

HELPFUL TIPS FOR ISSUES AFFECTING 2023

Solar Credit – The federal credit for installing solar on your first and second homes has been extended again, this time through 2034. The credit rate will be 30% through 2032; 26% in 2033; 22% in 2034, the final year for the credit.

Business Meals – The special allowance for tax years 2021 and 2022 allowing 100% of the cost of business meals provided by restaurants to be deductible was not extended. Thus the deduction for business meals in 2023 and subsequent years will be limited to 50% of the cost.

Required Minimum Distributions (RMD) – Taxpayers are required to begin taking minimum distributions from their traditional IRAs and qualified plans once they attain the age of 72 (was 70.5 before 2020). The minimum distribution amount is determined by dividing the account's value on December 31 of the prior year by your life expectancy determined from the IRS's Uniform Lifetime table.

Charitable Deduction – The provision allowing non-itemizers to deduct \$300/\$600 of charitable contributions expired after 2021.

Clean Vehicle Credit – This credit replaces the prior plug-in electric vehicle credit, and the credit can still be as much as \$7,500 in 2023 but with new restrictive requirements. Minimum battery capacity is 7 kilowatt-hours. Qualifying vehicles must be assembled in North America; a portion of the credit is dependent upon whether the critical minerals included in the battery were extracted or processed in the U.S. or a country with a free trade agreement or recycled in North America. On top of that the manufacturer's suggested retail price cannot exceed \$80,000 for vans, SUVs, and pickups. For other vehicles the cap is \$55,000. Another restriction: no credit is allowed if the taxpayer's modified adjusted gross income (MAGI) for the credit year, or if less for the preceding tax year, exceeds \$300,000 for married individuals filing joint; \$225,000 for those filing head of household; and \$150,000 for others.

Previously Owned Clean Vehicle Credit – This new credit provides a credit up to the lesser of \$4,000 or 30% of the used vehicle's sale price. This credit is for lower income taxpayers and no credit is allowed if the taxpayer's MAGI for the credit year, or if less for the preceding tax year, exceeds \$150,000 for married individuals filing joint; \$112,500 for those filing head of household; and \$75,000 for others. The vehicle must be acquired from a dealer for a price of \$25,000 or less and be the first transfer of the vehicle since this credit was enacted.

Credit For Qualified Commercial Clean Vehicles – The Inflation Reduction Act of 2022 added a general business credit for qualified commercial clean vehicles acquired and placed in service after December 31, 2022, and before 2033. The per vehicle credit is the lesser of 15% of the vehicle's basis (30% for vehicles not powered by a gasoline or diesel engine) or the "incremental cost" of the vehicle over the cost of a comparable vehicle powered solely by a gasoline or diesel engine. The maximum credit per vehicle is \$7,500 for vehicles with gross vehicle weight ratings of less than 14,000 pounds, or \$40,000 for heavier vehicles. A qualifying vehicle must have a battery capacity of not less than 15 kilowatt hours (7 kilowatt hours for vehicles weighing less than 14,000 pounds).

Child Care Credit – The credit for 2022 and subsequent years will be substantially less than the temporary increase for 2021. The maximum expenses that can be used to compute the 2022 and subsequent years credit are \$3,000 for one qualified individual and \$6,000 for two or more qualified individuals (down from \$8,000 and \$16,000 in 2021). In addition, the credit percentage, which was

50% for 2021, returns to income specified amounts ranging from a maximum of 35% to 20% for taxpayers with AGIs more than \$43,000.

Take Advantage of a Low-Income Year – Where a taxpayer is having a low-income year, they may wish to take advantage of being in a lower tax bracket by:

- Selling appreciated stocks.
- Converting traditional IRAs to Roth IRAs.
- Taking a taxable distribution from a retirement plan (but subject to a penalty if under the age of 59.5).

Cryptocurrency Transactions – Beware! The IRS continues to have digital assets on its radar and is ramping up enforcement programs. Cryptocurrency is treated as property, and when it is sold or used, the gain or loss from the transaction must be reported in the same manner as a stock transaction. Cryptocurrency exchanges must begin reporting transactions for 2023.

Foreign Taxes Paid – If you paid or had withholding of foreign taxes during the year you have three options, including to take a tax deduction or claim a credit to make up for the double taxation. If you itemize your deductions the amount can be deducted as tax paid (not subject to the \$10,000 tax limit). The other two options are to claim a credit without filing the Form 1116 but limited to \$300 (\$600 if filing married joint) or filing a Form 1116 if the tax credit will exceed \$300 (\$600 joint). **CAUTION:** If you are a partner in a partnership or a shareholder in an S-Corporation, make the entity aware you have paid foreign taxes during the year. Those entities have special foreign income reporting requirements that include foreign income of partners and shareholders and can impact the entity's filing options.

Credit For Energy Efficient Home Modifications – This tax credit for making energy saving improvements to taxpayer's existing homes has been around since 2006. The dollar limits and credit percentages have been modified several times over the years. In addition, the credit had a lifetime credit cap which was recently \$500, and the credit rate had been reduced to 10%. Being available for 16 years with a \$500 lifetime cap had almost rendered this credit impractical. However, the Inflation Recovery Act has breathed new life into the credit by increasing the credit rate to 30% and by replacing the lifetime credit cap with an annual cap of \$1,200. That allows individuals to annually make up to \$4,000 of creditable home energy improvements. There are annual limits for certain types of improvements; for example, there is a \$600 annual credit limit for residential energy property expenditures, windows, and skylights, and \$250 for exterior doors (\$500 total for all exterior doors).

This credit is non-refundable (meaning it can only offset the current tax liability) and there is no carryover.

Credit For Building Energy Efficient Homes – This is a credit for the contractor building energy efficient homes. Prior to the law change the credit was as much as \$2,000 for site-built homes and \$1,000 or \$2,000 for manufactured homes. The Inflation Reduction Act of 2022 makes the credit available for qualified new energy efficient homes acquired before January 1, 2033. The amount of the credit is increased, and can be \$500, \$1,000, \$2,500, or \$5,000, depending on which energy efficiency requirements the home satisfies and whether the construction of the home meets the prevailing wage requirements.

Net Investment Income Surtax – For individuals there is a surtax of 3.8% of the lesser of the taxpayer's net investment income, or the excess of the taxpayer's modified AGI over a threshold amount. The threshold amounts for individuals are: \$250,000 for married filing joint filers and qualifying surviving spouses, \$125,000 for married taxpayers filing separate and \$200,000 for others. For an estate or trust, the surtax is 3.8% of the lesser of the undistributed net investment income or excess of AGI over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

\$1 LUMP SUM AT VARIOUS RATES (FUTURE VALUE OF \$1, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	1.104	1.219	1.346	1.486	1.641	1.811
4	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449

Example: If you invest \$10,000 at an interest rate of 6%, at the end of 30 years you will have \$57,430 (\$10,000 multiplied by 5.743).

\$1 PER YEAR AT VARIOUS RATES (FUTURE VALUE, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	5.20	10.95	17.29	24.30	32.03	40.57
4	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494

Example: If you put \$1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have \$79,058 saved (\$1,000 x 79.058).

LIFE EXPECTANCY*

Current Age	Remaining Years	Current Age	Remaining Years
25	60.2	55	31.6
30	55.3	60	27.1
35	50.5	65	22.9
40	45.7	70	18.8
45	41.0	75	14.8
50	36.2	80	11.2

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 24.2 yrs.* Life expectancy rates based on the IRS Unisex Single Life Tables.

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

Tax Bracket	Tax-Free Yield								
	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
10	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
12	2.3	2.8	3.4	4.0	4.5	5.1	5.7	6.3	6.8
22	2.6	3.2	3.8	4.5	5.1	5.8	6.4	7.1	7.7
24	2.6	3.3	3.9	4.6	5.3	5.9	6.6	7.2	7.9
32	2.9	3.7	4.4	5.1	5.9	6.6	7.4	8.1	8.8
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2
37	3.2	4.0	4.8	5.6	6.3	7.1	7.9	8.7	9.5

Example: A taxpayer in the 24% tax bracket would have to purchase a taxable investment yielding more than 3.3% to outperform a 2.5% tax-free investment.

DISCLAIMER

The information provided is an abbreviated summary of tax and financial information for the 2023 tax year and only includes law changes through December 2022. Pending or future tax legislation and regulations could alter contents of this brochure. The accuracy and completeness of this information is not guaranteed. Specific questions relating to your specific tax or financial situation should be directed to your tax and financial advisor.

2023 TAX CALENDAR

January 17	4th Quarter 2022 Estimate Due
April 18	FBAR Form Due
April 18	2022 1040 or Extension Due
April 18	1st Quarter 2023 Estimate Due
June 15	2nd Quarter 2023 Estimate Due
July 31	Pension Plan (Form 5500) Returns Due (calendar yr plans)
September 15	3rd Quarter 2023 Estimate Due
October 16	2022 1040 Extension Returns Due



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