HELPFUL TIPS FOR ISSUES AFFECTING 2022

Solar Credit – The federal credit for installing solar on your first and second homes has been extended through 2023. It was scheduled to sunset after 2021. The credit will be 26% in 2022 and 22% in 2023. However pending legislation may extend the credit and raise it back to 30%.

Educator's Deduction – Educators, kindergarten through grade 12, have for several years been able to deduct up to $250 of unreimbursed expenses they incur for books, supplies, computer equipment, etc. COVID protective equipment costs have been added as allowable expenses, and beginning in 2022 the maximum deduction is increased to $300.

Cryptocurrency Transactions – Beware! The IRS continues to have cryptocurrency on its radar and is ramping up enforcement programs. Cryptocurrency is treated as property, and when it is sold or used, the gain or loss from the transaction must be reported in the same manner as a stock transaction. Cryptocurrency exchanges must begin reporting transactions for 2023.

Business Meals – Normally business meals are only 50% deductible. However, for tax years 2021 and 2022, 100% of the cost of business meals provided by restaurants is deductible. The purpose of this provision is to encourage spending at restaurants, which generally were hard-hit by the COVID-19 pandemic emergency lockdowns imposed to limit an individual's contact with others. A restaurant for this purpose is one that prepares meals for immediate consumption, regardless of whether the taxpayer actually consumes the meal on the restaurant's premises. Business meals and other job-related expenses are not deductible by employees.

Required Minimum Distributions (RMD) – Taxpayers are required to begin taking minimum distributions from their traditional IRAs and qualified plans once they attain the age of 72 (was 70.5 before 2020). The minimum distribution amount is determined by dividing the account's value on December 31 of the prior year by your life expectancy determined from the IRS's Uniform Lifetime table. CAUTION: The IRS has released a revised table that must be used for distributions in 2022 and subsequent years.

Medical – Medical deductions are only allowed if you itemize deductions and then only to the extent total medical expenses exceed a percent of AGI, which in recent years was 7.5% or 10%. Congress has finally settled on 7.5%. COVID personal protective supplies and equipment have been added to the list of deductible items.

Charitable Deduction – When filing your 2021 return in 2022 don't overlook a special allowance that permits those filing a joint return to deduct up to $600 of cash contributions even if not itemizing. For other filing statuses, the limit is $300.

Child Care Credit – Also when filing your 2021 return don't overlook the increased child and dependent care credit rates. The credit is a full 50% of the expenses before phaseout. The maximum expenses that can be used to compute the 2021 credit are $8,000 for one qualified individual and $16,000 for two or more qualified individuals – thus the maximum credit is $4,000 and $8,000, respectively. As under prior law, a dependent child qualifies if under age 13. The 50% credit rate begins to phase out when the taxpayer's AGI reaches $125,000, but the credit rate isn't reduced below 20% until AGI reaches $400,000, at which point the credit phaseout picks up again.

Recovery Rebate – The American Rescue Plan provided a third round of Economic Impact Payments (EIPs) – $1,400 per taxpayer ($2,800 for joint filers) and $1,400 per dependent.

The EIPs phased out for married taxpayers filing jointly with incomes between $150,000 and $160,000, unmarried between $75,000 and $80,000 and head of household filers between $112,500 and $120,000. These payments were issued in the early part of 2021 and are to be reconciled on the 2021 tax return. If more than allowed was received, the excess generally does not have to be returned, and if too little or no payment was received, it can be claimed when the 2021 return is filed.

Filing Married Separate (MFS) – Some married taxpayers file separate returns just because they want to keep their incomes separate, not realizing there are a whole slew of penalties built into the tax code to keep couples from filing separately to gain a tax benefit. Some (but there are many others) of the more significant are:

(1) For taxpayers who qualify for Medicare, their premiums are based upon their modified adjusted gross income and filing status from the tax return two years prior. The rates for individuals filing MFS are substantially higher than for those filing jointly (MFJ), in some cases thousands of dollars more per year.

(2) Social Security (SS) income is not taxable until a MFJ couple's modified AGI plus 50% of their SS income plus tax-exempt interest income, and plus certain other infrequently encountered additions, exceeds $32,000. For taxpayers filing MFS the threshold is zero, meaning they lose the benefit of the tax-excludable portion of SS benefits and will have 85% of their SS benefits added to taxable income.

(3) IRA deductions are fully phased out at $10,000 compared to $129,000, the phaseout cap for MFJ filers when both spouses participate in an employer's plan or $204,000 when only one spouse is in an employer's plan.

Take Advantage of a Low-Income Year – Where a taxpayer is having a low-income year, they may wish to take advantage of being in a lower tax bracket by:

- Selling appreciated stocks.
- Converting traditional IRAs to Roth IRAs.
- Taking a taxable distribution from a retirement plan (but subject to a penalty if under the age of 59.5).

Education Credit When Parents Don't Claim - There is an often-overlooked opportunity for a student to claim a portion of an education credit when the parents' AGI is too high to claim the credit. Thus, if a parent does not claim the child as a dependent and the child is not self-supporting, the child can claim the credit, but not the refundable portion of a credit. In other words, the credit can only offset any tax liability of the student.

Scholarship Strategy – If the terms of a scholarship permit a student to allocate the use of scholarship funds to either education-credit-qualified expenses or other education expenses, the portion of the scholarship allocated to credit-qualified expenses is non-taxable. On the other hand, any amounts allocated to other than credit-qualified expenses (such as room and board) become taxable income on the student's tax return (if the student is required to file a tax return) and are taxed at the student's tax rate (which is normally very low and perhaps even zero). Thus, the education credit can be maximized, and if the parent(s) claim the student as a dependent, the parent(s) get the education credit.

Sec 529 College Savings Plans – A contributor may contribute in a single year up to 5 times the annual gift tax exclusion amount to a qualified tuition account and treat the contribution as having been made ratably over the five-year period beginning with the calendar year in which the contribution is made.

Student Loans – Normally, if a loan is canceled, forgiven, or discharged for less than the amount owed, the amount of canceled debt is taxable income. However, this rule is suspended for most canceled student loan debt that was incurred for a post-secondary education. The change is only temporary, through 2025.

$1 LUMP SUM AT VARIOUS RATES (FUTURE VALUE OF $1, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	1.104	1.219	1.346	1.486	1.641	1.811
4	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449

Example: If you invest $10,000 at an interest rate of 6%, at the end of 30 years you will have $57,430 ($10,000 multiplied by 5.743).

$1 PER YEAR AT VARIOUS RATES (FUTURE VALUE, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	5.310	11.17	17.64	24.78	32.67	41.38
4	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494

Example: If you put $1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have $79,058 saved ($1,000 x 79.058).

LIFE EXPECTANCY*

Current Age	Remaining Years	Current Age	Remaining Years
25	57.0	55	28.6
30	52.2	60	24.2
35	47.3	65	20.0
40	42.5	70	16.0
45	37.7	75	12.5
50	33.1	80	9.5

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 24.2 yrs. * Life expectancy rates based on the IRS Unisex Single Life Tables.

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

	Tax-Free Yield								
%	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Tax Bracket	Equivalent Taxable Yield								
10	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
12	2.3	2.8	3.4	4.0	4.5	5.1	5.7	6.3	6.8
22	2.6	3.2	3.8	4.5	5.1	5.8	6.4	7.1	7.7
24	2.6	3.3	3.9	4.6	5.3	5.9	6.6	7.2	7.9
32	2.9	3.7	4.4	5.1	5.9	6.6	7.4	8.1	8.8
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2
37	3.2	4.0	4.8	5.6	6.3	7.1	7.9	8.7	9.5

Example: A taxpayer in the 24% tax bracket would have to purchase a taxable investment yielding more than 3.3% to outperform a 2.5% tax-free investment.

2022 POCKET TAX GUIDE

2022 TAX CALENDAR

January 18	4th Quarter 2021 Estimate Due
April 18	FBAR Form Due
April 18	2021 1040 or Extension Due
April 18	1st Quarter 2022 Estimate Due
June 15	2nd Quarter 2022 Estimate Due
August 1	Pension Plan (Form 5500) Returns Due (calendar yr plans)
September 15	3rd Quarter 2022 Estimate Due
October 17	2021 1040 Extension Returns Due

BRANDNAME
SLOGAN

12345 Main St.
City, ST 12345
(000) 000-0000
email@emailaddress.com
www.website.com

EXEMPTIONS & STANDARD DEDUCTIONS (2022)

Personal & Dependent Exemption: under the current tax law exemptions are not allowed

Standard Deduction:

Joint SS	MS	Single	Head of Household
$25,900	$12,950	$12,950	$19,400

An additional standard deduction of $1,400 is allowed for each married elderly (age 65 and over) or blind individual. If elderly and blind, the additional standard deduction is $2,800. Single individuals (elderly or blind) are allowed an additional standard deduction of $1,750, $3,500 if both elderly & blind.

SOCIAL SECURITY (OASDI), MEDICARE & SELF-EMPLOYMENT TAXES

	Social Security OASDI*	Medicare***	Total
Employee	6.20%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

Wage base for 2021 Soc. Sec. & Self-Employment Tax: $142,800 ($147,000 for 2022)
Wage Base for Medicare Hospital Insurance – no limit
*Old age, survivor and disability insurance portion of social security tax.
**Self-employed individuals are allowed to take an income tax deduction for 50% of the self-employment tax.
***Add 0.9% to rate when income exceeds $200,000 ($250,000 for married taxpayers)

SOCIAL SECURITY BENEFITS

Earnings Test – SS benefits of an individual who is under the full retirement age (66) are reduced when earnings from working in 2021 exceed $18,960/yr. ($19,560 in 2022).

Maximum Earnings Benefit– The maximum retirement benefit for workers retiring in 2022 at age 66 (full retirement age): $3,345/mo.

Taxation Thresholds – A certain % of an individual's SS benefits are taxed when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% Taxed	Up to 85% Taxed
Married Joint	$32,000 - $44,000	Over $44,000
Others**	$25,000 - $34,000	Over $34,000

*Provisional income generally includes adjusted gross income plus nontaxable interest plus one-half of social security benefits.

CAPITAL GAINS

Special rates (capital gain rates) apply to gains attributable to sale of capital assets held for more than a year.

Capital Gain Rates: The 2017 tax reform altered the regular individual tax rates, which the capital gains rates were previously tied to and created a separate rate schedule for capital gains tax. The table below illustrates the 2022 CG tax rates by filing status and range of income within the filing status.

CG Rates	MFJ	MFS	HH	Single
Zero	0 to $83,350	0 to $41,675	0 to $55,800	0 to $41,675
15%	83,351 to 517,200	41,676 to 258,600	55,801 to 488,500	41,676 to 459,750
20%	Above 517,200	Above 258,600	Above 488,500	Above 459,750

Excluded From the 0%, 15% & 20% Rates:
Gain attributable to real property depreciation: **25% Max**
Gain attributable to collectibles & qualified small business stock: **28% Max**

Maximum Annual Net Loss Deduction: $3,000 ($1,500 MFS filers)

Netting Short-Term (ST) and Long-Term (LT) Gains & Losses: ST gains and losses are netted as are LT gains and losses. Then the two are netted together, with the result being either a net ST or LT gain or loss. Taxpayers, when possible, can achieve a better overall tax benefit by offsetting short-term capital gains with long-term capital losses, thus offsetting higher-taxed profits with lower-taxed losses.

LONG-TERM CARE INSURANCE DEDUCTIONS

The maximum deductible amounts of long-term care premiums are based on age and for 2022 are:

40 or Less	41 to 50	51-60	61-70	71 & Older
$450	$850	$1,690	$4,510	$5,640

KIDDIE TAX

Congress created the "Kiddie Tax" to stop parents from moving investments into their child's name to take advantage of the child's lower tax rates. The Kiddie Tax effectively taxes the investment income of children under age 24 in excess of $2,200 ($2,300 of 2022) at the parent's top marginal rate.

Parents may elect to include a child's investment income on their return if the investment income is less than $10,999 (11,499 in 2022) and the child has no earned income.

TRADITIONAL IRA - MAX DEDUCTIONS & LIMITS

Maximum Contribution & Deduction for 2021 and 2022: $6,000 ($7,000 if age 50 & older) (1)

The deduction is ratably phased out for higher income individuals who actively participate in an employer-sponsored plan and/or whose spouse is an active plan participant. The following are the phase-out ranges based on Modified AGI:

Single (Active)	$68,000 - $77,999
Married (only spouse is active)	$204,000 - $213,999
Married (both spouses active)	$109,000 - $128,999
Married Separate	$ 0 – $9,999

Contributions must be made by the due date of the tax return, NOT including extensions. Starting with 2020, there is no longer an age restriction for making contributions.

ROTH IRA - MAX CONTRIBUTIONS & LIMITS

Maximum Contribution for 2022: $6,000 ($7,000 if age 50 & older) (1)

There is no tax deduction for contributions to a Roth IRA, there is no tax on qualified distributions, and the accounts benefit from tax-free accumulation. The contributions are ratably phased out for higher income individuals. The following are the phase-out ranges based on Modified AGI:

Married	$204,000 - $213,999
Married Separate	$ 0 – $9,999
Others	$129,000 - $143,999

Contributions must be made by the due date of the tax return, NOT including extensions.
Contributions ARE allowed regardless of age.

(1) The $6,000 and $7,000 limits apply to the combined Traditional and Roth IRA contributions of the individual for the year.

RETIREMENT PLANS – CONTRIBUTION LIMITS

SE Defined Contribution Plans: Lesser of 25%(1) of compensation or $58,000 ($61,000 in 2022)

SEP Plans: Lesser of 25%(1) of compensation or $58,000 ($61,000 in 2022)

401(k) and 403(b) Plans Elective Deferrals: $19,500 for 2021 ($20,500 in 2022). Add $6,500 if age 50+ (2) (3)

SIMPLE Plans Elective Contributions: $13,500 for 2021 ($14,000 in 2022). Add $3,000 if age 50+ (3)

Defined Benefit Plans: Max annual benefit: $230,000 in 2021 ($245,000 in 2022)

Highly Compensated Employee Status Threshold: $130,000 for 2021 ($135,000 for 2022) (4)

Key Employee Status Threshold: $185,000 in 2021 ($200,000 in 2022)

(1) Effectively 20% of net self-employment income.
(2) The annual contribution to all of an employee's retirement accounts, including elective deferrals, employee contributions, employer matching, discretionary contributions and forfeiture allocations cannot exceed the lesser of 100% of compensation or $58,000 ($61,000 for 2022).
(3) Maximum compensation that can be considered in determining employer and employee contributions (employer non-elective contribution for SIMPLE Plans) is $290,000 for 2021 ($305,000 for 2022). See above for limits for highly compensated employees.
(4) Includes 5% owners and at employer's election 20% of the top paid employees.

SAVING FOR EDUCATION

National Average Annual College Costs (2020-2021)

		Tuition & Fees	Room & Board	Other Expenses	Total
Public	4 Year In-State	$9,580	$11,451	$3,493	$98,096
	4 Year Out of State	$27,437	$11,945	$3,493	$171,500
Private	4 Year Non-Profit	$37,200	$12,682	$3,493	$210,560
	4 Year For- Profit	$13,475	$10,654	$2,758	$107,548

Source: Various Online Sites

Three tax plans are provided to save funds for a child's education. Contributions to them are NOT tax deductible. The tax benefit is the account earnings accrue tax deferred and are free from tax if used for qualified education expenses.

Coverdell Account – The annual contribution limit for 2022 is $2,000 per student. Funds can be used not only for higher education but also for Kindergarten through grade 12. Contributions must be made by the April due date for filing the return. The contribution limit is ratably reduced to zero for Joint filers with MAGI between $190K and $220K and $95K and $110K for others.

Sec 529 Plan – The total contribution per student is only limited by the projected cost of the student's planned education. The donor's annual contribution is generally predicated on donor's gift tax issues. Generally each donor can contribute up to the annual gift tax exclusion ($16,000 in 2022) per year without gift tax implications. In addition, the exemption amount for the next four years ($80,000 in 2022) can be contributed at one time (generally in the earlier years to benefit from increased earnings). Funds can be used for post-secondary education, registered apprenticeship programs and up to $10,000 per year per plan beneficiary for elementary and high school tuition (2018 through 2025). A lifetime max of $10,000 can also be used towards student loan debt of the beneficiary and siblings of the beneficiary.

Savings Bonds – A taxpayer who pays qualified higher education expenses with redemption proceeds from Series EE or I Bonds issued after 1989 may be able to exclude the bonds' income. To qualify they must have been purchased when the individual was at least age 24 and redeemed at the time of the education expense for the taxpayer, spouse, or dependent. The income exclusion phases out for joint filers with a MAGI between $128,650 and $158,650 ($85,800 and $100,800 for others).

STANDARD MILEAGE DEDUCTIONS

These are the $/mile rates in effect in 2022.

Business	Charitable	Medical & Moving
$0.585	$0.14	$0.18

PER DIEM RATES*

	High-Cost Locality	Low-Cost Locality
Meals and incidental expenses (M & IE)	$ 74	$ 64
Lodging and M & IE	$ 296	$ 202

*Reflects rates in effect since 10/1/2021, using the simplified method of determination.

SEC 179 BUSINESS ASSET EXPENSING

Each year, an amount of the cost of certain eligible personal property purchased during the year and used in the active conduct of a trade or business can be expensed. For 2022, the maximum that can be expensed under Sec 179 is $1,080,000*.

*The limit is reduced when more than $2,700,000 of qualifying property is placed into service.

BONUS DEPRECIATION

Taxpayers can elect 100% first year (bonus) depreciation for tangible business assets (except structures) acquired after September 27, 2017 and placed into service during years 2018 through 2022.

INCOME TAX RATES – CORPORATIONS

The Tax Cuts & Jobs Act established a flat corporate tax rate of 21% 2018 through 2021.

TRUST & ESTATE INCOME TAX RATES (2022)

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	2,750	0	10%	0
2,750	9,850	275.00	24%	2,750
9,850	13,450	1,979.00	35%	9,850
13,450		3,239.00	37%	13,450

UNIFIED ESTATE & GIFT TAX SCHEDULE

The Tax Cut & Jobs Act doubled the estate and gift tax exclusion and the amount is inflation adjusted for future years.

Year	Estate Tax		Gift Tax	
	Exemption (Millions $)	Top Tax Rate	Exemption (Millions $)	Top Tax Rate
2019	11.400	40%	11.400	40%
2020	11.580	40%	11.580	40%
2021	11.700	40%	11.700	40%
2022	12.060	40%	12.060	40%

ANNUAL GIFT TAX EXCLUSION

Each individual is allowed an annual gift tax exclusion of $15,000 per donee for 2021 (the same as in 2020), with no limit to the number of donees. The amount increases to $16,000 for 2022. These gifts are not deductible by the giver nor are they taxable to the donee. Gifts in excess of the exclusion must be reported on a gift tax return. Gifts in excess of the exclusion are taxable but are offset with the Unified Estate and Gift Tax Credit until that credit is used up. Any amounts used to offset the gift tax will reduce the amount of credit available for the giver's estate tax.

2022 INCOME TAX RATE SCHEDULE - INDIVIDUAL

MARRIED TAXPAYERS* – JOINT/SURVIVING SPOUSE (SS)

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	20,550	0	10%	0
20,550	83,550	2,055.00	12%	20,550
83,550	178,150	9,615.00	22%	83,550
178,150	340,100	30,427.00	24%	178,150
340,100	431,900	69,295.00	32%	340,100
431,900	647,850	98,671.00	35%	431,900
647,850		174,253.50	37%	647,850

* Married separate (MS) use 1/2 of the joint dollar amounts.

SINGLE TAXPAYERS

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	10,275	0	10%	0
10,275	41,775	1,027.50	12%	10,275
41,775	89,075	4,807.50	22%	41,775
89,075	170,050	15,213.50	24%	89,075
170,050	215,950	34,647.50	32%	170,050
215,950	539,900	49,335.50	35%	215,950
539,900		162,718.00	37%	539,900

HEAD OF HOUSEHOLD

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	14,650	0	10%	0
14,650	55,900	1,465.00	12%	14,650
55,900	89,050	6,415.00	22%	55,900
89,050	170,050	13,708.00	24%	89,050
170,050	215,950	33,148.00	32%	170,050
215,950	539,900	47,836.00	35%	215,950
539,900		161,218.50	37%	539,900

ALTERNATIVE MINIMUM TAX (AMT) - INDIVIDUALS

The Tax Cuts & Jobs Act substantially increased both the AMT exemptions and the exemption phase out threshold which has significantly reduced the number of taxpayers affected by the AMT since 2018.

Tax Rate 2022 — 26% of AMT income to..........$206,100*
28% of AMT income over......$206,100*
*** $103,050 for married taxpayers filing separately**

Filing Status	Exemption Amount (Reduced as AMT income exceeds threshold amount)	Phase-Out Threshold
Joint Return	$118,100	$1,079,800
Single and HH	$75,900	$539,900
Married Separate	$59,050	$539,900

ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, taxpayer is required to deposit by withholding or estimated tax payments an amount equal to the lesser of:

1. 90% of current year tax liability, OR
2. One of the following amounts:
a. If the taxpayer's prior year AGI exceeds $150,000*, 110% of the prior year's tax liability.
b. Otherwise, 100% of the prior year's tax liability.

*$75,000 for taxpayers filing married separate.