



## **How will revised tax limits affect your 2022 taxes?**

While Congress didn't pass the Build Back Better Act in 2021, there are still tax changes that may affect your tax situation for this year. That's because some tax figures are adjusted annually for inflation.

If you're like most people, you're probably more concerned about your 2021 tax bill right now than you are about your 2022 tax situation. That's understandable because your 2021 individual tax return is generally due to be filed by April 18 (unless you file an extension).

However, it's a good idea to acquaint yourself with tax amounts that may have changed for 2022. Below are some Q&As about tax amounts for this year.

### **I have a 401(k) plan through my job. How much can I contribute to it?**

For 2022, you can contribute up to \$20,500 (up from \$19,500 in 2021) to a 401(k) or 403(b) plan. You can make an additional \$6,500 catch-up contribution if you're age 50 or older.

### **How much can I contribute to an IRA for 2022?**

If you're eligible, you can contribute \$6,000 a year to a traditional or Roth IRA, or up to 100% of your earned income. If you're 50 or older, you can make another \$1,000 "catch-up" contribution. (These amounts were the same for 2021.)

### **I sometimes hire a babysitter and a cleaning person. Do I have to withhold and pay FICA tax on the amounts I pay them?**

In 2022, the threshold when a domestic employer must withhold and pay FICA for babysitters, house cleaners, etc., is \$2,400 (up from \$2,300 in 2021).

### **How much do I have to earn in 2022 before I can stop paying Social Security on my salary?**

The Social Security tax wage base is \$147,000 for this year (up from \$142,800 in 2021). That means that you don't owe Social Security tax on amounts earned above that. (You must pay Medicare tax on all amounts that you earn.)

### **I didn't qualify to itemize deductions on my last tax return. Will I qualify for 2022?**

A 2017 tax law eliminated the tax benefit of itemizing deductions for many people by increasing the standard deduction and reducing or eliminating various deductions. For 2022, the standard deduction amount is \$25,900 for married couples filing jointly (up from \$25,100). For single filers, the amount is \$12,950 (up from \$12,550) and for heads of households, it's \$19,400 (up from \$18,800). If your itemized deductions (such as mortgage interest) are less than the applicable standard deduction amount, you won't itemize.

### **If I don't itemize, can I claim charitable deductions on my 2022 return?**

Generally, taxpayers who claim the standard deduction on their federal tax returns can't deduct charitable donations. But thanks to two COVID-19-relief laws, non-itemizers could claim a limited charitable contribution deduction for the past two years (for 2021, this deduction is \$300 for single taxpayers and \$600 for married couples filing jointly). Unfortunately, unless Congress acts to extend this tax break, it has expired for 2022.

### **How much can I give to one person without triggering a gift tax return in 2022?**

The annual gift exclusion for 2022 is \$16,000 (up from \$15,000 in 2021). This amount is only adjusted in \$1,000 increments, so it typically only increases every few years.

### **More to your tax picture**

These are only some of the tax amounts that may apply to you.