**Burchett Financial Services

Highlights Of the 2021 & 2022 Tax Changes**

* The Traditional IRA and Roth IRA remains at $6,000 for 2021 & 2022 and if you are 50 and over, you can contribute $1,000 more to catchup.
* For 2021, maximum 401K, 403B and 457 contribution remains at $19,500 and over 50 can catchup an extra $6,500. The cap on simple plans goes to $13,500 and over 50 can put in $3,000 catchup. For 2022 the amounts go to $20,500 and $14,000 for simple plans.
* The 2021 standard mileage rate for business driving was 0.56 cents a mile, medical/moving is 0.16 cents, and charity 0.14 cents. Business miles for 2022 is 58.5 cents per mile, medical is .18 cents and charity is 0.14 cents.
* You have the opportunity to amend returns from 2017 – 2019 because of the batch of expired tax breaks from 2017 and some for 2018 have been extended until 2021. They include the deduction for private mortgage insurance (PMI). Energy tax incentives (credits for windows & doors added to residences, insulation, new HVAC and hot water heaters), and shorter depreciation for racehorses is extended through 2021.
* The 7.5 adjusted-gross income threshold for medical expenses on Schedule A is permanent.
* There is a $300 for Single and $600 for MFJ deduction of cash contribution of cash charitable donations instead of itemizing for 2021 only.
* Social Security recipients received a 5.9% COLA or raise for 2022. The Medicare Part B monthly premium will rise for 2022 to $170.10.
* The Secure Act which brought updates and changes to the RMD age from 70½ - 72 beginning 2020. RMDs for 2021 must be withdrawn by April 1, 2022 or pay a 50% penalty.
* New life expectancy tables for calculating RMDs apply for 2022 and beyond. The revised tables will allow distributions to be spread out over more years which can result in lower payouts.
* Stimulus check #3 was issued after the tax law change of March11, 2021 and was in the amount of $1,400/person. Please make sure you did or did not receive so we can reconcile on the 2021 tax return or recover the amount not received.
* Beginning in 2021 & 2022 only, businesses can deduct 100% of business meals and beverages. This removes the 50% Haircut. Business entertainment expenses are still no longer deductible.
* Please watch out for letter #6419 from the IRS. This is regarding your ACTC and is needed for the reconciliation.
* If you withdrew retirement funds on form 8915 in 2020 because of COVID-19, don’t forget you don’t pay the 10% early withdrawal penalty and can spread the amount over 3 years. Or if you can repay the whole amount within the 3-year period, then you can go back and amend 2020 or later years to get your refund.
* Let us note to review your 2020 returns to make sure your unemployment was taxed appropriately& if you have received any overpayments. (IRS started sending out refund in July 2021 for people who filed returns before the March 11 passing off the exclusion. NC & SC did NOT follow the exclusion, so you had to pay on all unemployment to them for 2020.

 **New & Proposed Tax Legislation**

If you recall in 2018, we went thru the biggest tax law changes in 30 years which extended thru 2025. (This was during the Trump Administration) Within the dark days of COVID-19 there has been different legislation passed and tweaking of the 2018 tax laws.

They include “Taxpayer Certainty and Disaster Relief Act of 2020.” The made permanent the minimum threshold of 7.5 % for medical expenses on Schedule A, energy-efficient commercial buildings deduction, increased income limitation for lifetime learning credits, and numerous other provisions of the 2018 Act and technical corrections. This bill was mainly to extend the provisions and technical corrections.

The Consolidated Appropriations Act of 2021 (Dec 27, 2020) This piece of legislation created the 2020 Recovery Rebates which we dealt with on our 2020 returns (the $600/individual stimulus checks), extension of certain deferred payroll taxes, Medicare beneficiary enrollment simplification, and temporary special rules for health and dependent care flexible spending plans.

American Rescue Plan (March 11, 2001) This is a $1.9 Trillion spending bill that expands child and dependent care credits for 2021, changes unemployment taxation for 2020 and adds the third round of recovery rebates(the $1,400/person). This bill allowed the first $10,200 benefits (per worker) to be tax free for 2020 only. The third round of stimulus checks are an advanced paid credit against your 2021 credit. We will still need to reconcile these payments to the actual filed returns. This does not mean they are required to be paid back. We do this to make sure you got in advance what you are entitled to base on 2021 returns. The act expands the child tax credit to fully refundable for 2021 and makes 17-year-olds eligible as qualifying children. It increases the credit from $2,000/child to $3,000 and $3,600 for children under 6.

The IRS started paying these credits in advance from July through December 2021. We will reconcile the advance payments to the actual credit amounts on the 2021 returns. This expanded ACTC (Advanced Child Tax Credit) was for 2021 only. The money is not taxable, but overpayments may need to be repaid.

Earned Income Tax Credit had changed in several ways. It includes special rules for people who have no children, the maximum age is eliminated and phase out percentages and amounts are increased. This means more people may be eligible for this credit than before.

The Child and Dependent Care Credit has been modified for 2021 only to make it refundable and increases the credit for $1,050 per child to $4,000 and up to $8,000 for 2 or more. The income limits have also been increased to up to $400,000 for eligibility. Keep in mind this was a one-time deal for 2021 only and this credit will go back to normal limits for 2022 unless changed again.

The Act expanded the premium tax credit for 2021 and 2022 and includes no repayment of advance premium tax credits for 2020 (excess amounts) and a special rule for taxpayers receiving unemployment compensation for any week beginning during 2021 as an applicable taxpayer.

There are other provisions that I have not listed for simplification but fell free at your leisure to read the total bill.

Proposed legislation as of September 13, 2021

The American Family Plan (Build Back Better). This proposed bill passed the house but has not been passed by the Senate. This bill would have extended the child tax credit and others in the American Rescue Plan. I am not going to waste time and space to include anything because at this moment, “it is not law and may never be law.”