

RECENT AND NEW LEGISLATION

The Inflation Reduction Act and SECURE 2.0, includes new rules for credits for new and used clean (EV) vehicles, funding for clean energy and energy security expenditures.

New Proposed regulations to the SECURE ACT (signed into law in 2019) were issued on February 24, 2022 and were effective January 1, 2022. These regulations impact retirements account.

Individuals:

For 2023

- The newly renamed Energy Efficient Home Improvement Credit increased to 30% for qualified energy efficiency improvements.
- Residential Clean Energy Credit increased to 30% through 2023. Includes qualified battery storage technology expenditures.
- Clean Vehicle Credit: New law is effective August 16, 2022, requiring final assembly in North America.
- ARPA Premium tax credit for health insurance costs remains in effect until 2025.
- Significant \$80 billion funding for enhancement of IRS services.
- SBA disaster relief loans for Florida residents.
- IRS continues to focus on virtual currency transactions with creation of “Operation Hidden Treasure”.

Deferral of the form 1099-K for 2023, and threshold is \$600 for 2023.

For 2023

- Retirement provision changes in 2023 affecting tax-free rollovers from 529 plans to ROTHs, age increased for required minimum distributions, bigger catchups permitted and various other provisions related to retirement take effect in 2023
- Out of pocket costs for insulin capped at \$35 per month.
- Clean vehicle credit changes: vehicle limit removed but credit up to \$7500.
- Critical minerals requirement and battery component requirement. Credit now applies to previously owned vehicles.

Business:

For 2023

- New energy efficient home credit for eligible contractors extended through 2032.
- Research credit of up to \$250,000 - \$500,000 allowed against payroll tax for small business continues.
- Schedule K2 and K3 reporting for pass through entities continues with updated requirements.
- New credit for qualified Commercial clean vehicles.
- Three-Year carryback for certain general business credits.

2023 Depreciation Limits

- Bonus depreciation remains at 80% for new, used, and qualified improvement property.
- Section 179 deduction –The deduction for qualified property is increased to \$1,160,000 and the phase-out threshold is increased to \$2,890,000.
- Maximum deduction for an SUV with GVW over 6,000 lbs. but not more than 14,000 lbs. increased to \$28,900.

Other Miscellaneous Updates

Retirement Plans

IRA Contribution: For 2023, the maximum that can be contributed to an IRA or Roth IRA is \$6,500. For persons 50 and over, an additional “catch-up” contribution up to \$1,000 may be made for 2023.

Retirement Plan Contribution Limits:	<u>2023</u>
Maximum 401(k) and 403(b) employee contribution	\$22,500
Maximum SIMPLE employee contribution	\$15,500

“Catch-up” Contribution Limits: Taxpayers who are at least age 50 before the end of the respective year can increase their contribution limits by the following amounts:

401(k), 403(b), salary reduction SEP plans and 457 plans	\$7,500
SIMPLE plans	\$3,500

Affordable Care Act

If you or a family member enrolled in health insurance through the Marketplace and advance payments of the premium tax credit were made to your insurance company, you will receive Form 1095-A. A copy of this form is required to prepare your tax return. Please provide this form to us.

Estate & Gift Tax: For 2023, the estimated exemption is \$12,920,000 per individual. The annual gift tax exclusion amount is \$17,000 per recipient in 2023.

Miscellaneous

Kiddie Tax: In 2023, the “kiddie tax” applies to children up to age 18, and full-time students aged 19-23, whereby a child’s investment income greater than \$2,500 is taxed at the parent’s marginal rate.

Standard Mileage Rates: The business mileage rate for 2023 is 65.5 cents per mile from Jan 1 - December 31, 2023. Business related costs for parking, tolls, auto loan interest, and auto excise tax may be deducted in addition to the standard mileage rate. The standard mileage rate for medical purposes in 2023 is .22 cents from January 1-December 31.

Social Security Retirement Earnings Test: For persons who are at least age 62, but under their full retirement age, the maximum income that can be earned while drawing Social Security without losing benefits for 2023 is \$21,240. For persons who reach full retirement age in 2023, the limit of earnings for the period prior to this date is \$56,520. Full retirement age is determined based on the individual's date of birth and gradually increases from age 65 to age 67.

2023 MASSACHUSETTS TAX HIGHLIGHTS

December 31, 2023

For tax years beginning on or after January 1, 2023, the Massachusetts personal income tax law generally conforms to the Internal Revenue Code as amended on January 1, 2023. Previously Massachusetts conformed to the IRC as amended on January 1, 2005. As a result, Massachusetts will now conform to many federal tax law changes affecting the determination of Massachusetts gross income and deductions that have been enacted since 2005. Massachusetts does not allow the qualified business income deduction allowed for federal tax purposes.

Tax Rate: The 2023 tax rate for most classes of taxable income is 5%. The tax rate on short-term capital gains, long-term gains on collectibles and short-term gains on the sale of trade or business property used in a trade or business is 12%. Certain capital gains are taxed at 8.5%.

Paid Family Medical Leave Taxable Distributions: Income received from the department of Family and Medical Leave is taxable and should be reported to you on Form 1099-G.

New Ordinary and necessary business expense deductions available for licensed Massachusetts marijuana businesses. While unavailable for federal purposes, Massachusetts allows these deductions for tax years beginning on or after January 1, 2022.

Optional Pass-Through Entity Excise: For taxable years beginning on or after January 1, 2021, pass through entities may elect to pay an optional 5% excise tax on the income that flows through to individuals. These individuals may claim a refundable credit equal to 90% of their allocable share of the entity's excise due.

Senior Circuit Breaker Tax Credit - Real estate tax credit for persons aged 65 and older: The maximum credit is increased to \$2,590 for 2023. The 2023 limitations on income are \$69,000, for single, \$86,000 for head of household and \$103,000 for married filing jointly. The assessed value of the real estate on January 1, 2023, cannot exceed \$1,025,000 to qualify for this credit. For properties with greater than 1 acre of land, the assessed value and real estate taxes must be pro-rated.

Estate Tax: The Massachusetts filing threshold and exempt amount remains at \$1,000,000 with a top rate of 16%. There is no gift tax in Massachusetts.

Prepaid Tuition or College Savings Program Deduction: A deduction is available for contributions to a pre-paid tuition program, or a college savings program established by the Commonwealth. The deduction is capped at \$1,000 for a single person or head of household and \$2,000 for a married couple filing jointly.

Please feel free to contact us for additional information on any tax matter or to discuss how the 2023 tax law changes will affect you.