

# INSIGHT

## Business Newsletter



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# Vehicle Depreciation Limits

When the actual expense method is used for deducting the business use of a vehicle, the cost of the vehicle is depreciated under the MACRS using a 5-year recovery periods. The Section 179 deduction is also allowed for business vehicles. The annual deduction for depreciation, including any Section 179 deduction or special depreciation allowance is limited to statutory amounts. The 50% and 100% special depreciation allowance does not apply to IRS section 280F property. Instead, these limits are increased by \$8,000 for the first year.

The annual deduction is the lesser of:

- The vehicle's basis multiplied by the business use percentage multiplied by the applicable depreciation percentage, or

- The IRC sections 280F limit multiplied by the business percentage.

The IRC section 280F limits are adjusted each year for inflation. The chart reflects the new IRC section 280F limits for 2022 in comparison to 2021.

Vehicle Depreciation Limitations		
Tax year first placed in service:	2022	2021
Vehicle depreciation based on 100% business or investment use:		
1st year if special depreciation is claimed	\$19,200	\$18,200
1st year depreciation	\$11,200	\$10,200
2nd year depreciation	\$18,000	\$16,400
3rd year depreciation	\$10,800	\$9,800
Each succeeding year	\$6,460	\$5,860

## Crowdfunding Update

Crowdfunding is a method of raising money through websites by soliciting contributions from a large number of people. The contributions may be solicited to fund businesses, for charitable

donations, or for gifts.

The IRS recently updated information on its website concerning whether or nor a Form 1099-K, *Payment Card and Third Party Network Transactions*, is required to be filed with IRS and issued to the one receiving the funds from a crowdfunding campaign.

The crowdfunding website or its payment processor may be required to report distributions of money raised if the amount distributed meets certain reporting thresholds. Prior to 2022, the threshold for a crowdfunding website or payment processor was when the total of all payments distributed to a person exceeded \$20,000 in gross payments resulting from more than 200 transactions or donations.

For calendar years beginning in 2022, the threshold is lowered and is met if the total of all payments distributed to a person exceeds \$600 in gross payments, regardless of the number of transactions or donations.

The new IRS updated clarifies that the crowdfunding website or its payment processor is not required to file Form 1099-K with the IRS or furnish it to the person to whom the distributions are made if the contributors to the crowdfunding campaign do not receive goods or services for their contributions.

## **Taxpayer Experience Office**

As part of a longer-term effort to improve taxpayer service, the IRS has officially established the first-ever Taxpayer Experience Office and will soon begin taking additional steps to expand the effort.

“As the IRS continues taking immediate steps this filing season including adding more employees to address the significant challenges facing a resource-constrained IRS, it’s critical that we work going forward to equip the IRS to be a 21st century resource for Americans,” said IRS Commissioner Chuck Rettig. “The formal establishment of this office will help unify and expand efforts across the IRS to improve service to taxpayers.”

The Taxpayer Experience Office will focus on all aspects of Taxpayer transactions with the IRS across the service, compliance, and other program areas, working in conjunction with all IRS business units and coordinating closely with the Taxpayer Advocate Service. The office is part of the effort envisioned in the Taxpayer First Act Report to Congress last year.

This included input and feedback from taxpayers, tax professionals, and the tax community that helped develop the Taxpayer Experience Strategy. The Report to Congress identified over a hundred different programs and tools that would help taxpayers, including a 360-degree view of taxpayer accounts, expanded e-File and payment options, digital signatures, secure two-way messaging, and on-line accounts for businesses and tax professionals.

To help drive the IRS strategic direction for improving the taxpayer experience, the Taxpayer Experience, Office has identified key activities the IRS is focusing on over the next five years, including those commitments outlined in the President’s Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government. “The IRS is committed to customer experiences that meet taxpayers where they are,

in the moments that matter most in people's lives and in a way that delivers the service that the public expects and deserves," said Chief Taxpayer Experience Officer Ken Corbin, who also serves as the commissioner of the Wage and Investment division, which oversees the current filing season and other activities.

The Taxpayer Experience Office will identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations. The office will be adding staff in the coming months to help support the effort.

"Whether checking the status of a tax return, meeting with a revenue agent for an audit, or receiving a tax credit to their bank account, improving service

delivery and customer experience are fundamental priorities for us," Corbin said. "We're committed to designing and delivering service that better connect with our diverse taxpayer base."

Some of the areas of improvement in the near-term include expanding customer callback, expanded payment options, secure two-way messaging and more services for multilingual customers. These activities build on recent improvements such as digital tools to support Economic Impact Payments and the Advance Child Tax Credit, on-line chat and on-line tax professional account.

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