




# Federal Tax Update for Individuals



## 2022 Federal Tax Update: Individual

Materials developed and presented by:  
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## Meet Doug Van Der Aa



**Doug Van Der Aa** is a lively and energetic speaker – especially on the subject of taxes and ethics. He has been a highly rated speaker and seminar leader for CPA Associations and other organizations throughout the country for more than 18 years.

Doug has over 25 years of professional experience, including tax practice in CPA firms and the practice of transactional business and real estate law as an attorney. As a CPA, Doug’s practice concentrated on the tax needs of closely held businesses, with their related pass-through entities, complex individual returns, estates and trusts.

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# Federal Tax Update for Individuals



## Course Development Resources

- The author gratefully acknowledges **RIA Checkpoint** for use of certain materials included in this presentation.
- Additional materials are adapted from various authoritative pronouncements of the IRS.
- The opinions expressed within, however, are solely the responsibility of the author.

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## Learning Objectives



- Highlight significant tax changes impacting 2022 and 2023 returns, including:
  - **American Rescue Plan Act of 2021**
  - **Infrastructure Investment and Jobs Act**
  - **Inflation Reduction Act**
- Discuss the latest **proposed** tax legislation impacting individual taxpayers.
- Provide practical suggestions to help save taxes in today's **extremely** uncertain tax environment.

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# Federal Tax Update for Individuals

## CARES Act - Individual



### Charitable Contributions

- In 2020 and 2021 non-itemizers could take a new \$300 above-the-line deduction for charitable contributions
- In 2021 married filers could deduct \$600

**NOT Extended to 2022 !**

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## COVID-Related Tax Relief Act

### Education Expenses

Beginning in **2021** the above-the-line deduction for qualified tuition was **eliminated**



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# Federal Tax Update for Individuals

## COVID-Related Tax Relief Act

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### Education Expenses

Beginning in **2021** the above-the-line deduction for qualified tuition was **eliminated**



Instead, the phase out limits for the Lifetime Learning Credit were increased to \$80,000 single/\$160,000 MFJ

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## COVID-Related Tax Relief Act

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### *Individual Extenders include:*

Tax-free discharge of indebtedness on a principal residence

- Extended for 5 years – through 2025
- However, the maximum exclusion is reduced from \$2 million to **\$750,000**

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# Federal Tax Update for Individuals

## COVID-Related Tax Relief Act

### *Individual Extenders include:*

Treating mortgage insurance premiums (PMI) as mortgage interest expense



**Extended for 1 year –  
through 2021  
(only)**

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## COVID-Related Tax Relief Act of 2020

### **Business Meals**

The Act suspends the 50% deduction limit for food and beverages “...provided by a restaurant”

- Dine in or take out!
- 2021 and 2022



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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

**\$1.8 Trillion** in economic relief for  
Individuals, Business & Government

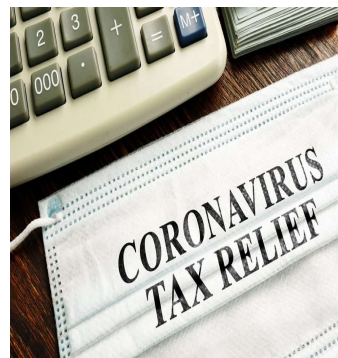


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## American Rescue Plan Act of 2021

### *Individual relief includes:*

- 2021 Recovery Rebates for individuals
- Tax-Free Unemployment benefits
- Expanded Child Tax Credit
- Child and Dependent Care Credit changes



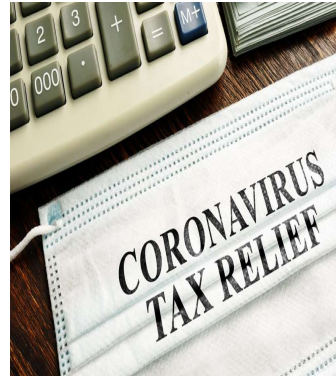
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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

### *Individual relief includes:*

- ~~More Earned Income Tax Credit changes~~
- ~~COBRA premium assistance~~
- **Premium Assistance Tax Credit relief**
- **Tax-free cancellation of student loan debt**



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## American Rescue Plan Act of 2021

### **Child Tax Credit**

- ~~The Child Tax Credit was fully refundable for 2021~~
  - ~~17-year-olds were eligible~~
- **This change was not extended by the Inflation Reduction Act!**



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# Federal Tax Update for Individuals

## 2022 Child Tax Credit



For 2022 the child tax credit reverts back to \$2000 per child under the age of 17

***Only \$1,500 is refundable***

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## American Rescue Plan Act of 2021

### Child and Dependent Care Credit

For 2021 (only) the credit was:

- ~~Fully refundable~~
  - **It is non-refundable in all other years !**
  - ~~But unlike the Child tax credit, there is not advance payment~~

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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

### Child and Dependent Care Credit

For 2021 (only) the credit was:

- ~~Equal to 50% (was 35%)~~
- ~~On up to \$8,000 of qualifying expenses~~
  - ~~\$16,000 for two or more children~~

**So its worth up to \$4,000/\$8,000 in 2021**

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## American Rescue Plan Act of 2021

### Earned Income Tax Credit

For 2021 the applicable minimum age for persons with no children was reduced to 19

- *Except for specified students (24) & qualified former foster youth (18)*



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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

### Earned Income Tax Credit

For ~~2021~~ the maximum age (64) was eliminated!



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## American Rescue Plan Act of 2021

### Earned Income Tax Credit

- ~~The maximum EITC was larger for 2021~~
  - ~~Ranging from \$1,502 single with no children~~
  - ~~To \$6,728 with three or more children~~
- ~~The phaseout percentage was increased to 15.3%~~
  - ~~Phaseout amounts are increased, too~~



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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

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### Earned Income Tax Credit

- Previously you needed to provide the child's name, age and **Social Security Number** to claim the EITC
- The ARPA permanently removed that rule



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## American Rescue Plan Act of 2021

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### Dependent Care Assistance

For ~~2021~~ the exclusion for employer-provided dependent care assistance was increased to \$10,500



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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

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### Premium Assistance Tax Credit

- Previously anyone with income over 400% of the Federal Poverty Line (FPL) was not eligible for Premium Credits
- For **2021 and 2022** the Credit is available to taxpayers with household incomes in excess of 400% of the FPL

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## American Rescue Plan Act of 2021

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### Premium Assistance Tax Credit

The applicable percentage amounts are changed for **2021 and 2022**.

- Under prior law you would needed to pay up to 9.83% of household income.
- Under ARPA your premium amount is capped at **8.5%**.

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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

### Tax-free cancellation of student loan debt



Discharge of student loans is not included in gross income from 2021-2025 (tax-free!)

- *Laying the groundwork for later*

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## Discharge of Student Loans

Discharge of student loans is not included in gross income from 2021-2025

**(It's tax-free!)**

**The Biden Administration's Student Loan Debt Plan**

**FORGIVING DEBT**

\$20,000 if you went to college on Pell Grants	\$10,000 if you didn't receive Pell Grants
--	--

Forgiveness only applies to those earning less than \$125,000

Student loan pause extended one final time through Dec 31, 2022

**PAYMENT BASED ON INCOME**

If you have undergraduate loans, you can cap repayment at 5% of your monthly income

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# Federal Tax Update for Individuals

## \$1T Bipartisan Infrastructure

### Infrastructure Investment and Jobs Act

#### **NOT (really) a Tax Act !**

- Employee Retention Credit
- **Crypto-asset Reporting**
- Disaster Relief
- Miscellaneous



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## \$1T Bipartisan Infrastructure

### **Cryptocurrency Reporting**

Currently, covered Securities Brokers must report customers names, addresses, adjusted basis and ST or LT gain or loss



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# Federal Tax Update for Individuals

## \$1T Bipartisan Infrastructure

### Cryptocurrency Reporting



The Infrastructure Act extends the definition of **broker** to “any person who (for consideration) is responsible for regularly providing any service affecting transfers of **digital assets** on behalf of another person.”

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## \$1T Bipartisan Infrastructure

### Cryptocurrency Reporting

A **digital asset** is “any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the” IRS.



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# Federal Tax Update for Individuals

## \$1T Bipartisan Infrastructure



### Cryptocurrency Reporting

- The beginning date for basis tracking is January 1, 2023
- 1099B reporting would start for 2023
  - Returns required to be filed after December 31, 2023
    - *Filed in 2024 for 2023 activity*

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## \$1T Bipartisan Infrastructure

### Cryptocurrency Reporting

**Digital assets** will now be treated as **cash** for Code Section 60501(a) purposes

- Requiring reporting anytime you (a trade or business) receive more than \$10,000 in **cash/digital assets**
  - *Returns and statements filed after December 31, 2023*



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# Federal Tax Update for Individuals

## 1099-K Reporting

- Previously the threshold to report third party network transactions was \$20,000/200 transactions a year.
- **Under the American Rescue Plan the IRS is dropping this down to \$600 a year for 2022 !**
  - *Regardless of the number of transactions*



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## 1099-K Reporting

**I suspect this is going to bring a lot of activity to light**

- **Gig work**
- **Side Hustles**
- **Vacation homes & condo rentals**
- **Air BNB**
- **Roommates**
- **Non taxable personal stuff.....**



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# Federal Tax Update for Individuals

## Inflation Reduction Act

Signed by President Biden on August 16, 2022



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## Inflation Reduction Act

*Key provisions of the \$739 Billion Act include:*

- New Corporate Taxes
- **Extended Premium Tax Credit**
- Prescription Drug Pricing Reform
- **Green Energy Tax Credits**
- IRS Funding



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# Federal Tax Update for Individuals

## American Rescue Plan Act of 2021

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### Premium Assistance Tax Credit

- The applicable percentage amounts were changed for 2021 and 2022.
  - Under prior law you would needed to pay up to 9.83% of household income.
  - Under ARPA your premium amount is capped at **8.5%**.

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## American Rescue Plan Act of 2021

---

### Premium Assistance Tax Credit

- Previously anyone with income over 400% of the Federal Poverty Line (FPL) was not eligible for Premium Credits
- For 2021 **and 2022** the Credit is available to taxpayers with household incomes in excess of 400% of the FPL

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# Federal Tax Update for Individuals

## Premium Tax Credit

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### Inflation Reduction Act

Amends Sec. 36B to extend Premium Tax Credits to taxpayers with household incomes in excess of 400% of the FPL for three (3) more years

- 2023 through 2025

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## Premium Tax Credit

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### Inflation Reduction Act

The ARPA 8.5% cap on premiums is also extended for three (3) more years

- 2023 through 2025

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# Federal Tax Update for Individuals

## Green Energy Credits

*The Act includes @\$370 Billion in tax credits and other climate change provisions*



*Goal of reducing greenhouse gas emissions by @40% by the end of the decade*

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## Green Energy Credits

*The IRA introduces two new requirements to be eligible to receive the maximum amount for many of the tax credits*

- 1) Compliance with Prevailing wage requirements (*Davis-Bacon Act*)
  - And Apprenticeship programs
- 2) Domestic Content Requirements



MADE IN USA

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# Federal Tax Update for Individuals

## Clean Vehicle Credits

*Effective on the date of enactment, the tax credit is only available if the vehicle final assembly was in North America.*



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## Clean Vehicle Credits

***There is a two-step process to verify final assembly***

- First, check on the Department of Energy's website listing 2022 and 2023 vehicles that MAY be eligible



<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

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# Federal Tax Update for Individuals

## Clean Vehicle Credits

*There is a two-step process to verify final assembly*

- Second, enter the vehicle's 17 character VIN into the NHTSA's VIN Decoder tool and view the "plant information" field

<https://www.nhtsa.gov/vin-decoder>



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## Clean Vehicle Credits

Up to \$7,500 **Non-refundable** credit extended thru 2032

- \$3,750 credit for meeting the battery component requirement
- \$3,750 credit for meeting the critical minerals requirement

Vehicles placed in service  
after **12/31/2022!**



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# Federal Tax Update for Individuals

## Clean Vehicle Credits

**\$3,750** credit for meeting the battery component requirement

- Beginning in 2023 **50%** of the vehicle's battery must be manufactured or assembled in North America
  - Increasing by 10% per year
  - Hits 100% in 2029



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## Clean Vehicle Credits

**\$3,750** credit for meeting the critical minerals requirement

- The battery's critical mineral must be extracted or processed in the US or a country with a free-trade agreement
- Starts at 40% in 2023
- Hits 80% in 2027



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# Federal Tax Update for Individuals

## Clean Vehicle Credits



Manufacturer's suggested retail price (MSRP) is limited to **\$55,000** for cars, **\$80,000** for Vans, SUVs & Pickups in 2023

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## Clean Vehicle Credits

*To claim the credit, the buyer's MAGI must be less than:*

- \$300,00 MFJ
- \$150,00 Single



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# Federal Tax Update for Individuals

## Clean Vehicle Credits



Beginning in **2024**, the credit can be transferred to the vehicle dealer.....

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## Pre-owned Clean Vehicle Credits

***There is also a new credit for previously owned clean vehicles:***

- Applies to purchases from a dealer for a price of \$25,000 or less
- Must be at least 2 years old
- Credit lesser of \$4,000 or 30% of purchase price
- MAGI limited to \$150,000 MFJ, \$75,000 Single

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# Federal Tax Update for Individuals

## Green Energy Credits

### Section 30C Alternative Fuel Refueling Credit

- Credit retroactively extended through 2032
- Includes bidirectional charging equipment and electric charging stations for 2 and 3 wheel vehicles intended for use on public roads
- Beginning in 2023 the maximum credit is increased from \$30,000 to \$100,000
  - *Computed per unit, not per location*

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## IRS Funding

*The Act provides an additional \$80 Billion in funding to the IRS*

- Spread over 9 years
- The current IRS annual budget is @ \$12.7 Billion



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# Federal Tax Update for Individuals

## \$80 Billion IRS Funding

- **\$3.2 Billion** is allocated to improve taxpayer services
- **\$25.3 Billion** is dedicated to supporting internal IRS operations
- **\$4.75 Billion** is for modernizing IRS business systems



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## IRS Funding

***About \$46 Billion (57%)  
is allocated to tax  
enforcement.***

- Enabling the IRS to add approximately 87,000 FTEs
  - *The IRS currently has @93,000 employees*

This stadium, at a capacity of 86,112, is not big enough to hold the 87,000 new IRS agents coming after you.



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# Federal Tax Update for Individuals

## \$80 Billion IRS Funding

*About \$46 Billion (57%) is allocated to tax enforcement.*

The increased IRS funding is estimated to bring in an additional **\$200 Billion** in revenue.



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## IRS Funding

*The Joint Committee on Taxation (JCT) says that 78% to 90% of the money will come from those making under \$200,000 a year*

- *Only 4-9% will come from those making over \$500,000*



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# Federal Tax Update for Individuals

## TCJA Excess Business Losses

*The Section 461(l) limitation on business losses was suspended by the CARES Act for 2018, 2019 and 2020. It returned in 2021 on Form 461:*

**WARNING**

- **2021**     **\$262,000 single / \$524,000 MFJ**
- **2022**     **\$270,000 single / \$540,000 MFJ**

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## American Rescue Plan Act

- Like most of the TCJA changes, the Section 461(l) loss limitation was set to sunset/expire at the end of 2025
- President Biden's **American Rescue Plan Act of 2021** extended this for an additional year thru 2026



**Scored as a \$31 Billion  
tax increase!**

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# Federal Tax Update for Individuals

## Inflation Reduction Act

The Act extends the Section 461(l) limitation for an additional two years

- **2027 and 2028**



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## CARES Act

- The TCJA made a couple significant changes **adversely** impacting the tax laws affecting the deductibility of business expenses and losses.
- The CARES Act temporarily loosened **all three** of these onerous TCJA loss/deduction limitations **through 2020**



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# Federal Tax Update for Individuals

## COVID-19 Business Losses

Neither the December 2020 **COVID-Related Tax Relief Act of 2020** nor the March 2021 **American Rescue Plan Act of 2021** nor the August 2022 **Inflation Reduction Act** extended any of these modifications!



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## COVID-19 Business Losses

*So for 2021, **2022 and beyond** we're back to:*

- No NOL Carryback, Carryforward only subject to 80% limitation
- Section 461(l) cap on business losses
- Section 163(j) Interest Expense limitation

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# Federal Tax Update for Individuals

## Pending Legislation

**Will we get an  
“Extenders Bill”  
after the midterm  
elections?**



The September 30 Continuing Resolution funds the government through December 16...

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## Expired Tax Provisions

**Expired at 12/31/2021:**

- Refundability and enhancement of child and dependent tax credit
- Increased exclusion for employer-provided dependent care assistance



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# Federal Tax Update for Individuals

## Expired Tax Provisions

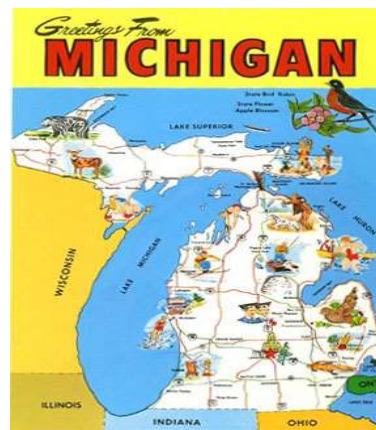
### Expired at 12/31/2021:

- Charitable contributions by non-itemizers
- Treatment of PMI as tax-deductible mortgage interest expense



## Remember the TCJA Postcard?

- The Postcard concept didn't age well
- The 1040 has now morphed into a significantly longer, more complicated return



# Federal Tax Update for Individuals

**Say goodbye to the Postcard!**

For 2022 we're back to a **2 page 1040, PLUS**

- **2 page** Schedule 1
- **1 page** Schedule 2
- **2 page** Schedule 3

The image shows a portion of the 2022 Form 1040. Key sections visible include:
 

- Filing Status:** Single, Married filing jointly, Married filing separately (MFS), Head of household (HOH), Qualifying surviving spouse (QSS).
- Home address:** Number and street, City, town, or post office, State, ZIP code.
- Digital Assets:** A question asking if the taxpayer received, awarded, or disposed of a digital asset during 2022.
- Income:** A table with columns for various income types (1a-14) and their taxable amounts.

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## Digital Assets?

**The IRS has revised the language of the 1040 Digital Asset question (again):**

The image shows a close-up of the 'Digital Assets' question on the 1040 form. A red arrow points to the question text:
 

**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.)  Yes  No

Below the question are checkboxes for 'You' and 'Spouse'.

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# Federal Tax Update for Individuals

## Phone and Email Address?

**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	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.		Email address	

Self-employed

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Phone no.
Firm's name				Firm's EIN
Firm's address				

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information. Form **1040** (2022)

***WHY?*** I thought the IRS NEVER initiated contact by phone or email....

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## 2022 Tax Brackets

**The IRS has announced the 2022 annual inflation adjustments for more than 60 tax provisions.**

**IRS** [irs.gov/news](http://irs.gov/news)

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# Federal Tax Update for Individuals

## 2022 Tax Brackets

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$10,275	\$0 to \$20,550	\$0 to \$14,650
12%	\$10,275 to \$41,775	\$20,550 to \$83,550	\$14,650 to \$55,900
22%	\$41,775 to \$89,075	\$83,550 to \$178,150	\$55,900 to \$89,050
24%	\$89,075 to \$170,050	\$178,150 to \$340,100	\$89,050 to \$170,050
32%	\$170,050 to \$215,950	\$340,100 to \$431,900	\$170,050 to \$215,950
35%	\$215,950 to \$539,900	\$431,900 to \$647,850	\$215,950 to \$539,900
37%	\$539,900 or more	\$647,850 or more	\$539,900 or more

Source: Internal Revenue Service

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## §199A Pass-Through Income

There are two limitations on the 20% deduction that apply only when your taxable income exceeds a threshold amount

- ~~\$157,500 Single/\$315,000 MFJ~~
- **\$170,050 Single/\$340,100 MFJ for 2022**
- W2 wage/depreciable asset limit
- Exclusion of specified services

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# Federal Tax Update for Individuals

## Itemizing in 2022?

- You need more than **\$12,950/\$25,900** to itemize
- **More for seniors!**
  - *They need \$14,700/\$28,700*



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## Itemizing in 2022?

*You need more than \$12,950/\$25,900 to Itemize (more for seniors!) **But...***

- **State and Local Taxes capped at \$10,000**
- **NO home equity interest**
- **NO Miscellaneous Itemized deductions subject to the 2%**

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# Federal Tax Update for Individuals

## 2022 Itemized Deductions

*You need more than \$12,950/\$25,900 to Itemize (more for seniors)*

You need at least **\$2,950/\$15,900** of:

- Medical Expenses over **7.5% AGI**
- **Mortgage Interest** Expense (acquisition)
  - ~~And PMI (extended thru 2021)~~
- Charitable Contributions

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## Concluding Thoughts



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*Thank You*

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