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## TAX UPDATE FOR 2022 AND 2023

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**IEEE IRS Tax Updates**

**Tax Webinar**

**Presenter: Warren M Bergstein, CPA, AEP®**

**March 6, 2023**

# PRESENTER

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# BIOGRAPHY-Warren Bergstein, CPA



More than forty-five years of practice in tax planning, estate and trust administration and planning, personal financial planning and accounting have given Warren an extraordinarily deep understanding of taxation and personal finance. At his firm, Adelman, Katz & Mond LLP, his clients, who include primarily high net worth individuals, entrepreneurs and sole proprietors, benefit from his expertise in tax law, its applications and implications. Warren is an adjunct professor of accounting and taxation at Long Island University, New Jersey City University, and Rutgers. He has spoken at the Institute of Management Accountants, both the New York and Long Island chapters of Financial Planning Association, the New York State Society of CPAs, New York University, and CPAacademy. In addition, he is an accomplished author, and has regularly contributed to publications the experts rely on, like Marshall Loeb's Money Guide, Taxation for Accountants, and The CPA Journal. Warren has been very active in professional organizations, and has frequently been elected as president, board member or committee chair. Warren is a fan of local sports teams. He also likes to read biographies and books on current events. He and his wife, Susan, live in Langhorne, PA. They have two children, Sam and Robin, and a granddaughter, Reily.

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# MAJOR LEGISLATION AFFECTING 2022 TAX FILING AND TAX PLANNING FOR 2022 AND 2023



- 
- ❖ Tax Cuts and Jobs Act (2017)
  - ❖ SECURE Act
  - ❖ CARES Act
  - ❖ Extender Acts and Disaster Relief Policies
  - ❖ Infrastructure Act
  - ❖ CHIPS Act
  - ❖ Inflation Reduction Act
  - ❖ Secure Act 2.0 passed at the end of 2022

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# TAX CUTS AND JOBS ACT OF 2017



- 
- ❖ Tax rate bracket unchanged through December 31, 2025, except for indexation of brackets
  - ❖ Personal exemptions and various itemized deductions remain eliminated
  - ❖ State and local tax deduction limited to \$10,000 (\$5,000 MFS)
  - ❖ Long term capital gains and qualified dividends – brackets retained, indexed rates.
  - ❖ Other deductions and credits-to be discussed in this presentation.

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# The SECURE Act

Effective January 1, 2020, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was passed to enhance and increase access to retirement savings plans. The Act introduces the following provisions:

## Increase of Age for Requirement Minimum Distribution (RMD)

- For individuals who turn age 70 ½ after Dec. 31, 2019, the RMD is now set at age 72 (for 2022).

## Penalty-Free Withdrawals for Birth or adoption

- An individual may take a penalty-free withdrawal of up to \$5,000 from an IRA or employer-sponsored retirement plan for expenses associated with the birth or adoption of a child.

## Contributions to a Traditional IRA after the age of 70 ½

- Provided an individual has earned income, he's able to contribute to a Traditional IRA regardless of his age

## Section 529 College Savings Plans

- An individual is now permitted to withdraw up to \$10,000 on a tax-free basis (a qualified withdrawal) to repay a qualified student loan as well as expenses for certain apprenticeship programs. This is a lifetime limit

# INHERITED IRAS



Inherited IRAs (also referred to as Stretch IRAs)

- ❖ An individual who inherited an IRA on or after Jan. 1, 2020, must take distributions/withdraw all funds within 10 years.
- ❖ Along with decedent's spouse, an exception is made for an eligible designated beneficiary, including a minor child (until age of majority is reached), a disabled or chronically ill person, or any beneficiary who's less than 10 years younger than the decedent

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# PRIOR TO THE SECURE ACT



- ❖ Distributions could be made in a lump sum, term certain annuity, or joint and survivor annuity.
- ❖ The joint and survivor annuity could be to a spouse, a child or a trust. This inherited IRA enabled distributions to be stretched for many years after death.
- ❖ A five-year rule for distributions after death to a non spouse beneficiary applied, but not if the joint and survivor annuity was in place.

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# CLASSIFICATION OF IRA BENEFICIARIES AFTER THE SECURE ACT



- ❖ Eligible Designated Beneficiary (old rules still in place) – Includes minor children of decedent, disabled and chronically ill persons, spouses and certain trusts.
- ❖ Non-eligible Designated Beneficiaries (new 10-year rule)
  - ❖ Includes non-spouse and certain trusts
- ❖ Non-designated Beneficiaries- charities, an estate, and certain trusts
  - ❖ Conduit Trust-Immediate distribution is required
  - ❖ Accumulation Trust-Potential control over distribution timing

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# SECURE ACT 2.0 OF 2022



- ❖ Raises the age to take RMD's from 72 in 2022 to 73 in 2023 and 75 in 2035
- ❖ Reduces the excise tax for not taking RMD's when required to 25% in 2023. It is further reduced to 10% if the amount is taken by the end of the 2<sup>nd</sup> year after it was supposed to be taken, but before the IRS assesses a penalty
- ❖ RMD's need not be taken from Roth 401(k) plans in parity with Roth IRAS's
- ❖ The Act provides higher limits and looser restrictions on charitable distributions from IRAs

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# SECURE ACT 2.0 OF 2022 CONTINUED



- ❖ **NEW!** People can rollover Section 529 plans up to \$35,000 to Roth IRAs for the same beneficiary. The 529 accounts must have been held for at least 15 years. The rollover amounts would be subject to Roth IRA contribution limits annually.
- ❖ New exceptions to the 10% penalty for early withdrawals include terminal illness, domestic abuse, long term care insurance premiums, amounts expended to recover from a federally declared disaster, and emergency personal expenses
- ❖ These new rules have varying effective dates

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# 401(K) PLANS FOR PART-TIME EMPLOYEES



- 
- ❖ Employers that maintain 401(k) plans must have dual eligibility requirement under which employees are eligible if they complete either:
    1. A one-year of service requirement (with the existing 1,000-hour requirement) or
    2. Three consecutive years during which the employees complete at least 500 hours
  - ❖ Secure Act 2.0 changed the three consecutive year requirement to two year beginning in 2025

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# SINGLE TAXPAYER

2022		2023	
	<u>Income</u>		<u>Income</u>
10%	\$0-\$10,275	10%	\$0-\$11,000
12%	\$10,276-\$41,775	12%	\$11,001-\$44,725
22%	\$41,776-\$89,075	22%	\$44,726-\$95,375
24%	\$89,076-\$170,050	24%	\$95,376-\$182,100
32%	\$170,051-\$215,950	32%	\$182,101-\$231,250
35%	\$215,951-\$539,900	35%	\$231,251-\$578,125
37%	>\$539,900	37%	>\$578,125

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# HEAD OF HOUSEHOLD

2022		2023	
	<u>Income</u>		<u>Income</u>
10%	\$0-\$14,650	10%	\$0-\$15,700
12%	\$14,651-\$55,900	12%	\$15,701-\$59,850
22%	\$55,901-\$89,050	22%	\$59,851-\$95,350
24%	\$89,051-\$170,050	24%	\$95,351-\$182,100
32%	\$170,051-\$215,950	32%	\$182,101-\$231,250
35%	\$215,951-\$539,900	35%	\$231,251-\$578,100
37%	>\$539,900	37%	>\$578,100

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# MARRIED FILING SEPARATELY

2022		2023	
	<u>Income</u>		<u>Income</u>
10%	\$0-\$10,275	10%	\$0-\$11,000
12%	\$10,276-\$41,775	12%	\$11,001-\$44,725
22%	\$41,776-\$89,075	22%	\$44,726-\$95,375
24%	\$89,076-\$170,050	24%	\$95,376-\$182,100
32%	\$170,051-\$215,950	32%	\$182,101-\$231,250
35%	\$215,951-\$323,925	35%	\$231,251-\$346,875
37%	>\$323,926	37%	>\$346,875

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# MARRIED FILING JOINTLY

2022		2023	
	<u>Income</u>		<u>Income</u>
10%	\$0-\$20,550	10%	\$0-\$22,000
12%	\$20,551-\$83,550	12%	\$22,001-\$89,450
22%	\$83,551-\$178,150	22%	\$89,451-\$190,750
24%	\$178,151-\$340,100	24%	\$190,751-\$364,200
32%	\$340,101-\$431,900	32%	\$364,201-\$462,500
35%	\$431,901-\$647,850	35%	\$462,501-\$693,750
37%	>\$647,850	37%	>\$693,750

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# TRUSTS AND ESTATES

2022		2023	
	<u>Income</u>		<u>Income</u>
10%	\$0-\$2,750	10%	\$0-\$2,900
\$275 PLUS 24% EXCESS OVER \$2,750	\$2,751-\$9,850	\$290 PLUS 24% EXCESS OVER \$2,900	\$2,901-\$10,550
\$1,921 PLUS 24% EXCESS OVER \$9,550	\$9,851-\$13,450	\$2,126 PLUS 35% EXCESS OVER \$10,550	\$10,551-\$14,450
\$3,239 PLUS 37% EXCESS OVER \$13,450	>\$13,450	\$3,491 PLUS 37% EXCESS OVER \$14,450	>\$14,450

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# SURVIVING SPOUSE



- ❖ Widow or widower with a dependent child
- ❖ Tax rate and standard deduction for married filing jointly
- ❖ 2 years following death of spouse

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# INNOCENT SPOUSE RELIEF

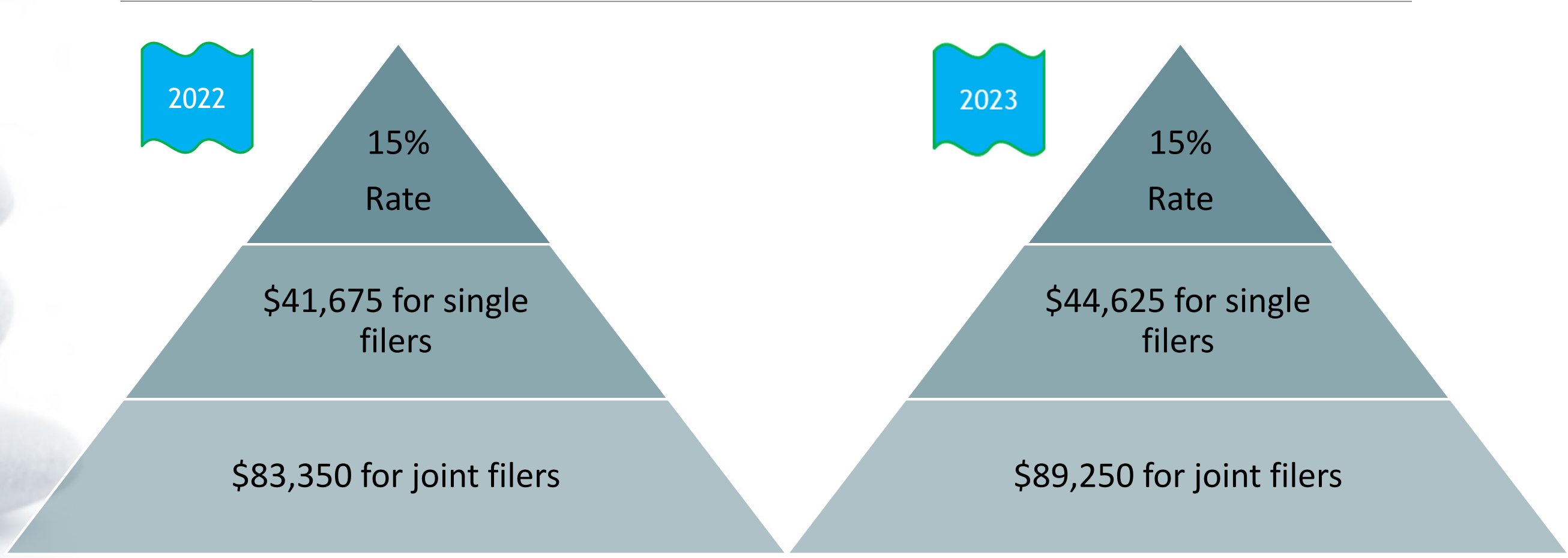


- 
- ❖ MFJ returns are liable jointly and individually for tax, penalties and interest.
  - ❖ Relief from joint liability by separation of liability

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# CAPITAL GAINS/DIVIDEND RATES

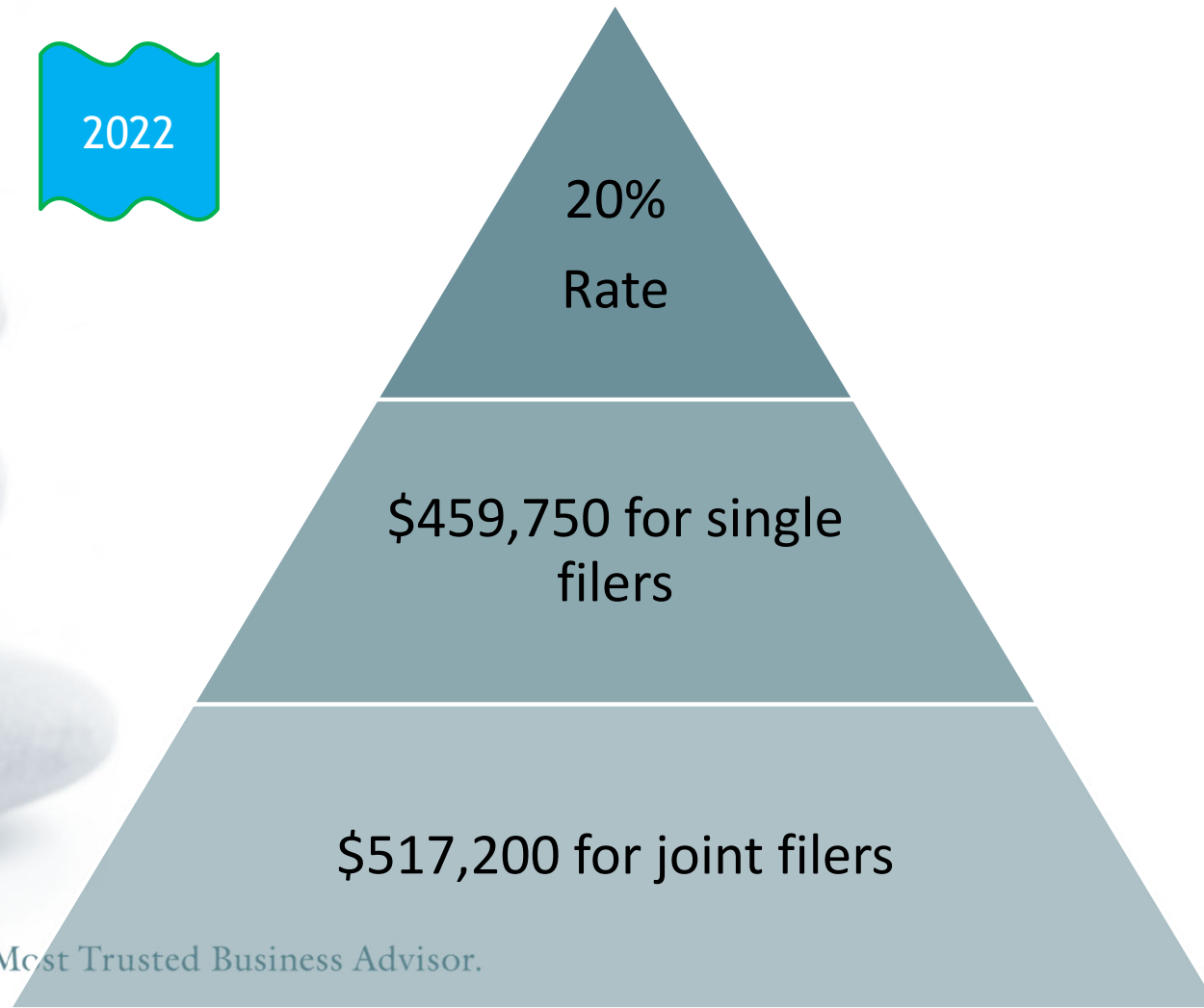


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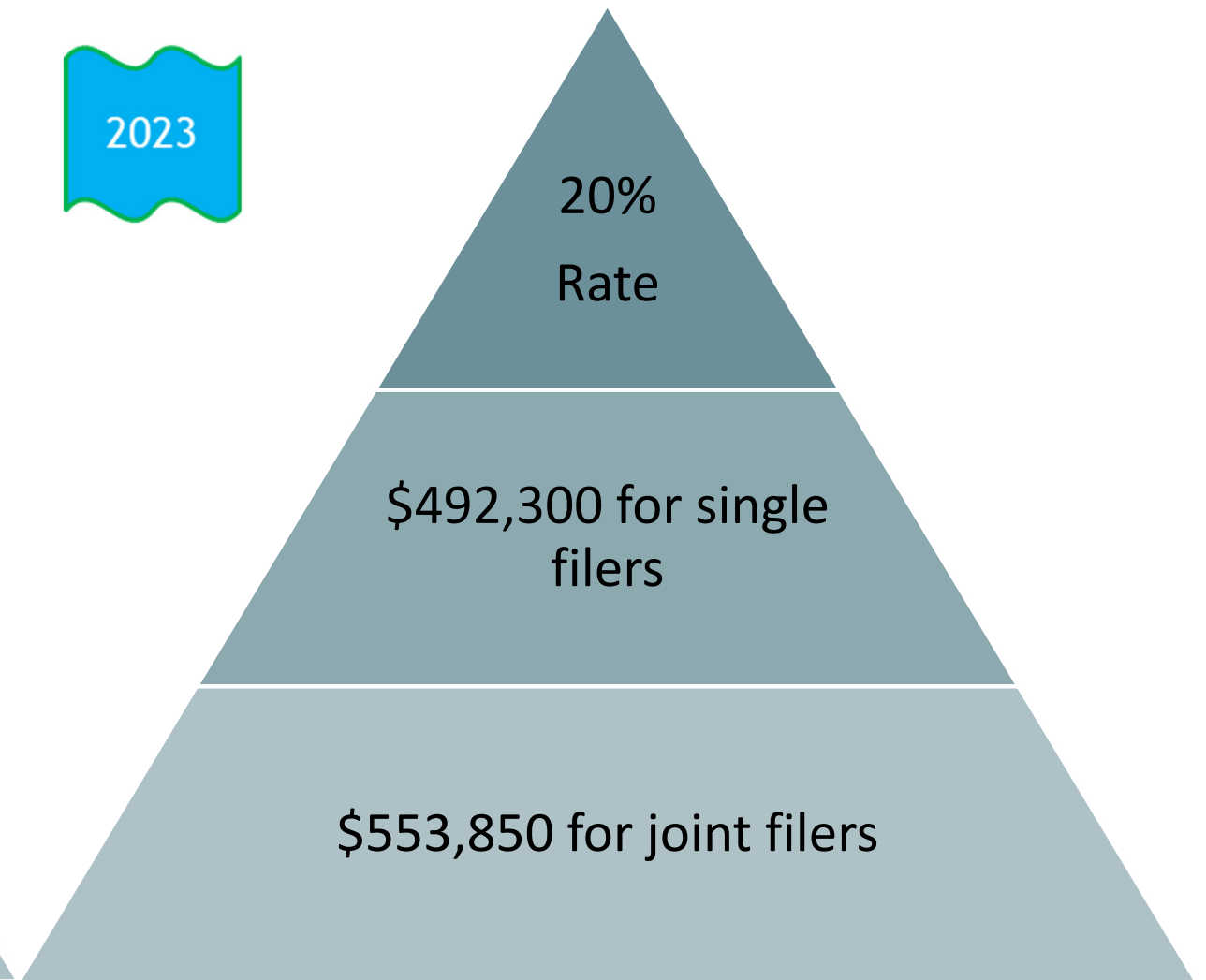
# CAPITAL GAINS/DIVIDEND RATES



2022



2023



# PERSONAL EXEMPTION/DEPENDENTS



- ❖ Personal and dependency exemptions – suspended under Tax Cuts and Jobs Act until December 31, 2025
- ❖ Definition of dependent is still important – effect on medical deductions, child tax credits, dependent credits
- ❖ Children listed – important for education planning, funding future tuition costs, beneficiary designations and guardianships
- ❖ Supporting aging parents – determine needs, long term care, gift and estate planning.

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# KIDDIE TAX



- ❖ Modified to apply estates and trusts ordinary and capital gains rates to child's net unearned income.
- ❖ **SECURE ACT....Tax Rate Reverted back to Parent's Rate as of 2018 (2018 Returns may be amended)**
- ❖ Can apply at age 19-23 by the end of the tax year
- ❖ Can apply at age 24 only if the child is a student

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# STANDARD DEDUCTION



2022



2023



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# ADDITIONAL DEDUCTIONS



DEPENDENTS	AGED OR BLIND
The standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of \$1,250 or the sum of \$400 and the individual's earned income	The additional standard deduction amount for the aged or blind is \$1,500. The additional standard amount is \$1,850 if the individual is also unmarried and not a surviving spouse.
2023	2023

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# ITEMIZED DEDUCTIONS



	Medical Expenses: AGI limitation for all taxpayers at 7½%
	Charitable Contribution up to 60% of AGI
	Mortgage Interest Limit \$750,000 for new debt
	State, Local and Property Tax-Maximum \$10,000 Same for Single and MFJ \$5,000 for MFS

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# ABOVE THE LINE DEDUCTIONS



- ❖ An above-the-line deduction is a deduction the IRS allows you to subtract from your annual gross income in order to arrive at your AGI.
- ❖ Alimony – not deductible for agreements OR altered after December after December 31, 2018
- ❖ Alimony – deductible if agreements were in effect on December 31, 2018 and have not been altered.
- ❖ Qualified plans and 401K-Need to be set up before year end. 401K must be funded, other plans can be funded by due date or extended due date of the return
- ❖ \$250 educator expense retained, but excess can not be taken as itemized deduction

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# RETIREMENT PLANS-2023 LIMITATIONS

1 of 3



- ❖ The contribution limit for employees who participate in 401(k), 403(b), most 457 plan and the federal government's Thrift Savings Plan will increase to \$22,500.
- ❖ The limit on annual contributions to an IRA will increase to \$6,500. The IRA catch-up contribution limit for individuals age 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.
- ❖ The catch-up contribution limit for employees age 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan will increase to \$7,500.

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# RETIREMENT PLANS-2023 LIMITATIONS

2 of 3



- ❖ The catch-up contribution limit for employees age 50 and over who participate in SIMPLE plans will increase to \$3,500, up from \$3,000.
- ❖ The phase-out ranges for deducting contributions to a traditional IRA will also increase. Taxpayers should review Notice 2022-55 regarding the details for their situation.
- ❖ The income phase-out range for people making contributions to a Roth IRA will increase for taxpayers filing as single, head of household and married filing jointly. Again, taxpayers should consult Notice 2022-55 for specifics about their situation.

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# RETIREMENT PLANS-2023 LIMITATIONS

3 of 3



- ❖ The income limit for the Saver's Credit for low-and moderate-income workers is \$73,000 for married couples filing jointly; \$54,750 for heads of household; and \$36,500 for singles and married individuals filing separately.
- ❖ The amount individuals can contribute to their SIMPLE retirement accounts will increase to \$15,500.

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# 2022 IRA CONTRIBUTION AND DEDUCTION LIMITS IF NOT COVERED BY EMPLOYER PLAN



If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
<b>single, head of household, or qualifying widow(er)</b>	any amount	a full deduction up to the amount of your <a href="#">contribution limit</a> .
<b>married filing jointly or separately</b> with a spouse who <b>is not</b> covered by a plan at work	any amount	a full deduction up to the amount of your <a href="#">contribution limit</a> .
<b>married filing jointly</b> with a spouse who <b>is</b> covered by a plan at work	\$204,000 or less	a full deduction up to the amount of your <a href="#">contribution limit</a> .
<b>married filing jointly</b> with a spouse who <b>is</b> covered by a plan at work	more than \$204,000 but less than \$214,000	a partial deduction.
<b>married filing jointly</b> with a spouse who <b>is</b> covered by a plan at work	\$214,000 or more	no deduction.
<b>married filing separately</b> with a spouse who <b>is</b> covered by a plan at work	less than \$10,000	a partial deduction.
<b>married filing separately</b> with a spouse who <b>is</b> covered by a plan at work	\$10,000 or more	no deduction.

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# ROTH IRA RULES



- 
- ❖ No deduction-income never taxable
  - ❖ No RMD rules
  - ❖ Rollover from Traditional IRA, Qualified Pension Plans and 401(k)s

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# INCOME PHASE-OUT-RANGES FOR TAXPAYER MAKING CONTRIBUTIONS TO ROTH IRA



2022

- 
- ❖ **\$129,000 to \$144,000** – Single taxpayers and heads of household.
  - ❖ **\$204,000 to \$214,000** – Married, filing jointly.
  - ❖ **\$0 to \$9,000** – Married, filing separately.

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# INCOME PHASE-OUT-RANGES FOR TAXPAYER MAKING CONTRIBUTIONS TO ROTH IRA



2023

- 
- ❖ **\$138,000 to \$153,000** – Single taxpayers and heads of household.
  - ❖ **\$218,000 to \$228,000** – Married, filing jointly.
  - ❖ **\$0 to \$14,000** – Married, filing separately.

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# INCOME LIMITS FOR RETIREMENT SAVINGS CONTRIBUTION CREDIT



- 
- ❖ **\$68,000** – Married, filing jointly.
  - ❖ **\$51,000** – Head of household.
  - ❖ **\$34,000** – Singles and married individuals filing separately.

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# BUSINESS OWNERS-CONSIDERATIONS

1 of 2



- ❖ Choice of entity
- ❖ Depreciation rules and planning
- ❖ Entertainment and meals
- ❖ Employee Benefit Plans/Deferred Compensation

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# BUSINESS OWNERS-CONSIDERATIONS

2 of 2



- ❖ Pass-Through Entities-20% business deduction
- ❖ Pass-Through Entities-PTET
- ❖ Partnership and S-Corporation basis reporting

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# CHOICE OF ENTITY



- ❖ Sole proprietor- one tax, personal liability
- ❖ General partnership- one tax, personal liability
- ❖ Corporation- double taxation, no personal liability
- ❖ S-Corporation- generally, one tax (some exceptions), no personal liabilities
- ❖ Limited Liability Company- one tax (no exceptions), no personal liabilities

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# SECTION 179



- ❖ Purchased property
- ❖ Used more than 50% in business
- ❖ Tangible property
- ❖ Business can deduct \$1,080,000 cost of qualifying new or used equipment from income.
- ❖ Deduction is good until business reach \$2.7 million in purchases for the year

2022



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# BONUS DEPRECIATION-RATE 100%

2018-  
2023

- ❖ Immediate expensing of fixed assets with useful life less than 20 years
- ❖ Tangible MACRS Property
- ❖ Computer software if it is amortized over 3 years
- ❖ If deduction creates a net operating loss, it can be carried back or forward.



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# LIKE KIND EXCHANGE



- ❖ TCJA amended §1031 to provide that "no gain or loss is recognized on the exchange of real property held for productive use in a trade or business or for investment if such real property is exchanged solely for real property of like kind which is to be held either for productive use in a trade or business or for investment. "
  - a. Prior to the TCJA amendment, like-kind exchange treatment was not limited to real property.
  - b. As such, there was no need to provide in the code or regulations a clear definition of real property for the purposes of this provision.

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# ENTERTAINMENT (DETAILS-IRS NOTICE 2018-76)



## ENTERTAINMENT NO LONGER DEDUCTIBLE

THEATER &  
EVENT  
TICKETS

GOLF  
OUTINGS

CLUB  
MEMBERSHIP

## EXCEPTIONS-REMAIN 100% DEDUCTIBLE



TICKETS TO  
CHARITABLE  
EVENTS



SOCIAL  
ACTIVITIES FOR  
EMPLOYEES-EX.  
HOLIDAY PARTY

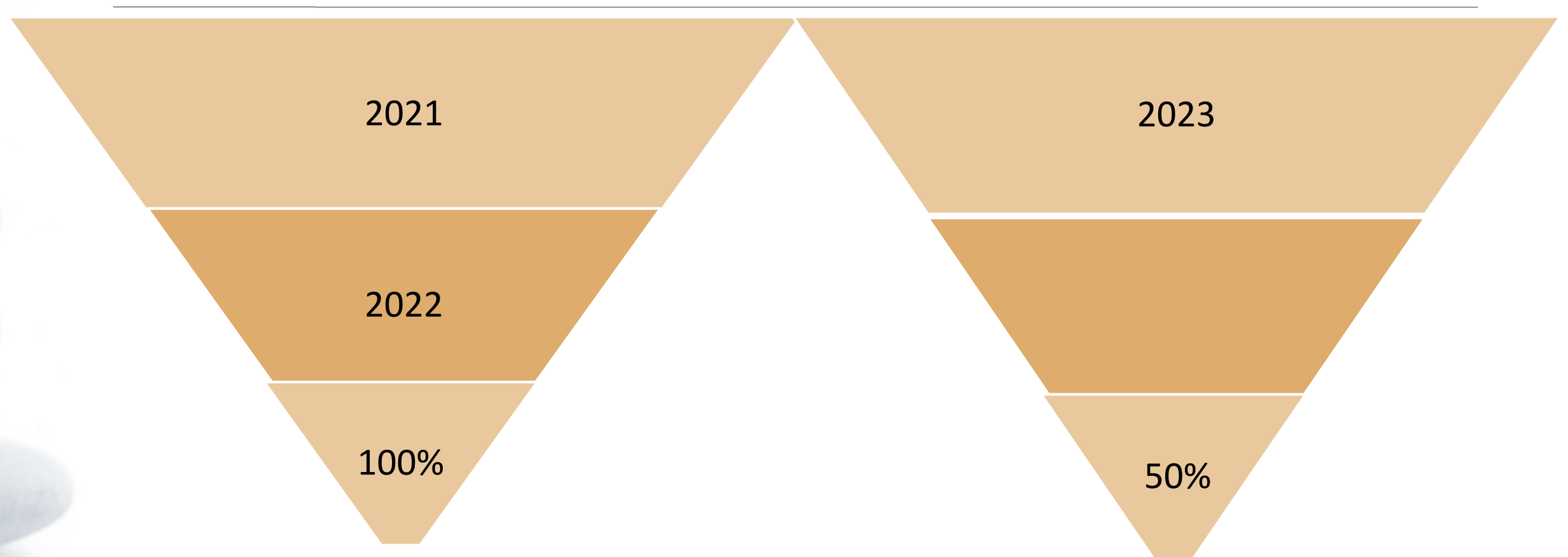


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# MEALS WILL BE TREATED DIFFERENTLY DEPENDING ON SPECIFIC CIRCUMSTANCES



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# TREATMENT OF PASS-THROUGH INCOME



- ❖ Taxpayers who have domestic “qualified business income” (QBI) from a partnership, S corporation, or sole proprietorship may deduct up to 20 % of the qualified business income allocated to him from the PTE ( Pass-through entity)
- ❖ The deduction reduces taxable income, not adjusted gross income, and eligible taxpayers are entitled to the deduction regardless if they itemize.
- ❖ The 20% deduction is also allowed for a taxpayer’s qualified REIT dividends, qualified cooperative dividends, and qualified publicly traded partnership income. Specified agricultural and horticultural cooperatives would also qualify for the 20% deduction, but special rules apply to these types of income.
- ❖ Some specified trade or businesses may be excluded

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## Your Qualified Business Income Deduction



- ❖ Taxpayer's QBI from a PTE for a taxable year means taxpayer's share of the net amount of qualified items of income, gain, deduction, and loss that are taken into account in determining the taxable income of the QTBS for that year. Items of income, gain, deduction, and loss are "qualified items" only to the extent they are effectively connected with the PTE's conduct of a QTBS within the U.S.
- ❖ "Qualified items" do not include specified investment-related income, gain, deductions, or loss.
- ❖ Taxpayer's QBI also does not include any amount paid to taxpayer by an S corporation that is treated as reasonable compensation for services provided by taxpayer. Likewise, taxpayer's QBI also does not include any guaranteed payment made by a partnership to taxpayer for services rendered by the taxpayer.

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TAX  
DEDUCTIBLE  
OR NOT ??



- 
- In general, taxpayer is allowed a deduction in a taxable year of an amount equal to the lesser of:
  - Taxpayer does not need to be active in the business to qualify for the deduction.
    - a) Taxpayer's "combined QBI amount" for the taxable year, or
    - b) An amount equal to 20% of the excess (if any) of
      - (i) Taxpayer's taxable income for the taxable year, over
      - (ii) Any net capital gain for the taxable year

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- ❖ A specified service trade or business means any trade or business engaging in the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, and brokerage services. However, businesses that perform engineering and architectural services are not included as a "specified service".
- ❖ The exclusion from the definition of a qualified business for specified service trades or businesses is phased in for a taxpayer with taxable income in excess of a "threshold amount" of \$170,050 (\$340,100 in the case of a joint return). The exclusion is fully phased in for a taxpayer with taxable income at least equal to the threshold amount plus \$50,000 (\$100,000 for joint return)

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# STATE AND LOCAL WORKAROUNDS-PASS THROUGH ENTITY TAXES (PTET)



- ❖ Mandatory in some states (CT)
- ❖ Elective in most states and NYC
- ❖ PTET (BAIT in NJ) allows the entity to pay the individual partner/shareholder tax at the entity level: Individual return will show a credit offsetting the individual's tax liability.

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# NYS PTET

1 of 2



- ❖ The “Tax Cuts and Jobs Act of 2017” (“TCJA”) was a severe limitation on the deductibility of state and local taxes for federal income tax purposes (the SALT limitation).
- ❖ To mitigate the impact of this on many small business owners, many states passed a law allowing pass-through entities to pay tax at the entity, rather than individual, level and a credit offset at the individual level.
- ❖ NYS established a Pass-Through Entity Tax briefly described in the next slide
- ❖ For 2022, New York City established a similar PTET tax and credit.

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# NYS & NYC PTET

2 of 2



- ❖ The election applies to pass-through entities only (partnerships and S corporations)
- ❖ The tax rate is 6.85% on profits up to \$2 million with marginal increases thereafter
- ❖ Partners who are not New York residents may not be able to take full advantage of the tax credits, and thus may receive little or no benefit.
- ❖ Additionally, tax paid at the entity level can be treated as a refundable credit on New York State personal returns. Most owners of pass-through entities that anticipate a profit can reduce their overall tax bills

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# INFLATION REDUCTION ACT

1 of 2



- ❖ Medicare recipients protected from catastrophic drug costs by phasing in a cap for out-of-pocket
- ❖ \$35 cap for a monthly supply of insulin
- ❖ Medicare will be able to negotiate prices for high-cost drugs
- ❖ Lowering Energy cost-new credits and expansion of existing credits
- ❖ Reducing deficit and making the tax code easier

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# INFLATION REDUCTION ACT

2 of 2



- ❖ The Act includes complicated provisions for large corporations to offset the costs of the incentives contemplated by the Act:
  1. 15% minimum tax on corporate profits
  2. Applies to companies that make over \$1 billion in profit per year
  3. Financial statement or book income would be taxed
  4. Various adjustments would include foreign taxes and research and development credit
- ❖ Stock buy back tax-exercise tax that imposes 1% surcharge on corporate stock buy backs.

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# INCOME TAX PLANNING AND STRATEGIES



- ❖ Review income tax withholding and estimated tax penalties
- ❖ Make gift of appreciated stock held more than one year rather than gift of cash-gain on appreciation never gets taxed
- ❖ Do not make gifts of stock whose value is less than its cost basis-sell the stock and donate the cash proceeds
- ❖ Qualified Small Business Stock (QSBS)-up to \$10,000,000 of gains on the sale may be excluded from taxable income- Special rules apply

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- ❖ Bunching charitable giving in one year
- ❖ Consider donor advised funds
- ❖ Generate long-term capital gains and qualifying dividends in 2022
- ❖ Sell investments that will create capital losses
- ❖ Beware of constructive dividends-JCM-Santos ~Nov 1, 2019
- ❖ Dual use real property-review allocation methods between personal & business
- ❖ RMD's-distribution over age 70 ½ -qualified charitable distributions (1040 note "QCD" on IRA distribution line). Maximum limit \$100,000

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# PLANNING STRATEGIES AND TECHNIQUES



- ❖ Using maturity of investments as a strategy
- ❖ Invest in tax-free municipal bonds
- ❖ Series EE bonds (saving bonds)
- ❖ Shifting income to other family members
- ❖ Consider opportunity funds



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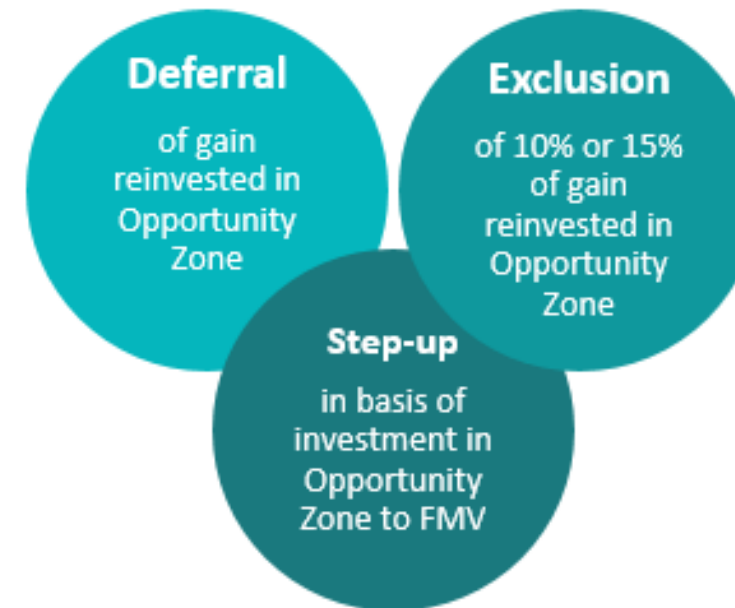
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# CONSIDER OPPORTUNITY FUNDS



- ❖ Potential deferral of capital gain tax until 2026
- ❖ No tax ever on appreciation if investment is held for more than 10 years

## Tax Benefits of Opportunity Zones



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# YEAR END GIFTING STRATEGIES

1 of 2



- ❖ Gifting helps to reduce income taxes in future years and can reduce an otherwise taxable estate by taking advantage of the annual exclusion
- ❖ Individuals can give up to \$16,000 per donee, per year, for 2022. Increases to \$17,000 in 2023
- ❖ Spouses may double the amount of the gift to \$32,000 for rest of 2022- increases to \$34,000 in 2023
- ❖ A gift tax return is not required if each spouse makes a gift from a separate account, or both from a joint account.

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# YEAR END GIFTING STRATEGIES

2 of 2



- ❖ If one spouse gives \$32,000 there is no gift tax because of the consent of spouse rules, but a gift tax return must be filed
- ❖ For the most tax efficient strategy, appreciated assets that have been held for more than one year should be used to make charitable gifts.
- ❖ Pay medical and/ or education expenses directly to the educational institution or medical provider – no annual exclusion limit and full annual exclusion still available.
- ❖ Important – substantiation requirements must be observed for charitable gifting.  
Remember form 8283 and valuations where required.

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# ESTATE TAX RETURN



- ❖ Form 706 must be filed if the gross estate exceeds the exemption amount for each year:
  - ❖ For 2021 = \$ 11,700,000
  - ❖ For 2022 = \$ 12,060,000
  - ❖ For 2023 = \$ 12,920,000
- ❖ Return and payment is due within nine months of decedent's death. Returns, but not payment, may be extended for an additional six months.
- ❖ Married couple can take double the exemption amounts – amount unused at first death carries over to second death
- ❖ Beware of different rules in states- NJ has no estate tax – most states have estate or inheritance tax with no portability and far less exemption

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# HURRICANE VICTIMS



The IRS provides disaster relief to victims of Hurricane Ian in *Florida*

[irs.gov/disaster](https://irs.gov/disaster)



IRS provides tax relief to victims of Hurricane Fiona in Puerto Rico



[irs.gov/disasters](https://irs.gov/disasters)



NEW AT 6PM

## IRS TAX RELIEF

STATEWIDE

- IRS postponing tax filing & tax payment deadlines for those in storm impacted areas
- You now have until February 15th to file your taxes & make payments

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# FEDERALLY DECLARED DISASTERS



- 
- ❖ Taxpayers affected by these disasters may be eligible for certain tax relief
  - ❖ Certain disaster losses can be claimed in the preceding tax year
  - ❖ The IRS regularly provides relief to taxpayers in federally declared disaster areas by extending filing and payment deadlines and abating certain penalties.
  - ❖ Taxpayers affected by hurricanes, floods, tornadoes, wildfires, or similar occurrences should check whether their area is declared a federal disaster area

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# CORPORATE TRANSPARENCY ACT (CTA)



- ❖ FinCEN – Financial Enforcement Network
- ❖ Owners of beneficial interests in foreign entities generally must report to FinCEN, but there are exceptions
- ❖ Mostly applies to shell companies – defined in the Act
- ❖ Mostly effective in 2024

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Q&A



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