

2023 Year in Review

Tax and financial planning items to consider

BHatt ADVISORY

PREPARE, PLAN, PROSPER



Key recent individual tax considerations

- Energy credit modifications mostly effective starting in 2023
- Key provisions not available for 2023 — Expanded child tax credit and child and dependent care credit
- Excess business losses now effective through 2028 (loss limitation of \$289,000 (or \$578,000 for MFJ for 2023))
- Increased age for RMD for 2023 — Age 73
- Form 1099-K changes for 2023
- Beginning in 2024, 529 funds can be rolled over to Roth



Individual income tax brackets for 2023

Rate	Single	Married filing jointly (and surviving spouses)	Head of household	Married filing separately
10%	Up to \$11,000	Up to \$22,000	Up to \$15,700	Up to \$11,000
12%	\$11,001 to \$44,725	\$22,001 to \$89,450	\$15,701 to \$59,850	\$11,001 to \$44,725
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$59,851 to \$95,350	\$44,726 to \$95,375
24%	\$95,376 to \$182,100	\$190,751 to \$364,200	\$95,351 to \$182,100	\$95,376 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 \$578,100	\$231,251 to \$346,875
37%	\$578,126+	\$693,751+	\$578,101+	\$346,876+

Dividend and capital gains rates for 2023

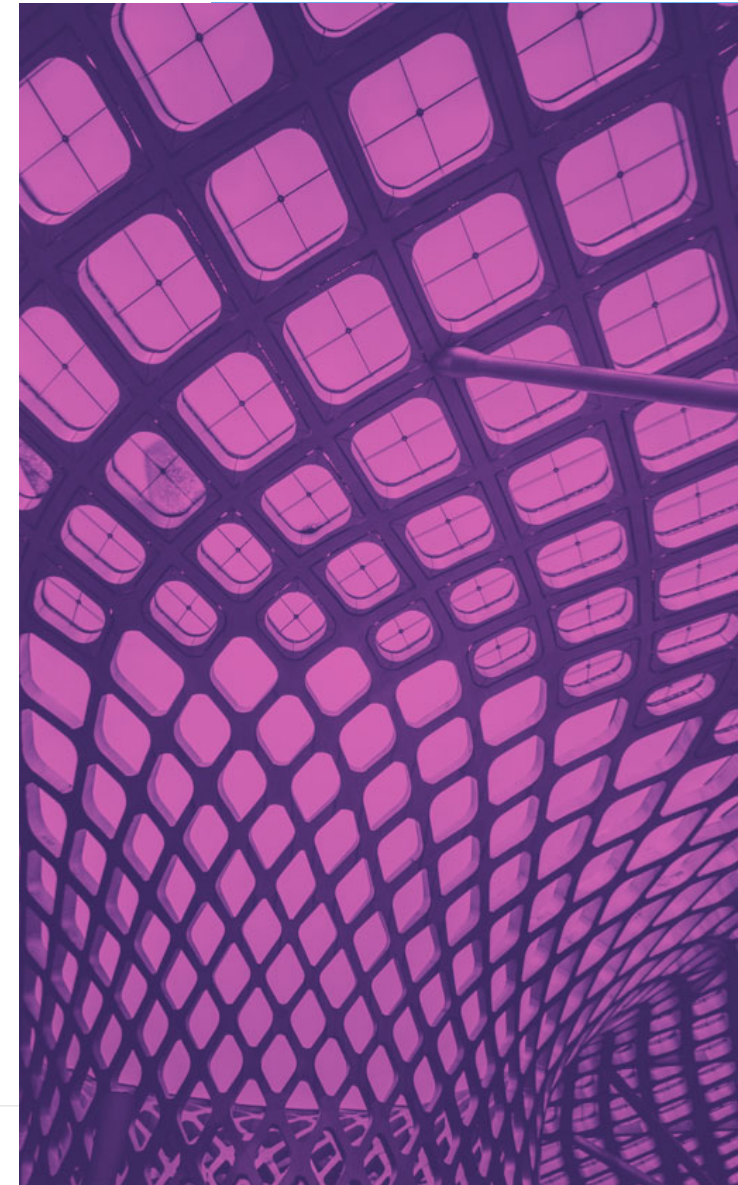
Qualified dividends and capital gains tax rate	Single filers	Joint filers	Head of household	Married filing separately
0%	Up to \$44,625	Up to \$89,250	Up to \$59,750	Up to \$44,625
15%	\$44,626 to \$492,300	\$89,251 to \$553,850	\$59,751 to \$523,050	\$44,626 to \$276,900
20%	\$492,301+	\$553,851+	\$523,051+	\$276,901+

2023 and 2024 standard deduction

	Single filers	Joint filers	Head of household	Married filing separately
2023	13,850	27,700	20,800	13,850
2024	14,600	29,900	21,900	14,600

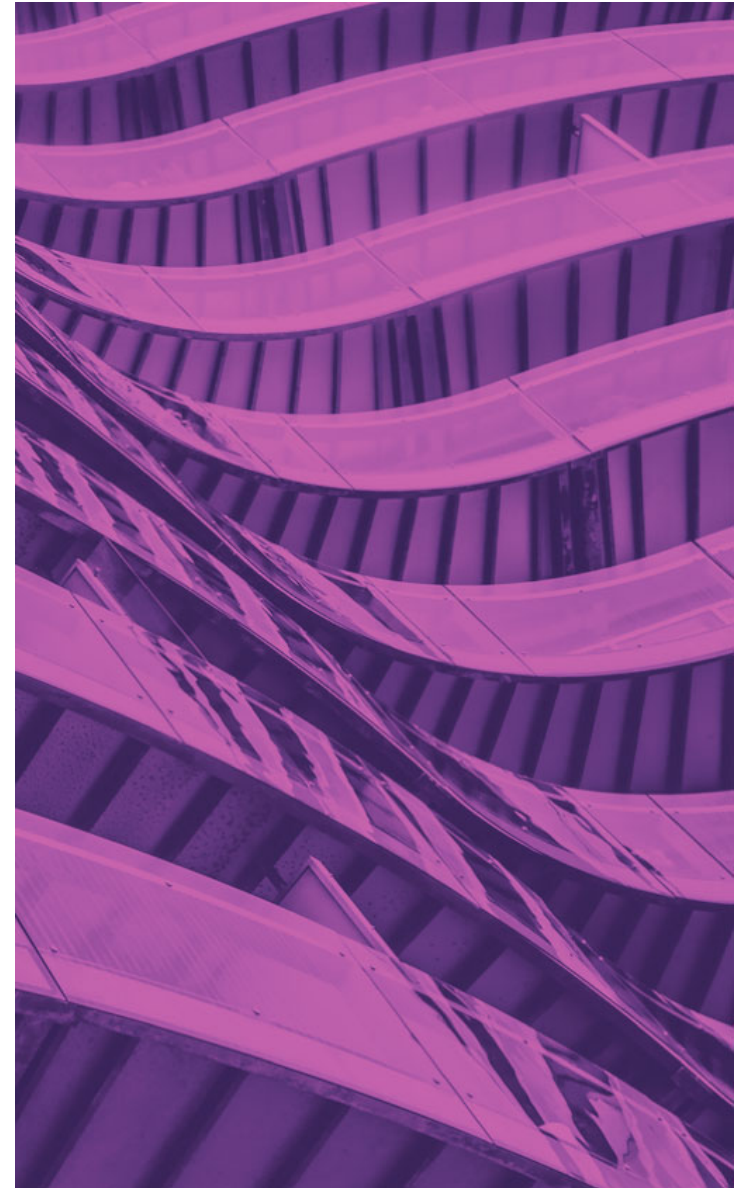
2023: Add an additional \$1,500 if you're over 65 or blind (\$1,850 if single or head of household filing status)

2024: Add an additional \$1,550 if you're over 65 or blind (\$1,950 if single or head of household filing status)



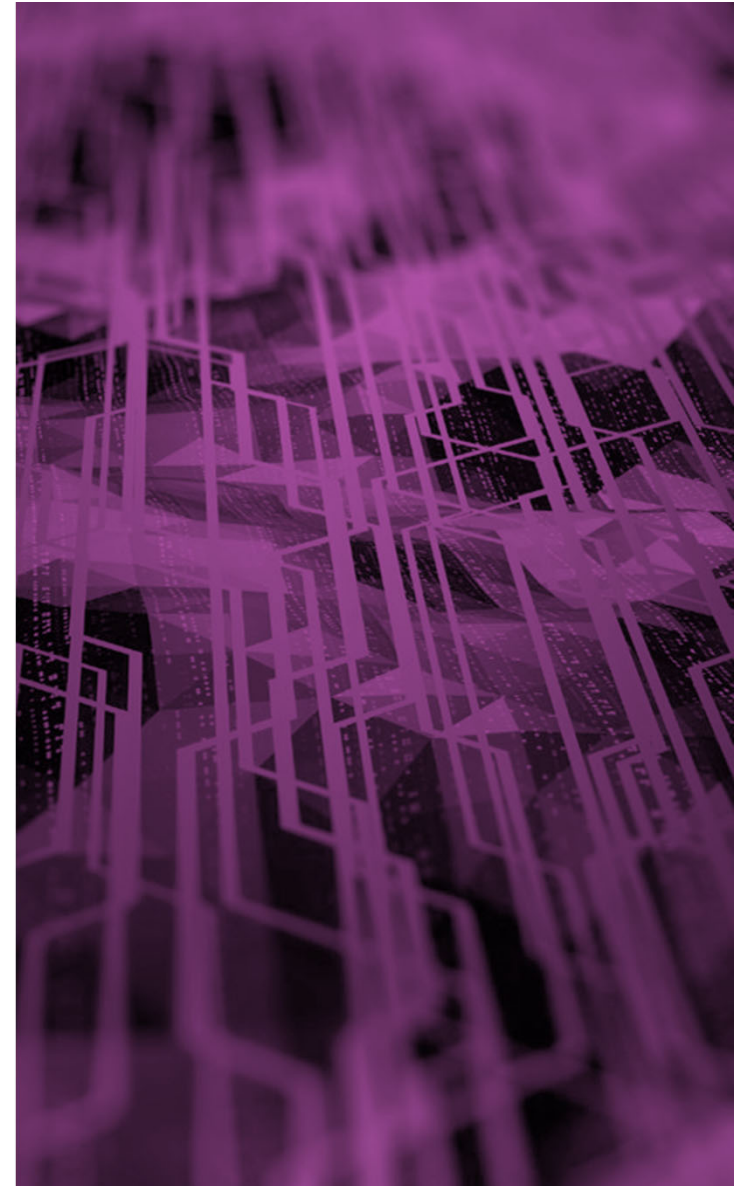
State and local tax issues

- More people working from home (remote workers) can cause state tax consequences and additional filing requirements.
- Make note of a possible credit for taxes paid in other states.
- For individual taxpayers, a deduction for state income and local property taxes is capped at \$10,000 (\$5,000 for married taxpayers filing separately).
- Note that many states may have an entity-level state and local tax cap workaround.



Cryptocurrency/virtual currency/digital asset transactions

- Transactions involving virtual currency are becoming more common due to increased availability.
- The IRS is continuing to scrutinize these transactions.
- Form 1040 has a question on the first page regarding virtual currency, which must be answered.
- The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services, or receipt of virtual currency in exchange for goods/services generally has tax consequences.



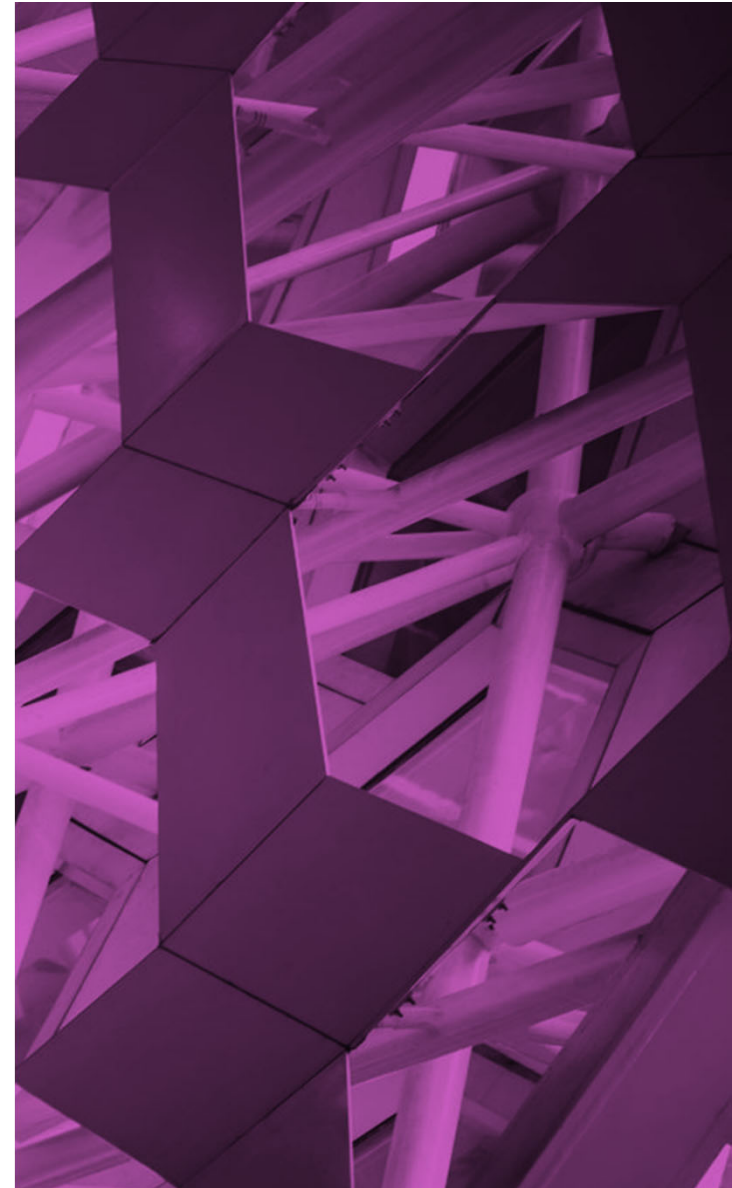
Review of net investment income tax (NIIT)

- Additional 3.8% tax on certain investment items such as:
 - Capital gains
 - Interest
 - Dividends
 - Net rental and royalty income
 - Income from passive activities
- Affects individuals, estates and trusts with income above certain thresholds



Review of alternative minimum tax (AMT)

- Alternative tax system that parallels the regular federal tax (with different rates and rules for deductions)
- How does it work?
 - Adds back certain non-taxable income and removes some deductions
 - Re-computed income is multiplied by the applicable rate (26% or 28%) and equals tentative minimum tax
- Higher of tentative minimum tax or regular tax is paid
- Tax law changes increased the exemption amounts
- Complex calculation



Retirement planning *Changes coming for 2024 with SECURE 2.0*

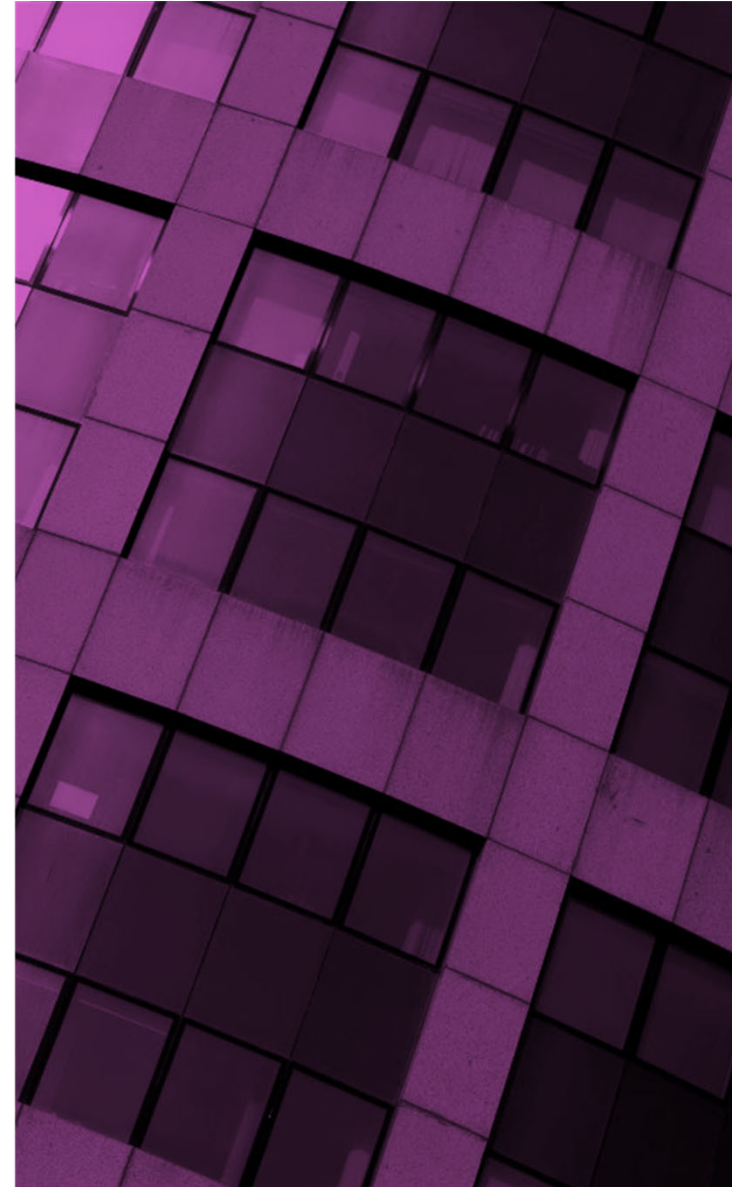
For 2023:

- **401(k)/403(b)** — \$22,500 + \$7,500 for 50 and over
- **IRA** — \$6,500 + \$1,000 for 50 and over
- **Roth IRA** — Income limits on contributing, but can convert retirement funds to a Roth
- **SEP IRA** — Contributions based on self-employed income



Estate and gift taxes

- 2023 estate tax exemption: \$12.92 million (2024 figure is \$13.61 million)
- Increase in exemption is temporary and expires in 2025.
- 2023 gift tax annual exclusion: \$17,000 (2024 is \$18,000)
- Estate planning is more than minimizing estate taxes
 - Updating documents
 - Repurposing insurance
 - Privacy
 - Asset protection



Education tax benefits

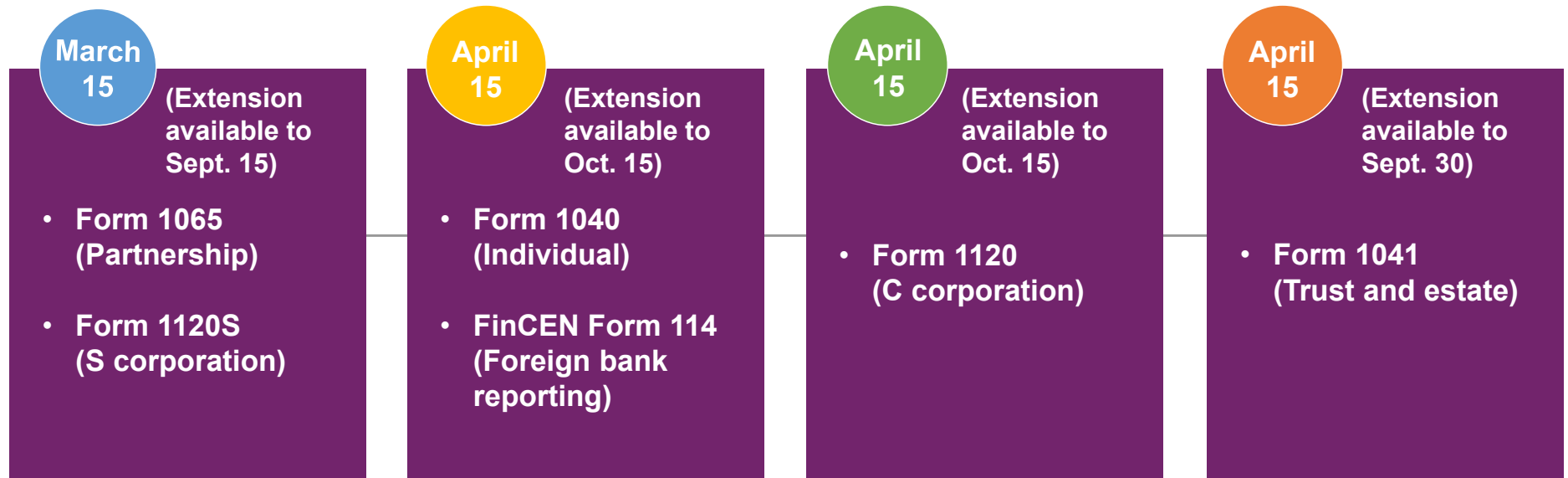
- **American opportunity tax credit**
 - Up to \$2,500 annually per eligible student for first the four years of post-secondary school (income thresholds apply)
- **Lifetime learning credit**
 - Up to \$2,000 annually per eligible student for post-secondary school expenses (income thresholds apply)
- **Section 529 plans**
 - Tax-advantaged savings plan to encourage saving for future education costs
 - Can be used to pay up to \$10K per year per beneficiary for tuition at any public, private, or religious elementary/secondary school
 - Starting in 2024, rollover of funds to Roth IRAs may be available for up to \$35K



Charitable contribution reminders

- Must be made to a qualified charity and must have proof of payment
- Cash or non-cash contributions of \$250 or more
 - Need “contemporaneous written acknowledgment” from the charity
- Non-cash contributions over \$500
 - Need details of donee organization, items donated, cost, value and more (see Form 8283)
- QCD from IRAs
 - Available for up to \$100,000 for those over age 70½
- Consider Donor Advised Funds (DAFs)
- Non-cash contributions, including non-publicly traded stock worth over \$5,000
 - Need a qualified appraisal

Reminder about due dates (for calendar year-end taxpayers)



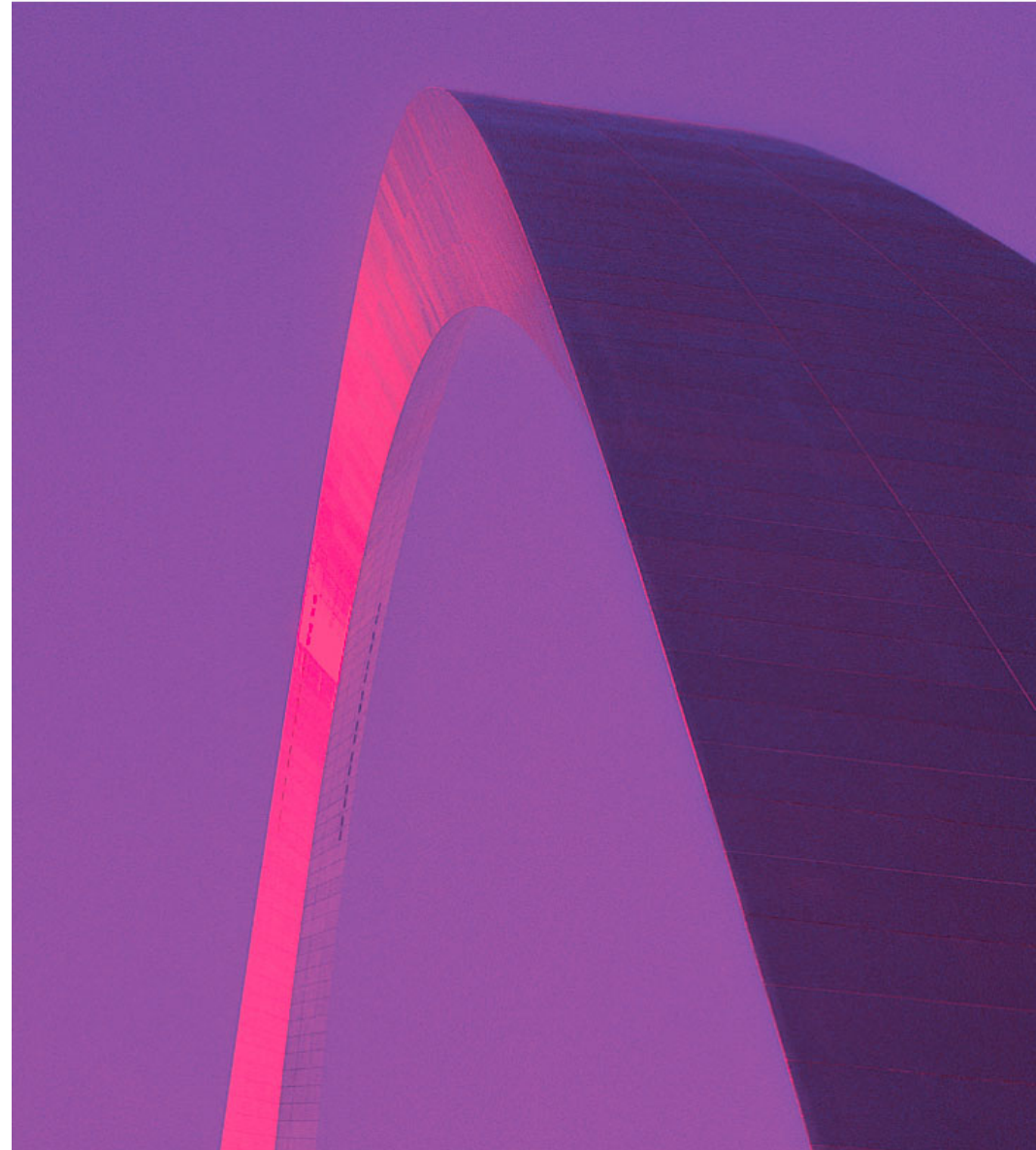
Small businesses — Saving for retirement

- Consider changes from SECURE 2.0
- Savings Incentive Match Plan for Employees (SIMPLE)
- Simplified Employee Pension (SEP) plans
- Profit-sharing plans
- A variety of 401(k) plans
- For new plans — consider small employer pension plan start-up credit



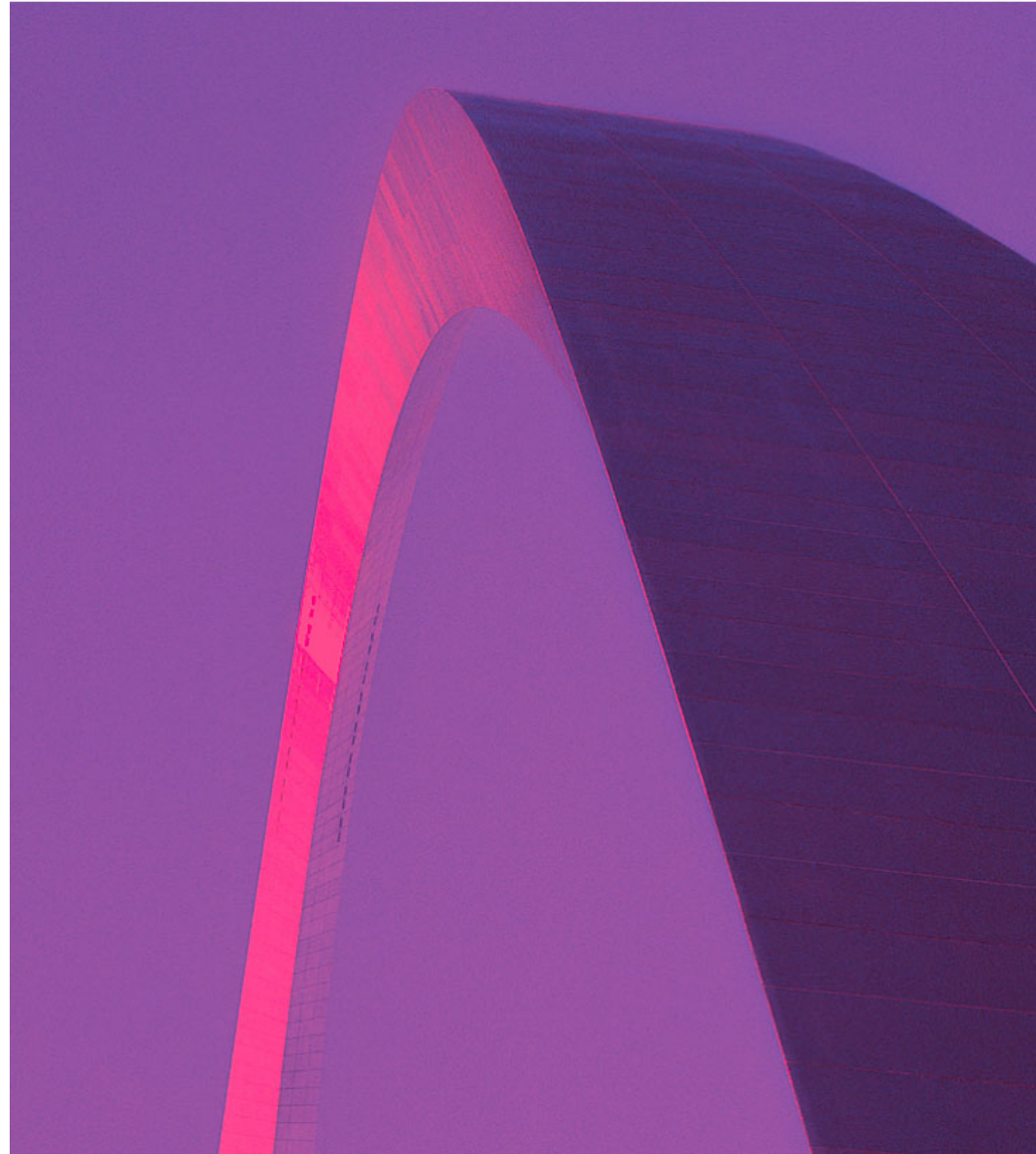
Top tax updates for businesses

- Employee retention credit for 2020 and/or 2021 amended payroll returns
- Research expense capitalization for 2023
- Bonus depreciation — 2023 currently at 80% and reduces 20% each year until 2027
- Business interest limitation changes



Top tax updates for businesses

- Section 179 deductions. For qualifying property placed in service in tax years beginning in 2023, the maximum allowable first-year Sec. 179 deduction is \$1.16 million.
- Maximize the QBI deduction



Energy credits

Individuals

- Energy Efficient Home Improvement Credit
- Residential Clean Energy Credit
- Clean Vehicle Credit



Energy credits

Business

- IRC Section 45 — Production Tax Credit (PTC)
- IRC Section 48 — Investment Tax Credit (ITC)
- IRC Section 48C/45X — ITC or PTC Energy Equipment Makers

Protect yourself from fraud

Individuals

- Protect your information.
 - Shred your mail.
 - Don't let "phishing" or other phone or email scams fool you.
 - Check your credit report regularly.
 - Consider obtaining an IP PIN from the IRS.

Businesses

- Develop/update your security plan.
- Only collect what you need for as long as you need it.
- Secure your network.
- Train and restrict access.
- Audit regularly.



Potential legislation

Many Tax Cuts and Jobs Act (TCJA) provisions expire on Dec. 31, 2025, including:

- Individual income tax rates will revert to their 2017 levels.
- The standard deduction will be cut roughly in half, the personal exemption will return while the child tax credit (CTC) will be cut.
- The estate tax exemption will be reduced.



Potential legislation

Many Tax Cuts and Jobs Act (TCJA) provisions expire on Dec. 31, 2025, including:

- The QBI 20 percent tax deduction for many pass-through businesses will disappear.
- The cap on the state and local income Tax (SALT) deduction will dissolve.

Summary — Taxes would increase for most U.S. households if these provisions expired.



Potential legislation

- Elections in November 2024
- Debt-ceiling negotiations in early 2025
- TCJA expiring December 2025
- Next major tax bill????



Planning opportunities

**Complexity =
possible savings
opportunities**

**Consider
evaluating tax
structure.**

**A CPA can
provide tax and
financial planning
services.**

