

# TAX TALK

Summer 2023



**Accurate Tax  
& Accounting Ltd.**

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## Dear Client:

Another tax season has come and gone and again we want to thank each of you for allowing us to prepare your tax returns. We work hard to earn and maintain your trust and confidence.

We want to help you make good decisions throughout the year and be prepared for tax time. All too often taxpayers wait until after the end of the year to worry about their taxes and miss opportunities that could reduce their tax liability. Tax returns are due only once a year, but the decisions you make during the year ultimately affect your bottom line of your tax return. Feel free to call with any questions as they arise. Take note of our “off season” days and hours below.

And now, our very best wishes to each of you for a healthy, happy and relaxing summer. May you have an opportunity to spend some time away from your normal activities to enjoy the warm weather to come.



## WE WILL BE CLOSED THE WEEK OF JULY 4TH

### And the Winners are...

As our way of saying thanks, Accurate Tax held a “Customer Appreciation Drawing” on April 18th.

We appreciate each and every one of our clients. Congratulations to the following winners:



Free 2023 Tax Preparation  
(up to \$250)

**Todd/Kathy Weberg**

\$50 Visa Gift Card  
**Dan/Heather Banks**

\$50 Menards Gift Card  
**Lance/Lianne Rabehl**

**ALL current clients and those on extension, were automatically entered.**

**Those who didn't win – there's always next year!**

## CREDITS vs. DEDUCTIONS

Our newsletters often refer to “deductions and credits”. Everyone should know the difference between refundable credits, non-refundable credits and deductions. What are the differences? How does it affect your tax return?

**Deductions** reduce your taxable income. Your taxable income is calculated by including all income first. Deductions are then subtracted from your income and that amount determines the amount of tax you pay. Actual tax savings depends on your tax bracket. If you are in the 12% tax bracket, for every \$100 of deductions you would save \$12.00 of tax. Examples of deductions is standard or itemized deductions, deductible IRAs, HSAs, and teacher supplies.

Deductions can be more valuable to taxpayers whose income falls in the 32% or higher brackets.

**Credits** reduce the amount of tax you actually pay. Once you arrive at your tax, non-refundable credits are then subtracted. Credits reduce your tax - dollar for dollar. If your tax was \$3200 and your credits are \$400, the actual tax would be \$2800. These credits can reduce your tax to “0”. Examples are: Child Tax Credit, Dependent Care Credit and Education Credit. **Refundable credits** are credits that are considered tax payments - much like withholding from wages. You can actually receive a refund even when you have no withholding. The Earned Income Credit, Additional Child Tax Credit, and \$1,000 of the American Opportunity Credit are the most well known refundable credits.

Credits can be valuable to lower income taxpayers. Credits reduce a larger portion of the tax owed.



**Our Non-Tax  
Season Hours**

**10:00 am to 4:00 pm  
Tuesday - Thursday**

**Other Hours Are Also  
Available by Appointment**



## ESTATE AND GIFT TAX EXCLUSION PORTABILITY

An act of Congress made permanent the concept of estate and gift tax exclusion portability. Portability means that spouses, under certain circumstances, can share their unused \$12.92 million estate and gift tax exclusion with each other. This portability allows spouses to effectively use a combined \$25.84 million exclusion. Portability allows a surviving spouse to elect to use any exclusion unused by his/her last deceased spouse in addition to his/her own \$12.92 million exclusion.

It is important to note that portability is only available if an election is made on the deceased spouse's estate tax return. Also, portability is not available for the Generation Skipping Tax (GST) exemption. Further, in the event of a remarriage and subsequent death of the new spouse, the surviving spouse will no longer have access to the unused estate tax exclusion of the first deceased spouse. To elect portability after the first spouse dies, contact your attorney to see if portability is right for you.



## ESTATE PLANNING CONSIDERATION

Both Wisconsin and Illinois allow you to transfer an interest in real estate avoiding probate to a designated TOD (Transfer On Death) beneficiary of a sole owner or the last to die of multiple owners. A TOD must be designated on a deed by including the words "Transfer on Death" or the abbreviation "TOD" after the name of the owner(s) of the property and before the names of the beneficiary(s).

The designation of a TOD beneficiary on a deed does not affect ownership of the property until the owner(s) death. A TOD beneficiary has no interest in the property during the life of the property owner(s). The actual transfer does not occur until death. The designation may be canceled or changed at any time by the owner(s) without the consent of the beneficiary.

A TOD beneficiary designation is not effective unless the TOD designation is recorded with the Register of Deeds. The designation may be on an original deed that passes the property interest or may be made at a later time by executing and recording another deed.

All other accounts such as brokerage, bank accounts, IRAs, annuities, etc. should always have a designated beneficiary. Anything that can't be designated would be covered in a will. Any questions should be referred to an attorney.



## TIPS ON TIPS

If you wait tables, bus tables, park cars, tend bar, deliver food, or are a hairdresser, nail technician, massage therapist etc. and you received \$20 or more in tips in any one month—you must report all your tips to your employer. This includes cash tips, charge card tips, and any tips you get from other employees, minus what you "tip out" or share with colleagues.

There is an ongoing myth that employees only have to report only a certain percentage of their total sales as tips. This rule is a requirement placed on the employer—not the employee. The IRS requires that the employer determine whether the employees have reported enough tips of the establishment's gross sales subject to tipping. This rule really applies to large food and beverage establishments. According to the IRS, keeping records of your tip income is critical. **ALL** tips should be reported to your employer.



## CHILDREN OVER THE AGE OF 18? THINGS TO CONSIDER.....

Once your child turns 18 years old, you lose the ability to make decisions for them or even to find out basic information. You cannot even see your college student's grades without permission. Most parents find they can no longer access many things they normally could.



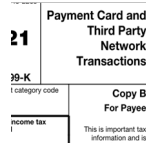
When your child leaves for college or reaches age 18, you may want your child to consider:

- A HIPAA authorization for you to discuss their medical situations or healthcare POA.
- A Financial POA

In general, a power of attorney (POA) is a document authorizing an individual to make decisions on behalf of another person while they are still living, but unable to make decisions for themselves. Because life is unpredictable, it is recommended that anyone over the age 18 should have a power of attorney. Once you become a legal adult, no one is legally allowed to make decisions on your behalf.

Without the above legal documents, you are limited to what doctors can tell you, and who can make decisions for them if they are unable.

Even Accurate Tax is required to have a signed form (Consent to Release form) for any child/adult over the age of 18 (who is not a dependent) that allows us to release a tax return to you or anyone other than the child/adult themselves.



## 1099-K RULES BEGIN

Unless Congress acts to thwart the changes, third party settlement networks, such as PayPal, Square, Venmo and eBay, must send Form 1099-K to payees who are paid over \$600 a year for goods or services. The rules were to take effect for filings in 2022, but IRS delayed the changes. So what's the big deal? Who will get one and why?

Taxpayers will receive a 1099-K and will need to figure out how to report the amounts on their returns. Say you sell a washing machine on Marketplace for \$800, and you paid \$1500 for it. It was paid to you through Venmo. Venmo will issue a 1099-K reporting the \$800 sales price. Even though you made no profit, do not ignore the form. It must appear somewhere on your return to show there was no profit.

The 1099-K reports only the gross amounts of payments. It does not account for offsets, such as fees, refunds, or chargebacks. Be sure you keep good records of any expenses you pay. These rules only apply to the sale of goods and services so, for example, you purchase tickets for two of your friends and they use Venmo to reimburse you, Venmo should not issue a 1099-K.

Alimony is no longer deductible to the paying spouse and no longer taxable to the receiving spouse for divorce decrees and separation agreements AS OF January 1, 2019. This rule is set to expire on 12/31/25.

Do you own any U.S. Savings Bonds? Make sure that you cash any bonds that were issued in 1993 or earlier by December 31, 2023. These bonds have reached final maturity and all accrued interest must be reported on your 2023 income tax return.

The annual gift exclusion for 2023 increased to \$17,000 per person. If your gifts exceed the annual amount, you are required to file a gift tax return.

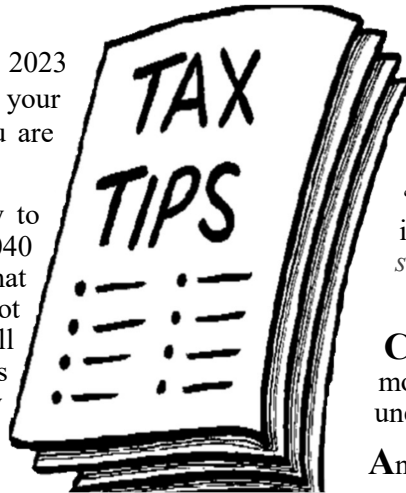
Did you unexpectedly owe money to the IRS when you filed your 2022 1040 - or was your refund smaller than what you otherwise expected? You're not alone. Covid tax benefits have all expired, and the re-vamped W-4 has reduced your withholding to allow more money in your paycheck and less at tax time.

If you have changed your name because of marriage, divorce, etc., be sure to report the name change to the Social Security Administration. Visit [ssa.gov/ssnumber](http://ssa.gov/ssnumber) and select "personal record" for details on what documentation is needed and how to apply for a replacement card. Names shown on tax returns must match social security records. If no match, it could delay your refund.

**2023** Contribution limits for 401(k), 403(b), and 457 plans increased to \$22,500 with an additional "catch up" contribution of \$7,500 if you are age 50 or over. Limits on Simple Plans increased to \$15,500 with an additional \$3,500 if you are age 50 or over. IRA and ROTH limits inched up to \$6,500 with a "catch up" contribution of an additional \$1,000 if you are age 50 or over.

Do you have a financial interest in or signature authority over a financial account LOCATED OUTSIDE of the US? These include (but not limited to) bank accounts, securities, brokerage, commodities, options, insurance policy or annuities with cash value and also offshore online gambling companies. If the value is over \$10,000 (at any point during the year) you are required to file a FinCEN Form 114 (FBAR) online. Failure to file incurs HUGE penalties.

If you move or change your phone number or email address in 2023, please let us know. You will then continue to receive this newsletter, your pre-scheduled appointment in late fall, and your appointment reminder.



My social security on the SSA website ([www.ssa.gov](http://www.ssa.gov)) can give you immediate access to important information and tools. You can receive personalized estimates of future benefits based on your real earnings, see your latest statement, and review your earnings history. You can even request a replacement Social Security card, or request a copy of your 1099 you lost. You can also check the status of an application from anywhere!

You may want to check your credit report. Once a year you can access all three reporting agencies. Access to your credit reports can help you with mistakes and allows you to look for anything that may look fraudulent. Be sure you are accessing the "official" website before entering any personal information. *This option does not include credit scores.*

[www.annualcreditreport.com](http://www.annualcreditreport.com)

Credit card insurance that pays your monthly bill if you become disabled or unemployed is taxable income.

Any "deals" you make with a credit card company where you don't pay your entire balance may be considered a "forgiveness of debt" and is taxable if no exception applies.



If you have reached age 70 1/2 this year, and give to charitable organizations, you may want to consider a Qualified Charitable Distribution (QCD) to lower your taxable income. Talk to your financial advisor or your IRA institution to see if it's right for you.



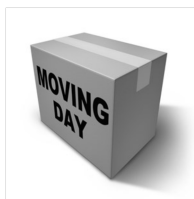
For tax years AFTER December 31, 2023, 2023 beneficiaries of 529 college savings accounts will be permitted to make up to \$35,000 of direct trustee-to-trustee rollovers from a 529 account to their Roth IRA without tax or penalty. The rules:

- The 529 account must have been open for more than 15 years;
- The rollover is limited to the amount contributed to the 529 account and it's earnings MORE THAN five years earlier;
- Rollovers are subject to the Roth IRA annual contribution limits, however, they are not limited based on the taxpayer's AGI (adjusted gross income).

The 2023 standard mileage rates increased to 65.5 cents per business mile and 22 cents per medical mile. Charitable remains at 14 cents.

### Are you a beneficiary of an IRA of someone that died after 2019?

The IRS has issued revised regulations recently changing the required minimum distribution (RMD) rules and you should contact your financial advisor.



## HOME ENERGY TAX CREDITS

Considering eco-saving upgrades to your home? You may qualify for one of two tax credits. Depending on the type of energy-efficient improvement that you ultimately decide to make to your residence. We'll start with the larger credit first.



**The Residential Clean Energy Property Credit** - for people who install an alternative energy system that relies on a renewable energy source, such as solar, wind, geothermal. Think solar panels, solar powered water heaters, geothermal heat pumps, wind turbines. The above three are credit eligible on your main home or your vacation home.

The credit equals 30% of the cost and installation for systems that you install in your home through 2032. Homeowners who install a renewable energy system sometimes qualify for a rebate. These rebates are not taxable, but they reduce the system's cost for figuring the credit. Say you put \$35,000 solar system in your home and get a \$1,000 rebate from your utility company. Your credit is based on \$34,000...not the \$35,000.



**The Energy Efficient Home Improvement Credit** - It's been around for years, but Congress has revamped it beginning in 2023. Homeowners get a 30% credit for the cost of certain types of improvements. The items must meet certain energy efficiency ratings, depending on the product. There is a \$1,200 general aggregate YEARLY limit. This new annual limit replaces the old \$500 lifetime cap. Even if you claimed the maximum credit on prior returns, you're still eligible for this credit through 2032.

Your specific type of home improvement may have a lower credit limit. Follow the chart below for the specifics. The IRS is currently looking at how to help the consumer determine whether the purchase qualifies for the credit. Look for more information later.

**For more information visit [Energystar.gov](https://energystar.gov)**

How can you maximize your tax credits? Given the way the annual aggregate limits are structured, it may be prudent to spread your improvements over a few years. It is suggested if your heating or cooling system is old, and you are considering a new furnace/air conditioner, it is always wise to optimize your attic insulation first, so you don't pay for more heating and cooling than you actually need. Making qualified upgrades together in one year would allow you a larger tax credit. But not all homeowners can financially afford to do more than one improvement. The maximum dollar amount that you need to spend to be eligible for the maximum credit is below.

PRODUCT TYPE	ANNUAL \$ AMOUNT	MAX CREDIT	NOTES
Biomass Stoves/Boilers	\$6,665	\$2,000	Biomass fuel includes agricultural crops and trees, wood and wood waste and residues (wood pellets), plants, grasses, residues and fibers.
Central / Split Systems Air Conditioners	\$2,000	\$600	Energy star certified equipment with SEER14 for northern states. Split systems - SEER2 with a rating of 16 or greater.
Electric Panel Upgrade	\$2,000	\$600	Any improvement to, or replacement of, a panelboard, sub-panelboard, branch circuits or feeders which: Has a load capacity of not less than 200 amps. <b>Is installed in conjunction with and enables the installation and use of any qualified energy efficiency improvements, or any qualified energy property</b> (heat pump water heater, heat pump, central air conditioner, water heater, furnace or hot water boiler, biomass stove or boiler).
Exterior Doors	\$1,665	\$500	Exterior doors must meet the Energy Star Certification.
Furnaces (Gas, Oil)	\$2,000	\$600	Energy star certified gas furnaces with AFUE $\geq$ 97% are eligible.
Heat Pump	\$6,665	\$2,000	Energy star label are eligible as well as mini-split systems.
Heat Pump Water Heaters	\$6,665	\$2,000	Only energy star certified heat pump water heaters are eligible.
Home Energy Audit	\$500	\$150	A home energy audit means an inspection and written report. Is conducted and prepared by a certified home auditor.
Hot Water Boilers (Gas, Propane, Oil)	\$2,000	\$600	Energy star certified gas boilers with AFUE $\geq$ 95% are eligible.
Insulation	\$4,000	\$1,200	Products that qualify are batts, rolls, blow-in fibers, rigid boards, expanding spray and pour-in-place.
Water Heaters (Gas)	\$2,000	\$600	Energy star certified models are eligible follows $\geq$ 0.81 UEF
Window & Skylights	\$2,000	\$600	Exterior windows or skylights must meet the Energy Star Certification.