



NORTHERN
TRUST

2022
FEDERAL TAXES
REFERENCE GUIDE

Goals Driven Wealth Management / Trust & Estate Services
Investing / Banking / Wealth Planning

Tax and Wealth Transfer Strategies

Our tax and wealth planning experts help build flexible long-term plans that seek to optimize wealth transfer strategies and minimize taxes.

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SECTION 1

INCOME TAX RATES

MARRIED FILING A JOINT RETURN AND SURVIVING SPOUSES

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$20,550	\$0	10%	\$0
\$20,550	\$83,550	\$2,055	12%	\$20,550
\$83,550	\$178,150	\$9,615	22%	\$83,550
\$178,150	\$340,100	\$30,427	24%	\$178,150
\$340,100	\$431,900	\$69,295	32%	\$340,100
\$431,900	\$647,850	\$98,671	35%	\$431,900
\$647,850	....	\$174,253.50	37%	\$647,850

HEAD OF HOUSEHOLD

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$14,650	\$0	10%	\$0
\$14,650	\$55,900	\$1,465	12%	\$14,650
\$55,900	\$89,050	\$6,415	22%	\$55,900
\$89,050	\$170,050	\$13,708	24%	\$89,050
\$170,050	\$215,950	\$33,148	32%	\$170,050
\$215,950	\$539,900	\$47,836	35%	\$215,950
\$539,900	....	\$161,218.50	37%	\$539,900

SINGLE INDIVIDUAL

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$10,275	\$0	10%	\$0
\$10,275	\$41,775	\$1,027.50	12%	\$10,275
\$41,775	\$89,075	\$4,807.50	22%	\$41,775
\$89,075	\$170,050	\$15,213.50	24%	\$89,075
\$170,050	\$215,950	\$34,647.50	32%	\$170,050
\$215,950	\$539,900	\$49,335.50	35%	\$215,950
\$539,900	....	\$162,718	37%	\$539,900

MARRIED FILING A SEPARATE RETURN

TAXABLE INCOME OVER	TAXABLE INCOME BUT NOT OVER	TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
\$0	\$10,275	\$0	10%	\$0
\$10,275	\$41,775	\$1,027.50	12%	\$10,275
\$41,775	\$89,075	\$4,807.50	22%	\$41,775
\$89,075	\$170,050	\$15,213.50	24%	\$89,075
\$170,050	\$215,950	\$34,647.50	32%	\$170,050
\$215,950	\$323,925	\$49,335.50	35%	\$215,950
\$323,925	....	\$87,126.75	37%	\$323,925

ESTATES AND TRUSTS

TAXABLE INCOME		TAX ON BRACKET AMOUNT	% ON EXCESS	OF THE AMOUNT OVER
OVER	BUT NOT OVER			
\$0	\$2,750	\$0	10%	\$0
\$2,750	\$9,850	\$275	24%	\$2,750
\$9,850	\$13,450	\$1,979	35%	\$9,850
\$13,450	....	\$3,239	37%	\$13,450

A CHILD WITH INVESTMENT AND OTHER UNEARNED INCOME

Note: the "Kiddie Tax" applies to unearned income for children under the age of 19 and full-time college students under the age of 24. The amount of unearned income of a child that exceeds an annual inflation-adjusted amount (\$1,150 for 2022) generally is taxed at the parents' highest marginal federal tax rate.

While children must pay taxes on their unearned income, if the amount is more than \$1,150, but less than \$1,500, parents may elect to include that income on their return rather than file a separate return for the child.

SECTION 2

STANDARD DEDUCTION

The personal exemption and limitation on itemized deductions were eliminated by the bill known as the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017.

Standard Deduction

Married Filing a Joint Return and Surviving Spouses	\$25,900
Head of Household	\$19,400
Single Individual	\$12,950
Married Filing a Separate Return	\$12,950
Aged or blind*	\$1,400

*Additional standard deduction amount allowed for individuals over age 65 or individuals who are blind. The additional standard deduction amount is increased to \$1,750 if the individual is also unmarried and not a surviving spouse.

SECTION 3

CHILD TAX CREDIT

Child Tax Credit*

For each child age 6 through 17	\$3,000
For each child age 5 or under	\$3,600

Child Tax Credit Phaseout

Married Filing a Joint Return	\$400,000
All Others	\$200,000

*Against income tax payable on 2021 returns filed in 2022. Unless proposed legislation is passed to extend the credit, it will not apply in 2023 to offset 2022 income.

SECTION 4

INVESTMENT INCOME

CAPITAL GAINS & DIVIDENDS

TYPE OF GAIN	HOLDING PERIOD	RATES																								
Short-Term Capital Gain	12 months or less	Taxed as ordinary income.																								
Long-Term Capital Gain	More than 12 months	Taxed according to the below taxable income levels																								
		<table border="1"> <thead> <tr> <th>Rate</th> <th>Married Filing a Joint Return</th> <th>Head of Household</th> <th>Single Individual</th> <th>Married Filing a Separate Return</th> <th>Estates and Trusts</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>Up to \$83,350</td> <td>Up to \$55,800</td> <td>Up to \$41,675</td> <td>Up to \$41,675</td> <td>Up to \$2,800</td> </tr> <tr> <td>15%</td> <td>\$83,351-\$517,200</td> <td>\$55,801-\$488,500</td> <td>\$41,676-\$459,750</td> <td>\$41,676-\$258,600</td> <td>\$2,801-\$13,700</td> </tr> <tr> <td>20%</td> <td>\$517,201 and over</td> <td>\$488,501 and over</td> <td>\$459,751 and over</td> <td>\$258,601 and over</td> <td>\$13,701 and over</td> </tr> </tbody> </table>	Rate	Married Filing a Joint Return	Head of Household	Single Individual	Married Filing a Separate Return	Estates and Trusts	0%	Up to \$83,350	Up to \$55,800	Up to \$41,675	Up to \$41,675	Up to \$2,800	15%	\$83,351-\$517,200	\$55,801-\$488,500	\$41,676-\$459,750	\$41,676-\$258,600	\$2,801-\$13,700	20%	\$517,201 and over	\$488,501 and over	\$459,751 and over	\$258,601 and over	\$13,701 and over
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20%	\$517,201 and over	\$488,501 and over	\$459,751 and over	\$258,601 and over	\$13,701 and over																					
Qualified Dividends	121 days or more	Taxed according to the long-term capital gains income levels.																								

3.8% NET INVESTMENT INCOME TAX*

Married Filing a Joint Return and Surviving Spouses	\$250,000
Head of Household	\$200,000
Single Individual	\$200,000
Married Filing a Separate Return	\$125,000
Estates and Trusts	\$13,450

*For individuals, the net investment income tax is 3.8% of either: (1) net investment income; or (2) the excess of modified adjusted gross income over the threshold amounts listed in the table, whichever amount is smaller.

SECTION 5

ALTERNATIVE MINIMUM TAX (AMT)

AMT rate	26% and 28%
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AMT Income Thresholds

The maximum AMT rate of 28% applies to excess taxable income greater than the below amounts.

Married Individuals Filing Separately	\$103,050
All Others	\$206,100

AMT Exemptions

Married Filing a Joint Return and Surviving Spouses	\$118,100
Single Individual	\$75,900
Married Filing a Separate Return	\$59,050
Estates and Trusts	\$26,500
Kiddie Tax Exemption	Exemption may not exceed child's earned income plus \$8,200

AMT Exemption Phaseout

Phaseout of AMT exemption begins at the below alternative minimum taxable incomes.

Married Filing a Joint Return and Surviving Spouses	\$1,079,800
Single Individual	\$539,900
Married Filing a Separate Return	\$539,900
Estates and Trusts	\$88,300

SECTION 6

GIFT, ESTATE AND GENERATION-SKIPPING TRANSFER TAXES

Annual Gift Tax Exclusion (per recipient)	\$16,000
Annual Gift Tax Exclusion for Gifts to Non-US Citizen Spouse	\$164,000
Gift and Estate Tax Basic Exclusion (adjusted for inflation)	\$12,060,000
Maximum Marginal Gift and Estate Tax Rates	40%
GST Tax Exemption (adjusted for inflation)	\$12,060,000
GST Tax Rate	40%

SECTION 7

RETIREMENT

CONTRIBUTION LIMITS

EMPLOYER PLANS

401(k), 403(b) and 457 Plans	\$20,500
SIMPLE Plans	\$14,000
IRAs	\$6,000

CATCH-UP CONTRIBUTION LIMITS

Individuals who are age 50 or over at the end of the calendar year can make the below maximum annual catch-up contributions.

401(k), 403(b) and 457 Plans	\$6,500
SIMPLE Plans	\$3,000
IRAs	\$1,000

RETIREMENT ACCOUNT PHASEOUTS

Active participants in an employer plan

Phaseout of deduction for contributions to a traditional IRA begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return and Surviving Spouses	\$109,000
Head of Household	\$68,000
Single Individual	\$68,000
Married Filing a Separate Return	\$0

Spouse is active but individual is not

Phaseout of deduction for contributions to a traditional IRA begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return	\$204,000
Married Filing a Separate Return	\$0

Roth IRAs

Phaseout of contribution eligibility begins at modified adjusted gross incomes greater than the below amounts.

Married Filing a Joint Return and Surviving Spouses	\$204,000
Head of Household	\$129,000
Single Individual	\$129,000
Married Filing a Separate Return	\$0

Required Minimum Distributions

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 72 years of age or, if later, the year in which he or she retires. However, if the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 72, regardless of whether he or she is retired. An account owner with a beneficiary-spouse more than 10 years younger may use an IRS joint life table to find the distribution period, which in all cases is longer than the below distribution period. Finally, note that the distribution tables for inherited IRAs differ from the table below.

RMDs for a living owner are determined by dividing the retirement account balance at the end of the previous year by the distribution period found below for the age the owner will reach during the relevant year.

AGE	DISTRIBUTION PERIOD	AGE	DISTRIBUTION PERIOD
72	27.4	94	9.5
73	26.5	95	8.9
74	25.5	96	8.4
75	24.6	97	7.8
76	23.7	98	7.3
77	22.9	99	6.8
78	22.0	100	6.4
79	21.1	101	6.0
80	20.2	102	5.6
81	19.4	103	5.2
82	18.5	104	4.9
83	17.7	105	4.6
84	16.8	106	4.3
85	16.0	107	4.1
86	15.2	108	3.9
87	14.4	109	3.7
88	13.7	110	3.5
89	12.9	111	3.4
90	12.2	112	3.3
91	11.5	113	3.1
92	10.8	114	3.0
93	10.1	115	2.9
		116	2.8
		117	2.7
		118	2.5
		119	2.3
		120 and after	2.0

SECTION 8

HEALTH SAVINGS ACCOUNT (HSA)

CONTRIBUTION LIMITS

Annual contribution limit – individuals	\$3,650
Annual contribution limit – families	\$7,300
Annual catch-up contribution (age 55+)	\$1,000

HIGH DEDUCTIBLE HEALTH PLAN (HDHP)

Minimum deductible – individuals	\$1,400
Minimum deductible – families	\$2,800
Maximum out-of-pocket amount – individuals	\$7,050
Maximum out-of-pocket amount – families	\$14,100

SECTION 9

SOCIAL SECURITY AND MEDICARE

Old-Age, Survivors and Disability Insurance

Maximum Taxable Earnings	\$147,000
Employee's Share of Tax	6.2%
Self-Employed	12.4%

Hospital Insurance

Maximum Taxable Earnings	No Limit
Employee's Share of Tax	1.45%
Self-employed	2.9%
Medicare Tax*	0.9%

Medicare Parts B and D

Income-related monthly adjustment amount applies at modified adjusted gross incomes greater than the below amounts (2022 premium based on 2020 modified adjusted gross income).

Married Filing a Joint Return and Surviving Spouses	\$182,000
All Others	\$91,000

**Individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes.*

SECTION 10

BUSINESS INCOME TAX

C-CORPORATIONS

- Income Tax
- Income taxed at flat 21% rate
 - Not subject to AMT

Pass-Through Businesses

Includes sole proprietorships, partnerships, limited liability companies taxed as partnerships and S-corporations.

- Deduction**
- The deduction equals 20% of qualified business income and is taken against the pass-through owner's taxable income.
 - Pass-through income must be "effectively connected" with the conduct of a U.S. trade or business (including Puerto Rico).
 - Investment income earned through a pass-through entity, including capital gains, dividends and interest, does not give rise to a deduction.
 - If the owner of the pass-through entity receives wages, a guaranteed payment or other form of reasonable compensation from the entity, this compensation income does not give rise to a deduction.

Income Thresholds	For specified service trades or businesses*	
	If the owner of a pass-through entity (a) earns income from a service business and (b) has taxable income over the following amounts, then he or she does not get the 20% deduction.	
Married Filing a Joint Return	• \$340,100– \$440,099: partial deduction • \$440,100 or over: no deduction	
Single Individual/ Head of Household	• \$170,050 – \$220,049: partial deduction • \$220,050 or over: no deduction	
Married Filing a Separate Return	• \$170,050 – \$220,049: partial deduction • \$220,050 or over: no deduction	
	For all businesses	
	If the owner of a pass-through entity has taxable income over the following amounts, then his or her 20% deduction is capped as follows:	
Married Filing a Joint Return	\$440,100	Deduction cannot exceed the greater of (a) 50% of the wages that the business paid in the taxable year or (b) 25% of the wages that the business paid in the taxable year plus 2.5% of the unadjusted basis of business property.
Single Individual/ Head of Household	\$220,050	
Married Filing a Separate Return	\$220,050	
Married Filing a Joint Return	\$340,101 – \$440,100	Cap phases in at this income range.
Single Individual/ Head of Household	\$170,051 – \$220,050	
Married Filing a Separate Return	\$170,051 – \$220,050	

*A specified service trade or business is “any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners.” It also includes any trade or business which involves the performance of services that consist of investing and investment management, trading or dealing in securities, partnership interests or commodities.

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All information herein is current as of December 2021.

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