WICPA TGIF
Waukesha

Individual Income Tax Update

For the 2022 Tax Return Filing Season

A general update on selected Federal and Wisconsin tax provisions affecting the 2022 individual tax return filing season for experienced tax and accounting professionals

January 6, 2023

June Norman, CPA, MST
Hartwig, Norman & Shannon LLP
Pewaukee, WI

june@hartwigcpas.com
262-737-8863

Icons to Guide You through the Outline

New Law or Procedure Affecting 2022 Tax Returns

Provision Affecting Future Year, 2023 and beyond

Does not apply to 2022 returns

Planning Idea

Teaching the Basics

Reminder

?? Uncertainty

Note in the Federal outline re: specific Wisconsin Provision

Abbreviations and Notes:

Tp = Taxpayer

MFJ = Married Filing Jointly, S = Single filing status, HH = Head of Household, MFS = Married Filing Separately,

Note: Limits etc are generally listed for MFJ and S status, HOH and MFS are not generally listed due to lower applicability, so you may need to look up such limits as they may differ that listed for S status

Q = Qualified

I. Current and Recent Major Federal Legislation

A. Consolidated Appropriations Act 2023, signed 12.29.22

1. The Act was an omnibus bill funding the federal government for 2023 (consisting of 4,000 pages, authorizing spending of 1.7 trillion dollars)
    - a) Act did not include any major tax provisions or extenders
    - b) Omnibus bill DID include SECURE 2.0 Act of 2022 (Division T)
        - (1) SECURE 2.0 builds upon the original SECURE Act, passed December 2019
            - (a) "SECURE" = Setting Every Community Up for Retirement Enhancement
            - (b) Reminder key components of the original SECURE:
                - (i) Increased RMD age from 70½ to 72
                - (ii) Elimination of stretch IRAs
(a) Inherited IRAs must be fully liquidated within 10 years of the decedent's death
(b) exceptions for surviving spouse, minor child of the decedent, disabled, chronically ill or a beneficiary not more than 10 years younger than the employee
                - (iii) New exception to early withdrawal penalties for up to $5,000 for birth/adoption of a child
                - (iv) Removed age limitation for contribution TO traditional IRAs for seniors still working

2. **SECURE 2.0: Securing a Strong Retirement Act of 2022** (These are the details available at this early date—there may be additional relevant provisions)
    - a) "SECURE 2.0" had passed the House in March; it was renamed and enhanced in the Senate: Enhancing American Retirement Now (EARN) Act, which made it out of the senate committee, but not to the senate floor, until it was attached to this spending bill
        - (1) SECURE 2.0 Nickname was adopted, though it more closely aligns with the broader Senate version
        - (2) The legislation had bipartisan support (yes, really!) and legislators had been hashing out details between the two chambers when it was attached to the year-end omnibus bill
        - **(3) Stated goal is to ensure more Americans can save for retirement**

b) Expands **automatic enrollment** opportunities for employer retirement plans

  (1) Requires automatic enrollment once employees are eligible to participate in the plan

    (a) For the last 20 years, employers have been ALLOWED to automatically enroll employees—this Act REQUIRES them to

    (b) Required deferral is not less than 3% and not more than 10%

    (c) The amount of the employee contribution is increased by 1% every year after automatic enrollment, up to maximum 10 %

  (2) Effective for plan years beginning after 2023, 401(k) and 403(b)

  (3) Employees can opt out of automatic enrollment and the increase

  (4) Exceptions to automatic enrollment for businesses with 10 or fewer employees, businesses in existence less than 3 years and to church and government plans

  (5) Employers no longer prohibited from offering small immediate incentives, such as gift cards, in exchange for employees making elective deferrals,

  (6) Improved coverage for part-time workers (SECURE's 3 year service requirement has been reduced to 2 years)

c) Required Minimum Distributions (RMD)

  (1) Increase in RMD age

    (a) Refresher: Current law

      (i) SECURE increased the RMD age from 70 ½ to age 72

    (b) RMD age is phased in over ten years to age 73, 74, 75

      (i) 2023 required beginning age is 73

        (a) Born 1951 – 1959: RMD now 73

      (ii) Born after 1960: RMD now age 75 (Effective 2033)

    (c) Tps who turned 72 in 2022 (1950 birth year) must still take first RMD by April 1, 2023

  (2) Eliminates RMDs for employer retirement plan based Roth accounts (Roth 301(k) and Roth 403(b), effective 2024

  (3) Note: No change to QCD age—continues to be age 701/2

    (a) On a related note, the QCD limit of $100,000 will now be linked to inflation (2024)

d) Increased Catch-Up limits

(1) Refresher: Current law

(a) Age 50 and older, 2023 catch up contributions:

(i) $7,500 additional contribution permitted to most retirement plans, including 401(k) & 403(b)

(ii) $3,500 to SIMPLEs

(2) Effective tax years after 2024

(a) A second catch up permitted to participants aged 60, 61, 62 or 63

(i) These individuals permitted to contribute $10,000 to 401(k) or 403(b) or $5,000 to SIMPLE (vs the current $7,500 and $3,500 respective catch-up for savers over age 50)

(b) Catch up provisions will now be subject to inflation adjustment

(3) Furthermore, effective after 2023, all catch-up contributions are subject to the Roth (ie after tax) rules, rather than only where allowed by plan (wage limit of $145,000)

e) Provides assistance for small employers in the form of tax credits

(1) Expands the credits available for start-up costs of small employer

f) Stronger Saver's Credit

(1) Refresher: Current law

(a) 2022 Saver's Credit maximum $2,000 (MFJ) $1,000 (S)

(b) 50%, 20%, or 10% of contribution made to a qualified plan or IRA (see details)

(c) Phase out ending at $68,000 (MFJ) $34,000 (S)

(d) Ineligible: Full time students, < 18 or dependent of another

(2) New law, effective after 2026 now a Saver's Match

(a) Credit simplified from current 3 tier structure to unified 50% credit with phaseout for higher incomes, subject to inflation adjustments

(b) Rather than a cash credit (as part of a tax refund), federal matching contribution deposited into the Tp's retirement plan of IRA

(c) Effective date of 2026 will allow Treasury Department to work through the logistics of depositing funds into Tp's retirement accounts

g) SIMPLE Plans

(1) Employers allowed to make non-elective contributions of a uniform percentage to a SIMPLE IRA or SIMPLE 401(k) plan up to 10% of compensation, capped at $5,000

(2) Effective after 2022, allows SIMPLE and SEP IRA participants to make Roth contributions (vs previous rules permitting pre-tax contributions only)

h) Employer assistance for student loan borrowers

(1) Effective plan years after 2023, employers may make payments to qualified plans that match qualified student loan payments *(allowed, not required)*

(2) Matching contribution for student loan payments must be at the same rate as elective deferrals

i) Penalties:

(1) Reduces the penalty for missed RMD from 50% to 25% of the shortfall

(a) If corrected in a timely manner, penalty is reduced to 10%

(2) Early Withdrawal Penalty

(a) Permanently removes 10% early withdrawal penalty on qualified withdrawals made as a result of federally declared disaster

(i) Effective for all federally declared disasters, rather than prior method of inclusion within specific disaster relief bill

(ii) However, new limit is $22,000, rather than historical limit of $100,000

(b) Also new exceptions for victims of domestic abuse and individuals diagnosed with a terminal illness

(c) New $1,000 penalty-free withdrawal due to personal financial emergency

(3) See law for specific qualifications

(4) Previous exclusion for birth/adoptions, new three year time limit to repay

j) Roth option now permitted for employer match or nonelective contribution

k) New path to transfer unused 529 funds to Roth IRA, beginning in 2024

(1) Roth receiving the funds must be in the name of the beneficiary of the 529 plan

(2) 529 plan must have been maintained for 15+ years

(3) Contributions within last 5 years are ineligible

(4) Annual transfer limit is the IRA contribution per year (with no doubling up by a Roth contribution)

(a) Lifetime maximum of $35,000

l) Provision expanding annuity opportunities

m) Numerous plan administration changes meant to improve efficiency

n) What is NOT in the bill?

(1) No changes preventing the Back Door Roth technique

o) Again, these are details of provisions readily available one day after signature—of the 90 SECURE 2.0 provisions, there may be more provisions relevant to us and more detail

(1) Employer match now permitted to Roth

3. Good article on SECURE 2.0: Secure Act 2.0: Detailed Breakdown Of Key Tax Opportunities (kitces.com)

https://www.kitces.com/blog/secure-act-2-omnibus-2022-hr-2954-rmd-75-529-roth-rollover-increase-qcd-student-loan-match/

4. Act included two other miscellaneous tax changes

a) New rules of contribution of conservation easements to a partnership

(1) Meant to deter an abusive tax shelter technique

b) HSA high deductible plan/Telehealth extension—see law for details

B. Inflation Reduction Act of 2022, Public Law 117-169, signed 8/16/22

***(Details of only those provisions generally applicable to smaller practitioners*)**

1. aka "Build Back Better, Junior "
   - a) Build Back Better (Fall, 2021) had been a $6 trillion proposal, scaled down to a mere $1.75 trillion when it passed the House on 11/19/21, but the bill faded in the Senate for lack of votes
   - b) Following almost a year of behind the scenes negotiations, the Build Back Better Junior (significantly scaled back), or Inflation Reduction Act, made a surprise appearance, coming in at less than $1 trillion
   - c) Bill is a mere 300 pages of tax-related changes
     - (1) This outline covers only a few—those of interest to the "average" individual taxpayer

2. The Act provides investment in clean energy, promotes reductions in carbon emissions, and extends popular Affordable Care Act premium reductions

3. **Funded by** (Details below)
   - a) 15% corporate minimum tax on large corporations
   - b) 1% excise tax on corporate stock buybacks
   - c) projected greater IRS collections from increased IRS funding
   - d) changes to Medicare rules which pay help Medicare reduce the cost of certain drug purchases

4. **Most provisions take effect in 2023**

5. **Energy Efficient Home Improvement Credit**
   - a) New credit generally effective for property placed in service after 12/31/22 and before 1/1/33
     - (1) Former law applies for 2022 purchases (Energy Property Credit)
       - (a) Thus the $500 lifetime cap continues to apply for these 2022 returns
   - b) New credit: Increased the limits and removed the lifetime limit, such that limits to each category are now annual limits
     - (1) Overall limit of $1,200 per year
     - (2) Qualified energy property $600
     - (3) Exterior windows and skylights $600
     - (4) Doors $250 (single door), $500 total

(5) NEW Home energy audit, 30%, $150 limit (Principal residence only),

(6) Certain HVAC systems

(7) Heat pump, heat pump water heaters & biomass stoves & boilers

(8) New standards for some items

(9) Roofs no longer qualify

c) Qualifying property must be used by Tp as a residence, but not necessarily primary residence (except home energy audits)

d) Beginning in 2025, will need a product identification number to claim the credit

(1) Without a valid number, e-filing is expected to reject

6. **Residential Clean Energy Credit** (Formerly the Energy Efficient Credit)

a) Applies to solar electric, solar hot water, fuel cell, small wind energy, geothermal heat pump, biomass fuel property

(1) Battery storage technology added to Q expenditures after 12/31/22

b) Check effective dates: Placed in service after 2021 for some, 2022 for others, expires after 2034

c) Begins at 30% and drops to 26% and 22% in later years

7. **New Clean Vehicle Credit** (Formerly the Qualified Plug-In Electric Drive Motor Vehicle Credit)

a) Previous vehicle credit: Manufacturers had unit limits

b) Applicable to both plug-in electric vehicles and fuel cell vehicles

c) Effective vehicles placed in service after 12/31/22 and before 12/31/32

(1) 2022: Manufacturer limits still apply

(a) Tesla and GM have met their limits

d) To qualify *Final Assembly* of the vehicle must take place in north America (for placed in service after 8/15/22) and also phases in sourcing requirements for critical components of the vehicle and battery system

(1) Dept of Energy has published list of with final assembly in North America

(2) To verify: Check the VIN at energy.gov Alternative Fuels Data Center: Electric Vehicles with Final Assembly in North America

(a) https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit

Electric Vehicles Assembled in North America		
Model Year	**Vehicle**	**Note**
2022	Audi Q5	
2022	BMW 330e	
2022	BMW X5 xDrive45e (PHEV)	
2022	Chevrolet Bolt EUV	**Manufacturer sales cap met**
2022	Chevrolet Bolt EV	**Manufacturer sales cap met**
2022	Chrysler Pacifica PHEV	
2022	Ford E-Transit	
2022	Ford Escape PHEV	
2022	Ford F-150 Lightning	
2022	Ford Mustang MACH E	
2022	GMC Hummer EV Pickup	**Manufacturer sales cap met**

(3) At the bottom of that website, is a place to enter the VIN

e) Computation:

(1) Maximum credit remains at $7,500 ($3,750 critical minerals + $3,750 battery component)

(2) Modified AGI: $300,000 MFJ, $225,000 HOH, $150,000 S/MFS (Cliff limits)

(3) Limit of manufacturer's suggested retail price $80,000 for van, SUV, pick up or $55,000 for all others

(4) See details of bill for computation/and details regarding minim battery capacity etc.…

f) Beginning in 2024, the purchaser can transfer the credit to the dealer at time of sale to get an immediate reduction in price/rebate (See rules)

(1) Buyer would have to repay the credit on return if it is determined that Tp doesn't qualify due to AGI exceeding limit

g) New: Credit for previously owned clean vehicles

(1) Credit lesser of $4,000 or 30% of sales price of vehicle

(2) Rules apply:

(a) 2 model years old

(b) Dealer sale

(c) Price < $25,000

(d) First transfer only

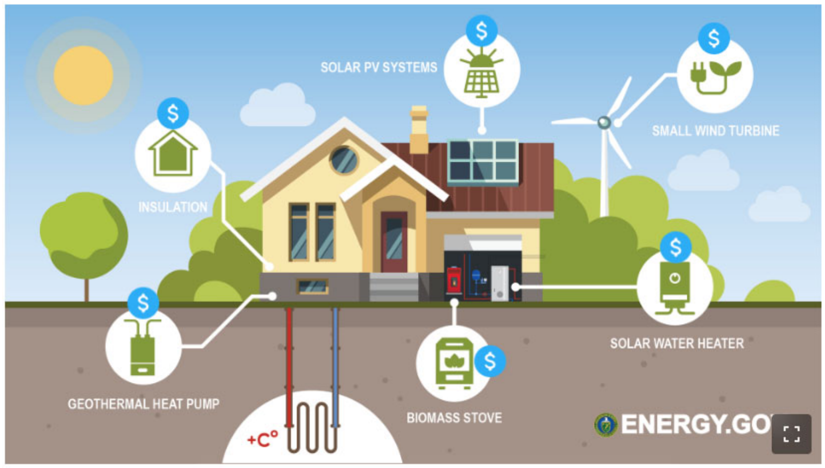
(e) Qualified buyer (including cannot be a dependent of another Tp)

(3) Lower MAGI than the new vehicle credit: $150,000 MFJ; $112,500 HOH; $75,000 S/MFS

h) New Credit for Qualified Commercial Clean Vehicles (See law for details)

8. Note: There are more Green Energy provisions in the bill less applicable to our average individual Tp including credit for carbon sequestration, zero-emission nuclear power facilities, biodiesel, alcohol used as fuel, electricity produced from certain renewable resources, and about ten others beyond our scope today and well beyond my vocabulary

    (1) Source: Department of Energy website:



9. And now certain of these credits will be transferable

    a) Allowing for example a tax-exempt entity to treat the credit as a payment of income taxes or allow selling of the credit to a Tp with taxable income

10. **Premium Tax Credit Rules** from ARPA were extended through 2025 (had been scheduled to expire end of 2022)

    a) Lower percentage table and removed cliff at 400% of Federal poverty line

    b) Without this extension premium subsidies would have dropped in 2022, increasing the cost of health insurance for those qualifying for subsidized premiums

11. **R&D Credit**:

    a) Certain qualified small businesses can now use up to $500k of the R&D credit against employer payroll taxes for up to 5 years (See bill for details)

12. Revenue Raisers:

a) Corporate Alternative Minimum Tax

(1) Effective tax years beginning after 12/31/22

(a) 3-year average annual adjusted financial statement income > $1,000,000,000 (Not a typo, it really is $1 billion!)

(i) Reduced to $100 million for certain foreign-parented corporations

(b) 15% Tentative minimum tax on financial statement income, less AMT Foreign Tax Credit

(c) Two last minute carve outs involving certain manufacturers and corporate subsidiaries of private equity firms

b) 1% Excise Tax on Repurchase of Corporate Stock

(1) Effective repurchases of stock after 12/31/22

(2) Covered US corporation (publicly traded security)

(a) Exceptions: Reorganization, retirement plan contribution or ESOP, where repurchase < $1,000,000, if treated as taxable dividend, and a few other circumstances

c) Another extension of Limitation on Excess Business Loss of Noncorporate TPs

(1) Recall TCJA instituted this provision whereby non-corporate Tp were limited on total deductible trade or business losses (such as Sch C, partnership or S Corp pass throughs (Sch E), F)

(2) Under TCJA, this had been scheduled this to expire after 2025; this provision extends the limits to 2028

(3) Original loss limits $250,000/$500,000 for S & MFJ Tps

(a) 2022 limits are $270,000/$540,000 after inflation adjustments

(4) This loss limit is applied after the at-risk and PAL limitations

d) **Additional IRS Funding**–-an attempt to tighten the "tax gap"

(1) Allocating $80 billion over 10 years, of which $45.6 billion is designated to improve enforcement

(2) No tax law changes, only increase funding, which may increase examinations

(a) Treasury Secretary Janet Yellen issued a directive that the IRS should implement new programs in such a way so as not to increase the examinations of Tps making < $400,000

(3) $4.8 billion to modernize business systems including the phone system and various systems still running under COBOL

Source: Tax Foundation

Table I: IRS Funding Increases by Category

Function	IRS Budget Increase
Enforcement	+$45.6 billion
Operations Support	+$25.3 billion
Business System Modernization	+$4.8 billion
Taxpayer Services	+$3.2 billion
Other	+$0.7 billion
Total	**+$79.6 billion**

Source: Inflation Reduction Act of 2022, https://www.democrats.senate.gov/07/27/2022/inflation-reduction-act-of-2022. May not sum due to rounding.

13. What was in the Build Back Better Act from a year ago that is not in this Inflation Reduction Act?

a) COVID-era expansions of the child tax credit and the earned income tax credit

b) Inflation Reduction Act included neither a restoration of the full SALT deduction, nor an extension of the $10,000 limitation beyond the current 2025 expiration date

c) None of the ordinary individual income tax increases (proposed 37% to 39.6% and lowering of beginning of the highest marginal bracket, later changed to a 5% or 8% surcharge) nor capital gains tax rate increases (20% to 25% or later 8% surcharge), nor 5.5% increase for C corporations > $5m

d) No elimination of QBI on incomes > $500k

e) No reduction in the estate tax exemption (Current exemption of $12m is scheduled to return after 2025; Build Back Better had proposed to accelerate that decrease to 2022)

   (1) Build Back Better had also included the elimination of the step up in basis

f) Build Back Better had also included an end to the Back Door Roth technique

g) None of the international provisions included in Build Back Better are included in this Act

C. Prior Year Legislation

1. Build Back Better, which did not pass the Senate

2. Infrastructure and Jobs Act (Signed 11/15/21)
    a) $1.2 trillion in spending
    b) Modest tax changes in the bill

3. American Rescue Plan Act (ARPA) Signed 3/21/21
    a) $1.9 trillion in spending, including the following provisions applicable to individuals
        (1) Round III of Stimulus payments
            (a) $1,400 payments (advance of 2021 credit)
        (2) Enhancement of personal credits
            (a) One-year temporary expansion of the Child Tax Credit (2021 only)
                (i) $$ increase and included 17-year-olds
                (ii) Advance payments
                (iii) Now expired
            (b) One-year enhancements to the Earned Income Credit (EIC) (2021 only)
            (c) One-year enhancements to Dependent Care Assistance Credit (2021 only)
        (3) Extension of payroll tax credits

4. Consolidation Appropriations Act of 2021 (Signed 12/27/20)
    a) COVID spending, including
        (1) Round II of stimulus payments $600 per person
        (2) Round II PPP
        (3) Temporary 100% deductibility restaurant meals for 2021 and 2022

D. Expiring Provisions

1. Tax Cuts and Jobs Act (TCJA), Signed 12/22/17-
   a) 100 Bonus depreciation for equipment and machinery
      (1) Beginning in 2023, bonus depreciation drops to 80%, falls to 60% in 2024, 40% in 2025 and completely phases out in 2026
   b) Amortization of R&D Expenses
      (1) Beginning in 2022 TCJA requires companies to amortize the cost of R&D investment over five years rather than the option of immediately expensing
   c) Limit on Business Interest Expenses
      (1) Beginning in 2017, TCJA limited business interest to 30% of EBITDA,
      (2) Beginning in 2022, this is now limited to the tighter EBIT
   d) After the end of 2025, the following selected significant individual provisions from TCJA will expire:
      (1) Lower individual tax rates
      (2) Standard deductions return to half, personal exemptions return, Child Tax Credit returns to $1,000
      (3) $10,000 SALT cap expires and limits on mortgage interest deduction return to old rules
         (a) Removing the SALT cap will bring the AMT back into play, since SALT is the most common AMT adjustment
      (4) 20% Qualified Business Income deduction
      (5) Increase in the estate tax exemption will also expire

2. Private Mortgage Insurance as Mortgage Interest Itemized Deduction
   a) Had been extended to 2021; was not further extended

3. COVID Era Legislation: American Rescue Plan of 2021 (ARPA) and related COVID Relief packages
   a) Numerous COVID relief policies expired at the end of 2021
      (1) Expired: Expansion of the Earned Income Credit and Child
      (2) Expired: Expansion of the Dependent Care Tax Credit
      (3) Expired: Above-the-Line Charitable Contributions
         (a) All three of these credits return to 2019 levels

(4) Other ARPA provisions are expiring at the end of 2022 such as full deductibility of business meals at restaurants

E. ?? Where Are We Going??

1. Extenders

a) At the end of 2022, it does not appear that there is an extenders deal in the works

b) Several miscellaneous deductions and credits expired at the end of 2021, the most applicable to this session being:

(1) Mortgage insurance premium deduction

c) Other provisions that expired at the end of 2021 included less widely applicable (to this group) provisions involving mine rescue teams, depreciation on an Indian reservation, racehorses and America Samoa Economic Development Credit

2. **??** Child Tax Credit (and possible effect on inflation)

a) Hot policy topic

b) Credit had been $2,000 with $1,400 being refundable

c) Then ARPA expanded the credit to $3,000/$3,600 < 6 and fully refundable, provisions which have now expired

d) Some policy makers are still pushing to bring back the expanded credit

This political hot potato is a provision to watch

3. Continued Divided Government:

a) Republicans now have control of the House while Democrats maintain control of the Senate

b) Making major tax reform unlikely

c) Instead watch for

(1) Specialized packages

(a) Such as CHIPS and Science Act which passed earlier this year, targeting a tax credit for semiconductor investment

(2) Agenda-setting type legislation

(a) While major tax reform is unlikely to pass, each party may release packages showing what they hope to pass when their party next gains control of a united government

II. IRS Activities in 2022

A. Stimulus payments and advance child tax credits are in the rear-view mirror

B. IRS is STILL processing refunds related to 2020 unemployment benefits

1. Recall Congress passes ARPA on March 11,2021 AFTER many had filed their tax returns
    a) ARPA included a retroactive exclusion on unemployment benefits up to $10,200 paid in 2020 (MAGI < $150,000)
    b) IRS told Tps who had already filed not to amend their returns—IRS would send refunds
    c) Refunds have been issued to over 11.9 Tps, but many Tps are still awaiting these refunds
    d) IRS has not provided a date on when the affected Tps can expect their refunds

C. Taxpayer Advocate Mid-Year Report to Congress (6/22/22)

1. Report states key challenges for the taxpayer this year have been: return processing delays, correspondence processing delays, and difficulty reaching the IRS by phone
2. Report expresses continuing delays in processing of paper filed returns and consequential delay of refunds
    a) 21.3 million unprocessed returns as of end of May, including 8.2 million 1040s; this is an increase of 1.3 over the same time a year ago
    b) Every paper filed return must be manually keystroked into the IRS system by an employee—they do not have scanning technology to convert from paper filed to their system!
    c) Report states that processing was suspended on 15.8 million electronic filed returns, many due to different amounts reported as Recovery Rebates than the IRS records—these suspended returns were still processed far faster than their paper field counterparts

d) Correspondence delays:

(1) In fiscal 2019 (pre-pandemic) processing time for correspondence (typically response to a notice) was 74 days; current processing time 251 days—8 months to process 5 million Tp responses to proposed adjustment

e) Processing delays for the 336,000 Tps who couldn't file/receive their refunds due to identity theft, and thus required to submit affidavits and more to substantiate their identity: 360 days

f) Telephone calls: During FYE 2022 only 1 out of 10 callers reached an IRS employee

Figure 2: IRS Enterprise Telephone Results Comparing Weeks Ending May 21, 2021, and April 23, 2022

Filing Season	Calls Received	Number of Calls Answered by an IRS Employee	Percentage of Calls Answered by an IRS Employee	Time on Hold
2021	167 million	15.7 million	9%	20 minutes
2022	73 million	7.5 million	10%	29 minutes

Source: [//www.taxpayeradvocate.irs.gov/reports/2023-objectives-report-to-congress/newsroom/yer Advocate Service (irs.gov)]

(1) Classic quote by the National Taxpayer Advocate Erin Collins, in her 6/22/22 report to Congress: "If a private company failed to answer nine out of 10 customer calls, customers would go elsewhere," Collins wrote. "That, of course, is not an option for U.S. taxpayers, so it is critical that the IRS increase staffing in its telephone call centers to handle the volume of calls it receives."

3. Taxpayer advocate is required by statute to issue two annual reports to the House Ways and Means and Senate Finance Committees

a) Report includes discussion of the most serious problems encountered by Tps; ,ten most frequently issued issues; and makes administrative and legislative recommendations to resolve Tp problems

b) Full report available at https://www.taxpayeradvocate.irs.gov/reports/2023-objectives-report-to-congress/

D. Sample Client Notice :

Taxpayer identification number:
Tax periods: Dec. 31, 2019

Form: 1041

Dear Taxpayer:

Thank you for your amended Form 1041 of July 23, 2021.

Our records show we received your Form 1041 on July 26, 2021 for the tax period listed above. We're sorry but we can't find it, so we need your help to finish processing your Form 1041.

E. Tp Advocate Services

1. Reportedly so backed up that it may take four weeks for the IRS to respond to an initial contact!

F. IRS is Hiring

1. A November Information Release announced IRS intention to hire 700 new employees to assist at Taxpayer Assistance Centers across the country

2. This is in addition to the more than 4,000 recently hired to fill critical customer service representation positions

III. Income

A. Alimony: Reminder of the Changes within TCJA

1. Divorce or separate agreements executed after 12/31/18
   a) No income inclusion to the recipient and no deduction to the payor
2. No changes to agreements signed prior to this date and unchanged
3. Be sure to ask new clients for details and existing clients if new agreements have been executed

B. Excess Business Losses (TCJA)

1. The $500,000 ($250,000) loss limit established by TCJA was suspended for 2018 through 2020 (CARES)
   a) 2022 indexed limits: $540,000 MFJ / $270,000 S
2. Under TCJA, this loss limitation had been scheduled to end after 2025; however, the 2022 Inflation Reduction Act extended this provision to 2028

C. Social Security

1. SS Beneficiaries:

a) COLA is 8.7%, affecting approximately 65 million Social Security beneficiaries and 7 million SSI beneficiaries

Automatic Cost-Of-Living Adjustments received since 1975

July 1975 -- 8.0%	January 2000 -- 2.5% (1)
July 1976 -- 6.4%	January 2001 -- 3.5%
July 1977 -- 5.9%	January 2002 -- 2.6%
July 1978 -- 6.5%	January 2003 -- 1.4%
July 1979 -- 9.9%	January 2004 -- 2.1%
July 1980 -- 14.3%	January 2005 -- 2.7%
July 1981 -- 11.2%	January 2006 -- 4.1%
July 1982 -- 7.4%	January 2007 -- 3.3%
January 1984 -- 3.5%	January 2008 -- 2.3%
January 1985 -- 3.5%	January 2009 -- 5.8%
January 1986 -- 3.1%	January 2010 -- 0.0%
January 1987 -- 1.3%	January 2011 -- 0.0%
January 1988 -- 4.2%	January 2012 -- 3.6%
January 1989 -- 4.0%	January 2013 -- 1.7%
January 1990 -- 4.7%	January 2014 -- 1.5%
January 1991 -- 5.4%	January 2015 -- 1.7%
January 1992 -- 3.7%	January 2016 -- 0.0%
January 1993 -- 3.0%	January 2017 -- 0.3%
January 1994 -- 2.6%	January 2018 -- 2.0%
January 1995 -- 2.8%	January 2019 -- 2.8%
January 1996 -- 2.6%	January 2020 -- 1.6%
January 1997 -- 2.9%	January 2021 -- 1.3%
January 1998 -- 2.1%	January 2022 -- 5.9%
January 1999 -- 1.3%	January 2023 -- 8.7%

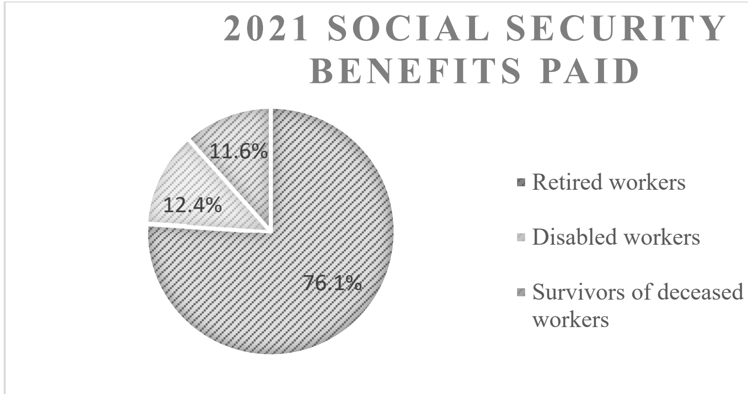
(1) On average this is more than $140 per month

(2) Beneficiaries includes retired workers, widows, dependents, disable workers and dependents

(a) Snapshot of June 2022 beneficiary data

(i) Retired workers 47.9 million workers and 2.8 million dependents

(ii) Disabled workers 7.8 million and 1.3 million dependents b)



c) Estimated average monthly social security benefits payable (after COLA adjustment, for 2023)

(1) for all retired workers $1,827 per month ($21,924 annually)

(2) paid to a widowed mother and two children $3,520 per month ($42,240 annually)

(3) paid to all disabled workers $1,483 per month ($17,796 annually)

d) Full Retirement Age (Source: SSA.gov)

Age for full retirement benefit for retired workers

Year of birth	Full retirement age (FRA)
1937 and earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

e) Maximum social security benefit for a worker retiring at full retirement age is $43,524 annually (up from $40,140 in 2022)

f) SS Beneficiaries continuing to also work:

(1) Retirees younger than full retirement age can earn up to $21,240 before their benefits are reduced by $1 for every $2 in excess earnings (up from $19,560 in 2022)

(2) Limit is $56,520 in the year they reach full retirement age ($1 for $3 reduction)

2. SS Workers:

a) Individual taxable earnings subject to SS tax in 2023 $160,200 (an increase from $147,000 in 2022)

(1) Using OASDI rate of 6.2% this is maximum of $9,932.40 for each the employer and the employee, an increase of $818.40 for workers earning more than the cap

(2) No change to Medicare 1.45% on unlimited income

(3) Individuals earning >$200,000 and married couples filing jointly earning >$250,000 will also pay the additional tax of .9% of wages (unchanged)

3. The 2021 Annual Trustees Report includes the following noteworthy facts:

a) The OASDI fund will be able to pay scheduled benefits on a timely basis until 2033, one year earlier than reported in the prior year report

(1) After that date, the fund's reserves will become depleted and continuing tax income will be sufficient to pay 76% of scheduled benefits

b) The Disability Insurance Trust Fund will be able to pay benefits until 2057, 8 years earlier than calculated in the previous year's report

(1) After that time the fund's reserves will become depleted and continuing tax income will be sufficient to pay 91% of scheduled benefits

4. Some more fun facts from SocialSecurity.gov:

a) The number of Americans 65 and older will increase from about 58 million in 2022 to about 76 million by 2035

b) In 1940 the life expectancy of a 65-year-old was almost 14 years; today it is over 20 years

c) Nine out of ten people over age 65 were receiving SS as a benefit

d) Reliance on SS income

(1) SS represents about 30% of the income of the elderly

(2) Among elderly SS beneficiaries, 37% of men and 42% of women receive 50% or more of their income from SS

(3) Among elderly SS beneficiaries, 12% of men and 15% of women rely on SS for 90% or more of their income

e) In 2022 there are an estimated 2.8 covered workers per each Social Security beneficiary; by 2035 the Trustees estimated that there will be 2.3 covered workers for each beneficiary

D. Medicare

1. Part B premium **decreased** by $5.20 per month (3.2%) (not a typo); Part B deductible decreased by $7; and average Part D premiums decreased by 1.8%

    a) First year in over a decade that Medicare premiums are not rising

2. Inflation Reduction Act changes to prescription drug coverage—these changes will take place in 2024

    a) Significant reduction in out-of-pocket in Part D plans expected

3. Income Related Monthly Adjustment Amount (IRMAA)

    a) Taxable income reported on 2022 tax return will determine 2024 premiums

    b) Modified AGI = AGI + tax exempt income

    c) Recipients can appeal IRMAA increases if life-changing event occurs:

        (1) Marriage, divorce, death of a spouse, work stoppage or reduction (Retirement)

        (2) File Form SSA-44

        (3) Capital gains are generally NOT an event that would result in a successful appeal

(4) IRMAA 2023

Source: Medicare.gov

If your yearly income in 2021 (for what you pay in 2023) was			You pay each month (in 2023)
File individual tax return	File joint tax return	File married & separate tax return	
$97,000 or less	$194,000 or less	$97,000 or less	$164.90
above $97,000 up to $123,000	above $194,000 up to $246,000	Not applicable	$230.80
above $123,000 up to $153,000	above $246,000 up to $306,000	Not applicable	$329.70
above $153,000 up to $183,000	above $306,000 up to $366,000	Not applicable	$428.60
above $183,000 and less than $500,000	above $366,000 and less than $750,000	above $97,000 and less than $403,000	$527.50
$500,000 or above	$750,000 or above	$403,000 or above	$560.50

IRMAA Example:

Year-end planning for a recently MFJ retired client, looking at a Roth conversion for all the right reasons:

Client expects higher tax rates in the future (whether that is due to RMDs, personal financial situation, or tax policy)

Roth IRA would give her tax-free growth vs the same funds in a traditional IRA

The market is (hopefully) at a low right now--it would be ideal to have the upswing in the Roth account, right?

Finally, this client has outside funds (in a taxable investment account) to pay the taxes on the conversion

I prepared projections with a $100,000 conversion (a nice round number) and $285,000 (the additional taxable income which would put her at the very top of the 22% bracket—the rate this particular client is willing to pay)

Any excess spills over into the 24%--not a significant difference

My tax projection gives me the exact results I expect:

> *$100,000 Roth conversion will increase total tax liability by $27,700 (22.6% federal b/c she loses some medical deductions and 5.1% state)*
>
> *A $285,000 Roth conversion results in similar tax increase of $85,000 (23.3% and 5.7% respectively)*

I could be done. But this client is going to yell at me in two years if I don't tell her about IRMAA!

> *The $100,000 conversion pushes her to Tier 2, which is an increase of $1,582 ((230.80 – 164.90 = $65.90) increase * 2 spouses * 12 months) Total cost of the Roth conversion is now $29,282 or 29.3%*
>
> *The $285,000 Roth conversion raises her to Tier 5, which means an increase in annual Medicare costs of $8,702, bringing the total cost to $93,709, or 33%*

Side note: When I first brought IRMAA up, the client was insulted—she's only 64—she's not on Medicare, so why in the world was I talking about Medicare costs when she's asking me about a Roth conversion?

> *She's 64 in 2022, but will be 66 when the 2022 tax return will determine her 2024 Medicare premiums*!

IV. Above the Line Deductions

A. Educator's Out-of-Pocket Expenses

1. Increases from $250 to $300 for 2022 (This was an inflation adjustment from Rev Proc 2021-45, not legislation)

2. Married teachers filing jointly each get $300 per spouse

3. Who: K-grade 12 teacher, instructor, counselor, principal or aide in a school for at least 900 hours during the year

4. What: Unreimbursed cost of books, supplies, and other materials used in the classroom; equipment including computer equipment, software & services, Covid-19 protective items and professional development relating to the curriculum or students they teach

5. Wisconsin conforms with the increase

B. Tuition Deduction Expired

1. Expired after 2020 tax year

2. $4,000 deduction, subject to income limitations

3. No further extension on the books

C. Student Loan Interest

1. Up to $2,500 of student loan interest is deductible, subject to AGI limitations

V. Itemized Deductions

A. Charitable Contributions

1. COVID provision whereby non-itemizers were eligible for $300/$600 above the line deduction has expired (CARES and Consolidated Appropriations Act 2021)

2. AGI % limits for itemized deduction of charitable contributions:

   a) 60% AGI limit for CASH contributions

      (1) 100% temporary COVID limit for 2020/2021 contributions has expired

      (2) After 2025 the 60% AGI limitation for cash donations reverts to 50%

   b) Contribution of long-term capital gain property to a public charity limited to 30% of AGI

   c) Donations to Private Foundation

      (1) Cash donations: 30% of AGI

      (2) Long term capital gain property: 20%

   d) Corporations returned to 10% limit

3. Tp Over 701/2: Qualified Charitable Distribution

   a) From an IRA

   b) Must be over 701/2 to qualify (

      (1) Note: This did not increase to 72 under either SECURE

   c) Limited to $100,000

   d) If check is written from the IRA checkbook, the check must be cashed by 12/31/22 to be a 2022 RMD/QCD

      (1) IRA custodians are not keeping track of clients' QCDs, so Tp needs to keep records (and the checkbook is an easy manner to track)

4. Planning strategies for younger Tps (ineligible for QCDs)

   a) Gift of appreciated LT CG security

      (1) CG is excluded and Charitable contribution deduction (Itemized deduction) for FMV

   b) Use of Donor Advised Funds to bunch deductions and use standard deduction

      (1) Watch the amount of the contribution to a Donor Advised Fund, that the amount isn't in excess of the 60% limitation, as the carryover would defeat the goal of bunching itemized deductions every other year

B. Medical Expense

1. Threshold permanently set at 7.5%, eliminating all scheduled 10% limits (Consolidated Appropriations Act)

C. STOP Private Mortgage Insurance (PMI) as Qualified Mortgage Interest

1. Had Extended through 2021 (Consolidated Appropriations Act), but was not extended beyond last year

2. Wisconsin had not adopted PMI provision

VI. Tax Rates, Credits, Penalties and Forms

A. 2022 1040 Due Date: Tuesday, April 18, 2023 (because it's Emancipation Day in the District of Columbia)

1. Extension available to October 16th—extension to file, not to pay!

B. 2022 and 2023 Ordinary tax rates, inflation adjusted and 2022 Capital Gains Rates

2022 Federal Tax Rates

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns
10%	$0 to $10,275	$0 to $20,550
12%	$10,275 to $41,775	$20,550 to $83,550
22%	$41,775 to $89,075	$83,550 to $178,150
24%	$89,075 to $170,050	$178,150 to $340,100
32%	$170,050 to $215,950	$340,100 to $431,900
35%	$215,950 to $539,900	$431,900 to $647,850
37%	$539,900 or more	$647,850 or more

2023 Federal Tax Rates

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns
10%	$0 to $11,000	$0 to $22,000
12%	$11,000 to $44,725	$22,000 to $89,450
22%	$44,725 to $95,375	$89,450 to $190,750
24%	$95,375 to $182,100	$190,750 to $364,200
32%	$182,100 to $231,250	$364,200 to $462,500
35%	$231,250 to $578,125	$462,500 to $693,750
37%	$578,125 or more	$693,750 or more

2022 Capital Gains Tax Brackets

	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
0%	$0	$0	$0
15%	$41,675	$83,350	$55,800
20%	$459,750	$517,200	$488,500
Source: Internal Revenue Service			

1. HOH fact:

   a) Planning that I did this summer stood out taught me something I hadn't known:

      AGI of $330,000. Tp was HOH with 1 dependent. I evaluated what would happen when the daughter graduated from college, expecting a significant difference when Tp changed from HOH to Single status.

      Alas, I learned HOH only has a rate differential below $55,000; thus, for this Tp, there was $0 difference in Federal liability and $54 Wisconsin difference (due to $50 dependent credit)!

2022 Tax Brackets (Due April 15, 2023)				
Tax rate	Single filers	Married filing jointly*	Married filing separately	Head of household
10%	$0 – $10,275	$0 – $20,550	$0 – $10,275	$0 – $14,650
12%	$10,276 – $41,775	$20,551 – $83,550	$10,276 – $41,775	$14,651 – $55,900
22%	$41,776 – $89,075	$83,550 – $178,150	$41,776 – $89,075	$55,001 – $89,050
24%	$89,076 – $170,050	$178,151 – $340,100	$89,076 – $170,050	$89,051 – $170,050
32%	$170,051 – $215,950	$340,101 – $431,900	$170,051 – $215,950	$170,051 – $215,950
35%	$215,951 – $539,900	$431,901 – $647,850	$215,951 – $323,925	$215,951 – $539,900
37%	$539,901 or more	$647,851 or more	$323,926 or more	$539,901 or more

D. Covid Returns Penalty Relief

1. Widespread IRS Penalty Relief for 2019 and 2020 Failure to File (Notice 2022-36)
   a) > $1.2 billion penalties canceled, and refunds/credits issued to nearly 1.6 million Tps
   b) Automatic: No action required by Tps to receive the credit/refund of the failure to file penalty (5% per month up to 25% of unpaid tax)
   c) Eligibility: 2019 and 2020 returns must have been filed by 9/30/22 (1040s and 1120s), (1099 series 2019 and 2020 must have been filed by 8/1/20 and 8/1/21 respectively)
      (1) Excluded from the relief: Fraudulent returns, offer in compromise, closing agreement or where a court determined the penalty—See the notice for details
2. All penalty holidays have expired for current year 2022 returns

E. IRS changed the name of the filing status from "Qualifying Widow(er)" to "Qualifying Surviving Spouse"

F. Draft Instructions to the Form 1040 were optimistic towards widespread student loan relief:

Student loan forgiveness not taxable. Student loan debt cancelled by the U.S. Department of Education pursuant to the one-time Student Debt Relief Plan announced on August 24, 2022, is not taxable for federal income tax purposes. The Student Debt Relief Plan provides up to $20,000 in debt cancellation to eligible Pell Grant recipients and up to $10,000 in debt cancellation to eligible non–Pell Grant recipients.

G. Child Tax Credit

1. Covid enhancements were not renewed (Revert to 2019 rules)
    a) 2022 Child Tax Credit is $2,000 for each qualifying child
        (1) In 2021 it had been $3,600/$3,000 for children under 6 and 6-17 respectively, with advance payments
    b) Child must be UNDER the age of 17 on 12/31/22 to qualify
    c) Maximum amount that can be claimed as refundable is $1,500 per child (inflation increase from $1,400)

H. Child and Dependent Care Credit

1. Higher expense limits of Covid times were not renewed
    a) For 2022 revert to 2019 rules
    b) Eligible expenses: $3,000 for one and $6,000 for two or more qualifying persons (25%-20%, depending upon income)
        (1) Covid legislation: In 2021 had temporarily been $8,000 for one qualifying person or $16,000 for two or more qualifying dependents (with maximum percentage of 50%)
2. Credit is non-refundable for 2022

I. Earned Income Credit

1. Certain Covid enhancements were not renewed
    a) To claim EIC without a qualifying child Tp must be at least age 25 but under age 65 (if married, at least one spouse must meet the age requirement)

J. Premium Tax Credit

1. ARPA enhancements WERE extended within the Inflation Reduction Act, and thus continue to apply for 2022

K. Virtual Currency Question:

1. The draft 2022 question: "At any time during 2022, did you: (a) receive (as a reward, award, or compensation); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions)"

2. Instructions state the following examples do not, alone, generally require Tp to check "Yes"

    a) Holding a digital asset in a wallet or account

    b) Transferring a digital asset from one wallet/account you own to another wallet/account that you own

    c) Purchasing digital assets using US or other real currency, including through the use of electronic platforms such as PayPal and Venmo

3. The following examples DO require you to check "yes"

    a) Received digital assets as payment for property or services, or as a reward

    b) Received digital assets as a result of mining, stalking, or as a result of a hard fork

    c) Disposing of digital assets in exchange for property or services or in trade for another digital asset

    d) Sold digital assets

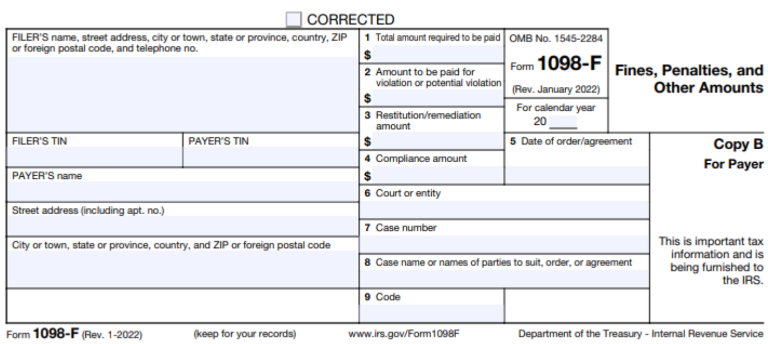
    e) Transferred digital assets for free, such as a bona fide gift

    f) Or otherwise disposed of a financial interest in a digital asset

4. If you received digital assets as compensation for service, report as W-2 wages

5. If you disposed of any digital assets held as a capital asset through a sale, exchange, gift or transfer, check "yes" and report your capital gain on Form 8949 and Schedule D

L. New, Form 1098-F: Fines, Penalties, and Other Amounts (TCJA 2017)

1. Certain governmental entities (such as Wisconsin DOR) are now required to file Form 1098-F if
   - a) Government entity is a party involved in a suit or agreement re: violation of a law over which the government entity has authority
   - b) Suit or agreement becomes binding on or after 1/1/22 and
   - c) Aggregate amount involved in all court orders and agreements is $50,000 or more
2. Due date 1/31 to payor (2/28 (3/31 if filing electronically) to IRS) (of year following binding agreement, similar to 1099s)
3. WDOR gave the example of issuing a notice of amount due to a corporation because of a violation of law: Tax, interest and penalties totaled $55,000, with the total amount listed in Box 1 and the penalty (only) in Box 2
   - a) WDOR must file Form 1098-F with the IRS by above due date
4. 

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

1 Total amount required to be paid $

2 Amount to be paid for violation or potential violation $

3 Restitution/remediation amount $

4 Compliance amount $

OMB No. 1545-2284

Form 1098-F (Rev. January 2022)

For calendar year 20 ____

Fines, Penalties, and Other Amounts

FILER'S TIN

PAYER'S TIN

PAYER'S name

Street address (including apt. no.)

City or town, state or province, country, and ZIP or foreign postal code

5 Date of order/agreement

6 Court or entity

7 Case number

8 Case name or names of parties to suit, order, or agreement

9 Code

Copy B For Payer

This is important tax information and is being furnished to the IRS.

Form 1098-F (Rev. 1-2022) (keep for your records) www.irs.gov/Form1098F Department of the Treasury - Internal Revenue Service

M. 1040X Reminder

1. Amended 1040s can now be filed electronically

N. Penalties

1. Individual: Same penalties for a C Corp
   - a) Failure to File: 5% per month, or portion of a month, not to exceed 25% of unpaid taxes
     - (1) If > 60 days late, minim failure to file penalty is lesser of $435 or 100% of tax due on the return

b) Failure to Pay: .5% per month, or potion of a month, not to exceed 25%

(1) If both penalties apply, credit for the late payment (for 5 months)

(2) Late payment penalty may be reduced to .25% with an approved installment payment plan

2. Penalty relief available due to

a) Reasonable cause—Tp exercised ordinary business care and prudence and circumstances were beyond control, such as

(1) Death, serious illness or unavoidable absence

(2) Fire, casualty, natural disaster or other disturbance

(3) Unable to obtain records

(4) Mistake was made

(5) Erroneous advice or reliance

b) Administrative waiver and first-time penalty abatement

(1) Sample on second last page of this outline

c) Statutory exception

d) If IRS denies request for penalty abatement, 30 days to request reconsideration with IRS appeals office

3. Interest relief is not generally granted,

a) Recent increase in penalty rates

(1) 6% Qtr 4 2022

(2) 7% for individuals, for overpayments and underpayments (Qtr 1 2023)

4. Partnership/ S Corp Late filing

a) $210 for each month or portion of a month (max 12 months) per partner

b) $280 for failure to furnish K-1 ($560 or more if intentionally disregarded), maximum of $3,392,000

5. See Revenue Procedure 84-35 if < 10 partners/S s/h owners for possible abatement where partners were unaware they had a partnership or unaware of the filing requirements and reported the income

O. Fun Facts from irs.gov Statistics page (Spring 2022 Statistics of Income Bulletin, available under Statistics at irs.gov)

Table 1. Individual Income Tax Returns, Preliminary Data for Tax Years 2019 and 2020: Sele Items, by Size of Adjusted Gross Income

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	All returns		
	Tax Year 2019	Tax Year 2020	Percent difference
	(1)	(2)	(3)
Number of returns, total	**159,708,062**	**164,187,262**	**2.8**
Adjusted gross income (less deficit)	**12,162,088,518**	**12,524,081,586**	**3.0**
Salaries and wages:			
Number of returns	132,614,038	130,600,582	-1.5
Amount	8,362,462,946	8,390,686,567	0.3
Taxable interest:			
Number of returns	48,583,228	48,007,435	-1.2
Amount	159,012,870	125,048,893	-21.4
Tax-exempt interest [2]:			
Number of returns	6,237,845	6,434,215	3.1
Amount	60,094,048	78,653,929	30.9
Ordinary dividends:			
Number of returns	28,917,971	30,906,564	6.9
Amount	331,669,428	328,354,410	-1.0
Qualified dividends:			
Number of returns	26,797,566	28,873,920	7.7
Amount	248,004,934	258,943,208	4.4
State income tax refunds:			
Number of returns	4,166,575	3,695,635	-11.3
Amount	10,735,450	4,191,565	-61.0
Alimony received:			
Number of returns	332,906	316,887	-4.8
Amount	10,884,494	9,988,557	-8.2
Business or profession net income less loss (Schedule C):			
Number of returns	27,028,133	27,455,060	1.6
Amount	353,012,362	304,598,033	-13.7
Net capital gain [3]:			
Number of returns	18,038,740	19,337,347	7.2
Amount	961,360,974	1,198,537,628	24.7
Capital gain distributions [3]:			
Number of returns	13,905,039	14,772,459	6.2
Amount	68,950,725	64,777,609	-6.1
Net capital loss:			
Number of returns	7,857,235	9,192,630	17.0
Amount	16,239,133	19,343,761	19.1

1. This is a portion of one chart, which goes on for pages, AND breaks down these same statistics by AGI

   a) For example: 3.8 million returns reported Self Employed health insurance, 490,824 returns included a deduction for Alimony paid and 4.2 million 1040s included a medical expenses deduction on Schedule A and 5 million took a child tax credit

VII. Miscellaneous Tidbits re: Individual Filing

A. Crypto

1. Bipartisan Infrastructure Bill passed 11/21 dictated that for purposes of Sec 6050l crypto is treated as cash
    a) Thus, any trade or business that receives $10,000 or more in physical currency (which now includes crypto) has significant reporting requirements, including Form 8300
        (1) Brokers will have to file 1099s
2. Debate and uncertainty over Crypto for purposes of FBAR (>$10,000) and FATCA (Form 8938 total value of foreign assets >$50,000 on last day of the year or >$75,000 at any point during the year)
3. Capital gains/losses should be reported on Form 8949/Schedule D
4. Mining income is generally considered ordinary income
5. Paying/being paid in crypto should be reported at FMV at date of payment

B. Form 1099-K (Merchant Card and Third-Party Network Payments) (Such as credit cards, PayPal and Venmo)

1. UPDATE: On December 22, 2022, the IRS announced a delay in the lowering of reporting thresholds (Notice 2023-10)
    a) 2022 will now be a transition period
    b) Thus the 2021 thresholds of $20,000 and 200 transactions will now remain in effect for 2022

2. Prior year requirements:
    a) Aggregate amount of payments for goods and services exceeds $20,000 AND more than 200 such transactions

3. STOP NOW ON HOLD: 2022 reporting requirements (ARPA 2021 legislation)
    a) Aggregate amount of payments for goods and services exceeds $600, without regard to the number of transactions
    b) This does not include receipt of payments from family/friends for gifts, reimbursements, etc.
    c) This $600 will not include credits, discounts, fees or returns

d) ?? Note: Bill in Congress attempting to raise the threshold to $5,000

4. Result is that many Tps would have been getting a 1099-K for the first time

   a) Likely will cause recipients confusion

   b) Most casual sellers won't owe tax, assuming they are selling the item for less than their cost basis

      (1) Cost basis refresher:

         (a) Purchased: original cost

         (b) Inherited: FMV on DOD

         (c) Gift: carryover basis (ex: what the donor paid for it)

5. Examples:

   a) Tp sells dining room table on eBay for $1,200. They purchased the table six years ago for $3,500. No taxable income, and the loss on sale of personal items is nondeductible.

   b) Tp who bought Springsteen concert tickets for $150 and sells them for $900 is subject to tax on the $750 profit

6. Not filing 1099-Ks:

   a) Zelle website states it is not subject to 1099-K, and thus Zelle will not be furnishing 1099-Ks

   b) Crowdfunding

      (1) ARPA 2021 clarified that the crowdfunding website or its payment processor was not required to file Form 1099-K with the IRS or furnish it to the person to whom the distributions were made if the contributors to the crowdfunding campaign do not receive goods or services for their contributions

C. Optional Voluntary Identity Protection PINS (IP PIN)

1. Now available to ALL Tps

2. Apply

   a) Online

      (1) Protection begins immediately after enrollment and IP PIN is immediately available for filing

      (2) Application available online mid-January - November

   b) Paper Form 15227

(1) For Tps who cannot verify their identity through the online process

(2) Can take up to 180 days to complete enrollment

(3) Limited to Tps under a certain AGI

c) In person at local TP Assistance Office (make an appointment)

3. Important: Tps who enrolled voluntarily online (only) must got back into their Get an IP PIN application to retrieve their current IP PIN

a) These Tps will not receive the CP 01A notice in early January

b) All others will receive the mailed notice (Issued due to identity theft, Form 15227 or in-person)

4. To receive current year IP PIN (no CP 01A)

a) Access the Get an IP PIN application

b) Call IRS at 800-908-4490

(1) After verifying name and address, notice will be mailed to Tp within 21 days

c) If unable to retrieve the IP PIN, paper file without IP PIN

D. Phishing emails

1. Forward phishing emails with federal tax related content to phishing@irs.gov

2. Forward phishing text messages to 202-552-1226

3. File a complaint with FBI: Internet Crime Complaint Center

E. Missing Stimulus Payments (Covid Economic Impact Payments #1, #2, and #3, 2020 and 2021)

1. Tp may access their IRS Online Account to view the details of payments made to them

2. Tp have reported little luck with Form 3911, which currently has an 11-month processing delay

3. IRS advises the only recourse to locate a missing payment now is by filing an amended 2020 or 2021 return (Recovery Rebate Credit)

F. IRS' First Time Penalty Abatement (Not new, just a reminder)

1. Applies to the following penalties:
   a) Failure to File
   b) Failure to Pay
   c) Failure to Deposit

2. Eligibility:
   a) Must have filed all required returns (none outstanding)
   b) Must have paid or arranged to pay all tax due
      (1) Must be current on installment agreement
   c) Clean payment history for 3 preceding years

3. Applies to one year only
   a) Where penalty applies to two years, abatement will be applied to earlier year, only

4. Administrative: Request via phone (# on the notice) or in writing

5. Sample letter to the IRS requesting abatement: Main paragraphs:

> To whom it may concern:
>
> We respectfully request that the Failure to ______ penalty be abated based on the IRS's First Time Abate administrative waiver procedures, as discussed in IRM 20.1.1.3.6.1, First Time Abate (FTA).
>
> The taxpayer meets all of the first-time penalty abatement criteria as stated below:
> Filing compliance: All required returns have been filed.
> Payment compliance: All taxes have been paid (or an installment agreement is in place and Tp is current on payments).
> Clean Penalty History: The taxpayer has had no prior penalties in any of the prior three Years.
>
> We understand that this type of penalty abatement is a one-time consideration.

G. Reporting for Foreign Financial Assets

1. U.S. Tps are subject to BOTH IRS Form 8938 AND Treasury F114

2. IRS: Foreign Account Tax Compliance (FATCA) Foreign Asset Reporting
   a) Required to file IRS Form 8938 Statement of Specified Foreign Financial Assets if

(1) Specified foreign financial assets of $100,000 on the last day of the tax year or more than $150,000 at any time during the year for MFJ ($50,000 and $75,000 respectively for Single Tps)

(2) If Tp meets these amounts, be sure to file—because it's likely the foreign financial institution is required to report to the IRS

b) Penalties are steep!

(1) $10,000 failure to file

(2) $50,000 if fail to report after being notified by the IRS

(3) Plus, interest and penalties on underpayment of income tax liability attributed to undisclosed foreign financial asset (20% accuracy penalty is increased to 40%)

(4) Statute of limitations extends to six years if return omits gross income from foreign assets of > $5,000

c) Tax return preparers have a due diligence requirement to inquire about foreign financial assets

3. Treasury Department: Report of Foreign Bank and Financial Accounts (FBAR or FinCen Report 114) (Formerly Form TD F 90-22.1)

a) Required if: US individual or entity has financial interest or signing authority over an offshore financial account and value of all foreign financial accounts exceeds $10,000 at any time during the calendar year

b) No income requirement—just the existence of a foreign financial asset over the threshold

c) Due date moved forward to April 15, effective after 12/31/15 with extension available

d) Disclosure required electronically on Treasury Department Financial Crimes Enforcement Network (FinCEN) (Not an income tax return)

(1) Electronic Form 114 http://basefiling.fincen.treas.gov/Enroll_Individual.html

e) Civil penalties for not filing: $10,000 for each non-willful violation; Willful violation > $100,000 or 50% of the account value, per occurrence?????

f) The FBAR filing does NOT relieve an individual of the Form 8938 FATCA requirements (see previous item): Both forms may be required—these are separate agencies

VIII. Retirement Plans/Accounts

A. (December 2019)

1. Reminders of a few random SECURE changes:

    a) Increased required minimum distribution beginning date from 70 ½ to 72

    b) QCDs still at 70 ½

    c) Ended the age 70 ½ contribution limit TO IRAs for seniors still working

    d) Stretch IRAs eliminated for IRAs inherited after 1/1/20

        (1) New shortened distribution period for non-spouse benefits is ten years (with many details and exceptions)

    e) Birth or adoption of a child now exempt from the 10% early withdrawal penalty

B. Reminder that CARES allowed seniors to skip RMDs in 2020 penalty free

1. Ask clients if they have taken ALL required RMDs

    a) In preparing 2021 returns, I noted more than one client who had missed an RMD on smaller accounts

C. SECURE: IRS Delayed RMD Rule (Notice 2022-53, 10/7/22)

1. Transition Relief for inherited IRAs

    a) Inherited IRAs where the decedent was required to take RMDs (that is, they died after their required beginning date), NEW proposed regs now require annual distributions in years 1 – 9

        (1) An interpretation that was a surprise to the estate planning community

    b) No penalties for failure to take RMD in 2021 or 2022, non-spousal beneficiaries who inherited an account due to a 2020 death and the account owner died after the required beginning date

(1) This implies that there will be annual required minimum distributions in 2023 and beyond

c) Proposed Regulations, apply to distributions on or after 1/1/22

d) Note: The regulations are not final—this annual RMD provision could still change

D. Roth Conversions

1. Amount converted is taxed as ordinary income
   - a) Preferable to pay the tax with outside funds, to maximize the benefit of the conversion

2. Benefit of the Roth
   - a) Future growth of the account is tax free
   - b) No RMDs for original owner
   - c) Paying tax sooner, hopefully at a lower rate on a smaller amount

3. Who should consider a Roth Conversion?
   - a) Believe future tax rate will be higher than current rate
     - (1) Popular window: Recently retired: Retirement to age 72 (when RMDs may lift
     - (2) Unusually low taxable income (Ex: Business loss)
     - (3) Very wealthy families: Consider multi-generational (heirs will be at a higher rate)
   - b) Ability to pay the tax from outside funds

4. Back Door Roth Conversions
   - a) Contribute to a traditional IRA (earned income), and immediately convert to Roth
   - b) Important: Tax-free only if IRA owner has no existing Traditional, SEP or SIMPLE IRAs
     - (1) If existing IRA, then a portion of the conversion is taxable
   - c) Note: Provisions in the Build Back Better Act (which did *not* pass) would have eliminated this technique—so the technique has been on the chopping block once, which means it is at risk in the future

d) Five-year rule: Penalty if conversion is withdrawn within five years; earnings taxable if owner does not meet qualifications (Roth IRA for at least 5 years and withdrawal exception met (59 ½, disability, first time home buyer, birth/adoption of a child)

E. CARES Act Hardship IRA Distributions

1. $100,000 maximum 2020

2. Tp could choose to repay all of the funds over three years or pay the tax over 3 years

   a) 2020, 2021 and 2022

   b) Form 8915-E

   c) Amended returns could be necessary if Tp paid back amounts previously reported

F. IRS Revised Life Expectancy Tables

1. Updated the previous 2002 tables

2. New tables were effective for 2022

IX. Miscellaneous Estate/Gift

A. Annual Gift Tax Exemption

1. Increases from $16,000 to $17,000 for 2023

B. Lifetime Estate and Gift Tax Exemption

1. Exemption for 2022 is at $12.06 million, or $24.12 million for couples where portability election has been timely filed

2. This TCJA increase sunsets in 2025

   a) In 2026 exemption drops back to prior law's $5m cap, which after inflation adjustment is expected to be about $6.2m

C. Late Portability Election Relief (Rev Proc 2022-32, 7/8/22)

1. Relief extended to five years following date of death

2. For small estates not otherwise required to file an estate return (filing solely for the portability election)

3. IRS modified late relief to reduce the number of PLRs flooding in

4. File Form 706 after the death of the first-to-die spouse

X. Selected Business Topics

A. Standard Mileage Rates Increased Mid-Year 2022

Cents per mile

	2023	2022 2nd 6 mths	2022 1st 6 mths	2021	2020	2019
Business	65.5	62.5	58.5	56	57.5	58
Medical/Moving*	22	18	18	16	17	20
Charitable	14	14	14	14	14	14

*Moving: For purposes of qualified active duty members of the Armed Forces

B. Temporary 100% Deduction for Business Meals Provided by a Restaurant (Consolidated Appropriations Act and IRS Notice 2021-25)

1. Temporary allowance of full cost of business meals: 100% for food or beverages from restaurants

2. Effective 2021 and 2022 (only) temporary increase from 50% to 100%

3. Details:

    a) Does not apply to food purchased from grocery stores, specialty food stores, or stores that sell predominantly pre-packaged food for later consumption etc.

    b) Note, use of the word “by” a restaurant, not “in” a restaurant

        (1) Thus the meals do not need to be eaten on the restaurant’s premises to qualify

    c) An employee must be present, and expense may not be lavish or extravagant

C. Depreciation

1. 179 Expense Limitation

    a) 2022 §179 limit is $1,080,000 on purchases limited to $2,700,000; up from $1,050,000 in 2021

    b) 2023 §179 limit will be $1,160,000 on investments limited to $2,890,000

    c) Wisconsin conforms to Federal on the §179 deduction

2. Bonus Depreciation (TCJA)

   a) Federal: 100% bonus depreciation expense on short lived new & used machinery and equipment purchased and placed in service 9/28/17 - 1/1/23 with phase out over 4 years thereafter

      (1) Property acquired 9/28/17 – 12/31/22 100%

      (2) 2023 80%

      (3) 2024 60%

      (4) 2025 40%

      (5) 2026 20%

      (6) 2027 None

   b)  Wisconsin DOES NOT conform to Federal for Bonus Depreciation

      (1) Creating an add back of the federal bonus depreciation on current year additions and deducting annual depreciation on prior year additions where bonus had previously been taken for federal purposes

3. Qualified Improvement Property (QIP) (CARES, as a technical fix for TCJA omission)

   a) CARES defines all QIP as 15-year property, thus allowing qualified leasehold improvements to be deducted in the year incurred under 100% bonus depreciation

      (1) QIP Definition (post 2017): An improvement to an interior portion of a non-residential real property building, placed in service AFTER the building has been placed in service

         (a) Excluding: enlargement, elevator, escalator, load bearing internal structural framework,

   b) 2021 Tip: There was a benefit to adopt for property placed in service under prior returns (39-year vs immediate expensing), consider

      (1) Amending prior return or

      (2) Filing Form 3115 Change in Accounting Method Change in current year or

      (3) Administrative Adjustment Request (for partnerships under the centralized audit regime)

      (4) Guidance provided in Rev Proc 2020-25

   c) Note: Wisconsin has adopted this provision, though Wisconsin does not allow bonus depreciation

D. Business Interest Expense Limitation (TCJA and CARES)

1. Business interest deduction limited to sum of
    a) Business interest income
    b) 30% of ATI &
    c) Floor plan financing interest
2. Depreciation is no longer an addback in computing ATI, beginning in 2022
3. Small business not subject to limit, nor are electing real property nor farming businesses
    a) Small business exception: Average annual gross receipts < $25 million (inflation adjusted)

E. NOLs (TCJA and CARES)

1. Temporary five-year carryback period applied for NOLs arising in 2018, 2019, 2020
2. NOLs generated in 2021 and 2022 return to prior law and may only be carried forward
    a) No carryback and 80% limitation

F. Corporate Transparency Act

1. Most closely held LLCs and corporations will have to report beneficial owners beginning in 2024
    a) > 25% ownership interest, substantial control
    b) $500 per day penalty for willful failure to file
2. Nice article in spring WICPA magazine

G. New Last Year: Schedule K-2 and K-3 (19 and 20 pages, respectively!)

1. Note: This topic is well outside the scope of this tax session, so no guidance from the entity perspective here, only a few basic facts

2. These schedules replace, standardize, supplement and clarify information formerly reported over a multitude of forms

    a) Intended to assist partners and S S/H in preparing their own tax filings

        (1) Schedule K-2 is an extension of Schedule K

        (2) Schedule K-3 is an extension of Schedule K-1

    b) All of this information had been required before, these forms provide for uniform reporting

        (1) Only applicable sections of each form need be completed

3. See IRS Notice 2021-39 and the form instructions for transition relief applicable for 2021

    a) These two schedules were required for all pass throughs for 2021, though IRS provided relief for 2021 filings on 2/16/22

        (1) Exception provided if TP had no foreign partners, no foreign activity, 2020 Schedule K-1 did not report info on the foreign activity lines AND entity had no knowledge that the owners were requesting such info for the 2021 tax year

    b) Thus, partners and S shareholders may not have received a K-2/K-3 in 2021

4. 2022 year

    a) No penalty relief for 2022

    b) Limited permanent exceptions from filing (See FAQ) and simplification of FTC reporting

    c) Hot off the Press: Revised K-2 and K-3 instructions just released in December 2022

        (1) Changed the due date of the partners notice from a hard "January 15, 2023" to a more flexible "1-month before the entity files the 2022 return"

        (2) Valid partner notification may be provided to the partners as a statement included with their timely issued K-1s

(3) Partners and S Shareholders will receive a notice from their partnership or S Corporation which requires them to reply to the entity stating they do/do not require a Form 1116 on their personal return, and thus do/do not require a Form K-3

H. Fun Facts from the IRS statistics page:

Figure C

Partnership Returns: Number of Partnerships and Partners, by Number of Partners per Partnership, Tax Year 2020

Number of partners per partnership	Total number of partnerships	Partnerships with $100,000,000 or more in assets	
		Number of partnerships	Percentage of total
	(1)	(2)	(3)
Number of partnerships, total	**4,280,690**	**43,982**	**1.0**
Number of partners per partnership:			
Less than 3	2,443,586	10,868	0.4
3 less than 5	1,088,910	9,518	0.9
5 less than 10	480,989	6,343	1.3
10 less than 20	133,880	4,245	3.2
20 less than 30	53,133	2,402	4.5
30 less than 40	23,875	1,729	7.2
40 less than 50	18,407	1,277	6.9
50 less than 60	8,722	1,070	12.3
60 less than 70	5,524	758	13.7
70 less than 80	4,220	904	21.4
80 less than 90	1,872	578	30.9
90 less than 100	2,137	495	23.2
100 or greater	15,433	3,795	24.6
1,000 or greater [1]	379	294	77.6

1. Other partnership statistics from the Fall 2022 Statistics of Income bulletin, available at IRS.gov, including:

   a) LLC accounted for 70.6% of partnership returns

   b) Limited partnership represented just 10.5% of all 1065s, but reported 28% of income and had the largest share of partners (34.9%)

   c) Real estate and rental and leasing accounted for 50% of partnership returns

XI. Wisconsin: New and Recent Legislation, Selected

A. Wisconsin follows the IRC as of 12/31/20, with certain exceptions

1. Depreciation & amortization using IRS in effect on 1/1/14, with certain exceptions
   a) Notably, Wisconsin does not follow bonus depreciation, though it does follow Federal 179
2. See Wisconsin Tax Bulletin 212 and Schedule I for more details and explanations of Federal/Wisconsin differences
3. Consider all of the Federal legislation which has passed since 12/31/20, including much Covid legislation etc.
   a) Earned income credit enhancements (from ARPA) not applicable in Wisconsin
      (1) Federal: Investment income limit was raised to $10,000 (adjusted annually for inflation); Wisconsin remains at $3,800 for 2022
      (2) Federal ARPA allows certain married individuals to claim EIC (Files separately from spouse and lives apart from spouse for the last 6 months of the year or has a divorce/separation agreement by end of the tax year
   b) ARPA Excess business loss limitations (IRC 461(l)) now extended for federal purposes through 12/31/28—this provision was never adopted by Wisconsin
   c) Student loan forgiveness

(1) Federal ARPA provided certain student loans discharged in tax years 2021 – 2025 are excluded for federal purposes

(2) Wisconsin follows law as of 12/31/20 which excludes only student loan discharges on account of death or total and permanent disability

(a) Also, Wisconsin follows the forgiveness exclusion for certain professions (public service loan forgiveness program)

(3) **??** Under Federal guidance, no 1099-Cs will be issued for student loan forgiveness

(a) Per Wisconsin, forgiveness is a Schedule I addback

(b) Does this mean the tax preparer is responsible to ask each client if they have had student loans forgiven??

B. Military Pay Subtraction (2021 Wis Act 58)

1. Subtraction for basic, special or incentive pay received from the federal government under 37 USC chapters 3 and 5 while the individual is on active duty in the US Armed Forces

2. Subtraction allowed for ACTIVE-duty military pay; not allowed for inactive duty training (drill pay)

3. Effective 2021

4. See also NEW Publication 128, Wisconsin Tax Information for Military Personnel and Veterans or Fact Sheet 1118

C. Wisconsin Same as Federal:

1. Wisconsin follows the mid-year change to the Federal 2022 mileage rates

2. Increase to educator expenses $300

3. Medical expense 7.5% floor

4. Charitable contributions Wisconsin = Federal (since there is no special above the line deduction of $300/$600 in 2022, as there was in 2020 and 2021)

5. Transportation fringe benefits, excludable from employee 2022 wages

a) $280 per month for qualified parking

b) $280 per month for commuter highway vehicle transportation and transit passes

D. Restaurant Revitalization Grants (paid from 2021 ARPA funds) are excluded from income (2021 Wis Act 156, effective tax years beginning after 12/31/20)

1. Income received from these grants is taxable for federal purposes, exempt for Wisconsin,

2. Expenses paid with the grant money are fully deductible

E. Wisconsin Help for Homeowners (paid from 2021 ARPA funds)

1. Financial assistance with housing related bills (mortgages, property taxes, utilities,)

   a) Assistance is not includable in federal nor Wisconsin income

   b) Expenses paid with the funds, such as mortgage interest or real estate taxes, not deductible (as federal itemized deduction nor for the Wisconsin itemized deduction nor school property tax credits)

   c) Homestead Credit

      (1) Amounts received for assistance is not included in household income for purposes of the homestead credit and property taxes paid with the assistance may be eligible for the credit, since there is no requirement that the property taxes be paid by the claimant

F. Child and Dependent Care Credit (2021 Wis Act 58)

1. NEW Effective tax year 2022

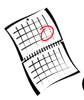
2. The previous subtraction has been replaced by a credit

3. Credit allowed equal to 50% of the federal child and dependent care credit (IRC 21)

4. Not available to part-year or non-residents; If married must file joint return unless considered not married

5. Credit appears on line 14, between the Itemized Deduction Credit and School Property Tax Credit:

12	Tax (see table on page 37)		12
13	Itemized deduction credit. Include Schedule 1, page 4	13	.00
14	Additional child and dependent care tax credit (see page 17)		
	Federal credit ▶ .00 x 50% =	14	.00
15	School property tax credit		
	a Rent paid in 2022 – heat included .00; Rent paid in 2022 – heat not included .00 — Find credit from table page 19	15a	.00
	b Property taxes paid on home in 2022 .00 — Find credit from table page 20	15b	.00
16	Working families tax credit (see page 20)	16	.00
17	Married couple credit. Include Schedule 2, page 4	17	.00



G. Capital Loss Deduction (2021 Wisconsin Act 157)

1. Effective 2023

2. Wisconsin capital losses limit will be increased to the federal limit of $3,000, changed from the current $500 limit

3. Applies to individuals, and pass-through entities making the entity-level election

4. So, many Tps will have different Federal and Wisconsin loss c/f for the next few years, but eventually these old loss c/f should even out, and all new loss c/f will be the same for Federal and Wisconsin purposes

H. Recent Wisconsin Litigation

1. Gambling Losses (Julie Chier v WDOR, Wis Tax Appeals Commission, March 23, 2022)

   a) Tp claimed to be a professional gambler, but didn't follow the steps one would take as a business (separate bank account, books & records, business plan, etc.)

   b) Tax Appeals Commission concluded that DOR was correct in disallowing status as a professional gambler (losses had been reported on Schedule C) and allowed certain of the losses that had been substantiated with casino records

(1) Reminder: Gambling winnings of a recreational gambler are reported on Form 1040 as an Other Income and losses are reported as Miscellaneous Itemized Deduction on Schedule A for federal purposes

(a) And Wisconsin does not allow gambling losses for the Itemized Deduction Credit

c) Write up of this case at Wisconsin Tax Bulletin 217, April 2022

I. College Savings Subtraction (EdVest) $3,560 ($1,780 MFS) (Up from $3,380 in 2021)

J. Wisconsin Tuition and Fees Subtraction

1. See Phase out: MFJ $96k-$120k; S $60k-$72k; MFS $48k-$60k

2. Subtraction is $6,976 (A whopping $3 increase from 2021)

3. Reminder: Qualified Wisconsin schools only

XII. Wisconsin: Procedures and Miscellaneous

A. Form 1, line 1, will now actually equal Federal AGI, before Schedule I adjustments:

1. Form 1: 2021

1	Federal adjusted gross income (see page 12)	1	.00

2. Form 1: 2022

1	Federal adjusted gross income from Form 1040, line 11	1	.00
2	Adjustments to federal adjusted gross income from Schedule I, line 3 (see page 13)	2	.00
3	Add lines 1 and 2. This is your federal adjusted gross income for Wisconsin purposes	3	.00

B. Other DOR Form Changes

1. DOR tax update lists other form changes, none of which are monumental

2. Paper filed trust returns now have a new address for mailing (separate PO Boxes for Tax Due and Refund)

C. DOR Reminder:

1. Credit for Taxes Paid to Another State does not apply to wages earned from reciprocity state (Illinois, Indiana, Kentucky, and Michigan)

2. If Tp has other state's taxes withheld, must file with that state to obtain a refund of the withholding

D. Qualified Opportunity Fund (QOF)

1. Wisconsin follows federal tax benefits

2. In addition, Wisconsin has its own QOF zones which result in additional Wisconsin subtraction or basis modification

3. See Fact Sheet 1121 or DOR FAQ for more info on procedures

E. Married Couple Credit

1. Exclude nontaxable wages from the credit computation, such as active military pay

F. DOR warns of a potential for processing delay on refunds of returns with a credit passed through where partnership or S Corp has not yet filed

G. DOR Communicating Electronically

1. New for 2022 Tps who file electronically the DOR is requesting an e-mail address for both Tp and spouse, along with consent to contact Tp via email This request is separate from the email address to consent to receiving the 1099-G electronically

H. New Credit Card Processor

1. DOR changed vendors and expects credit card payments to be much easier under the new system with slightly reduced fees

I. New Audit Web Page

1. https://www.revenue.wi.gov/Pages/ISE/audit.aspx

2. Contains links and communication tools

J. Tax Software

1. DOR is advising us to delete unused proforma information rolled forward from a prior year, such as a W-2 for a former employer

K. My Tax Account (MTA): DOR is encouraging Tps to register an MTA for personal users

1. Electronic notice delivery, make/view/cancel estimated tax payments, and more
2. Third Party Access coming (Must have valid POA on file)
3. Optional Identity PINS available through My Tax Account (Effective for 2021 returns)
    a) Once enrolled, must use Wisconsin Identity PIN on all future returns
    b) Practitioners cannot register for My Tax Account and request PIN on client’s behalf—taxpayer mist sign up themselves
    c) For more info:
        (1) https://www.revenue.wi.gov/Pages/FAQS/IP-PIN.aspx
4. MTA: My Case Manager to help make the audit process smoother
    a) See Publication 701, My Case Manager User Guide

L. Federal Changes

1. Reminder: If the IRS has changed your federal return, you have 180 days to notify Wisconsin DOR of the change (this increased in 2021 from 90 days)

M. Wisconsin Practitioner (only) Contact Info

1. DORTaxPractitioners@wisconsin.gov
2. 608-264-6886

N. Wisconsin filing due date

1. Now correspond to the federal due date, not including extensions (Act 1, 2021)
2. That is, rather than a specific date

O. Fun Statistics from DOR Tax Update:

2021 Filing Season Statistics

Tax Type	Returns Filed	eFile Rate
Corporation Franchise (4, 4H 5S, 6)	43,830	88.2%
Fiduciary (2, 4T, Schedule CC)	61,552	75.1%
Individual Income (1, 1NPR, Schedule H, H-EZ and X-NOL)	3,286,892	**90.7%**
Pass-Through (1CNS/1CNP, 3, 5S, PW-1)	202,845	96.3%
Sales (ST-12)	956,904	97.2%
Withholding (WT-6, WT-7)	488,441	97.8%

DOR Initiatives – ID Verification

	FY22	FY21	FY20	FY19
Returns Evaluated	3,150,305	3,010,713	2,875,034	3,087,501
Quizzes Required	4,360	2,029	3,083	2,591
PINs Required	56,373,	36,078	36,480	49,919
ID Docs Required	6,870	2,746	4,931	7,725
ID Docs Reviewed	5,760	2,186	6,597	8,959
Total ID Verification Actions Required	67,603	40,853	44,944	60,235
% of Returns Evaluated Requiring ID Verification	2.15%	1.36%	1.55%	1.95%
Refunds Denied for Failure to Verify ID	10,985	2,854	12,198	23,481

Fund	Donation Amount	Use of Donations
Endangered Resources Fund	$351,046	Protect and manage native plant and animal species, natural communities, and other natural features
Cancer Research Fund	$195,178	Donations divided equally between the Medical College of Wisconsin, Inc., and University of Wisconsin Carbone Cancer Center for cancer research projects
Veterans Trust Fund	$118,050	Used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents
Multiple Sclerosis Fund	$85,024	Forwarded to the National Multiple Sclerosis Society for distribution to Wisconsin entities that operate health-related programs for people in Wisconsin with multiple sclerosis
Military Family Relief Fund	$133,129	Used by the Wisconsin Department of Military Affairs to provide financial aid to eligible immediate family members of Wisconsin residents on active duty in the U.S. Armed Forces or National Guard
Second Harvest/Feed America Fund	$300,369	Donations divided as follows: 65% to Feeding America Eastern Wisconsin (located in Milwaukee); 20% to Second Harvest Foodbank of Southern Wisconsin (located in Madison); and 15% to Feed My People (located in Eau Claire). The food banks provide food to food pantries, meal programs, shelters, and soup kitchens throughout the state
Red Cross Wisconsin Disaster Relief Fund	$144,881	Used by the American Red Cross for Wisconsin disaster relief
Special Olympics Wisconsin Fund	$121,151	Forwarded to Special Olympics Wisconsin, Inc.

P. Source: Wisconsin Tax Bulletin 218, July 2022

Commonly Used Individual Franchise/Income Tax Credits, Tax Year 2020				
Individual Income Tax Credits	**Number of Claimants Using Credit**	**Amount of Credit Used**	**Credit Available**	**Credit Carried Forward**
School property tax credit	1,758,963	$430,249,715	$504,688,959	No carryforward
Taxes paid to other states credit	78,000	$387,037,455	$394,106,581	No carryforward
Itemized deduction credit	573,650	$268,920,645	$485,277,722	No carryforward
Manufacturing credit	5,746	$259,128,659	$456,349,827	$197,221,168
Married couple credit	627,998	$257,299,915	$261,368,046	No carryforward
Earned income credit	216,796	$85,994,046	Refundable	
Homestead credit	112,492	$54,562,798	Refundable	
Veterans and surviving spouses property tax credit	12,118	$40,079,356	Refundable	
Nonrefundable research expense credit	3,394	$21,595,964	$52,055,330	$28,946,495
Enterprise zone jobs credit	316	$17,399,145	Refundable	

1.

Commonly Used Corporate Franchise/Income Tax Credits, Tax Year 2019				
Corporate Tax Credit	**Number of Claimants Using Credit**	**Amount of Credit Used**	**Credit Available**	**Credit Carried Forward**
Manufacturing credit	452	$86,231,481	$175,058,596	$88,827,115
Enterprise zone jobs credit	18	$52,900,818	Refundable	
State historic rehabilitation credit	36	$46,878,490	$61,345,108	$14,466,618
Nonrefundable research expense credit	464	$44,877,091	$570,089,443	$525,212,352
Refundable research expense credit	506	$10,499,651	Refundable	
Research expense credit, internal combustion	10	$6,438,064	$70,856,432	$64,418,368
Business development credit	28	$5,101,236	Refundable	
Economic development credit	16	$2,889,925	$24,935,835	$22,045,910
Agricultural credit	90	$2,256,465	$4,287,513	$2,031,048

XIII. Wisconsin: Selected Business Updates

A. See 2021 Wisconsin Act 258 effective 4/17/22 for various changes to partnership, corporations and LLCs and various provisions (ex: business entity conversions, mergers, etc.) Wis will treat same as fed

B. Pass-through Entity Audits (Wis 2021 Act 262)

1. Wisconsin will conduct the audit at the trust, partnership and S Corp level instead of at the beneficiary, partner or shareholder level
2. Wisconsin 'may' assess at the entity level, giving some ability to work with entity/individual
    a) Entity level assessments will be 7.65% for direct owners that re individuals, estates and trusts; 7.9% for income otherwise reportable by direct owners that are corporations and partnerships
3. Read the new implementation rules in this Act if you have pass through entity elections, appeals, elections, entity representative etc.
    a) Or for a good summary, view the DOR 2022 Wisconsin Tax Update slide deck
        (1) https://www.revenue.wi.gov/Documents/2022-Wisconsin-Tax-Update-Slides.pdf
        (2) Or DOR website FAQ https://www.revenue.wi.gov/Pages/FAQS/ise-pte-audit.aspx
        (3) Or Wisconsin Tax Bulletin 217, April 2022 pp 2-6

C. Pass-through Withholding

1. Litigation: RADS Partnership et al vs Wis DOR (Wis Tax Appeals Comm 8/16/22)
    a) California partnership which invested in real estate in Wisconsin; all partners and trust beneficiaries were CA residents
    b) Ordinary losses in 2006 – 2013; income (Sec 1231 gain) for 2013
    c) Summary of the case: If you want to claim prior year losses against current year income, the loss returns must be timely filed (4 years from unextended due date)

d) Failure to file the loss returns, means Tp can't use the losses against the current year income; failure to withhold on out of state partners' income or pay the fiduciary tax, means trouble (in the form of taxes, interest and penalties)

2. Litigation: MacKinney Systems vs Wis DOR (Wis Tax Appeals Comm, 3/16/22)

a) Facts: S Corporation with employees in Missouri, non-resident shareholders, licensed canned computer software to customers in Wisconsin

(1) No physical Wisconsin presence

(2) >$100,000 in revenue from Wisconsin customers

(3) Did not file Wisconsin income/franchise tax returns nor pass-through withholding taxes

b) Tax Appeals Commission concluded the Tp was a pass-through entity with nonresident s/h which was doing business in Wisconsin (licensing canned software, providing technical support, enhancement and fixes) and was therefore subject to pass-through withholding tax

(1) Tax Commission also noted that the withholding tax is different form income/franchise tax—withholding is required even if the nonresidents do not have a Wisconsin income tax filing requirement

D. Wisconsin Manufacturing Credit

1. Litigation: The Graphic Edge, Inc, Wis Tax Appeals Comm, 12/10/21

a) Facts: Wisconsin manufacturer, sold/disposed of two pieces of printing equipment used in the business & subject to depreciation recapture

b) Tp claimed Mfg/Ag Credit of $7,950, which the DOR disallowed

c) Commission sided with the DOR and removed the 4797 gain and depreciation recapture from the production gross receipts in the Mfg Credit computation

E. Form 3 & 5S: New checkbox to indicate if reorganized

F. STOP Pandemic Relief for Remote Workers has Expired

1. Remote employees now create nexus in Wisconsin and most other states for purposes of sales/use tax and income/franchise taxes

G. Unclaimed Property Reporting

1. Overhaul to Wisconsin's Unclaimed Property laws (2021 Wis Act 87, effective 11/7/2021)

2. Unclaimed property is generally a financial asset belonging to an individual, business owner, or government that hasn't had owner activity for a specified period of time (varies by property type) and the holder is unable to contact the owner

   a) Examples: Uncashed checks, safe deposit contents, etc.

   b) The holder must report and remit the property to the DOR who acts as custodian

   c) The DOR has an auto-matching program which compares unclaimed property information to tax records and automatically pays the owner if the value is < $2,000 or sends a letter to submit a claim where the value is > $2,000

3. Reports are due annually on November 1st for the prior fiscal year (July 1 – June 30)

4. Voluntary Disclosure program currently in effect through February 28, 2023

   a) See DOR Unclaimed Property page for details and to apply

      (1) https://www.revenue.wi.gov/Pages/UnclaimedProperty/Home.aspx

   b) Statistics: As of mid-October 283, agreements have been completed and over 10,900 started

5. New law reduced the maximum fee a locator service may charge from 20% to 10% of the actual value of the property

H. Manufacturing Property Assessment

1. M Forms will be filed through My Tax Account effective for 2023

I. **Fun Statistics:** (Source: WDOR Tax Update slide deck, referenced above)

Entity-Level Tax Elections – Filing Stats

Tax-Option (S) Corporations (Form 5S)	2019	2020	2021
Returns filed	81,517	80,602	76,437
Entity-level tax elections filed	2,992	4,076	5,281
Percent of entity-level tax elections filed	3.67%	5.06%	6.91%

Partnerships (Form 3)	2019	2020	2021
Returns filed	79,885	80,432	79,366
Entity-level tax elections filed	1,495	2,010	2,654
Percent of entity-level tax elections filed	1.87%	2.50%	3.34%

XIV. Tax Professionals

A. PTIN Renewal

1. $30.75 this year

2. Double check the number of returns processed under your PTIN while you are in your account, to be sure someone else wasn't scamming the IRS under your PTIN

3. Tax professionals with a Roadrunner email address are reporting issues

    a) Call 1-877-613-7846 to renew, or paper file

B. Written Information Security Plan (WISP)

1. Security Summit partners released sample security plan designed to help small practitioners protect their data and information, August 2022

    a) IRS Publication 5708, Creating a Written Information Security Plan for your Tax & Accounting Practice

        (1) 29-page document created by members of the Security summit including tax professionals, software and industry partners, representative s from state groups and the IRS

C. Form 8822-B Change of Address or Responsible Party

1. File this Form with the IRS to change the responsible party

2. Failure to file the Form may result in unexpected consequences:

    a) Example: You are a Controller and leaving for a new job or you are the owner and sell the business. Responsible party penalties could be assessed on YOU if the successor fails to remit payroll tax deposits!

XV. DISCLAIMER

This material contains current legislation and updates through December 4, 2022 with an update for the Consolidated Appropriations Act 2023, signed 12.29.22 and the IRS' delay of the 1099-K threshold. Great effort has been made to offer the most current, correct and clearly stated information herein.

This outline is written in general terms and is not intended to be all-inclusive—only selected provisions were discussed, in summary format. There are MANY, many details not included here.

This outline is written for professionals with a general knowledge of tax law and intended to give participants basic information on changes to the more common areas of tax law affecting individuals and is intended to serve as a springboard for the participants' own personal study and research, and is not a substitute for professional research, nor should it be used as a basis for any decision or action. Participants are encouraged to conduct their own independent research as the impact and application of tax law can vary widely from case to case based upon unique facts and circumstances. Sites have been provided to guide you to the appropriate legislation for further reading.

The information provided in this outline is intended as general guidance and not intended to serve as legal, accounting or tax advice under Circular 230.

While all reasonable care has been taken in the preparation of this outline, the author accepts no responsibility for any errors it may contain or for any losses sustained by any person or entity relying on this outline.

That is: consult your tax advisor!

APPENDIX A: Numbers to Know

	2023	2022	2021	2020	2019	2018	2017
RELATING TO STANDARD DEDUCTION AND PERSONAL EXEMPTION							
Standard Deduction							
Single		$ 12,950	$ 12,550	$ 12,400	$ 12,200	$ 12,000	$ 6,350
Married Filing Joint, surviving spouse		25,900	25,100	24,800	24,400	24,000	12,700
Head of Household		19,400	18,800	18,650	18,350	18,000	9,350
Married Filing Separate		12,950	12,550	12,400	12,200	12,000	6,350
Additional Standard Deduction for Elderly & Blind							
Unmarried and not a surviving spouse		1,750	1,650	1,650	1,650	1,600	1,550
Married (each) and surviving spouse		1,400	1,350	1,300	1,300	1,300	1,250
Dependent of another		n/a	n/a	n/a	n/a	n/a	1,050
2017: Greater of $1,050 or $350 plus earned income, limited to reg std ded							
Personal & Dependency Exemption		$0	$0	$0	$0	$0	4,050
Tracking, for other areas of the code		4,400	4,300	$ 4,300	$ 4,200	$ 4,150	
Haircut Phase-outs Begin at AGI of							
Itemized Deductions (Pease Limitation)							
MFJ	n/a	n/a	n/a	n/a	n/a	n/a	313,800
HH	n/a	n/a	n/a	n/a	n/a	n/a	287,650
S	n/a	n/a	n/a	n/a	n/a	n/a	261,500
MFS	n/a	n/a	n/a	n/a	n/a	n/a	156,900
Personal Exemptions Phase out range (PEP)							
MFJ: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	313,800
MFJ Ending	n/a	n/a	n/a	n/a	n/a	n/a	436,300
S: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	261,500
S: Ending	n/a	n/a	n/a	n/a	n/a	n/a	384,000
HOH: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	287,650
HOH: Ending	n/a	n/a	n/a	n/a	n/a	n/a	410,150

PEP & Pease limitations are scheduled to return after 2025 (TCJA)

**** Please Note: Every effort was taken to ensure accuracy of the above figures including updating for new legislation. However, accidents can and do happen. Please use these figures for general purposes only and complete your own independent research before making any decisions based upon these figures. Facts are based upon current law at 12/30/2022--based upon information widely available at this time.***

	2023	2022	2021	2020	2019	2018	2017
RELATING TO INCOME, RATES, CREDITS							
Foreign Earned Income Exclusion	120,000	112,000	$ 108,700	$ 107,600	$ 105,900	$ 104,100	$ 102,100
Earnings Ceiling for Social Security							
Below full retirement age ($1 in benefits w/h for every $ in earning	21,240	19,560	18,960	18,240	17,640	17,040	16,920
Year full retirement age reached	56,520	51,960	50,520	48,600	46,920	45,360	44,880
Full retirement age	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
FICA Taxable Wages							
OASDI (6.2%) Wage Limit	$ 160,200	$ 147,000	$ 142,800	$ 137,700	$ 132,900	$ 128,400	$ 127,200
	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Medicare (1.45%)	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
SE Tax: Same wage limits, double the rates							
Maximum SS Benefits for Working Retiring at Full Retirement Age	$3,627/mth	$3,345/mth	$3,148/mth	$3,011/mth	$2,861/mth	$2,788/mth	$2,687/mth
Maximum SS Benefits for Working Retiring at age 62	$2,572/mth	$2,364/mth		$2,265/mth	$2,209/mth	$2,158/mth	$2,153/mth
Medicare Surcharge Thresholds (Earned Income .9% and NIIT 3.8%)							
Single, Head of Household	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Married Filing Joint	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Married Filing Separately	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Note: These thresholds are not indexed for inflation							
Capital Gains Rates (Excluding NIIT)							
0%		MFJ < $83,350	MFJ < $80,000	MFJ < $80,000	MFJ < $78,750		
15%		S $41,676-459,750	S $40,401-445,850	S $40,000-441,450	S $39,376-434,550		
20%		MFJ > $517,200	MFJ > $501,6001	MFJ > $496,601	MFJ > $488,850		
Kiddie Tax on Unearned Income		2,300	2,200	2,200	2,200	2,100	2,100
$1,150 exemption and $1,150 at their own rates = $2,300							
AMT Exemption							
Single, Head of Household		75,900	73,600	72,900	71,700	70,300	54,300
Married Filing Jointly or Qualifying Widow(er)		118,100	114,600	113,400	111,700	109,400	84,500
Married Filing Separate		59,050	57,300	56,700	55,850	54,700	42,250
Child Tax Credit	2,000	2,000	3,000/3,600	2,000	2,000	2,000	1,000
Phase-out for Child Tax Credit ($2,000 in 2021)			*Temp*				
MFJ Begins	400,000	400,000	400,000	400,000	400,000	400,000	110,000
S, HH Begins	200,000	200,000	200,000	200,000	200,000	200,000	75,000
MFS Begins	200,000	200,000	200,000	200,000	200,000	200,000	55,000
Family Tax Credit (Non-minor dependent)	500	500	500	500	500	500	n/a

	2023	2022	2021	2020	2019	2018	2017
RELATING TO CREDITS, continued							
Savers Credit, Max, MFJ		2,000	2,000	2,000	2,000	2,000	2,000
Phase-out cutoff for Saver's Credit							
MFJ phase-out ends		68,000	66,000	65,000	64,000	63,000	62,000
HH ends		51,000	49,500	48,750	48,000	47,250	46,500
S, MFS ends		34,000	33,000	32,500	32,000	31,500	31,000
Adoption Credit	15,950	14,890	14,440	14,300	14,080	13,840	13,570
Also Adoption Assistance W-2 exclusion		*Phase out*	*$223,410-263,410*				
Estimated Tax Payments AGI > 150,000	110%	110%	110%	110%	110%	110%	110%
RELATING TO EDUCATION							
American Opportunity Credit (Hope Credit) Max	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
Phase-out Range for American Opportunity Credit							
MFJ Beginning	160,000	160,000	160,000	160,000	160,000	160,000	160,000
MFJ Ending	180,000	180,000	180,000	180,000	180,000	180,000	180,000
S, HH: Beginning	80,000	80,000	80,000	80,000	80,000	80,000	80,000
S, HH: Ending	90,000	90,000	90,000	90,000	90,000	90,000	90,000
No credit for MFS							
Lifetime Learning Credit, Max	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Phase-out Range for Lifetime Learning							
MFJ: Beginning	160,000	160,000	160,000	118,000	116,000	114,000	112,000
MFJ Ending	180,000	180,000	180,000	138,000	136,000	134,000	132,000
S, HH: Beginning	80,000	80,000	80,000	59,000	58,000	57,000	56,000
S, HH: Ending	90,000	90,000	90,000	69,000	68,000	67,000	66,000
No credit for MFS							
Tuition Deduction	*Expired*	*Expired*	*Expired*	4,000	4,000	4,000	4,000
Student Loan Interest Deduction	2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
Phase-out Range for Interest on Education Loans							
MFJ: Beginning		145,000	140,000	140,000	140,000	135,000	135,000
MFJ Ending		175,000	170,000	170,000	170,000	165,000	165,000
S, HH: Beginning		70,000	70,000	70,000	70,000	65,000	65,000
S, HH: Ending		85,000	85,000	85,000	85,000	80,000	80,000
Employer Provided Educational Assistance Exclusion Amount		5,250	5,250	5,250	5,250	5,250	5,250

	2023	2022	2021	2020	2019	2018	2017
RELATING TO TRANSPORTATION, DEPRECIATION, AND OTHER EXPENSES							
Standard Mileage Rate							
Business	0.655	0.585/0.625	0.56	0.575	0.58	0.545	0.535
Charitable	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Medical and Moving (Q Active Duty Armed Forces)	0.22	0.18/0.22	0.16	0.17	0.20	0.18	0.17
New Sec 199A Pass Through Deduction		20%	20%	20%	20%	20%	--
QBI Specified Services Trade/Biz: Taxable Income Threshold begins at							
MFJ		340,100	329,800	326,600	321,400	315,000	--
S		170,050	164,900	163,300	160,700	157,500	--
Qualified Transportation Fringe (per month)							
Qualified Parking		280	270	270	265	260	255
Commuter Vehicle & Transit Passes		280	270	270	265	260	255
						No Bicycle benefits	
Federal §179							
Current Sec 179 Expense	1,160,000	1,080,000	$ 1,050,000	$ 1,040,000	$ 1,000,000	$ 1,000,000	$ 510,000
On Asset Purchases	2,890,000	2,700,000	2,620,000	2,590,000	2,500,000	2,500,000	2,030,000
Qualified Real Property (See outline for definition)							
SUV Limitation		27,000	26,200	25,900	25,000	25,000	25,000
Wisconsin §179							
Current Depreciation Expense	Follows	Follows	Follows	Follows	Follows	Follows	Follows
Investment Limitation	Federal	Federal	Federal	Federal	Federal	Federal	Federal
Federal Bonus Depreciation	100%	100%	100%	100%	100%	100%	50%
Luxury Auto Depreciation Limits: Autos, 100% Business							
Year 1 (no Code Sec 168(k))		11,200	10,200	10,100	10,100	10,000	3,160
Year 1 w/ bonus depr		19,200	18,200	18,100	18,100	18,000	11,160
Year 2		18,000	16,400	16,100	16,100	16,000	5,100
Year 3		10,800	9,800	9,700	9,700	9,600	3,050
Year 4 & later		6,460	5,860	5,760	5,760	5,760	1,875
Luxury Auto Depreciation Limits: Light Trucks, Vans & SUVs, 100% Business					*2019 Purchases:*		
Year 1 (with Code Sec 168(k)		11,200	10,200	10,100	10,100	10,000	3,560
Year 1 w/ bonus depr		19,200	18,200	18,100	18,100	18,000	11,560
Year 2		18,000	16,400	16,100	16,100	16,000	5,700
Year 3		10,800	9,800	9,700	9,700	9,600	3,350
Year 4 & later		6,460	5,860	5,760	5,760	5,760	2,075

	2023	2022	2021	2020	2019	2018	2017
RELATING TO MEDICAL EXPENSES							
As an Itemized Deduction			*Permanent*		SECURE ACT		
Regular Tax, Under Age 65	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI
Regular Tax , Over Age 65	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI
Healthcare Flex Spending Accounts	3,050	$ 2,850	$ 2,750	$ 2,750	$ 2,700	$ 2,650	$ 2,600
Health Savings Account (HSA)							
Maximum Contribution for Coverage by High Deductible Plan							
Self	3,850	3,650	3,600	3,550	3,500	3,450	3,400
Family	7,750	7,300	7,200	7,100	7,000	6,900	6,750
Age 55 Catch-up	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Minimum Deductible, High Deductible Health Plan							
Self	1,500	1,400	1,400	1,400	1,350	1,350	1,300
Family	3,000	2,800	2,800	2,800	2,700	2,700	2,600
Maximum Out-of-pocket, High Deductible Health Plan							
Self	7,500	7,050	7,000	6,900	6,750	6,650	6,550
Family	15,000	14,100	14,000	13,800	13,500	13,300	13,100
Medical Savings Account (MSA)							
Minimum Deductible							
Self	2,650	*2,450*	*2,400*	2,350	2,350	2,300	2,250
Family	5,300	*4,950*	*4,800*	4,750	4,650	4,600	4,500
Maximum Deductible							
Self	3,950	*3,600*	*3,600*	3,550	3,500	3,450	3,350
Family	7,900	*7,400*	*7,150*	7,100	7,000	6,850	6,750
Maximum Out-of pocket							
Self	5,300	*4,950*	*4,800*	4,750	4,650	4,600	4,500
Family	9,650	*9,050*	*8,750*	8,650	8,550	8,400	8,250
Eligible Long Term Care Premiums							
< Age 40	480	450	450	430	420	420	410
Age 41 - 50	890	850	850	810	790	780	770
Age 51 - 60	1,790	1,690	1,690	1,630	1,580	1,560	1,530
Age 61 - 70	4,770	4,510	4,520	4,350	4,220	4,160	4,090
> Age 70	5,960	5,640	5,640	5,430	5,270	5,200	5,110

	2023	2022	2021	2020	2019	2018	2017
RELATING TO RETIREMENT PLANS							
Contribution Limits							
401(k), 403(b), 457, SARSEP							
Under age 50	22,500	20,500	19,500	19,500	19,000	$ 18,500	$ 18,000
Age 50+ (w/ catch-up)	30,000	27,000	26,000	26,000	25,000	24,500	24,000
SIMPLE IRA							
Under age 50	15,500	14,000	13,500	13,500	13,000	12,500	12,500
Age 50+ (w/ catch-up)	19,000	17,000	16,500	16,500	16,000	15,500	15,500
SEP IRA							
Maximum contribution	66,000	61,000	58,000	57,000	56,000		
Maximum compensation considered for SEP IRA	*330,000*	305,000	290,000	285,000	280,000		
Traditional and ROTH IRA							
Under age 50	6,500	6,000	6,000	6,000	6,000	5,500	5,500
Age 50+ (w/ catch-up)	7,500	7,000	7,000	7,000	7,000	6,500	6,500
Traditional IRA Deduction Phase Out							
MFJ	116-136k	*109-129k*	105-125k	104-124k	103-123k	101-121k	99-119k
S. HH	73-83k	*68-78k*	66-76k	65-75k	64-74k	63-73k	62-72k
Roth IRA Contribution Eligibility: AGI							
MFJ	218-228k	*204-214k*	198-208k	196-206k	193-203k	189-199k	186-196k
S, HH, MFS and did not live with spouse at any time	138-153k	*129-144k*	125-140k	124-139k	122-137k	120-135k	118-133k
Eligibility for Rollover to Roth IRA: AGI							
MFJ, S, HH	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
S	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
Compensation limit (§ 401(a)(17))	*330,000*	305,000	290,000	285,000	280,000	275,000	270,000
Defined Contribution: Limits §415(c)(1)(A)	66,000	61,000	58,000	57,000	56,000	55,000	54,000
Defined Benefit Limits	*265,000*	245,000	230,000	230,000	225,000	220,000	215,000

	2023	2022	2021	2020	2019	2018	2017
RELATING TO GIFTS AND ESTATES							
Unified Credit Equivalent							
Estate Tax Exemption*	12,920,000	12,060,000	$11,700,000	$11,580,000	$11,400,000	$ 11,180,000	$ 5,490,000
Gift Tax Exemption (Lifetime)	12,920,000	12,060,000	$11,700,000	$11,580,000	$11,400,000	$ 11,180,000	$ 5,490,000
Maximum Estate Tax Rate	40%	40%	40%	40%	40%	40%	40%
Annual Gift Tax Exclusion	17,000	16,000	$15,000	$15,000	$15,000	$ 15,000	$ 14,000
(Double if gift splitting elected)							
Remember: Checks written directly to an educational or medical institution are not applied against the annual gift tax exclusion							
Annual gift to non-citizen spouse	175,000	$ 164,000	$ 159,000	$ 157,000	$ 155,000	$ 152,000	$ 149,000

**** Please Note: Every effort was taken to ensure accuracy of the above figures including updating for new legislation. However, accidents can and do happen. Please use these figures for general purposes only and complete your own independent research before making any decisions based upon these figures. Facts are based upon current law at 12/30/22--based upon information available at this time.***

	2023	2022	2021	2020	2019	2018	2017
WISCONSIN LIMITS, CREDITS, ETC							
Wisconsin Personal Exemption							
Personal Exemption		$ 700	$ 700	$ 700	$ 700	$ 700	$ 700
Age 65		250	250	250	250	250	250
Tuition Deduction *(per student)*		6,976	6,973	6,972	6,974	6,974	$ 6,958
Phase-out range ending for tuition deduction (Indexed for inflation)							
MFJ Ending		120,759			111,299	108,380	106,310
S, HH: Ending		72,459			66,779	65,030	63,790
MFS: Ending		60,379			55,649	54,190	53,160
EdVest Contributions (Wisconsin 529)		3,560	3,380	3,340	3,280	3,200	3,140
If MFS or Divorced parent		1,780	*1,690*	1,670	1,640	1,600	1,570
Maximum aggregate contribution limit							456,000
Property Tax Credit Max		300	300	300	300	300	300
Married Couple Credit Max		480	480	480	480	480	480
WISCONSIN FEDERAL 179							
Current Expense (Higher for Farms)		1,080,000	1,050,000	$ 1,040,000	1,000,000	1,000,000	510,000
Investment Limitation		2,700,000	*2,620,000*	2,590,000	2,500,000	2,500,000	2,030,000
Taxation of Social Security Benefits in Wisconsin							
% taxable in Wisconsin		0%	0%	0%	0%	0%	0%
Generally results in WI modification of		85%	85%	85%	85%	85%	85%
Long Term Capital Gains Exclusion		30%*	30%*	30%*	30%*	30%*	30%*
*60% for farm assets							
Child Care Expense Subtraction							
One Child		Credit	3,000	3,000	3,000	3,000	3,000
Two or More		in 2022	6,000	6,000	6,000	6,000	6,000
Wisconsin Adoption Expense Deduction		5,000	5,000	5,000	5,000	5,000	5,000
Qualified Productions Credit (Mfg & Ag Credit)		7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Private School Tuition Deduction (Schedule PS)							
K-8th Grade, per student		4,000	4,000	4,000	4,000	4,000	4,000
9-12th Grade, per student		10,000	10,000	10,000	10,000	10,000	10,000