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## Ledger Rite's Annual Newsletter Update

# Tax Season Updates



## current topics >>>

### From Our Office:

Thank you for scheduling your appointments early. Cindy and I are doing our best to work everyone in. Remember if you are Sick please cancel and we will work hard to fit you back in.

Thank you for patience throughout our busy season. We both look forward to seeing you!

Parking is limited but we Love our parking lot 🤔

See you soon *Karen*



## IRS Updates 2023

### Personal Returns 1040

Welcome to the IRS updates, first let me say 2023 and 2024 are still in the historically low tax brackets, due to our 8 year tax plan which is due to expire in 2025 – There is an entire SoapBox on that subject so I will spare you till later 😊

IRS expects to **open E-File Jan 24, 2024** (HEY this will be similar to last year) However all forms will not be available, so small business will be delayed a week. **Reminder:** Previous years will be open – so if we need to amend or file, we will have access..

**Student Loan deduction is still maxed at \$2500**  
AGI has cap – S \$75000/M \$155000

**Teacher credit is still available at \$300 for funds spent (increase for 2023)**

**Life Time learning credit still avail up to \$2000 off AGI Cap limits**

**IRS makes a Statement regarding audit areas:** lower-income taxpayers are subject to IRS audits at “five times the rate” as other more affluent taxpayers, this stems especially from the erroneous claiming of the EITC. Despite the required use of **Form 8867** and the “due diligence” information, there is still about a one-out-of-every-four-dollar mispayment rate. Also, errors involved with rebate and child tax credits will mean more possible contact with the IRS in the next few years

## TAX ADVICE



THE  
ACCOUNTANT

## StanLee's Corner

### Advice from a Schnauzer:

Pay Taxes, Pay Taxes.. WAIT  
There is more to LIFE.

-Enjoy the simple pleasures of a walk with a  
Friend and/or a Dog

-Run and Play Daily

-ALWAYS DRINK PLENTY OF WATER

Sometimes it is best to sit close and listen

-Follow your instincts

**-Keep digging until you find what  
you want**

-Avoid biting when a growl will do  
– Accept all of life's treats with gratitude

**-Love unconditionally !!**

# IRS Updates 2023

## Health Insurance Update:

Pres. Biden on 8-16-22 extended **Affordable Care Act till 2025** – Just adding this info because MI has been kicking people off of Medicaid – So reminder if you make too much money and MI releases you from Medicaid then you have to go to Market Place to get an un-affordable Dollar pay value.. So you can resend this info to MI and again qualify for Medicaid through our State.. Yea MI for all this extra effort 😊

## Here's some information about Medicaid in Michigan and Congress in 2023:

- In April 2023, the Medicaid Continuous Coverage Rule ended.
- The federal Consolidated Appropriations Act of 2023 has led to Michigan restarting Medicaid eligibility renewals.
- H.R.2884, the Medicaid Primary Care Improvement Act, is in the 118th Congress (2023-2024).
- H.R.1079, the Medicaid Work Requirements Act, is in the 118th Congress (2023-2024).

*From the IRS  
website:  
Payment Info*

**IRS cannot issue EITC and ACTC refunds before mid-February.** Refunds for people claiming the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) can't be issued before mid-February. The law requires the IRS to hold the entire refund – even the portion not associated with EITC or ACTC.

Many different factors can affect the timing of your refund after we receive your return. Although the IRS issues most refunds in less than 21 days, the IRS cautions taxpayers not to rely on [receiving a refund by a certain date](#), especially when making major purchases or paying bills.

## Retirement Updates:

### Couple of Issues Just to Highlight for 2023:

The required minimum distribution age increases to 73 starting on January 1, 2023. The RMD age will again increase to 75 **starting on January 1, 2033..**

QCD must come from IRA distributions Only – Must be 70 ½ to qualify – for taxpayers to get Charity write-off on front page whom do not use the Standard Deduction.

Since a lot of our clients phase out of making deductible IRA, or direct Roth IRA, contributions, it is important to remember that **“backdoor Roth IRA contributions”** are still permitted. But make sure that there is no other balance in a deductible IRA (including a SIMPLE IRA). Using **Form 8606**, make a nondeductible contribution to a regular IRA and then immediately (i.e., before there are any earnings on this initial amount) convert this IRA balance over to a Roth IRA.

## Tax Changes:

Standard Deduction:

S - \$13850

MFJ - \$27700

MFS - \$20800

\*\*senior advantage +1500 per

No Home Office write-offs for W-2 employees or S-corps and Partnerships. .. No Help !!

\*\*See Retirement Note below

SS still taxable up to 85% - No Change

Capital Gains - Slight change -

(Build Back Better Plan) 15% with higher income subject to 20%

Secure Act 2 capital gain updates coming

**Michigan 1040  
Passes legislation to  
allow the individual MI-  
1040 to tax individuals at  
4.05% saving you .20%  
for 2023 ONLY**

## **New Energy Credit -**

This replaces the current \$500 lifetime credit with a \$1,200 annual maximum credit (starting with the 2023 tax year but with no lifetime cap).

There are certain limitations, such as \$600 for exterior windows and skylights, \$250 for exterior doors (annual maximum of \$500 for all exterior doors) and \$2,000 for heat pumps, heat pump water heaters, and biomass stoves and boilers (i.e., this \$2,000 is a separate, annual cap on such items).

The definition of "eligible property" for purposes of this credit is now expanded to include residential property that is *not* the taxpayer's primary residence (e.g., vacation or second homes).

For 2023 and beyond, the credit is renamed the "Energy Efficient Home Improvement Credit."

The credit further increases, in an amount up to \$150, for amounts paid for a "home energy audit." Also, beginning in 2025, taxpayers will be required to have a "qualified product identification number" from a "qualified manufacturer" to take the credit.

This tax credit is for "improvements," it only applies to homes that the taxpayer already owns (i.e., *not* to newly-constructed homes).

<https://www.irs.gov/credits-deductions/energy-efficient-home-improvement-credit>

<https://www.irs.gov/credits-deductions/used-clean-vehicle-credit>

<https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>

<https://www.irs.gov/credits-deductions/credits-for-new-electric-vehicles-purchased-in-2022-or-before>

# Business Corner

## **Corp Reminders:**

- S-corps - Profit pass through to your personal. Sch E pg. 1
- Reasonable Comp has to be considered. (50% vs profit)
- QBI Credit is still available for a deduction on your personal.
- Payroll (W-2 is now required- Exempt Rental activity)
- Retirement accounts can be setup to defer income.
- S-Election can be terminated for a standard Corp.
- Profit is considered as dividend and can be distributed to owners, no double taxation.
- Election must be made by March 20 for current year
- Now anything over \$25,000 requires a Promissory Note signed by the owner To or From the Corp. Legal Stuff

**Court Case Decision:** An employer such as an S corporation is certainly entitled to pay reasonable rent (i.e., which would be non-FICA dollars *not* subject to employment taxes) to its shareholder for the use of a home office. But, **Code §280A(c)(6)** would deny any deductions being taken on the shareholder's **Schedule E** for rental expenses. Nevertheless, specific language could be included in a written lease agreement that the S corporation would reimburse for its allocable share of home-related expenses such as utilities, home owner's insurance, etc. As a result, there would be no rental expenses to be otherwise reported on **Schedule E** (i.e., it would be a "naked **Schedule E**" with just the gross rental income being listed).

- Home office Rent allowed ? This ruling basically negates any write-offs of home office expense for little value to the owner of the S-Corp, except a shuffle of income on Sch E

## INTERESTING FACTS >>>

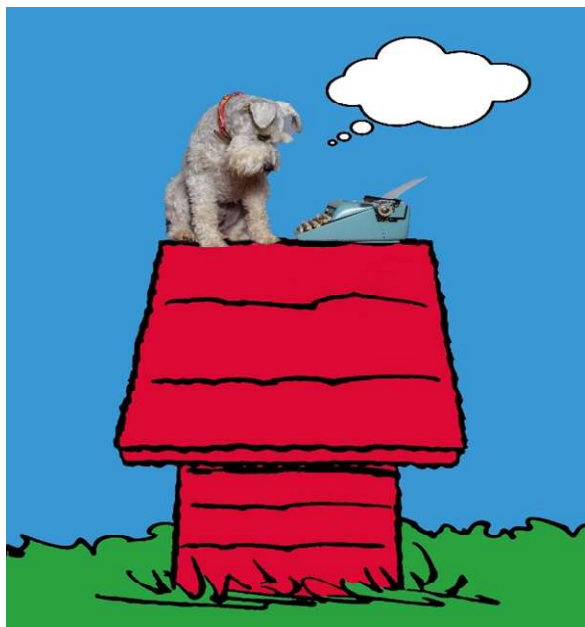


1. 141,100,000 TAX RETURNS FILED SO FAR IN 2023 FOR 2022
2. 167,000,000 TAX RETURNS PROJECTED FOR 2024 FILING SEASON
3. 260 Filters are used on tax returns, checking on efile system to detect fraud from taxpayers.
4. 363 “Walk-in Sites” Taxpayer Assistance Centers, at this time 22 were still closed from Covid and 157 had only one or two employees working – 6.9 per state <https://apps.irs.gov/app/office-locator>
5. UPGRADE to “Where’s My Refund on IRS” website to give better information regarding the refund timing process.
6. IRS Budget 14.1 BILLION for 2024 – How do they spend it...
  - a) Taxpayer Support \$3.4 Billion
  - b) Enforcement \$5.9 Billion
  - c) Exams and Collections \$4.9 Billion



*Mileage Expense deduction for Businesses*

2023 is 65.5c per mile



If I could only find the dog translator button

“My dog is worried about the economy because Alpo is up to \$3.00 a can. That’s almost \$21.00 in dog money.”

—*Joe Weinstein (comedian)*

“If you think dogs can’t count, try putting three dog biscuits in your pocket and then give him only two of them.”

—*[Phil Pastoret](#) (author, [Our Boarding House](#))*



Life is better  
with a Schnauzer

LEDGER RITE

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