



Let's get some basics out of the way, like when you can file your return, when is the filing deadline for your 2023 tax return, and what the standard deduction is for this year. Once we have those out of the way, we can dig into some tax law changes, adjustments, and key things you need to know to help you easily file your taxes.

When can I file my 2023 tax return? (the taxes you file in 2024)

The IRS typically opens for the season in January, but Tolan Tax Services will be accepting returns and ready to help you prepare your tax return in early February. The deadline for filing your 2023 is midnight on Monday, April 15, 2024, unless you file for an extension. Extensions allow you to extend the deadline to file (not to pay the tax.) until October 15, 2024, but note that Tolan Tax

Services must have your documentation on or before August 15, 2024, if you intend to file with us unless we have a prior agreement.

What is the standard deduction for 2023 tax returns?

The standard deduction is adjusted for inflation every year, and for single taxpayers (and married individuals filing separately), the standard deduction increased \$900 from the previous year and rose to \$13,850 (\$27,700 for those married filing jointly). While for heads of households, the standard deduction will be \$20,800, up \$1,400.

Child Tax Credit

For tax year 2023, the Child Tax Credit benefits are as follows:

- Credit changed from up to \$3,600 under COVID relief in tax year 2021 to up to \$2,000.
- Each dependent child must be under age 17.
- No longer fully refundable but is refundable up to \$1,600.
- There were no advance payments issued for the tax year 2023.
- The credit is available if you earn up to \$200,000 as single taxpayer or head of household (or up to \$400,000 if you are a married couple filing jointly).

Child and Dependent Care Credit

Like tax year 2022, for tax year 2023, the Child and Dependent Care Credit provisions remain at what they were prior to COVID relief provided under the American Rescue Plan:

- Up to 35% of \$3,000 (\$1,050) of childcare expenses for your dependent child under 13, an incapacitated spouse or parent, or another dependent so that you can work or look for work.
- If you have two or more dependents, the credit will be up to 35% of \$6,000 in expenses (\$2,100).
- If you were able to take this credit in tax year 2021, the credit was increased considerably under COVID relief and was up to \$4,000 (50% of \$8,000) for one child and \$8,000 (50% of \$16,000) for two or more kids.
- These credits are subject to phaseouts based on income.

Earned Income Tax Credit

Earned Income Tax Credit (EITC) is a tax break for low- to moderate-income workers and families. This credit can reduce the taxes you owe and maybe even result in a bigger refund. For tax year 2023, this tax credit is worth up to \$7,430 for a family with three kids. Tax filers with no kids must be at least age 25 but under age 65 to claim the credit.

American Rescue Plan Provisions

Form 1099-K – Payment Card and Third-Party Network Transactions

These rules have been postponed to next year. The following will apply next year according to the IRS.

The American Rescue Plan of 2021 changed third party payment processors reporting requirements to payments processed exceeding \$600, which is down considerably from the original more than 200 transactions per year and exceeding an aggregate amount of \$20,000 reporting requirement; however, the IRS announced a delay in the lower reporting thresholds for third-party settlement organizations for tax year 2022(taxes filed in 2023). We expect the IRS to move forward with the over \$600 threshold for 2023 and the upcoming filing season unless Congress passes a law to change the requirement so you may see the Form 1099-K reporting income for the first time.

This is not a tax law change, but a change in the reporting requirement for third party payment processors. If you are self-employed, you were always supposed to report self-employment income if you had a net income of \$400 regardless of if you received a form. Don't forget, if you are self-employed, you can also deduct all of your expenses directly related to your business.

Inflation Reduction Act

The Inflation Reduction Act was signed into law in August 2022, with new tax provisions, extensions and expansions of tax benefits related to energy efficiency, healthcare, and corporate tax. Most of the provisions under the Inflation Reduction Act go into effect for tax year 2023.

The solar energy credit increased to 30% if you purchase residential energy efficient property, like solar panels and solar water heaters between January 1, 2022, through December 31, 2032.

The energy efficient home improvement credit amount was increased from up to 10% of the cost to up to 30% of the cost of certain qualified energy efficient improvements for tax year 2023 with the maximum you can claim being up to \$1,200 for certain energy efficient improvements and up to \$2,000 per year for qualified heat pumps, biomass stoves or biomass boilers.

The credit no longer has a lifetime dollar limit like the previous \$500 lifetime dollar limit.

If you purchased an electric vehicle, most of the changes under the Inflation Reduction Act are effective with electric vehicles purchased starting January 1, 2023. This dollar-for-dollar credit can reduce taxes you may owe by up to \$7,500. As of August 17, 2022 new electric vehicles must receive final assembly in North America. For the first time, beginning in tax year 2023, if you purchased a used electric vehicle, you may be eligible for a tax credit up to the lesser of \$4,000 or 30% of the sales price.

Whether you can take this credit for your electric vehicle purchase depends on your income, the price of the electric vehicle, and whether there was final assembly in North America.

Student Loan Payments

On June 14, 2023, the U.S. Department of Education announced that Congress passed a law that would prevent further extension of the student loan payment pause. As a result, student loan interest will resume starting on September 1, 2023 and payments will be due starting October 2023. You can deduct student loan interest up to \$2,500 on your taxes, again this is subject to income phaseouts.

What are some of the other adjustments to key amounts that impact my taxes?

Retirement Plan Contributions

The maximum contribution limit for 401K plans increased to \$22,500 for 2023 (\$30,000 if you are 50 and over). The maximum contribution limit for traditional and Roth IRAs increased to \$6,500 (\$7,500 if you are 50 and over). You can make a 2023 contribution to your IRA until the April deadline, and you may be able to take a deduction for the contribution amount on your 2023 taxes (the ones you file in 2024).

Health Savings Account

You can make contributions to your Health Savings Account up to \$3,850 for self-only coverage and up to \$7,750 for family coverage. Keep in mind, you may be able to deduct contributions you made directly to your health savings account at tax time.

Flexible Spending Account

You can make a contribution up to \$3,050 and if you have an employer plan that allows carryover of unused amounts the maximum carryover amount for 2023 is \$610.

Deductible Mileage Rates

If you drive for your business don't forget to keep track of your business mileage since you can deduct your business mileage which for tax year 2023 the mileage rate for business is 65.5 cents per mile. If you had to travel to doctors' visits, you may be able to deduct your expenses related to traveling to doctors' visits at 22 cents per mile. If you drove to volunteer for a 501(c)(3) recognized

charity you may be able to deduct your mileage expenses at 14 cents per mile.

The Adoption Credit

If you paid qualified adoption expenses in 2023, you may be able to take a credit up to \$15,950 on your 2023 taxes.

Annual Gift Tax

The annual gift tax exclusion for 2023 is \$17,000 (\$34,000 if you are married). So, you can give up to \$17,000 without having to pay taxes on that amount.

What else should I look out for when filing my taxes?

Unemployment Benefits

If you received help from unemployment insurance, you will need to pay taxes on payments received from unemployment benefits. You should receive a 1099-G reporting unemployment benefits received.

Business and at-Home Deductions

If you're self-employed (Sole Proprietorships), there are plenty of deductions that you can claim, from your business travel mileage to the portion of your home dedicated to your home office.

If you are one of the many Americans with an employer who has been working from home, you won't be able to claim a deduction for your home expenses. Unfortunately, this deduction is for self-employed workers only.

What tax forms and documents should I gather?

If 2023 was the first year that you worked a side gig, received unemployment benefits, or traded stock you may get more tax forms than you have before.

Here are some common tax forms where your income will be reported and you can expect to receive if any of these scenarios apply to you:

- 1099-G: If you received unemployment benefits.
- 1099-DIV/1099-INT: If you were paid dividends or earned interest over \$10.
- 1099-NEC: This is a form where self-employment income or nonemployee compensation is reported.
- 1099-MISC: If you earned rental or other income, but self-employment income is no longer reported on this form.
- 1099-K: If you earned income from credit card payments, debit cards, prepaid cards, or a third-party processor like Venmo, PayPal, CashApp you may receive this form. We expect the IRS to move forward with the over \$600 reporting threshold for 2023 and the upcoming filing season unless Congress passes a law to change the requirement.
- 1099-SA: If you got health savings account distributions.
- 1099-R: If you received distributions from a retirement plan or IRA.
- 1099-B: If you sold stock
- W-2: If you earned wages from an employer.