



2022 Year End Tax Update

December 13, 2022



AIU	HJI	WWE	PLD	EER	ORT
1,822	20,369	890	6,350	10,985	665
(-35)	(+580)	(-20)	(+200)	(+580)	(-15)
MBC	LJH	MJB	PON	NFR	UGH
3,405	9,542	2,609	7,654	4,522	1,632
(+210)	(-128)	(+35)	(+189)	(+122)	(-56)
YBV	QMN	MMJ	IT	KLM	CCX
3,204	5,211	7,100	7,150	782	1,901
(-33)	(+156)	(-60)	(-150)	(-74)	(+101)
MBB	WFF	HJM	DL	SDH	
3,320	712	134	2,022	631	4,287
(-80)	(-12)	(-8)	(-18)	(+40)	



Welcome and Introduction

About Wegner CPAs

Headquartered in Madison, WI, Wegner CPAs brings a unique perspective to the practice of accounting and business consulting. The firm specializes in family-owned businesses, and provides a complete range of accounting, audit, tax, and consulting services across the lifecycle of the organization.





Presenters



John Folsom

PARTNER



Rich Li

MANAGER



Kent Collier

MANAGER



Agenda

- I. Inflation Reduction Act 2022
- II. General Tax Updates for Individuals and Businesses
- III. Employee vs. Independent Contractor – DOL Proposed Rule October 2022
- IV. Wisconsin Unclaimed Property Rules – Voluntary Disclosure Opportunity



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It's income tax time again, Americans: time to gather up those receipts, get out those tax forms, sharpen up that pencil, and stab yourself in the aorta.

Dave Barry, humor columnist

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Inflation Reduction Act

Inflation Reduction Act

- Signed August 16, 2022
- New 15% corporate minimum tax
 - only applies to corporations with at least \$1 billion in financial statement net income!
- New excise tax on corporation stock repurchases
 - only applies to publicly traded companies!
- IRS Funding – nearly \$80 billion for:
 - Taxpayer services (\$3.2 billion)
 - Enforcement (\$45.6 billion)
 - Operations support (\$25.3 billion)
 - Systems modernization (\$4.7 billion)

Inflation Reduction Act



- Health care premium tax credit – extends American Rescue Plan Act (ARPA) temporary exception to allow incomes above 400% of the federal poverty level
- Expansion of the federal research credit that can be used against payroll taxes (now \$500,000 per year beginning in 2023)
- Investment in green energy

Inflation Reduction Act

- Energy Efficient Home Improvement Credit (IRC Sec 25C)
 - Effective from 2023 to 2032
 - Increase from 10% to 30% of the cost of certain improvements
 - Homes used as a residence qualify (not just *primary* residence)
 - Annual dollar limits apply, generally \$1,200 per year but different for specified items





Inflation Reduction Act

Residential Clean Energy Credit (IRC Sec 25D)

- Extended through 2032 at 30%, then is reduced to 26% for 2033 and 22% for 2034
- Solar electric systems
- Solar water heating systems
- Wind/ geothermal can qualify
- Battery storage systems with capacity of at least three kW hours



Inflation Reduction Act

- Clean vehicle credit for 2023 (plug in electric and fuel cell)
 - Up to \$7,500 for new vehicles; no sales caps by manufacturer anymore
 - Final assembly must be in North America; other sourcing requirements for critical minerals and battery components
 - MSRP caps:
 - \$80,000 for pickup trucks/ vans/ SUVs
 - \$55,000 for all other vehicles
 - Income caps:
 - \$300,000 for married filing joint filers
 - \$225,000 for head of household filers
 - \$150,000 for single filers



Inflation Reduction Act

- Clean vehicle credit for 2023, continued
 - Used vehicles may now qualify
 - Lesser of \$4,000 or 30% of the price of the vehicle
 - Price must be under \$25,000
 - Must be at least 2 years old
 - Must be sold by dealer (private sales not allowed)
 - No sourcing requirements
 - Income caps:
 - \$150,000 for married filing joint filers
 - \$112,500 for head of household filers
 - \$75,000 for single filers



Inflation Reduction Act

Residential Electric Vehicle Charger credit



30% Credit



Up to \$1000 max



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When preparing your return, you should be sure to avoid common mistakes. The two most common taxpayer mistakes, states the IRS booklet, are (1) "failure to include a current address," and (2) "failure to be a large industry that gives humongous contributions to key tax-law-writing congresspersons."

Dave Barry, humor columnist

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General Tax Updates

General Tax Updates

IRS Problems

	Individual	Business	Not Specified	Total
Paper Returns Awaiting Processing – 2021				
Original Returns	6,100,000	5,600,000	5,100,000	16,800,000
Amended Returns	2,700,000	500,000	-	3,200,000
Total Paper Returns Awaiting Processing	8,800,000	6,100,000	5,100,000	20,000,000
Paper Returns Awaiting Processing – 2022				
Original Returns	8,200,000	6,500,000	3,400,000	18,100,000
Amended Returns	2,300,000	900,000	-	3,200,000
Total Paper Returns Awaiting Processing	10,500,000	7,400,000	3,400,000	21,300,000

Filing Season	Calls Received	Number of Calls Answered by an IRS Employee	Percentage of Calls Answered by an IRS Employee
2021	167 million	15.7 million	9%
2022	73 million	7.5 million	10%

General Tax Updates

Estate and gift tax inflation adjustments for 2023

Annual Federal Gift Tax Exclusion

- 2022 = \$16,000 per recipient
- 2023 = \$17,000 per recipient

Unified (Lifetime) Federal Exclusion

- 2022 = \$12.06 million
- 2023 = \$12.93 million
- Note: Beginning in 2026, this lifetime exclusion is scheduled to revert back to \$5 million indexed for inflation (likely to be around \$6.4 million) unless Congress changes it...



General Tax Updates

New 1099-K info for 2022

- 1099-K is an information return used to report payment card transactions
 - e.g. debit, credit, etc.
- New thresholds for 2022!
 - Prior to 2022 – 1099-K issued if the number of transactions exceeded 200 and the aggregate amount exceeded \$20,000
 - For 2022, a single transaction exceeding \$600 can trigger a 1099-K
- Bottom line – individual taxpayers will be receiving significantly more 1099-K forms this year than in the past!

General Tax Updates

Retirement plan contribution limits



Contribution Type	2022 Limit	2023 Limit
Traditional IRA contribution	\$ 6,000	\$ 6,500
Traditional IRA contribution catch-up (over 50)	1,000	1,000
Roth IRA contribution	6,000	6,500
Roth IRA contribution catch-up (over 50)	1,000	1,000
401(k)/ 403(b) employee contribution	20,500	22,500
401(k)/ 403(b) employee catch-up (over 50)	6,500	7,500
SEP IRA contribution	61,000	66,000
SIMPLE IRA contribution	14,000	15,500





General Tax Updates

Deduction for Research & Development

Beginning in 2022, companies will no longer be able to currently deduct R&D expenses

Rather, they must amortize these costs over 5 years

Note: There is supposedly bipartisan support in Congress to reverse this (i.e. to continue allowing a current full deduction), but as of now the new rule stands.

General tax updates


Other business tax updates

- Sec 179 expensing limit for 2022 = \$1,080,000
- Bonus depreciation still 100% for 2022 (reduced to 80% for 2023, 60% in 2024, 40% in 2025, and 20% in 2026)
- Deduction for meals provided by restaurant still 100% for 2022
 - Entertainment expenses is 100% nondeductible (e.g. arena box seats)
 - Food/meals bought at grocery/convenience stores limited to 50%
- W-2 reporting, don't forget:
 - S-Corp health insurance addition to W-2 for > 2% shareholders
 - Personal use of company-owned auto
 - Resource for fringe benefits: IRS Publication 15-B
<https://www.irs.gov/pub/irs-pdf/p15b.pdf>

General tax updates

Other individual tax updates

- Child Tax Credit in 2022 reverts back to \$2,000 per child. Income threshold: \$400,000 MAGI for MFJ and \$200,000 for all other filers. Stay tuned!
- Child and Dependent Care Credit reverts back to 20-35% of \$3,000 per child, or \$6,000 for two or more children.
- Wisconsin 529 (Edvest) deduction for 2022 is \$3,560. Can be taken as a Wisconsin state deduction as long as contribution made by April 18, 2023.

A top-down view of a meeting table with laptops, tablets, and documents. The table is dark wood. There are several laptops and tablets open, displaying blue-themed presentations. One laptop screen shows "TODAY'S HIGHLIGHTS" with a list of topics: "Brief Introduction", "Financial Goals", "Planning on Saving Money", "Practical Steps of Millennials", "Planning Money", and "Planning for Retirement Final Words". Another laptop screen shows "Discussion Outline". A tablet shows "85.00%". There are also some papers with handwritten notes and a small potted plant on the table.

“ We’ll try to cooperate fully with the IRS, because, as citizens, we feel a strong patriotic duty not to go to jail.

Dave Barry, humor columnist

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Employee vs. Independent Contractor

Proposed rule October 2022 would reverse the 2021 two-factor test and replace it with six main factors for consideration:

1. Opportunity for profit
2. Investments by worker and the employer
3. Degree of permanence of the work relationship
4. Nature and degree of control
5. Extent to which the work performed is an integral part of the employer's business
6. Skill and initiative



Employee vs. Independent Contractor

- Resources:

- <https://www.dol.gov/agencies/whd/flsa/misclassification/rulemaking>
- <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>
- <https://dwd.wisconsin.gov/worker-classification/wc/independent.htm>

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Here's my proposal, which is based on the TV show Survivor: We put the entire Congress on an island. All the food on this island is locked inside a vault, which can be opened only by an ordinary American taxpayer named Bob. Every day, the congresspersons are given a section of the Tax Code, which they must rewrite so that Bob can understand it. If he can, he lets them eat that day; if he can't, he doesn't.
”

Dave Barry, humor columnist

Wisconsin Unclaimed Property Rules

What is unclaimed property?

- Generally, unclaimed property is any financial asset that hasn't had owner activity for a period of one year or more and the holder of the asset is not able to contact the owner
- Businesses must file holder reports and turn over unclaimed property to the State of Wisconsin
- Penalties for not reporting



Wisconsin Unclaimed Property Rules

- Resources:

- Wisconsin Publication 82 “Unclaimed Property Holder Report Guide”
<https://www.revenue.wi.gov/DOR%20Publications/pb82.pdf>

- Wisconsin unclaimed property home page
<https://www.revenue.wi.gov/Pages/UnclaimedProperty/Home.aspx>

- Wisconsin holder webinar posted online
<https://www.revenue.wi.gov/Pages/VideoCenter/videos-home.aspx?ytvideoID=C53Nz3h-G0I&ytplID=ucp>





Wisconsin Unclaimed Property Rules

For businesses that haven't been filing or remitting unclaimed property, Wisconsin has a voluntary disclosure program in effect from February 1, 2022 through February 28, 2023.

Under the agreement, holders can report and remit properties without being assessed late fees or penalties.

See info and FAQ's on the WI Dept of Revenue website:
<https://www.revenue.wi.gov/Pages/FAQS/Unclaimed-Property-Voluntary-Disclosure.aspx>



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THANK YOU



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