Gassner & Associates LLC
7005 Hwy 51
Hazelhurst, WI 54531
TEL : (715) 356-6419
FAX: (715) 356-1798

2023 TAX PLANNING & TIPS

The tax laws continue to provide opportunities for the wise and traps for the unwary. Often, tax savings can be achieved by taking action before the year-end. The information and strategies discussed herein may or may not be appropriate for your situation. Remember to consult with your tax professional before implementing them.

New Laws

Reporting Rules for Businesses. In January 2021, the Corporate Transparency Act was signed into law to help prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity. As a result, businesses are now required to become more transparent about their ownership structures.

Starting January 1, 2024, most business entities created in or registered to do business in the United States will be required to report information about their beneficial owners — the individuals who ultimately own or control a company — to the Financial Crimes Enforcement Network ("FinCEN").

A business entity is defined as a corporation, a limited liability company (LLC), or a business entity otherwise created by filing a document with a secretary of state or similar office. Non-LLC sole proprietorships are excluded from this definition.

The reporting procedure goes into effect on January 1, 2024. The due date for the initial report depends on when the entity was created:

1. If your company is created **on or after** January 1, 2024, then the initial report is due within **30 calendar days** of the date the business is created.

2. If the company was formed **before** January 1, 2024, then the initial report is due no later than **January 1, 2025**.

In other words, effective January 1, 2024, new entities will have to file a report within 30 days of their creation. Entities already in existence on January 1, 2024, have until January 1, 2025, to file.

Note: As of October 2023, FinCEN is proposing to amend its final BOI Reporting Rule to provide 90 days for reporting companies created or registered in 2024 to file their initial reports, instead of 30 days. The proposed rule would not make any other changes to the final BOI Reporting Rule.

Reports include information about (1) the reporting company, (2) the reporting company's beneficial owners, and (3) "company applicants" who made the filings to create the entity. A beneficial owner is any individual who, directly or indirectly, either exercises substantial control over the company or owns or controls at least 25% of the company's ownership interests.

Electric vehicle credits for new vehicles. 2023 brought some changes to the rules for claiming federal tax credits for purchasing electric vehicles (EV). Some of those changes include:

- Qualifying vehicles must be assembled in North America.
- Increasing percentages of battery minerals and components must be sourced from the U.S. or from one of its free-trade partners.
- The manufacturer vehicle sales caps have been eliminated, meaning brands such as Chevrolet, Tesla and Toyota are eligible for EV credits again starting in 2023.
- Starting in 2024, buyers can take the EV tax credit directly at the point of sale rather than having to wait to claim it on their tax return.

Effective January 1, 2023, the following price and income limits apply:

Price limits for new vehicles:

- SUVs, vans and pickup trucks - $80,000
- Any other qualifying vehicle - $55,000

Income limits for new vehicles (based on MAGI):

- $300,000 - Joint returns or surviving spouse
- $225,000 - Head of household
- $150,000 - Any other filing status

Electric vehicle credits for used vehicles. A tax credit is also available for eligible used vehicles purchased from a dealer for $25,000 or less. The credit amount is 30% of the vehicle's sale price, up to a maximum credit of $4,000. For this purpose, the credit is maxed out for vehicles purchased for $13,330 or more.

The credit is only available if you use the vehicle, rather than purchase it for resale. Those who qualify as your tax dependents do not qualify for the credit. You can only claim the credit for used vehicles once every three years, and it's only allowed once for any vehicle.

To qualify for this credit, your modified adjusted gross income (increased by certain nontaxed foreign income) for either the sale year or the year preceding it is limited to the following:

- $150,000 or less on a joint return
- $112,500 for a head of household filer
- $75,000 for singles and married filing separately

Energy efficient property credit. Property owners are eligible for a tax credit for installing energy efficient property in their homes.

The following annual credit limits apply:

- $1,200 per taxpayer per year
- $600 for windows and skylights
- $250 for any exterior door ($500 total for all exterior doors)
- A $2,000 annual limit applies to the cost of specified heat pumps, heat pump water heaters, and biomass stoves and boilers.
- $150 for home energy audits

Residential clean energy credit. This credit was formerly known as the residential energy efficient property (REEP) credit which was equal to 26% of property place installed in residential homes in years before 2024.

The credit equals:

- 30% - placed in service after Dec. 31, 2021, and before Jan. 1, 2033
- 26% - placed in service after Dec. 31, 2032, and before Jan. 1, 2034
- 22% - placed in service after Dec. 31, 2033, and before Jan. 1, 2035.

Qualified expenditures include the costs incurred for installing qualified solar property for generating electricity and hot water, geothermal heat pumps, fuel cell property biomass fuel property and small wind energy.

Additional Information

Required distributions to plan beneficiaries. If you are a non-spouse beneficiary of an IRA, you are required to take annual minimum distributions from the inherited IRA regardless of your age. The amount of the distribution varies depending on whether the decedent was already taking distributions.

If the deceased IRA owner died before his or her required beginning date, one of two rules apply:

(1) For a non-spouse beneficiary who is (a) disabled or chronically ill, (b) a child of the deceased IRA owner who has not reached the age of majority, or (c) no more than 10 years younger than the deceased IRA owner, distributions must begin by Dec. 31 of the year after the year in which the deceased owner died. The distributions must be made over the beneficiary's life expectancy, or over a period not extending beyond his or her life expectancy.

(2) For beneficiaries other than those above, distributions must be completed within ten years of the death of the IRA owner. The beneficiary can, but doesn't have to, take distributions before the tenth anniversary of the IRA owner's death.

If the IRA owner died on or after his or her required beginning date, then:

(I) For a non-spouse beneficiary who is (a) disabled or chronically ill, (b) a child of the deceased IRA owner who has not reached the age of majority, or (c) no more than 10 years younger than the deceased IRA owner, the required minimum distributions for years after the year of the owner's death must be based on the longer of the life expectancy of the inheritor, or the deceased owner's life expectancy.

(II) For beneficiaries other than those listed above, distributions must be completed within ten years of the death of the IRA owner. Distributions must be made by Dec. 31 each year beginning the year following the year of death.

Student loan debt. The maximum amount of student loan interest you can deduct each year is $2,500. The deduction is phased out if your adjusted gross income (AGI) exceeds certain levels.

For 2023, the deduction is phased out for taxpayers who are married filing jointly with AGI between $155,000 and $185,000 ($75,000 and $90,000 for single filers).

Standard Mileage Rate. Taxpayers can use the standard mileage rate instead of actual expenses when computing the deductible costs of operating automobiles owned or leased by them (including vans, pickups, or panel trucks) for business purposes.

The following rates (cents per mile) are applicable for tax year 2023:

Business	.655
Medical	.22
Moving	.22*
Charitable	.14

*Applies to members of the Armed Forces on active duty who move pursuant to a military order.

Retirement plan contribution limits for 2023. The qualified plan and IRA contribution limits for 2023.

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to $22,500.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), and most 457 plans, is increased to $7,500. Therefore, if you are 50 and older you can contribute up to $30,000, starting in 2023.

The limit on annual contributions to an IRA increased to $6,500. The IRA catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000.

Year-End Planning

Year-end planning is often complicated by the uncertainty of what the following year may bring. New tax laws always seem to come late in the year making planning even more difficult. Inflation is growing and everything seems to be more expensive than ever. Looking for ways to save will require some creativity and saving on your tax bill is a good place to start.

Long-term capital gain from sales of assets held for more than one year is taxed at 0%, 15% or 20%, depending on your taxable income. If you hold long-term appreciated-in-value assets, consider selling enough of them to generate long-term capital gains that can be sheltered by the 0% rate. The 0% rate generally applies to the excess of long-term capital gain over any short-term capital loss to the extent that, when added to regular taxable income, it is not more than the maximum zero rate amount (e.g., $89,250 for a married couple for 2023).

Postpone income until 2024 and accelerate deductions into 2023 if doing so will enable you to claim larger deductions, credits, and other tax breaks for 2023 that are phased out over varying levels of adjusted gross income. These include deductible IRA contributions, child tax credits, higher education tax credits, and deductions for student loan interest. Postponing income also is desirable for taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances.

Consider a Roth IRA if you believe it's better for you than a traditional IRA. Consider converting traditional-IRA money invested in any low performing stocks (or mutual funds) into a Roth IRA in 2023 if eligible to do so. Keep in mind that the conversion will increase your income for 2023, possibly reducing tax breaks subject to phaseout at higher AGI levels.

IRA contributions. If you are considering making an IRA contribution for 2023, you have until April 15, 2024. For 2023, you can contribute up to $6,500 or $7,500 if you are age 50 or older. Income limits apply if you or your spouse are covered by an employer provided retirement plan.

Health savings accounts. If you become eligible in December of 2023 to make health savings account (HSA) contributions, you can make a full year's worth of deductible HSA contributions for 2023 provided you make them by April 15, 2024. For 2023, the maximum contribution you can make is $3,850 for self-only coverage, and $7,750 for family coverage. You can contribute an additional $1,000 if you are over age 55.

You are eligible to make contributions into a health savings account if you are covered under a high deductible health plan. Also keep in mind that HSA contributions are not allowed for the month an individual becomes eligible for Medicare (age 65 under current law) and for all subsequent months.

Charitable giving. If you are age 72 or older by the end of 2023, have traditional IRAs, and especially if you are unable to itemize your deductions, consider making a qualified charitable distribution (QCD) from your IRA(s). These distributions are made directly to charities from your IRA. In addition, a qualified charitable distribution also counts as a distribution for purposes of the required minimum distribution (RMD) rules.

The amount of the contribution is neither included in your gross income nor deductible on Schedule A, Form 1040. However, you are still entitled to claim the entire standard deduction.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information, and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.