Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Earned Income Tax Credit

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
The **minimum age** to collect EITC for a taxpayer **without a qualifying child is 25**. A taxpayer **without a qualifying child** must be **under age 65** to claim EITC. Taxpayers claiming EITC in 2020 have the option to use their **2019 earned income** to calculate the credit instead of their 2020 earned income, **if the 2019 amount is greater than 2020 earned income**. The maximum **investment income** that a taxpayer can receive and collect EITC is **$3,650**. The maximum amount of EITC for a single taxpayer without children is **$543** in 2020. The maximum income for a single filer without a qualifying child is **$15,820**. Taxpayers filing MFS cannot claim the EITC.	In 2021 the **minimum age** for a taxpayer without a qualifying child to collect EITC is **19** unless : • the taxpayer is a full-time student (**age 24**) or • was in foster care since turning 14 or homeless at any time (**age 18**). For 2021 only, there is **no maximum age limit** for taxpayers to claim EITC. Taxpayers claiming EITC in 2021 have the option to use their **2019 earned income** to calculate the credit instead of their 2021 earned income, **if the 2019 amount is greater than 2021 earned income**. **Taxpayers cannot use 2020 earned income to claim the credit**. The maximum **investment income** that a taxpayer can receive and still collect EITC is **$10,000** which will be adjusted in future years for inflation. The maximum amount of EITC for a single taxpayer without children has been increased to **$1,502** in 2021 and the maximum income for a single filer is **$21,430**. Taxpayers filing MFS that are separated from their spouse and living apart for the last six months of the year may be eligible for EITC if they have a qualifying child that lived with them for at least six months out of the year.	The **minimum age** to collect EITC for a taxpayer **without a qualifying child is 25** which is the same as pre-2021 rules. A taxpayer **without a qualifying child** must be **under age 65** to claim EITC which is the same as pre-2021 rules. Taxpayers claiming EITC in 2022 no longer have the option to use a prior year's **earned income** to calculate the credit. Taxpayers **must use their 2022 earned income to claim the credit**. The maximum **investment income** that a taxpayer can receive and still collect EITC is **$10,300** which will be adjusted in future years for inflation. The maximum amount of EITC for a single taxpayer without children is **$560** in 2022 This is a significantly lower amount than 2021. The maximum income for a single filer without a qualifying child is **$16,480**. Taxpayers filing MFS that are separated from their spouse and living apart for the last six months of the year may be eligible for EITC if they have a qualifying child that lived with them for at least six months out of the year.

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Recovery Rebate Credit

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Advance payments were based on most recent return—2019 (or 2018). **Maximum Credit for EIP 1 was $1,200** for Taxpayer (and Spouse on joint return) and **$500** for each child that qualifies for the Child Tax Credit (age 16 or under). **Maximum Credit for EIP 2 was $600** for Taxpayer (and Spouse on joint return) and **$600** for each child on the return that qualifies for the Child Tax Credit. Income threshold for the credit for EIP 1 and EIP 2 was the following: • $150,000 for MFJ or QW • $112,500 for HOH • $75,000 for Single or MFS Taxpayers with income above the threshold amounts had EIP 1 and EIP 2 reduced by an amount equal to 5% of the income above the threshold amounts. Taxpayers and Spouse on joint return are required to have a **valid Social Security Number** in order for **any member** of the tax family to receive the credit. Dependents with a valid social security number receive the credit if the Taxpayer (and Spouse on a joint return) have a valid social security number.	**Advance payments were based on most recent return—2020 (or 2019).** **Maximum Credit is $1,400** for all members of the tax family (Taxpayer, Spouse and any Dependent) **that have a valid Social Security Number.** Taxpayer (and/or Spouse on a joint return) **can have an ITIN** and it does not prevent any **dependent with a valid Social Security Number** from receiving the credit. Income threshold to receive the maximum credit in **2021** was the following: • $150,000 for MFJ or QW • $112,500 for HOH • $75,000 for Single or MFS Taxpayers with income above the threshold amounts will have the credit **reduced proportionately** until eliminated when income reaches the following amounts: • $160,000 for MFJ or QW • $120,000 for HOH • $80,000 for Single or MFS Taxpayers that received an advance payment based on the information in their prior return (2020 or 2019) are **not required** to repay any excess.	The Recovery Rebate Credits were authorized by Congress to address the Coronavirus pandemic and were issued in 2020 and 2021. **No recovery rebate credit was authorized for 2022** and the taxpayer **cannot claim any Recovery Rebate Credit on the 2022 tax return**.

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Child Tax Credit—Basic Provisions

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Child Tax Credit was **$2,000** for each **qualifying child under age 17** that was claimed as a dependent on the tax return. The refundable portion of the Child Tax Credit (Additional Child Tax Credit) was up to **$1,400** for each qualifying child. To receive the Additional Child Tax Credit the taxpayer had to have **earned income.** The refundable amount of the CTC was calculated on Schedule 8812 and it was limited to **15%** of the earned income on the return over **$2,500**. Child Tax Credit was phased out if the Taxpayer's Adjusted Gross Income was more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses For taxpayers with AGI above the threshold amounts, the credit was reduced by an amount equal to 5% for each $1,000 of income or part thereof that exceeds the limits.	Child Tax Credit was a fully **refundable** credit in 2021 as long as the Taxpayer (or Spouse) had a principal place of abode in the United States (including the territories) for more than half of the year. The Child Tax Credit amounts for 2021 were **$3,600** for each qualifying child **under age 6** and **$3,000** for each qualifying child **over 5** and **under 18** (ages 6 to 17). **No income was required to claim the 2021 Child Tax Credit**. In 2021 the Child Tax Credit was subject to two phase out provisions. First phase out reduced the credit to **$2,000** and it occurred if the Taxpayer's Adjusted Gross Income was more than the following: • $150,000 for MFJ • $112,500 for HOH • $75,000 for all other filing statuses Second phase out occurred when the Taxpayer's Adjusted Gross Income was more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses For taxpayers with AGI above the second phase out amounts, the credit was reduced by an amount equal to 5% for each $1,000 of income or part thereof that exceeds the limits.	Child Tax Credit is **$2,000** for each **qualifying child under age 17** that is claimed as a dependent on the tax return. In 2022, **a qualifying dependent age 17 is not eligible for the CTC.** The refundable portion of the Child Tax Credit (Additional Child Tax Credit) is up to **$1,500** for each qualifying child. The refundable amount has been increased over the 2020 amount because the refundable portion of the CTC is adjusted based on changes in the C-CPI-U Index. The total amount of the CTC ($2,000) is not adjusted based on changes to the C-CPI-U Index. To receive the Additional Child Tax Credit the taxpayer must have **earned income. This is the same calculation that existed in 2020.** The refundable amount is calculated on Schedule 8812 and it is limited to **15%** of the earned income on the return over **$2,500**. Child Tax Credit is phased out if the Taxpayer's Adjusted Gross Income is more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses For taxpayers with AGI above the threshold amounts, the credit is reduced by an amount equal to 5% for each $1,000 of income or part thereof that exceeds the limits

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Child Tax Credit—Advance Payments/Reconciliation

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
No advance payments of the Child Tax Credit or reconciliation occurred in 2020.	**Advance payments were based on the qualifying children claimed on the most recent return—2020 (or 2019).** Advance Payments started on July 15 and were made monthly thereafter on the 15th of the month. Advance payment amounts were \$300/month for each child under 6 and \$250/month for each child 6-17. These amounts were reconciled on the 2021 tax return, and the actual amount of the Child Tax Credit was determined by the information entered on the 2021 return. Taxpayer received a notice (**Letter 6419**) that reported the amount of advance payments made to the Taxpayer. These amounts were required for **reconciling** the Child Tax Credit on the 2021 tax return. Reconciliation/repayment relief was permitted based on the following income AGI thresholds: • \$60,000 to \$120,000 for MFJ or QW • \$50,000 to \$100,000 for HOH • \$40,000 to \$80,000 for Single or MFS If the Taxpayer's AGI is **below** these thresholds they were **not** required to repay any advance payments. However, if the Taxpayer's AGI was above these thresholds they would repay **all** of the advance payments. When the Taxpayer's AGI fell between the thresholds, the Taxpayer had to repay a portion of any advance payments.	**No advance payments of the Child Tax Credit were made in 2022 nor will any reconciliation occur.**

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Child Tax Credit—Puerto Rico

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Residents of **Puerto Rico** could only claim the Child Tax Credit when they had **three of more** qualifying children and reported income that demonstrated they paid Social Security Taxes, Medicare and/or Self-Employment Taxes. This credit was claimed on Form 1040-PR or Form 1040-SS.	Residents of **Puerto Rico** and the **other U.S territories** are now subject to the **same eligibility requirements** for claiming the Child Tax Credit as Mainland taxpayers. Consistent with Mainland fliers, there was no income requirement to claim the credit for 2021. Puerto Rico residents and the residents of the other U.S. territories claiming the Child Tax Credit could receive **$3,600** for each qualifying child under age 6 and **$3,000** for each qualifying child age 6 to 17. Residents of **Puerto Rico** did **not** receive Advance Payment of the Child Tax Credit and had to claim the full credit in 2021. This credit was claimed on Form 1040-PR or Form 1040-SS.	Residents of **Puerto Rico** will claim the Child Tax Credit for each **qualifying child under age 17** that is claimed as a dependent on Form 1040-PR or 1040-SS. To receive the refundable portion of the CTC, they must reported income that demonstrated they paid Social Security Taxes, Medicare and/or Self-Employment Taxes. The requirement that a resident of Puerto Rico must have three or more qualifying children to claim the refundable portion of the Child Tax Credit has been eliminated.

Child Tax Credit—Taxpayers Living Abroad

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Taxpayers Living Abroad can claim the Child Tax Credit on their return as long as they **do not claim the Foreign Earned Income Exclusion on Form 2555**.	Taxpayers Living Abroad **that did not have a principal place of abode in the United States** (including the U.S. territories) will be allowed to claim a Child Tax Credit of up to $2,000 ($1,400 refundable) under the same provisions as in 2020 if they **do not claim the Foreign Earned Income Exclusion on Form 2555**.	Taxpayers Living Abroad can claim the Child Tax Credit on their return as long as they **do not claim the Foreign Earned Income Exclusion on Form 2555**.

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Child and Dependent Care Credit

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Child and Dependent Care Credit was a **nonrefundable** credit. Child care or dependent care expenses were subject to the following limits: • **$3,000** for one qualifying individual • **$6,000** for more than one qualifying individual The credit was a percentage of the eligible child care expenses and that percentage is based on the Taxpayer's Adjusted Gross Income. The maximum credit of **35%** of eligible expenses is available for Taxpayers with AGI of up to **$15,000**. Once AGI was **above $15,000**, the credit is reduced by an amount equal to **1%** for each **$2,000** of income or part thereof that exceeds $15,000 until AGI reaches **$43,000**. Above **$43,000** the credit is **20%** of the eligible expenses and there is no maximum AGI limitation. Based on expense and AGI limitations, the maximum credit that a Taxpayer can claim is the following: • **$1,050** for one qualifying individual (**$3,000** x **35%**) • **$2,100** for more than one qualifying individual (**$6,000** x **35%**)	Child and Dependent Credit was a fully **refundable** credit in 2021 as long as the Taxpayer (or Spouse) had a principal place of abode in the United States (including the territories) for more than half of the year. Child care or dependent care expenses were limited to: • **$8,000** for one qualifying individual • **$16,000** for more than one qualifying individual The Credit was 50% of eligible expenses until AGI reaches **$125,000**. The credit percentage was then reduced by **1%** for each **$2,000** of income or part thereof that exceeded the AGI limit until AGI reaches **$183,000**. Once AGI was above **$183,000**, the credit percentage remains at 20% until AGI reaches **$400,000**. Then the credit percentage was reduced by **1%** for each **$2,000** of income or part thereof that exceeds **$400,000** until AGI reaches **$438,000**. Above **$438,000,** there is no credit. Based on expense and AGI limitations, the maximum credit that a Taxpayer could claim was the following: • **$4,000** for one qualifying individual • **$8,000** for more than one qualifying individual For Taxpayers without a principle place of abode in the U.S. for more than six months, the Child and Dependent Care Credit was **not refundable**. However, all of the other enhanced provisions for 2021 apply including all monetary amounts.	Child and Dependent Care Credit is again a **nonrefundable** credit and then limitations on the credit return to 2020 provisions. Child care or dependent care expenses are subject in 2022 to the following limits: • **$3,000** for one qualifying individual • **$6,000** for more than one qualifying individual The credit is again a percentage of the eligible child care expenses and that percentage is based on the Taxpayer's Adjusted Gross Income. The maximum credit in 2022 is **35%** of eligible expenses for Taxpayers with AGI of up to **$15,000**. Once AGI is **above $15,000**, the credit is reduced by an amount equal to **1%** for each **$2,000** of income or part thereof that exceeds $15,000 until AGI reaches **$43,000**. Above **$43,000** the credit is **20%** of the eligible expenses and there is no maximum AGI limitation. Based on expense and AGI limitations, the maximum nonrefundable credit that a Taxpayer can claim in 2022 is the following: • **$1,050** for one qualifying individual (**$3,000** x **35%**) • **$2,100** for more than one qualifying individual (**$6,000** x **35%**)

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Coronavirus-Related Retirement Plan Distributions

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
The CARES Act allowed eligible participants in retirement plans to take an early distribution of up to $100,000 during calendar year 2020 **without paying the 10% penalty tax** on withdrawals before an account owner is 59-1/2. This penalty free provision applied to withdrawals from IRA's and qualified retirement plans such as 401(k) plans. These distributions were designated as Coronavirus-Related Distributions. A Coronavirus-Related Distributions of up to $100,000 would be recognized over three years. This was done on Form 8915-E and one third of the amount of the Coronavirus-Related Distribution was included on the 2020 tax return. The remaining amounts are reported on the 2021 and 2022 returns.	Retirement plan and IRA distributions that are **taken at any time after December 31, 2020 are not considered Coronavirus-Related Distributions**. **Only distributions taken in connection with a FEMA designated disaster will be eligible for deferral treatment in 2021**. No distribution from any retirement plans or IRAs for Coronavirus layoffs or illness will be deemed a qualified disaster distribution and eligible for any waiver of the 10% penalty for early withdrawal. The recognition of second installment of income from a 2020 Coronavirus-Related Distribution was reported on Form 8915-F in 2021.	No retirement plan or IRA distributions **taken after December 31, 2020 are not considered Coronavirus-Related Distributions.** The recognition of **third and final** installment of income from a 2020 Coronavirus-Related Distribution is to be reported on Form 8915-F in 2022.

Charitable Contributions

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
The CARES Act allowed Taxpayers that used the Standard Deduction to deduct **$300** in **cash contributions** as an **above the line Adjustment to Income**. The $300 amount was the **same for all filing statutes**. The CARES Act raised the limitation on cash contributions for taxpayers that used Schedule A to deduct up to **100%** of their adjusted gross income as a charitable contribution.	Taxpayers that used the Standard Deduction were allowed to deduct **$300** in **cash contributions** for all filing statutes other than MFJ as a **below the line Deduction**. Taxpayers filing as MFJ and using the Standard Deduction were allowed to deduct **$600** in cash contributions. For Taxpayers using Schedule A, the limitation on cash contributions remained **100%** of their adjusted gross income.	The Charitable Deduction for non-itemizers of $300 ($600 for MFJ) **has not been extended for 2022**. The only deduction for charitable contributions will be on Schedule A—Itemized Deductions. For Taxpayers using Schedule A, the limitation on cash contributions will be **60%** of their adjusted gross income.

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Other Miscellaneous Tax Provisions

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Qualified Cancelled Mortgage Debt—The Consolidated Appropriations Act, reinstated the exclusion from income for cancelled mortgage debt income associated with a taxpayer's primary residence. This exclusion was also made retroactive for tax years 2018 and 2019.	**Qualified Cancelled Mortgage Debt—**The Consolidated Appropriations Act, extended through 2025 the exclusion from income for cancelled mortgage debt income (as reported on Form 1099-C) associated with a taxpayer's primary residence.	**Qualified Cancelled Mortgage Debt—**This income exclusion is reported on **Form 982**.
Meals Deduction—Taxpayers can only deduct **50%** of the cost of business meals.	**Meals Deduction—**Taxpayers can deduct **100%** of the cost of business meals that are purchased from a restaurant or are food deliveries from a restaurant or catering service.	**Meals Deduction—**Taxpayers can **continue to deduct 100% of the cost of business meals** that were purchased from a restaurant or are food deliveries from a restaurant or catering service. **This provision expires in 2022**.
Premium Tax Credit—The **repayment requirements of Excess Advance Premium Tax are waived for 2020 only** as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The IRS reprocessed the tax returns from Taxpayers that had previously filed tax returns with Form 8962 that had a repayment amount. The Inflation Reduction Act expanded subsidies under the Affordable Care Act **through 2025.**	**Premium Tax Credit—**Premium Tax Credits (PTC) were enhanced for Taxpayers that received unemployment and for Taxpayers with Household Income (HI) between 100% and 150% of the Federal Poverty Level (FPL) for their family size. Taxpayers with HI over 400% of the FPL are required to contribute 8.5% of their income towards their health coverage purchased through the Marketplace.	**Premium Tax Credit—**Taxpayers with Household Income (HI) between 100% and 150% of the Federal Poverty Level (FPL) for their family size are eligible for zero-premium coverage depending on the plan selected. Taxpayers with Household Income (HI) over 400% of the FPL **will contribute 8.5%** of their HI towards their health coverage purchased through the Federal Marketplace or State Exchanges. The enhanced Premium Tax Credit for taxpayer that received **unemployment** no longer apply.
Educator Expense Deduction—Secondary and elementary educators are allowed an adjustment to income of $250. Married educators are each eligible for the deduction for a total of $500.	**Educator Expense Deduction—**Secondary and elementary educators are allowed an adjustment to income of **$250**. Married educators are each eligible for the deduction for a total of **$500**.	**Educator Expense Deduction—**Secondary and elementary educators are allowed an adjustment to income of **S300**. Married educators are each eligible for the deduction for a total of **$600**.

Tax Provision Comparison for Tax Years

2020, 2021 and 2022

Expiring Tax Extender Provisions

2020 Provisions—Claimed on the 2020 tax return	2021 Provisions—Claimed on 2021 tax return	2022 Provisions—Claimed on the 2022 tax return
Form 8885—Health Coverage Tax Credit—A taxpayer that was an eligible trade adjustment assistance recipient, alternative TAA recipient, reemployment TAA recipient, Pension Benefit Guaranty Corporation (PBGC) payee, or a qualifying family member, was eligible for a credit of 72.5% of their health insurance premiums. Eligible taxpayers reconciled the advance payments to any health plan provider or claimed this credit on Form 8885.	**Form 8885—Health Coverage Tax Credit—**The Consolidated Appropriations Act which became law on December 27, 2020 extended the Health Coverage Tax Credit through 2021.	**Form 8885—Health Coverage Tax Credit—**The Health Coverage Tax **Credit expired at the end of 2021**. The HCTC cannot be claimed for coverage months beginning in 2022 **unless Congress extends** this provision. **Form 8885 is no longer available for use in 2022**.
Private Mortgage Insurance Deduction (PMI)—The deduction on Schedule A for PMI premiums was revived for 2020, 2019 and 2018 in the Further Consolidated Appropriations Act. Taxpayers were required to amend prior year returns to claim PMI in 2018 and 2019.	**Private Mortgage Insurance Deduction (PMI)**—The deduction on Schedule A for PMI premiums as revived in the Further Consolidated Appropriations Act, 2020 allowed taxpayers to claim the deduction in 2021. **This deduction was only extended through 2021**.	**Private Mortgage Insurance Deduction (PMI)**—The deduction for PMI **expired at the end of 2021** and will not be allowed in 2022 **unless Congress extends** this deduction.
Tuition and Fees Deduction—The Tuition and Fees Deduction allowed Taxpayers to deduct up to $4,000 from their income for qualifying tuition expenses paid for Taxpayer, Spouse or Dependents.	**Tuition and Fees Deduction—**The Tuition and Fees Deduction **has been eliminated**. In its place the Lifetime Learning Credit income limits were expanded to match the American Opportunity Credit.	**Tuition and Fees Deduction—**The Tuition and Fees Deduction was eliminated in 2021 and is **no longer available for use in 2022**
Business Tax Extenders—The Consolidated Appropriations Act, 2021 temporarily extended the following business related tax provisions through December 31, 2021: • Three-Year Depreciation for Racehorses • Accelerated Depreciations for Property on Indian Reservations • American Samoa Economic Development Credit • Indian Employment Tax Credit • Mine Rescue Team Training Credit	**Business Tax Extenders—**The Consolidated Appropriations Act, 2021 temporarily extended the following business related tax provisions through December 31, 2021: • Three-Year Depreciation for Racehorses • Accelerated Depreciations for Property on Indian Reservations • American Samoa Economic Development Credit • Indian Employment Tax Credit • Mine Rescue Team Training Credit	**Business Tax Extenders—**These business related tax provisions **expired at the end of 2021** and will not be allowed in 2022 **unless Congress extends** these provisions.

Inflation Reduction Act

Individual Provisions

Effective Date—01/01/2023 (unless noted)

Tax Provision	Description	What to Expect
Premium Tax Credit (Subsidy Extension)—Under the American Rescue Plan, subsidies for taxpayers that acquired health coverage through the Federal Marketplace were enhanced but these provisions were scheduled to expire at the end of 2022. The Inflation Reduction Act extends certain of these subsidies under **through 2025.**	Taxpayers with Household Income (HI) between 100% and 150% of the Federal Poverty Level (FPL) are eligible for zero-premium coverage on select plans. Taxpayers with HI over 400% of the FPL are entitled to a PTC if the cost of the Second Lowest Cost Silver Plan in their Marketplace exceeds 8.5% of their HI.	The Premium Tax Credit will continue to be reported on Form 8962—Premium Tax Credit which is filed with Form 1040 when a taxpayer has purchased health coverage through the Federal Marketplace or State Exchanges.
Residential Energy-Efficient Property Credit—The Residential Energy Property Credit is claimed in **Part I** of **Form 5695—Residential Energy Credits .** This has been extended **through 2034** and it has been renamed the **Residential Clean Energy Credit**. Portions of the enhanced credit are **retroactive to the beginning of 2022.**	The Residential Clean Energy Credit is raised to **30%** (up from 26%) of the installation cost of solar panels or other equipment to harness renewable energy like wind, geothermal and biomass fuel. The credit will fall to 26% in 2033 and 22% in 2034. Starting in 2023, this credit will be expanded to include expenditures for **batteries** used to store the electricity generated from these systems.	It is expected that the Residential Clean Energy Credit will continue to be reported on Form 5695. This credit is a **nonrefundable credit** but Taxpayers that have an insufficient tax liability to benefit **can carry forward any unused credits to future years** to offset future income tax liability.
Nonbusiness Energy Property Credit—The Nonbusiness Property Credit is claimed in **Part II** of **Form 5695—Residential Energy Credits**. This credit was scheduled to expire at the end of 2021, but it has been extended **through 2032** and it has been renamed the **Energy Efficient Home Improvement Credit**. This nonrefundable credit will be expanded starting in 2023.when it will have higher dollar amounts for the credit and no longer be subject to a lifetime limit. **Excess Business Loss**—The Section 461 limitation on business losses of noncorporate taxpayers **has been extended by two years (through 2028)**. It was previously set to expire December 31, 2026.	The credit is nows **30%** (up from 10%) of the amount paid for qualified energy-efficient improvements to the main home. Starting in 2023, the maximum credit will become **$1,200 annually** (or up to $2,000 for heat pumps and heat pump water heaters) with higher amounts allowed for items such as windows ($600), and doors ($250/$500). For 2022 and earlier, the credit was subject to a $500 lifetime maximum. TCJA limited individuals from using more than $250,000 ($500,000 for MFJ) of business losses to offset nonbusiness income. This provision of TCJA was retroactively suspended in the CARES Act for tax years 2019 & 2020.	The new Energy Efficient Home Improvement Credit will continue to be reported on Form 5695 when the new provisions go into effect in 2023. There is **no change** in the amounts or covered items to Nonbusiness Energy Property Credit for **2022**. The Excess Business Loss will continue to reported on **Form 461—Limitation on Business Loss** .

Inflation Reduction Act

Individual Provisions

Effective Date—01/01/2023 (unless noted)

Tax Provision	Description	What to Expect
Clean Vehicle Credit (New Vehicles)—The Inflation Reduction Act expands and amends the $7,500 nonrefundable Plug-in Electric Drive Motor Vehicle Credit (IRC 30D), in several ways. The credit is now known as the Clean Vehicle Credit and the act imposes a new requirement that a percentage of critical minerals used in the vehicle must have been extracted or processed in the United States or in a country with which the United States has a free trade agreement or recycled in North America. A taxpayer will only be allowed to claim this credit once in a three-year period.	Starting in 2023, the limitation on the number of vehicles eligible for the credit is eliminated, so electric vehicles purchased from manufacturers that previously reached their cap (Tesla, GM) will again be eligible for the credit. Starting in 2023, to claim the credit there are price caps on the new vehicles ($55,000 for cars, $80,000 for SUV's and trucks) and income limitations ($300,000 for joint returns, $225,000 for HOH and $150,000 for single filers). There is also a requirement which became effective August 16, 2022, that the **final assembly of the vehicle must be in North America**.	The new provisions of the Clean Vehicle Credit will go into effect on January 1, 2023. Through 2022, taxpayers will claim the credit on Form 8936 under the rules in effect before the enactment of the Inflation Reduction Act (including those involving the manufacturing caps on vehicles sold). However, if the vehicle was **purchased after August 15, 2022**, it must meet the requirement that it was assembled in North America to be eligible for the credit. **Starting in 2024,** - the credit will be claimed at the point of sale and applied towards the cost of the vehicle. It will be considered a refundable credit and the advance payment of the credit will be reconciled on the tax return. The Clean Vehicle Credit will expire December 31, 2032.
Clean Vehicle Credit (Used Vehicles)—The Inflation Reduction Act creates a new $4,000 nonrefundable credit for qualified used vehicles. The used clean vehicle credit only applies to vehicles acquired by a taxpayer **after Dec. 31, 2022**.	Qualified buyers can claim a credit of up to $4,000. The used vehicle must be (1) at least two years old, (2) have an eligible VIN, (3) is sold through a dealer (no private sales) and (4) a credit (either new or used) was not previously claimed for the vehicle. To claim the credit there is a $25,000 price cap on the used vehicles and income limitations ($150,000 for joint returns, $112,500 for HOH and $75,000 for single filers).	The Clean Vehicle Credit for used vehicles is effective for tax years starting **after December 31, 2022** and it is anticipated that taxpayers will claim this credit at point of sale and the advance payment of the credit will be reconciled on the tax return. The Clean Vehicle Credit for used vehicles will also expire December 31, 2032.

Inflation Reduction Act

Internal Revenue Service Enhanced Funding

Effective Date—01/01/2023 (unless noted)

Budget Provision	Description	What to Expect
Internal Revenue Service Increased Funding— Under the Inflation Reduction Act the IRS has been provided additional funding of **$79,621,533,803** to be spent over a ten-year period.	The budget for the IRS in 2010 totaled $12.4 Billion as compared to the 2021 IRS budget which was $12.9 Billion, plus an additional $765.7 Million in Supplemental COVID-19 Funding.	This increase in funding should dramatically impact the IRS in all areas of its operations.
IRS Staffing Levels—In 2010, total IRS staffing was 94,346. In 2021, total IRS staffing was **80,411**, a reduction of **14.8%**.	2021 IRS staffing levels as compared to 2010 have been reduced by 32.9% in Examination & Collections; 12.4% in Shared Services & Support; 27.6% in Taxpayer Assistance; 23.6% in Regulatory and 28.9% in Investigations. The IRS staffing levels increased by 22.9% in Account Services and 4.7% in Information Systems.	IRS staffing levels in all areas of its operation should increase over the next ten years with significant resources being allocated to Customer Service, Taxpayer Assistance, Technology, Enforcement and Audit Activities.
Core Technology—the IRS has received $4.5 Billion for technology improvements.	The IRS has one of the oldest computer systems in the federal government and this funding is intended to modernize the IRS hardware systems and programming.	Once implemented this should allow the IRS to improve its ability to process return and analyze data. It should allow the IRS to better **identify returns with inconsistent or erroneous data**.
Program Enforcement—the IRS has received $6.7 Billion to target the **integrity of current tax programs**.	The IRS and the General Accounting Office have periodically sampled the accuracy of tax returns submitted by tax preparers and self prepared by taxpayers and found that a significantly high percentage of returns prepared by both groups are not correct. This funding is designed to improve the **accuracy** of returns.	This funding should allow the IRS to increase their capacity to review and follow-up on tax returns that have indicators that something may be incorrect on the tax return. Returns with inconsistent entries such as unusual expenses for the related business code or items that appear to be estimates will subject to increate scrutiny.
Enforcement Activities—the IRS has received $45.6 Billion for Audit/Enforcement.	IRS enforcement activities have decreased since 2010 as the staffing levels of revenue agents, investigators and attorneys has been reduced. This funding is designed to improve audit capabilities of the IRS which currently are at historically low levels.	This funding will allow the IRS to **hire enforcement staff in all areas** (revenue agents, investigators, attorneys). The IRS estimates that this additional funding will result in **$203 Billion in additional tax revenue collected** over the next 10 years.

Inflation Reduction Act

Medicare Provisions

Effective Date—01/01/2023 (unless noted)

Provision	Description	What to Expect
Medicare—Insulin—Medicare participants who takes insulin will have access to insulin for no more than $35 for a month's supply.	Medicare participants taking Insulin will not pay a deductible for their covered insulin products starting in 2023.	The new rules begin January 1, 2023 for insulin covered under Medicare plans and July 1, 2023 for insulin that is used by participants through a traditional pump covered under Medicare durable equipment benefit.
Medicare—Prescription Drugs—Medicare will be able to negotiate directly with manufactures on costs for certain drugs starting in 2026 with the 10 most expensive drugs, 15 more in 2027 and 2028, and 20 more each year thereafter.	In 2023, Medicare will select and announce the first 10 drugs to be negotiated and the negotiated Medicare drug prices for these first 10 drugs will be available starting in 2026. These drugs must not have a generic substitute and must have been approved by the FDA a minimum of seven years prior.	The Departments of Defense and Veterans Affairs and the Indian Health Service have had the ability to negotiate drug prices for their health programs for decades. CBO estimates that this provision will save Medicare approximately $102 Billion over a ten year period.
Prescription Drug Pricing Negotiation Noncompliance Excise Tax—Starting in 2026 – A new excise tax will be imposed on drug manufacturers that fail to enter into drug pricing agreements with Medicare but still sell the drug at a lower cost in the marketplace than what Medicare is charged.	This excise tax applies to each sale made by a drug manufacture for one of the identified drugs that Medicare is permitted to negotiate a pricing agreement in the event that no agreement is reached .The tax is the difference between the average market price charged by the manufacture and Medicare's price.	CBO expects full compliance from drug companies, and no revenue will be generated from this tax.
Medicare/Medicaid/CHIP—Vaccines—the Act mandates coverage and lowers out-of-pocket costs for recommended vaccines	People with Medicare drug coverage will pay nothing out-of-pocket for adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP) .	The effective date for expanded vaccine coverage is **October 1, 2023**.
Medicare—Out of Pocket for Prescription Drugs—Medicare participants will have a $2,000 annual out of pocket maximum for prescription drugs.	Medicare participant will also have the option to pay the $2,000 out of pocket for prescription costs in monthly amounts spread over the year rather than all at once.	The effective date for the $2,000 annual out of pocket for prescription dugs is January 1, 2025.

Inflation Reduction Act

Business Provisions

Effective Date—01/01/2023 (unless noted)

Tax Provision	Description	What to Expect
Alternative Corporate Minimum Tax—The Inflation Reduction Act imposes a corporate alternative minimum tax equal to the excess of **15% of a corporation's adjusted financial statement income (AFSI)** over its corporate alternative minimum tax foreign tax credit.	The **Alternative Corporate Minimum Tax** applies to C Corporations that **average over a three year period net income in excess of $1 billion** on applicable financial statements. This will impact certain publicly traded corporations that report net income to investors that is significantly higher than the taxable income reported to the IRS. It is estimated that approximately 150 corporations will be affected by this provision annually.	This tax is effective for tax years starting after December 31, 2022. It is anticipated that the IRS will have corporations subject to this tax report it on Form 1120 starting with tax year 2023.
Excise Tax on Corporate Stock Buybacks—The Inflation Reduction Act imposes a **1% tax on the fair market value** of stock repurchased by **publicly traded** U.S. Corporations.	The 1% excise tax applies to the net amounts paid for stock acquired from shareholders reduced by the value of any stock issued by the corporation during the year. There are various exceptions to this provision and it does not apply to any repurchases of $1 million or less for the	This excise tax becomes effective January 1, 2023. It is anticipated that the IRS will have these corporations report this tax on Form 720—Quarterly Federal Excise Tax Return.
Credit for Increase Research Activities (Section 41) for small business—The amount specified in any election made under this subsection was increased from $250,000 to $500,000.	Small businesses have an election under Section 41(h) of the Internal Revenue Code to claim a credit for their research and development activities as a reduction of their payroll tax liabilities as an offset on their quarterly payroll tax filings. This new provision will allow qualified small businesses to claim up to $500,000.	This election becomes effective January 1, 2023 and will be claimed against quarterly payroll tax liabilities.