

2024 Annual Tax Season Newsletter

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Whats New with 2023

Time to get ready again

Here are some ideas to help make processing this years tax returns as easy as possible.

Make a list

Crease a list of expected documents by reviewing the documents from last year. If you need help we have a check list on our website to assist.

Find any missing documents

The most common reason why processing a tax return gets delayed is missing documents. Missing documents are the most common reason why processing tax returns get delayed.

Keep all receipts

Review and keep all receipts to support possible deductions for medical expenses, contributions, child care, and business expenses. Each can help reduce your taxable income.

Upload tax documents to Canopy

Any returning clients can upload all tax documents to "Canopy", our secure client portal, at any time even if you haven't already made your appointment. New clients wishing for a virtual meeting will receive a link to access "Canopy" after scheduling an appointment. We strongly encourage you to not email any tax documents for your security.

CASH ADVANCES NOW

Tates Tax Service will offer "CASH ADVANCES NOW" of up to \$9,500 from mid January 2024 – Feb 28, 2024, so taxpayers won't have to wait for their refunds. The option for taxpayers to receive an advance on their refund reduces the amount of time they must wait to receive their money.

New Federal Reporting Requirement for Beneficial Ownership Information (BOI)

In 2021, Congress enacted the Corporate Transparency Act. This law creates a beneficial ownership information reporting requirement as part of the U.S. government's efforts to make it harder for bad actors to hide or benefit from their ill-gotten gains through shell companies or other opaque ownership structures.

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, a bureau of the U.S. Department of the Treasury.

Home Energy Credits Have Significantly Increased

For 2023, the \$500 lifetime credit cap received by installing energy-efficient windows, doors, insulation, etc., will no longer apply. It has been replaced by an annual cap of \$1,200 for specific items. There is a \$2,000 yearly limit for other products. The solar credit—which was initially scheduled to decline to 26% in 2022—will remain at 30% through 2032 (roofing expenses have been subtracted from the solar cost estimate).

Sub-category	Annual Expense	Annual Max Tax Credit
Exteriors Windows/Skylights*	\$ 2,000	\$ 600
Exterior Doors*	\$ 833	\$ 250
Insulation	\$ 4,000	\$ 1,200
Water heaters, furnace, electrical panels**	\$ 2,000	\$ 600
Overall Maximum Credit		\$ 1,200

Electric Vehicles

The new 2023 EV tax credit is no longer limited by the manufacturer; however, the vehicle must have been assembled in North America, and income limits now apply.

2022 and prior	2023
\$7500 credit	\$7500 max credit, comprised of two portions, one allocated to battery life and the other to the vehicle
Limited vehicle quantities (1st 200K per manufacturer only)	No quantity limitations on vehicle
No Income limits to claim	<ul style="list-style-type: none"> Income limits: \$300K joint; \$225K HOH; \$150K all others Limits on vehicle price Final Assembly in North America Battery materials must be from certain countries

Who Has to Report?

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.

If your company was created or registered prior to January 1, 2024, you will have until January 1, 2025, to report BOI.

Required Minimum Distributions ("RMD's")

The new bill passed extended the starting age for RMDs. Many of these won't take effect for several years, but the younger you are, the more time you have before you must begin taking RMDs.

Taxpayer Date of Birth	RMD Age
On or before 12/31/1950	72
1/1/1951 to 12/31/1958	73
1/1/1959 or after	75

Decreased Penalty for RMD's Not Taken

The penalty for failing to take the required minimum distribution is reduced from 50% to 25%. If the correction is generally made within 2 years, the penalty is further reduced to 10%.

Inherited Retirement Accounts from Non-Spouses

Your tax bill may be higher than you anticipate due to recent changes in the law. Traditional IRA beneficiaries have always had to pay taxes on inherited accounts, but prior to 2020, you could minimize the tax burden by spreading out your withdrawals over the course of your lifetime. Now children, grandchildren and other non-spouse heirs will have 2 options: Take the entire amount in one single sum and pay taxes on it, or completely deplete the funds within 10 years of the original owner's passing. If the decedent did not have any RMDs then there is not an annual requirement on withdraws during that 10 year period.

529 Plan rollover to a Roth IRA

Beginning in 2024, any 529 plan that has existed for 15 years and has unused funds can now be rolled into a Roth IRA for the child's benefit. The yearly conversion cannot exceed the Roth IRA limit (\$6,500 in 2023) and has a lifetime rollover limit of \$35,000.

Eligibility for 529 Plan Rollover to Roth IRA				
Children/Relatives Claimed	Adjusted Gross Income Limit		Investment Income Limit	Credit Maximum
	Filing Single, Head of Household, or Widowed	Filing Married Filing Jointly		
0	\$ 17,640	\$ 24,210	≤ \$ 11,000	\$ 600
1	\$ 46,560	\$ 53,120	≤ \$ 11,000	\$ 3,995
2	\$ 52,918	\$ 59,478	≤ \$ 11,000	\$ 6,604
3+	\$ 56,838	\$ 63,698	≤ \$ 11,000	\$ 7,430

Child Tax Credit

Got kids? Well, here's a tax credit just for you! The child tax credit (CTC) lets you credit up to \$2,000 per dependent child under the age of 17. The income limit is \$400,000 for married filing jointly and \$200,000 for all the others. The CTC is also partially refundable up to \$1,600.

Child and Dependent Care Credit

This is another great credit parents and guardians should know about. The child and dependent care credit is a non-refundable credit that allows taxpayers to offset some costs of paying for services like babysitters, daycare, and in-home caregivers for older dependents.

Child Care Credit

Maximum Credit Amount	\$ 2,000
Maximum Refundable Amount	\$ 1,600
Income Phase Out	\$ 200,000 for single parents \$ 400,000 for married parents

Dependent Care Credit

Qualifying Child(ren)	Max Eligible Expenses	Applicable Range	Maximum Credit
1	\$ 3,000	20% - 35%	\$ 1,050
2+	\$ 6,000	20% - 35%	\$ 2,100

Standard Deductions

Filing Status	2024
Single	\$14,600
Married, filing separately	\$14,600
Married, filing jointly: qualifying widower	\$29,200
Head of household	\$21,900

Tax Brackets

Tax Rate	Single/MES	Married filing Jointly	Head of Household
10%	\$11,000 or less	\$22,000 or less	15,700 or less
12%	\$11,001 to \$44,725	\$22,001 to \$89,450	\$15,701 to \$59,850
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$59,851 to \$95,350
24%	\$182,101 to \$231,250	\$190,751 to \$364,200	\$95,351 to \$182,100
32%	\$95,376 to \$182,100	\$364,201 to \$462,500	\$182,201 to \$231,250
35%	\$231,251 to \$578,125	\$462,501 to \$693,750	\$231,251 to \$578,100
37%	\$578,126 or more	\$693,751 or more	\$578,101 or more