**[www.bandrtax.com](http://www.bandrtax.com) Tax Updates**

Tax Rate

**Taxable Income**

|  |  |  |
| --- | --- | --- |
| Married Filing Jointly **Taxable Income** | | |
| 0 | 20,550 | 10% |
| 20,551 | 83,550 | 12% |
| 83,551 | 178,150 | 22% |
| 178,151 | 340,100 | 24% |
| 340,101 | 431,900 | 32% |
| 431,901 | 647,850 | 35% |
| 647,851 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Single **Taxable Income** | | |
| 0 | 10,275 | 10% |
| 10,276 | 41,775 | 12% |
| 41,776 | 89,075 | 22% |
| 89,076 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 539,900 | 35% |
| 539,901 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Married Filing Separately **Taxable Income** | | |
| 0 | 10,275 | 10% |
| 10,276 | 41,775 | 12% |
| 41,776 | 89,075 | 22% |
| 89,076 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 323,925 | 35% |
| 323,926 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Head of Household **Taxable Income** | | |
| 0 | 14,650 | 10% |
| 14,651 | 55,900 | 12% |
| 55,901 | 89,050 | 22% |
| 89,051 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 539,900 | 35% |
| 539,900 |  | 37% |

IL Filing Requirement

**> 2425**

Standard Deduction & Filing Requirement

|  |  |
| --- | --- |
| Married Filing Jointly | **Filing Req.** |
| **Both < age 65** | **25,900** |
| One > age 65 (+1,400) | 27,300 |
| Both > age 65 (+2,800) | 28,700 |
| Single |  |
| **< age 65** | **12,950** |
| > age 65 (+1,750) | 14,700 |
| Married Filing Separately |  |
| **< age 65** | **5** |
| > age 65 | 5 |
| Head of Household |  |
| **< age 65** | **19,400** |
| > age 65 (+1,750) | 21,150 |
|  |  |
| Self-Employment Income (Net) | **> 400**  **Must file** |

MFS Lost Benefit:

|  |  |
| --- | --- |
| **Potential Benefit:**  State tax savings (when one spouse lives in high-tax state and the other spouse lives in very-low-tax state)  Medical expenses deduction (when medical expenses if over 7.5% of one spouse AGI)  Child credit (when joint AGI is too high to be qualified for child credit --- but beware of the higher tax bracket the high-income spouse will be facing if MFS) | **Lost Benefit:**  Earned income credit  Child and dependent care expenses credit  Education credits (AOTC and LLC)  Student loan interest deduction  Capital loss deduction limit is $1,500 (instead of $3,000 on a joint return).  Your rental loss allowance limit is $12,500 (instead of $25,000 on a joint return).  If your spouse itemizes deductions, you can’t claim the standard deduction. |

Filing Requirement for Children

**AGI**

|  |  |
| --- | --- |
| Earned Income Only | 12,950 |
| Unearned Income Only | 1,150 |
| Has both Earned Income and Unearned Income | Earned Income (upto 12,550)  Unearned Income as soon as >400 |

Children Unearned Income Tax Rate

|  |  |
| --- | --- |
| 0 - 1,150 | 0% |
| 1,151 – 2,300 | Child’s own tax rate |
| > 2,300 | Parent’s tax rate – Kiddie Tax |

Kiddie Tax

|  |  |
| --- | --- |
| < 18 | Always apply |
| = 18 | Earned Income < 50% of his support? |
| 19-23 | Full time student? Earned Income < 50% of his support? |
| > 23 | Never apply |

Earned Income Credit

– Dependent is younger than TP

- Dependent is under 19 (or 24 Full Time Student)

- Or disabled

- Not Married Filing Separately

- No Foreign Income

- Investment Income < 10,300

No Children --- $560 Max

**- TP Must between 25 – 65 Years Old**

|  |  |  |
| --- | --- | --- |
|  | 0 Children | Peak |
| MFJ | < 22,610 | 7,300-15,300 |
| Single, HOH | < 16,480 | 7,300-9,200 |

1 Child --- $3733 max

|  |  |  |
| --- | --- | --- |
|  | 1 Child | Peak |
| MFJ | < 49,622 | 10,950-26,300 |
| Single, HOH | < 43,492 | 10,950-20,150 |

2 Children --- $6164 max

|  |  |  |
| --- | --- | --- |
|  | 2 Children | Peak |
| MFJ | < 55,529 | 15,400-26,300 |
| Single, HOH | < 49,399 | 15,400-20,150 |

3 Children --- $6935 max

|  |  |  |
| --- | --- | --- |
|  | 3 Children | Peak |
| MFJ | < 59,187 | 15,400-26,300 |
| Single, HOH | < 53,057 | 15,400-20,150 |

Child Care Credit

< 13 Year Old

Summer Camp Included

Both Parents Working

**One Child Exp: up to $3000**

**Two of More Children Exp: up to 6000**

**AGI**

|  |  |
| --- | --- |
| <15000 | 35% |
| 15000-17000 | 34% |
| 17000-19000 | 33% |
| 19000-21000 | 32% |
| 21000-23000 | 31% |
| 23000-25000 | 30% |
| 25000-27000 | 29% |
| 27000-29000 | 28% |
| 29000-31000 | 27% |
| 31000-33000 | 26% |
| 33000-35000 | 25% |
| 35000-37000 | 24% |
| 37000-39000 | 23% |
| 39000-41000 | 22% |
| 41000-43000 | 21% |
| >43000 | 20% |

Education Credit

|  |  |  |
| --- | --- | --- |
|  | AOTC (up to 2,500)  (2,000 for 2,000 then 500 for 2,000-4,000) | LLC (20% of Tuition up to 10K Tuition) |
| MFJ | **AGI\*** < 160K  160K-180K (5% decrease per 1K) | **AGI\*** < 160K  160K-180K (5% decrease per 1K) |
| Single/HOH | **AGI\*** <80K  80K-90K (10% decrease per 1K) | **AGI\*** <80K  80K-90K (10% decrease per 1K) |
| MFS | NO | NO |

\***AGI** + Foreign earned income & housing excl.

Student Loan Interest:

Single/HOH 85K-100K; MFJ: 145K-175K

LT Capital Gain

**Taxable Income**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 0% | 15% | 20% |
| MFJ | 0-83,350 | 83,351-517,200 | 517,200- |
| Single | 0-41,675 | 41,676-459,750 | 459,751- |
| MFS | 0-41,675 | 41,676-258,600 | 258,601- |
| HOH | 0-55,800 | 55,801-488,500 | 488,501- |

Net Investment Income Tax (NIIT) 3.8% & Additional Medicare Tax

|  |  |
| --- | --- |
| MFJ | > 250K |
| Single / HOH | > 200K |
| MFS | > 125K |

Rental Loss Deduction Limitation

**Single or MFJ**

|  |  |  |
| --- | --- | --- |
| < 100,000 | 100,000 – 150,000 | >150,000 |
| 25,000 | 500 Less / 1K | None |

MFS

|  |  |  |
| --- | --- | --- |
| < 50,000 | 50,000 – 75,000 | >75,000 |
| 12,500 | 500 Less / 1K | None |

Mileage Deduction

|  |  |  |
| --- | --- | --- |
| Jan-Jun | Jul-Dec | Average |
| 58.5 ₵ | 62.5 ₵ | 60.5 ₵ |

QBI

**Taxable Income**

|  |  |  |  |
| --- | --- | --- | --- |
| Single, HOH, MFS | MFJ | Qualified Trade or Business | Special Services **\*** |
| <170K | <340K | 20% | 20% |
| 170K-220K | 340K-440K | Wage limit phases in | Wage limit |
| >220K | >440K | Wage limit | NO |

**\*** health, law, accounting, performing arts, consulting, athletics, financial, investment management

Gift and Estate Exclusion

|  |  |
| --- | --- |
| Gift Tax Annual Exclusion | 16,000 |
| Estate and Gift Tax Lifetime Exclusion | 12M / person |

Trust Tax Rate

|  |  |
| --- | --- |
| 0-2900 | 10% |
| 2900-10550 | 24% |
| 10551-14450 | 35% |
| 14451- | 37% |

HSA Contribution Limit

- High Deductible Health Plan Required

**- Medicare Not Eligible**

**- FSA / HRA generally not qualified for HSA**

- Unearned Income / No Income still OK

|  |  |  |
| --- | --- | --- |
| **By Apr. 15** | <55 | >55 |
| Self-only | 3,650 | 4,650 |
| Family | 7,300 | 8,300 |

FSA Contribution Limit

**By Dec. 31** 2,850

**Long-Term Care Premium Deduction on Schedule A**

|  |  |
| --- | --- |
| < Age 40 | $450 |
| Age 40 - 50 | $850 |
| Age 50 - 60 | $1,690 |
| Age 60 - 70 | $4,510 |
| > Age 70 | $5,640 |

Retirement Contribution Limit and Deadline

|  |  |  |  |
| --- | --- | --- | --- |
| **2023** | Contrib. | 50 and Older | Deadline |
| 401K  403b, 457 | 22,500 | 30,000 | 12/31 |
| Simple IRA | 15,500  +match | 19,000  +match | 12/31  (Employer match: 4/15 or 10/15) |
| SEP | 25% of net profit, or 66,000 | Same | 4/15 or 10/15 |
| Solo 401K | 22,500  + Match 25% wages  Limit 66,000 | 30,000  + Match 25% wages  Lim. 66K | S-Corp/ Partnership: 3/15 or 9/15  C-Corp/ Single LLC: 4/15 or 10/15 |
| Deductible IRA | 6,000 | 7,000 | 4/15 or 10/15 |
| ROTH | 6,000 | 7,000 | 4/15 or 10/15 |
| ROTH Conversion / Backdoor ROTH | | 12/31  IRA made 1/1-4/15 can count toward prior year’s IRA contribution, but the ROTH conversion applies to current year’s conversion | |
| Defined Benefit | 265,000 | Same | Set up by 4/15 or 10/15 |

Excess Contribution

(1) Return the excess contribution back to you by Oct 15 --- You must include the earning on the excess contribution. Report the earnings on your tax return for the year.

Or (2) Apply the excess contribution to a later year. It doesn’t, however, let you avoid the 6% tax penalty on any excess contributions remaining at the end of a tax year.

IRA and ROTH - 2022

|  |  |  |
| --- | --- | --- |
| **MAGI** | IRA | ROTH |
| Contribution Limit | 6,000 / 7,000 Combined  (Deductible IRA + Non-deductible IRA + ROTH) | |
| If Individual is covered by company’s plan | MFJ: 109K-129K  Single/HOH:  68K-78K  MFS: <10K | MFJ:  204K-214K  Single/HOH:  129K-144K |
| If Individual is not covered but Spouse is covered | MFJ: 204K-214K |
| If Both are not covered by company’s plan | Full deductible no matter how much income |

RMD

|  |  |
| --- | --- |
| Age | Minimum to take out from Total Balance |
| 72 | 3.6% |
| 73 | 3.8% |
| 74 | 3.9% |
| 75 | 4.1% |
| … |  |
| 80 | 5.0% |
| … |  |
| 85 | 6.3% |
| … |  |
| 90 | 8.2% |

Retirement Savings Credit

|  |  |  |  |
| --- | --- | --- | --- |
|  | MFJ | HOH | Single, MFS |
| 0-20500 | 50% | 50% | 50% |
| 20500-22000 | 50% | 50% | 20% |
| 22000-30750 | 50% | 50% | 10% |
| 30750-33000 | 50% | 20% | 10% |
| 33000-34000 | 50% | 10% | 10% |
| 34000-41000 | 50% | 10% | --- |
| 41000-44000 | 20% | 10% | --- |
| 44000-51000 | 10% | 10% | --- |
| 51000-68000 | 10% | --- | --- |
| > 68000 | --- | --- | --- |

Social Security Earning Limit

|  |  |  |
| --- | --- | --- |
| < Ret. Age | Year of Ret. Age | > Ret. Age |
| 19,560 or more: | 51,960 or more: | Unlimited |
| $1 withhold for every $2 earnings | $1 withhold for every $3 earnings | N/A |

SS Cost-Of-Living Adjustments (COLA)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **COLA (applied to next year)** |  | **Year** | **COLA (applied to next year)** |
| 1975 | 8 | 2004 | 2.7 |
| 1976 | 6.4 | 2005 | 4.1 |
| 1977 | 5.9 | 2006 | 3.3 |
| 1978 | 6.5 | 2007 | 2.3 |
| 1979 | 9.9 | 2008 | 5.8 |
| 1980 | 14.3 | 2009 | 0 |
| 1981 | 11.2 | 2010 | 0 |
| 1982 | 7.4 | 2011 | 3.6 |
| 1983 | 3.5 | 2012 | 1.7 |
| 1984 | 3.5 | 2013 | 1.5 |
| 1985 | 3.1 | 2014 | 1.7 |
| 1986 | 1.3 | 2015 | 0 |
| 1987 | 4.2 | 2016 | 0.3 |
| 1988 | 4 | 2017 | 2 |
| 1989 | 4.7 | 2018 | 2.8 |
| 1990 | 5.4 | 2019 | 1.6 |
| 1991 | 3.7 | 2020 | 1.3 |
| 1992 | 3 | 2021 | 5.9 |
| 1993 | 2.6 | 2022 | 8.7 |
| 1994 | 2.8 |  |  |
| 1995 | 2.6 |  |  |
| 1996 | 2.9 |  |  |
| 1997 | 2.1 |  |  |
| 1998 | 1.3 |  |  |
| 1999a | 2.5 |  |  |
| 2000 | 3.5 |  |  |
| 2001 | 2.6 |  |  |
| 2002 | 1.4 |  |  |
| 2003 | 2.1 |  |  |

Medicare Premiums

|  |  |  |  |
| --- | --- | --- | --- |
| **Single** | **Married Filing Jointly** | **Medicare Part B Monthly** | **Medicare Part D Monthly** |
| < $91,000 | < $182,000 | $170.10 | $0.00 |
| $91,000 - $114,000 | $182,000 - $228,000 | 238.1 | 12.4 |
| $114,000 - $142,000 | $228,000 - $284,000 | 340.2 | 32.1 |
| $142,000 - $170,000 | $284,000 - $340,000 | 442.3 | 51.7 |
| $170,000 - $500,000 | $340,000 - $750,000 | 544.3 | 71.3 |
| > $500,000 | > $750,000 | 578.3 | 77.9 |

<https://www.cms.gov>

Obama Care Repayment

**Household Total Income as % of Poverty Level (“MAGI” + Dependent “MAGI”)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Family size | Poverty Line | 200% | 300% | 400% |
| 1 | $13,590 | $27,180 | $40,770 | $54,360 |
| 2 | $18,310 | $36,620 | $54,930 | $73,240 |
| 3 | $23,030 | $46,060 | $69,090 | $92,120 |
| 4 | $27,750 | $55,500 | $83,250 | $111,000 |

**Applicable Figure**

|  |  |
| --- | --- |
| How Much Total HH Income Above National Poverty Line | Taxpayer Contribution Req’d |
| < 150% | 0% |
| 200% | 2% |
| 250% | 4% |
| 300% | 6% |
| 350% | 7.25% |
| 400% | 8.5% |
| >400% | 8.5% |

Taxpayer Contribution Required = Total “MAGI” \* Applicable Figure

Medical Insurance Premium Tax Credit Allowed = Second Lowest Cost Silver Plan Premium - Taxpayer Contribution Required

**Repayment Limitation**

|  |  |  |
| --- | --- | --- |
|  | Single | All Others |
| < 200% | 325 | 650 |
| 200%-300% | 825 | 1,650 |
| 300%-400% | 1,400 | 2,800 |
| > 400% | 8.5% Total “MAGI” | 8.5% Total “MAGI” |

MAGI calculation

**AGI**

**+ Non-taxable SS** (incl SSDI, but excl SSI) **(1)**

+ Tax-exempt interest **(2)**

+ Foreign earned income & housing exclusion **(3)**

+ IRA / SEP Deduction

+ Student loan interest

+ Educator expense

+ 1/2 of self-employment tax; SEHI;

+ Rental loss; public-traded partnership loss;

+ Other passive loss;

**(1) (2) (3)** for ACA (Affordable Care Act) MAGI Purpose

IRS Penalty and Interest

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Reason | Type of Penalty | Amount of Penalty | First Time Penalty Abatement ? | Type of Interest | Amount of Interest  www.irs.gov/payments/quarterly-interest-rates |
| Missed payment after 4/15 | Failure to Pay Penalty | 0.5% Tax Balance / M, until 25% | Yes | Underpayment Interest | 0.5% + ST Int. Plus 3 (Currently 1%) Tax Balance/M, until 25% |
| Missed filing after 4/15 (or 10/15) | Failure to File Penalty  **Combined Failure to File & Failure to Pay** | 5% Tax Balance / M, until 25%  **Combined 5% Tax Balance/M, after 25%, 0.5%/M, until 50%** | Yes |  | 0.5% + ST Int. Plus 3 (Currently 1%) Tax Balance/M, until combined 50% reached |
| Missed payment after Notice of Levy | Failure to Pay Penalty | 1% / M, until 50% reached | No |  | 0.5% + ST Int. Plus 3 (Currently 1%) Tax Balance/M, until combined 50% reached |
| Installment | Failure to Pay Penalty | 0.25% / M | N/A | Interest | 0.25% + ST Int. Plus 3 (Currently 1%) Tax Balance/M |
| Understate your tax liability by 10% | Substantial Understatement of Income Tax Penalty | 20% Underpaid Tax | No | Interest | 0.5% + ST Int. Plus 3 (Currently 1%) Tax Balance/M, until 25% |
| < 90% of Current Year Tax Liability or  < 100% (110% for 150K +) of Prior Year Tax Liability | Underpayment of Estimated Tax Penalty | About 5% / Y | Yes |  |  |

IRS Payment Plans

**Short-term Payment Plan ---** Pay amount owed in 180 days or less

\*Apply thru “IRS My Account”; or by Phone

\*Note – only for individual taxpayers

|  |  |
| --- | --- |
| **Payment Method** | **Costs** |
| (1) Direct Pay from a bank account (Individuals only)  (2) Pay online or by phone using Electronic Federal Tax Payment System (EFTPS) (enrollment required)  (3) Pay by check, money order or debit/credit card  *Fees apply when paying by card* | --- Apply online: $0 setup fee (individuals only)  --- Apply by phone, mail, or in-person: $0 setup fee (up to 180 days)  --- Plus accrued penalties and interest until the balance is |

**Long-term Payment Plan (Installment Agreement)**

\*Apply from **B&R Software**; thru “IRS My Account”; or by Phone

|  |  |
| --- | --- |
| **Payment Options** | **Costs** |
| **Option 1:** Direct Debit (automatic monthly payments from your bank account) | --- Apply online (or **B&R Software**): $31 setup fee  --- Apply by phone, mail, or in-person: $107 setup fee  --- Low income: setup fee waived  --- Plus accrued penalties and interest until the balance is paid in full |
| **Option 2:** Manual Payment: After applying for a long-term payment plan  (1) Make monthly payment online using Electronic Federal Tax Payment System (EFTPS) (enrollment required)  (2) Make monthly payment by check, money order or debit/credit card *Fees apply when paying by card* | --- Apply online (or **B&R Software**): $130 setup fee  --- Apply by phone, mail, or in-person: $225 setup fee  --- Low income: setup fee waived  --- Plus accrued penalties and interest until the balance is paid in full |

**Change an Existing Payment Plan**

* Revise Online
* Revise by Phone

Energy Efficient Home Improvements and Residential Clean Energy Property Credits

|  |  |  |
| --- | --- | --- |
| **EQUIPMENT TYPE** | **TAX CREDIT AVAILABLE FOR 2022 TAX YEAR** | **UPDATED TAX CREDIT AVAILABLE FOR 2023-2032 TAX YEARS** |
| Solar panels | 30% of cost | | |
| Solar water heaters |
| Wind turbines |
| Fuel Cells |
| Geothermal heat pumps |
| Battery storage technology property (capacity of 3 kilowatt-hours or greater) | N/A | 30% of cost |
| Natural gas or electric heat pumps | 30% of cost | | |
| Natural gas or electric heat pump water heaters/water boilers |
| Biomass stoves/boilers |
|  | | | |
| Efficient air conditioners | $300 | 30% of cost, up to $600 each item, up to $1,200 per year |
| Natural gas, propane, or oil water heaters/water boilers |
| Natural gas, propane, or oil furnace |
|  | | | |
| Electric panel or circuit upgrades for new electric equipment | N/A | 30% of cost, up to $600 |
| Insulation materials | 10% of cost | 30% of cost |
| Exterior windows and skylights | 10% of cost | 30% of cost, up to $600 |
| Exterior doors | 10% of cost | 30% of cost, up to $250 per door, up to a total of $500 |
| Home Energy Audits | N/A | 30% of cost, up to $150 |
| Home Electric Vehicle Charger | 30% of cost, up to $1,000 | 30% of cost, up to $1,000 \*\* |

EV Credit

MAGI:

MFJ: < 300,000 HOH: < 225,000 Single & MFS: < 150,000

--- up to $7,500

**--- Credit nonrefundable**

**--- No carry forward**

Previously-Owned Clean Vehicles Credit

MAGI

MFJ: < 150,000 HOH: < 112,500 Single & MFS: < 75,000

--- Vehicle sale price < 25,000

--- up to $4,000.

--- Limited to 30% of the vehicle’s purchase price

--- You can claim the credit once every three years

Retirement Early Distributions - Exception to 10% Penalty

|  |  |  |  |
| --- | --- | --- | --- |
| **Exceptions** | **Descriptions** | **Qualified Plans (401K etc.)** | **IRA, SEP, SIMPLE IRA  and SARSEP** |
| **IRS Levy** | because of an IRS levy of the plan | yes | yes |
| **Corrective Distributions** | corrective distributions (and associated earnings) of excess contributions, excess aggregate contributions and excess deferrals, made timely | yes | n/a |
| **Contributions to another plan within 60 days** | contributions to another retirement plan or IRA within 60 days | yes | yes |
| **Separation from Service - Rule 55** | separate from service during or after age 55 (age 50 for public safety employees in a governmental defined benefit plan) | yes | no |
| **Substantially Equal Periodic Payment (SEPP, Rule 72)** | once starting SEPP, you must continue for a minimum of five years or until 59½, whichever comes later | yes    no if still working for the employer | yes |
| **Death** | after death of the participant/IRA owner | yes | yes |
| **Disability** | total and permanent disability of the participant/IRA owner | yes | yes |
| **Education** | qualified higher education expenses | no | yes |
| **Homebuyers** | qualified first-time homebuyers, up to $10,000 | no | yes |
| **Medical – Payment** | amount of unreimbursed medical expenses (>10% AGI for 2021, >7.5% AGI; for 2017 - 2020) | yes | yes |
| **Medical – Insurance** | health insurance premiums paid while unemployed | no | yes |
| **Military** | certain distributions to qualified military reservists called to active duty | yes | yes |