



Together as the Association of International  
Certified Professional Accountants

# 2023 Year in Review

## Tax and financial planning items to consider

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## 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
<b>2023</b>	13,850	27,700	20,800	13,850
<b>2024</b>	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*

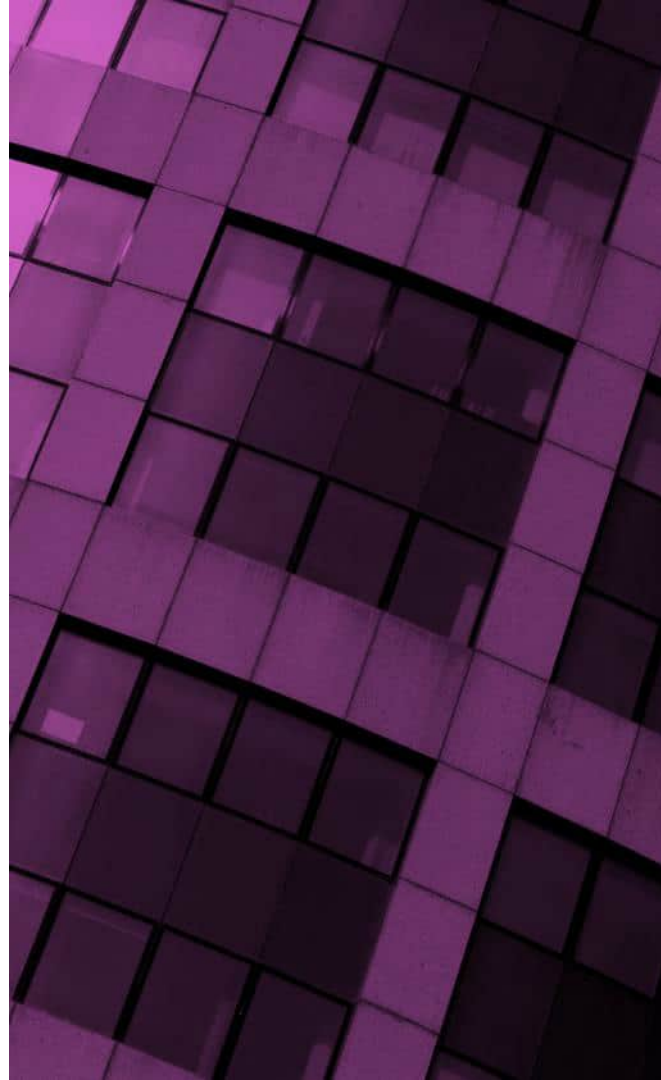
### **For 2023:**

- **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

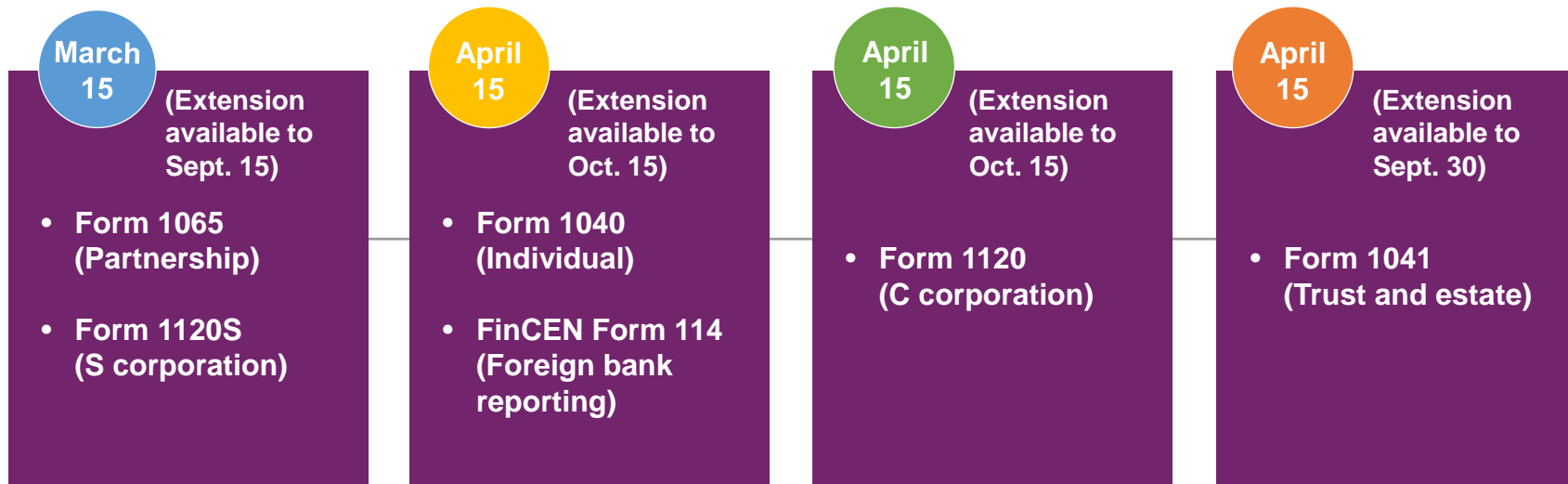
- **American opportunity tax credit**
  - Up to \$2,500 annually per eligible student for first the four years of post-secondary school (income thresholds apply)
- **Lifetime learning credit**
  - Up to \$2,000 annually per eligible student for post-secondary school expenses (income thresholds apply)
- **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)



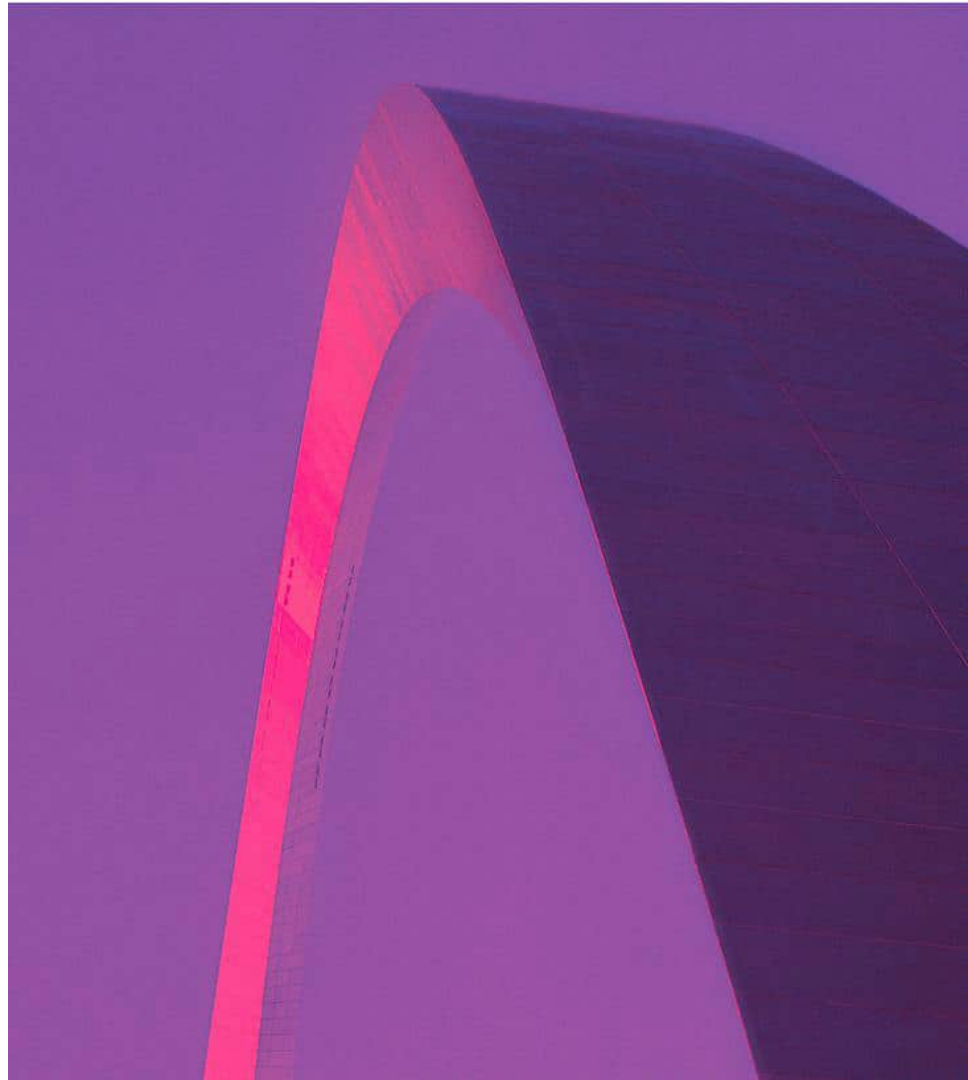
# Small businesses — Saving for retirement

- 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

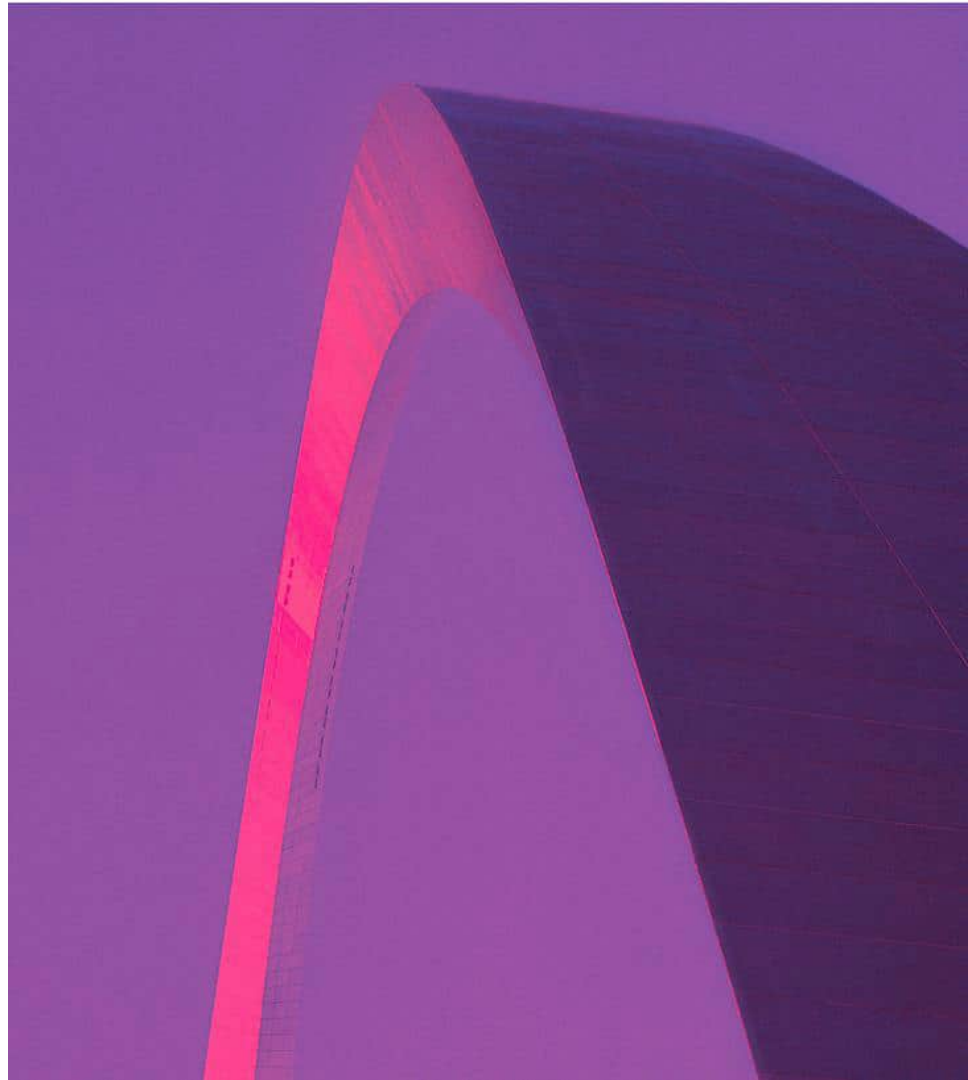
- Employee retention credit for 2020 and/or 2021 amended payroll returns
- Research expense capitalization for 2023
- Bonus depreciation — 2023 currently at 80% and reduces 20% each year until 2027
- Business interest limitation changes





# 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????





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# Thank you

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