

Warmest Greetings of this Festive Season and Best Wishes for Happiness in the New Year!

Retirement Savings A Good Tax Plan Putting money aside for retirement is still one of the best ways to reduce your taxes each year. If you are receiving W-2 wages, most employers will offer 401-K, Simple IRA, 403-B plans to name a few. Most individuals can put up to \$20,500 aside each year and if you are over 50 can add another \$6,500 to that number for 401-Ks and 403-B plans. If you have a Simple IRA you can contribute \$14,000 and if over 50 years old can add another \$3,000. You could also do a ROTH IRA or a Traditional IRA with a contribution of \$6,000 plus another \$1,000 if over the age of 50. There can be earning limitations on IRAs with phaseouts, if you earn less than \$68,000 (Single) or \$109,000 (Married) then a traditional IRA is fully deductible, but if you make more then it may not be fully deductible.

Filing Deadline Individual 1040 tax returns and C-Corporation 1120 tax returns need to be submitted by April 18th, 2023. Partnership 1065 tax returns, Limited Liability Company 1065 tax returns, and S-Corporation 1120-S tax returns need to be submitted by March 15th, 2023. Both individuals and businesses can get a six month extension if more time is needed, but the extension needs to be filed before the initial filing deadline. **Remember: We do not automatically get extensions for clients each year.** It is your responsibility to contact the specific office that services your account and make the appropriate request and/or arrangements to get an extension. If you believe that taxes will be due, that payment needs to be made with your extension.

1031 Exchange and how it might help you

A 1031 Exchange is a swap of one real estate investment for a different real estate investment. By swapping real estate - you can defer capital gains. This is particularly helpful if you are making more than \$450,000 per year as it will save you at least 23.8% on tax.

1031 exchanges can be technical. If a 1031 exchange is something you are interested in knowing more about, please contact our firm and we will be happy to go over rules with you and help you find a 1031 exchange agent.

Child and Dependent Care Credit This credit is **non-refundable** for 2022 and the credit is only allowed for up to \$3,000 in expenses for one child/dependent and a maximum of \$6,000 for more than one. The full child and dependent care credit will only be allowed for families making less than \$15,000 a year in 2022. The credit can be reduced to \$1,050 for one child or \$2,100 for more than one child if you have higher earnings.

Household Employment Rules Many of our clients have household employees. Examples are individuals that work to take care of children or aging parents or maybe just cleaning homes or a combination of all of those employment tasks just to name a few. We are going to assume two things - first, the employee is legally able to work in the United States and second, the employee is not a contractor (A worker that can control how the work is done, the worker isn't your employee but is self-employed. A self-employed worker usually provides his or her own tools and offers services to the general public in an independent business.)

If you pay cash wages to a household employee of more than \$2,400 in a given year or more than \$1,000 in any quarter of the year, then you are required to withhold social security/Medicare taxes of 7.65% and match those taxes as an employer. You might also be responsible for federal and state unemployment taxes depending on how much you pay them. A special form is filed with your tax return called a Schedule H to report this activity to the IRS. You pay the household taxes into the IRS just like you pay your income taxes.

Health Flexible Spending Accounts Taxpayers who contribute to a health flexible spending account in 2023, or FSA, can contribute up to \$3,050 and, if permissible by their plan, will be able to carry over up to \$610 into the next tax year.

1099-K Forms (Starting for 2023) Third-party payment settlement networks (such as Paypal or Venmo) starting in 2023 will send you a Form 1099-K if you are paid over \$600 during the year for goods or services. Previously, the form was only sent if you received over \$20,000 in gross payments *and* participated in more than 200 transactions. So get ready to get a 1099-K form in the mail if you use these services. Although it doesn't apply to payments received from family or friends, we are not sure the reporting companies will separate this information. So it is a very good idea if you are using these services to track what you are doing and keep very good records.

Inherited IRAs The IRS's final position on inherited IRAs is as follows: Non-eligible designated beneficiaries are heirs who aren't a spouse, minor child, disabled, chronically ill or certain trusts. If you are a non-eligible beneficiary of an IRA, you must start taking out a "required minimum distribution" or RMD each year from that inherited IRA. You are not limited to the RMD each year and you must distribute 100% of the IRA within a 10 year period.

Tax Changes That Could Reduce Refunds Many of the Covid related tax benefits that taxpayers have seen over the last two years are not available in 2022. No more stimulus payments. No pre-COVID tax credits that enhanced the Child Tax Credit or Earned Income Tax Credits. No above the line charitable deductions. And more third party reporting on financial transactions over \$600. Individuals that are under the age of 25 or over the age of 65 will not be eligible for earned income credit.

Charitable Remainder Trust (CTR) With interest rates increasing, a CTR could be a very good fit for individuals with non-productive cash and have philanthropic desires for church or charity. Charitable remainder trusts are irrevocable trusts that let you donate assets to charity and draw annual income for life or for a specific time period. If the CRT is funded with cash, the donor can use a charitable deduction of up to 60% of Adjusted Gross Income (AGI); if appreciated assets are used to fund the trust, up to 30% of their AGI may be deducted in the current tax year. In addition, if the donor cannot use the whole deduction in the year of the gift, he/she can carry over the deduction for up to five additional years.

The Annual Exclusion for Gifts The annual exclusion for gifts, which limits how much taxpayers can give an individual without filing a gift tax return on certain gifts, will increase to \$17,000 per person in 2023, up \$1,000 from 2022.

Adoption Credit The adoption credit, a tax benefit for taxpayers with qualified adoption expenses, will increase to a maximum of \$15,950 in 2022, up from \$14,890 in 2021. The available adoption credit begins to phase out under for taxpayers with modified adjusted gross income in excess of \$239,230 and is completely phased out for taxpayers with modified adjusted gross income of \$279,230 or more.

Educational Tax Credits The American opportunity tax credit has a maximum benefit of \$2,500 per year per eligible student for the first four years of a postsecondary or vocational school. The life-time learning credit has a maximum benefit of \$2,000 per year no matter how many students qualify. Available for all years of postsecondary education and for an unlimited number of tax years.

	2022	2023
Maximum wages subject to social security tax	\$ 147,000.00	\$ 160,200.00
Tax rate for social security - employer	6.20%	6.20%
Tax rate for social security - employee	6.20%	6.20%
Maximum social security withholdings	\$ 9,114.00	\$ 9,932.40
Tax rate for Medicare (up to \$200,000)	1.45%	1.45%
Additional tax rate for Medicare (over \$200,000 individual or \$250,000 married filing joint) (\$125,000 married filing separately) (to include investment income)	0.90%	0.90%
Self employed and medicare tax rate	15.30%	15.30%
Maximum yearly earnings for social security for recipients before benefits are reduced: Under 66	\$ 19,560.00	\$ 21,240.00
Federal unemployment tax rate	0.60%	0.60%
Wage base on which an employer must pay federal and Tennessee unemployment tax	\$ 7,000.00	\$ 7,000.00
Standard mileage rate for charitable use - cents per mile (01/01-12/31)	\$ 0.14	\$ 0.14
Mileage rate - cents per mile .585 (1-1 to 6-30) Early .625 form 7-1 to 12-31-22	\$ 0.585	\$ 0.655
Standard mileage rate for medical use - cents per mile (01/01-12/31)	\$ 0.18	\$ 0.22
Per diem meal and incidentals - truckers 10/1/20 -09/30/22	\$ 69.00	\$ 69.00
Per diem meal and incidentals - others 10/1/20 -09/30/22	\$ 59.00	\$ 59.00
Earned income credit - Maximum 1 child	\$ 3,733.00	\$ 3,995.00
- Maximum 2 children	\$ 6,164.00	\$ 6,604.00
- 3 or more children	\$ 6,935.00	\$ 7,430.00
- Childless worker age 25-64	\$ 560.00	\$ 600.00
Federal minimum wage	\$ 7.25	\$ 7.25
Section 179 deduction (permanent)	\$ 1,080,000.00	\$ 1,160,000.00
Standard deduction : Single	\$ 12,950.00	\$ 13,850.00
Married	\$ 25,900.00	\$ 27,700.00
Head of Household	\$ 19,400.00	\$ 20,800.00
Married filing separately	\$ 12,950.00	\$ 13,850.00
Additional deduction for Elderly and Blind: Single	\$ 1,750.00	\$ 1,850.00
Married	\$ 1,400.00	\$ 1,500.00
Child tax credit (Children under 6)	\$ 2,000.00	\$ 2,000.00
Child tax credit (Children 6 to 17)	\$ 2,000.00	\$ 2,000.00
Estate Exemption - Federal	\$ 12,060,000.00	\$ 12,920,000.00
Annual Gift Tax Exemption	\$ 16,000.00	\$ 17,000.00
Allowable retirement contributions - IRA	\$ 6,000.00	\$ 6,500.00
Additional contribution if 50 or older (each)	\$ 1,000.00	\$ 1,000.00
Allowable retirement contributions - Simple IRA	\$ 14,000.00	\$ 15,500.00
Additional contribution if 50 or older (each)	\$ 3,000.00	\$ 3,500.00
Allowable retirement contributions - 401k	\$ 20,500.00	\$ 22,500.00
Additional contribution if 50 or older (each)	\$ 6,500.00	\$ 7,500.00
Dependent care expense limit per child - 1 child	\$ 3,000.00	\$ 3,000.00
- 2 or more	\$ 6,000.00	\$ 6,000.00
Maximum Long-Term:		
Single, Taxable income above \$41,675 and below \$459,750	15.00%	
Single, Taxable income above \$44,626 and below \$492,300		15.00%
Married, Taxable income above \$83,350 and below \$517,200	15.00%	
Married, Taxable income above \$89,250 and below \$553,850		15.00%
Single, Taxable income above \$459,750	20.00%	
Single, Taxable income above \$492,300		20.00%
Married, Taxable income above \$517,200	20.00%	
Married, Taxable income above \$553,850		20.00%
Maximum Lifetime Learning Credit	\$ 2,000.00	\$ 2,000.00
Maximum Annual American Opportunity Credit	\$ 2,500.00	\$ 2,500.00
Net Investment Income Tax - modified adjusted income over - Singles \$200,000/married filing joint \$250,000/married filing separate \$125,000/head of household \$200,000	3.80%	3.80%
Foreign Income Exclusion	112,000.00	\$ 120,000.00