

TaxMama's[®] Tax Update

2022-2023

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Who is TaxMama®?



- Eva Rosenberg, EA, CTC, CTRS, is your TaxMama® - Eva was named one of [*2022's Top 10 Most Influential Women in Accounting*](#). Why? She has been active in the areas of tax writing, education and advocacy for decades
- TaxMama® has been teaching Enrolled Agents Exam review courses off and on since developing the program for UCLA Extension well over 25 years ago. These days, she's teaching her own in-depth tax course online at <http://www.irsexams.school/>
- Eva has a BA in Accounting and an MBA in International Business. Your TaxMama® was a TaxWatch columnist for Dow Jones' www.MartketWatch.com for nearly 15 years and award-winning author of best-selling books.



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Introduction

- In December 2015 Congress passed a comprehensive set of laws - the PATH Act of 2015 - **Protecting Americans From Tax Hikes Act Of 2015 (PATH Act)**
<https://www.finance.senate.gov/download/summary-of-the-protecting-americans-from-tax-hikes-path-act-of-2015>
- In 2017, Congress gave us **The Tax Cuts and Jobs Act (TCJA)** which became law on 12/22/17.
<http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf>
- On February 2, 2018, Congress passed the **Bipartisan Budget Act of 2018**.
<https://www.congress.gov/115/bills/hr1892/BILLS-115hr1892enr.pdf>
- On July 1, 2019, Congress passed the **Taxpayer First Act** - <https://www.congress.gov/bill/116th-congress/house-bill/3151> – this law primarily affects representation, not preparation of returns
- And then...on December 20, the President signed the **SECURE Act**, part of a much larger tax bill - the **Setting Every Community Up for Retirement Enhancement Act (SECURE Act)** and the **Taxpayer Certainty and Disaster Tax Relief Act (TCDTRA)** <https://www.congress.gov/bill/116th-congress/house-bill/1865/text>
This includes extenders – that affect 2018!

Most of these laws affect our 2018-2020 tax returns.
Moving on to 2022....WOW!

2021 and 2022 Major Tax Legislation

- December 27, 2020 – H.R. 133 - Consolidated Appropriations Act
<https://www.congress.gov/bill/116th-congress/house-bill/133/text> (this includes the Taxpayer Certainty and Disaster Tax Relief Act of 2020)
 - Note: Most of the Coronavirus benefits have now expired.
- March 6, 2021 – H.R. 1319 - American Rescue Plan Act
<https://www.congress.gov/bill/117th-congress/house-bill/1319>
- November 15, 2021 - Infrastructure Investment and Jobs Act
<https://www.congress.gov/bill/117th-congress/house-bill/3684/text>
- **August 16, 2022 – Inflation Reduction Act -**
<https://www.congress.gov/bill/117th-congress/house-bill/5376>

Helpful IRS Links and...

- Which IRS services are open and available – keep an eye on this link (*constantly updated* - November 2022) <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>
- IRS Electronic Options
<https://www.irs.gov/newsroom/irsgov-helps-taxpayers-get-tax-information-they-need-find-tools-for-filing-paying-checking-accounts-and-answering-questions>
- IRS Tax Pro Account - <https://www.irs.gov/tax-professionals/use-tax-pro-account>
- IRS Online Assistance Available (updated January 2022)
<https://www.irs.gov/newsroom/irs-urges-taxpayers-to-use-electronic-options-outlines-online-assistance>
- The IRS Newsroom - <https://www.irs.gov/newsroom>
- IRS Statements and Announcements - <https://www.irs.gov/newsroom/irs-statements-and-announcements>

2023 Filing Deadlines for 2022 Tax Returns

Note: There are extended 2021 tax return filing deadlines for various disaster areas – some through February 15, 2023

TAX RETURN	CURRENT DUE DATE	CURRENT EXTENSION DATE
1040	April 18	October 16
1041	April 18	September 30
1065	March 15	September 15
1120 Calendar year before Jan 1 2026	April 18	September 15
1120 Calendar year after Dec 31 2025	April 18	October 16
1120 Fiscal Year End (other than Dec. 31 or June 30)	15th day of 4th month after year-end	15th day of 10th month after year-end
1120 June 30 Fiscal Year before Jan. 1, 2026	September 15	April 18
1120 June 30 Fiscal Year after Dec 31, 2025	October 15	April 18
1120S	March 15	September 15
Exempt Form 990	May 15	November 15
FBAR - FinCEN 114	April 18	October 16
W-2s and 1099s with withholding	Forms W-2 and certain 1099-MISC due to IRS/SSA Jan. 31.	
W-2s and 1099s due to taxpayers	Forms W-2 and certain 1099-MISC due to IRS/SSA Jan. 31.	Form 8809 - 30 days

Remember Your Renewals or Updates

- **PTIN** - <https://rpr.irs.gov/datamart/mainMenuUSIRS.do>
\$30.75 for 2023 – due by December 31st
- **Enrolled Agent** – Renew every **3 years** - Social Security Numbers ending in **4,5,6** renew between **November 1 and January 31** (see the schedule here)
<https://www.irs.gov/pub/irs-pdf/p5186.pdf>
Use online Form 8554 to renew and pay
<https://www.pay.gov/public/form/start/19304437>
- **EFIN** – If you have changed your business address, business entity, added locations or owners, change employer ID #s – you need to update your EFIN registration before efilng your first tax return of the season -
<https://www.irs.gov/e-file-providers/become-an-authorized-e-file-provider>

2022 - 2023 Standard Deductions

Filing Status	2022	2023
Married Filing Jointly	\$25,900	\$27,700
Qualifying Surviving Spouse	\$25,900	\$27,700
Head of Household	\$19,400	\$20,800
Single	\$12,950	\$13,850
Married Filing Separately	\$12,950	\$13,850
Dependents	\$1,150	\$1,250
Plus - \$400 (2022 & 2023) up to Single amount		
Dependent over 65 or blind	\$1,400	\$1,500
- single not surviving spouse	\$1,750	\$1,850
Dependents' Max Earnings	\$4,400	\$4,700

- Naturally, the standard deductions are **updated for *inflation*** each year.
- Often, the best place to find all this? <http://www.smbiz.com/sbrl001.html#pis22>

2022 Capital Gains Rates vs Ordinary Rates

Capital Gains

- 0% if you're in the 10% or 12% tax bracket
- 15% for everything in between (22% - 35%)
- 20% if you're in the 37% tax bracket
- Up to 28% for sale of collectibles
- Up to 28% taxable portion of sale of Qualified Small Business Stock (plus AMT on excluded portion of gain)
- Up to 25% for depreciation recapture on gain from sale of Section 1250 real property

▶ CAPITAL GAINS

2022 - Long-Term Capital Gains and Qualified Dividends Rates for Taxpayers with Taxable Income in the Specified Ranges - Code Sec. 1(j)(5)

	0%	15%	20%
Married filing jointly	\$0 - \$83,350	\$83,351 - \$517,200	over \$517,200
Married filing separately	\$0 - \$41,675	\$41,676 - \$258,600	over \$258,600
Head of household	\$0 - \$55,800	\$55,801 - \$488,500	over \$488,500
Unmarried	\$0 - \$41,675	\$41,676 - \$459,750	over \$459,750
Estates and trusts	\$0 - \$2,800	\$2,801 - \$13,700	over \$13,700

2023 Capital Gains Rates vs Ordinary Rates .

Capital Gains

- 0% if you're in the 10% or 12% tax bracket
- 15% for everything in between (22% - 35%)
- 20% if you're in the 37% tax bracket
- Up to 28% for sale of collectibles
- Up to 28% taxable portion of sale of Qualified Small Business Stock (plus AMT on excluded portion of gain)
- Up to 25% for depreciation recapture on gain from sale of Section 1250 real property

▶ CAPITAL GAINS

2023 - Long-Term Capital Gains and Qualified Dividends Rates for Taxpayers with Taxable Income in the Specified Ranges - Code Sec. 1(j)(5)

	0%	15%	20%
Married filing jointly.....	\$0 - \$89,250.....	\$89,251 - \$553,850.....	over \$553,850
Married filing separately.....	\$0 - \$44,625.....	\$44,626 - \$276,900.....	over \$276,900
Head of household.....	\$0 - \$59,750.....	\$59,751 - \$523,050.....	over \$523,050
Unmarried.....	\$0 - \$44,625.....	\$44,626 - \$492,300.....	over \$492,300
Estates and trusts.....	\$0 - \$3,000.....	\$3,001 - \$14,650.....	over \$14,650

Social Security Limits

Employee's Portion of FICA	2022	2023
Maximum Earnings Subject to Social Security Tax (Medicare)	\$147,400	\$160,200
Social Security Tax Rate	6.20%	6.20%
Social Security Tax Rate - Self-employed	12.40%	12.40%
Medicare Tax Rate (no limit to earnings)*	1.45%	1.45%
Medicare Tax Rate - Self-Employed (no limit to earnings)	2.90%	2.90%
Earning Limit - Collecting SS Tax before age 66	\$19,560.00	\$21,240.00
Earning Limit - Collecting SS Tax in the year you turn age 66	\$51,960.00	\$56,520.00

* plus 0.9% on wages above the threshold and 3.8% on unearned income

The Newer Form 1040 – Changes Again!

The main 1040 form is quite similar to last year's form....

Except all the line numbers have changed

The Form 1040-SR doesn't have any significant changes.

There are 3 schedules that feed into the Form 1040 –
and the schedules are still 2 pages each

- **Schedule 1** Income and AGI
- **Schedule 2** Additional Taxes
- **Schedule 3** Credits and Payments

Form 1040		Department of the Treasury—Internal Revenue Service		2022		OMB No. 1545-0074		IRS Use Only—Do not write or staple in this space.			
Filing Status		<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying surviving spouse (QSS)									
Check only one box.		If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:									
Your first name and middle initial				Last name				Your social security number			
If joint return, spouse's first name and middle initial				Last name				Spouse's social security number			
Home address (number and street). If you have a P.O. box, see instructions.						Apt. no.		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse			
City, town, or post office. If you have a foreign address, also complete spaces below.				State		ZIP code					
Foreign country name				Foreign province/state/county		Foreign postal code					
Digital Assets		At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)								<input type="checkbox"/> Yes <input type="checkbox"/> No	
Standard Deduction		Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien									
Age/Blindness		You: <input type="checkbox"/> Were born before January 2, 1958 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1958 <input type="checkbox"/> Is blind									
Dependents		(see instructions):									
If more than four dependents, see instructions and check here <input type="checkbox"/>		(1) First name		Last name		(2) Social security number		(3) Relationship to you		(4) Check the box if qualifies for (see instructions):	
		Child tax credit		Credit for other dependents		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
Income		Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.									
Attach Sch. B if required.		1a Total amount from Form(s) W-2, box 1 (see instructions)								1a	
		b Household employee wages not reported on Form(s) W-2								1b	
		c Tip income not reported on line 1a (see instructions)								1c	
		d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)								1d	
		e Taxable dependent care benefits from Form 2441, line 26								1e	
		f Employer-provided adoption benefits from Form 8839, line 29								1f	
		g Wages from Form 8919, line 6								1g	
		h Other earned income (see instructions)								1h	
		i Nontaxable combat pay election (see instructions)				1i				1z	
		z Add lines 1a through 1h								1z	
		2a Tax-exempt interest		2a				b Taxable interest		2b	
		3a Qualified dividends		3a				b Ordinary dividends		3b	
		4a IRA distributions		4a				b Taxable amount		4b	
		5a Pensions and annuities		5a				b Taxable amount		5b	
		6a Social security benefits		6a				b Taxable amount		6b	
		c If you elect to use the lump-sum election method, check here (see instructions)									
		7 Capital gain or (loss). Attach Schedule D if required. If not required, check here								7	
		8 Other income from Schedule 1, line 10								8	
		9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income								9	
		10 Adjustments to income from Schedule 1, line 26								10	
		11 Subtract line 10 from line 9. This is your adjusted gross income								11	
		12 Standard deduction or itemized deductions (from Schedule A)								12	
		13 Qualified business income deduction from Form 8995 or Form 8995-A								13	
		14 Add lines 12 and 13								14	
		15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income								15	

Form 1040 (2022)		Page 2	
Tax and Credits	16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____	16	
	17 Amount from Schedule 2, line 3	17	
	18 Add lines 16 and 17	18	
	19 Child tax credit or credit for other dependents from Schedule 8812	19	
	20 Amount from Schedule 3, line 8	20	
	21 Add lines 19 and 20	21	
	22 Subtract line 21 from line 18. If zero or less, enter -0-	22	
	23 Other taxes, including self-employment tax, from Schedule 2, line 21	23	
	24 Add lines 22 and 23. This is your total tax	24	
Payments	25 Federal income tax withheld from:		
	a Form(s) W-2	25a	
	b Form(s) 1099	25b	
	c Other forms (see instructions)	25c	
	d Add lines 25a through 25c	25d	
	26 2022 estimated tax payments and amount applied from 2021 return	26	
	27 Earned income credit (EIC)	27	
	28 Additional child tax credit from Schedule 8812	28	
	29 American opportunity credit from Form 8863, line 8	29	
	30 Reserved for future use	30	
	31 Amount from Schedule 3, line 15	31	
	32 Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	
	33 Add lines 25d, 26, and 32. These are your total payments	33	
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
	35a Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	
Direct deposit? See instructions.	b Routing number _____ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number _____		
	36 Amount of line 34 you want applied to your 2023 estimated tax	36	
Amount You Owe	37 Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions.	37	
	38 Estimated tax penalty (see instructions)	38	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input type="checkbox"/> Yes . Complete below. <input type="checkbox"/> No		
	Designee's name _____	Phone no. _____	Personal identification number (PIN) _____
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Your signature _____	Date _____	Your occupation _____
Joint return? See instructions. Keep a copy for your records.	Spouse's signature. If a joint return, both must sign. _____	Date _____	Spouse's occupation _____
	Phone no. _____	Email address _____	
Paid Preparer Use Only	Preparer's name _____	Preparer's signature _____	Date _____
	Firm's name _____	PTIN _____	Check if: <input type="checkbox"/> Self-employed
	Firm's address _____	Phone no. _____	Firm's EIN _____

2021 - 2022 Form 1040, pages 1 and 2

<https://www.irs.gov/pub/irs-dft/f1040--dft.pdf>

- **Cryptocurrency/digital asset** trades are not yet subject to wash sale rules
 - If the only digital transaction is buying Crypto with cash/money, no need to answer YES to the question
- **Charitable Contributions** are gone – back to **Schedule A only**
- Apparently missing from 2022 form Page 2?

26	2021 estimated tax payments and amount applied from 2020 return		
27a	Earned income credit (EIC) Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instructions ▶	27a	
b	Nontaxable combat pay election	27b	
c	Prior year (2019) earned income	27c	
28	Refundable child tax credit or additional child tax credit from Schedule 8812	28	

- The combat pay has moved above to line (i) on Page 1
- The **refundable child tax credit** is back on Schedule 3

g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions)	1i	

2022 Schedule 1 – Income & AGI - Page 1 of 2

<https://www.irs.gov/pub/irs-pdf/f1040s1.pdf>

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074 2022 Attachment Sequence No. 01	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.			
Name(s) shown on Form 1040, 1040-SR, or 1040-NR				Your social security number	
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	()		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	()		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i			
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABLE account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()		
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	

The Usual Adjustments to Income

- Line 11 - Educator's Expense - \$ 300 - Made permanent (Sec 104)
- Line 20 – IRA SECURE Act changes in effect since 2021
- Line 21 – Student Loan Interest \$2,500 – (no change)
- Line 22 – Reserved for future - Tuition and Fees - Gone again

Schedule 1 (Form 1040) 2022 Page 2

Part II Adjustments to Income

11 Educator expenses	11
12 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13 Health savings account deduction. Attach Form 8889	13
14 Moving expenses for members of the Armed Forces. Attach Form 3903	14
15 Deductible part of self-employment tax. Attach Schedule SE	15
16 Self-employed SEP, SIMPLE, and qualified plans	16
17 Self-employed health insurance deduction	17
18 Penalty on early withdrawal of savings	18
19a Alimony paid	19a
b Recipient's SSN	
c Date of original divorce or separation agreement (see instructions):	
20 IRA deduction	20
21 Student loan interest deduction	21
22 Reserved for future use	22
23 Archer MSA deduction	23

2022 Schedule 1 – Income & AGI - Page 2 of 2

<https://www.irs.gov/pub/irs-dft/f1040s1--dft.pdf>

Schedule 1 (Form 1040) 2022 Page **2**

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions):		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount:	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26	

Schedule 1 (Form 1040) 2022

2022 Schedule 2 – Add'l Taxes - Page 1 of 2

<https://www.irs.gov/pub/irs-dft/f1040s2--dft.pdf>

SCHEDULE 2 (Form 1040)		Additional Taxes		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2022 Attachment Sequence No. 02
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Tax				
1	Alternative minimum tax. Attach Form 6251	1		
2	Excess advance premium tax credit repayment. Attach Form 8962	2		
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3		
Part II Other Taxes				
4	Self-employment tax. Attach Schedule SE	4		
5	Social security and Medicare tax on unreported tip income. Attach Form 4137	5		
6	Uncollected social security and Medicare tax on wages. Attach Form 8919	6		
7	Total additional social security and Medicare tax. Add lines 5 and 6	7		
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here <input type="checkbox"/>	8		
9	Household employment taxes. Attach Schedule H	9		
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required	10	2023	
11	Additional Medicare Tax. Attach Form 8959	11		
12	Net investment income tax. Attach Form 8960	12		
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	13		
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares	14		
15	Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000	15		
16	Recapture of low-income housing credit. Attach Form 8611	16		
			<i>(continued on page 2)</i>	
For Paperwork Reduction Act Notice, see your tax return instructions.		Cat. No. 71478U		Schedule 2 (Form 1040) 2022

2022 Schedule 2 – Add'l Taxes - Page 2 of 2

<https://www.irs.gov/pub/irs-dft/f1040s2--dft.pdf>

Schedule 2 (Form 1040) 2022 Page **2**

Part II Other Taxes (continued)

17 Other additional taxes:		
a Recapture of other credits. List type, form number, and amount:		
	17a	
b Recapture of federal mortgage subsidy, if you sold your home see instructions	17b	
c Additional tax on HSA distributions. Attach Form 8889	17c	
d Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d	
e Additional tax on Archer MSA distributions. Attach Form 8853	17e	
f Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17f	
g Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
h Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
i Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
j Section 72(m)(5) excess benefits tax	17j	
k Golden parachute payments	17k	
l Tax on accumulation distribution of trusts	17l	
m Excise tax on insider stock compensation from an expatriated corporation	17m	
n Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
o Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
p Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
q Any interest from Form 8621, line 24	17q	
z Any other taxes. List type and amount:	17z	
18 Total additional taxes. Add lines 17a through 17z	18	
19 Reserved for future use	19	
20 Section 965 net tax liability installment from Form 965-A	20	
21 Add lines 4, 7 through 16, and 18. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	21	

Schedule 2 (Form 1040) 2022

2022 Schedule 3 – Credits/Pmts – Page 1 of 2

<https://www.irs.gov/pub/irs-dft/f1040s3--dft.pdf>

Non-Refundable – but some may be carried forward

SCHEDULE 3 (Form 1040)		Additional Credits and Payments		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2022 Attachment Sequence No. 03
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Nonrefundable Credits				
1	Foreign tax credit. Attach Form 1116 if required			1
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441			2
3	Education credits from Form 8863, line 19			3
4	Retirement savings contributions credit. Attach Form 8880			4
5	Residential energy credits. Attach Form 5695			5
6	Other nonrefundable credits:			
a	General business credit. Attach Form 3800	6a		
b	Credit for prior year minimum tax. Attach Form 8801	6b		
c	Adoption credit. Attach Form 8839	6c		
d	Credit for the elderly or disabled. Attach Schedule R	6d		
e	Alternative motor vehicle credit. Attach Form 8910	6e		
	Qualified plug-in motor vehicle credit. Attach Form 8936	6f		
g	Mortgage interest credit. Attach Form 8396	6g		
h	District of Columbia first-time homebuyer credit. Attach Form 8859	6h		
i	Qualified electric vehicle credit. Attach Form 8834	6i		
j	Alternative fuel vehicle refueling property credit. Attach Form 8911	6j		
k	Credit to holders of tax credit bonds. Attach Form 8912	6k		
l	Amount on Form 8978, line 14. See instructions	6l		
z	Other nonrefundable credits. List type and amount: _____	6z		
7	Total other nonrefundable credits. Add lines 6a through 6z			7
8	Add lines 1 through 5 and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20			8

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G Schedule 3 (Form 1040) 2022

2022 Schedule 3 – Credits/Pmts – Page 2 of 2

<https://www.irs.gov/pub/irs-pdf/f1040s3.pdf>

Schedule 3 (Form 1040) 2022		Page 2
Part II Other Payments and Refundable Credits		
9	Net premium tax credit. Attach Form 8962	9
10	Amount paid with request for extension to file (see instructions)	10
11	Excess social security and tier 1 RRTA tax withheld	11
12	Credit for federal tax on fuels. Attach Form 4136	12
13	Other payments or refundable credits:	
a	Form 2439	13a
b	Credit for qualified sick and family leave wages paid in 2022 from Schedule(s) H for leave taken before April 1, 2021	13b
c	Reserved for future use	13c
d	Credit for repayment of amounts included in income from earlier years	13d
e	Reserved for future use	13e
f	Deferred amount of net 965 tax liability (see instructions)	13f
g	Reserved for future use	13g
h	Credit for qualified sick and family leave wages paid in 2022 from Schedule(s) H for leave taken after March 31, 2021, and before October 1, 2021	13h
z	Other payments or refundable credits. List type and amount: _____ _____	13z
14	Total other payments or refundable credits. Add lines 13a through 13z	14
15	Add lines 9 through 12 and 14. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	15

Earned Income Tax Credit 2022



Find the maximum AGI, investment income and credit amounts for tax year 2022.

Children or Relatives Claimed	Filing as Single, Head of Household, or Widowed	Filing as Married Filing Jointly
Zero	\$16,480	\$22,610
One	\$43,492	\$49,622
Two	\$49,399	\$55,529
Three	\$53,057	\$59,187

Investment income limit: \$10,300 or less

Maximum Credit Amounts

The maximum amount of credit:

- No qualifying children: \$560
- 1 qualifying child: \$3,733
- 2 qualifying children: \$6,164
- 3 or more qualifying children: \$6,935

Earned Income Tax Credit 2023



Children or Relatives Claimed	Filing as Single, Head of Household, or Widowed	Filing as Married Filing Jointly
Zero	\$17,640	\$24,210
One	\$46,560	\$53,120
Two	\$52,918	\$59,478
Three	\$56,838	\$63,398
Investment income limit:	\$11,000 or less	
Maximum Credit Amounts		
The maximum amount of credit:		
No qualifying children	\$600	
1 qualifying child:	\$3,995	
2 qualifying children:	\$6,604	
3 or more qualifying children:	\$7,430	

Excessive Investment income – has risen to **\$11,000** (used to be \$3,650)

Premium Tax Credit Poverty Levels Increased for 2022 .

You will find the amounts of the 3 different poverty levels for the continental U.S., Alaska and Hawaii in the instructions to Form 8962 <https://www.irs.gov/pub/irs-pdf/i8962.pdf>

Table 1-3. Federal Poverty Line for Hawaii

IF your Family Size* from Form 8962, line 1, was . . .	THEN enter the amount below on Form 8962, line 4 . . .
1	\$14,820
2	\$20,040
3	\$25,260
4	\$30,480
5	\$35,700
6	\$40,920
7	\$46,140
8	\$51,360

**If your family size was more than 8, add \$5,220 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$5,220 by 3 and add the result of \$15,660 to \$51,360. Enter the result of \$67,020 on Form 8962, line 4.*

Table 1-1. Federal Poverty Line for the 48 Contiguous States and the District of Columbia

IF your Family Size* from Form 8962, line 1, was . . .	THEN enter the amount below on Form 8962, line 4 . . .
1	\$12,880
2	\$17,420
3	\$21,960
4	\$26,500
5	\$31,040
6	\$35,580
7	\$40,120
8	\$44,660

**If your family size was more than 8 people, add \$4,540 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$4,540 by 3 and add the result of \$13,620 to \$44,660. Enter the result of \$58,280 on Form 8962, line 4.*

Table 1-2. Federal Poverty Line for Alaska

IF your Family Size* from Form 8962, line 1, was . . .	THEN enter the amount below on Form 8962, line 4 . . .
1	\$16,090
2	\$21,770
3	\$27,450
4	\$33,130
5	\$38,810
6	\$44,490
7	\$50,170
8	\$55,850

**If your family size was more than 8 people, add \$5,680 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$5,680 by 3 and add the result of \$17,040 to \$55,850. Enter the result of \$72,890 on Form 8962, line 4.*

Premium Tax Credit Repayment Amounts 2022

If the household income (expressed as a percent of poverty line) is:	The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:	The limitation amount for all other taxpayers is:
Less than 200%	\$325	\$650
At least 200% but less than 300%	\$825	\$1,650
At least 300% but less than 400%	\$1,400	\$2,800

- You will find the amounts of the 3 different poverty levels for the continental U.S., Alaska and Hawaii in the instructions to Form 8962 <https://www.irs.gov/pub/irs-pdf/i8962.pdf#page=16>
- The **exclusion** from tax for excess income **is only applied to 2020**
- Potentially, the Build Back Better Act (BBBA) may extend that to 2022**

400% repealed – not have to repay more than 8.5% of income on health ins payments ARP 9661
IRC36(b)(3)(A)

Some Related Benefits from the Inflation Reduction Act

<https://www.congress.gov/bill/117th-congress/house-bill/5376>

- **The Premium Tax Credit** has been extended for another 3 years. This is where folks buy insurance through the Marketplace, with the government paying part of the premiums. This takes affect right now, as people renew this coverage for 2023. HealthCare.gov has the tools to help your clients do the computations for the lower premiums - <https://www.healthcare.gov/more-savings/>
- All taxpayers with income in excess of the 400% cap will pay a maximum of 8.5% of their income on health insurance premiums.
- Taxpayers' share of the premiums are lower.
- **Lower Prescription costs for seniors** – out of pocket costs are capped at \$2,000 per year. Insulin is capped at \$35 per month. Medicare beneficiaries have access to more vaccines at no charge. The Kaiser Foundation website shows a [detailed timeline](#) of the implementation of these provisions.

Child Tax Credit

2022, the Child Tax Credit has returned to the **pre-COVID** limits:

- \$2,000 per child
- \$1,500 per child refundable

For 2023, we expect the Child Tax Credit is as follows:

- \$2,000 per child
- \$1,600 per child refundable

Child and Dependent Care Credit – Form 2441

The qualifying Child and Dependent care costs are back to normal.

- \$3,000 per child (up to 2 children)
- On the other hand, the employer-provided child-care amount that is excluded from income is \$5,000

<https://www.irs.gov/pub/irs-dft/i2441--dft.pdf>

Temporary special rules for dependent care flexible spending arrangements (FSAs). Section 214 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 provides temporary COVID-19 relief for dependent care FSAs. This legislation allows employers to amend their dependent care plan to allow unused amounts to be used in a subsequent year. Unused amounts from 2020 and/or 2021 are added to the maximum amount of dependent care benefits that are allowed for 2022. See the instructions for [line 13](#).

New line B. There is a new [line B](#) that has a checkbox for you to indicate if you're entering deemed income of \$250 or \$500 a month on Form 2441 based on the income rules listed later in the instructions under [If You or Your Spouse Was a Student or Disabled](#).

Other Key Credits for 2022 - 2023

- Adoption Credit - \$14,890 (\$15,950 – 2023)
- Adoption Assistance from employer \$14,890 (\$15,950 – 2023)
 - SECURE Act – Allows for up to \$5,000 penalty-free withdrawals from IRAs or retirement plans per qualified birth or adoptions – after 12/31/2019 -
 - Withdrawals within 1 year of birth or adoptions – money does not have to be used for this purpose.
 - May be repaid and rolled over – treated as 60-day trustee-to-trustee rollover if the account is eligible.
- **Lifetime Learning Credit** – phases out for 2022 incomes over \$180,000 for a joint return or \$90,000 for all others
- American Opportunity Credit (R & NR) – \$2,500 (\$1,000) – same phaseout
- Employee Health Insurance Expense of Small Employers, the average annual wages are \$28,700(2022) and \$30,700 (2023).

Don't Forget – First-Time Homebuyers Credit

The repayment of the 2008 is still with us. The \$7,500 Home Buyers Credit must be **repaid over 15 years - up to \$500 a year.** (Purch from 04/08 - 12/31/08)
The final payment is due on the 2023 tax return.

You do not need to attach a Form 5405 if still living in same home – just pay.

IRS look-up tool - Use for 5405 to report accelerated repayments:

<https://sa.www4.irs.gov/irfof-fthb/>



Acceleration of repayment – If a taxpayer disposes of the home for which a first-time homebuyer credit was allowed, or the taxpayer (and the taxpayer's spouse, if married) ceases to use the home as a principal residence before the end of the 15-year repayment period, the remaining credit repayment amount is added to the income tax liability of the taxpayer for the year of disposition or cessation of use.

Good News! In 2014 all clients who had *non-repayable credit* should have passed the deadline for the repayment of portion of the credit from selling the property (or converting it to rental use) within 36 months of purchase.

Savers Credit .

This is a credit for making contributions to any IRA or retirement plan, non-deductible Roth IRAs, paycheck deductions for retirement contributions, and contributions to ABLE accounts (disability accounts). (Also applies to mandatory state retirement programs, like CA's Cal Saver accounts)

- Credit amount is 50% of the contribution – maximum contribution is \$2,000; so maximum credit is \$1,000
- This is a non-refundable credit
- It phases out based on Total Income
- Form 8800 <https://www.irs.gov/forms-pubs/about-form-8880>

8 Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11* **8**

9 Enter the applicable decimal amount from the table below.

If line 8 is—		And your filing status is—		
Over—	But not over—	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying surviving spouse
		Enter on line 9—		
---	\$20,500	0.5	0.5	0.5
\$20,500	\$22,000	0.5	0.5	0.2
\$22,000	\$30,750	0.5	0.5	0.1
\$30,750	\$33,000	0.5	0.2	0.1
\$33,000	\$34,000	0.5	0.1	0.1
\$34,000	\$41,000	0.5	0.1	0.0
\$41,000	\$44,000	0.2	0.1	0.0
\$44,000	\$51,000	0.1	0.1	0.0
\$51,000	\$68,000	0.1	0.0	0.0
\$68,000	---	0.0	0.0	0.0

Note: If line 9 is zero, **stop**; you can't take this credit.

Credit for Elderly & Disabled

A similar credit is the Schedule R – Credit for the elderly and disabled

<https://www.irs.gov/pub/irs-dft/f1040sr--dft.pdf>

Your software will always test to see if your client qualifies for these credits. However, in most cases, anyone with income low enough to qualify will not be able to use the credit.

Schedule R (Form 1040) 2022

Part III Figure Your Credit			
10	If you checked (in Part I):	Enter:	
	Box 1, 2, 4, or 7	\$5,000	} 10
	Box 3, 5, or 6	\$7,500	
	Box 8 or 9	\$3,750	
	Did you check box 2, 4, 5, 6, or 9 in Part I?	Yes. You must complete line 11.	
		No. Enter the amount from line 10 on line 12 and go to line 13.	
11	If you checked (in Part I):		
	• Box 6, add \$5,000 to the taxable disability income of the spouse who was under age 65. Enter the total.	} 11	
	• Box 2, 4, or 9, enter your taxable disability income.		
	• Box 5, add your taxable disability income to your spouse's taxable disability income. Enter the total.		
TIP	For more details on what to include on line 11, see Figure Your Credit in the instructions.		
12	If you completed line 11, enter the smaller of line 10 or line 11. All others , enter the amount from line 10		12
13	Enter the following pensions, annuities, or disability income that you (and your spouse if filing jointly) received in 2022.		
	a Nontaxable part of social security benefits and nontaxable part of railroad retirement benefits treated as social security (see instructions)	13a	
	b Nontaxable veterans' pensions and any other pension, annuity, or disability benefit that is excluded from income under any other provision of law (see instructions)	13b	
	c Add lines 13a and 13b. (Even though these income items aren't taxable, they must be included here to figure your credit.) If you didn't receive any of the types of nontaxable income listed on line 13a or 13b, enter -0- on line 13c	13c	
14	Enter the amount from Form 1040 or 1040-SR, line 11	14	
15	If you checked (in Part I):	Enter:	
	Box 1 or 2	\$7,500	} 15
	Box 3, 4, 5, 6, or 7	\$10,000	
	Box 8 or 9	\$5,000	
16	Subtract line 15 from line 14. If zero or less, enter -0-		16
17	Enter one-half of line 16		17
18	Add lines 13c and 17		18

Energy Credits – IRC 30D – Alternative Fuel Vehicles

- Courtesy of the Inflation Reduction Act
 - **Increased tax credits for alternative fuel vehicles** – For vehicles purchased between August 15, 2022 and December 31, 2032. After December 31, 2022, this credit applies to “new clean vehicles,” instead of just to plug-in vehicles.
The maximum credit is \$7,500 per vehicle that meets both the emission and battery mineral requirements.
 - There 8 conditions that must be met for the vehicle and ownership to qualify [[IRC Sec 30D\(d\)\(1\)](#)].
 - There are cost limitations - \$80,000 for vans, sports utility vehicles and trucks; \$55,000 for all other vehicles. The credit.
 - The income phase out is \$300,000 for married filing jointly and surviving spouse; \$225,000 for head of household; \$150,000 for single and married filing separately.
 - You can find an approved list of 2022 and projected 2023 vehicles here <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

Energy Credits – IRC 48 – Residential Credits

Courtesy of the Inflation Reduction Act

- **Form 5695 - Residential Energy Credit** – back up to **30%** (instead of 26%) of qualified property <https://www.irs.gov/pub/irs-pdf/f5695.pdf>
- **The Energy efficient home improvement credit** has been extended to December 31, 2022. However, people who have already used up their *lifetime \$500 are not eligible to claim it again.*
<https://www.irs.gov/pub/irs-dft/i5695--dft.pdf#page=3>
- **The Residential clean energy credit** has been **extended to 2033**. The credit is **30%** of the cost of qualified improvements. (Retroactive to 1/01/2021)
 - (The credit had been diminishing each year prior to the Inflation Reduction Act. In 2022 it would have been 26%, down to 22% in 2023, which would have been the final year.) <https://www.irs.gov/pub/irs-dft/i5695--dft.pdf#page=2>
 - New: Qualified Battery Storage devices now qualify

Charitable Contributions

- We no longer have the \$300 deduction for those who don't itemize.
- The limit on deductions of charitable contributions of cash was increased from 50 percent to 60 percent of adjusted gross income. (no new changes in 2022)
- **RMD to Charity** - Sec. 408(d)(8), which allows taxpayers to distribute up to \$100,000 in qualified charitable distributions from individual retirement plans without including the distributions in income. **Sec. 112 of PATH Act – makes this permanent.**
 - Note: This doesn't mean someone must be rich or make a \$100,000 contribution.
 - The distribution is excluded from income.
 - There is no charitable deduction.
 - If taxpayer made contributions to an IRA after age **70.5 or 72 (SECURE Act and CARES Act)**, reduce the \$100,000 limit by those contributions (more RMD details coming up).
- No charitable deduction for college athletic event seating rights.
- Repeals the section 170(f)(8)(D) substantiation exception to the contemporaneous written acknowledgment requirement by having the organization file a report.
<https://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf#page=619>

Contemporaneous \$250 or More - IRC 170 – MANDATORY

<https://www.law.cornell.edu/uscode/text/26/170>

(8) **Substantiation requirement for certain contributions** (A) **General rule** No deduction shall be allowed under subsection (a) for any contribution of \$250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

Contemporaneous For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

- (i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or
- (ii) the due date (including extensions) for filing such return

Donation Receipt from [Organization Name]

Questions? Contact the [name of organization] at [phone number].

Organization Tax ID Number XX-XXXXXX

Donor name	
Address	
City	
State/Province	
Postal code	
Phone	
Total amount	
Date of donation	
Type of donation	[cash, merchandise, service]
Description	[details of merchandise or service]
Value	[value of merchandise or service]
Statement	Donor received [value OR no goods or services] for this donation.

Thank you for your generous support!

The receipt is a customized Office 365 template -
<https://templates.office.com/en-us/Search/results?query=donation+receipt>

Educator's Expenses - *Main Change was COVID Supplies since 2021*

- **Adjustment \$300 for 2022 & 2023**
Sec 104 – permanent + indexed (retained by TCJA)
- Teachers/Classroom Supplies - Allowable expenses include books, supplies, computers, software and anything else you use in the classroom. Health and physical education teachers are entitled to deductions for athletic equipment and supplies. Make sure you have receipts for all expenses.
- ***Beginning in 2016, Sec 104 of the PATH Act also modified the deduction to index the \$250 cap to inflation and include professional development expenses.*** (We finally see an increase)
<https://www.irs.gov/pub/irs-pdf/i1040gi.pdf#page=88>
- Teachers are not the only folks who are entitled to use this deduction.
- It may be used by an instructor, counselor, principal, or aide in a school. Your educational institution may span kindergarten through grade 12. And you must work for at least 900 hours a year in the designated job type. (Note: 2,080 hours are considered full time in the business world.)

Moving Expenses

No changes since the TCJA:

- The TCJA generally *suspends* the deduction for moving expenses for taxable years **2018 through 2025**.
- However, during that suspension period, the provision retains the deduction for moving expenses and the rules providing for exclusions of amounts attributable to in-kind moving and storage expenses (and reimbursements or allowances for these expenses) for members of the **Armed Forces (or their spouse or dependents) on active duty that move pursuant to a military order and incident to a permanent change of station.**
- Moving mileage for 2022 to June 30th - **18 cents – military only.**
- Moving mileage for July 1st - December 31st - **22 cents – military only.**



IRA Updates – SECURE Act

- Nontaxable income that now qualifies as “earned income” for IRA contribution purposes – beginning after 12/31/2019 (still in effect)
 - In Home Supportive Services (IHSS)
 - Certain Tuition Fellowship and stipend payments paid to graduate and post-doctoral students.
- Allows contributions by persons aged 70.5 and over if they have qualified earned income.
 - If these taxpayers do make contributions, the \$100,000 limit on qualified charitable transfers is reduced by that amount.

Student Loan and Interest

- Lesser of \$2,500 or amount paid that tax year.
- Phased out \$70,000 and \$85,000 (\$145,000 and \$175,000 if you file a joint return).
- Client or spouse must be liable for the loan.
- Can't be related to the lender!
- Not deductible for MFS or filing as a dependent!
- Look for a 1098-E if more than \$600.

The CARES Act allowed **employers to pay up to \$5,250** in workers' college loans - extended to December 31, 2026, by the Consolidated Appropriations Act 2021

- The payments are excluded from the workers' wages for federal tax purposes.
- The \$5,250 cap applies to both student loan repayment benefits and other educational assistance (e.g., tuition, fees, books, etc.) offered by an employer under current law.

Education *Discharge Student Loan Debt*

The American Rescue Plan Act changed the landscape



Exclusion of Forgiven Student Loans

The Act includes an expanded exclusion of forgiven student loan amounts applicable to loans discharged **after 2020 and before 2026**. Under prior law, forgiven student loans are only excludable given certain conditions (such as the death or disability of the borrower). However, this expansion allows for the exclusion to apply to **any discharge of student loans for any reason during the period**. The exclusion also applies to private student loans, as long as there is no required provision of services to the discharging lender.

Student Loans Forgiven – 2021 - 2025

Exceptions

There are several exceptions to the inclusion of canceled debt in income. These are explained next.

Student loans. Certain student loans contain a provision that all or part of the debt incurred to attend the qualified educational institution will be canceled if you work for a certain period of time in certain professions for any of a broad class of employers.

You don't have income if your student loan is canceled after you agreed to this provision and then performed the services required. To qualify, the loan must have been made by:

1. **The federal government, a state or local government, or an instrumentality, agency, or subdivision thereof;**
2. **A tax-exempt public benefit corporation that has assumed control of a state, county, or municipal hospital, and whose employees are considered public employees under state law; or**
3. **An educational institution:**
 - a. Under an agreement with an entity described in (1) or (2) that provided the funds to the institution to make the loan, or
 - b. As part of a program of the institution designed to encourage students to **serve in occupations or areas with unmet needs** and under which the

services provided are for or under the direction of a governmental unit or a tax-exempt section 501(c)(3) organization (defined later).

A loan to **refinance a qualified student loan will also qualify** if it was made by an educational institution or a tax-exempt section 501(a) organization under its program designed as described in item 3b earlier.

An educational institution is an organization with a regular faculty and curriculum and a regularly enrolled body of students in attendance at the place where the educational activities are carried on.

A section 501(c)(3) organization is any corporation, community chest, fund, or foundation organized and operated exclusively for one or more of the following purposes.

- Charitable.
- Educational.
- Fostering national or international amateur sports competition (but only if none of the organization's activities involve providing athletic facilities or equipment).
- Literary.
- Preventing cruelty to children or animals.
- Religious.
- Scientific.
- Testing for public safety.

Exception. In most cases, the cancellation of a student loan made by an educational institution because of **services you performed** for that institution or another organization that provided the funds for the **loan must be included in gross income on your tax return.**

Student Loans with Department of Education

- Student loan debt cancelled by the U.S. Department of Education pursuant to the one-time Student Debt Relief Plan announced on August 24, 2022, is not taxable for federal income tax purposes.
- The Student Debt Relief Plan provides up to \$20,000 in debt cancellation to eligible Pell Grant recipients and up to \$10,000 in debt cancellation to eligible non-Pell Grant recipients.
- To help your clients get their loans cancelled, visit this government site: <https://studentaid.gov/manage-loans/forgiveness-cancellation>

Note: This is presently being litigated. Watch the news or TaxMama's® TaxQuips newsletter for updates –

CNN — The US Supreme Court announced on Monday that it will hold arguments in a second case in February concerning President Biden's [student loan forgiveness program](https://www.cnn.com/2022/12/12/politics/supreme-court-student-loan-forgiveness-program), which is currently on hold. <https://www.cnn.com/2022/12/12/politics/supreme-court-student-loan-challenge/index.html>

Retirement Contributions Limits - Overview

<u>IRA OPTIONS:</u>	<u>2022</u>	<u>2023</u>
IRA & Roth	\$6,000	\$6,500
IRA 50+ & Roth	\$7,000	\$7,500
SIMPLE-IRA -	\$14,000	\$15,500
SIMPLE IRA 50+ (\$3,000) (\$3,500-2023)	\$17,000	\$19,000
<u>QUALIFIED PLANS</u>		
401(k)	\$20,500	\$22,500
401(k) 50+ (\$6,500) (\$7,500 - 2023)	\$27,000	\$30,000
SEP/Profit-Sharing	\$61,000	\$66,000
50+ max defined contribution	\$67,500	\$73,500
Defined Benefit Plans	\$245,000	\$265,000
- Compensation Limits	\$305,000	\$330,000
Highly Compensated Employees	\$135,000	\$150,000
Key Employee limit - testing	\$200,000	\$215,000

IRA Contributions - Income Phaseouts

<https://www.irs.gov/pub/irs-drop/n-22-55.pdf>

<u>Filing Status:</u>	<u>2022</u>	<u>2023</u>
<u>IRA when covered by plan at work</u>		
Single & HOH	\$68,000-\$78,000	\$73,000-\$83,000
Married Filing Jointly	\$109,000-\$129,000	\$116,000-\$136,000
Married - Spouse Cover	\$204,000-\$214,000	\$218,000-\$228,000
Married Filing Separately	\$10,000	\$10,000
<u>Roth IRA - Based on AGI</u>		
Single & HOH	\$129,000-\$144,000	\$135,000-\$153,000
Married Filing Jointly	\$204,000-\$214,000	\$218,000-\$228,000
Married Filing Separately	\$10,000	\$10,000

More Retirement Updates – SECURE Act – Employers – Effective after 12/31/2019

- **Credit for Small Employer Pension Plan Startup Cost** (Form 8881 - <https://www.irs.gov/pub/irs-pdf/f8881.pdf>) is increased **from \$500 to \$5,000*** – per year, for up to the first three years of a new plan
 - *Based on up to \$250 per eligible employee
- **Small Employer Auto-Enrollment Credit of \$500** - per year, for up to the first three years of a new plan or adding auto-enrollment to an existing plan
- Employers with 401(k) plan must permit part-time employee to participate (500 hours and age 21 by end of 3-year period, or complete 1 year of service) – effective after 12/31/2020
- Allows unrelated employers to participate in pooled multiple employer plans (MEPs) effective after 12/31/2020

So far...no changes

More Retirement Updates – SECURE Act – Employers – Effective after 12/31/2019

- **401(k)** – increases the limitation on default rates in automatic enrollment safe harbor plan from **10% to 15%** (this is the maximum automatic contribution rate)
- **403(b)** – allows custodial accounts terminated by an employer to be distributed to the employee or to another custodial account – retroactive to tax years after 12/31/2008. Allowing funds to remain tax-deferred like a Section 403(b)(7) custodial account, similar to the treatment of fully-paid individual annuity contracts under Revenue Ruling 2011–7
- Allows retirement plans adopted by the filing date (including extensions) for the year to be treated as in effect as of the close of the year – applicable to plans adopted for tax years beginning after 12/31/2019.

More Retirement Updates – SECURE Act – Employees – Effective after 12/31/2019



- The SECURE Act also allows owners of traditional IRAs to make contributions **past the age of 70½ starting in 2020.**
- In addition, folks having a baby or adopting a child can now take payouts from **IRAs and 401(k)s of up to \$5,000** without having to pay the **10%** fine for **pre-age-59½ withdrawals.** (still in effect)
- Beginning in 2020, fellowships, stipends or similar payments to graduate or post-doctoral students are treated as compensation for purposes of making IRA contributions, too.

Itemized Deductions

- On the next several slides we will be talking about deductions in effect for 2022 – and possibly 2023, if the information is published.
 - There are no significant changes for this year.

Deductions Limitations

Which Itemized Deductions Are Not Limited?

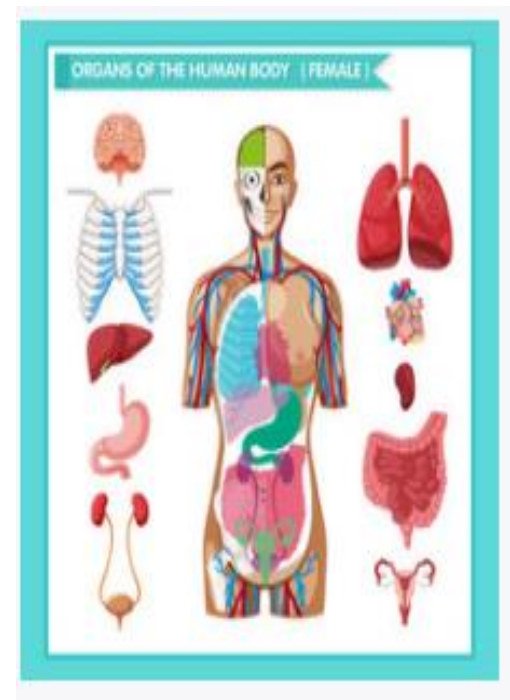
- The Pease phaseout limits are gone – at least until 12/31/2025. (note the new line numbers)
- *However, they are still subject to other applicable limits.*
- Medical and dental expenses (7.5%)—line 4.
- PMI – Line 8 d - Mortgage Insurance Premiums – **GONE!**
- Investment interest expense (investment income)—line 9.
- Casualty and theft losses of personal use property—line 20 (10% of AGI + \$100) – for **Presidential disasters only, no thefts!**
- Casualty and theft losses of income-producing property—line 15.
<https://www.irs.gov/pub/irs-pdf/f4684.pdf>
- Gambling losses—line 16 (*limited* to gambling income).
- Miscellaneous expenses – subject to 2% reduction – **ALL GONE!**

Medical and Dental Expenses

- You can only include in medical expenses those amounts paid during the taxable year for which taxpayer received **NO** insurance or other reimbursement during the year.
- Medical Mileage is **18 cents & 22 cents** per mile for 2022 (2023 -?)
<https://www.irs.gov/tax-professionals/standard-mileage-rates>
 - Don't forget tolls and parking fees (but not speeding tickets!)
- Medical travel also includes the costs for the patient and a (one) companion/ caregiver – **up to \$50/night each, for patient and caregiver.**
(no meals)
- Medical travel for treatment outside of the country is deductible.
 - Treatment may require the patient to stay in that country for several weeks until the full set of procedures are complete. The lodging for all days is allowable.
 - In some cases, the treatment, travel and living expenses are still cheaper than it would cost here in the US.
- See pub 502 for more expenses <https://www.irs.gov/publications/p502>

Medical and Dental Expenses - Continued

- **Home improvements and Special equipment** are deductible as medical expenses. *(to the extent it does not increase the value of home)*
- **Payments made by others** – Taxpayers may be able to deduct medical expenses paid by others on their behalf.
- **Child of Divorced or separated parents** – Child is treated as dependent of BOTH parents for medical purposes. *(each parent can include medical expenses he or she pays for the child, even if the other parent claims the child as a dependent)*
- **Nursing Services** - You can include in medical expenses wages and other amounts you pay for nursing services. The services *need not be performed by a nurse* as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility. **Generally, only the amount spent for nursing services is a medical expense.** If the attendant also provides personal and household services, amounts paid to the attendant must be divided between the time spent performing household and personal services and the time spent for nursing services



Medical for Non-Dependent

- You can include medical expenses you paid for your dependent. For you to include these expenses, the person must have been your dependent either at the time the medical services were provided or at the time you paid the expenses. A person generally qualifies as your dependent for purposes of the medical expense deduction if both of the following requirements are met.
 - The person was a qualifying child or a qualifying relative and
 - The person was a U.S. citizen or national or a resident of the United States, Canada, or Mexico.
- You can include medical expenses you paid for an individual that ***would have been*** your dependent except that:
 - He or she received gross income of \$4,400 or more in 2022 (\$4,700 – 2023)
 - He or she filed a joint return for 2022, or
 - You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2022 return.

Reminder - In Home Supportive Service Workers' Income



As you know, this income is **no longer taxable** – since 2016.

- **SECURE Act Sec 116** makes this income qualified as “earned income” to allow for defined benefit contribution plan limits after 12/31/2015
- And it allows for IRA contributions made after **12/20/2019**

Home Care Compensation Tip

- Always check with your clients to determine if they are paying for household help.
- They may have to put workers on payroll and file a **Schedule H** if they pay \$2,400 (2022) or more per year. (or more than \$1,000 per quarter) <https://www.irs.gov/pub/irs-pdf/f1040sh.pdf>
- Three options:
 1. Recommend that they pay an outside service for the workers.
 2. Paying directly may be cheaper, then they must set up payroll for IRS and State (which probably doesn't have a Schedule H) and must file all their own quarterly/annual reports, W-2s, etc.
 3. Have them hire you to handle all the payroll details.
 - Note: Remember to adjust federal withholding or ES payments for the additional Schedule H taxes.

Medical Expenses & Retirement Accounts .

TaxMama® Tip: When clients have high medical expenses, find out how much they have in their pensions, retirement accounts and IRAs.

- This is an excellent opportunity to draw money out of those accounts (generally without penalties).
- Balance the draws to offset medical expenses.
- If the taxpayer doesn't need the money to pay the medical expenses. Fine – move the funds to a Roth IRA to convert the taxable accounts to tax-free accounts.

Time for a Bit of a Stretch!



Home Mortgage Interest

- What's new for 2022?
- Nothing, really.
- The **PMI deduction** (mortgage insurance premiums) is **gone – again!**

Interest You Paid Caution: Your mortgage interest deduction may be limited. See instructions.	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a	
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	8b	
	c Points not reported to you on Form 1098. See instructions for special rules	8c	
	d Reserved for future use	8d	
	e Add lines 8a through 8c	8e	
	9 Investment interest. Attach Form 4952 if required. See instructions.	9	
	10 Add lines 8e and 9.		10

Mortgage Cancellation of Debt



- The **SECURE Act** restored the exclusion from income for qualified mortgage debt cancellation – for 2018 – 2020.
- Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTRA) **extended this to 12/31/2025**
 - Discharges after 2020, exclude up to **\$750,000** (MFS \$375,000)
- If you had clients with this kind of debt and you used the insolvency exclusion, you're probably fine. But consider revisiting the return.
 - Insolvency worksheet - <https://www.irs.gov/pub/irs-pdf/p4681.pdf#page=6>

Insolvency Worksheet – instead of Cancellation of Debt .

<https://www.irs.gov/pub/irs-pdf/p4681.pdf#page=6>

Insolvency Worksheet

Keep for Your Records 

Date debt was canceled (mm/dd/yy)	
Part I. Total liabilities immediately before the cancellation (don't include the same liability in more than one category)	
Liabilities (debts)	Amount Owed Immediately Before the Cancellation
1. Credit card debt	\$
2. Mortgage(s) on real property (including first and second mortgages and home equity loans) (mortgage(s) can be on main home, any additional home, or property held for investment or used in a trade or business)	\$
3. Car and other vehicle loans	\$
4. Medical bills owed	\$
5. Student loans	\$
6. Accrued or past-due mortgage interest	\$
7. Accrued or past-due real estate taxes	\$
8. Accrued or past-due utilities (water, gas, electric, etc.)	\$
9. Accrued or past-due child care costs	\$
10. Federal or state income taxes remaining due (for prior tax years)	\$
11. Judgments	\$
12. Business debts (including those owed as a sole proprietor or partner)	\$
13. Margin debt on stocks and other debt to purchase or secured by investment assets other than real property	\$
14. Other liabilities (debts) not included above	\$
15. Total liabilities immediately before the cancellation. Add lines 1 through 14.	\$
Part II. Fair market value (FMV) of assets owned immediately before the cancellation (don't include the FMV of the same asset in more than one category)	
Assets	FMV Immediately Before the Cancellation
16. Cash and bank account balances	\$
17. Real property, including the value of land (can be main home, any additional home, or property held for investment or used in a trade or business)	\$
18. Cars and other vehicles	\$
19. Computers	\$
20. Household goods and furnishings (for example, appliances, electronics, furniture, etc.)	\$
21. Tools	\$
22. Jewelry	\$
23. Clothing	\$
24. Books	\$
25. Stocks and bonds	\$
26. Investments in coins, stamps, paintings, or other collectibles	\$
27. Firearms, sports, photographic, and other hobby equipment	\$
28. Interest in retirement accounts (IRA accounts, 401(k) accounts, and other retirement accounts)	\$
29. Interest in a pension plan	\$
30. Interest in education accounts	\$
31. Cash value of life insurance	\$
32. Security deposits with landlords, utilities, and others	\$
33. Interests in partnerships	\$
34. Value of investment in a business	\$
35. Other investments (for example, annuity contracts, guaranteed investment contracts, mutual funds, commodity accounts, interests in hedge funds, and options)	\$
36. Other assets not included above	\$
37. FMV of total assets immediately before the cancellation. Add lines 16 through 36.	\$
Part III. Insolvency	
38. Amount of Insolvency. Subtract line 37 from line 15. If zero or less, you aren't insolvent.	\$

Points

No changes to deductibility:

What are not Points? The IRS specifically states that if the fee is for items that would normally be itemized on a settlement statement, such as notary fees, preparation costs, and inspection fees, it is not deductible.

- Must amortize, over the life of the loan
 - If business, rental or investment property.
 - When refinancing
 - Failure to meet requirements
 - careful- HUD 1 shows if there isn't enough cash to cover the points

TaxMama® Reminder - If they refinance again and replace the previous mortgage, remember to deduct the unused balance of the previous refinance. It's deductible in full. <https://www.irs.gov/pub/irs-pdf/i1040sca.pdf#page=9>

Miscellaneous Deductions – “Other Deductions”

- Miscellaneous expenses – subject to 2% reduction – ALL GONE!
- “Other Deductions” are still available
 - Amortizable premium on taxable bonds.
 - Casualty and theft losses from income-producing property.
 - Federal estate tax on income in respect of a decedent.
 - **Gambling losses** up to the amount of gambling winnings.
 - Impairment-related work expenses of persons with disabilities.
 - Losses from Ponzi-type investment schemes.
 - **Repayments** of more than \$3,000 under a claim of right.
 - Unlawful discrimination claims.
 - Unrecovered investment in an annuity.



Required Minimum Distributions - RMDs

- The SECURE Act raises the age to take the first distribution from 70.5 to **age 72** – for taxpayers turning 70.5 after 12/31/2019
- **Inherited IRAs – new 10-year RMD** limit for deaths after 12/31/2019, except
 - Surviving spouse
 - Disabled or chronically ill beneficiary
 - Person not more than 10 years younger than the IRA owner
 - Minor child of the IRA owner
 - (Delayed effective dates for government plans and collective bargaining agreements)

NOTE: RMD suspended due to COVID for 2020 Only

COVID19 – Carryforward Income

Related Withdrawals

- There are **no special rules for 2022 withdrawals**.
 - BUT...remember, our clients do have to **pay taxes on 1/3** of the 2020 distributions – in 2021 and 2022 (if not rolled back into the account).
- For more details...let's review the 2020-21 rules – coming up

	z	Add lines 1a through 1h		1z		
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b	Taxable interest	2b
	3a	Qualified dividends	3a	b	Ordinary dividends	3b
	4a	IRA distributions	4a	b	Taxable amount	4b
Standard Deduction for— • Single or	5a	Pensions and annuities	5a	b	Taxable amount	5b
	6a	Social security benefits	6a	b	Taxable amount	6b

Corona Virus Distributions –Taken in 2020 - 2021

<https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers>

What is a coronavirus-related distribution?

- A4. A coronavirus-related distribution is a distribution that is made from an eligible retirement plan to a qualified individual from January 1, 2020, to July 25, 2021 (180 days after enactment of TCDRA), up to an aggregate limit of \$100,000 from all plans and IRAs – no 10% penalty.
- Includes distributions from retirement plans and IRAs, but not defined benefit plans.

When do I have to pay taxes on coronavirus-related distributions?

- A6. The distributions generally are included in income ratably over a three-year period, starting with the year in which you receive your distribution. For example, if you receive a \$9,000 coronavirus-related distribution in 2020, you would report \$3,000 in income on your federal income tax return for each of 2020, 2021, and 2022. However, you have the option of including the entire distribution in your income for the year of the distribution.

May I repay a coronavirus-related distribution?

- A7. In general, yes, you may repay all or part of the amount of a coronavirus-related distribution to an eligible retirement plan, provided that you complete the repayment within three years after the date that the distribution was received. If you repay a coronavirus-related distribution, the distribution will be treated as though it were repaid in a direct trustee-to-trustee transfer so that you do not owe federal income tax on the distribution

Three Years to Repay



<https://www.irs.gov/pub/irs-pdf/i8915e.pdf>

<https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf#page=60>

How Is a Qualified 2020 (2021) Disaster Distribution Taxed?

Generally, a qualified 2020 disaster distribution is included in your income in **equal amounts over 3 years**.

- That means the **first** installment was on the **2020 (2021)** return
- The **second** installment will be paid on the **2021 (2022)** return
- The **final** installment is due on the **2022 (2023)** return

Sec 529 Accounts Use of Funds - Changes

We already knew that up to \$10,000 in funds from Sec 529 accounts can be used towards qualified home-schooling costs, elementary schools and high schools.

Effective for distributions made after 12/31/2018, the SECURE Act **adds**

- Cost associated with registered apprenticeships and
- Up to \$10,000 of qualified student loan repayments (principal and interest) for the taxpayer and siblings
- The basic details can be found here (Yes room and board are included)

<https://www.irs.gov/pub/irs-pdf/p970.pdf#page=59>

The provision also **modifies** the definition of higher education expenses to include certain expenses incurred in connection with a homeschool.

Those expenses are:

- 1) Curriculum and curricular materials;
- 2) Books or other instructional materials;
- 3) Online educational materials;
- 4) Tuition for tutoring or educational classes outside of the home (but only if the tutor or instructor is not related to the student);
- 5) Dual enrollment in an institution of higher education;
- 6) Educational therapies for students with disabilities.

Sec 529 – Under COVID19

Many students are being forced out of in-person (on campus) schooling and are getting refunds. <https://www.irs.gov/newsroom/irs-offers-guidance-on-recent-529-education-savings-plan-changes>

Tuition refunds

The PATH Act change added a special rule for a beneficiary of a 529 plan, usually a student, who receives a refund of tuition or other qualified education expenses. This can occur when a student drops a class mid-semester. If the beneficiary **recontributes** the refund to any of his or her 529 plans **within 60 days, the refund is tax-free.**

The Treasury Department and the IRS intend to issue future regulations simplifying the tax treatment of these transactions. Re-contributions would not count against the plan's contribution limit.

K-12 education

One of the TCJA changes allows distributions from **529 plans to be used to pay up to a total of \$10,000 of tuition per beneficiary** (regardless of the number of contributing plans) each year at an elementary or secondary (k-12) public, private or religious school of the beneficiary's choosing.

Rollovers to an ABLE account

The second TCJA change allows funds to be rolled over from a **designated beneficiary's 529 plan to an ABLE account for the** same beneficiary or a family member. ABLE accounts are tax-favored accounts for certain people who become disabled before age 26, designed to enable these people and their families to save and pay for disability-related expenses.

The regulations would provide that rollovers from 529 plans, together with any contributions made to the designated beneficiary's ABLE account (other than certain permitted contributions of the designated beneficiary's compensation) cannot exceed the annual ABLE contribution limit -- \$15,000 for 2018. For more information about other TCJA provisions, visit [IRS.gov/taxreform](https://www.irs.gov/taxreform).

What's a Sec 529A ABLÉ Account?



The Achieving a Better Life Experience (ABLE) Act of 2014 allows states to create tax-advantaged savings programs for eligible people with disabilities (designated beneficiaries). Funds from these 529A ABLÉ accounts can help designated beneficiaries pay for qualified disability expenses. Distributions are tax-free if used for qualified disability expenses.

The Tax Cuts and Jobs Act of 2017

- Increases the amount of contributions allowed to an ABLÉ account and adds special rules for the increased contribution limit.
- Allows an ABLÉ account's designated beneficiary to claim the saver's credit for contributions to the account.
- Allows rollovers in limited amounts from a 529 qualified tuition program account of the designated beneficiary to the ABLÉ account of the designated beneficiary or his or her family member.

More about the increased contribution limit

In addition to the annual limit of \$15,000 (the gift tax exclusion amount for 2018), a designated beneficiary who works may also contribute his or her compensation up to the poverty line amount for a one-person household. A designated beneficiary can't contribute this additional amount if his or her employer made a contribution for him or her to a:

- 401(a) defined contribution plan or 403(a) annuity contract
- 403(b) annuity contract
- 457(b) eligible deferred compensation plan

Gift Tax Exclusions

- \$17,000 - 2023
- \$16,000 - 2022

Kiddie Taxes – SECURE Act changes

- Reporting investment income on parents' return – Form 8814 - <https://www.irs.gov/pub/irs-pdf/f8814.pdf> - is available for income up to **\$11,500 - 2022** (\$12,500 - 2023) per child
- Reporting income on child's return – Form 8615 - <https://www.irs.gov/pub/irs-pdf/f8615.pdf>
- Effective for tax years **after 12/31/2019**, the trust tables are no longer to be used. The old rules (**parents' rates**) are **back in effect**. This applies to all unearned income. Earned income is taxed at the child's own tax rate
- 2022 - The first \$1,150 is tax-free; the next \$1,150 is taxed at 10%
 - The rest is taxed at the parent's marginal rate
- 2023 - The first \$1,250 is tax-free; the next \$1,250 is taxed at 10%
 - The rest is taxed at the parent's marginal rate



Employee Retention Credit (ERC) - Summary

- **2021 - ERC is a fully refundable tax credit for employers equal to 70% of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay each employee.**
- **2021 – ERC maximum qualified wages for each employee for all calendar quarters is \$10,000 (max credit per employee is \$7000).**
- **For recovery startup businesses in the 3rd and 4th calendar quarters, an additional aggregate maximum of \$50,000 applies to the total credit the Eligible Employer may claim.**

Employee Retention Credit (ERC) – Amend Business Returns

- When claiming an ERC, it is necessary to reduce the payroll expense deduction taken on the business return.
 - For instance, the total payroll expense was \$65,000.
Suppose the tax credit (70% of qualified wages) - \$48,750
You must reduce the payroll expense to \$16,250
 - This applies to all businesses – Schedule C, partnership, S & C corp, trust, etc.
- Note: Beware of using (or having your clients use) the ERC mills.
 - They only apply for the credit – they don't prepare the amended business returns – that's going to be up to you to give your clients the bad news.
 - Ideally, they will only get paid after your client gets the tax credit refunds – which are taking a lot longer than expected.
- BUT the business returns may need to be filed or amended before receiving the refunds. They business might not have the cash to pay those additional taxes.

Employee Retention Credit - Penalty Relief

IR-2022-89, April 18, 2022

WASHINGTON — The Department of the Treasury and the Internal Revenue Service have received requests from taxpayers and their advisors for relief from penalties arising when additional income tax is owed because the deduction for qualified wages is reduced by the amount of a retroactively claimed employee retention tax credit (ERTC), but the taxpayer is unable to pay the additional income tax because the ERTC refund payment has not yet been received.

Treasury and the IRS are aware that this situation may arise, in part, due to the IRS's backlog in processing adjusted employment tax returns (e.g., Form 941-X) on which the taxpayers claim ERTC retroactively. Based on applicable law, IRS guidance provides that an employer must reduce its income tax deduction for the ERTC qualified wages by the amount of the ERTC for the tax year in which such wages were paid or incurred. Taxpayers that claimed the ERTC retroactively and filed an amended income tax return reducing their deduction for the ERTC qualified wages paid or incurred in the tax year for which the ERTC is retroactively claimed have an increased income tax liability but may not yet have received their ERTC refund.

This release reminds taxpayers that, consistent with the relief from penalties for failure to timely pay noted in [Notice 2021-49](#), they may be eligible for relief from penalties for failing to pay their taxes if they can show reasonable cause and not willful neglect for the failure to pay. In general, taxpayers may also qualify for administrative relief from penalties for failing to pay on time under the IRS's First Time Penalty Abatement program if the taxpayer:

1. Did not previously have to file a return or had no penalties for the three prior tax years,
2. Filed all currently required returns or filed an extension of time to file and
3. Paid, or arranged to pay, any tax due.

- For general information visit the Penalty Relief page <https://www.irs.gov/payments/penalty-relief>

Employee Retention Credit (ERC) – IRS Audit Procedures

- This especially affects those employers who received the advanced payment of the tax credits using Form 7200.
 - The IRS has over 300 employment tax auditors that have received special training on all the COVID credit (56 hours) from May – October 2022
- The Information Document Request (IDR) will include:
 - List of employees on whose wages ERC was claimed and whether any of these employees were related individuals
 - Amounts of wages paid to each employee for the ERC
 - Documentation that the employer's operations were fully or partially suspended due to any government orders limiting commerce, travel, meetings, etc.
 - Documentation that the taxpayer experienced a significant decline in gross receipts during the quarters for which the ERC is requested.

Employee Retention Credit (ERC) – IRS Audit Procedures - Continued

Other considerations include

- Are they a recovery Start-Up business (if applicable)
- Documentation of the health plan expenses allocated towards the ERC wages
- Application for the PPP forgiveness (if applicable)
- The forgiveness letter from the lender or SBA (if applicable)
- Did the business receive a Shuttered Venue Operators Grant or Restaurant Revitalization Grant
- Did the employer claim other credits for the same employees and same wages:
 - Family leave credit
 - Cobra Premium Assistance credit

Schedule C – 2021 What's New

Update this
before class

- <https://www.irs.gov/pub/irs-pdf/f1040sc.pdf>
- Entertainment is no longer deductible (*not new*)
- Business mileage rate for 2022 58.5 cents to 06/30/22 & 62.5 cents from 07/01/22 – 12/31/22 (2023 – ?)
<https://www.irs.gov/tax-professionals/standard-mileage-rates>
 - SE income limits \$147,400 – 2022; \$160,200 - 2023
 - FICA tax on income up to limit – 15.3%
 - Medicare on SE Income – 2.9% on excess of earnings (no change)
- Additional Medicare Tax on Wages and Self-Employment Income –
 - Additional tax of 0.9% on wages and self-employment income in excess of \$200,000 (S,HOH,QW) (\$250,000 for married joint; \$125,000 married separate). <https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax>

Entertainment, Meals & Travel Expenses

- Everybody's Favorite Way to Pad Your Deductions – **so entertainment is long GONE!** § 274(a)(1)
- Travel and “meals and entertainment” are so intertwined. Especially when it comes to your credit card bills. The meals you've charged at the hotel on the card, or to your room, often appear as part of the hotel bill.
<https://www.irs.gov/publications/p463>
- If 100% of the reason for the trip is business, there's no question. The trip is all deductible. If you keep and record all receipts for airfare, local transportation, lodging, meals and tips, there's no problem. Just deduct the appropriate costs.
- **For 2022**, there is no need to separate the meals costs on the hotel bills. Until 12/31/22 – meals and beverages from restaurants (and hotels) are **100% deductible**.
<https://www.irs.gov/newsroom/treasury-irs-provide-guidance-on-tax-relief-for-deductions-for-food-or-beverages-from-restaurants>

Entertainment, Meals & Travel Expenses - Continued

- Of course, taxpayers probably don't have all the receipts – like meals, cab fare, shuttles, tips, anything they paid with cash.
- What's the client's alternative? Use an app, like Deductr, or FreshBooks, their own accounting software, or...any app that lets them scan or enter details.
- Find an app that you like – and teach your clients to use it.

EFFECTIVE for 2021 and 2022 Only - Business meals purchased in a RESTAURANT are 100% deductible

Per Diem Limitations

- a) Self-employed or owner of corporation, partnership, etc.
 - a) May not use lodging per diem rates – must use actual
 - b) May use full meal & incidental per diems

 - b) Employees – (including working shareholders of C or S corporations) may only use per diems if the employer has a reimbursement policy – and to submit expenses to the employer under an accountable plan.
 - a) May use lodging per diems
 - b) May use meal per diems
- For employee deductions - THIS OPTION IS GONE THRU 2025!

 - Exception to lodging deduction – no available records and/or impossible to reconstruct. Under Cohan Rule, you may use per diems for both lodging and meals.





Per Diem Look-Ups

- In the contiguous US - click here (CONUS) <https://www.gsa.gov/travel/plan-book/per-diem-rates>
 - Archives to 2011 - <https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-files>
- For rates off the continental US (OCONUS) includes Alaska, Hawaii, Guam and US territories <https://www.defensetravel.dod.mil/site/perdiemCalc.cfm>
- For Foreign Per Diem Rates https://aoprals.state.gov/content.asp?content_id=184&menu_id=78
- Transportation Worker Per Diem - \$69/day CONUS; \$74/day OCONUS
- General rates - \$155 = \$96 lodging; \$59 meals CONUS (fiscal year 2022)
- General rates - \$157 = \$98 lodging; \$59 meals CONUS (fiscal year 2023)
- There are no per diems (or away-from-tax-home deductions) for locations that are not inside the territorial waters or air spaces of countries (like oil rigs out in the middle of the ocean) or for countries that are **banned** - [Cuba](#), [Iran](#), [North Korea](#), and [Syria](#)
<https://www.bis.doc.gov/index.php/policy-guidance/country-guidance/sanctioned-destinations>

TaxMama® Tip

- Get clients to give you/employer the dates and CITIES of their trips, not just states. Look up cities, too.
 - Suppose you were staying in San Francisco during January - March. Instead of using the \$98 (2022) national rate for lodging, you could deduct about 3 times as much

Primary Destination 	County 	2021 Oct	Nov	Dec	2022 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
San Francisco	San Francisco	\$288	\$288	\$288	\$333	\$333	\$333	\$270	\$270	\$270	\$270	\$270	\$288

- <https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup>
- Consider offering a service to your clients to prepare their expense reports for their accountable plan reimbursements

AirBnB – Type Rental Income



ROOM
FOR RENT

How do you handle these kinds of income sources?

- When dealing with Uber and similar systems where you **perform a service** – this is pretty clear – it’s **self-employment Income** – despite the lawsuits – or is it?!
 - Recent California case generated a **law in CA AB5** – based on Dynamex Decision <https://taxmama.com/tax-quips/navigating-the-california-employee-vs-independent-contractor-maze/>
- But AirBnB – type income?
- Make sure clients comply with hotel registration rules, if applicable.
 - 14 days maximum rental – Tax-Free
 - Rooms are generally rented on a short-term basis by visitors – that is **Schedule C income** – like a hotel.
 - However, some people turn their property over to AirBnB – who rents it out continuously. **This could possibly be Schedule E, passive income or Schedule C** – use your judgment and research the client’s arrangement.
 - Renting out personal residence or rooms in residence might result in deductions being limited to income. [Reg 1.280A-3(d)(3) <https://www.law.cornell.edu/uscode/text/26/280A>]

Other Gig Economy Issues

<https://www.irs.gov/businesses/gig-economy-tax-center>

What is Gig Work?

- Gig work is certain activity you do to earn income, often through an app or website (digital platform), like:
- Drive a car for booked rides or deliveries
- Rent out property or part of it
- Run errands or complete tasks
- Sell goods online
- Rent equipment
- Provide creative or professional services
- Provide other temporary, on-demand or freelance work

What are Digital Platforms?

- Digital platforms are businesses that match workers' services or goods with customers via apps or websites. This includes businesses that provide access to:
- Ridesharing services
- Delivery services
- Crafts and handmade item marketplaces
- On-demand labor and repair services
- Property and space rentals

The IRS has a video webinar about the Gig Economy -

<https://www.irsvideos.gov/Individual/PayingTaxes/UnderstandingTheGigEconomy>

Note: This list does not include all types of gig work or digital platforms.

Sec 199A 20% QBI Deduction Updates

For 2021 , the threshold is taxable income of \$164,925 or \$329,800 if married filing jointly and \$164,900 for all others.

Phase-in range equals the threshold amount plus \$50,000 (S, HOH, MFS) or \$100,000 if married filing jointly:

- More than \$164,900 to \$214,900 (S, HOH)
 - \$170,050 to \$220,050 (2022)
- More than \$164,925 to \$ 214,925 (MFS)
 - \$170,050 to \$220,050 (2022)
- More than \$329,800 to \$429,800 if married filing jointly.
 - \$340,100 to \$440,100 (2022)



These amounts are adjusted annually for inflation.

Form 8995 <https://www.irs.gov/pub/irs-dft/f8995--dft.pdf>

Form 8995A <https://www.irs.gov/pub/irs-dft/f8995a--dft.pdf>

Uber-type Income – IRS vs. State

When dealing with Uber and similar systems where the taxpayer performs a service – it's self-employment Income

The IRS Gig Economy website makes this perfectly clear
<https://www.irs.gov/businesses/small-businesses-self-employed/manage-taxes-for-your-gig-work>

What about your state?

California legislation, Prop 22 – defines App-based rideshare and delivery drivers as independent contractors – with mandatory benefits to be provided by their companies.

Are the lawsuits and appeals still pending in California and around the country? Yes.

Vehicle Expenses

TaxMama® Tip - Don't forget other transportation costs that may be deductible regardless which method you use

- Tolls, trains, shuttles, buses, etc. AND tips.

Autos – Much simpler to have a separate car or cars just for business. Even then, you will have some personal miles on it.

Deduction options:

1) Mileage or 2) Actual Expenses

- To have a mileage choice must use mileage the *first year*. Then can change each year unless it is a leased car.
- Some clients can not take mileage - if they have 5 or more vehicles.

Remember: Clients will need the date the vehicle is placed into service – and the cost. Get a copy of that long purchase document



2022 Depreciation Limits for Passenger Vehicles

Depreciation Limits for Cars 2022

Depreciation on autos is limited. For vehicles first placed in service in 2022 there are two tables and the limit depends on when the auto was purchased and whether bonus depreciation applies. For depreciation purposes the term "passenger automobile" includes trucks and vans. See the examples below.

Depreciation Limits for Passenger Automobiles Acquired After September 27, 2017 and Placed in Service During Calendar Year 2021 for which Additional First Year Depreciation

Tax Year	Depreciation
First	\$19,200
Second	18,000
Third	10,800
Subsequent	6,480

Depreciation Limits for Passenger Automobiles Placed in Service During Calendar Year 2022 for which Additional First Year Depreciation Does Not Apply

Tax Year	Depreciation
First	\$11,200
Second	18,000
Third	10,800
Subsequent	6,460

Best source - <https://www.smbiz.com/sbrl003.html#lct22>

Standard Mileage – and Related Depreciation

Standard Mileage Rate Per Mile	2023	2022
Business – to June 30		58.5¢
July 1 – December 31		62.5¢
Medical and Moving (military)		18.0¢
Charitable	14.0¢	14.0¢
Depreciation		26.0¢

Best source – 2023 to come soon -

<https://www.irs.gov/tax-professionals/standard-mileage-rates>

Depreciation Adjustment for Standard Mileage Rate

Year Depreciation cents per mile

2022	26
2021	26
2020	27
2019	26
2018	25
2017	24
2016	24
2015	24
2014	22
2012-2013	23
2011	22
2010	23
2008-2009	21
2007	19
2005-2006	17
2003-2004	16
2001-2003	15
2000	14
1994-1999	12
1992-1993	11.5

Luxury Auto Depreciation



Vehicles - 5 kinds of vehicles

- **Personal autos**, with an updated value, but there are strict limits to annual deductions.
- **Small trucks** - pick-ups, etc. < 6,000 pounds gross - there are limits, very similar to personal autos.
- **Large trucks** - and, \geq 6,000 pounds gross. No limits - treated like any equipment.
- **SUVs and luxury autos** - \geq 6,000. Like small trucks - but Sec. 179 depreciation is limited to \$27,000 for 2022
- **Offroad vehicles** - farm/ranching equipment, like tractors; industrial, like fork-lifts, etc. Typically, depreciated over 5 years at maximum rates. No special limit to Section 179 - just the usual limit

Listed Property Updates

- Passenger automobiles
- Any other property used for transportation, unless it is an excepted vehicle.
- Property generally used for entertainment, recreation, or amusement (including photographic, phonographic, communication, and video recording equipment).

REMOVED from Listed Property:

Computers and related peripheral equipment. Computers and related peripheral equipment placed in service after 2017, in tax years ending after 2017, are no longer treated as listed property. (Cell phones were removed several years ago.)

Depreciation - Section 179 Expense Limits

	2022	2023
Regular 179 limits	\$1,080,000	\$1,160,000
SUV limits	\$27,000	\$28,900
Investment phaseout begins	\$2,700,000	\$2,890,000

Note: Certain race horses qualify as 3-year property through 12/31/22
TCJA Sec 124 makes it permanent and adjusted for inflation

Bonus Depreciation – New and Used Assets

Placed in Service Year ⁵⁰⁰	Bonus Depreciation Percentage	
	Qualified Property in General/Specified Plants	Longer Production Period Property and Certain Aircraft
Portion of Basis of Qualified Property Acquired before Sept. 28, 2017		
Sept. 28, 2017 – Dec. 31, 2017	50 percent	50 percent
2018	40 percent	50 percent
2019	30 percent	40 percent
2020	None	30 percent ⁵⁰¹
2021 and thereafter	None	None
Portion of Basis of Qualified Property Acquired after Sept. 27, 2017		
Sept. 28, 2017 – Dec. 31, 2022	100 percent	100 percent
2023	80 percent	100 percent
2024	60 percent	80 percent
2025	40 percent	60 percent
2026	20 percent	40 percent
2027	None	20 percent ⁵⁰²
2028 and thereafter	None	None

As a conforming amendment to the repeal of corporate AMT, the conference agreement repeals the election to accelerate AMT credits in lieu of bonus depreciation.

A transition rule provides that, for a taxpayer's first taxable year ending after September 27, 2017, the taxpayer may elect to apply a 50-percent allowance instead of the 100-percent allowance.

Remember the Depreciation Election

Folks who bought business or rental assets after Sept. 27, 2017 and didn't depreciate them fully on your tax returns.

Currently, you must file an election to NOT use the 100% depreciation deduction.

(What a bizarre requirement.)

So, for assets purchased in 2020 – remember to include the election to NOT use the 100% depreciation deduction.

*“Taxpayers who elect out of the 100-percent depreciation deduction, as well as the 50-percent deduction available under prior law, must do so by attaching a statement to a **timely-filed return.**”*

Note: The election is per asset class each year

It is acceptable to add it to an amended return filed by the due date of the original return (including extensions, if extended – too late for 2019 returns, though – unless they are in a disaster area).

<https://www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act>

TaxMama® Tip - A good reason to always extend business (and Schedule C, E, F) returns

Comparison of Sec. 179 and Special Depreciation


Not clarified in this comparison:

- **Sec. 179** deduction is limited to business income. This deduction cannot generate a business loss
- Excess **Sec. 179** must be carried forward
- **Special Depreciation** may be deducted in excess of business income and may generate – not only a deductible loss – but a net operating loss (NOL)

From The TaxBook – Tab 19

Provision	Special Depreciation Allowance	Section 179 Deduction
New or used property	Yes ¹	Yes
Specific date range for eligibility	Yes	No
Annual limits ²	No	Yes
Rental activity personal property	Yes	Yes
Property qualifies if used 50% or less for business purposes	Yes ³	No
Recapture if business use of property decreases to 50% or less	No ³	Yes
Property (new) may be acquired from related party	Yes	No
AMT adjustment	No	No

¹ Property acquired before September 28, 2017, must be new.
² Additional section 280F limits apply to passenger vehicles, and \$25,500 SUV limit.
³ Listed property does not qualify if used 50% or less for business and special depreciation must be recaptured if listed property use falls to 50% or less.

 **Author's Comment:** Check state law prior to claiming either the special depreciation allowance or Section 179 deduction. In many states it may be more advantageous to claim one over the other.

Energy Credits – IRC 30D – Alternative Fuel Vehicles

- Courtesy of the Inflation Reduction Act
 - **Increased tax credits for alternative fuel vehicles** – For vehicles purchased between August 15, 2022 and December 31, 2032. After December 31, 2022, this credit applies to “new clean vehicles,” instead of just to plug-in vehicles. The maximum credit is \$7,500 per vehicle that meets both the emission and battery mineral requirements.
 - There are 8 conditions that must be met for the vehicle and ownership to qualify [[IRC Sec 30D\(d\)\(1\)](#)].
 - There are cost limitations - \$80,000 for vans, sports utility vehicles and trucks; \$55,000 for all other vehicles. The credit.
 - The income phase out is \$300,000 for married filing jointly and surviving spouse; \$225,000 for head of household; \$150,000 for single and married filing separately.
 - You can find an approved list of 2022 and projected 2023 vehicles here <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

Energy Credits – IRC 48 – Residential Credits

- Courtesy of the Inflation Reduction Act
- **Form 5695** - Residential Energy Credit – back up to 30% (instead of **26%**) of qualified property <https://www.irs.gov/pub/irs-pdf/f5695.pdf>
- **The Energy efficient home improvement credit** has been extended to December 31, 2022. However, people who have already used up their lifetime \$500 are not eligible to claim it again.
<https://www.irs.gov/pub/irs-dft/i5695--dft.pdf#page=3>
- **The Residential clean energy credit** has been extended to 2033. The credit is 30% of the cost of qualified improvements. (The credit had been diminishing each year prior to the Inflation Reduction Act. In 2022 it would have been 26%, down to 22% in 2023, which would have been the final year.)
<https://www.irs.gov/pub/irs-dft/i5695--dft.pdf#page=2>

Foreign Tax Issues – Form 2555

- **The Foreign Earned Income Exclusion (FEIE)** (Form 2555) allows American taxpayers working outside the US to exclude up to \$112,000 (\$120,000 – 2023) (plus housing allowance). <https://www.irs.gov/pub/irs-pdf/f2555.pdf>
- When you exclude this income, you may not count it as earned income for any credits – like child tax credits, dependent care credits, OR Foreign Tax Credits! Or towards IRA or other retirement account contributions – which may be helpful in the long run.
 - If the taxpayers are paying taxes in the country where they work, consider reporting the income in full and using the Foreign Tax Credit to offset the US taxes.
 - **Option:** You may report part of the income and exclude some of it. If you do, only use that percentage of the foreign taxes paid on Form 1116.
 - Taxpayers can avoid using **Form 1116** to claim foreign tax credits if the total foreign taxes paid are \$300 or less (\$600 married filing jointly)

Note: Both of these tax breaks are only available in countries recognized by the US

Foreign Tax Issues – Form 2555 - Continued



- When using the FEIE, if they are **not** on payroll, *they are subject to SE taxes*.
- **Only earned income is excluded** – retirement and other income is all taxable.
- Remember, the income tax, when using FEIE is based, essentially, on the tax rate on the total taxable income (without taking the FEIE into account) x % of taxable income.
 - I.e., \$25K taxable income/\$150K total income x tax on \$150K

FinCEN 114 – FBAR Filing



- <https://bsaefiling.fincen.treas.gov/NoRegFBARFiler.html> - You must file when:
- A financial interest in or signature or other authority over at least one financial account located outside the United States if
- The aggregate value of those foreign financial accounts **exceeded \$10,000** at any time during the calendar year reported.
- **Note:** There is no fee to file – the **penalty to NOT file is \$10,000!**
- Generally, an account at a financial institution located outside the United States is a foreign financial account. Whether the account produced taxable income has no effect on whether the account is a “foreign financial account” for FBAR purposes.
- **Due Date** – April 18, 2023
- **Automatic Extension** – October 16, 2023
- **Disaster extensions look-up** - <https://www.fincen.gov/report-foreign-bank-and-financial-accounts> (for 2021 reporting year – some taxpayers have until February 15, 2023)

IMPORTANT: Foreign Forms starting with **\$10,000 PENALTIES if required but NOT Filed** are:

- Form 8939, Statement of Specified Foreign Financial Assets (FATCA)
- Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts

First Time Penalty Abatement – Still Available

First Time Abatement Penalty Relief (FTA) - You will find the details in the Internal Revenue Manual (last update October 2020)

https://www.irs.gov/irm/part20/irm_20-001-001r

Specifically - 20.1.1.3.6.1 (08-05-2014)

The Reasonable Cause Assistant (RCA) provides an option for penalty relief for the FTF (IRC 6651(a)(1), IRC 6698(a)(1), and IRC 6699(a)(1)); FTP (IRC 6651(a)(2) and IRC 6651(a)(3)); and/or FTD (IRC 6656) penalties if the following are true for the taxpayer:

- Has not previously been required to file a return or **has no prior penalties** (except the estimated tax penalty, TC 17X) for the preceding 3 years on the same MFT (except MFT 30/31, and see the exception for MFTs 01 and 14 in paragraph (5)(f)), and
- Has filed, or filed a valid extension for, all currently required returns and paid, or arranged to pay, any tax due. (translation = **in compliance**)

Example: Consider the taxpayer current if he or she has an open installment agreement and is current with his or her installment payments.

Note: Your state may comply with IRS (CA does) – or have similar provisions. But...there's more!

Taxpayer Relief Initiative (Updated: Sept 29, 2022)

<https://www.irs.gov/newsroom/irs-makes-it-easier-to-set-up-payment-agreements-offers-other-relief-to-taxpayers-struggling-with-tax-debts>

- All of these provisions are still in effect

Taxpayers who owe always had options to seek help through payment plans and other tools from the IRS, but the new IRS Taxpayer Relief Initiative is expanding on those existing tools even more.

The revised COVID-related collection procedures will be helpful to taxpayers, especially those who have a record of filing their returns and paying their taxes on time. Among the highlights of the Taxpayer Relief Initiative:

- Taxpayers who qualify for a short-term payment plan option may now have up to **180 days to resolve** their tax liabilities instead of 120 days.
- The IRS is offering flexibility for some taxpayers who are temporarily unable to meet the payment terms of an accepted Offer in Compromise.
- The IRS will automatically add **certain new tax balances** to existing Installment Agreements, for individual and out of business taxpayers. This taxpayer-friendly approach will occur instead of defaulting the agreement, which can complicate matters for those trying to pay their taxes.
- To reduce burden, certain qualified individual taxpayers **who owe less than \$250,000 may** set up Installment Agreements **without providing a financial statement** or substantiation if their monthly payment proposal is sufficient.
- Some individual taxpayers who **only owe for the 2019 tax year and who owe less than \$250,000 may qualify to set up an** Installment Agreement without a notice of federal tax lien filed by the IRS.
- Additionally, qualified taxpayers with existing **Direct Debit Installment** Agreements may now be able to use the **Online Payment Agreement** system to propose lower monthly payment amounts and change their payment due dates.

Additional Relief Provisions

- In addition to payment plans and Installment Agreements, the IRS offers additional tools to assist taxpayers who owe taxes:
- [Temporarily Delaying Collection](#) — Taxpayers can contact the IRS to request a temporary delay of the collection process. If the IRS determines a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves.
 - Per Erin Collins, Taxpayer Advocate, and Darren Guillot, Deputy Commissioner of SB/SE Collections and Operations Support – this is still in effect to a certain degree.
- [Relief from Penalties](#) — The IRS is highlighting [reasonable cause assistance](#) available for taxpayers with failure to file, pay and deposit penalties. First-time [penalty abatement relief](#) is also available for the first time a taxpayer is subject to one or more of these tax penalties.

Get Set Up Online - Now

- In response to all the delays getting Powers of Attorneys and Information Authorization forms into the CAF unit (Centralized Authorization Files), the IRS has added improved online tools for taxpayers and tax professionals to get quick access to transcripts and data. <https://www.irs.gov/e-services>

E-Services transitioned to a new sign-in system that requires **new users** to register or sign in with ID.me, the current IRS credential service provider.

Existing e-Services users may continue to sign in with an active IRS username and don't need to take any action at this time.

E-Services applications will prompt **all users** to accept the terms of agreement the **first time signing in after July 24, 2022.**

- First create an account with ID.me - have your photo identification ready
<https://sa.www4.irs.gov/secureaccess/ui/resources/img/idme/create-acct.svg>
- Set up Tax Pro accounts
<https://www.irs.gov/tax-professionals/use-tax-pro-account>
- Help your clients set up their Taxpayer accounts
<https://www.irs.gov/payments/your-online-account>

To learn more about my resources for tax professionals, please visit [TaxMama.com](https://www.taxmama.com) and for tax questions, select **Ask a Tax Question**



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2022-2023

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