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As we write our annual newsletter, we are constantly reminded that this is no ordinary year. As tax season approaches, we want to ensure that you are well-prepared and equipped with essential information to navigate this period smoothly. At Ami Shah CPA firm we're committed to supporting you throughout the tax filing process. We are so incredibly grateful to all our clients who have become our family over these many years.

With our year-end letter, we have always urged readers to not only do their annual tax planning, but to use this period to conduct a full financial review of their portfolios and estate planning as well. This year, such a financial review is not just recommended, it is critical.

Wishing you all a healthy, wealthy and a prosperous New Year.

### ***Federal Income Tax Filing Deadline:***

**The filing deadline for the year 2023 is Monday April 15, 2024.**

***2023 Individual Tax Provisions:***

Federal income tax returns for 2023 are due by April 15, 2024, or October 15, 2024, with a tax extension. There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%

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

The number of brackets remained the same at seven. The tax bracket thresholds increased significantly for each filing status.

**2023 Standard Deduction and Personal Exemptions:**

The 2023 standard deduction is $13,850 for single filers and those married filing separately, $27,700 for those married filing jointly, and $20,800 for heads of household.

| Filing status |  2023 standard deduction |
| --- | --- |
| Single |  $13,850. |
| Married, filing separately |  $13,850. |
| Married, filing jointly; qualified widow/er |  $27,700. |
| Head of household |  $20,800. |

**2023 Itemized Deductions:**

Several key changes are coming for itemized deductions.

* **Medical and dental expenses**: - the IRS allows all taxpayers to deduct their total qualified unreimbursed medical care expenses that exceed 7.5% of their adjusted gross income if the taxpayer uses IRS Schedule A to itemize their deductions.
* **State and local income taxes and property taxes: -** The Schedule A deduction for state and local taxes (SALT) used to be unlimited. These include income taxes (or general sales taxes), real estate, and personal property taxes. With the passage of the TCJA, the SALT deduction is now limited to $10,000 ($5,000 if married and filing separately).
* **Home mortgage interest: -** Signed in 2017, the Tax Cuts and Jobs Act (TCJA) changed individual income tax by lowering the mortgage deduction limit and putting a limit on what you can deduct from your home equity loan debt. Before the TCJA, the mortgage interest deduction limit was $1 million. Today, the limit is $750,000. That means this tax year, single filers and married couples filing jointly can deduct the interest on up to $750,000 for a mortgage if single, a joint filer or head of household, while married taxpayers filing separately can deduct up to $375,000 each.
* **Gifts to charity: -** **Charitable deduction allowances have been extended as a result of the Consolidated Appropriations Act, 2021 or "second stimulus" legislation from Dec. 2020. For your 2020 and 2021 Tax Return, you can have a charitable deduction of up to $300 made during 2020 or 2021, and you don't need to itemize to have this deduction. This does not apply to 2022 Returns or any other year. The gift must go directly to charity in cash rather than to a donor-advised fund or private foundation. Otherwise, you generally need to itemize to take the charitable deduction, which fewer people do since the standard deduction doubled a few years ago. Married joint filers can take an above-the-line deduction up to $600 for such contributions from 2022 and in future years.**
* **Casualty and theft losses: -** The itemized deduction for personal casualty and theft losses has been removed for Tax Years 2018 through 2025 with the exception of losses attributable to a federal disaster as declared by the President. If you have these losses to report, only losses in excess of 10% of your adjusted gross income (AGI are deductible.

**2023 Alternative minimum tax:**

Taxpayers who have incomes that exceed the AMT exemption may be subject to the alternative minimum tax. In 2023, AMT rates are 26% or 28%.

|  | Single | Married, filing jointly | Married, filing separately |
| --- | --- | --- | --- |
| Exemption amount | $81,300 | $126,500 | $63,250 |
| Income at which exemption begins to phase out | $578,150 | $1,156,300 | $578,150 |
| The AMT exemption amount for certain individuals under 24 equals their earned income plus $8,800. |

**2023 Child tax credit:**

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.

**2023 Section 529 plans:**

Unlike other tax-advantaged accounts like Roth and traditional IRAs, the IRS doesn’t set a cap on 529 contribution limits. States can set their own limit, however. Most states do set 529 max contribution limits somewhere between $235,000 and $529,000.

Contributions may trigger gift tax consequences if you earmark more than the gift tax exclusion ($17,000 for 2023) for any one beneficiary in a tax year. The vast majority of people do not need to worry about this since they are unlikely to need to contribute that much per year to meet their savings goals.

**2023 Roth IRAs:**

The maximum total annual contribution for all your IRAs combined is: Tax Year 2023 - $6,500 if you're under age 50 / $7,500 if you're age 50 or older. Tax Year 2024 - $7,000 if you're under age 50 / $8,000 if you're age 50 or older.

**2023 Health insurance:**

This repeal is still in effect in 2021, eliminating the fine for those without health insurance plans in most states. A few states do have their own mandates in 2022, including California, Connecticut, Hawaii, Maryland, Minnesota, Rhode Island, and Washington.

**2023 Estate tax:**

The federal estate tax is a tax that's levied on a dead person's inherited assets. Also known as the "death tax," the estate tax ranges from rates of 18% to 40% and generally only applies to assets over $12.92 million in 2023 and $13.61 million in 2024.

***2023 Business Tax Provisions:***

Unlike the individual tax provisions in the new law, the key provisions relating to businesses are generally permanent. Following is a brief rundown.

**2023 Corporate tax rates**:

 If you do a quick read of the Tax Cuts and Jobs Act (TCJA) you'll see that the new C Corporation tax rate is 21% while the top individual rate is 37%. Also, individuals are allowed a 20% deduction for passthrough income.

**2023 Pass-through entities:**

 Under the new law, pass-through entities -- such as partnerships, S corporations, limited liability companies (LLCs), and sole proprietors -- can claim a 20% deduction on earnings, subject to special rules and restrictions. The deduction is not available to higher-income personal service providers.

**2023 Section 179 deduction:**

For tax years beginning in 2023, the maximum section 179 expense deduction is $1,160,000. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds $2,890,000.

**2023 Luxury car rules:**

For passenger autos placed in service in 2023, the maximum luxury auto depreciation deductions are: $20,200 for year 1 if bonus depreciation is claimed ($12,200 if bonus depreciation isn't claimed), $19,500 for year 2, $11,700 for year 3.

**2023 Section 199 deductions**:

The qualified business income deduction (QBI) is a tax deduction that allows eligible self-employed and small-business owners to deduct up to 20% of their qualified business income on their taxes. The phase-in range for both the SSTB and WQP limits in 2023 is $364,200 to $464,200 for joint filers (a range of $100,000), and $182,100 to $232,100 for other filers (a range of $50,000)

**2023 Corporate AMT:**

Beginning in 2023, the United States will apply a 15% corporate alternative minimum tax (CAMT). The CAMT applies to corporations with average annual adjusted book income over $1 billion for a period of three consecutive years. Corporations must determine their CAMT liability and their regular corporate tax liability and pay the higher amount. Real estate investment trusts, regulated investment companies, private equity funds, and S corporations are exempt from the CAMT.

**2023 Meals and Entertainment deductions:**

As of January 1, 2023, that temporary incentive has expired, and the rules have gone back to a 50% deduction for most business meals. Although the business meals rule has reverted back, entertainment is still not tax deductible.

**2023 Interest deductions:**

Adjusted taxable income is calculated by adding back certain deductions, such as depreciation, amortization, and depletion, to taxable income. This means that taxpayers cannot deduct more than 30% of their ATI in interest expense in a given year.

**2023 Foreign taxes:**

However, you may qualify to exclude your foreign earnings from income up to an amount that is adjusted annually for inflation ($107,600 for 2020, $108,700 for 2021, $112,000 for 2022, and $120,000 for 2023). In addition, you can exclude or deduct certain foreign housing amounts.

**2023 Net Operating Losses (NOLs):**

Most taxpayers no longer have the option to carry back a net operating loss (NOL). For most taxpayers, NOLs arising in tax years ending after 2020 can only be carried forward. The 2-year carryback rule in effect before 2018, generally, does not apply to NOLs arising in tax years ending after December 31, 2017. The CARES Act provided for a special 5-year carryback for taxable years beginning in 2018, 2019 and 2020. Exceptions apply to certain farming losses and NOLs of insurance companies other than a life insurance company. Also, for losses arising in taxable years beginning after December 31, 2017, the net operating loss deduction for taxable years beginning after December 31, 2020, is limited to 80% of the excess (if any) of taxable income (determined without regard to the deduction, QBID, and Section 250 deduction) over the total NOLD from NOLs arising in taxable years beginning before January 1, 2018.

**Life insurance**

Life insurance can replace income, offer a way to equalize assets among children active and inactive in a family business, provide cash to pay estate tax or be a vehicle for passing leveraged funds free of estate tax.

Life insurance process generally are not subject to income tax. But if you own the policy, the proceeds will be included in your estate.

Always, consider why you want the insurance, such as to replace income, to provide liquidity or to transfer wealth to your heirs.

**Living Trust**

All estate planning is not about dying. It is about your control over your assets- control while you are living and control after your death.

A living trust, specifically a revocable living trust, helps individuals have greater control over their assets and have their wishes carried after they die. A Living trust can help save the expense and delay of probate, which can last as long as three years and take up to 10-15% of an individual’s estate’s value.

It is a legal document that places your assets—investments, bank accounts, real estate, vehicles, and valuable personal property—in trust for your benefit during your lifetime and spells out where you'd like these things to go upon your death. Because it is *revocable* you can cancel or change it at any time during your lifetime.