

## The 2023 Tax Filing Season

The nation's 2023 tax season began on January 23<sup>rd</sup> and the IRS has indicated they have taken additional steps to improve service for taxpayers. As part of the Inflation Reduction Act, more than 5,000 new customer service staff were hired to help improve service this filing season.

The filing deadline to submit 2022 tax returns or an extension to file and pay tax owed is April 18<sup>th</sup> for most taxpayers. Taxpayers requesting an extension will have until October 16<sup>th</sup> to file their returns.

## What's New for 2022 Tax Returns?

Some pertinent changes that took effect in 2022 that may impact your tax return include:

- **2022 standard mileage rate for business, charitable, and medical travel** - The 2022 rate for business use of a vehicle is 58.5 cents per mile from January 1, 2022, to June 30, 2022, and 62.5 cents per mile from July 1, 2022, to December 31, 2022. The 2022 rate for use of your vehicle for volunteer work for certain charitable organizations is 14 cents per mile from January 1, 2022, to December 31, 2022. The 2022 rate for operating expenses for a car when you use it for medical reasons is 18 cents per mile from January 1, 2022, to June 30, 2022, and 22 cents per mile from July 1, 2022, to December 31, 2022.
- **The Secure Act 2.0 changed the required minimum distribution (RMD) age to 73** - Taxpayers born in 1951 are not required to take RMDs until 2024.
- **Electric vehicle (EV) tax credit** - Taxpayers who purchased and took possession of a qualified EV in 2022 are eligible for a clean vehicle tax credit up to \$7,500. There are price and use limits, however, there are no AGI requirements for EVs purchased before 2023.

### Covid-related Changes

- **The Child Tax Credit (CTC)** - The many changes to the CTC implemented by the American Rescue Plan Act were not extended. For 2022, (1) the credit amount is \$2,000 for each qualifying child; (2) the amount of the CTC that can be claimed as a refundable credit is limited as it was in 2020 except that the maximum refundable child tax credit amount has increased to \$1,500 for each qualifying child; (3) a child must be under age 17 at the end of 2022 to be a qualifying child.
- **The Earned Income Credit (EIC)** - The enhancements for taxpayers without a qualifying child implemented by the American Rescue Plan Act don't apply in 2022. This means that to claim the EIC without a qualifying child in 2022, you must be at least age 25 but under age 65 at the end of 2022. If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65 at the end of 2022. It doesn't matter which spouse meets the age requirement.
- **The Child and Dependent Care Tax Credit** - The changes to the credit for child and dependent care expenses implemented by the American Rescue Plan Act of 2021 were not extended. Thus, for 2022, the credit for child and dependent care expenses is nonrefundable. The dollar limit on qualifying expenses is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons. The maximum credit amount allowed is 35% of your employment-related expenses if your AGI is \$15,000 or less. The maximum amount allowed is reduced (phased down) as your AGI increases above \$15,000.

- **Certain health-related credits are no longer available** - The credit for sick and family leave for certain self-employed individuals was not extended, so you can no longer claim these credits. In addition, the health coverage tax credit was not extended and thus is not available after 2021.
- **Changes to 1099-K reporting** - The American Rescue Plan Act of 2021, which was signed into law in March 2021, significantly reduces the reporting threshold associated with Form 1099-K, “Payment Card and Third-Party Network Transactions” from \$20,000 in aggregate payments and 200 transactions to a threshold of \$600 in aggregate payments, with no minimum transaction requirement. Note: The \$600 reporting requirement is expected to apply for transactions during 2023, so you should plan on working with the \$600 rule when you file your 2023 tax return.

## 2023 Tax Planning

- **The Employee Retention Tax Credit (ERTC)** - The ERTC deadline is March 12th, 2023. Businesses have three years after the program ends to look back at wages paid from March 12, 2020 to October 1, 2021, to determine eligibility. The Infrastructure Investment and Jobs Act notes an exception for wages paid by a recovery startup business – the original deadline of January 1, 2022, remains in place for those businesses.
- **Bonus depreciation will start to phase out in 2023** - For most large capital equipment purchases and assets, 2022 is the last year to receive that 100% bonus. It is going to phase down to 80% in 2023, and then reduced by 20% every year until finally, after 2026, it’s completely phased out.
- **The Inflation Reduction Act extended the \$7,500 EV tax credit for 10 years (through December 31, 2032)** - This credit is taken in the year of delivery of the EV. AGI now applies to EVs purchased in 2023 (or after) and may not exceed \$300,000 for married couples filing jointly, \$225,000 for heads of households, and \$150,000 for all other filers.
- **The allowance of full deduction for business meals provided by a restaurant expired at the end of 2022** In 2023, all business-related restaurant meals will revert to the rate of 50% deductible.

These are just a few of the important tax law updates for 2022 and 2023. As always, please do not hesitate to contact us with any questions regarding how these changes may impact you.

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