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As in previous years, we would like to take this opportunity to review a few of the tax law changes and alert you to some tax saving moves that can still be made for the year 2022. This letter presents some planning ideas to consider while there is still time to act before the year-end.

**Electric Vehicles EV Credit** – The Inflation Reduction Act that passed this summer made many changes to EV Tax Credits. During 2022, the original credits are available for certain models until 8/16/22. After that date, there was a significant expansion to the credit and many more models are eligible. And in 2023, there will be another expansion of the credit. California also has a dealer credit available in certain circumstances. I suggest researching the model you are interested in with your dealer. See the links below for additional information.

<https://electrek.co/2022/11/16/which-electric-vehicles-still-qualify-for-us-federal-tax-credit/>

<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

<https://cleanvehiclerebate.org/en/eligibility-guidelines>

#### **Retirement Contribution Limits for 2022 and 2023**

<http://fieldercpa.com/chart-of-retirement-contribution-limits.php>

#### **Depreciation for Business Equipment for 2022**

<http://fieldercpa.com/chart-of-depreciation-expense.php>

**2022 Standard Mileage Rates**- During 2022, the IRS adjusted the mileage rates. Please track your mileage for the period Jan – June separately from July to Dec. They will have different rates applied to those periods. Reminder- The IRS does not accept “same as last year” as accurate mileage substantiation.

<http://fieldercpa.com/standard-mileage-rates.php>

#### **Estate and Gift Tax**

For 2022, estates over \$12,060,000 will be subject to estate tax. For 2023, the exemption is \$12,920,000. You may choose to make annual exclusion gifts before year end to minimize estate tax. You can give \$16,000 in 2022 and \$17,000 for 2023 to an unlimited number of individuals free of gift tax. However, you may not carry over unused exclusions from one year to the next. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax. Gifts in excess of the annual exclusion may require you to report on Form 709.

#### **Meals and Entertainment**

For 2022 there is still a 100% deduction for meals and beverages provided by a restaurant. According to the IRS a “restaurant” means a business that prepares and sells food or beverages to retail customers for immediate consumption, regardless of whether the food or beverage are consumed on the restaurant’s premises. Business meals that do not qualify for the 100% deduction are still eligible for the 50% deduction. Entertainment expenses for federal are still non-deductible but are deductible for California at 50%. Please make sure the meals and entertainment expenses you provide us are separated accordingly.

#### **Nanny Tax**

If you have individuals over the age of 18 performing service in your residence their earnings may be subject to payroll taxes. The threshold for this is earnings greater than \$2,400 for 2022 and \$2,600 for 2023. You may also be required to issue them a Form W-2.

## **Businesses - Hiring Your Children Under 18**

One advantage of operating your own business is hiring family members. Payments for services of a child may have no income tax liability if their earned income is equal or less than \$12,950. Then you can combine this with a Roth IRA for your child. The annual maximum contribution for 2022 is \$6,000.

## **Like-Kind Exchange (Sec 1031)**

Under the TCJA, like-kind exchanges are limited to real estate. Previously both real estate and personal property were eligible. Please note that real property located in the U.S and real property located outside of the U.S. are not considered property that are like-kind. **California requires that all individuals and business entities that perform like-kind exchanges of property located in California for property located outside California must file a California like-Kind exchange information return. You must continue to file this form annually as long as you defer the gain or loss.**

## **General Reminders**

### **Foreign Accounts or Investments**

The reporting requirements for assets held overseas are increasing and the penalties for failure to report them are significant. Foreign bank accounts, notes receivable, ownership in a foreign partnership or corporation, and interest in Canadian RRSPS are some examples. Form 8938 and Form 114 may be required to be attached with your annual tax return. If you have any questions about any foreign accounts, please contact me.

### **Inventory**

Make sure you take a thorough and accurately priced detail of your inventory at your business year-end. This documentation is critical in the event there is an audit.

### **S-Corporation Shareholders**

Remember to contact your payroll service for common year-end adjustments to your W-2. Health insurance paid for you by your corporation should be added to your W-2. Also, personal use of vehicles owned by your corporation may result in income to be reported by you on your W-2. This calculation should be done in late December or early January in order to avoid amending your W-2. It may be helpful to review your investment basis in a Partnership or S-Corporation prior to year-end in order to utilize any losses incurred. Please contact us for any year end calculations related to tax planning.

### **IRS Email and Telephone Spam**

Beware of any emails or phone calls you receive claiming that they are from the IRS. See link below for more information.

<https://www.irs.gov/newsroom/irs-warns-of-new-phone-scam-using-taxpayer-advocate-service-numbers>

<https://www.ssa.gov/antifraudfacts/>

### **Documentation**

IRS recently ruled that credit card statements are not sufficient support, and that actual receipt of charges are required. **Please keep 7 years of records.** If assets are still owned, please keep purchase records for 7 years after the date of sale.

### **Form 1099s**

A reminder that these are due to recipients by February 1, 2023. If your trade or business pays a non-incorporated service provider greater than \$600/year, then you will need to issue them a Form 1099-MISC or a Form 1099-NEC. In addition, California requires that you submit Form DE 542 to report service providers you expect to do business with in 2023. Please see link below for more information

<https://www.irs.gov/forms-pubs/about-form-1099-misc>

[https://edd.ca.gov/en/Payroll\\_Taxes/Independent\\_Contractor\\_Reporting](https://edd.ca.gov/en/Payroll_Taxes/Independent_Contractor_Reporting)

Sincerely,

