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December 12, 2023

Once again, we have faced a challenging economic year. Continuing discussion of a possible recession, tight labor markets and high inflation all permeate through the business news. Interest rates continue to rise (another 100 basis points to date in 2023), creating pressure on taxpayers to reduce borrowing costs. The politically divided Congress struggles to pass any kind of legislation, including funding the government via appropriations bills; consequently, prospects for any substantial tax legislation during the remainder of the year appear remote.

With the 2023 tax season right around the corner, you can book your tax appointment by calling or booking directly through our website. You can use our SafeSend platform to send us your documents from the convenience of your home, or you can drop off your tax file at any time. While using SafeSend, please scan your documents in **1 continuous PDF** file vs each separate document; if you don't have a scanner the **CamScanner** app is a great tool. We will be emailing out tax organizers via SafeSend in the weeks to come, and these will help you organize your tax file & ensure you have everything. We will also have these documents and additional questionnaires available for download, on our website, under the Tax Organizer section.

Here are ideas to help make processing this year's tax return as easy as ever.

Make a list.

Create a list of expected tax documents. Do this now by reviewing the documents from last year or by using your custom organizer that we will be sending out via SafeSend in the weeks to come. Then use the list to check off each one when it is received to ensure you have everything you need before your tax appointment.

Check it Twice.

As soon as you receive a document take a look at it for errors. This is especially important for any 1099- k's or investment forms (1099-B). Both are common sources of errors in reporting.

Find the Naughty

Missing documents are the most common reason why processing a tax return gets delayed. So, sort your documentation and look for any missing items. It may be a K-1 being delayed by a business or a missing tuition credit form.

Capture the Nice

Review and keep all receipts to support possible deductions for medical expenses, contributions, childcare, and business expenses. Each can help reduce your taxable income.

Regarding your personal/sensitive documents. The Federal Trade Commission passed a law (The Safeguard Rule) that by June 9, 2023 all non-bank financial institutes must comply with. It dictates that I am no longer allowed to accept sensitive information electronically without a two-part authentication; this includes emails. Any documents you want to send us must be sent through our exchange link.

<https://exchange-taxpayer.safesendreturns.com/DropOff/6h9000000000>

Any secure emails you will receive from **Parkers Prairie Tax Service** will come from **Parkers Prairie Tax Service at noreply@safesendreturns.com**. **Add this email to your safe list** to prevent it from being categorized as spam or junk.

Here are some key changes to the tax code for 2023:

Tax brackets and rates:

The income brackets subject to tax are increasing by approximately 7 percent due to inflation. The 2023 brackets are presented below.

Individual Tax brackets 2023

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,000.	\$0 to \$22,000.	\$0 to \$11,000.	\$0 to \$15,700.
12%	\$11,001 to \$44,725.	\$22,001 to \$89,450.	\$11,001 to \$44,725.	\$15,701 to \$59,850.
22%	\$44,726 to \$95,375.	\$89,451 to \$190,750.	\$44,726 to \$95,375.	\$59,851 to \$95,350.
24%	\$95,376 to \$182,100.	\$190,751 to \$364,200.	\$95,376 to \$182,100.	\$95,351 to \$182,100.
32%	\$182,101 to \$231,250.	\$364,201 to \$462,500.	\$182,101 to \$231,250.	\$182,101 to \$231,250.
35%	\$231,251 to \$578,125.	\$462,501 to \$693,750.	\$231,251 to \$346,875.	\$231,251 to \$578,100.
37%	\$578,126 or more.	\$693,751 or more.	\$346,876 or more.	\$578,101 or more.

Standard Deduction

- Single is \$13,850 + \$1,850 for 65 or older/Blind
- Married is \$25,900 + \$1,500 for 65 or older/Blind
- Head of Household is \$20,800 + \$1,850 for 65 or older/Blind

2023 long-term capital gains tax rates and brackets

Tax-filing status	0% tax rate	15% tax rate	20% tax rate
Single	\$0 to \$44,625.	\$44,626 to \$492,300.	\$492,301 or more.
Married, filing jointly	\$0 to \$89,250.	\$89,251 to \$553,850.	\$553,851 or more.
Married, filing separately	\$0 to \$44,625.	\$44,626 to \$276,900.	\$276,901 or more.
Head of household	\$0 to \$59,750.	\$59,751 to \$523,050.	\$523,051 or more.

Short-term capital gains are taxed as ordinary income according to [federal income tax brackets](#).

KEY CHANGES

Increase age for required distributions.

If you turn 72 in 2023 or later, you can keep money in a tax-deferred IRA or 401(k) for another 12 months to help that account continue growing before starting to withdraw funds. This retirement benefit is now available thanks to the required minimum distribution age being raised from age 72 to age 73.

Decreased penalty if required distributions aren't taken.

The penalty for failing to take a required minimum distribution is reduced from 50% to 25%. If the correction is generally made within two years, the penalty is further reduced to 10%.

Standard mileage rate for business driving is higher.

The business rate is 65.5 cents per mile
The medical rate is 22 cents per mile
The charitable driving rate is 14 cents per mile

Section 179 Maximums

Section 179 is \$1.16 million
Property Limit is \$2.89 million

Key Retirement Plan Limits

401(k), 403(b), 457 plans \$22,500
IRA: Roth \$6,500
IRA: Simple \$15,500
IRA: Traditional \$6,500

Health Saving Account (HSA) Maximums Full Year (Employee + Employer or Self Employed)

Single \$3,850 + At age 55, individuals can contribute an additional \$1,000
Family \$7,750 + At age 55, individuals can contribute an additional \$1,000

Beneficial ownership information (BOI) reporting for businesses begins in 2024

All entities formed or registered to do business in the United States will need to either (i) confirm they qualify for an exemption from the CTA's reporting requirements or (ii) timely submit a beneficial ownership information (BOI) report to the U.S. Treasury's Financial Crimes and Enforcement Network (FinCEN).

All entities means ALL entities.

- Entities formed prior to January 1, 2024, do not have to report until January 1, 2025.
- Entities formed on or after January 1, 2024, must file the BOI report within 90 days of the entity's formation.
- BOI reports are filed by accessing and entering data on FinCEN's website. The website is not currently open for use. There are a lot of resources on the FinCEN website that provide further information on CTA BOI reporting. **At this time, we do not know if we will be providing this service to clients; please review your filing requirements.**

MN Paid Family and Medical Leave reporting for businesses begins in 2024

Paid Family and Medical Leave is a new program launching for Minnesotans in 2026. It provides paid time off when a serious health condition prevents you from working, when you need time to care for a family member or a new child, for certain military-related events or for certain personal safety issues.

- Benefits will be financed through payroll deductions on employee wages. Employers can deduct up to 50% of both the Family Premium and Medical Premium from employee paychecks.
- Employers must submit the 1st quarter wage report by October 31, 2024.
- 2025 Employers will have to report detailed wage reports on each employee.
- 2026 Payroll Deductions start Jan 1, 2026; benefits and leaves available to employees immediately, 1st quarterly premiums due by April 30, 2026.

New tax credits

Tax credit for new clean vehicles.

A credit up to \$7,500 is available if you (or our business) buy a new, qualified plug-in electric vehicle or fuel cell electric vehicle. The vehicle must be powered by batteries with materials sourced from the U.S. or its free trade partners and it must be assembled in North America. Your modified adjusted gross income must not exceed:

- 300,000 for married couples filing jointly (MFJ)
- 225,000 for heads of households
- 150,000 for all other filers

Tax credit for Used Clean Vehicles.

A credit up to \$4,000 is available if you buy a previously owned, qualified plug-in electric vehicle or fuel cell vehicle, including cars and light trucks. In addition, your modified adjusted gross income (AGI) must not exceed:

- 150,000 for married couples (MFJ)
- 112,500 for heads for households
- 75,000 for all other filers

Tax credit for energy efficient home improvements.

An annual tax credit up to \$1,200 is available if you make qualified energy improvements to your home (biomass stoves and boilers have a separate annual credit limit of \$2,000). We will need the energy star rating documents on each product placed in service.

KEY CHANGES MINNESOTA - The Omnibus Tax Bill made the following tax law changes

Income Tax - Personal

- Create a 2nd tier phase-out rate for the standard deduction and itemized deductions; limit deductions to 20% for taxpayers with adjusted gross income of at least \$1 million.
- Increase the maximum K-12 education credit and phase-out threshold; phase out based on adjusted gross income.
- Increase the Social Security subtraction.
- Create a public pension subtraction.
- Create a 1% tax on net investment income over \$1 million.
- Create a Minnesota child credit and modify the working family credit. The two credits are phased out jointly.
- Allow the newborn credit for all taxpayers regardless of filing status.
- Adopt federal law changes in the Secure 2.0 Act, mostly related to retirement and pension income.
- Replace the renter's property tax refund with a renter's credit on the individual income tax form.

Congratulations to those of you who have had new little tax credits. Please be sure to bring their Social Security number and Date of Birth, and Full Name Spelling with you. If your child went to a daycare, please bring the yearend statement from the provider.

Also, congratulations to those of you who have gotten married this year. If you have recently gotten married, do not forget to notify the Social Security Office of any last name changes. If you are planning your appointment without your new spouse, please bring a copy of the certified marriage certificate, copy of their social security card, and copy of their driver's license.

1099 Reporting

The season for 1099s and W-2s is through the month of January. This is an area that we strongly stress you complete accurately. If you are in need of help with filing any 1099s or W-2s, please contact us as soon as possible, so we can process them for you timely and accurately. Anything received after January 22nd will not be guaranteed to be completed by January 31st due to volume and time constraints.

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 impacts. Please remember to include with your tax documents any information related to any cryptocurrency that you are holding, sold, traded, etc. We must have a form 1099B or 8949 recap if you are using a management software; we will not do the conversions for you.

Due Dates Coming Up

Reminder:

- All 1099s need to be filed with the recipients and the IRS by January 31, 2024.
- Any W-2s or payroll tax returns are also due by January 31, 2024.
- Any farm tax returns are due by March 1, 2024. There is also the option to pay an estimated tax payment by January 16, 2024; and extend the due date of your return to April 15, 2024.
- All Partnership and S-Corporation tax returns are due by March 15, 2024.
- All Individual and C-Corporation returns are due by April 15, 2024.

Additional planning considerations

Here are a few more tax and financial planning items to discuss with us:

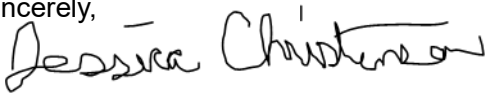
- Let us know about any major changes in your life such as marriages or divorces, births or deaths in the family, job or employment changes, starting a business and significant expenditures (real estate purchases, college tuition payments, etc.).
- Consider tax benefits related to using capital losses to offset realized gains and move any gains to the lowest tax brackets, if possible.
- Make sure you're appropriately planning for estate and gift tax purposes. There is an annual exclusion for gifts (\$17,000 per donee; \$34,000 for married couples) to help save on future estate taxes.
- Consider Sec. 529 plans to help save for education; there can be MN income tax benefits.
- Discuss tax consequences of converting traditional IRAs to Roth IRAs.
- Maximizing HSA contributions.
- Leveraging retirement accounts to their fullest.
- Donating appreciated assets.
- We will work with your financial planner to help meet your goals.

If you are concerned about what this year will look like and you would like to do tax planning before December 31st, please contact me as soon as possible. This will allow us adequate time to assess your situation and take any steps needed before the new year.

As with every year, it is very helpful and appreciated, if you can do your best to provide your information as organized and as timely as possible. Please use all of our tax organizers to help speed the processing of your returns. **Please round all your numbers on your worksheets** to the appropriate dollar (.49 and under go to the lower dollar & .50 and above round up). Our SafeSend suite allows us to automate the delivery, review, and signature of your federal and state income tax returns from the convenience of your computer, smartphone, or tablet. It is user-friendly, highly secure and an easier way for you to manage your tax return. You will receive an email from **Parkers Prairie Tax Service** at noreply@safesendreturns.com. **Add this email to your safe list to prevent it from being categorized as spam or junk.** We will use SafeSend Returns to electronically deliver your tax return unless you contact our office to opt-out.

Please, rest assured, that we will utilize our best resources to provide you, once again, with timely, complete, and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support and patience during the upcoming tax season.

Sincerely,



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<https://parkersprairietaxservice.com/tax-organizers>

Like us on Facebook to receive tax info all year long!