

**RECENT AND NEW LEGISLATION**

The Inflation Reduction Act (IRA) was enacted on August 16, 2022. The Act includes credits for new and used clean (EV) vehicles, funding for clean energy and energy security expenditures. However, many of the provisions don't apply until after December 31, 2022.

New Proposed regulations to the SECURE ACT (signed into law in 2019) were issued on February 24, 2022, and were effective January 1, 2022. These regulations impact retirement accounts.

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**Individuals:**

**For 2022**

- The newly renamed Energy Efficient Home Improvement Credit increased to 30% for qualified energy efficiency improvements.
- Residential Clean Energy Credit increased to 30% through 2023. Includes qualified battery storage technology expenditures.
- Clean Vehicle Credit: New law is effective August 16, 2022, requiring final assembly in North America.
- ARPA Premium tax credit for health insurance costs remains in effect until 2025.
- Significant \$80 billion funding for enhancement of IRS services.
- SBA disaster relief loans for Florida residents.
- IRS continues to focus on virtual currency transactions with creation of "Operation Hidden Treasure".
- Increased reporting on Form 1099-K delayed for 2022. Threshold lowered to \$600 for 2023.

### **For 2023**

- Retirement provision changes in 2023 affecting tax-free rollovers from 529 plans to ROTHs, age increased for required minimum distributions, bigger catch-ups permitted and various other provisions related to retirement take effect in 2023
- Out of pocket costs for insulin capped at \$35 per month.
- Clean vehicle credit changes: vehicle limit removed but credit broken into 2- \$3,500 pieces. Critical minerals requirement and battery component requirement. Credit now applies to previously owned vehicles.

### **Business:**

#### **For 2022**

- New energy efficient home credit for eligible contractors extended through 2032.
- Research credit of up to \$250,000 allowed against payroll tax for small business continues.
- Schedule K2 and K3 reporting for pass through entities continues with updated requirements.

#### **For 2023**

- New credit for qualified Commercial clean vehicles.
- Research credit against payroll taxes increased to \$500,000
- Three-Year carryback for certain general business credits.

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### **2022 Depreciation Limits**

- Bonus depreciation remains at 100% for new, used, and qualified improvement property.  
NOTE: The 100% allowance will begin to reduce by 20% per calendar year for property placed in service in tax years beginning after 2022.
- Section 179 deduction –The deduction for qualified property is increased to \$1,080,000 and the phase-out threshold is increased to \$2,700,000.
- Maximum deduction for an SUV with GVW over 6,000 lbs. but not more than 14,000 lbs. increased to \$27,000.

## **Other Miscellaneous Updates**

### **Retirement Plans**

**IRA Contribution:** For 2022 and 2023, the maximum that can be contributed to an IRA or Roth IRA is \$6,000 and \$6,500 respectively. For persons 50 and over, an additional “catch-up” contribution up to \$1,000 may be made for both 2022 and 2023.

<b><i>Retirement Plan Contribution Limits:</i></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Maximum 401(k) and 403(b) employee contribution	\$20,500	\$22,500
Maximum SIMPLE employee contribution	\$14,000	\$15,500

**“Catch-up” Contribution Limits:** Taxpayers who are at least age 50 before the end of the respective year can increase their contribution limits by the following amounts:

401(k), 403(b), salary reduction SEP plans and 457 plans	\$6,500	\$7,500
SIMPLE plans	\$3,000	\$3,500

### **Affordable Care Act**

If you or a family member enrolled in health insurance through the Marketplace and advance payments of the premium tax credit were made to your insurance company, you will receive Form 1095-A. A copy of this form is required to prepare your tax return. Please provide this form to us.

### **Estate & Gift Tax**

For 2022 the applicable federal estate and gift tax exemption for individuals is \$12,060,000 and \$24,120,000 for a married couple. For 2023, the estimated exemption is \$12,920,000 per individual. The annual gift tax exclusion amount is \$16,000 per recipient in 2022 and projected to be \$17,000 in 2023.

### **Miscellaneous**

**Kiddie Tax:** In 2022, the “kiddie tax” applies to children up to age 18, and full-time students aged 19-23, whereby a child’s investment income greater than \$2,300 is taxed at the parent’s marginal rate.

***Standard Mileage Rates:*** The business mileage rate for 2022 is 58.5 cents per mile from Jan 1 -June 30 and 62.5 cents from July 1 to December 31, 2022. Business related costs for parking, tolls, auto loan interest, and auto excise tax may be deducted in addition to the standard mileage rate. The standard mileage rate for medical purposes in 2022 is 18 cents from January 1-June 30 and 22 cents from July 1 - December 31.

***Social Security Retirement Earnings Test:*** For persons who are at least age 62, but under their full retirement age, the maximum income that can be earned while drawing Social Security without losing benefits for 2022 is \$19,560 and rises to \$21,240 for 2023. For persons who reach full retirement age in 2022 or 2023, the limit of earnings for the period prior to this date are \$51,960 and \$56,520, respectively. Full retirement age is determined based on the individual's date of birth and gradually increases from age 65 to age 67.

For tax years beginning on or after January 1, 2022, the Massachusetts personal income tax law generally conforms to the Internal Revenue Code as amended on January 1, 2022. Previously Massachusetts conformed to the IRC as amended on January 1, 2005. As a result, Massachusetts will now conform to many federal tax law changes affecting the determination of Massachusetts gross income and deductions that have been enacted since 2005. Massachusetts does not allow the qualified business income deduction allowed for federal tax purposes.

**Tax Rate:** The 2022 tax rate for most classes of taxable income is 5%. The tax rate on short-term capital gains, long-term gains on collectibles and short-term gains on the sale of trade or business property used in a trade or business is 12%.

***Paid Family Medical Leave Taxable Distributions:*** Income received from the department of Family and Medical Leave is taxable and should be reported to you on Form 1099-G.

***New Ordinary and necessary business expense deductions*** available for licensed Massachusetts marijuana businesses. While unavailable for federal purposes, Massachusetts allows these deductions for tax years beginning on or after January 1, 2022.

**Optional Pass-Through Entity Excise:** For taxable years beginning on or after January 1, 2021, pass through entities may elect to pay an optional 5% excise tax on the income that flows through to individuals. These individuals may claim a refundable credit equal to 90% of their allocable share of the entity's excise due.

***Senior Circuit Breaker Tax Credit - Real estate tax credit for persons aged 65 and older:*** The maximum credit is increased to \$1,200 for 2022. The 2022 limitations on income are \$64,000, for single, \$80,000 for head of household and \$96,000 for married filing jointly. The assessed value of the real estate on January 1, 2022, cannot exceed \$912,000 to qualify for this credit. For properties with greater than 1 acre of land, the assessed value and real estate taxes must be pro-rated.

***Estate Tax:*** The Massachusetts filing threshold and exempt amount remains at \$1,000,000 with a top rate of 16%. There is no gift tax in Massachusetts.

***Prepaid Tuition or College Savings Program Deduction:*** A deduction is available for contributions to a pre-paid tuition program, or a college savings program established by the Commonwealth. The deduction is capped at \$1,000 for a single person or head of household and \$2,000 for a married couple filing jointly.

**Please feel free to contact us for additional information on any tax matter or to discuss how the 2022 tax law changes will affect you.**