2023 Tax Update

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Agenda

- Secure Act 2.0 (certain provisions)
- Tax update-current rates
- Inflation Reduction Act
- Estate and Trust tax updates

Secure Act 2.0

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Secure Act 2.0

- December 29, 2022, President Biden signed the SECURE Act 2.0 of 2022 ("SECURE 2.0") into law as part of the Consolidated Appropriations Act
- Expands on many retirement provisions included in the original Setting Every Community Up for Retirement Enhancement Act (SECURE 1.0), signed into law in 2019
- Many provisions, today will only cover a handful related to tax/planning

Increase in RMD age

- Secure Act increased RMD age from 70 ½ to 72
- Secure 2.0 further increases the age requirement to age 73 staring on January 1, 2023
- 75 starting on January 1, 2033

RMD summary

Tax Year	Birth Date	RMD Age
Through 2019	Before July 1, 1949	70 ½
2022 through 2022	July 1, 1949, through 1950	72
2023 through 2032	1951 – 1959	73
2033 and beyond	1960 and beyond	75

Relief for RMD’s taken in 2023

- March 7, 2023 the IRS provided guidance confirming owners who attain age 72 in 2023 will not have a RMD in 2023
- Notice 2023-54, released on July 14, 2023, grants relief relating to certain distributions made during 2023 to individuals that were characterized as RMDs but are not actually RMDs as a result of the new SECURE 2.0 provision

Relief for RMD's taken in 2023

- Applies with respect to any distribution made from a plan between January 1, 2023, and July 31, 2023, to a participant born in 1951 (or that participant's surviving spouse) that would have been an RMD but for the new required beginning date provision under SECURE 2.0
- Additionally, Notice 2023-54 extends the 60-day rollover period for such distributions so that the deadline for rolling over such a distribution will be September 30, 2023

Inherited IRA and 10-year rule

	Eligible DB	Qualified DB	No Qualified DB
Death Before RBD	*EBD's Life Expectancy Annual RMDs*	10-Year Rule *(No Annual RMDs)*	5-Year Rule *(No Annual RMDs)*
Death After RBD	*EBD's Life Expectancy Annual RMDs*	Life Expectancy Annual RMDs & the 10-Year Rule*	Ghost *Life Expectancy Annual RMDs*

Relief for RMD's

- Designated beneficiary subject to the 10 year rule and RMD's, no penalties if not taken in 2023

529 Plans and Roth

- SECURE 2.0 permits beneficiaries of 529 college savings accounts to rollover up to $35,000 over the course of their lifetime from any 529 account in their name to their Roth IRA.
- Such rollovers are subject to Roth IRA annual contribution limits, and the 529 account must have been open for more than 15 years.
- Additionally, the rollover cannot exceed the total amount contributed to the account more than five years before the rollover.
- Roth income limit restrictions are not applicable to the 529 plan Roth conversion.
- Earned income requirement appears to be applicable
- As a result of this new provision, individuals will have the option to avoid the penalty on a non-qualified withdrawal of leftover 529 plan funds.
- This new SECURE 2.0 provision applies to distributions after December 31, 2023

Roth Plan distribution rules

- Under pre-SECURE 2.0 law, owners of Roth-designated employer retirement plan accounts, such as 401(k) plans, were required to take pre-death distributions.
- SECURE 2.0 eliminates this requirement, effective for taxable years beginning after December 31, 2023.
- Prior to SECURE 2.0, individuals with Roth-designated employer retirement plan accounts would have to transfer such accounts to a Roth IRA in order to avoid taking RMDs.

QCD

- Starting in 2024, the $100,000 limit will be indexed for inflation
- Starting in 2023, you may elect a one-time contribution from your IRA of up to $50,000 to charity through a charitable gift annuity, charitable remainder unitrust, or charitable remainder annuity trust

2023 Tax Update

Current Rates

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Tax updates

- Reminder: Tax Cuts and Jobs Act Sunset 12/31/2025
- Provisions include:
  - Individual tax brackets
  - Child tax credit
  - AMT
  - Standard Deduction
  - Home mortgage interest
  - Charity cash % limit
  - Misc itemized deductions
  - SALT deduction
  - 199A
  - Estate and gift tax exemption

2023 Tax brackets

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	$0 to $11,000	$0 to $22,000	$0 to $15,700
12%	$11,000 to $44,725	$22,000 to $89,450	$15,700 to $59,850
22%	$44,725 to $95,375	$89,450 to $190,750	$59,850 to $95,350
24%	$95,375 to $182,100	$190,750 to $364,200	$95,350 to $182,100
32%	$182,100 to $231,250	$364,200 to $462,500	$182,100 to $231,250
35%	$231,250 to $578,125	$462,500 to $693,750	$231,250 to $578,100
37%	$578,125 or more	$693,750 or more	$578,100 or more

Capital Gains Rates & Thresholds

Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
0%	$0 – $44,625	$0 – $89,250	$0 – $44,625	$0 – $59,750
15%	$44,626 – $492,300	$89,251 – $553,850	$44,625 – $276,900	$59,751 – $523,050
20%	$492,300+	$553,850+	$276,900+	$523,050+

Standard Deduction

- $27,700 MFJ (and surviving spouse)
- $20,800 Unmarried with at least 1 qualifying child
- $13,850 Single
- Enhanced standard deduct for blind and elderly

  65+ /65+ and blind

  - Single/HOH $1,850/$3,700
  - MFJ/MFJ $1,500/$3,000

Retirement Plan Limits - 2023

- All catch up amounts apply to individuals age 50+
- Maximum 401(k) plan elective deferral: $22,500 (plus $7,500 for catch-up)
- Defined contribution plan contribution limit: $66,000 or 100% of compensation, whichever is less
- Traditional IRA deduction contribution limit: $6,500 (plus $1,000 catch-up)*
- ROTH IRA contribution limit:$6,500 (plus $1,000 catch-up)*
  - * subject to MAGI phaseout

Retirement Plan Limits - 2024

- All catch up amounts apply to individuals age 50+
- Maximum 401(k) plan elective deferral: $23,000 (plus $7,500 for catch-up)
- Defined contribution plan contribution limit: $69,000 or 100% of compensation, whichever is less
- Traditional IRA deduction contribution limit: $7,000 (plus $1,000 catch-up)*
- ROTH IRA contribution limit:$7,000 (plus $1,000 catch-up)*
    - * subject to MAGI phaseout

Inflation Reduction Act

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Inflation Reduction Act

- The Inflation Reduction Act (IRA) signed into law by President Biden on August 16, 2022, attempts to combat inflation through various tax provisions, notably a 15% book minimum tax.
- It also includes an estimated $369 billion in expenditures related to clean energy and energy security, the largest investment in the climate in U.S. history

Corporate Alternative Minimum Tax - Minimum Tax on Corporate Book Income

- The IRA imposes a 15% minimum tax on corporate book income for applicable corporations with profits over $1 billion, effective for tax years beginning after December 31, 2022.
- For purposes of this minimum tax, book income is the adjusted financial statement income (net income or loss) that corporations report to their investors

Energy Efficient Home Improvement Credit (formerly nonbusiness energy credit)

- Primary homes and certain improvements on second homes used as a residence
- https://www.irs.gov/credits-deductions/energy-efficient-home-improvement-credit
- Non refundable credit, can't be carried forward

Residential Clean Energy Credit

- The residential energy efficient property credit (REEP) allows taxpayers to take an individual tax credit for solar electric, solar hot water, small wind energy, fuel cell, biomass fuel property, and geothermal heat pumps installed in homes before January 1, 2024.
- Labor costs related to the installation of these types of property are eligible for the credit.
- The IRA renames the Residential Energy Efficient Property Credit to the Residential Clean Energy Credit.
- For property placed in service after December 31, 2019, and before January 1, 2023, the credit applicable percentage was equal to 26% of the taxpayer's qualified expenditures.
- For property placed in service after December 31, 2022, and before January 1, 2024, the applicable percentage was planned to equal 22% of the taxpayer's qualified expenditures.
- There is no annual or lifetime limit on eligible costs

Residential Clean Energy Credit

- The IRA extends the Residential Clean Energy Credit through 2035 and increases the applicable percentage to:
- 26% for property placed in service before January 1, 2022;
- 30% for property placed in service after December 31, 2021, and before January 1, 2033;
- 26% for property placed in service after December 31, 2032, and before January 1, 2034;
- 22% for property placed in service after December 31, 2033, and before January 1, 2035.

Residential Clean Energy Credit

- Specifically, the Residential Clean Energy Credit allows taxpayers to take an individual tax credit of a percentage of the cost of:
  - Solar electric property expenditures (solar panels);
  - Solar water heating property expenditures (solar water heaters);
  - Fuel cell property expenditures;
  - Small wind energy property expenditures (wind turbines);
  - Geothermal heat pump property expenditures; and
  - Battery storage technology expenditures.
- The credit may not be claimed until the year it is installed
- The Residential Clean Energy Credit is nonrefundable, but a taxpayer may carry forward the unused amount of the credit to reduce tax liability in future tax years.
- The Residential Clean Energy Credit is only available for primary homes and certain improvements made to second homes

Clean Vehicle Credit

- A clean vehicle tax credit is available to certain taxpayers, subject to AGI limits if you purchase a plug-in electric motor vehicle or a fuel cell motor vehicle that is delivered to you in 2023.
- The maximum credit allowed per vehicle is $7,500.
- The credit is available to individuals and their businesses.
- Vehicles are not limited to passenger automobiles or new vehicles. They also include, for example, vans, sport utility vehicles, and pickup trucks.
- To qualify, a vehicle must meet all requirements, and there are many, so we suggest you go to www.fueleconomy.gov to determine if your anticipated purchase qualifies.
- The credit is nonrefundable, and you cannot apply any excess credit to future tax years.

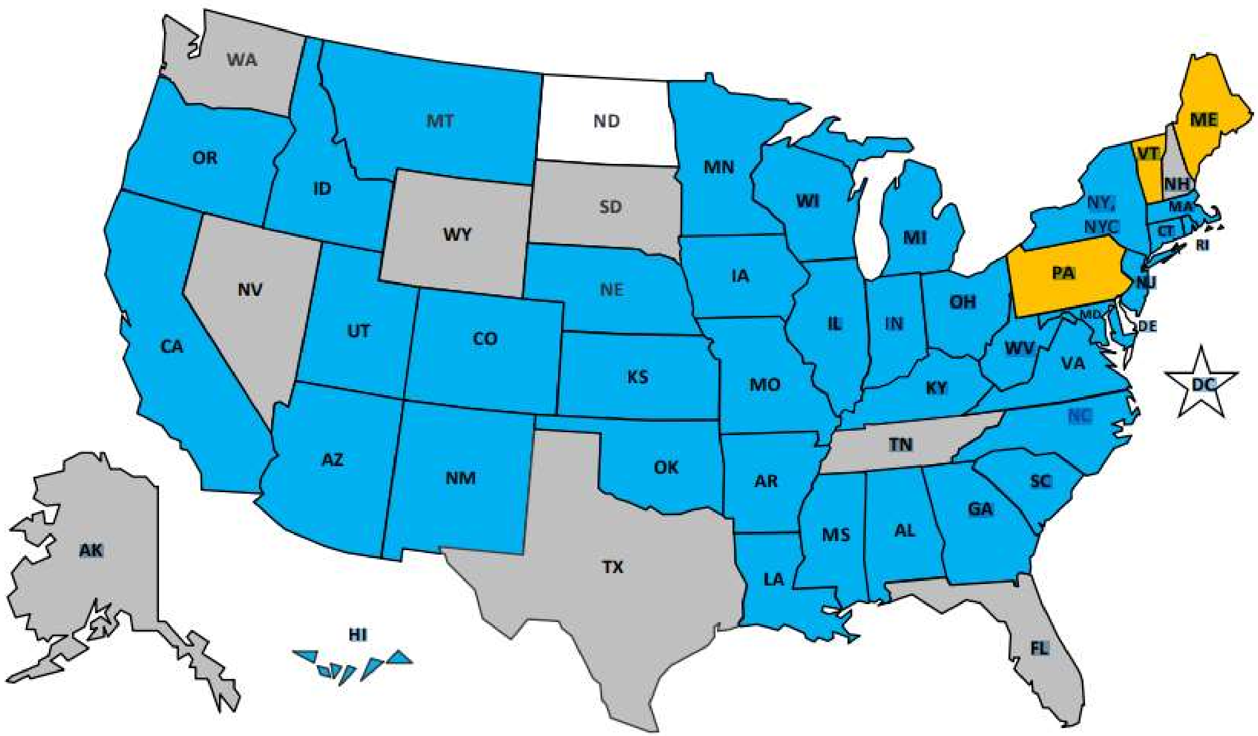
PTET-Passthrough entity tax

- The pass-through entity tax (PTE) allows partnerships, S Corporations and LLCs to elect to be taxed at the entity level for state income tax purposes. If the entity makes this election owners, partners or shareholders normally can either claim a state tax credit for their share of the PTE tax or may exclude their share of the PTE's income in computing their state income tax.
- SALT tax workaround

PTET-Passthrough entity tax

States with Enacted or Proposed Pass-Through Entity (PTE) Level Tax

As of August 10, 2023



36 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2021 (or earlier) unless noted:

AL, AR[1], AZ[1], CA, CO[3], CT[4], HI[2], GA[1], IA[1], ID, IL, IN[1], KS[1], KY[1] (& KY) ,LA, MA, MI, MD, MN, MO[1], MS[1], MT[2], NC[1], NE[3], NJ, NM[1], NY, OH[1], OK, OR[1], RI, SC, UT[1], VA, WI, WV[1], and NYC[1]

[1] Effective in 2022
[2] Effective in 2023 or later
[3] Retroactive to 2018
[4] Mandatory 2018-2023, elective starting 2024

3 states with proposed PTE tax bills:
ME - LD 1891 introduced (session ended)
PA – SB 659 and HB 1584 introduced

VT – SB45 passed Senate, in House (session ended)

9 states with no owner-level personal income tax on PTE income:
AK, FL, NH, NV, SD, TN, TX, WA, WY

3 states with an owner-level personal income tax on PTE income that have not yet proposed or enacted PTE taxes:
DC, DE, and ND

2023 Tax Update

Estates & Trusts

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Estate and Gift Taxes

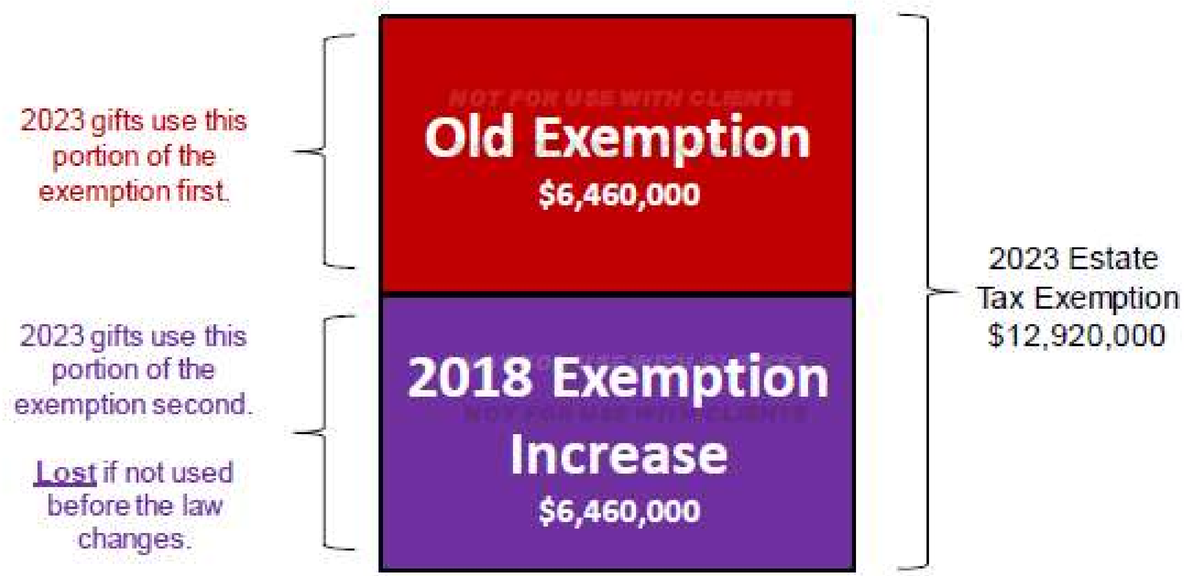
- For 2023 the federal exclusion amount is $12,920,000.
- For 2024 the federal exclusion amount is $13,610,000
- Election for portability still allowed.

NYS Estate Taxes

- For 2023 the NY basic exclusion amount is $6,580,000.
- For 2024 the NY basis exclusion amount is $6,940,000

Exemption reduction

- Use it or lose it



Income Tax Rates

Amount over but less than	Tax Rate
$0 - $2,900	10%
$2,900 - $10,550	24%
$10,550 - $14,450	35%
$14,450+	37%

Annual Gifts

- Annual exclusion amount for 2023 is $17,000.
- Annual exclusion amount for 2024 is $18,000.

Beneficial Ownership Information

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BOI-Beneficial Ownership Information

- This is a regulation under the Corporate Transparency Act of 2020
- Not an IRS requirement–it is required by FinCEN
- Most small corporations, LLCs, and partnerships will be required to report beneficial ownership information to FinCEN. Beneficial ownership information is identifying information about the individuals who directly or indirectly own or control a company

BOI-Beneficial Ownership Information

- The beneficial ownership information reporting requirement was created to “enhance U.S national security by making it more difficult for criminals to exploit opaque legal structures to launder money, traffic humans and drugs, and commit serious tax fraud and other crimes that harm the American taxpayer.”

Beneficial owner

- Beneficial owner is any individual who:
  - Directly or indirectly exercises substantial control over the reporting company; or
  - Directly or indirectly owns or controls 25% or more of the "ownership interests" of the reporting company

Questions?

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