Mariner
WEALTH ADVISORS

5 Common Tax Questions

Q: Does it make sense for me to itemize deductions on my taxes?

A: It depends. If your itemized deductions are over the 2022 standard deduction of $25,900 for couples, $19,400 for head of household or $12,950 for single filers, then it may still make sense to itemize. These numbers represent a slight increase from 2021.[1]

Keep in mind, though, that some of the items you may have deducted prior to 2017, currently have monetary limits or are no longer able to be deducted. For example, state and local income taxes (SALT) are limited to $10,000 for most tax filers, and you can only claim this deduction if you itemize your tax return. The limit applies to tax years 2018 to 2025.[2]

Q: How much mortgage interest can I deduct on my taxes?

A: Individuals can deduct home mortgage interest on the first $750,000. For mortgage debt that occurred prior to Dec. 16, 2017, you can deduct up to $1 million.[3]

Q: Can I deduct interest from my home equity line of credit?

A: It depends. You can't deduct interest on your home equity loan unless it is used to substantially improve a qualified residence or acquire a second home. So, if you use you HELOC to purchase a car, as an example, that interest deduction will no longer qualify.

Q: What are the tax advantages to using a 529 plan to save for my child's education?

A: Contributions to 529 plans are considered gifts for tax purposes. In 2022, gifts totaling up to $16,000 per individual ($17,000 in 2023)[4] will qualify for the annual gift tax exclusion.

You can maximize these gifts. For example, in 2022, if you and your spouse have three grandchildren (or children), together you can give a combined $96,000 without paying gift-taxes. Essentially, each child would receive $16,000 in gifts from you and $16,000 in gifts from your spouse.

Another strategy is to "superfund" a 529 plan. This allows you to contribute as much as $80,000 upfront to a 529 plan in 2022 if you treat the contribution as if it were spread over a five-year period. The five-year election must be reported for each of the five years. And, as long as you don't contribute again over the next five years, there are no tax consequences.[5]

You can also receive state income tax credits or deductions, and the amount varies by state. Over 30 states, including the District of Columbia, currently offer a deduction or tax credit. In most cases, the taxpayer must contribute to their home state's 529 plan to qualify for a state income tax benefit.[6]

Q: What are the tax advantages of giving gifts and transferring wealth?

A: In 2022, you can give a gift of up to $16,000 without being taxed ($17,000 in 2023), and your lifetime estate tax exclusion is $12.06 million in 2022 ($12.92 million in 2023).[7]

Consider consulting with an estate planning lawyer if you're using annual gifts to transfer your estate before your death.

Tax Guide:
Your Resource for Year-round Tax-Efficient Investing

Year-round planning with an advisor could help improve your overall wealth plan. Find out more by downloading our tax guide.

For more information visit: marinerwealthadvisors.com

[1] "IRS Provides Tax Inflation Adjustments for Tax Year 2022"

[2] "IRS Explains Treatment of State & Local Tax Refunds."

[3] "Frequently Asked Questions: Mortgage Interest"

[4] "Frequently Asked Questions on Gift Taxes"

[5] "How Much Can You Contribute to a 529 Plan in 2022?"

[6] "How Much Is Your State's 529 Tax Deduction Really Worth?"

[7] "What's New-Estate and Gift Tax"

Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in each issuer's official statement, which should be read carefully before investing.

The availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors as applicable.

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