SEIGNEUR GUSTAFSON LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Beyond the Number$

2023 YEAR-END TAX INSIGHTS AND PLANNING FOR INDIVIDUALS AND BUSINESSES

Seigneur Gustafson LLP would like to thank you for trusting us with your tax and consulting needs. First and foremost, we want to wish you and yours a happy holiday season and convey our best wishes for a happy safe and prosperous new year.

The current state of Inflation, interest rates, continuing market volatility and sunsetting of several major Tax Cuts and Jobs Act (TCJA) provisions in 2026[1] makes tax planning as essential as ever for taxpayers looking to manage cash flow while paying the least amount of taxes possible over time. As we approach the end of the year, now is the time for individuals and business owners to review their 2023 and 2024 tax situations to identify potential opportunities to reduce or defer their tax obligations.

The information contained within this planning letter is based on federal laws and policies in effect as of the publication date. We encourage you to consult with us when making tax and financial decisions regarding any of the items on the following pages.

[1] When the 2017 Tax Cuts and Jobs Act was passed in 2017 it included what is referred to as a sunset provision, meaning that at the end of 2025, many of the favorable tax provisions included in the TCJA expire and rates and brackets return to pre TCJA levels, unless Congress and the White House enact legislation that will extend or otherwise modify the expiring TCJA provisions before December 31, 2025.

INDIVIDUALS

The following provides an overview of the individual tax provisions that may impact your tax situation as we move into the tax year 2024.

2023 Individual Income Tax Rates:

TAX RATE	MARRIED FILING JOINTLY	SINGLE	HEAD OF HOUSEHOLD	MARRIED, FILING SEPARATELY	ESTATE & TRUSTS
10%	$0 to $22,000	$0 to $11,000	$0 to $15,700	$0 to $11,000	$0 to $2,900
12%	$22,001 to $89,450	$11,001 to $44,725	$15,701 to $59,850	$11,001 to $44,725	—
22%	$89,451 to $190,750	$44,726 to $95,375	$59,851 to $95,350	$44,726 to $95,375	—
24%	$190,751 to $364,200	$95,376 to $182,100	$98,351 to $182,100	$95,376 to $182,100	$2,901 to $10,550
32%	$364,201 to $462,500	$182,101 to $231,250	$182,101 to $231,250	$182,101 to $231,250	—
35%	$462,501 to $693,750	$231,251 to $578,125	$231,251 to $578,100	$231,251 to $346,875	$10,551 to $14,450
37%	More than $693,751	More than $578,126	More than $578,101	More than $346,876	More than $14,451

2024 Individual Income Tax Rates:

TAX RATE	MARRIED FILING JOINTLY	SINGLE	HEAD OF HOUSEHOLD	MARRIED, FILING SEPARATELY	ESTATE & TRUSTS
10%	$0 to $23,220	$0 to $11,600	$0 to $16,550	$0 to $11,600	$0 to $2,900
12%	$23,221 to $94,300	$11,601 to $47,150	$16,551 to $63,100	$11,601 to $47,150	—
22%	$94,301 to $201,050	$47,151 to $100,525	$63,101 to $100,500	$47,151 to $100,525	—
24%	$201,051 to $383,900	$100,526 to $191,950	$100,501 to $191,150	$100,526 to $191,950	$2,901 to $10,550
32%	$383,901 to $487,450	$191,951 to $243,725	$191,151 to $243,700	$191,951 to $243,725	—
35%	$487,451 to $731,200	$243,726 to $609,350	$243,701 to $609,350	$243,726 to $365,600	$10,551 to $15,200
37%	More than $731,201	More than $609,351	More than $609,351	More than $365,601	More than $15,201

CAPITAL GAIN & QUALIFIED DIVIDEND TAX RATES

The long-term capital gain and qualified dividend tax rates remain unchanged in 2023, however, the income limits for each bracket were inflation adjusted. The brackets remain at 0 percent, 15 percent, and 20 percent. Short-term capital gains for assets held for less then a full year, are taxed at ordinary income tax rates. Gains on qualified small business stock & collectibles (art, NFTs (non-fungible tokens), antiques, coins, precious metals, wine collections, stamps, precious gems) are taxed at 28 percent.

One method often used to reduce capital gains is to "harvest" investment losses at the end of the year. In other words, selling investments that are underperforming or losing money. We recommend consulting with your investment advisors prior to selling investments at a loss to ensure the sales are in line with your overall financial goals and to optimize the tax consequences.

2023 Capital Gains Rates

FILING STATUS	0%	15% min. income	20% min. income
Single	$0 to $44,625	$44,626 to $492,300	$492,301 or more
Married Filing Jointly	$0 to $89,250	$89,251 to $553,850	$553,851 or more
Head of Household	$0 to $59,750	$59,751 to $523,050	$523,051 or more

NET INVESTMENT INCOME TAX

Individuals whose income is above certain thresholds are still subject to an additional 3.8% net investment income tax (NIIT) on their net investment income. Net investment income includes interest, dividends, capital gains, rental income (unless derived from ordinary business activities) and passive activities, less deductions properly allocated to net investment income. This tax kicks in at $200,000 of Adjusted Gross Income (AGI) for single files and at $250,000 AGI for married couples filing jointly.

DEDUCTIONS

Many taxpayers find themselves claiming the standard deduction instead of itemizing deductions since the standard deduction was increased by the Tax Cuts and Jobs Act of 2017. Itemizing deductions may still make sense if you have a home mortgage, large medical bills, large charitable donations, and/or have high property or state income taxes. Something to keep in mind is that standard deduction is scheduled to revert back to the pre-TCJA levels in 2026.

Filing Status	2023 Standard Deduction	2024 Standard Deduction
Married Filing Jointly	$27,700	$29,200
Single	$13,850	$14,600
Head of Household	$20,800	$21,900
Married filing Separately	$13,850	$14,600

DONATIONS

Consider a Donor Advised Fund as one of tax savings and donation bunching strategies. You get the deduction when contribute into the qualified Fund but get to decide later what charities to donate to.

Donating appreciated securities can also save tax by avoiding paying tax on the capital gains. Another popular tax saving strategy is making a Qualified Charitable Donation (QCD) from your IRA. A QCD is a donation made directly from your IRA to a qualifying charitable organization and is not taxable on your individual income tax return. For 2023, up to $100,000 can be contributed ($105,000 in 2024). The QCD amount counts towards your Required Minimum Distribution (RMD) if you are otherwise required to take an RMD.

IRA DEDUCTION LIMITS

If a taxpayer is covered by a workplace retirement plan, a tax-deductible IRA contribution is subject to income limitations. For the 2023 tax year, the AGI income phase-out range for single filers is between $73,000 and $83,000 ($77,000 and $87,000 for 2024). For married couples filing jointly or qualified widow(er), the AGI income phase-out range is between $116,000 and $136,000 ($123,000 and $143,000 for 2024). The deadline to contribute to your IRA for tax year 2023 is April 15, 2024.

If you file a joint return, you may be able to contribute to an IRA even if you didn't have taxable compensation as long as your spouse did. Each spouse can contribute up to the current limit; however, the total of your combined contributions can't be more than the taxable compensation reported on your joint return. This is a prime example of an area where consultation with your financial advisor is suggested.

ROTH IRA CONTRIBUTION LIMITS

Roth IRA contribution limits are the same as Traditional IRAs. However, the income phase-out limitations are a bit different. For the 2023 calendar year, the AGI income phase-out range is between $138,000 and $153,000 for single filers and heads of household and between $218,000 and $228,000 for married taxpayers filing jointly. The phase outs for 2024 are between $146,000 and $161,000 for singles and between $230,000 and $240,000 for married filing jointly. If you are fully phased out, a Back Door Roth IRA strategy may be considered. Consult your advisor for more details on this tactic.

DEFINED CONTRIBUTION PLAN LIMITS	2023	2024
401K DEFERRAL	$22,500	23,000
401K CATCH UP (over 50 years old)	$ 7,500	7,500
IRA/ROTH IRA	$ 6,500	7,000
IRA/ROTH IRA CATCH UP (over 50 years old)	$1,000	1,000
SIMPLE IRA	$15,500	16,000
SIMPLE IRA CATCH UP	$ 3,500	3,500
OVERALL LIMIT ON ALL CONTRIBUTIONS	$ 66,000	$69,000

PAYMENTS FROM THIRD PARTY NETWORKS (PAYPAL, ETC)

The American Rescue Plan Act of 2021 lowered the reporting threshold for third party networks that process payments for those doing business. The idea was that a single transaction exceeding $600 can require the third-party platform to issue a Form 1099-K, Payment Card and Third-Party Network Transactions. The IRS has delayed the $600 Form 1099-K reporting threshold rules implementation, giving taxpayers more time to transition and understand the requirements. This means that for 2023 Form 1099-K must only be issued if the total number of transactions exceeded 200 for the year and the aggregate amount of these transactions exceeded $20,000.

FOREIGN EARNED INCOME EXCLUSION & HOUSING COSTS

A qualified individual may elect to exclude foreign-earned income from the U.S. gross income up to the exclusion amount. For 2023, the exclusion amount is $120,000, up from $112,000 in 2022. A taxpayer cannot claim a foreign tax credit or deduction for foreign taxes paid on any amount excluded from U.S. gross income.

In addition to the foreign earned income exclusion, a qualifying person can also elect to exclude a housing cost amount from the gross income. The limit on housing expenses is $19,200 (16 percent of $120,000) for 2023.

The rules to qualify for this exclusion are complex. The taxpayer must spend a certain number of days outside the U.S. per year and prove ties to the other country. Some types of income don't qualify, so check with your tax advisor.

CHILD TAX CREDIT

Child Tax Credit (CTC) can get you up to $2,000 per qualifying child under the age of 17 and for 2023, $1,600 of this credit is refundable. AGI income limits for this credit are $400,000 for joint filers and $200,000 for all other filers. The earners over these thresholds can still qualify for a partial credit. A few states expanded CTC to make them refundable on the state tax returns as well – Maryland, Massachusetts, Vermont, New Mexico, and New Jersey. Minnesota implemented their own CTC up to $1,750 per qualifying child.

CHILD AND DEPENDENT CARE CREDIT

If you have children under the age of 13, your childcare expenses of $3,000 (for one child) or $6,000 (for two or more children) may qualify for a Child and Dependent Care Credit. Keep in mind that this credit could be claimed for care expenses for a physically or mentally ill spouse or other dependent. The credit is 20%-35% of the expenses, subject to limitations.

CLEAN VEHICLE CREDITS

The Inflation Reduction Act of 2022 (IRA) made several changes to existing clean vehicle credits and added fuel cell vehicle credit and credit for used clean vehicles. Credits run from 2023 through 2032. When purchasing a new electric vehicle (EV), you may be entitled to a federal credit of up to $7,500 on your personal taxes. Depending on when vehicle was placed in service (Jan 1 to April 17, 2023, vs. April 18 and after), different component requirements must be met. There is also an AGI limitation, no more than $300,000 for married filing jointly, $225,000 for heads of household and $150,000 for single filers. For used clean vehicles the tax credit the lesser of up to $4,000 or 30% of the sales price. Used vehicle AGI limitations are no more than $150,000 for married couples, $112,500 for head of household and $75,000 for all other filers. Taxpayers can use their AGI from the year they take delivery of EV or the year before, whichever is less.

Starting in 2024, instead of claiming a credit on your taxes you can take a discount at the point of sale when purchasing EV. By transferring credit to the dealer, you can lower EV's purchase price and you don't have to wait until tax return filing.

The list of eligible clean vehicles is maintained at: FuelEconomy.gov. Final assembly location of each qualified vehicle can be found at nhtsa.gov/vin-decoder.

Global community of car manufacturers (mostly in South Korea and EU) has expressed concerns over IRA's EV qualification requirements (especially regarding being built and sourced in North America). Due to that, it is reasonable to expect further changes to EV credits in 2024 or future years.

ENERGY EFFICIENT HOME IMPROVEMENT CREDIT

Starting on Jan 1, 2023, you may qualify for this credit up to $3,200 consisting of:

- $1,200 per year in qualified exterior doors ($250/door, max $500), exterior windows and skylights (max $600) and insulation and air sealing materials and systems, and home energy audits (max $150)
- $2,000 per year for qualified heat pumps, biomass stoves or biomass boilers.

This credit runs through 2032. Labor costs should not be included in the calculation of this credit.

ESTIMATED TAX PAYMENTS

The last quarterly payment for 2023 is due on January 15, 2024. Taxpayers may need to consider estimated or additional tax payments due to non-wage income from unemployment, self-employment, annuity income or even digital assets. The Tax Withholding Estimator on IRS.gov can help wage earners determine if there is a need to consider an additional tax payment to avoid an unexpected tax bill when they file.

SIGN UP FOR AN IRS ONLINE ACCOUNT

An IRS Online Account lets taxpayers securely access their personal tax information, including tax return transcripts, payment history, certain notices, prior year adjusted gross income and power of attorney information. To sign up, go to:

https://www.irs.gov/payments/your-online-account

For a Colorado Account, go to:

https://www.colorado.gov/revenueonline

BUSINESSES

The following sections provide an overview of some of the more recent tax law changes and other business planning opportunities that may impact your 2023 and 2024 tax situation.

EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was originally enacted as part of the CARES Act in March of 2020. It was introduced to encourage employers to retain employees during the pandemic.

Due to widespread misuse and ineligible claims, the IRS stopped accepting credit applications in September 2023. Taxpayers should be aware that ERTC claims could be audited as the IRS increases enforcement in this area. A recent development is that the IRS is preparing to send 20,000 disallowance letters 'Letter 105 C, Claim Disallowed'. It is also running an application withdrawal process for those who have applied, got approved but have not cashed the ERTC check yet. For those who already received the credit, there will be a special voluntary disclosure program coming out soon. As we wait for more updates on this, our general recommendation is to closely review credit qualification requirements and your credit application and to evaluate if any action should be taken to avoid further investigation by the IRS.

SIMPLIFIED EMPLOYEE PENSION (SEP)

Generally, small businesses can contribute the lesser of (1) 25 percent of employees' salaries or (2) an annual maximum of $66,000 for 2023 to a SEP plan by the extended due date of the employer's federal income tax return for the year the contribution is being made. The annual maximum for 2024 has increased to $69,000. For self-employed individuals, the 25 percent limit is calculated based on self-employment income net of the self-employment tax.

SECTION 179 & BONUS DEPRECIATION EXPENSE

The Internal Revenue Code Section 179 deduction limitation increased to $1,160,000 for the 2023 tax year. The deduction phase-out begins once the amount of Section 179 property placed in service during the tax year exceeds $2,890,000. Generally, property that can be expensed via the Section 179 deduction includes new or used machinery and equipment. It also includes off-the-shelf software, qualified improvements to building interiors, roofs, HVAC systems, fire protection systems, alarm systems, and security systems.

In addition to Section 179, the Bonus depreciation is available for new and used tangible property depreciated under MACRS with a recovery period of 20 years or less. The Tax Cuts and Jobs Act allowed 100 percent deduction up until December 31, 2022. That provision has expired and for 2023, the bonus depreciation deduction phases down to 80 percent, and continues to phase down in 20 percent increments in later tax years, until 2027 when it will be 0 percent.

BUSINESS INTEREST LIMITATION

The business interest limitation applies to businesses with 3-year average gross receipts over $29 million for 2023. The deduction for net business interest expense is limited to 30 percent of the adjusted taxable income (ATI). Adjusted taxable income does not include additions for depreciation or amortization, which may have a significant impact on the deductibility of business interest for many taxpayers. There was a recent attempt by Congress to introduce tax bill that will allow adding back depreciation and amortization, but this bill will most likely not be addressed before end of year, if at all. If the interest deduction is limited, the excess interest expense will carry forward to future years. For some businesses, it may also be beneficial to consider recharacterization of interest as a tax planning opportunity. Some of the business interest could be allocated to inventory or asset cost, research and development, production, or construction.

MEALS & ENTERTAINMENT

The 100 percent deduction for food and beverages purchased from restaurants has expired. Starting in 2023, the deduction reverts to 50 percent for meals and remains at 0 percent for entertainment, consistent with long standing pre COVID limits. The following chart provides a brief overview of some of the current meal limitations.

TYPE OF EXPENSE	CURRENT LAW
Business meals with clients, prospects and referral sources	50%
Events and meals at social or golf clubs	50%
Membership dues for social clubs	No Deduction
Tickets to sporting or theater events	No Deduction
Business gifts	$25 per person

QUALIFIED BUSINESS INCOME DEDUCTION

The qualified business income deduction (QBID) is a deduction for individual taxpayers, including trusts and estates, who operate a qualified trade or business as a sole proprietorship, partnership, or S corporation. The amount of the deduction is up to 20 percent of the income and gain, reduced by deductions and losses, of a qualified trade or business that is effectively connected with the conduct of a trade or business in the United States. The deduction is subject to phase-out limitations if the trade or business is considered a specified service business. For 2023, the phase-out begins when taxable income reaches $464,200 for married taxpayers filing jointly, or $232,100 for single taxpayers or heads of households. This deduction will expire in 2026 (as part of many TCJA tax provisions that are due to expire and revert to 2017 law), unless extended or made permanent. This is another area of tax law that can be complex and consultation with your Seigneur Gustafson Advisor is suggested if you believe you may be entitled to this deduction.

RESEARCH & DEVELOPMENT EXPENDITURES

As amended by TCJA, research, and development (R&D) expenditures incurred or paid are required to be capitalized and amortized over a five-year period (domestic expenditures) or a 15-year period (foreign expenditures).

This mandatory capitalization requirement also applies to internally developed software and website development costs. Amortization will be required even if the R&D projects are abandoned, retired, or disposed of prior to the end of the amortization period.

ENERGY EFFICIENT HOMES CONSTRUCTION CREDIT

The IRS expanded the federal Tax Credit for builders who construct or substantially re-construct energy efficient homes. This Credit runs through 2032. For homes acquired before 2023, credit amount is $1,000 with 30% standard being met or $2,000 with 50% standard being met. For homes acquired in 2023 through 2032, credit is from $500 to $5,000 per home based on standards being met.

QUALIFIED OPPORTUNITY ZONES

Qualified Opportunity Zones (QOZ) allow taxpayers to invest in a Qualified Opportunity Fund (QOF) as a mechanism for capital gain deferral. Taxpayers are permitted to invest capital gains in QOFs, allowing for capital gain deferral until 2026 so long as those gains are invested in a QOF within 180 days of gain recognition and the QOF invests 90 percent of its capital in a QOZ property. Another significant benefit to QOZ fund investments is available when the taxpayers hold the fund for at least 10 years. Then the taxpayers are only responsible for tax on the original deferred gain, while gains in excess of the original investment are not taxed.

All qualifying zones have been certified, and the Treasury department has released several rounds of regulations regarding the mechanics of how QOF works. Taxpayers also can take advantage of similar tax benefits at the state level depending on the state and where and how the investments are made. The rules surrounding QOZs are complex, and if you are thinking about investing in an opportunity zone, please contact your Seigneur Gustafson Advisor.

1031 LIKE-KIND EXCHANGES

Like-kind exchanges provide a way to defer paying taxes on gains from the disposal of investment or business assets. Instead of selling the appreciated real property, it can be exchanged for similar, “like-kind” property. Under the current tax law, like-kind exchanges are only allowed for real property (real estate). A qualifying like-kind exchange requires that a taxpayer identify both the relinquished property that is exchanged as well as the replacement property acquired in the exchange. The rules for like-kind exchanges have specific timing requirements to ensure all aspects of the exchange have been carried out within the prescribed timeline. Additionally, these exchanges must be done properly and with the correct property types to receive tax benefits. If you are interested in taking advantage of the benefits available under the like-kind exchange provisions, please reach out to your Seigneur Gustafson Advisor.

REMOTE WORKFORCE IMPLICATIONS

The COVID-19 pandemic had a significant impact on the way employers conduct business with many employers expanding their reach to include a mobile workforce. Most states that previously granted temporary nexus and/or withholding relief related to remote/teleworking employees during the COVID-19 pandemic lifted their relief orders during the 2021 tax year. It is, therefore, vital that any employer with remote employees consider the state and local tax impacts of those remote employees going forward.

CRYPTO ASSETS

The middle of 2023 was “action packed” for activity related to Crypto currencies when several large companies submitted Exchange-Traded Funds (ETFs) filings with SEC in June – BlackRock, Invesco, Fidelity to name a few. Around that time one Bitcoin cost about $31,000. Just six months later the price is up about $10,000, at a little over $41,000. Based on SEC public comments on EFTs filings, the SEC may start approving those filings as soon as January 2024. If that happens, that will mean that Cryptos can be sold and bought via stock exchanges. As a result, rapid adoption will likely follow. While the largest Crypto adoption markets are in South Korea, Japan and India, North America is currently the fastest growing market. Another notable event for Bitcoin, called “halving”, is expected to happen in the Spring of 2024. Essentially it is a process of decreasing to a finite 21 million total Bitcoins available in the universe, making each Bitcoin more expensive. This has happened about every four years on average in the past.

If you are thinking of selling your Crypto assets (coins), your gains or losses will be treated as capital gains or losses and are subject to 0, 15 or 20 percent tax rate - IRS Wash Sale rules do not currently apply to Crypto currencies. However, if you received wages in the form of Crypto currency or paid for purchases with your Cryptos, the tax treatment is different and more complicated.

BENEFICIAL OWNERSHIP INFORMATION REPORTING

For existing businesses, the Corporate Transparency Act (CTA) goes into effect on January 1, 2024, and imposes a brand-new federal filing requirement on most corporations, limited liability companies, and limited partnerships and on certain other business entities.

No later than December 31, 2024, all non-exempt business entities must file a beneficial owner information report (BOI report) with the Financial Crimes Enforcement Network (FinCEN)—the Treasury Department's financial intelligence unit.

The BOI reports must disclose the identities and provide contact information for all of the entity's "beneficial owners": the humans who either (1) control 25 percent of the ownership interests in the entity or (2) exercise substantial control over the entity.

Your BOI report must contain all the following information for each beneficial owner:

- Full legal name
- Date of birth
- Complete current *residential* street address
- A unique identifying number from either a current U.S. passport, state or local ID document, or driver's license or, if the individual has none of those, a foreign passport
- An image of the document from which the unique identifying number was obtained

FinCEN will create a new database called BOSS (Beneficial Ownership Secure System) for the BOI data and will deploy the BOSS to help law enforcement agencies prevent the use of anonymous shell companies for money laundering, tax evasion, terrorism, and other illegal purposes. It will not make the BOI reports publicly available.

The CTA applies only to business entities such as corporations and LLCs that are formed by filing a document with a state secretary of state or similar official. It also applies to foreign business entities that register to do business in the United States.

The CTA does not apply to sole proprietors or general partnerships in most states. But it does apply to single-member LLCs, even though the tax code disregards such entities and taxes them on Schedule C, E, or F of Form 1040.

The initial BOI report filing does not expire, and you don't need to renew it. But you have an ongoing duty to keep the BOI report up to date by reporting any changes to FinCEN within 30 days of occurrence.

PLANNING OPPORTUNITIES FOR BUSINESSES

- <u>Deferring income</u>: Taxpayers using the cash method of accounting can defer income by billing and collecting revenue after year-end. Accrual-method taxpayers can delay shipping products or performing services until after year-end.

- <u>Accelerating expenses</u>: Cash-basis taxpayers can prepay certain expenses before year-end.

- Utilizing the home office deduction: Provided you use at least part of your home regularly and exclusively as your principal place of business or as a place to meet or deal with customers, clients or patients in the normal course of business, you can either deduct a portion of eligible expenses based on the relative square footage of the home or use a simplified method of $1,500 ($5/square foot up to 300 square feet).

- Bonus Depreciation: Businesses should take advantage of the favorable 80% bonus depreciation deduction available for qualified assets placed in service before December 31, 2023. Bonus depreciation applies to new and used property used in a business. Under current tax law, the percentage will decrease from 80% to 60% in 2024 and gradually taper off until it phases out completely in 2027.

- Set up or contribute to a retirement plan to reduce your taxable income. Consider the following:
    - A 401(k) plan must be set up ***before*** December 31, 2023. This year the total employee and employer contributions are limited to $66,000 or the employee's compensation, whichever is less. Contributions can be made by the extended due date of the subject tax return, but the plan needs to be established by the year end the deductions will be claimed in.

    - If you miss the cutoff date to set up a 401(k) plan in 2023, you may still be able to set up a simplified employee pension plan (SEP). You have until the due date of your return (including extensions) to set up a SEP. In 2023, the employer's contribution to a SEP is limited to 25% of the employee's compensation or $66,000, whichever is less.

    - If you set up a new 401(k) or SEP, you can deduct your contributions to the plan, and you may also qualify for the retirement plans startup costs tax credit of up to $5,000.

ESTATE & GIFT TAXES

The gift tax annual exclusion is $17,000 for gifts made in 2023 and will increase to $18,000 in 2024. The unified estate and gift tax exemption and generation-skipping transfer tax exemption is $12,920,000 per person, or $25,840,000 for married couple. All outright gifts to a spouse who is a U.S. citizen are free of federal gift tax.

The current estate and gift tax exemption law sunsets in 2025 and starting in 2026 the exemption amount will drop back down to the prior law's amount of about $6.8 million.

IRS regulations will allow the taxpayer to use the exclusion in the amount greater of exclusion at the time of gift or at the time of donor's death. So, you can plan to make larger gifts before 2026 and benefit from being grandfathered a higher exclusion amount of $12,920,000.

When planning for estate tax, the state's exemption amounts should also be considered. There are currently 17 states that have an estate tax or an inheritance tax or both. And only Connecticut matches the federal exemption amount of $12.92 million. The Other 16 states have exemptions ranging from $1 million (in Oregon) to about $6.5 million (in Maine). Maryland is the only state with both, estate tax and inheritance tax. Hawaii and Washington have the highest estate tax rates at 20%.

TAX YEAR 2023 FILING DEADLINES

TYPE OF RETURN	FILING DEADLINE
Partnerships (Form 1065) & S Corporations (Form 1120S)	March 15, 2024
Individuals (Form 1040)	April 15, 2024
C Corporations (Form 1120)	April 15, 2024
Foreign Bank and Financial Reporting Form (FBAR) FinCEN Report 114	April 15, 2024
Trusts and Estates (form 1041)	April 15, 2024
Gift Tax Returns (Form 709)	April 15, 2024
Tax-Exempt Nonprofit Organizations (Form 990)	May 15, 2024
Employee pension plan returns (Form 5500)	July 31, 2024
Extended due date for Partnerships & S Corporations	September 16, 2024
Extended due date for Trusts & Estates	September 30, 2024
Extended due date for Individuals, Gift Tax Returns, Foreign Financial Reporting	October 15, 2024
Extended due date for C Corporations	October 15, 2024
Extended due date for Tax-Exempt Nonprofit Organizations	November 15, 2024
Estate Tax (Form 706)	9 months after the date of death