



Taxland Newsletter
2022

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SEPTEMBER ISSUE

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UPCOMING DEADLINES:

3RD QTR ESTIMATED TAX PAYMENTS DUE **9-15-22**

DEADLINE FOR THOSE FILING ON EXTENSION FOR 2021 TAX YEAR **10-17-22**

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Massachusetts Senior Residents

Certain seniors who own or rent residential property in Massachusetts, as their principal residence, are eligible for a refundable tax credit.

Overview: As a senior citizen (65 or older before January 1, 2022), you may be eligible to claim a refundable credit on your Massachusetts personal income tax return. The Circuit Breaker tax credit is based on the actual real estate taxes or rent paid on the Massachusetts residential property you own or rent and occupy as your principal residence.

The maximum credit amount for tax year 2021 is \$1,170. If the credit you're owed exceeds the amount of the total tax payable for the year, you'll be refunded the additional amount of the credit without interest. This credit increases for 2022 to \$2,340.

Upcoming Tax Changes for Massachusetts Residents

- Child and dependent care credit: Raises the credit from \$180 per child or dependent to \$360, while removing the cap of two of children or dependents.
- Earned income tax credit: Bumps the state tax credit from a 30% match to a 40% match of the federal credit.
- Rental deduction cap: Increases the rental deduction – which is based on 50% of the rent paid – from \$3,000 to \$4,000.
- Senior circuit breaker: Boosts the maximum credit – designed for seniors whose rent or property taxes exceed a certain portion of their yearly income – from \$1,170 to \$2,340.

Child Care

The 2022 dependent care credit for working families is smaller than in 2021. That's because last year's COVID relief enhancements have expired. For 2022, the maximum credit is \$1,050 for one child and \$2,100 for two or more children needing care. This is down from 2021 credits of \$4,000 and \$8,000, respectively. Also, the income phaseouts for credit eligibility decreased to pre-2021 levels.

Note that summer day camps costs qualify for dependent care credit. Expenses for child care are for children under the age of 13. This includes day camps for sports, computers, general fun or academic camps to help with reading skills. Before and after school programs are also eligible. But the costs of summer school, tutoring and overnight camps don't qualify.

Upcoming Changes to Electric Vehicle Credit

New Federal Tax Credits under the Inflation Reduction Act:

- Federal tax credit for EVs will remain at \$7,500.
 - Timeline to qualify is extended a decade from January 2023 to December 2032.
- Tax credit cap for automakers after they hit 200,000 EVs sold is eliminated, making GM, Tesla and Toyota once again eligible.
- The language in the bill indicates that the tax credit would be implemented at the point of sale instead of on taxes at the end of the fiscal year.
 - That means you can get your credit up front at the dealer, but these terms may not kick in until 2024.

- In order to get the full credit, the EV must be assembled in North America and...
- The majority of battery components need to come from North America and...
- A certain percentage of “critical minerals” must come from North America or countries with free trade agreements with the US
- New federal tax credit of \$4,000 for used EVs priced below \$25k
 - Subject to other requirements like lower annual income (see below)
- Revised credit applies to BEV cars with an MSRP below \$55k
- Also includes zero-emission vans, SUVs, and trucks with MSRPs up to \$80,000
- New credit also expands to commercial fleet customers
 - Includes separate qualifications and limits
- The federal EV tax credit will be available to individuals reporting adjusted gross incomes of \$150,000 or less, or \$300,000 for joint filers
- The new credit will also continue to apply to Plug-in Hybrid EVs (PHEVs) as long as they meet the same requirements outlined above and are equipped with a battery over 7 kWh.

Used Electric Vehicles

- Used EV must be at least two model years old at time of sale.
- Tax credit of 30% of value of used EV with \$4,000 cap.
- Used vehicles must be purchased from a dealer.
- Used vehicle price must be \$25k or less.
- Purchaser must be an individual (no businesses) to qualify for used credit.
- Modified gross income cap of \$75k for individuals, \$112,500 for head of household and \$150k for joint returns.
- Credit terminates on December 31, 2032.

IF YOU ARE INTERESTED IN LEARNING MORE, CONTACT OUR OFFICE TO SCHEDULE A TELEPHONE CALL OR MEETING. WE ARE HERE TO HELP YOU.

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