



OUR MISSION IS TO CHANGE LIVES. **ONE "HEMINGTON" AT A TIME.**

# SPECIAL TAX EDITION NEWSLETTER

FEBRUARY 2022

## 2021 Income Tax Season

By Amy Mitchell, CFA, CFP®

**Tax season is upon us once again - and experts are warning that taxpayers should brace for a difficult filing season. The Internal Revenue Service (IRS) opened its tax filing window on January 24th, over two weeks earlier than in 2021, because, it said, limited funding and continued Covid challenges could cause delays. As of December 31st, the IRS had a backlog of 6 million unprocessed individual returns, far higher than the more typical 1 million unprocessed returns at the start of a usual tax season.**

The agency has been warning that this filing season could be particularly challenging, and we have heard the same from CPAs with whom we work. One CPA had the following to say:

*The COVID-19 pandemic has been devastating for federal, state, and local governments. At the IRS, things were particularly dire. After months of mission-critical functions only, departments were re-opened but with severe backlogs. Tasks that used to take our team 24 hours to resolve on behalf of clients now take months, and we are dealing with an unprecedented number of lost tax returns, erroneous notices, erroneous liens, unread communications by mail or fax, and unanswered phone calls.*

*We do not expect the upcoming tax season to be better. On top of resolving issues that are the result of backlog, we foresee that we will need to assist clients with the upswing in audits that will result from the roughly 2,000 auditors added by the IRS over the summer.*

In acknowledgment of its backlog, the IRS recently said that it would pause some of its automated mailings, including balance due notices and unfiled tax return notices, in case a taxpayer has already mailed a payment or return that remains unopened.

The deadline to file your 2021 federal income tax returns is April 18th, 2022. Below are some key steps to help avoid delays with the processing of your return and refund.

- » File your income tax returns electronically.
- » File an accurate return. Make sure to include all forms and documentation.
- » Elect direct deposit for any refunds. Make sure to include your routing and account numbers.
- » If you do need to contact the IRS, consider calling on Wednesday through Friday, when the IRS says wait times may be shorter (but still expect long hold times).

**Over the summer of 2021, the IRS added 2,000 new auditors. Clients should expect more audits, especially for small business owners.**



## TAX CORNER

**Maximum Contribution Limits:** Each year, the IRS reassesses the maximum amount that may be contributed to retirement accounts, based on cost-of-living adjustments in the tax code. For workplace retirement accounts, check with your HR department and increase your periodic contributions, if possible.

	2021	50+ Catch-up	2022	50+ Catch-up
<b>IRA/Roth IRA</b>	\$6,000	\$1,000	\$6,000	\$1,000
<b>SEP IRA</b>	\$58,000	Not Permitted	\$61,000	Not Permitted
<b>401(k) / 403(b) / 457(b) / TSP</b>	\$19,500	\$6,500	\$20,500	\$6,500
<b>Solo 401(k)</b>	\$58,000	\$6,500	\$61,000	\$6,500

\* Contribution limits may be lower, depending on your circumstances.

**Catch-up Contributions:** You become eligible for catch-up contributions in the year you turn 50.

**Spousal IRA:** For married couples filing a joint tax return, each spouse may contribute to an IRA based on the earnings of one spouse. This allows the “nonworking” spouse to contribute to his or her own IRA, even with no or low earned income.

**Roth IRAs:** Eligibility to directly contribute to a Roth IRA is affected by the amount of your modified AGI. For 2021, the income phase-out range is \$125,000 to \$140,000 for singles and \$198,000 to \$208,000 for a married couple filing jointly. For a married couple filing separately, the phase-out range is \$0 to \$10,000.

**Roth IRAs for Children:** For children with earned income, you may establish and fund a Roth IRA for them by April 18.

**Deadline for 2021 IRA Contributions:** You may make contributions for your traditional IRA or Roth IRA up to the April 18, 2022, tax filing deadline.

For SEP IRAs, the deadline for establishing and contributing to the account is the business’s tax filing deadline, including extensions.

## NEED TO FIND YOUR 1099s?

**The Hemington client portal is a great resource!**

In addition to viewing your Hemington portfolio, you can access TD Ameritrade account statements and tax documents, including 1099s, on the client portal.

Go to the **CLIENT PORTAL**, and click on:

- 1 Documents →
- 2 Statements →
- 3 Tax Reports.

The screenshot shows the Hemington Wealth Management client portal. At the top, there is a navigation bar with 'Portfolio', 'Documents', 'Tools', and 'Updates'. Below this is another bar with 'Statements', 'Cloud Storage', and 'Reports'. The main content area is divided into two sections. On the left, under 'CATEGORIES', there are three items: 'CUSTODIAL STATEMENTS', 'PORTFOLIO STATEMENTS', and 'TAX REPORTS'. The 'TAX REPORTS' item is highlighted with a red circle and the number 3. On the right, under 'Statements & Files', there is a prompt 'Select a file to download' and a table with a header 'NAME' and one row containing '2019 - 1099'.



## Did you know you can pay your quarterly estimated tax payments online?

The Electronic Federal Tax Payment System (EFTPS) is a free service from the U.S. Department of the Treasury that helps to facilitate tax payments to the IRS. Since its inception in 1996, millions of individuals and businesses have used the EFTPS to pay their federal taxes via the website or by phone. The system is available 7 days a week, and you can schedule business and individual payments up to 365 days in advance.

**For more information or to set up your profile, visit: [www.EFTPS.gov](http://www.EFTPS.gov).**

## Annual Gift Tax Exclusion

For 2022, the IRS increased the annual gift tax exclusion limit to **\$16,000** from \$15,000. Any person may gift up to \$16,000 to any person tax-free and without using his or her lifetime gift and estate tax exemption, which is currently \$12,060,000.

### Kiplinger

The Kiplinger.com article *"What's Your Retirement Number?"* featured **Jonathan Duggan** and the impact that taxes have on retirement planning.

### InvestmentNews

An InvestmentNews article, *"Build Back Better stall could complicate tax planning,"* highlighted **Jonathan Duggan's** thoughts on the challenges of future bill approval.

## The Uncertain Future of Biden's Build Back Better

The prognosis for President Biden's Build Back Better bill continues to deteriorate. Since passing in the House last year, the bill has been stalled in the Senate. When recently asked about its status, Senator Joe Manchin, a Democratic holdout for the bill, responded, "What Build Back Better bill? There is no, I mean, I don't know what you all are talking about." From his perspective, the bill is not only gone but also forgotten. Democratic Senator Kyrsten Sinema also has voiced opposition to the bill and raising tax rates. Though the bill needs only a simple majority rather than 60 votes to move forward, even one Democratic nay puts its passage out of reach.

So, if passage of the full Build Back Better Act is a non-starter, what comes next? The more likely path is that individual provisions of the bill will be written into "piecemeal" legislation or a smaller bill, or added to other legislation such as the Senate's Reconciliation Bill. While no one knows what may gain traction, the most likely provisions to move forward are ones that meet Senator Manchin's requirement that the bill should not increase the federal deficit, which recently crossed \$30 trillion for the first time. These provisions might include:

- » Rolling back the 2017 changes to the corporate tax rate and instituting a corporate minimum tax.
- » Raising the top individual income tax rates and capital gains rates.
- » Allowing Medicare to negotiate drug prices and lowering the cost of insulin.
- » Publicly funding pre-K for three- and four-year-olds nationwide.
- » Increasing federal healthcare subsidies.

For now, the Build Back Better Act has flatlined, and the future of its proposals will ultimately depend on who, if anyone, will blink.



# WHAT'S NEW AT HEMINGTON?



## Hemington is once again a Best Place to Work!

InvestmentNews recognized Hemington on their 2022 list of **Best Places to Work**. For

the fourth year in a row, Hemington was chosen as one of this year's top-75 RIAs in the country, based on employer and employee surveys delving into everything from company culture, benefits, career paths, and more.

InvestmentNews partnered with Best Companies Group, an independent research firm specializing in identifying great places to work, to compile the survey and recognition program. The InvestmentNews Best Places to Work for Financial Advisers program showcases financial advisory businesses that create supportive work environments for all their professionals and recognize the importance of a strong work culture.



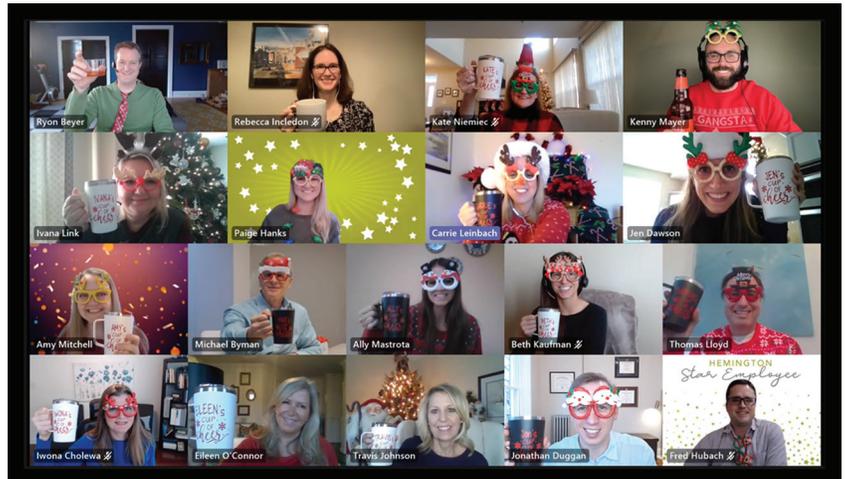
The Hemington team enjoyed an in-person dinner to celebrate the holiday season and a great year.



## Forbes Top Women Wealth Advisor

**Eileen O'Connor** was honored as a Forbes America's Top Women Wealth Advisors

Best-In-State for 2022, **ranked 6th** in Virginia and **ranked 4th** in the Northern Virginia area. Chosen via a thorough vetting methodology headed by SHOOK Research, Eileen was selected through qualitative and quantitative industry research focused on finding advisors that are leading the way in offering best practices and providing a high-quality experience for clients.



Celebrating the season, virtually!

## About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

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