



First Quarter 2022

Inflation is Changing the Numbers for Benefits and Federal Taxes

Inflation is making itself felt in more than daily prices. The Social Security Administration has reported that approximately 70 million Americans will see a 5.9% increase in their Social Security benefits and Supplemental Security Income (SSI) payments in 2022 as cost-of-living increases.

The IRS is not as generous in its increases, which take effect with the 2022 tax year. While the pending "Build Back Better" legislation, with its slew of tax increases, may change the following, so far the IRS is planning on the following:

- The annual exclusion for gifts increases to \$16,000 for calendar year 2022, up from \$15,000 for calendar year 2021.
- Die during 2022 and an individual's estate has a basic federal estate tax exclusion amount of \$12,060,000, up from a total of \$11,700,000 for estates of individuals who died in 2021.
- Barring changes from the Build Back Better Bill now before Congress, there are no changes in the income tax rates, but income tax brackets adjust upward 3.3% for the lowest bracket and 3.1% for the higher brackets.
- The Alternative Minimum Tax exemption amount for tax year 2022 is \$75,900 for individuals, up 3.25%, and begins to phase out at \$539,900 (\$118,100 for married couples filing jointly, for whom the exemption begins to phase out at \$1,079,800).
- The Standard Deduction rises to \$25,900, for married couples filing jointly for tax year 2022, up 3% from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,950 for 2022. For heads of households, the standard deduction will be \$19,400 for tax year 2022, up \$600.
- There is NO increase to maximum contribution limits for IRAs.
- However, IRA income eligibility limits for employees with a retirement plan available from their employer increase a little over 3% for individuals and married couples filing jointly or qualified widow(er) for full and partial contributions to an IRA account.
- Roth IRA account income eligibility limits for individuals with a retirement plan available from their employer increase \$4,000 for individuals and \$6,000 for married filing jointly couples or qualified widow(er) for full and partial contributions to an IRA account.
- There are increases to maximum contributions to 401(k), 403(b), most 457 plans, the federal government's Thrift Savings Plan, and SIMPLE IRA plans, but catch-up contributions remain fixed at 2021 levels.

This is just a quick overview of the many changes that will take place for benefits and taxes indexed to inflation. After years of minimal if any changes, it's easy to assume that income brackets and amounts are the same. They aren't. Review the new tax brackets and other indexed accounts as you begin planning for 2022.



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