Tax Law Changes for TY2022
Contact Information

IRS Stakeholder Liaison

Alan.J.Gregerson@irs.gov
Recent Tax Legislation (cont.)

• Infrastructure Investment and Jobs Act, 2022 P.L. 117-58 (Enacted November 15, 2021) (cont.)
  • Modification of automatic extension of certain deadlines in the case of taxpayers affected by federally declared disasters
  • Authority to postpone certain tax deadlines by reason of significant fires
  • Information reporting for brokers and digital assets
  • Termination of employee retention credit for employers subject to closure due to COVID-19
Provisions Expiring at the end of 2022

• These provisions apply for 2022 but will no longer apply after 12/31/2022.
  • Premium assistance credit enhancements (sec. 36B(b)(3)(A)(iii) and (c)(1)(E))
  • Allowance of full deduction for business meals provided by a restaurant (sec. 274(n)(2)(D))
Expired Provisions

- These provisions expired as of 12/31/2021 and don’t apply for 2022.
- Energy-related provisions
  - Nonbusiness energy property (sec. 25C(g))
  - Alternative fuel vehicle refueling property credit (sec. 30C(g))
  - Energy efficient homes credit (sec. 45L(g))
- Mortgage insurance premiums as qualified residence interest (sec. 163(h)(3)(E)(iv))
Expired Provisions, cont. 1

- These provisions expired and don’t apply for 2022.
  - Modification of limitation on charitable contributions (sec. 2205 of P.L. 116-136, as amended)
  - Credit for health insurance costs of eligible individuals (sec. 35(b)(1)(B))
  - Special rule for health and dependent care flexible spending arrangements (sec. 214 of Div. EE of P.L. 116-260)
Expired Provisions, cont. 2

• These provisions expired and don’t apply for 2022.

• Enhanced credits from the American Rescue Plan:
  • Child Tax Credit (sec. 24)
  • Child and Dependent Care Credit (sec. 21)
  • Earned Income Credit (sec. 32)
  • Premium Tax Credit (sec. 36B)

• 2021 Recovery Rebate Credit (sec. 6428B)
Expired Provisions, cont. 3

• These provisions expired and don’t apply for 2022.
  • Child Tax Credit (Sec. 24(i) and 7527A)
    • Extended qualifying child to under age 18
    • Credit increased to $3,000 per child ($3,600 for under age 6)
    • New phaseout amounts for additional credit amounts
    • Refundable in 2021 for most taxpayers
    • Created an advance child tax credit payment
Expired Provisions, cont. 4

• These provisions expired and don’t apply for 2022.
  • Child and Dependent Care Credit (sec. 21(g) and 129(a)(2)(D))
    • Increased dollar limit amount to $8,000 for one qualifying person and $16,000 for two or more qualifying persons
    • Increased credit rate and income phaseout amounts
    • Refundable in 2021 for most taxpayers
  • Increased the exclusion amount for employer-provided dependent care assistance to $10,500
Expired Provisions, cont. 5

• These provisions expired and don’t apply for 2022.

• Earned income tax credit: Special rules for individuals without qualifying children (sec. 32(n))
  • Decreased minimum age
  • Qualified former foster youth
  • Qualified homeless youth
  • Eliminated maximum age
  • Increased credit and phaseout percentages
Expired Provisions, cont. 6

• These provisions expired and don’t apply for 2022.

• Premium Tax Credit
  • Premium assistance credit special rule for individuals who receive unemployment compensation (sec. 36B(g))
Expired Provisions, cont. 7

- These provisions expired and don’t apply for 2022.
- Employment Tax Changes
  - Extension and modification of employee retention credit (sec. 3134(n))
  - Sick and family leave credit (sec. 3131(h) and 3132(h))
  - Premium assistance for COBRA continuation coverage (sec. 9501 of P.L. 117-2)
Form 1099-K

• Third party network threshold for reporting changed from totals exceeding $20,000 and 200 transactions to totals exceeding $600, regardless of the total number of transactions.
• Reporting is not required on transactions that are not for goods or services.
• Go to IRS.gov/GigEconomy.
Where’s My Refund

• New feature allows taxpayers to check on the refund status of their current tax year and the two previous years.
• Go to IRS.gov/refunds for more information.
Resources

- Drafts of tax forms, instructions, and some publications are posted at [IRS.gov/DraftForms](https://IRS.gov/DraftForms) before the final release is posted at [IRS.gov/LatestForms](https://IRS.gov/LatestForms).
- Changes are also at [IRS.gov/FormChanges](https://IRS.gov/FormChanges).
- For all revisions of all tax products go to [IRS.gov/AllForms](https://IRS.gov/AllForms).
Inflation Reduction Act

Comments

Notice 2022-51
Notice 2022-50
Notice 2022-49
Notice 2022-48
Notice 2022-47
Notice 2022-46
Notice 2022-39
Notice 2022-48

Available through December 31, 2032

Annual Cap of $1200

$600 for qualified energy property
$600 for exterior windows and skylights
$250 for single exterior door
$2000 on heat pumps, heat pump water heater, biomass stoves, and biomass boilers
Inflation Reduction Act – Clean Vehicle

Notice 2022-46

Potential $7500 credit

Purchase price

Modified Adjusted Gross Income
80 billion

10 years

Customer Service, IT, TAC employees
Dirty Dozen Tax Scams Overview

• Compiled annually, the Dirty Dozen lists a variety of common scams that taxpayers can encounter anytime. The IRS warns taxpayers, tax professionals and financial institutions to beware of these scams.
• This year’s list is divided into five groups:
  • Potentially abusive arrangements
  • Pandemic-related scams
  • Offer in Compromise “mills”
  • Suspicious communications
  • Spear phishing attacks

The list is not a legal document or a literal listing of agency enforcement priorities. It is designed to raise awareness among a variety of audiences that may not always be aware of developments involving tax administration.
Dirty Dozen Tax Scams

• **Pandemic-related scams**
  This IRS reminds taxpayers that criminals still use the COVID-19 pandemic to steal people's money and identity with phishing emails, social media posts, phone calls, and text messages.
  • All these efforts can lead to sensitive personal information being stolen, and scammers using this to try filing a fraudulent tax return as well as harming victims in other ways.
  • Some of the scams people should continue to be on the lookout for include Economic Impact Payment and tax refund scams, unemployment fraud leading to inaccurate taxpayer 1099-Gs, fake employment offers on social media, and fake charities that steal taxpayers' money.
• **Offer in Compromise "mills"**
  Offer in Compromise or OIC "mills," make outlandish claims, usually in local advertising, about how they can settle a person's tax debt for pennies on the dollar.
  • Often, the reality is that taxpayers pay the OIC mill a fee to get the same deal they could have gotten on their own by working directly with the IRS.
  • These “mills” are a problem all year long, but they tend to be more visible right after the filing season ends and taxpayers are trying to resolve their tax issues perhaps after receiving a balance due notice in the mail.
• **Suspicious communications**
  Every form of suspicious communication is designed to trick, surprise, or scare someone into responding before thinking. Criminals use a variety of communications to lure potential victims.
  • The IRS warns taxpayers to be on the lookout for suspicious activity across four common forms of communication: email, social media, telephone, and text messages.
  • Victims are tricked into providing sensitive personal financial information, money, or other information. This information can be used to file false tax returns and tap into financial accounts, among other schemes.
• **Spear phishing attacks**

Spear phishing scams target individuals or groups. Criminals try to steal client data and tax preparers' identities to file fraudulent tax returns for refunds. Spear phishing can be tailored to attack any type of business or organization, so everyone needs to be skeptical of emails requesting financial or personal information.

- A recent spear phishing email used the IRS logo and a variety of subject lines such as "Action Required: Your account has now been put on hold" to steal tax professionals' software preparation credentials. The scam email contains a link that if clicked will send users to a website that shows the logos of several popular tax software preparation providers. Clicking on one of these logos will prompt a request for tax preparer account credentials.

- The IRS warns tax pros not to respond or take any of the steps outlined in the email. The IRS has observed similar spear phishing emails claiming to be from "tax preparation application providers."
Employee Retention Credit

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Relief Act of 2020
- American Rescue Plan (ARP) of 2021
Employee Retention Credit

March 13, 2020, through December 31, 2020

- A fully refundable tax credit for employers equal to 50 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.

January 1, 2021, through December 31, 2021

- A fully refundable tax credit for employers equal to 70 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.
Eligible Employer

Carrying on a trade or business that:

1. Was fully or partially suspended by government order due to COVID-19 (2020 or 2021)

2. Gross Receipts Test:
   • For 2020, a significant decline in gross receipts (defined as period beginning with calendar quarter in which gross receipts are less than 50 percent of gross receipts in the same calendar quarter in 2019 and ending in the calendar quarter after the first calendar quarter in which gross receipts are greater than 80 percent of gross receipts in the same calendar quarter in 2019).
   • For 2021, a decline in gross receipts (defined as quarter in which gross receipts are less than 80 percent of the same calendar quarter in 2019).

3. Recovery startup business (3rd & 4th quarter 2021)
   • Self-employed individuals are not eligible for their own services and earnings
   • Household Employers are not eligible for the employee retention credit with respect to their household employee
Qualified Wages

For 2020:

Employers with 100 or less FT employees:
• Credit based on wages paid to all employees, regardless of whether they provided services

Employer with more than 100 FT employees:
• Credit is based on wages paid only to employees who did not provide services due to a suspension or decline in gross receipts

For 2021:
• The threshold changed to 500 or less FT employees or more than 500 FT employees

• Severely financially distressed employer
  • Credit is based on wages paid to all employees
Claiming the credit

• Report qualified wages and credits for each calendar quarter on federal employment tax return.

• Tax credit may be claimed against the employer share of Social Security tax for wages paid 3/13/2020 – 6/30/2021 and against employer share of Medicare tax for wages paid 7/1/2021-12/31/2021.

• Tax credit is refundable, and the employer may reduce employment tax deposits in anticipation of the credit.

• If credit exceeds payroll deposits, small employers may request an advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19
Impact of other credit provisions

Small Business Loan – Paycheck Protection Program (PPP)

• "Retroactive to the March 27, 2020, enactment of the CARES Act, the law now allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that are not taken into account as payroll costs in obtaining forgiveness of a PPP loan"
Impact of other credit provisions – ARP

Employer cannot claim the ERC for wages taken into account for purposes of the following grants:

• Shuttered Venue Operator Grant under section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act;
• Restaurant revitalization grants under section 5003 of the American Rescue Plan Act of 2021; or
• PPP loans
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