



TAX YEAR 2022 TOPICS

Itemized Deductions

- Need to total more than the Standard Deduction.
- State taxes and real estate taxes are still capped at \$10,000.
- Medical expenses that exceed 7.5% of adjusted gross income can be deducted.
- Charitable donations are not as good as tax year 2021. For tax year 2022, non-cash donations are limited to 30% of adjusted gross income if held for over one year, and cash donations are limited to 60%.

Child Tax Credit

This credit is back down to \$2,000 for tax year 2022.

Gifting

The annual gift limit for tax year 2022 is \$16,000. For tax year 2023, it increases to \$17,000.

Required Minimum Distribution

Individuals age 72 and over must take distributions from IRA and 401(k) accounts. If you don't need the income, you can send the money directly to a charity. While you do not get a deduction for this, it is not considered income.

Announcing Our New Office Location and Web Site

In August of this year, we moved across the street. Our new address is 1640 East Capitol Avenue, Suite B, Bismarck, ND 58501-5618. We are still two blocks east of Hardee's in north Bismarck, but now we are on the north side of Capitol Avenue.



We invite you to visit our newly designed web site. Use our web site as your resource for the latest tax news, information for business owners, useful links, forms, and more!

www.eaton-cpa.com



Your Checklist for Tax Preparation

These items are needed so we can prepare your taxes.

- ✓ Income: All W-2 Forms and 1099 Forms (self-employed)
- ✓ Savings and Investment/Dividends:
 - Interest/dividend income
 - Income – sales of stock
 - Income – other property
 - Health Savings Account
 - Cryptocurrency transactions
- ✓ Record of estimated tax payments made.
- ✓ Other Income & Losses:
 - Gambling, prizes, royalty, and alimony paid/received.
- ✓ Charitable donation receipts or notation.
- ✓ 1099-R Forms (retirement):
 - Pension/IRA/annuity
- ✓ Form 1095-A: Enrollment in an insurance plan through the Marketplace (Exchange).
- ✓ Student loan: 1098-E shows interest; 1098-T shows tuition/other costs.
- ✓ Receipts for classroom expenses (educators in grades K-12).

ATTENTION: Business Owners

Make Large, Tax-Deductible Investments *Before* Your Financial Year Ends

If you have been thinking about purchasing new equipment or materials, now is the time to do it. Considering making upgrades or capital investments *before* your financial year comes to a close. These deductions may play a role in your tax filing. We would be happy to sit down with you to discuss your options and how they may affect your tax filing.





IMPORTANT RELATIONSHIP:

You, Your Accountant, and Your Financial Advisor

If you receive services from both a financial/banking advisor and an accountant, they both play an important role in helping you plan for your future and reach your financial goals. While they may have separate professional functions, financial advisors and CPA's often work together to help you achieve your financial goals. A CPA can offer insight into financial statements and that,

in turn, can help guide how your financial advisor helps you plan for your future. Be sure to inform both your financial advisor and your CPA of the services you receive from each so you can all work together to help you reach your goals.

Tax Topics for Business Owners

1099 Form This needs to be issued to those individuals you paid at least \$600 for services or rent. You must issue these forms by January 31, 2023. This form is available on our web site.

Bonus Depreciation For tax year 2022, bonus depreciation is 100%. For tax year 2023 (taxes filed in 2024), it drops to 80%.

Section 179 This can be used to expense up to \$1,160,000 of eligible property. Spending more than \$2,890,000 on qualified property will reduce this deduction.

Section 199A Deduction Through this deduction, the Internal Revenue Code continues to offer up to a 20% deduction of income from each qualified trade or business.

2023 Wage Cap and Social Security Payroll Tax The wage cap for Social Security Payroll Tax for tax year 2023 increases to \$160,200 (up from \$147,000 for tax year 2022). Employers should adjust payroll systems to account for the higher wage base for this tax and inform employees that more of their pay will be subject to payroll withholding.

ALERT! TAX YEAR 2022: Payment Apps Such as PayPal, Venmo, Cash App, Zelle, and Others will be Issuing Form 1099-K

Prior to 2022, these apps only had to issue Form 1099-K to those individuals receiving more than \$20,000 through their app. **For tax year 2022, that is all changing.**

Whether you have a business or whether you are an individual, if you received \$600 or more in one of these apps, you will be issued a 1099-K, and you will need to bring that form in with your tax documents for tax preparation.

NOTE: Any money you received for selling miscellaneous household goods or old clothing or which you received as reimbursement from friends or family is not taxable. Only business income received in these

apps will be taxable. It will be up to you to distinguish between what is business income and what is reimbursement and inform us of that. We will then take care of reporting the proper numbers on your tax return.

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Mileage Rates

PURPOSE	RATE	RATE
	Jan. 1 – June 30, 2022	July 1 – Dec. 31, 2022
Business	58.5 cents	62.5 cents
Medical	18 cents	22 cents
Moving	18 cents	22 cents
Charity	14 cents	14 cents

Here's who can consider deducting their mileage for business:

- Small business owners and self-employed individuals.
- Independent contractors such as rideshare drivers.
- Drivers traveling specifically for volunteer work or medical reasons.

Standard Deductions

FILING STATUS	STANDARD DEDUCTION
Single; Married Filing Separately	\$12,950
Head of Household	\$19,400
Married Filing Jointly; Surviving Spouses	\$25,900

A Note on Cryptocurrency

If you own cryptocurrency, we need to know. If you sold cryptocurrency, that results in a taxable event and it is treated the same as if you sold a stock. That means it needs to be reported as either a capital gain or a loss on your tax return.

2022 TAX YEAR - Federal Income Tax Brackets

Rate	Single; Unmarried Individuals	Married Filing Jointly; Surviving Spouses	Married Filing Separately	Head of Household
10%	\$0 - \$10,275	\$0 - \$20,500	\$0 - \$10,275	\$0 - \$14,650
12%	\$10,276 - \$41,775	\$20,501 - \$83,550	\$10,276 - \$41,775	\$14,651 - \$55,900
22%	\$41,776 - \$89,075	\$83,551 - \$178,150	\$41,776 - \$89,075	\$55,901 - \$89,050
24%	\$89,076 - \$170,050	\$178,151 - \$340,100	\$89,076 - \$170,050	\$89,051 - \$170,050
32%	\$170,051 - \$215,950	\$340,101 - \$431,900	\$170,051 - \$215,950	\$170,051 - \$215,950
35%	\$215,951 - \$539,900	\$431,901 - \$647,850	\$215,951 - \$323,925	\$215,951 - \$539,900
37%	\$539,901 or more	\$647,851 or more	\$323,926 or more	\$539,901 or more

Source: <https://irs.com/en/articles/2022-federal-income-tax-brackets-rates-standard-deductions>

It's important to remember that moving up into a higher tax bracket does not mean all of your income will be taxed at the higher rate. Only the money you earn within a particular bracket is subject to the corresponding tax rate.