



Taxland Newsletter
2023

JANUARY ISSUE

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UPCOMING DEADLINES:

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

Standard Deduction Increase:

The standard deductions will increase in 2022. Married couples will now get **\$25,900** with an additional **\$1,400** for each spouse 65 or older. Those with a single filing status will get **\$12,950**, **\$14,700** if 65 or older. Head of household will get **\$19,400** with an additional **\$1,750** once they reach 65. Those who are blind receive **\$1,400** more (\$1,750 if unmarried and not a surviving spouse).

Energy Efficient Home Improvement for 2022 Tax Year:

The incentive for adding solar panels and the like to your residence is extended through 2034. Taxpayers receive a credit for installing an alternative energy system that relies on a renewable energy source. Examples of such technology are solar, wind, geothermal or fuel cell. The cost of solar panels, solar-power water heaters, solar electric equipment, and wind turbines are eligible for the credit. This is applicable to both primary residences and vacation homes.

In addition the credit for installing energy efficient improvements to your residence will once again be available for 2022. The credit does have a cap for certain items so it is helpful to research the specific improvements being made to your home to gain a better understanding of what that will look like for you.

Follow this link for specific information:

<https://www.irs.gov/credits-deductions/frequently-asked-questions-about-energy-efficient-home-improvements-and-residential-clean-energy-property-credits>

Reporting Rules Changed for Form 1099-K:

Taxpayers should receive Form 1099-K, Payment Card and Third Party Network Transactions, by January 31, 2023, if they received third party payments in tax year 2022 for goods and services that exceeded \$600.

There's no change to the taxability of income. All income, including from part-time work, side jobs or the sale of goods is still taxable. Taxpayers must report all income on their tax return unless it's excluded by law, whether they receive a Form 1099-K, a Form 1099-NEC, Nonemployee Compensation, or any other information return.

Prior to 2022, Form 1099-K was issued for third party networks transactions only if the total number of transactions exceeded 200 for the year and the aggregate amount of these transactions exceeded \$20,000.

Now a single transaction exceeding \$600 can require the third party platform to issue a 1099-K. Money received through third party payment networks from friends and relatives as personal gifts or reimbursements for personal expenses is not taxable.

The IRS cautions people in this category who may be receiving a Form 1099 for the first time – especially "early filers" who typically file a tax return during the month of January or early February – to be careful and make sure they have all of their key income documents before submitting a tax return. A little extra caution could save people additional time and effort related to filing an amended tax return. And if they have untaxed income on a Form 1099 that isn't reflected on the tax return they initially file, that could mean they need to submit a tax payment with an amended tax return.

Source: www.irs.gov

The 2021 Enhancements to the Credit for Child and Dependent Care Expenses have Expired:

The changes to the credit for child and dependent care expenses for 2021 under the American Rescue Plan Act of 2021 have expired. For 2022, the credit for child and dependent care expenses is nonrefundable and you may claim the credit on qualifying employment-related expenses of up to \$3,000 if you had one qualifying person, or \$6,000 if you had two or more qualifying persons. The maximum credit is 35% of your employment-related expenses. The more you earn, the lower the percentage of employment-related expenses that are considered in determining the credit. Once your adjusted gross income is over \$43,000, the maximum credit is 20% of your employment-related expenses.

Source: <https://www.irs.gov/pub/irs-pdf/i2441.pdf>

Child Tax Credit Enhancements have Expired:

The enhanced credit allowed for qualifying children under age 6 and children under age 18 has expired. For 2022, the initial amount of the CTC is \$2,000 for each qualifying child. The credit amount begins to phase out where modified adjusted gross income exceeds \$200,000 (\$400,000 in case of a joint return). The amount of the CTC that can be claimed as a refundable credit is limited as it was in 2020 except that the maximum ACTC amount for each qualifying child increased to \$1,500. The increased age allowance for a qualifying child has expired. A child must be under age 17 at the end of 2022 to be a qualifying child.

Source: <https://www.irs.gov/instructions/i1040s8>

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

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