



Yikes, it's tax time...again. And 2023 will be the third year running that taxpayers and tax professionals are experiencing difficulties in contacting the IRS. The National Taxpayer Advocate, Ms. Erin M. Collins, released her 2022 Annual Report to Congress, stating that taxpayers and tax professionals "experienced more misery in 2022" due to paper processing delays and poor customer service. She went on to say "We have begun to see the light at the end of the tunnel. I am just not sure how much farther we have to travel before we see sunlight."

Here at **Collaborative Tax Partners**, we couldn't agree more: the year 2022 was filled with delays in the tax season opening, illness, property casualties, bottle-necked processing times, power outages, and hurricanes to name a few of the hurdles thrown at us. Yet, as we begin the 2023 tax season, we look forward to working with outstanding and caring taxpayers such as yourself. Service is the key to what we do and what we provide for our clients. Your patience and understanding as we work through the season are key to our staying on track.

Each tax year brings its own set of questions based upon tax changes and potential tax changes that can and could affect your tax return. Which is why we ask that you read carefully and sign the annual tax engagement letter and complete the tax organizer. Your answers help us to prepare the most accurate tax return based upon the information and documentation that you provide and help us find every deduction you deserve. Should you receive a letter or notice from the IRS or from a State Department of Revenue about the current tax year or a prior tax year, we ask that you please forward a full copy to us as quickly as possible.

It's projected the IRS will open for individual tax return e-file submissions between January 22<sup>nd</sup> and January 26<sup>th</sup> – stay tuned!

## APPOINTMENTS:

If you'd like to meet for your tax appointment, we have 3 options available for you:

 **By Phone**

 **By Zoom**

 **In-person**

➤ **To schedule a tax appointment, please follow this link: <https://CTP.as.me/>** ↩

PLEASE NOTE: If you don't need an appointment, please feel to simply read & sign your engagement letter, then submit your tax documents to get started. You will receive an e-mail confirmation upon receipt.

## THE CLIENT PORTAL & YOUR TAX DOCUMENTS:

You now have access to the following:

1. Invitation to access your Client Portal;
2. Your 2023 tax organizer and questionnaire\*\*;
3. Your 2023 Tax Preparation Engagement Letter\*\*;

*\*(please contact our office if you'd prefer paper hard copies of these documents in lieu of using the portal)*

How to submit your tax documents:

1. Via the Client Portal: <https://ctptax.clientportal.com/>
2. By Fax: (877) 333-5534
3. Drop-off: Evermont Wealth  
419 Yale Avenue, Claremont, CA 91711  
909.296.7977
4. By Mail: PO Box 168, Banning, CA 92220



## TAX RETURN DUE DATES:

**Individuals** must file returns by April 15, 2024, for the 2023 tax year;

**Partnerships and S corporations** must file returns by the 15th day of the third month following the close of the taxable year (March 15 for calendar-year taxpayers);

**C corporation** returns are generally due by the 15th day of the fourth month following the close of the taxable year (April 15 for calendar-year taxpayers); and

**W-2s and 1099s** must be filed by January 31, 2024, for the 2023 tax year

## FILING THRESHOLDS

Standard Deduction by Filing Status	
Filing status	2023
Married filing joint and qualifying widow(er)	\$27,700
Head of household	\$20,800
Single	\$13,850
Married filing separate	\$13,850

Additional Standard Deductions for Elderly and/or Blind	
Filing status	2023
Elderly or blind	\$1,850
Elderly and blind	\$3,700
Elderly or blind (per taxpayer)	\$1,500
Elderly and blind (per taxpayer)	\$3,000

## INDIVIDUAL TAX RATES

2023 Income Tax Rates	
Income up to \$11,000	10%
\$11,000 to \$44,725	12%
\$44,725 to \$95,375	22%
\$95,375 to \$182,100	24%
\$182,100 to \$231,250	32%
\$231,250 to \$578,125	35%
\$578,125 and above	37%

*\*\*Keep in mind that this is a simplified version, and there may be additional factors or deductions that can affect your actual tax liability.*

## LONG-TERM CAPITAL GAINS

(for investments held longer than 1 year. Investments held < 1 year are taxed at your ordinary income tax rate.)

2023 Long-Term Capital Gains Rates					
	Single	MFS	MFJ	HOH	Estates & Trusts
Rate	Taxable income breakpoint				
0%	\$44,625	\$44,625	\$89,250	\$59,750	\$3,000
15%	\$492,300	\$276,900	\$553,850	\$523,050	\$14,650
20%	No breakpoint				



## STANDARD MILEAGE RATE

2023 Standard Mileage Rates	
Business Mileage	65.5 cents
Charitable Mileage	14 cents
Medical Mileage	22 cents
Moving Mileage*	22 cents*

\*Federal law only allows a moving expense deduction for active-duty military

## RETIREMENT

The SECURE 2.0 Act was passed as part of the Consolidated Appropriations Act of 2023 and was signed into law by President Biden on December 29, 2022. (P.L. 117-329 (H.R. 2617)) The SECURE 2.0 Act is a retirement bill with the stated purpose of encouraging workers to invest more into their own retirement.

Both the SECURE Act, passed into law in December 2019, and now the SECURE 2.0 Act combine to create some of the most sweeping changes to the retirement provisions of the Internal Revenue Code for a very long time.

Maximum IRA Contribution		
Tax Year	Amount	Catch-up (age 50 and over)
2023	\$6,500	\$1,000
2024	\$7,000	\$1,000*

\* The \$1,000 IRA catch-up contribution for taxpayers aged 50 and older is indexed for inflation, effective for taxable years beginning after December 31, 2023. (SECURE 2.0 Act §108; IRC §219(b)(5)(C)) However, as shown in the chart, the amount didn't increase for 2024

Married couples can make a deductible IRA contribution of up to \$13,000 for 2023 (\$14,000 for 2024) if the combined compensation of both spouses is at least equal to the contributed amount.

Self-employed? Consider starting a **SEP** or **SIMPLE** IRA account!

<b>SEP</b> (Simplified Employee Pension)	<b>SIMPLE</b> (Savings Incentive Match Plan for Employees)
Simple, available to any size business	Easily established, for 100 or less employees
No employer filing requirement	No employer filing requirement.
Only employer contributions are allowed	Employer and employee contributions are allowed
Can be established as late as the due date of business tax return (including extensions)	Annually, Employer must contribute either: 1) a match of 3% employee's compensation, or 2) a nonelective contribution of 2% for each eligible participant
Beginning with 2023 tax year, can be designated as a Roth SEP IRA (contributions are taxable compensation to employee)	Can be established between January 1 & October 1 of each year

**ADJUSTMENTS TO INCOME, DEDUCTIONS & CREDITS****ADJUSTMENTS****IRA to charity (qualified charitable distributions)**

Taxpayers may exclude up to \$100,000 annually in “qualified charitable distributions” (QCDs) from their AGI.

**Educator Expenses:** Maximum of \$300 (\$600 if both taxpayers are full time educators)

**Student Loan Interest:** Up to \$2500 may be deductible, depending on AGI. Credit begins to phase out at \$155,000 for married taxpayers, and \$75,000 for all other statuses.

**Health Savings Account (HSAs):** Family, \$7500. Self Only, \$3850

**Half of Deductible Self-Employment taxes:** Self-employment tax rate is 15.3% on net self-employment income.

**DEDUCTIONS**

**Medical Expenses:** eligible out-of-pocket expenses exceeding 7.5% of your AGI.

Eligible expenses include:

- Costs incurred to diagnose, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body (to include certified emotional support animals and their associated care expenses);
  - Co-pays and prescriptions\*
  - Medical equipment & supplies: i.e., hearing aids, glasses, contacts, walkers, orthopedic canes, insulin, crutches, prosthetics, birth control pills, breast pumps & supplies;
- Transportation primarily for and essential to medical care;
- Taxpayers who make capital improvements to their home for the main purpose of medical care
- Alcohol and drug rehabilitation program expenses;
- Smoking cessation programs and aids;
- Therapy (for mental health treatment)
- Weight-loss program and nutritional counseling and/or supplement expenses when being treated for a

specific disease diagnosed by a physician.

*\*Medicine and drugs are only classified as eligible medical expenses if they are prescribed by a doctor or are insulin.*

**Taxes:** Until 2025, taxpayers may claim an itemized deduction of up to \$10,000 For the total amount of state and local income and property taxes. On the contrary, California allows an unlimited deduction for real and personal property taxes (however, state and local income taxes are nondeductible).

**Charitable Contributions:** Taxpayers who itemize their deductions may deduct charitable contributions to qualified charities of up to 60% of their AGI. Documentation required for noncash contributions of \$500–\$5,000: Acknowledgement from charity with: Name of charity, date, description of property contributed, and the value of your contribution(s).

**Miscellaneous Deductions:** casualty & theft losses from income-producing property, certain Schedule K-1 losses, unrecovered annuity investments for deceased taxpayers, gambling losses.

**Qualified Business Income Deduction:** IRC §199A allows taxpayers to claim a deduction of up to 20% against qualified business income (QBI). Taxpayers whose taxable income is above a phaseout threshold may have their QBI deduction limited or completely phased out: \$364,000 MFJ and \$182,100 for all other statuses.



## TAX CREDITS

**Child Tax Credit:** \$2000 per qualifying child, partly refundable (AGI < \$400,000 MFJ, or \$200,000 all for other statuses)

**Qualifying Dependents:** \$500 (if their gross income < \$4700 federal exemption amount)

**Business Meals:** 50% of expenses (Entertainment is non-deductible for Federal, but partially deductible for CA state)

**Education Tax Benefits:** American Opportunity Tax Credit (refundable, with a max benefit of \$2500) or the Lifetime Learning Credit (nonrefundable, with a max benefit of \$2000). The AOTC is only available for 4 tax years per eligible student, whereas the LLC is available for an unlimited number of years. The credit begins to phase out at \$160,000 for married taxpayers, at \$80,000 for all other statuses.

Deductible expenses include:

- ✓ AOTC: Tuition, fees, computers, supplies and required course materials.
- ✓ LLC: Tuition and fees only

**Saver's Credit:** Eligible taxpayers can claim a nonrefundable tax credit for contributions they make to a qualified retirement plan. The maximum annual contribution eligible for the credit is \$2,000. An eligible taxpayer must be over age 18 and neither a full-time student nor a dependent.

**Clean Vehicle Credit:** This nonrefundable credit generally applies to new four-wheel vehicles placed in service after December 31, 2022, and sunsets at the end of 2032. For vehicles placed in service after 2023, taxpayers can transfer the Clean Vehicle Credit and the Previously Owned Clean Vehicle Credit to licensed dealers that have registered with the Secretary of the Treasury. The election to transfer the credit must be made no later than the time of sale.

- ✓ Clean Vehicle Credit: For vehicles sold for \$55,000 (\$80,000 for vans, trucks, or SUVs), the maximum amount of the credit is \$7,500 per qualified vehicle (up to two vehicles). AGI limits are: \$300,000 for married taxpayers, \$225,000 for head of household, and \$150,000 for all others.

- ✓ Previously Owned Clean Vehicle Credit: For vehicles sold for \$25,000 or less, the credit equal to 30% of the vehicle's sales price, up to a \$4,000 maximum credit.

**Residential Clean Energy Credit:** often referred to as the Solar Energy Credit, although it also applies to qualified fuel cell property, qualified small wind energy property, geothermal heat pump property, and biomass stove and water heater property.

The Inflation Reduction Act also adds qualified battery storage technology expenditures to the list of qualified expenditures eligible for the credit, applicable to expenditures made after December 31, 2022. The 30% credit is now available for eligible expenditures through the end of 2032.

**Energy Efficient Home Improvement Credit:** an annual credit of generally up to \$1,200, which applies to building envelope components, home energy audits, and energy property. Electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves and biomass boilers have a separate aggregate yearly limit of \$2,000. This means that the maximum total Energy Efficient Home Improvement Credit can reach as high as \$3,200 annually.

**Energy Investment Tax Credit:** Aka business solar, taxpayers who install solar property on an investment or rental property may claim a solar "base" credit 6% of the property's cost basis for solar energy property, hybrid solar lighting systems (now expanded to include dynamic glass) and 6% "base" credit of the property's cost basis for geothermal heat pump systems if construction begins before January 1, 2033. The tax benefit can be as high as 30% when contractors or apprentices are employed to install these improvements.

### **Affordable Care Act Shared Responsibility**

**Payment:** The ACA's individual shared responsibility payment is zero. Taxpayers without health insurance are not penalized by the Internal Revenue Code. However, California does not conform to this provision; California has charged a tax penalty for failure to have health insurance since 2020.



**Premium Tax Credit:** Taxpayers are allowed an advanceable and refundable Premium Tax Credit to help subsidize the purchase of health insurance through exchanges. For 2021 through 2025, the American Rescue Plan Act of 2021, extended by the Inflation Reduction Act of 2022, expanded the PTC by increasing subsidy amounts when purchasing the plans through the health care exchange and decreasing the taxpayer's maximum income contribution toward the premiums. The 400%

federal poverty level cap on receiving subsidies has also been repealed.

The credit\* is:

- ✓ Determined by reference to the premium amount for the 2<sup>nd</sup> lowest cost Silver Plan offered by an exchange in the rating area where the taxpayer resides; and
- ✓ Based on the percentage of income the cost of premiums represents.

*\*We have tools and references available to help determine your eligibility and potential Premium Tax Credit.*

## ONLINE TAX ACCOUNTS

Did you know that you can sign up for a **free** online profile with the IRS and the FTB of CA? We strongly recommend setting up your online profile to take advantage of the following benefits:

### **Secure Access to Personal Information:**

By creating an account, you can securely access your tax information and other personal details online. This allows you to review your tax history, check the status of your tax refunds, and manage your tax-related information.

### **Access to Tax Records:**

Having an online account allows you to access and download your tax transcripts and other important documents. This can be useful for various purposes, such as applying for loans or verifying your income.

### **Update Personal Information:**

You can easily update your contact information, such as your address or phone number, through your online account. Keeping this information current is important for receiving important notifications from the IRS and FTB.

### **Electronic Payment Options:**

If you owe taxes, you can use your online account to make electronic payments. This can be more convenient than traditional methods like mailing checks.

### **Communication with the IRS & FTB:**

An online account provides a platform for secure communication with the IRS and the FTB. You can ask questions, resolve issues, and receive important updates directly through your account.

### **Enhanced Security Measures:**

Online accounts often come with security features, such as multi-factor authentication, to help protect your sensitive information. This can provide an added layer of security compared to traditional paper-based methods.

It's important to note that while there are advantages to having an online account, individuals should also be cautious about protecting their login credentials and personal information. Always use secure passwords, enable two-factor authentication if available, and be mindful of phishing attempts to ensure the security of your online account with the IRS.

➤ To sign up for your **free** online accounts ↩

**IRS** <https://www.irs.gov/payments/your-online-account>

**FTB** <https://www.ftb.ca.gov/myftb/create-an-account.html>