

KANAWHA CURRENTS

Updated Life Expectancy Tables for Mandatory Distributions from Retirement Accounts

For the first time since 2002, the IRS has updated life expectancy tables which determine Required Minimum Distributions (RMDs) for individuals who are subject to mandatory annual withdrawals from retirement accounts.

What effect will the new tables have on RMDs?

Longer life expectancies have increased actuarial factors which will result in marginally lower required distributions for a given age. Owners of qualified retirement plans and non-Roth individual retirement accounts (IRAs) who are age 72 and older must take annual RMDs based on their appropriate life expectancy table.

RMDs are determined by taking the preceding year-end account value and dividing this by the account holder's life expectancy factor. The greater the divisor is, the smaller the RMD will be. The example below illustrates how the updated tables may reduce RMDs. For a 75-year-old IRA owner with a \$1,000,000 account value, the RMD is \$3,018 less using the new life expectancy factor.

Example

IRA Owner = Age 75 (Using Uniform Lifetime Table)	
IRA Value = \$1,000,000	
Old Life Expectancy Factor/RMD	New Life Expectancy Factor/RMD
22.9	24.6
\$43,668	\$40,650

How will those with pre-2020 Inherited IRAs be impacted?

Inherited IRAs are also subject to annual RMDs if the IRA owner died on or before December 31, 2019. In order to benefit from the new tables, the account holder can use the updated life expectancy factor for the age they attained during the year after the death of the original IRA owner. They will then subtract one year for each subsequent year to determine their 2022 divisor. For example, someone who began RMDs from an inherited IRA in 2015 at the age of 60 can "go back" and use today's life expectancy of 27.1 (from the Single Life Table), and then subtract seven from this to arrive at their 2022 factor of 20.1. Had they continued to use the old tables, their 2022 divisor would be 18.2. Note those who are deemed to be Eligible Designated Beneficiaries of IRAs after 2020 may also benefit from the new tables.

Who Will Not Be Affected?

Most non-spouse beneficiaries who have inherited retirement accounts from owners who died in 2020 or later are not subject to RMDs and, therefore, will not be impacted by the new life expectancy tables. These individuals still must fully distribute their inherited IRA accounts by the end of the 10th year following the death of the original account owner.

Owners of Roth IRAs are not subject to RMDs. Beneficiaries of Roth IRAs, however, must satisfy annual RMDs if the original Roth IRA owner died prior to 2020.

Please find current income tax tables and other important financial information on the back page.

KANAWHA CAPITAL MANAGEMENT

2022 Important Financial Information

2022 Tax Rate Schedule		Capital Gains Tax Rates		
Taxable Income	Marginal Rate	Short-Term Capital Gain Rates (held 1 year or less)		Same as ordinary income
Single (Unmarried Individuals)				
\$0 to \$10,275	10%	Long-Term Capital Gains (held > 1 year) and Qualified Dividends		
\$10,276 to \$41,775	12%	Single	Married Filing Jointly	Head of Household
\$41,776 to \$89,075	22%			Rate
\$89,076 to \$170,050	24%	Up to \$41,675	Up to \$83,350	Up to \$55,800
\$170,051 to \$215,950	32%	\$41,676 to \$459,750	\$83,351 to \$517,200	\$55,801 to \$488,500
\$215,951 to \$539,900	35%	\$459,751 +	\$517,201 +	\$488,501 +
\$539,901 +	37%			
		Income Tax Deductions and Exemptions		
Married Filing Jointly & Surviving Spouse				
\$0 to \$20,550	10%	Standard Deduction		
\$20,551 to \$83,550	12%	Single		\$12,950
\$83,551 to \$178,150	22%	Married filing jointly		\$25,900
\$178,151 to \$340,100	24%	Head of household		\$19,400
\$340,101 to \$431,900	32%	Over age 65 or blind additional standard deduction		
\$431,901 to \$647,850	35%	Married or surviving spouse		\$1,400
\$647,851 +	37%	Single or not a surviving spouse		\$1,750
		Personal exemption		None
Head of Household				
\$0 to \$14,650	10%	Retirement Plan Contribution Limits		
\$14,651 to \$55,900	12%	401(k), 403(b), 457 plans elective deferrals		\$20,500
\$55,901 to \$89,050	22%	Catch-up contributions for 50 and older		\$6,500
\$89,051 to \$170,050	24%	Defined contribution plans		\$61,000
\$170,051 to \$215,950	32%	Defined benefit plans		\$245,000
\$215,951 to \$539,900	35%	SIMPLE plans elective deferrals		\$14,000
\$539,901 +	37%	Catch-up contributions for 50 and older		\$3,000
Married Filing Separately				
\$0 to \$10,275	10%	Traditional and Roth IRA		\$6,000
\$10,276 to \$41,775	12%	Catch-up contributions for 50 and older		\$1,000
\$41,776 to \$89,075	22%	Traditional IRA deductibility for active participants		Phaseout Limits:
\$89,076 to \$170,050	24%	Single		\$68,000 to \$78,000
\$170,051 to \$215,950	32%	Joint		\$109,000 to \$129,000
\$215,951 to \$323,925	35%	Spousal IRA if one spouse is covered by a plan		\$204,000 to \$214,000
\$323,926 +	37%	Married filing separately		\$0 to \$10,000
		Roth IRA income phaseout		
Estates and Trusts				
\$0 to \$2,750	10%	Single and Head of Household		\$129,000 to \$144,000
\$2,751 to \$9,850	24%	Joint		\$204,000 to \$214,000
\$9,851 to \$13,450	35%	Married filing separately		\$0 to \$10,000
\$13,451 +	37%			
		Health Savings Account (HSA) Contribution Limits = \$3,650 for Self Only, \$7,300 for Family		
		Catch-up contributions of \$1,000 for age 55 and older		
Estate and Gift Tax				
Annual gift tax exclusion	\$16,000	Medicare Surtaxes		
Estate and gift tax exclusion	\$12,060,000	0.9% on wages that exceed \$200,000 (Single) or \$250,000 (Married FJ)		
Maximum estate tax rate	40%	3.8% on net investment income that falls above MAGI of \$200,000 (Single) or \$250,000 (Married FJ)		
Medicare				
Part A Hospitalization				
First 60 days inpatient deductible		\$1,556 for each benefit period		
Days 61 - 90		\$389 per day, for each benefit period		
Days 91 +		\$778 per day, up to 60 days over lifetime, then full amount per day		
Part B Premium: Those participants who enroll in Medicare Part B for the first time in 2022, whose MAGI from 2020 exceeded certain thresholds, or who don't get Social Security benefits may be subject to the premiums below.				
MAGI Single (for 2020)	MAGI Joint (for 2020)	Part B Monthly Premium		Part D Addition to Plan Premium
\$91,000 or less	\$182,000 or less	\$170.10		\$0
\$91,001 to \$114,000	\$182,001 to \$228,000	\$238.10		\$12.40
\$114,001 to \$142,000	\$228,001 to \$284,000	\$340.20		\$32.10
\$142,001 to \$170,000	\$284,001 to \$340,000	\$442.30		\$51.70
\$170,001 to \$500,000	\$340,001 to \$750,000	\$544.30		\$71.30
\$500,001 +	\$750,001 +	\$578.30		\$77.90
Part B Deductible		\$233		
Coinsurance		20% of Medicare-approved amount for most services		

Source: irs.gov, Rev. Proc. 2021-45, Centers for Medicare & Medicaid Services.

The data contained on this sheet are for informational purposes only and should not be interpreted as tax or investment advice.

Consult your tax professional for specific advice about your personal situation.