

2023 - BROWN, BROWN AND ASSOCIATES, P.C. - 2023

Warmest Greetings of this Festive Season and Best Wishes for Happiness in the New Year!

AS OF 12/18/2023

2023 - 2024

Our Hope for a bright future, Our Peace in times of need, Our Joy for all eternity Jesus

Corporate Transparency Act New reporting rules for companies starting as of January 1st, 2024. Certain companies will be required to report beneficial ownership to the US Department of the Treasury electronically through its FinCEN website. FinCen says this system is currently under development and will be available before the January 1, 2025 required filing date. The point of this new rule is to provide transparency on individuals who utilize certain entities to conduct criminal activities. However, this will put a burden on many small businesses. Domestic reporting companies will include Corporations (Both S and C), Limited Liabilities Companies, and any other company and/or entity created by the filing of a document with the secretary of state or any similar office under the law of a state or Indian tribe. Foreign companies that are registered to do business in any U S State or Tribal jurisdiction will also be required to report under the new law.

The information required to be reported for each beneficial owner: name, date of birth and residential street address. A unique identifying number from an acceptable identification document along with an image of the document. The name of the state or jurisdiction that issued the identification document. Be aware that information is also required on the company.

Filing Late Can Cost Significant Penalties and Interest - SO DON'T FILE LATE!

If a late return is filed and money is owed then you can expect it to cost you 25%-40% more than the original amount due! As an example: Return is filed in October and did not get an extension – taxpayer owes \$1,000 if it was due April 15th, but now may very well owe \$1,400 for not filing extension.

If a late business return (Limited Liability Company, S-Corporation, and/or Trust) that is required to distribute K-1s to its beneficiaries, members, or partners files late, the IRS can assess a penalty on each partner of \$245 per month.

Remember: We do not automatically get extensions for clients each year. It is your responsibility to contact the specific office that services your account and make the appropriate request and/or arrangements to get an extension. If you believe that taxes will be due, that payment needs to be made with your extension.

Qualified Charitable Distributions Individual retirement account (IRA) owners age 70 1/2 or older can transfer up to \$105,000 in 2024 to a qualified charity. They can count it as their required minimum distribution (RMD) which makes the gift not includible in taxable income.

Energy Efficient Home Improvement Credit If you make qualified energy-efficient improvements to your home after Jan. 1, 2023, you may qualify for a tax credit up to \$3,200. You can claim the credit for improvements made through 2032 using new material and it is your primary residence. The credit has no lifetime dollar limit.

The maximum credit you can claim each year is: \$1,200 for energy property costs and certain energy efficient home improvements, with limits on doors (\$250 per door and \$500 total), windows (\$600), home energy audits (\$150) and qualified heat pumps, biomass stoves or biomass boilers (\$2,000)

Electric Vehicle (EV) Credit You might have purchased an electric car or hybrid in 2023? If so, you might qualify for getting a \$7,500 tax credit on purchasing your new vehicle. The revised credit applies to battery electric vehicles with an MSRP below \$55,000. Also includes zero-emission vans, SUVs, and trucks with MSRPs up to \$80,000. Qualifying individuals must have adjusted gross incomes of \$150,000 or less, \$225,000 for heads of households, or \$300,000 for joint filers. Purchaser must be an individual (no businesses) to qualify for used credit. If you purchased a used EV then you might also qualify for \$4,000 tax credit. Several rules apply to the used vehicle - ask us when we do your tax return!

Business in Home Deductions Taxpayers who are self-employed should keep track of their home expenses. If you have an office space in your house then you need to track all expenses related to your home: interest, insurance, repairs, etc. as you might qualify for a home office deduction against your self-employed income.

1099-K Forms Delayed for 2023 Third-party payment settlement networks (such as Paypal or Venmo) starting in 2023 were supposed to send you a Form 1099-K if you are paid over \$600 during the year for goods or services. The IRS announced in November of 2023 that it will not enforce this requirement until 2024 and the threshold for reporting will be \$5,000. Previously, the form was only sent if you received over \$20,000 in gross payments and participated in more than 200 transactions. Although it doesn't apply to payments received from family or friends, we are not sure the reporting companies will separate this information. So it is a very good idea if you are using these services to track what you are doing and keep very good records.

Converting Regular IRAs to Roth IRAs Converting IRAs might be a good tax strategy. Why might it be a good idea? 1) You are in a low tax bracket of 10%-12% or less. 2) A Roth IRA doesn't require minimum distributions, so converting will lower future taxable distributions 3) Roth IRAs grow tax free

Cryptocurrency and Sales Tax Based on various states interpretation of what cryptocurrency is - your bitcoins may be subject to sales tax in the future. Just a heads up!

Retirement Funds and Qualified Federal Disasters If you live in a "qualified disaster" area that has been declared so by the President of the United States, you can now take a distribution of up to \$22,000 from an employee retirement account or an IRA in the year of the disaster. The distribution will not have any penalty and you may add it to your taxable income over a 3 year period.

The Annual Exclusion for Gifts The annual exclusion for gifts, which limits how much taxpayers can give an individual without filing a gift tax return on certain gifts, will increase to \$18,000 per person in 2024, up \$1,000 from 2023.

How Higher Income can Affect Medicare Premiums If your income is more than \$97,000 as an individual or \$194,000 for a joint return for 2023, the government will increase the Medicare premium that is deducted out of your social security benefits each month. Taxpayers might have a large amount of income in one year due to selling land or stock, a settlement or other income. If this is a one time event and normally your income is under the levels stated above - you need to file form SSA-44 with the social security department. You can also call their office to setup an appt if you need help at 1-800-772-1213.

529 College Savings Accounts If you have had a college savings account for at least 15 years, you can now rollover up to \$35,000 into a Roth IRA for the beneficiary of the account.

Student Loan Interest Student loan interest will resume starting on September 1, 2023 and payments will be due starting October 2023. You can deduct student loan interest up to \$2,500 on your taxes.

Work Opportunity Tax Credit This tax credit is for businesses that hire ex-felons, qualified veterans, residents of empowerment zones or rural renewal counties and certain other workers who face employment barriers. The credit is 40% of the first \$6,000 paid in wages (or \$2,400). Employers must use the form 8850 to prescreen applicants. The employer then submits this form to appropriate state agency within 28 days of the employee starting work.