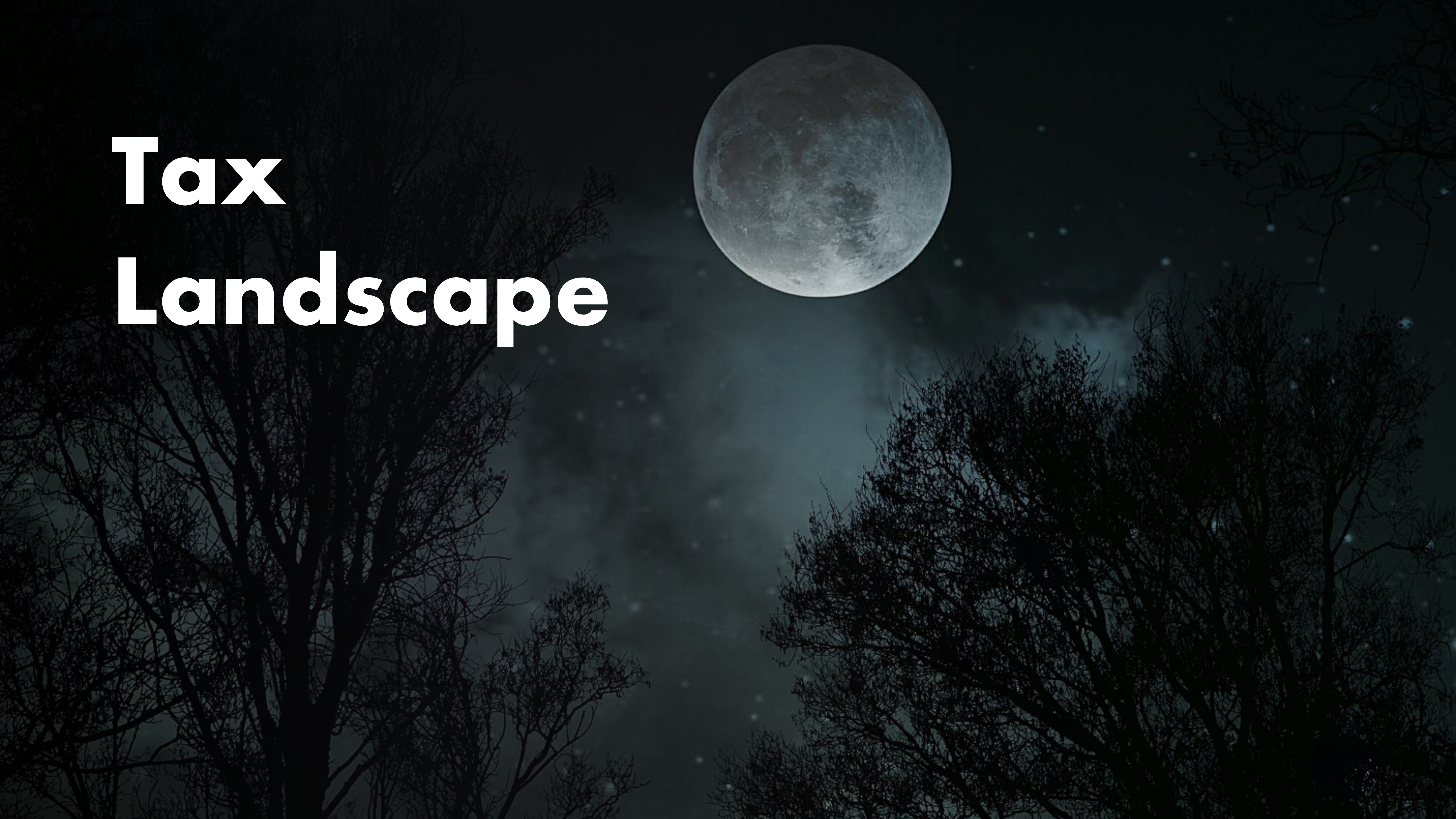
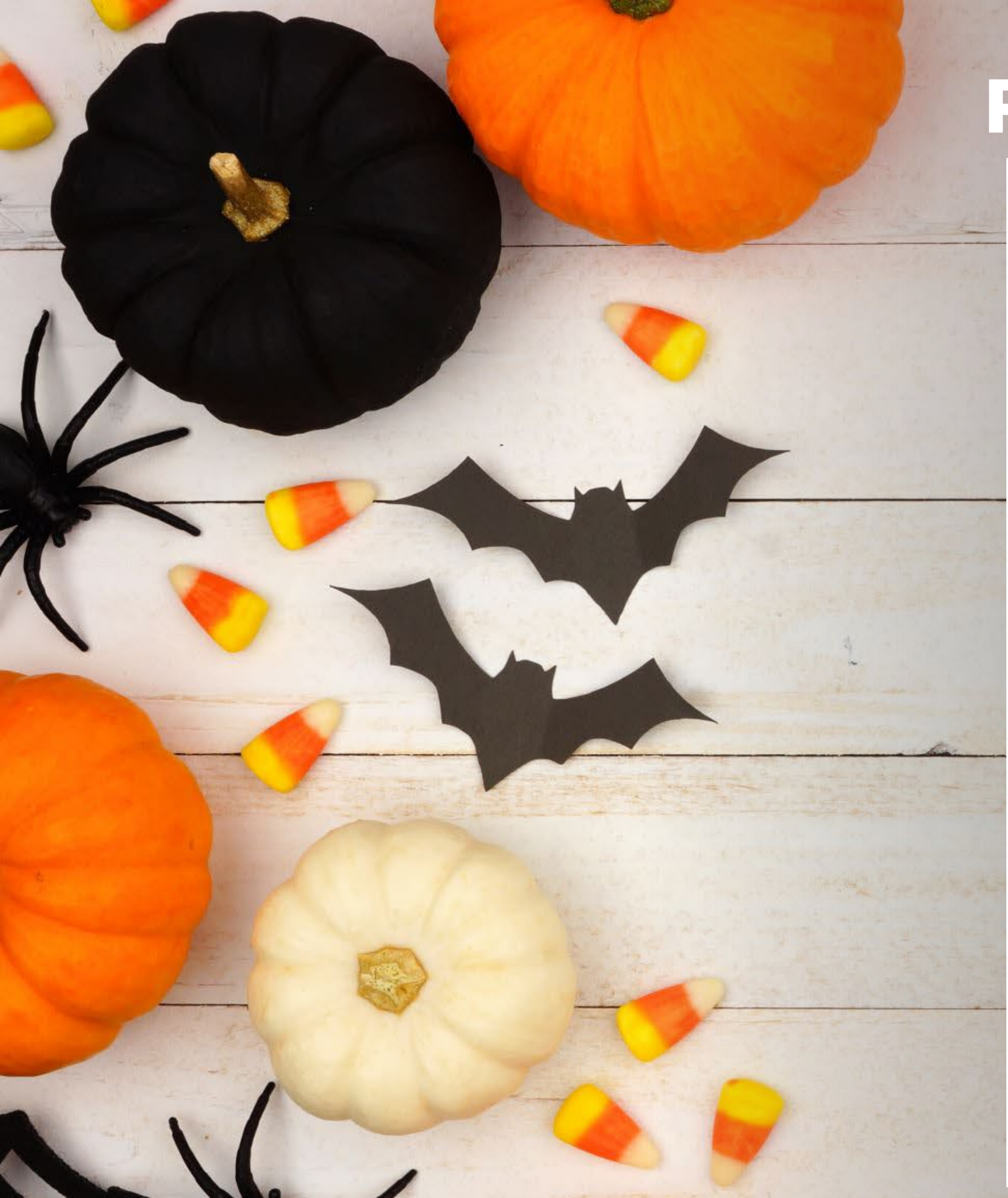
Tax Landscape





Projected Tax Rate Tables

TABLE 1 - Section 1(j)(2)(A) – Married Individuals Filing Joint Returns and Surviving Spouses

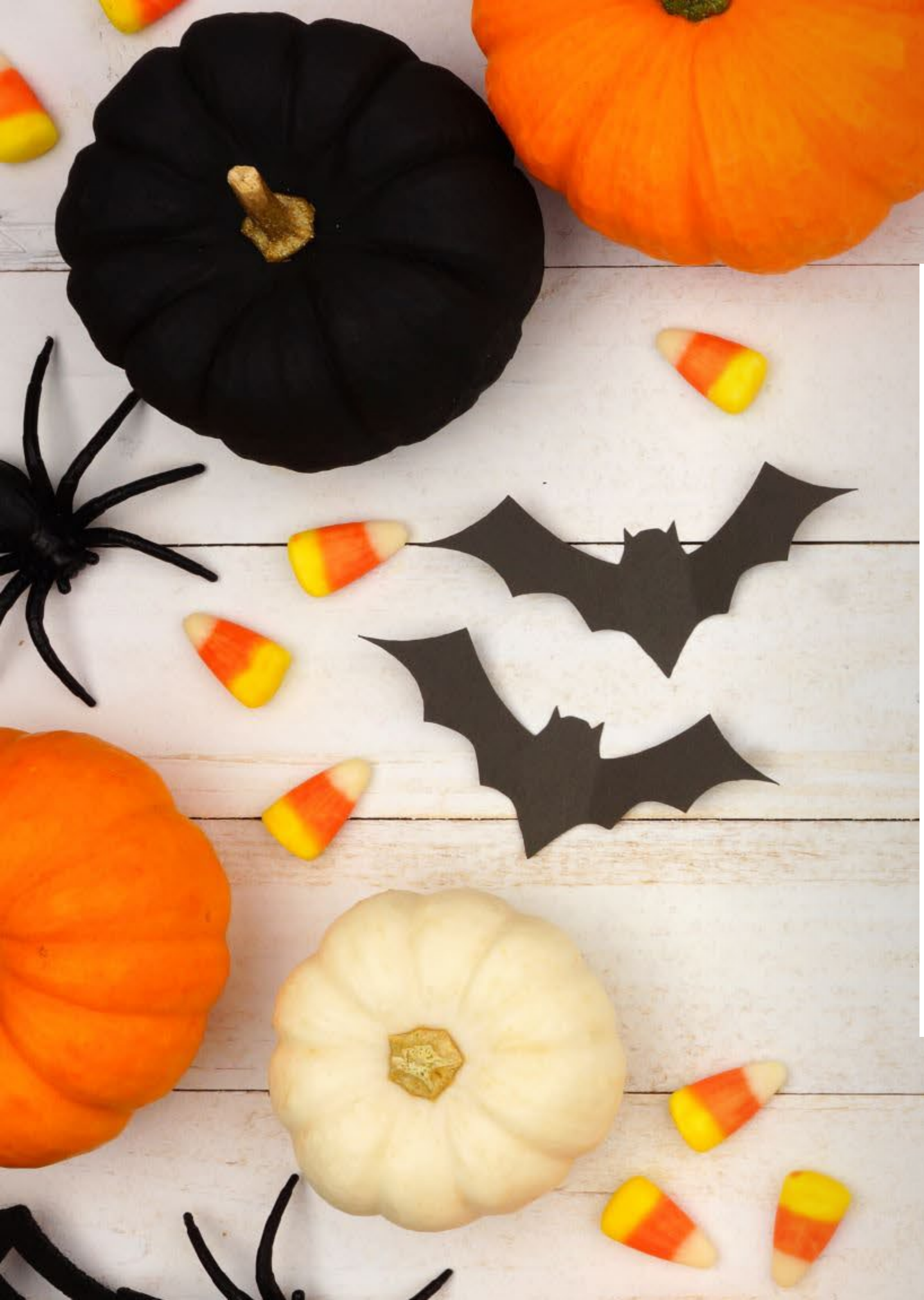
If Taxable Income Is:				The Tax Is:		
Not Over	$22,000			10% of the taxable income		
Over	$22,000	but not over	$89,450	$2,200	plus 12% of excess over	$22,000
Over	$89,450	but not over	$190,750	$10,294	plus 22% of excess over	$89,450
Over	$190,750	but not over	$364,200	$32,580	plus 24% of excess over	$190,750
Over	$364,200	but not over	$462,500	$74,208	plus 32% of excess over	$364,200
Over	$462,500	but not over	$693,750	$105,664	plus 35% of excess over	$462,500
Over	$693,750			$186,601.50	plus 37% of excess over	$693,750

TABLE 2 - Section 1(j)(2)(B) – Heads of Household

If Taxable Income Is:				The Tax Is:		
Not Over	$15,700			10% of the taxable income		
Over	$15,700	but not over	$59,850	$1,570	plus 12% of excess over	$15,700
Over	$59,850	but not over	$95,350	$6,868	plus 22% of excess over	$59,850
Over	$95,350	but not over	$182,100	$14,678	plus 24% of excess over	$95,350
Over	$182,100	but not over	$231,250	$35,498	plus 32% of excess over	$182,100
Over	$231,250	but not over	$578,100	$51,226	plus 35% of excess over	$231,250
Over	$578,100			$172,623.50	plus 37% of excess over	$578,100

TABLE 3 - Section 1(j)(2)(C) – Unmarried Individuals
(other than Surviving Spouses and Heads of Household)

If Taxable Income Is:				The Tax Is:		
Not Over	$11,000			10% of the taxable income		
Over	$11,000	but not over	$44,725	$1,100	plus 12% of excess over	$11,000
Over	$44,725	but not over	$95,375	$5,147	plus 22% of excess over	$44,725
Over	$95,375	but not over	$182,100	$16,290	plus 24% of excess over	$95,375
Over	$182,100	but not over	$231,250	$37,104	plus 32% of excess over	$182,100
Over	$231,250	but not over	$578,125	$52,832	plus 35% of excess over	$231,250
Over	$578,125			$174,238.25	plus 37% of excess over	$578,125



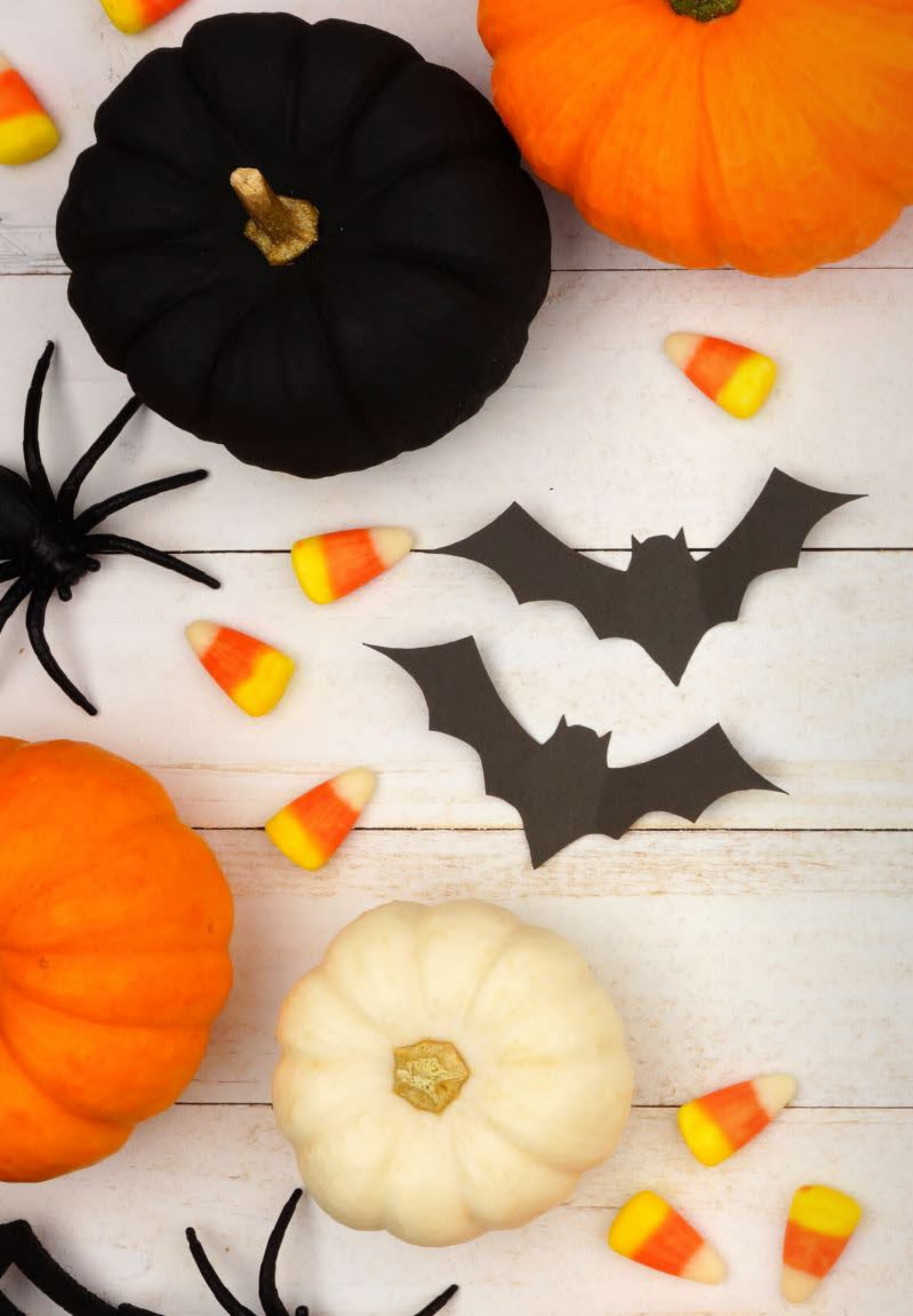
Projected Tax Rate Tables

TABLE 4 - Section 1(j)(2)(D) – Married Individuals Filing Separate Returns

If Taxable Income Is:				The Tax Is:		
Not Over	$11,000			10% of the taxable income		
Over	$11,000	but not over	$44,725	$1,100	plus 12% of excess over	$11,000
Over	$44,725	but not over	$95,375	$5,147	plus 22% of excess over	$44,725
Over	$95,375	but not over	$182,100	$16,290	plus 24% of excess over	$95,375
Over	$182,100	but not over	$231,250	$37,104	plus 32% of excess over	$182,100
Over	$231,250	but not over	$346,875	$52,832	plus 35% of excess over	$231,250
Over	$346,875			$93,300.75	plus 37% of excess over	$346,875

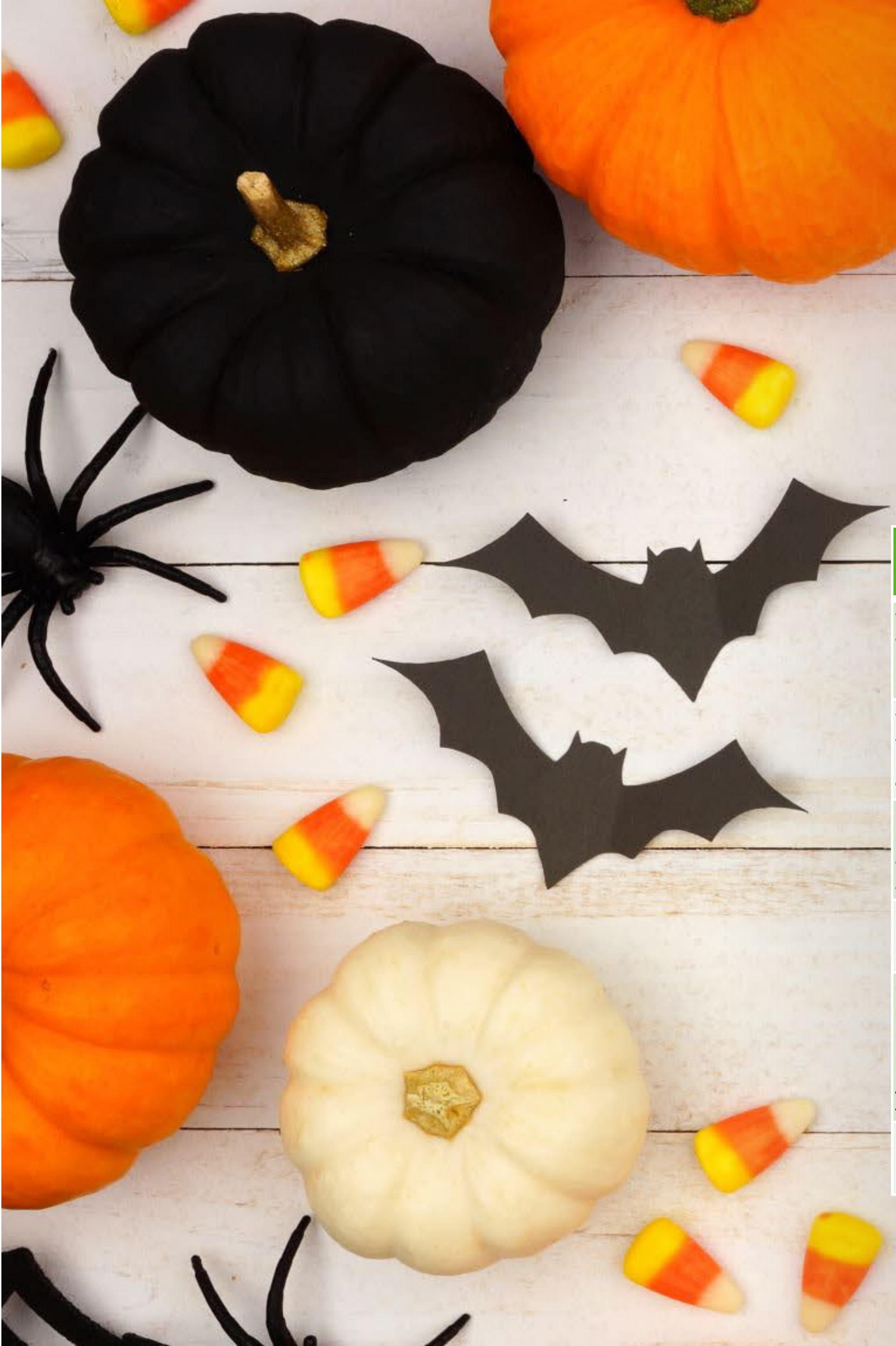
TABLE 5 - Section 1(j)(2)(E) – Estates and Trusts

If Taxable Income Is:				The Tax Is:		
Not Over	$2,900			10% of the taxable income		
Over	$2,900	but not over	$10,550	$290	plus 24% of excess over	$2,900
Over	$10,550	but not over	$14,450	$2,126	plus 35% of excess over	$10,550
Over	$14,450			$3,491	plus 37% of excess over	$14,450



Gift and Estate Tax Exclusion

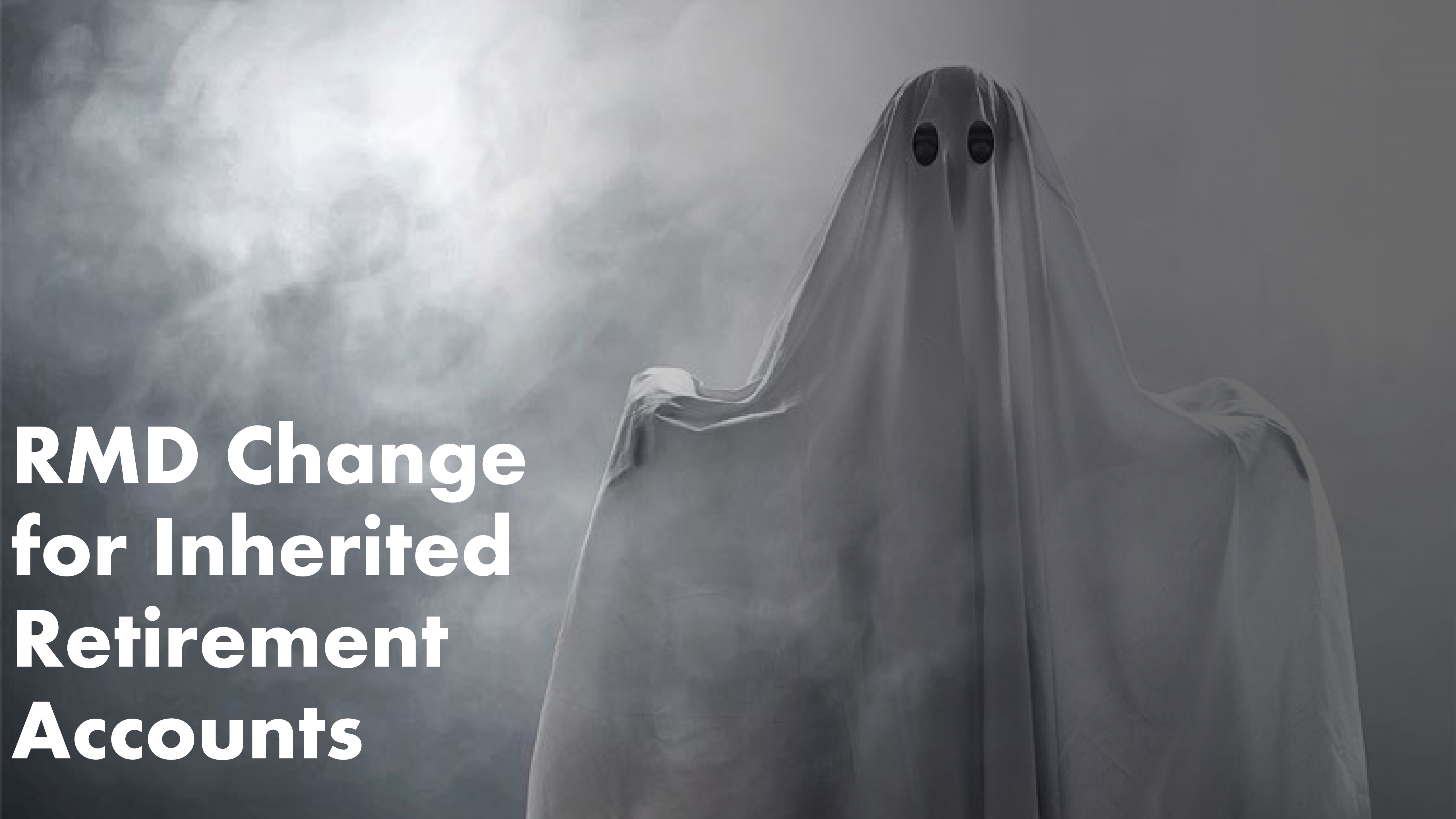
- 2022 estate tax lifetime exemption is $12,060,000, which increases to $12,920,000 in 2023
- 2022 annual gift tax exclusion per donee is $16,000, which increases to $17,000 in 2023.
    - If gift splitting with spouse, you can gift up to $32,000 per recipient without touching the lifetime exemption.

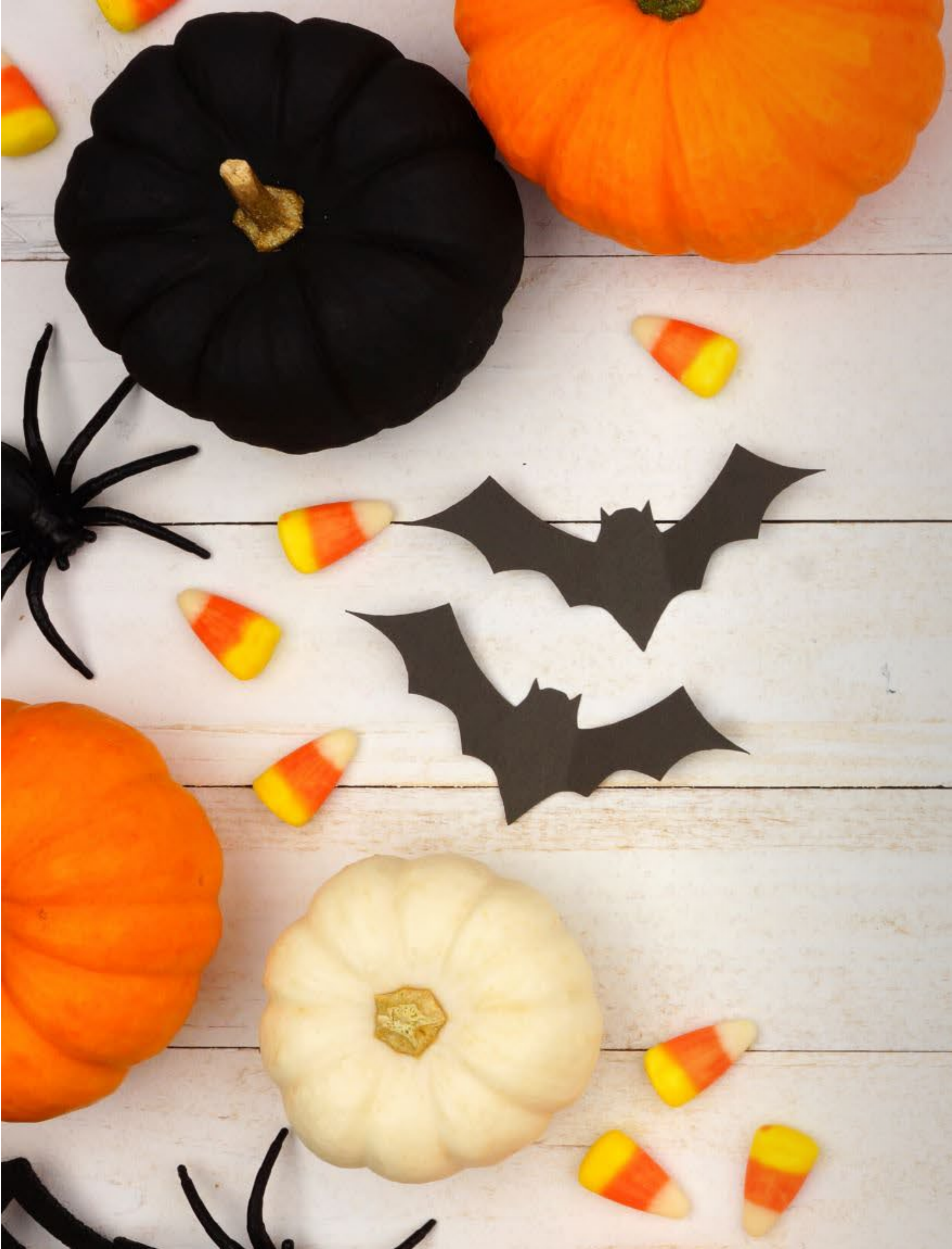


Meals & Entertainment

- **Meals are still 100% deductible in 2022 if purchased from a restaurant. Reverts back to 50% in 2023. Entertainment is not deductible.**

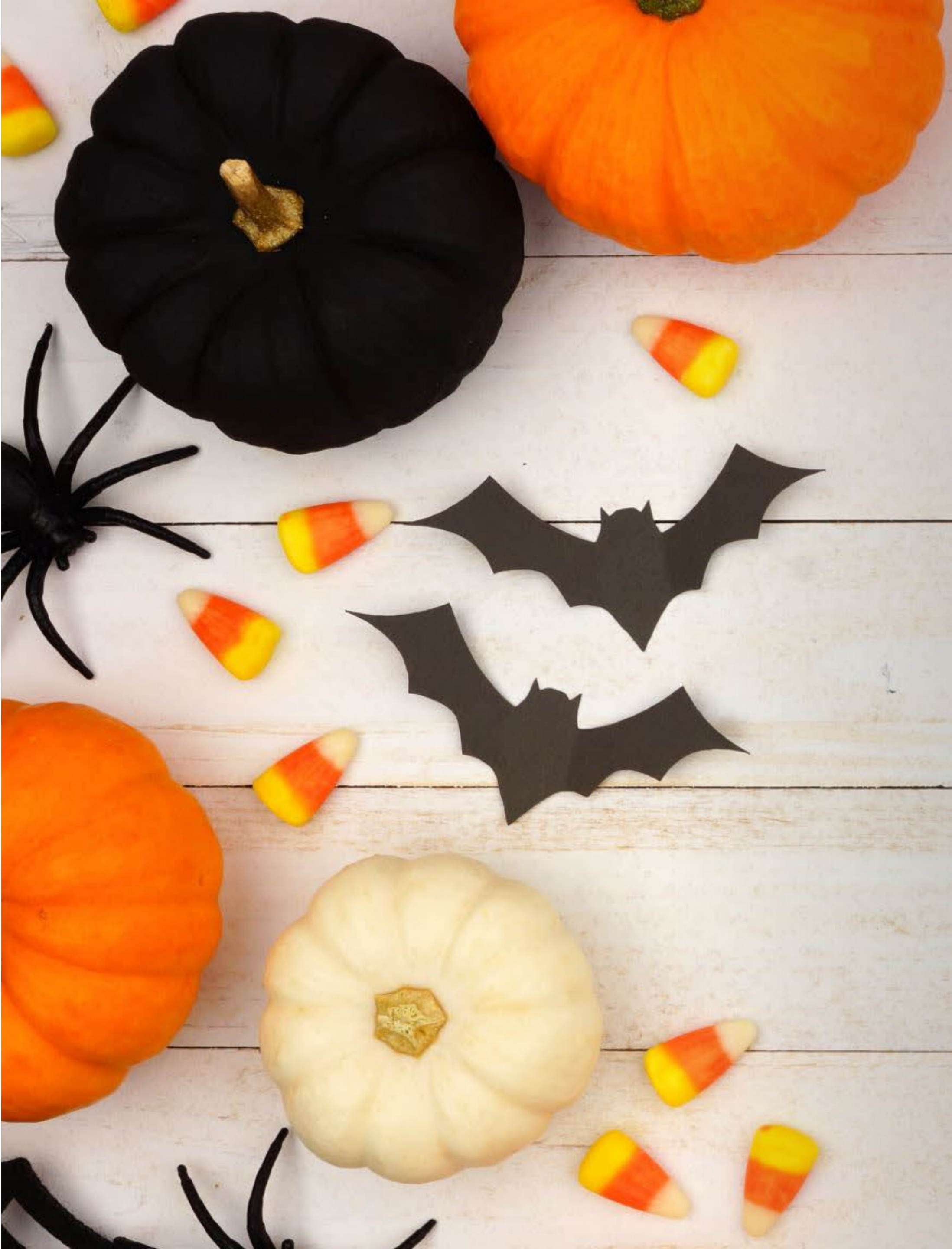
Type of Expense	TCJA	2021-2022 (Under CAA)
Business Meals Provided by a Restaurant	50%	100%
Business Travel Meals Provided by a Restaurant	50%	100%
Employer Provided Snacks in Breakroom	50%	50%
Entertainment Expenses	0%	0%
Meal expenses During Entertainment (must be separate from entertainment expense)	50%	100%
Company Picnics & Holiday Parties	100%	100%


RMD Change
for Inherited
Retirement
Accounts



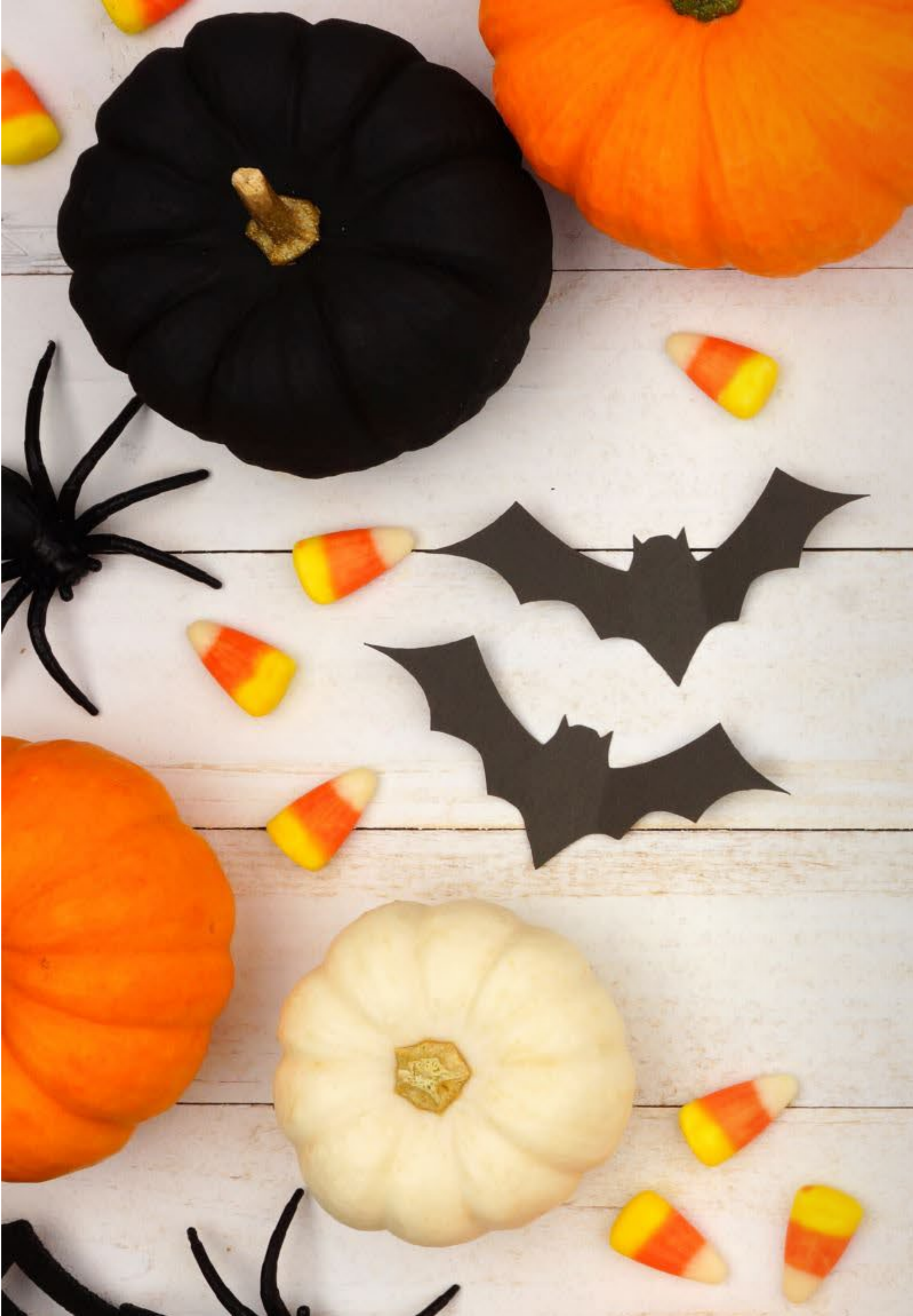
RMD Change for Inherited Retirement Accounts

- In prior years, beneficiaries of inherited retirement accounts had to take required minimum distributions (RMDs) each year based on life expectancy tables.
- In 2019 the Secure Act was passed and required that noneligible designated beneficiaries must liquidate the assets of an inherited account within 10 years.
- Noneligible designated beneficiaries defined as anyone other than:
    - Surviving spouse
    - Disabled individual
    - Chronically ill individual
    - Minor child
    - Individual who is no more than 10 years younger than account holder.



RMD Change for Inherited Retirement Accounts

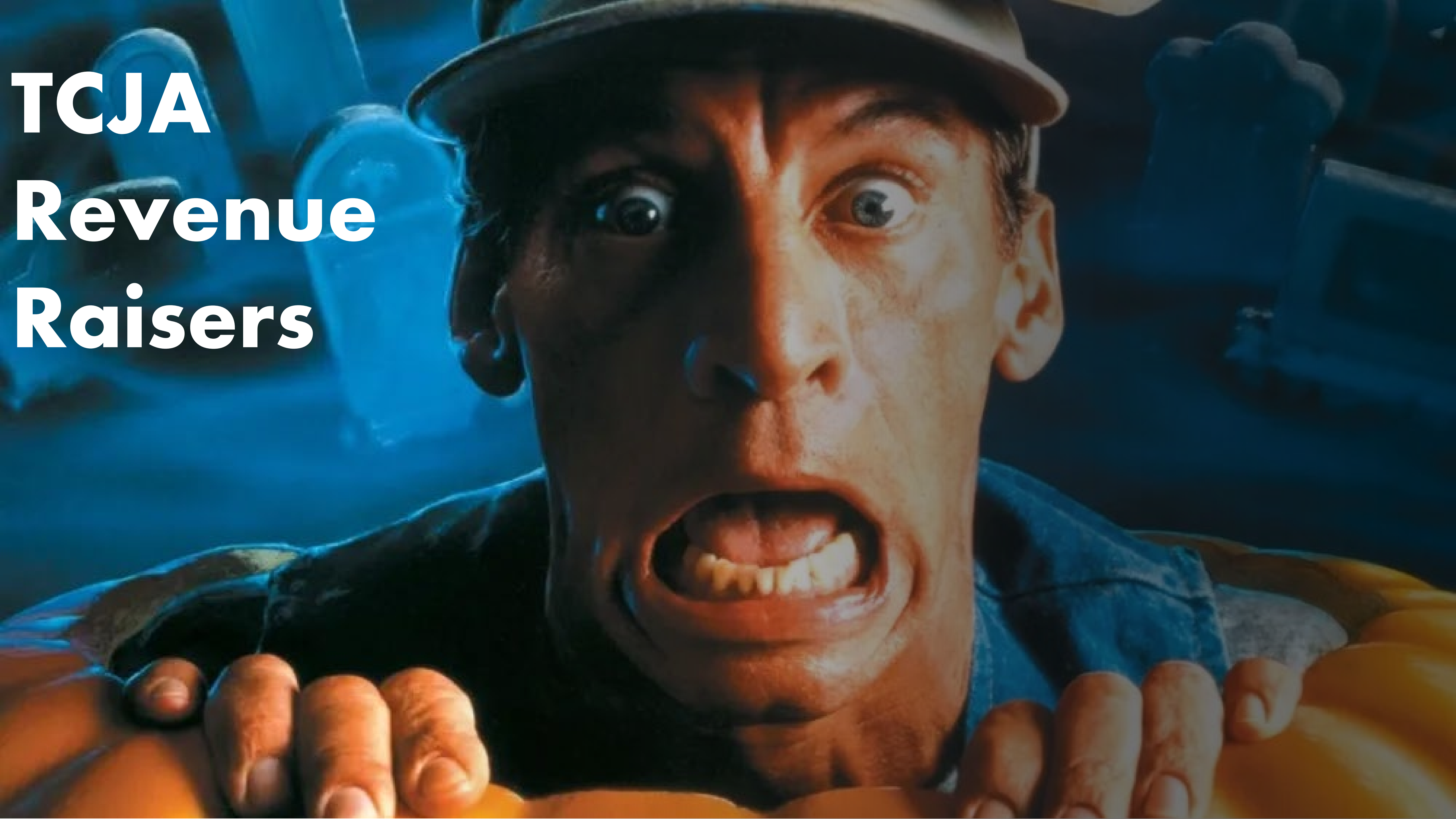
- In February of this year the IRS released proposed regulations that stated that not only must beneficiaries liquidate the assets within 10 years but must also make a distribution based on life expectancy for each year of the 10-year term.
- If the RMD is not made, then a 50% excise tax will be assessed on the amount that should have been distributed.
- Because these proposed regulations came out more than two years after the law was passed and are still not final, many beneficiaries have not made distributions.

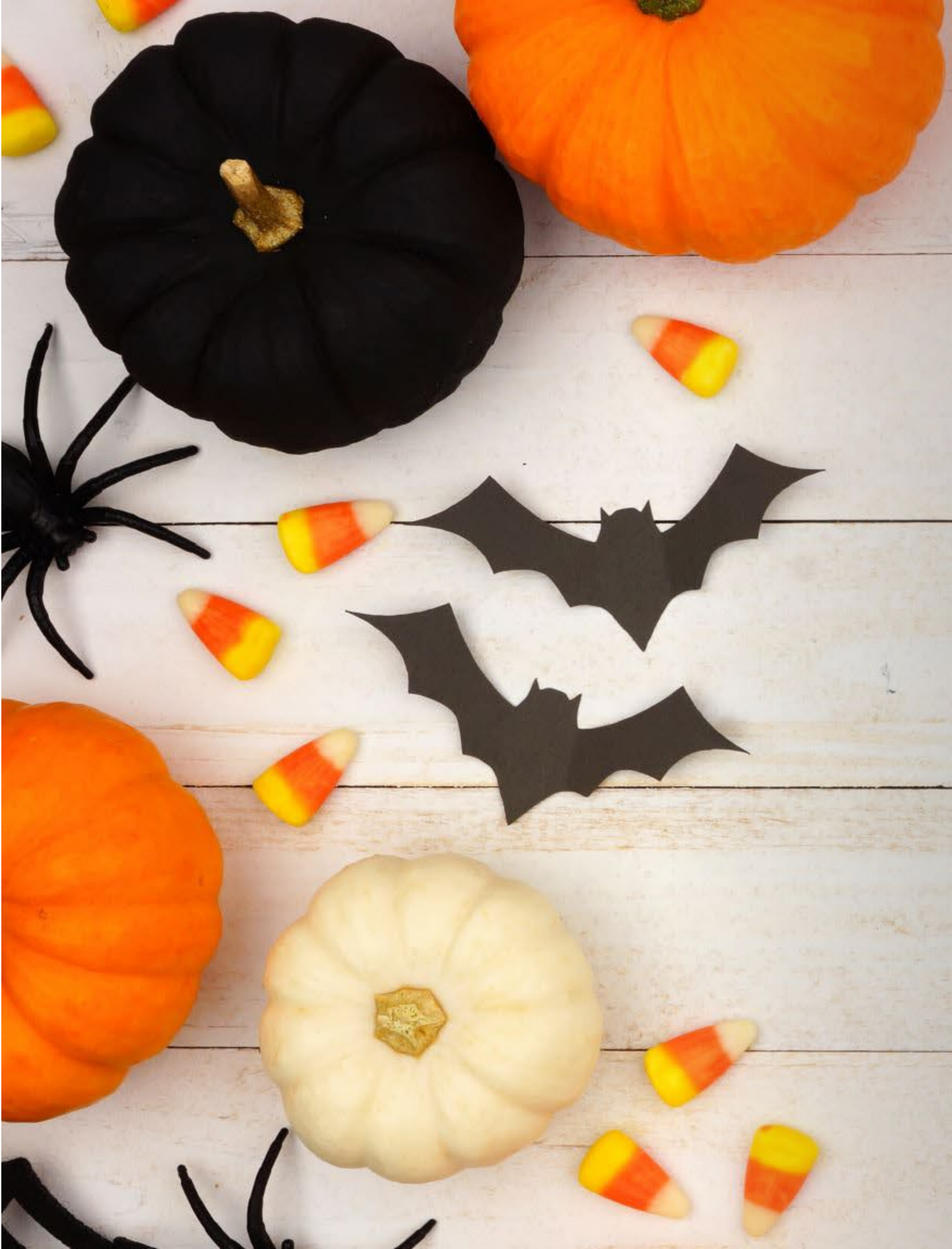


RMD Change for Inherited Retirement Accounts

- To remedy this situation, the IRS published a notice earlier this month stating that the proposed regulations will not be enforced until January 2023 at the earliest.
- If you have inherited a retirement account, are a noneligible beneficiary, and still within the 10-year liquidation time frame, be sure to discuss taking distributions with your advisor!

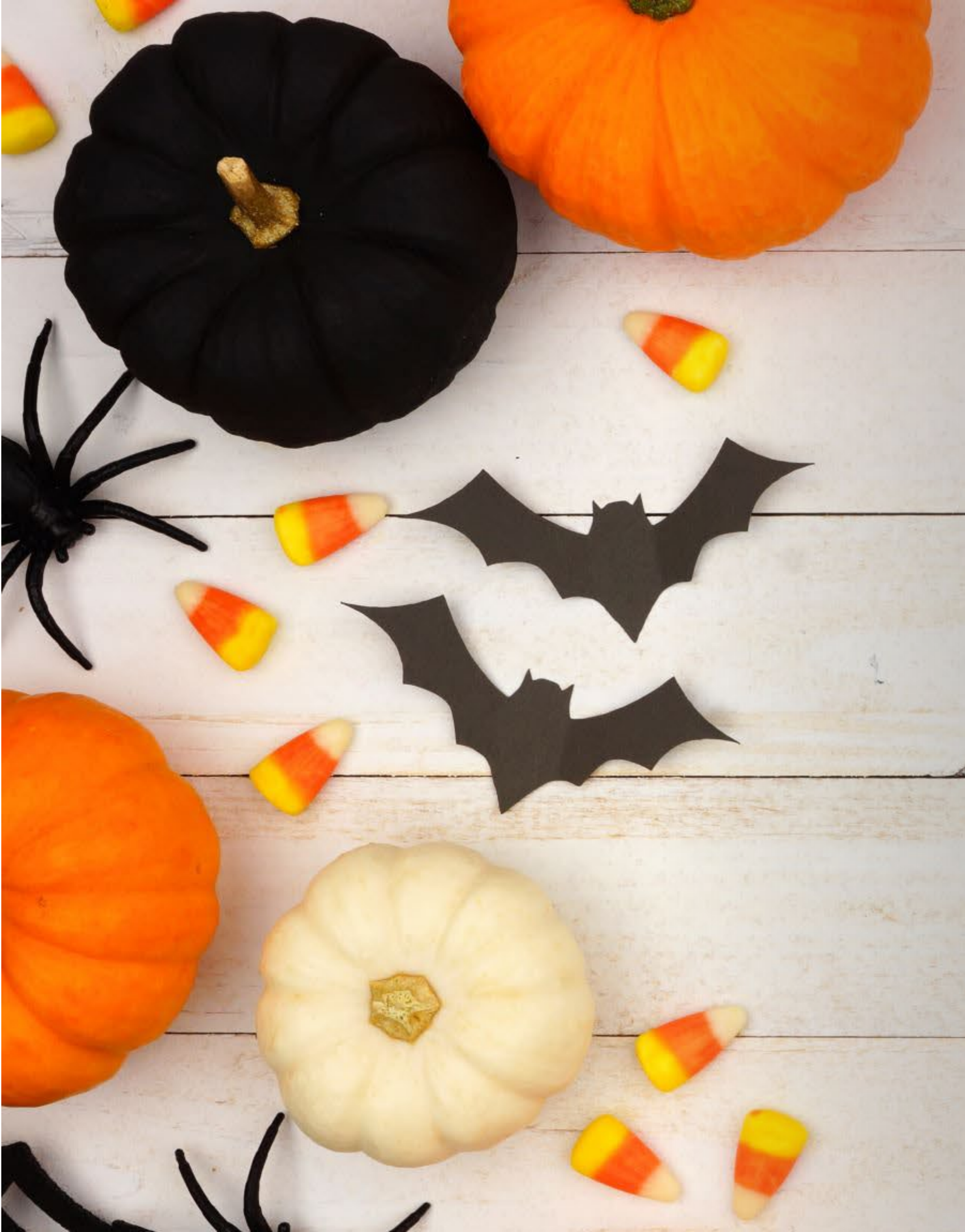
TCJA Revenue Raisers





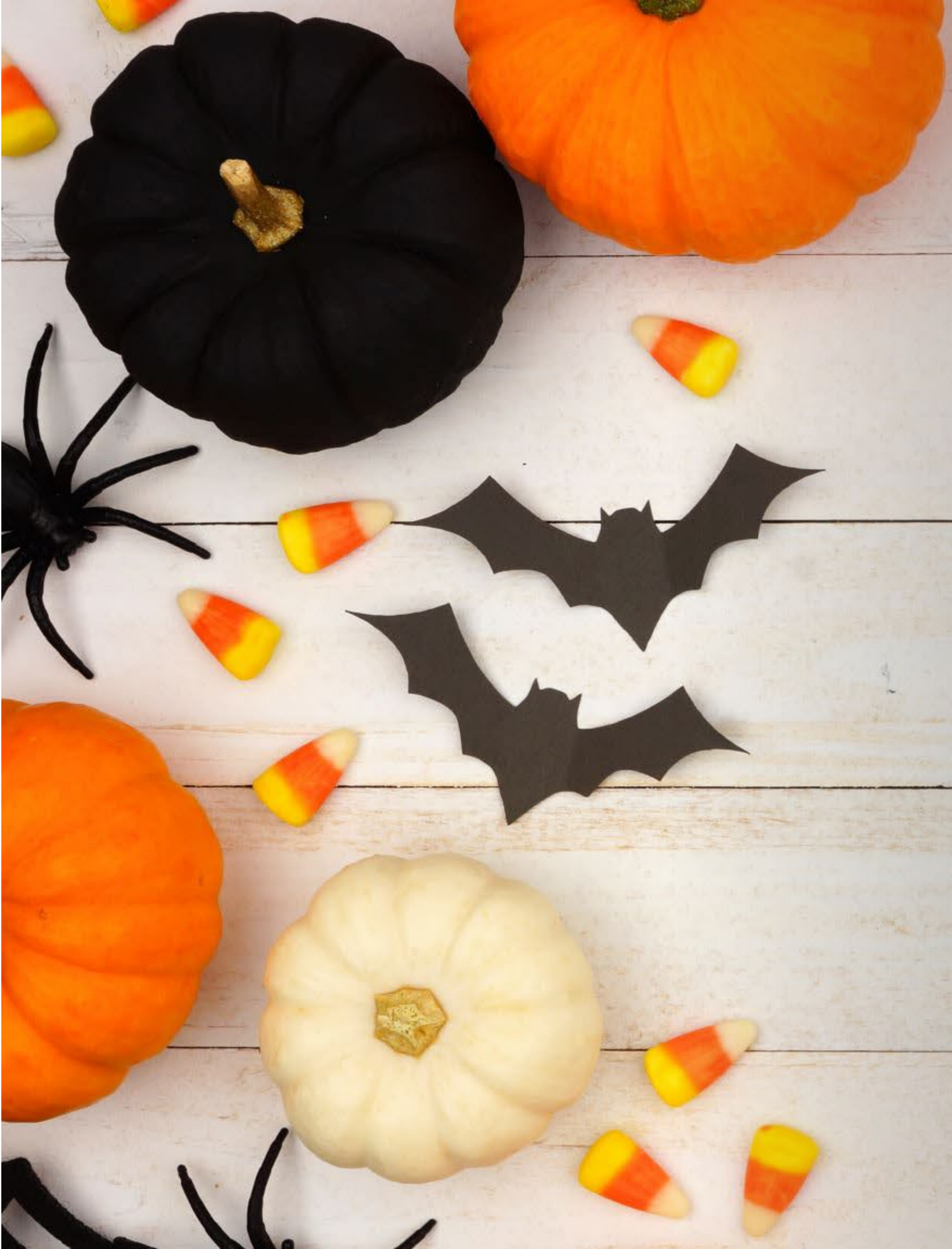
Changes to Section 163J

- Business interest expense was previously limited to the sum of business interest income, 30% of adjusted taxable income (ATI), and floor plan financing interest.
- ATI is taxable income with certain adjustments including add backs for depreciation, amortization, and depletion.
- Starting in 2022, depreciation, amortization, and depletion are no longer allowed to be added to ATI, potentially resulting in a larger interest expense disallowance for many taxpayers.



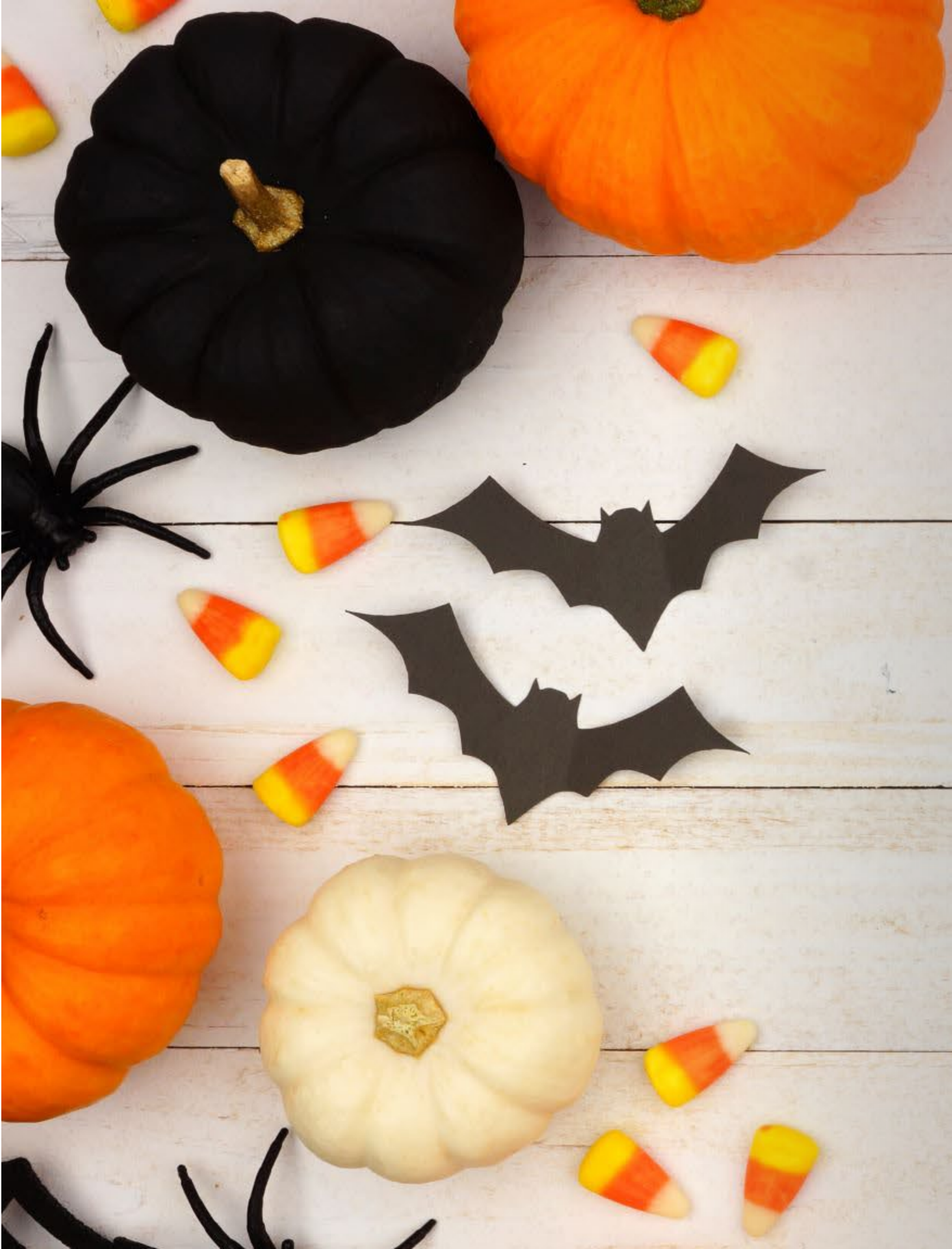
Capitalizing R&D Costs

- Section 174 previously allowed taxpayers three options for treatment of research and development costs.
  - Currently deducted as incurred
  - Treated as deferred expenses, deducted ratably over 60 months
  - Amortizable over a useful life if determinable
- The TCJA amended Section 174 to remove these options starting in 2022 and to require all R&D expenses to be capitalized and amortized over 5 or 15 years.
- Because the R&D credit can only be claimed for costs eligible to be treated as R&D expenditures under Section 174, any amounts treated as qualified research expenditures for purposes of claiming the credit will have to be capitalized as well.



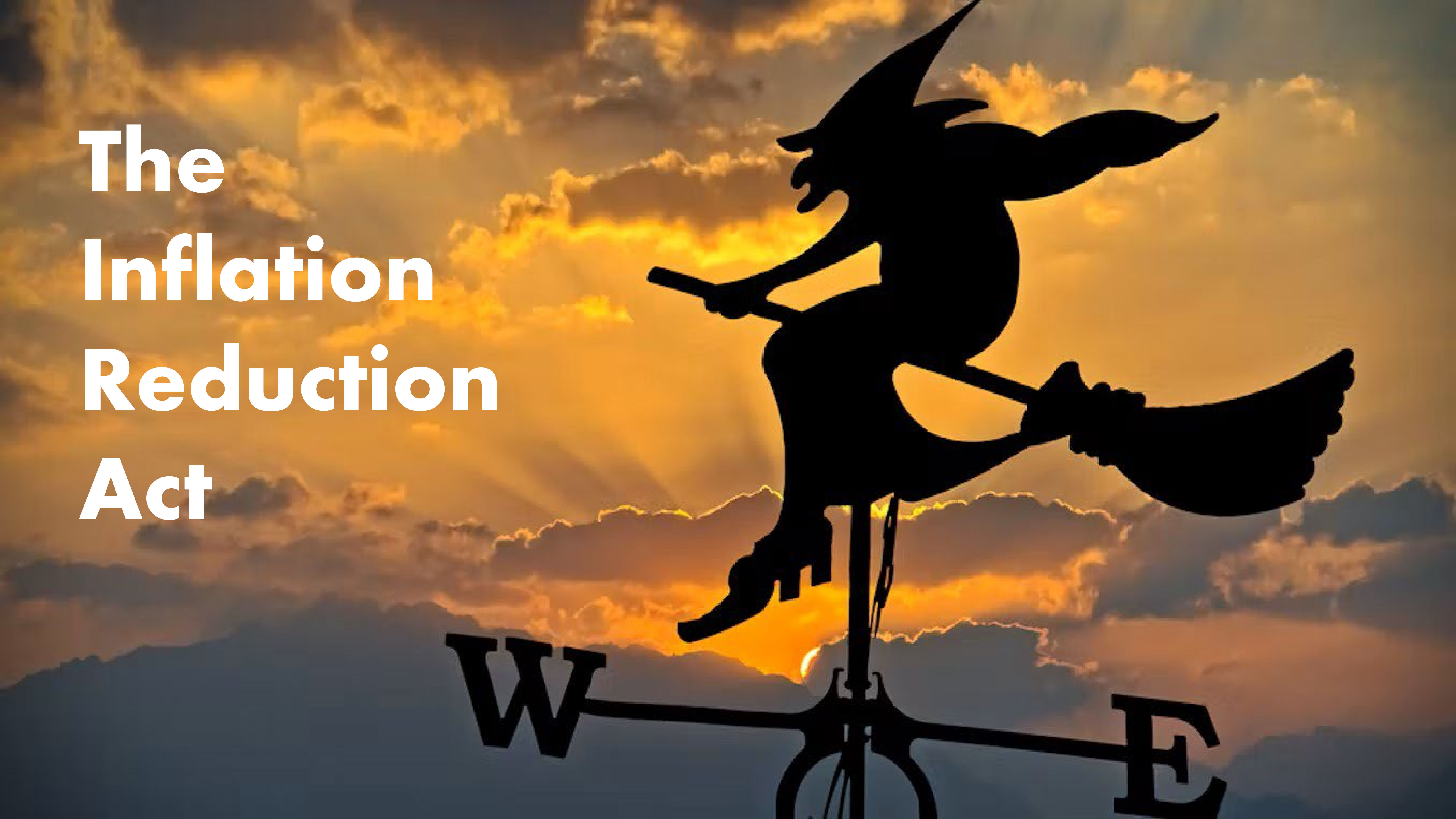
Capitalizing R&D Costs

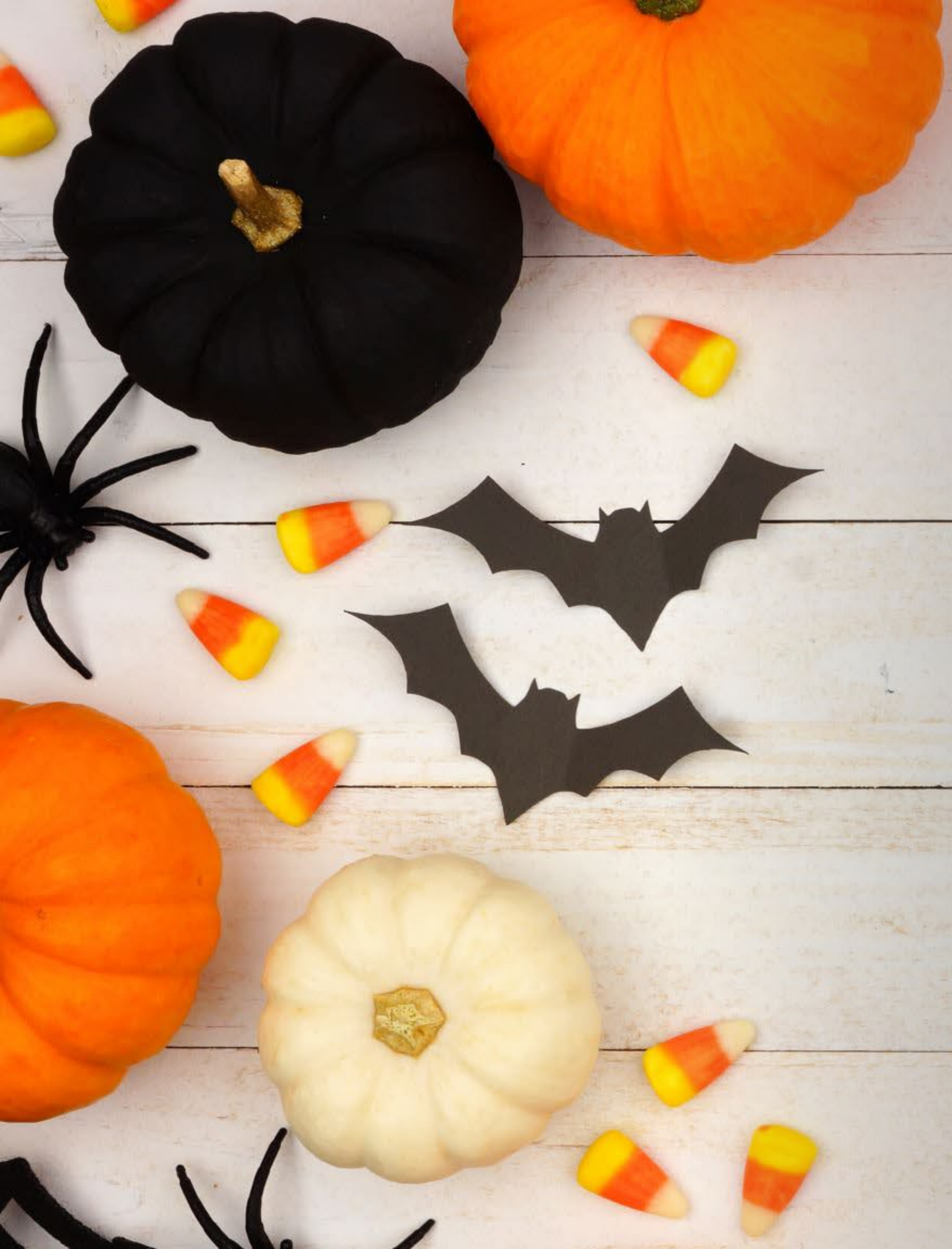
- Temporary relief has been sought in both the *American Innovation and R&D Competitiveness Act of 2021* as well as the original Build Back Better bill, however neither has been passed, and the Inflation Reduction Act did not address Section 174 capitalization either.



Bonus Depreciation and Cost Segregation Studies

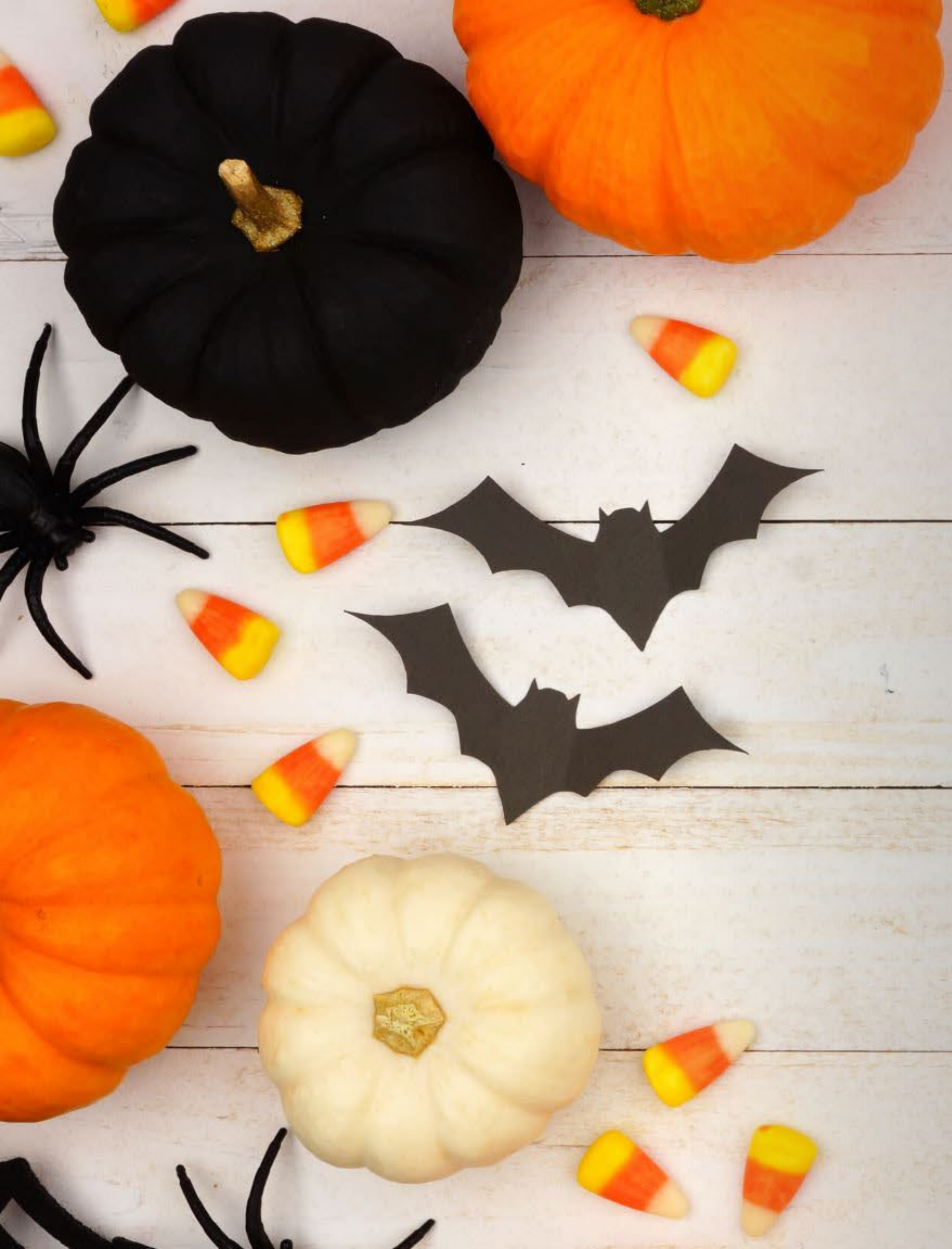
- One of the biggest benefits from the TCJA was to increase the bonus depreciation deduction up from 50% to 100%, and to allow bonus on used assets as long as they are new to the taxpayer.
- For 2022, 100% bonus is still allowed, but it is set to be reduced by 20% each year through 2027 when it will be completely phased out.
- If considering significant asset acquisitions, it may be more advantageous to do so sooner than later in order to receive the full benefit of bonus depreciation.
- If purchasing a building, a cost segregation study may be beneficial in order to split out those assets with shorter lives that may be eligible for bonus.


The Inflation Reduction Act
W
E



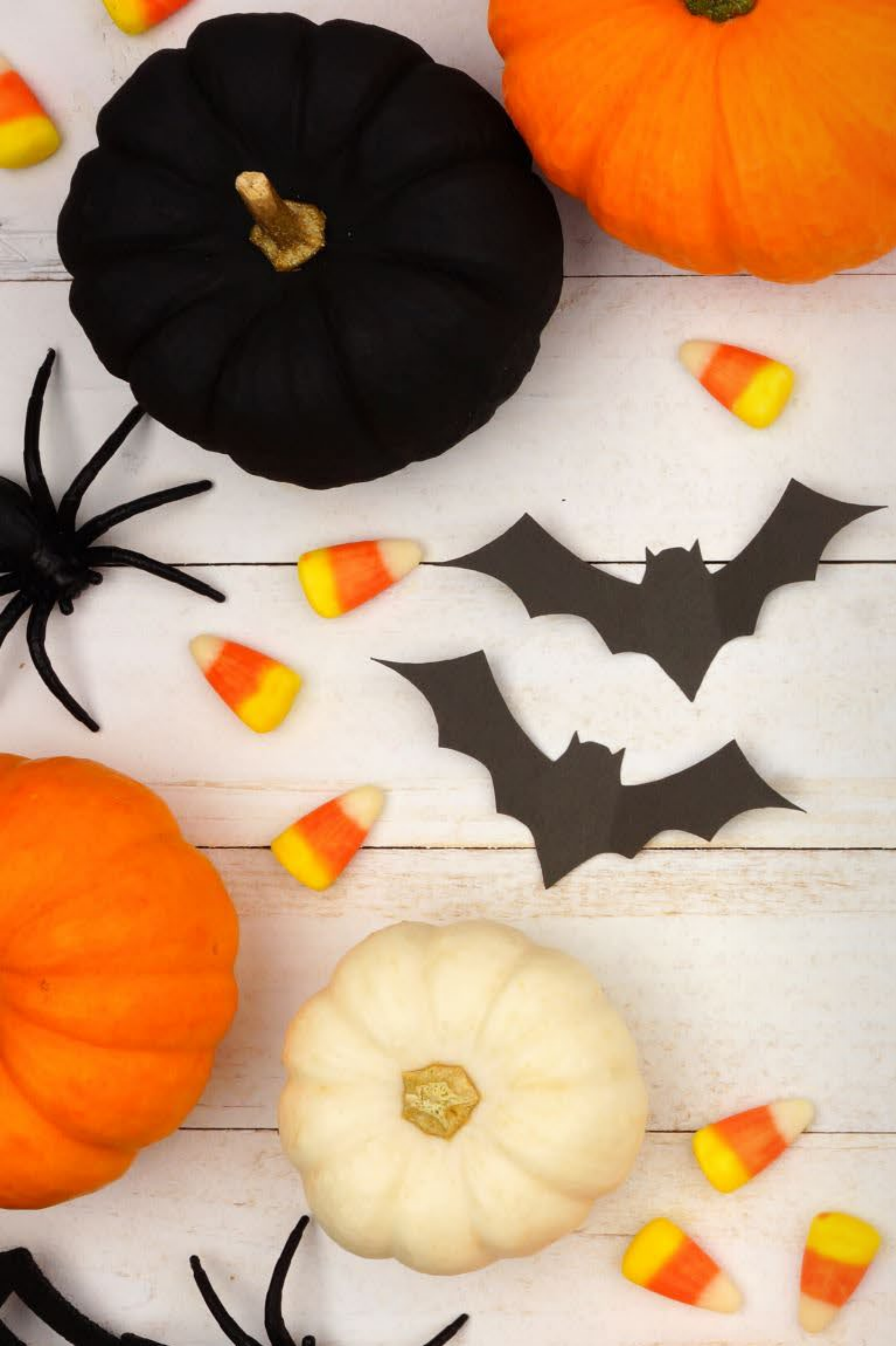
Inflation Reduction Act

- The Inflation Reduction Act can be seen as a toned down version of Build Back Better with several key components not making it to the final bill.
- What made it into the final bill?
    - Energy Efficient Home Improvement Credit
    - Residential Clean Energy Credit
    - Clean Vehicle Credits
    - $80 billion of additional funding over 10 years for IRS
    - 15% minimum tax on corporations with $1 billion in income.
    - 1% excise tax on stock buybacks by publicly traded companies



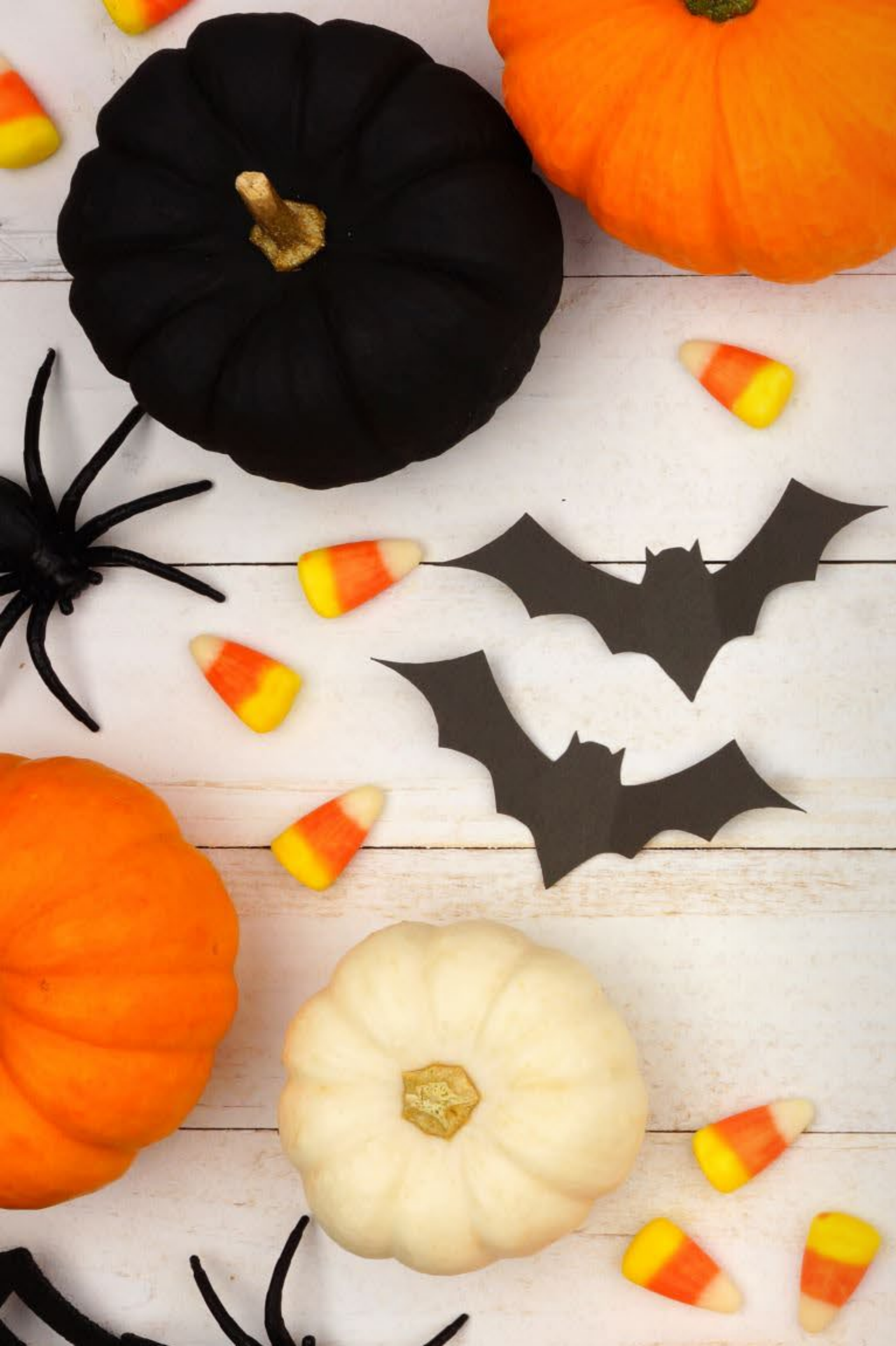
Inflation Reduction Act - Energy Credits

- Starting 2023 rewarded in purchasing a qualified electric vehicle. Up to $4,000 used and $7,500 new. In 2024 credit is applied at the dealership.
- Energy Efficient Home Improvement credit replaces Nonbusiness Energy Property Credit. Similar rules apply in 2022 but for 2023 will equal 30% of costs for eligible improvements and the $500 lifetime cap increases to a $1,200 annual limit.



Inflation Reduction Act

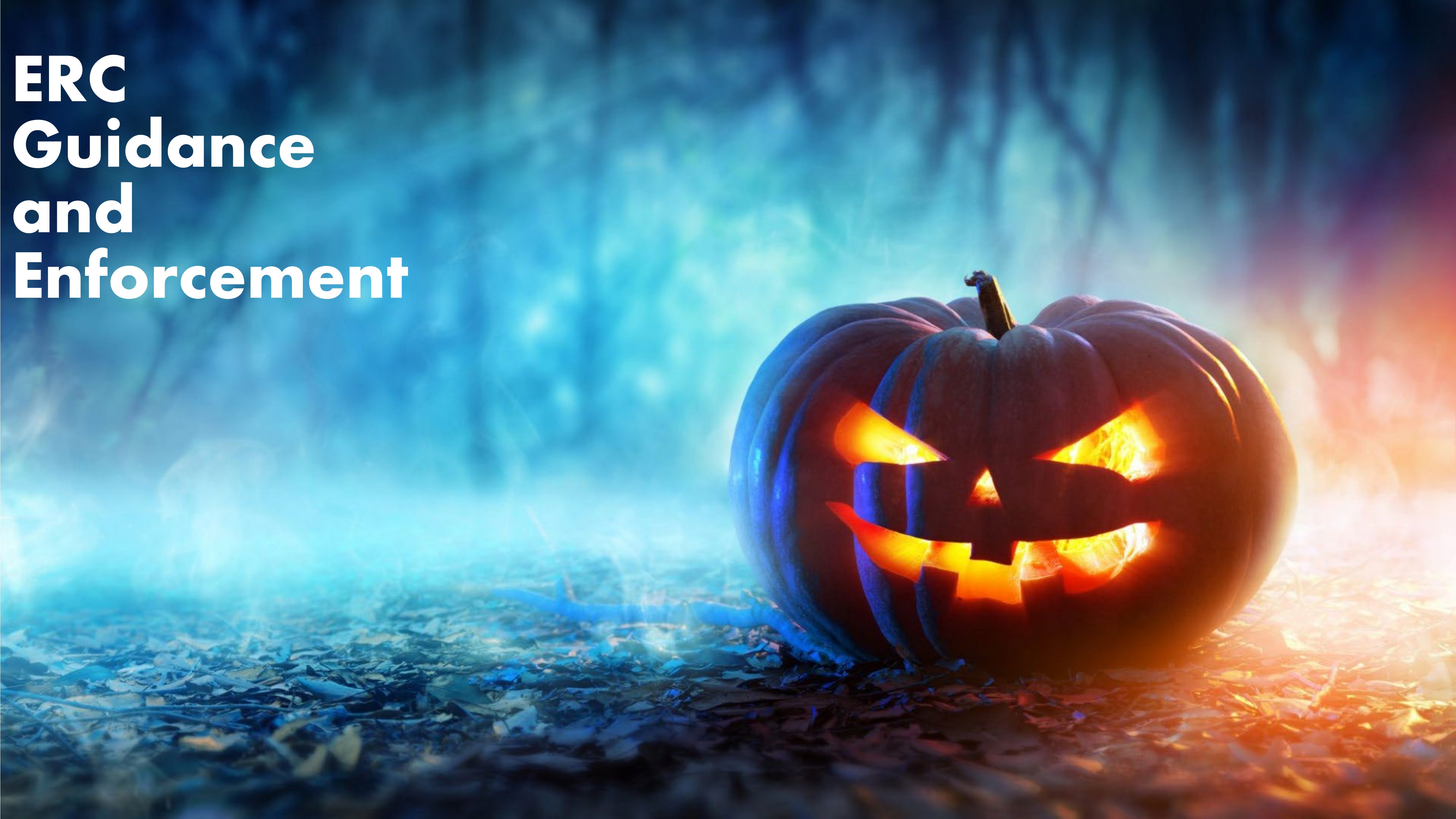
- What wasn't in the final bill?
  - Backdoor Roth elimination
  - 50% RMD for amounts by which IRA exceeds $10 million
  - Proposed rule to disallow contributions for taxpayers with income in excess of $450,000 and IRA assets of over $10 million
  - NIIT Expansion

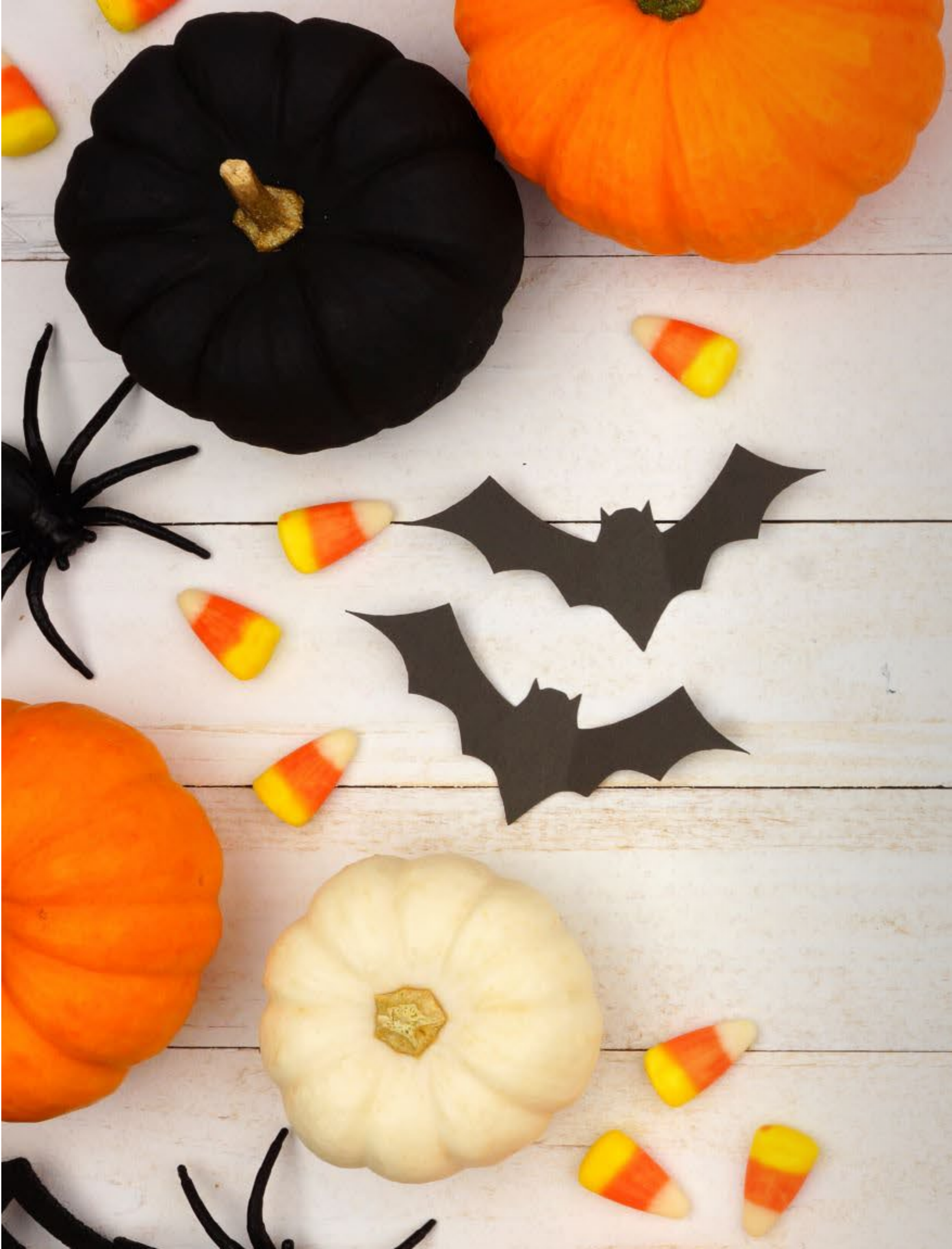


Inflation Reduction Act

- Excess business loss limitations went into effect during 2021, and limited the business losses that noncorporate taxpayers could take to $250,000 if single, or $500,000 if MFJ
- The Inflation Reduction Act extends this limitation for two years so that it now expires at the end of 2028 instead of 2026.

ERC Guidance and Enforcement





ERC Basics

- Payroll tax credit for employers who paid employees during 2020 and 2021
- Eligibility
  - Significant decline in gross receipts. >50% in 2020, or >20% in 2021.
  - OR Full or partial shutdown of business due to a government order.
- Credit is 50% per employee per year, up to $10,000 per employee for 2020, and 70% per quarter for 2021.
- The credit is claimed on payroll tax return – Form 941
- Is treated as taxable income on income tax return.

IRS Enforcement

TAX

IRS raids alliantgroup offices

By Michael Cohn May 24, 2022, 5:20 p.m. EDT 1 Min Read

B Bloomberg Tax

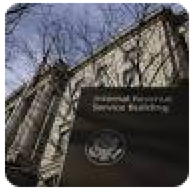
IRS Warns Taxpayers on False Employee Retention Credit ...

The Employee Retention Credit was intended to encourage businesses to keep employees on their payrolls. But as the economy tightens, the IRS...

AT Accounting Today

IRS and AICPA call for crackdown on bogus ERC claims

The Internal Revenue Service is asking whistleblowers to report on fraudulent claims for the Employee Retention Credit, as so-called "ERC...

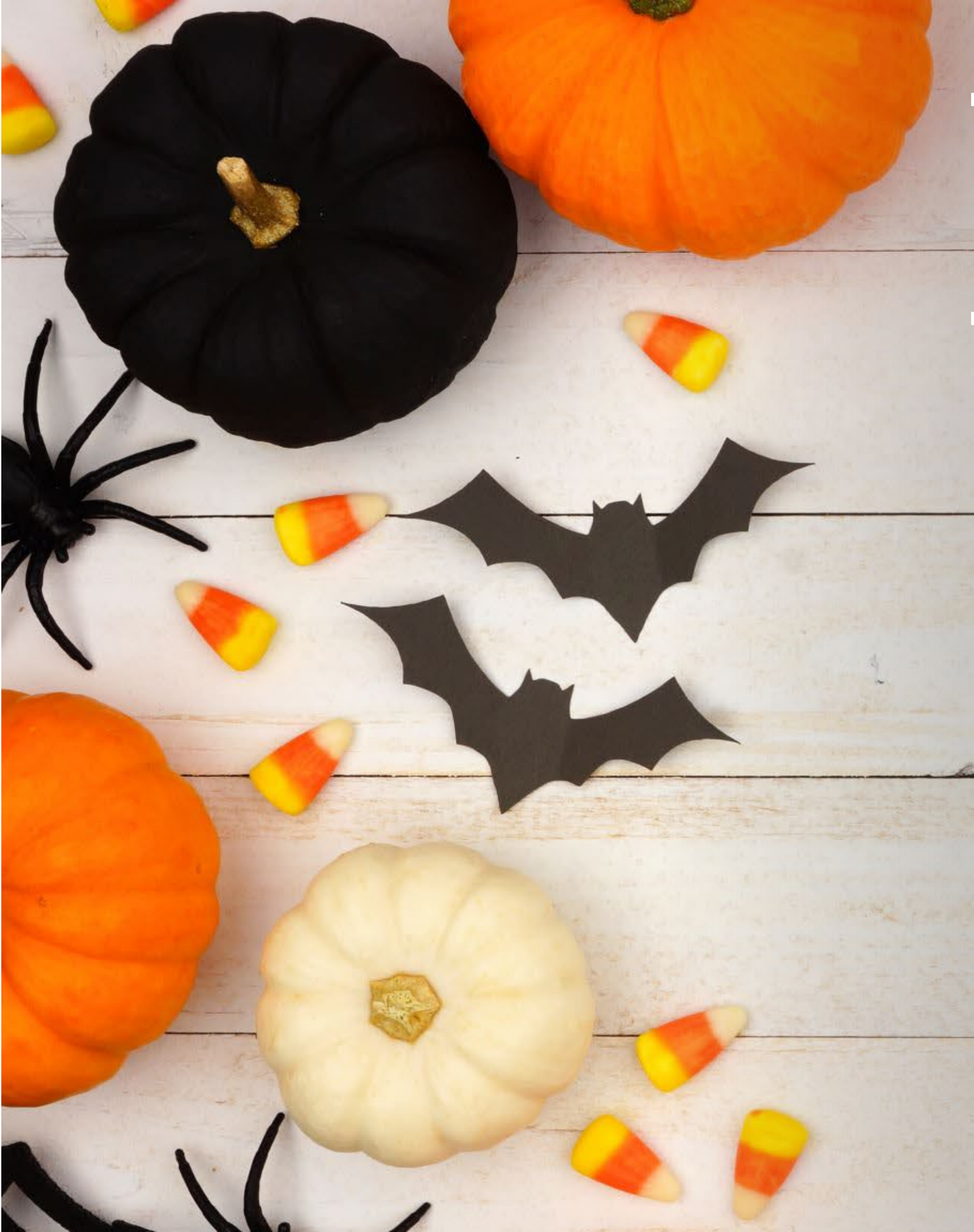


S JD Supra

Beware of ERC Free Money Claims | Kohrman Jackson ...

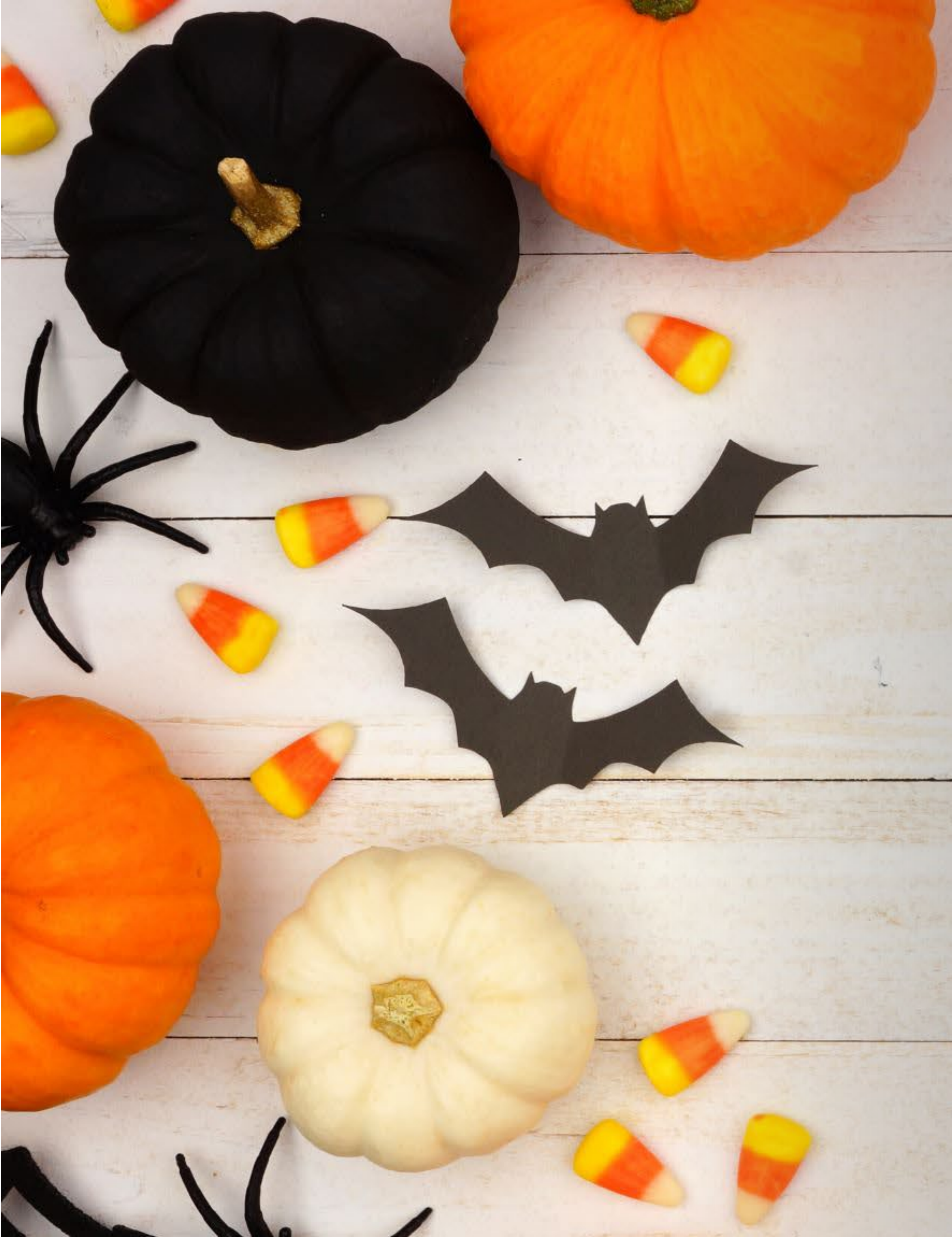
In addition, in April 2022, the IRS implemented new processes to identify ... The CARES Act originally provided an Employee Retention Credit...

KJK KOHRMAN JACKSON KRANTZ



Tennessee Industrial Machinery and R&D Tax Credit

- Tax credit for the purchase of "industrial machinery" and certain research and development equipment.
- Industrial machinery generally defined as equipment and apparatus used in manufacturing process, but some items like computer systems or networks can be included as well. Full list at SUT-79
- The credit is 1% of the purchase price of the equipment, but can be greater with the enhanced credit.



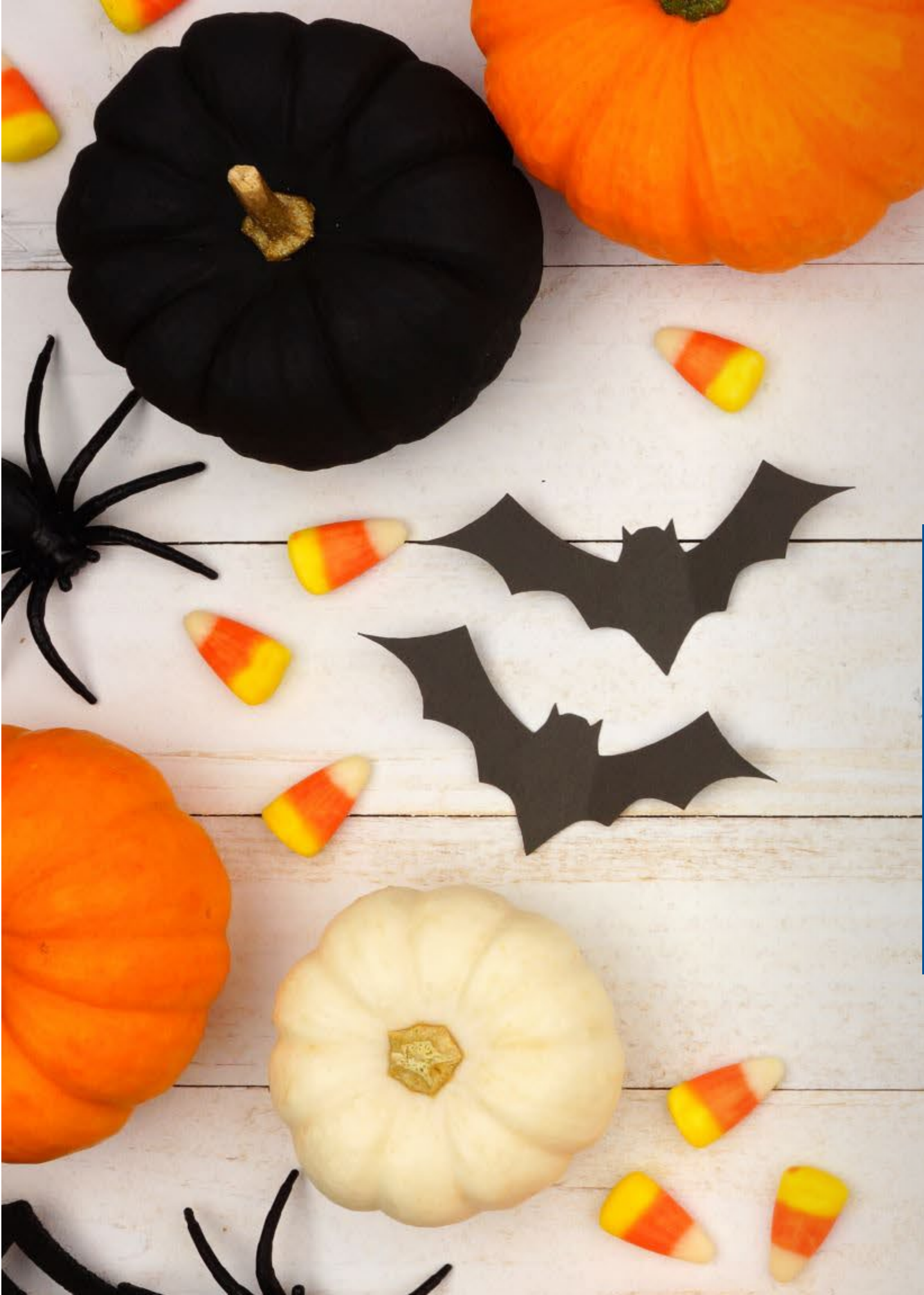
Tennessee Industrial Machinery and R&D Tax Credit

- If taking the enhanced credit at a rate greater than 1%, a business plan must be filed and approved by the state prior to taking the credit.
- For the enhanced credit the investment period may not exceed three years

Minimum Investment	Rate of Credit
$100,00,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

C&J Newsletter

- Sign up on the website!
- CJ-pc.com at the bottom of the page



Newsletter Signup

Sign up to have our e-newsletter delivered directly to your inbox. Your information is confidential and you can unsubscribe at any time.

Sign Me Up!

Questions?