

TAX TIME 2024

What's New for Filing 2023 Taxes?

Health Credits and H.S.A. Distributions

If you received health coverage through an exchange such as CoveredCA, we need their Form 1095-A in order to reconcile any available credits.

Although qualified distributions from health savings accounts are excluded from income, they must still be reported on your tax returns. Please be sure to provide us with Form 1099-SA for the year of the distribution.

Eat, Drink, and be Half Merry

Businesses can deduct only 50% of business meals. There is no federal deduction for business entertainment.

Report Your Vendors

Businesses must generally report payments for rent or services that aggregate \$600 or more. California businesses have only 20 days to report.

More Than Just Taxes

In addition to preparing tax returns, Gandrud Financial Services offers general bookkeeping, bill-paying, payroll, budgeting, debt-reduction, financial planning, QuickBooks setup, and business consulting services.

We welcome the opportunity to discuss how changes in tax laws impact you and how to minimize your tax liability.

Gregory Gandrud, Rikki Byers, Amy Kim, Carl Morgan and Armaven Pogosyan (our new owner and CEO) are all members of our professional tax team. Mary Ann Reyes is our Accounting Manager.



Mileage Rates Accelerate

For 2023, the standard business mileage rate rose to 65.5 cents/mile. The medical and moving rates rose to 22 cents/mile. The charitable rate stayed at 14 cents/mile.

Bonus Depreciation Drops

Under Federal law, businesses can deduct only 80% of the cost of certain assets or can claim a deduction under Section 179.

California Low-Income Credits Expanded

A California earned income credit of as much as \$3,529 is now available for wage earners or self-employed persons with three children and income as high as \$30,950. Smaller credits are available to persons without children. Families with children under age 6 can get an extra \$1,117 through the Young Child Tax Credit.

Gift Tax Exclusion

For 2023, the gift tax exclusion was \$17,000. Usually, taxpayers claim a portion of the unified tax credit on the gift tax return and pay no tax.

Energy Credits Expanded

The Inflation Reduction act increased the solar energy credit to 30% and, among other things, eliminated lifetime limits on credits for other energy efficiency improvements to your home.

Long-Term Gains & Dividends

The maximum long-term capital gains rate for higher-income people is 20%. These individuals can also face the 3.8% Medicare surtax on investment income, which can result in a maximum 23.8% Federal tax rate on long-term gains and dividends. It may make sense to gift appreciated stock rather than cash. Lower-income taxpayers may face a zero federal tax rate on long-term gains.

Checklist of Itemized Deductions

Please scan this partial list for overlooked deductions: Medical & dental costs which, in total, exceed 7.5% of Adjusted Gross Income including:

- Prescription Medicines
- Insulin
- Doctor and dentist fees
- Nursing fees
- Hospital expenses
- Dentures
- Eyeglasses
- Medical insurance premiums
- Weight loss programs
- State & local taxes (income OR sales)*
- Real estate taxes*
- Taxes paid for property held as investment*
- Personal property taxes*
- Home mortgage interest
- Points paid on the purchase of residence
- Estate tax on income of a decedent
- Gambling losses to the extent of winnings
- Investment interest
- Charitable contributions
- Impairment-related work expenses of a disabled person
- Casualty & theft losses only in a federal disaster area

*Limited to \$10k combined on federal returns

None of the following will be allowed for employees on federal returns but will be

allowed by California and some other state returns:

- Employment-related education
- Subscriptions to professional magazines
- Investment advice and management fees
- IRA or Keogh fees paid out of pocket
- Cost of looking for a new job
- Legal fees related to employment
- Employee's malpractice insurance premiums
- Medical exams required by employer
- Tools and supplies used in employee's work
- Hobby expenses to the extent of hobby income
- Convenience fees for paying income taxes
- Unrecovered investment in a retirement plan or annuity
- Tax return preparation fees
- Work clothes not suitable for normal wear
- Uniforms
- Dues to work-related professional societies
- Union dues
- Appraisal fees for casualty losses
- Appraisal fees for charitable contributions

Mandatory Health Insurance

California residents who are not exempt are required to be covered by health insurance. The penalty for non-compliance is the higher of either: a flat amount, based on the number of people in the tax household, or a percentage of the household income. Under the flat amount formula, the penalty is \$900 per adult and \$450 per child. Under the percentage formula, the penalty will be 2.5% of the amount of gross income that exceeds the filing threshold requirements based on the tax filing status and number of dependents.

Retirement Distributions

The SECURE Act allows individuals to avoid tapping into their tax-deferred retirement account savings by increasing the age for beginning required minimum distributions from a defined contribution plan or IRA to 72 (from 70 1/2 under prior law). It also allows a person of any age to contribute to a traditional IRA. Penalty-free withdrawals can be made for birth or adoption. The annual \$100k limit on Qualified Charitable Distributions will be reduced by prior-year QCD distributions. Amounts in IRA or defined contribution plans generally must be distributed annually after the death of the holder or participant over a 10 year period unless the beneficiary is within 10 years of the holder's age, an individual with special needs, a minor, or the holder's spouse (in those cases the 10-year rule would apply after the beneficiary dies or, if the beneficiary is a minor or reaches the age of majority).

California Renter's Credit

California provides up to \$120 credit for people earning less than \$101,492 (\$60 for singles earning less than \$50,746).

Looking Ahead

The business mileage rate in 2024 will increase to 67 cents/mile but medical & moving rates decrease to 21 cents. Charitable mileage remains at 14 cents. The gift tax exclusion increases to \$18,000. Bonus depreciation drops to 60%.

Our fax number is 805-684-0411

*This newsletter is intended to provide generalized information that is appropriate in certain situations. It is not intended or written to be used, and it cannot be used by the recipient, for the purpose of avoiding federal tax penalties that may be imposed on any taxpayer. The contents of this newsletter should not be acted upon without specific professional guidance. Please contact us if you have questions. We maintain \$5,000 surety bond #106823056 issued by Travelers Casualty and Surety Co. and #100723625 issued by American Contractors Indemnity Co. www.CTEC.org ID#A009002
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