

FREEPORT-MERRICK ROTARY CLUB

Presents Virtual Presentation

2022 – 2023 TAX PRESENTATION

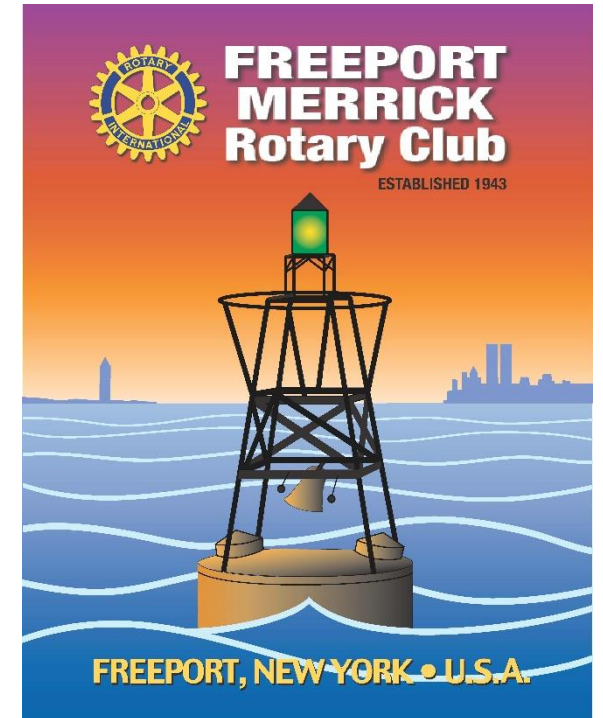
Presenters: Dave Denenberg

Marc Rigueur

www.freeportmerrickrotary.org

Email Contact: info@freeportmerrickrotary.org

Phone Contact: (516) 378-0562



Gather and Organize Tax Records

- The 2022 Tax Year returns are due on April 18, 2023. Organized tax records make preparing a complete and accurate tax return easier. It helps avoid errors that lead to processing and refund delays. Individuals should have all their tax information available before filing to ensure the return is complete and accurate.
- Remember, most income is taxable. Record keeping for individuals includes: Form W-2 from employer(s); Form 1099-NEC for nonemployee compensation (Subcontractor); Forms 1099 from banks, issuing agencies and other payers including unemployment compensation, dividends, and distributions from a pension, annuity or retirement plan; Form 1099-K, 1099-MISC or other income statement for workers in the gig economy; Form 1099-INT for interest received; Other income documents and records of virtual currency transactions documents.
- Taxpayers should also keep end of year documents including: Form 5498 issued by financial institutions with information on retirement accounts; Form 1095-A, Health Insurance Marketplace Statement.
- *Want a faster refund? Getting banked speeds tax refunds with direct deposit, it gives individuals access to their refund faster than a paper check.*

Form 1040 U.S. Individual Income Tax Returns

- Filing Status
 - Single
 - Taxpayer remain unmarried or legally separated through divorce as of the end of the year.
 - Married Filing Jointly
 - Taxpayer and Spouse who are married as of the end of the year.
 - Income, Deductions and credits of both spouses are accounted for in a joint tax return.
 - Both spouses are responsible for timely filing of tax returns and any tax liabilities owed.
 - Married Filing Separately (MFS)
 - Spouses choose to account for their incomes and deductions on **separate** tax returns.
 - Both spouses name and social must appear on each other's tax returns.
 - Both spouses must either itemized or take the standard deduction.
 - Head of Household (HOH)
 - There are several required criteria's for this status
 - Single, divorced or legally separated
 - You have a qualifying dependent
 - *Who can be your biological child, stepchild, foster child, sibling, step sibling, half sibling or a descendant of one of the aforementioned relatives*
 - You and spouse file separate tax returns
 - Your spouse did not live with you during the last six months of the tax year.
 - You live with a qualified child
 - You Pay more then half of your household expenses
 - Qualified Widow(er) (QW)
 - Allows surviving spouse to file joint tax return in spite of the deceased spouse
 - Allowable for two years following the year of spouse's death
 - Surviving spouse cannot re-marry within those two years.
 - Surviving spouse must maintain home for at least one dependent child

Tax Rates

- Tax year 2022 Marginal rates are

Married filing separate is the same up to 32% bracket as a Single Filer			
	Single	Head of household	Married Filing Joint
10%	\$0 - \$10,275	\$0 - \$14,650	0 - \$20,550
12%	\$10,276 - \$41,775	\$14,651 - \$55,900	\$20,551 - \$83,550
22%	\$41,776 - \$89,075	\$55,901 - \$89,050	\$83,551 - \$178,150
24%	\$89,076 - \$170,050	\$89,051 - \$170,050	\$178,151 - \$340,100
32%	\$170,051 - \$215,950	\$170,051 - \$215,950	\$340,101 - \$431,900
35%	\$215,951 - \$539,900	\$215,951 - \$539,900	\$431,901 - \$647,850
37%	Over \$539,900	Over \$539,900	Over \$647,850

- The income tax marginal rate(s) that affects you as a filer will depend on your filing status and taxable income.

Deductions

Standard Deduction & Exemption

	<u>2022</u>	<u>2023</u>
• The Standard Deduction is as follows:		
• Single or Married Filing Separately.....	\$12,950	\$13,850
• Married Filing Joint or Qualified Widow(er).....	\$25,900	\$27,700
• Head of Household.....	\$19,400	\$20,800
• Exemption Deduction.....	Suspended thru 2025	

Allowance of a Deduction for Charitable Contributions

- The CARES Act charitable contribution allowance that permitted taxpayers, who do not itemize, a deduction of up to \$600 for cash contributions, was NOT renewed for Tax Year 2022.

Deductions

- Tuition and Fees Deduction

- For 2022, you might benefit from the American Opportunity Credit which provides a maximum credit of up to \$2,500 if your income is below \$90,000 (\$180,000 if MFJ). This is available only if the student had not completed the first 4 years of post secondary education before tax year 2022.
- The Lifetime Learning Credit provide a tax credit of up to \$2,000, if your income is less than \$90,000 (single or Head of Household) and \$180,000 (Married Filing Jointly).

- Related Topic

- Student loan can be discharged only under specific circumstances, such as bankruptcy, disability or death. In August of 2022, the Biden Administration announced a plan to cancel up to \$20,000 in Federal Student loan debt. The plan had since come under several legal challenges that caused the U.S. Department of Ed to stop accepting applications, halting distribution of any forgiveness.

Deductions

Itemized Deductions

- For the 2022 tax year medical expenses are limited to 7.5% of the AGI for all taxpayers. The provision may extend to the 2023 tax year.
- State Income and property taxes
 - limited to \$10,000 (\$5,000 if Married filing separately). Certain States, like New York, allows for the full deduction of property taxes that were paid during the tax year.
- Generally, taxpayers can deduct mortgage interest paid during the tax year on the first \$1 million of mortgage debt for your primary home or a second home. Houses bought after Dec. 15, 2017, can deduct the interest paid during the year on the first \$750,000 of the mortgage principal.
- Charitable contributions are deductible at up to 60% of your Adjusted Gross Income (AGI).
- Gambling losses are deductible only up to the amount of the gambling income claimed. Excess gambling losses cannot be carried forward.
- Other itemized deduction items includes casualty and theft losses in federally declared disaster areas and certain other miscellaneous expenses.

Tax Credits

- Child Tax Credits

- For 2021 only, the child tax credit (CTC) was increased from \$2,000 to \$3,000 for each child under age 18, or \$3,600 for each child under age 6. The CTC credit was restored back to \$2,000 per qualifying child under age 17 at the end of the tax year. The potential CTC amount will be reduced if Adjusted Gross Income exceeds \$200,000 of single (\$400,000 of married filing jointly). This credit is refundable for the unused amount of your CTC up to \$1,500 per qualifying child.

- Dependent Care Credit

- For 2021 tax year only, the child and dependent care credit had increased significantly and was fully refundable even if you had no tax liability. For tax year 2022, the maximum amount of care expenses allowed to claim was restored back to \$3,000 for one person, or \$6,000 for two or more people. The maximum credit is 35% of expenditures (or \$1,050) if AGI is less than \$15,000 and the minimum credit is 20% (or \$600) if AGI exceeds \$43,000. This credit is not refundable.

Tax Credits

- Earned Income Tax Credit (EITC)
 - A refundable tax credit that provides support for low and moderate-income working individuals and parents with qualifying children. The credit received is a percentage of earned income up to a specific maximum limit. The 2022 tax year limits are;
 - \$560 Maximum credit with no qualifying children
 - Single (or HOH) Filers - \$16,480 AGI Limit
 - Married Filers - \$22,610 AGI Limit
 - \$3,733 Maximum credit with one qualifying child
 - Single (or HOH) Filers - \$43,492 AGI Limit
 - Married Filers - \$49,622 AGI Limit
 - \$6,164 Maximum credit with two qualifying children
 - Single (or HOH) Filers - \$49,399 AGI Limit
 - Married Filers - \$55,529 AGI Limit
 - \$6,935 Maximum credit with three or more qualifying children
 - Single (or HOH) Filers - \$53,057 AGI Limit
 - Married Filers - \$59,187 AGI Limit

Credit for EV Purchased in 2022

- If you purchased a new, qualified plug-in electric vehicle (EV) in 2022, you may be eligible for a clean vehicle tax credit of up to \$7,500. The purchased vehicle must be for your own use primarily within the U.S. Qualified Vehicles must;
 - Have an External Charging source.
 - Have a gross vehicle weight rating of less than 14,000 pounds.
 - Be made by a manufacturer that hasn't sold more than 200,000 EVs in the U.S. (*This sales cap requirement is no longer effective after year end 2022*).
 - Vehicles purchased between August 17 and December 31, 2022; vehicle must also undergo final assembly in North America. The Department of Energy website can provide a listing of vehicles that meets the assembly requirement.
(<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit#/tab-2022>).

Credit for EV Purchased in 2023

- If you purchased a new plug-in EV in 2023, you may qualify for a clean vehicle tax credit of up to \$7,500. The purchased EV must be for your own use and used primarily within the U.S. You will need to provide your vehicle's VIN with your tax return to claim the credit.
- Purchaser's Adjusted Gross Income (AGI) must not exceed;
 - \$300,000 if Married Filing Jointly.
 - \$225,000 if Head of Households.
 - \$150,000 for all other filers.

Qualified Vehicles must;

- Have a battery capacity of at least 7 kilowatt hours.
- Have a gross vehicle weight rating of less than 14,000 pounds.
- Be made by a qualified manufacturer.
- Undergo final assembly in North America.
- Have a manufacturer suggested retail price (MSRP) that cannot exceed;
 - \$80,000 for Vans, Sport Utility Vehicles and Pickup Trucks.
 - \$55,000 for other Vehicles.

Credit for Used EVs Purchased in 2023

- If you purchased a used EV in 2023, you may qualify for a clean vehicle tax credit of up to \$4,000. The purchased EV must be for your own use and used primarily within the U.S.
- Purchaser's Adjusted Gross Income (AGI) must not exceed;
 - \$150,000 if Married Filing Jointly
 - \$112,500 if Head of Households
 - \$75,000 for all other filers
- Qualified Vehicles must;
 - Be at least two models years old (2021 and earlier)
 - Have a battery capacity of at least 7 kilowatt hours
 - Must be soled by a licensed dealer
 - Must be sold for less than \$25,000

Required Minimum Distribution (RMD)

Traditional IRA, SEP, and Simple IRA account holders are not required to take a minimum distribution until age 72 is reached. If you had reached age 72 on **July 1, 2022**... you must take your first RMD (for 2022) by April 1, 2023. Required Minimum Distribution rules also apply to employer-sponsored retirement accounts such as 401(k) and 403(b) plans.

In Late 2022, Congress passed legislation that raises the age to start taking RMDs to 73 years old starting in 2023.

The IRS imposes a 50% excise tax penalty for failing to take an RMD. As of the beginning of tax year 2023, the SECURE 2.0 Act reduced the penalty to 25%. The penalty can drop down to 10% if the necessary steps are taken to remedy the withdrawal requirements and further reduced to zero if failure to withdraw was due to a reasonable error or situation.

Gifts & Estates

Gift Tax Annual Exclusion	
Year	Exclusion amount
2022	\$ 16,000
2023	\$ 17,000

Federal Estate Tax				
	Exemption Amount - Single		Exemption Amount - Married	
2022	\$12,060,000		\$24,120,000	
2023	\$12,920,000		\$25,840,000	

Tips from the IRS – Staying safe online

- The Internal Revenue Service reminds families, teens, and senior citizens about the continued importance of protecting personal and financial information (.pdf) online. *Here are a few suggestions that can make a difference for vulnerable groups to potential dangers to protect their personal data:*
- Phishing emails, threatening phone calls and text from thieves posing as the IRS or legitimate organizations pose ongoing risks. Do not click on links or download attachments from unknown or suspicious emails.
- Be careful not to reveal too much personal information. Keeping data secure and only providing what is necessary minimizes online exposure to scammers and criminals. Birthdates, addresses, age, financial information such as bank account and social security numbers are among things that should not be shared freely.
- Connections to a public Wi-Fi networks is convenient but it may not be safe from hackers and cybercriminals who can easily intercept personal information. Always use security software with firewall and anti-virus protections.
- Remember, to encrypt sensitive files such as tax records stored on computers or when sending through emails to your accountants.