

LARRYS INCOME TAX & BOOKKEEPING SERVICE INC

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JANUARY 15, 2024

Dear Client:

We wish each of you a prosperous, healthy, and Happy New Year! We appreciate your continued patronage and the trust you place in us, taking that honor seriously and with humble hearts. While there are many companies providing tax preparation services, you can be assured that based on our interview and the information you have given us, your tax return has been prepared in the most complete, accurate, and compliant manner as possible every time you leave our office. As a bonus, we try to make your visit an enjoyable, engaging, and informative experience.

First things first: Mr. Larry's condition and availability. After many years, we are starting to realize that there is someone who works harder than Mr. Larry...his guardian angel! Mr. Larry, thank God, is still very much with us and will continue to prepare taxes again this tax season. Like last year, he will operate strictly on a "drop off" basis and at his discretion. Due to his limited work schedule for health reasons, Mr. Larry asks for your patience and allowing a 2-3 week turnaround in the completion of your tax return. Finally, for those of you who kindly ask about "Mrs. Alma" (his wife and the real boss!)...she is doing well and still comes to the office on occasion outside of operating hours (behind the scenes), so you may bump into her if you're lucky.

As in prior years, e-filing will begin at the end of January. There are rumblings of possible legislation being passed early in 2024. It wouldn't be a shocker if Congress passes something and makes some aspects retroactive, so stay tuned. This is the perfect time to mention our Facebook page...we've already started posting daily updates and discounts to keep you well-informed. If you've already received ALL your forms and have ALL your information, we can prepare your taxes TODAY and you can relax, knowing your return will be one of the first ones filed in the country! When you come in, please let us know if your filing status, address, phone number, bank account info, or dependents have changed since the last time we saw you. Be aware that the IRS will likely increase the number of audits because the money allocated by Congress to their budget has greatly increased. Some of you may have received their "love letters" over the Christmas holidays, so you know the good old days of Covid-related mercy are long-gone! As always, be careful to report all income and claim expenses for only the deductions you have proof of. Proof can be canceled checks, bank statements, receipts, mileage and cash logs, etc. The tax appointment is not the time or place for you to tally your totals.

REMINDER: For the ninth year in a row, ALL returns claiming Earned Income Tax, Child Tax, and Dependent Care credits will not be finalized by IRS until the end of February, so those refunds will start arriving in March.

Nothing has changed from prior years when it comes to documentation required to claim child-related and college credits. IRS continues to select random filers and challenges various dependency and tax credits, so you need to be ready to provide the information below. We NEED to have the first two items listed on file, and you should have the other stuff "on standby" in case IRS challenges your filing status/dependency/tax credits (they have three years to ask you). Bring it and we'll keep copies for you.

If IRS sends you a letter asking you to prove anything, do not bring the letter to us. Send IRS the proof requested or they'll just stop processing your refund until they get it. So what is this "proof"? We're talking about things such as:

*LARRY'S TAX NEEDS: Child(ren)'s birth certificate and social security card

*LARRY'S TAX NEEDS: Your (and spouse's) current state-issued license or ID and social security card. If you have an ITIN, then we need the ITIN assignment letter

*School and medical records showing your child(ren)'s name and address matching the address on the return being filed

*Lease agreements listing your child(ren) as members of the household

*Court or agency documents that prove things such as legal custody of your kid(s) in divorce cases, legal guardianship for foster child(ren), and completed adoptions

*If IRS challenges your Head of Household filing status (especially if it involves large amounts of earned income or child credit), make sure to have sufficient proof that: 1) you have lived apart from your spouse at least the last six months of the year and 2) that the child(ren) lived with you and are legally yours. Should you get a letter from them, it is up to you to do what they ask and send the necessary information to them; otherwise, you forfeit the refund.

*Quick FYI for divorced parents---if it came down to a dispute between who gets to claim a child, IRS doesn't care

about joint custody paperwork; they only care about where the child has slept---so, even if you have joint custody, pay for 50% of costs, pay child support, but only took the child 100 nights of the year (instead of 183)---the custodial spouse technically has the right, per IRS rules, to claim the child---even with joint custody (btw, this isn't new info). Non-custodial parents may want to get in the habit of getting form 8332 when it's "your year" to claim your child (form where the custodial parent releases the exemption of the child for that year)

*Proof of childcare and local summer/winter camps paid for your kid(s) under 13 yrs old. Note that if one spouse stays home or has no income, this credit may not be available

*Receipts for school tuition/fees, uniforms, and supplies paid for your kid(s) in K-12th grade

*For dependent(s) aged 18-24 who are FT students: get form 1098T from student portal and keep copies of the canceled checks and/or receipts from the college or vocational school for paid tuition and books, as well as out of pocket school expenses (notebooks, computers, software subscriptions, etc---NOT food/lodging/travel. Paying with student loans is same as paying with your own funds. Remind your kid(s) to NOT CLAIM THEMSELVES if they prepare their own taxes!

*For self-employed individuals, keep copies of all actual receipts (a credit card statement showing \$341.67 payment to Home Depot only proves you bought *something* there. Keep canceled checks (some banks don't send copies so download/print the PDF copies, and make sure to report all the income you earn---whether or not you receive a 1099.

*If you itemized deductions, make sure to keep canceled checks and/or the letters from charitable organizations, out of pocket medical payments (pre-tax insurance doesn't count), and a log of your gambling losses (they go on schedule A, too).

*COVID-related mercy is over. Liens, collections, and audits are coming back, plus gig work earnings is being reported by different platforms. You've got to "audit proof" yourself by doing the above!

Please be aware that we are currently focusing on 2023 tax returns, and if you have questions regarding the tax laws that take effect in 2024 or want tax planning, we will be available for paid consultations after April 15th. **The space of this letter does not permit the listing of all the tax law changes for 2023.** Annual tax law changes seem to now be the norm, and are never simple. **The primary changes for 2023 are available on page 4 of this letter. They are also available on our website.** If you read this summary file, you can see that the changes surely did not simplify the tax preparation except for clients who have no dependents and one or two W-2's with no other income.

As usual, remember that we have a file titled "Basis Determination" on our website. It defines what basis is and how to calculate it. You need to keep track of your basis on any investments, whether you are investing or own any part of a business. We need to know your basis when you sell an investment. Most, but not all of the investment companies track your basis and let you know how much it is on a tax report they send to you in January or February. Sometimes your basis in the investment is not reported by them; therefore we need to know it because you do not pay capital gains tax on the entire sale price. You get to subtract your cost from sale proceeds to determine the gain.

Cryptocurrency keeps growing bit by bit. We hope you realize that the spending and/or selling of crypto represents a reportable transaction. Whether you "sell Dogecoin to buy Bitcoin", or simply buy a coffee with Bitcoin, you have to report that transaction to IRS, just as if you sold Exxon shares to buy Shell. Many of the exchanges will provide statements showing what you've bought, sold, and exchanged during the year---which will result in either a capital gain or a loss that needs to be reported. Some of you believe that, as long as you don't "cash out", there's nothing to report. While it's true that your broker or crypto exchange is holding your investments, YOU chose to leave the proceeds of the sale in there to buy more/different investments. IRS knows that you could have asked the broker to send you the cash. Bring the year end "tax-report" from the investment/crypto company so we can prepare your tax return properly. IRS most likely has that info and won't appreciate you leaving it off the return!

Please stop by our office if you would like **to pick up a free organizer to help you gather your information** and avoid overlooking something you may need to report. We also have some deduction worksheets available for specific occupations, especially self-employed. Additionally, we have brochures available in the front waiting area that are designed to help you in assembling your information to have your taxes prepared. Enclosed are a couple of business cards for you to distribute to friends or relatives who may be in need of professional tax preparation services. Again, we thank you for your continued patronage, loyalty, and referrals. Finally, please leave a positive review on any of our social media...Google, Facebook, Yelp, Our Website, etc....and help us continue spreading the word about our services!

Sincerely,

Carlos H. Jaubert
Carlos H. Jaubert, EA
Enrolled Agent

Michelle E. Jaubert
Michelle E. Jaubert, AFSP
Licensed Tax Preparer

Larry R. Jaubert
Larry R. Jaubert, EA, MBA, MSAT
Enrolled Agent

OFFICE PROCEDURES

As usual, let's discuss our office procedures so your experience is as fulfilling as possible:

We are open 9am-7pm, M-F and 9am-4pm on Saturdays. Masks will remain optional this tax season, and while our staff will not be wearing them, you're welcome to wear one and ask us to wear one during your tax appointment if it makes you feel more comfortable.

Mr. Larry will be preparing taxes strictly on a drop off basis. When you drop off the tax packet for him, please make sure EVERYTHING is included and clearly write down or highlight any concerns and/or changes for the year he may need to be aware of while preparing your tax return. Be sure to leave at least one good phone number and an email address for him to contact you. FYI, he may call you from an "unknown" number, so please answer your phone (you can always hang up if it's not him!).

Carlos and Michelle will continue to serve "walk-in" clients. Please note that "walk-in" customers will be seen only if time permits. Clients with appointments will be seen as close as possible to their allotted time slot, which means that while "walk-ins" are welcome to wait, you could get passed over (can be very frustrating!) and it may be advised to make an appointment or to come back another day.

We encourage you to set a tax appointment and ask you to be punctual. All appointments are scheduled for one hour, on the hour. In an effort to remain on schedule, we require a 24 hour advance notice for canceling/rescheduling your appointment. In the event you are running late, we'll allow a 5 minute grace period with the understanding that you may be asked to leave your information with us as a drop off, depending on your arrival time to our office and the remaining time left for your appointment. In addition to asking a client who is late to their appointment or misses it entirely, we may ask you to leave your information with us if you have a larger scale return that involves more time devoted to it for completion.

"No-shows" will get one chance to reschedule and will see a nominal \$25 "No-Show" fee added to the bill to help us recoup the lost revenue your empty slot represents. If you miss an already rescheduled time, you will have to come in as a "Walk-in" or use the 2-week "drop off" option.

If you're flexible, may we suggest dropping off your taxes? Many of you fell in love with this concept during COVID. We have two drop off options: **OPTION A:** schedule an appointment, show up on time, we discuss any concerns for a couple of minutes and then you leave to run errands, hit the gym, get lunch, go home and take a nap---whatever you want. We'll be preparing your taxes during your allotted time slot---just as if you were sitting at our desk! We'll then call you a few hours later when it's complete. **OPTION B:** drop off your tax packet, at your leisure---without an appointment---and we'll complete your return and call you within a couple of weeks when it's ready. Please include at least one good phone number and email address.

YOUR appointment is for YOUR tax preparation. Please do not bring any surprise friends or family members with you because we may not be able to serve them as we try to remain on schedule. We ABSOLUTELY LOVE it when you honor us by referring your loved ones, but we must ask that you schedule back-to-back appointments for your friends and family who wish to come with you on the same day. As for your kids' info, you may have to leave it with us.

When leaving a phone message, please be very detailed and leave a good phone number and an email to help us reply to you sooner. We may not have the time to return the call that same day. You can help by leaving a detailed message and we can ask one of our bookkeepers to return the call with the answer. Often, the only "free time" we have is after hours (super early or super late)---and being able to email you a response really helps us manage our time. These 3.5 months of tax season demand most of the time we're awake, and we need your help and patience in that process, please!

There will be no automatic discounts. The discounts we offer will be published on our facebook page and/or our web site. Like our page for tax-related articles and content. Our prices are very reasonable. No, they're not the cheapest, but we're a bargain for the quality, expertise, and knowledge you receive. No lie---many clients tell us we don't charge enough for what we do!

INFORMATION TO BRING TO YOUR TAX APPOINTMENT INTERVIEW:

1. Wage and/ or Pension, Social Security, or Unemployment statement — your W-2s or 1099 forms, state tax refund or other income or loss end of year statements, Gambling Income and losses (W-2 Gs)--if you won, obtain loss statements from the casinos).
2. Interest, Dividend and Investment Income (including crypto) end of year total earnings statements — 1099s or K-1s from bank or investment firm. If you sold stocks, investments, or crypto during the year, we need to know when you originally bought the investment and what you originally paid for it, whether you reinvested earnings, as well as date of sale and amount you sold the investment for. The IRS will send notices of balance due as a result of neglecting to report this information without giving you credit for what you originally paid.
3. Self-employment income and expenses (please total the expenses by category types, as we charge bookkeeping fees if we need to do this), business mileage logs or totals. If office in home, we need to know the total utilities, mortgage interest and property tax (or total rent paid), insurance; repairs or maintenance (including alarms/pest control) for the year. Also, the square footage of office area and entire living area of house, as well as purchase price of house, major improvement costs.
4. Rental Income and expenses (total your receipts by types of expenses, mortgage interest, insurance, repairs, utilities, etc.).
5. **Alimony paid or received during the year for divorces prior to 2019**, include the name and social security number of recipient. Divorces finalized after 2019 do not report anything.
6. Purchase or sale of residential house, rental, investment, or business property. Please bring the HUD statement, Act of sale, 1099-S, or any other documents related to the transaction.
7. Medical expenses totaled by type of expenses paid by you out of pocket: Doctors, Hospitals, Clinics, Eye care, Dental, Medical Insurance (not pretax), Mileages for medical care. FYI, to claim medical expenses, you must first A) have enough “stuff” to itemize (mortgage interest, property tax, donations gambling losses) instead of taking standard deduction and B) if we multiply your AGI by 7.5%, that amount of medical expense is excluded.
8. Property tax paid. State withholdings we can obtain from your W-2. Estimated state tax paid for 2023. 2022 state tax paid.
9. Charitable donations, check donations and non-cash donations such as value of clothes to Goodwill, Salvation Army, etc. Charitable mileage. You must keep receipts for your records (cancelled checks or donation letters). Undocumented donations are not deductible.
10. Can deduct college and votech expense for tuition, fees, and supplies and student loan interest paid on federal. On Louisiana, deduct kids’ private tuition, uniforms, books and supplies (grades K - 12)
11. Mortgage Interest and points are only deductible if the loan proceeds (up to \$750K) were used to acquire or improve your home. If you refinanced---can only deduct interest related to original home debt. Interest related to extra cash out is not deductible
12. **Work expenses and other miscellaneous deductions are not deductible in 2023 except for the self employed or owners of an LLC, Partnership, or Corporation.** Some of these expenses would be professional dues, required work supplies, work tools, and required use of vehicle (calling on clients or for other business trips). You may give us mileage information totals as to total business miles, commuting miles, personal miles used or an actual completed log. You must keep a completed log for at least 3 years to prove it us. If claiming actual expense, we need to know whether you are buying or leasing, purchase date and price as well as yearly totals for gas, repairs, maintenance, insurance and loan interest. We still need the mileage information. Also, did you receive any reimbursements from the customer that you are not including in income? For business meal deductions, you must have receipts that have 5 items recorded on front or back of receipt. These are the date of meal, place of meal, whom meal was with, purpose of meal, and amount spent on meal. No more deductions are allowed for entertainment.
13. Child care expenses paid to day care providers including the provider name, telephone number, address, and tax ID number. If the facility is Louisiana “star rated”, make sure to get form R-10614
14. Form 1095-A from Louisiana marketplace insurance provider. Please do not misplace it.
15. List of estimated tax payments to Federal and State showing dates and amounts paid towards 2023.
16. Social Security Card and Picture ID or Driver’s License, if claiming EITC and/or Bank Products. Also Social Security Card and Birth Certificate as well as PROOF the child lived with you in 2023. IRS REQUIRES THIS.
17. Any other information in regards to income that you earned or expenses that you believe to be deductible. Please ask us about it or show us the information during your tax appointment. It is better to ask now than to get a letter from IRS in 1-2 years (and trust us---they’re back!). You must save all of your receipts, cancelled checks, credit card statements, and other proof of deductions you claim for a minimum of three years. Vehicle mileage logs should be completed during the year to prove the business mileage and usage of the vehicle for which vehicle expenses are claimed. PLEASE MAKE YOUR TAX APPOINTMENT EARLY.

Some of the most significant change effective for 2023 tax returns are:

1. The standard deduction for single individuals increased to \$13,850, \$20,800 for head of household, and \$27,700 for married filing jointly. An extra \$1,850 deduction is available if you're aged 65 or older or are blind.
2. For 2023, required minimum distributions must have been taken for those who are 73 or older.
3. For 2023, the business meal deduction has come back down to 50%.
4. Business mileage deduction was 65.5 cents per mile (2024's rate is 67 cpm)
5. The child and dependent care credit could be worth as much as \$1,050 for one child (\$2,100 for two or more qualifying children). However, most people will qualify for a lower amount, due to income limitations.
6. The child tax credit, which is different from the child care credit explained above, **falls to \$2,000** per child (17 or younger). Louisiana offers a partial refundable credit for this federal credit.
7. If your health insurance is thru the Marketplace (healthcare.gov), **we need the form 1095-A that they mail to you.** If you do not receive it by the end of January, call 1-800-318-2596 to get another form mailed to you. You can also come by our office and ask us to print you a blank 1095-A that you can complete over the phone with them. We use the information on form 1095-A to reconcile advance premium tax credits received throughout the year and IRS will just "park" your return if the info is not included (you may end up owing them or vice versa).
8. Reminder: if you have any taxable income that causes social security to be taxable on the federal tax return, then you should ask the social security administration to withhold some federal tax (use form W-4V)
9. 1099k will be issued for >200 transactions and >\$20,000 for the year (2024 will be if >\$5,000)
10. In the most recent seminar, we were told IRS is almost caught up with paper return and correspondence backlog. Also, many issues qualify for a "callback" option so you don't have to wait on hold for long times (works great!).
11. There are now expanded amounts for qualifying home energy equipment and improvements, plus electric vehicles... (personal or commercial use, some used individual cars qualify too!). We need documentation from manufacturing, and, in the case of vehicles, the window sticker with the VIN. Beware that all models don't automatically qualify, so it's a good idea to check with the IRS webpage to make sure yours is in there.
12. Finally, there is a new requirement for entities created through Secretary of State (all LLCs and most corporations) to file an information report with the US Department of the Treasury via their website, <https://www.fincen.gov/boi> **There is no fee but the penalty for not filing on time is \$500 a day (YES---\$500 PER DAY!!).** We will not be providing this service, but it should be very easy to complete on your own. **The reason we won't get involved is that EVERY time something changes (telephone, address, last name due to marriage/divorce, etc), this must be updated or you risk the \$500 daily penalty if not done within 30 days.** The website is available now but the deadline for all entities that were already in existence as of 12/31/23 is going to be 12/31/2024. If you create an entity in 2024, you will have 90 days to file the information. All entities created in 2025 and beyond will have 30 days to comply. There is an FAQ section available on their website that has more details if this requirement applies to you.