



Cynthia Walko
Certified Public Accountant

2023 Tax Time is Here!
Please Make Your Appointment as Soon as Possible

As we start, 2024 and leave 2023 behind, I wish you a Happy New Year and thank you for your business.

To ensure accurate completion of your return, please be sure to provide all information as timely as possible, including forms W-2s, 1099s, 1095 and 1098 year end investment statements. As well as any other information that may affect your tax situation. The deadline for filing form 1040 is April 15, 2024.

See Attached Summary of 2023 Tax information

I look forward to seeing you and providing you with the professional advice necessary for filing your 2023 tax returns and preparing for a successful 2024.

Sincerely,

A handwritten signature in blue ink that reads "Cindy".

Cynthia Walko, CPA

Standard Deduction

The Tax Cuts and Jobs Act (TCJA) suspended the deduction for personal and dependent exemptions for tax years through 2025. Instead, the basic standard deduction amounts for 2023 are as follows:

Filing Status	Standard Deduction
Single	\$13,850
Married, filing separately	\$13,850
Married, filing jointly (Including surviving spouses)	\$27,700
Head of household	\$20,800

If you are at least 65 years old or blind, you can claim an additional 2023 standard deduction of \$1,850 (also \$1,850 if using the single or head of household filing status). If you are both 65 and blind, the additional deduction amount is doubled. Note that the \$600 deduction for charitable contributions for non-itemizers was eliminated beginning in tax year 2022.

Itemized Deductions

The substantial increase to the standard deduction and modifications to itemized deductions means fewer individual taxpayers will benefit from itemized deductions. For the vast majority of married taxpayers filing jointly, only those with total allowable mortgage interest, state and local income/property taxes, and charitable deductions exceeding \$27,700 will claim them as itemized deductions (absent extraordinary medical expenses).

The TCJA makes significant changes to popular itemized deductions, including the following changes relevant to families:

Mortgage interest deduction – The itemized deduction for home mortgage interest is limited to interest on \$750,000 of acquisition indebtedness (\$375,000, in the case of married taxpayers filing separately) for tax years through 2025 if the loan was used to buy, build, or improve your home. The same rules apply for the home equity loans and lines of credit (HELOC) interest tax deduction.

State and local taxes – The itemized deduction for all nonbusiness state and local taxes is limited to \$10,000 (\$5,000 for married taxpayers filing a separate return) for tax years through 2025. Property taxes are included in this limitation. Sales taxes may be included as an alternative to claiming state and local income taxes.

Charitable contributions – 100% of charitable contribution to qualifying charities may be deducted for taxpayers who itemize deductions. Limitations still apply for donations of non-cash items.

Miscellaneous itemized deductions – For tax years through 2025, all miscellaneous itemized deductions are eliminated.

Medical expenses – The threshold to claim an itemized deduction for unreimbursed expenses paid for medical care is reduced to 7.5% of adjusted gross income (AGI) for all taxpayers regardless of age for tax years through and 2025.

Personal casualty and theft losses – For tax years through 2025, the itemized deduction for personal casualty and theft losses is limited to losses attributable to federally declared disasters.

Child Tax Credit, Earned Income Tax Credit, and Child and Dependent Care Credit

CTC – Similar to 2022, the 2023 child tax credit is worth up to \$2,000 per qualifying dependent under the age of 17.

EITC – The taxpayer can reference the chart below to determine the maximum adjusted gross income amount (based on filing status and number of children/relative(s) claimed) allowable for the taxpayer to receive an Earned Income Tax Credit in the last column:

Children or Relatives Claimed	Filing as Single, Head of Household, or Widowed	Filing as Married Filing Jointly	Maximum Credit Amount
Zero	\$16,480	\$22,610	\$560
One	\$43,492	\$49,622	\$3,733
Two	\$49,399	\$55,529	\$6,164
Three	\$53,057	\$59,187	\$6,935

Investment income limit - \$10,300 or less.

The Child and Dependent Care Credit – updated to a maximum of \$3,000 for one qualifying dependent (\$6,000 for two or more) for 2023.

Required minimum distributions (RMDs)

RMDs are the minimum amount you must annually withdraw from your retirement accounts (e.g., 401(k) or IRA) if you meet certain criteria. The passage of the SECURE 2.0 Act raised the age that you must begin taking RMDs. **You must take your first RMD by April 1 of the year following the year you turn 73.** Planning ahead to determine the tax consequences of RMDs is important, especially for those who are in their first year of RMDs. Additionally, beneficiaries must withdraw all assets of an inherited retirement account within 10 years. There are no required minimum distributions within those 10 years, but the entire balance must be distributed after the 10th year.

Standard mileage rates

Beginning January 1, 2023, the standard mileage rates used to calculate the deductible costs of operating a car (also vans, pickups or panel trucks) are 65.5 cents per mile for business use.

Student loan interest deduction

With student loan payments having resumed in October 2023, some taxpayers who made payments will be able to claim the student loan interest deduction. If your modified adjusted gross income (MAGI) is less than \$85,000 (\$175,000 if filing a joint return), you may qualify for a reduction in the amount of your income subject to tax by *up to* \$2,500 depending on the amount of interest you paid off during 2023. **If you made any student loan payments (either for yourself, your spouse, or a dependent) in 2023, be sure to provide a copy of the student's 1098-E with your tax information.** These forms are available on your loan servicer's website if the interest you paid in 2023 met or exceeded \$600. Similarly, if you or a dependent took classes at a college or career school, **please bring a copy of the 1098-T** which is provided by the school. Generally, a copy can be printed from the student's online university portal.

Kiddie Tax Changed

The Tax Code imposes a "kiddie tax" on the unearned or investment income of children who are under 19 (under 24 if a student). Legislation has simplified the calculation of the kiddie tax on a child's unearned income above a certain amount (\$2,500 for 2023) by applying the tax rates applicable to trusts and estates.

Fraudulent activity remains a significant threat

Our firm takes data security seriously and we think you should as well. Fraudsters continue to refine their techniques and tax identity theft remains a significant concern. Beware if you:

- Receive a notice or letter from the IRS regarding a tax return, tax bill or income that doesn't apply to you
- Get an unsolicited email or another form of communication asking for your bank account number, other financial details or personal information
- Receive a robocall insisting you must call back and settle your tax bill

Make sure you're taking steps to keep your personal financial information safe. If you receive an unsolicited phone call, email, or text message from anyone who is claiming to be a representative for the IRS or any other tax enforcement agency or tax collection agency, **DO NOT TELL THEM ANYTHING. HANG UP, AND CALL OUR OFFICE IMMEDIATELY AT 901-682-1272.** If you receive any correspondence in the mail from anyone who is claiming to be a representative for the IRS or any other tax enforcement agency, please reach out to our offices as soon as possible. **AGAIN, DO NOT TELL THEM ANYTHING; DO NOT EVEN VERIFY YOUR NAME. HANG UP, AND CALL OUR OFFICE IMMEDIATELY.**

Virtual currency/cryptocurrency

Virtual currency transactions are becoming more common. There are many different types of virtual currencies, such as Bitcoin, Ethereum and non-fungible tokens (NFTs). The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services, or holding such currencies as an investment, generally has tax implications. We can help you understand those consequences.

Create a Flexible Tax Plan

Because all of the tax changes discussed above are interconnected, estimating the impact on individual taxpayers and families is challenging and requires a comprehensive tax planning strategy. When planning for the future, you should be mindful of the temporary nature of many of the tax law changes. Review this letter for items set to expire in 2025.

2023 Tax Brackets

Tax Rate	Single	Married Filing Jointly	Married Filing Separately
10%	\$0 - \$11,000	\$0 - \$22,000	\$0 - \$11,000
12%	\$11,001 - \$44,725	\$22,001 - \$89,450	\$11,001 - \$44,725
22%	\$44,726 - \$95,375	\$89,451 - \$190,750	\$44,726 - \$95,375
24%	\$95,376 - \$182,100	\$190,751 - \$364,200	\$95,376 - \$182,100
32%	\$182,101 - \$231,250	\$364,201 - \$462,500	\$182,101 - \$231,250
35%	\$231,251 - \$578,125	\$462,501 - \$693,750	\$231,251 - \$346,875
37%	\$578,126+	\$693,751+	\$346,876+