

# TAX GUIDE 2022



TAXGURU L.L.C.

## GETTING READY FOR THE 2023 TAX FILING SEASON

Filing your 2022 tax return promises to be just as complicated as always; however, there are steps that taxpayers can take right now to ensure their tax filing experience goes smoothly. Let's take a look at what's new for 2022 and some key items taxpayers should consider before they file.

### What's New

**No above-the-line charitable deductions.** During COVID, taxpayers could take up to a \$600 charitable donation tax deduction on their tax returns. However, in 2022, those who take a standard deduction may not take an above-the-line deduction for charitable donations.

Tax Guru's tax planning checklist of additional action items may help you save tax dollars.

**More people may be eligible for the Premium Tax Credit.** For tax year 2022, taxpayers may still qualify for temporarily expanded eligibility for the premium tax credit. Please call if you want more information about this topic.

**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.

Taxpayers should remember that most income is taxable, including unemployment income, refund interest, and income from the gig economy and digital assets. As such, they must still 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.

**Some tax credits return to 2019 levels.** This means that affected taxpayers will likely receive a significantly smaller refund compared with the previous tax year. Changes include amounts for the Child Tax Credit (CTC), Earned Income Tax Credit (EITC), and Child and Dependent Care Credit.

- Those who received \$3,600 per dependent in 2021 for the CTC will, if eligible, get \$2,000 for the 2022 tax year.
- For the EITC, eligible taxpayers with no children who received roughly \$1,500 in 2021 will now get \$500 in 2022.
- The Child and Dependent Care Credit returns to a maximum of \$2,100 in 2022 instead of \$8,000 in 2021.

**Refunds may be smaller in 2023.** Taxpayers will not receive an additional stimulus payment with a 2023 tax refund because there were no Economic Impact Payments for 2022. In addition, taxpayers who don't itemize and take the standard deduction won't be able to deduct their charitable contributions.

**Eligibility rules changed to claim a tax credit for clean vehicles.** There are several changes taxpayers should be aware of, such as the tax credit is generally available only for qualifying electric vehicles for which final assembly occurred in North America (final assembly requirement) and a transition rule for vehicles purchased before August 16, 2022. Taxpayers who want to take advantage of this tax credit should call the office for assistance in determining eligibility.

## Gather 2022 Tax Documents

The best way to prepare for tax filing is to gather important tax documents - either electronic or paper - and keep them in one place. These documents include but are not limited to: Forms W-2 from employers, Forms 1099 from banks or other payers, Form 1099-K from third-party payment networks, Form 1099-NEC for nonemployee compensation, Form 1099-MISC for miscellaneous income, or Form 1099-INT if you were paid interest, as well as records documenting all digital asset transactions.

Typically, year-end forms arrive by mail or are available online mid-to-late January. Taxpayers should carefully review each income statement for accuracy and contact the issuer to correct information that needs to be updated.

Ensuring their tax records are complete before filing helps taxpayers avoid errors that lead to processing delays. When they have all their documentation, taxpayers can file an accurate return and avoid processing or refund delays or IRS letters.



## Sign Up for or Into an Online Account

An IRS Online Account lets taxpayers securely access their personal tax information, including tax return transcripts, payment history, certain notices, prior year adjusted gross income, and power of attorney information. Filers can log in to verify if their name and address are correct. They should notify the IRS if their address has changed. They must notify the Social Security Administration of a legal name change to avoid a delay in processing their tax return.

## Renew Expiring Tax ID Numbers

Taxpayers should ensure their Individual Tax Identification Number (ITIN) hasn't expired before filing a 2022 tax return. Those who need to file a tax return should now submit a Form W-7, *Application for IRS Individual Taxpayer Identification Number* to renew their ITIN. Taxpayers who fail to renew an ITIN before filing a tax return next year could face a delayed refund and may be ineligible for certain tax credits. Applying now will help avoid the rush and refund and processing delays in 2023.

## Avoid Refund Delays and Understand Refund Timing

Many different factors can affect the timing of a refund after the IRS receives a return. Although the IRS generally issues most refunds in less than 21 days, taxpayers should not rely on receiving a 2022 federal tax refund by a certain date. As such, making major purchases or paying bills is not wise until the refund is received. Some returns may require additional review and may take longer to process if IRS systems detect a possible error, the return is missing information, or there is suspected identity theft or fraud.

Also, taxpayers should be aware that the IRS cannot issue refunds for people claiming the EITC or Additional Child Tax Credit (ACTC) before mid-February. The law requires the IRS to hold the entire refund – not just the portion associated with EITC or ACTC.

## Use Direct Deposit for Faster Refunds

The fastest way to get a tax refund is by filing electronically and choosing direct deposit. Direct deposit is faster than waiting for a paper check in the mail. It also avoids the possibility that a refund check could be lost, stolen, or returned to the IRS as undeliverable.

Prepaid debit cards or mobile apps may allow direct deposit of tax refunds. They must have routing and account numbers that can be entered on a tax return. Taxpayers can check with the mobile app provider or financial institution to confirm which numbers to use.

## Last Quarterly Payment for 2022 Due January 17, 2023

Taxpayers may need to consider estimated or additional tax payments due to non-wage income from unemployment, self-employment, annuity income, or even digital assets. The Tax Withholding Estimator on [IRS.gov](https://www.irs.gov) can help wage earners determine if they need to consider an additional tax payment to avoid an unexpected tax bill when they file.

## Get Help From a Tax Professional

Filing taxes is inevitable for most people, and with tax law becoming more complex with every passing year, there's no better time to get ready than right now. Call today and find out how a professional tax preparer can help.

