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# TurboTax Tax Trends Report

A look back at the most recent tax year, 2022

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# Introduction

The TurboTax Trends Report provides an in-depth analysis of the most recent tax return data to explore current personal finance, and economic trends. The data insights in this report are drawn from anonymized and aggregated tax returns, providing a comprehensive and up-to-date snapshot of the financial landscape in the United States. The objective is to identify key patterns and trends that can inform financial planning, policy-making, and economic forecasting. The report will delve into various aspects such as income, employment, investing, and refunds. Building on last year's Tax Trends Report, we aim to provide valuable insights into the financial behavior of individuals and households, as well as the overall state of the economy.

# Key Findings

| Topic | Key Finding |
|---|---|
| **Refunds**<br>Fewer Refunds with the Expiration of COVID-Era Tax Breaks | A reduction in the percentage of returns with refunds was most pronounced for low income tax filers. For example, 37.5% of single tax filers in the lowest income category received a refund in tax year 2022, down from 59.6% in tax year 2021. |
| **Employment and Self-Employment**<br>Rise In Self-Employment and Side Gigs | More people are turning to freelance, contract, or gig work for income. 8.1% of tax filers included either form 1099-K or 1099-NEC in their returns, up from 6.7% the prior year. |
| **Income**<br>Single Parents' Delayed Recovery | Single tax filers with a dependent (Head of Household filers), such as single parents, experienced an 8.6% year-over-year increase in median adjusted gross income (AGI) in tax year 2022 (0.5% when adjusting for inflation), compared to 2.7% the prior year (-1.8%). |
| Navigating Taxes when Relationships Change | In tax year 2022, 87% of those who moved into the Married Filing Jointly saw an AGI increase of 10% or more. |
| **Investing**<br>Reporting of Crypto Transactions Gradually Declined Year Over Year | In tax year 2022, 2.3% of tax filers included crypto transactions in their returns, compared to just under 3% the prior year. |

# Results

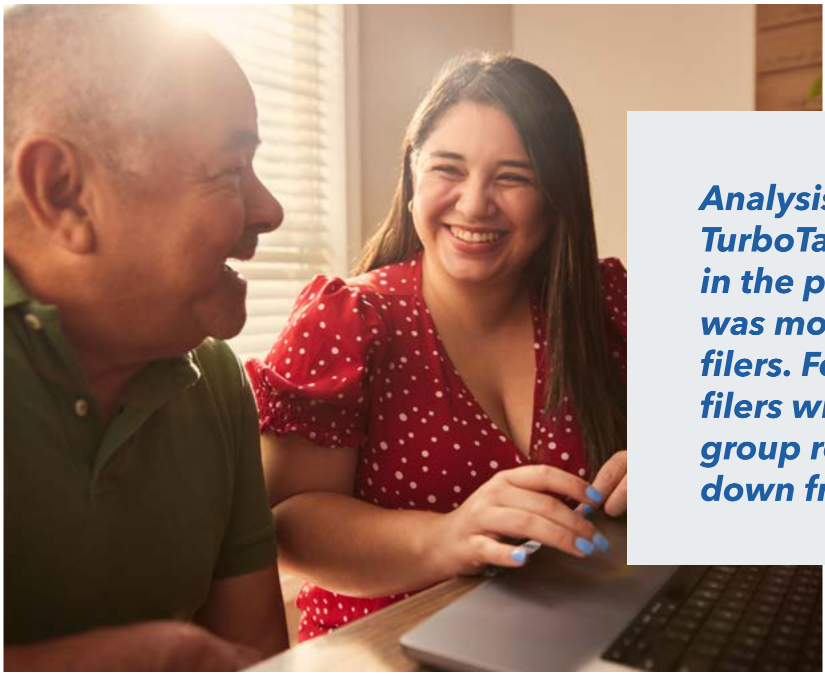
## Refunds

*Fewer Refunds with the Expiration of COVID-Era Tax Breaks*

*37.5% of single tax filers in the lowest income category received a refund in tax year 2022, down from 59.6% in tax year 2021.*

Tax refunds can significantly improve Americans' personal finances by providing them with an opportunity to save, invest, reduce debt, handle unexpected expenses, start an emergency fund and make large purchases. For some, the tax refund is the biggest paycheck they get all year, which they use as a savings plan. This money can then be put into a savings account, retirement fund, or investment. At tax-time car dealerships, appliance retailers, and real estate agents often see a boost in sales as tax-filers use their tax refunds to make large purchases of these types. Receiving tax refunds at tax-time can provide peace of mind and financial stability.

***According to IRS filing statistics as of the week ending October 27, 2023, the total number of refunds in tax year 2022 declined 3.6%, and the average refund amount dropped 3.8%.*** Much of the drop is attributed to provisions under the American Rescue Plan either reverting to pre-American Rescue Plan provisions or going away.

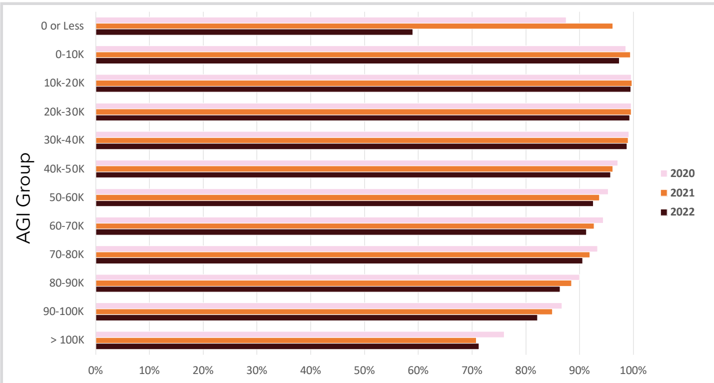


***Analysis of anonymized and aggregated TurboTax returns shows that the reduction in the percentage of returns with refunds was most pronounced for low income tax filers. For example, 37.5% of single tax filers with an AGI of the lowest income group received a refund in tax year 2022, down from 59.6% in tax year 2021.***

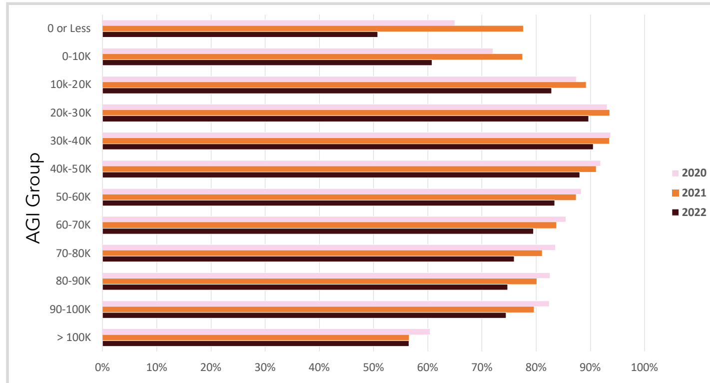
For many Americans, boosted tax refunds – provided through COVID relief measures that expanded credits such as the Child Tax Credit, Child and Dependent Care Credit, and Earned Income Tax Credit – have served as a financial safety net. Historically, the reduction or loss of a refund has led some to experience increased financial stress, in particular for low income filers.

# Percent of Tax Filers with Refunds

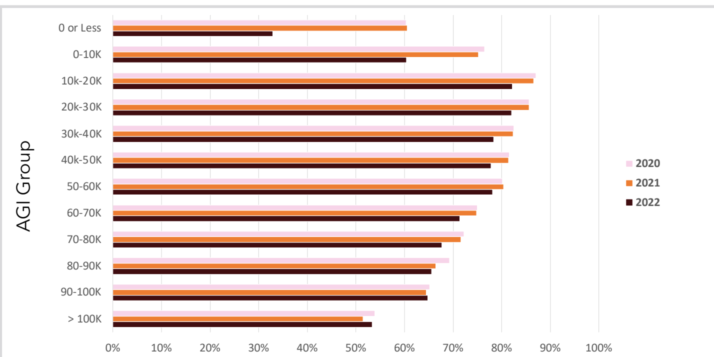
### Head of Household



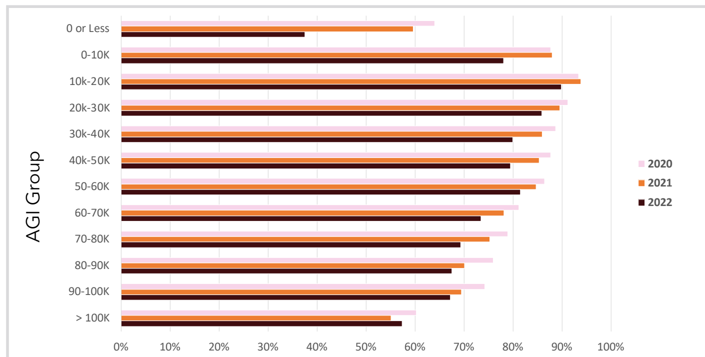

### Married Filing Jointly




### Married Filing Separately




### Single




Tax refunds often lead to increased consumer spending as people use the money to make large purchases, go on vacations, or buy things they've been putting off. However, the fact of fewer people receiving refunds has historically negatively impacted the economy, affecting everything from consumer spending, and debt levels to the health of various economic sectors, contributing to slowing economic growth. The reduction in tax filers receiving refunds, which has been linked to out-of-pocket spending for healthcare, could also impact some individuals' and families' medical spending. Despite our findings of tax year 2022 refunds being lower than in tax year 2021 and low income filers seeing a higher reduction in refunds than other filers, Intuit QuickBooks November Holiday Spending Survey revealed that holiday spending is still up. According to an October Census Bureau Report, retail spending was up by 0.7 percent since August 2023. The continued spending contributed to another interest rate hike by the Federal Reserve in October. Credit Karma's August State of Debt and Credit Report revealed that consumer spending habits for members with an average credit balance during the period of April to June 2023 was $7,377, compared to $7,249 in January to March 2023. That represents a 1.77% increase in average credit card debt. The average next payment was $213. The National Retail Federation recently forecasted that holiday spending is still expected to reach record levels during November and December and will grow between 3% and 4% over 2022. However, more research is needed to understand whether levels would be even higher had more Americans received a bigger refund in 2023.

# What This Means for Tax Filers in 2024

What's expected for tax refunds for tax year 2023 and how can tax filers increase their tax refunds?

**Credits for families.** Although tax year 2023 is not the first year that provisions under the American Rescue Plan expired, tax filers should keep in mind that if they received some of the expanded provisions under the American Rescue Plan in tax year 2021, the provisions no longer include the 2021 expanded amounts, or in some cases are not available to as many people. Key provisions like the Child Tax Credit, the Child and Dependent Care Credit, and the Earned Income Tax Credit reverted to pre-American Rescue Plan provisions, and the recovery rebate credit expired. These credits largely benefited low income filers, and their expiration may have contributed to the higher reduction in refunds when compared with other tax filers observed in our data.

**1099-K.** The American Rescue Plan of 2021 changed third-party payment processors reporting requirements to include payments processed exceeding $600, which is down considerably from the original reporting requirement of more than 200 transactions per year and exceeding an aggregate amount of $20,000. This meant you would receive a Form 1099-K for payments processed for goods and services that exceed $600. On December 23, 2022 the IRS announced a delay in the lower reporting thresholds for third-party settlement organizations for tax year 2022 (taxes filed in 2023) and did so again on November 21, 2023 for tax year 2023. Those who have payments processed through certain third-party platforms may still only receive a 1099-K form reporting their processed payments if they exceed $20,000 and more than 200 transactions (unless the filer lives in a state with a lower reporting threshold). The IRS released guidance specifying that calendar year 2023 will continue to be a transition period for implementation of the lowered reporting threshold for third-party settlement organizations (TPSOs) that would have generated Form 1099-Ks for taxpayers. The IRS is currently planning for a threshold of $5,000 for tax year 2024 (the taxes filed in 2025) as part of the phase-in to implement the lower over-$600 threshold enacted under the American Rescue Plan.

Keep in mind the delays are not the result of a tax law change but rather a change in the reporting requirement for third-party providers. Self-employed tax filers are always required to report income whether or not it is reported on Form 1099-K or 1099-NEC, and if their net income is $400 or more they are required to file their self-employment taxes. Self-employed tax filers receiving Form 1099-K should know that they will not be taxed on the entire amount reported on Form 1099-K since they can claim their expenses directly related to their business. Someone selling personal items may also receive Form 1099-K with a gross amount indicated on the form, but that doesn't mean they will be taxed on the entire amount. In fact, they may not have to pay any taxes at all if they sold the item for less than they purchased it for. If the item is sold for more, they will need to pay capital gains taxes.

**Inflation adjusted tax benefits.** ***Every year the IRS adjusts certain tax benefits for inflation, however after a year of the highest inflation growth in four decades the IRS made more significant inflation adjustments than in previous years at 7.1%. These larger adjustments to key benefits like the standard deduction, income tax brackets, and the Earned Income Tax Credit may help tax filers' tax outcomes at tax time, since deductions and credits lower the taxes owed.*** The standard deduction is $13,850 for single filers, $20,800 Head of Household, and $27,700 for married filing jointly. Income brackets were increased, meaning you can make more money and possibly be taxed less. For tax year 2023, the maximum Earned Income Tax Credit amount is $7,430 for qualifying taxpayers who have three or more qualifying children. This amount is up from $6,935 for tax year 2022.

**End of year tax tips.** There are smart moves tax filers can make by December 31 to increase their refunds or lower their taxes due, such as maximizing their retirement contributions, making energy efficient improvements, paying for the first quarter of college courses, and investing in their businesses. For example, tax filers can contribute up to $22,500 ($30,000 if they are 50+) to their 401K for 2023 and lower their taxable income while increasing their nest egg. Filers can also contribute up to $6,500 ($7,500 if they are 50+) to their traditional IRA for 2023 and may be able to deduct what they contribute, reducing their taxable income. People can make a 2023 contribution until the 2023 tax deadline after December and make an impact on their taxes, but they need to make sure they tell the plan administrator that they are making a 2023 contribution. Filers who have been considering making energy efficient purchases may be able to claim some of the expanded energy efficient credits if they purchase an electric vehicle or make energy efficient improvements to their home by the end of the year. Filers who are college students, have college students as dependents, or are even considering taking one college course can pay for the course or courses by December and may be able to claim the American Opportunity Tax Credit or the Lifetime Learning Credit. Tax filers who own their own business and have been considering buying some business equipment can purchase equipment and deduct up to $1,160,000 from their business income.

As people come to the end of the year and realize they spent more than they planned for the holidays, they can file their taxes as soon as tax season opens and take advantage of all of the credits and deductions they are eligible for so that they can maximize their refund and pay down their holiday debt.

TurboTax is available with the tools, products, and tax experts to help tax filers easily and accurately file their taxes and get every tax deduction and credit they are eligible for, so they can maximize their refund or lower their taxes due.

# Changes in Employment:
# The Rise of Self-Employment & Side Gigs

*In tax year 2022, 8.1% of tax filers included either form 1099-K or 1099-NEC in their returns.*

While the majority of tax filers report income from a Form W-2, a small but growing percentage also report income from non-employee sources. This income is most commonly reported on Forms 1099-NEC and 1099-K.

**1099-NEC**

Form 1099-NEC is used to report non-employee (self-employment, gig work, contract labor, etc.) compensation.

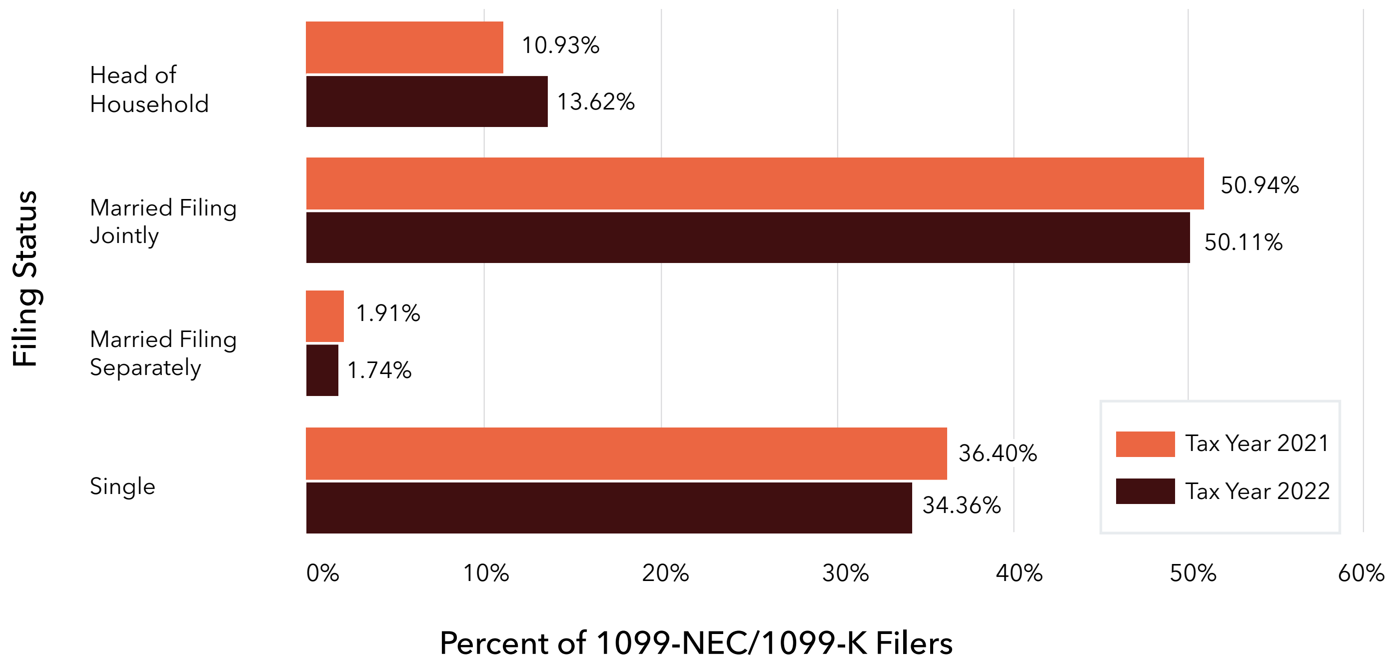
**1099-K**

Form 1099-K, Payment Card and Third-Party Network Transactions, is an IRS information return used to report certain payment transactions, including those from payment cards (e.g., debit, credit, or stored value cards) and payments processed by third-party payment networks above minimum reporting thresholds.

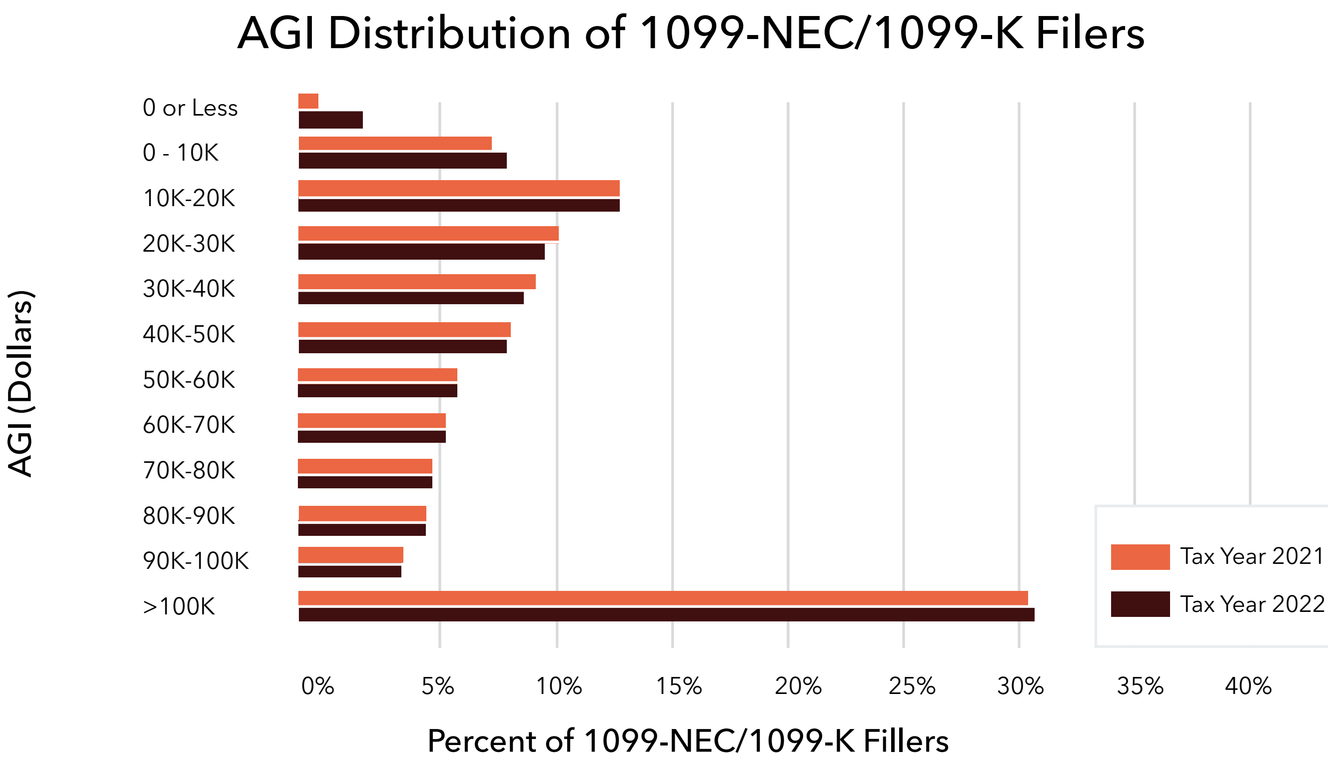
Between tax year 2021 and tax year 2022, the percentage of tax filers with a 1099-NEC or 1099-K grew from 6.7% to 8.1%. The small increase could be related to several factors. The gig economy has been growing rapidly in recent years. According to an analysis of tax data by researchers at the University of Chicago, University of Michigan, and IRS, the platform gig economy grew by 150%, or 3 million people, between 2019-2021. More people are turning to freelance, contract, or gig work for their primary or secondary source of income. This includes earning money on ridesharing platforms like Uber or Lyft, delivery platforms like DoorDash or Postmates, and marketplaces like Etsy or eBay. It also includes offering freelance services on platforms like Upwork. Economic downturns or job loss can lead people to take on gig work to supplement their income. The changes that occurred in employment in 2020 through 2021, for example, may have led those who lost their jobs to seek additional income sources or re-evaluate their income streams. For others, gig work and contract work offer more flexibility, independence, and work-life balance.

While we can't know the exact reasons an individual or household experienced a change in type or amount of income using tax data alone, we can understand the degree of change for different types of tax filers. Between tax year 2021 and tax year 2022, the distribution of tax filers with non-employee compensation decreased for Married Filing Jointly and Single tax filers and increased for Head of Household filers at a rate outpacing the overall increase in tax filers in this group.

## Filing Status Distribution of 1099-NEC/1099-K Filers




The 8.1% of tax filers with non-employee compensation in tax year 2022 may be an underestimate due to the fact that third-party providers and credit card companies were not required to report third-party payment transactions unless they reached a threshold of 200 transactions and $20,000, creating what researchers call the "1099-K gap". The American Rescue Plan of 2021 reduced third-party payment processors' reporting requirements for Form 1099-K to payments processed exceeding $600; however, on December 23, the IRS announced a delay in the lower reporting thresholds for third-party settlement organizations for tax year 2022 (taxes filed in 2023) and again on November 21, 2023 for tax year 2023. Those who have payments processed through third party platforms may only receive a 1099-K form reporting their processed payments if they exceed $20,000 and more than 200 transactions, or if they live in a state with a lower reporting threshold.




## What This Means for Tax Filers in 2024

*Tax Implications of Self-Employment, Side Gigs, and 1099-K Reporting Changes*

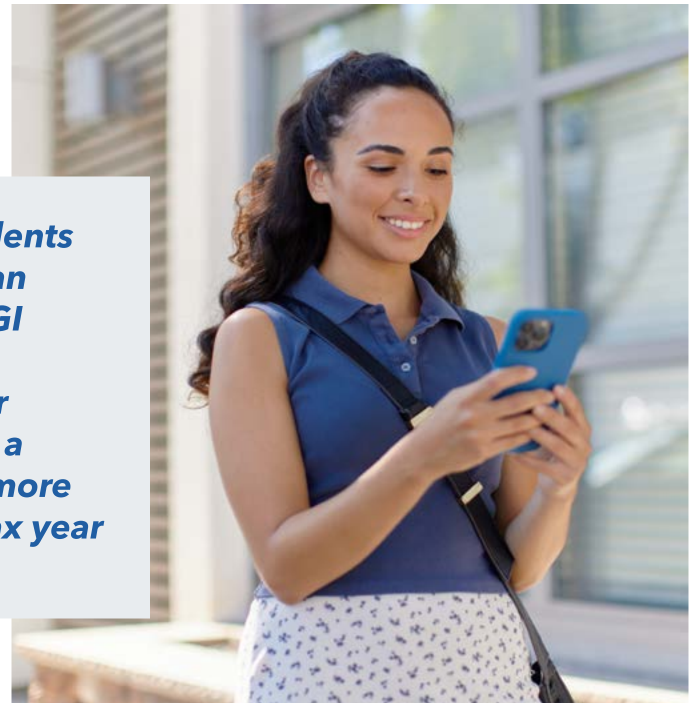
**Self-employed and side giggers.** The lower (over $600) 1099-K reporting threshold was delayed again on November 21, 2023, so fewer people than expected will receive the form. However, self-employed tax filers should report their self-employment income and need to file a Schedule C and Schedule SE if they have a net income of $400 or more, regardless of whether they receive a Form 1099-K or 1099-NEC. Self-employed tax filers should keep in mind that when they are reporting income from Form 1099-K they can deduct their expenses directly related to running their business, such as mileage, start-up costs, and equipment, to lower their taxes.

**Hobbyists and casual sellers.** Tax filers who are hobbyists and are not selling goods as a business may also receive Form 1099-K. This group of tax filers may be surprised to learn that the IRS does require tax filers to report income made from their hobby. Unlike self-employment income, expenses directly related to a passion project cannot be deducted.

People who occasionally clean out their closets and sell personal items may also receive a Form 1099-K. Tax filers shouldn't panic when they see the full amount of the payment processed on Form 1099-K, as they would not be taxed on the full amount. If they sold the item for less than they purchased it for they would have a loss. This loss would not be deductible, but they would not have to pay any tax either. If they sold the personal item for more than they paid, however, they would be taxed on the gain.

# Income

## Single Parents' Delayed Recovery



***Single parents or single filers with dependents filing as Head of Household experienced an 8.6% year-over-year increase in median AGI in tax year 2022 (0.5% when adjusting for inflation), compared to 2.7% the prior year (-1.8%). The percentage of those who saw a year-over-year decrease in AGI of 10% or more declined for Head of Household filers in tax year 2022 but grew for all other statuses.***

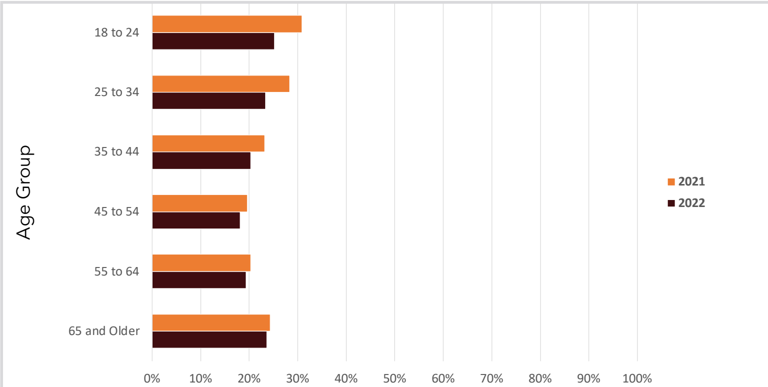
Single parents were among those hardest hit by the pandemic. An analysis using U.S. Current Population Survey data found that the challenges this group faced prior to the pandemic generally magnified after the arrival of COVID-19, and that unemployment rates for single parents have been slower to recover compared to those of married parents. Many single parents faced job loss or reduced hours due to the pandemic, leading to financial instability. They also had to bear the additional costs of childcare, homeschooling supplies, and increased utility bills due to staying at home.

Much of the financial strain for single parents was due to increased child care responsibilities. With schools and daycare centers closed, single parents had to juggle work, childcare, and homeschooling simultaneously. Many single parents were also forced to quit their jobs or take time off when their children's daycares were closing or they had to stay home if their children were sick. This created an experience of financial stress, increased responsibilities, and social isolation for many single parents around the country.

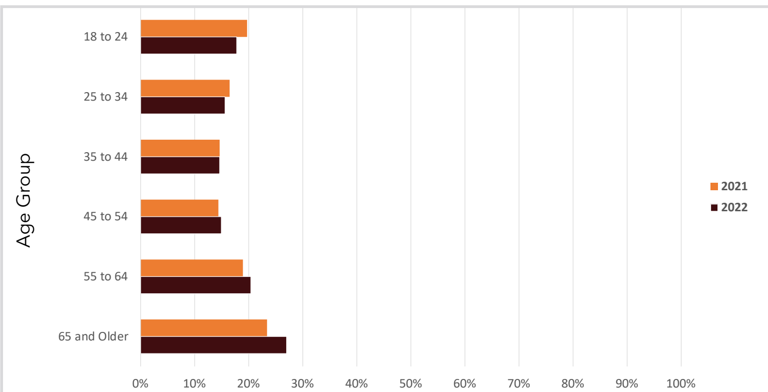
We analyzed changes in AGI across filing statuses to understand if and how this group's unique circumstances are reflected in their AGI. Our analysis found that AGI increased 8.6% in Tax Year 2022, compared to 2.7% the prior year. While we aren't able to determine the root cause of the delayed growth using tax data alone, there is evidence that single parents with dependents were delayed in their ability to return to work following COVID, potentially due to lack of child care. A study by Pew Research Center found that the share of single mothers employed and at work fell more than any other group during the pandemic. Service industries such as retail, hospitality, and childcare, where many single parents worked, were hit particularly hard in 2021, but service industries started to make a comeback in 2022. In 2021, Head of Household filers were more likely than any other group to see a decrease in AGI. The percentage of Head of Household filers who experienced a decrease dropped more than any other group, indicating that recovery for this group has lagged behind.

## Percent of Tax Filers with an AGI Decrease: No Filing Status Change

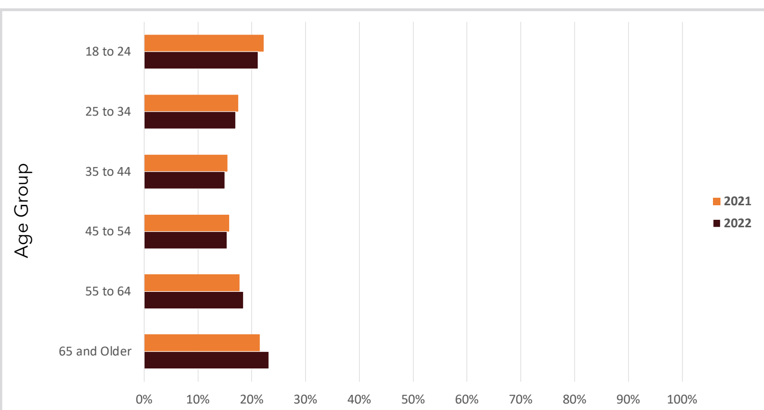
### Head of Household



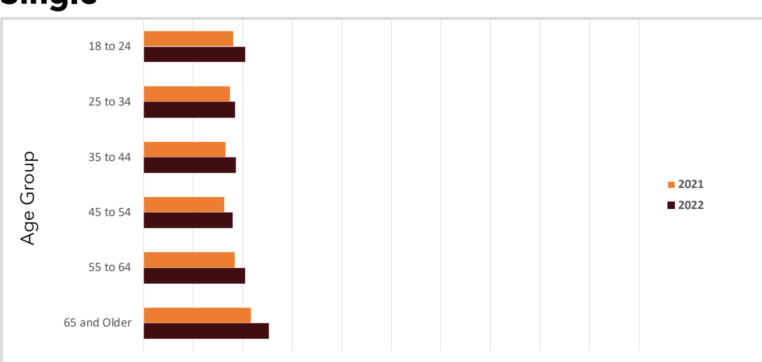

### Married Filing Jointly




### Married Filing Separately




### Single




Single parents often rely on a network of support including friends, family, and community resources. Social distancing measures and lockdowns limited access to these support systems. Single parents also could not share the risk of exposure to the virus. If they fell ill, there was often no other person to take care of their children or others they support. Many services that single parents rely on, such as food banks or after-school programs, were disrupted or limited due to the pandemic. Even as businesses are beginning to re-open, employment for Head of Household filers was slow to recover. The data reflects the implications of these hardships. While other filing statuses saw an increase in employment activity in tax year 2021, the trend for Head of Household filers was flat. The increase observed in tax year 2022 is yet another indicator of a delayed recovery for single parents.



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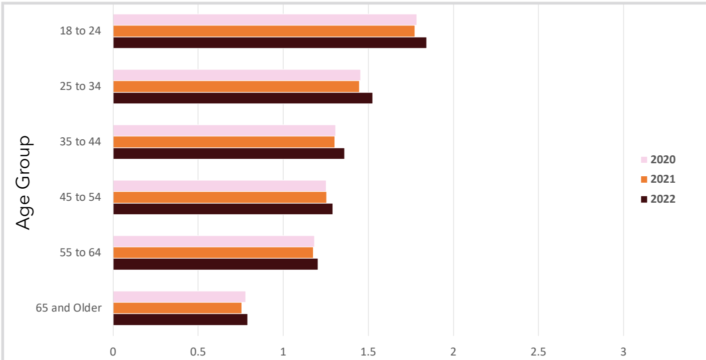
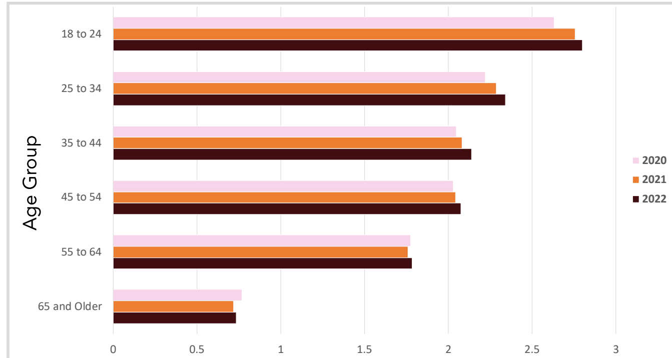
# W-2 Forms Per Tax Filer

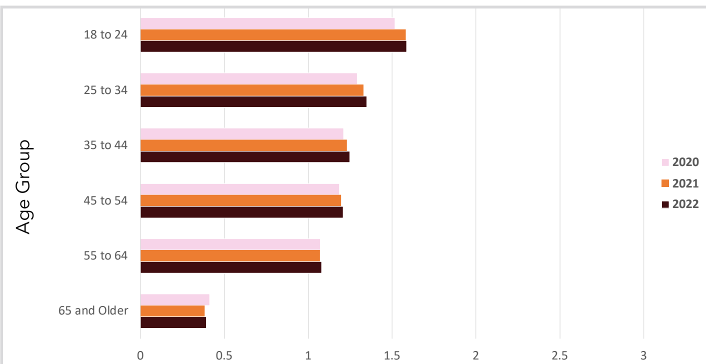
## Head of Household



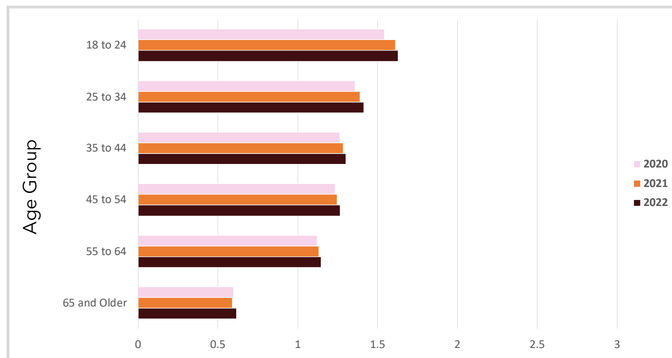

## Married Filing Jointly



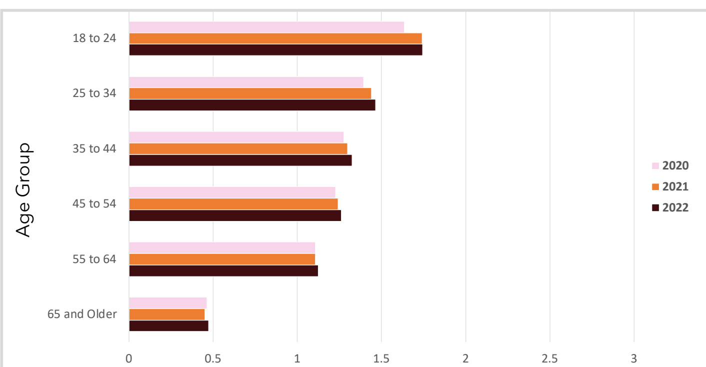

## Married Filing Jointly - Split




## Married Filing Separately




## Single




While the pandemic had major implications for single parents, government relief measures such as stimulus checks and enhanced unemployment benefits helped to offset some of the loss in AGI for this group. Even in light of increased income, the growth was muted due to the expiration of certain COVID relief provisions, many of which were specific to tax filers with children.

While the exact impact on Head of Household's AGI will vary depending on their individual circumstances, it's clear that the pandemic generally had a negative impact on their financial situation.

# What This Means for Single Parent and Single Filers with Dependents' Taxes

*Tax Implications for Single Parents and Single Filers with Dependents*

***With single parents and single filers with dependents seeing an 8.6% overall increase in adjusted gross income in 2022 and employment continuing, they may find that they are subject to more taxes than in tax year 2021 and years to follow, due to a mix of increased income and expiration of COVID relief provisions. However, there are other tax benefits for those who can file as head of household.*** In order to file as head of household a tax filer must be single and provide over half the support for their dependent child, relative, or even a friend (friends need to live in the household the entire year unlike relatives).

The first benefit is the difference in the standard deduction amount. The standard deduction allows tax filers to claim a deduction if they are not eligible to itemize their deductions. Typically tax filers who own their home and have deductions like home mortgage interest and property taxes can itemize their deductions. The standard deduction is adjusted for inflation every year and is based on filing status. After a year of the highest inflation growth in four decades, the adjustment announced for tax year 2023 is more significant than in previous years at about 7%, and the head of household status gets a larger increase in the deduction amount.  For tax year 2023, head of household filers can claim a standard deduction of $20,800 up from $19,400 in tax year 2022.

Another provision that was adjusted for inflation, that is also more favorable for single filers with dependents filing as head of household, is the range for which income is taxed for a given rate. While income tax brackets were also adjusted for all tax filers, head of household tax filers are taxed less than single filers.  For instance, a tax filer filing as head of household can make $59,000 in taxable income and their tax rate would be 12% versus a single tax filer who would be taxed at 22%.

Although tax provisions beneficial for parents reverted to pre-American Rescue Plan law, single parents with dependents filing as Head of Household and parents with dependents will still be eligible for valuable tax benefits like the Child Tax Credit, Child and Dependent Care Credit, and the Earned Income Tax Credit in addition to the benefits mentioned above.  Going into the 2024 filing season, there may still be confusion around why refunds were lower in the previous tax year, and tax filers will need to educate themselves about the evolving landscape of benefits to understand how their refund will look going forward.  For instance, the Child Tax Credit was up to $3,600 per child in tax year 2021, but reverted to the original amount of $2,000 again, beginning in tax year 2022.  The Child and Dependent Care Credit was up to $4,000 with one child and up to $8,000 with two or more kids, but is also back at the Pre-American Rescue Plan amounts of $1,050 with one child and $2,100 with two or more kids. The Earned Income Tax Credit was adjusted for inflation and is up to $7,430 with three or more kids.

# Navigating Taxes when Relationships Change

*In tax year 2022, 87% of those who moved into the Married Filing Jointly filing status saw an AGI increase of 10% or more.*

Between Tax Year 2021 and Tax Year 2022, 94.7% of tax filers included in the Tax Trends Report analysis remained in the same filing status year over year. For the 5.3% who did have a change of status, income taxes may significantly change.

## Filing Status Matrix

Each cell respresents a possible Tax Year 2021 to 2022 filing status combination and the percentage of total tax filers that falls into each

| Tax Year 2022 \ Tax Year 2021 | Head of Household | Married Filing Jointly | Married Filing Separately | Single |
|---|---|---|---|---|
| Head of Household | 14% | 0.2% | .09% | 1.5% |
| Married Filing Jointly | .3% | 31% | .25% | .85% |
| Married Filing Separately | .13% | .14% | 1.7% | .44% |
| Single | 1.1% | .21% | .14% | 48% |

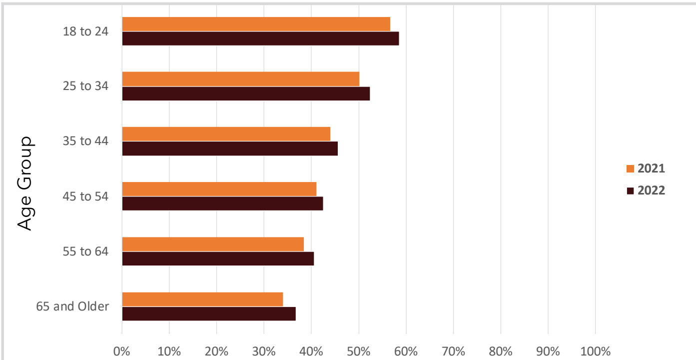
Transitioning from a single filer to filing jointly with a spouse (or vice versa) can affect tax outcomes. Depending on the combined income of the primary tax filer and spouse, tax filers may find themselves in a higher or lower tax bracket. In tax year 2022, 87% of those who moved into the Married Filing Jointly status saw an AGI increase of 10% or more. Intuitively, a change of status into Married Filing Jointly is associated with income growth more so than those who experience a change into single status.



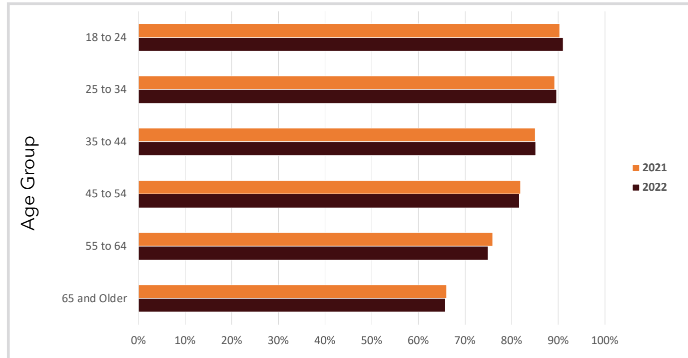
[1] Because tax filers are identified based on an anonymized ID for the primary filer, single filers who marry and become "spouse" filers in a joint return may be underrepresented in the data.

# Percent of Tax Filers with an AGI Increase: Filing Status Change

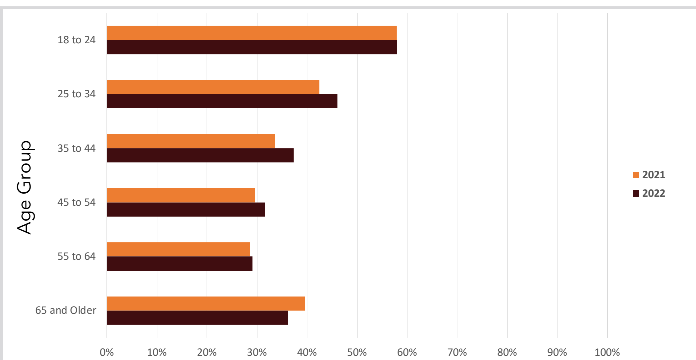
## Head of Household



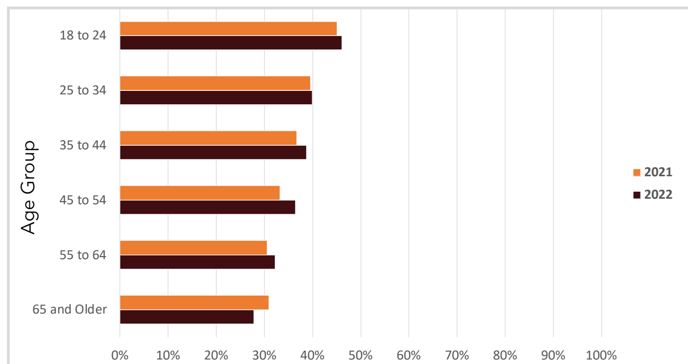

## Married Filing Jointly




## Married Filing Separately




## Single




# What This Means for Tax Filers in 2024

*Tax Implications of Marriage*

***Along with marital bliss, tax filers may also experience an increase in income. Based on our analysis, 87% of those filers moving to Married Filing Jointly status saw at least a 10% increase in adjusted gross income.*** Although the increase in income can move a couple into a new tax bracket, in general married couples who file jointly experience a more favorable tax outcome overall compared to single. This is because married filing jointly tax filers can earn higher income and claim more income based credits and deductions. They are also taxed at a lower tax rate for higher income. In addition, there are some tax deductions and credits that are not available when filing Married Filing Separately. While there are some cases in which Married Filing Jointly can lead to a higher tax bill, many married couples will reap benefits from filing jointly. Some of the benefits for married couples filing jointly include higher combined incomes being taxed at lower tax rates, higher standard deduction amounts, increased credit amounts, and more opportunities to claim tax benefits.

**Lower tax rates for married couples filing jointly.** Although newly married couples who file jointly may have a higher combined income than when they were single, they may be taxed less. Filing a joint return often means a married couple can make more and pay less taxes because they are taxed at a lower tax rate than a single person with the same income. For example, a single person with $50,000 in taxable income in 2023 will be taxed at a 22% tax rate, but if the same person marries someone earning $30,000 annually and their combined income is $80,000 they will be taxed at a 12% tax rate as long as they file jointly.

**Higher standard deduction amounts.** Although married couples' incomes are combined, when filing jointly a married couple will also be able to claim a higher standard deduction amount compared to filing separately or single, which will help their tax outcome. For tax year 2023, the standard deduction is $27,700 for Married Filing Jointly versus $13,850 for Married Filing Separately or Single. The combination of the higher standard deduction and more favorable tax rates at higher incomes will benefit a married couple filing jointly.

**Increased eligibility and amounts for tax benefits.** Many income-based tax benefits allow married filing jointly filers to earn more income for eligibility as well as increased credit or deduction amounts. For instance the Saver's Credit, the little known credit tax filers can get just for investing in their retirement, is up to $1,000 if they file as single and up to $2,000 if they file as married filing jointly. A married couple filing jointly making up to $43,500 AGI in 2023 can claim 50% of their contribution up to $2,000, but a married filing separately tax filer can only make up $21,750 AGI and claim 50% of their contribution up to $1,000. Although eligibility for many of the mentioned tax benefits are based on income, in addition to income requirements, only married couples filing jointly may be able to claim the Earned Income Tax Credit up to $7,430 (with some exceptions), the credit for adoption up to $15,950, thr American Opportunity Tax Credit up to $2,500, the Lifetime Learning Credit up to $2,000, and the Student Loan Interest Deduction up to $2,500, whereas a married couple filing separately generally will not reap these benefits. Investors who can offset up to $3,000 in capital losses against ordinary income would see half of that amount each if they file married filing separately. There could be a case where investments only belong to one spouse, so only the spouse who is the investor would be able to offset $1,500; whereas if the couple filed married filing jointly they would be able to offset up to $3,000 against ordinary income. Married couples who plan to gift property (including money) can gift $17,000 each in 2023 without being subject to gift tax for a total of $34,000 as opposed to $17,000 as a single filer.

While there can be what is called a "marriage penalty," when two high income earners get married and file jointly, most married couples find better tax outcomes filing jointly due to the overall combination of the tax benefits mentioned.

# Investing

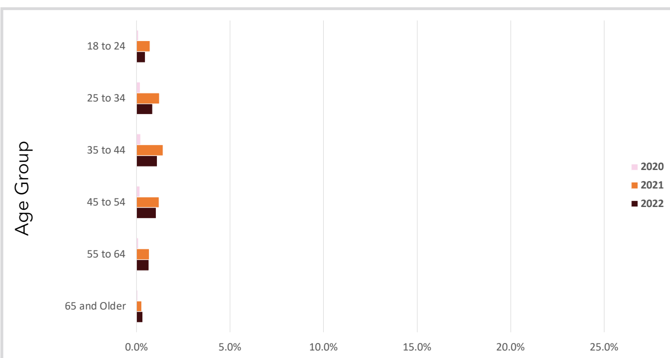
## Reporting of Crypto Transactions Falls as Crypto Loses Value

*In tax year 2022, 2.34% of tax filers included cryptocurrency transactions in their returns, compared to just under 3% the prior year.*

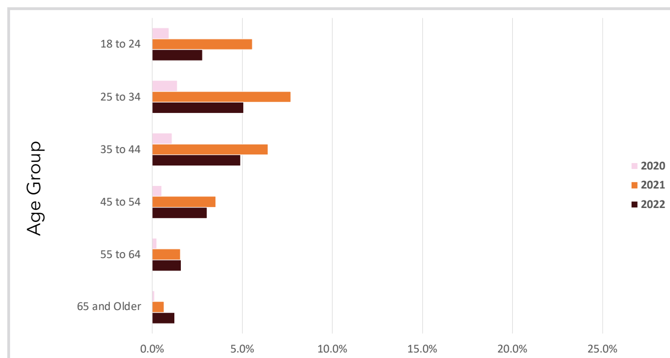
Tax filers who sell crypto for more than they paid for it may be subject to capital gains tax on the profit. However, those who sold crypto in 2022, may have experienced a loss. According to [CNBC](), the value of Bitcoin fell 63% in 2022. In Tax Year 2021, there was a noticeable increase in reporting of cryptocurrency transactions in individual tax filings, most prominently for the 25-34 age group, in concordance with the rise in cryptocurrency sales.. In Tax Year 2022, the percentage of tax filers reporting crypto transactions was still highest for this group, but has gradually declined across nearly all age groups.

### Percent of Tax Filers with Crypto Transactions (Age)

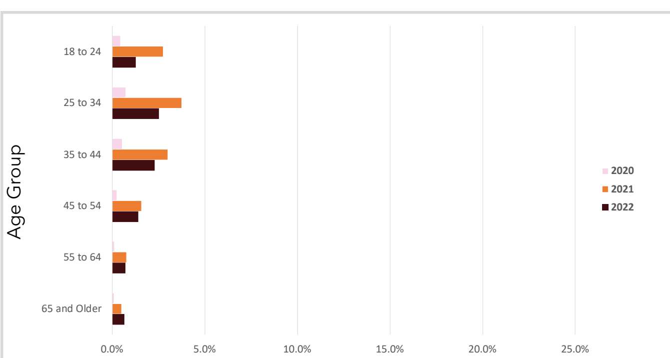
**Head of Household**



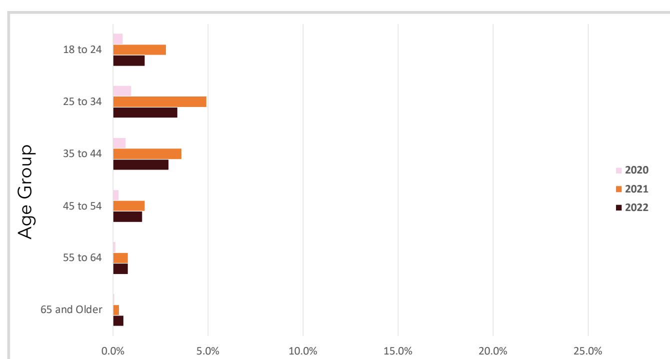

**Married Filing Jointly**




**Married Filing Separately**




**Single**




The decline in crypto values in 2022 may be correlated with the reduction in crypto sales. The decline may have also led to losses when tax filers sold their crypto.



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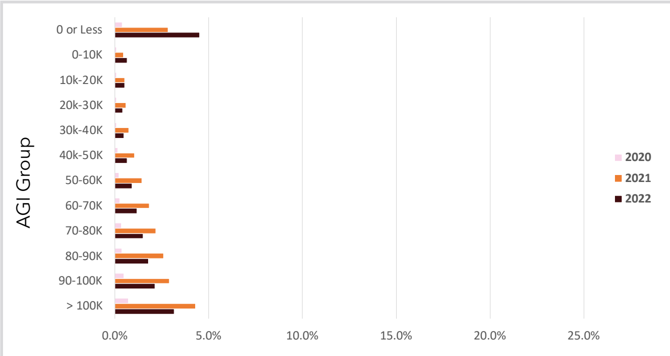
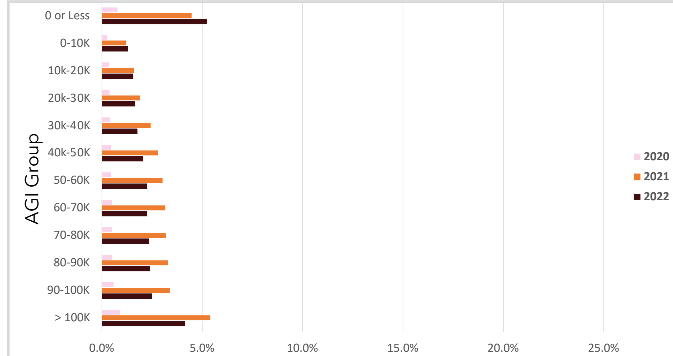
# Percent of Tax Filers with Crypto Transactions (AGI)

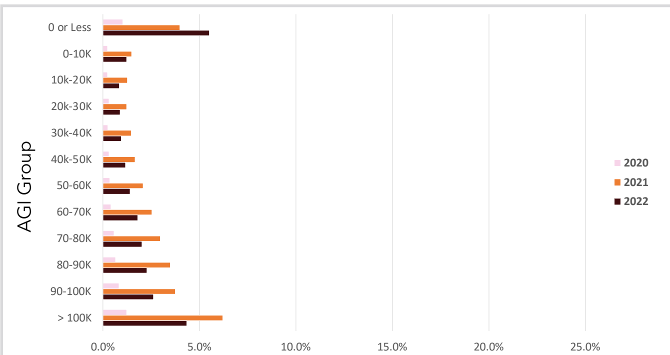
### Head of Household



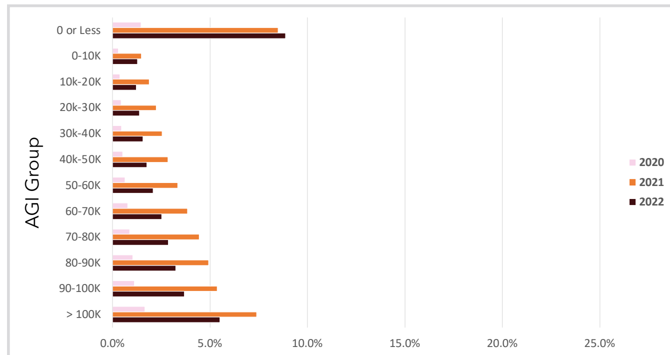

### Married Filing Jointly




### Married Filing Separately




### Single




While reporting of crypto transactions was down in tax year 2022, the percentage of the lowest income (AGI of the lowest income group) tax filers with cryptocurrency transactions included in their returns grew. A 2021 report from the Federal Reserve found that for some, digital currencies serve as an alternative for low income individuals who lack financial access. According to the study, 60% who used crypto for transactions had annual incomes of $50,000 or less.

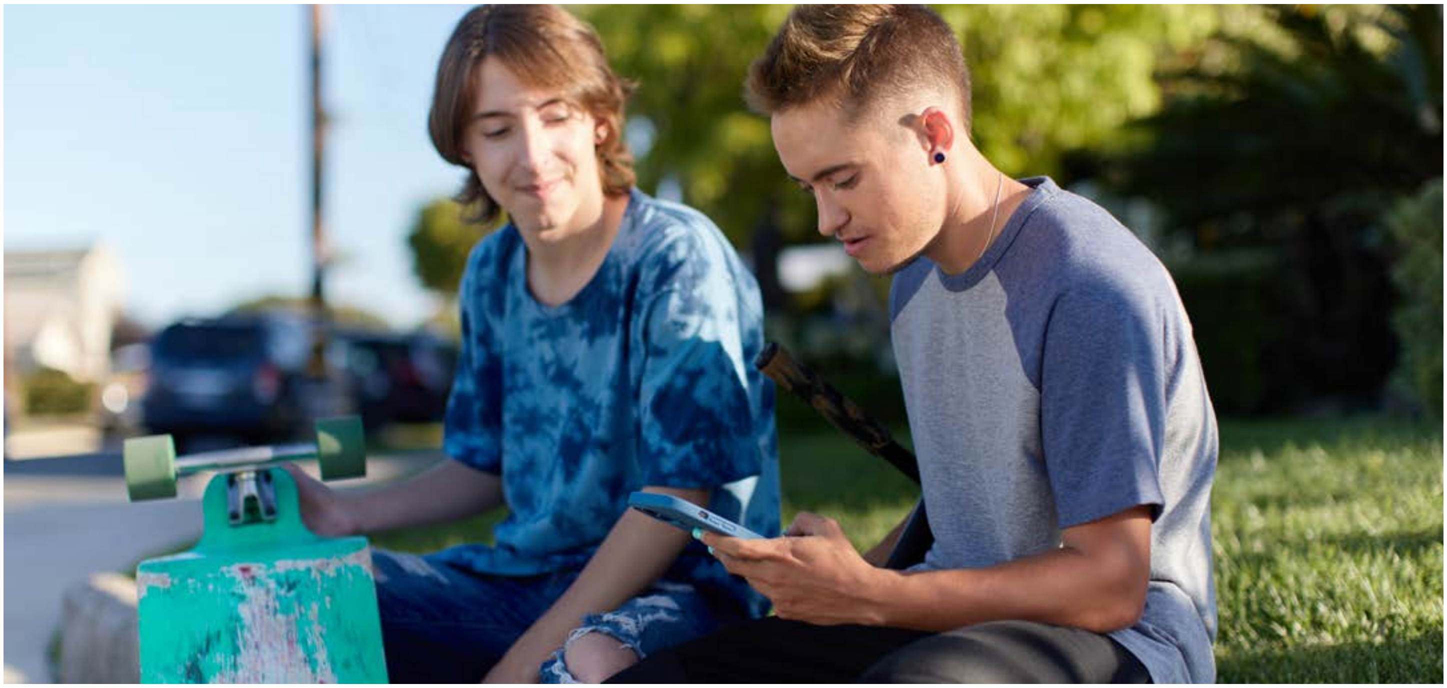
## What This Means for Tax Filers in 2024

*Decrease in Crypto Reporting and Tax Implications of Lower Crypto Values. Given the crypto trends in 2022, what tax trends are expected for tax year 2023?*

Crypto values continued to decline in 2023. While most investors aim to maximize gains, if a filer sold crypto at a loss in tax year 2023 (filing year 2024) they can offset their losses against capital gains. Tax filers may offset up to $3,000 in capital losses against ordinary income like wages, saving on taxes.  Any losses over $3,000 can be carried forward to future tax years. Tax filers should also check for carryover losses from the previous tax year so they don't miss out on offsetting them on their 2023 taxes.

Investors who sell their crypto for more than they purchased it will either have a long-term or short-term capital gain depending on how long they held the crypto, similarly to when stock is sold. Tax filers who sell crypto that they have held onto one year or less will have a short-term capital gain or loss. If they hold the crypto for more than one year and sell it, they will have a long-term capital gain or loss. Long-term capital gains will be taxed at rates that are in some cases lower than tax filers' ordinary tax rates based on income tax brackets. The long-term capital gains rates are 0%, 15%, 20%, depending on income. Short term capital gains tax rates are based on income tax bracket rates. For example, if you're in the 22% income tax bracket, then your short term capital gains tax rate is 22%.

In previous years, many tax filers have been confused about when to report crypto transactions or how to track their transactions. In 2021 the IRS updated questions on Form 1040 helped clarify which virtual currency transactions should be reported. Together with TurboTax education, tools, and expertise, tax filers have more tools at their disposal to understand when and what to report.



## What's on the horizon for crypto and taxes beyond tax year 2023?

The 2021 Infrastructure Bill included a measure that would require crypto platforms and brokers to report transactions of digital assets to the Internal Revenue Service (IRS) beginning in 2023. Many filers would receive a new Form 1099-DA for the first time in an effort to help end confusion involving digital assets and provide clear information and reporting certainty for taxpayers. However, in August 2023, proposed regulations delayed the reporting of sales and exchanges of digital assets like crypto until 2025. According to IRS director of digital assets Julie Foerster, it's estimated that the new form will result in 8 billion information returns sent to tax filers when implemented.

# Methodology

## Overview

Most analyses of personal and household economics in the United States are drawn from surveys that rely on a limited number of respondents and non-validated, self-reported data. This study uses Federal income tax return data drawn from millions of anonymized TurboTax filed returns to provide a robust, data-driven view into the state of personal and household economics in the United States and how it's evolving over time.

Every year, millions of Americans use TurboTax to submit their Federal income tax returns. Many return year after year, facilitating longitudinal analyses while ensuring anonymization. This report leverages data from millions of tax returns to measure changes in income, employment, investing, and other personal finance topics.

## Data

Findings included in this report are drawn from 15 million US TurboTax anonymized returns, sampled to match the IRS tax filer base in the United States. To ensure consistency in year-over-year comparisons, all users included have filed their taxes using TurboTax every Tax Year since 2020. All data has been anonymized and aggregated in compliance with US tax regulation requirements.

## Sampling

Data from TurboTax anonymized returns was compiled for this report based on the IRS Statistics of Income (SOI) stratified probability samples of income tax returns for Tax Year 2020. The TurboTax sample population was proportionately matched to SOI data to the extent possible based on number and percentage of tax filers by income group, filing status, and age group. For cases in which the minimum number of samples could not be reached to match the relative size for a stratum, a randomized sampling approach was applied. This stratified sampling approach results in a sample that reflects the general US population as closely as possible without synthesizing, simulating, or otherwise manipulating the data.

The tables below show the proportion of tax filers in each group reported by SOI for Tax Year 2020 in comparison with the proportions of the sample of TurboTax customers used in this study. Where TurboTax user data is lower in percentage, segments may be underrepresented, most notably in the highest income brackets and the 65+ age group

The sample population for Tax Year 2020 is the same population represented by Tax Year 2021 and 2022 data. Using the same sample selection throughout ensures consistency needed to accurately report longitudinal trends as it reduces potential bias introduced by shifts in the mix of tax filer characteristics.

| Income | IRS | TurboTax Sample |
|---|---|---|
| No adjusted gross income | 3.20% | 1.12% |
| $1 under $5,000 | 6.30% | 5.52% |
| $5,000 under $10,000 | 6.15% | 5.94% |
| $10,000 under $15,000 | 6.44% | 6.26% |
| $15,000 under $20,000 | 6.10% | 6.19% |
| $20,000 under $25,000 | 5.92% | 6.17% |
| $25,000 under $30,000 | 5.79% | 6.12% |
| $30,000 under $40,000 | 10.21% | 11.04% |
| $40,000 under $50,000 | 8.00% | 8.53% |
| $50,000 under $75,000 | 13.75% | 14.44% |
| $75,000 under $100,000 | 8.75% | 9.31% |
| $100,000 under $200,000 | 13.64% | 14.36% |
| $200,000 under $500,000 | 4.63% | 4.50% |
| $500,000 under $1,000,000 | 0.75% | 0.43% |
| $1,000,000 under $1,500,000 | 0.17% | 0.04% |
| $1,500,000 under $2,000,000 | 0.07% | 0.01% |
| $2,000,000 under $5,000,000 | 0.10% | 0.01% |
| $5,000,000 under $10,000,000 | 0.02% | 0.00% |
| $10,000,000 or more | 0.02% | 0.00% |

Table 1. Distribution of tax filers based on Adjusted Gross Income group, IRS Statistics of Income and TurboTax sample for Tax Year 2020.

| Status | IRS | TurboTax Sample |
|---|---|---|
| Head Of Household | 13.06% | 15.35% |
| Married Filing Separately | 2.38% | 2.14% |
| Single | 50.9% | 51.61% |
| Married Filing Jointly* | 33.66% | 30.90% |

* Includes Qualifying Widowers
Table 2. Distribution of tax filers based on filing status, IRS Statistics of Income and TurboTax sample for Tax Year 2020.

| Age Range | IRS | TurboTax Sample |
|---|---|---|
| Under 26 | 16.12% | 20.43% |
| 26 Under 35 | 18.41% | 23.00% |
| 35 Under 45 | 17.08% | 20.23% |
| 45 Under 55 | 15.41% | 16.14% |
| 55 Under 65 | 15.07% | 12.30% |
| 65 and Over | 17.91% | 7.91% |

Table 3. Distribution of tax filers based on age group, IRS Statistics of Income and TurboTax sample for Tax Year 2020.

# Metrics

## Income

Income is measured as Adjusted Gross Income (AGI), defined by the IRS as "gross income minus adjustments to income." Gross income includes your wages, dividends, capital gains, business income, retirement distributions as well as other income".

### Median AGI

Median AGI was calculated as the 50th percentile of AGI by tax filing status in combination with age group, region, and occupation.

### Percent of Tax Filers with Increase/Decrease in AGI

Increases and decreases in AGI were calculated by comparing each tax filer's AGI to that of the prior year. Tax filers were classified as seeing an increase in AGI if there was an increase of 10% or more in their AGI amount. Similarly, tax filers were classified as having a decrease if there was a 10% or greater decline in AGI amount. Year-over-year changes for those who changed filing status (such as filing single to married filing jointly) are considered separately from those who had the same filing status year-over-year.

## Employment

Form W-2 provides tax information from employers related to earnings, tax withholding, benefits, and other details. A tax filer who worked as an employee in a given year will receive a W-2 from their employer.

### Percent of Tax Filers with a W-2

The percentage of tax filers with a W-2 is calculated by identifying those tax filers who reported at least one W-2 with their tax return in a given tax year.

### Percent of Employed Tax Filers with a Change of Employer

Form W-2 includes an Employer Identification Number (EIN) that uniquely identifies that employer. Tax filers who reported a change of employer in a given tax year are identified as those tax filers who 1) received at least one W-2 in a given tax year as well as the year prior, and 2) had at least one difference in EINs year-over-year. A change in filing status from single to married can mean combining two incomes and the allocation of income between those in the household is not possible, thus the analysis considers those with a change separately.

### W-2 Forms per Tax Filer

The total number of W-2 forms is divided by the total number of tax filers to arrive at W-2 forms per Tax Filer.

## Crypto

### Percent of Tax Filers with Crypto Transactions

Virtual currency is a digital representation of value that functions as a medium of exchange, unit of account, or store of value. In some environments, it operates like real currency like coins and paper money. Cryptocurrency utilizes cryptography to validate and secure digitally recorded transactions on a distributed ledger like a blockchain.

IRS guidance issued in 2014 explained that virtual currency like Bitcoin should be treated as property instead of currency for U.S. Federal tax purposes, and general tax principles applicable to property transactions apply to transactions using virtual currency for federal income tax purposes. This means that the same rules that apply to property transactions like the sale of stocks apply to virtual currency. Tax filers are identified as reporting cryptocurrency transactions if cryptocurrency gains or losses are reported on Form 1040, Schedule D, and Form 8949.

## Self-Employment (1099-NEC and 1099-K)

Form 1099-NEC is used to report nonemployee compensation, such as money earned from self-employment. Form 1099-K, Payment Card and Third-Party Network Transactions, is an IRS information return used to report certain payment transactions, including those from payment cards (e.g., debit, credit, or stored-value cards) and third-party payment network transactions above the minimum reporting thresholds.

### Percent of Tax Filers with a 1099-NEC or 1099-K form

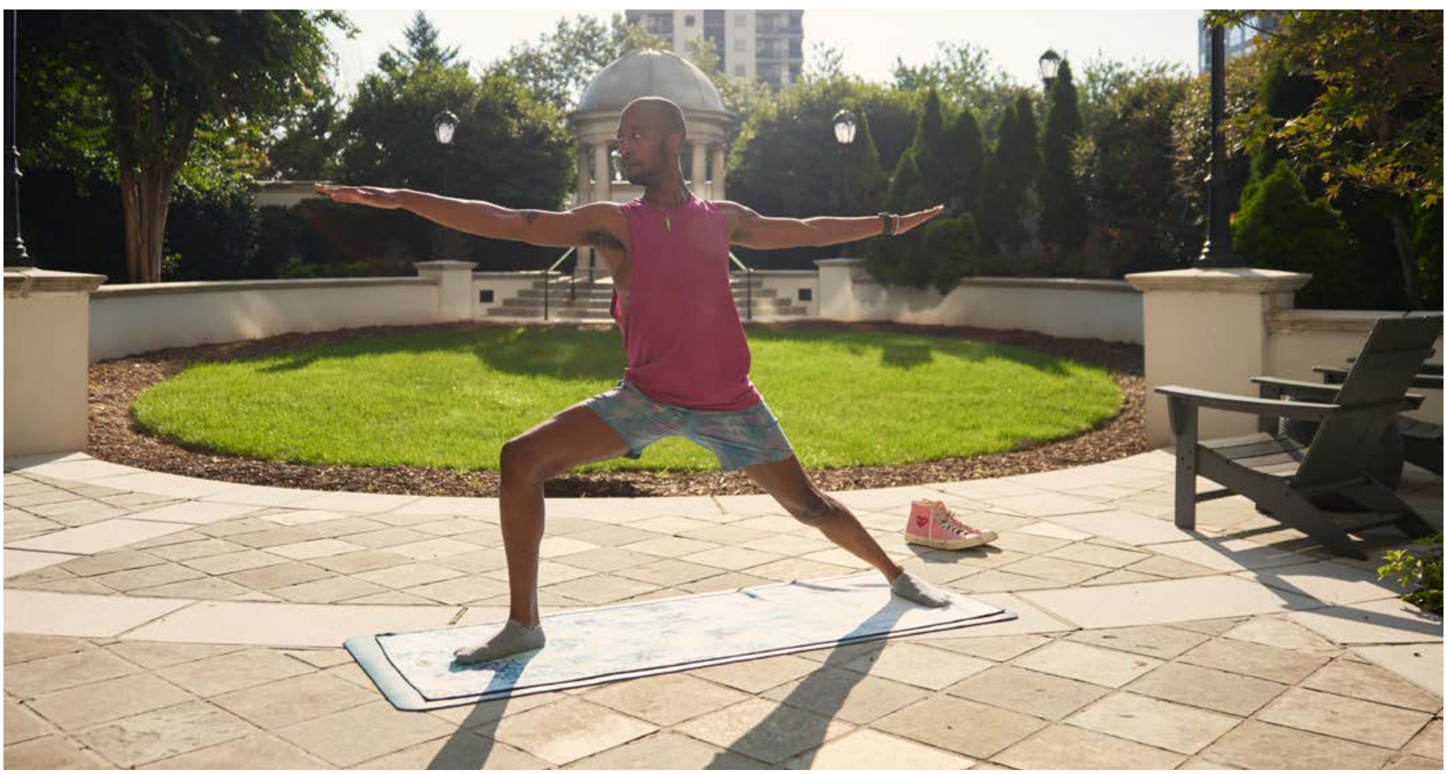
The percent of tax filers with a form 1099-NEC or 1099-K is calculated by dividing the total number of tax filers with at least one form 1099-NEC or 1099-K by the total number of filers overall.

## Refund

If a tax filer's total tax payments are greater than the total tax, they may receive a refund.

### Percent of Tax Filers with a Refund

The percent of tax filers with a refund is the total number of tax filers who received a refund divided by the total number of filers overall.



# Dimensions

## Filing Status

A tax filer's filing status is used to determine their individual tax filing requirements, standard deduction, eligibility for credits, and tax amount. The below filing statuses are applied as dimensions throughout this report. See IRS publication 501 for more details on filing status.

### Single

A single filer is someone considered unmarried who doesn't qualify for another filing status.

### Head of Household

A head of household is someone who is considered unmarried, pays for more than half of the household's expenses, and has a qualifying child or dependent.

### Married Filing Separately

A tax filer can choose married filing separately as their filing status if they are married. This filing status may benefit those who want to be responsible only for their own tax or if it results in less tax than filing a joint return.

### Married Filing Jointly

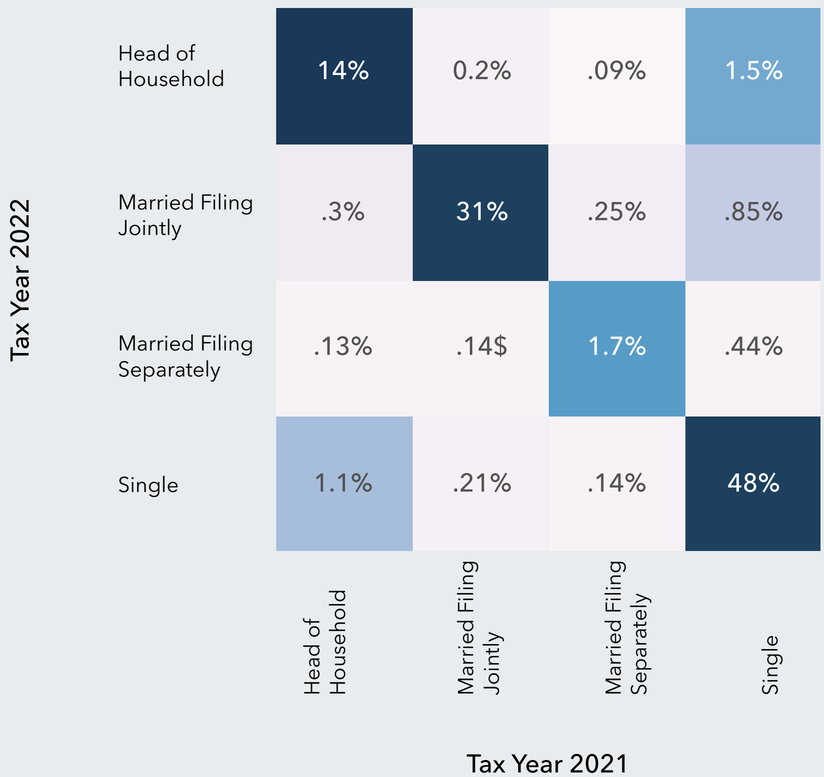
A tax filer can choose married filing jointly as their filing status if they're considered married and both spouses agree to file a joint return. On a joint return, both spouses report their combined income and deduct combined allowable expenses. This filing status may benefit those who may have lower tax than the combined tax for the other filing statuses.

For year-over-year analyses, those who had a change of filing status are considered separately. A change in filing status from single to married can mean combining two individuals' tax forms, and the allocation between those in the household is not possible except in select cases, such as separating employment information by tax filer and spouse using data from W-2 forms. Because 94.7% of tax filers remain in the same filing status as that of the prior year, the same-status results are largely representative of the general tax filer population sample used in this study (Matrix 1). While the body of the report focuses primarily on those who do not change status for year-over-year change assessments, the small population of status changers is included in the full set of figures to better understand this group.

Due to small sample sizes, Qualifying Widower status is not reported in the findings of this study.

### Filing Status Matrix

Each cell represents a possible Tax Year 2021 to 2022 filing status combination and the percentage of total tax filers that falls into each




## AGI Group

AGI categories are based on $10K AGI intervals, From $0 to $100K. Any tax filer with an AGI over $100K is included in the $100K or above category.

## Age Group

Tax data is presented by age group according to seven possible categories:
17 or Younger
18 to 24
25 to 34
35 to 44
45 to 54
55 to 64
65 and Older

Due to small sample sizes, most results presented in this report do not include the "17 or younger" category.

## Region

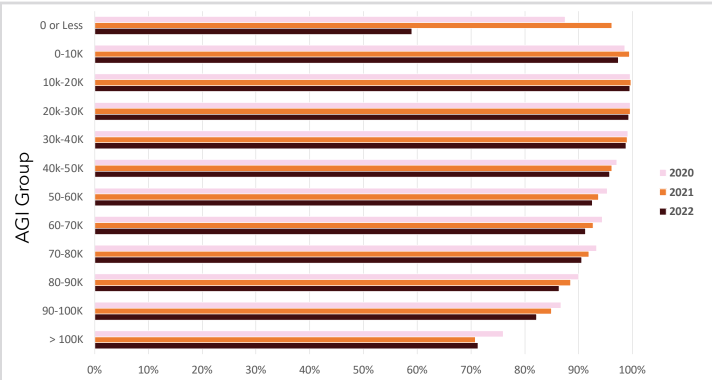
Regions are defined by the U.S. Census Bureau, and include West, Midwest, South, and Northeast.

# Figures

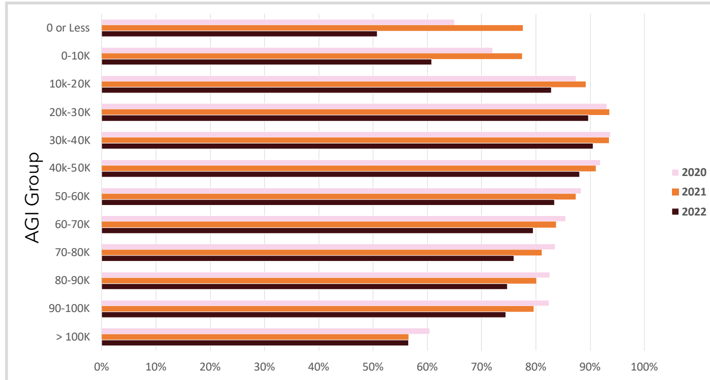
## Refunds

### Percent of Tax Filers with Refunds

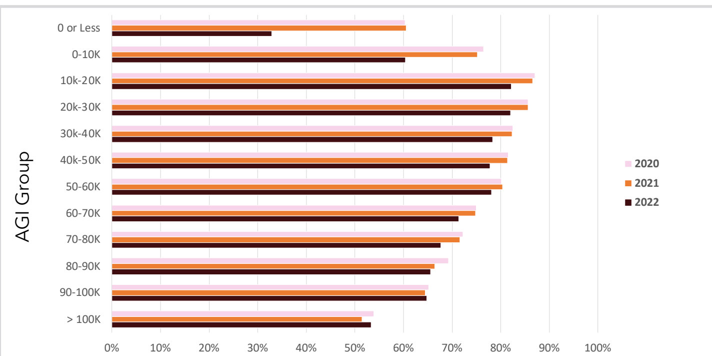
#### Head of Household



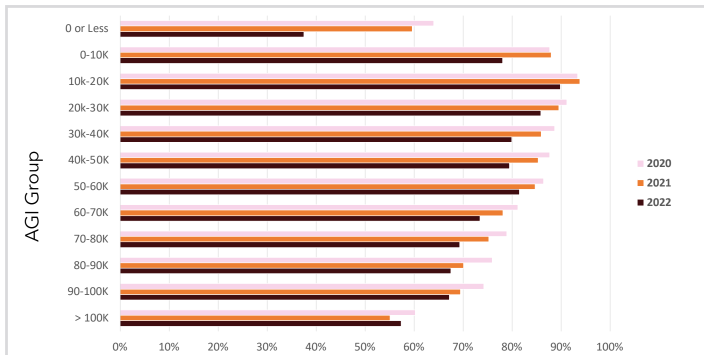

#### Married Filing Jointly



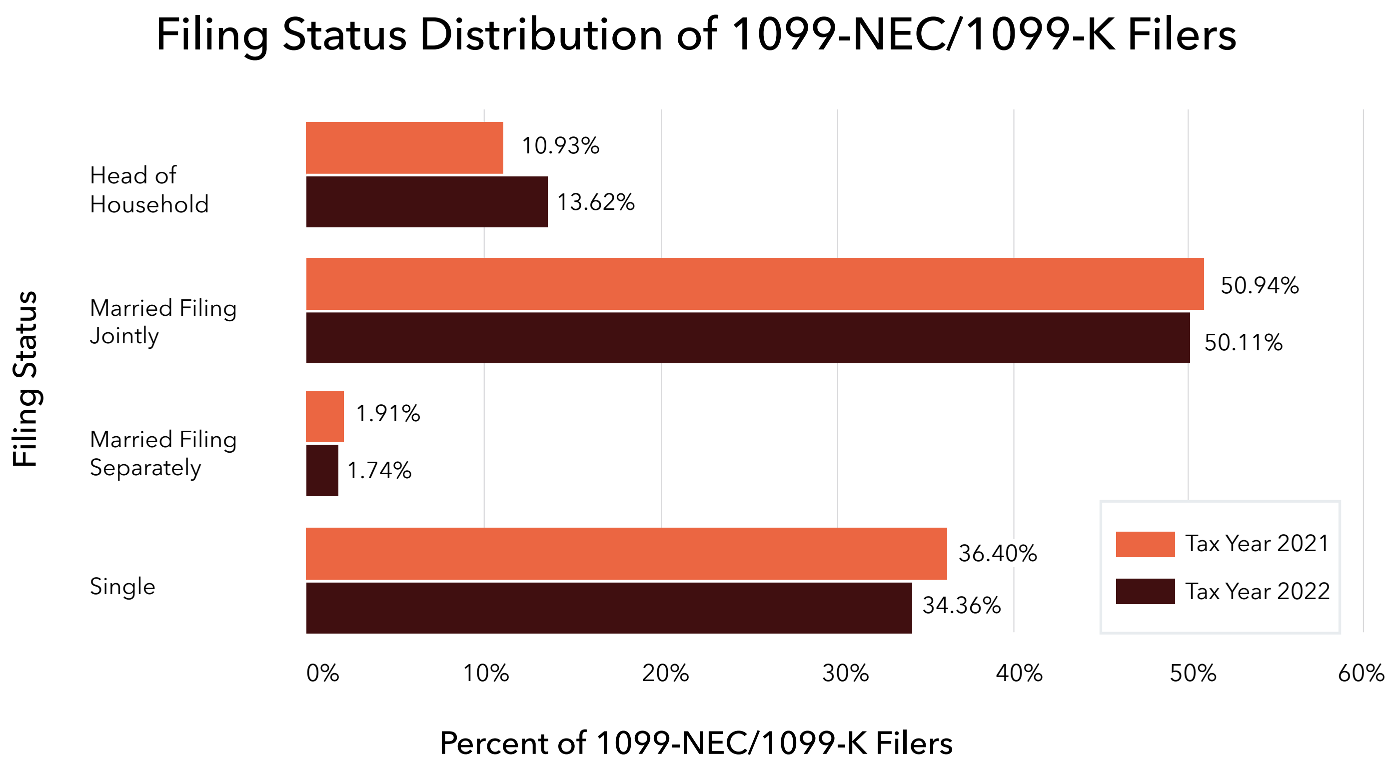

#### Married Filing Separately



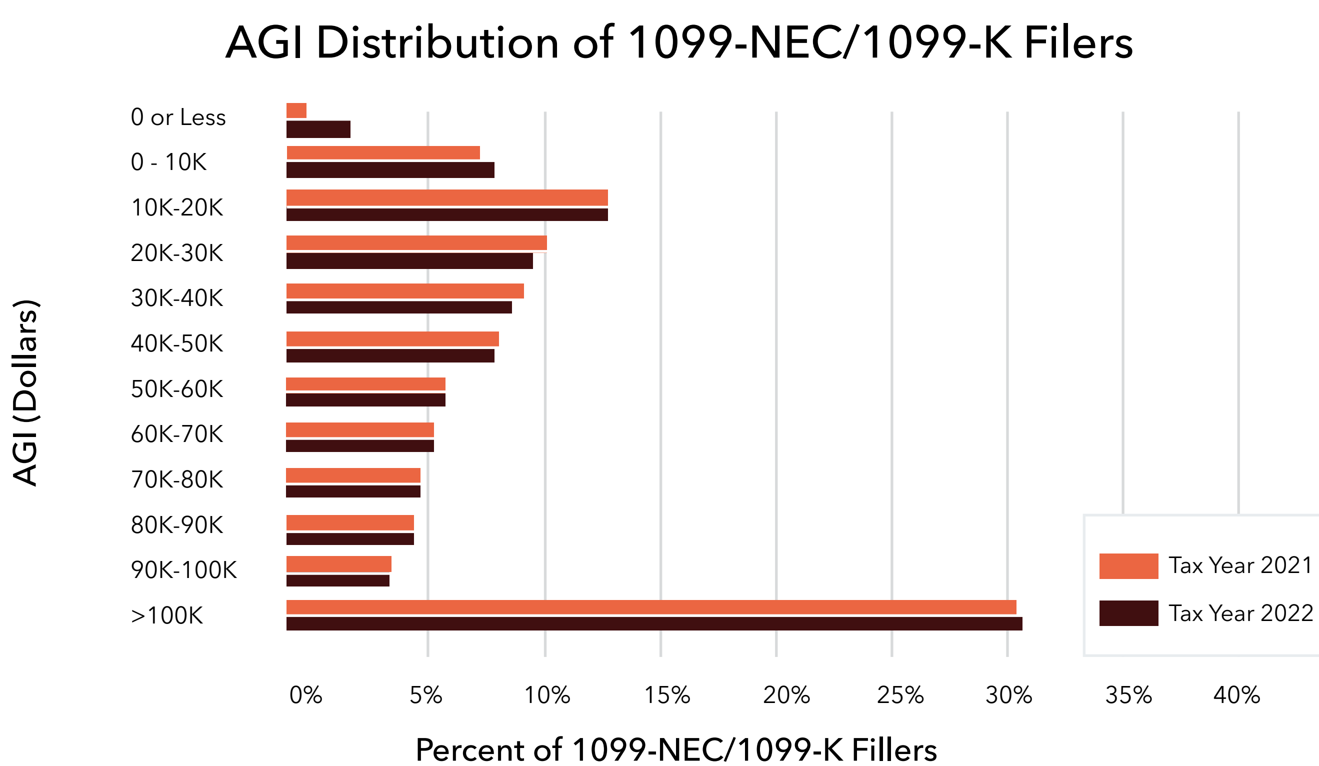

#### Single




0% 10% 20% 30% 40% 50% 60%



Filing Status Distribution of 1099-NEC/1099-K Filers
Filing Status
Head of Household
Married Filing Jointly
Married Filing Separately
Single
10.93%
13.62%
50.94%
50.11%
1.91%
1.74%
36.40%
34.36%
Tax Year 2021
Tax Year 2022
0%
10%
20%
30%
40%
50%
60%
Percent of 1099-NEC/1099-K Filers

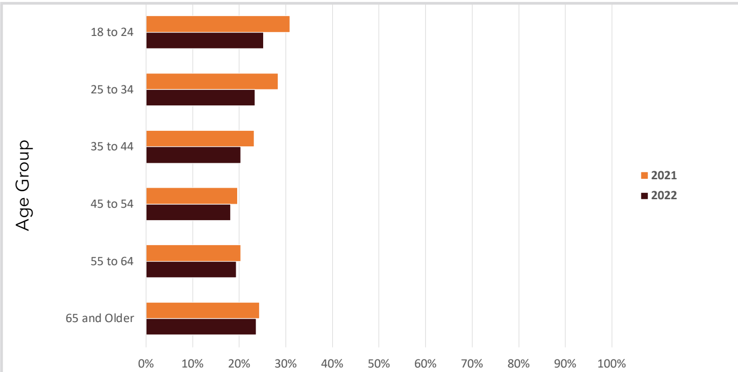



AGI Distribution of 1099-NEC/1099-K Filers
AGI (Dollars)
0 or Less
0 - 10K
10K-20K
20K-30K
30K-40K
40K-50K
50K-60K
60K-70K
70K-80K
80K-90K
90K-100K
>100K
Tax Year 2021
Tax Year 2022
0%
5%
10%
15%
20%
25%
30%
35%
40%
Percent of 1099-NEC/1099-K Fillers

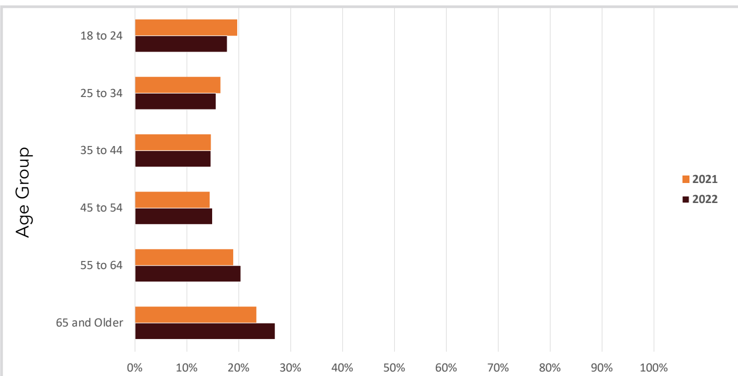
# Income

## Percent of Tax Filers with an AGI Decrease: No Filing Status Change

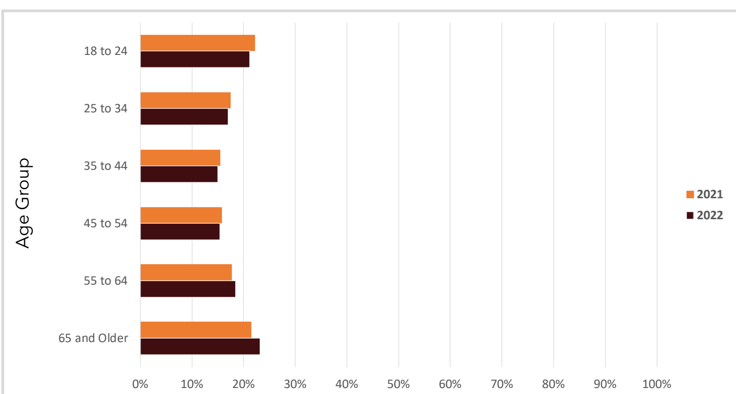
### Head of Household



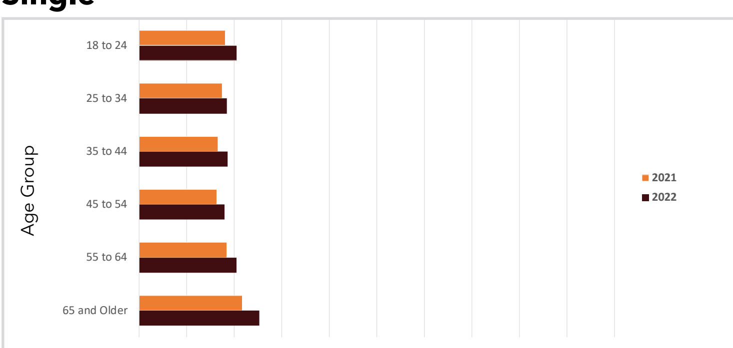

### Married Filing Jointly




### Married Filing Separately




### Single



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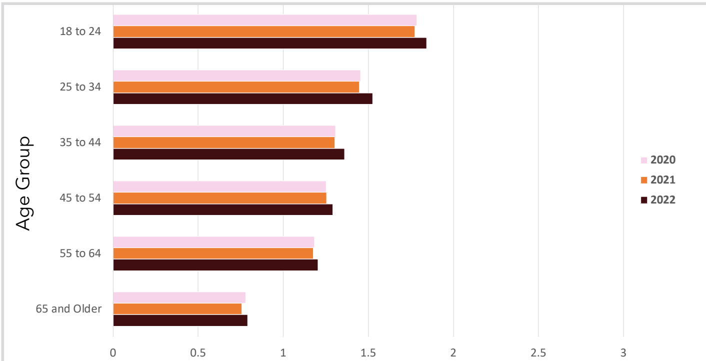
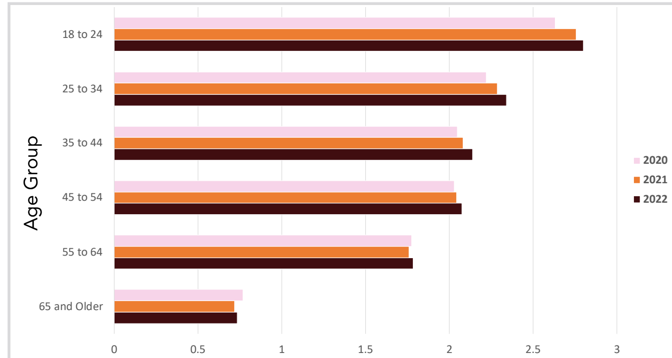
# Income

## W-2 Forms Per Tax Filer

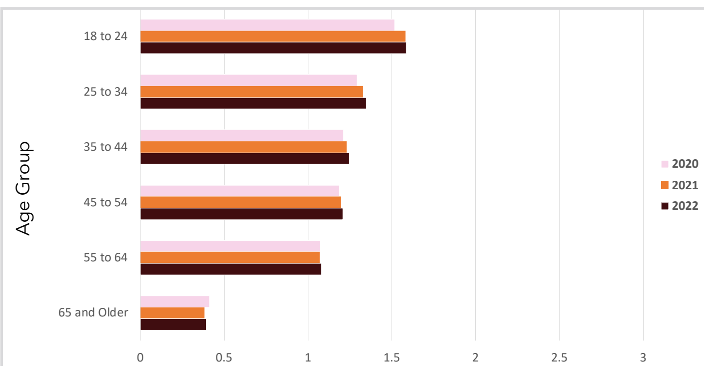
### Head of Household



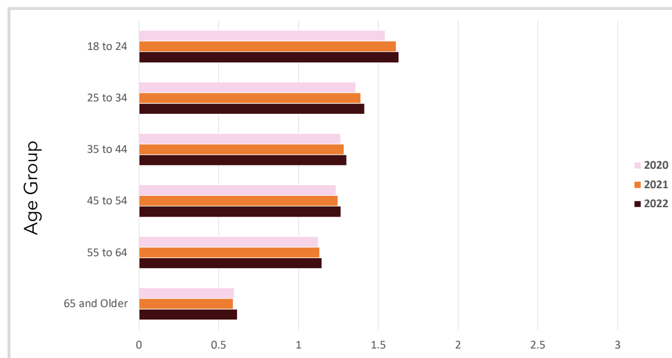

### Married Filing Jointly



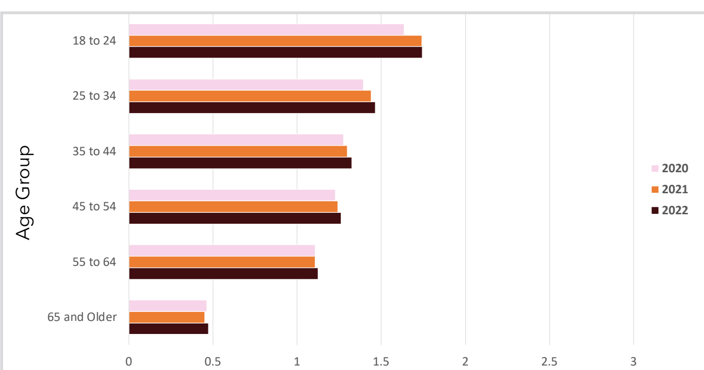

### Married Filing Jointly - Split




### Married Filing Separately




### Single



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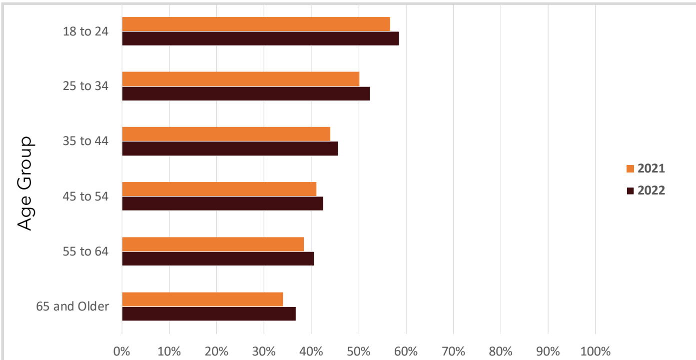
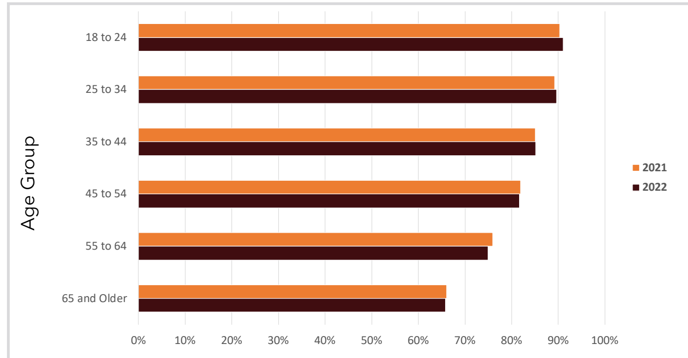
# Percent of Tax Filers with an AGI Increase: Filing Status Change

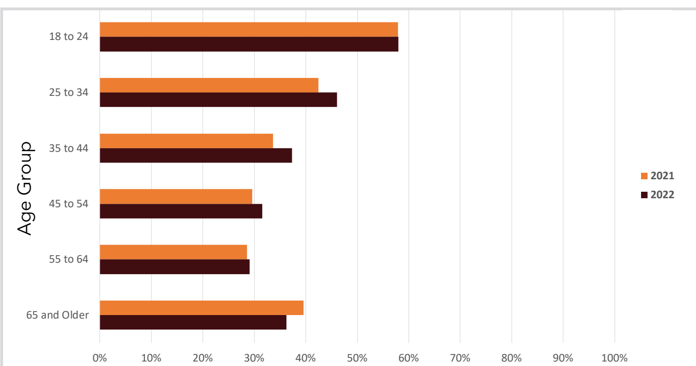
## Head of Household



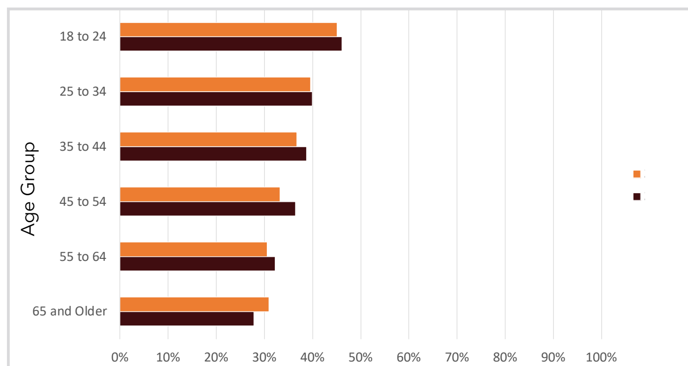

## Married Filing Jointly




## Married Filing Separately




## Single



# Filing Status Matrix

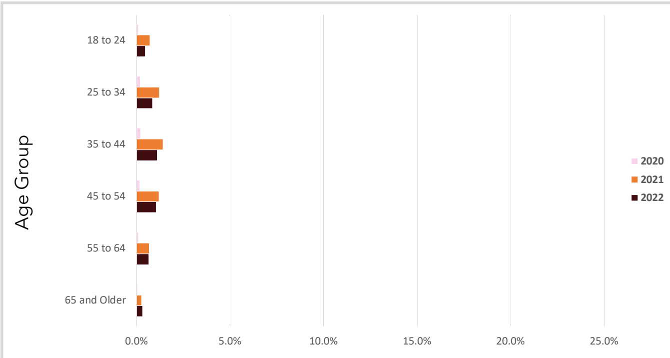
Each cell represents a possible Tax Year 2021 to 2022 filing status combination and the percentage of total tax filers that falls into each

| Tax Year 2022 \ Tax Year 2021 | Head of Household | Married Filing Jointly | Married Filing Separately | Single |
|---|---|---|---|---|
| Head of Household | 14% | 0.2% | .09% | 1.5% |
| Married Filing Jointly | .3% | 31% | .25% | .85% |
| Married Filing Separately | .13% | .14% | 1.7% | .44% |
| Single | 1.1% | .21% | .14% | 48% |

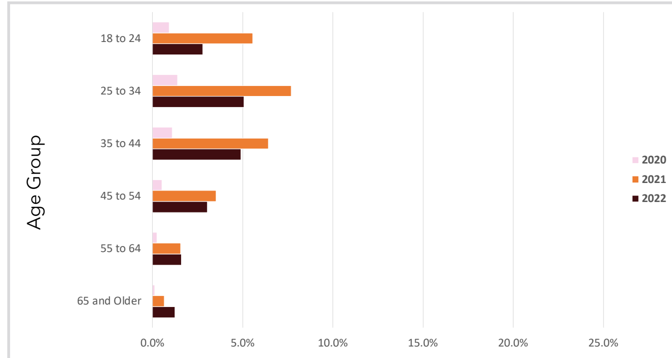
# Investing

## Percent of Tax Filers with Crypto Transactions (Age)

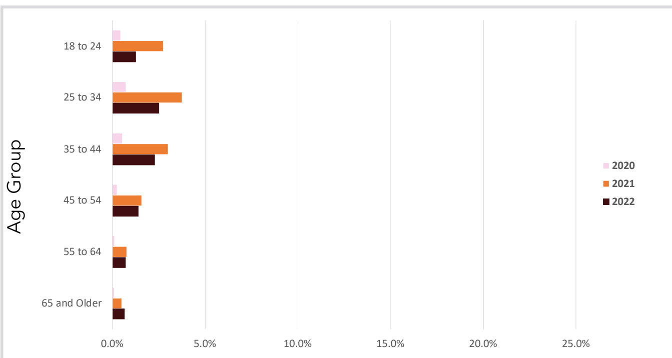
### Head of Household



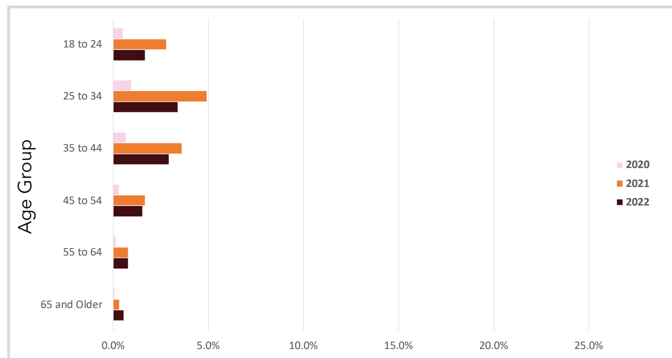

### Married Filing Jointly




### Married Filing Separately

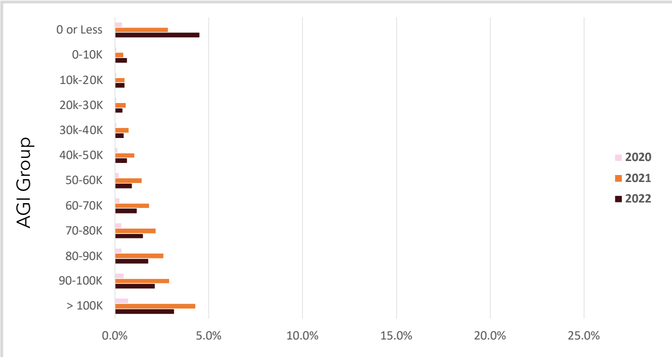



### Single

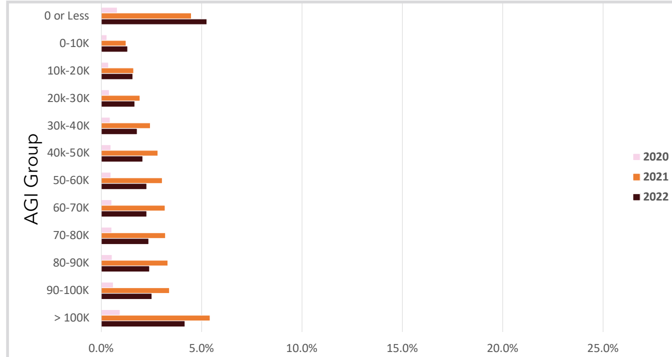


# Percent of Tax Filers with Crypto Transactions (AGI)

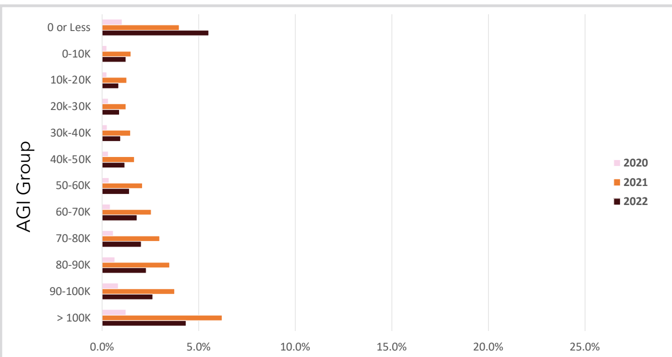
## Head of Household



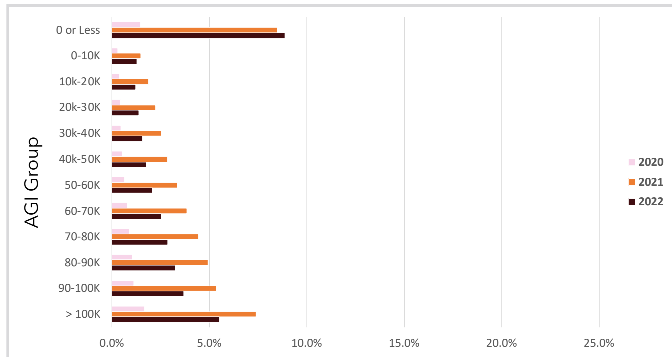

## Married Filing Jointly




## Married Filing Separately




## Single






INTUIT turbotax

# Dimensions

## Filing Status Matrix

Each cell represents a possible Tax Year 2021 to 2022 filing status combination and the percentage of total tax filers that falls into each

| Tax Year 2022 \ Tax Year 2021 | Head of Household | Married Filing Jointly | Married Filing Separately | Single |
|---|---|---|---|---|
| Head of Household | 14% | 0.2% | .09% | 1.5% |
| Married Filing Jointly | .3% | 31% | .25% | .85% |
| Married Filing Separately | .13% | .14$ | 1.7% | .44% |
| Single | 1.1% | .21% | .14% | 48% |