

## 2022 TAX HIGHLIGHTS

### Tax Brackets and Rates:

Tax Rate	Single	Married Filing Jointly	Married Filing Separate	Head of Household
10%	Up to \$10,275	Up to \$20,050	Up to \$10,275	Up to \$14,650
12%	\$10,276 to \$41,775	\$20,051 to \$83,550	\$10,276 to \$41,775	\$14,651 to \$55,900
22%	\$41,776 to \$89,075	\$83,551 to \$178,150	\$41,776 to \$89,075	\$55,901 to \$89,050
24%	\$89,076 to \$170,050	\$178,151 to \$340,100	\$89,076 to \$170,050	\$89,051 to 170,050
32%	\$170,051 to \$215,950	\$340,101 to \$431,900	\$170,051 to \$215,950	\$170,051 to \$215,950
35%	\$215,951 to \$539,900	\$431,901 to \$647,850	\$215,951 to \$323,925	\$215,951 to \$539,900
37%	\$539,901 +	\$647,851 +	\$323,926+	\$539,901 +

### Standard Deduction:

The standard deduction is \$25,900 for married filing joint filers, \$19,400 for head of household filers, and \$12,950 for all other filers. The additional standard deduction for the elderly and blind amounts are \$1,750 for single filers and \$1,400 for married filing joint filers. The standard deduction for a dependent is the greater of \$1,150 or the amount of earned income plus \$400 (not to exceed \$12,950).

**IRA Contributions:** Anyone of any age may now deposit money to an IRA if they have earned income such as wages or self-employment. The contribution limit for 2022 is the lesser of earned income or \$6,000 (plus an additional \$1,000 if age 50 or older at then end of the tax year).

**Alternative Minimum Tax (AMT):** The AMT exemption amount is increased to \$118,100 for married filing joint returns and \$75,900 for all other taxpayers [other than for married filing separately which \$59,000]. The phase-out thresholds are increased to \$1,079,800 for married taxpayers filing a joint return and \$539,900 for all other taxpayers.

**Kiddie Tax:** The taxable income of a child attributable to unearned income is taxed at their parent's tax rates. This applies to unearned income greater than \$2,300.

**Estate and Gift Taxes:** A federal lifetime exemption of \$12,060,000 and a 40% gift tax rate on taxable gifts is available to all decedents dying after December 31, 2021 and for gifts made after December 31, 2021. If any individual makes gifts of more than the limit, gift tax is incurred. Remember: A gift tax return is still required to be filed if the gift is greater than the annual exclusion - \$16,000 for 2022.

## 2023 TAX HIGHLIGHTS

### Tax Brackets and Rates:

Tax Rate	Single	Married Filing Jointly	Married Filing Separate	Head of Household
2	Up to \$11,000	Up to \$20,000	Up to \$11,000	Up to \$15,700
12%	\$11,001 to \$44,725	\$22,001 to \$89,450	\$11,001 to \$44,725	\$15,701 to \$59,850
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$44,726 to \$95,375	\$59,851 to \$95,350
24%	\$95,376 to \$182,100	\$190,751 to \$364,200	\$95,376 to \$182,100	\$95,351 to 182,100
32%	\$182,101 to \$231,250	\$364,201 to \$462,500	\$182,101 to \$231,250	\$182,101 to \$231,250
35%	\$231,251 to \$578,125	\$462,501 to \$693,750	\$231,251 to \$346,875	\$231,251 to \$578,100
37%	\$578,126 +	\$693,751 +	\$346,876 +	\$578,101 +

**Standard Deduction:** The standard deduction is \$27,700 for married filing joint filers, \$20,800 for head of household filers, and \$13,850 for all other filers. The additional standard deduction for the elderly and blind amounts are \$1,850 for single filers and \$1,500 for married filing joint filers. The standard deduction for a dependent is the greater of \$1,250 or the amount of earned income plus \$400 (not to exceed \$13,850).

**IRA Contributions:** Anyone of any age may now deposit money to an IRA if they have earned income such as wages or self-employment. The contribution limit for 2023 is the lesser of earned income or \$6,500

(plus an additional \$1,000 if age 50 or older at then end of the tax year).

**Alternative Minimum Tax (AMT):** The AMT exemption amount is increased to \$126,500 for married filing joint returns and \$81,300 for all other taxpayers [other than for married filing separately which \$63,250]. The phase-out thresholds are increased to \$1,156,300 for married taxpayers filing a joint return and \$578,150 for all other taxpayers.

**Kiddie Tax:** The taxable income of a child attributable to unearned income is taxed at their parent's tax rates. This applies to unearned income greater than \$2,500.

**Estate and Gift Taxes:** A federal lifetime exemption of \$12,920,000 and a 40% gift tax rate on taxable gifts is available to all decedents dying after December 31, 2022 and for gifts made after December 31, 2022. If any individual makes gifts of more than the limit, gift tax is incurred. Remember: A gift tax return is still required to be filed if the gift is greater than the annual exclusion - \$17,000 for 2023.

## GENERAL TAX REMINDERS

**Bank Account Verification:** As a reminder, if you choose to have direct deposit of refunds, you must **ANNUALLY** verify the name of the financial institution, routing transit number, account number, and type of account. **Please complete the Bank Account Verification Form. Your return will not be filed with the IRS until the signed Bank Account Verification Form has been received by this office.**

**Child and Family Credits:** The Child Tax Credit is \$2,000 per qualifying child for children under age 17 as of the last day of the tax year. Up to \$1,400 is refundable. The credit begins to be reduced below \$2,000 per child when modified AGI exceeds \$400,000 MFJ or \$200,000 for all others. In addition, there is a \$500 nonrefundable credit for certain non-child dependents (i.e. children ages 17 and 18 and full-time students ages 19 to 23).

**Medical:** The threshold for deducting medical expenses remains at 7.5% of Adjusted Gross Income.

**State and Local Tax Deduction:** The itemized deduction for Income (or sales tax, if higher) and property taxes are still deductible, but are limited to \$10,000 (\$5,000 for married filing separately) total deduction per year. Foreign real property taxes are not deductible.

**Mortgage Interest Deduction:** **No interest deduction will be allowed for interest on home equity loans (unless the loan is used to improve your home).** If a taxpayer refinances a home loan or has a home equity loan it is important to keep track of the use of the funds. The deduction for mortgage insurance premiums has been eliminated.

**Charity:** IRS regulations state that ALL deductions of any amount must have a receipt and/or cancelled check. Any individual contribution over \$250 must also have an acknowledgement letter (dated before the filing date of the return) from the charity. The letter should show the date and amount of any individual contribution over \$250, and also state that no goods or services were received in return for the contribution.

**NOTE: The additional amount for Standard deduction filers has ended.**

**Inherited IRAs:** IRAs inherited from people (other than your spouse and a few other exceptions) who passed away after 2019 must now be distributed within 10 years of death.

**Required Minimum Distributions (RMDs):** The mandatory age to begin distributions from your traditional IRAs is 72. The distributions must begin no later than April 1 of the year following the year in which you attain age 72. Regardless of whether it's your first distribution or not, the RMD is based on the balance in each account at the end of the prior year (i.e. the 2023 RMD is calculated on the December 31, 2022 account value). If you provide these values for each account with your tax papers, we can calculate the RMDs for you.

**Virtual Currency:** The IRS and Congress are beginning steps to regulate Crypto-currency such as Bitcoin. Therefore, you must be certain to report any of these transactions. Note that any award of new currency is taxable as ordinary income. There is a question that must be answered on every tax return.

**Moving Expenses:** Except for military moves, the moving expense deduction was repealed for years

beginning after December 31, 2017, and any employer payment or reimbursement will be taxable.

**20% Qualified Business Income Deduction (QBID):** In its simplest terms, the deduction is 20% of the lesser of qualified business income or taxable income (reduced by net capital gains). If taxable income exceeds certain thresholds additional tests apply such as W-2 wages paid by the business; type of business; and the business' investment in tangible, depreciable personal or real property.

**Meals and Entertainment:** In general, no deduction is allowed. There are several exceptions for some DOT qualified transportation employees, other non-DOT employee business travel meals and certain other meal expenses.

**Dependent Care Credit:** The dependent care credit was only increased for 2021 due to ARPA. The credit returns to pre-2021 limits/amounts.

**IRS Communicatins:** The IRS **does not** initiate contact with taxpayers by email, phone, text messages or social media channels to request personal or financial information. This includes requests for PIN numbers, password or similar access information for credit cards, banks or other financial accounts. Phishing is a scam typically carried out through unsolicited email and/or websites that pose as legitimate sites and lure unsuspecting victims to provide personal and financial information. If you receive such an email from the IRS, forward the email as-is to phishing@irs.gov. Please do not respond to the email unless the email request you send to the IRS has been verified as legitimate. You may also contact our office regarding any correspondence, written or electronic, that you receive from the IRS. **Don't give personal information over the phone, through the mail, email or the Internet unless you have either initiated the contact or are sure you know who is asking.**