

Preparing to File Taxes



Why should I file Taxes?

Refunds by the Numbers

The average taxpayer who received a refund for their 2021 taxes got \$3,200 back! 77% of Americans who filed taxes for 2021 got a refund! However, this coming year's refund may be a little smaller for most people due to changes in the tax code.

1. **You may get a refund!** Even if you:
 - o Are filing back taxes (for previous years)
 - o Are not required to file taxes, especially if
 - i. Your employer took taxes out of your paycheck.
 - ii. **You have children or other dependents in your care. Nearly every family is eligible for tax credits you can only get by filing a tax return.**
 - iii. You pay out of pocket for childcare or care of another dependent.

New on Your 2022 Taxes

Earned Income Tax Credit (EITC): Eligible taxpayers with no children who received roughly \$1,500 in 2021 will now get a maximum of \$530 in 2022. ([More info](#))

Child Tax Credit (CTC): Families who got \$3,600 per dependent in 2021 for the CTC will, if eligible, get \$2,000 for the 2022 tax year. ([More info](#)) It's also not too late to get your 2021 Expanded Child Tax Credit! You may be eligible even if you didn't have earnings in 2021 or don't usually file income taxes. ([More info](#))

Child and Dependent Care Tax Credit (CDCTC): This tax credit helps offset expenses you pay for childcare or the care of an adult dependent who is unable to care for themselves. This tax season the CDCTC returns to a maximum of \$2,100 in 2022 instead of \$8,000 in 2021. ([More info](#))

2. This can be a chance to **reduce your debt** with student loans, IRS, or Child Support. Even if filing won't mean cash in hand for you, garnishments mean that your debt will be reduced by that amount and not filing leaves you without the cash and still with the full amount of the debt.

3. If you will owe taxes based on your income, **not filing now could mean additional fees and penalties** in the future that can keep accumulating over time.

Penalties for not paying taxes

The government can:

- Charge you various late fees and interest on your tax bill
- Put a lien on or seize your personal property
- Take your refund
- File criminal charges for tax evasion
- Revoke your passport

4. If you purchased health insurance on the Healthcare Marketplace and received a tax credit to help pay your premiums, you are required to file taxes or you may be charged penalties or not be allowed to re-enroll in healthcare next year.

Need help figuring out if you have to or should file this year?

You can check out the full requirements for Federal Taxes [here](#) and NC State Taxes [here](#). You can find other state requirements by looking online.

You can also find a ton of information and answers to your questions about filing federal income taxes [here](#).

Get ready to file

Gather Your Documents

You will need each piece of information and documentation for everyone you are filing with. This includes you, potentially your spouse, as well as any dependents you will be claiming on this year's tax returns.

Information everyone needs in order to file:

- **Social Security Numbers or ITINs**
- **Dates of birth**
- **Mailing address and phone #**
- **Statements of all income earned** (e.g., W-2, W-2G, 1099-R, etc.)

Additional documents many people find helpful and are required in some situations for filing taxes:

- **Documentation of health insurance coverage** IF you (or anyone you are filing with) used a Marketplace/ACA/Obamacare plan (1095A, 1095B, or 1095 C Health Insurance Forms)
- **Proof of any tax credits, tax deductions, or tax exclusions** -- most common are:
 - If you have **business expenses**: statements of those you will be deducting
 - If you have **Childcare expenses**: Child Care provider's name, identification number, and amounts paid for these expenses
 - If you have **interest/dividend income**: Statements of interest/dividends from banks, brokerages, etc.
 - Amounts/dates of any **estimated or other tax payments made**
- **Your bank account number and routing number** (if you will want your refund **Direct Deposited** into your account)
- A copy of your **past tax return** (if available) **or last year's filing PIN**

Worried you might be missing something? See [here](#) for a complete list of documents you might need from the Center for Budget and Policy Priorities.

What If I can't find my income and/or wage forms?

You can:

- Contact past employers for W-2s or other income sources if applicable
- Request a Wage and Income Transcript from the IRS [online or by mail](#)
- Call 844-545-5460 to make an appointment with your local IRS office for assistance.

What is the Wage and Income Transcript?

The Wage and Income Transcript shows data the IRS collects from forms like the W-2, 1099, 1098 and Form 5498, IRA Contribution Information, etc. Current tax year information may not be complete until July after the April filing period. This transcript is available for up to 10 prior years!

Here are the types of transcripts people tend to need a copy of for tax filing purposes (you may only need one of them depending on your situation):

- If you need **your income information**, request a "Wage & Income Transcript."
 1. The transcript will have the income and wage information that you need to file taxes.
 2. You cannot obtain W-2s, 10-99s, or other wage information through the IRS for free, but transcripts will work just as well and are free!
- If you need **your tax return from last year**, request the "Tax Return Transcript."

You must have a Social Security Number (SSN) and other personal information to verify your identity in order to use this system.

If you are unsuccessful in retrieving the necessary transcript(s) using the online tool: you can also mail or fax [Form 4506-T](#), *Request for Transcript of Tax Return* (it's the same form for both 🧑, you just indicate on the form which one you need!). Expect to receive your transcript within 5 to 10 business days from the time the IRS receives your request.

Where should I file?

Watch Out!

Look out for tax services like H&R Block, Liberty Tax, or other companies promising a larger or faster refund. These services are not free!

These companies often charge a premium price, and take a portion of your refund from you for their services.

If you still would prefer to find a private tax preparer here is some information to help you make a safe and informed choice:

- [Tips to help choose a reputable tax preparer from the IRS](#)
- [Finding a tax preparer to match your needs and how to check their credentials from the IRS](#)
- [Common Tax Scams and Tips to Help Taxpayers Avoid them from the IRS](#)

Your Financial Counselor can help you put together and gather your documents no matter which options you choose for filing!!!

FREE Tax Filing Options that are secure and designed to help you maximize your refund include:

<p>Free online tax filing software is available that allows you to file for yourself with confidence you are getting the right return.</p>	<p>Volunteer Income Tax Assistance (VITA) Sites can file your taxes and are especially helpful with more complicated tax situations.</p>
<p>You must have access to a computer and be comfortable using it for this option</p>	<p>Will complete your tax return using your documents and information without you needing to be present for the whole process.</p>
<p>Must have \$73,000 or less in total income for the year you are filing. For free filing software options if your income is higher than that, United Way offers this support.</p>	<p>Must have \$70,000 for a single person (or \$100,000 for a married couple) or less in total income for the year you are filing.</p>

<p>You enter your information and the software guides you with easy to understand questions and prompts.</p>	<p>You can either complete your return entirely remotely (online without or without the help of a Compass Center Counselor) or meet with a VITA tax preparer in person to complete your return.</p>
<p>Can file returns for any state with income from any state. -- Not every platform will file for every state so do be sure to choose a platform that offers free filing for any state where you earned income!</p>	<p>The only state return they can file is NC -- they cannot file returns with any income from outside of NC</p>
<p>You can e-file both your federal and state taxes, in most cases, reducing the time between filing and receiving your refund.</p>	<p>Requires a photo ID (either government issued or school ID) to file</p>
<p>The IRS releases information about free online tax filing platforms each year around mid January. Check here and choose one that is right for your situation.</p> <p>Or for a more user friendly interface, http://www.getyourrefund.org/cash4NC (opens Jan 31st).</p>	<p>Ensures accuracy with two highly trained tax preparers reviewing your return before filing.</p>

If you have chosen to file using a free software

You are welcome to use your time with your Advocate and their computer to do so! Your Advocate can not give any advice but can help you navigate the computer and use the available software, follow the instructions to file online using your documents and information.

Orange County's VITA program is offering supported DIY Filing which utilizes a free software but for which they will be available to answer questions about your taxes even if you are filing independently. Learn more about this option at their [website!](#)

If you have chosen to file using a VITA

Please note the following restrictions and see your local options below!

Some requirements in order to use VITA's services:

- They can only assist folks with prior year tax returns through Virtual VITA program no in person VITA services. They can do 2019, 2020 and 2021 as well as 2022 returns through that service.
- The only state return they can file is NC -- they cannot file returns with any income from outside of NC
- Must have social security card or ITIN for each person listed on the return (taxpayer, spouse, dependents)
- Must have a government-issued Photo ID for taxpayer (and spouse if filing a joint return) (e.g. passport, driver's license, state ID)
- There are some limits to how complicated of a tax return they can prepare, so if you have certain types of income or deductions this service may not be able to serve you. See additional info [here](#) and call for more info.
- The documents are available in Spanish and they have Spanish-speaking volunteers.

Orange County's VITA sites are offering both remote and in person support. You can find all the information you need about how to access their services on their [website](#).

VITA Sites in Durham County include [Reinvestment Partners](#) (see their website for details) and [Durham Technical Community College](#) (email vita@durhamtech.edu or call 919-536-7247 for more information).

To find VITA service providers outside of Orange and Durham Counties you can look up any location in the state [here](#). Each site will have their own process for providing services.

Your Financial Counselor can help you follow the steps to access the above VITA sites' remote, online or drop off filing options.

Plan for your refund

How will you use your refund?

How much do you anticipate getting back as a refund this year? How do you hope to use your refund? Is there a portion that you plan to put into savings?

How to Receive Your Refund?

Direct Deposit to Your Bank Account

- **Why?** You can get your refund in less than 10 days!
- **How?** You must e-file AND use direct deposit!
- **What?** You must have a credit union account, bank account or prepaid card with an account number and routing number in order to use direct deposit!

If you don't have a personal bank account, your Financial Counselor can help you explore your options and figure out your next steps for setting up a safe and secure credit union account, bank account, or prepaid card that will best fit your needs.

Receive a Check in the Mail

- **Why?** Anyone filing taxes can choose to get their refund this way, even if they don't have a bank account.
- **How?** Provide a mailing address for your refund to the IRS on your tax returns when you file them.
- **What?** The IRS will mail your check to you within 6 weeks of you submitting your tax return.

Make sure the mailing address that you give to the IRS to send your refund check is one you have regular access to and where your mail is secure. If you are unsure of the safety of your current mailing address, you can choose to have it sent elsewhere.

Follow up

Save Your Records

It's really important to have access to your Tax Filing records for all kinds of other applications (food stamps, housing, UNC/DUKE healthcare charity care, etc.) that you might encounter throughout the year! Compass recommends that you:

- **Print a Copy** of all your tax return documents and store the paper copy in a safe place!
- **Save your PIN and AGI** in your records so you can access them when you are filing next year or as needed
- **Keep it for three years!** Best practices are to keep this documentation on hand for 3 years!

Check Your Status

Check the status of your [federal refund](#).

Check the status of your [NC state refund](#).