

# TaxUpdate

2022 TAX PREVIEW NEWSLETTER

AccuBooks Tax  
Elizabeth L. O'Donnell, EA  
Personalized & Professional Tax Services  
PO Box 1260  
Arroyo Grande CA 93421  
805.668.3250 / mobile 714.745.0375  
taxbyaccubooks@gmail.com  
www.AccuBooksTax.com

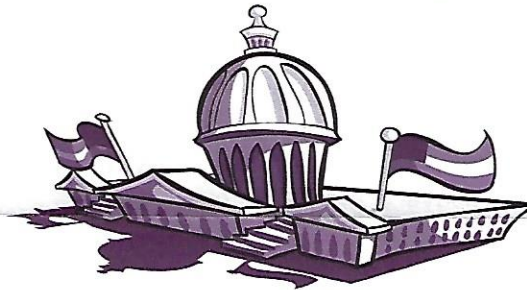
## 2022: A Year of Changes?

There is an ongoing desire out of Congress to continue the trend to change the tax code. But with a divided Congress, things can get stuck very easily. While no one is sure what the rules will look like at the END of 2022, the topics are known and can be useful as you preview the 2022 tax landscape. Here are several things to note:

- **Tax rates.** The current income tax rates range from 0% to 37%. Capital gains tax rates remain at 0% to 20% with a potential 3.8% surtax. However, inflation of 5.9% expands the income brackets subject to the tax.

**What could change:** There is a desire to raise both income and capital gains tax rates on higher-income taxpayers. Rates could rise to over 39% for both high-income and high-investment earnings. There are even proposals to make the change retroactive to minimize your ability to plan for the change.

- **The child tax credit.** In 2022, the \$3,000 per child credit for kids (\$3,600 for children under 6) is rolled



back to \$2,000 per qualifying child through age 16. The monthly advance payments of the credit is also no longer available.

**What could change:** Many in Congress want the expanded child tax credit to be made permanent. Your best bet is to plan for the lower credit, but to be alert for an expansion of the benefit.

- **The child and dependent care credit.** This credit is also returning to 2020 dollar amounts. If you have one qualifying child, the maximum credit in 2022 is \$1,050. For two or more children, the maximum credit is \$2,100. In 2021, the maximum credit was \$4,000 for one child and \$8,000 for two or more children.

**What could change:** As with the child tax credit, there are politicians who

want to make permanent the higher benefit. Plan for the lower amount, but be prepared to act if the increase is brought back in 2022.

- **Informational reporting.** The IRS is expanding the use of Form 1099-K to report electronic payments from customers by way of credit cards, debit cards or payments to third party providers such as PayPal. You'll receive a Form 1099-K from each financial institution or third-party provider from whom you've received \$600 (down from \$20,000).

In addition, if you own cryptocurrency, expect to have holders of your currency begin reporting your transactions to the government. While reporting is required in 2023, many institutions are implementing the rules in 2022.

**What could change:** An even greater expansion of these reporting requirements as the IRS focuses attention on unreported income.

Given the possibility of new tax legislation, 2022 is a year to be more ready than ever to adjust your tax planning.

### Standard Deductions

Item	2022	2021	Change
Single	\$12,950	\$12,550	+\$400
Married Jointly/Widow	25,900	25,100	+\$800
Head of Household	19,400	18,800	+\$600
Married Filing Separately	12,950	12,550	+\$400
Elderly/Blind: Married	+\$1,400	+\$1,350	+\$50
Elderly/Blind: Unmarried	+\$1,750	+\$1,700	+\$50

### Mileage Rates

Item	2022	2021	Change
Business	58.5¢/mi	56.0¢/mi	+2.5¢
Medical/Moving	18.0¢/mi	16.0¢/mi	+2.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

## Key 2022 Tax Information

### Income Brackets for 2022 Tax Rates

Tax Rate	Single	Married Filing Jointly/Widow	Head of Household	Married Filing Separately
10%	\$1 – 10,275	\$1 – 20,550	\$1 – 14,650	\$1 – 10,275
12%	10,276 – 41,775	20,551 – 83,550	14,651 – 55,900	10,276 – 41,775
22%	41,776 – 89,075	83,551 – 178,150	55,901 – 89,050	41,776 – 89,075
24%	89,076 – 170,050	178,151 – 340,100	89,051 – 170,050	89,076 – 170,050
32%	170,051 – 215,950	340,101 – 431,900	170,051 – 215,950	170,051 – 215,950
35%	215,951 – 539,900	431,901 – 647,850	215,951 – 539,900	215,951 – 323,925
37%	Over \$539,900	Over \$647,850	Over \$539,900	Over \$323,925

## Identity Theft Season Starts NOW!

Here are some common signs of tax identity theft according to the IRS and what you can do to protect your identity.

### The signs

- You receive a notice of a refund before filing your 2021 tax return.
- You receive a tax transcript you didn't request from the IRS.
- You receive a notice that someone created an online IRS account without your consent.
- You find out that more than one tax return was filed using your Social Security number.
- You receive tax documents from an employer you do not know.

### What you can do

If you discover that you're a victim of identity theft, consider taking the following action:

- **Notify creditors and banks.** Most credit card companies offer protections to cardholders affected by ID theft. Generally, you can avoid

liability for unauthorized charges exceeding \$50. But if your ATM or debit card is stolen, report the theft immediately to avoid consequences impacting access to your funds.

- **Place a fraud alert on your credit report.** Contact any of the three major credit reporting agencies—Equifax, Experian or TransUnion—to request a fraud alert. This covers all three of your credit files.
- **Report the theft to the Federal Trade Commission (FTC).** Visit [identitytheft.gov](http://identitytheft.gov) or call 877-438-4338. The FTC will provide a recovery plan and offer updates if you set up an account on the website.
- **Please call if you suspect any tax-related identity theft.** If any of the previously mentioned signs of tax-related identity theft happens to you, please call to schedule an appointment to discuss next steps.

# 2022

## Start Your Tax Planning NOW!

Proper tax planning ideas can help control your 2022 tax bill. Here are some ideas:

- Look at your withholdings early in the year. It's the best way to control a year-end tax surprise.
- Take full advantage of funding tax-beneficial retirement savings accounts.
- Actively manage your cash into stronger, safer, higher savings rates. Pay special attention to tax-exempt and tax-deferred alternatives.
- Actively manage capital gains taxes and offset capital losses against ordinary income when possible.

## Plan Your 2022 Retirement Contributions

As part of your 2022 tax planning, now is the time to prepare for the funding of your retirement accounts.

### What to do

- Note the annual savings limits of your plan(s) for 2022 and adjust your savings to take advantage of allowable contributions.
- If you are 50 years or older, add the catch-up amount to your potential savings total.
- Take note of the income limits within each plan type.
  - ▶ For traditional IRA's, if your income is below the noted

threshold, your taxable income is reduced by your contributions.

- ▶ The deductibility of your contributions is also limited if your spouse has access to a plan.
- ▶ In the case of Roth IRAs, the income limits restrict who can participate in the plan.

Plan		2022	2021	Change
Simple IRA	Annual Contribution	<b>\$14,000</b>	<b>\$13,500</b>	<b>+\$500</b>
	50 or over catch-up	Add \$3,000	Add \$3,000	
401(k), 403(b), 457 and SARSEP	Annual Contribution	<b>\$20,500</b>	<b>\$19,500</b>	<b>+\$1,000</b>
	50 or over catch-up	Add \$6,500	Add \$6,500	
Traditional IRA	Annual Contribution	<b>\$6,000</b>	<b>\$6,000</b>	<b>No Change</b>
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
AGI Deduction Phaseouts	Single; Head of Household	68,000 - 78,000	66,000 - 76,000	+ \$2,000
	Joint Nonparticipating Spouse	204,000 - 214,000	198,000 - 208,000	+ \$6,000
	Joint Participating Spouse	109,000 - 129,000	105,000 - 125,000	+ \$4,000
	Married Filing Separately (any spouse participating)	0 - 10,000	0 - 10,000	No Change
Roth IRA	Annual Contribution	<b>\$6,000</b>	<b>\$6,000</b>	<b>No Change</b>
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
Contribution Eligibility	Single; Head of Household	129,000 - 144,000	125,000 - 140,000	+ \$4,000
	Married Filing Jointly	204,000 - 214,000	198,000 - 208,000	+ \$6,000
	Married Filing Separately	0 - 10,000	0 - 10,000	No Change
Rollover to Roth Eligibility	Joint; Single; Head of Household	No AGI Limit	No AGI Limit	No AGI Limit
	Married Filing Separately	Allowed / No AGI Limit	Allowed / No AGI Limit	Allowed / No AGI Limit

### Other ideas

If you have not already done so, consider:

- Setting up new accounts for a spouse or dependent(s).
- Using this time as a chance to review the status of your retirement plan beneficiaries.
- Reviewing contributions to other tax-advantaged plans like flexible spending accounts (health care and dependent care) and prepaid medical savings plans like Health Savings Accounts.

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.