



DESK REFERENCE

TAX RETURN PREPARERS' DUE DILIGENCE REQUIREMENTS

Under the Internal Revenue Code, a penalty can be assessed against a paid tax preparer for not meeting due diligence requirements when preparing a return or claim for refund claiming:

- Earned Income Tax Credit (EITC),
- Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), Credit for Other Dependents (ODC),
- American Opportunity Tax Credit (AOTC), or
- Head of Household (HOH) filing status.

For a return or claim for refund filed in 2022, the penalty that can be assessed against you is **\$545 per failure**. Therefore, if due diligence requirements are not met on a return or claim for refund claiming the EITC, CTC/ACTC/ODC, AOTC and HOH filing status, the penalty can be **up to \$2,180 per return or claim**.

DUE DILIGENCE REQUIREMENTS

1. Complete and Submit Form 8867 (Treas. Reg. section 1.6695-2(b)(1))

2. Compute the Credits (Treas. Reg. section 1.6695-2(b)(2))

3. Knowledge (Treas. Reg. section 1.6695-2(b)(3))

4. Keep Records for Three Years (Treas. Reg. section 1.6695-2(b)(4))

For more information on due diligence requirements set forth by the Internal Revenue Service visit:
<https://www.eitc.irs.gov/tax-preparer-toolkit/preparer-due-diligence/due-diligence-law/eitc-due-diligence-law-and-regulation>

BASIC SECURITY PLAN CONSIDERATION FOR TAX PROFESSIONALS

Review your security plan and be sure to include security procedures in the training of your staff. Make sure your office security plan is up-to-date, review your internal security controls and be sure your staff is trained on security procedures to help ensure that your office network is secure against takeovers. Items to include in your office security plan are the following:

- Know your customer information (names, addresses, email, bank accounts, etc)
- Have employee protocols
- Protect passwords (length, upper case/lower case, numbers, special characters, phrases)
- Encrypt files and email: use anti-virus software and establish firewall protections
- Dispose properly (files, computers, printers, thumb drives)
- Know what your insurance covers and know who to contact in event of breach

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

BASIC SECURITY PLAN CONSIDERATION FOR TAX PROFESSIONALS cont.

This document is not intended to be all inclusive, but as a starting point for security plan development. Security plans should be appropriate for the type and size of your business. Available security plan resources to tax professionals include:

- IRS Taxes-Security-Together Checklist (www.irs.gov/tax-professionals/tax-security-20-the-taxes-security-together-checklist)
- IRS Publication 4557, Safeguarding Taxpayer Data (www.IRS.gov)
- NIST Report 7621, Small Business Information Security (www.NIST.gov)

2021 FILING REQUIREMENTS FOR MOST TAXPAYERS

If the taxpayer's filing status is...	AND at the end of 2021 the taxpayer was...	THEN file a return if the taxpayer's gross income was at least...
Single	Under 65	\$12,550
	65 or older	\$14,250
Married Filing Jointly	Under 65 (both spouses)	\$25,100
	65 or older (one spouse)	\$26,450
	65 or older (both spouses)	\$27,800
Married Filing Separately	Any age	\$5
Head of Household	Under 65	\$18,800
	65 or older	\$20,500
Qualifying Widow(er) with Dependent Child	Under 65	\$25,100
	65 or older	\$26,450

2021 STANDARD DEDUCTIONS

If the taxpayer's filing status is...	Base amounts	Additional amounts for blindness or over age 65
Single	\$12,550	\$1,700
Married Filing Jointly	\$25,100	\$1,350
Married Filing Separately	\$12,550	\$1,350
Head of Household	\$18,800	\$1,700
Qualifying Widow(er) with Dependent Child	\$25,100	\$1,350
Dependent of Another	\$1,100 (or Earned income + \$350)	\$1,350 (\$1,700 if Single or HOH)



CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

2021 EARNED INCOME CREDIT

Single, Married Filing Separately, Head of Household, and Qualifying Widow(er)	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	EIC Phaseout Limit
	AT LEAST	BUT LESS THAN		
No Children	\$9,820	\$11,610	\$1,502	\$21,430
One Child	\$10,640	\$19,520	\$3,618	\$42,158
Two Children	\$14,950	\$19,520	\$5,980	\$47,915
Three or More Children	\$14,950	\$19,529	\$6,728	\$51,464

Married Filing Jointly	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	EIC Phaseout Limit
	AT LEAST	BUT LESS THAN		
No Children	\$9,820	\$17,560	\$1,502	\$27,380
One Child	\$10,640	\$25,470	\$3,618	\$48,108
Two Children	\$14,950	\$25,470	\$5,980	\$53,865
Three or More Children	\$14,950	\$25,470	\$6,728	\$57,414

The maximum amount of investment income the taxpayer can have and still receive EIC has increased to **\$10,000**.

For more information on Earned Income Credit, visit: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eic>

REFUNDABLE CHILD TAX CREDIT

Single, Head of Household, and Married Filing Jointly	Child Tax Credit Phaseout Ranges		Children under 6	Children under 18
	1st Phaseout Begins ¹	2nd Phaseout Begins ²		
Single	\$75,000	\$200,000	\$3,600	\$3,000
Head of Household	\$112,500	\$200,000		
Married Filing Jointly	\$150,000	\$400,000		

¹ 1st phaseout will begin to reduce the credit to \$2,000 when AGI reaches each range

² 2nd phaseout will begin to reduce the credit to \$0 when AGI reaches each range

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

ADVANCE CHILD TAX CREDIT PAYMENTS

Advance Child Tax Credit payments are early payments from the IRS of 50% of the estimated amount of the Child Tax Credit that you may properly claim on your 2021 tax return during the 2022 tax filing season. If the IRS has processed your 2020 tax return or 2019 tax return, these monthly payments will be made starting in July and through December 2021, based on the information contained in that return.

When you file your 2021 tax return during the 2022 tax filing season, you will need to compare:

1. The total amount of the advance Child Tax Credit payments that you received during 2021; with
2. The amount of the Child Tax Credit that you can properly claim on your 2021 tax return.

Excess Child Tax Credit Amount: If the amount of your Child Tax Credit exceeds the total amount of your advance Child Tax Credit payments, you can claim the remaining amount of your Child Tax Credit on your 2021 tax return.

Excess Advance Child Credit Payment Amount: If you receive a total amount of advance Child Tax Credit payments that exceeds the amount of Child Tax Credit that you can properly claim on your 2021 tax year, you may need to repay to the IRS some or all of that excess payment.

In January 2022, the IRS will send Letter 6419 to provide the total amount of advance Child Tax Credit payments that were disbursed to you during 2021.

REFUNDABLE CHILD AND DEPENDENT CARE CREDIT

The child and dependent care credit is a tax credit calculated based on income and a percentage of expenses that are incurred for the care of qualifying persons to enable taxpayer to go to work, look for work, or attend school. For 2021, the American Rescue Plan Act of 2021, enacted March 11, 2021, made the credit substantially more generous (**up to \$4,000 for one qualifying person and \$8,000 for two or more qualifying persons**) and fully refundable. However, taxpayers with an adjusted gross income over \$438,000 are not eligible for this credit even though they may have previously been able to claim this credit.

AGI Over	But Not Over	Percentage
\$0	\$125,000	50%
\$125,000	\$438,000	49%-1%
\$438,000		0%

Eligibility depends on if you (or your spouse in the case of a joint return) pay someone to care for one or more qualifying persons in order for you to work or look for work, and your income level is within the income limits set for the credit. If you are married, you must file a joint return to claim the credit. However, if you are legally separated or living apart from your spouse, you may be able to file a separate return and still claim the credit.

Earned Income Requirements: You (and your spouse in the case of a joint return) must have earned income during the year to claim the credit.

For more information on the Child and Dependent Care Credit visit: www.irs.gov/newsroom/child-and-dependent-care-credit-faqs

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

2021 INDIVIDUAL TAX RATE SCHEDULES

Rate	Single Individuals	Married Individuals Filing Jointly	Heads of Households
10%	Up to \$9,950	Up to \$19,900	Up to \$14,200
12%	\$9,951 - \$40,525	\$19,901 - \$81,050	\$14,201 - \$54,200
22%	\$40,526 - \$86,375	\$81,051 - \$172,750	\$54,201 - \$86,350
24%	\$86,376 - \$164,925	\$172,751 - \$329,850	\$86,351 - \$164,900
32%	\$164,926 - \$209,425	\$329,851 - \$418,850	\$164,901 - \$209,400
35%	\$209,426 - \$523,600	\$418,851 - \$628,300	\$209,401 - \$523,600
37%	\$523,601 +	\$628,301 +	\$523,601 +

2021 CORPORATE TAX RATES

Federal corporate income tax rate **21%**

2021 ESTATE AND TRUST TAX RATES

Rate	Limits
10%	Up to \$2,650
24%	\$2,651 - \$9,550
35%	\$9,551 - \$13,050
37%	\$13,050 +



2021 CAPITAL GAINS TAX RATES & BRACKETS (LONG-TERM CAPITAL GAINS)

Rate	Unmarried Individuals, Taxable Income over	Married Individuals Filing Jointly, Taxable Income over	Heads of Households, Taxable Income over
0%	\$0	\$0	\$0
15%	\$40,400	\$80,800	\$54,100
20%	\$445,850	\$501,600	\$473,750

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

2021 ALTERNATIVE MINIMUM TAX RATES

Rate	Alternative Minimum Taxable Income
26%	First \$199,900 (\$99,950 Married Filing Separately) of AMTI
28%	Over \$199,900 of AMTI

2021 GIFT TAX ANNUAL EXCLUSION

Exclusion	\$15,000
Exclusion for gift to spouse who is not a U.S. citizen	\$159,000

2021 STANDARD MILEAGE RATES

Business mileage	\$0.56/mile
Charitable mileage	\$0.14/mile
Medical/Moving mileage	\$0.16/mile

2021 IRA CONTRIBUTION LIMITS

Regular Contributions	
2021 Maximum Contribution	\$6,000
“Catch Up” Contributions for Taxpayer’s 50 and over	
2021 Catch Up	\$1,000

2021 401(K) CONTRIBUTION LIMITS

Maximum Deferral	\$19,500
2021 Catch Up Contributions and Elective Deferrals	\$26,000

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL





DESK REFERENCE

CONTINUED

EDUCATION CREDIT COMPARISONS

Lifetime Learning Credit	American Opportunity Credit
Up to \$2,000 credit per return	Up to \$2,500/Up to 40% is refundable
Maximum lifetime learning rate is 20%	100% of first \$2,000 plus 25% of next \$2,000
Available for all years of post-secondary education and for courses to acquire or improve job skills	Available for four years of college and ONLY if the student had not completed the first 4 years of postsecondary education before 2021
Available for an unlimited number of years	Available ONLY for 4 tax years per eligible student (including any years the Hope Credit was claimed)
Student doesn't need to be pursuing a program leading to a degree or other recognized education credential	AGI phaseout between \$80,000 - \$90,000 (\$160K - \$180K MFJ)
Available for one or more courses	Student must be enrolled at least half time for at least one academic period beginning during 2021 (or the first 3 months of 2022 if the qualified expenses were paid in 2021)
Felony drug conviction rule does not apply	As of the end of 2021, the student had not been convicted of a felony for possession or distribution of a controlled substance

EDUCATION CREDIT COMPARISONS

Lifetime Learning Credit		American Opportunity Credit
Married Filing Jointly	\$160,000 - \$180,000	\$160,000 - \$180,000
All other filing statuses	\$80,000 - \$90,000	\$80,000 - \$90,000

CONTACT US TODAY TO LEARN MORE!

CrossLinkTax.com sales@CrossLinkTax.com 800.345.4337

SOCIAL

