

IT'S THE "I CAN'T BELIEVE ITS NOT FALL" NEWSLETTER

WE ARE FACING A LONG LIST OF CHANGES FOR 2022

Tax filing season is a few months away, this is a great time of year to start thinking about next year's return. Proper tax planning requires an awareness of what's new and changed from last year — and there are plenty of tax law changes and updates for the 2022 tax year we all need to know about. Big tax breaks were enacted for the 2021 tax year. But most of those tax law changes expired at the end of 2021. (Bummer!)

As a result, the child tax credit, child and dependent care credit, earned income credit and other popular tax breaks are different for the 2022 tax year than they were for 2021. The Inflation Reduction Act might impact your 2022 tax return, too. Other 2022 tweaks are the result of new rules or annual inflation adjustments. But no matter, they can hurt or help your bottom line — so WE need to be ready for them.

DEPENDENT CARE CREDIT

For 2022, the child and dependent care credit is non-refundable. The maximum credit % 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 2022 at \$1,050 (35% of \$3,000) if you have 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.

LONG-TERM CAPITAL GAINS TAX RATES

Tax rates on long-term capital gains (i.e., gains from the sale of stocks held for at least one year) and qualified dividends did not change for 2022. The income thresholds to qualify for the various rates were adjusted for inflation.

In 2022, the 0% rate applies for taxpayers with taxable income up to \$41,675 on single returns and \$55,800 for head-of-household filers and \$83,350 for joint returns. The 20% rate for 2022 starts at \$459,751 for singles, \$488,501 for heads of household and \$517,201 for couples filing jointly.

The 15% rate is for filers with taxable incomes between the 0% and 20% break points. The 3.8% surtax on net investment income stays the same for 2022. It kicks in for single people with modified AGI over \$200,000 and for joint filers with modified AGI over \$250,000.



This was legislation was enacted by the former president's tax overhaul and effectively punishes middle-income wage earner families.



RETIREMENT SAVINGS

Here's some good news for retirees: The IRS updated the table used to calculate required minimum distributions (RMDs) to account for longer life expectancies beginning in 2022. That means RMDs should be a bit smaller starting in 2022 than they were before. For people who are still saving for retirement, many key dollar limits on retirement plans and IRAs are higher in 2022. For example, the maximum contribution limits for 401(k), 403(b) and 457 jumps from \$19,500 to \$20,500 for 2022, while people born before 1973 can once again put in \$6,500 more as a "catch-up" contribution. The 2022 cap on contributions to SIMPLE IRAs is \$14,000, plus an extra \$3,000 for people age 50 and up.

The 2022 contribution limit for traditional IRAs and Roth IRAs is \$6,000, plus \$1,000 as an additional catch-up contribution for individuals age 50 and up. However, the income ceiling on Roth IRA contributions went up. Contributions phase out in 2022 at adjusted gross incomes (AGIs) of \$204,000 to \$214,000 for couples and \$129,000 to \$144,000 for singles. Deduction phaseouts for traditional IRAs also start at higher levels in 2022, from AGIs of \$109,000 to \$129,000 for couples and \$68,000 to \$78,000 for single filers. If only one spouse is covered by a plan, the phaseout for deducting a contribution for the uncovered spouse starts at \$204,000.

More lower-income people may be able to claim the "saver's credit" in 2022, too. This tax break can be worth up to \$1,000 (\$2,000 for joint filers), but you must contribute to a retirement account and your adjusted gross income (AGI) must be below a certain threshold to qualify. For 2022, the income thresholds are \$34,000 of adjusted gross income for single filers, \$68,000 for married couples filing jointly, and \$51,000 for head-of-household filers.

STUDENT LOAN INTEREST DEDUCTION

We're all waiting to see if President Biden can cancel student loan debt. But even if it isn't cancelled (or only some of it is forgiven), you may be able to deduct up to \$2,500 of student loan interest paid each year. However, the credit amount is gradually reduced to zero if your modified AGI is over a certain amount. If you're filing anything other than a joint return, the phase-out range did not change for the 2022 tax year. The credit amount still starts dropping if your modified AGI is over \$70,000 and is reduced to zero once your modified AGI hits \$85,000. However, for married couples filing a joint return, the phase-out range is adjusted for 2022. It kicks in at \$145,000, while the credit is fully phased out if modified AGI exceeds \$175,000.

TEACHER EXPENSES

For the 2022 tax year, educators who dig into their own pockets to buy books, supplies, COVID-19 protective items, and other materials used in the classroom can deduct up to \$300 of these out-of-pocket expenses. An "eligible educator" is anyone who is a kindergarten through 12th grade teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year. Homeschooling parents can't take the deduction. This is an "above-the-line" deduction. So, you don't have to itemize to claim it.

Be a Better Leader

1. Be a positive role model.
2. Be humble.
3. Practice good communication.
4. Find a mentor.
5. Be emotionally aware.
6. Encourage creativity.
7. Know your team.
8. Think positive.
9. Study past leaders.
10. Challenge your staff.
11. Be Consistent.
12. Share the good and the bad fairly.

How to Stay on Track w/ Holiday Spending

1. Create a Budget & Shopping List
2. Use Cash Instead of Cards
3. Shop Online
4. Gift Exchange Plan
5. Purchase Gifts as a Group
6. Don't Wait 'Til the Last Minute
7. DIY Gifts
8. Make Travel Plans in Advance
9. Plan Ahead for Next Year
10. Start Saving Early



RESIDENTIAL CLEAN ENERGY CREDIT

The Inflation Reduction Act, which was signed into law on August 16, 2022, renamed the Residential Energy Efficient Property Credit, it's now called the Residential Clean Energy Credit. More importantly, the credit amount was increased starting with the 2022 tax year. Before the Inflation Reduction Act, the credit was generally worth 26% of the cost to install qualifying electric, water heating, or temperature control systems for your home that use solar, wind, geothermal, biomass or fuel cell power. The credit percentage was also scheduled to drop to 23% in 2023 and then expire in 2024. The credit is increased to 30% starting in 2022. It doesn't apply to biomass furnaces and water heaters anymore.

CLEAN VEHICLE CREDIT

The electric vehicle tax credit was also revised by the Inflation Reduction Act (including a name change to the Clean Vehicle Credit). Most of the amendments to the EV credit don't apply until 2023. However, there could be some impact on your 2022 tax return if you buy an electric vehicle this year.

One of the changes made by the Inflation Reduction Act requires final assembly of a qualifying clean vehicle to occur in North America. This requirement is effective for vehicles sold after August 16, 2022 (i.e., the date the legislation was signed into law). To help determine if a vehicle satisfies this new requirement, the U.S. Department of Energy has a general list of vehicles with final assembly in North America on its website. However, before buying a new electric vehicle, you should also check the National Highway Traffic Safety Administration's VIN number decoder to be absolutely make sure the exact vehicle you intend to purchase qualifies for the new credit. Two other new requirements could also trip up

EV buyers in 2022. Under the new law, an electric vehicle to qualifies for the credit, if a certain percentage of the critical minerals in the vehicle's battery must be (1) extracted or processed in the U.S. or a country that has a free trade agreement with the U.S., or (2) recycled in North America. In addition, a percentage of the vehicle's battery must be manufactured or assembled in N. America. These requirements don't take effect until the Treasury issues proposed guidance about them. The guidance must be issued by December 31, 2022. So, if the guidance is issued earlier in the year, these requirements potentially could apply to some EV purchases in 2022.

For some people, there's a loophole available that will allow them to bypass any of the new requirements. If you purchased a new electric vehicle (or entered into a written binding contract to do so) before August 16, 2022, but you don't actually take possession of the vehicle until August 16 or later, you can still claim the credit based on the old rules in place before August 16. So, for example, the final assembly requirement wouldn't apply in that situation.

STANDARD MILEAGE RATES

Thanks to skyrocketing gas prices, the IRS took the unusual step of adjusting the standard mileage rates for 2022. Mileage rates are used to calculate tax deductions for the use of an automobile for business purposes, medical-related travel, and moving expenses.

From January 1 to June 30, the 2022 standard mileage rate for business driving is 58.5¢ per mile. The mileage allowance for medical travel and military moves for the same time span is 18¢ per mile.

From July 1 to December 31, the 2022 mileage rate for business purposes rises to 62.5¢ per mile and 22¢ per mile for medical-related driving and moving expenses.

Some Holiday Heating Tips to Keep You Warm

Seal Any Gaps To Prevent Air Leaks

Change HVAC Filters

Consider A Programmable Thermostat

Schedule HVAC Maintenance Service

Install an Efficient Tankless Water Heater

Establish HVAC Zoning Systems

Check Heating Air Vents

Use Caution With Space Heaters

Switch Your Ceiling Fans to Reverse

Mindful Eating to Improve Your Relationship With Food During the Holidays

Recognize Signs of Hunger

Sit to Eat

Breathe Deeply

Focus on Sensory Cues

Stick to a Schedule

Pack Your To-Go Plate First

Indulge Outside of Holidays

Practice Coping Mechanisms

Slow Down

Enjoy



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. Previously, the form was only sent if you received over \$20,000 in gross payments *and* participated in more than 200 transactions. The gross amount of a payment doesn't include any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts.

ESTATE & GIFT TAXES



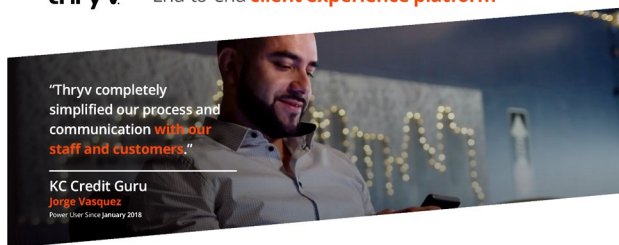
The lifetime estate and gift tax exemption for 2022 jumped from \$11.7 million to \$12.06 million — \$24.12 million for couples if portability is elected by timely filing IRS Form 706 after the death of the first-to-die spouse. In addition, the deadline for electing portability is pushed back from two years to five years for smaller estates that aren't *required* to file Form 706 because their assets don't exceed the exemption amount.

The special estate tax valuation of real estate also increases for 2022. For the estate of a person dying this year, up to \$1.23 million of farm or business real estate can receive discount valuation, letting the estate value the realty at its current use instead of fair market value. More estate tax liability qualifies for an installment payment tax break, too. If one or more closely held businesses make up greater than 35% of a 2022 estate, as much as \$656,000 of tax can be deferred and the IRS will charge only 2% interest.

Finally, the annual gift tax exclusion for 2022 rises from \$15,000 to \$16,000 per donee. So, you can give up to \$16,000 (\$32,000 if your spouse agrees) to each child, grandchild or any other person in 2022 without having to file a gift tax return or tap your lifetime estate and gift tax exemption.



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Happy Holidays
2022

Be Well, Be Safe, Have Some Fun

