

Recent Developments in Federal Income Taxation

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Provisions That Expired or Changed After 2021

Code Section	Topic	Change for 2022
21	Child and dependent care credit	For 2022, the child and dependent care credit for a qualifying child under age 13 or a disabled dependent of any age is up to 35% of up to: <ul style="list-style-type: none">• \$3,000 of qualifying expenses (for a maximum credit of \$1,050) for one child or dependent, or• \$6,000 of qualifying (for a maximum credit of \$2,100) for two or more children or dependents. Credit is no longer fully refundable.
24	Expanded child tax credit	The child tax credit for 2022 is back to \$2,000 per qualifying child

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Provisions That Expired or Changed After 2021

Code Section	Topic	Change for 2022
163(h)(3)(E)	Mortgage insurance premiums	The ability to treat mortgage insurance premiums as deductible home mortgage interest expired for tax years beginning after 2021.
163(j)	Limit on deducting business interest	The deduction of business interest is limited by § 163(j). One component of the limit is 30% of “adjusted taxable income.” For tax years beginning before 2022, ATI was similar to EBITDA. For tax years beginning after 2021, depreciation, amortization and depletion are no longer added back to taxable income to determine ATI. Therefore, ATI is now similar to EBIT.

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Provisions That Expired or Changed After 2021

Code Section	Topic	Change for 2022
170	Charitable contributions	The ability of non-itemizers to deduct up to \$300 of cash charitable contributions to public charities in addition to the standard deduction expired.
170	Charitable contributions	For 2022, the charitable contribution deduction limit for a gift of cash to a public charity is now back to 60 percent of one’s adjusted gross income. The 100 percent limit expired as of December 31, 2021.

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Provisions That Expired or Changed After 2021

Code Section	Topic	Change for 2022
174	Deduction of research or experimental expenditures	Such expenditures formerly could be deducted. For tax years beginning after 2021, such expenditures must be capitalized and amortized over 5 years (15 years for foreign research).

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Section 174: Capitalization of Research or Experimental Expenditures

Outline: item B.1, page 4

- The 2017 Tax Cuts and Jobs Act, § 13206, amended Code § 174 to require the capitalization and amortization of specified research or experimental expenditures.
- The amortization period is 5 years (15 years for expenditures attributable to foreign research), beginning at the midpoint of the year in which the expenditures are paid or incurred.
- Applies to amounts paid or incurred in tax years beginning after 2021.
- The term “specified research or experimental expenditures”:
 - Defined as research or experimental expenditures paid or incurred by the taxpayer during a tax year in connection with taxpayer’s trade or business.
 - Includes expenditures for software development.
 - Includes depreciation and depletion
 - Does not include:
 - Amounts paid or incurred for ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas)

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