

2022 Year-end Tax Tips



2022 has been a tough year for financial assets, which has left many feeling cautious about the markets and concerned about the future. While it is impossible to predict where the market will be in the coming weeks and months, there are strategies to optimize your taxes and set you up for 2023. Use this checklist to guide your year-end tax planning, and make sure to discuss any changes to your tax situation with your CPA or tax advisor.

- **Retirement Planning**

- Take your Required Minimum Distribution (RMD) if you are age 72 or older by 12/31/2022. Those under 72 must take RMDs for inherited IRAs, and if you have inherited these accounts since 2020, you may be subject to a 10-year distribution schedule.
- If you are over 70.5, you can make a Qualified Charitable Distribution (QCD) from your IRA to help satisfy your RMD. Allowing you to donate up to \$100,000 directly from your IRA to a 501(c)(3) charity and the amount donated will be excluded from your income. The deadline is 12/31/2022, but we recommend starting the process early to ensure it is completed before year-end.
- Contribute to your employer retirement plans: \$20,500 + \$6,500 catch up for those over age 50.
- IRA and Roth IRA deadlines are April 18, 2023. Contribution limits are: \$6,000 + \$1,000 catch up for those over age 50.
- Review if a Roth IRA conversion fits into your plan. Conversion benefits can include tax-free distributions and eliminating RMDs, however, income tax must be paid on any amount converted. Review with your CPA or tax advisor.

- **Employer RSU/Option Planning**

- Consider selling stock acquired through Incentive Stock Options (ISOs) in 2022 if held for more than one year. Gains would qualify as a capital gain and could be offset by tax losses taken this year.
- If 2022 was a low-income tax year, consider exercising restricted stock units (RSUs) in order to be taxed at a lower rate.
- Review option expiration dates and prices and be mindful of having too much exposure to the company you work for and try to diversify equity risk.

- **Charitable Giving**

- Review with your advisors the best assets to donate. For public charities, you can deduct up to 60% of Adjusted Gross Income (AGI) for cash contributions, and up to 30% of AGI for long-term capital gain property.
- Consider bunching your charitable contributions for multiple years into one year. The Tax Cuts and Jobs Act of 2017 doubled the standard deduction, and many filers no longer itemize. Combining multiple years into one can help you give more efficiently. Donor-advised funds are helpful vehicles for this type of giving as you can get a tax deduction the year you contribute, and then gift to charities over time.

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- **Gifting**

- Limits for gifts to individuals are \$16,000 per person (\$32,000 per couple). Gifts must be completed by 12/31/2022.
- Gifting securities when prices are down can be advantageous for estate planning purposes as it shifts future appreciation out of your estate and onto beneficiaries who may be in a lower tax rate.

- **Review investment gains and losses year-to-date**

- Review tax loss harvesting with your advisor and determine if gains or losses should be realized in 2022. Determine if you will be in the 0%, 15%, or 20% capital gains rate.
- The last day to realize any gains or losses is 12/30/2022.

- **Medical**

- Make sure to spend any funds contributed to a Flex Savings Account (FSA), as most do not roll over to 2023. Some employer plans will allow you to use it until March of the following year, so check with your plan.
- If eligible for a Health Savings Plan (HSA), contribute a maximum of \$3,650 per individual or \$7,300 per family. Make sure these funds are invested as these funds roll over each year and are extremely tax efficient, offering tax-deductible contributions and tax-free withdrawals if used for qualified medical expenses.
- If enrolled in Medicare, review your plan during the open enrollment, October 15th through December 7th.

Final Thoughts

We welcome the opportunity to discuss these topics with you and help with your year-end planning. Keep in mind, the information provided is for illustration purposes only; it is not intended to be specific to any individual's personal circumstances. We suggest consulting with your tax advisor before implementing any of these tax planning techniques. As always, we are willing to partner with your outside advisors to coordinate financial planning strategies that make the most sense for you and your family.