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2023 YEAR-END TAX PLANNING TIPS

Dear Clients & Friends:

The end of year, as always, presents a perfect time to review your personal financial situation.

Here are some highlights you may want to consider when preparing for the new year:

Individuals

- The IRS Document Upload Tool is a secure, easy and fast way to send information in response to an IRS notice. You can use the tool to upload electronic documents.

- Energy tax credits are available for solar panels, electric vehicles and energy-efficient home improvements.

- Changes to Form 1099-K requirement is delayed for another year. Effective Jan. 1, 2024, a Form 1099-K will be issued (in January 2025) if you receive payment for more than $5,000 for the year from your payment card and third-party payment network transactions. As before, income, including from part-time work, side jobs or the sale of goods, is still taxable.

- The child tax credit is $2,000 per child. Of which, the maximum refundable amount has been increased to $1,600.

- Debt from student loans forgiven after Dec. 31, 2020 and before Jan. 1, 2026 is not taxable income.

- ILLINOIS RESIDENTS ONLY: Beginning July 1, 2022, a rebate of up to $4,000 can be claimed within 90 days after an Illinois resident purchases a passenger electric vehicle. Only one rebate is allowed per VIN. This is in effect till June 30, 2024 or earlier if funding is exhausted.

- The use of virtual currencies, either in exchange for other virtual currencies, as payment for goods or services, or as investment holdings, generally has tax consequences and will be required to report on your tax return.

- Retirement Planning:

    - Contribute the maximum allowable amount to retirement accounts such as 401(k)s, IRAs, or SEP IRAs. These contributions can reduce your taxable income and enhance your retirement savings. Contribution limitations are adjusted yearly for inflation, and the amount information is available on our website.

    - Required beginning date for Required Minimum Distributions (RMD) is the calendar year in which you reach age 73. Due date for the first RMD is April 1 of the following year.

    - You can make a Qualified Charitable Distribution (QCD) from your IRA (other than an ongoing SEP or SIMPLE IRA) to a qualified charity. The QCD will count toward your RMD, but <u>will not be taxable to you.</u>

    - Non-spouse beneficiary of an inherited IRA account must follow the 10-year rule and empty the entire account by the end of the 10th year after the account owner's death.

    - Before converting pre-taxed IRA to Roth IRA, please be aware of the tax effects.

- Estate Planning:

    - Use flowcharts to visualize how the current estate tax law will affect your assets.

    - Be sure that all your estate planning documents are up to date, for example, will, powers of attorney, health care documents, any trust agreements, and beneficiary designations. This is especially important if you have recently been through a significant life event such as marriage, having a child, divorce, or losing spouse.

    - If your gross assets total more than $12,920,000, consider reducing your taxable estate by making charitable contributions, utilizing the gift tax exclusions for annual gifts of up to $17,000 per recipient in 2023 ($18,000 in 2024), or paying medical/tuition expenses directly to service providers for family members.

- Educational Funding:
  - Consider making contributions before the end of the year for your children and grandchildren. Contributions to Section 529 plans are tax-deductible in some states, including Illinois.
  - Earnings in Section 529 plans are tax-free when distributions are used for K-12 and college tuition expenses.
  - Additionally, contributions to Section 529 plans qualify for a special 5-year gift splitting election. This can be a powerful estate planning tool, and is particularly useful when the beneficiary is in school or is soon to begin school.

Business Owners

Important!
Please read the new reporting requirement below that applies to most companies.

New Federal Reporting Requirement for Beneficial Ownership Information (BOI)

Beginning on January 1, 2024, many companies in the United States will have to report information about their **beneficial owners**, i.e., the individuals who ultimately own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury.

Be sure to review FinCEN's **Small Entity Compliance Guide**, which provides information to help small businesses comply with this reporting requirement.

Who Has to Report?

Companies required to report are called **reporting companies**. Reporting companies may have to obtain information from their beneficial owners and report that information to FinCEN.

Your company may be a **reporting company** and need to report information about its beneficial owners if your company is:

1. A corporation, a limited liability company (LLC), or was otherwise created in the United States by filing a document with a secretary of state or any similar office under the law of a state or Indian tribe ; or
2. A foreign company and was registered to do business in any U.S. state or Indian tribe by such a filing.

Who Does Not Have to Report?

Twenty-three types of entities are exempt from the beneficial ownership information reporting requirements. These entities include publicly traded companies, nonprofits, and certain large operating companies.

FinCEN's **Small Entity Compliance Guide** includes checklists for each of the 23 exemptions that may help determine whether your company qualifies for an exemption. Please review Chapter 1.2 of the Guide for more information.

How Do I Report?

Reporting companies will have to report beneficial ownership information electronically through FinCEN's website: www.fincen.gov/boi

- The system will provide the filer with a confirmation of receipt once a completed report is filed with FinCEN.

When Do I Report?

Reports will be accepted starting on January 1, 2024.

- If your company was created or registered prior to January 1, 2024, you will have until January 1, 2025, to report BOI.
- If your company was created or registered on or after January 1, 2024, and before January 1, 2025, you must report BOI within 90 calendar days after receiving actual or public notice that your company's creation or registration is effective, whichever is earlier.
- If your company was created or registered on or after January 1, 2025, you must file BOI within 30 calendar days after receiving actual or public notice that its creation or registration is effective.
- Any updates or corrections to beneficial ownership information that you previously filed with FinCEN must be submitted within 30 days.

FinCEN cannot accept reports before January 1, 2024.

- Some pass-through entities are required to file Forms K-2 and K-3.

- Pass-through entities may be eligible to take advantage of the pass-through entity tax on the state tax level. Some states (such as NY and CA) require the election to be made by a certain deadline.

- Energy tax credits are available to encourage businesses to become more environmentally sustainable. Example of eligible items:

    - Electricity produced from certain renewable sources (including geothermal, solar and wind facilities)
    - Energy efficient home improvements (only available to eligible contractors and manufactured home manufacturers)
    - Carbon oxide sequestration
    - Zero-emission nuclear power production
    - Alternate fuels

- For most taxpayers, federal net operating losses (NOLs) arising in tax year 2018 and later can only be carried forward. Also, for losses arising in 2018 and later, the net operating loss deduction is limited to 80% of taxable income.

  For tax years 2021 and later, Illinois net losses can be carried forward only, for 20 tax years. The use of Illinois net losses to offset income for tax years 2021 to 2023 is limited to a maximum deduction of $100,000 per year for C corporations.

- Many property and equipment purchases can be completely written off by businesses in the year they are placed in service.

    - The total cost of Section 179 property that a taxpayer elects to expense cannot exceed $1.16 million for 2023. This limitation is reduced by the amount by which the cost of Section 179 property placed in service during 2023 exceeds $2.89 million.

    - Some properties (including qualified improvements) are eligible for 80% first-year bonus depreciation.

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2023 Reference Rates and Figures

Single Taxpayers	
Taxable Income	**Tax Liability**
0 – 11,000	10% of taxable income
11,000 – 44,725	1,100.00 + 12% of the amount over 11,000
44,725 – 95,375	5,147.00 + 22% of the amount over 44,725
95,375 – 182,100	16,290.00 + 24% of the amount over 95,375
182,100 – 231,250	37,104.00 + 32% of the amount over 182,100
231,250 – 578,125	52,832.00 + 35% of the amount over 231,250
578,125 +	174,238.25 + 37% of the amount over 578,125

Head of Household	
Taxable Income	**Tax Liability**
0 – 15,700	10% of taxable income
15,700 – 59,850	1,570.00 + 12% of the amount over 15,700
59,850 – 95,350	6,868.00 + 22% of the amount over 59,850
95,350 – 182,100	14,678.00 + 24% of the amount over 95,350
182,100 – 231,250	35,498.00 + 32% of the amount over 182,100
231,250 – 578,100	51,226.00 + 35% of the amount over 231,250
578,100 +	172,623.50 + 37% of the amount over 578,100

Married Filing Jointly (and Qualifying Surviving Spouse)	
Taxable Income	**Tax Liability**
0 – 22,000	10% of taxable income
22,000 – 89,450	2,200.00 + 12% of the amount over 22,000
89,450 – 190,750	10,294.00 + 22% of the amount over 89,450
190,750 – 364,200	32,580.00 + 24% of the amount over 190,750
364,200 – 462,500	74,208.00 + 32% of the amount over 364,200
462,500 – 693,750	105,664.00 + 35% of the amount over 462,500
693,750 +	186,601.50 + 37% of the amount over 693,750

Married Filing Separately	
Taxable Income	**Tax Liability**
0 – 11,000	10% of taxable income
11,000 – 44,725	1,100.00 + 12% of the amount over 11,000
44,725 – 95,375	5,147.00 + 22% of the amount over 44,725
95,375 – 182,100	16,290.00 + 24% of the amount over 95,375
182,100 – 231,250	37,104.00 + 32% of the amount over 182,100
231,250 – 346,875	52,832.00 + 35% of the amount over 231,250
346,875 +	93,300.75 + 37% of the amount over 346,875

Unearned income is subject to **3.8% Net Investment Income Tax** if modified adjusted gross income over the thresholds below:

Earned income is subject to **0.9% Additional Medicare Tax** if over the thresholds below:

Single $200,000, Head of Household $200,000, Married filing jointly $250,000, Married filing separately $125,000.

Long-Term Capital Gain & Qualified Dividends				
Filing status / Taxable income / Tax rate	Single	Married Filing Jointly	Head of Household	Trusts/ Estates
0%	0 – 44,625	0 – 89,250	0 – 59,750	0 – 3,000
15%	44,625 – 492,300	89,250 – 553,850	59,750 – 523,050	3,000 – 14,650
20%	492,300 +	553,850 +	523,050 +	14,650 +

Standard Deduction	
Single / MFS	13,850
Head of Household (HH)	20,800
Married Filing Jointly	27,700
Blind/Aged Add'l - Single, HH	1,850
Blind/Aged Add'l - Married	1,500

Alternative Minimum Tax (AMT) Exemption	
Single / HH	81,300
Married Filing Jointly	126,500
Married Filing Separately	63,250

Rates for Mileage Reimbursement
For 2023: 0.655 Business; 0.14 Charitable; 0.22 Medical or Moving

1 Social Security/Medicare Point
1,640 (for 2023); 1,730 (for 2024)

Maximum Taxable Social Security Wage Base
160,200 (for 2023); 168,600 (for 2024)

Maximum Foreign Earned Income Exclusion
120,000 (for 2023); 126,500 (for 2024)

Estate and Gift Tax Exemptions	
Annual Exemption	17,000 (for 2023); 18,000 (for 2024)
Federal Lifetime Exclusion	12.92 million
Illinois Estate Exemption	4 million
Top Transfer Tax Rate	40%

C-Corporation Federal Tax Rate
21% of Taxable Income