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It's not too late...
to reduce your 2023 income taxes!

General Tax-Saving Tips & Updates

- 1) The IRS chickens out on 1099-K!!! This is good news for casual Ebay/Etsy/Venmo sellers of household items. The IRS has delayed implementation of the new 1099-K rules for online sellers until 2024. In 2024, many more taxpayers will receive 1099-K forms from receiving combined **2024 payments over \$5,000 via Paypal, Venmo, Amazon, Ebay, Etsy, etc.** If you receive a 1099-K form, you must report the income. You are also allowed to deduct related expenses, but this would require a business tax form. It is a bit more complicated, but we can help you with this. Keep track of these 3 types of sales: a) you purchased to resell at a profit, b) you sold collectibles/antiques, c) you sold personal household items. This separation of income types will save you \$\$\$!!
- 2) 2023... Consider installing **solar energy/geothermal/wind turbine home improvements** by 12/31 for a 30% tax credit. New... credits for certain **home battery storage equipment and fuel cells**. New... Several of these credits are good for a 1st or 2nd home. Keep receipts and manufacturer paperwork.
- 3) 2023... New and improved **home energy credits**. Consider installing energy-efficient home improvements by 12/31 for brand new tax benefits. You are no longer maxed out! Available for certain exterior windows, exterior doors, insulation/weather stripping, water heater, furnace, heat pump, central air, pellet/biomass stoves, energy audits, electrical improvements required by energy improvements. New... Several of these credits are good for a 1st or 2nd home. Keep receipts and manufacturer's paperwork.
- 4) 2023 new rules... New and pre-owned **electric vehicle & hybrid credits up to \$7,500**. You must receive and drive the vehicle by 12/31 to take the credit in 2023. The new rules are more complicated and not all purchasers will receive credits. I recommend a tax projection appointment before purchasing to understand the amount of your potential credit. DO NOT take the tax credit in advance from the car dealership until you have spoken to me first. There are many traps here. There are also a few tricks that can maximize the credit.
- 5) 2023... teacher deduction is \$300 for classroom supplies. You need to actually spend the money and keep receipts. PA and Local allow even more to be deducted.
- 6) 2023... PA Property Tax/rent rebate has been expanded to allow more taxpayers to qualify. The new income threshold is \$10k higher and renters will have an easier time qualifying. If you are age 65 or over, pay special attention to this item on my yes/no questionnaire. Maybe this is the year you can get up to \$1k of a rebate!

- 7) RMD age changes again... Required minimum distributions age increases from age 72 to age 73 for those turning age 72 in 2023. This results in no taxpayers starting RMDs in 2023.
- 8) If you are at least age 70½ and taking RMDs from an IRA... consider doing a direct transfer from your IRA to a charity that you usually write checks to. This reduces your gross income, satisfies RMD requirements and effectively allows a charity deduction even if you don't itemize. This is referred to as a "Qualified Charity Distribution" when you contact your IRA financial institution.
- 9) New... Retired public safety officers (police, fire, EMS) receiving government pensions can exclude up to \$3k of funds used to pay health insurance/Medicare. The direct payment rule no longer applies.
- 10) Consider contributing to a 529 Plan for college savings by 12/31 to utilize a PA tax deduction. Tax deductions are allowed for out-of-state 529 Plans too. Set up with parent as custodian (better yet... grandparent, uncle, etc.) and child as beneficiary to maximize financial aid.
- 11) Certain 18-23 year old dependent children must pay taxes on a portion of their investment income at the higher estate and trust tax rates. To avoid this... consider tax-free 529 Plan investments or holding the investments in the name of a trusted adult in a lower tax bracket. Achieve transfers via the \$17k annual gifting rules.
- 12) Consider delaying year-end bonuses until January to delay income tax consequences for 12 months.
- 13) Home equity loans... contact me before borrowing from home equity loans to learn if your circumstances allow a tax deduction.
- 14) If you did use itemized deductions the prior year... Clean out your closets and garage before 12/31. Contribute items in at least "good" condition to a *qualified charity* by 12/31 and ask for a receipt. Some will still qualify for this deduction.
- 15) If you did use itemized deductions the prior year... if applicable, mail your 4th quarter PA and Local estimated tax payments early (by 12/31) to deduct this tax year IF YOU HAVE TOTAL TAX PAYMENTS UNDER \$10K (STATE, LOCAL, PROPERTY).
- 16) If you did use itemized deductions the prior year... Deduct excessive medical expenses paid by 12/31 for yourself and your dependents... but sometimes also allowed for elderly family members, domestic partners, and children even if they are not claimed as your dependent on your tax return.
- 17) If you did use itemized deductions the prior year... certain taxpayers can deduct SALES TAX PAID. You have the choice to deduct either state & local income taxes paid OR sales tax paid. Most working taxpayers will benefit from deducting state & local income taxes. However, the sales tax deduction may benefit retirees and/or taxpayers with multiple vehicle or boat purchases.
- 18) Consider maxing out your Health Savings Account (HSA) on your own. Payroll deductions and employer matches don't always take you to your maximum allowed contribution. You can make extra contributions by 04/15th to achieve your maximum.

- 19) Consider contributing to a traditional IRA by April 15th. Email for qualifying details.
- 20) Consider funding a Roth IRA by April 15th which provides tax-free earnings. Email for details.
- 21) Consider converting funds from a traditional IRA and certain pensions to a Roth IRA by 12/31. The conversion is a taxable event. Future investment earnings will be tax-free if you follow the Roth IRA rules. Email for details.
- 22) Avoid or minimize penalties on early withdrawals from IRA's, pensions, and annuities. Email me before moving funds. New... many new early withdrawal penalty exceptions.
- 23) Take advantage of pre-tax reimbursement accounts (medical, dental, dependent care, education, etc.) at your place of employment. Amounts paid for each type of expenditure reduce your W-2 earnings.
- 24) Take advantage of employer sponsored retirement plans with pre-tax employee contributions and matching employer contributions. Employee and employer contributions are tax deferred.
- 25) Consider shifting income to a child in a lower tax bracket by gifting income-producing assets (including S corporation stock). A dependent child can earn up to \$1,250 of investment income tax-free for Federal tax purposes.
- 26) Investments including real estate:
 - a. Never make investment decisions based solely on tax savings.
 - b. Consider selling virtually worthless investments by 12/31. You deduct the loss the year you actually sell or the year that the investment becomes unsellable.
 - c. Hold investments more than 1 year to take advantage of the lower capital gains tax rates.
 - d. Consider selling capital loss investments by 12/31 to offset other capital gains and to offset up to \$3,000 of ordinary income such as wages.
 - e. Consider delaying mutual fund purchases until January to avoid taxable year-end reinvested dividends.
 - f. Taxpayers in higher tax brackets should consider tax-free investments such as muni bonds.
 - g. Consider contributing appreciated stock held more than 1 year to a qualified charity by 12/31. You will pay zero tax on the capital gains and receive your full charity deduction. Applies to publicly held stock.
 - h. Consider 1031 exchanges for the sale of real estate rentals in order to defer capital gains.

Your Referrals Are Greatly Appreciated!

Thank you again for referring family, friends and co-workers during this past year. We are accepting a limited number of new personal & business clients, but most will need to contact us in the off-season (May-November) to come aboard as a new client.

Business Tax-Saving Tips

- 1) **Critical update.** The Corporate Transparency Act rule... Our federal government is requiring most small business corporations and LLCs to **register by 12/31/24**. New 2024 businesses must comply even sooner; within 90 days of formation. The registration includes uploading driver's licenses or passports for most owners. The non-compliance **penalty is \$500 per day or 2 years in prison (felony charges)**. Info changes need to be reported within 30 days and include expiring/renewed ID's and address changes. Thank your DC politicians for this massive overreach into the lives of small business owners. Corps with sales over \$5 million and at least 20 employees are exempt. They are targeting the smaller businesses. Please spread the word to your small business friends. This is not a filing service that we will offer due to the ridiculous penalties for getting it wrong. Many attorneys will not file this for the same reason. But online vendors will pop up specializing in this filing service. Beware of scammers asking for your driver's license/passport in order to file for you. You can also do this filing yourself, but wait until late 2024 after the bugs are worked out. Flag your calendar now.
- 2) Refer to my "50 Tax Breaks & Strategies for Your Small Business". Email if you need a copy.
- 3) New for 2024... form 8300 must be filed electronically within 15 days if your business receives more than \$10k in cash from a customer.
- 4) 2023... The 100% restaurant meal deduction has expired. Business meal deductions return to their prior status of only 50% deductible.
- 5) 2023... Expanded pension start-up credits for small business. Receive credits up to 100% of pension start-up and administrative costs for 3 years. Receive credits for certain matching contributions.
- 6) Purchase tax deductible equipment, computers, etc. on or before 12/31 by utilizing a bank loan, lease, or bank credit card. In most cases you can deduct the entire cost of the property even before your first monthly payment.
- 7) Contribute to a business retirement plan as late as your tax return due date (including extensions). It is very easy to establish a variety of tax-deductible, tax-deferred retirement plans.
- 8) Business owners can contribute significantly more to a Roth IRA. Email for details.
- 9) Proprietorships & LLC's... hire your children under age 18 by 12/31 to convert fully taxable business income into tax-free income. Email for more details and requirements.
- 10) Proprietorships & LLC's... hire your spouse in order to deduct 100% of your family's significant medical expenses as a business deduction. Email for more details and requirements.
- 11) S Corporations – minimizing shareholder wages saves FICA tax. However, future social

security benefits may be reduced since the shareholder pays less into the social security system. I recommend that you visit www.ssa.gov in order to approximate your monthly social security benefit upon retirement. Generally, your tax savings are significantly greater than the related reduction in social security benefits. Our general policy is to minimize your social security tax due. Please notify me if you would rather use a different strategy and pay more social security tax in.

12) Cash basis clients - Pay and mail as many bills as possible by 12/31 to deduct in 2023.

13) Year-End Billing Practices Cash basis clients should consider delaying year-end billings so that payments will not be received until after 12/31. Accrual basis clients should consider delaying invoicing until after 12/31.

Year-End “To-Do” Reminders for Business & Rental Clients

- ❑ Record year-end odometer mileage on 2023 mileage logs. Record beginning odometer mileage on 2024 logs. Consider using mileage smart phone apps such as “Mile IQ”.
- ❑ If you have a significant inventory of unsold merchandise... perform a year-end inventory count of unsold merchandise at 12/31 and record total cost.
- ❑ Quickbooks users: Enter dates carefully for January 2024... use the correct year. The program continues to use the date of the last transaction you posted. Be cautious after inputting prior year entries.
- ❑ 1099 forms... please contact me in early January if 1099’s apply to you. Business owners are required to issue 1099’s for payments for services/rents to an individual or partnership/LLC exceeding \$600 for all of 2023. (NOTE: not needed for corporations other than medical & legal service corps). I suggest that you have your subcontractors complete their ID #'s, etc. on a W-9 form available at www.irs.gov. Retain W-9 forms, insurance certificates, as well as copies of business cards & print advertising to prove subcontractor is in business.
- ❑ Employers... New W-4's are only necessary for employees who wish to change their Federal withholding. Notify our office of employee address changes asap.
- ❑ Employers... PA minimum wage is unchanged at \$7.25/hr for 2024. However this wage has become irrelevant as you know. You can’t find employees to work for \$7.25.
- ❑ Employers... the 2024 \$52 LST (formerly known as EMST and OPT) must be withheld at only \$1/week. The exception is Harrisburg City work locations... \$3 per week for \$156 grand total. If our firm prepares your payroll, we do this for you automatically.
- ❑ Call the PA sales tax hotline at 787-1064 to ask if there are 2024 sales tax changes for your industry.
- ❑ Sole proprietors should consider the tax advantages of converting to an S corp/LLC.
- ❑ Partnerships and multi-member LLC out-of-pocket expenses... Verify your partnership/LLC agreement includes a clause that lists the agreed-upon expenses that each partner/member will be paying out of their own pocket without reimbursement (mileage, home office, etc.).

The last item on the list should be "any other expense mutually agreed upon by all partners/members". If you don't have this clause, then add an "Addendum page" and have all owners sign. You should hire an attorney to prepare this Addendum.

- ❑ Corps... submit expense reports to the corporation for reimbursement of your 2023 out-of-pocket expenses... this applies to health insurance too. You can use Petty Cash Logs from my web site. If possible, reimburse by 12/31.
- ❑ It is very important to pay business expenses out of the business bank account and pay personal expenses out of the personal account.

Thank you for your continued business.

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