

2023-2024

We hope you are enjoying the holiday season and wish you all the best in the new year! Please review our newsletter for information regarding your tax preparation for the 2023 tax filing year. We look forward to working with you! Feel free to contact our office with any questions you may have.

HIGHLIGHTS

NEW SECURE PORTAL INFORMATION: Our office is using a new secure portal for this tax season. If we have an email on file for you, you will be receiving an invitation to our new ImagineTime Secure Portal in the coming weeks. Please be sure to set up your login information as soon as possible.

ENGAGEMENT LETTERS: An engagement letter sets forth the professional services provided in the preparation of the tax return(s). They are available via our website's "Resource" page. Please make sure to print, review, and sign/date to return to us with your tax documents. We must have these to begin preparation of your return(s). Please note that a Married Filing Joint return requires both spouse signatures/dates. If you are filing your personal and business returns with us, separate engagement letters are required for each return being filed with our office. Link to resource page below.

<http://www.wjgordon.com/resources>

CLIENT ORGANIZERS: The client organizer is used as an extra tool to aid in collecting tax information and updating personal information. As in 2022, we are requiring that ALL clients complete the organizer for 2023. There are questions that are necessary and/or required by the IRS to be answered to complete your tax return. Please make sure you submit the organizer with your other tax documents, or your return will be held up from processing if this key information is not received. The organizers are also available on our website's "Resource" page, link provided above.

TAX DOCUMENT DELIVERY: Our office asks that clients use the preferred method of uploading your 2023 tax documents through our secure portal offered via ImagineTime (link below). It is the preferred method as it is the most efficient and secure way to make sure we receive all tax related items. If you would prefer to mail or drop at the office, please make sure to only provide us with **COPIES** and retain the originals for your records.

<https://wjgordon.imaginetime.com/>

RECOMMENDATION FOR ESTABLISHING TAXING AGENCY PERSONAL ONLINE ACCOUNTS

Most taxing agencies including the IRS, various states including Ohio, and RITA now have online accounts that can be established. We would highly suggest setting up personal accounts with these various agencies. As an example, setting up your personal account with the IRS will assist with some of the below points to include account transcripts, making future estimates, tracking prior estimates, etc. Further setting up accounts with the State and RITA will assist in account transcripts, making future estimates to these agencies, tracking prior estimates, etc. Please follow the above link to our resources page where you can find the links to setup the personal accounts with these various agencies.

REPORTING FOREIGN ACCOUNTS: Any US person that has a financial interest in or signature authority over foreign accounts must file a FBAR if the aggregate value of the foreign accounts exceeds \$10,000 at any time during the calendar year. Our office does not handle the filing of the FBAR, however, the IRS Form 1040 for an individual return asks if you the taxpayer have any foreign bank accounts. We receive this answer from you via the completed organizer. This also means you have a responsibility to report to the Financial Crimes Enforcement Network (FinCEN) if applicable.

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REPORTING CRYPTOCURRENCY: IRS considers Virtual Currency as investment property and any transaction involving sale or exchange of virtual currency must be accounted for on the income tax return just as the taxpayer would account for the sale of any other investment. Tracking original purchase price and date and sales price and date are just some of the pieces needed to be supplied to our office.

REQUIRED MINIMUM DISTRIBUTIONS (RMDs): An IRA owner/participant (other than ROTH IRA) must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 72. Please be sure to get with your financial planner to make sure you have completed your RMDs correctly for 2023.

RMD ADVICE: If you are an individual that donates to charitable organizations, you should consider donating within your RMD. To do so, you would advise your financial planner to use some or all of your RMD to be donated to your choice of a charitable organization. This would reduce the taxable income from the RMD by that donation amount and avoid the limitations of itemizing donations in Schedule A. Just be sure that all is tracked and supplied to our office so we can record your return correctly.

1099S AND 1099K: On November 21, 2023, the IRS released Notice 2023-74 which announced the delay of the new \$600 1099-K reporting for 3rd party settlement organizations for calendar year 2023. A 1099K is meant to report credit card payments made to a business or individual. This should eliminate the complexity of reporting sales of personal items and/or personal transfers due to other reasons via credit cards. If you receive any Form of a 1099 be sure to include with your tax documents so we can further discuss its treatment and taxability within your return.

IRS FOCUS AREAS FOR AUDITS - SPECIFIC TO S CORPORATIONS

There are 3 main areas the IRS has been tasked to focus on for audits of S Corporations and their owners. They are highlighted below.

- **Equity Position and Losses** - The IRS plans to focus efforts towards making sure that S Corporation owners have a positive equity/basis position to take losses on their personal returns from the K-1 produced by filing the business return. If equity is not available to substantiate the loss, the current year's loss will carry forward to the future year(s) to offset that entity's future income that is reported on the personal return. ***Please note that a loss from one entity cannot offset another entity's positive income unless there is positive equity/basis position to do so regardless of the other K-1 income from other entities.
- **Capital Gains Treatment of Over Distribution of Equity** - Another focus area is making sure that S Corporation owners are recognizing capital gains and paying tax on those capital gains for any amount that has been over distributed past a positive position of equity/basis.
- **Reasonable Compensation** - An area that has always been subject to IRS scrutiny is owner wages and verifying reasonableness. All S Corporation owners must pay themselves reasonable compensation that is calculated by considering the competitive wage for that position if you were to pay another individual with an increase for consideration that you are the owner and have special qualifications. Additionally, wages should be greater than the owner's distributions of equity.

To assist in this process and understanding, feel free to reach out to our office and be sure to review the basis statement that will now be part of your business return and K-1 package details.

THE CORPORATE TRANSPARENCY ACT

The Corporate Transparency Act (CTA) amended the Anti-Laundering Act of 2020 this past year to make it more difficult to commit "shell company" money laundering, tax fraud and other financial crimes. The CTA requires an annual disclosure of information regarding beneficial owners of US companies. A beneficial owner is defined as an individual who exercises substantial control over the entity or any individual who owns/controls more than 26% of the ownership interests of the entity. Information to be reported includes the individual's full legal name, date of birth, current address, etc. CTA applies to all C and S Corporations, LLCs, or other entities formed in the US. Reporting requirements and regulations take into effect 1/1/2022 and will be reported within FinCEN. If you are a business client, please reach out to our office and we can assist in facilitating this filing with your business attorney already in place and/or refer you to one that can assist when the time comes for these filing to be due.

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Tax Deadlines

- S Corporation (1120S) and Partnership (1065) Returns are due March 15, 2024
- Personal/individual (1040) Returns are due April 15, 2024
- C Corporation (1120) Returns are due April 15, 2024
- Trust and Estate (1041) Returns are due April 15, 2024

Standard Deduction Amounts 2023 and 2024

Filing status	2023 Tax Year	2024 Tax Year
Single and Married Filing Separately	\$13,850	\$14,600
Married, filing jointly	\$27,700	\$29,200
Head of household	\$20,800	\$21,900

Personal Filing Form 1040 - Tax Bracket Updates for 2023

Tax rate	Single filers	Married filing jointly or qualifying widow/widower	Married filing separately	Head of household
10%	\$0 to \$11,000	\$0 to \$22,000	\$0 to \$11,000	Up to \$15,700
12%	\$11,000-\$44,725	\$22,001-\$89,450	\$11,001-\$44,725	\$15,701-\$59,850
22%	\$44,726-\$95,375	\$89,451-\$190,750	\$44,726-\$95,375	\$59,851-\$95,350
24%	\$95,376-\$182,100	\$190,751-\$364,200	\$95,376-\$182,100	\$95,351-\$182,100
32%	\$182,101-\$231,250	\$364,201-\$462,500	\$182,101-\$231,250	\$182,101-\$231,250
35%	\$231,251-\$578,125	\$462,501-\$693,750	\$231,251-\$346,875	\$231,251-\$578,100
37%	\$578,126 or more	\$693,751 or more	\$346,876 or more	\$578,101 or more

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Capital Gains Tax Rates

Short-term capital gains are taxed as ordinary income.

Long-Term Capital Gains Tax Rate	Single Filers	Married Filing Jointly	Heads of Household	Married Filing Separately
0%	\$0-\$44,625	\$0-\$89,250	\$0-\$59,750	\$0-\$44,625
15%	\$44,626-492,300	\$89,251-553,850	\$59,571-523,050	\$44,626-276,900
20%	Over \$492,300	Over \$553,850	Over \$523,050	Over \$276,900

BUSINESS CONSIDERATIONS

20% BUSINESS DEDUCTION: The 20% Business Deduction, officially titled Code Section 199A Deduction, is an available deduction for up to 20% of domestic qualified business income from a Partnership, S Corporation or Sole Proprietorship (pass through entities). This deduction is limited to wages paid or on wages paid plus a capital element and is phased out for taxpayers with taxable income above the certain thresholds (married filing jointly \$326,600; all other types of filers \$163,300). Additional limits will apply to specifically defined types of businesses in the computation of the 20% Business Deduction including health, law, accounting, financial services, and brokerage services.

Please note that this tax deduction is set to expire for the 2026 tax filing year and will not be available.

BONUS DEPRECIATION: Eligible property purchased in 2023 can be bonus depreciated at 80%. Eligible property includes:

- Property that has a useful life of 20 years or less to include vehicles, equipment, furniture, fixtures, and machinery. It does not include buildings and/or land.
- Qualified improved property that includes improvements to the interior of nonresidential real property and is made after the building has been owned.
- Computer software and hardware.

The eligible property must be placed in service meaning you must start using it. For example, if you purchase a piece of machinery in December 2022, but do not have it fully installed and used until February 2023, that piece is not considered in service until February 2023.

Please note that bonus depreciation will be phased out each tax year moving forward until it is not available (60% in 2024, 40% in 2025 and 20% in 2026).



WJ GORDON & ASSOCIATES
ACCOUNTING FOR ALL SEASONS

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SECTION 179 DEPRECIATION: Section 179 Depreciation permits you to deduct 100% of the depreciation of a fixed asset purchased and placed into service in 2023. This remains available in 2023 tax year but is limited if the business would generate a loss due to the deduction.

OHIO BUSINESS TAX LAW CHANGES: There have been 2 recent updates to the Ohio tax laws.

- Effective 1/1/2024, Commercial Activity Tax (CAT) annual minimum tax has been eliminated and the annual exclusion is increased to \$3 million. CAT accounts for Annual Filers and quarterly taxpayers that anticipate \$3 million or less in taxable gross receipts in 2024 should be final effective 12/31/2023. Taxable gross receipts exceeding \$3 million will be taxed at 0.26%. The annual exclusion is increased effective 1/1/2025 to \$6 million.
- Senate Bill 246 was passed and added section R.C. 5748.38, which allows a qualifying pass-through entity, also known as a PTE (S Corporations and LLCs multimember), to elect to be subject to entity level tax. This means that the business/entity would file and pay Ohio State Business tax (3% for 2023) in conjunction with filing the federal return by using the Ohio Form IT 4738. This irrevocable election can be made each tax year and is binding to all owners of the entity when made. The benefit of filing the Ohio PTE Form IT 4738 is that the entity gets to deduct/expense the state taxes paid (meaning reduce business profits) and the owner gets a credit for those taxes in the year of filing towards their Ohio personal return. As with most of our clients, we will assess case by case to advise if this election and filing makes sense for your business.



THANK YOU!

Your business is appreciated!

Call us to discuss any of the above and/or any ideas you may have for your 2023 tax filing!

The finest compliment we can receive is a referral from a satisfied client.!