



Winter 2022

Beyond *the* Numbers

A Crow Shields Bailey PC News Publication

Happy Retirement, Shirley!



Shirley with her husband Leon

Shirley Sheffield retired on October 17 after a combined 25 years with Dudley Chateau & Cox (DCC) and CSB. She joined CSB after our merger with DCC in 2009 and has been an integral part of our firm ever since.

Shirley was the first recipient of our “FRED” award, which is given to someone who goes above and beyond for our clients and our team.

Newsletter Contributors

Cindy Rathle
Deborah Fisher
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SHIRLEY RETIREMENT CONTINUED

The Fred Factor is a book by Mark Sanborn that discusses how passion in your work and life can turn the ordinary into the extraordinary. The book recounts the true story of Fred, the mail carrier who passionately loves his job and who genuinely cares about the people he serves. If you ask anyone at CSB, this is what they would tell you about Shirley. She is the most positive person you will ever meet, she always has a kind word of encouragement for others, and she always put our clients and our team first.

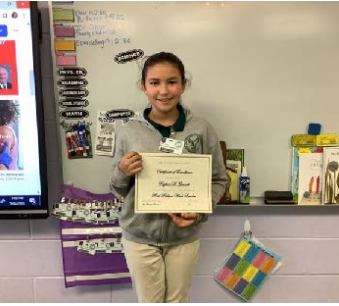
We've checked in with Shirley since her retirement and she has been busy enjoying time with her husband, Leon, working in her yard which she has always enjoyed, and visiting with family and friends. We at CSB hope that Shirley enjoys every minute of her well-deserved retirement!



Current and past members of CSB's Admin Team celebrating Shirley's retirement!



TEAM MEMBER NEWS



Ruth Ann Holland's granddaughter, Payton Garrett, received Dodge Elementary's Red Ribbon Week Leader Award for displaying leadership, responsibility, and kindness!



Tyler and Hannah McKeown were married on June 25th!



Diana Moore's grandson, son of David and Melissa (Moore) Rice, was born on March 3, 2022!



Taelor and Seth Jahnke were married on June 25th!



Madeline Rathle, daughter of Cindy and Amin, graduated in December of 2020 from New York University! Due to Covid, the graduation ceremony was delayed and took place in May 2022.



Olivia Rathle graduated from the University of Alabama on May 7, 2022 and received a Bachelor of Arts Communication in Public Relations and a Minor in Communicative Studies. She is now employed with Brynn Bagot Public Relations, a boutique PR firm in Dallas, Texas!



Olivia Rathle, daughter of Cindy and Amin, was a member in the Mobile Carnival Association's 2022 Court, and was featured in the Mardi Gras issue of Access Magazine!



TAX TIDBITS

F.I.C.A. Wages and Self-Employment Earnings

The amount of wages subject to FICA tax at 6.2% (12.4% if self-employed) for 2023 is \$160,200 (\$13,200 increase from 2022). The FICA-Medicare Tax of 1.45% (2.9% if self-employed) continues to apply to all wages and self-employment income.

Additional Medicare Tax Withholding

There is an additional .9% Medicare tax that employers must withhold on employee wages in excess of \$200,000. There is no employer share.

Social Security Earnings Limit

There is a limit on how much you can earn and not affect your Social Security benefits, if you are under normal full retirement age. That limit for 2023 is \$21,240. Earn more than this and your benefits are cut \$1 for every \$2 earned above the limit. The limit for 2022 was \$19,560.

Standard Mileage Rate (Cents Per Mile)

	2022	
	Jan 1 - June 30	July 1 - Dec 31
Business	58.5	62.5
Charitable	14	14
Medical	18	22
Moving	18	22

Retirement Plan Limits

	2022	2023
IRA	\$6,000	\$6,500
IRA catch-up (age 50+)	1,000	1,000
SEP maximum contribution	61,000	66,000
401(k) 403(b) employee	20,500	22,500
401(k) 403(b) catch-up	6,500	7,500

Simple 408(p) (2)(E)	14,000	15,500
Simple 408(p) (2)(E) catch-up	3,000	3,500
Defined contribution limit	61,000	66,000
Annual compensation limit	305,000	330,000

Estate and Gift Tax Lifetime Exemption

2019	\$11,400,000	(40% rate for amount over \$11,400,000)
2020	\$11,580,000	(40% rate for amount over \$11,580,000)
2021	\$11,700,000	(40% rate for amount over \$11,700,000)
2022	\$12,060,000	(40% rate for amount over \$12,060,000)
2023	\$12,920,000	(40% rate for amount over \$12,920,000)

Gift Tax Annual Exclusion

The gift tax annual exclusion for 2023 will be \$17,000 per donee, an increase of \$1,000 from 2022. The exclusion is \$34,000 per donee for married couples that elect split gifting.

IRS Approved Per Diem Rates

As of 10/01/22 the “high” & “low” cost per diem allowances for 2023 are: Low cost of \$64 for meals and incidentals, \$140 for lodging, for a total of \$204. High cost of \$74 for meals and incidentals, \$223 for lodging, for a total of \$297.



TAX TIDBITS (cont.)

Standard Deductions

2022	
Married Filing Joint	\$25,900
Surviving Spouse	25,900
Head of Household	19,400
Single	12,950
Married Filing Separately	12,950
Dependent	1,150
Add if Blind/+65	1,400

Tax Tables

2022 Married Filing Joint and Surviving Spouses

If Taxable Income is Over	But Not Over	Tax is	% on Excess	Of the Amount Over
\$0	\$20,550	\$0	+	10%
20,551	83,550	2,055		12%
83,551	178,150	9,615		22%
178,151	340,100	30,427		24%
340,101	431,900	69,295		32%
431,901	647,850	98,671		35%
647,851	--	174,254		37%

2022 Single

If Taxable Income is Over	But Not Over	Tax is	% on Excess	Of the Amount Over
\$0	\$10,275	\$0	+	10%
10,276	41,775	1,028		12%
41,776	89,075	4,807		22%
89,076	170,050	15,214		24%
170,051	215,950	34,648		32%
215,950	539,900	49,336		35%
539,901	--	162,718		37%

Capital Gains and Qualified Dividend Rates

2022 Married Filing Joint and Surviving Spouses

If Taxable Income is Over	But Not Over	Tax Rate
\$0	\$83,350	0%
83,351	517,200	15%
517,201	--	20%

2022 Single

If Taxable Income is Over	But Not Over	Tax Rate
\$0	\$41,675	0%
41,676	459,750	15%
459,751	--	20%

Net Investment Income Tax

Net Investment Income Tax is an additional tax of **3.8%** imposed on taxpayers earning more than established threshold amounts (see table below). The tax is in addition to any regular income taxes. The tax is calculated by multiplying the **3.8%** tax rate by the lower of:

1. net investment income for the year; or
2. modified adjusted gross income over a certain threshold amount.

1. Net Investment Income for the purposes of calculating the net investment income tax generally includes interest, dividends, capital gains, annuities, royalties, rents, and passthrough income from a business if you are a “passive” owner.

2. Modified Adjusted Gross Income thresholds for the net investment income tax are:

- \$250,000 for married filing joint filers and qualifying widows or widowers;
- \$200,000 for single and head of household filers; and
- \$125,000 for married filing separately filers.



2022 Year-End Tax Information

2022 Tax Changes Affecting Individuals

“Above-The-Line” Deduction For Charitable Contributions

In 2021, individuals who did not itemize were eligible for an “above the line” charitable contribution deduction of up to \$300 or \$600, depending on filing status. This type of deduction expired at the end of 2021 and is not available for the 2022 tax year.

Itemized Deductions of Charitable Contributions In 2021, the deduction limit was increased to 100% of an individual’s adjusted gross income. But the 2022 charitable contribution rules have reverted back to a deduction of no more than 60% of AGI for cash contributions.

Child Tax Credit For 2022, the child tax credit has now reverted back to its original limit of \$2,000 for every qualifying child under age 17 and \$500 for dependents other than qualifying children. The maximum refundable portion of the credit is \$1,500 in 2022. For people filing their tax return as a single person, the phase-out begins when the adjusted gross income is above \$200,000. The phase-out begins at \$400,000 for married couples filing a joint return.

Child and Dependent Care Tax Credit For 2022, the child and dependent care credit is non-refundable, the maximum credit percentage drops from 50% to 35%, and fewer care expenses are eligible for the credit. For 2022, up to \$3,000 of expenses for one child/dependent and \$6,000 for more than one is eligible for the credit. The maximum credit for the 2022 tax year is \$1,050 (35% of \$3,000) for one child/dependent and \$2,100 (35% of \$6,000) if you have more. In addition, the full child and dependent care credit will only be allowed for families making less than \$15,000 a year in 2022 (instead of \$125,000 per year). After that, the credit starts to phase out.

Earned Income Tax Credit For 2022, age restrictions for an individual without a qualifying child are back in place. To be eligible, the minimum and maximum ages are 25 to 65 years old. The maximum credit for a childless worker decreases from \$1,502 to \$560. For taxpayers with one or more children, maximum credit amount, earned income limits, and phase out ranges have increased and been adjusted for inflation.

Residential Clean Energy Credit (formerly known as Residential Energy Efficient Property Credit) The Inflation Reduction Act increased the credit to 30% starting in 2022. Beginning in 2023, the credit will not apply to biomass furnaces and water heaters anymore, but will apply to battery storage technology.

Clean Vehicle Credit (formerly known as Electric Vehicle Tax Credit) The credit is worth up to \$7,500 for buyers of new all-electric cars and hybrid plug-ins. Under the new rules, taxpayers receive a \$3,750 credit for meeting the critical minerals requirement and a \$3,750 credit for meeting the battery component requirement. For vehicles purchased after August 16, 2022, the final assembly of the vehicle must occur in North America to qualify for the clean vehicle credit. There are also MAGI threshold limits, depending on filing status.

Required Minimum Distributions For 2022, all eligible participants are required to withdraw a minimum distribution. You generally have to start taking withdrawals from your IRA, SEP IRA, SIMPLE IRA, or retirement plan account when you reach age 72. If you reach age 70 ½ in 2020 or later, you must take your first RMD by April 1 of the year after you reach 72. Roth IRAs do not require withdrawals until after the death of the owner.

Unemployment Compensation

All unemployment compensation received in 2022 will be considered part of federal taxable income and fully taxed.

Health Savings Account You get an above-the-line deduction for contributions to an HSA if you made them with after-tax money. If you contribute pre-tax funds through payroll, there is no deduction. 2022 contribution limits:

- An individual with coverage under a qualifying high-deductible health plan (deductible not less than \$1,400) can contribute up to \$3,650 for the year to their HSA. The maximum out-of-pocket has been capped at \$7,050.
- An individual with family coverage under a qualifying high-deductible health plan (deductible not less than \$2,800) can contribute up to \$7,300 for the year. The maximum out-of-pocket has been capped at \$14,100.
- If you are age 55 or older, you can contribute an additional catch-up contribution of \$1,000 per year.



Qualified Business Income Deduction Total taxable income in 2022 must be under \$170,050 for single filers or \$340,100 for joint filers to qualify for the full deduction. If your taxable income is over that amount, there are additional rules to determine if you will receive a full or partial deduction.

2022 Tax Changes Affecting Businesses

1099-K Forms Starting with the 2022 tax year, third-party payment settlement networks (e.g., PayPal and Venmo) will issue a Form 1099-K if you are paid over \$600 during the year for goods or services, regardless of the number of transactions. The gross amount of a payment doesn't include any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts.

Meals and Entertainment Beginning January 1, 2021, through December 31, 2022, businesses can claim 100% of their food or beverage expenses paid to restaurants as long as the business owner (or an employee of the business) is present when food or beverages are provided and the expense is not lavish or extravagant under the circumstances. Entertainment is still 100% nondeductible.

Note: Restaurants include businesses that prepare and sell food or beverages to retail customers for immediate on-premises and/or off-premises consumption. However, restaurants do not include businesses that primarily sell pre-packaged goods not for immediate consumption, such as grocery stores and convenience stores.

Bonus Depreciation Bonus depreciation continues to be 100% for 2022 for property placed in service by Dec. 31, 2022. In 2023, bonus depreciation phases down to 80% of the property cost placed in service by Dec. 31, 2023.

Charitable Contributions The 25% charitable contribution deduction limit has expired for C corporations. The deduction is now limited to cash contributions of up to 10% of taxable income. Contributions that exceed that amount can carry over to the next tax year.

Section 163(j) Interest Limitations For tax years beginning after Dec 31, 2021, businesses must use 30% of adjusted taxable income (ATI) in calculating their section 163(j) limitation. This is a change from the 2021 rate of 50%. Also, depreciation, amortization, and depletion are not added back in computing ATI.

Additional Flexibility For Health FSAs And Dependent Care Assistance Programs Due to the pandemic, the IRS has provided greater flexibility to employee benefit plans offering health flexible spending arrangements (FSAs) or dependent care assistance programs.

- The limit for annual contributions to a health care FSA in 2022 is \$2,850.
- The limit for annual contributions to a dependent care FSA is \$5,000 per year per household, or \$2,500 for married individuals filing a separate tax return.

Alabama Electing Pass-Through Entity Tax Act Guidance

The Alabama Electing Pass-Through Entity Tax Act (Act 2021-1 and Act 2021-423) allows Alabama S-Corporations and Subchapter K entities (pass-through entities or PTEs) to elect to pay Alabama income tax at the entity level. An electing entity must pay a tax at the highest applicable individual income tax rate and is subject to estimated tax requirements. Entities making this election (Electing PTEs) must submit Form PTE-E via My Alabama Taxes (MAT).

This tax law seeks to minimize the consequences of the current \$10,000 state and local tax deduction limitation on an individual's Federal Schedule A. By electing to be taxed at the entity level, taxpayers receive tax benefits as if the state and local tax limitation did not exist.

All Pass-Through Entities that choose this election must be registered to use MAT and must submit Form PTE-E through MAT prior to the fifteenth day of the third month following the close of that tax year for which the entity elects to be taxed as an Electing Pass-Through Entity. The election is binding for that year and all subsequent years until revoked by the entity. The entity may revoke the election by submitting a form to the Department of Revenue by the 15th day of the third month after the close of the tax year for which it elects to no longer be taxed at the entity level.

Alabama Accountability Act

Several scholarship granting organizations (SGOs) provide scholarships to low-income K-12 children in Alabama to attend a public or private school of their choice. Individuals and businesses can contribute up to 100% of their 2022 Alabama income tax liability. Individual donations are capped at \$100,000. All taxpayers, including pass-through entities, can make quarterly payments to offset quarterly estimated tax payments.



1. Estimate your 2022 Alabama tax liability - if you overestimate and your donation exceeds your 2022 liability, you may carry your credits forward up to 3 years.
2. Reserve your credit through your My Alabama Taxes (MAT) account.
3. Mail your donation within 30 days to the SGO.
4. Receive a receipt for donation amount.

Final Comments

Please contact us if you have any questions regarding any of the aforementioned tax changes or are interested in a tax topic that we did not discuss. Tax law is constantly changing due to new legislation, cases, regulations, and IRS rulings. Our Firm closely monitors these changes. In addition, please call us before implementing any planning ideas discussed in this letter, or if you need additional information.

Note: The information contained in this material should not be relied upon without an independent, professional analysis of how any of the items discussed may apply to a specific situation.



Tax Time Reminders

With the end of 2022 approaching, it's time to get a jump on collecting your tax information to maximize your year-end planning. For your convenience, CSB will e-mail tax organizers around the beginning of January to help with organizing important information.

Have your income or expenses significantly changed?

Please contact us right away to maximize year-end tax planning.

Want to gauge your 2022 tax situation and prepare a tax savings strategy?

Make an appointment with us today!

When is information due to CSB for tax returns?

For tax returns due 3/15, the deadline for turning in info is February 10th. For returns due 4/15, the deadline is March 1st. If information is turned in to us after these deadlines, the returns will likely be filed with an extension.

We mailed letters in November informing clients that we will be emailing engagement letters during the month of December.

If you have not received an engagement letter from us via email by December 9th, we likely do not have a valid email address for you. Please call or email Britney Lister or Emilee Shuler if you have any questions or would like to confirm your email address. You can call (251) 343-1012 or email britneyl@csbcpa.com or emilees@csbcpa.com.



CSB FUN DAY



On November 4th, we had our first annual Field Day, including many fun games and activities planned by our Fun Committee. The events concluded with epic games of kickball, followed by a happy hour at The Fort Containter Park in Spanish Fort!



The Blue Team won the day!



What is the nerdiest thing accountants could do during field day? A 10-key calculator race!



CSB FUN DAY (cont.)



CSB Happenings 2022



Gina McKellar, Kristi Daughtery, Kirsten Sokom, and Andrew Bailey attended the RSM Leaders Conference in Las Vegas!



We always appreciate when clients and friends bring us treats!



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CSB is proud to be included again in the latest volume of The Scout Guide!



Each year we hold a Thanksgiving food drive for Child Advocacy Center (CAC). Each box includes food and supplies for a Thanksgiving meal for families, and the firm provides a Walmart gift card to go in each box. We broke our record this year and our team provided 17 boxes for CAC families!





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Happy
Holidays



— AND A —
JOYFUL NEW YEAR