TAX NEW$

Dear Client,

Best wishes for a happy new year in 2024.

We have provided the deferred compensation limits and encourage all clients to fund their retirement accounts to the extent possible. Your financial planner can help with setting up a plan or establishing a regular schedule for contributing to your account in the future.

IMPORTANTAND NEW FOR 2024: For our business clients, the Corporate Transparency Act (CTA) will require the reporting of Beneficial Ownership Information (BOI) starting January 1, 2024, for newly created business entities formed after December 31, 2023. Those businesses created prior to January 1, 2024, will have until January 1, 2025, to comply with the BOI reporting requirements. This is a one-time initial reporting, however, any changes to the business must be reported within 30 days of the change. We are providing this for your information. For additional information and how to file please read Corporate Transparency Act below.

When Will The IRS Start Accepting 2023 Tax Returns and Issuing Refunds?

The IRS usually starts accepting tax returns during the last week of January. So, early tax filers who are a due a refund can often see them as early as mid or late February. However, taxpayers with the Earned Income Tax Credit or Child Tax Credit generally have their refunds delayed by about one month while the IRS confirms eligibility for these credits.

It is crucial to gather all tax documents, and other relevant forms, before submitting them to the office for tax preparation. It streamlines the tax preparation process which can save time and reduce the likelihood of errors in your return. Gathering all tax documents ensures that you have accurate and complete information about your income, deductions, credits, and other relevant financial transactions. Various tax documents provide information on deductible expenses and eligible tax credits. By collecting all relevant documents, you can identify opportunities to minimize your tax liability by claiming deductions and credits for which you qualify.

The IRS recommends retaining copies of tax returns and supporting documents for a certain period (usually three to seven years). Having organized records helps you comply with recordkeeping requirements and facilitates future tax-related inquiries. Collecting all tax documents is a fundamental step in meeting legal obligations, ensuring accuracy in tax reporting, and minimizing the risk of audits or penalties. It also helps you take full advantage of available tax benefits and facilitates a smoother tax preparation process.

As part of the revisions to the IRS website, the updates to Where's My Refund? will allow taxpayers to see more detailed refund status messages in plain language. These updates will also ensure Where's My Refund? works seamlessly on mobile devices.

Taxpayers often see a generic message stating that their returns are still being processed and to check back later. With the new and improved Where's My Refund?, you will see clearer and more detailed updates, including whether the IRS needs you to respond to a letter requesting additional information. The new updates will reduce the need for taxpayers to call the IRS for answers to basic questions. Most taxpayers who are expecting an income tax refund generally will receive it by direct deposit in as little as two weeks, although it can take longer during the peak of the filing season or if there is a discrepancy with the information on file with the IRS. So, it is a good idea to e-file your tax return as soon as you have all of your tax documents (like your W2, 1099s, mortgage and student loan interest, and other items).

Several factors can determine when a taxpayer may receive their tax return, including:

- How early they file
- If the taxpayer is claiming certain credits (especially EITC and CTC)
- Whether the return is e-filed or sent by mail
- Whether the taxpayer has existing debts to the federal government

Note: The IRS will delay processing by 2–3 weeks if an income tax return has the Earned Income Tax Credit (EITC) or Child Tax Credit (CTC), which allows the IRS to verify that taxpayers qualify for the credits.

Individual Tax Considerations For 2023:

As we have reached the end of the year, now is the time to start sorting your tax documents for your individual and business income tax return(s). Following is a listing of items to consider when preparing for the preparation of your individual tax return:

- Note any changes to your marital status, or the birth (or death) of dependent children. For divorced clients, please submit a copy of the divorce decree and child support agreement.
- Did you receive or pay alimony payments? Depending on the date of the divorce, this may no longer be a tax consideration.
- At any time during 2023, did you sell, receive, exchange or otherwise transact any business in any virtual currency? The IRS has announced that it plans to issue a new form for this purpose, a Form 1099-DA (for digital assets). **Note:** this is a highly reviewed area within the IRS, be sure to let us know of any virtual transactions you have conducted.
- While the mandate for health insurance remains, the penalty for failure to maintain minimum essential coverage on the federal tax return has been eliminated. However, the IRS still requires the reconciliation on your individual tax return if your health care coverage is through either the state or federal Marketplace. Be sure to include Form 1095-A with your tax documents. Your tax return will not be accepted by the IRS without this information.
- Include all Forms W-2's.
- Include any interest income received on Form 1099-INT.
- Did you have a brokerage account or investments? Include all Forms 1099-DIV and Forms 1099-B with your tax documents.
- If you sold any stock or assets, be sure the initial cost (or basis) is included with the sale documents (if not already included on your tax forms).
- Did you receive funds from a pension or IRA? Include Forms 1099-R with your tax documents.
- Are you a shareholder in an S corporation or partner in a partnership? Are you the beneficiary of a trust or estate? If so, you will receive a Schedule K-1 for your representative share. We are aware that these generally tend to come later than sooner, so let us know if you are waiting for receipt of a Schedule K-1 and we will extend the individual income tax return.
- If you received unemployment in 2023, be sure to go onto your state website to download the Form 1099-G. Most states have stopped mailing out this form automatically. The same holds true if you received a state refund in 2023 on your 2022 state income tax return.
- Are you receiving Social Security? Include the annual statement from the Social Security Administration. If you have an SSA.gov account, this form is available on their website.
- Include any other miscellaneous income, such as:
  - ◊ Gambling winnings
  - ◊ Hobby income
  - ◊ Legal settlements
  - ◊ Income not subject to self-employment tax
- Do you own rental property? If so, include an accounting of the income received and expenses paid on behalf of the property. If newly purchased in 2023 also include the HUD statement detailing the purchase costs.
- Child and dependent care expenses — include a statement with the provider's name and address, tax identification number and amount paid.
- Did you pay education expenses for either you, your spouse or a dependent? Include the tuition amount paid as well as other expenses for books, computers, internet, room and board. The name and address and the EIN of the education institution is also needed.
- Are you a teacher in grades K through 12, working at least 900 hours a year? Include any out-of-pocket expenses for materials and supplies purchased. For 2023, the amount has increased from $250 to $300 for allowable deduction of supplies.
- While many taxpayers will not be able to itemize due to the increased amount of the standard deduction, following are some items to consider which may provide a better tax benefit:
  - ◊ Medical and dental costs, including any insurance premiums paid
  - ◊ Tax paid, including real estate, state taxes, or personal property taxes
  - ◊ Interest paid on a primary or secondary home
  - ◊ Points paid on the purchase or refinance of a home
  - ◊ Investment interest
  - ◊ Gambling losses
- Did you pay on a student loan? Did your employer provide any assistance in payment of the loan? Include the interest statement from the financial institution along with any payments made on your behalf by your employer.
- Include a listing of charitable contributions paid with cash and a separate listing of non-cash donations.
- Did you have a casualty loss as a result of a federally declared disaster area? Provide the total amount of the loss and any payments issued by your insurance company or government agencies such as FEMA.
- Did you make a contribution to your IRA or other deferred compensation plan? If so, Include Form 5498 with your tax documents.
- Did you make any additions or improvements to your home that included solar installations or energy efficient improvements that have the "Energy Star" rating? Provide contractor receipts showing total cost and installation date.

Due to the Tax Cuts and Jobs Act, the standard deduction has been substantially increased which may eliminate the ability to itemize. The standard deduction for married filing jointly taxpayers is $27,700 for the 2023 tax year. It's $13,850 for single filers and those who are married but file separate returns. However, we still recommend providing the information noted above as it may impact other areas of the tax return or be an adjustment on the state income tax return.

If you made any contributions to an individual retirement plan, such as a traditional IRA or a Roth IRA, be sure to provide us with a statement of your investment account. People with low to moderate incomes may qualify for the saver's credit, a dollar-for-dollar reduction of the taxes they owe (up to a maximum credit of $2,000 for a joint return, $1,000 for a single return). The income thresholds for the saver's credit is $73,000 for married couples filing jointly in 2023, $54,750 for heads of household, and $36,500 for singles and married individuals filing separately.

The deadline for filing a personal tax return for tax year 2023 is April 15, 2024 with an extension available to October 15, 2024.

While not a comprehensive list, this includes some of the more popular tax items we encounter on tax returns.

Secure Act 2.0 Changes

On December 29, 2022, the SECURE 2.0 Act was signed into law to address additional issues related to retirement and savings, creating new flexibility and accessibility to help individuals plan for a more secure future. We have provided information on selected provisions of the Act which impacts most individuals.

RMD age change. Under the law before SECURE 2.0, you generally had to take required minimum distributions (RMDs) from your retirement plan beginning at age 72. SECURE 2.0 increased the required minimum distribution age to 73 as of January 1, 2023. However, if you turned 72 in 2022, you had to take your first RMD by April 1, 2023. In ten years, the RMD age moves to 75.

RMD rule delay for inherited IRAs. The IRS is delaying the implementation of IRA RMD rules until 2024. Additionally, the agency extended the 60-day rollover of certain retirement plan distributions to September 30, 2023.

Last year, the IRS waived penalties until 2023 for failing to immediately take RMDs if you inherited an IRA in 2020 or 2021.

- Missing an RMD or failing to take the appropriate distribution amount incurs a 25% IRS penalty — down from 50% due to SECURE 2.0 RMD penalty changes — added to the amount that should have been withdrawn. However, the penalty can be as low as 10%.
- That IRS transition relief came about due to confusion over the timing of required plan payouts and implementation of related legislative changes.

The latest RMD rule delay allows beneficiaries of inherited IRAs to understand distribution requirements better and take payouts. The extension offers more time to roll over distributions from earlier this year that were mischaracterized as RMDs.

RMDs for surviving spouses of deceased participants. Surviving spouses, who are the sole beneficiary of their deceased spouses' retirement account, can elect to delay the RMD payment until the deceased spouse would have reached RMD age had they lived, if later than the surviving spouse's RMD age. RMDs for the surviving spouse will be calculated using the Uniform Lifetime Table, resulting in a lower RMD amount.

RMDs and Roth 401(k)s. Beginning in 2024, the SECURE 2.0 Act also eliminates RMDs for qualified employer Roth plan accounts (designated Roth Account). Previously, there was a difference in the rules that applied to Roth 401(k) accounts in employer plans versus Roth IRAs (i.e., the latter were not subject to required minimum distributions).

Small incentives to contribute to a retirement plan: The SECURE 2.0 Act allows your employer to offer small financial incentives (e.g., low-dollar gift cards) to help boost employee participation in a workplace retirement plan. This provision became effective beginning January 2023.

Emergency expense distributions. Beginning in 2024, under the SECURE 2.0 Act, you will be allowed to take an early "emergency" distribution from your retirement account to cover unforeseeable or immediate financial needs.

That emergency distribution of up to $1,000, can only be taken once during the year, and will not be subject to the usual additional 10 percent tax that applies to early distributions. But if you choose not to repay the distribution within a certain time, you will not be allowed to take other emergency distributions for three years.

Hardship expense distributions. To qualify for a hardship distribution, a retirement plan participant must meet two criteria. First, they must have an "immediate and heavy financial need." Second, the distribution must be limited to the amount "necessary to satisfy" the financial need. If you are younger than 59½ and suffering financial hardship, you may be able to withdraw funds from your retirement accounts without incurring the usual 10% penalty.

Unlike, say, a loan you take from your 401(k), the funds from a hardship withdrawal cannot be returned to the account if and when your financial position improves, therefore, it permanently reduces your retirement benefits.

Domestic abuse distributions. Starting in 2024, SECURE 2.0 permits a participant who has been a victim of domestic abuse to receive a distribution from their retirement account (401(k), 403(b), and 457(b) plans.

The provision would allow them to take the lesser of $10,000 (indexed for inflation) or 50% of their vested account balance. The distribution would not be subject to the typical 10% early distribution penalty that is normally applied to distributions taken before retirement age.

The distribution must also be taken within 12 months of the domestic abuse incident. If a plan were to adopt this provision it could allow for the participant to self-certify that the incident of domestic abuse actually occurred.

Additionally, the individual could repay the amount taken within the following 3-year period.

Employer fund match for student loan payments. Under the SECURE 2.0 Act, your employer can make a matching contribution to your retirement plan account based on your student loan payment amount. This is designed to address the fact that high student loan debt can keep people from saving for retirement. This will become effective in 2024.

Note: Student loan payments are set to resume this fall and student loan debt forgiveness has been struck down by the U.S. Supreme Court.

Roth rollover option for 529 plans. Beginning in 2024, SECURE 2.0 changes 529 plan rules. In limited circumstances (i.e., there are a lot of requirements that must be met including that the Roth IRA account must be in the name of the 529 plan beneficiary), some people may be able to rollover a 529 plan that they have maintained for at least 15 years to a Roth IRA.

Annual limits for the rollover would have to be within the annual contribution limit and there will be a $35,000 lifetime limit on what can be rolled to the Roth IRA.

Retirement savings "lost and found." Have you ever lost track of your 401(k)? Well, the SECURE 2.0 Act enables the creation of a searchable database to help people find retirement benefits that they lost track of. The retirement savings "lost and found" will be housed at the Department of Labor and be created within the next two years.

Data show that millions of 401(k) accounts are regularly forgotten, amounting to nearly a trillion dollars in unclaimed retirement benefits.

Employer Matching and Nonelective contributions as Roth. Employees can elect some or all their employer match and nonelective contributions to be Roth. Essentially, employees can elect to pay the income tax now on the employer contributions they receive instead of when they are distributed. If selected, the Roth employer contributions must be fully vested.

Qualified Birth or Adoption distribution (QBAD). Taxpayers may take a penalty free distribution, up to $5,000 per parent per child, for the expenses related to the birth or adoption of a child. The distribution must be requested within 1 year after the birth or adoption. The SECURE 2.0 Act clarified that participants have 3 years to repay the QBAD distribution.

.

Deferred Compensation Limits for 2023 and 2024:

Following is a listing of deferred compensation plans and their contribution limits. These plans are time sensitive and should be included as part of your tax planning prior to year-end.

Deferred Comp Program	2023 Contribution Limits	2024 Contribution Limits
401(k) Elective Deferral	$22,500	$23,000
401(k) Elective Deferral	$22,500	$23,000
401(k)/403(b) Catch-up Provision for Age 50 or older	$7,500	$7,500
Designated Roth	$22,500	$23,000
Defined Contribution Plan	$66,000	$69,000
Annual Compensation Limits	$330,000	$345,000
SEP Participant Threshold	$750	$750
SIMPLE Plans	$15,500	$16,000

Deferred Comp Program	2023 Contribution Limits	2024 Contribution Limits
Individual Retirement Account (IRA)	$6,500	$7,000
IRA Catch-up Provision for Age 50 or older	$1,000	$1,000
Roth IRA	$6,500	$7,000
Roth Catch-up Provision for Age 50 or older	$1,000	$1,000
Social Security Wage Base	$160,200	$168,600

These benefits may be subject to certain income thresholds. Contact our office if you are interested in starting or contributing to a deferred compensation plan. Some of these plans have a December 31 due date, others are eligible to accept contributions up until the 2024 tax filing deadline of April 15.

Corporate Transparency Act (CTA)

We are providing this information in order to prepare you for this new reporting requirement. This is a separate online filing on the FinCEN website, ***and is not a part of the annual tax return filing***. There is specific information required for all of the "beneficial owners" of a business entity or LLC which is to be filed by the business owner.

Overview

The primary purpose of the Corporate Transparency Act is to enhance transparency in corporate ownership and control. It is aimed at preventing the illicit use of legal entities, such as corporations and limited liability companies (LLCs), for money laundering, tax evasion, and other financial crimes.

The CTA mandates that certain domestic and foreign corporations and LLCs report information about their beneficial owners to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). Beneficial owners are the individuals who have substantial control or economic interests in these entities.

Domestic reporting companies are corporations, LLCs, or any other entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.

Foreign reporting requirements are for a corporation, LLCs, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by the filing of a document with a secretary of state or any similar office.

Legal entities covered by the CTA are required to report the names, addresses, dates of birth, and social security numbers (or other equivalent identifiers) of their beneficial owners. This information is meant to be confidential and used for law enforcement and regulatory purposes.

Beneficial Owner

A beneficial owner is an individual who directly or indirectly owns or controls a significant interest in a legal entity. This interest typically involves ownership of a certain percentage of shares or ownership interests, or who own or control at least 25% of the ownership interests, and it can extend to individuals who have significant control over the entity. This can include accountants or legal counsel who exercise significant control over the business entity.

The regulations defined a beneficial owner as "a natural person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise:

i. exercises substantial control over a corporation or limited liability company;
ii. owns 25% or more of the equity interests of a corporation or limited liability company; or
iii. receives substantial economic benefits from the assets of a corporation or limited liability company."

Beneficial ownership information (BOI) typically includes the names, addresses, dates of birth, and social security numbers (or equivalent identifiers) of beneficial owners. A driver's license or other government issued document is required to confirm the information.

Reports must be updated within 30 days of a change to the beneficial ownership, e.g., through the sale of a business, merger, acquisition, or death, or 90 days upon becoming aware of or having reason to know of inaccurate information previously filed. Reports can only be filed online through the FinCEN website.

Penalties

For businesses formed prior to January 1, 2024, the reporting requirement does not start until January 1, 2025. For new businesses formed after December 31, 2023, they have 90 days to file with FinCEN about their new business. This is a change from the original requirement of notifying FinCEN within 30 days after formation of the business. The process to report to FinCEN is only available online which will not be available until after January 1, 2024.

Corporate Transparency Act contains a safe harbor from the civil and criminal penalties if a person submitting incorrect information submits a report containing corrected information not later than 30 days after the date on which the person submitted the report originally, provided that the person was not acting to evade the reporting requirements and did not have actual knowledge that information contained in the original report was inaccurate.

It is unlawful for any person to willfully provide, or attempt to provide, false or fraudulent beneficial ownership information to FinCEN, or willfully fail to report complete or updated beneficial ownership information to FinCEN. Any person violating the reporting requirements of the Corporate Transparency Act is liable for civil penalties of not more than $500 for each day that the violation continues and criminal penalties of imprisonment of up to two years and fines of up to $10,000.

To file your report you need to go to:

https://boiefiling.fincen.gov/fileboir