



Taxland Newsletter
2022

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NOVEMBER ISSUE

By **Tina M Chandler EA CFS**

UPCOMING DEADLINES:

4TH QTR ESTIMATED TAX PAYMENTS DUE **01-16-23**

YEAR END TAX PLANNING CONTACT US BY **12-03-22**

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Update on Chapter 62F MA DOR Taxpayer Refunds

“Massachusetts law requires that when tax revenue collections in a given fiscal year exceed an annual tax revenue cap, the excess revenue is returned to taxpayers.” CHAPTER 62F

Distribution of refunds began on November 1, 2022 – eligible taxpayers will receive their refund automatically through direct deposit or as a check sent through the mail. If you have already filed your 2021 tax return and you have a tax liability, no action is needed, and you should receive your refund by mid-December of 2022. If you have not yet filed your 2021 return, you are still eligible if you file by September 15, 2023 and, if eligible for a refund, you should receive it approximately one month after you file.

62F Refund Call Center: 877-677-9727 Available M-F, 9:00am-4:00pm

Mileage Rate Change Pertaining to Self Employed Individuals

Effective July 1 through Dec. 31, 2022, the standard mileage rate for the business use of employees' vehicles will be 62.5 cents per mile—the highest rate the IRS has ever published—up 4 cents from the 58.5 cents per mile rate effective for the first six months of the year.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2022. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their

employees for mileage. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

The new rate for when an automobile is used to obtain medical care – which may be deductible under Internal Revenue Code § 213 if it is primarily for, and essential to, the medical care – is 22 cents per mile for the remainder of 2022.

The 14 cents per mile rate for charitable organizations remains unchanged as it is set by statute.

Simplified Option Vs Regular Method for Home Office Deduction Pertaining to Self Employed Individuals:

| <u>Simplified Option</u> | <u>Regular Method</u> |
|--|---|
| Deduction for home office use of a portion of a residence allowed only if that portion is exclusively used on a regular basis for business purposes | Same |
| Allowable square footage of home use for business (not to exceed 300 square feet) | Percentage of home used for business |
| Standard \$5 per square foot used to determine home business deduction | Actual expenses determined and records maintained |
| Home-related itemized deductions claimed in full on Schedule A | Home-related itemized deductions apportioned between Schedule A and business schedule (Sch. C or Sch. F) |
| No depreciation deduction | Depreciation deduction for portion of home used for business |
| No recapture of depreciation upon sale of home | Recapture of depreciation on gain upon sale of home |
| Deduction cannot exceed gross income from business use of home less business expenses | Same |
| Amount in excess of gross income limitation may not be carried over | Amount in excess of gross income limitation may be carried over |
| Loss carryover from use of regular method in prior year may not be claimed | Loss carryover from use of regular method in prior year may be claimed if gross income test is met in current year |

IF YOU ARE INTERESTED IN LEARNING MORE, CONTACT OUR OFFICE TO SCHEDULE A TELEPHONE CALL OR MEETING. WE ARE HERE TO HELP YOU.