



The Taxation Committee of the Iowa Society of Certified Public Accountants (ISCPA) has developed these tax tips for planning and preparing individual income tax returns for the 2022 tax year. Content is based on tax law as of Oct. 1, 2022. The committee recommends you consult your CPA who has the necessary training and expertise to assist with your tax and financial planning needs. 📌 New law change.

Federal tax tips

Tax Scams: The IRS does not contact taxpayers by email to request personal or financial information. The IRS will never make threatening phone calls or require you to make immediate payment. To report a fraud, call 800-366-4484.

Digital Assets: Cryptocurrency activity may be taxable. Contact your tax professional.

Itemized Deductions vs. Standard Deduction:

consider itemizing when deductions exceed:

- \$12,950 for a single person or MFS
- \$19,400 for a head of household
- \$25,900 for MFJ or surviving spouse

The standard deduction is increased if you are 65 or older and/or blind.

Consider alternating between taking the standard or itemized deductions.

Taxpayers who itemize may deduct:

- **Medical and Drug Expenses:** to the extent that the total of such expenses exceeds 7.5 percent of AGI.
- **State and local tax deduction:** up to \$10,000 (\$5,000 if MFS) in property and income taxes (or sales tax).
- **Mortgage interest deduction:** interest used to buy, build or substantially improve primary and second homes. There are mortgage limits of \$750,000 or \$1,000,000 depending on the origination date of the loan. This includes both mortgages and home equity loans.
- **Charitable contributions:** Cash, non-cash and charitable miles to qualified organizations. 📌 An above the line deduction for cash contributions expired at the end of 2021.

Long-Term Capital Gains and Qualified Dividends: Long-Term capital gains and dividends have their own independent tax brackets shown below.

Tax Rate	Single Filer	Joint Filer	Head of Household
0%	\$0-\$41,675	\$0-\$83,350	\$0-\$55,800
15%	\$41,676-\$459,750	\$83,351-\$517,200	\$55,801-\$488,500
20%	>\$459,750	>\$517,200	>\$488,500

- Investing capital gains in Opportunity Funds can provide tax incentives to investors.
- \$250,000 of gain on the sale of a personal residence may be excluded for each taxpayer if they lived in the residence 2 of the last 5 years.

Additional Tax on High Income Taxpayers:

Individuals with income greater than \$200,000 or \$250,000 for MFJ (\$125,000 MFS):

- Pay an additional 3.8 percent tax on net investment income
- Pay an additional 0.9 percent Medicare tax on earned income

Self-Employed (SE) Individuals:

- Special first year depreciation under Section 179, for qualified property, is allowed up to \$1,080,000.
- Bonus depreciation of 100% is allowed for new or used qualified property. 📌 Phase outs begin in 2023.
- Food or beverages from a restaurant are 100% deductible (rather than 50%) for 2021 and 2022 if purchased as an otherwise qualifying business expense.
- Entertainment expenses are generally not deductible.
- Half of SE taxes may be deductible.
- A retirement plan may be established by individuals with SE income.
- Up to 100 percent of health insurance, including certain qualified long-term care premiums, may be deductible.

Qualified Business Income (QBI) Deduction:

Many owners of sole proprietorships, S corporations, partnerships and rental properties may be allowed a deduction of up to 20% of net income earned by a qualified trade or business. REIT dividends and qualified publicly traded partnerships also qualify.

There are limitations that can reduce this deduction.

Excess Business Loss Limitation:

\$270,000 (or \$540,000 for joint filers) loss limitation for noncorporate taxpayers applies for tax years beginning in 2022. Amounts are indexed annually for inflation and apply through 2028.

Gambling Winnings/Losses: All reportable gambling winnings must be included in taxable income. Substantiated gambling losses up to the amount of your winnings may be deducted as itemized deductions for nonprofessional gamblers.

Kiddie Tax: This tax can apply to certain children under age 24 with unearned income over \$2,300.

Standard Mileage Rates: Per mile allowable:

Purpose	1/1-6/30-	7/1-12/31
Business	58.5 cents	62.5 cents
Medical/Moving	18 cents	22 cents
Charitable	14 cents	14 cents

Moving Costs: Applies only to military personnel.

Educator Expenses: 📌 Up to \$300 per educator of out-of-pocket classroom expenses may be deducted for 2022.

Health Savings Accounts (HSAs):

Taxpayers with a high deductible health plan have until April 15, 2023, to contribute up to \$3,650 for self-only coverage and \$7,300 for family coverage. Those 55 or older, can contribute an additional \$1,000.

Traditional and Roth IRAs: All taxpayers have until April 15, 2023, to contribute up to \$6,000 to their IRA for 2022 subject to income limitations. Those 50 or older can contribute an additional \$1,000. Contributions to a Traditional IRA may be deductible. Contributions to a Roth IRA are not deductible. Taxable non-tuition fellowship and stipends are compensation for IRA contribution purposes.

Required Minimum Distributions (RMDs):

You must take your first RMD by April 1 of the year after you turn 72. Subsequent RMDs must be taken by December 31 of each year. If you wait to take your first RMD on April 1 the following year, you must take two distributions in that year.

Qualified Charitable IRA Distributions (QCD):

Each owner of an IRA who is 70½ or older may donate any portion, up to \$100,000, directly to a qualified charity(ies). Note: this may satisfy the RMD requirement. Your QCD is limited if

contributions were made after age 70½.

Indirect IRA Rollover Limitations: An IRA or retirement distribution paid directly to you must be rolled over within 60 days. Only one rollover from an IRA to another (or the same IRA) can be made in any 365-day period. Direct trustee to trustee transfers have no limitations. Inherited IRAs must be transferred directly from one account to another.

Child Tax Credit (CTC) 🗳️ Several enhancements to the CTC in 2021 will no longer apply this year, including monthly advanced payments and increased amounts. For 2022, the CTC is partially refundable and reverts back to \$2,000 per child under age 17.

Child and Dependent Care Credit 🗳️ Several enhancements to the credit in 2021 will no longer apply this year, including increased amounts and income phaseouts. For 2022, the credit is worth 20-35% of up to \$3,000 of qualifying care expenses for one dependent, or up to \$6,000 for two or more.

Other Dependent Tax Credit: A \$500 credit per dependent who are 17 or older may be allowable subject to income limitations.

Earned Income Credit (EIC): A refundable credit is available to certain low income taxpayers. Taxpayers should consider filing a return even if they are not required to in order to receive a refund.

Retirement Saver's Credit: Eligible taxpayers may receive a non-refundable tax credit of up to 50 percent of \$2,000 (\$4,000 if MFJ return) for contributions to a qualifying retirement plan.-

Energy Tax Credits: Credits for residential renewable energy products are available. 🗳️ Several energy credits were modified by the Inflation Reduction Act. See www.energystar.gov.

Education Tax Benefits: The American Opportunity Credit allows a partially refundable tax credit of up to \$2,500 for the first four years of college. A non-refundable Lifetime Learning Credit of up to \$2,000 may also be available.

Student Loan Relief 🗳️ President Biden provided a three-part student loan relief plan that includes forgiveness for certain borrowers with income less than \$125,000, or \$250,000 for married couples. Debt relief is available up to \$20,000 for Pell Grant recipients and up to \$10,000 for non-Pell Grant recipients. Forgiveness will be tax-free at the federal level, but may be taxable in certain states.

Premium Tax Credit: Taxpayers who purchase health insurance through the

Marketplace could be eligible for a refundable tax credit. For 2022, if premiums exceed more than 8.5% of household income you will be eligible for the credit. Form 1095-A must be provided to your tax professional.

Gift Tax Return: If you have given over \$16,000 cash or property to an individual, you may need to file a gift tax return. You may want to consider filing this return even if it is not required.

Other Federal Tax Credits: To learn more visit www.irs.gov/credits-deductions/individuals.

Iowa Tax Tips

Iowa conforms to federal tax laws with some exceptions.

Military Personnel: Qualified active duty military pay, military retirement and survivor benefits are exempt from Iowa income tax. This is in addition to the pension exemption.

Pension Exemption: An exemption of up to \$12,000 for married taxpayers and \$6,000 for other filers is available to eligible Iowa taxpayers for certain kinds of retirement income.

🗳️ Beginning in 2023, retirement benefits are generally exempt from Iowa tax.

Social Security: Iowa does not tax Social Security benefits for regular income tax. It is used in determining if a tax return must be filed.

Itemized Deductions vs. Standard

Deduction: Either method may be used regardless of which method was used on your federal return.

The Iowa standard deduction for MFJ or head of household is \$5,450; all other filers may each deduct \$2,210.

Educator Expenses: Up to \$500 per educator of out-of-pocket classroom expenses may be deducted for 2022.

College Savings Iowa: Each taxpayer has until April 30, 2023, to contribute up to \$3,522 per beneficiary for 2022. Funds can be used to pay for qualified college and limited K-12 expenses. See www.collegesavingsiowa.com.

Health & Long-Term Care Insurance: 100 percent of qualified premiums paid with after tax dollars may be deducted even if you do not itemize deductions.

Endow Iowa Credit: The Endow Iowa credit provides a non-refundable 25% tax credit for charitable contributions to certain Iowa Nonprofit's permanent endowments through a qualified community foundation. In 2022 Credits are limited to \$300,000 for a single or \$600,000 for a MFJ filer. For 2023 these are reduced to \$100,000 and \$200,000 respectively.

STO credit: The School Tuition

Organization (STO) credit provides a non-refundable 75% tax credit for charitable contributions to a school tuition organization to fund non-public Iowa school tuition. The contribution cannot be used for the direct benefit of a student designated by the taxpayer.

Volunteer Firefighter, Emergency Medical Services Personnel and Reserve Peace Officer Tax Credit: A maximum tax credit of \$250 is allowed if the volunteer served an entire tax year.

Tuition and Textbook Credit: The credit is 25 percent of the first \$2,000 paid for tuition, textbooks, and qualified extra-curricular activities for each dependent attending an accredited Iowa K-12 school including home schooling.

Iowa Tax Credits: You may access a complete listing of Iowa tax credits at tax.iowa.gov/tax-credits-and-exemptions and search for Iowa tax credits.

Planning tips

🗳️ In 2023, Iowa will be revamping Form IA1040. Several tax law changes will impact your return. Consult your CPA on how these changes will affect you.

Recordkeeping

Generally, the statute of limitations for examination of a tax return is three years. In many instances, it may be significantly longer. The ISCPA Tax Committee recommends tax returns be saved indefinitely.

Any tax advice contained in this communication (including any attachments or other accompanying materials) was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer by any governmental taxing authority agency.