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## 2022 TAX TIPS

### Capital Gains

The income thresholds to qualify for the various rates were adjusted for inflation. In 2022, the 0% rate applies for individual taxpayers with taxable income up to \$41,675 on single returns (\$40,400 for 2021), \$55,800 for head-of-household filers (\$54,100 for 2021) and \$83,350 for joint returns (\$80,800 for 2021). The 20% rate for 2022 starts at \$459,751 for singles (\$445,851 for 2021), \$488,501 for heads of household (\$473,751 for 2021) and \$517,201 for couples filing jointly (\$501,601 for 2021). The 15% rate is for filers with taxable incomes between the 0% and 20% break points.

### Child Tax Credit/ Dependent Care Credit

For 2022, the child and dependent care credit is non-refundable. The maximum credit percentage also drops from 50% to 35%. Fewer care expenses are eligible for the credit, too. For 2022, the credit is only allowed for up to \$3,000 in expenses for one child/dependent and \$6,000 for more than one. When the 35% maximum credit percentage is applied, that puts the top credit for the 2022 tax year at \$1,050 (35% of \$3,000) if you have just one child/dependent in your family and \$2,100 (35% of \$6,000) if you have more. In addition, the full child and dependent care credit will only be allowed for families making less than \$15,000 a year in 2022 (instead of \$125,000 per year). After that, the credit starts to phase-out.

## Minimizing Your Taxes for 2022

### **For those of you filing**

#### **Individual Tax Returns**

1. Pay January's mortgage, property tax and medical bills in December of 2022
2. The Educator Expense deduction is now \$300
3. Consider tax free investments such as Municipal bonds and other tax-free investments.
4. 401K's, IRA's and other tax sheltered investments to defer taxable income is also advisable. This can also make you eligible for the Retirement Savings Contributions Credit which could reduce tax liability up to \$2,000 depending on your filing status, income and contributions made to 401K or an IRA.
5. Donate items to non-profit organizations. Remember to get receipt for donations and list items donated and values.
6. Second mortgages and lines of credit on your home can be deducted on your tax return if money is invested in property.
7. Selling losing stocks or mutual funds would help up to \$3,000 in losses
8. Tax free saving bonds are

another approach to save for college. Interest escapes taxes when used to pay college.

9. Casualty losses are deductible with federally declared disaster events.

10. The alternative minimum tax will effect you less or not at all as the income limits have been increased and phase out limit also increased.

11. Individuals may deduct qualified contributions of up to 100 percent of their AGI.

### **For those of you with Businesses**

1. Businesses are eligible for the 20% tax cut on profits called Qualified Business Income. Sole proprietors, S-Corp, and LLC are eligible. Total taxable income in 2022 must be under \$170,050 for single filers or \$340,100 for joint filers to qualify
2. Consider hiring your children under age 18. They can earn up to \$12,000 without being taxed. This is called income splitting.
3. Create SEP retirement plans up to \$61K through the business and lower taxes in the

process.

4. Section 179 limit is \$1,080,000 in 2022. Bonus Depreciation has been extended indefinitely. You can deduct 100% of the value of qualified property in the first year.

5. Home office deduction is now easier to calculate and can be based on a maximum deduction of \$1,500.

6. Businesses can receive a tax employment credit for hiring Veterans.

7. Owner of LLC's and S - Corporations need to know what your basis is in the company. You are only allowed to deduct losses up to your basis in the business.

8. For the final 6 months of 2022, the standard mileage rate for business travel will be 62.5 cents per mile, up 4 cents from the rate effective at the start of the year.

### **For those of you with Foreign Income**

1. Foreign earned income exclusion is up to \$112,000 for those working out of the country 330 days or more.

### **Things to bring to Appointment**

- W-2's & 1099 Forms. Income from all sources including withdrawals from retirement accounts and royalties.
- Drivers license for both taxpayer and spouse. Birth Certificate and social security card for all dependents.
- Proof that dependents reside in your home.
- Child Care Expenses.
- Form 1098-T for claiming the education credit or deduction for college dependents.
- Mortgage interest and property tax statements on all property you own.
- All medical expenses paid if they exceed 7.5% of your AGI.
- All charitable contributions (Must provide proof of all contributions).
- Gains or losses on sale of real estate, stocks, business assets, and cryptocurrency
- Cancellation of debts.
- Income and expenses related to investment property.
- Contributions to all retirement plans.
- Settlement sheet if you purchased or sold a home in 2022.
- Casualty losses and thefts- Only Federal Disasters can be claimed as casualty losses.
- If working out of the country, we need the dates you are out of the country and what country you worked in and any taxes paid to that country.
- Bring Annual Summary of Crypto gain/loss sheets.

### **1099-K Forms**

Starting with the 2022 tax year, third-party payment settlement networks (e.g., PayPal and Venmo) will send you a Form 1099-K if you are paid over \$600 during the year for goods or services, regardless of the number of transactions. 1099-K reporting is only for money received for goods and services. It doesn't apply to payments from family and friends.



### IMPORTANT DUE DATES TO REMEMBER

- ♦ March 15th— 1065 and 1120S returns are due. Also extension to file return late is due.
- ♦ April 15th— 1040 Series and 1120 returns are due. Also extension to file 1040's and 1120 are due.
- ♦ May 15th— 990 returns are due. Also extension to file return late is due.
- ♦ September 15th— 1120S and 1065 returns that filed for extensions are due.
- ♦ October 15th— 1040 Series and 1120 returns that filed for extensions are due.
- ♦ November 15th— 990 returns with extensions are due.

Remember the extension does not relieve you of penalties and interest associated with tax liabilities. They only relieve you from failure to file penalties and interest. Payments are due on the original due date. If you think you will owe you should make an estimated tax payment before the due date.

The IRS is penalizing businesses for returns that are not filed on time or past the extension deadline. They will abate the penalties one time. After that you must show reasonable cause as to why your return was not filed in a timely manner.

**IF YOU REQUIRE AN EXTENSION, YOU MUST CONTACT OUR OFFICE AT LEAST TWO BUSINESS DAYS BEFORE THE EXTENSION DUE DATE IN ORDER TO ENSURE YOUR EXTENSION HAS BEEN FILED AND ACCEPTED BY THE IRS.**



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#### Additional Tips

- ♦ \*Cryptocurrency is treated as property such as stocks and bonds. You should have an ICO number and know what exchange is being used. There is a gain or loss on every transaction.. You should receive a statement of activity from your investment advisor.
- ♦ \*The standard deduction amount will increase to \$12,950 for individuals, \$19,400 for heads of household, and \$25,900 for married couples filing jointly and surviving spouses.
- ♦ \*Maximum Earned income credit is \$6935 with three or more qualifying children, \$6164 with two qualifying children, \$3733 with one qualifying child and \$560 with no qualifying children.
- ♦ \*Earned income and AGI must each be less than \$51,464(\$57,414MFJ) with three or more qualifying children, \$47,915 (\$53,865 MFJ) with two qualifying children, \$42,158(\$48,108 MFJ) with one qualifying child and \$21,430 (\$27,380 MFJ) with no qualifying children to receive EIC.
- ♦ The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$20,500. Limits on contributions to traditional and Roth IRAs remains unchanged at \$6,000.
- ♦ Student loan interest paid is a deduction up to \$2500