if you have such transactions, you must let us know. See the bottom of page 2 on our 2022 Income Tax Checklist.

## DO I HAVE TO FILE A RETURN FOR MY CHILDREN?

As the standard deduction is $12,950 for 2022, most children who earned less than that this year would not have to file a federal tax return. However, even if your child earns less than $12,950 during 2022, it may be a good idea to file a tax return for them. Both Pennsylvania and the local tax office require an income tax return once a taxpayer makes over $1 in taxable income, even if no tax is due.

## ESTIMATED TAX PAYMENTS

It is very important that you keep track of any estimated tax payments you make, to which government entity, how much, and the date sent. We need you to provide this information clearly and concisely. See the top of page 2 on our 2022 Income Tax Checklist.

## FORM 1099-K: PAYMENT CARD & THIRD PARTY NETWORK TRANSACTIONS

As of December 23, 2022, the IRS is delaying the reporting requirement of payments through Payment Cards and Third Party Networks for 2022. Previously, a 1099-K was to be issued if you received more than $600 of payments for the sale of goods, including personal goods. The existing 1099-K reporting threshold of $20,000 in payments from over 200 transactions will remain in effect. If you receive a Form 1099-K, please include in the data you submit to us.

## IF YOU OWN A BUSINESS OR RENTAL PROPERTY

Provide QuickBooks or other accounting file used to record revenue, expenses, assets, and liabilities. Include your December 31 bank statement, credit card statements, loan/mortgage statements, accounts payable/receivable, and inventory information (as applicable). PDF worksheets are available on our website.

*(continued on next page)*

### BUSINESS MEALS DEDUCTION

In 2022, businesses may deduct 100% of business-related meals purchased from a restaurant. Any non-restaurant business meals may be deductible at 50% of expense. **Please sort through all business meal expenses** and separate records so we may accurately calculate restaurant versus non-restaurant deductions.

### PHOTO IMAGES VS. PDF SCANS

Please do not provide standard mobile phone pictures of any documents. Images are not clear enough to read reliably. Use *free* mobile PDF scanning apps, such as *Adobe Scan* (and similar mobile apps), if you wish to capture documents acceptably with a mobile phone.

## SUBMITTING DOCUMENTS TO AND RECEIVING COMPLETED TAX PACKET FROM CLOISTER GROUP OPTIONS

### SUBMITTING DOCUMENTS OPTIONS:

- Drop off at either Cloister Group office. Mask-wearing is not required. A secure outdoor drop box is available anytime at our Akron office. If dropping off before or after regular hours at the 245 Butler Ave. office, you can use the secure drop box as long as the building's lobby doors are not locked for overnight security.
- Appointments to meet in person will be accepted only if deemed necessary. Most interactions may be handled by phone or by video conference (Zoom, Meetings, etc.).
- Mail in via postal or shipping service.
- Use *Sharefile*, our secure online portal.

### RECEIVING COMPLETED TAX PACKET OPTIONS:

The standard completed tax filing packet will contain your completed federal, state and local returns; e-file authorization forms; your original documents; payment vouchers; and other related items. Our invoice will also be included. You have three options on how you would like to receive these materials:

### PLEASE INDICATE YOUR RETURN PREFERENCE ON THE TOP OF THE FIRST PAGE OF OUR 2022 INCOME TAX CHECKLIST. OPTIONS INCLUDE:

**BY MAIL -** You can receive paper documents via US Postal Service or overnight shipping service (fee applies). Your packets will include Form 8879 e-file authorization forms, which you must sign and return to us to authorize us to e-file on your behalf.

**PICK UP -** We will notify you that your completed return is ready pick up. You may pick up with or without an appointment anytime during our regular office hours. You can sign the e-file authorization forms, and pay the invoice at that time.

*(continued on next page)*

**EMAIL DIGITAL COPIES -** We can return digital copies of your return and all items via email. *(Note: This option will not apply in all situations due to security or authentication reasons. Please let us know if you are interested, and we can determine best electronic options for you.)*

- Both spouses will have to login and authenticate which will enable electronic signatures for the e-file authorization forms 8879.
- Your completed federal and state tax returns are there for you to download into your own storage for future use.
- If you have federal or state tax due, instructions as to where to send payment, how much to send and who to pay are included as well as payment vouchers you can print.
- For your convenience, links are provided to taxing agencies where you can electronically pay taxes owed. Estimated tax payments can be scheduled in advance for automatic payment when due.
- Local tax forms with attachments and instructions are provided. Local forms must be printed, signed and mailed.

If you desire digital copies of your packet for future reference, the Email Digital Copies option is likely the best choice for you.

If you have questions on any of these Important Items, please contact us. *Thank you for choosing Cloister Group!*

**Lancaster** 245 Butler Avenue + Suite 102 + Lancaster PA 17601 + 717-209-7130
**Akron** 359 South 7th Street + Akron PA 17501 + 717-859-5555

# ENGAGEMENT AGREEMENT

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**IMPORTANT: THIS AGREEMENT MUST BE SIGNED AND RETURNED WITH YOUR TAX PACKET.**

**Our Responsibilities**
Cloister Group, sole practitioner, will be responsible for preparing your Federal, State and Local Income Tax Returns, as well as next year's quarterly tax estimates, if applicable. We will complete these returns using the information you provide to us. For your convenience, we will file your returns electronically at no additional charge.

Although we may ask for clarification regarding certain information, we will not be verifying any details. If your returns are later selected for review or audit by a taxing authority, we can be available to assist or represent you if you desire. Fees for such services, if any, can be agreed upon at that time.

**Your Responsibilities**
It is your responsibility to provide all necessary information related to income and deductions. Except where noted on the Income Tax Checklist provided, you DO NOT need to submit all related documentation to us; however, you must keep these records to substantiate claims. We advise clients to keep these documents stored safely for at least 4 years.

Filing your returns by the appropriate deadline is ultimately your responsibility, so it is important that you respond to all tax preparation inquiries in a timely manner.

It is your responsibility to pay our invoices and your tax liabilities, if any, on a timely basis.

**Expectations**
We will complete your return with the level of competence expected of a tax professional following the laws governing your returns. Taxing authorities expect returns to be filed accurately and on time. You have the right to file your return in a manner that will result in the lowest legal tax liability.

**Fees**
Our fees for preparation of your returns are based upon our standard billing rates, plus out-of-pocket expenses, if any. Our invoices are due and payable upon receipt.

**Acceptance**
If this is in agreement with your understanding of our engagement, please sign and return.

| | | |
|---|---|---|
| Accepted by: | X______________________________ | X______________________________ |
| | Taxpayer Signature | Spouse Signature |
| | ______________________________ | ______________________________ |
| | Print Name Clearly | Print Name Clearly |
| | ______________________________ | ______________________________ |
| | Date | Date |

# 2022 INCOME TAX CHECKLIST

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**THANK YOU FOR CHOOSING US!** How did you hear about us? ________________

**ENGAGEMENT LETTER:** Did you sign and return the engagement letter provided with your tax-year organizer? ☐ Yes ☐ No, please send one.

**COMPLETED TAXES:** Should documents be returned via: ☐ Electronic PDF? ☐ Mail? ☐ Pick up?

**CONTACT PERSON:** Who could best help with questions? ☐ Taxpayer ☐ Spouse

## Personal Information

**Preferred contact method:** ☐ Phone ☐ Mobile ☐ Email

| **TAXPAYER:** | **SPOUSE:** |
|---|---|
| Name: | |
| Occupation: | |
| Phone: | |
| Mobile: | |
| Email: | |

Current Address: ________________

Township: ________________ School District: ________________

## Changes Since Last Year

**Check here if details are all the same as last year >** ☐

Did your marital status change, or were there any changes in dependants? Please note changes:

New Child? Name: ________ M/F Birthday: ________ SS#: ________
(Please provide a copy of the SSN card.)

Marriage? Name: ________ Date: ________ SS#: ________
(Please provide a copy of the SSN card.)

Move? Previous Address: ________ Date of Move: ________

If any dependant(s) filed his/her own return, did he/she mark the return to indicate that "someone else can claim him/her as a dependant"? ☐ Yes ☐ No

Did you buy/sell real estate, or refinance your primary home, during the year? ☐ Yes ☐ No
(If yes, provide Settlement Sheet.)

Please list any other issues you think we should consider as part of your tax filing preparation:

________________

## Refunds

If you have an overpayment of taxes for 2022, do you want the excess applied to estimated taxes needed for 2023? ☐ Yes ☐ No, request refund.

If you request a refund, do you want the refund direct deposited? ☐ Yes ☐ No

If yes, bank name is: ________________ Account Type: ☐ Checking ☐ Savings

Account#: ________________ Routing#: ________________

(For accuracy, you may wish to provide a voided paper check, or you may check here ☐ if all banking info is the same as last year.)

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## Estimated Taxes Paid

If you paid any **estimated quarterly taxes**, it is important to detail all quarterly payments made:

| | FEDERAL TAX | | STATE TAX | | LOCAL TAX | |
|---|---|---|---|---|---|---|
| | Date Paid | Amount | Date Paid | Amount | Date Paid | Amount |
| **1Q due 4/15/22** | / / | $ | / / | $ | / / | $ |
| **2Q due 6/15/22** | / / | $ | / / | $ | / / | $ |
| **3Q due 9/15/22** | / / | $ | / / | $ | / / | $ |
| **4Q due 1/17/23** | / / | $ | / / | $ | / / | $ |

List other amounts paid, if applicable: ____________________

## Foreign Matters

Did you or your spouse work outside the US, or pay any foreign taxes? ☐ Yes ☐ No

Did you or your spouse own, or have signature authority over, a financial account in a foreign country (bank account, securities account, or other financial account)? ☐ Yes ☐ No

Did you or your spouse own any "specified foreign assets" with an aggregate value greater than $50,000? ☐ Yes ☐ No

For reporting purposes, such assets include any depository, custodial, or other financial account maintained by a foreign financial institution, foreign-issued stock or securities, foreign-issued financial instruments or contracts held for investment, or any interest in a foreign entity. You do NOT need to include assets held in a custodial account with a US financial institution.

Did you or your spouse receive a distribution from, or were you grantor of, or transferor to, a foreign trust? ☐ Yes ☐ No

## Income

Please indicate and provide any of the following documents you may have received:

- ☐ Employment (W-2)
- ☐ Interest (1099-INT)
- ☐ Dividends (1099-DIV)
- ☐ Tax Refunds (1099-G)
- ☐ Investment Sales (1099-B)
- ☐ IRA Distributions (1099-R)
- ☐ Pensions (1099-R)
- ☐ Partnerships K-1
- ☐ S-Corp K-1
- ☐ Estate/Trusts K-1
- ☐ Unemployment (1099-G)
- ☐ Social Security (SSA)
- ☐ Gambling Income (W2G)
- ☐ Other Income ____________________

Did you have any credit card or other debt cancelled, forgiven or refinanced? (If yes, provide Form 1099A or 1099C.) ☐ Yes ☐ No

Did you have Payment Card and Third-Party Network Transactions (ie, eBay, Paypal, etc.) totalling $20,000 or more from over 200 transactions? If yes, please provide all 1099-K forms you received. ☐ Yes ☐ No

## Virtual (Crypto) Currency

At any time during this year, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency (ie, Bitcoin, NFT, etc.)? If yes, please provide details. ☐ Yes ☐ No

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## Child/Dependent Care Credit

Please provide a statement from your child care provider which lists the provider's name, address, tax identification number, and amount paid per child.

## Healthcare Information

**If you received a health insurance subsidy, provide *Form 1095-A* that will be mailed to you from the government.**

**Health Savings Account (HSA) –** In order to take advantage of HSA deductions, please provide Distribution Form 1099-SA and/or Contribution Form 5498.

## Education Expenses

Please provide Form 1098-T issued by the student's school. In order to take advantage of education expense deductions/credits, **you must provide this form.**

$__________________ Contributions to Educational IRA, 529 Plan, or Qualified Tuition Plan (Provide Form 1099-Q)

$__________________ Interest Paid on Student Loans

## Employee's Expenses

***For Business Expenses NOT Reimbursed by Employer (State & Local Taxes Only)***

This section is **FOR EMPLOYEES ONLY** who incure business-related expenses. If you are a Small Business Owner, do not complete this section. Instead, please provide Quickbooks data, or contact us and request our emailable PDF entitled "Small Business Worksheet".

**IMPORTANT:** These expenses must be required for, and related to, your employment. It is highly likely that authorities will ask you to provide documentation to support claimed expenses. Be sure to keep your records in order.

| Taxpayer | Spouse | | Taxpayer | Spouse | *Other Expenses (Describe):* |
|---|---|---|---|---|---|
| $_______ | _______ | Union Dues | $_______ | _______ | ____________________ |
| $_______ | _______ | Professional Insurance, Licenses | $_______ | _______ | ____________________ |
| $_______ | _______ | Tools, Equipment, Supplies | $_______ | _______ | ____________________ |
| $_______ | _______ | Uniforms (Incl. Cleaning), Boots, Shoes | $_______ | _______ | ____________________ |
| $_______ | _______ | Work Tuition, Books, Conferences | $_______ | _______ | ____________________ |

**Vehicle Information –** Supporting journal records should be written and/or have receipts.

Total Annual Miles Driven: ____________________

Total Business-Related Miles (excluding to & from work): ____________________

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## Deductions

*Please complete the following expense details to help us determine if you will benefit more by Itemizing Deductions or by taking advantage of the Federal Standard Deduction.*

**Medical Expenses** (If any of your medical, dental, or other insurance expenses are deducted from your paycheck, please provide your final paystub for the year.)

| | **Health** | **Dental** | **Medicare** | **Long-Term Care** | **Health Sharing** |
|---|---|---|---|---|---|
| Insurance Premiums Paid : | $________ | $________ | $________ | $________ | $________ |

| | **Prescriptions** | **Doctors/Dentists** | **Medical Equipment/Supplies** |
|---|---|---|---|
| Other Medical Expenses: | $________ | $________ | $________ |

(Please DO NOT provide any collected receipts to us for your included medical expenses.)

| **Taxes Paid** | Spring/County | Fall/School | | Total Annual |
|---|---|---|---|---|
| Residence Real Estate:* | $________ | $________ | OR | $________ |
| Vacation Real Estate: | $________ | $________ | OR | $________ |
| Investment Property: | $________ | $________ | OR | $________ |
| Sales Tax on Large Purchases | $________ | | | |

*Paid tax receipts will be required for any *PA Property Tax Rebate* claim.

**Interest Paid** (Provide Form 1098 provided by your financial institution)

$________ Mortgage Interest

$________ Home Equity Interest > How borrowed funds were used? ____________

$________ Premium Paid on Mortgage Insurance

Did you pay interest to any private individual for which Form 1098 was not issued? ☐ Yes ☐ No

If yes, provide: Name ____________ Amount Paid: $________

Address ____________ SS# ________

## Charitable Contributions

Amount Donated: $________ Payroll Deductions (if any): $________

Please provide receipts for non-cash contributions of goods given to organizations such as Goodwill.

## IRA Distributions

Did you roll over an IRA's Required Minimum Distribution (RMD) directly to a charitable organization? If YES, please provide details. ☐ Yes ☐ No

## Energy Credits

Did you receive any credits for e-vehicle, solar power, purchases, or home improvements? If YES, please provide details. ☐ Yes ☐ No

***Taxpayer Tip:*** *If you own a business, own rental property, or take a minister's housing allowance, please ask about our free worksheets available to help you prepare records properly – and minimize your tax liability!*