



New Mexico Legal Aid, Inc.

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What You Need to Know Now about Filing Your 2023 Tax Returns

It's time to start thinking about your 2023 taxes . . .

Why file? Each year, U.S. taxpayers “forget” to claim billions in “returns.” Your “returns” (officially called “refunds”) are likely to come from either (i) excess taxes withheld from your paycheck or (ii) two big tax credits—the earned income tax credit (“EITC”) and/or the child tax credit (“CTC”). For 2023, the maximum EITC ranges from **\$600** for workers with no children to **\$7,430** for workers with three or more children. The maximum CTC for 2023 is **\$2,000 per child**. At the state level, there's also a New Mexico working families tax credit equal to **25 percent** of the EITC plus an expanded New Mexico child tax credit (up to **\$600 per child**) and a bigger New Mexico low-income comprehensive tax rebate (up to **\$790 per household**). Don't leave money on the table by failing to file!

File even if you owe money to the IRS. There are separate IRS penalties for **failing to file** and **failing to pay**. If you owe and file more than 60 days late, the minimum IRS **failure to file** penalty can reach **\$510**. **New Mexico** has failure to file penalties as well.

Free is good! As always, our recommendation is to USE FREE TAX PREPARATION SERVICES if possible. Volunteer Income Tax Assistance (“VITA”) or Tax Counseling for the Elderly (“TCE”) volunteers are trained to help low-income taxpayers of any age and must pass a test each tax season.

- Find a VITA or TCE site near you at <https://irs.treasury.gov/freetaxprep>
- In north-central New Mexico (including Albuquerque), the major tax prep provider is Tax Help New Mexico (VITA). Call **505-750-3885** or visit TaxHelpNM.org to make an appointment, beginning January 16.
- Throughout New Mexico, the major tax prep provider for seniors *and* low income taxpayers is AARP TaxAide. Find an AARP site near you at AARP.info/TaxAideLocator, or by calling **888-227-7669**.

Paid Tax Preparers. If you use a paid preparer, use an enrolled agent. “EAs” must pass a rigorous IRS test and take 72 hours of **tax classes** every three years. (CPAs and attorneys are also subject to strict education requirements.) To find an enrolled agent near you, visit <https://taxexperts.naea.org/expertdirectory>. The IRS directory of preparers lists preparers who are attorneys, certified public accountants, enrolled agents—or who have special IRS training---at <https://irs.treasury.gov/rpo/rpo.jsf>. Don’t just assume a commercial tax preparer is qualified! Studies have shown the error rate among unqualified preparers to be as high as 89 percent.

Avoid tax preparation loans. “Advances” against your refund are *really* interest-bearing loans. And “no fee” tax preparation from a commercial preparer is likely an **interest-bearing loan of the tax preparation fee**. Interest rates in New Mexico are high, as high as **36%** on loans under \$10,000, and as high as **100%** on loans of \$10,000 or greater. A **month** of interest on a **\$5,000 tax preparation loan at 36%**, compounded daily, is **over \$200**. If a paid preparer offers to give you cash, say “No.”

Know your rights under the Albuquerque Tax Preparer Ordinance. If you have your taxes prepared in Albuquerque, know your rights under that city’s Tax Preparer Ordinance, including:

- The right to see a **posted fee schedule (in English or Spanish)** before you agree to have your taxes prepared.

- The right to see your tax preparer's **qualifications (in English or Spanish)**.
- The right to receive a **free copy of your tax forms** as filed.
- The right to get **your personal documents back** on request.

In addition, tax preparers:

- May not **require that you borrow** against your refund, i.e., may not force you to agree to a loan.
- May not ask you to sign a **blank or incomplete return**.

Learn more or file a preparer complaint at <https://www.cabq.gov/taxpreprights>.

It's not too late to file prior year returns. If you haven't filed for 2020, 2021, or 2022, you may have thousands of dollars in unclaimed money waiting for you. VITA and TCE providers typically are available to prepare prior year taxes after the 2023 filing deadline, which this year is 4.15.24. Beware: you can only get your federal refund if you file your Form 1040 **within three years** of the original filing deadline. The final date to file and get your money for 2020 is **5.16.24**; for 2021, **4.17.25**; for 2022, **4.17.26**. Get moving!!!

Are you self-employed or an independent contractor? Good records are the key to a good tax result. If you are self-employed or an independent contractor, be sure to have complete records of income and expense ready for your income tax preparer. You can find out exactly what you need by looking at IRS Publication 334, <https://www.irs.gov/forms-pubs/about-publication-334>.

What about Forms 1099-K? On November 21, 2023, the IRS announced that it is **delaying implementation** of a new law that would have required e-commerce platforms like Zelle, Venmo, eBay, or Paypal to send out a 2023 Form 1099-K if your 2023 transactions on that platform exceeded \$600. Under this announcement, the prior law threshold of \$20,000 and over 200 transactions will remain in effect for 2023.

If you do receive a Form 1099-K this year, you will generally need to **report any income** you receive, but you also will be able to **take a deduction** for related expenses, like gas or the cost of goods sold. Again, **keeping good records** of all income and expenses in 2023 is a must!

Remember gross receipts tax! Finally, if you are self-employed or an independent contractor, remember the New Mexico gross receipts tax! To see if you must pay GRT and file GRT returns, go to <https://www.tax.newmexico.gov/businesses/gross-receipts-overview/who-must-file/>.

More questions? Call an attorney at the New Mexico Legal Aid Low Income Taxpayer [Controversy] Clinic:

- Grace Allison, 505-768-6134;
- Nathaniel Puffer, Director, 505-814-6593; or
- Anne Rothrock, 505-545-8543.

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