

Jayroe & Company, Inc.

New Tax Law Changes

1. The standard deduction for single individuals is \$13,850 and for couples \$27,700.
2. The charitable contribution deduction for non-itemizers has expired and will not be available for the 2022 tax year.
3. The standard mileage rate for 2022 is \$0.625.
4. The amount of earnings subject to social security tax has increased to \$147,000.
5. Student loan discharges for 2021 through 2025 may be excluded from income if the loan was:
A loan for postsecondary education,
A private education loan, and
A loan from certain non-profit organization
6. Effective for 2021 and 2022 only, a taxpayer can deduct 100% of the cost of a business meal purchased at a restaurant. After 2022 the amount is limited to 50%.
7. The standard per diem rates for meals, incidentals, and lodging is \$59 per day for meals and incidentals, and \$98 per day for lodging.
8. The Section 179 deduction limits have increased.
9. The standard mileage rate for medical purposes has increased to \$.22 per mile.
10. The income range for the Earned Income Credit has increased.
11. The income limits for the Retirement Savings Contributions credit have increased.
12. The IRS has updated the life expectancy tables used to compute the required minimum distribution (RMD) for retirement plans.
13. Social Security benefits will increase up to 8.9% for 2023.
14. IRS individual contribution limits for traditional and Roth IRA's are \$6,000 for those under age 50 and \$7,000 for those age 50 or over.
15. Effective 1-1-23 research and experimental expenditures are required to be amortized.
16. For 2022 the annual exclusion for gifts is \$16,000 for donee's.
17. Health Savings Account limits have increased.
18. Under the non-discrimination rules for highly compensated employees, which would include officers of a corporation, the amount to consider is now \$200,000.00.
19. File a Form 1099-NEC for each person to whom the taxpayer has paid at least \$600 during the course of a business for the following services:
 1. Services performed by someone who is not an employee, including parts and materials.
 2. Payments made to an attorney for legal services.
20. File a Form 1099-MISC for each person or entity to whom the taxpayer has paid certain amounts during the course of a business for the following:
 1. At least \$10 in royalties or broker payments
 2. At least \$600 in rents
 3. Any payment for which income tax has been withheld.
 4. Prizes and awards
 5. Foreign agricultural worker
 6. Fishing boat proceeds
 7. Payer made direct sales of \$5,000 or more

21. Energy efficient home improvement credit for 2023-2032:
 1. The lifetime credit limit is \$1200 per taxpayer
 2. Heat pumps, heat pump water heaters, and biomass stoves and boilers are included with a limit up to \$2000
 3. Windows and skylights are limited to \$600 per year
 4. Doors are limited to \$250 per door for a total of \$500 per year
 5. Up to \$150 credit per year for amounts paid for a home energy audit of a principal residence
 6. The product identification number will be required in order to claim the credit
22. The clean vehicle credit has a maximum amount of \$7500 for qualifying vehicles. The cost of qualifying vehicles is \$80,000 for vans, SUVs, and pickup trucks and \$55,000 for other vehicles.
23. Charitable donations are deductible when made to a qualified church or charity.
 1. Receipts are no longer required for donations of \$250 or less.
 2. Gifts to individuals for whatever reason are NOT deductible.
 3. Political contributions are not deductible.
 4. Volunteering of your time is not deductible.
 5. Non-cash donations may be deductible, but the taxpayer must consult with their tax advisor before making the donation.
 6. Gifts made to employees are deductible, but the amount must be included in the employee's W-2 Form.
24. In 2022 and going forward, 'entertainment' expenses are not deductible.
25. If you deal in any type of Crypto, you will receive a Form 1099-B. Always provide this to your tax preparer. It is likely the audit rate for those who have Crypto will increase.
26. There is an exclusion of up to \$500,000 (\$250,000 if single) on the gain of the sale of your personal residence. This must be your primary place of residence. The taxpayer must have lived in the home two of the past five years and must be owned by the taxpayer.
27. If you have an S Corporation and are a shareholder-employee, you should have your S Corporation pay you a reasonable salary and benefits to avoid potential problems.
28. Partnership and multi-member LLC's taxed as a partnership are subject to the Large Partnership Compliance program which uses data analytics for the selection of partnership audits.
29. There has been much discussion regarding the IRS hiring 87,000 revenue agents which is rumored to create many new audits. Please understand this is not the case and the IRS will not expand by 87,000 new employees. The IRS was allowed to increase its budget over the next 10 years, but much of that will be to upgrade the IT program and equipment, much of which is dated back to the 1960's. Hopefully this increase will provide better service for the taxpayer. We do however, expect audits to increase in the coming years.

If you have questions about these items or other tax matters, please give us a call.