

Hello fellow taxpayers,

January 10, 2024

Happy New Year to all of you!

The IRS will be open for business on 1/29/2024.

The IRS has adjusted the tax brackets for 2024 to reflect inflation. They will bump up each tax bracket by 5.4%. You can look at your last year's tax return and see what tax bracket you were in. Email me if you want to see the tax brackets as they currently apply to tax-payers and I will send you a printout.

For the working people: That bump will increase your paycheck with respect to income tax withholdings, but at the end of the year, it's probably a wash, or worse, since other taxes are creeping up: The threshold for social security taxes/medicare taxes is increasing from \$160,200 to \$168,600 (a 5.2% increase). **And of course, nobody talks about inflation and how much your current one dollar is worth compared to a year or two or three years ago.**

CALIFORNIA Tax Change:

California funds the state's disability insurance program through a payroll tax of 1.1% on wages. For 2023 that wage limit was \$153,164. However, starting January 1, 2024 the wage ceiling was eliminated. This means that the state's top marginal individual income tax rate on wage income will become 14.4 percent. In short, if you make \$250,000 as a W-2 employee, that particular tax will go to \$2,750, whereas it would have been capped at \$1,685 without the new tax law.

FOR my OUT OF STATE tax clients (who are all ex-patriots from Sonoma County), I will provide you with some additional updates based on your state. I am honored that you still appreciate my service and have me do your tax returns and I am now representing tax clients in the following states: Alaska, Nevada, Washington and Texas with NO state income taxes and Arizona, Alabama, Pennsylvania, Tennessee, Idaho, Indiana, Colorado, Hawaii, North Carolina, Oregon, New Hampshire, New York with either state taxes or partial state taxes. **When I started my tax practice in 1996, I never fathomed that my local Sonoma County tax clients would spread out that much. I guess elections have consequences or it could be the grandkids, rarely the weather.**

Tax season is prime time for phone scams and email scams. Keep in mind that:

- The IRS will never call to demand immediate payment using specific payment methods.
- The IRS will never threaten to immediately bring in local police or have taxpayer arrested for not paying.
- The IRS will never call unexpectedly about a tax refund.
- The IRS will not come to your door unannounced. They contact taxpayers through an appointment letter, known as a 725-B letter and schedule an appointment.

Some of the new scams that are reported as of 11/2023:

- Scam Mailings involving a mailing coming in a cardboard envelope from a delivery service. The mailing will have the IRS logo, a contact info and phone number (fake) and a wording such as: “in relation to your unclaimed funds”.
- There are still pandemic related themes out there in form of phishing scams where the initiators want to steal your data.
- Scams that promoters claim that they can settle for “pennies on the dollar” or that there is a limited window to settle prior year(s) tax liabilities through Offer in Compromise (OIC) programs. The IRS released IRS “Dirty Dozen” list warns people to watch out for OIC “mills”.
- Scammers are also out to steal your data to claim fraudulent unemployment benefits.
- Fraudsters posing to be from the Taxpayer Advocacy Panel send out emails about a tax refund. These are phishing scams. NEVER click on a link.

If you get such a call, hang up immediately. You may report the call to TIGTA (Treasury Inspector General for Tax Administration) using the IRS Impersonation Scam Reporting form or by calling 800-366-4484. You can also go to phishing@irs.gov and put IRS Phone Scam in subject line. You can also go on the official IRS website for more information: [IRS.gov/newsroom/tax-scamsconsumer-alerts](https://www.irs.gov/newsroom/tax-scamsconsumer-alerts).

The IRS reports on their website that in FY2023, it initiated more than 2,676 criminal investigations, identified over \$37.1 billion from tax and financial crimes, and obtained an 88.4% conviction rate on cases accepted for prosecution. Number of Criminal investigation and dollar amounts are up from 2022, but conviction rate is down.

1099-K for PayPal, Venmo and other third-party network pay systems

The reporting requirement for the above pay systems has been delayed for another year and 1099s will not be required to be issued. The IRS continues to look into how best to move forward with this project. **If you have a business, keep track of the payments that are non-business so that you can deduct those from income. In an audit situation you will be asked to show proof of non-taxable income.**



How to avoid paper audits:

Most audits are letter audits, with the IRS questioning missing income or over-reported estimated payments. It is very important that you provide all the forms 1099 information that you receive. This is one area where the IRS gets copies and will match up what is reported. Discrepancies such as missing dividends, or stock sales will result in getting such a letter. With more companies asking you to sign up for paperless statements, the burden is on you to print out those year-end statements. I will do my best to compare

current-year information to the prior year to avoid missing potential income, but I cannot know if you have new accounts. Keep a checklist in your tax folder to print out those documents.

Itemized deductions

No changes to prior-year rules. If you are not sure whether you can or cannot itemize, bring along all the paperwork that will help determine that outcome.

Standard deductions, exemptions, and other changes

The standard deduction will be increased to \$29,200 for MFJ or \$14,600 for Singles. Taxpayers 65 and older will get an additional \$1,400 added to their base deduction.

Energy Related Tax Credits

The IRS allows energy tax credits for both energy improvements to one's primary residence and/or for new clean vehicles purchased in 2023 or after. You need to provide the vehicle's VIN. The tax credits are based on the cost of the asset and the credit will reduce your current year's tax liability and if not used up you can carry forward the credit to the next tax years, until used up. It is not a refundable credit (no tax liability, no credit). **Call me if you want me to look at any scenario, prior to your signing on the dotted line. Keep in mind that the sales rep is looking out for number one first, and that is the sales rep.**

Amended Returns

Amended returns will take up to 3 weeks to be in IRS's system (maybe a bit faster if electronically filed). Processing can take up to 16 weeks. To check on an amended return: go to IRS.gov website and look for "Check your Amended Return Status". You will need your social security number, date of birth and zip code to search.

Medical Expenses

Unchanged at 10% of adjusted gross income.

Medicare Premium Deductions:

Medicare Part B deductions: lowest monthly deduction is \$174.70, the highest is \$594. The premiums are means tested and they use the modified adjusted income as reported on your IRS tax return. For the charges in 2024, Medicare refers to the filed tax return of 2022.

Estate Tax Exemption:

Beneficiaries will be able to exclude \$13.6 Million of the decedent's estate.

401 k Contribution Limits for 2024, RMDs and Charitable Contributions:

Contribution limit is \$23,000 for taxpayers under age 50. Catch up provision is for an additional \$7,500 if you are over age 50. These limits pertain also to government deferred compensation plans, such as 457's, etc.

Required minimum distributions (RMDs) must be withdrawn from your retirement account each year once you reach age 73. That means the RMD must start being withdrawn no later than April 1 following the year you reach that age. If you turn 72 in 2023, you won't have to take an RMD until 2024 tax year (when you turn 73), which will be due by April 1, 2025. Check with your financial advisor to make sure they provide you with the necessary set up for monthly or annual distribution and tax withholdings.

Charitable Contributions of your RMD's can be made directly through your investment advisor. Please note that this does not apply to inherited IRAs.

IRA Contribution Limits for 2024:

Limits are \$7,000 if under age 50 and \$8,000 if over age 50. Keep in mind that you can fund your IRA or SEP IRA until April 15, 2024. The age limitation for making contributions has been eliminated in 2021 and will be only subject to the IRA contribution rules (e.g. earned income). Earned income is considered income from W-2 or self-employment income rather than income from pension, social security or rental income.

IRA contributions have phase-out provisions based on the taxpayers' income ranges and whether they are covered by a workplace retirement plan. Please note that if your employer offers a retirement plan and you do not use it, you will not automatically be eligible for an IRA.

Roth IRA conversions and/or contributions: call me.

What documents do you need to collect and provide to me?

- W-2
- 1099 form for interest and dividends, capital gains and non-employee income. **With many people going paperless, it is especially important that you download the respective tax forms, so that you do not forget to include taxable income. Don't sign up for paperless if you have the choice.**
- 1098 form for mortgage interest
- Social Security Statement
- Property tax statements

- 1095-A Health Insurance Market Place Statement for IRS and State. If you are enrolled in Covered CA, with or without subsidies, tax returns cannot be efiled without that information.
- Summary of medical expenses if you can itemize: That would include de premiums paid, out of pocket expenses, nursing facility costs, medical equipment, glasses, etc. If not sure what counts, bring it along.
- Profit and loss statements for your business, such as Schedule C, Schedule E (Rental), Schedule F (Farming)
- NEW TAX CLIENTS ONLY: bring a copy of your previous tax return.

Forms 1099s, 1098s that you need to issue

If you want me to prepare 1099s for misc. income or 1099NEC for independent contractors you paid for, 1098's for interest you paid to a private mortgage holder, please provide me with the following information:

Name, Address and Social Security or Tax Id number of the payee and the Amount paid.

Property address for mortgage interest and year-end principal balance.

I will be able to get those prepared and filed for you by January 31st, 2024. **The IRS might impose penalties for filing these reports late. So please email me the relevant information as soon as possible.**

How to get the information to me:

- Mail to: Just Taxes, 136 Vinecrest Circle, Windsor, CA 95492.
- Electronically: I encourage you to use my link to Dropbox.com to upload your documents securely. If you do not yet have a link from a prior year, please request one. You don't have to purchase the program.
- If you have your own program to securely send me your documents, please provide me with the necessary link.
- Drop off at the secured lockbox by my front door.
- Make an in-person appointment. Day, evening, weekend appointments available, to fit your schedule.
- For some of my older clients who no longer drive and would like a pick-up at their place, I could arrange such an option.

As always, if you have any questions, please call or email me.

REFERRAL Fees:

I am accepting new clients. Have your friends/family/co-workers pay for your return by referring them to me. Referral fee is up to \$50 for every referral that becomes a new client in 2024.

I am looking forward to seeing or hearing from you this upcoming tax season.

Doris Kanewski

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