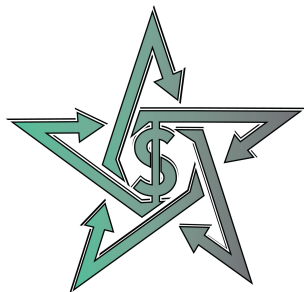




Tax News and Industry Updates



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2022 Tax Highlights

Tax year 2022 continues the recent trend of challenges and changes to the tax landscape. Most of the COVID-19 related provisions have expired. Signed into law on August 16, 2022, the Inflation Reduction Act of 2022 includes provisions that affect the cost of health care, provide additional funding for the IRS, and provide tax incentives for clean energy that address climate change. This letter provides an update on some changes that might affect you and other things to be aware of.

If you have questions or want to know how any of this impacts you, please do not hesitate to contact us.

Child and Dependent Care Credit. The changes to the credit for child and dependent care expenses implemented by the American Rescue Plan (ARP) Act were not extended. For 2022, the credit is nonrefundable. The dollar limit on qualifying expenses in 2022 is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons.

Child Tax Credit (CTC) and Additional Child Tax Credit. Many changes to the CTC implemented by ARP were not extended through 2022. For 2022, the initial credit is \$2,000 per qualifying child. If a portion of your Child Tax Credit was disallowed because your tax was reduced to zero, you may qualify for the Additional Child Tax Credit. The maximum Additional Child Tax Credit is \$1,500 for each qualifying child. A child must be under age 17 to be a qualifying child.

Earned Income Credit (EIC). To claim the EIC in 2022 without a qualifying child, you must be at least age 25, but under age 65, at the end of the year.

Standard mileage rate. In June of 2022, the IRS revised the standard mileage rates for use in computing the deductible costs of operating a vehicle for business, medical, and moving expenses. The revised rates apply to deductible transportation expenses paid or incurred on or after July 1, 2022. The following chart summarizes the 2022 standard mileage rates.

	After 6/30/2022	Before 7/1/2022		After 6/30/2022	Before 7/1/2022
Business rate per mile*	62.5¢	58.5¢	Charitable rate per mile	14.0¢	14.0¢
Medical and moving rate per mile**	22.0¢	18.0¢	Depreciation rate per mile	26.0¢	26.0¢

* The business standard mileage rate cannot be used to claim an itemized deduction for unreimbursed employee travel expenses.

** The moving expense deduction is limited to certain members of the Armed Forces.

Charitable deductions. The charitable deduction for non-itemizers which was available in 2020 and 2021 is not available in 2022. The expanded AGI percentage limitation for itemizers have also been allowed to expire.

Educator expenses. If you were an eligible educator in 2022, you may deduct up to \$300 of qualified expenses as an adjustment on Schedule 1 (Form 1040). Married taxpayers filing jointly may deduct up to \$600, but neither spouse may deduct more than \$300 of their own qualified expenses.

Premium Tax Credit. If you or a family member enrolled in health insurance through the Marketplace and advance payments of the Premium Tax Credit were made to your insurance company to reduce your monthly payment, you must attach Form 8962, *Premium Tax Credit (PTC)*, to your return to claim the credit and to reconcile your advance credit payments. The Marketplace will send you Form 1095-A, *Health Insurance Marketplace Statement*, by January 31, 2023, listing the advance payments and other information needed to complete Form 8962. If the IRS determines that you are required to file Form 8962 and it is not included with your Form 1040, your e-filed return will be rejected and any refunds claimed on a paper-filed return will be delayed.

Year-end tax planning. Additional year-end tax planning strategies can still be utilized prior to December 31, 2022. These include maximizing your qualified retirement plan contributions, maximizing gains and losses from your taxable investments, and making year-end charitable contributions. After December 31, 2022, you may still be able to make contributions to your traditional IRA and/or to your health savings account (HSA).

IRA deduction. For 2022, you may be able to contribute up to \$6,000 (\$7,000 if you are age 50 or older) to an IRA. Contributions for 2022 can be made up until April 18, 2023. If you contribute to a traditional IRA, you may qualify for a deduction on your 2022 return. Additionally, contributions to any type of IRA may qualify you for the Retirement Savings Contribution Credit.

HSA deduction. Similar to the IRA, you can make 2022 contributions to your HSA up until April 18, 2023. The total amount that can be contributed by you and your employer ranges from \$3,650 to \$9,300 based on whether you have self-only or family HSA coverage and your age.

IRS hot items. Foreign assets, digital assets, and unreported income continue to be IRS focal points in 2022.

Foreign assets. The IRS continues to focus on the reporting of foreign assets and the penalties for not complying can be severe. There are enhanced reporting requirements if you have any type of foreign asset, whether it is a foreign bank account, pension plan, rental property, ownership of a foreign company, etc. The income derived from these assets is includable on your U.S. tax return and the value of each of these assets might need to be reported, either with your income tax return and/or separately to the IRS or Treasury Department.

Digital assets. Digital assets include non-fungible tokens (NFTs), and virtual currencies, such as cryptocurrencies and stablecoins. If a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal tax purposes. Transactions involving digital assets are reportable and taxable.

Unreported income. If you are earning extra money by doing side jobs, such as ridesharing, selling crafts online, delivering meals, dog-walking, or renting out property via an online rental company, it needs to be reported on your tax return. Unless specifically excluded under the Internal Revenue Code, all income is taxable. This includes foreign income, barter income, and all earned income, whether reported to you on one of the various Forms 1099 or not.

Federal and state differences. When it comes to taxes, most of what you read and hear from the media has to do with federal tax law. Remember that each state has its own tax law and just because something is not allowed for federal taxes (or you do not qualify) does not mean that you are not still able to use it on your state return.

