2022 Tax Tips

It's Tax time! The deadline for filing your federal income tax return this year is April 18th. Unfortunately, on October 5, 2022 it was decided that Legal Assistance Offices will no longer be running tax centers, including West Point. Instead, we recommend you visit https://www.militaryonesource.mil/financial-legal/tax-resource-center/miltax-military-tax-services/ or use software that helps you prepare both state and federal tax returns. Although we are no longer providing tax services, we do have a few tips and updates for Cadets and the larger West Point community.

Tips for Cadets:

• Make sure that your parents are not claiming you on their tax return as a dependent. Although you are a full-time student, your parents must be able to show that they provided more than half of your support for the tax year. The Army provides you with approximately $40,000 in support per year while you are a Cadet, and it is unlikely your parents have exceeded that amount this tax year. If your parents claim you as a dependent and your tax return does not reflect this, your tax return will be rejected by the Internal Revenue Service (IRS) when you file your tax return. Note: If your parents did provide over $40,000 of support to you, they may claim you as their dependent.

• You must report your interest income on your CIS account. You can find your interest income on your 1099-INT located in the portal for your CIS account.

• Check for accounts, such as custodial accounts established under the Uniform Gift to Minors Act, that may be generating additional income you must report. If family members established savings or investment accounts for you, these accounts generate taxable income that you must report on your tax return. These types of accounts will generate a tax statement that you may be able to access online or request by mail. If you are unsure whether you have this type of account check with your parents.

• Report income earned from qualified education programs under Sections 529 and 530 (and Coverdell Education Savings Accounts). If a college fund was established for you and there were any distributions from the plan this tax year, you will receive a Form 1099Q. You will need to determine the earnings of the plan (different from the principal invested in the plan) and report this income on your tax return. While there is a 10% penalty for any distributions not used for educational purposes, Cadets are exempt from this penalty.

• Do not claim educational credits if the only education institution you have attended this tax-year is USMA. USMA falls under the Department of Defense, not the Department of Education. Therefore, Cadets cannot claim the American
Opportunity Credit or Lifetime Learning Credit for books, computers, and other education-related expenses. If you attended an eligible education institution under the Department of Education in 2022, you will receive an IRS Form 1098-T from that institution and may claim educational credits for expenses related to attending that institution.

- **Ensure you are filing both state and federal taxes.** Make sure to check your state’s rules, and be careful in calculation of income since some states do not tax active duty military income.

**Tips for all members of the West Point Community:**

- **You qualify for the Earned Income Tax Credit if you or your spouse are between 25 and 65 years old, your investment income is $10,300 or less, and:**
  
  o your adjusted gross income (AGI) is less than $53,057 for single filers or $59,187 for married filing jointly, and you have three qualifying children (for a maximum credit amount of $6,935); or
  
  o your AGI is less than $49,399 for single filers or $55,529 for married filing jointly, and you have two qualifying children (for a maximum credit amount of $6,164); or
  
  o your AGI is less than $43,492 for single filers or $49,622 for married filing jointly, and you have one qualifying child (for a maximum credit amount of $3,733); or
  
  o you do not have a qualifying child and your AGI is less than $16,480 for single filers or $22,610 for married filing jointly (for a maximum credit amount of $560).

  o See https://apps.irs.gov/app/eitc to use an IRS application to determine if you meet additional requirements and to maximize your credit.

- **Many changes to the Child Tax Credit in 2021 were not extended to 2022.** The credit is back to $2,000 per qualifying child dependent under the age of 17 at the end of 2022. You qualify if your annual income is $200,000 or less for single filers or $400,000 for married filing jointly. If your income is higher, the potential credit amount is reduced by $50 for every $1,000 of excess income. On the other hand, this credit is not refundable. That means if your Child Tax Credit amount is more than you owe in taxes, you will not receive the full credit amount. However, you may still be eligible for a refund up to $1,500 per child using the Additional Child Tax Credit.
• **The 2021 enhancements to the Child and Dependent Care credit have expired.** For 2022, the maximum credit is 35% of qualifying expenses, up to $3,000 for one qualifying dependent or $6,000 for two or more qualifying dependents. Be aware that the more you earn, the lower credit percentage you will receive for qualifying expenses. If your AGI is over $43,000, the credit is capped at 20%.

• **The American Opportunity and Lifetime Learning credits are still available; however, the tuition fees deduction is no longer available.**

• **The Charity Deduction is no longer available for those taking the standard deduction.** For 2022, the rules have reverted and taxpayers can only deduct their charitable contributions if they elect to itemize their deductions.