

Year End Tax Tips

IRS STAFFS UP

In addition to the more than 4,000 people recently hired to fill critical customer service positions, the IRS is now seeking over 700 new employees to help taxpayers at Taxpayer Assistance Centers across the country.

This increase in staffing is part of much wider IRS improvements enabled by the Inflation Reduction Act funding approved in August, 2022. As a result of the funding, an overall employee net increase of 32,000 is expected with 57% of the new funding going toward IRS enforcement. An additional \$204B in IRS enforcement revenue is expected to be generated and 85% of phone calls are expected to be answered, compared to less than 10% in recent months.

Other changes as a result of the Inflation Reduction Act:

- The premium tax credit has been extended for 3 years. This benefits those who buy insurance through the Marketplace and qualify for premium subsidies.
- Lower prescription costs for seniors—Out of pocket costs are capped at \$2,000 per year and insulin is capped at \$35 per month.

DEDUCTIONS UPDATE

- ⇒ Business mileage rate = 58.5¢ Jan—June, then 62.5¢ (You must track your mileage)
- ⇒ Business entertainment is not deductible (Note: Use an app like Deductr, Fresh-books or your accounting software to scan receipts or enter details to track business expenses)
- ⇒ Charitable contributions limited to 60% of AGI; written acknowledgement required for contribution of \$250 or more
- ⇒ Medical and dental expenses that exceed 7.5% of Adjusted Gross Income (AGI) are deductible if you itemize, and above 4% AGI for Alabama state taxes

DO YOU SELL ON ETSY OR SHOPIFY?

Beginning January 1, 2022, the IRS implemented new reporting requirements for payments received for goods and services, which will lower the reporting threshold to \$600 from 2021's threshold of \$20,000. So if you receive payments of \$600 or more through Paypal or other US payment processors, you can expect to receive a 1099-K with your reportable income.

OTHER

- ◆ **Household help** If you pay \$2,400 or more per year (or more than \$1,000 per quarter) directly to a worker, you are required to file a Schedule H and file payroll reports.
- ◆ **Teachers** and other instructors receive an adjustment of \$300 to cover the costs of allowable expenses provided by the teacher
- ◆ The qualifying child and dependent care costs are back to normal—\$3,000 per child, up to 2 children

2022 Tax Filing Deadlines

4th Qtr Est. Pmt	Jan 17
W-2s	Jan 31
1099s	Jan 31
1120S	March 15
1040	April 18
Form 990	May 15

2022 CONTRIBUTION LIMITS

IRA & Roth.....	6,000
Catch up (age 50+).....	\$500
401(k).....	\$20,500
401(k) catch up.....	\$6,500

2022 IRA CONTRIBUTION INCOME PHASEOUT (WHEN COVERED BY PLAN AT WORK)

Single	68,000—\$78,000
Married Filing Jointly..	\$109k-\$129k
One spouse covered.....	\$204k-\$214k

OTHER

- Standard Deduction
- | | |
|-------------|----------|
| Single..... | \$12,400 |
| MFJ..... | \$24,800 |
- Gift tax exclusion
- | | |
|-------|----------|
| | \$16,000 |
|-------|----------|
- Lifetime exclusion.....
- | | |
|-------|-------------|
| | \$12.09 mil |
|-------|-------------|