



Volume 3 Issue 3

Fall 2022 Newsletter

The Inflation Reduction Act – What You Need to Know

The Inflation Reduction Act of 2022—a massive climate, health care, and tax bill—became law on August 16, 2022. If you're like most Americans, you are busy with life and not that interested in the grandiose concoctions of lawmakers in Washington. But a bill that starts in Washington usually finds its way into your back pocket—for good or ill—so it's best to stay informed. Whether you're an individual taxpayer or a business owner, here are the key points you should know about the new law.

- » **Inflation relief unlikely.** Despite a hopeful name, the Inflation Reduction Act (IRA) is not expected to reduce inflation. The Congressional Budget Office claims the IRA will have a “negligible effect on inflation.” Many experts worry the bill could make inflation worse by pouring \$740 billion into an already hot economy.
- » **Minimum corporate tax rate is now 15%.** The largest corporations with over \$1 billion in profits will now pay at least 15% federal tax on their profits beginning in 2023. The bill also adds a 1% excise tax on stock buybacks by corporations.
- » **IRS funding increased.** The IRS will receive approximately \$80 billion in extra funding. According to the IRS commissioner, the funds will

not be used to increase audits on small businesses and taxpayers with incomes of less than \$400,000.

- » **Health care subsidies extended.** If you have insurance through the Health Insurance Marketplace or your state exchange, you may continue to qualify for reduced premiums. The health insurance subsidies provided by the Affordable Care Act were set to expire at the end of 2022 but have been extended through 2025.
- » **Lower drug prices for Medicare recipients.** Medicare will begin negotiating prices immediately on some high-cost prescription drugs. Those new prices will go into effect in 2026 and subsequent years. Beginning in 2025, out-of-pocket prescription drug costs are capped at \$2,000 per year for Americans with Medicare Part D.

Energy Credits in Abundance.


The Inflation Reduction Act attempts to fight climate change by providing a multiplicity of credits for people switching to cleaner energy sources. Many of these credits, available to both consumers and businesses, give a percentage of the purchase and installation costs.


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Energy Efficient Home Improvement Credit.

Receive a 30% credit for the cost of certain upgrades on your home that reduce energy consumption. The credit has an annual limit, so you should check with your tax preparer for the details. The credit can be used for:

- » Energy-efficient exterior windows, skylights, exterior doors, and insulation.
- » Heat pumps, central air conditioners, and water heaters
- » Natural gas, propane, or oil furnaces and hot water boilers
- » Qualified advance main air-circulating fans
- » Heat pumps and heat pump water heaters, biomass stoves and boilers


 **Clean Energy Credit.** Receive a 30% credit for the cost of solar, wind, geothermal, and biomass fuel property expenses.



 **Clean Vehicle Credit.** Up to \$7,500 is available for the purchase of a qualified plug-in electric vehicle. Beginning in 2023, there will be limits to the vehicle cost and the AGI (Adjusted Gross

What's A Tax Credit?

A credit is subtracted from the taxes you owe. For example, if you owe \$15,500 on your income tax return, the \$7,500 Clean Vehicle Credit would reduce your tax bill to \$8,000. Some credits are refundable. If you qualify for a refundable credit of \$2,000 and your tax bill is only \$1,500, you will get the \$500 difference as a refund.

Income) of the taxpayer claiming the credit. Also beginning in 2023, certain used electric vehicles will qualify for the credit.

 **Alternative Fuel Refueling Property Credit.** Claim a 30% credit on the cost of installing an electric charging station.

 **Commercial Clean Energy Credits.** Check with your tax preparer if you're interested in commercial energy credits. Numerous credits are available. 

Tax Reminders for Gehman Clients

Tax Planning Begins

Get ready for your 2022 tax return by looking at possible tax scenarios with your accountant. By crunching the numbers now, you will have ample time to make purchases or adjustments before January. Schedule your consultation soon to stay ahead of the year-end rush.

Organizers Arrive in December

Gehman Accounting clients can expect to receive 1099 and tax organizers from our office in December. We really appreciate it when you complete and return the organizers with your tax information.

Note: Any 1099 information is due in early January. 

Team Member Spotlight



Joe Mast Retires from Gehman

Joe Mast has blessed Gehman Accounting and his clients with 16 seasons of tax preparation. Through the years, he has worked with hundreds of clients to ensure accuracy and fairness on their tax returns.

What makes Joe unique is his love for teaching. This is not surprising considering his role at Eastern Mennonite University as a teacher and department head for Physics. He is passionate about the universe, loves math, and has a PhD in astronomy. He pioneered computer science at the university and remembers when computers were as big as a large room.

After retiring from the university, Joe made a career shift to tax preparation at H&R Block, later transferring to Gehman Accounting where he met Ashley Miller. These two are the only employees who predate the current Gehman Accounting, purchased by Nathan Siegrist



April 2011

in 2008. As Joe learned his new role as a tax preparer, he credits Ashley for being a key influencer and true encourager.

Joe loved his time at Gehman Accounting where he made many friends. Working with a talented team and happy clients has made the role very fulfilling for him. He says clients know their taxes will be done right, the advice they get is sound, and they can expect minimal issues with the IRS. He believes that

Gehman Accounting has lived up to its tagline – “Inspiring Confidence.”

Joe's advice for the next generation of tax preparers is to always put the client first, communicate, and keep evaluating the clients' tax situations to minimize their tax exposure.

As Joe begins his retirement, the team at Gehman Accounting wishes him many happy and stress-free years. 🕊

We'd love to see you in September!

Eastool Expo

» September 23 & 24, 2022

Fri – 10 am to 7 pm

Sat – 7:30 am to 2 pm

» Solanco Fairgrounds, Quarryville, PA

» **Serving hot cider and coffee in building 8!**

Shed Builders Expo

» September 28 & 29, 2022

Wed – 7 am to 5 pm

Thurs – 7 am to 2 pm

» Greater Richmond Convention Center,
Richmond, VA

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Bulletin Board

New Face at Gehman

Paul Lamicela – QuickBooks Team

Eastool Expo

Sept 23 & 24 - see page 3

Shed Builder Expo

Sept 28 & 29 - see page 3

Inspiring Confidence™



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Changes in PA Tax Law

Pennsylvania taxpayers will benefit from a few changes in tax law beginning in 2023:

- » The Corporate Net Income Tax Rate will decrease by .5% until it reaches 4.99% in 2031.
- » Pennsylvania will begin following the federal Section 179 property expensing limits in 2023. This allows an immediate deduction for certain

property in the year of purchase. The current federal limits are set at \$1 million.

- » Like-kind (or 1031) exchanges of property will be allowed by Pennsylvania beginning in 2023.
- » The Education Improvement Tax Credit was increased to \$340 million (from \$225 million). 