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TAX NEWS

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WINTER 2023

Dear Client,

Best wishes for a wonderful holiday season and a very happy new year as we move from 2023 to 2024. We appreciate your business throughout the year and look forward to working with you in the upcoming tax season

We are available to help you with your year-end tax planning for your individual tax situation and business strategies. In this newsletter we have included information to consider for your personal income tax return and business considerations for the self-employed taxpayer. Some of these issues are time sensitive and need to be acted upon by the end of the year.

On December 29, 2022, the SECURE 2.0 Act was signed into law to enact additional enhancements related to retirement and savings and creating new flexibility and accessibility to help individuals plan for a more secure future. We will review those provisions that generally affect individuals.

Retirement planning is key at this time of the year to be sure all relevant deadlines are met. We have provided the deferred compensation limits and encourage all clients to maximize their retirement accounts to the extent possible. We are happy to help you with the tax benefits of the plans for which you may be eligible. Your financial planner can help with setting up a plan or establishing a regular schedule for contributing to your account in the future.

For our business clients, the Corporate Transparency Act (CTA) will require the reporting of Beneficial Ownership Information (BOI) starting January 1, 2024, for newly created business entities formed after December 31, 2023. Those businesses created prior to January 1, 2024, will have until January 1, 2025, to comply with the BOI reporting requirements. This is a one-time initial reporting, however, any changes to the business must be reported within 30 days of the change. We are providing this for your information.

As always, do not hesitate to contact our office if any of these items raise a question or consideration of your tax situation.

When Will The IRS Start Accepting 2023 Tax Returns and Issuing Refunds?

The IRS usually starts accepting tax returns during the last week of January. If major new tax legislation is passed at the end of the year, however, this could push the start of tax season back by a week or two. So, early tax filers who are a due a refund can often see them as early as mid or late February. However, taxpayers with the Earned Income Tax Credit or Child Tax Credit generally have their refunds delayed by about one month while the IRS confirms eligibility for these credits.

It is crucial to gather all tax documents, and other relevant forms, before submitting them to the office for tax preparation. It streamlines the tax preparation process which can save time and reduce the likelihood of errors in your return. Gathering all tax documents ensures that you have accurate and complete information about your income, deductions, credits, and other relevant financial transactions. Various tax documents provide information on deductible expenses and eligible tax credits. By collecting all relevant documents, you can identify opportunities to minimize your tax liability by claiming deductions and credits for which you qualify.

The IRS recommends retaining copies of tax returns and supporting documents for a certain period (usually three to seven years). Having organized records helps you comply with recordkeeping requirements and facilitates future tax-related inquiries. Collecting all tax documents is a fundamental step in meeting legal obligations, ensuring accuracy in tax reporting, and minimizing the risk of audits or penalties. It also helps you take full advantage of available tax benefits and facilitates a smoother tax preparation process.

As part of the revisions to the IRS website, the updates to Where's My Refund? will allow taxpayers to see more detailed refund status messages in plain language. These updates will also ensure Where's My Refund? works seamlessly on mobile devices.

Taxpayers often see a generic message stating that their returns are still being processed and to check back later. With the new and improved Where's My Refund?, you will see clearer and more detailed updates, including whether the IRS needs you to respond to a letter requesting additional information. The new updates will reduce the need for taxpayers to call the IRS for answers to basic questions. Most taxpayers who are expecting an income tax refund generally will receive it by direct deposit in as little as two weeks, although it can take longer during the peak of the filing season or if there is a discrepancy with the information on file with the IRS. So, it is a good idea to e-file your tax return as soon as you have all of your tax documents (like your W2, 1099s, mortgage and student loan interest, and other items).

Several factors can determine when a taxpayer may receive their tax return, including:

- How early they file
- If the taxpayer is claiming certain credits (especially EITC and CTC)
- Whether the return is e-filed or sent by mail
- Whether the taxpayer has existing debts to the federal government

Note: The IRS will delay processing by 2–3 weeks if an income tax return has the Earned Income Tax Credit (EITC) or Child Tax Credit (CTC), which allows the IRS to verify that taxpayers qualify for the credits.

We are ready to accept your tax documents when they have been assembled. Your return can be prepared and will be held by our office until the IRS starts to electronically accept tax returns.

Individual Tax Considerations For 2023:

As we reach the end of the year, now is the time to start sorting your tax documents for an on-time filing of your individual income tax return. Following is a listing of items to consider when preparing for the preparation of your individual tax return:

- Note any changes to your marital status, or the birth (or death) of dependent children. For divorced clients, please submit a copy of the divorce decree and child support agreement.
- Did you receive or pay alimony payments? Depending on the date of the divorce, this may no longer be a tax consideration.
- At any time during 2023, did you sell, receive, exchange or otherwise transact any business in any virtual currency? The IRS has announced that it plans to issue a new form for this purpose, a Form 1099-DA (for digital assets). **Note:** this is a highly reviewed area within the IRS, be sure to let us know of any virtual transactions you have conducted.
- While the mandate for health insurance remains, the penalty for failure to maintain minimum essential coverage on the federal tax return has been eliminated. However, the IRS still requires the reconciliation on your individual tax return if your health care coverage is through either the state or federal Marketplace. Be sure to include Form 1095-A with your tax documents. Your tax return will not be accepted by the IRS without this information.
- Include all Forms W-2's.
- Include any interest income received on Form 1099-INT.
- Did you have a brokerage account or investments? Include all Forms 1099-DIV and Forms 1099-B with your tax documents.
- If you sold any stock or assets, be sure the initial cost (or basis) is included with the sale documents (if not already included on your tax forms).
- Did you receive funds from a pension or IRA? Include Forms 1099-R with your tax documents.
- Are you a shareholder in an S corporation or partner in a partnership? Are you the beneficiary of a trust or estate? If so, you will receive a Schedule K-1 for your representative share. We are aware that these generally tend to come later than sooner, so let us know if you are waiting for receipt of a Schedule K-1 and we will extend the individual income tax return.
- If you received unemployment in 2023, be sure to go onto your state website to download the Form 1099-G. Most states have stopped mailing out this form automatically. The same holds true if you received a state refund in 2023 on your 2022 state income tax return.
- Are you receiving Social Security? Include the annual statement from the Social Security Administration. If you have an SSA.gov account, this form is available on their website.
- Include any other miscellaneous income, such as:
  - ◊ Gambling winnings
  - ◊ Hobby income
  - ◊ Legal settlements
  - ◊ Income not subject to self-employment tax
- Do you own rental property? If so, include an accounting of the income received and expenses paid on behalf of the property. If newly purchased in 2023 also include the HUD statement detailing the purchase costs.
- Child and dependent care expenses — include a statement with the provider's name and address, tax identification number and amount paid.
- Did you pay education expenses for either you, your spouse or a dependent? Include the tuition amount paid as well as other expenses for books, computers, internet, room and board. The name and address and the EIN of the education institution is also needed.
- Are you a teacher in grades K through 12, working at least 900 hours a year? Include any out-of-pocket expenses for materials and supplies purchased. For 2023, the amount has increased from $250 to $300 for allowable deduction of supplies.
- While many taxpayers will not be able to itemize due to the increased amount of the standard deduction, following are some items to consider which may provide a better tax benefit:
  - ◊ Medical and dental costs, including any insurance premiums paid
  - ◊ Tax paid, including real estate, state taxes, or personal property taxes
  - ◊ Interest paid on a primary or secondary home
  - ◊ Points paid on the purchase or refinance of a home
  - ◊ Investment interest
  - ◊ Gambling losses
- Did you pay on a student loan? Did your employer provide any assistance in payment of the loan? Include the interest statement from the financial institution along with any payments made on your behalf by your employer.
- Include a listing of charitable contributions paid with cash and a separate listing of non-cash donations.
- Did you have a casualty loss as a result of a federally declared disaster area? Provide the total amount of the loss and any payments issued by your insurance company or government agencies such as FEMA.
- Did you make a contribution to your IRA or other deferred compensation plan? If so, Include Form 5498 with your tax documents.
- Did you make any additions or improvements to your home that included solar installations or energy efficient improvements that have the "Energy Star" rating? Provide contractor receipts showing total cost and installation date.

Due to the Tax Cuts and Jobs Act, the standard deduction has been substantially increased which may eliminate the ability to itemize. The standard deduction for married filing jointly taxpayers is $27,700 for the 2023 tax year. It's $13,850 for single filers and those who are married but file separate returns. However, we still recommend providing the information noted above as it may impact other areas of the tax return or be an adjustment on the state income tax return.

If you made any contributions to an individual retirement plan, such as a traditional IRA or a Roth IRA, be sure to provide us with a statement of your investment account. People with low to moderate incomes may qualify for the saver's credit, a dollar-for-dollar reduction of the taxes they owe (up to a maximum credit of $2,000 for a joint return, $1,000 for a single return). The income thresholds for the saver's credit is $73,000 for married couples filing jointly in 2023, $54,750 for heads of household, and $36,500 for singles and married individuals filing separately.

The deadline for filing a personal tax return for tax year 2023 is April 15, 2024 with an extension available to October 15, 2024.

While not a comprehensive list, this includes some of the more popular tax items we encounter on tax returns. Our office will be sending out organizers by the end of the year. We would appreciate your cooperation in completing the organizer completely. The above listing will help with compiling the information needed to file a complete and accurate income tax return. Contact our office if there are any questions regarding the tax information requested.

Secure Act 2.0 Changes

On December 29, 2022, the SECURE 2.0 Act was signed into law to address additional issues related to retirement and savings, creating new flexibility and accessibility to help individuals plan for a more secure future. We have provided information on selected provisions of the Act which impacts most individuals.

RMD age change. Under the law before SECURE 2.0, you generally had to take required minimum distributions (RMDs) from your retirement plan beginning at age 72. SECURE 2.0 increased the required minimum distribution age to 73 as of January 1, 2023. However, if you turned 72 in 2022, you had to take your first RMD by April 1, 2023. In ten years, the RMD age moves to 75.

RMD rule delay for inherited IRAs. The IRS is delaying the implementation of IRA RMD rules until 2024. Additionally, the agency extended the 60-day rollover of certain retirement plan distributions to September 30, 2023.

Last year, the IRS waived penalties until 2023 for failing to immediately take RMDs if you inherited an IRA in 2020 or 2021.

- Missing an RMD or failing to take the appropriate distribution amount incurs a 25% IRS penalty — down from 50% due to SECURE 2.0 RMD penalty changes — added to the amount that should have been withdrawn. However, the penalty can be as low as 10%.
- That IRS transition relief came about due to confusion over the timing of required plan payouts and implementation of related legislative changes.

The latest RMD rule delay allows beneficiaries of inherited IRAs to understand distribution requirements better and take payouts. The extension offers more time to roll over distributions from earlier this year that were mischaracterized as RMDs.

RMDs for surviving spouses of deceased participants. Surviving spouses, who are the sole beneficiary of their deceased spouses' retirement account, can elect to delay the RMD payment until the deceased spouse would have reached RMD age had they lived, if later than the surviving spouse's RMD age. RMDs for the surviving spouse will be calculated using the Uniform Lifetime Table, resulting in a lower RMD amount.

RMDs and Roth 401(k)s. Beginning in 2024, the SECURE 2.0 Act also eliminates RMDs for qualified employer Roth plan accounts (designated Roth Account). Previously, there was a difference in the rules that applied to Roth 401(k) accounts in employer plans versus Roth IRAs (i.e., the latter were not subject to required minimum distributions).

Small incentives to contribute to a retirement plan: The SECURE 2.0 Act allows your employer to offer small financial incentives (e.g., low-dollar gift cards) to help boost employee participation in a workplace retirement plan. This provision became effective beginning January 2023.

Emergency expense distributions. Beginning in 2024, under the SECURE 2.0 Act, you will be allowed to take an early "emergency" distribution from your retirement account to cover unforeseeable or immediate financial needs.

That emergency distribution of up to $1,000, can only be taken once during the year, and will not be subject to the usual additional 10 percent tax that applies to early distributions. But if you choose not to repay the distribution within a certain time, you will not be allowed to take other emergency distributions for three years.

Hardship expense distributions. To qualify for a hardship distribution, a retirement plan participant must meet two criteria. First, they must have an "immediate and heavy financial need." Second, the distribution must be limited to the amount "necessary to satisfy" the financial need. If you are younger than 59½ and suffering financial hardship, you may be able to withdraw funds from your retirement accounts without incurring the usual 10% penalty.

Unlike, say, a loan you take from your 401(k), the funds from a hardship withdrawal cannot be returned to the account if and when your financial position improves, therefore, it permanently reduces your retirement benefits.

Domestic abuse distributions. Starting in 2024, SECURE 2.0 permits a participant who has been a victim of domestic abuse to receive a distribution from their retirement account (401(k), 403(b), and 457(b) plans.

The provision would allow them to take the lesser of $10,000 (indexed for inflation) or 50% of their vested account balance. The distribution would not be subject to the typical 10% early distribution penalty that is normally applied to distributions taken before retirement age.

The distribution must also be taken within 12 months of the domestic abuse incident. If a plan were to adopt this provision it could allow for the participant to self-certify that the incident of domestic abuse actually occurred.

Additionally, the individual could repay the amount taken within the following 3-year period.

Employer fund match for student loan payments. Under the SECURE 2.0 Act, your employer can make a matching contribution to your retirement plan account based on your student loan payment amount. This is designed to address the fact that high student loan debt can keep people from saving for retirement. This will become effective in 2024.

Note: Student loan payments are set to resume this fall and student loan debt forgiveness has been struck down by the U.S. Supreme Court.

Roth rollover option for 529 plans. Beginning in 2024, SECURE 2.0 changes 529 plan rules. In limited circumstances (i.e., there are a lot of requirements that must be met including that the Roth IRA account must be in the name of the 529 plan beneficiary), some people may be able to rollover a 529 plan that they have maintained for at least 15 years to a Roth IRA.

Annual limits for the rollover would have to be within the annual contribution limit and there will be a $35,000 lifetime limit on what can be rolled to the Roth IRA.

Retirement savings "lost and found." Have you ever lost track of your 401(k)? Well, the SECURE 2.0 Act enables the creation of a searchable database to help people find retirement benefits that they lost track of. The retirement savings "lost and found" will be housed at the Department of Labor and be created within the next two years.

Data show that millions of 401(k) accounts are regularly forgotten, amounting to nearly a trillion dollars in unclaimed retirement benefits.

Employer Matching and Nonelective contributions as Roth. Employees can elect some or all their employer match and nonelective contributions to be Roth. Essentially, employees can elect to pay the income tax now on the employer contributions they receive instead of when they are distributed. If selected, the Roth employer contributions must be fully vested.

Qualified Birth or Adoption distribution (QBAD). Taxpayers may take a penalty free distribution, up to $5,000 per parent per child, for the expenses related to the birth or adoption of a child. The distribution must be requested within 1 year after the birth or adoption. The SECURE 2.0 Act clarified that participants have 3 years to repay the QBAD distribution.

This is a brief recap of some of the more popular changes from the Act. Contact our office if you have any questions regarding your eligibility for these benefits.

Deferred Compensation Limits for 2023 and 2024:

Following is a listing of deferred compensation plans and their contribution limits. These plans are time sensitive and should be included as part of your tax planning prior to year-end.

Deferred Comp Program	2023 Contribution Limits	2024 Contribution Limits
401(k) Elective Deferral	$22,500	$23,000
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401(k)/403(b) Catch-up Provision for Age 50 or older	$7,500	$7,500
Designated Roth	$22,500	$23,000
Defined Contribution Plan	$66,000	$69,000
Annual Compensation Limits	$330,000	$345,000
SEP Participant Threshold	$750	$750
SIMPLE Plans	$15,500	$16,000

Deferred Comp Program	2023 Contribution Limits	2024 Contribution Limits
Individual Retirement Account (IRA)	$6,500	$7,000
IRA Catch-up Provision for Age 50 or older	$1,000	$1,000
Roth IRA	$6,500	$7,000
Roth Catch-up Provision for Age 50 or older	$1,000	$1,000
Social Security Wage Base	$160,200	$168,600

These benefits may be subject to certain income thresholds. Contact our office if you are interested in starting or contributing to a deferred compensation plan. Some of these plans have a December 31 due date, others are eligible to accept contributions up until the 2024 tax filing deadline of April 15.

Corporate Transparency Act (CTA)

Starting in 2024, the Corporate Transparency Act ("CTA") mandates certain entities (primarily small and medium-size businesses) created in or registered to do business in the United States report information about their beneficial owners—the individuals who ultimately own or control a company—to the Financial Crimes Enforcement Network ("FinCEN"). You are responsible for compliance with the CTA, if applicable, and for ensuring that any required reporting of beneficial ownership information is timely filed with FinCEN as required by the CTA.

As RE Duncan and Company, CPA is not rendering any legal services as part of our engagement, we will not be responsible for advising you regarding the legal or regulatory aspects of your compliance with the CTA, nor are we responsible for the preparation or submission of beneficial ownership information reports to FinCEN.

If you have any questions regarding compliance with the CTA, including but not limited to whether an exemption may apply to your business or to ascertain whether relationships constitute beneficial ownership under CTA rules, we strongly encourage you to consult with qualified legal counsel experienced in this area.