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2022 Changes That May Affect Your Tax Refund

Special Needs Trusts: Consider These Things

The IRS website has listed tax related changes that happened during the last year. Changes in the number of dependents, employment or self-employment income and divorce, among other factors, may affect your tax-filing status and refund for 2023.

No additional stimulus payments.

Unlike 2020 and 2021, there were no new stimulus payments for 2022 so taxpayers should not expect to get an additional payment in their 2023 tax refund.

Some tax credits return to 2019 levels.

Several tax credits, including the Child Tax Credit (CTC), the Earned Income Tax Credit (EITC) and the Dependent Care Credit will revert to pre-COVID levels. This means that taxpayers will likely receive a significantly smaller refund compared with the previous tax year. For a comparison, those who got \$3,600 per dependent in 2021 for the CTC will, if

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If you're a parent of a special needs child, you want to be sure that they are taken care of. A special needs trust (SNT) typically is the outcome of a malpractice suit, for example, a child did not receive enough oxygen during the delivery process and as a result has developmental issues. The money from the suit then goes into a special needs trust for the child.

Special needs trusts are complicated and require the assistance of an experienced trustee to ensure the trust is handled correctly. This is important because the child has government benefits which have rules for distributing payments, separate from the SNT. Find more about this type of trust below.

What You Should Know About Special Needs Trusts

What is a special needs trust?

Also known as a *supplemental needs trust*, this legal document is a trust that is created to help those with mental, physical, or behavioral disabilities. This kind of trust is set up as an irrevocable trust because the special needs beneficiary cannot earn a living and likely needs financial support throughout the rest of their life. The trust must also be established before the beneficiary turns 65.

Who controls a special needs trust?

A special needs trust is controlled by a trustee. It is the trustee's responsibility to distribute assets once the trust is terminated and if the beneficiary has passed away.

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What Our Clients Say About Us

“Marcia has been doing our taxes for years and we have always been extremely pleased. We will remain her client to the end.”

—JS

2022 Changes That May Affect Your Tax Refund
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 eligible, get \$2,000 for the 2022 tax year. Similarly for the EITC, eligible taxpayers with no children who received roughly \$1,500 in 2021 will now get \$500 in 2022. And the Child and Dependent Care Credit returns to a maximum of \$2,100 in 2022 instead of \$8,000 in 2021. Visit Credits and Deductions on the IRS website for more details.

No above-the-line charitable deductions.

During COVID, taxpayers were able to take up to a \$600 charitable donation tax deduction on their tax returns. However, for tax year 2022, this deduction will return to pre-COVID rules, which will not allow those who take a standard deduction to make an above-the-line deduction for charitable donations.

More people may be eligible for the Premium Tax Credit.

For tax year 2022, taxpayers may qualify for temporarily expanded eligibility for the Premium Tax Credit. Remember that simply meeting the income requirements does not mean you're eligible for the Premium Tax Credit. You must also meet the other eligibility criteria.

The Inflation Reduction Act of 2022 changes the eligibility rules to claim a tax credit for clean vehicles.

More details about clean vehicles will be available on the IRS website in coming months.

Source: <https://www.irs.gov/individuals/steps-to-take-now-to-get-a-jump-on-next-years-taxes>
 Please contact our office for more information. †

Special Needs Trusts: Consider These Things
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What does a special needs trust pay for?

A special needs trust pays for anything that government benefits do not. For example, if a child was going to school the government benefits would pay for food and clothes. If the child wanted a brand-name sweater or an iPad, that would fall under payments from the trust because it is not a basic need.

However, the trust may pay for items that the child needs but are outside of standard products. An example would be a wheelchair. A standard wheelchair would be covered by government benefits, but a motorized wheelchair may not be covered and payment would come from the trust.

The Types of Special Needs Trusts

1. First-person SNT: A first-person special needs trust is funded by the special needs person. After the Special Needs Trust Fairness Act was enacted, mentally or legally competent disabled persons were able to put funds into the established trust.
2. Third-person SNT: A third-person special needs trust is funded by the assets belonging to another person other than the beneficiary. In California, third-party trusts are not subject to recovery according to the Department of Health Care Services (DHCS).

The Advantage of Special Needs Trusts

When you establish a special needs trust, there are advantages for the beneficiary and the person funding the trust. The beneficiary can receive financial benefits without impacting their eligibility for programs or services that are bound by income thresholds. The person providing funds to the trust has peace of mind that their contributions are secure.

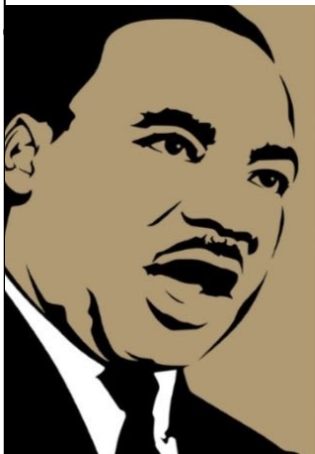
Setting up a special needs trust can be complicated. Ensure you have the support throughout the life of a special needs child by enlisting the help of an experienced attorney to set up the special needs trusts.

Source: <https://mcampbellcpa.com/special-needs-trusts-consider-these-things/>

Please contact our office for more information. †

“Darkness cannot drive out darkness; only light can do that. Hate cannot drive out hate; only love can do that.”

~ Martin Luther King Jr.



Martin Luther King Jr. Day

Monday, January 16



You can e-mail us at Georgia@MCampbellCPA.com to receive your newsletter by e-mail!