



Taxland Newsletter
2024

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JANUARY ISSUE

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UPCOMING DEADLINES:

4th QTR ESTIMATED TAX PAYMENTS DUE: 01-16-24

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Attention Local Business Owners:

We would love to support your business. This year we will be featuring a space in both offices for you to leave your business card posted for any other clients who may be interested in your services. Feel free to drop them off when you come in for your tax appointments.

Some General Information for the 2023 Tax Season:

The earned income tax credit, a refundable tax credit for low- and moderate-income workers, will see a bump in 2023. The total credit amount depends on income and the number of children — people without kids can still qualify. For tax year 2022, the earned income credit ranges from \$560 to a maximum of \$6,935. In 2023, the credit will increase to a maximum of \$7,430 for qualifying taxpayers with three or more children.

For 2023, the child tax credit is worth \$2,000 per qualifying dependent child if your modified adjusted gross income is \$400,000 or below (married filing jointly) or \$200,000 or below (all other filers). The refundable portion, also known as the additional child tax credit, is worth up to \$1,600. If your MAGI exceeds the above limits, your credit gets reduced by \$50 for each \$1,000 that your income exceeds the threshold.

The annual exclusion for gifts, which limits how much taxpayers can give an individual without filing a gift tax return on certain gifts, will increase to \$18,000 per person in 2024, up \$1,000 from 2023.

The lifetime estate tax exclusion establishes a threshold for the taxation of estates upon a wealthy person's death. In 2023, estates valued at or below \$12.92 million will not be subject to estate tax, up from \$12.06 million in 2022.

Starting in 2023, taxpayers who contribute to a health flexible spending account, or FSA, can contribute up to \$3,050 and, if permissible by their plan, will be able to carry over up to \$610 into the next tax year.

The adoption credit, a tax benefit for folks with qualified adoption expenses, will increase to a maximum of \$15,950 in 2022, up from \$14,890 in 2022.

IRS Announced Delay in Form 1099-K for 2023:

Following feedback from taxpayers, tax professionals and payment processors and to reduce taxpayer confusion, the Internal Revenue Service announced a delay of the new \$600 Form 1099-K reporting threshold for third party settlement organizations for calendar year 2023. As the IRS continues to work to implement the new law, the agency will treat 2023 as an additional transition year.

Reporting requirements do not apply to personal transactions such as birthday or holiday gifts, sharing the cost of a car ride or meal, or paying a family member or another for a household bill. These payments are not taxable and should not be reported on Form 1099-K.

However, the casual sale of goods and services, including selling used personal items like clothing, furniture and other household items for a loss, could generate a Form 1099-K for many people, even if the seller has no tax liability from those sales.

This complexity in distinguishing between these types of transactions factored into the IRS decision to delay the reporting requirements an additional year and to plan for a threshold of \$5,000 for 2024 in order to phase in implementation. The IRS invites feedback on the threshold of \$5,000 for tax year 2024 and other elements of the reporting requirement, including how best to focus reporting on taxable transactions.

The Internal Revenue Service raised the interest penalty on the underpayment of estimated taxes:

The Internal Revenue Service (IRS) is raising the stakes for those who underpay their taxes by ratcheting up the interest penalty that will be assessed in next spring's tax filing season. Earlier this fall, the IRS increased its interest penalty on estimated tax underpayments to 8% – a notable jump from 3% just two years ago. The IRS is required by law to recompute the interest rate penalty every quarter and for taxpayers other than corporations the assessed rate is the federal short-term rate plus three percentage points.

Self-employed workers and independent contractors, including many gig workers, will be at risk of being hit with the underpayment penalty if they fail to pay the amount the IRS believes they owe. Taxpayers don't face an interest penalty for underpayment if the balance due is under \$1,000 after their credits and other tax account information is factored in.

Such workers are required to make estimated tax payments at least once each quarter if they don't have at least 90% of their taxes withheld during the regular pay periods. For example, taxpayers subject to this payment program will make the estimated payment for the fourth quarter of 2023 by Jan. 16, 2024.

The changes won't affect most taxpayers who are W-2 employees and have tax payments withheld from each paycheck they receive. In the majority of those cases, taxpayers are ultimately owed a tax refund rather than facing an underpayment penalty.

IF YOU ARE INTERESTED IN LEARNING MORE, CONTACT OUR OFFICE TO SCHEDULE A TELEPHONE CALL OR MEETING. WE ARE HERE TO HELP YOU.

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