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Tax Highlights

The following are highlights of tax law. This is not meant to be a comprehensive list nor the complete wording of tax law, rules & regulations. This summary is not meant to replace tax advice on your specific tax situation, nor is it meant to be relied on by existing clients or third parties. We are not responsible for any errors or omissions. This is not meant to be legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought. These materials are informational in nature and users of these materials may not rely upon them to avoid imposition of tax penalties.

Although the economy has improved somewhat, both individuals and businesses need financial strategy. Contact us for an appointment for questions. Look at your income and expenses closely. Can you reduce spending? Can you increase revenue? Do you need to increase your fees? Will customers be willing to pay more? Look at your cash flow needs. Check with lenders on the status of credit lines. Try to pay-as-you go to avoid reliance on credit. Study collections on revenue. Renegotiate payments schedules that are difficult to meet. Manage payments to avoid late fees and obtain discounts available. Check the safety of cash deposits for FDIC coverage. Don't engage in impulsive buying or selling. Review your insurance coverage. Come up with a PLAN now and review the plan over time.

ALPHABETICAL *EXCEPT WE FELT THAT CLIENTS WOULD BE MOST INTERESTED IN THE MAJOR CHANGES FIRST.*

PERSONAL EXEMPTIONS REPEALED

(Deemed Personal Exemption for qualifying relative $4,700 for 2023 and $5,050 for 2024.)

Although personal exemptions have been repealed, a dependent can still be claimed for various credits, such as the earned income credit, child tax credit and education credits. To claim a dependent for tax credits, their income cannot exceed $4,700 for 2023 and $5,050 for 2024 unless they are a full-time student, under the age of 24 years old.

2024 & 2023 STANDARD DEDUCTIONS

Single or Married Filing Separate 2024	$14,600
Single or Married Filing Separate 2023	**$13,850**
Head of Household 2024	$21,900
Head of Household 2023	**$20,800**
Married Filing Joint 2024	$29,200
Married Filing Joint 2023	**$27,700**

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Standard Deduction for Those Who Are Claimed as a Dependent

2023- Lesser of $13,850 or the greater of $1,250 or $400.00 plus earned income.
2024- Lesser of $14,600 or the greater of $1,300 or $450.00 plus earned income.

Additional Standard Deduction for 65+ or Blind

The following is per person. The amount is time two if both blind and over 65
2023-$1,850 Single & Head of Household or MFJ $1,500 Each Applicable Spouse
2024-$1,950 Single & Head of Household or MFJ $1,550 Each Applicable Spouse

TAX RATE TABLES 2024

Single		Married Filing Joint	
$0 - $11,600	10%	$0 - $23,200	10%
$11, 601 - $47,150	12%	$23,201 - $94,300	12%
$47,151 - $100,525	22%	$94,301 - $201,050	22%
$100,526 - $191,950	24%	$201,051 - $383,900	24%
$191,951 - $243,725	32%	$383,901 - $487,450	32%
$243,726 - $609,350	35%	$487,451 - $731,200	35%
$609,351+	37%	$731,201+	37%

Head of Household		Married Filing Separate	
$0 - $16,550	10%	$0 - $11,600	10%
$16,551 - $63,100	12%	$11, 601 - $47,150	12%
$63,101 - $100,500	22%	$47,151 - $100,525	22%
$100,501 - $191,950	24%	$100,526 - $191,950	24%
$191,951 - $243,700	32%	$191,951 - $243,725	32%
$243,701 - $609,350	35%	$243,726 - $365,600	35%
$609,351+	37%	$365,601+	37%

Estates & Trusts		Corporation (C-Corp)
$0 - $3,100	10%	Flat 21% (Includes Personal Service Corporations) Watch for Accumulated Earnings Tax.
$3,101 - $11,150	24%	
$11,151 - $15,200	35%	
$15,201+	37%	
Estate & Trust	Capital Gains Rates	Also Qualifying Dividends
$0 - $3,150	0%	
$3,150 - $15,450	15%	
$15,451 +	20%	

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2024 Capital Gains Tax Rates

Tax-filing status	**0% tax rate**	**15% tax rate**	**20% tax rate**
Single	$0 to $47,025.	$47,026 to $518,900.	Over $518,900
Married, filing jointly	$0 to $94,050.	$94,051 to $583,750.	Over $583,750
Married, filing separately	$0 to $47,025.	$47,026 to $291,850.	Over $291,850
Head of household	$0 to $63,000.	$63,001 to $551,350.	Over $551,350

Short term capital gains are taxed as ordinary income.

TAX RATE TABLES 2023

Single		Married Filing Joint	
$0 - $11,000	10%	$0 - $22,000	10%
$11,001 - $44,725	12%	$22,001 - $89,450	12%
$44,726 - $95,375	22%	$89,451 - $190,750	22%
$95,376 - $182,100	24%	$190,751 - $364,200	24%
$182,101- $231,250	32%	$364,201 - $462,500	32%
$231,251 - $578,125	35%	$462,501 - $693,750	35%
$578,126+	37%	$693,751+	37%

Head of Household		Married Filing Separate	
$0 - $15,700	10%	$0 - $11,000	10%
$15,701 - $59,850	12%	$11,001 - $44,725	12%
$59,851 - $95,350	22%	$44,726 - $95,375	22%
$95,351 - $182,100	24%	$95,376 - $182,100	24%
$182,101 - $231,250	32%	$182,101 - $231,250	32%
$231,251 - $578,100	35%	$231,251 - $346,875	35%
$578,101+	37%	$346,876+	37%

Estates & Trusts		Corporation (C-Corp)
$0 - $2,900	10%	Flat 21% (Includes Personal Service Corporations) Watch for Accumulated Earnings Tax.
$2,901 - $10,550	24%	
$10,551 - $14,450	35%	
$14,451+	37%	
Estates & Trusts	Capital Gains Rates	Also Qualifying Dividends Rates
0 - $3,000	0%	
3,001 - $14,650	15%	
$14,650 +	20%	

INFORMATION AS OF 12/31/2023

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2023 Capital Gains Tax Rates

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.

Note: Do not forget when a C corporation is subject to tax, it means that the shareholder has left money in the corporation and not taken it as wages. If the shareholder wants the money out, it is taxed again (Double Taxation) on the shareholder's individual tax return. Most shareholders of small companies cannot afford to leave the money in the corporation, because they need it to live. If it is all taken out as wages, there is no double taxation, but the tax is at the graduated tax rates listed above for the individual tax returns. If you are converting from a C corporation to an "S" corporation, watch for built in gains. Also, if an S corporation switches to C status, the entity cannot elect S status again for 5 years.

INDIVIDUAL MANDATE PENALTY FOR NO HEALTH INSURANCE

Federal REPEALED after 2018 Tax Cuts Job Act. No penalty in 2023 & 2024.
Some States have a health insurance mandated penalty, such as California**.**

FEDERAL -ITEMIZED DEDUCTIONS

- From 2018 forward, a **limit of $10,000** for the combination of **real estate tax, personal property tax, state income tax, and state & local taxes.**
- **Deductions Subject to 2% of AGI are NOT ALLOWED**. Examples of deductions no longer allowed are: Employee Business Expenses, Investment Expenses, tax Preparation Fees except those for rentals or business income. Also, investment expenses are not allowed to be deducted from investment income to determine the deduction for net investment interest.
- **Medical deduction** remains at 7.5% AGI threshold permanently.

STATE -ITEMIZED DEDUCTIONS (Employee Business Expenses)

Please note there are still some states allowing employee business expenses as a deduction even if it is not allowed as a federal deduction. (AL, AR, CA, HI, MN, NY, & PA). If you reside in one of these states, you may still need to gather your employee business expenses unless the total of your itemized deductions is below the state's standard deduction.

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QBI = 20% Deduction for Flow-Through Entities, Sole-Proprietorships and Some Rentals from 2018 Forward.

- 20% Deduction of Qualified Business Net Income limited to the taxable income of the individual. Qualified Business Net Income does not include passive investment income, such as capital gains, interest, and dividends. It is basically K-1 Box 1 and 2 income or Form 1040-Schedule C & E net income. It also includes qualified REIT dividends, and qualified income from a publicly traded partnership.

If the individual's taxable income is above:

- Single, Head of Household & Married Non-Resident Alien $191,950 for 2024 & $182,100 for 2023 (Phased out over the next 50,000)
- Married Filing Joint $383,900 for 2024 and $364,200 for 2023 (Phased out over the next 100,000)
- Married Filing Separately $191,950 for 2024 and $182,100 for 2023 (Phased out over the next 50,000)

Then there is a limitation the lesser of
A) 20% of QBI
B) or the greater of:
(a) 50% of shareholder wages (50% of guaranteed payments)
or
(b) the sum of 25% of all wages (Guaranteed Payments) plus 2.5% of the cost of qualified property (tangible property subject to depreciation). The cost cannot be included for property that was placed into service more than 10 years ago on which the recovery period is over. This part can be applied to sole-proprietorships, where there are no wages and the sole-proprietor is over the phase-out range. ***This part is not available to service-based businesses***

Clean Energy Credits

Aug 16, 2022 Congress passed the Inflation Reduction Act ("IRA) with a number of credits and rebates designed to promote clean energy including the clean vehicles credits, the energy efficient home improvement tax credit, and home energy rebates. See the Energy Credit section on page 19.

The SECURE 2.0 ACT

Dec 29, 2022, the SECURE 2.0 ACT was passed. The legislation provides reform in the retirement system.

- The age to start taking RMDs increases to age 73 in 2023 and to 75 in 2033.

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- The penalty for failing to take an RMD will decrease to 25% of the RMD amount, from 50% currently, and 10% if corrected in a timely manner for IRAs.
- Starting in 2024, RMDs will no longer be required from Roth accounts in employer retirement plans.
- Catch-up contributions will increase in 2025 for 401(k), 403(b), governmental plans, and IRA account holders.
- Defined contribution retirement plans will be able to add an emergency savings account associated with a Roth account.
- Business is required to automatically enroll eligible employees, starting at a contribution rate of at least 3%, starting in 2025 in new 401(k) and 403(b) plans.
- Plans have automatic portability which transfers an employee's low balance retirement accounts to a new plan when they change jobs.
- Starting in 2024, employers will be able to "match" employee student loan payments with matching payments to a retirement account, giving workers an extra incentive to save while paying off educational loans.

BENEFICIAL OWNERSHIP INFORMATION REPORTING

Pursuant to the Corporate Transparency Act (CTA), certain "Regulated Entities" must now file information concerning their beneficial ownership information (BOI) with the Financial Crimes Enforcement Network (FinCEN) so that the data can be accessed by law enforcement, the IRS, certain other agencies, and select financial services companies in a new federal government database called Beneficial Ownership Secure System (BOSS).
Please refer to the separate letter we sent out regarding BOI reporting.

Start of Alphabetical Topics

ABLE SAVINGS ACCOUNTS Section 529A

Able Savings Accounts are a means to set aside money for those with a disability, who became disabled prior to attaining the age of 26. The disability must meet the criteria under Title II of the Social Security Act or there must be a certificate on file with the IRS for the tax year. Anyone can contribute to the account for the beneficiary. The contribution is not deductible and the maximum that can be contributed in any year from all contributors is equal to the gift tax exclusion ($18,000 for 2024 and $17,000 for 2023). No longer required to be established in the state of residence of the account owner. Starting December 2017, you can rollover from a 529 Plan to an Able account. In addition to the Able account a trust can be set up for a disabled child to provide for

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their care when the parent or other guardian is gone. Trusts have high tax rates, so it is better to fund the Able account first and then use any additional money that you are able to set aside to put in the trust.

ADOPTION CREDIT Extended Permanently or Until Further Legislation

2024 = $16,810 Non-Refundable (Phase-out = $252,150 - $292,150)
2023 = $15,950 Non-Refundable (Phase-out = $239,230 - $279,230)

ALL ENTITIES & SOLE PROPRIETOR
(Partnerships, LLC's, LLP's, C Corps, S Corps)

Tax Form question: If any 1099's needs to be filed, were they filed? This is to see if the entity is deducting independent contractors without issuing 1099's.

ALIMONY

2019 and forward = No deduction Effective for divorce decrees finalized after 2018 or modified with the wording that the new rule would apply after 2018**.** See §215.71(a)(8)

AMT EXEMPTION

Married Filing Joint & Qualifying Widowers		**Single or Head of Household**	
Exemption 2024	$133,300	Exemption 2024	$85,700
Phase Out 2024	After $1,218,700	Phase Out 2024	After $609,350
Exemption 2023	$126,500	Exemption 2023	$81,300
Phase Out 2023	After $1,156,300	Phase Out 2023	After $578,150
Married Filing Separate		**Estates & Trusts**	
Exemption 2024	$66,650	Exemption 2024	$29,900
Phase Out 2024	After $609,350	Phase Out 2024	After 99,700
Exemption Out 2023	$63,250	Exemption Out 2023	$28,400
Phase Out 2023	After $578,150	Phase Out 2023	After $94,600

C Corporation: **2018 AMT is Repealed for C Corporation**

AMT for Child Subject to Kiddie Tax

The child's exemption from alternative minimum taxable income (AMTI) is the lesser of:

2024	$85,700 or	Earned Income plus $9,250
2023	$81,300 or	Earned Income plus $8,800

ASSETS-DE MINIMIS RULES-REPAIR V CAPITALIZATION RULES:

- 2016 Forward = $2,500 De Minimis safe harbor under the repair regs. An election must be made each year with the tax return.

- The repair v capitalization rules are too lengthy to go into here, but a brief summary of some of the regulations are worth a mention.
- A repair or supply under Treas. Reg. 1.162-3 is an item costing $2,500 for 2016 Forward or less that normally would be considered an asset, but instead is considered a repair or a supply or small equipment. Also, the deminimis rules under Treas. Reg. 1.263(a)-1(f) allow for the write off a capital asset as an expense up to $2,500 for 2016 Forward for certain items that would have to be capitalized and depreciated in the past. Examples of items that may cost $2,500 for 2016 Forward or less are small office equipment or small tools. If a Company has audited financial statements, the amount is $5,000 instead of $2,500. You must count all invoices for the same asset to be sure you are under the de minimis rule. There are certain safe harbors for assets with a limited useful life, rotable spare parts and materials and supplies that are improvements. Building improvements up to $10,000.00 can also be expensed under Treas. Reg. 1.263(a)-3(h) instead of capitalized, if all buildings owned by the individual or company are worth less than one million, the total average income is less than 10 million and the improvement cannot be more than 2% of adjusted basis of the building(s). Because these regulations are lengthy, you would be better off to list the assets on the asset list of my list of deductions. This way I can determine better what regulation it may come under.

ASSET EXPENSE LIMIT- NEW OR USED PROPERTY IRC Sect. 179

2024 = $1,220,000 limited to taxable income and an investment limit of $3,050,000.
2023 = $1,116,000 limited to taxable income and an investment limit of $2,890,000.

- (2024) $30,500 and (2023) $28,900 limit on SUV's. Based on weight not chassis.
- Please note that although exempt from luxury car limitations, SUV's, certain trucks and certain vans are limited to (2024) $30,500 or (2023) $28,900 for the expense limit, which is further limited by the business percentage of use. Rarely does a vehicle have 100% business use. Also, attention must be paid to the Luxury Auto Limitations.

Luxury Car Limitations 2023 (Note: 2024 Not Published Yet)

Tax Year	Passenger Auto Depreciation Cap	Passenger Auto with Bonus
1st Year	$12,200*	20,200
2nd Year	$19,500	19,500

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3rd Year	$11,700	11,700
4th Year +	$6,960	6,960

Qualified Real Property (Improvements)

15-year straight-line cost recovery or Section 179 expense limited to $1,220,000 for 2024 and $1,160,000 for 2023. This is part of the total allowed not in addition to the total allowed. Reduction for Sect. 179 property purchased over $2,890,000 for 2023 and 3,050,000 for 2024. Qualified real property consists primarily of qualified improvement property.

Qualified Improvement Property

Qualified improvement property is an improvement to the interior portion of nonresidential real property such as a retail or office building. 15-year straight-line cost recovery or Section 179 expense limited to $1,220,000 for 2024 and $1,160,000 for 2023. This is part of the total allowed not in addition to the total allowed. Reduction for Sect. 179 property purchased over $2,890,000 for 2023 and 3,050,000 for 2024.

- Criteria: a) to interior of nonresidential real property b) made by the taxpayer c) made after the building was placed in service d) made after December 31, 2017 and e) cannot include enlargements, elevator or escalators, structural components affecting common areas or internal structural framework.

BONUS DEPRECIATION

- January 1, 2017 through September 27, 2017 = **50%** (Original Use and Placed in Service)
- September 28, 2017 through December 31, 2022 = **100%**
  - *(From this date forward Used or New and Placed in Service)*
  - **2023 = 80%, 2024 = 60%, 2025 = 40%, 2026 = 20%**
- Improvement property remains 15-year and, therefore, qualifies for the bonus depreciation during the period listed above with the same criteria.

In Rev. Proc. 2015-56 the IRS gave a safe-harbor for remodel/refresh of retail & restaurants. The safe harbor allows for 75% of the costs to be deducted and 25% to be capitalized.

BUSINESS INTEREST LIMITATION

2018 going forward, does not apply to those with average gross receipts less than 25 million. Limits business interest deduction to 30% of taxable income at the entity level (EBIT). Can carryforward for 5 years, but it reduces the partner/shareholder basis in the Company.

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BUSINESS MEALS

From 2023 forward, business meals are back to being 50% deductible.

CANCELLATION OF DEBT

The difference between what is owed and what the repossessed property sells for or is sold for is taxable income for recourse debt unless you meet one of the exclusions, i.e. 1) bankruptcy exclusion or 2) insolvency exclusion.

- Please look at Internal Revenue Code Section 108 exceptions. You will probably receive a 1099-C from the loan company. If you are personally liable (Check-Marked on Form 1099-C includes most real estate loans) the difference between the FMV and the debt forgiven is ordinary income and not a capital gain. For non-recourse debt, the sales price on foreclosed property is the mortgage balance. For credit card debt forgiven, it is the amount forgiven.

CANCELLATION OF DEBT-MORTGAGE DEBT FORGIVENESS-PRINCIPAL RESIDENCE EXTEDNDED THROUGH 2025

Debt forgiven on qualified PRINCIPAL residence debt is not income. This does not apply to second homes. It applies to the portion of the mortgage forgiven even if a refinanced mortgage (If used to improve the home), which was acquired to purchase, construct, or improve the home. Any debt forgiveness on the portion of a mortgage above $2M ($1M for Married Filing Separate) is taxable income. Debt forgiveness on Rental property and Second homes is taxable income. For the Cancelled Debt to be non-taxable, it must be for the purchase and improvement of the home and must be collateralized by the home. If you took out additional mortgage money on your primary residence for other than to purchase or make improvements on the home, this would not be excludable.

Most states allow deficiency judgments. Only Alaska, California, Minnesota, Montana, Oregon and Washington forbid deficiency judgments in most cases. Other states only allow deficiency judgments in certain instances. In Arizona, lenders can't purchase deficiencies for one- or two-family homes on 2.5 acres or less. And in North Dakota, courts can file deficiency judgments, but usually not for owner-occupied homes.

In some states, lenders are only permitted a single lawsuit to collect mortgage debt. This plays out differently depending on the state’s laws. In New York, for example, a lender must choose between the actions of foreclosing on the property or suing to collect the debt. The following states have some type of one action statute: CA, ID, MT, NV, NY, UT.

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CANCELLATION OF DEBT-STUDENT LOAN FORGIVENESS

While student loan forgiveness is generally included in taxable income, the American Rescue plan Act of 2021 temporarily exempted student loan forgiveness under income driven repayment plans from federal taxation through 2025.

CAPITAL GAINS RATE & QUALIFIED DIVIDEND RATES

2024

Tax Rate	Single	MFJ	MFS	Head of Household	Trusts
0%	$0 - $47,025	$0 - $89,250	$0 - $47,025	$0 - $63,000	$0 - $3,150
15%	$47,026 - $518,900	$89,251 - $553,850	$47,026 - $291,850	$63,001 - $551,350	$3,151 - $15,450
20%	$518,901+	$553,851+	$291,851+	$551,351+	$15,451+

2023

Tax Rate	Single	MFJ	MFS	Head of Household	Trusts
0%	$0 - $44,625	$0 - $89,250	$0 - $44,625	$0 - $59,750	$0 - $3,000
15%	$44,626 - $492,300	$89,251 - $553,850	$44,626 - $276,900	$59,751 - $523,050	$3,000 - $14,650
20%	$492,301+	$553,851+	$276,901+	$523,051+	$14,451+

- Net Investment Income Tax of 3.8% may also apply (See Net Investment Income alphabetically below).
- Capital Gain does not apply to sale of self-created assets but will be taxed at ordinary income.

CAPITAL GAIN ON SALE OF PRINCIPAL RESIDENCE

This is not the cancellation of debt income exclusion for a primary residence, which is listed above, this is the capital gain on the sale of your primary residence.

Gain exclusion is $250,000 ($500,000 married filing joint if you owned the home and used it as your principal residence for two out of five years prior to the date of the sale). There is a proration of gain exclusion by the number of days in the five year period that the home was not used as a principal residence for a change of place of employment, health reasons and other unforeseen circumstances, such as involuntary conversion of the home, damage to home from natural disaster, acts of war or terrorism, death, loss of employment entitling the individual to receive unemployment compensation, change in employment status resulting in the inability to pay housing costs, divorce or legal separation, multiple births from a single pregnancy, etc. Also, there is a proration if the home has been used as a rental.

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- For Example: A home costing $400,000, sells for $700,000 and was used for 2 out of the 5 years prior to the sale date as a rental property with $20,000.00 of depreciation taken! The $20,000 depreciation would be taxable income. ALSO 40% or $120,000(2 out of 5 years) of the $300,000 gain would not be excludable and would be capital gain income. The remaining gain of $180,000 is below the gain exclusion of $250,000 ($500,000 for joint ownership) and, therefore, would be excludible gain. Although this provision does not totally take away the gain exclusion on properties that have been used as a rental and as a principal residence, it does make the gain attributable to the rental time taxable. Also, if rental property is acquired in a like-kind exchange (Section 1031) and a sale is done within 5 years, there is no gain exclusion.
- *Widower has two years from the date of death to claim the full $500,000 exclusion.*

CASUALTY LOSSES

Repealed in 2018 except President Declared Disaster Areas or business casualty losses.

CAR DONATIONS

Deduction equals Fair Market Value if charity uses the donated car for a period of time. If the Charity sells the vehicle for less than FMV to relieve the poor, etc., who are in need of a means of transportation, then you may deduct the FMV. If the charity sells the vehicle for less than FMV to a needy person who is not in need of a means of transportation, then you deduct the sales price not the higher FMV. If the vehicle is sold for $500 or less, then you may deduct the $500. There is “A Donor’s Guide to Vehicle Donations” on the irs.gov, which gets into further details on vehicle donations. The charity must provide the information and amounts of the deduction if the donation is more than $250.00. We need the original cost, VIN, year and make and date of purchase of the car donated.

CASH METHOD OF ACCOUNTING LIMITATION

Gross Receipts test of IRC Sect. 448(c) is met allowing the cash method of accounting, if the average annual gross receipts for the three year tax period ending with 2023 do not exceed $29,000,000 and $30,000,000 for 2024..

CASH REPORTING

A Business must report on Form 8300 cash received of $10,000 or more.

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CHARITABLE DONATION OF CLOTHING & HOUSEHOLD TEMS:

Taxpayer not charity must prove the items were in "good" or "better condition" to deduct. If worn out, there is no deduction.

- *BE CAREFUL OF LARGE DONATIONS-BE ABLE TO BACK UP YOUR DEDUCTION WITH PICTURES OF ITEMS DONATED AND A LIST WITH A DESCRIPTION, CONDITION, COST AND APPROXIMATE CURRENT VALUE. The list must be legible.*

CHARITABLE CONTRIBUTIONS-MISCELLANEOUS

- 2018 Forward Limited to 60% of Contribution Base =AGI without NOL
- If you take the standard deduction, you cannot claim a charitable donation tax deduction
- The above-the-line deduction of $300/$600 is not extended.
- The increased contribution limits and 15-year carry forward for contributions of appreciated real property (including partial interests in real property) for conservation purposes has been made permanent.
- The provision allowing tax free distributions from IRA to Qualified Charities by an individual age 70 ½ has been made permanent.
- Insubstantial-Lower of 2% of contribution or 2023 = $125 and 2024 = $132. Token gift = $12.50 for 2023 and $13.20 for 2024.
- QCDs limit for 2024 = $105,00 and for 2023 = $100,000

- The enhanced charitable deduction for contributions of food inventory has been made permanent. This donation must be used by the charity for the ill, infants or the needy. C-corps can deduct 25% of taxable income for 2024 & 2023.

CHARITABLE CONTRIBUTION OF MONEY

Substantiation is required of all cash donations with a bank record, such as a canceled check or credit card statement or written acknowledgement from the charity. If the cash donated is $250 or more the charity must acknowledge the amount and notate whether you received any goods or services in exchange.

CHILD DEFINITION

As of 01/01/05 uniform definition for dependency exemption, child tax credit, head of household filing status, Earned Income Credit, and dependent care credit: a) lives with taxpayer more than half the year b) specified relationship i.e. family, adopted, foster child, etc. c) age of child is still the same, i.e. 19 for dependency, etc. or 24 if full time student.

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CHILD TAX CREDIT (Made Permanent)

2024 & 2023 $2000 per qualifying child under the age of 17	
2024 Phase Out – Married Filing Joint	$400,000
2024 Phase Out – Head of Household	$200,000
2024 Phase Out – Single	$200,000

CHILD AND DEPENDENT CARE CREDIT (Made Permanent)

“Employer Provided Dependent Care Credit”

Maximum Child Care Credit for children below age 13 is 20% or 35% of $3,000 for one child and $6,000 for two or more children. Subject to phase-outs!

CONTRACT/CASUAL LABOR

A 1099-NEC should be issued to any person or company that provide services to you other than a corporation if you pay $600.00 or more. A 1099-NEC should be issued to an attorney regardless of the fact they are operating as a corporation or not.

All forms 1099 except those prohibited by statute, regulation or other guidance, such as Internal Revenue Bulletins, Forms or Instructions for Forms may have but are not required to have the tax identification number (EIN, Social Security Number, Etc.) truncated on the recipient’s copy. Example of EIN: XX-XXX4053. Example of a Social Security Number: XXX-XX-4053 Form 1099-NEC is allowed to have the recipient’s number truncated. Starting in 2024 you must file 1099’s electronically if you issue 10 or more.

CONVERSION FROM S CORPORATION TO C CORPORATION

2023 & 2024 Distributions must be prorated between accumulated adjustments account (AAA) and earnings and profits (E&P) based on their ratio to each other. There may be built in gains tax. Cannot switch back for 5 years.

CREDIT & DEBIT CARD REPORTING-Form 1099-K

PAY ATTENTION TO THIS: . For 2023 reporting is required when transactions exceed 200 and the total is greater than $20,000.00, but I have seen 1099-K’s issued by the processor even when the amounts are less than this. For 2024 the reporting is required for $4,000 or more and for 2025 the reporting will be required for $600 or more. Financial institutions and other third-party merchants must report the gross and monthly dollar amounts on credit processed for your businesses. This is an attempt to capture unreported income. Form 1099-K requires each month’s payment to be report separately, i.e. January______, February_____........... This includes Paypal and other 3rd party payers. The gross amount is reported; therefore, you will need to deduct as an

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expense amount kept by the credit processor (their fee) as a merchant bankcard fee. The sales tax is also included in the gross on the 1099-K, which means you must deduct it as an expense in order to match the amount reported on the 1099-K. This is not technically correct, because sales tax is not income nor is it an expense but declaring less than is on the 1099-K could be an issue to generate an audit, so there is no choice. Cash back to customers or other discounts have also not been deducted from the gross reported on the 1099-K, so this must be deducted as an expense. There may be other items included in the gross. Do not deduct them from the gross. Do a separate line item of expense. For instance, if you have a gross amount reported to you of $1,023.10, which includes $8.10 of sales tax and $15.00 of shipping, you will report the full $1,023.10 as credit card sales and deduct the sales tax and the shipping as an expense.

CRYPTO CURRENCY

Exchanging one crypto currency for another or buying or cashing out a cryptocurrency is considered a sale. We need the date of purchase, date of sale, cost, and sale amount. It is recorded in the same way as a stock sale. U. S. Brokers are required to give the information for the crypto sale starting in 2023, but you must supply them with the information on cryptocurrency you already have with the broker. Taxpayers must now disclose any “digital asset” trading activity on the 2023 1040 form.

DEPRECIATION Highlights

(Also See Asset Expensing and Bonus Depreciation Earlier)

Motorsports Entertainment Complexes (Sec 168) 7-year property. Extended January 1, 2018 through December 31, 2025

Qualified Film & Television and Live Theatrical Productions (Sec 181) -Allowed expensing up to $15 million when placed in service January 1, 2018 through December 31, 2025

DOMESTIC PRODUCERS DEDUCTION (Section 199)

REPEALED under Tax Cuts and Jobs Act

EARNED INCOME CREDIT

Enhancements to the EIC in Bush-era and subsequent legislation have been extended including the use of adjusted gross income instead of modified adjusted gross income for the calculations of the credit. For 2023 maximum with no dependents is $600, one = $3,995, two = $6,604 and three or more = $7,430. For 2024 maximum with no

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dependents is $632, one = $4,213, two = $6,960 and three or more = $7,830. Details on phase-out are too lengthy to explain in this tax highlights.

EDUCATION:

Employer Deduction for educational assistance up to an annual maximum of $5,250.00. Education need not be job related.

EDUCATION SAVINGS ACCOUNTS

a) ***Coverdell Education Savings Account Extended Permanently***
Contribution $2,000 per child. (Non-Deductible & limited by Modified adjusted gross income). Education Savings Accounts can be used for kindergarten through higher education if use is for education. You can roll the Coverdell into 529 plans from 2018 forward.

b) ***Section 529 College Savings Accounts*- ** Can contribute more and nondeductible for federal, some states may consider deductible. Earnings grow federally tax-deferred, and the withdrawals must be used for education or there are penalties and tax on the earnings. Can change beneficiaries but must be same family generation or higher. Starting in 2015 the contributor or the beneficiary can change

c) the investment directive two times a year. You can give the gift tax exclusion amount of $18,000 for 2024 and $17,000 for 2023 to keep it out of your estate. You can give to the college direct for tuition or medical expenses (Not for anything else) and the money is not subject to the gift tax exclusion. In other words, you can give as much as you want that is needed for tuition or medical and it depletes your estate without being counted as a gift for estate and gift tax purposes. Parent and child owned 529 plans count towards the amount of FAFSA. It is best to use grandparent owned 529 plans in the junior or senior year, because starting in 2015 FAFSA looks at two years instead of the prior year. Do not use Crummy Trusts, UGMA, or UTMA custodial accounts unless you do not mind the kiddie tax. Starting in 2015 expenses can be a computer, peripheral equipment, computer software, internet access or related services. If you cancel a class and receive a refund, you can recontribute it to the Section 529 plan within 60 days to avoid the funds being considered a distribution.

- (2019+) A 529 Plan can contribute money to an Able Account.
- (2019+) up to $10,000 per year per student can be used for elementary to high school expenses
- (2019+) Definition of higher education expenses now includes costs associated with homeschooling.

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- (2019+) Can be used to pay off some student loan debt up to $10,000 lifetime.
- (2024 +) Tax free rollover of money from 529 plans to Roth IRA. After 15 years, 529 plan assets can be rolled over to a Roth IRA for the beneficiary, subject to annual Roth contribution limits and an aggregate lifetime limit of $35,000.

d) ***Education Savings Bonds Interest Income Exclusion*:**

2024	Phase Out MFJ	$145,200 - $175,200
2023	Phase Out MFJ	$137,800 - $167,800
2024	Phase Out Other	$96,800 - $111,800
2023	Phase Out Other	$91,850 - $100,800

e) ***Student Loan Interest Deduction Extended Permanently***

2024	Phase Out MFJ	$165,000 - $195,000
2023	Phase Out MFJ	$155,000 - $185,000
2024	Phase Out Single	$80,000 - $95,000
2023	Phase Out Single	$75,000 - $90,000

- Maximum $2,500.
- (Starting 2019) Discharge of Student Loan Debt due to death or disability is not taxable.
- Employer paid exclusion through 2025

EDUCATION CREDITS

- No Education Credits if filing Married Filing Separate
- Please note that if there are scholarships, you can use the scholarships towards room and board to leave more of the tuition for the education credits.
- You cannot take more than one education benefit for the same student and the same expenses.

Lifetime Learning Credit

2024 = $2,000 per Student	Phase Out MFJ	$160,000 -$180,000
2023 = $2,000 per Student	Phase Out MFJ	$160,000 -$180,000
2024 = $2,000 per Student	Phase Out Single	$80,000 - $90,000
2023 = $2,000 per Student	Phase Out Single	$80,000 - $90,000

- 20% of the first $10,000 tuition paid ($2,000 maximum)
- Non-Refundable Credit. Can be just one course even if not towards a degree, if to acquire or improve job skills. Supplies, books, etc. only if paid to the institution as a condition of enrollment.

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American Opportunity Credit **(Hope Scholarship Credit)**

2024 & 2023 = $2,500 per Student	**Phase Out MFJ**	**$160,000 -$180,000**
2024 & 2023 = $2,500 per Student	**Phase Out Single**	**$80,000 - $90,000**

- 100% of first $2,000 and 25% of next $2,000 (Total =$2,500 each student) for the first 4 years of post secondary education. Up to 40% is a refundable credit, but none is refundable is student is subject to the kiddie tax. Includes course materials and fees not just tuition unlike the Lifetime Learning Credit. Must be at least a half-time student and working towards a degree.

EMPLOYER CREDIT EMPLOYER PAID FAMILY LEAVE (2018 - 2025)

12.5% of wages if family leave wages are 50% of normal wages. For each 1% above this amount, there is an additional credit of .0025 (.25%). Written Policy for family leave. Must offer to all full-time employees working for the Company for 1 year or more and a prorated amount for part-time employees. **Warning: Watch state laws** regarding employer paid leave. They vary and some states are just enacting laws on this.

ENERGY CREDITS

Biodiesel & Renewable Diesel

Income Tax Credit extended January 1, 2018 through December 31, 2024

Residential Clean Energy Propertry Credit (IRC Sect. 25D)

It remains in effect for qualified geothermal heat pump property, qualified small wind energy property, qualified solar electric property and residential fuel cell and microturbine systems, and battery storage technology with a 30 percent income tax credit through 2032, stepping down to 22 percent for 2033 and 2034. There is no overall limit for the residential clean energy property credit. However, a maximum of $500 lifetime credit for qualified fuel cell per half kilowatt hour of capacity of the qualified fuel cell property.

You must reduce the basis in your home by the amount of the credit. Credit cannot be higher than tax. If it is then the credit carries over. Form 5695.

Energy Efficient Home Improvement Credit

As amended by the IRA, the energy efficient home improvement credit is increased for years after 2022, with an annual credit of generally up to $1,200. Beginning January 1, 2023, the amount of the credit is equal to 30% of the sum of amounts paid by the taxpayer for certain qualified expenditures, including (1) qualified energy efficiency

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improvements installed during the year, (2) residential energy property expenditures during the year, and (3) home energy audits during the year.

The following energy efficient home improvements are eligible for the Energy Efficient Home Improvement Credit:

- Building envelope components satisfying the energy efficiency requirements:
  - exterior doors (30% of costs up to $250 per door, up to a total of $500);
  - exterior windows and skylights (30% of costs up to $600); and
  - insulation materials or systems and air sealing materials or systems (30% of costs).
- Home energy audits (30% of costs up to $150
- Residential energy property (30% of costs, including labor, up to $600 for each item) satisfying the energy efficiency
  - central air conditioners;
  - natural gas, propane, or oil water heaters;
  - natural gas, propane, or oil furnaces and hot water boilers; and
  - improvements to or replacements of panelboards, sub-panelboards, branch circuits, or feeders that are installed along with building envelope components or other energy property listed in these FAQs and enable its installation and use.
- Heat pumps and biomass stoves and biomass boilers (30% of costs, including labor) satisfying the energy efficiency
  - electric or natural gas heat pump water heaters;
  - electric or natural gas heat pumps; and
  - biomass stoves and biomass boilers.

Energy Rebate Programs

The IRA bill allocates $4.3 billion to the department of treasury to establish a new fund for state-led home owner managing energy savings (HOMES) rebate program to offer rebate up to $8000. More detail is yet to come. The program run until September 30th, 2031.

The high efficient electric home rebate act offers up to $14,000 to qualified taxpayers. HEEHRA is a voluntary program that covers 100% of electrification project costs up to $14,000 for low income households and 50% of costs up to $14,000 for moderate income households. Qualified electrification projects include heat pump HVAC systems, heat pump water heaters, electric stoves and cooktops, heat pump clothes dryers, and enabling measures such as upgrading circuit panels, insulation, air sealing, ventilation, and wiring.

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Project costs covered include both purchase and installation costs. This is a 10 year rebate program.

New Clean Vehicle Credit (2023 to 2032)

- Credit up to $7,500
- Final assembly requirement to be in North America.
- Being able to transfer credit to dealer for full payment of credit after 12/31/2023.
- Price and income limitations:
  - Van, SUV and Pickup truck: $80,000
  - Other $55,000
  - MAGI MFJ $300,000, HH $225,000, other $150,000

Used Clean Vehicle Credit (2023 to 2032)

- Credit up to $4,000 or 40% of sale price
- 2 years old or newer

Commercial clean Vehicle Credit (2023 to 2032)

- Credit up to $7,500 for GVWR less than 14,000 lb or $40,000 for heavier vehicles

Sellers of Clean Vehicles (2023 to 2032)

- Seller of Clean Vehicles can use the new IRS Energy Credits Online Tool. Per IRS 2023-206 They should register with Energy Credits Online by December 1, 2023 to ensure January 1, 2024 availability. Beginning in 2024 the clean vehicle sellers and licensed dealers will be required to use the tool for their customers to claim or transfer the new or previously owned clean vehicle credit for vehicles placed in service January 1, 2024 or later.

Note on various IRS Publications & Other Sources of Information

IRS Pub 5863, 5864, 5865, 5866, 5866-A, 5867 and on the IRS Website: Frequently asked Questions for the Dealer and Seller Energy Credits Online registration,

ENTERTAINMENT AS A DEDUCTION

Meals and Drinks only! 2023 Forward = 50% deduction allowed for **“qualified”** meals and beverages only. Exception includes holiday parties, picnics, etc.

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ESTATE TAX

(2024) Estates above $13,610,000 per individual
(2023) Estates above $12,920,000 per individual.

- Also, unused exemption of deceased spouse can be used by surviving spouse in addition to their exemption during the surviving spouse's life or at death. Estate tax return must be filed to get this additional exclusion even if there is no estate tax. If both deceased spouses, then the exclusion is limited to the lesser of the $12,920,000 for 2023 or $13,610,000 for 2024 or the unused exclusion of the last deceased spouse.
- Same Sex couples also get the same exclusion as of 09/16/13.
- Gifts to non-citizen spouse exclusion: (2024) $185,000 & (2023) $175,000
- Gift Tax Exemption & Gift Exemption from Estate Taxes
- Top Federal Estate Tax Rate remains at 40%
- Form 8971 is required showing basis to the beneficiaries of estates required to file Form 706 by 06/30/24.
- These rates apply to Federal. State estate tax rates & exclusions vary.

ESTIMATE TAX PENALTIES

If the IRS determines that failure to file estimated tax was willful, the penalty can be as high as $25,000 and imprisonment of up to one year or both. They are getting tougher on those not paying.

EXCESS BUSINESS LOSS (2021 to 2028)

The amount of trade of business losses noncorporate taxpayers can use to offset nonbusiness income is limited to the EBL limit.
2023 = $289,000 ($578,000 Married Filing Joint)
2024 = $305,000 ($610,000 Married Filing Joint)

EXPATRIATES

The provisions relating to expatriates (U.S. Citizens or residents giving up their citizenship or residency) are too numerous to relate here. Please be wary if your net worth is $2M (Fair Market Value of Assets) or more, or you have not filed all required tax returns, or have not filed Form 8854. Expatriates must take formal steps to give up their residency or citizenship and tax returns must be filed until the legal expatriation date. Covered expatriates with average annual net income tax over five years ending on the date of loss of citizenship of $201,000 for 2024 or $190,000 for 2023 and net worth of 2 million or fails to certify under penalty of perjury that he or she has complied with all U.S. tax obligations will have a deemed sale of all their assets on the day before the expatriation date, which must be declared on their tax return to the extent that it exceeds $866,00 in 2024 or $821,000 in 2023.

FDIC DEPOSIT INSURANCE COVERAGE
2024 & 2023 unless changed during year

$250,000.00 per Owner
$250,000.00 per co-owner
$250,000.00 per Certain Retirement Accounts Including IRA's
$250,000.00 per Revocable Trust Accounts per Unique Beneficiary
$250,000.00 per Irrevocable Trust Accounts each non-contingent Unique Beneficiary
$250,000.00 per Employee Benefit Plan Account-Each non-contingent Plan Participant.
$250,000.00 per Government Accounts per Official Custodian Accounts
Check with the financial institution to make sure they are federal insured under the FDIC and go the FDIC website to verify the FDIC deposit insurance coverage.

FEDERAL MINIMUM WAGE RATES

Federal Minimum Wage = $11.00 for 2024
Currently 30 states and Washington DC have higher minimum wage
Nevada = 2024 = $12.00 per hour

FEDERAL TAX LIENS

Federal tax liens are not valid against a lien on personal property that was purchased in a casual sale of less than $1,900 for 2024 or a mechanic's liens not more than $9030. Exempt from Lien: a) clothes, school books, b) fuel, provisions, furniture and personal effects up to $10,810, c) unemployment benefits, d) Books and tools of trade up to $5,400, d) workers compensation e) child support, f) public assistance payments to name a few. The IRS is prohibited from levying if the estimated expenses of the levy and sale would be higher than the FMV of the property or the balance owed is less than $10,000.

FOREIGN BANK ACCOUNTS & ASSETS

If you are a resident of the USA or file a resident tax return or are a citizen of the USA and have in aggregate at any time during the year the equivalent of $10,000 USD in foreign bank account(s) or stock account(s), then you are required to file Form FinCen Form 114 Report of Foreign Bank and Financial Accounts (FBAR) each year applicable. This includes being a signature not just direct ownership. The due date for filing this form is the due date of your tax return with extensions.
IRC 6038D requires not just foreign accounts (Bank and Stock), but interests in foreign entities to be reported with the Form 1040 on Form 8938, if the value is $50,000.00 on

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the last day of the tax year or $75,000 at any time during the tax year. There are numerous forms required dependent on the type of entity and your percentage of ownership. This includes trusts as well as businesses, foreign hedge funds, and private equity funds. If this is applicable to you, then Form 8938 must be included with your tax return and other forms may be required separate from your tax return. Please call if you have <u>any</u> foreign assets, so that we can research for any changes in the laws and give more specifics on what assets are required to be reported. Form 5472 must also be filed for U. S. companies with reportable transactions with a foreign corporation. Form 5471 must be file if a U.S. shareholder owns 25% of more of a foreign Corporation. There are many more specifics to the filing requirements too lengthy to relate here.

FOREIGN EARNED INCOME EXCLUSION:

2024 → $126,500	2023 → $120,000

FOREIGN HOUSING EXCLUSION

2024 → $37,950 = 30% of 126,500	2023 → $36,000 = 30% of 120,000

(The limitation on housing expenses is generally 30% of the maximum foreign earned income exclusion.*)*

FOREIGN OWNED DISREGARDED ENTITIES:

Starting in the year 2017, Form 5472 must be filed for 25% foreign-owned US corporation or a foreign corporation engaged in a US trade or business.

FOREIGN PERSONS – PAYMENTS TO

Requirement under Treasury Regulation 1.6050W-1(a)(1) for information return <u>not required</u> if you have a W-8 and know the payee's non-US status or you are a U.S. payor, make payments to a non-U.S. account and have reasonably determined that the payee is doing business outside of the U.S. There is still the requirement to issue an information return, if the income is derived from business activity in the U.S.

GIFT ANNUAL EXCLUSION

The Gift Tax annual exclusion amount is $17,000 for 2023 & $18,000 for 2024

GIFT TAX EXCLUSION ESTATE

2024	$18,000.00 Annual Gift Exclusion. State tax exclusions vary. Exclusions for gifts to non-citizen spouse is $185,000.
2023	$17,000.00 Annual Gift Exclusion. State tax exclusions vary. Exclusions for gifts to non-citizen spouse is $175,000.

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GIFTS FROM FOREIGN PERSONS

IRC Section 6039F you must report gifts from foreign corporation or from the corporation's shareholder or from a foreign partnership or from the partnership's partner or trusts or the beneficiaries of the trust that exceed $19,570 for 2024 and $18,567f or 2023 on Form 3520. Gifts from one or more nonresident alien or nonresident estate of $100,000 or more must also be reported on Form 3520. If there is more than one donor, but the total adds up to the $100,000 and the gifts are part of the same event, then they still must be reported even if each transaction is less than the $100,000. Gifts received from foreigners or foreign entities of the amounts listed in this paragraph must be reported on Form 3520. There are special rules for gifts from expatriates.

HEALTH CARE COVERAGE

Under the Tax Cuts and Jobs Act, the penalty is repealed. Although there is no Federal penalty, many states have a penalty. i.e. California.

HEALTH CARE TAX CREDIT FOR POLICIES IN EXCHANGE

There is a tax credit for those in the Exchange if your income is between 100% to 400% of the Federal Poverty Level and cannot get employer coverage. You can choose to apply the credit directly to your insurance company towards the premiums or get it on your tax return. You must file Married Filing Joint if married to get the credit. It is highly suggested for those whose income fluctuates to not take the premium tax credit offset when applying for insurance, but rather take it on your tax return.

There is a separate poverty level chart for Alaska & Hawaii on the following link
http://obamacarefacts.com/federal-poverty-level.php

HEALTH SAVINGS ACCOUNTS

- Archer MSAs were created to help self-employed individuals and employees of certain small employers meet the medical care costs of the account holder, the account holder's spouse, or the account holder's dependent(s). New Archer MSAs may not be established after 2007.
- A Medicare Advantage MSA is an Archer MSA designated by Medicare to be used solely to pay the qualified medical expenses of the account holder who is eligible for Medicare.
- A Health Savings Account (HSA) is a tax-exempt trust or custodial account that you set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur.

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Health Savings Account HSA with High Deductible Plan Only:

2024	Annual Deductible to be considered a High Deductible Plan	Single - $1,600 Family - $3,200
2023	Annual Deductible to be considered a High Deductible Plan	Single - $1,500 Family - $3,000
2024	Annual Maximum Contribution	Single - $4,150 Family - $8,300
2023	Annual Maximum Contribution	Single - $3,850 Family - $7,750
2024	Maximum Out-of-Pocket Expense	Single - $8,050 Family - $16,100
2023	Maximum Out-of-Pocket Expense	Single – $7,500 Family -- $15,000

- (2024 & 2023) $1,000 more if 55 or older. None if drawing Medicare, but you can still have distributions of the balance until it is used up.
- Earnings are tax free. Tax free distributions allowed for medical expenses and co-payments, but not to pay health insurance premiums. Prorated for each month covered! Unspent money at year end can be rolled over. At death balance in account can be rolled over tax free to spouse. At death balance in account can be rolled over to other than spouse beneficiary, but not tax free. 20% penalty if distributions used for other than qualified medical expenses.
- Once in a lifetime transfer is allowed from an IRA to fund a HSA subject to the contribution limits applicable to the year of the transfer (an annual cap of Single =$4,150 and Married Filing Joint = 8,300 for 2023 & 2024), and the individual must be otherwise eligible to open an HSA. Transfers are not taxable as IRA distributions. Generally speaking, it makes the most sense to use traditional IRA funds that would otherwise be taxed upon withdrawal to perform this rollover. Only rarely would it make sense to use Roth IRA funds for it. If you are single and do the $4,150, then marry, you can rollover the $4,150 difference between the $8,300 family limit and the $4,150 single limit. You can split the difference QCDbetween the two spouses as you see fit.

HEALTH FLEXIBLE SPENDING ARRANGEMENTS (HFSA Also Called FSA)

2024 = $3,200 EACH SPOUSE	2023 → $3,050 EACH SPOUSE

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- A flexible spending account (FSA) is an employer-sponsored health benefit that allows employees to pay for qualified out-of-pocket medical, vision, and dental expenses with tax-free dollars.
- Use it during the calendar year or lose it, but if the FSA permits, you can rollover part of the unused funds. For 2023, the carryover option allows you to roll over up to $610 of unspent FSA.. For 2024, the carryover option allows you to roll over up to $640 of unspent FSA.
- Entire amount vested at beginning of year. Example: If you leave employment before year end and you have used $3,200 for 2024, but only paid in $2,000, you do not have to repay the difference between what you paid and what you used.
- You generally cannot contribute to a FSA and HSA at the same time.
- Eligible expenses are those defined in Internal Revenue Code Section 213.

HEALTH INSURANCE PENALTY
EMPLOYERS WITH 50+ FULLTIME EMPLOYEES

Employers with 50+ full time employees must provide health insurance to at least 95% of these employees and their dependent children up to age 26 or face penalties. For 2024 the penalty per month is the number of full-time employees minus 30 times 1/12th of $2,970. In 2023 the penalty per month is the number of full-time employees minus 30 times 1/12th of $2,880. This can be a very sizable penalty. Form 1095 must be filed. Additional penalties under 4980H(b) are for 2024 = $4,460 and for 2023 = $4,320.

If you have 250 or more Forms 1095-B, you must file electronically.

HEALTH INSURANCE
SMALL EMPLOYER CREDIT

- Not more than 25 employees-Full credit is only for 10 or less employees
- Average annual wages are for employees is less than $56,000.
- Up to a 50% lesser of premiums paid or would have been paid under small group market in the rating area.
- Up to a 35% credit for tax exempt organizations
- Employer must pay through the health insurance exchange minimum of 50% of the premium cost of the plan.
- Does not include HSA, Self Insured Plans (Including HRA and FSA's)
- Limitation on premium amounts allowed
- Must count all employees: terminated, part time, union, and employees who opt out. Cannot count 2% owners of S corporations or 5% owners of a small business or their qualifying family members.

- To arrive at the total number of employees divide total hours paid but not more than 2080 for the year by the number of employees. Round down to the nearest whole number. Then to determine the average annual wages divide the total wages paid to employees by the number of Full Time Equivalents. Round down to the nearest $1,000. If more than 10 FTE multiply credit by a fraction i.e. 12 employees = 2 over limit = 2/15. If average wages are above $27,000 in 2020 i.e. take the wage amount and subtract the wage limit, then prorate this amount rounded to a thousand divided by the wage limit to arrive at the reduction in the credit. Apply both reductions to your credit. Do not count seasonal workers unless they work 120 days or more.
- Use Form 8941 (Tax Exempts use Form 990-T line 44f)

HEALTH INSURANCE
SMALL BUSINESS HEALTH REIMBURSEMENT ARRANGEMENTS

The 21st Century Cures Act allows small business with less than 50 employees to reimburse employees for health insurance obtained, which is not provided by the employer. There are W-2 reporting requirements and it must be coordinated with the IRC Section 35B premium assistance tax credit. The 21st Century Cures Act limits the reimbursements for 2023 to $5,850 for an individual employee or $11,800 for a family and for 2024 to $6,150 for an individual employee or $12,450 for a family.

HOME MORTGAGE INTEREST

December 16, 2017 forward Maximum Loan = $750,000 for 1st and 2nd Residence This can include be a 1st, a 2nd, a credit line or home equity line, but the total cannot exceed the $750,000. All funds for the mortgage must be to buy, build, or improve the home (TRACING OF MORTGAGE PROCEEDS USED) For those with the prior 1,000,000 maximums, you can refinance to the same amount of the balance of your mortgage even if above the $750,000, but you cannot take out more than the balance. You can however use a part of the mortgage above the limits to invest turning this portion into investment interest or use a part of the mortgage above the limit to improve an office or other business in the home. The funds used in these examples must be traceable directly to these uses. The mortgage on a first and second home are combined for the $750,000 limitation, but you do not combine rental, other business use or investment interest with them.

IDENTITY PROTECTION

Sellers of real property do not have to give their tax identification to buyers. They must give it to a third-party intermediary, i.e. the title company. The filing of the Forms 1099 allows for the recipients copy to have all digits blocked off except the last 4, i.e.

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XXX-XX-4029. If you have been a victim of tax identity theft, please call us for the procedures that should be followed.

IRS Issued Tax Identification Number (ITIN) RENEWAL

Taxpayers with an ITIN issued by the IRS may need to renew the ITIN. Under the PATH Act, any ITIN not used on a federal tax return for three consecutive tax years, either as the ITIN of an individual who file the return or as the ITIN of a dependent included on a return, will expire on December 31 of the fourth consecutive tax year of nonuse. Besides the 3 year of nonuse rules, the following rules apply to ITINs that have been used on tax returns within the three-year period.

- For an ITIN issued before 2013, the PATH Act provides that ITINs will no longer be in in effect based on certain schedules, the first of which is ITINs with middle digits of 78 and 79. An ITIN begins with the number 9 and has fourth firth digit ranges from 50-65, 70-88, 90-92 and 94-99. Notice 2016-48 state the following:
- ITINs issued before 2008 will expire 12/31/16, ITINs issued in 2008 will expire on 12/31/17.
- ITINs issued in 2009 and 2010 will expire on 12/31/18.
- ITINs issued in 2011 & 2012 will expire on 12/31/19.
- ITINs with middle digit of 83, 84, 85, 86 or 87 not used on a tax return for 2016 through 2018 will not expire in 2019 and not used on a tax return in 2017 through 2019 will not expire in 2020.
- Starting on 10/01/16, the IRS will no longer accept passports as a stand along document, if it does not have a date of entry into the U.S except those from Canada or Mexico or dependents of military members overseas. Please call for further questions on an ITIN or speak to your tax preparer.
- Those with EXPIRED ITIN'S MUST SUBMIT A NEW W-7 with supporting documents to obtain another ITIN.

IRS WHERE'S MY REFUND TOOL

The IRS states that they have greatly improved the "Where's My Refund Tool", which may eliminate calling the IRS as it is so hard to get through.

INTEREST EXPENSE LIMITATION FOR BUSINESSES

This is not applicable to businesses with less than an average of $25 million of gross receipts, floor plan financing interest, real property trade or business, or farming business. If the business is a partner or shareholder in another business, you must include the member/shareholder's share of the gross receipts of that business also.

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Limitation is the total of interest income plus 30% of taxable income plus floor plan financing income.

KIDDIE TAX INCLUDES CHILDREN BELOW AGE 19 AND 19 to 24 YRS

With the tax law enacted in December of 2019, the kiddie tax is back to being on the parent's tax rate for 2020 forward. Although this is effective for the 2020 forward tax years, a retroactive election is allowed for the 2018 & 2019 tax year. If this retroactive election is not done for 2019, the net unearned income of a child will be taxed at the trust rates not the parent's rates and the parent will not be allowed to include their child's unearned income on their own 2019 tax return. The unearned income will also be subject to the 3.8% Medicare surtax will now apply at 12,950 of taxable income. The kiddie tax is calculated by using the parents rate of tax. The first unearned income $1,250 for 2023 or $1,300 for 2024 is the standard deduction. The next $1,250 for 2023 and $1,300 for 2024 is taxed at the child's tax rate, which may be zero. Anything over that is taxed at the parent's tax rate.

LATE FILING OF ESTIMATED TAX

Requirement to pay in 4 equal installments or penalties will be assessed. Prior year safe harbor is not available to corporations whose assets are $1 million or more. Don't forget besides having underestimated tax penalties, you may not have the money to pay the taxes when you file the tax return. This can result in interest and late payment in addition to the underestimated tax penalty.

LATE FILING AND/OR LATE PAYMENT OF TAX - INDIVIDUALS

Late Filing Penalty is 5% per month starting with April to a maximum of 25%. Note if an extension is filed, but you miss the October deadline for filing, then the penalty is automatically 25% for late filing. Unless due to reasonable cause, the late filing penalty cannot be less than the lessor of $485 for 2023 and $510 for 2024 or 100% of the tax owed. **Late Payment Penalty is .5% (.005) per month to a maximum of 25%.** Interest is also charged on underpayments. The interest rate is published by the IRS.

LATE FILING OF TAX RETURNS FOR FLOW THROUGH ENTITIES

(Partnerships, LLC's, Limited Partnerships and "S" Corporations)

Penalty is $245 for 2023 Returns due in 2024 returns per partner/shareholder times the number of months that the return is late up to a maximum of 12 months. Note **Entity due dates are March 15** not April 15.

LATE FILING OF INFORMATIONAL RETURNS

**For business with 5M or less of gross income.*

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Penalty per Form	Length of Delay
2023 Returns filed in 2024 = $60	More than 30 days late
2023 Returns filed in 2024 = $130	More than 30 days late but before August 1
2023 Returns filed in 2024 = $330	Filing on or after August 1
2023 Returns Not Filed in 2024 =$660	Intentionally Neglecting to File

It is important to get the information returns to the recipients and to the IRS by the deadlines. January 31, 20XX to avoid these penalties.

LIKE KIND EXCHANGES

Starting in 2018 like kind exchanges will only be applicable to real property. Like kind exchanges are not allowed for foreign real property.

LIVING TRUSTS (REVOCABLE FAMILY LIVING TRUSTS)

This is not a tax area. Please consult an attorney. Living trusts can avoid probate fees and can make the settling of the inherited property to the beneficiaries much faster provided your assets have been titled or deeded into the trust. Living trusts do not protect from creditors nor do they reduce estate taxes. If these issues are of concern, then an attorney and CPA should be contacted regarding irrevocable trusts, etc. Other areas to consider and consult an attorney on are medical power-of-attorneys and financial power-of-attorneys, if you are unable to act on your own behalf. Also, disability insurance can be just as important as life insurance. Brokerage houses under SEC requirements as of May 31, 2024 may require living trusts to have EIN's.

LONG TERM CARE INSURANCE

Deduct as a medical expense on Schedule A of Form 1040 Amounts are for each taxpayer

Age in 2024	Deduction Amount (2024)	Age in 2023	Deduction Amount (2023)
40 yrs. Or younger	**$470**	40 yrs. Or younger	**$480**
41 – 50	**$880**	41 – 50	**$890**
51 – 60	**$1,760**	51 – 60	**$1,790**
61 – 69	**$4,710**	61 – 69	**$4,770**
70 or older	**$5,880**	70 or older	**$5,960**

MEDICAL EXPENSE

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7.5% of adjusted gross income – The Consolidated Appropriations Act 2021 made this permanent. The No Surprises Act prohibits out of network fees by an out of network provider for services provided in an in-network facility.

MEDICARE TAX

There is an additional 0.9% (.009) tax on high wage workers earning over $250,000 for married filing joint, or $200,000 on a single return, qualified widower with a dependent and for head of household, $125,000 for married filing separate. For those with wages, this is an employee's increase not an employer's increase, but the employer must withhold Medicare tax on the additional amount.

There is an additional 0.9% (.009) tax on Self-Employed Net Income over $250,000 for married filing joint, or $200,000 for single returns, qualifying widower with a dependent child and head of household, $125,000 for married filing separate.

DO NOT FORGET TO INCLUDE THIS TAX IN YOUR ESTIMATED TAXES.

MORTGAGE INSURANCE PREMIUMS
ON 1st and 2nd HOME through December 31, 2021

You can no longer claim this deduction 2022 forward.

MOVING EXPENSE

REPEALED under Tax Cuts and Jobs Act. Only deductible for Armed Forces.

NANNY TAX

Employment taxes must be paid on household employees paid more than $2,700 for 2024 and $2,600 for 2023 or $1,000 in any quarter for either year. Do not count wages paid to your spouse, your child under age 21, an employee under age 18 unless household services is the employee's principal profession, or your parent unless your parent cares for a child under 18 or disabled and your marital status is divorced, widower or you are living with a spouse who is disabled.

NET OPERATING LOSS

NOL can be carried forward unlimited but must be able to be substantiated. Farming and Property & Casualty Companies are allowed a two-year carryback. No 80% limitation on Property & Casualty Company losses.

NET INVESTMENT INCOME TAX 3.8%:

The additional 3.8% (.038) tax is the lesser of net investment income or modified AGI over $250,000 for joint returns and qualifying widower, $200,000.00 for single returns

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and head of household, $125,000 for married filing separate, or $15,200 (2024) & $14,450 (2023) for estates and trusts. Net investment income includes all non-business income including but not limited to interest, dividends, royalties, rents, income from passive activities and capital gains. It does not include Qualified Pension Plan Distributions and income from the sale of property used in a trade or business in which there is material participation. Although active participation is not subject to this tax, the active business does increase AGI to over the limits, which can then make the net investment income subject to the surcharge tax.

DO NOT FORGET TO INCLUDE THIS TAX IN YOUR ESTIMATED TAXES.

PARTNERSHIP AUDIT RULES

Partnership audit rules for tax years beginning after 12/31/17 or can elect to use the new partnership rules for returns beginning after 11/2/15 and before January 1, 2018. The new audit rules will audit and adjust on the partnership level and collect any tax from the partnership instead of adjusting each individual partner's K-1 and collecting the tax from the individual. This tax on the partnership will be at the highest individual rate.

Small partnership of 100 or fewer K-1's can elect out of the new rules. Partnerships can elect into the new rules early, but not before January 1, 2018, by making the election within 30 days of receiving a notice from the IRS that a return has been selected for examination. The election must be addressed to the person identified in the audit notice. The partnership must have sufficient assets to pay any imputed underpayment. The partnership must designate a partnership representative. Partnership agreements may need to be amended. A new partner may demand a tax indemnity from the selling partners and/or from the partnership for tax adjustments made to a period before the new partner acquired his or her partnership interest. The new partner may even require an escrow account be opened and remain open until all prior year's audit potential has passed by. A benefit of the new audit rule is that partners will not have their individual tax returns adjusted, there is no net investment tax at the partnership level and the underpayment interest rate will be 2% less. There are two methods of reducing the penalty. 1) partners can amend their tax returns to show that the tax would be lower or 2) the partnership can prove that some portion of the adjustment is applicable to tax exempt partners, a C corporation partner or would represent capital gain. There may be future regulations that will allow for carryforwards on the individual level to be considered with the adjustments on the audit, but this may be difficult for partnerships with many partners. More guidance needs to be issued on the new regulations to be able to make an intelligent decision for

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those partnerships, who may want to opt in early or opt out for smaller partnerships of the new regulations.

PARTNERSHIPS

Starting in 2018 there is no technical termination of a transfer of a partnership interest above 50%. This rule applies in 2020 and forward.

Schedule K-1

- Line 7 must show the amount of payroll tax credit taken for “qualified sick leave and/or family leave.
- Line 15 interest deduction increased to 50% from 30%.

PARTNER’S OWNING AN INTEREST IN A PARTNERSHIP THAT OWNS A DISREGARDED ENTITY

Effective 05/04/16

If a partnership is the owner of a disregarded entity, the partners in the partnership are subject to the same self-employment tax as partners in a partnership that does not own a disregarded entity. The purpose of this it to stop a partner from being able to participate in a qualified plan, health plan, or cafeteria plan outside of the partnership in a disregarded entity that benefits the partner without providing the same benefits to the other employees.

PARTNER’S SERVICES TO PARTNERSHIP

Asset managers who receive a percentage of partnership profits are taxed at ordinary income tax rates (Not Capital Gain Rates) on those profits. If the asset manager also contributes capital to the partnership, then the profits will be prorated between the partnership interest received for capital contributed and the profits received for services. Asset managers are described as one who directly or indirectly advises in the purchase or sale of an asset, manages, acquires or disposes of an asset, arranges financing for an asset or any support of these activities.

PASSPORT

Revocation or denial of passport, if your tax debt is $59,000 or more for 2023, if a notice of federal tax lien has been filed or a levy issued.

PAYROLL TAXES Employee’s Only:

Please check your paychecks to be sure that enough Federal and State Income Tax is being taken out. The IRS lowered the withholding from the W-4’s, but for some the employee withholding is too low.

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PAYROLL TAXES Employer's Only:

NV only Modified Business Tax (Current) = 0.00% for the first $50,000 of wages after deducting health insurance and 1.17% of wages above $50,000.
FUTA-Base rate for 2024 & 2023 = 0.006 (6%) The US Virgin Islands is the only territory that has not repaid the Federal Unemployment Loan resulting in a higher tax.
You must make ate least one quarterly deposit with Form 940 at any time that the liability is more than $500.00

PENSION PLANS-LIMITS

IRS notice 2022-55 provides the dollar limitations for qualified retirement plans for tax year 2023.

Traditional and Roth IRA	2024	2023
Traditional & Roth IRA Contribution Limit	$7,000	$6,500
Traditional & Roth IRA Catch Up 50 yrs. +	$1,000	$1,000

Roth IRA Phase-Outs	2024	2023
Married Filing Joint AGI	$230,000 - $240,000	$218,000 - $228,000
Single, Head of Household AGI	$146,000 - $161,000	$138,000 - $153,000
Married Filing Separate AGI	$0 - $10,000	$0 - $10,000

Traditional IRA Phase-Out for those Covered by other Plans
No Phase Out if Not Covered by Other Plan

MFJ & Qualifying Widower Taxpayer IRA Contributor Not Covered by Employer Plan-Other Spouse Is Covered	
2024 = $230,000 - $240,000	2023 = $218,000 - $228,000
MFJ & Qualifying Widower Taxpayers IRA Contributor is Covered by Employer Plan	
2024 = $123,000 - $143,000	2023 = $116,000 - $136,000
Single & Head of Household Covered by Plan	
2024 = $77,000 – $87,000	2023 = $73,000 -$83,000
Married Filing Separate covered by at employer plan	
2024 = $0 - $10,000	2023 = $0 - $10,000

Note on Inherited Traditional IRA's for Spouse: A surviving spouse may elect to treat an inherited traditional IRA as his or her own IRA by having the account redesignated as an account belonging to the surviving spouse as owner rather than as beneficiary. Alternatively, the surviving spouse may be treated as having made this election if:

- Any amounts in the IRA are not distributed within the time-period that applied to the decedent, or

- The surviving spouse makes contributions (including rollover contributions) to the inherited RIA that are subject, or are deemed subject, to the lifetime distributions requirements.

In order to make the election, the surviving spouse must be the sole beneficiary of the IRA and have an unlimited right to withdraw amount from it. If a trust is named as the beneficiary of the IRA, this requirement has not been satisfied even if the spouse is the sole beneficiary of the trust. If the surviving spouse makes the election, he or she is treated as the owner of the IRA for all purposes. If the election is not made, then the RMDs are determined as though the spouse was the beneficiary.

Note on Inherited Traditional IRA's: Non-spouse: A non-spouse beneficiary who inherits and IRA cannot treat it as his or her own account but must take RMDs determined under the rules applicable to beneficiaries receiving distributions from a qualified plan. If an individual other than the decedent's spouse receives a lump sum distribution from an IRA, then the individual may generally not roll over the distribution in another IRA. Instead, it must be distributed within a certain time period. It is taxed as ordinary income after subtracting non-deductible contributions.
The Secure Act of December 2019 tax law shortened the non-spouse distribution requirement to 10 years.

If you inherit any retirement plan or are thinking of using a trust as a beneficiary on your IRA, please check with the retirement plan and your tax advisor. In fact check with your tax advisor on any inherited IRA's, so as not to make a mistake. The rules are too lengthy to list all that may apply here, and your tax situation must be considered before decisions are made.

Hardships Distributions are allowed from IRAs for emergency medical expenses, education and to avoid losing a home.

Conversions from Traditional IRA's to Roth's

A Roth IRA Conversion is a strategy people use to change their tax-deferred retirement savings, like **traditional IRA and 401(k) funds**, into Roth savings so they can enjoy tax free withdrawals in retirement.

B**ack Door Roth IRA.** Nondeductible contributions to a Traditional IRA because of income limitations can be rolled over to a Roth IRA thus avoiding the income limitations.

IRS offers relief for late IRA rollovers (After the 60 Day Period). See Rev. Proc. 2016-47. The same assets must be contributed that was distributed. For example cash for

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cash or stock for the same stock. IT IS ALWAYS BETTER TO DO A DIRECT TRANSFER FROM IRA-to-IRA.

RETIREMENT SAVINGS CONTRIBUTION CREDIT (Saver's Credit)

Otherwise known as "SAVERS CREDIT" Up to $2,000 ($4,000 if MFJ)

2024 Phase Out	50%	20%	10%
MFJ	$0 - $41,000	$41,001 - $44,000	$44,001 - $76,500
Head of Household	$0 - $30,750	$30,751 - $33,000	$33,001 - $53,375
All Others	$0 - $20,500	$20,501 - $22,000	$22,001 - $38,250

2023 Phase Out	50%	20%	10%
MFJ	$0 - $43,500	$43,501 - $47,500	$47,501 - $73,000
Head of Household	$0 - $32,625	$32,626 - $35,625	$35,626 - $54,750
All Others	$0 - $21,750	$21,751 - $23,750	$23,751 - $36,500

SIMPLIFIED EMPLOYEE PENSION IRA

Contributions must be done by the due date of the tax return including extensions.

Lesser of SEP Contribution Limit (2024)	$69,000 or 25% of compensation
Lesser of SEP Contribution Limit (2023)	$66,000 or 25% of compensation
SEP minimum compensation (2023)	$750
Discriminatory contribution test amount (2024)	$345,000
Discriminatory contribution test amount (2023)	$330,000

- Note: If self-employed the SEP's are limited to 20% of net income minus the deductible portion of your self-employment tax and the deduction you make for the SEP.

SIMPLE PLANS

Simple Contribution Limit	$16,000 (2024)	$15,500 (2023)

- 50 years of age or older → Extra Catch Up Contribution is $3,500 for 2023 & 2024.
- Employer Matching Contributions is 3%. It can be as low as 1%, but not for more than two out of three years and notification to employees must be done in a reasonable time prior to the 60-day election for the lower rate. The rate can be 2%, if the employer contributes regardless of whether the employee contributes.

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SOLO 401K

	2024	2023
Employee Contribution Maximum	$23,000	$22,500
Employer Contribution	25%	25%
Maximum Employee and Employer	$69,000	$66,000
Catch Up Contributions	$7,500 (Max $76,500)	$7,500 (Max $73,500)

401(k), 403(b), Profit Sharing, Money Purchase Defined Contribution Plan

2024	Defined Contribution Limits & 403(b) lesser of $69,000 or 100% of compensation
2023	Defined Contribution Limits & 403(b) lesser of $66,000 or 100% of compensation

2024	Defined Benefit Limits – 415(b)	$275,000
2023	Defined Benefit Limits – 415(b)	$265,000

2024	Elective Deferral 401(k), 403(b), most 457 Plans & Gov't Thrift Plans	$23,000
2023	Elective Deferral 401(k), 403(b), most 457 Plans & Gov't Thrift Plans	$22,500

2024	Maximum Compensation Limits for Retirement Plan	$345,000
2023	Maximum Compensation Limits for Retirement Plan	$330,000

2024	Highly Compensated under 414(q)(1)(B)	$155,000 or > 5% owners
2023	Highly Compensated under 414(q)(1)(B)	$150,000 or > 5% owners

2023	Key Employee	Officer making more than 5% owner or 1% owner earning more than $150,000	Or making +$220,000
2023	Key Employee	Officer making more than 5% owner or 1% owner earning more than $150,000	Or making +$215,000

- +50 years of age, Catch Up 401(k), 403(b), Most 457 Plans & Government Thrift Plans = $7,500 for 2023 & 2024. Also with 15 years of service you can add $3,000 to the standard contribution, but this type of contribution has a lifetime cap of $15,000..

- 401(k) Allows employees to participate in plan if they have 1,000 or more hours of employment per year or three consecutive years of 500 or more hours per year effective for plan years beginning after December 31, 2020. In 2025 the 500 hours of employment per year are over two not three consecutive years and the rules will also apply to 403(b) plans.

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- **Hardship distributions** allowed from 401(k) accounts for emergency medical, education and to avoid losing a home.

- Defined Contribution Plans must give at least an annual report to include the lifetime income disclosure

- Distributions from a non-spouse inherited IRA shortened to 10-year maximum

- Distributions allowed without penalty for the birth or adoption of a child up to the maximum of 5,000. Adoption is the lesser of the actual cost or 5,000. Can be taken for up to 25 years from the date of birth or the date of the finalized adoption of a child. Effective January 1, 2020

- Multi-Employer Plans – Allowance of 2 or more employers to be in one qualified retirement plan. The purpose of this is to decrease the administrative costs for small employers. The criteria is too lengthy for these highlights. Established for plan years beginning after December 31, 2020.

- Required Minimum Distributions (RMD) from a Qualified Retirement Plan changed from 72 in 2022 to 73 in 2023 and 75 in 2033.

- Traditional IRA-Starting 2020 allowed to contribute to a Traditional IRA at any age.

- +50 years of age, Catch Up Contributions for 401(k) (11) and 408(p) 2024= $3,500 and 2023=$3,500

- Control Employee Fringe Benefit Purposes (Officer/Board Member) = $135,000 for 2024 & $130,000 for 2023.

- (2024 & 2023) For the self-employed individual 401(k) the employer contribution is limited to 25% of the net income less half of the social security/medicare tax less the contribution amount. This means that the contribution is really 20% of the net income after the deduction for half of the social security/medicare tax.

IRA - HSA Rollover

See health savings account for detail on converting IRA to HSA's

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RENTAL PROPERTY OWNERS

You must issue a 1099-NEC for those you pay $600 or more for services on your rental property to be allowed the deduction especially if treating the rental income as a qualified trade or business for the 20% deduction. Rental property managers, who collect the rent for the owners, must issue 1099-Misc. to the owners of the rental property unless a minimal amount. Although the State of Nevada does not require a state business license with 4 or fewer rentals, you must still file as exempt. There is much argument on whether the 20% deduction for a business applies to rental property. The conservative approach is to only take the deduction if the owner meets the 250-hour safe harbor. The aggressive approach is to take the deduction based on the Internal Revenue Code Sections that treat a rental as a trade or business. Although disclosure is not required when meeting Internal Revenue Code Sections, it is highly recommended that disclosure be done with the tax return to potential abate the penalties if the argument is lost in an audit. Whichever approach is used is the responsibility of the taxpayer. Starting in 2024 anyone filing 10 or more 1099's must file electronically.

SALES TAX/STATE INCOME TAX DEDUCTION

Taxpayers can choose to deduct either state and local income taxes paid as an itemized deduction or sales tax paid as an itemized deduction. The IRS provides tables for the sales tax deduction or you may use the actual sales tax paid. If you use the actual, you must keep all receipts to prove the deduction. Starting in 2018 with the higher standard deduction, the itemized deductions may not be as high as the standard deduction. Also, the deductible taxes of all types are limited to $10,000.

SAME SEX MARRIAGE

On June 26, 2013, the U.S. Supreme Court ruled that Section 3 of Defense of Marriage Act (DOMA) was unconstitutional. The court held that, as applied to married same sex partners, DOMA violated the Fifth Amendment of the U.S. Constitution. As a result, in states and jurisdictions that allow same sex marriage, married same sex partners are subject to the same rules as opposite sex married couples, including those applicable to federal tax-related benefits.

On June 26, 2015, the Supreme Court held that the Fourteenth Amendment requires a state's civil marriage laws to apply to same –sex couple on the same terms and conditions as opposite-sex couples and prohibits a state from refusing to recognize a lawful same sex marriage performed in another State… This means that even if a state does not allow same-sex marriage, they must allow the filing of joint tax returns and convey all benefits that opposite sex couples are entitled to.

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The following list details some of the federal and state benefits of protections that may now be available to legally married same-sex couples:
• Social Security survivor's and spousal benefits
• Certain veteran's benefits, such as pensions and survivor's benefits
• Lifetime gift tax-free property transfer to spouses
• Estate tax relief for surviving spouses
• Military spousal benefits
• Family medical leave rights
• Spousal IRA contributions
• Spousal visas for foreign national spouses
• Joint filing of federal income taxes
• Private pension benefit options
• Employer health-care benefits may be received on a pretax basis

If you are legally married, you will file a married filing jointly or married filing separate federal tax return. If you are registered in a state as a registered domestic partner, you may file jointly in that state.

SAVINGS BONDS

- Series I savings bonds will earn a composite rate of 5.27% for bonds issued November 2023 – April 2024. This rate applies for the first six months you own the bond. Every 6 months the bond's interest rate is applied to a new principal that is the sum of the prior principal and the interest earned in the previous 6 months.

S CORPORATION

- The IRS has been dissatisfied that the net income from S corporations is not subject to social security and medicare taxes. This is one of the reasons that there is a requirement for shareholder wages, which are subject to payroll taxes. The IRS has the ability from the federal tax return, Form 1120S, to compare the net income, wages and distributions to the shareholder. It may be an audit trigger if the wages are too low. The IRS looks at what would be a prevailing wage in your industry to manage and work in your Company.
- If wages are too low, they can reclassify all distributions to wages, which creates additional payroll taxes, penalties and interest.
- Don't take money out of the corporation to pay corporate expenses. This creates excess distributions, which the IRS could use to increase deemed wages. Shareholder basis as a guarantee on the S Corporation debt is limited to the amount of payments made on the debt.

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SOCIAL SECURITY

2024	Maximum Wages subject to FICA	$168,600
2023	Maximum Wages subject to FICA	$160,200

No Maximum for Medicare.

- (2024) Under Full Retirement Age - Lose $1.00 for each $2.00 earned above $22,320 a year (or $1,860 per month). In the year, you reach Full Retirement Age - Lose $1.00 for each $3.00 earned above $59,520 or $4,960 per month only till the month you reach full retirement age.

- (2023) Under Full Retirement Age - Lose $1.00 for each $2.00 earned above $21,240 a year (or $1,770 per month). In the year, you reach Full Retirement Age - Lose $1.00 for each $3.00 earned above $56,520 only till the month you reach full retirement age.

Full Retirement age and above no lost social security earnings at any income

Full Retirement Age:
66 Born 1943-1954
66 and 2 months Born 1955
66 and 4 months Born 1956
66 and 6 months Born 1957
66 and 8 months Born 1958
66 and 10 months Born 1959
67 Born 1960 and Later

- (2024) Quarterly minimum wage base to earn 1 credit $1,730. For the self-employed it is $1,862 per quarter rounded up ($7,450 per year)
- (2023) Quarterly minimum wage base to earn 1 credit $1,470. For the self-employed it is $1,765 per quarter rounded up ($7,060 per year)
- 40 credits are needed for social security retirement earnings and medicare.
- Taxable Social Security is computed by adding one half of your social security and your other taxable income. If the result is more than $25,000 for Single and $32,000 for Married Filing Joint, then your social security may be taxable

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STANDARD MILEAGE RATE

2024	Business Standard Mileage Rate	.67
2023	Business Standard Mileage Rate	.655
2024	Medical & Armed Forces Moving Standard Mileage Rate	.21
2023	Medical & Armed Forces Moving Standard Mileage Rate	.22
2024 & 2023	Charity Standard Mileage Rate	.14

- Under the Tax Cuts and Jobs Act, **Moving Standard Mileage Rates have been suspended** with the only exception being active duty military moving expenses.

**Standard mileage rate may not be used if 5 or more vehicles are used for business) Toll, Parking, Interest Payments are allowed in addition to the SMR.*

STATE BUSINESS LICENSE- NV

All entities in Nevada (LLC's, S Corporations, Trusts, C Corporations, etc) must have a state business license, there is no exclusion allowed for home business use for an entity. Sole proprietors may be exempt from obtaining this license, if their net income is less than 66.66% of the applicable annual wages in the prior year. They look at the applicable annual wage base of $40,100 for 2023 and $40,600 for 2024. To get the exemption the work must be done at home and not be open to the general public. Also, to be exempt, you must be registered with the Secretary of State as exempt. There is also a requirement for owners of rental homes to obtain a State Business License or to file as exempt if you own 4 or less rentals. Don't forget the Use Tax Filing if you have purchases over the internet for your business without paying sales tax.

TABLES

Standard Deduction: SEE PAGE 1

TAX RATES- SEE PAGE 2 & 3 FOR 2023 & 2024

TEACHERS EXPENSES

Deduction $300 (2024 & 2023) towards Adjusted Gross Income. If husband and wife are both teachers, then the deduction is $600. Requirements: instructor, counselor, principal or aide with 900 hours during the school year for kindergarten through grade 12.

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TIME SHARE MORTGAGE INTEREST DEDUCTION

To qualify as a second home and a deduction on Schedule A, you must use the home as your residence more than 14 days per year and more than 10% of the time it is rented. If you do not meet these criteria, you must treat it as a rental on Schedule E.

TRANSPORTATION BENEFITS EXCLUDED FROM WAGES

This is still a pretax amount as a fringe benefit. The employer cannot deduct this.

2024	Qualified Parking	Up to $315 per month
2023	Qualified Parking	**Up to $300 per month**
2024	Transportation and Transit Passes	Up to $315 per month
2023	Transportation and Transit Passes	**Up to $300 per month**

W-2 REPORTING OF HEALTH CARE COVERAGE

You are required to report the amount paid for health insurance by your Company and by the employee (withholding for health insurance) on the W-2. The employee's copy of the W-2 may have the social security number truncated starting with the 2015 W-2 forms. For example: XXX-XX-5403. W-2G is not allowed to have the social security number truncated. (Also see Late Filing of Information Returns above.) Starting in 2024 those filing 10 or more W-2's must do so electronically.
