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WEALTH MANAGEMENT GROUP, LLC

DECEMBER SPECIAL REPORT

2022 TAX GUIDE

Your year-end tax planning reminders

About This Guide

In this guide, we will explore where your tax dollars go, some of the ways tax filing may look different in 2023, and what you can do to prepare. Keep in mind, this guide is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your strategy.

Before we dive into the upcoming tax brackets and what you can do to prepare for 2023, it will be helpful to understand precisely how the government allocates your federal tax dollars.

In 2021, the federal government spent $6.82 trillion, which equals 30% of the nation's gross domestic product (GDP). Further examination reveals that three significant areas of spending made up a large portion of the budget.[1]

Where Your Federal Tax Dollars Went in 2021

Medicare

Medicare accounted for $696.5 billion, or 10% of the budget, in 2021.[1]

Defense Spending

Another $754.8 billion, or 11% of the budget, was paid for defense and security-related international activities. The bulk of the spending in this category reflects the underlying costs of the Defense Department. This includes the cost of multiple defense initiatives and related activities, described as Overseas Contingency Operations in the budget.[1]

Social Security

17% of the budget, or $1.1 trillion, was paid for Social Security, which provided monthly retirement benefits averaging $1,497 to 46 million retired workers. Social Security also provided benefits to 3 million spouses and children of retired workers, 6 million surviving children and spouses of deceased workers, and 10 million disabled workers and their eligible dependents.[1,2]

Preparing for the Tax Season

Planning well in advance of the tax season may help better prepare you for the unexpected. During the first few months of 2023, make sure you receive your W-2 and 1099 forms as well as other tax documents. Leave adequate time to collect documents and prepare to file your taxes prior to the April 18, 2023 deadline (April 19, 2023 for Maine and Massachusetts).

Here are several reasons to begin planning early:

- Your home, job, or relationships changed in 2022
- You need to start saving money if you may owe taxes
- You want to ensure you qualify for tax deductions

You can make changes throughout the year to ensure that your tax preparations go smoothly. In particular, you can make periodic assessments of your paycheck withholdings so that you will get a refund or can reduce or eliminate your tax burden.

You should keep track of and store your tax and other financial records to avoid delays or frantic preparations as the filing deadline approaches.

Records may include:

- W-2 forms
- Canceled checks and pertinent receipts
- Previous-year returns
- Pay stubs
- Mortgage payment records
- Closing paperwork on home purchases
- Receipts for items or services you may want to claim as itemized deductions
- Records on charity giving and donations
- Mileage logs on cars used for business
- Business travel receipts
- Credit card and bank statements to verify deductions
- Medical bills
- 1099-G forms for state and local taxes
- 1099 forms for dividend or other income

The 2022 Tax Brackets

The 2022 tax brackets and the corresponding income ranges:[3]

2022 Tax Rate	Single	Married Filing Jointly
10%	$0 to $10,275	$0 to $20,550
12%	$10,276–$41,775	$20,551–$83,550
22%	$41,776–$89,075	$83,551–$178,150
24%	$89,076–$ 170,050	$178,151–$340,100
32%	$170,051–$215,950	$340,101–$431,900
35%	$215,951–$539,900	$431,901–$647,850
37%	$539,901+	$647,851+

Here is an overview of the standard deductions over the past two years:[4]

	2021	2022
Single	$12,550	$12,950
Married filing jointly	$25,100	$25,900
Married filing separately	$12,550	$12,950
Head of household	$18,800	$19,400
Personal exemption	NA	NA

These slight changes to the tax brackets mean that wage earners may fall into lower brackets. Here is one example: A single filer at $88,000 in taxable income would fall into the 24% bracket for tax year 2021. That same filer would be in the 22% tax bracket in 2022.

These current tax rates are scheduled to expire in 2025 unless Congress acts to make them permanent. Exemptions also changed under the new tax code.

Keep in mind that the tax brackets are representative of how much you will pay for each portion of your income. For example, if your household makes $100,000 for the 2022 tax year and are married filing jointly, you would pay 10% on the first $20,550, 12% on the next $63,000, and 22% on the final $16,450. You would not pay 22% for the entire $100,000 of your annual income.

Important Deadlines*

December 31, 2022

Contributions to Workplace Plans Due

401(k)s and other employer-sponsored plans generally have this contribution deadline.

Roth Conversion Deadline

There is no limit on how much you can convert in a given tax year, however, there will be tax consequences in the year it is converted.

529 Contribution Deadline for Oregon Tax Credit

Deadlines vary for each state that offers deductions or credits for college savings contributions.

Charitable Giving, Gift Exclusions, and Tax-Loss Harvesting Deadlines

Most gifting and non-retirement investment strategies need to be completed before the year ends to affect your 2022 tax position.

Required Minimum Distribution (RMD) Deadline

Under normal circumstances, clients who are 72 years of age or older are required by the IRS to take a RMD from their retirement accounts by April 1 of the following year. For each year following the first year, the RMD must be taken by the end of that year. A RMD may also apply to inherited IRAs.

January 17, 2023

If you are self-employed or have other fourth-quarter income that requires you to pay quarterly estimated taxes, postmark this payment by January 17, 2023.

April 18, 2023

First Quarter 2023 Estimated Tax Payment Due

2022 Individual Tax Returns Due

Most taxpayers have until April 18 to file tax returns. Email or postmark your returns by midnight on this date.

2022 IRA Contribution Deadline

If you have not already contributed fully to your retirement account for 2022, April 18 is your last chance to fund a Traditional IRA or a Roth IRA.

Individual Tax Return Extension Form Due

If you cannot file your taxes on time, file your request for an extension by April 18 to push your deadline out to October 15, 2023.

June 15, 2023

Second Quarter 2023 Estimated Tax Payment Due

September 15, 2023

Third Quarter 2023 Estimated Tax Payment Due

October 15, 2023

Extended Individual Tax Returns Due

If you received an extension, you have until October 15 to file your 2022 tax return.

**The IRS has the authority to adjust federal tax deadlines on short notice based on its assessment of financial or economic conditions.*

The Child Tax Credit

In 2021, the American Rescue Plan Act increased the child tax credit to up to $3,600 per child.

Legislation to extend the 2021 child tax credit was not passed, so the credit will revert back to the 2020 credit of up to $2,000 per child for 2022.

While the 2021 child tax credit was fully refundable, the 2022 tax credit will only be partially refundable.

The 2022 credits phase out at income thresholds of $200,000 (or $400,000 for married taxpayers filing jointly).[5]

Keep in mind that legislation is currently being considered that may change the child tax credit. While no action has taken place at the time of the writing of this report, it is possible that tax rules may change in the future.

Tightening the Nuts and Bolts

Here are some ways to prepare this year for next year's tax season:

Look at last year: Take a look at last year's return. You may still have the opportunity to contribute more to your retirement plan, which may lower your taxable income.

Time your donations to charity: Consider "bunching" your charitable donations. The bunching strategy provides you with the ability to group as many tax-deductible expenses as possible into a single tax year. In the year that you have bunched your itemized deductions, you itemize on your taxes. The following year, you take the standard deduction. You then alternate the years that you itemize moving forward. As an example, if you are married and itemize your deductions, and plan to make $15,000 in annual donations, you can donate $30,000 in one year and skip the next year. This may allow you to qualify for a higher overall deduction.[6]

Review capital losses: If you are investing in the financial markets, you may want to consider deducting capital losses. You can claim losses only if they exceed capital gains. You are allowed to claim the difference of up to $3,000 per year if you are married filing jointly or $1,500 if you are filing separate returns. Net losses that exceed $3,000 can be carried over into future years.[8]

Get organized: Find a place to store your tax documents until it is time to prepare to file. A good record-keeping system may alleviate concerns later as the deadline gets closer.

If you have your documents or prior-year returns stored on your computer, make sure you back them up on a thumb drive or other device or system in case your computer is hacked, stolen, or malfunctions.

Consider other taxes: Keep an eye on local and state government requirements that may affect your specific tax situation.

Retaining Your Documents

The IRS provides recommended timelines for retaining financial documents:[8]

1. You should keep your tax records for three years if #4 and #5 below do not apply to you.
2. If you claimed a credit or refund after you filed your return, you should keep records for three years from the original filing date of your return or two years from the date you paid your taxes, whichever is later.
3. You should keep your records for seven years if you claimed a loss from worthless securities or a bad debt deduction.
4. If you failed to report income that you should have and the income was more than 25% of the gross income listed on your return, you should keep your records for six years.
5. Keep records indefinitely if you do not file a return.
6. You should keep employment tax records for at least four years after the due date on the taxes or after you paid the taxes, whichever is later.

Conclusion

Our hope is that you are easily able to incorporate the principles and tips in this report into your tax preparation strategy.

Planning well in advance may enable you to take advantage of the opportunities and benefits available under the new tax code.

Discussing your unique situation with both a financial professional and a tax professional may help you make the best choices as tax season approaches.

The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult with legal or tax professionals with expertise in this area for specific information regarding your situation.

If you or anyone close to you would like to discuss how to manage their financial situation, please give our office a call at 458.777.4458 to schedule a consultation.

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Sources

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