



2022 Tax

NEWSLETTER

2022 was another year filled with uncertainty. In 2020 and 2021 that uncertainty was mostly surrounding COVID-19. In 2022, as we emerge from the pandemic, we are left with economic uncertainty, rising interest rates, inflation, and an ever changing job market. We will discuss how these uncertainties have impacted us as well as offer some advice on how you can take advantage of the uncertainty. As always, thank you for your support. We look forward to serving you again this year!



Rising Interest Rates and Inflation

During the pandemic, trillions of dollars were injected into the economy. Americans are now paying the price for these programs in the form of inflation. As costs go up, businesses raise their prices. Unfortunately, none of us are exempt from this phenomenon. In order for us to continue to offer the level of service you deserve and have come to expect, you may see an increase in our fees. If you have any questions or concerns regarding your invoices, please don't hesitate to reach out to Dan or Vitalys directly.

Planning Strategies that **do not** need to be implemented by December 31, 2022.

1. Health Saving Account Funding: The deadline for HSA funding is April 18, 2023.
2. Traditional and/or Roth IRA Contribution: The deadline is April 18, 2023.

Planning Strategies That **do** need to be implemented by December 31, 2022.

1. Alternate years for Tax payments and Charitable giving: bunching these itemized deductions may get you over the board of the standard deduction.
2. Laws can govern the treatment of labour and employee relations, worker protection and safety, discrimination on the basis.

Meet Sarah Shaw!

Hello! I joined the M&A team this spring and look forward to meeting you all. I have over 20 years of administrative experience and previous experience working in a tax firm. I will be the voice on the phone that helps you get your questions answered and appointments scheduled. You can meet me in the Kent City office year-round. In my free time I enjoy spending time with my pup and nieces, gardening and reading.



A Down Market

While a down market is a concern for most of us, it may also provide some opportunities.

Roth Conversion: A traditional IRA is an IRA in which the contributions are (usually) deductible and the distributions are taxed. A Roth is the opposite. The contributions are taxed, but the distributions are tax free. When you convert from a traditional IRA to a Roth IRA you take the pre-tax dollars from your IRA and voluntarily pay tax on them. In a down market, you're theoretically paying tax on a lower amount of assets, and then those assets can recover in the market, allowing you to later withdraw them tax-free from your Roth.

Tax Loss Harvesting: A down market often allows us an opportunity to harvest tax losses. This is a strategy to lower current



taxes paid by deliberately taking a capital loss to offset taxes owed on other capital gains. If you don't have other gains to offset, the losses can be carried forward to offset future gains or ordinary income. This strategy also works with cryptocurrencies. One major difference between crypto and security loss harvesting is that cryptos are not subject to wash sale rules. In other words, one with a crypto holding could sell at a loss to generate a capital loss, then immediately repurchase to maintain their holding position.

“It’s always important to speak with us about what is best for your particular situation, but implementing these strategies before year-end could result in significant tax savings.”



Charitable Donations

In 2022 we can only deduct our charitable contributions if we itemize. The ability to deduct donations as an above the line donation if we took the standard deduction expired at the end of 2021.

If you are charitably inclined and take the standard deduction, you may benefit from making a qualified charitable distribution (QCD). These donations are made directly from your IRA to a qualified charity. The distributions can be used to satisfy your required minimum distribution and excluded from your taxable income.



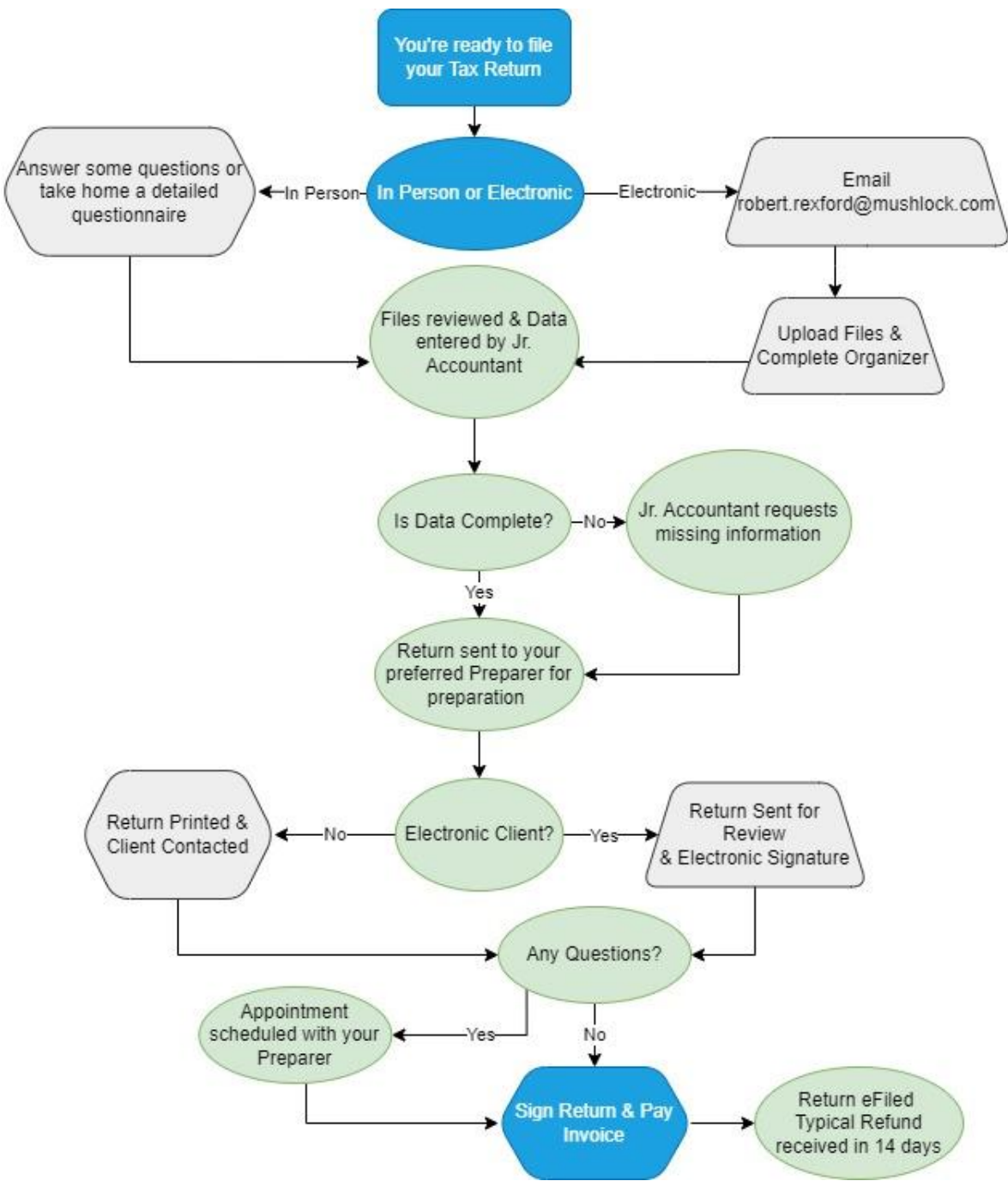
Small Business Owners

1. Mileage Rate: The IRS raised the standard mileage rate from 58.5 to 62.5 cents per mile on July 1, 2022. This means your mileage will need to be reported separately for the first and second half of the year. Additionally, the IRS is cracking down on incomplete logs. The logs need to be written contemporaneous logs that include the person you met with and the business purpose of the meeting.
2. Defer Income: Taxpayers that use the cash method can defer income by billing and collecting revenue after year-end.
3. Accelerate Expenses: Cash basis taxpayers can prepay expenses before year end.
4. Bonus Depreciation: Take advantage of the 100% bonus depreciation deduction available for new and used property used in business prior to December 31, 2022. This percentage will drop from 100% to 80% in 2023 and taper off until completely phased out in 2027.
5. Set Up a Retirement Plan: A 401(k) must be set up before December 31, 2022. The total employee/employer contribution limit is \$61,000 or the employee's compensation, whichever is less. If you miss the 401(k) deadline, all is not lost. You may benefit from setting up a Self Employed Pension (SEP). These can be set up and funded until the due date of your return (including extension).
6. Home Office Deduction: If you use part of your home regularly and exclusively as your principal place of business you can either deduct a portion of your eligible home expenses or use a simplified method of \$1,500 (\$5/square foot up to 300 square feet).

Tax Returns: The M&A Way

At Mushlock & Associates we deploy a team specialized in each aspect of the preparation of your tax return. Starting with our Office Manager, Sarah Shaw, Jr Accountants, Sr Accountant, and our IT Director. All may be reaching out to you during the process to make sure we are maximizing your tax return's potential.

To the right is a high level flowchart that breaks down the process, both internally at M&A and our expectations for you.



Tax, Accounting, and Financial Advising

Mushlock & Associates is excited to announce our newly formed alliance with Horizon Advisers. This is the first in a number of exciting announcements surrounding the direction of Mushlock & Associates. We believe tax and financial planning go hand and hand. Being tax savvy is an integral part of a comprehensive financial plan. We will continue to work with the many great advisors we've gotten to know over the years, however some lack the tools, time, expertise, or are prohibited from offering tax guidance. This partnership will allow you to keep, grow, and protect more of your hard earned money.



We also offer...

Financial Planning and Asset Management*

- Develop a financial plan tailored to your specific situation
- Keeping you on track with your priorities and retirement goals
- Do you have an old 401k or IRA? We can consolidate your accounts to reduce complexity and make sure you are invested properly
- College funding analysis and planning

Risk Management*

- Life insurance portfolio review
- Income protection strategies
- Social Security Analysis
- Long term care planning

Estate Planning*

- Do you have a trust, will, medical & financial power of attorneys? We can assist in reviewing these to make sure they are up to date and complete
- Strategies to tax efficiently pass assets on to beneficiaries

Business Owners and Group Benefits*

- Group benefits review of life, disability, and health insurances
- Retirement plan review
- Business transition or succession planning

*Alexander Garrett - Senior Partner, Financial Adviser - Horizon Advisers Financial Advisor offering securities and advisory services through Cetera Advisor Network LLC, member FINRA/SIPC, a broker/dealer and a Registered Investment Adviser

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