VERITAS tax solutions

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TAX SEASON HOURS
Beginning January 22
Monday – Friday
9AM-6PM
Beginning February 3
Open Saturdays
10AM-2PM

Celebrations & Gratitude

ALL TAXPAYERS

As 2023 comes to a close, it is a good time to celebrate a year of major accomplishments here at Veritas Tax Solutions. We have successfully integrated our new, more powerful, tax software that has enabled us to prepare more accurate returns and provide better service to our clients. This is not to say there weren't some pain points along the way, but the wins far outweighed the inconveniences. With this new tax software we have been able to provide more accurate projections; and we were even able to claim a couple of wins against erroneous IRS letters!

Part of our efforts toward continued improvement include adding more preparers, streamlining procedures/paperwork, and incorporating Intuit's LINK communication portal where you can provide documents and communicate with your preparer directly. We encourage everyone who is comfortable with computers and digital communications to request an invitation (if you have not already done so) as we continue to find even more reasons to like this tool.

It is with deep gratitude to you, our clients, both long-term and new, for your loyalty and patience as we navigated through COVID, multiple tax law changes, staffing shortages, and new software. We look forward to a (mostly) enjoyable tax season in 2024.

First Quarter 2024 Interest Rates Unchanged

The IRS will not be changing its interest rates for the first quarter of 2024, which begins January 1. According to the IRS's announcement, those rates include the following:

- 8% for overpayments, 7% for corporations
- 5.5% for the portion of a corporate overpayment exceeding $10,000
- 8% for underpayments
- 10% for large corporate underpayments

IRS Delays Form 1099-K Threshold Change (Again)

The IRS has delayed implementation of the $600 Form 1099-K reporting threshold required under the American Rescue Plan Act (ARPA). For 2023, the $20,000/200 transactions limit will still apply. Then in 2024 the IRS is suggesting a $5,000 filing threshold, with an ultimate goal of eventually lowering it to the $600 threshold at some point in the future.

This is the reporting requirement that affects all taxpayers receiving payments electronically through Venmo, PayPal, and other payment platforms.

Understanding Taxation of Social Security Benefits

Social Security was first taxed back in 1984 and this often surprises taxpayers when they start receiving benefits. The rules of taxation apply to all recipients, regardless of their age; however, there are additional rules to comply with if you take benefits prior to reaching your full retirement age.

Rules of Taxation

What is considered combined income for calculating the taxability of my social security?

1. One half of Social Security benefits
2. All earned income from employment or self-employment
3. Interest
4. Ordinary dividends
5. Taxable IRA distributions
6. Taxable portion of pensions
7. Capital Gains
8. Profit from Rentals
9. Profit from Businesses for which you receive a K-1

In other words, pretty much all income reported on your tax return, reduced by the items below.

1. Education expenses (subject to $300 limit)
2. Deductible HSA Contributions (not including employer contributions)
3. Self-employed SEP plans
4. Self-employed health insurance
5. IRA deduction
6. Student loan interest
7. Deductible alimony

Add items 1 -9 in the first column and subtract items 1-7 in the second column to get the amount of your combined income.

Check the amount in the table below to see how much of your social security is taxable.

NOTE: There is never an age when Social Security is not taxable by the IRS; however, most states, including Idaho, do not tax Social Security.

	< $25,000	**$25,001 - $34,000**	**Over $34,000**
Filing Single	Not taxable	Up to 50% taxable	85% taxable
	< $32,000	**$32,001 - $44,000**	**Over $44,000**
Filing MFJ	Not taxable	Up to 50% taxable	85% taxable

Early Social Security Retirement Rules

Social Security benefits can be taken as early as age 62 and the amount received will be less than full retirement benefits. Each person must evaluate whether the lower amount over a longer period is better than waiting for full retirement age – or even waiting until age 70.

Another thing to consider is whether you plan to work while receiving benefits as your benefits could be reduced. If you are under full retirement age for the entire year, SSA deducts $1 from your benefit payments for every $2 you earn above the annual limit. For 2023, that limit is $21,240. If earnings are considerably over the annual limit, it may not be worth it to take early social security.

Special calculations are used in the first year of early retirement and in the year a person reaches full retirement age. For further information, and to calculate estimated earnings while working, visit: https://www.ssa.gov/OACT/COLA/RTeffect.html

Disclaimer: The information presented here is not intended to be an exhaustive report on social security taxability. If you have further questions, please contact our office at 208-377-4303 to schedule a consultation.

Last Minute Tax Strategies

ALL TAXPAYERS

While you have until the tax filing deadline of April 15, 2024, to contribute to an IRA for the current year, you must make your final contributions to most workplace retirement plans, such as a 401(k) or 403(b) by December 31, 2023. You can contribute up to $22,500 in total combined traditional and Roth contributions. If you're 50 or over, you can make additional catch-up contributions of $7,500. If you choose to make traditional contributions, they will reduce your taxable income dollar for dollar.

And don't forget about health savings accounts (HSAs) if you have a high-deductible health plan. While you also have until the April tax filing deadline to contribute, you can put away up to $3,850 for self-only coverage and $7,750 for family coverage. Contributions can help to lower your taxable income, and distributions are tax-free if they are used for qualified medical expenses. HSA assets are also not subject to the "use it or lose it" rule. Unused funds may be used to pay for future qualified medical expenses.

Take Capital Losses

If you lose money on a capital investment, such as a stock, you can use that loss to reduce your taxes. But you'll have to sell the stock at a loss first, a process known as "realizing" a loss.

- Once you realize a loss, you can use it to offset any realized capital gains you may have.
- If you have more capital losses than gains, the IRS allows you to use up to $3,000 of excess loss to offset your ordinary taxable income.

The IRS will disallow your loss for tax purposes in the case of a "wash sale." A wash sale occurs if you buy back the same investment or one that is near identical within 30 days before or after taking a tax loss.

Coupled with the offset of your capital gains, taking capital losses can wipe out a significant amount of your tax liability.

Are you 73 or older?

Don't forget RMDs. If you're 73 or older, you have until December 31 to take your required minimum distribution, or RMD, from traditional IRAs, 401(k)s, and other qualified retirement plans. This is an important deadline: Missing it can result in a hefty penalty of 25% of the required RMD.

Your first RMD is due by April 1 of the year following the year you turn 73. If this is your first year, think carefully about waiting until the April 1 deadline of the following year. You may be taking 2 RMDs in a single tax year, which can increase your taxable income. Remember, withdrawals are taxable, but there are ways to help reduce taxes with careful planning.

No need for your RMD? Consider giving it to charity. You can make a qualified charitable contribution (QCD) from an IRA of up to $100,000 per individual (twice that amount if you're married and filing jointly), as long as the charity receives your donation directly from your IRA by December 31.

The money you donate is not deductible, but it's not subject to federal taxes, qualifies as your RMD for the year, and you can make one even if you don't itemize. QCDs are also allowable starting at age 70½, so you don't have to wait until you're 73 to take advantage of one. Talk to your financial advisor to initiate your contribution.

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IRS Updated Income Tax Brackets

The Internal Revenue Service recently released updated income tax brackets, standard deduction, and retirement contribution limits for the 2024 tax year. While these taxes are not due for some time, it may benefit you to start thinking ahead.

Overall, more than 60 provisions have changed. Here are a few of the most critical tax bracket and retirement contribution limit changes.

Standard Deduction

The standard deduction has increased to $29,200 for married couples filing jointly, up $1,500 from the previous year. For single filers, this number increased by $750 to $14,600.

Individual Retirement Accounts (IRAs)

IRA contribution limits are up $500 in 2024 to $7,000. Catch-up contributions for those over age 50 remained at $1,000, bringing the total limit to $8,000.

Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a $500 increase for 2024, bringing the total maximum contribution amounts to $23,000. The catch-up contribution for those aged 50 and older remains at $7,500, bringing their total limit to $30,500.

Gift Tax

The annual gift tax exclusion is now $18,000 for 2024, an increase of $1,000 from the previous year.

Converting Expertise Into Solutions

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