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We here at Eastern Iowa Tax & Accounting hope everyone had a very Merry Christmas.

Our website is **EIATAX.COM**. We will have many new updates throughout the year, so please visit and see all that we will be offering.

Once again, we are offering a few options to get your tax return prepared.

(We are encouraging our clients to Drop off or submit tax documents by downloading via our secure website, however we will still accept in person appointments).

1. Dropping off your tax information to either our Dewitt or Goose Lake offices.
2. Go to our website, click on the link and email your tax documents to us on our secure email format.
3. Call to schedule an in-person appointment.

There are some changes for 2023 tax filers. Listed below are a few changes.

1. **Personal exemptions** are eliminated for tax years 2018 through 2025.

2. **The five statuses**

When you file your federal tax return, you do so with one of five filing statuses. First, there's "single" status, which is generally used if you're unmarried, divorced or legally separated. A second status, "married filing jointly," is for married couples who file a tax return together. If your spouse passes away, you can usually still file a joint return for that year. A third status, "married filing separately," is for married couples who choose to file separate returns. In some cases, doing so may result in less tax owed.

"Head of household" is a fourth status. Certain unmarried taxpayers with dependents qualify to use it and potentially pay less tax. Finally, there's a fifth status: "qualifying widow(er) with a dependent child." It may be used if your spouse died during one of the previous two years and you have a dependent child. (Other conditions apply.)

Head of household

Let's focus on head-of-household status because it's often misunderstood and can be more favorable than filing as a single taxpayer. To qualify, you must "maintain a household" that, for more than half the year, is the principal home of a "qualifying child" or other relative that you can claim as a dependent.

A qualifying child is defined as someone who lives in your home for more than half the year and is your child, stepchild, foster child, sibling, stepsibling or a descendant of any of these. A qualifying child must also be under 19 years old (or a full-time student under age 24) and be unable to provide over half of his or her own support for the year.

Different rules may apply if a child's parents are divorced. Also, a child isn't a qualifying child if he or she is married and files jointly or isn't a U.S. citizen or resident.

For head-of-household filing status, you're considered to maintain a household if you live in it for the tax year and pay more than half the cost of running it. This includes property taxes, mortgage interest, rent, utilities, property insurance, repairs, upkeep and food consumed in the home. Medical care, clothing, education, life insurance and transportation aren't included.

Under a special rule, you can qualify as head of household if you maintain a home for a parent even if you don't live with the parent. To qualify, you must be able to claim the parent as your dependent.

You must generally be unmarried to claim head-of-household status. However, if you've lived apart from your spouse for the last six months of the year, you have a qualifying child living with you and you maintain the household, you're typically considered unmarried. In this case, you may be able to qualify as head of household.

3. **The standard deduction** for married couples filing a joint return in 2023 is \$27,700. For singles and married individuals filing separately, it is \$13,850, and for heads of household, the deduction is \$20,800.
4. The additional standard deduction for blind people and senior citizens in 2023 is \$1,400 for married individuals and \$1,750 for singles and heads of household.
5. In 2023 there is an exemption of \$12.92 million per individual for estate, gift, and generation-skipping taxes, with a top tax rate of 40 percent. The annual exclusion for gifts is \$17,000. In 2024, the exemption amount is \$13.61 million per individual.
6. **A Flexible Spending Account (FSA)** is limited to \$3,050 per year in 2023.
7. **HSA** - For 2023, individuals can contribute a **maximum of \$3,850**. You can contribute up to \$7,750 for family coverage. The total HSA contributions from you and your employer cannot exceed the specified limits. If aged 55 and over, individuals can contribute an additional \$1,000.00.
8. **Earned Income Tax Credit (EITC)** – For tax year 2023, the maximum earned income tax credit (EITC) for low and moderate-income workers and working families increased to \$7,420. The maximum income limit for the EITC increased to \$63,398 for married filing jointly. The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children.

Children or Relatives Claimed	Filing as Single, Head of Household, or Widowed	Filing as Married Filing Jointly
Zero	\$17,640	\$24,210
One	\$46,560	\$53,120
Two	\$52,918	\$59,478
Three	\$56,838	\$63,398

9. **Coverdell Education Savings Account** - You can contribute up to \$2,000 a year to Coverdell savings accounts in 2023. These accounts can be used to offset the cost of elementary and secondary education, as well as post-secondary education.
10. **Student Loan Interest** - In 2023, you can deduct up to \$2,500 in student-loan interest as long as your modified adjusted gross income is less than \$75,000 (single) or \$150,000 (married filing jointly).
11. **Contribution Limits** - For 2023, the elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is \$22,500. For persons aged 50 or older in 2023, the limit is \$30,000 (catch-up contribution).
12. **Updated Electric Vehicle Credit** -For 2023, up to \$7500 tax credit for purchases of new **qualified** electric vehicles. Up to \$4000 tax credit for purchases of used qualified electric vehicles.
13. **Home Energy Credits** – Energy efficient properties such as Windows, doors, ect. 30% up to a maximum of \$1,200 (heat pumps, bios mass stoves & boilers have a separate annual credit limit of \$2,000) no lifetime limit.
14. **Retirement Savings Contributions Credit (Saver's Credit)** - In 2023, the adjusted gross income limit for the saver's credit for low and moderate-income workers is \$73,000 for married couples filing jointly, \$54,750 for heads of household, and \$36,500 for married individuals filing separately and for singles.

15. **Required minimum distributions** - If you turn 70½ after 2019, you must begin taking RMDs from your traditional IRA by April 1 of the year following the year you reach age 72. For example, if you turned 72 in September 2021, you can either take your 2021 RMD in 2021 or you can wait until April 1, 2023. However, you must take your 2023 RMD by Dec. 31, 2023, which means you'll have two RMDs to report on your 2023 return if you wait. If you fail to take your RMD, you're subject to a 50% excise tax on the amount not distributed. Don't panic though. You can ask the IRS to waive the tax due to reasonable error if you take steps to remedy the shortfall. Contact our office and we'll explain what needs to be done and prepare the necessary paperwork. Beginning in 2023, the SECURE 2.0 Act raised the age that you must begin taking RMDs to age 73. If you reach age 72 in 2023, the required beginning date for your first RMD is April 1, 2025, for 2024.
16. **Child and dependent care credit** - For 2023 the child and dependent care credit is nonrefundable. The dollar limit for eligible expenses is \$3,000 for one child and \$6,000 for two or more qualifying children. If your income is \$125,000 or less, you get the maximum 50% credit rate. Otherwise, if your income is more than \$125,000, the 50% rate decreases as your income rises. The credit becomes unavailable when your income exceeds \$438,000.
17. **Child tax credit** - For 2023 the child tax credit (CTC) is back to \$2000 for each dependent under the age of 17.
18. **Educators Expense Deduction Increased** -For 2023 the out-of-pocket expenses the educators can claim as a deduction is to \$300 (up \$50 from last year) for Federal and \$500 for Iowa.
19. **Premium tax credit** - In general, if you purchase health insurance through the Marketplace, you don't qualify for any premium assistance when your income is too high. However, for 2021 and 2023, if your household income is more than 400% of the federal poverty line (FPL), you may be eligible to claim the premium tax credit (PTC) and will not pay more than 8.5% of your income for coverage.
20. Standard mileage rates – 2023
Business: 65.50 cents per mile
Medical: 22 cents per mile
Charity: 14 cents per mile

** If you have a college student, you need paperwork showing the amount of tuition and related expenses paid not just billed by the college.

** Although there is no penalty for not having health care insurance, if you have the Marketplace Insurance you will still be required to have a 1095-A form at time of filing.

** If you have any new dependents in 2023, we will need **copies of their Social Security Card & Birth Certificate**.

We open Monday through Saturday beginning Monday, January 15th. Please call to make your appointment early or drop off your paperwork anytime. Our office numbers are at the top of this page.

We will continue offering our \$10 client rebate for referral(s) Eastern Iowa Tax & Accounting to a person or business who didn't have us prepare any previous year(s) tax return. The person you refer will receive a \$10 discount on their tax preparation fee, and you will receive a \$10 referral check in the mail. Thank you for referring a friend or business to Eastern Iowa Tax & Accounting.

Thank you for your past business, and we look forward to serving you again this tax season.

Eastern Iowa Tax & Accounting, LLC

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