



SQUYRES & CO, LLP TAX UPDATE FOR 2022

INDIVIDUAL CHANGES

BUSINESS CHANGES

EXPIRING PROVISIONS

Our annual tax update memorandum typically focuses on changes to tax laws effective for the upcoming year, in this case, 2022. As we prepare this letter, most of the changes are inflation adjusted changes to items such as tax brackets, the standard deduction, and mileage rates.

There were two bills that moved through Congress in 2021 that included tax provisions. One is the *Infrastructure Investment and Jobs Act*, which was signed into law by the President on November 15, 2021. This legislation contains traditional infrastructure provisions related to bridges, roads, and broadband; there are very few tax provisions in this act. The second bill, the *Build Back Better Act*, was passed by the House but at the time this letter was prepared (early January 2022), the bill has not been passed in the Senate. There are many tax provisions in this bill; however, at this time we do not know what the final version will be, or when these provisions will become effective. To minimize confusion, we will not include a discussion of the potential tax provisions in Build Back Better and will post an update on our website when and if the legislation is passed.

INDIVIDUAL TAX CHANGES

INFRASTRUCTURE INVESTMENT AND JOBS ACT

Beginning on January 1, 2023, brokers of digital assets (“cryptocurrency”) must report transaction information to the IRS for tax purposes. In addition, businesses are required to report any cryptocurrency payments worth more than \$10,000, which is similar to current requirements for reportable cash transactions. Note this provision is effective for tax year 2023 rather than 2022.

The Employee Retention Tax Credit, which is intended to help businesses partially offset the costs of keeping employees on the payroll during the pandemic, was terminated early for most businesses, now on October 1, 2021. The credit was originally set to run through December 31, 2021.

The automatic extension of certain deadlines in the case of taxpayers affected by federally declared disasters was clarified. The provision is intended to ensure that the mandatory minimum extension period of 60 days is automatic.

The Act doubled the maximum amount of tax-exempt highway bonds that local or state governments can issue, from \$15 billion to \$30 billion. Two new categories of private activity tax exempt bonds were added: bonds funding carbon capture and bonds funding broadband projects in rural areas.

OTHER INDIVIDUAL TAX CHANGES

Annual inflation adjustments for 2022:

The *standard deduction* will increase to \$25,900 for married couples filing jointly or surviving spouses, \$19,400 for heads of households, and \$12,950 for unmarried individuals and married individuals filing separately. The additional standard deduction for 2022 for taxpayers who are blind or age 65 or older is \$1,750 for single or head of household, and \$1,400 per spouse for married filing jointly.

The exemption amounts for the *alternative minimum tax* will be \$118,100 for married individuals filing joint returns and surviving spouses, \$75,900 for unmarried individuals, \$59,050 for married individuals filing separately, and \$26,500 for estates and trusts. All amounts are subject to phase outs at higher income levels.

The *qualified business income threshold* under Section 199A will increase to \$340,100 for married individuals filing jointly, and to \$170,050 for married individuals filing separate returns, single individuals, and heads of households.

The limitation for contributions to a health *flexible spending arrangements (FSA)* increases to \$2,850.

The limitation for contributions to a *health savings account (HSA)* increases to \$3,650 for single coverage and \$7,300 for family coverage. Individuals aged 55 and over may contribute an additional \$1,000.

Taxpayers can contribute \$20,500 to their *401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan* in 2022. This is an increase of \$1,000 from the prior year. The limitation for contributions to traditional and Roth IRAs is unchanged at \$6,000. The contribution limit for *SEP IRAs* (generally for self-employed business owners) is \$61,000.

The *foreign earned income exclusion* amount will increase to \$112,000.

The *exclusion amount for estate tax* will be \$12,060,000 for decedents dying in 2022; the *annual gift tax exclusion amount* increases to \$16,000 per donee.

The *standard mileage rate* for the use of a vehicle for medical purposes will be 18 cents, 14 cents for charitable purposes, and 58.5 cents per mile for business in 2022.

Extenders

Each year some provisions in the tax code are scheduled to expire or change at the end of the year. Typically, some of these provisions are extended for an additional time period, or made permanent, by Congress. As of the time we prepare this memo, no tax extenders have been passed. It is possible that some provisions will be extended retroactively later in the year. A partial list of those currently set to expire are:

TAX EXTENDERS SLATED TO EXPIRE AT THE END OF 2021

- Full expensing of research and development expenditures
- Interest deduction limitation changes
- Expanded child tax credit
- Expanded earned income tax credit
- Expanded child and dependent tax credit
- Above the line charitable contribution deduction
- Modified limitations for charitable contributions
- Employee retention tax credit
- Green energy tax provisions (energy credits)

BUSINESS TAX CHANGES

Annual inflation adjustments:

The section 179 depreciation limitation will be \$1,080,000 with a phaseout threshold for property placed in service of \$2,700,000.

The standard mileage rate for the business use of a vehicle is 58.5 cents per mile for 2022.

Conclusion

We hope that we have provided you with some useful information. The information provided above are only highlights that we believed affected the largest cross section of our clientele. This memorandum is not a substitute for professional advice regarding your individual tax situation. Please call us for more information about any of these issues and how they apply to you.