2022 TAX TRAINING
ADJUSTMENTS TO INCOME

EDUCATOR EXPENSES

Must be a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year. Eligible expenses include books, supplies, equipment, & PPE. Limited to $300 per eligible taxpayer. See Pub. 4012, p. E-4.

HEALTH SAVINGS ACCOUNT

These are accounts established to pay for qualified medical costs of the account holder or the holder's family. These allow qualified medical costs to be paid on a pre-tax basis. One requirement is that the taxpayer be covered by a high-deductible health plan. See Pub. 4012, pp. E-6 through E-8 for details on these accounts.

We generally see these because the taxpayer has either Form 1099-SA showing distributions from an HSA during the year or Form 5498-SA showing HSA contributions. If either of these forms is received, the information must be entered into the HSA section of TaxSlayer.

HSA CONTRIBUTIONS

Reported to the taxpayer on Form 5498-SA and reported to the IRS on Form 8889. Contributions are limited to $3,650 for a self-only plan or $7,300 for a family plan, with an additional contribution of $1,000 for participants age 55 or older. Can't contribute once covered by Medicare (but you can use HSA to reimburse you for Medicare premiums).

If the taxpayer (or someone on behalf of the taxpayer) makes **after-tax** contributions to an HSA, the amount contributed up to the provided limits is an adjustment to income. However, the vast majority of contributions we see are either made by an employer or made by the taxpayer on a pre-tax basis through his/her payroll. These are reported as Code W in Box 12 of the taxpayer's Form W-2. Neither of these results in an adjustment to income.

All contributions, whether from the employer, employee, or other person, are reported in Part 1 of Form 8889. See Pub. 4012, p. E-7 for more detail.

HSA DISTRIBUTIONS

Shown on Form 1099-SA. Amounts distributed from an HSA are not taxable so long as the amount distributed is equal to or less than the amount of the qualified medical expenses of the taxpayer, spouse, and Dependents that were not reimbursed by insurance or otherwise.

Any excess distributions are subject to a 20% additional tax unless the taxpayer dies, becomes disabled, or has reached age 65.

See Pub. 4012, p. E-8 for more detail and F-6 for a list of acceptable medical expenses (in addition to those listed on E-8).

Both the HSA contributions and distributions are reported on Form 8889 in the tax return. The instructions to that form are extremely helpful for more complex situations.

ALIMONY PAID

Alimony paid under a divorce or separation that was executed before 2019 is deductible as an adjustment to income. Alimony for divorces or separations occurring after 2018 is not deductible (and not income to the recipient). In any alimony situation, you must ask about the date of the divorce or separation or any modifications to the agreement signed after 2018 to be sure of the tax consequences. If a divorce/separation entered into prior to 2019 is modified after 2018, the modified agreement can specify that the new law (no income to the recipient and no deduction for the payor) will apply. If it does not state that the new law applies, the old law (recipient has income and payor has a deduction) continues to apply.

You must have the recipient's SSN to include with the return. The IRS may impose a $50 penalty if the SSN is not included.

IRA DEDUCTION

Contributions to an Individual Retirement Account (not including a ROTH IRA) can result in an adjustment to income up to the limit of $6,000 ($7,000 if the taxpayer is age 50 or older). These contributions can be made up until the due date for the return (April 18, 2023, for 2022 tax returns).

One of the requirements for the contribution to be deductible is that the amount of the contribution cannot exceed the taxpayer's (and spouse's on a joint return) total compensation for the year, which includes wages, self-employment income, alimony, and nontaxable combat pay. So, if the taxpayer doesn't have earned income, they can't make a deductible IRA contribution.

See Pub. 4012, p. E-10 for more information.

STUDENT LOAN INTEREST

Reported to the taxpayer on Form 1098-E. The interest reported in Box 1 of Form 1098-E is deductible as an adjustment to income up to an annual limit of $2,500 per year. Note that this adjustment is not available to Married Filing Separately taxpayers or taxpayers who can be claimed as a dependent on another taxpayer's return.

See Pub. 4012, p. E-11 for more information.