



MARTIN·SMITH

& COMPANY CPAs

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Dear Client,

As we adjust to the new “normal” in 2023, the IRS is supposedly very busy cleaning up the mess left by COVID-19. As we head into 2023, the uncertainty about the economy appears to be a recurring theme while many tax rules return to the pre-pandemic years. The following is just a summary of the most significant subjects that we feel our clients face.

Dates for 2022 tax returns – The due date is April 18 (Tuesday) instead of April 15 (Saturday) since April 17 is the Emancipation Day holiday in the District of Columbia. The IRS will begin accepting individual e-filed returns on January 23.

Economic Impact (Stimulus) Payments (EIP) and Advanced Child Tax Credits – The stimulus payments and **advanced** child tax credits will not affect your 2022 tax returns. These items were applicable to the 2020 and 2021 tax returns.

Some tax credits have returned to 2019 levels – Many of the pandemic-era and ARPA credits expired at the end of 2021, so some tax credits have returned to pre-pandemic levels. Impacted credits include the Child Tax Credit (CTC), Earned Income Tax Credit (EITC), and Child and Dependent Care Credit. Due to these changes, many taxpayers will likely receive a significantly smaller refund for 2022 compared with the previous tax year.

Examples of changes include:

- Taxpayers who received \$3,600 per dependent in 2021 for the CTC will, if eligible, get \$2,000 per dependent for the 2022 tax year.
- For the EITC, eligible taxpayers with no children who received roughly \$1,500 in 2021 will now receive \$500 in 2022.
- The Child and Dependent Care Credit returns to a maximum of \$2,100 in 2022 instead of \$8,000 in 2021.

Key Legislation Passed in 2022

Inflation Reduction Act of 2022 – This Act promotes clean energy through a number of tax credits for certain vehicles and an increase and enhancement of certain residential energy credits. These credits are generally applicable for 2023. Be sure to get documentation for these credits **at the time of purchase** as the details are critical and specific. Regarding solar panels, investigate your true potential tax savings by consulting with us. Each person's tax situation differs from another, and solar panel salespeople tend to make statements that are not reality when the tax return is prepared.

SECURE 2.0 Act (part of the Consolidated Appropriations Act) – This Act includes many taxpayer friendly retirement-related provisions. The age for required minimum distributions will increase to 73 in 2023 and will continue to increase to 75 in 2033. It also includes increased catch-up contributions for taxpayers 50 years and older; rollover of unused 529 plans to Roth IRAs; expanded exceptions to the 10% penalty for early withdrawal; and reduced penalties for failure to take an RMD to highlight just a few of the enhanced provisions.

South Carolina Fuel Tax Credit - For South Carolina residents, the State continues to offer a Refundable Motor Fuel Income Tax Credit. The credit for 2022 will be 11 cents per gallon and will increase each year by 2 cents through 2022. For example, in 2022 the credit for 1,000 gallons will be \$110 per vehicle. You must have records for gallons purchased and vehicle maintenance expenses **separately** stated for **each** vehicle. Each taxpayer can claim the credit for up to two vehicles. Due to the amount of information needed, please go to our website at www.martinsmith.cpa/newsletters.html and download one of the versions of Form I-385 and then fill it out completely and provide it to us with your other tax documents. **Please do not give us your receipts.** Unless reauthorized by the General Assembly, this credit expires in 2023. However, we encourage you to continue saving receipts during 2023 should reauthorization occur.

Our website is updated periodically, so please go to it for current information and more detailed explanations. Refer to the **Tax Alerts** on the right side of the home page and additional subject matters on the **Newsletters** page.

We look forward to once again serving you this year.

Sincerely yours,
MARTIN SMITH & COMPANY CPAs, PA

Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. It is not a substitute for specific advice in your own circumstances.

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1212 Haywood Road, Bldg. 100 • Greenville, South Carolina 29615 • (864) 232-1040