

## 2023 Changes and 2024 Tax Table

2024	Single	Married-Jointly	Married-Separately	Head of Household
Tax Rate	Taxable Income over	Taxable Income over	Taxable Income over	Taxable Income over
10%	\$0	\$0	\$0	\$0
12%	\$11,600	\$23,220	\$11,600	\$16,550
22%	\$47,150	\$94,300	\$47,150	\$63,100
24%	\$100,525	\$201,050	\$100,525	\$100,500
32%	\$191,950	\$383,900	\$191,950	\$191,950
35%	\$243,725	\$487,450	\$243,725	\$243,700
37%	\$609,350 or more	\$731,200 or more	\$609,350 or more	\$609,350 or more

### Standard Deduction

Filing Status	2023	Age 65+ add
Married Filing Jointly	\$27,700	\$1500 each
Head of Household	\$20,800	\$1850
Single	\$13,850	\$1850
Married Filing Separately	\$13,850	\$1500

**Child Tax Credit:** For tax year 2023, the Child Tax Credit is \$2,000 per qualifying child. You can qualify for the full \$2,000 child tax credit if your MAGI is below \$200,000 for single filers or \$400,000 for joint filers. The credit reduces by \$50 for every \$1,000 above those numbers.

**Educator Expense Deduction:** An eligible educator can take an above-the-line deduction for out-of-pocket classroom-related expenses. For 2023, the deduction may not exceed \$300 on the Federal Form 1040.

**Health Savings Accounts (HSAs):** A taxpayer insured by a high deductible, HSA compatible health insurance plan may contribute and deduct up to an annual limit: Single **\$3850**, Family **\$7750** for 2023.

**IRA Contribution Limit to Traditional and Roth IRAs:** For 2023, the contribution limit to a traditional or Roth IRA is \$6500 or \$7500 for taxpayers age 50 or older.


**Inflation Reduction Act Tax Credits: (IRA of 2022).** One of its goals was to address climate change by offering tax incentives for going green. While some of these incentives are targeted at U.S. businesses, most

are available to U.S. homeowners who make energy-saving improvements to their homes. Many of the tax benefits offered by the IRA of 2022 are not new but are actually **extensions and modifications to existing credits** that either had expired or were set to expire soon. For example, the nonbusiness energy property tax credit was renamed the **energy efficient home improvement credit** and extended through 2032.

Beginning in **2023**, the **energy efficient home improvement credit** amount will be 30% of the costs of eligible home improvements made during the tax year, with a **\$1,200 annual limit**. The specific annual limits for improvements are:

- \$150 for home energy audits
- \$250 for exterior doors meeting Energy Star requirements (\$500 total for all doors)
- \$600 for windows and skylights meeting Energy Star's most efficient certification requirements
- \$2,000 for specified heat pumps and heat pump water heaters, biomass stoves and boilers (neither the \$1,200 annual limit on total credits nor the \$600 limit on other qualified energy property applies to this amount)
- \$600 for other qualified energy property, including central air conditioners; electric panels and certain related equipment; water heaters powered by natural gas, propane, or oil; oil furnaces and water boilers

The **residential clean energy credit**. This credit is primarily for taxpayers who install **solar** electric, solar hot water, fuel cell on their homes. It was scheduled to expire at the end of 2023 but has been **extended through 2034**. The credit amount increased to 30% for 2023 through 2032, but drops to 26% in 2033 and 22% for 2034. The energy efficient home improvement credit no longer applies to biomass furnaces and water heaters, but will apply to battery storage technology with a capacity of at least three kilowatt hours.

 **Please get proof from your vendor that your specified item meets the applicable residential clean energy or clean vehicle credit. This is not something I can determine.**

**Secure Act 2.0:** The most recent legislation has two primary goals: Expanding retirement plan coverage by employers and increasing the retirement savings of individuals. Some of the provisions are as follows:

- Tax credit for small employer pension startup costs from 50-100% for the first 3 years
- Up to \$1000 per employee tax credit for employer contributions to a new plan
- Mandatory automatic enrollment of employees
- Increase in the age at which RMDs are to begin from 73 in 2023 and 75 in 2033.
- Waiver of the 10% penalty tax on early distributions for emergency personal expenses
- Larger contributions to Simple Plans
- Higher catch-up contributions

There are more than 90 provisions in the **SECURE ACT 2.0** for all types of retirement savings plans. Some requirements are in place now, as of 2023. Other provisions will become effective in the new year, 2024, or in later years, i.e., 2025, 2026, 2027 and 2033.

**Third Party Reporting (1099-K)** For 2023, payment apps and online marketplaces are only required to send out Forms **1099-K** to taxpayers who receive over **\$20,000** and have **over 200 transactions**. For tax year 2024, the IRS plans for a threshold of \$5,000 to phase in reporting requirements.

You must report all income on your tax return unless excluded by law. Specifically, if you receive a **1099-K**. Payments you receive through an online app from friends and family for gifts or reimbursements for personal expenses are not taxable. I will record the non-taxable amount to cancel out the **1099-K**. **Don't ignore it!**

## Cryptocurrency

Transactions involving a digital asset are generally required to be reported on a tax return.

Taxable gain or loss may result from transactions including, but not limited to:

- Sale of a digital asset for fiat
- Exchange of a digital asset for property, goods, or services
- Exchange or trade of one digital asset for another digital asset
- Receipt of a digital asset as payment for goods or services
- Any other disposition of a financial interest in a digital asset

★ Failure to report any sale of digital asset reported as a 1099-B transaction could result in a letter from the IRS later. A **CP2000** IRS letter: **When data reported to IRS by 3<sup>rd</sup> parties is not on your tax return.**

### IRS.GOV Online tools & Resources

Securely access your individual tax account information online now at: **[irs.gov/account](https://irs.gov/account)**.

See your tax balance, view payment plan details and make payments. View selected correspondence from the IRS. View, approve and electronically sign Power of Attorney and Tax Information Authorization requests from your tax professional. Notify the IRS if your address changed.

### IRS announced penalty relief on nearly 5 million 2020 and 2021 tax returns: (Covid Pause)

In February 2022, the IRS suspended mailing of all collection notices to individuals and businesses for any tax due for **2020 & 2021 tax returns**. After 22 months, they realized they had not restarted the mailing of notices (OOPS!) So now, before the IRS restarts collection notices in January 2024, the IRS announced it will waive the “failure-to-pay” penalties for those “eligible taxpayers” with unpaid balances of less than \$100,000. Balances must be paid by 3/31/2024. The failure-to-pay penalty will resume on April 1, 2024. This penalty relief is automatic. Eligible taxpayers don't need to take any action to get it. Eligible taxpayers who paid their balance will benefit from the relief, too; if a taxpayer already paid failure-to-pay penalties related to their 2020 and 2021 tax years, the IRS will issue a refund or credit the payment toward another outstanding tax liability.

**Here's what you should know about possible penalties and interest:** The failure to pay penalty is 0.5% of the unpaid taxes for each month or part of a month the tax remains unpaid. The penalty won't exceed 25% of your unpaid taxes. The IRS is required by law to charge interest when a tax balance is not paid on time. Interest cannot be reduced. The interest rate for individual returns is currently 8% but may change quarterly.

## Virginia Updates for 2023

**Increase in Standard Deduction:** New legislation enacted during the 2022 General Assembly session increases the standard deduction to **\$8,500** for single filers and to **\$17,000** for married filers filing jointly.

**Deduction for Eligible Educators:** For taxable years beginning on and after January 1, 2022, but before January 1, 2025, an individual income tax deduction is allowed for up to **\$500** for the amount actually paid for eligible **educator qualifying expenses** (fees for teaching materials (books, school supplies, computer equipment, software, services, etc.) Other equipment used in the classroom. An “**Eligible educator**” is an individual who for at least 900 hours during the taxable year served as a Virginia licensed teacher, instructor, student counselor, special needs personnel, principal, or student aide for public or private primary and secondary school students in Virginia.

**Firearm Safety Device Tax Credit :** Beginning this year, if you purchase certain types of firearms safety devices, you may be eligible for an income tax credit of up to **\$300** (\$600 if you file jointly with your spouse and you each submit separate receipts).