

Financial Literacy Workshop Series

Every third Wednesday of each month

8 PM - 9 PM

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Guest Speaker:
Kathy Carroll, E.A.

Next Topic:

"2022 Tax Returns"

Wednesday, March 15, 2023

8 PM - 9 PM

via Zoom

Email **events@cwny.org** with any
questions about this workshop



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Q & A

Your questions will be addressed after the presentation.

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CWNY FINANCIAL LITERACY SERIES

2023 Tax Season Is Here!

INCOME TAX BASICS FOR 2022 RETURNS

Welcome and thank you for joining the webinar!

The Tax season for the preparation of 2022 Income Tax Returns has been progressing smoothly so far! E-filing of returns was opened by IRS on January 23. By mid-February, most taxpayers should have received their W2 forms, bank interest statements, and other documents that are necessary to do their taxes. As has been the case for the last several years, some brokerage statements have been delayed until mid-March. These statements, known as form 1099-B are needed in order for one to report dividends and capital gains from stock sales.

Tax Law Changes for 2022

The tax law for 2022 has changed somewhat from 2021, and not for the better. During 2020 and 2021, many credit items such as the Child Tax Credit and the Earned Income Credit were expanded due to COVID-19, which helped to reduce individual taxes and produced larger refunds. These credits have always been available, but for 2022 returns these credits have been reduced back to their pre-pandemic limits.

Child Tax Credit and Earned Income Credit Rollbacks

The child tax credit is a federal tax benefit that plays an important role in providing financial support for taxpayers with children. People with children under the age of 17 may be eligible to claim a tax credit of up to \$2,000 per qualifying dependent when they file their 2022 tax returns in 2023. \$1,500 of that credit may be refundable.

<https://www.nerdwallet.com/article/taxes/qualify-child-child-care-tax-credit>

For the EITC, eligible taxpayers with no children who received roughly \$1,500 in 2021 will now get \$500 in 2022. The Child and Dependent Care Credit returns to a maximum of \$2,100 in 2022 instead of \$8,000 in 2021. Additionally, age limits for the EITC have been reinstated; persons aged 25 to 64 may apply.

NYS and NYC increases in EITC

As just noted, the federal government has rolled back the earned income credit to pre-COVID levels. Ironically, New York State and New York City have done the opposite and have increased their earned income credits. The New York State credit is generally equal to 30% of your allowable federal earned income credit. Recent legislation increased the New York City earned income credit (EIC). The credit was 5% of the federal EIC. Beginning in 2022, the New York City EIC will range from 10% to 30% of the federal EIC based on a taxpayer's New York adjusted gross income.

https://www.tax.ny.gov/pit/credits/earned_income_credit

How the EITC and the Child Tax Credit Work

The EITC is a fully refundable credit, and the Child Tax Credit is refundable for up to \$1,500. This means that, if you qualify, and the credits exceed your income tax, you will receive the difference from the government. For example, if your tax on your return is \$500, and your EITC is \$800, your tax liability will be covered and you would receive the balance of \$300 from IRS. The same is true of the Child Tax Credit, but only up to \$1,500.

Income Documents

The most common types of income and the documents that people typically receive to report it:

W2 (wages)

1099 NEC (self-employment/independent contractor)

1099G (unemployment compensation)

W2 forms are received in a typical employment situation where a person works for a company. The W2 will show one's earnings for the year as well as any deductions for 401K, social security and medicare tax withheld, and federal, state and city tax withheld.

Income Documents

The 1099 NEC replaced the older 1099 MISC in 2020 as a document to report self-employment/independent contractor income. Unlike a W2 form, where a tax return must be filed only if income exceeds the standard deduction OR if tax is withheld, the recipient of a 1099 NEC must file if the income reported exceeds \$600. In most instances, the recipient of a 1099 NEC will report the income on Schedule C (Profit or Loss form Business), and will be able to deduct business expenses spent in earning the income.

Paid Family Leave

For the 2022 returns that I have worked on so far this year, I have seen an increase in taxpayers receiving a significant amount of Paid Family Leave. This is an important 1099 to remember when assembling your documents for your return. Paid Family Leave, which is typically 67% of one's weekly salary, is fully taxable, and in most cases tax has not been withheld. In many cases the PFL will increase taxable income.

Unemployment Benefits- 1099 G

A positive trend for 2022 is the decrease in the number of taxpayers who received unemployment benefits during the year.

For 2022, all unemployment benefits received are fully taxed by both the federal government and by New York State. There are no longer any exemptions in effect.

A reminder: The NYS Department of Labor will NOT mail you a 1099G. If you did receive unemployment benefits, you will need to go to the Dept. of Labor website with your username and password in order to access your 1099G showing the amount of benefits received.

1. Visit the DOL website at <https://dol.ny.gov> and see [1099-G Tax Form: Information you need for UI income tax filing](#).
2. Log in to your NY.gov ID account.
3. Select Unemployment Services and View/Print 1099-G.

<https://www.tax.ny.gov/forms/current-forms/it/it201i.htm>

Credits and Deductions Defined

The terms “Credits” and “Deductions” are both moneysavers for the taxpayer. Many taxpayers can benefit from either one or the other, and sometimes both!

A CREDIT will directly reduce your tax on a dollar for dollar basis. Some credits, such as the Earned Income Credit (EITC) and certain Education Credits, will even refund you the amount by which the credit exceeds your tax liability!

A DEDUCTION is an allowable item that will reduce your taxable income so that your tax liability will be lower. Deductions do not reduce tax liability on a dollar for dollar basis; the benefit is based on your own tax rate.

DEDUCTIONS

Deductions are an allowable amount that reduce one's income in arriving at taxable income.

All taxpayers **MAY** choose to use the basic standard deduction to calculate their taxable income. Most taxpayers will **HAVE** to use the standard deduction if their potential itemized deductions do not exceed the standard deduction threshold.

Standard Deduction

The Standard deduction is the basic amount allowed to reduce income. The amount of the standard deduction is based on one's filing status. The standard deduction has increased again in 2022, as it did in 2020 and 2021.

Standard Deduction Amounts for 2022

The following amounts apply to the 2022 tax year:

Single	\$12,950	(increased from \$12,550 in 2021)
Married Filing Jointly	\$25,900	(increased form \$25,100)
Head of Household	\$20,800	(increased from \$18,800)
Married Filing Separately	\$12,950	(increased from \$12,550)

Standard deduction levels for New York State

The standard deduction amounts for New York State and New York City differ from the federal amounts. The 2022 amounts for NYS/NYC are:

Single	\$ 8,000
Married Filing Jointly	\$16,050
Head of Household	\$11,200
Married Filing Separately	\$ 8,000

Unlike the federal standard deduction, these amounts have not been increased from 2021 and have not increased in several years.

Itemized Deductions

Itemized deductions are a list of specific items that, when grouped together, will lower your taxable income IF they exceed the amount of your allowable standard deduction. For example, if a single person has itemized deductions in the amount of \$14,000, it would be beneficial to use this amount rather than the allowable standard deduction of \$12,950. The process is not as straightforward as it appears, however, as we will see shortly.

Types of Itemized Deductions

Itemized Deductions available to taxpayers include:

Medical Expenses including insurance premiums, out-of pocket expenses, co-pays, vision and dental expenses, Travel to and from doctors' offices such as cost of taxis are also deductible. HOWEVER, your medical expenses must exceed 7.5% of your income before you can use one dime of them. For example, if your income is \$50,000, your medical expenses would have to exceed \$3,750 before any of the amount becomes usable, and then only the difference between the amount and the base is counted toward the deduction.

Other types of itemized deductions include:

State and local taxes withheld from one's pay during the year, as well as any balance due paid on a prior year's state tax return.

Real estate taxes

These two itemized deductions are referred to as "SALT" (state and local income taxes). The SALT deduction is currently limited to \$10,000 per taxpayer. There has been much controversy about this limitation, particularly here in New York and several other highly taxed states, including our neighboring states, New Jersey and Connecticut. In fact, the SALT limitations impact approximately ten states or less throughout the U.S. Although there has been some discussion regarding revision of the SALT limitations, it is still in effect for 2022 tax returns.

List of itemized Deductions continued

Mortgage Interest

Mortgage Interest includes interest paid to banks and private lenders, and includes points and origination fees paid on a purchase.

If you purchased a home this year, you should look at your closing statement closely as you may have paid mortgage interest and real estate taxes that may not appear on the Form 1098 that your lender provides.

Charitable Contributions

Charitable contributions can be deducted for both cash and non-cash items. If a cash contribution of more than \$250 is made to a single recipient such as a church or charitable organization, a receipt is required to be kept in your records. Noncash contributions such as clothing and, household items must have a receipt for contribution amounts over \$500. Many people believe that, in the case of a noncash contribution, the organization will let you know the amount. This is not the case. The organization will only provide a receipt saying the item was donated. It is up to the taxpayer to estimate the amount. A change for 2022 is the removal of the \$300 charitable contribution deduction for non-itemizers that existed in 2020 and 2021.

A Word on Miscellaneous Job Expenses

With the introduction of the TCJA (Tax Cuts and Jobs Act of 2017), the deduction for miscellaneous job expenses such as union dues, workclothes, work tools, work travel, job related education, and other items of this type have been eliminated for nearly every type of occupation. So there is no need to hang on to small receipts for items of this type, as they are no longer deductible.

EXCEPTION: Teachers are allowed a \$300 adjustment to income for their purchase of school and classroom supplies, which was increased from \$250 in previous years. This includes the purchase of PPE, disinfectant, and other safety supplies for the classroom related to COVID-19.

Bottom Line on Itemized Deductions

The bottom line on itemized deductions is this:

Due to the limitations placed on them (limit on medical expenses, SALT cap, etc.), most taxpayers will not be able to itemize and will use the standard deduction. Itemized deductions can be most frequently used by taxpayers who own homes and have significant mortgage interest to deduct.

Credits

Unlike a deduction, a tax credit can save a taxpayer money on a dollar for dollar basis. In some cases, if your tax is reduced to zero by a credit, you may be able to receive the additional amount of the credit. This is known as a “refundable” tax credit. A quick overview shows at least twenty credits (non-refundable and refundable) available to the average taxpayer. These include the Earned Income Credit, the Child Tax Credit/Additional Child Tax Credit, and Education Credits (American Opportunity and Lifetime Learning Credits). These credits help families raise and educate their children.

Tax Help Is Available!

Tax preparation assistance is more readily available than one may realize. Right here at CWNY, we are providing free tax preparation services on Thursdays at Queens Borough Hall and at Fort Totten through April 6. Other free tax services include VITA ([IRS.gov/vita](https://www.irs.gov/vita) or phone # 800-906-9887). Bethpage Federal Credit Union (bethpagefcu.com/community/vita or phone # 516-349-4288)

AARP Foundation Tax-Aide (aarp.org/money/taxes/aarp_taxaide or phone # 888-227-7669)

See if you Qualify

New York City taxpayers are also able to check online if they qualify for the NYC Earned Income Credit. The website is nyc.gov/getcredit. If you qualify, you will need to file a return to get the credit.

The tax filing date this year is Tuesday, April 18. The usual April 15 deadline is on a Saturday, and Emancipation Day is observed in the District of Columbia on Monday April 17. The holiday honors the end of slavery in Washington, D.C. The next business day is April 18 – so that is the federal income tax filing deadline this year

Thank you!

Thank you for attending this evening. Our next webinar in our CWNYS Financial Literacy Series will be Wednesday, April 19, when our topic will be Basics of Investing. Hope you can join us!



**Thank you, Kathy
Carroll!**

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