



# Things to Know During Tax Season

For the past few weeks, envelopes marked “Important Tax Information” have been trickling into your mailbox. In addition to keeping your paperwork (or electronic files) organized for your accountant or to make the process easier for yourself, here are some important reminders about preparing to file your taxes:

**State income tax.** State income tax varies, with some states imposing a progressive tax, others a flat tax, and several levying none at all. Currently, Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, and Wyoming do not impose a state income tax. Washington taxes investment income and capital gains, while New Hampshire taxes investment and interest income.

**Income that is taxable.** You will owe federal tax for money, property, or services received in 2022, including:<sup>1</sup>

- Wages, salary, commissions earned, fees, tips, and unemployment benefits
- Investment income such as interest, dividends, and capital gains (different tax

rules apply depending upon the type of asset and how long it has been owned)

- Up to 85% of your Social Security benefits when your income exceeds the threshold
- Income earned through the gig economy, including profits on eBay sales and freelance work<sup>2</sup>
- The value of fringe benefits provided to you and your family members
- Rental income, including for Airbnb hosts who earned more than \$600 in bookings<sup>3</sup>
- Cash and non-cash prize winnings

**Income that is not taxable.** Income earned on municipal bonds, life insurance proceeds, alimony and child support, scholarships, and Roth IRA withdrawals are generally not subject to federal income tax.

**Deciding when to itemize.** Certain expenses (including self-employment business expenses, unreimbursed medical and dental expenses, mortgage interest, deductible IRA contributions, charitable contributions, and the amount you paid for last year’s tax preparation) may be tax deductible. If the sum

total of your deductible expenses exceeds the standard deduction, it generally pays to itemize on your tax return. For 2022, there is still no limit on itemized deductions, which was eliminated by the Tax Cut and Jobs Act, and the standard deduction (with a supplement to those who are over the age of 65 or are blind) is:

- \$12,950 for those single or married filing separately
- \$19,400 for heads of household
- \$25,900 for those married filing jointly or qualifying widow(er)s

### 2022 Tax Changes

The IRS made some [tax changes for 2022](#) to account for inflation. Changes include increases to the standard deduction amounts and increased exclusions for gifts and estate taxes.

### Reducing your taxes in the future

There may be opportunities to lower your tax bill in the future by employing strategies such as tax-loss harvesting, charitable giving, channeling more funds into tax-deferred investment accounts (such as 401(k)s, IRAs, HSAs, and 529 college savings plans), and investing in municipal bonds.

Your Palisade advisor works with you and your accountant to review your financial picture and recommend the tax-minimization strategies appropriate to your situation. Please reach out to your advisor with any questions you may have about your investment strategy. And if you're not currently working with Palisade, please [contact us](#) to learn more.

<sup>1</sup> [What is Taxable and Nontaxable Income](#), irs.gov

<sup>2</sup> [Gig Economy Tax Center](#), irs.gov

<sup>3</sup> [Important income tax changes for U.S. Hosts](#), Airbnb.com,

## Not yet working with Palisade?

CONTACT US TO LEARN MORE

### IMPORTANT INFORMATION

The information contained herein reflects the view of Palisade Capital Management and its affiliates (collectively, "Palisade" or the "Firm") as of the date of publication. These views are subject to change without notice at any time subsequent to the date of issue. All information provided in this letter is for information purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security. While the information presented herein is believed to be reliable, no assurance, representation, or warranty is made concerning the accuracy of the data presented. In addition, there can be no guarantee that any projection, forecast, or opinion in the latter will be realized. Always consult with your CPA or tax professional. State tax laws vary.

Palisade is an SEC registered investment management firm established in 1995. Based in Fort Lee, NJ, the Firm manages a variety of assets for a diversified client base, including institutions, foundations, endowments, pension and profit-sharing plans, retirement plans, mutual funds, private limited partnerships, family offices, and high net worth individuals. Registration with the Securities and Exchange Commission does not imply a certain level of skill or expertise.

Certain information contained in this letter constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results, or the actual performance of investments may differ materially from those reflected or contemplated in such forward-looking statements. Nothing herein may be relied upon as a guarantee, promise, assurance, or a representation as to the future.

Investing in securities involves risk, including the risk the entire amount invested may be lost. Securities investments are not guaranteed. Palisade's valuation predictions may not be correct and/or achieved within the anticipated time frame. Fixed income securities are generally subject to interest rate risks. The risk is greater for long-term securities than for short-term securities. A risk in a long-term purchase strategy is that Palisade may not take advantage of short-term gains that could be profitable. Moreover, if Palisade's predictions are incorrect, a security may decline sharply in value before being sold. Conversely, a risk in a short-term purchase strategy is that Palisade may incorrectly predict the performance of a security over a short period of time, and we may not take advantage of long-term gains that could be profitable. Equity and equity-linked securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent those REITs concentrate investments in particular geographic regions or property types. A company issuing convertible securities may default. Please note, each client account has different characteristics and other accounts with the same strategy may have materially different results. The actual characteristics of any particular account will vary based on a number of factors including, but not limited to (i) the size of the account; (ii) the timing of investment; (iii) investment restrictions applicable to the account, if any; and (iv) market exigencies at the time of investment.

**Past performance is not a guarantee of future results.**