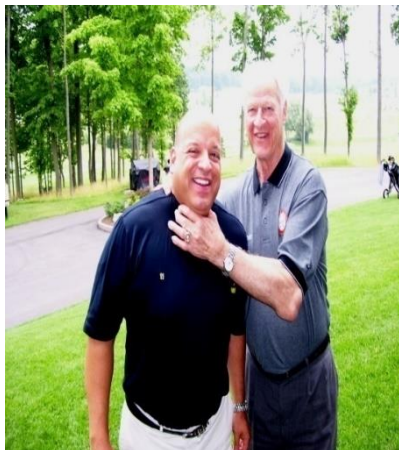


## **2022 Tax Briefing**

# **Overview of What is New for Businesses and Individuals**

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# SPEAKER BIOGRAPHY



**TIMOTHY S. SHORTSLEEVE, CPA.CITP**



**TYS, LLP**



Tim has provided professional tax, audit and accounting services to closely held businesses since 1984. In addition to providing traditional services to his clients, his responsibilities also include advising and training small businesses (including CPA firms) on the benefits of the less-paper office, process improvement, change management and trashing the time sheet!



Tim speaks frequently on various tax and business-efficiency topics including nationally for the AICPA and CCH. For 13 years, he taught sales-training classes for Paychex. He has also written articles for the AICPA on the benefits of the “Paperless Office.”



Tim is a proud father, grandfather, avid hockey fan, former college hockey coach and rock star wannabe. A long time ago, he was elected as part of the Rochester Business Journal’s class of 2000 “40 Under 40” up-and-coming business professionals.



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and accountants

# AGENDA

- Define Success for Today's Session
  - Discuss Business Changes
  - Discuss Individual Changes
    - Answer Questions

# HOW WILL WE KNOW WE HAVE HAD A SUCCESSFUL SESSION?



# 2022 BUSINESS UPDATE

## Food, Beverage & Entertainment Expensing

**The "Taxpayer Certainty and Disaster Tax Relief Act of 2020" (the Act), enacted as part of the "Consolidated Appropriations Act, 2021" (CAA 2021), allows a 100% deduction for certain business meal expenses-an increase from the 50% deduction limit.**

**The expenses must be paid or incurred during calendar year 2022, and the relevant food and beverages must be provided by a restaurant.**

**Entertainment expenses are NOT deductible.**

# 2022 BUSINESS UPDATE

## **Standard Mileage Rates**

Thanks to skyrocketing gas prices, the IRS took the unusual step of adjusting the standard mileage rates for 2022 in the middle of the year.

- From 1/1/22 to 6/30/22 the rate = 58.5 cents per mile
- From 6/1/22 to 12/31/22 the rate = 62.5 cents per mile
- As of the date of this presentation the 2023 rates have not been released

# MILEAGE RATES SUMMARY

Mileage Rate Changes		
Purpose	Rates 1/1 through 6/30/2022	Rates 7/1 through 12/31/2022
Business	58.5	62.5
Medical/Moving	18	22
Charitable	14	14

# 2022 BUSINESS UPDATE

## Depreciation

Bonus Depreciation – 100% write off of business assets with lives of 20 years or less.

- Can create a loss
- 2022 is last year of 100%
- Phases out 20% per year after 2022
- NYS doe not allow Bonus depreciation



# 2022 BUSINESS UPDATE

## Depreciation Continued:

### **Section 179 Expensing Election**

- Businesses can expense up to \$1,080,000 of new or used business assets. This limit phases out once more than \$2,700,000 of assets are put into service during 2022.
- Note that the amount expensed can't exceed the business's taxable income.
- Bonus depreciation doesn't have this rule.

# 2022 BUSINESS UPDATE

## Depreciation - Concluded

Planning is important – make sure you consider:

- What is 202 projected taxable income
- Impact on the Qualified Business Income deduction
- Impact on state Pass Thru Entity Tax Deductions
- What is 2023 projected taxable income

# EMPLOYEE RETENTION CREDITS (ERC)

## What is the ERC?

- The Employee Retention Credit (ERC) is a payroll tax refund from the United States Treasury Department applicable to businesses who kept employees on payroll during the pandemic.

# EMPLOYEE RETENTION CREDITS (ERC)

ERTC 2020		ERTC 2021
Eligibility Period(s)	Mar 13, 2020 – Dec 31, 2020	Jan 1, 2021 – Mar 31, 2021 Apr 1, 2021 – June 30, 2021 July 1, 2021 – Sept 30, 2021
Credit	50% of up to \$10,000 of qualified wages for the entire year	70% of up to \$10,000 of qualified wages each quarter
Maximum Credit (per employee)	\$5,000	\$21,000
Eligibility:		
Percentage Decline in Gross Receipts	50%	20%

# EMPLOYEE RETENTION CREDITS (ERC)

**Most small and medium-sized businesses qualify.** Many business owners are disqualifying themselves based on outdated information, sometimes from their own CPA.

**The ERC is related to your payroll, not your business income tax returns,**

Additionally, ERC qualifications and limitations **have been amended** by Congress **many times since the initial rollout** of the Employee Retention Credit. With over 200 pages of complex ERC tax code.

Recommend working with an ERC specialist that can provide you with updated information and help you get the full refund amounts that you qualify for.

# EMPLOYEE RETENTION CREDITS (ERC)

## Eligibility Requirements - ERC benefits start to expire in 2023

The government has defined a “small business” as:

- Any employer that operates a trade, business, or a tax-exempt organization.
- Having fewer than 100 full-time employees (calculated from 2019) for the 2020 ERC refund.
- Having fewer than 500 full-time employees (calculated from 2019) for the 2021 ERC refund.

# EMPLOYEE RETENTION CREDITS (ERC)

Your small business is eligible for an ERC refund if it meets either of the following criteria:

1. Experienced a significant decline in gross receipts during the 2021 calendar quarter, more than a 20% decline versus the same quarter of 2019 and a 50% decline in the 2020 calendar.

OR

# EMPLOYEE RETENTION CREDITS (ERC)

Had operations that were impacted due to government orders due to COVID-19, resulting in limitations of commerce, travel, or meetings.

**If your business was impacted due to a government order that caused one or more of the following, you may qualify:**

- Your business operations were interrupted.
- There were interruptions with your supply chain.
- There was an inability to access equipment.
- Your business had a limited capacity to operate.
- You were unable to work with your vendors.
- Your hours of operation were reduced.
- Your available services offered to customers were limited or reduced.



# EMPLOYEE RETENTION CREDIT

Recommend working with an ERC specialist that can provide you with updated information and help you get the full refund amounts that you qualify for.

Our Firm uses:

Occams Advisory, Inc.

<https://www.occamsadvisory.com>

# BUSINESS UPDATE - NYS

## Updates to New York PTET For S Corporations

- Effective for tax years beginning on or after Jan. 1, 2022, there is a revised definition of who qualifies as an “electing S Corporation.” The definition now has two components, the first for an “electing resident S Corporation” and the second for an “electing standard S Corporation.”

# BUSINESS UPDATE - NYS

## Updates to New York PTET For S Corporations -Continued

- An “electing resident S Corporation” will possess all resident members at the time the election is made, and an “electing standard S Corporation” will remain the default classification should the entity not meet the standard of an “electing resident S Corporation” during the year in question.
- When an entity qualifies as an **electing resident S Corporation, their taxable income will include all items of income, gain, loss, or deduction** to the extent these items are also included in the taxable income of their resident members.
- Electing standard S Corporations include such items in their taxable income **only to the extent that these items are derived from or connected with New York sources.**

# BUSINESS UPDATE - NYS

## Updates to New York PTET For S Corporations -Continued

- To be considered an electing resident S corporation, an S corporation must certify at the time of its PTET election that all shareholders are residents of New York, otherwise it is automatically treated as an electing standard S corporation. If an electing S corporation make a certification as to shareholder residency, the certification is irrevocable as of the due date of the PTET election.
- There's also transition provision for this year, since the new law is effective for 2022. So for this year only, the certification to be taxed as an electing resident S corporation for this year must be made by March 15, 2023. It is expected the Tax Department will be releasing guidance on the manner for making the certification as the deadline draws close

# BUSINESS UPDATE - NYS

## COVID-19 Capital Cost Tax Credit Program

Small businesses can receive a tax credit of 50% of qualifying expenses up to a maximum of \$25,000 in tax credits based on qualifying expenses of \$50,000

- Eligibility
  - The program is open to all small independently owned and operated businesses operating in New York State with 100 employees or less and gross receipts of less than \$2.5 million. In addition, a small business must have incurred at least \$2,000 of qualifying expenses between January 1, 2021 and December 31, 2022.
- This is NOT part of your annual tax filing. You must complete an online required eligibility screening to see if you are eligible to participate

# BUSINESS UPDATE - NYS

## COVID-19 Capital Cost Tax Credit Program

Use these links to see if you are eligible and for more information:

<https://esd.ny.gov/covid-19-capital-costs-tax-credit> - this is for eligibility and information.

<https://esd.ny.gov/covid-19-capital-costs-tax-credit-program-faq>

Frequently asked questions

# INDIVIDUAL TAXES 2022 WHAT'S NEW?

Review changes from 2021 for:

- Standard Deduction
- Tax tables

# INDIVIDUAL TAXES 2022 WHAT'S NEW?

## Standard Deduction for Single Taxpayers, 2021-2022

2021 (filing due April 15, 2022)	2022 (filing due April 17, 2023)	Difference, 2021 vs. 2021
\$12,550	\$12,950	+\$400 (+3.2%)

## Standard Deduction for Married Taxpayers Filing Jointly, 2021-2022

2021 (filing due April 15, 2022)	2022 (filing due April 17, 2023)	Difference, 2021 vs. 2021
\$25,100	\$25,900	+\$800 (+3.2%)



## Income Tax Brackets for Single Taxpayers, 2021-2022

2021 (filing due April 15, 2022)		2022 (filing due April 17, 2023)		Income Difference for Top of Bracket, 2022 vs. 2021
Income	Tax	Income	Tax	Difference
\$0-\$9,950	10% of income	\$0-\$10,275	10% of income	+\$325 (+3.3%)
\$9,951-\$40,525	\$995 + 12% of income over \$9,950	\$10,276-\$41,775	\$1,027.50 + 12% of income over \$10,275	+\$1,250 (+3.1%)
\$40,526-\$86,375	\$4,664 + 22% of income over \$40,525	\$41,776-\$89,075	\$4,807.50 + 22% of income over \$41,775	+\$2,700 (+3.1%)
\$86,376-\$164,925	\$14,751 + 24% of income over \$86,375	\$89,076-\$170,050	\$15,213.50 + 24% of income over \$89,075	+\$5,125 (+3.1%)
\$164,926-\$209,425	\$33,603 + 32% of income over \$164,925	\$170,051-\$215,950	\$34,647.50 + 32% of income over \$170,050	+\$6,525 (+3.1%)
\$209,426-\$523,600	\$47,843 + 35% of income over \$209,425	\$215,951-\$539,900	\$49,335.50 + 35% of income over \$215,950	+\$16,300 (+3.1%)
\$523,601+	\$157,804.25 + 37% of income over \$523,600	\$539,901+	\$161,218.50 + 37% of income over \$539,900	N/A

## Income Tax Brackets for Married Taxpayers Filing Jointly, 2021-2022



2021 (filing due April 15, 2022)		2022 (filing due April 17, 2023)		Income Difference for Top of Bracket, 2022 vs. 2021
Income	Tax	Income	Tax	Difference
\$0-\$19,900	10% of income	\$0-\$20,550	10% of income	+\$650 (+3.3%)
\$19,901-\$81,050	\$1,990 + 12% of income over \$19,900	\$20,551-\$83,550	\$2,055 + 12% of income over \$20,550	+\$2,500 (+3.1%)
\$81,051-\$172,750	\$9,328 + 22% of income over \$81,050	\$83,551-\$178,150	\$9,615 + 22% of income over \$83,550	+\$5,400 (+3.1%)
\$172,751-\$329,850	\$29,502 + 24% of income over \$172,750	\$178,151-\$340,100	\$30,427 + 24% of income over \$178,150	+\$10,250 (+3.1%)
\$329,851-\$418,850	\$67,206 + 32% of income over \$329,850"	\$340,101-\$431,900	\$69,295 + 32% of income over \$340,100	+\$13,050 (+3.1%)
\$418,851-\$628,300	\$95,686 + 35% of income over \$418,850	\$431,901-\$647,850	\$98,671 + 35% of income over \$431,900	+\$19,550 (+3.1%)
\$628,301+	\$168,993.50 + 37% of income over \$628,300	\$647,851+	\$174,253.50 + 37% of income over \$647,850	N/A

# 2023 RATES & STANDARD DEDUCTION

2023 Federal Tax Brackets			
Tax Bracket/Rate	Single	Married Filing Jointly	Head of Household
10%	\$0 - \$11,000	\$0 - \$22,000	\$0 - \$15,700
12%	\$11,000 - \$44,725	\$22,001 - \$89,450	\$15,701 - \$59,850
22%	\$44,726 - \$95,375	\$89,451 - \$190,750	\$59,851 - \$95,350
24%	\$95,376 - \$182,100	\$190,751 - \$364,200	\$95,351 - \$182,100
32%	\$182,101 - \$232,250	\$364,201 - \$462,500	\$182,101 - \$231,250
35%	\$231,251 - \$578,125	\$462,501 - \$693,750	\$231,251 - \$578,100
37%	\$578,126+	\$693,751+	\$578,101+

Standard Deduction Amount	
Filing Status	2023
Single	\$13,850
Married Filing Jointly	\$27,700
Head of Household	\$20,800

# CHARITABLE CONTRIBUTIONS.


-  The "above-the-line" deduction for up to \$300 of charitable *cash* contributions (\$600 for married couple filing a joint return) expired at the end of 2021. As a result, it isn't available for the 2022 tax year (it was available for 2020 and 2021).
-  Only people who claimed the standard deduction on their tax return (rather than claiming itemized deductions on Schedule A) were allowed to take this deduction.

# RETIREMENT CHANGES

## 2023 Contribution Limit Increases

Contribution	2022 Limit	2023 Limit	Change
401(k)/403(b) Employee Contribution	\$20,500	\$22,500	\$2,000
401(k)/403(b) Catch-Up Contribution	\$6,500	\$7,500	\$1,000
401(k)/403(b) Total Contribution <50	\$61,000	\$66,000	\$5,000
401(k)/403(b) Total Contribution 50+	\$67,500	\$73,500	\$6,000
457(b) Contribution	\$20,500	\$22,500	\$2,000
Traditional IRA Contribution	\$6,000	\$6,500	\$500
Traditional IRA Catch-Up Contribution	\$1,000	\$1,000	\$0
Roth IRA Contribution	\$6,000	\$6,500	\$500
Roth IRA Catch-Up Contribution	\$1,000	\$1,000	\$0
SEP-IRA Contribution	\$61,000	\$66,000	\$5,000
SIMPLE IRA/SIMPLE 401(k) Contribution	\$14,000	\$15,500	\$1,500
HSA Contribution (single)	\$3,650	\$3,850	\$200
HSA Contribution (family)	\$7,300	\$7,750	\$450
Healthcare FSA Contribution	\$2,850	\$3,050	\$200

# RETIREMENT CHANGES

 While it feels like all of these are increases, they are really just keeping up with inflation (even though 2023's increases are about twice as much as the increases from the previous year). They're just cost of living increases. On a real (after-inflation) basis, they're basically the same as this year – 2022



# HEALTH SAVINGS ACCOUNTS

**Contribution and Out-of-Pocket Limits  
for Health Savings Accounts and High-Deductible Health Plans**

	2023	2022	Change
<b>HSA contribution limit</b> (employer + employee)	Self-only: <b>\$3,850</b> Family: <b>\$7,750</b>	Self-only: \$3,650 Family: \$7,300	Self-only: +\$200 Family: +\$450
<b>HSA catch-up contributions</b> (age 55 or older)	<b>\$1,000</b>	\$1,000	No change (set by statute)
<b>HDHP minimum deductibles</b>	Self-only: <b>\$1,500</b> Family: <b>\$3,000</b>	Self-only: \$1,400 Family: \$2,800	Self-only: +\$100 Family: +\$200
<b>HDHP maximum out-of-pocket amounts</b> (deductibles, co-payments and other amounts, but not premiums)	Self-only: <b>\$7,500</b> Family: <b>\$15,000</b>	Self-only: \$7,050 Family: \$14,100	Self-only: +\$450 Family: +\$900

Source: IRS, Revenue Procedure 2022-24.

# MISCELLANEOUS ITEMS

## Teacher Expenses

For the 2022 tax year, teachers and other educators who dig into their own pockets to buy books, supplies, [COVID-19 protective items](#), and other materials used in the classroom can deduct up to \$300 of these out-of-pocket expenses (\$250 for 2021). The maximum deduction for 2022 jumps to \$600 for a married couple filing a joint return if both spouses are eligible educators – but not more than \$300 each.



# QUESTIONS?



THANK YOU!