

A Block Party – Part II

About a year ago at this time I wrote an essay entitled “A Block Party,” which might now be considered Part I of what, hopefully, does not become an infinite series. Here is the second entry in that series.

Part I was mostly a diatribe about flawed and misleading H & R Block tax software. I described how, for many years up to and including the year 2020, I bought and used their Windows version for the federal 1040 return. These were executable programs running *inside* my desktop computer. I essentially used these yearly updated tax softwares without problems. It was mildly annoying that I had to reboot the computer into Windows to do so. (I usually run the desktop with a Linux operating system, and H & R Block only sold Windows and Macintosh versions.) Okay, not a big deal, just a reboot.

The main problem dealt with in Part I was that, at the end of preparing the 2020 return, one had to set up an account with H & R Block’s computer storage devices, with user name and password. The purpose for this, I suspect, that they were already thinking that for the 2021 taxes they would be switching to an on-line program. The details from one’s federal 1040 return for 2020 would then be stored to be available for carryover when one was using the new on-line program for 2021. So, I did that, creating that account.

The problem, described in some detail in Part I, was by February 2022 I had forgotten my username and password. They then asked me to set up *another* account, which I then provided with a *new* username and password, obviously different from the earlier ones. So, not being able to retrieve the data from the 2020 return, I would have to start all over again from the beginning. Lots of confusion but eventually I was able, as described, to recover the older account’s password and *finally* begin the 2021 federal return. It was a pleasure not having to reboot into my out-of-date Windows system, as it all could be done within the Firefox browser.

There were subsequent, other problems in completing and submitting (by e-filing) the 2021 federal return. But for those you can go back and read (or re-read) Part I, “A Block Party.” On to what happened this year.

Having learned my lesson, I had stored the *proper* way to log into my H & R Block account in my b-folders. That program is a password-protected repository for all the various passwords and log-in information for my financial accounts, computers, e-mail accounts, etc. With that and bringing up H & R Block’s website, I was able to access my account there and retrieve the data from 2021 for this year’s federal return. Aha, a piece of cake!

So, after checking that I now had all the 1099 reports needed to report my income, I began preparing the federal return on February 8 using their on-line software. I was able to zip through the section on my Personal Data, imported from the previous year. (Nothing much had changed.) I went on to fill in my Income using the 1099’s for interest, dividends, retirement, and social security. A lot of the data for that was also imported, only needing entries for the year 2022.

Quickly done, and I was surprised to find that my Income in 2022 was about 77% less than it was in 2021. That was because of the pandemic panic. My mutual funds for stocks had reported rather large

long-term capital gains (henceforth LTCG) in 2021. Not a problem, I thought, I would just be getting a sizeable refund from having over-paid my estimated taxes for 2022. So, I saved and quit the program, to return to it the next day to go on to finish up.

Well, that next day, I first decided to look over what I had entered from the 1099's, just as a check, before moving on to doing my Deductions. Oops! I discovered that, on the *back* of Vanguard's 1099-DIV, there was *also* a 1099-B, which reported income from *sales*. I had never had one of those 1099-B's before. But it was there because, in June 2022, I decided to cash in some shares from my Vanguard's S&P 500 mutual fund. And that obviously added to my income in 2022 by a sizeable amount.

So, I went back to the income section of the on-line program and added the 1099-B. Of course, to be able to handle the now-required Schedule B, H & R Block wanted me to upgrade, for a mere \$5.00 more, from their Plus Version of the software to the Deluxe Version. Oh, well, it's just money. In doing so, my income in 2022 was now actually a bit more than it was in 2021, not less.

Another oops! After zipping through Deductions and Credits, I came to the Payments section. Looking over the quarterly estimated payments for 2022, I found that I had forgotten to pay those due before January 15 of this year. This was despite the fact that I had put a reminder to do so in my phone's calendar on January 1. Bummer, so I sent in *both* fourth-quarter federal and state estimated tax payments on February 9. I would undoubtedly get to pay penalties imposed by both the IRS and the state. To try to prevent that in the future, in addition to the phone-calendar reminders on the first day of each quarter, I now also have niggling reminders of the 15th day.

I then finished up the federal tax and was prepared to e-file it. However, a final check by the on-line software said I could *not* e-file with the date on the fourth quarter 1040-ES being February 9 rather than something before January 15. So I lied a little bit – but only to the software – saying it was paid on the 15th. Now “no issues” and it *could* be e-filed. The software now also said I was due a largish federal refund, since (because of the large LTCG's in 2021) I had overpaid my estimated taxes for 2022.

It was now time to consider whether I should use the H & R Block on-line software to *also* fill out and file my New Mexico income tax. In the recent past I always submitted my PIT-1 return using the on-line TAP software provided by the NM Tax & Revenue Department. I don't know what TAP stands for, but that way of filing had always work out well for me. I decided, for a change, to use H&R Block's state income tax section instead, since I had already paid for it. Because the on-line software already knew all about my 1040 return, it was very easy for it to transfer the relevant numbers from there to the much shorter PIT-1 form.

However, before starting the State Tax section, I realized I might have some problems due to the sale of shares in the Vanguard 500 fund. Indeed, there now had to be a Schedule D in the federal return. And to be able to do that, H & R Block now wanted me to upgrade to the Premium version of the software. For an additional \$20.00, of course. Did so.

So, not having yet e-filed the federal form, I re-did the federal form, now generating a Schedule D in addition to everything else. It was at this time that I had finally recognized that Vanguard's 1099-B stated the proceeds of the sale but had a peculiar number (only \$149) for its cost basis. I still have no idea where that number came from. Unfortunately, I didn't tumble on that as a problem and finished wrapping up the 1040-SR return. Now my income in 2022 was 36.7% higher than my income in 2021.

Wow! “No issues” on the final check, but I was going to have pay a *huge* difference beyond the Estimated Tax Payments to the IRS for this version of my federal return.

Going on, I zipped through generating the New Mexico PIT-1 from that latest federal return. Still “no issues,” so I proceeded to e-file *both* the 1040 and the PIT-1 returns without a problem. The IRS accepted my 1040 very quickly, about 40 minutes after submission. The NM Tax and Revenue software was not so fast, but *its* acceptance of the PIT-1 came in less than two days.

Was I done with my income taxes for 2022? Not quite. First, I had to arrange ACH payments for the additional taxes owed to both the IRS and to New Mexico. Then, in the Wrapping Up section, the H & R Block software also generated Estimated Tax vouchers, 1040-ES’s, for the 2023 federal tax year. But *not* for the state! It simply couldn’t find the PIT-ES forms. OK, another “no big deal” – I could download those vouchers from the web and do them by hand, as I had been doing already for years.

A few days went by before I *finally* realized that I ought to correct that tiny cost basis entry of \$149 in the Vanguard-provided 1099-B. To do that I had to go back into my financial spreadsheets to figure out what an actual pro-rated cost basis was. If I included that in my federal return, it would reduce my income considerably and thus save me a lot of money.

So, I now needed to submit an amended return (and it was not easy to find out how to do that) using the H & R Block software. But I was eventually able to generate a proper 1040-X form, along with a corrected 1040 return. *Now* my income in 2022 was only 8.5% higher than my income in 2021. Together the federal return amounted to 53 pages of paper, which kept my printer busy for a while. That was only for the federal tax.

However, after the 1040-X was created by the H & R Block software, the program stated that it *could not access* the New Mexico PIT-X form. Damn. Okay, maybe I could go to the TAP software to do the amended return there. However, the TAP did *not* have a copy of the previously submitted by e-file of the PIT-1. It was not something provided by H & R Block to the TAP part of the NM Tax and Revenue department! That meant that I would have to download a blank PIT-ES form ,fill it in by hand using pen and ink, and submit it by regular mail. Thankfully, the PIT-ES is not a very long form and I could put in the required number from the amended and original 1040 returns

Not done yet! The H & R Block software *also* said, on doing a final check of the 1040-X form, that it needed to have an explanation for why I needed to submit it. I never found a way to do that within the on-line software. Evidently the program provides *no way to actually* view the IRS form it is trying to fill out. Without being able to fix the error it found, the program said it was *unable* to submit the amended return by e-filing. It eventually suggested that I could ignore the fix it couldn't make, print out the whole return, and submit it by regular mail.

Which is exactly what I had to do. And, believe me, it isn't much fun to find enough stamps to mail in a 53-page return!

I might now be done with the 2022 income taxes, but I have to hear back from both the IRS and the Tax and Revenue people about my refunds.