

Tax Letter

January 2022



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We wish all of our friends a Happy and Healthy New Year!

This letter contains important payroll tax related information that you may need for 2021 and 2022. As always, please contact us if you have any questions.

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Important Websites

Internal Revenue Service:

- United States Department of Treasury: www.irs.gov
- Electronic Federal Tax payments (EFTPS): <https://www.eftps.gov/eftps/>

New Jersey:

- Division of Taxation: www.state.nj.us/treasury/taxation/index.shtml
- Annual Report & other miscellaneous business filings: <https://www.njportal.com/DOR/annualreports/>
- Electronic Services: <https://www.state.nj.us/treasury/taxation/online.shtml>
- New hires: <https://njcsp.com/>
- NJ BAIT: https://www1.state.nj.us/TYTR_BusinessFilings/jsp/common/Login.jsp?taxcode=09

Pennsylvania:

- Department of Revenue: www.revenue.state.pa.us/
- e-TIDES (Electronic tax payments): <https://www.etides.state.pa.us/>
- New hires: <https://www.cwds.state.pa.us/>

Social Security Administration:

- www.ssa.gov

DUE DATES FOR ALL 2021 TAX RETURNS

Type of Tax Return:	Due Date:
Partnerships and S Corporations	March 15, 2022
C Corporations and individuals	April 18, 2022
Exempt organizations	May 16, 2022
Final deadline for partnerships and S Corporations	September 15, 2022
Final deadline for C Corporations and individuals	October 17, 2022
Final deadline for exempt organizations	November 15, 2022

AUTOMOBILE MILEAGE RATES

	2021	2022
Business	\$0.56/mile	\$0.585/mile
Medical/Moving	\$0.16/mile	\$0.18/mile
Charitable	\$0.14/mile	\$0.14/mile

FLEXIBLE SPENDING ACCOUNT CHANGES

Pre-tax dollar limit:

- **2022:** \$2,850 maximum per employee
- **2021:** \$2,750 maximum per employee

All clients who sponsor an FSA should review their plan documents and amend the plan, if applicable, to provide for the new mandatory limit.

Health Savings Account Limits (HSA)

Minimum Plan Deductible	2021	2022
Single coverage	\$1,400	\$1,400
Family coverage	\$2,800	\$2,800

Maximum HSA Contribution Level	2021	2022
Single coverage	\$3,600	\$3,650
Family coverage	\$7,200	\$7,300
Catch up – age 55 and over	\$1,000	\$1,000

Out of Pocket Maximum	2021	2022
Single coverage	\$7,050	\$7,000
Family coverage	\$14,100	\$14,000

Social Security

Social Security Cost of Living Adjustment

The cost of living adjustment for 2022 will be 5.9 percent.

Social Security While Continuing to Work

The maximum Social Security Benefit eligibility is based on the following chart:

Year of Birth	Normal Retirement Age (NRA)
1937 and prior	65
1938 – 1942	65 – 66
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67

Social Security (continued)

The following chart reflects the annual retirement earnings test for exempt amounts for 2022 and 2021.

Year NRA Attained	2022	2021	Social Security Benefits Withheld
The year reaching full retirement age	\$51,960 \$4,330/mo.	\$50,520 \$4,210/mo.	\$1 in benefits for every \$3 of earnings in excess of the higher exempt amount, but only for months prior to the reaching of NRA.
Under full retirement age	\$19,560 \$1,630/mo.	\$18,960 \$1,580/mo.	\$1 in benefits for every \$2 in earnings in excess of lower exempt amount.

The maximum social security benefit for a worker retiring at full retirement age is \$3,345 per month for 2022 and \$3,148 for 2021.

Minimum Wage

Jurisdiction	Minimum Wage	Minimum Wage with Tips
Federal	\$7.25	\$2.13
Federal - Certain Government Contracts	\$11.25	–
Delaware, effective 1/1/2022	\$10.50	\$2.23
New Jersey (Most Employers), effective 1/1/2022	\$13.00	\$5.13
Pennsylvania	\$7.25	\$2.83

Full minimum wage information listed by state can be found at:

<http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>

Worker Misclassification Law

New Jersey and other states have instituted strict new requirements for determining if a worker is an employee or a subcontractor. These rules are known as the "ABC Test" www.myworkrights.nj.gov. The burden is on the employer to determine if a worker should be classified as an employee or subcontractor (1099 worker). An employer found to be in violation of the law is subject to back pay awards, penalties, stop-work orders, license revocation and other harsh penalties.

1099 Reporting Requirements

Clients are required to file Form 1099-NEC/1099-MISC if you have paid during the year to an unincorporated business, including LLC's, the following:

1. At least \$10 in royalties.
2. At least \$600 in rents, services, prizes & awards, and other income payments. Report only when payments are made in the course of your trade or business. Personal payments are not reportable.
3. At least \$600 in fees or gross proceeds paid to an attorney in connection with legal services.

Exceptions are generally:

1. Payments made to a corporation (except in the case of gross proceeds or fees paid to an attorney).
2. Payments for merchandise, telephone, freight, storage, and similar items.
3. Payments of rent to real estate agents.

Due dates for 1099's for the 2021 tax year are as follows:

You must provide the recipient with their respective Form 1099 by January 31, 2022 and you must file Form 1096 and the 1099s with the IRS by March 1, 2022.



Retirement Plan Benefits and Limits

Type			2021	2022
Traditional and Roth IRA contribution			\$6,000	\$6,000
Traditional and Roth IRA catch-up contribution			\$1,000	\$1,000
SIMPLE IRA and SIMPLE 401(k) salary deferral			\$13,500	\$14,500
SIMPLE IRA and SIMPLE 401(k) catch-up contribution (50 years old & above)			\$3,000	\$3,000
401(k), 403(b), 457(b), and SARSEP salary deferral contribution			\$19,500	\$20,500
401(k), 403(b), 457(b), and SARSEP catch-up contribution (50 years old & above)			\$6,500	\$6,500
SEP minimum compensation			\$650	\$650
SEP maximum compensation			\$290,000	\$305,000
Retirement Savings Contribution Credit Married filing jointly			\$66,000	\$68,000
Married filing separately and single			\$33,000	\$34,000
Head of Household			\$49,500	\$51,000
Roth IRA eligibility compensation	Married filing jointly	100%	\$198,000 or less	\$204,000 or less
		Partial	\$198,001 - \$207,999	\$204,001 - \$213,999
		None	\$208,000 or more	\$214,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/Head of household	100%	\$125,000 or less	\$129,000 or less
		Partial	\$125,001 - \$139,999	\$129,001 - \$143,999
		None	\$140,000 or more	\$144,000 or more
	IRA deductibility limits assuming one spouse participates in a qualified plan: (No income limitation applies if not covered by an employers’ retirement plan)			
IRA deductibility compensation	Married filing jointly	100%	\$105,000 or less	\$109,000 or less
		Partial	\$105,001 - \$124,999	\$109,001 - \$128,999
		None	\$125,000 or more	\$129,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,001 or more	\$10,001 or more
	Single/Head of household	100%	\$66,000 or less	\$68,000 or less
		Partial	\$66,001 - \$75,999	\$68,001 - \$78,000
		None	\$76,000 or more	\$78,000 or more
Annual addition/contribution limit under a defined contribution plan or SEP IRA			\$58,000	\$61,000
Annual benefit under a defined benefit plan			\$230,000	\$245,000
Compensation cap			\$290,000	\$305,000
Key employee definition			\$185,000	\$200,000
Highly compensated employee definition			\$130,000	\$135,000
Social Security (FICA) wage base			\$142,800	\$147,000



UNIFIED ESTATE AND GIFT TAX EXCLUSION AMOUNT

For gifts made and estates of decedents dying in 2022, the exclusion amount will be \$12,060,000 (up from \$11.7 million in 2021) per person, \$24,120,000 for a married couple. The federal gift limitation increases at \$16,000 (up from \$15,000 in 2021) per recipient per year without gift tax implications.

NEW JERSEY BUSINESS ALTERNATIVE INCOME TAX (BAIT)

Partnerships, S Corporations and Limited Liability Companies with two or more members will be able to deduct NJ income tax on their federal business tax returns in the year paid. This tax is NOT automatic as taxpayers must elect into the tax regime annually. The election has to be made on or before the original due date of the return. The election and tax payments must be made online at:

www.state.nj.us/treasury/taxation/baitpte.shtml

The statutory rates for the new NJ BAIT are as follows:

Pass-Through Entity Income	Tax Rate
First \$250,000	5.675%
Amount between \$250,000 and \$1 million	6.52%
Amount between \$1 million and \$5 million	9.12%
Amount over \$5 million	10.9%

Please contact us to discuss your individual situation to see if this tax is something you want to elect into.

INDIVIDUAL INCOME TAX DEDUCTIONS AND CREDITS FOR 2021 AND 2022 TAX RETURNS

Standard Deduction	2021	2022
Married Filing Jointly	\$25,100	\$25,900
Head of Household	\$18,800	\$19,400
Single/Married Filing Separately	\$12,550	\$12,950
Dependent Standard Deduction (min)	\$1,100	\$1,150
Additional Amount for Aged or Blind	\$1,350	\$1,400

Child Tax Credits (Subject to AGI Thresholds)	2021	2022
Qualifying child under 17 (max)	\$3,000	TBD - The proposed Build Back Better (BBB) Tax Bill extends the 2021 increases to 2022. But as of publication of this newsletter had not passed Congress.
Qualifying child under 6 (max)	\$3,600	
Other Dependent (max)	\$500	

Dependent Care Credit Expanded	2021	2022
One qualifying dependent max credit	\$4,000	TBD - The proposed Build Back Better (BBB) Tax Bill extends the 2021 increases to 2022. But as of publication of this newsletter had not passed Congress.
Two qualifying dependents max credit	\$8,000	

2022 Payroll Tax Rates

Jurisdiction & Tax Type	Employee Rate	Employer Rate	Limits, if any
FEDERAL			
Federal Unemployment	N/A	0.60%	Maximum wages \$7,000 Maximum of \$42 per employee
FICA	6.20%	6.20%	Maximum wages \$147,000 Max deduction: \$9,114
Medicare	1.45% 0.09%	1.45% N/A	No wage base limit Additional .9% tax on all wages in excess of \$200,000 (\$250,000 for joint returns, \$125,000 for Married Filing Separately)
Federal Income Tax	Based on Circular E	N/A	Rates vary (10% – 37%)
NEW JERSEY			
NJ State Unemployment Workforce/S.W.F.	0.425%	Rates Vary (0.5% - 5.8%)	Maximum wages employee and employer: \$39,800 Maximum employee deduction: \$169.15 Standard New Employer Rate is 2.8%
NJ Disability Rate	0.14%	Rates Vary (0.1% – 0.75%)	Maximum wages employee: \$151,900 Maximum wages employer: \$39,800 Max employee deduction: \$212.66 Standard New Employer Rate is 0.5%
NJ Paid Family Leave Rate	0.14%	N/A	Maximum employee wages \$151,900 Max employee deduction: \$212.66
NJ Income Tax	See Withholding Charts	N/A	Rates vary (1.4% – 8.97%) and 10.75% over \$1 million in taxable income
PENNSYLVANIA			
PA State Unemployment	0.06%	Rates Vary (1.2905% – 9.9333%)	Maximum wages for employers \$10,000 New Employer Rate: 3.6890% (non-construction)
PA Income Tax	3.07%	N/A	
PHILADELPHIA			
Wage Tax: Residents Non-Residents	3.8398% 3.4481%	N/A N/A	Effective July 1, 2021 through June 30, 2022 Effective July 1, 2021 through June 30, 2022





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