

P R O F E S S I O N A L E D I T I O N

J.K. LASSER'STM

YOUR INCOME TAX

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Prepared by the
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The federal income tax law, despite efforts at simplification, remains a maze of statutes, regulations, rulings, and court decisions written in technical language covering thousands and thousands of pages. For 86 years, *J.K. Lasser's™ Your Income Tax* has aided and guided millions of taxpayers through this complex law. Every effort has been made to provide a direct and easy-to-understand explanation that shows how to comply with the law and at the same time take advantage of tax-saving options and plans.

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What's New for 2022. Pages *xxvii–xxix* alert you to tax developments that may affect your 2022 tax return.

Key Tax Numbers for 2022. Pages *xxx–xxxi*.

Tax-Saving Opportunities. Page *xxxii*.

Pending Tax Rule Changes. Page *xxxiii*.

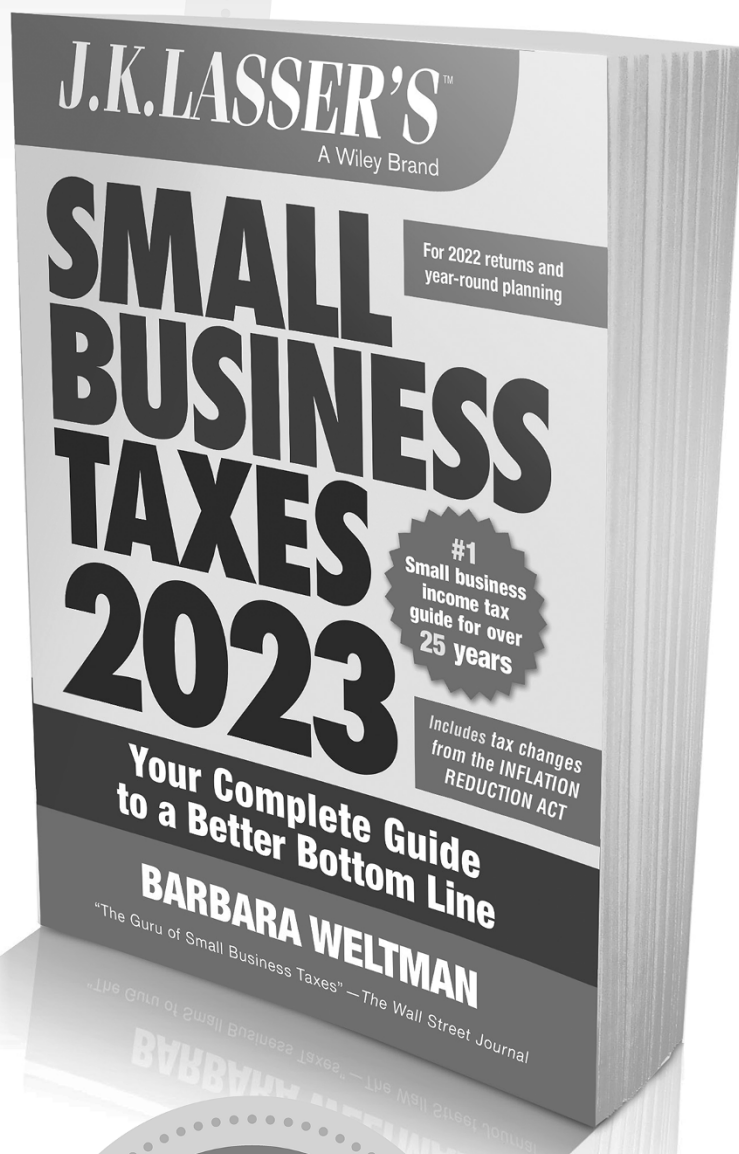
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What's New for 2022	xxvii
Tax News for 2022	xxvii
Key Tax Numbers for 2022	xxx
Tax-Saving Opportunities for 2022 and Beyond	xxxii
Pending Tax Rule Changes	xxxiii
Expiring Provisions	xxxiv

FILING BASICS

1

Do You Have to File a 2022 Tax Return?	2
Filing Tests for Dependents: 2022 Returns	3
Where to File Your 2022 Form 1040 or 1040-SR	5
Filing Deadlines (on or before)	6
What Forms Do You Need to File?	8

Filing Status

9

1.1 Which Filing Status Should You Use?	10
1.2 Tax Rates Based on Filing Status	10
1.3 Filing Separately Instead of Jointly	13
1.4 Filing a Joint Return	14
1.5 Nonresident Alien Spouse	16
1.6 Community Property Rules	16
1.7 Innocent Spouse Rules	17
1.8 Separate Liability Relief for Former Spouses	19
1.9 Equitable Relief	22
1.10 Death of Your Spouse in 2022	23
1.11 Qualifying Widow/Widower Status for 2022 If Your Spouse Died in 2021 or 2020	24
1.12 Qualifying as Head of Household	25
1.13 Filing for Your Child	27
1.14 Return for Deceased	27
1.15 Return for an Incompetent Person	29
1.16 How a Nonresident Alien Is Taxed	29
1.17 How a Resident Alien Is Taxed	30
1.18 Who Is a Resident Alien?	30
1.19 Certificate of Tax Compliance for Alien Leaving the United States	33
1.20 Expatriation Tax	33

REPORTING YOUR INCOME**35****Wages, Salary, and Other Compensation****37**

2.1	Salary and Wage Income	40
2.2	Constructive Receipt of Year-End Paychecks	41
2.3	Pay Received in Property Is Taxed	42
2.4	Commissions Taxable When Credited	42
2.5	Unemployment Benefits	43
2.6	Strike Pay Benefits and Penalties	44
2.7	Nonqualified Deferred Compensation	44
2.8	Did You Return Wages Received in a Prior Year?	45
2.9	Waiver of Executor's and Trustee's Commissions	46
2.10	Life Insurance Benefits	46
2.11	Educational Benefits for Employees' Children	47
2.12	Sick Pay Is Taxable	48
2.13	Workers' Compensation Is Tax Free	48
2.14	Disability Pay and Pensions	49
2.15	Stock Appreciation Rights (SARs)	51
2.16	Stock Options	51
2.17	Election to Defer Income on Qualified Equity Grants from Private Companies (Section 83(i) election)	54
2.18	Restricted Stock	54

Fringe Benefits**56**

3.1	Tax-Free Health and Accident Coverage Under Employer Plans	58
3.2	Health Savings Accounts (HSAs) and Archer MSAs	58
3.3	Reimbursements and Other Tax-Free Payments From Employer Health and Accident Plans	61
3.4	Group-Term Life Insurance Premiums	65
3.5	Dependent Care Assistance	66
3.6	Adoption Benefits	67
3.7	Education Assistance Plans	68
3.8	Company Cars, Parking, and Transit Passes	68
3.9	Working Condition Fringe Benefits	71
3.10	<i>De Minimis</i> Fringe Benefits	71
3.11	Employer-Provided Retirement Advice	72
3.12	Employee Achievement Awards	72
3.13	Employer-Furnished Meals or Lodging	73
3.14	Minister's Housing or Housing Allowance	75
3.15	Cafeteria Plans Provide Choice of Benefits	76
3.16	Flexible Spending Arrangements	77
3.17	Company Services Provided at No Additional Cost	80
3.18	Discounts on Company Products or Services	80

Dividend and Interest Income	81
4.1 Reporting Dividends and Mutual Fund Distributions	82
4.2 Qualified Corporate Dividends Taxed at Favorable Capital Gain Rates	83
4.3 Dividends From a Partnership, S Corporation, Estate, or Trust	84
4.4 Real Estate Investment Trust (REIT) Dividends	84
4.5 Taxable Dividends of Earnings and Profits	85
4.6 Stock Dividends on Common Stock	85
4.7 Dividends Paid in Property	86
4.8 Taxable Stock Dividends	86
4.9 Who Reports the Dividends	86
4.10 Year Dividends Are Reported	87
4.11 Distribution Not Out of Earnings: Return of Capital	88
4.12 Reporting Interest on Your Tax Return	88
4.13 Interest on Frozen Accounts Not Taxed	89
4.14 Interest Income on Debts Owed to You	90
4.15 Reporting Interest on Bonds Bought or Sold	90
4.16 Forfeiture of Interest on Premature Withdrawals	91
4.17 Amortization of Bond Premium	91
4.18 Discount on Bonds	93
4.19 Reporting Original Issue Discount on Your Return	94
4.20 Reporting Income on Market Discount Bonds	95
4.21 Discount on Short-Term Obligations	96
4.22 Stripped Coupon Bonds and Stock	97
4.23 Sale or Retirement of Bonds and Notes	98
4.24 State and City Interest Generally Tax Exempt	99
4.25 Taxable State and City Interest	99
4.26 Tax-Exempt Bonds Bought at a Discount	100
4.27 Treasury Bills, Notes, and Bonds	100
4.28 Interest on United States Savings Bonds	101
4.29 Deferring United States Savings Bond Interest	102
4.30 Minimum Interest Rules	104
4.31 Interest-Free or Below-Market-Interest Loans	104
4.32 Minimum Interest on Seller-Financed Sales	106
Reporting Property Sales	109
5.1 General Tax Rules for Property Sales	110
5.2 How Property Sales Are Classified and Taxed	110
5.3 Capital Gains Rates and Holding Periods	112
5.4 Capital Losses and Carryovers	116

5.5	Capital Losses of Married Couples	116
5.6	Losses May Be Disallowed on Sales to Related Persons	117
5.7	Special Treatment of Gain on Sale of Small Business Stock or Qualified Opportunity Zone Investment	118
5.8	Reporting Capital Asset Sales on Form 8949 and on Schedule D	120
5.9	Counting the Months in Your Holding Period	129
5.10	Holding Period for Securities	129
5.11	Holding Period for Real Estate	130
5.12	Holding Period: Gifts, Inheritances, and Other Property	130
5.13	Calculating Gain or Loss	131
5.14	Amount Realized Is the Total Selling Price	132
5.15	Finding Your Cost	132
5.16	Unadjusted Basis of Your Property	132
5.17	Basis of Property You Inherited or Received as a Gift	134
5.18	Joint Tenancy Basis Rules for Surviving Tenants	138
5.19	Allocating Cost Among Several Assets	140
5.20	How To Find Adjusted Basis	141
5.21	Tax Advantage of Installment Sales	142
5.22	Figuring the Taxable Part of Installment Payments	143
5.23	Electing Not To Report on the Installment Method	146
5.24	Restriction on Installment Sales to Relatives	147
5.25	Contingent Payment Sales	148
5.26	Using Escrow and Other Security Arrangements	149
5.27	Minimum Interest on Deferred Payment Sales	150
5.28	Dispositions of Installment Notes	150
5.29	Repossession of Personal Property Sold on Installment	152
5.30	Boot in Like-Kind Exchange Payable in Installments	152
5.31	“Interest” Taxed if Sales Price Exceeds \$150,000 With Over \$5 Million Debt	153
5.32	Worthless Securities	153
5.33	Tax Consequences of Bad Debts	155
5.34	Four Rules To Prove a Bad Debt Deduction	156
5.35	Family Bad Debts	157

Tax-Free Exchanges of Property
158

6.1	Like-Kind Exchanges of Real Property Used for Investment or Business	159
6.2	Receipt of Cash and Other Property—“Boot”	160
6.3	Time Limits and Security Arrangements for Deferred Exchanges	163
6.4	Qualified Exchange Accommodation Arrangements (QEAs) for Reverse Exchanges	165

6.5	Exchanges Between Related Parties	166
6.6	Property Transfers Between Spouses and Ex-Spouses	167
6.7	Tax-Free Exchanges of Stock in Same Corporation	169
6.8	Joint Ownership Interests	170
6.9	Setting up Closely Held Corporations	170
6.10	Tax-Free Exchanges of Insurance Policies	171

Retirement and Annuity Income
172

7.1	Retirement Distributions on Form 1099-R	174
7.2	Lump-Sum Distributions	176
7.3	Lump-Sum Options If You Were Born Before January 2, 1936	176
7.4	Lump-Sum Payments Received by Beneficiary	177
7.5	Tax-Free Rollovers From Qualified Plans	177
7.6	Direct Rollover or Personal Rollover	179
7.7	Rollover of Proceeds From Sale of Property	182
7.8	Distribution of Employer Stock or Other Securities	182
7.9	Survivor Annuity for Spouse	184
7.10	Court Distributions to Former Spouse Under a QDRO	184
7.11	When You Must Begin Receiving Required Minimum Distributions (RMDs)	185
7.12	Payouts to Beneficiaries	186
7.13	Penalty for Distributions Before Age 59½	187
7.14	Restrictions on Loans From Company Plans	189
7.15	Tax Benefits of 401(k) Plans	191
7.16	Limit on Salary-Reduction Deferrals	192
7.17	Withdrawals From 401(k) Plans Restricted	193
7.18	Designated Roth Account Within 401(k), 403(b), or Governmental 457 Plans	194
7.19	403(b) Plans (Tax-Sheltered Annuity Plans) for Employees of Tax-Exempts and Schools and Ministers	196
7.20	Government and Exempt Organization Deferred Pay Plans	197
7.21	Figuring the Taxable Part of Commercial Annuities	199
7.22	Life Expectancy Tables for Figuring Expected Return for Commercial Annuities	202
7.23	When You Convert Your Endowment Policy	205
7.24	Reporting Employee Annuities	205
7.25	Simplified Method for Calculating Taxable Employee Annuity	206
7.26	Withdrawals From Employer's Qualified Retirement Plan Before Annuity Starting Date	208
7.27	Coronavirus-Related Distributions	208
7.28	Qualified Disaster Distributions	209

IRAs	210
8.1 Starting a Traditional IRA	211
8.2 Contribution Limit for Traditional IRAs	212
8.3 Contributions to a Traditional IRA If You Are Married	213
8.4 Restrictions on Traditional IRA Deduction for Active Participants in Employer Plans	215
8.5 Active Participation in an Employer Plan	220
8.6 Nondeductible Contributions to Traditional IRAs	221
8.7 Penalty for Excess Contributions to Traditional IRAs	222
8.8 Distributions From Traditional IRAs	223
8.9 Partially Tax-Free Traditional IRA Distributions Allocable to Nondeductible Contributions	226
8.10 Tax-Free Direct Transfer or Rollover From One Traditional IRA to Another	227
8.11 Transfer of Traditional IRA to Spouse at Divorce	231
8.12 Penalty for Traditional IRA Withdrawals Before Age 59½	231
8.13 Required Minimum Distributions (RMDs) From a Traditional IRA	237
8.14 Beneficiaries of Traditional IRA Owners Who Died Before 2020	242
8.15 Beneficiaries of Traditional IRA Owners Who Die After 2019	245
8.16 SEP Basics	249
8.17 Salary-Reduction SEP Set Up Before 1997	249
8.18 Who Is Eligible for a SIMPLE IRA?	250
8.19 SIMPLE IRA Contributions and Distributions	251
8.20 Roth IRA Advantages	252
8.21 Annual Contributions to a Roth IRA	252
8.22 Recharacterizing a Traditional IRA Contribution to a Roth IRA and Vice Versa	256
8.23 Converting a Traditional IRA to a Roth IRA	257
8.24 Conversions Made After 2017 to a Roth IRA Cannot Be Recharacterized	258
8.25 Distributions From a Roth IRA	258
8.26 Distributions to Roth IRA Beneficiaries	261
8.27 Coronavirus-Related IRA Distributions and Qualified Disaster Distributions	262
Income From Real Estate Rentals and Royalties	264
9.1 Reporting Rental Real Estate Income and Expenses	265
9.2 Checklist of Rental Deductions	266
9.3 Distinguishing Between a Repair and an Improvement	267
9.4 Reporting Rents From a Multi-Unit Residence	269

9.5	Depreciation on Converting a Home to Rental Property	270
9.6	Renting a Residence to a Relative	272
9.7	Personal Use and Rental of a Residence During the Year	272
9.8	Counting Personal-Use Days and Rental Days for a Residence	274
9.9	Allocating Expenses of a Residence to Rental Days	275
9.10	IRS May Challenge Loss Claimed on Temporary Rental of Residence Before Sale	277
9.11	Reporting Royalty Income	278
9.12	Production Costs of Books and Creative Properties	279
9.13	Deducting the Cost of Patents or Copyrights	279
9.14	Intangible Drilling Costs	279
9.15	Depletion Deduction	280
9.16	Oil and Gas Percentage Depletion	281
9.17	Qualified Business Income Deduction for Real Estate Activities	282

Loss Restrictions: Passive Activities and At-Risk Limits	284
---	------------

10.1	Rental Activities Generally Treated as Passive	285
10.2	Rental Real Estate Loss Allowance of up to \$25,000	287
10.3	Real Estate Professionals	290
10.4	Business Participation May Avoid Passive Loss Restrictions	292
10.5	Classifying Business Activities as One or Several	293
10.6	Material Participation in a Business	294
10.7	Tax Credits of Passive Activities Limited	297
10.8	Determining Passive or Nonpassive Income and Loss	297
10.9	Passive Income Reclassified as Nonpassive Income	299
10.10	Working Interests in Oil and Gas Wells	301
10.11	Partners and Members of LLCs and LLPs	302
10.12	Form 8582 and Other Tax Forms	303
10.13	Suspended Losses Allowed on Disposition of Your Interest	304
10.14	Suspended Tax Credits	306
10.15	Personal Service and Closely Held Corporations	306
10.16	Sales of Property and Passive Activity Interests	308
10.17	At-Risk Limits	309
10.18	What Is At Risk?	310
10.19	Amounts Not At Risk	311
10.20	At-Risk Investment in Several Activities	312
10.21	Carryover of Disallowed Losses	312
10.22	Recapture of Losses Where At Risk Is Less Than Zero	313

Other Income	314
11.1 Prizes and Awards	315
11.2 Lottery and Sweepstake Winnings	315
11.3 Gambling Winnings and Losses	315
11.4 Gifts and Inheritances	317
11.5 Refunds of State and Local Tax Deductions	318
11.6 Other Recovered Deductions	321
11.7 How Legal Damages Are Taxed	322
11.8 Cancellation of Debts You Owe	325
11.9 Schedule K-1	328
11.10 How Partners Report Partnership Profit and Loss	328
11.11 When a Partner Reports Income or Loss	329
11.12 Partnership Loss Limitations	330
11.13 Tax Audits of Partnerships	330
11.14 Stockholder Reporting of S Corporation Income or Loss	330
11.15 How Beneficiaries Report Estate or Trust Income	332
11.16 Reporting Income in Respect of a Decedent (IRD)	332
11.17 Deduction for Estate Tax Attributable to IRD	332
11.18 How Life Insurance Proceeds Are Taxed to a Beneficiary	333
11.19 A Policy with a Family Income Rider	334
11.20 Selling or Surrendering Life Insurance Policy	334
11.21 Jury Duty Fees	336
11.22 Foster Care Payments	336
11.23 Virtual Currency	336
CLAIMING DEDUCTIONS	339
Deductions Allowed in Figuring Adjusted Gross Income	341
12.1 Figuring Adjusted Gross Income (AGI)	342
12.2 Claiming Deductions from Gross Income	342
12.3 Moving Costs Are Deductible Only by Qualifying Members of the U.S. Armed Forces	346
Claiming the Standard Deduction or Itemized Deductions	347
13.1 Does Your Standard Deduction for 2022 Exceed Your Itemized Deductions?	349
13.2 Basic Standard Deduction	349
13.3 Spouses Filing Separate Returns	350
13.4 Standard Deduction If 65 or Older or Blind	351
13.5 Standard Deduction for Dependents	351
13.6 Prepaying or Postponing Itemized Expenses	353
13.7 Itemized Deductions No Longer Reduced for Higher-Income Taxpayers	353

Charitable Contribution Deductions	354
14.1 Deductible Contributions	355
14.2 Nondeductible Contributions	356
14.3 Contributions That Provide You With Benefits	357
14.4 Unreimbursed Expenses of Volunteer Workers	360
14.5 Support of a Student in Your Home	361
14.6 What Kind of Property Are You Donating?	361
14.7 Cars, Clothing, and Other Property Valued Below Cost	365
14.8 Bargain Sales of Appreciated Property	367
14.9 Art Objects	368
14.10 Interests in Real Estate	369
14.11 Life Insurance	371
14.12 Business Inventory	372
14.13 Donations Through Trusts	372
14.14 Records Needed To Substantiate Your Contributions	372
14.15 Form 8283 and Written Appraisal Requirements for Property Donations	374
14.16 Penalty for Substantial Overvaluation of Property	376
14.17 Ceiling on Charitable Contributions	376
14.18 Carryover for Excess Donations	380
14.19 Election To Reduce Fair Market Value by Appreciation	380
Itemized Deduction for Interest Expenses	381
15.1 Deduction for Home Mortgage Interest	382
15.2 Home Acquisition Loans	383
15.3 Home Equity Loans	386
15.4 Home Construction Loans	388
15.5 Mortgage Insurance Premiums and Other Payment Rules	389
15.6 Interest on Refinanced Loans	390
15.7 “Points”	391
15.8 Cooperative and Condominium Apartments	392
15.9 Investment Interest Limitations	393
15.10 Debts To Carry Tax-Exempt Obligations	395
15.11 Earmarking Use of Loan Proceeds For Investment or Business	395
15.12 Year To Claim an Interest Deduction	397
15.13 Prepaid Interest	398
Deductions for Taxes	399
16.1 Overall Limit on Deduction for State and Local Taxes	400
16.2 Nondeductible Taxes	401
16.3 State and Local Income Taxes or General Sales Taxes	401

16.4	Deducting Real Estate Taxes	402
16.5	Assessments	405
16.6	Tenants' Payment of Taxes	405
16.7	Allocating Taxes When You Sell or Buy Realty	405
16.8	Automobile License Fees	407
16.9	Taxes Deductible as Business Expenses	407
16.10	Foreign Taxes	407

Medical and Dental Expense Deductions	408
--	------------

17.1	Medical and Dental Expenses Must Exceed AGI Threshold	409
17.2	Allowable Medical and Dental Care Costs	409
17.3	Nondeductible Medical Expenses	413
17.4	Reimbursements Reduce Deductible Expenses	414
17.5	Expenses of Your Spouse	416
17.6	Expenses of Your Dependents	417
17.7	Decedent's Medical Expenses	418
17.8	Premiums for Health Insurance	419
17.9	Travel Costs May Be Medical Deductions	420
17.10	Schooling for the Mentally or Physically Disabled	422
17.11	Nursing Homes	422
17.12	Nurses' Wages	423
17.13	Home Improvements as Medical Expenses	423
17.14	Costs Deductible as Business Expenses	425
17.15	Long-Term Care Premiums and Services	426
17.16	Life Insurance Used by Chronically ill or Terminally ill Person	427

Casualty and Theft Losses and Involuntary Conversions	428
--	------------

18.1	Casualty or Theft Losses for Personal-Use Property Must Be Due to a Federally Declared Disaster	429
18.2	When To Deduct a Casualty or Theft Loss	431
18.3	Prior-Year Election for Disaster Losses	432
18.4	Gain Realized From Insurance Proceeds for Damaged or Destroyed Principal Residence	433
18.5	Who May Deduct a Casualty or Theft Loss	435
18.6	Proving a Casualty Loss	435
18.7	Theft Losses	435
18.8	Floors for Personal-Use Property Losses	438
18.9	Figuring Your Loss on Form 4684	439
18.10	Personal and Business Use of Property	442
18.11	Repairs May Be a "Measure of Loss"	443
18.12	Excess Living Costs Paid by Insurance Are Not Taxable	443

18.13	Do Your Casualty or Theft Losses Exceed Your Income?	444
18.14	Defer Gain from Involuntary Conversion by Replacing Property	445
18.15	Involuntary Conversions Qualifying for Tax Deferral	446
18.16	How to Elect to Defer Gain	447
18.17	Types of Qualifying Replacement Property	448
18.18	Time Period for Buying Replacement Property	449
18.19	Cost of Replacement Property Determines Postponed Gain	450
18.20	Special Assessments and Severance Damages from Condemnation	451

Other Itemized Deductions	453
----------------------------------	------------

19.1	Only a Few Expenses Are Allowed as “Other” Itemized Deductions	454
19.2	Deductions for Job Costs and Other Miscellaneous Expenses No Longer Allowed	455

Travel and Meal Expense Deductions	456
---	------------

20.1	Who May Deduct Travel and Transportation Expenses	457
20.2	Commuting Expenses	457
20.3	Overnight-Sleep Test Limits Deduction of Meal Costs	458
20.4	IRS Meal Allowance	460
20.5	Business Trip Deductions	461
20.6	When Are You Away From Home?	462
20.7	Tax Home of Married Couple Working in Different Cities	463
20.8	Deducting Living Costs on Temporary Assignment	463
20.9	Business-Vacation Trips Within the United States	465
20.10	Business-Vacation Trips Outside the United States	465
20.11	Deducting Expenses of Business Conventions	466
20.12	Restrictions on Foreign Conventions and Cruises	467
20.13	Entertainment Expenses Generally Not Deductible	468
20.14	Business Meals Are Generally Deductible	468
20.15	Limitation on Some Deductible Meals	470
20.16	Substantiating Travel Expenses	471
20.17	Employee Reporting of Unreimbursed Expenses	472
20.18	Are You Reimbursed Under an Accountable Plan?	472
20.19	<i>Per Diem</i> Travel Allowance Under Accountable Plans	473
20.20	Automobile Mileage Allowance	475
20.21	Reimbursements Under Non-Accountable Plans	476

PERSONAL TAX COMPUTATIONS	477
Dependents	479
21.1 No Exemption Deductions Are Allowed	480
21.2 How Many Dependents Do You Have?	480
21.3 Qualifying Children	481
21.4 Qualifying Relatives	483
21.5 Meeting the Support Test for a Qualifying Relative	485
21.6 Multiple Support Agreements	489
21.7 Special Rule for Divorced or Separated Parents	490
21.8 Reporting Social Security Numbers of Dependents	491
Figuring Your Regular Income Tax Liability	493
22.1 Taxable Income and Regular Income Tax Liability	494
22.2 Using the Tax Table	494
22.3 Tax Computation Worksheet	495
22.4 Tax Calculation If You Have Net Capital Gain or Qualified Dividends	496
22.5 Foreign Earned Income Tax Worksheet	496
22.6 Income Averaging for Farmers and Fishermen	496
22.7 Tax Credits	497
22.8 Additional Medicare Tax and Net Investment Income Tax	497
Alternative Minimum Tax (AMT)	498
23.1 Computing Alternative Minimum Tax on Form 6251	500
23.2 Adjustments and Preferences for AMT	501
23.3 Tax Credits Allowed Against AMT	504
23.4 Regular Tax Credit for Prior-Year AMT	504
23.5 Avoiding AMT	504
Computing the “Kiddie Tax” on Your Child’s Unearned Income	506
24.1 Filing Your Child’s Return	507
24.2 Children Subject to “Kiddie Tax” for 2022	508
24.3 Computing “Kiddie Tax” on Child’s Return	509
24.4 Parent’s Election To Report Child’s Dividends and Interest	509
Personal Tax Credits Reduce Your Tax Liability	512
25.1 Overview of Personal Tax Credits	513
25.2 Child Tax Credit for Children Under Age 17	513
25.3 Figuring the Child Tax Credit and Additional Child Tax Credit	514
25.4 Credit for Other Dependents	516
25.5 Qualifying for the Child and Dependent Care Credit	517

25.6	Figuring the Child and Dependent Care Credit	519
25.7	Qualifying Tests for EIC	522
25.8	Income Tests for Earned Income Credit (EIC)	524
25.9	Qualifying for the Adoption Credit	525
25.10	Claiming the Adoption Credit on Form 8839	526
25.11	Eligibility for the Saver's Credit	528
25.12	Figuring the Saver's Credit	528
25.13	Premium Tax Credit	529
25.14	Health Coverage Credit	533
25.15	Mortgage Interest Credit	533
25.16	Residential Energy Credits	533
25.17	Credit for Qualified Plug-in Electric and Fuel Cell (Clean) Vehicles	534
25.18	Repayment of the First-Time Homebuyer Credit	535

Tax Withholdings	536
-------------------------	------------

26.1	Withholdings Should Cover Estimated Tax	537
26.2	Income Taxes Withheld on Wages	537
26.3	Low Earners May Be Exempt From Withholding	538
26.4	Are You Withholding the Right Amount?	539
26.5	Voluntary Withholding on Government Payments	539
26.6	When Tips Are Subject to Withholding	540
26.7	Withholding on Gambling Winnings	540
26.8	FICA Withholdings	541
26.9	Withholding on Distributions from Retirement Plans and Commercial Annuities	542
26.10	Backup Withholding	543

Estimated Tax Payments	544
-------------------------------	------------

27.1	Do You Owe an Estimated Tax Penalty for 2022?	545
27.2	Planning Estimated Tax Payments for 2023	547
27.3	Dates for Paying Estimated Tax Installments for 2023	548
27.4	Estimates by Married Taxpayers	548
27.5	Adjusting Your Payments During the Year	549

Additional Medicare Tax and Net Investment Income Tax	550
--	------------

28.1	Higher-Income Taxpayers May be Subject to Additional Taxes	551
28.2	Additional 0.9% Medicare Tax on Earnings	551
28.3	Additional 3.8% Tax on Net Investment Income	553

TAX PLANNING	557
Tax Savings for Residence Sales	559
29.1 Avoiding Tax on Sale of Principal Residence	560
29.2 Meeting the Ownership and Use Tests for Exclusion	561
29.3 Home Sales by Married Persons	565
29.4 Reduced Maximum Exclusion	566
29.5 Figuring Gain or Loss	569
29.6 Figuring Adjusted Basis	571
29.7 Personal and Business Use of a Home	572
29.8 No Loss Allowed on Personal Residence	573
29.9 Loss on Residence Converted to Rental Property	573
29.10 Loss on Residence Acquired by Gift or Inheritance	574
Tax Rules for Investors in Securities	577
30.1 Planning Year-End Securities Transactions	578
30.2 Earmarking Stock Lots	578
30.3 Sale of Stock Dividends	579
30.4 Stock Rights	580
30.5 Short Sales of Stock	580
30.6 Wash Sales	582
30.7 Convertible Stocks and Bonds	584
30.8 Stock Options	585
30.9 Sophisticated Financial Transactions	586
30.10 Investing in Tax-Exempts	586
30.11 Ordinary Loss for Small Business Stock (Section 1244)	587
30.12 Series EE Bonds	588
30.13 I Bonds	589
30.14 Trader, Dealer, or Investor?	590
30.15 Mark-to-Market Election for Traders	591
30.16 Cryptocurrency Transactions	593
Tax Savings for Investors in Real Estate	594
31.1 Real Estate Ventures	595
31.2 Sales of Subdivided Land—Dealer or Investor?	596
31.3 Exchanging Real Estate Without Tax	597
31.4 Timing Your Real Property Sales	599
31.5 Cancellation of a Lease	599
31.6 Sale of an Option	599
31.7 Granting of an Easement	600
31.8 Special Tax Credits for Real Estate Investments	601
31.9 Foreclosures, Repossessions, Short Sales, and Voluntary Conveyances to Creditors	601

31.10	Restructuring Mortgage Debt	602
31.11	Abandonments	603
31.12	Seller's Repossession After Buyer's Default on Mortgage	604
31.13	Foreclosure on Mortgages Other Than Purchase Money	606
31.14	Foreclosure Sale to Third Party	606
31.15	Transferring Mortgaged Realty	607
31.16	QBI Deduction for REIT Dividends	607

Tax Rules for Investors in Mutual Funds	608
--	------------

32.1	Timing of Your Investment Can Affect Your Taxes	609
32.2	Reinvestment Plans	609
32.3	Mutual Fund Distributions Reported on Form 1099-DIV	609
32.4	Tax-Exempt Bond Funds	610
32.5	Fund Expenses	610
32.6	Tax Credits From Mutual Funds	611
32.7	How to Report Mutual Fund Distributions	611
32.8	Redemptions and Exchanges of Fund Shares	611
32.9	Basis of Redeemed Shares	613
32.10	Comparison of Basis Methods	615
32.11	Mutual Funds Compared to Exchange-Traded Funds	616

Educational Tax Benefits	617
---------------------------------	------------

33.1	Scholarships and Grants	618
33.2	Tuition Reductions for College Employees	618
33.3	How Fulbright Awards Are Taxed	618
33.4	United States Savings Bond Tuition Plans	618
33.5	Contributing to a Qualified Tuition Program (Section 529 Plan)	620
33.6	Distributions From Qualified Tuition Programs (Section 529 Plans)	621
33.7	Education Tax Credits	623
33.8	American Opportunity Credit	624
33.9	Lifetime Learning Credit	626
33.10	Contributing to a Coverdell Education Savings Account (ESA)	627
33.11	Distributions From Coverdell ESAs	628
33.12	Tuition and Fees Deduction No Longer Allowed	630
33.13	Student Loan Interest Deduction	630
33.14	Types of Deductible Education Costs Related to Work	632
33.15	Work-Related Tests for Education Costs	632
33.16	Local Transportation and Travel Away From Home To Take Courses	633

Special Tax Rules for Senior Citizens and the Disabled	635
34.1 Senior Citizens Get Certain Filing Breaks	636
34.2 Social Security Benefits Subject to Tax	636
34.3 Computing Taxable Social Security Benefits	637
34.4 Election for Lump-Sum Social Security Benefit Payment	642
34.5 Retiring on Social Security Benefits	642
34.6 How Tax on Social Security Reduces Your Earnings	643
34.7 Eligibility for the Credit for the Elderly or the Disabled	644
34.8 Figuring the Credit for the Elderly or Disabled	644
34.9 Tax Effects of Moving to a Continuing Care Facility	645
34.10 Medicare Part B and Part D Premiums for 2023	647
34.11 Special Tax Rules for Individuals with a Disability	647
34.12 ABLE Accounts	648
Members of the Armed Forces	650
35.1 Taxable Armed Forces Pay and Benefits	651
35.2 Tax Breaks for Armed Forces Members	651
35.3 Deductions for Armed Forces Personnel	653
35.4 Tax-Free Pay for Service in Combat Zone	653
35.5 Tax Deadlines Extended for Combat Zone or Contingency Operation Service	655
35.6 Tax Forgiveness for Combat Zone or Terrorist or Military Action Deaths	655
35.7 Extension To Pay Your Tax When Entering the Service	656
35.8 Tax Information for Reservists	656
How To Treat Foreign Earned Income	658
36.1 Claiming the Foreign Earned Income Exclusion	659
36.2 What Is Foreign Earned Income?	659
36.3 Qualifying for the Foreign Earned Income Exclusion	661
36.4 How To Treat Housing Costs	662
36.5 Meeting the Foreign Residence or Physical Presence Test	663
36.6 Claiming Deductions	665
36.7 Exclusion Not Established When Your Return Is Due	665
36.8 Tax-Free Meals and Lodging for Workers in Camps	666
36.9 U. S. Virgin Islands, Samoa, Guam, and Northern Marianas	666
36.10 Earnings in Puerto Rico	666
36.11 Tax Treaties With Foreign Countries	667
36.12 Exchange Rates and Blocked Currency	667
36.13 Foreign Tax Credit or Deduction for Foreign Taxes Paid	667

Planning Alimony and Marital Settlements	669
37.1 Rules for Post-2018 Divorce and Separation Agreements	670
37.2 Rules for Pre-2019 Divorces or Separation Agreements	670
37.3 Decree or Agreement Required	671
37.4 Cash Payments Required	671
37.5 Payments Must Stop at Death	672
37.6 Child Support Payments Are Not Alimony	673
37.7 No Minimum Payment Period for Alimony	673
Other Taxes	674
38.1 Overview of Household Employment Taxes	675
38.2 Social Security and Medicare (FICA) Taxes for Household Employees	676
38.3 Filing Schedule H To Report Household Employment Taxes	677
38.4 Federal Unemployment Taxes (FUTA) for Household Employees	679
Gift and Estate Tax Planning Basics	680
39.1 Gifts of Appreciated Property	681
39.2 Gift Tax Basics	681
39.3 Filing a Gift Tax Return	682
39.4 Gift Tax Credit	682
39.5 Custodial Accounts for Minors	683
39.6 Trusts in Family Planning	684
39.7 What is the Estate Tax?	684
39.8 Take Inventory and Estimate the Value of Your Potential Estate	685
39.9 Estate Tax for 2022	685
39.10 Planning for a Potential Estate Tax	687
BUSINESS TAX PLANNING	689
Income or Loss From Your Business or Profession	691
40.1 Forms of Doing Business	692
40.2 Reporting Self-Employed Income	692
40.3 Accounting Methods for Reporting Business Income	694
40.4 Tax Reporting Year for Self-Employed	695
40.5 Reporting Certain Payments and Receipts to the IRS	695
40.6 Filing Schedule C	697
40.7 Deductions for Professionals	702
40.8 Nondeductible Expense Items	703
40.9 How Authors and Artists May Write Off Expenses	704
40.10 Deducting Expenses of a Sideline Business or Hobby	704

40.11	Deducting Expenses of Looking for a New Business	705
40.12	Home Office Deduction	706
40.13	Write-Off Methods for Home Office Expenses	708
40.14	Allocating Expenses to Business Use	710
40.15	Business Income May Limit Home Office Deductions	711
40.16	Home Office for Sidelane Business	713
40.17	Depreciation of Office in Cooperative Apartment	714
40.18	Net Operating Losses (NOLs)	714
40.19	How To Report a Net Operating Loss	715
40.20	Excess Business Losses	716
40.21	Business Credits	717
40.22	Filing Schedule F	718
40.23	Farming Expenses	718
40.24	Qualified Business Income Deduction	719

Retirement and Medical Plans for Self-Employed	721
---	------------

41.1	Overview of Retirement and Medical Plans	722
41.2	Choosing a Qualified Retirement Plan	722
41.3	Choosing a SEP	723
41.4	Deductible Contributions	723
41.5	How To Qualify a Retirement Plan or SEP Plan	727
41.6	Tax Credits for Setting Up a Retirement Plan	727
41.7	Annual Qualified Retirement Plan Reporting	728
41.8	How Qualified Retirement Plan Distributions Are Taxed	728
41.9	SIMPLE IRA Plans	729
41.10	Health Savings Account (HSA) Basics	729
41.11	Limits on Deductible HSA Contributions	729
41.12	Distributions From HSAs	730
41.13	Archer MSAs	731
41.14	Health Reimbursement Arrangements (HRAs)	732
41.15	Small Employer Health Insurance Credit	733

Claiming Depreciation Deductions	734
---	------------

42.1	What Property May Be Depreciated?	735
42.2	Claiming Depreciation on Your Tax Return	736
42.3	First-Year Expensing Deduction	736
42.4	MACRS Recovery Periods	738
42.5	MACRS Rates	739
42.6	Half-Year Convention for MACRS	740
42.7	Last Quarter Placements—Mid-Quarter Convention	741
42.8	150% Rate Election	742
42.9	Straight Line Depreciation	743

42.10	Listed Property	744
42.11	Assets in Service Before 1987	745
42.12	MACRS for Real Estate Placed in Service After 1986	745
42.13	Demolishing a Building	747
42.14	Qualified Improvement Property	747
42.15	Depreciating Real Estate Placed in Service After 1980 and Before 1987	748
42.16	Amortizing Goodwill and Other Intangibles (Section 197)	748
42.17	Amortizing Research and Experimentation Costs	749
42.18	Bonus Depreciation	750

Deducting Car and Truck Expenses
751

43.1	Standard Mileage Rate	752
43.2	Expense Allocations	753
43.3	Depreciation Restrictions on Cars, Trucks, and Vans	754
43.4	Annual Ceilings on Depreciation	755
43.5	MACRS Rates for Cars, Trucks, and Vans	756
43.6	Straight Line Method	761
43.7	Depreciation for Year Vehicle Is Disposed Of	762
43.8	Depreciation After Recovery Period Ends	762
43.9	Trade-in of Business Vehicle	763
43.10	Recapture of Deductions on Business Car, Truck, or Van	763
43.11	Keeping Records of Business Use	765
43.12	Leased Business Vehicles: Deductions and Income	765

Sales of Business Property
766

44.1	Depreciation Recaptured as Ordinary Income on Sale of Personal Property	767
44.2	Depreciation Recaptured as Ordinary Income on Sale of Real Estate	767
44.3	Recapture of First-Year Expensing and Bonus Depreciation	768
44.4	Gifts and Inheritances of Depreciable Property	769
44.5	Involuntary Conversions and Tax-Free Exchanges	769
44.6	Installment Sale of Depreciable Property	769
44.7	Sale of a Proprietorship	769
44.8	Property Used in a Business (Section 1231 Assets)	770
44.9	Sale of Property Used for Business and Personal Purposes	771
44.10	Should You Trade in Business Equipment?	771
44.11	Corporate Liquidation	771
44.12	Additional Taxes on Higher-Income Taxpayers	772

Figuring Self-Employment Tax	773
45.1 What Is Self-Employment Income?	774
45.2 Partners Pay Self-Employment Tax	775
45.3 Schedule SE	776
45.4 How Wages Affect Self-Employment Tax	776
45.5 Optional Method If 2022 Was a Low-Income or Loss Year	779
45.6 Self-Employment Tax Rules for Certain Positions	780
45.7 Paying the Deferred Portion of Self-Employment Tax From 2020	782
FILING YOUR RETURN AND WHAT HAPPENS AFTER YOU FILE	783
Filing Your Return	785
46.1 Keeping Tax Records	786
46.2 Getting Ready to File Your Return	786
46.3 Applying for an Extension	787
46.4 Getting Your Refund	788
46.5 Paying Taxes Due	789
46.6 Handling Identity Theft	791
46.7 Notify the IRS of Address Changes	791
46.8 Interest on Tax Underpayments	792
46.9 Tax Penalties for Late Filing and Late Payment	792
Filing Refund Claims, and Amended Returns	794
47.1 Filing an Amended Return	795
47.2 When to File a Refund Claim	795
47.3 Stating the Reasons for Refund Claim	796
47.4 Quick Refund Claims	796
47.5 Interest Paid on Refund Claims	796
47.6 Refunds Withheld to Cover Debts	797
47.7 Amended Returns Showing Additional Tax	797
47.8 Penalty for Filing Excessive Refund Claim	797
If the IRS Examines Your Return	798
48.1 Odds of Being Audited	799
48.2 When the IRS Can Assess Additional Taxes	800
48.3 Audit Overview	801
48.4 Preparing for the Audit	802
48.5 Handling the Audit	802
48.6 Tax Penalties for Inaccurate Returns	803
48.7 Penalties for Not Reporting Foreign Financial Accounts	806
48.8 Agreeing to the Audit Changes	807
48.9 Disputing the Audit Changes	807
48.10 Offer in Compromise	808
48.11 Recovering Costs of a Tax Dispute	809
48.12 Suing the IRS for Unauthorized Collection	810

2022 TAX FORMS**811**

Form 1040.....	813
Form 1040-SR.....	815
Schedule 1	819
Schedule 2	821
Schedule 3	823
Schedule A.....	825
Schedule B.....	826
Schedule 8812	827
Form 2441	829
Form 5695.....	831
2022 Tax Table	833
2022 Tax Computation Worksheet.....	845
2022 Earned Income Credit (EIC) Table.....	846

TAX LAW AUTHORITIES**857**

Legislative Authorities.....	858
Administrative Authorities.....	859
Judicial Authorities	860

CITATIONS OF AUTHORITY**863**

Key to Citations.....	864
Filing Basics	865

PRACTICE BEFORE THE IRS**977**

How Returns Are Examined.....	979
Audit Rules for Partnerships	986
The Time Limits Within Which the IRS Must Act for Additional Taxes.....	987
Filing Refund Claims.....	992
How To Arrange Closing Agreements and Compromises.....	996
How To Get the IRS' Opinion on a Tax Problem.....	998
Circular 230: Practice Before the IRS	1004
Tax Return Preparer Penalties	1012

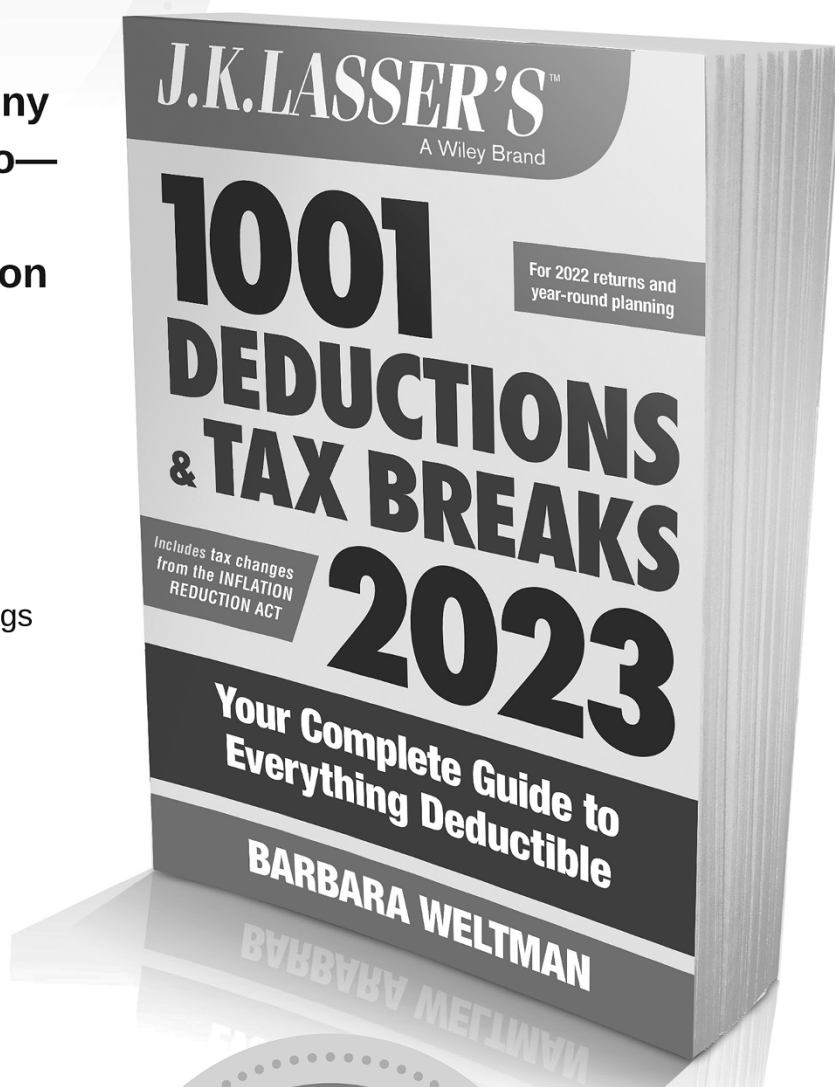
GLOSSARY**1017****INDEX****1023**

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What's New for 2022

Some of the tax changes for 2022 noted below were provided by the Inflation Reduction Act, such as new rules for the credit for certain home energy improvements.

For an update on tax developments and a free download of the *e-Supplement* to this book, visit us online at jklasser.com.

Tax News for 2022	
Item—	Highlight—
Filing status name change from “qualifying widow/widower” to “qualifying surviving spouse”	The IRS has renamed the filing status formerly called “qualifying widow/widower” as “qualifying surviving spouse.” The announcement appeared in the draft instructions to the 2022 Form 1040 and Form 1040-SR, which were released shortly before this book was completed. The rules for this filing status have not changed; the only change is to the name of the filing status.
Tax rate brackets and preferential rates for capital gains/qualified dividends	The rate brackets for 2022 ordinary income remain at 10%, 12%, 22%, 24%, 32%, 35% and 37%, but the taxable income amounts in each bracket have changed. The top bracket of 37% for 2022 applies if taxable income exceeds \$539,900 for single taxpayers and heads of households, \$647,850 for married persons filing jointly and qualifying widows/widowers, and \$323,925 for married taxpayers filing separate returns (1.2). Qualified dividends (4.2) and long-term capital gains (5.3) may escape tax entirely under the 0% rate, or be subject to capital gain rates of 15% or 20% depending on filing status, taxable income, and how much of the taxable income consists of qualified dividends and eligible long-term gains (5.3). The 20% capital gain rate applies in 2022 when taxable income exceeds \$459,750 for singles, \$488,500 for heads of households, \$517,200 for married persons filing jointly and qualifying widows/widowers, and \$258,600 for married persons filing separately. The 0%, 15%, and 20% rates do not apply to long-term gains subject to the 28% rate (collectibles and taxed portion of small business stock) or the 25% rate for unrecaptured real estate depreciation (5.3).
Retirement plan distributions	COVID-19-related distributions in 2020 may be repaid within 3 years, so a repayment in 2022 means filing an amended return to recoup taxes paid on the 2020 distribution (7.28, 8.27). If you opted to spread the distribution over 3 years, then a repayment in 2022 means filing amended returns for 2020 and 2021.
Education-related tax breaks	Educator expenses of up to \$300 are deductible for 2022 (12.2).
Standard deductions	The basic standard deduction for 2022 (13.1) is \$25,900 for married persons filing jointly and qualifying widows/widowers, \$19,400 for heads of households, or \$12,950 for single taxpayers or married persons filing separately. The additional standard deduction (13.4) for being 65 or older or blind increases to \$1,750 if single or head of household (\$3,500 if 65 and blind). If married filing jointly, the additional standard deduction increases to \$1,400 if one spouse is 65 or older or blind, \$2,800 if both spouses are at least 65 (or one is 65 and blind, or both are blind and under age 65).
Self-employment tax and deduction for portion of self-employment tax; Social Security wage base	For 2022, the tax rate on the employee portion of Social Security is 6.2% on wages up to \$147,000, so Social Security tax withholdings should not exceed \$9,114. Medicare tax of 1.45% is withheld from all wages regardless of amount. On Schedule SE for 2022, self-employment tax applies to earnings of up to \$147,000; only 92.35% of earnings are taken into account. The 15.3% rate equals 12.4% for Social Security (6.2% employee share and 6.2% employer share) plus 2.9% for Medicare. If net earnings exceed \$147,000 (after the reduction), the 2.9% Medicare rate applies to the entire amount (45.3–45.4). One-half of the self-employment tax may be claimed as an above-the-line deduction on Schedule 1 of Form 1040 or 1040-SR (45.3–45.4). If an election was made in 2020 to defer the employer portion of Social Security taxes, which is part of self-employment tax, then 50% of the deferred amount must be paid by December 31, 2022.

Tax News for 2022

Item—	Highlight—
IRA and Roth IRA contribution phaseout; rollover limits	The age cap on contributing to a traditional IRA has been repealed. Contributions to a traditional IRA for 2022 can be made as long as you have earned income (or other eligible income) (8.2). While the contribution limits for traditional IRAs and Roth IRAs are unchanged for 2022, the deduction limit for 2022 contributions to a traditional IRA is phased out (8.4) for active plan participants with modified AGI (MAGI) between \$68,000 and \$78,000 for a single person or head of household, or between \$109,000 and \$129,000 for married persons filing jointly and qualifying widows/widowers. The phaseout range is MAGI between \$204,000 and \$214,000 for a spouse who is not an active plan participant and who files jointly with a spouse who is an active plan participant. The 2022 Roth IRA contribution limit is phased out (8.21) for a single person or head of household with MAGI between \$129,000 and \$144,000, and for married persons filing jointly and qualifying widows/widowers with MAGI between \$204,000 and \$214,000.
Qualified business income deduction	If you are a sole proprietor or have an interest in a partnership, limited liability company, or S corporation, you may be eligible for a deduction of up to 20% of qualified business income (40.24). This deduction is a personal deduction, not a business deduction, and can be claimed whether you itemize or take the standard deduction. The taxable income amounts used to figure the deduction for 2022 have been increased for inflation.
First-year expensing	For qualifying property placed in service in 2022, first-year expensing (42.3) is allowed up to a limit of \$1,080,000, and the limit begins to phase out if the total cost of qualifying property exceeds \$2,700,000 (42.3).
IRS mileage allowance	The IRS standard business mileage rate for 2022 is 58.5 cents a mile for the first half of 2022 and 62.5 cents per mile for the second half of 2022 (43.1). The rate for medical expense (17.9) and moving expense for certain military personnel (12.3) deductions is 18 cents a mile for the first half of 2022 and 22 cents per mile for the second half of 2022. For charitable volunteers (14.4), the mileage rate is unchanged at 14 cents a mile.
Vehicle depreciation limit	For a vehicle placed in service in 2022 and used over 50% for business, the first-year depreciation limit using bonus depreciation is \$19,200. However, if you elect not to have bonus depreciation apply, or you are not eligible for the bonus, the first-year depreciation limit is \$11,200 (43.5).
Electric vehicle credit	For vehicles placed in service on or after August 16, 2022, there is a “final assembly requirement” that must be met in order to claim the credit (25.17).
Health savings accounts (HSAs)	The definition of a high-deductible health plan, which is a prerequisite to funding an HSA, means a policy with a minimum deductible for 2022 of \$1,400 for self-only coverage and a maximum out-of-pocket cap on co-payments and other amounts of \$7,050. These limits are doubled for family coverage (\$2,800/\$14,100) (41.10). The contribution limit for 2022 is \$3,650 for self-only coverage and \$7,300 for family coverage (41.11). Those age 55 or older and not yet on Medicare can add an additional \$1,000.
Adoption expenses	For 2022, the limit on the adoption credit as well as the exclusion for employer-paid adoption assistance is \$14,890 (3.6). The benefit phaseout range is modified adjusted gross income between \$223,410 to \$263,410 (25.9).
Child tax credit	For 2022, the child tax credit returns to pre-2021 rules; there are no advance payments as there was in 2021 for eligible taxpayers. This means the maximum credit for a child under age 17 is \$2,000 (25.2). The credit begins to phase out when modified adjusted gross income exceeds \$400,000 on a joint return or \$200,000 for all other filers. There is an additional child tax credit that can be claimed if the child tax credit otherwise allowed is limited by tax liability; the refundable amount may not exceed \$1,500 per qualifying child (25.3). The credit for other dependents is unchanged (i.e., not refundable and limited to \$500 per dependent) (25.4).