



Tax Newsletter

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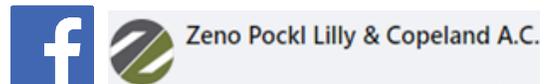
SEPTEMBER 2022

Upcoming Dates:

- September 5** – Labor Day Holiday
- September 15** – Filing deadline for 2021 calendar year S corporation and partnership tax returns on extension
 - Due date for 3rd quarter installment of 2022 estimated income tax for individuals, calendar-year corporations, and calendar-year trusts & estates
- October 17** – Filing deadline for extended 2021 individual and C corporation tax returns



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This month's newsletter recaps potential energy credits and the details of the student loan forgiveness program from newly passed legislation. Please feel free to forward the information to someone who may be interested in a topic and call with any questions you may have.

Energy Credits

Tax incentives for installing high efficiency home improvements are some of the featured provisions in the recently passed Inflation Reduction Act. Here's a closer look at some of the bill's tax provisions regarding the new incentives:

- Qualifying high efficiency home improvements now qualify for an annual \$1,200 credit, up from a \$500 maximum lifetime credit.
- Energy efficient heat pumps, heat pump water heaters, central air conditioners, wood stoves, and natural gas or oil furnaces or boilers qualify for a \$2,000 credit.

What You Can Do

- **Look for the details.** Prior to purchasing new high-efficient home improvements, double check how the new credit will apply to your purchase.

- **Check with manufacturers.** Most manufacturers are motivated to understand the new program and could be a good resource to see how they apply to your situation.

There will be more details on how to obtain these credits in the future. So be sure to stay alert and check before making any purchase decisions if you are expecting to take any of these new energy saving credits.

Student Loan Forgiveness Frequently Asked Questions

While there may be legal and Congressional challenges around the recent presidential executive order, here are some questions and answers about what is known so far about the announced student loan forgiveness program:

Can the President Forgive This Debt?

Only Congress has spending authority, and the forgiveness of debt is considered as income in the eyes of the IRS. So, to avoid any long-standing legal battle, Congress may need to authorize this estimated \$1 trillion dollar program.

Who Qualifies for the Forgiveness Program?

Here is a checklist of qualifications in the executive order:

- **Loan Type.** You have student loans that are held by the U.S. Department of Education, including Pell Grants, Federal Family Education Loans, and Direct Loans, such as Parent PLUS and Grad PLUS loans. Certain loans from the Federal Perkins Loan Program may be excluded. All private student loans are also excluded.
- **Loan Issue Date.** Student loans taken out after June 30, 2022, are not eligible for forgiveness.
- **Income Threshold.** Your income does not exceed \$125,000 (if single) and \$250,000 (if married), based on your 2020 or 2021 federal tax return.*

What are the Limits?

- **\$20,000.** Recipients of a Pell Grant can have up to \$20,000 in student loan forgiveness.
- **\$10,000.** For non-Pell Grant loans, the maximum student loan forgiveness is \$10,000.

Is the Forgiven Student Loan Taxable?

- **Federal Level.** Per the executive order, forgiven student loans will not be considered as taxable income on federal tax returns. The approach that the executive order takes is by using the American Rescue Plan that prevents taxation on student loans that are forgiven through 2025.
- **State Level.** While many states follow the federal law that excludes student loan forgiveness from being considered as taxable income, several states currently do not conform to federal law. The details are being worked out in these states to try and keep student loan forgiveness from being considered as taxable income.

What You Need To Do

Stay alert to any twists and turns regarding challenges to this executive order. In the meantime:

- **Watch for the forgiveness application.** An application for student loan forgiveness on the Department of Education’s website (ed.gov) will be the next step in the process. There may be exclusions to this application requirement, with many borrowers potentially receiving automatic forgiveness if the Department of Education already has your income data.
- **Double-check your loan balance.** Take a screen shot of your loan balance on the day that you submit your forgiveness application and compare it to your balance after the forgiveness is eventually applied to make sure the forgiveness is properly applied to your account.

***NOTE:** While the Department of Education typically uses your adjusted gross income (“AGI”) number when determining eligibility for other loan programs, the White House did not confirm whether AGI will be used to determine the \$125,000 and \$250,000 income thresholds.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 304-233-5030.

