

IRS and Industry Updates for Tax Year 2022

As of November 29, 2022

Topics being covered in this document:

- 2022 Tax Law Changes
- Annual Updates for TY 2022
- Ramifications of the *Inflation Reduction Act*
- Additional Items of Note

2022 Tax Law Changes

- **Child Tax Credit** (Schedule 8812)
 - Credit reverts to TY 2020 rules
 - Credit will be \$2,000 for each qualifying child
 - \$1,500 is eligible to be a refundable credit
 - Credit is available for children under age 17 on 12.31.2022
 - Taxpayer must have earned income over \$2,500 to be eligible for the refundable portion of credit (additional child tax credit)
 - All qualifying children must have valid SSNs
- **Child and Dependent Care Credit** (Schedule 2441)
 - Reverts to TY 2020 rules – and is non-refundable
 - Maximum amount of qualifying expenses will be:
 - \$3,000 for one child – Maximum credit: \$1,050
 - \$6,000 for ≥two children – Maximum credit: \$2,100
 - Maximum credit percentage rate is 35% for taxpayers with AGI of \$15,000 or less
- **EITC for Taxpayers Without Children**
 - Reverts to TY 2020 rules
 - Taxpayer must be at least 25 and under 65 at the end of 2022
 - Taxpayer's AGI cannot be greater than \$16,480 (\$22,610 for MFJ)
- **Other Changes and Reminders**
 - Taxpayer can no longer treat mortgage insurance premiums as qualified mortgage interest on a Schedule A
 - Taxpayer can no longer take a charitable contribution of \$300 *unless they itemize*
 - Business meals are 100% deductible for TY 2022

Annual Updates for TY 2022

- **Mileage Rates – Per Mile**
 - Business:
 - 58.5¢ (January–June)
 - 62.5¢ (July–December)
 - Medical/Moving:
 - 18¢ (January–June)
 - 22¢ (July–December)
 - Charitable purposes:
 - Remains at 14¢
- **Standard Deductions for TY 2022**
 - \$12,950: Single/Married Filing Separate
 - \$25,900: Married Filing Joint/Qualifying Widow(er)
 - \$19,400: Head of Household
- **Change to the Virtual Currency Question on Form 1040**
 - On the 1040 form, the question pertaining to virtual currency now reads:

At any time in 2022, did you (a) receive (as a reward, award, or compensation); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?
 - The IRS perspective is that *all* virtual currencies are considered ‘**digital assets**’; this includes:
 - Virtual currency
 - Nonfungible tokens (NFTs)
 - Tokenized assets
 - Stable coins
 - Security tokens
 - Any other assets that are digital and have value, established ownership, and is discoverable
 - In general, the **digital asset** question should be answered ‘**Yes**’ if the taxpayer:
 - received digital assets (usually as virtual currency) as payment for goods or services provided
 - received digital assets as a result of a reward or award

- In general, the **digital asset** question should be answered '**No**' if the taxpayer:
 - is holding a digital asset in an account or wallet
 - is transferring a digital asset from one wallet or account to another wallet or account owned or controlled by the taxpayer
- **Change to Educator Expense Deduction**

An educator (teacher) can now claim up to \$300 for classroom-related expenses without itemization

 - For TY 2021, it was \$250
 - If audited, correlating receipts may be required
 - In the Form 1040, the deduction is entered on Schedule 1, Part II, Line 11
 - If MFJ and both are educators, a \$600 deduction may be taken (up from \$500 last year)

Ramifications of the *Inflation Reduction Act*

- **Energy Efficient Home Credit**
 - Formerly the *Nonbusiness Energy Credit*
 - Credit is available for tax years 2022 – 2032
 - Credit rate is 30%
 - Lifetime cap is replaced with a \$1,200 annual maximum (\$2,000 for heat pumps)
 - Interim credit limits are as follows:
 - \$600 for windows
 - \$500 for doors
 - \$600 for other qualified energy property
 - Credit is available for any dwelling owned by the taxpayer
- **Plug-In Electric Drive Vehicle Credit (Form 8636)**
 - The new *Clean Vehicle Credit* – for qualifying electric and fuel cell vehicles – does not go into effect until TY 2023
 - For TY 2022, the rules that were in effect before the *Inflation Reduction Act* for qualifying electric vehicles still apply; this includes the manufacturing caps on vehicles sold
 - The only change for TY 2022 is that all qualifying electric vehicles purchased after 08.16.2022 must have had final assembly done in North America

- **Alternative Fuel Vehicle Refueling Property Credit (Form 8911)**
 - Credit has been extended: 2022 – 2032
 - For residential property, credit is 30% of the installation cost of any qualified refueling property (such as a recharging station)
 - Maximum credit is \$1,000

Additional Items of Note

- **2022 1099-Ks**
 - More individuals will receive a 1099-K this filing season
The reason: The reporting threshold for third-party networks (e.g., Vemo, Cash App, Zelle, etc.) has been reduced to \$600
 - 1099-K income that must be reported on a return:
 - Amounts from selling goods and/or providing services
 - Income received from renting property
 - Other income amounts reported on a 1099-K may – or may not – have to be reported as income on an individual’s return
The IRS will be providing further guidance on IRS.gov as the 2023 filing season approaches
- **Reminder on the *Premium Tax Credit***
 - **For TYs 2022 – 2025**, the maximum an individual must contribute to insurance
The maximum amount has been reduced for individuals for all income levels; the maximum contribution percentage ranges from 0% to 8.5%
 - The phase-out for households above 400% of Federal Poverty Line has been eliminated

- **Data Security Plan (WISP)**
 - Requirement
 - Federal Law requires tax preparers create and implement a data security plan
 - Written Information Security Plan (or WISP)
 - Security Summit partners created a sample security plan to help preparers (especially smaller practices) create a plan to help protect their data and information (Publication 5708)
 - Look at the following for further information:
 - [Creating a Written Security Plan](#) on IRS website
 - [Data Theft Information for Tax Professionals](#) on the IRS website
 - **IP PIN Reminder**
 - All taxpayers are eligible to receive an IP PIN
 - When an IP PIN is included on a return, it helps the IRS confirm that the return is truly the taxpayer's
 - For taxpayers with income below \$72,000, they may obtain an IP PIN online by using the *Get An IP PIN* tool on IRS.gov.
 - All other taxpayers can obtain an IP PIN by completing and mailing *IRS Form 15227*
 - **Filing Deadline for Individual Tax Returns is Tuesday, 04.18.2023**, due to the Emancipation Day holiday in Washington, D.C.
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