



The 2022 Tax Filing Season

By Kathy Buchs, CPA, MT

January 24th marked the start of the 2022 tax filing season and the Internal Revenue Service is anticipating it will be another frustrating one. For most taxpayers, the filing deadline this year is April 18th due to the Emancipation Day holiday observance in Washington, D.C. falling on April 15th. However, taxpayers in Massachusetts and Maine will have an April 19th deadline due to Patriots' Day.

Last year, filers dealt with delays on returns and difficulty getting help over the phone. The National Taxpayer Advocate noted the agency has a backlog of 35 million returns that require manual processing and taxpayers who called for guidance had only a one in nine chance of getting their calls answered. The agency is so backlogged that millions of taxpayers are still waiting for their 2020 tax returns to be processed. IRS Commissioner, Chuck Rettig, said Americans need to take special care this year due to several critical tax law changes enacted in 2021 and ongoing challenges related to the COVID-19 pandemic. Here are a few key changes that could impact you.

Charitable Donation Deductions

On your 2020 tax return, a temporary provision of the CARES Act allowed for up to a \$300 deduction per tax return for charitable giving, even if you don't itemize your taxes. For your 2021 tax return, this benefit has expanded to up to \$300 per person. This means if you're married and filing jointly, you could be eligible for up to a \$600 deduction for charitable donations even if you don't itemize.

Required RMDs Were Reimplemented

Once you reach age 72, you're required to start making withdrawals from tax-advantaged retirement accounts like 401(k)s and traditional IRAs. These required withdrawals are called required minimum distributions, or RMDs, and they're subject to income tax.

The 2020 CARES Act waived RMDs for IRAs and retirement plans for that specific tax year. However, RMDs were required in the 2021 tax year, which means if you're over 72, you were supposed to make a withdrawal from your retirement account before the end of 2021.

If you're in that age group and did not withdraw the required amount, you may owe a 50% excise tax on the money you failed to withdraw.

Increased Child Tax Credit

Among the notable changes for many tax filers is the Child Tax Credit (CTC), which increased last year. Parents with children under the age of 18 will receive up to \$3,000, and parents with children under the age of 6 will receive up to \$3,600. However, the amount may change depending on your income and marital status.

Many Americans received advance payments for the Child Tax Credit. Under the American Rescue Plan enacted in March 2021, the credit amount was increased, and eligibility was expanded so families with little to no income could qualify. Additionally, the legislation allowed half of the credit to be disbursed in advance in monthly payments from July to December last year. The other half is distributed as part of your tax refund. These amounts will need to be reconciled when filing.

Stimulus Payments

Those who qualified for a third stimulus payment of \$1,400 in 2021 but did not receive it will need to file their 2021 tax returns to receive that payment. Likewise, those who did not receive a stimulus check and had lower income in 2021 may be able to claim the recovery rebate credit on this year's tax return.

Increased IRS focus on Digital Assets (i.e., cryptocurrency)

If you engaged in a transaction involving virtual currency in 2021, you will need to answer "Yes" to the question on page 1 of Form 1040. The question must be answered by all taxpayers, not just taxpayers who engaged in a transaction involving virtual currency. If your only transaction involving virtual currency during 2021 were purchases of virtual currency for real currency, including the use of real currency electronic platforms such as PayPal and Venmo, you are not required to check the "Yes" box next to the virtual currency question.

These are just a few of the pertinent tax law changes this year. As always, please reach out to your MAI advisor if you have any questions about your 2021 tax situation.

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