



2022 Tax Tips from Fiscal Tax Co.

**The tax code is complicated and can change dramatically.
Please consult your tax professional for expert advice.**

1) Received a Letter from IRS or Indiana?

- From simple issues to tax audit help, our tax experts will meet with you in person or virtually to help relieve any stress.
- The IRS will receive an additional \$80 billion over the next decade enabling it to add thousands of new employees, upgrade operations and increase the number of audits.

2) Indiana Taxpayers Only

- Do you know anyone (including Grandparents) that are saving or paying for College Expenses or Private School K-12 Tuition? Contribute to the **Indiana College Choice Direct Savings Plan** and increase your Indiana refund by as much as **\$1,500** each year. Ask us for details.
- Don't forget, Indiana allows you to deduct the first **\$3,000** you paid in rent and the first **\$2,500** of property taxes.

3) Standard Deduction vs. Itemized Deductions

- Itemized deductions must exceed the standard deductions of \$25,900 for Joint returns, \$19,400 for Head of Household, and \$12,950 for Single taxpayers.
- You might benefit from itemizing if you had large, out-of-pocket medical expenses, or paid mortgage and real estate taxes on your home.

4) Child and Other Dependent Tax Credit

- The child tax credit has reverted to previous rules, for a total of **\$2,000** per child under age 17. Last year the credit was **\$3,600** per child under age 6, and \$3,000 per child ages 6 through 17.
- The other dependent credit of **\$500** can be claimed for all dependents age 17 and above - same as last year.

5) ROTH vs. Traditional IRA: Which is Better for You?

ROTH IRAs tend to get a lot of hype, and for good reason, because you pay the taxes upfront and your eventual withdrawals are completely tax-free.

Traditional IRAs give you a tax break now and, in many situations, will put more money in your pocket than a ROTH would.

The tradeoff is an uncertain future tax liability possibly even decades from now. Given enough time and/or a high rate of return, you may be better off with a ROTH.

6) Childcare Expenses - Get a Bigger Tax Credit

- Qualifying expenses maximum are \$3,000 for one child, or \$6,000 for two or more.
- Income phase-out for credit is from \$15,000 to \$43,000.
- The percentage of your qualified expenses that you can claim ranges from 20% to 35%.
- Maximum amount allowed for flex spending account or employer provided benefits is \$5,000.

7) Education Credits

The American Opportunity Credit can increase your refund by up to **\$2,500** per student. Also, you could qualify for a **\$1,000** refund even if you had zero income, but you cannot claim it if you could be a dependent of your parents. The tax break is allowed the year you pay the tuition even if you used a student loan to pay for it. Form 1098T is required.

8) Earned Income Credit (EIC)

The Earned Income Credit was passed in 1975 in an effort to reduce poverty and assist those who work to provide for their families but earn lower income levels. The credit decreases the amount of tax you owe and the credit is refundable. The 2022 maximum credit is:

- **\$6,935** with three children - **\$6,164** for two
- **\$3,733** for one child - **\$ 560** for no children
- Also, the Indiana maximum credit is **\$575**

9) Student Loans

- The deduction for Student Loan Interest can ease the burden of payments for student loans. If you pay interest on a qualified Student Loan, you are generally able to deduct the interest expense up to **\$2,500**.
- Discharged loans are generally treated as added income. However, there are now exclusions for: Death, Permanent Disability, and working for a certain period of time in specific professions.

10) Charitable Contribution Deduction

The \$300 deduction for single taxpayers and \$600 deduction for Joint returns was eliminated.

11) Need a Copy of Your Tax Return?

The Internal Revenue Service charges \$50 for a complete copy of your tax return. However, Fiscal Tax retains our client returns for 10 years and we are available year-round to provide **FREE** copies whenever you should need them.

12) Teachers

There is a **\$250** deduction for teachers using their own money to pay for classroom supplies.

13) Make the RMD from Your Traditional IRS Tax-Free

- The tax code allows you to donate directly from your IRA account up to **\$100,000** per year in **Qualified Charitable Deductions** (QCDs).
- The QCD donated money escapes Federal income taxes and will also lower your Indiana and county taxes by over 5% of the contributed amount.
- **Double-Dip.** You get a double-dip when you don't itemize deductions. The non-itemizing taxpayer creates a deduction where non existed before.
- Other benefits may include: Lower Medicare premiums and lower tax on your Social Security benefits.

14) Business Deductions for Sole Proprietorship, S Corporations, Partnerships and, Rental Income

- Qualified Business Deduction (QBD). Generally you can deduct 20% of profit from your income.
- Standard Mileage Rates. The 2022 rate for business use of your vehicle is **58.5¢** through June 30, 2022 and **62.5¢** a mile after. It's extremely important to have a mileage log or all deductions could be disallowed.
- No Entertainment expenses are deductible for 2022.
- Business meals and Client Prospect Meals are **100%** deductible for 2022. The expense must be ordinary and necessary. You must keep track of your business meals all year long so you have the proof you need for the deduction. Keep the receipt that shows the name of the restaurant, the name of the people at the table and a record of the reason for the meal.

15) Scams to Look Out For

- IRS letters and notices are only sent to you by mail through the United States Postal Service (USPS).
- **Do not respond** to requests for personal or financial information you may receive via email, social media, phone calls or text messages.
- Don't give out any information to anyone who calls you demanding immediate payment of your tax bill. These scammers pretend to work for the IRS and often even use fake IRS identification numbers.

Have a Tax Question?

Please feel free to call us year-round at (317) 897-9964