

2023 Year-End Tax Planning

As the 2023 year-end approaches it is time to consider some of the year's tax law changes along with relevant income tax planning opportunities. Some of the more recent legislation affecting 2023 includes the Secure 2.0 Act which contains numerous retirement provisions and the Inflation Reduction Act with green-energy tax benefits for buying electric vehicles and making home improvements. The following are some tax planning opportunities to consider for 2023:

Retirement Plans The beginning age for required minimum distributions (RMDs) from traditional IRA's, 401(k) plans and other retirement plans has increased from 72 to 73 for account owners who turn 72 after 2022. If one turns 73 in 2023, they must take their first RMD by April 1, 2024. Employees who work past 73 can generally postpone taking RMDs from their current employer until they retire.

The 2023 maximum contribution limit for 401(k), 403(b) and 457 plans are \$22,500 and increases to \$23,000 for 2024. The 2023 and 2024 catch-up contributions for people aged 50 or older are \$7,500.

The 2023 contribution limit for traditional and Roth IRAs is \$6,500 and increases to \$7,000 for 2024. The catch-up contributions for 2023 and 2024 remain the same at \$1,000.

Energy Credits The residential clean energy credit increased to 30% of the cost and installation for solar panels, solar electric equipment, solar-powered water heaters and wind turbines.

The energy efficient home improvement credit amount increased from up to 10% to up to 30% with an annual limit of \$1,200, replacing the former \$500 limit. The energy credits no longer have a \$500 lifetime credit. The credit would apply to certain types of insulation, boilers, air-conditioning systems, windows, skylights and doors. The annual limit increases up to \$2,000 per year for qualified electric or natural gas heat pumps, biomass stoves and hot water boilers. You can also receive up to a \$150 credit for the cost of a home energy audit.

Beginning January 1, 2023, the purchase of an electric vehicle is eligible for up to a \$7,500 clean vehicle credit. New electronic vehicles must receive final assembly in North America as of August 22, 2022. There are some new factors to consider when calculating the credit such as critical minerals requirements and a battery component rule. The manufacturer sales threshold limit is no longer applicable. There are other rules that could prevent you from claiming the credit such as the vehicle price and modified gross income so please be sure to confirm your eligibility for claiming the credit.

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Navigating The Role of Personal Representative

Have you been appointed the personal representative (otherwise known as the executor) of a loved one's estate? Here's a checklist to help you handle the responsibilities that come with the role:

Locate the will and other documents. Obtain any trust documents, insurance policies, bank and investment account and pension statements. Include Social Security documents, credit card statements, deeds and safe deposit boxes as well. Reach out to any of the decedent's attorneys, accountants, brokers or advisors that may have documents that can help you settle the estate.

Obtain copies of the death certificate. You will need at least 10 certified copies. The decedent's funeral home can get these for you, or you can reach out to Maryland Vital Records for assistance.

Determine whether the estate must go to probate. Probate is the court process of proving the will's legitimacy and then dispersing the estate's assets according to the terms spelled out in the will. Generally, if an individual dies with assets in his or her sole name, probate will be required. Even if probate isn't necessary, it is generally best to file the will with the probate court.

File the will with the Maryland Register of Wills. After someone dies, Maryland law does not provide a precise time limit or deadline for filing the deceased person's will with the Register of Wills. However, the person who has the individual's will, or the person who finds the will, must file it promptly after the person dies.

Notify the Social Security Administration and alert creditors. You must notify banks, credit card companies, and any other government agency that was providing benefits to the decedent and provide those parties with a death certificate.

File the list of interested persons if there's no will. A List of Interested Persons is a document that lists the names and addresses of the

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A used electric vehicle may be eligible for the tax credit beginning in 2023. The credit is the lesser of \$4,000 or 30% of the sales price.

1099-K Forms There are new rules for 2023 regarding 1099-K forms to be sent out in 2024. Third-party payment networks must file a 1099-K with the IRS and provide a copy to the taxpayer when the gross payment is over \$600. If a business accepts payments for goods or services over third-party payment networks such as PayPal, Venmo, Stripe, Square or Zelle they are likely to receive a 1099-K for 2023. The 1099-K forms will also apply for people who sell tickets to a sporting event or concert on StubHub, Seat Geek or other ticket selling agencies for more than cost. This would also be applicable to the sale of items of value on eBay. Such transactions will need to be reported on your income tax returns. The purpose of the 1099-K form is to increase tax compliance as businesses and individuals become more receptive to electronic payments. Please check with our office as to the reporting requirements for specific transactions.

Estate Planning Everyone is allowed an exemption from federal estate, gift and generation-skipping transfer tax during their lifetime and any remaining amount of the exemption at death. The 2023 federal exemption amount is \$12.92 million with an estimated increase to \$13.61 million in 2024. The exemption amount was temporarily doubled as part of the 2017 Tax Cuts and Jobs Act. The exemption amount is set to be cut in half as of January 1, 2026. Any of the temporary increased exemption amount not used before January 1, 2026 will be lost. Now is the time to consider some additional estate tax planning for the

next two years to take full advantage of the increased federal exemption amount. The estate tax savings can be significant with the proper planning.

Other 2023/2024 Changes

- ◆ The annual gift exclusion for 2023 is \$17,000 and up to \$18,000 for 2024.
- ◆ The health savings account (HSA) deduction for a single individual in 2023 will be \$3,850 and \$4,150 for 2024. For family coverage, the limit is \$7,750 in 2023 and \$8,300 for 2024. Individuals aged 55 or older may contribute an additional \$1,000 for 2023 and 2024.
- ◆ The standard mileage rate for business driving is 65.5 cents a mile in 2023.
- ◆ Bonus depreciation for qualifying property is reduced to 80% for 2023, 60% for 2024, 40% for 2025 and 20% for 2026. No bonus depreciation in 2027 or thereafter.
- ◆ The amount that may be expensed under IRS Code Section 179 for 2024 will be \$1,220,000, up from \$1,160,000 for 2023.
- ◆ Beginning in 2023, the deduction for most business restaurant meals will be reduced back to 50%. The COVID-related deduction of 100% for meals was a temporary change for 2021 and 2022.
- ◆ The 2023 Social Security wage base is \$160,200. In 2024, the wage base limit is set to increase to \$168,600.

Please contact our office to discuss any tax planning considerations in greater detail or how we can help to reduce your income taxes based upon your specific circumstances.

The Corporate Transparency Act

Effective January 1, 2024, the Corporate Transparency Act (CTA) will go into effect, requiring all entities formed or registered to do business in the United States to either (1) confirm they qualify for an exemption from the CTA's reporting requirements; or (2) timely submit a "beneficial ownership information" (BOI) report to the U.S. Treasury's Financial Crimes and Enforcement Network (FinCEN).

Under the CTA, a reporting company is defined as any corporation, limited liability company, limited partnership and business trust or similar entity that is (1) created by filing a formation document with a secretary of state or similar office; or (2) formed under the law of foreign country and registered to do business in the United States.

The information obtained through the CTA will be used by FinCEN and other law enforcement agencies to combat money laundering, the financing of terrorism and other illicit activities.

Existing entities formed prior to Jan. 1, 2024, will have one year from that date to file their initial BOI report.

New entities formed on or after Jan. 1, 2024, must file their initial BOI report within 30 days after their formation. However, on September 28, 2023, FinCEN proposed extending this deadline to 90 days for entities formed in calendar year 2024.

While there are no ongoing annual or quarterly report filings, reporting companies must file an amendment within 30 days after any change to their reported information.

The Beneficial Ownership Information report (BOI) Regarding the filing of the BOI report, the following company information is required: (name, address, taxpayer identification number). The "beneficial

owners" and the "applicants" must also provide their full legal name, date of birth, address and passport or driver's license number, with a photocopy of such document. Who is a "beneficial owner"? Beneficial owners include any individual who, directly or indirectly, (1) exercises substantial control over the entity (e.g., any senior officer) or (2) owns or controls 25% or more of the ownership interests.

"Applicants" may include a maximum of two individuals: (1) the person who directly files the formation or registration document of the reporting company and (2) the person who was primarily responsible for directing such filing. For all entities formed prior to January 1, 2024, the BOI report related to the applicants is not required.

Exemptions to Filing There are several listed exemptions, including, but not limited to:

- "Large operating companies," which are entities that (1) have more than 20 full-time U.S. employees, (2) reported more than \$5 million, and (3) have an operating presence at a physical location in the U.S.
- Nonprofit entities, political organizations and certain tax-exempt trusts.
- Public companies, insurance companies, banks, registered investment companies, registered investment advisers and certain other entities already subject to regulatory oversight.

Penalties The CTA provides for both civil and criminal penalties (up to \$10,000 and two years' imprisonment) for willfully providing false information, failing to provide complete information or failing to update information.

2024 Tax Due Date Calendar

January 16

- Final installment of 2023 estimated tax by individuals and trusts due

January 31

- Last day to paper or electronically file W-2's and 1099-NEC
- Last day to receive W-2 forms and many 1099 statements from your employer, banker, broker, etc.
- Fourth quarter 2023 payroll tax returns and annual federal unemployment returns due

February 28

- Paper file Forms 1098, certain 1099, and W-2G
- If Forms 1098, certain 1099, or W-2G are filed electronically, the due date for filing with the IRS and SSA is extended to April 1, 2024

March 15

- S Corporation and Partnership income tax returns for calendar year 2023 due
- Last day for calendar year S Corporations and Partnerships to file Form 7004, an automatic six-month extension of time, for 2023 income tax returns
- Last day for business entity to elect S-corporation status beginning as of January 1, 2024 by filing Form 2553

April 15

- Individual income tax returns or Form 4868 (automatic six-month extension) plus payment of any 2023 tax liability due
- First quarter individual estimated tax payments due for 2024
- C Corporation income tax returns for calendar year 2023 due or last day for calendar year C Corporations to file Form 7004, an automatic six-month extension of time for 2023 tax returns plus payment of any 2023 tax liability due
- 2024 Maryland personal property tax returns due
- Last day for making 2023 IRA contributions
- Gift tax returns (Form 709) and payment of any gift tax due for 2023. If your income tax return is extended, the Gift tax return will automatically be extended for six-months, or otherwise file Form 8892
- Calendar year fiduciary income tax returns and requests for 5½ month automatic extensions due

- First installment for corporation estimated income tax due for 2024
- FinCEN 114 is due

April 30

- First quarter 2024 payroll tax returns due

June 15

- Payment of second installment of 2024 estimated tax by individuals and trusts is due
- Second quarter of 2024 estimated tax is due by calendar-year corporations

July 31

- Due date for 2023 Annual Return/Report of Employee Benefit Plan (Form 5500)
- Second quarter 2024 payroll tax returns due

September 16

- Payment of third installment of 2024 estimated tax by individual, trusts and estates
- Payment of third installment of 2024 estimated tax by calendar-year corporations
- Last day of filing 2023 Form 1065 for Partnerships and Form 1120S for S Corporations that obtained an automatic six-month extension

September 30

- Form 1041 extended due date

October 15

- Last day for filing 2023 income tax return by calendar-year corporations that obtained an automatic six-month filing extension
- Last day for filing 2023 individual income tax returns for those who obtained an automatic six-month filing extension
- Form 5500 extended due date

October 31

- Third quarter 2024 payroll tax returns due

December 15

- Payment of last installment of 2024 estimated tax by calendar-year corporations

If you have any questions about these new due dates, please feel free to call our office.

Personal Representative continued

decendent's heirs, which includes the surviving spouse, children, and any other person who would inherit if there were no will. **If there is a will**, the list should include the named personal representative and all legatees (i.e. people that inherit under the will).

Obtain Letters of administration. When the Register of Wills or Orphan's court appoints a personal representative, it grants and issues letters of administration to the representative. Letters of administration empower the representative to distribute the assets in the estate.

Open an estate bank account. Open a temporary bank account in the estate's name to deposit any incoming funds and pay bills and debts. It will also help you avoid mixing estate funds with your personal funds. You will need to obtain a federal ID number from the IRS in order to open the account.

Inventory and maintain assets and property. As personal representative, you are responsible for maintaining the decedent's property until it can be distributed or sold. Within three months of your appointment, you must file a complete inventory of all the decedent's assets that are solely owned. Additionally, within three months of appointment, the personal representative must file an Information Report, which includes all assets not solely in the decedent's name or those that have a designated beneficiary.

Pay the estate's debts and taxes. Keep in mind that all car payments, mortgages and property taxes must continue to be paid by the personal representative on behalf of the estate until the estate is settled.

Creditors and interested persons may file claims against the estate within 6 months from the date of the decedent's death. In addition, if the income earned by the estate exceeds certain income tax exemption amounts, the estate may be required to file federal and any applicable state income tax returns. The value of the gross assets of the estate may also necessitate the filing of federal and/or state estate tax returns.

File Final Account. The purpose of an account is to report all financial activity involving probate assets from the date of death of the decedent to the end of the current accounting period. The initial account is due nine months after the date of appointment of the personal representative. Once the final account is approved, the estate's assets may be distributed.

Distribute assets. Once all debts of the estate have been settled and you've paid any estate taxes and all other liabilities of the estate, you can proceed to distributing the assets of the estate to all the beneficiaries, as specified in the will. Be sure to get receipts from each beneficiary acknowledging they have received their share of the assets. In Maryland, an inheritance tax is imposed on the value of property that passes to some beneficiaries. Before distributing the assets, determine if inheritance tax should be withheld.

Need help? Contact Bormel, Grice & Huyett. We have experienced accountants and tax advisors that specialize in the complex financial and tax situations that arise when settling an estate.

BGH Welcomes New Employees in 2023



Manu Luthra, Enrolled Agent, joins BGH with over 20 years' accounting experience. He is licensed as an Enrolled Agent by U.S. Department of Treasury and is a member of the National Association of Tax Professionals. When he's not at work, Manu enjoys music, movies, biking, and the mastery of exclusive and difficult Lego sets!



Mary Guay Kramer, Staff Accountant, brings her 30-year professional history and paralegal experience which have become real assets to our trust and estate taxes, administration and planning team. Mary lives in Columbia, Maryland with her husband and dogs. She enjoys roller skating, karaoke, and performing in community musical theatre.



Isabel Pinell, Staff Accountant, has worked in the accounting field since 2014. She has a B.S. in Accounting from the College of Staten Island and one of our trusted Quickbooks professionals. Isabel lives in Bel Air with her fiancé and dog. In her free time, you will find her water skiing in summer and snowboarding in winter.

Congratulations BGH 2023 Award Winners!



THUMBS UP!
Mary DeStefano

SUPERSTAR!
Joe Hernando

AWARD OF APPRECIATION!
Chris Kotler

The BGH UPDATE is published for our clients, staff, and professional contacts. Copies will be provided to other business persons upon written request. Any action based on information contained herein should be taken only after a detailed review of the specific situation.

The following members of our firm have contributed to this edition: Larry Bormel, Mike Myers, April Miller, Chris Kotler, and Mary Kramer.

BGH 2023 Scholarship Fund Award



Congratulations to the 2023 recipients of the Bormel, Grice & Huyett Business Scholarship Award!

Victor Torne Chamani and Janel Duncan of Laurel High School were presented the award by Steve Hartong. Our best wishes for future success to the Class of 2023!

Steve Hartong and Victor Torne Chamani

THANK YOU VERY MUCH
to our BGH employees, friends & families

Our firm raised funds from our silent auction and donations in June 2023 and were able to add over \$2,000 to Central Maryland Chamber Education Foundation's Bormel, Grice & Huyett Business Scholarship Fund.

Happy Anniversary



Larry Bormel
45 Years



Kathy Grice
40 Years



Anna Huyett
40 Years



Brenda Cummings
35 Years



Ray Plummer
20 Years