



Taxland Newsletter
2022

OCTOBER ISSUE

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UPCOMING DEADLINES:

4TH QTR ESTIMATED TAX PAYMENTS DUE **01-16-23**
YEAR END TAX PLANNING CONTACT US BY **12-03-22**

IRS Debt Forgiveness Program

The IRS debt forgiveness program is an initiative set up by the Internal Revenue Services to facilitate repayments and to offer tools and assistance to taxpayers that owe money to the IRS. An Offer in Compromise allows you to settle your tax debt for less than the full amount you owe. It may be a legitimate option if you can't pay your full tax liability or doing so creates a financial hardship.

Who is eligible?:

- Filed all required tax returns and made all required estimated payments.
- Aren't in an open bankruptcy proceeding.
- Have a valid extension for a current year return (if applying for the current year).
- Are an employer and made tax deposits for the current and past 2 quarters before your application

Payment Options:

- Lump Sum Cash: Submit an initial payment of 20% of the total offer amount with your application. If we accept your offer, you'll receive written confirmation. You must pay any remaining balance due on the offer in five or fewer payments.
- Periodic Payment: Submit your initial payment with your application. Continue to pay the remaining balance in monthly installments while the IRS considers your offer. If the IRS accepts your offer, continue to pay monthly until it is paid in full.

Innocent Spouse Relief vs Injured Spouse

The IRS treats both Innocent Spouse Relief and Injured Spouse very differently. You may qualify as an injured spouse if your joint income tax refund was held back and applied toward your spouse's past due liability for certain debts, including defaulted student loans, taxes, or child support. In contrast, you may qualify as an innocent spouse if you signed a joint income tax return but were not aware that your spouse understated the tax liability.

To qualify for injured spouse relief, you must report income (such as wages) and make payments (such as federal income tax withholding or estimated tax payments) regarding your joint return. Part or all of your overpayment must have been applied to your spouse's past-due debt. If this is the case, you may be eligible to claim your share of a refund.

However, if taxes were understated because your spouse omitted income or claimed improper deductions or credits without your knowledge, an exception may be made: You may qualify as an

innocent spouse. You may be entitled to innocent spouse relief if you did not know (and had no reason to know) of the understatement of tax and if, considering all the facts and circumstances, it would be unfair to hold you responsible for the understatement.

Student Loan Debt Relief

President Joe Biden's student loan forgiveness program, announced in August, will cancel up to \$20,000 in debt per borrower. The application process is now open, and the administration says the forms should take five minutes to complete.

Borrowers who apply before mid-November should see forgiveness before Jan. 1, when payments on loans are scheduled to restart after a pause during the pandemic. Some Republican-led states have filed lawsuits to try to stop the cancellation, but the Biden administration says they're confident the challenges won't succeed. Below is the application link and information about who qualifies.

Who qualifies for student loan forgiveness?

You qualify to have up to \$10,000 forgiven if your loan is held by the Department of Education and you make less than \$125,000 individually or \$250,000 for a family. If you received Pell grants, which are reserved for undergraduates with the most significant financial need, you can have up to \$20,000 forgiven. If you are a current borrower and a dependent student, you will be eligible for relief based on your parents' income, rather than your own.

Application Link: <https://studentaid.gov>

Chapter 62F MA DOR Taxpayer Refunds

In this past fiscal year, Fiscal Year 2022, Massachusetts tax revenue collections exceeded the annual tax revenue cap set by Chapter 62F of the Massachusetts General Laws by \$2.941 billion. This excess revenue will be returned to taxpayers in the coming months. In general, eligible taxpayers will receive a credit in the form of a refund of approximately 13% of their Massachusetts personal income tax liability for Tax Year 2021. This percentage is a preliminary estimate and will be finalized in late October, after the 2021 individual tax return filing extension deadline of October 17, 2022. Please also note that credits may be reduced due to refund intercepts, including unpaid tax liability, unpaid child support, and certain other debts.

In order to be eligible, you must have filed a 2021 state tax return on or before September 15, 2023. If you are eligible for a refund, you will receive it automatically as a check sent through the mail or through direct deposit. Distribution of refunds is expected to begin in November 2022. No action is needed to receive your refund. More specific information about the timing for refunds will be shared closer to that time. You can use the estimator below to estimate your refund based on your Tax Year 2021 income tax liability:

<https://www.mass.gov/info-details/chapter-62f-taxpayer-refunds>

62F Refund Call Center: 877-677-9727 Available M-F, 9:00am-4:00pm

IF YOU ARE INTERESTED IN LEARNING MORE, CONTACT OUR OFFICE TO SCHEDULE A TELEPHONE CALL OR MEETING. WE ARE HERE TO HELP YOU.