

The Taxation Committee of the Iowa Society of Certified Public Accountants (ISCPA) has developed these tax tips for planning and preparing individual income tax returns for the 2022 tax year. Content is based on tax law as of Oct. 1, 2022. The committee recommends you consult your CPA who has the necessary training and expertise to assist with your tax and financial planning needs. 🗳️ New law change.

Federal tax tips

Tax Scams: The IRS does not contact taxpayers by email to request personal or financial information. The IRS will never make threatening phone calls or require you to make immediate payment. To report a fraud, call 800-366-4484.

Digital Assets: Cryptocurrency activity may be taxable. Contact your tax professional.

Itemized Deductions vs. Standard Deduction: consider itemizing when deductions exceed:

- \$12,950 for a single person or MFS
- \$19,400 for a head of household
- \$25,900 for MFJ or surviving spouse

The standard deduction is increased if you are 65 or older and/or blind.

Consider alternating between taking the standard or itemized deductions.

Taxpayers who itemize may deduct:

- **Medical and Drug Expenses:** to the extent that the total of such expenses exceeds 7.5 percent of AGI.
- **State and local tax deduction:** up to \$10,000 (\$5,000 if MFS) in property and income taxes (or sales tax).
- **Mortgage interest deduction:** interest used to buy, build or substantially improve primary and second homes. There are mortgage limits of \$750,000 or \$1,000,000 depending on the origination date of the loan. This includes both mortgages and home equity loans.
- **Charitable contributions:** Cash, non-cash and charitable miles to qualified organizations. 🗳️ An above the line deduction for cash contributions expired at the end of 2021.

Long-Term Capital Gains and Qualified Dividends: Long-Term capital gains and dividends have their own independent tax brackets shown below.

Tax Rate	Single Filer	Joint Filer	Head of Household
0%	\$0-\$41,675	\$0-\$83,350	\$0-\$55,800
15%	\$41,676-\$459,750	\$83,351-\$517,200	\$55,801-\$488,500
20%	>\$459,750	>\$517,200	>\$488,500

- Investing capital gains in Opportunity Funds can provide tax incentives to investors.
- \$250,000 of gain on the sale of a personal residence may be excluded for each taxpayer if they lived in the residence 2 of the last 5 years.

Additional Tax on High Income Taxpayers: Individuals with income greater than \$200,000 or \$250,000 for MFJ (\$125,000 MFS):

- Pay an additional 3.8 percent tax on net investment income
- Pay an additional 0.9 percent Medicare tax on earned income

Self-Employed (SE) Individuals:

- Special first year depreciation under Section 179, for qualified property, is allowed up to \$1,080,000.
- Bonus depreciation of 100% is allowed for new or used qualified property. 🗳️ Phase outs begin in 2023.
- Food or beverages from a restaurant are 100% deductible (rather than 50%) for 2021 and 2022 if purchased as an otherwise qualifying business expense.
- Entertainment expenses are generally not deductible.
- Half of SE taxes may be deductible.
- A retirement plan may be established by individuals with SE income.
- Up to 100 percent of health insurance, including certain qualified long-term care premiums, may be deductible.

Qualified Business Income (QBI) Deduction: Many owners of sole proprietorships, S corporations, partnerships and rental properties may be allowed a deduction of up to 20% of net income earned by a qualified trade or business. REIT dividends and qualified publicly traded partnerships also qualify.

There are limitations that can reduce this deduction.

Excess Business Loss Limitation: \$270,000 (or \$540,000 for joint filers) loss limitation for noncorporate taxpayers applies for tax years beginning in 2022. Amounts are indexed annually for inflation and apply through 2028.

Gambling Winnings/Losses: All reportable gambling winnings must be included in taxable income. Substantiated gambling losses up to the amount of your winnings may be deducted as itemized deductions for nonprofessional gamblers.

Kiddie Tax: This tax can apply to certain children under age 24 with unearned income over \$2,300.

Standard Mileage Rates: Per mile allowable:

Purpose	1/1-6/30-	7/1-12/31
Business	58.5 cents	62.5 cents
Medical/Moving	18 cents	22 cents
Charitable	14 cents	14 cents

Moving Costs: Applies only to military personnel.

Educator Expenses: 🗳️ Up to \$300 per educator of out-of-pocket classroom expenses may be deducted for 2022.

Health Savings Accounts (HSAs): Taxpayers with a high deductible health plan have until April 15, 2023, to contribute up to \$3,650 for self-only coverage and \$7,300 for family coverage. Those 55 or older, can contribute an additional \$1,000.

Traditional and Roth IRAs: All taxpayers have until April 15, 2023, to contribute up to \$6,000 to their IRA for 2022 subject to income limitations. Those 50 or older can contribute an

additional \$1,000. Contributions to a Traditional IRA may be deductible. Contributions to a Roth IRA are not deductible. Taxable non-tuition fellowship and stipends are compensation for IRA contribution purposes.

Required Minimum Distributions (RMDs): You must take your first RMD by April 1 of the year after you turn 72. Subsequent RMDs must be taken by December 31 of each year. If you wait to take your first RMD on April 1 the following year, you must take two distributions in that year.

Qualified Charitable IRA Distributions (QCD): Each owner of an IRA who is 70½ or older may donate any portion, up to \$100,000, directly to a qualified charity(ies). Note: this may satisfy the RMD requirement. Your QCD is limited if contributions were made after age 70½.

Indirect IRA Rollover Limitations: An IRA or retirement distribution paid directly to you must be rolled over within 60 days. Only one rollover from an IRA to another (or the same IRA) can be made in any 365-day period. Direct trustee to trustee transfers have no limitations. Inherited IRAs must be transferred directly from one account to another.

Child Tax Credit (CTC) 🗳️ Several enhancements to the CTC in 2021 will no longer apply this year, including monthly advanced payments and increased amounts. For 2022, the CTC is partially refundable and reverts back to \$2,000 per child under age 17.

Child and Dependent Care Credit 🗳️ Several enhancements to the credit in 2021 will no longer apply this year, including increased amounts and income phaseouts. For 2022, the credit is worth 20-35% of up to \$3,000 of qualifying care expenses for one dependent, or up to \$6,000 for two or more.

Other Dependent Tax Credit: A \$500 credit per dependent who are 17 or older may be allowable subject to income limitations.

Earned Income Credit (EIC): A refundable credit is available to certain low income taxpayers. Taxpayers should consider filing a return even if they are not required to in order to receive a refund.

Pension Exemption: An exemption of up to \$12,000 for married taxpayers and \$6,000 for other filers is available to eligible Iowa taxpay-

Tuition and Textbook Credit: The credit is 25 percent of the first \$2,000 paid for tuition, textbooks, and qualified extracurricular activities for

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