

TaxUpdate

2022 YEAR END NEWSLETTER

DOUGLAS R. LEATHAM
Certified Public Accountant
492 Pleasant Street
New Bedford, MA 02740
508-996-5282
www.Leatham-CPA.com

What's New in 2022

Here are some key changes to the tax code for 2022.

Tax brackets and rates

The income brackets subject to tax are increasing by approximately 3 to 3.8 percent due to inflation. The 2022 brackets are presented below for your convenience.

Key tax code changes

- **Increased teacher deduction.** The deduction for out-of-pocket classroom supplies for teachers is \$300, up from \$250. If you're married, you can deduct up to \$600.
- **Child Tax Credit roll back.** The advance payment of one half of this credit is gone and the dollar amount for each qualifying child rolls back to 2020 limits of \$2,000 per child. Last year you could receive as much as \$3,600 per child.
- **Dependent Care Credit qualified expense now lower.** The maximum qualified childcare expenses in 2022 are \$3,000 for one child and \$6,000 for two or more dependents. The one year expansion of qualified expenses (\$8,000 for one and \$16,000 for two or more) is no longer available.

- **100% meal deductibility.** Business meals are typically only deductible at 50%. To help aid restaurants recover from the pandemic, you may deduct 100% of qualified meal expenses thru 2022.
- **Reporting of digital payments expands dramatically.** If you receive more than \$600 in digital payments and the IRS deems it to be business related, you will receive 1099-Ks this January. So if you use reseller platforms, receive digital payments through applications like Venmo, or digitally resell tickets, expect a more complicated tax return.
- **Increased tracking of virtual currency transactions.** More stringent reporting of cryptocurrency transactions to the IRS by brokers and dealers begins in 2023. Please be aware that many of these firms are implementing the changes throughout 2022.
- **Mortgage insurance premium deductibility.** This itemized deduction is back on the shelf for 2022 unless it is extended by Congress. The 2017 Tax Cuts and Jobs Act eliminated this deduction, but it was reinstated by Congress as an itemized deduction through the end of 2021.



Changes in Charitable Giving Deductions

The deduction for charitable giving for taxpayers who don't itemize is no longer available in 2022. This \$300 reduction in income for single filers (\$600 for married taxpayers) is now expired.

Background

With the dramatic increase in standard deductions, fewer taxpayers are able to deduct their charitable giving. To help alleviate the potential reduction of charitable gifts, Congress created a temporary deduction through 2021 for charitable giving, even if you do not itemize deductions.

Current situation

This year, you may only deduct qualified charitable deductions if you itemize deductions on your tax return AND all qualified deductions exceed \$12,950 if single and \$25,900 if married filing jointly.

There are alternative planning tools available if receiving a tax deduction for your giving is important to you.

Income Brackets for 2022 Tax Rates

Tax Rate	Single	Married Filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 – 10,275	\$1 – 20,550	\$1 – 14,650	\$1 – 10,275
12%	10,276 – 41,775	20,551 – 83,550	14,651 – 55,900	10,276 – 41,775
22%	41,776 – 89,075	83,551 – 178,150	55,901 – 89,050	41,776 – 89,075
24%	89,076 – 170,050	178,151 – 340,100	89,051 – 170,050	89,076 – 170,050
32%	170,051 – 215,950	340,101 – 431,900	170,051 – 215,950	170,051 – 215,950
35%	215,951 – 539,900	431,901 – 647,850	215,951 – 539,900	215,951 – 323,925
37%	Over \$539,900	Over \$647,850	Over \$539,900	Over \$323,925

Handling All Those Forms



Getting your tax forms organized makes tax filing easier for everyone involved. Here are some ideas.

Collect them all. Check last year's tax records and make a list of the forms you received. Add any new accounts, employers or vendors and check the forms off as you get them. Gathering all your forms is important because the IRS gets copies of each form sent to them as well. Missing one can trigger an IRS correspondence audit, creating

extra work and possibly delaying your refund.

Check for digital forms. More employers, banks and others are making their tax forms available to you electronically, so you may not get a paper form in the mail. So check your email inbox for any missing forms before you file, and don't forget to check your junk or spam email folders as well, just in case any tax information accidentally ends up there.

Fix errors. Double check to see if there are any errors on the forms you receive. If there are, contact the issuer via phone and in writing to get the problem fixed. If you can't get a corrected form, add a correction explaining the error. That way you can still file without waiting for the issuer to send you a corrected form.

Standard Deductions			
Item	2022	2021	Change
Single	\$12,950	\$12,550	+\$400
Married Joint/Widow	25,900	25,100	+\$800
Head of Household	19,400	18,800	+\$600
Married Filing Separate	12,950	12,550	+\$400
Elderly/Blind: Married	+\$1,400	+\$1,350	+\$50
Elderly/Blind: Unmarried	+\$1,750	+\$1,700	+\$50

Maximum Earned Income Tax Credit			
	2022	2021	Change
No Child	\$560	\$1,502	-\$942
1 Child	3,733	3,618	+\$115
2 Children	6,164	5,980	+\$184
3+ Children	6,935	6,728	+\$207

Mileage Rates				
Item	2022		2021	Change
	eff. 1/1/22	eff. 7/1/22		
Business	58.5¢/mi	62.5¢/mi	56.0¢/mi	+6.5¢
Medical/Moving	18.0¢/mi	22.0¢/mi	16.0¢/mi	+6.0¢
Charitable	14.0¢/mi	14.0¢/mi	14.0¢/mi	—

Section 179 Maximums			
Limits	2022	2021	Change
Section 179	\$1.08 million	\$1.05 million	+\$30,000
Property Limit	\$2.70 million	\$2.62 million	+\$80,000

ALERT: Look for Form 1099-K

This year you may receive an unfamiliar 1099-K tax form. Here's what you need to know:

1099-K Basics

- **It shows gross payment amounts.** A Form 1099-K reports the gross amount of payments received by you from payment transactions like credit cards or digital payment services like PayPal and Venmo.
- **Reporting changes mean more forms.** Starting in 2022, all third-party payment services are required to send a 1099-K for any activity over \$600. The dollar amount threshold under the old rules

was \$20,000. This is being done by the IRS to capture unreported business transactions from ticket resellers and payment processing platforms like Amazon, Etsy and eBay.

- **You are now in business.** So now individuals reselling concert tickets or using Venmo to receive payments may be in business in the eyes of the IRS.
- **Personal payments may be included on a 1099-K.** It's possible that a personal payment you received, for example a friend sending you their share of a restaurant bill, ends up being included on a 1099-K.

What you should do

Save the form. If you receive a 1099-K, save the form! You will need to account for this information on your tax return or face the possibility of the activity triggering a correspondence audit from the IRS.

It's a business transaction. If you received the form due to activity on sites like Amazon, Etsy or you are reselling tickets or taking rent payments, you are in business. In the eyes of the IRS, this is true even if you lost money on the transactions. This revenue needs to be reported, but you can also include any related business expenses to reduce reportable income, so you may need to include a Schedule C with your 2022 Form 1040.

Stay organized. If you receive any Form 1099-Ks, your tax return will now be a bit more complex. But you can help if you stay organized and well documented to explain exactly how you used the third-party payment platform that sent you the form.

Key Retirement Plan Limits

Retirement Plan	2022	2021	Change	Age 50 or older catch-up
401(k), 403(b), 457 plans	\$20,500	\$19,500	+\$1,000	Add \$6,500
IRA: Roth	\$6,000	\$6,000	—	Add \$1,000
IRA: SIMPLE	\$14,000	\$13,500	+\$500	Add \$3,000
IRA: Traditional	\$6,000	\$6,000	—	Add \$1,000

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.