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## 2023–24 INCOME TAX BULLETIN

This publication is provided as a service to our clients. It focuses on the following topics:

- Federal Tax Issues
- Oregon Tax Law Changes
- Transportation and Travel Expenses
- Retirement and Health Care Plans
- Administration and Reporting Issues
- Supplemental Charts



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**NEW FEDERAL MANDATE FOR BENEFICIAL OWNERSHIP REPORTING**

*Source: Tax Speaker; Schwabe, Williamson & Wyatt*

On September 30, 2022 the US Treasury's Financial Crimes Enforcement Network (FinCEN) issued final rules requiring beneficial ownership reporting, particularly for small business. The rule requires reporting companies to file reports with FinCEN that identify two categories of individuals: (1) the beneficial owners of the entity; and (2) the company applicants of the entity. This rule requires most corporations, LLC's and similar entities created in or registered to do business in the United States to report information about their beneficial owners (BOI or beneficial ownership information) to FinCEN. The rules came out of the Corporate Transparency Act (CTA) passed by Congress in 2021.

The objectives of reporting are for the Federal Government to create a national database of information concerning the individuals who, directly or indirectly, own a substantial interest in, or substantial control over (beneficial owners) certain types of domestic and foreign legal entities.

The rule is effective January 1, 2024. Reporting companies created or registered before January 1, 2024, will have one year (until January 1, 2025) to file their initial reports, while reporting companies created or registered after January 1, 2024, will have 30 days after creation or registration to file their initial reports. Once the initial electronic report has been filed with FinCEN, both existing and new reporting companies will have to file updates within 30 days of a change in their beneficial ownership information. Penalties for failure to file are \$500 per day plus imprisonment.

**Initial Reporting:** New companies formed after 1/1/2024 within 30 days of formation  
Companies formed before 1/1/2024 by 1/1/2025

**Updates:** Within 30 days of change in beneficial ownership, name or address change

**Annual reporting:** None

**Required Reporting Entity Types** (Unless specifically exempted later)

Foreign or domestic:

- C Corporations
- S Corporations
- Limited Liability Companies (LLC) – multiple member (MMLLC) or single member (SMLLC)
- Limited Liability Partnerships (LLP)
- Limited Liability Limited Partnerships (LLLP)

The required information includes owners and, for new businesses formed in 2024, the company applicants. To clarify, even if you have set up an LLC just to own a rental property this form is required, and a separate filing and form is required for every single entity, whether an LLC, an S corporation, or a C corporation. Some exemptions exist, primarily for larger companies and not-for-profit entities. We are particularly concerned about people that have set up their own LLC online, for whom the potential filing penalty is also \$500 for each day late plus potential prison time.

Since the preparation of this form is considered the practice of law, we are unable to complete it for you.

To fill out the form, the following information is needed:

**For the Company or Entity:**

1. Full legal name according to the Secretary of State (download a “good standing” report).
2. Any trade and “doing business as” names.
3. A complete current street address of the principal place of business (A.P.O. Box or the address of a 3<sup>rd</sup> party agent does not comply with this requirement)
4. The state, tribal or foreign jurisdiction of formation.
5. The IRS Taxpayer Identification Number

A change of any of these 5 items at any time must also be reported within 30 days to the Financial Crimes Enforcement Network, including an address or owner change.

**For the Owners and Applicants:**

For each owner of at least 25% of the entity (directly or indirectly), the reporting must include **for each owner:**

1. Legal name and date of birth,
2. Address,
3. Unique identifying number and the issuing jurisdiction from one of the following documents: (i) a non-expired passport issued to the individual by the United States government, (ii) or a non-expired identification document issued to the individual by a State, local government, or Indian tribe for the purpose of identifying the individual, (iii) or a non-expired driver’s license issued to the individual by a State, or (iv) a non-expired passport issued by a foreign government to the individual, if the individual does not possess any of the other documents described, and
4. An image of the document from which the unique identifying number (above #4) was obtained. Additionally, the rule requires that reporting companies created after January 1, 2024, provide the four pieces of information and document image for company applicants.

At the present time there are **NO** extensions available.

Guidance on filing can be found at [www.fincen.gov/boi](http://www.fincen.gov/boi)

Because of the incredible amount of confidential information that must be provided, we strongly emphasize that you do NOT use unknown 3<sup>rd</sup> party solicitors, which are expected to soon emerge, because they could use this confidential information to steal your or your company’s identity or data.

**EMPLOYEE RETENTION PAYROLL TAX CREDIT ABUSE AND AUDITS**

*Source: IRS, Journal of Accountancy, Tax Speaker*

This credit created by the CARES Act in March 2020 and modified by the Consolidated Appropriations Act in December 2020 and American Rescue Plan Act in March 2021 has received a lot of media attention due to the number of “consultants” who have been contacting businesses and non-profit organizations offering to file the required amended quarterly payroll tax reports on form 941-X to apply for the credit without adequate determination of whether the employer actually qualifies for the credit. The fee for this service is a percentage (as high as 40%) of the credit claimed.

As a result of widespread abuse, the Employee Retention Credit has been ranked by the IRS as the #1 Fraud Scheme for 2023. It has suspended the processing of any claims submitted after September 2023 and issued Notice 2023-193

detailing a process to be used for withdrawing pending claims when employers determine that they were misled and do not qualify for the credit.

Our firm has filed claims only for clients who have sufficient evidence of qualification in their accounting records. These clients have been advised of the audit process that has begun and the necessary documentation to support their claims. If any business or non-profit believes they qualify but has not yet submitted a claim, we are available to determine qualification and assist with a claim to be processed when the IRS moratorium is lifted. If any of our other clients filed their own claims or used a consultant to do so without appropriate evidence of qualification, we will be unable to prepare income tax returns for them.

## **INFLATION REDUCTION ACT OF 2022**

*Source: Tax Speaker*

This law passed in August 2022 has three major categories of impact: medical provisions for individuals, additional funding for the IRS, and changes to energy tax credits for individuals detailed as follows:

### Medical Provisions for Individuals

1. Medicare Part D pharmacy limited to \$2,000 annually starting 2025
2. Insulin limited to \$35 monthly starting January 1, 2023
3. Medicare negotiating top 10 high cost drugs starting 2026
4. Extension of the Affordable Care Act subsidies in 2020 and 2021 legislation will allow taxpayers with higher incomes to qualify for health insurance premium subsidies through 2025.
  - Reduces monthly payments for insurance purchased in the Marketplace.
  - Marketplace plans have 4 levels of coverage: bronze, silver, gold, and platinum.
  - Bronze plans tend to have the lowest premiums but have the highest deductibles and other cost sharing, while platinum plans have the highest premiums but very low out-of-pocket costs.
  - The premium tax credit can be applied to plans in any of these metal levels.
  - Qualifications:
    - Have a household income at least equal to the Federal Poverty Level (FPL) but not more than 400% of FPL
    - Not have access to affordable coverage through an employer (including a family member's employer)
    - Not be eligible for coverage through Medicare, Medicaid, the Children's Health Insurance Program (CHIP), or other forms of public assistance
    - United States citizen or legal resident

### Additional Funding for the Internal Revenue Service

The Act authorizes \$80 billion of new funding for the IRS, which was plagued by inadequate staffing during the pandemic that led to lengthy delays in return processing and an admitted destruction of over 30 million information returns. However, the Act directs over half of the funding to enforcement, including cryptoasset transaction reporting and resumption of audits that were suspended during the pandemic. The hiring of new auditors presents a training challenge that has proven to be problematic for taxpayers and tax preparers.

### Energy Efficient Home Improvement Credit

The nonbusiness energy credit had previously expired on December 31, 2021. The Act now makes the expiration date December 31, 2032 and changes the name to "Energy Efficient Home Improvement Credit". The Act does

away with the lifetime limit on a home for energy efficient improvements and replaces it with a new annual limit discussed below.

The credit rate increases from 10% to 30% with an annual limit of \$1,200 (previously \$500 lifetime). The credit for efficient windows and skylights was increased to \$600 from \$200 and exterior doors goes to \$250 each (\$500 maximum) per year so staggering remodeling over several years will greatly increase the benefits.

The biggest change in home improvements is the credit for energy efficient (electric or natural gas) heat pumps, heat pump water heaters, central air conditioners, woodstoves (biomass) and natural gas or oil furnace or boilers, going from \$150 to \$2,000, and the \$1,200 limit is waived. Additionally, roofs and fans no longer qualify for the credit. The improvements qualify only for money originally spent by the taxpayer for homes in the United States used as a residence, and qualified costs include labor, site preparation and assembly.

A home energy audit (inspection and written report) is required that meets the certification requirements specified by the Secretary of the Treasury.

The new credits apply to items placed in service during 2023-2032, and the property's basis is reduced by the credit.

The credits are nonrefundable but carry forward if unused.

### Clean Energy Credit

The residential energy efficient property credit has been extended through December 31, 2034 and renamed "clean energy credit". This is the credit for solar electric, solar water heaters, fuel cells, wind, and geothermal energy generating systems. The credit rate was retroactively increased for 2022 to 30%. Credit rates are now 26% for 2021; 30% for 2022 through the end of 2032; 26% for 2033 and 22% for 2034. Expenses are considered to qualify when installation is completed or, in the case of a new home, when the taxpayer begins using the home.

Before the passing of the Inflation Reduction Act, energy storage systems (batteries) only qualified for the federal tax credit if they were paired with a solar energy system. Now, stand-alone batteries can qualify for the tax credit. Batteries installed to store the electricity must be in the residence of the taxpayer and have at least three Kilowatt hours of storage after December 31, 2022 to qualify for the credit.

This credit is also nonrefundable but carries forward. Additionally, basis is reduced by the credit amount.

Biomass (woodstoves) do not qualify for this credit after 2021.

### Clean Vehicle Credit

#### New Vehicles

Previously called the "qualified plug-in electric drive motor vehicle credit", it is now called "Clean Vehicle Credit". The main portion of this section is the \$7,500 electric vehicle tax credit, which is renewed for vehicles placed in service after December 31, 2022 and will last a decade until the end of 2032.

The new credit makes quite a few changes, the largest of which is to remove the 200,000 vehicle cap at the start of 2023 which General Motors, Tesla and Toyota had previously surpassed. Now, all manufacturers have access to unlimited credits as long as they fulfill the other requirements of the bill. So, General Motors, Tesla and Toyota may qualify again in 2023. Also, the credit can be applied upfront at the point of sale if purchased from a dealer, rather than needing to file for it with the tax return. This is useful in avoiding the need to have \$7,500 of federal tax since the credit is nonrefundable.

New requirements include that the cars must be assembled in North America and that materials and "critical minerals" in the battery must come from the United States or a country with a free trade agreement with the United

States. Final assembly must occur in the United States for any vehicle sold after August 14, 2022. These requirements are intended to spur domestic manufacturing and more diverse supply chains for electric vehicle (EV) materials which are currently heavily reliant on one country. A list of qualified vehicles is available.

This means that we will have to wait to see which vehicles qualify for the new credit, depending on the specifics of how these thresholds are counted. The thresholds increase year-by-year, so some cars might qualify one year and not the next. The government will release these guidelines by the end of the year, but the mineral and material guidelines don't go into effect until 2024.

Further, qualifying vehicles must have an MSRP of under \$55,000 for cars and \$80,000 for SUVs and trucks, leaving out several Tesla configurations and trucks like the USA-made Rivian. The buyers can only take advantage of the credit if they make under \$150K a year single, \$225K head of household and \$300K married filing jointly.

There is also a provision that allows usage of the previous credit on a car delivered after the bill is enacted if there is a valid purchase order signed in 2022 before the bill was effective on August 14, 2022.

All of this applies additionally to plug-in hybrids as long as they fulfill the same requirements and have a battery over 7kWh.

### Used Vehicles

A new credit will be available for used EVs, with a credit of the lesser of \$4,000 or 30% of the sale price on cars priced \$25K or less, and subject to lower AGI thresholds of \$75K; \$112.5K and \$150K. The car must be at least two years old, cost no more than \$25,000, be the first resale and bought from a dealer for personal or business use but not for resale. This credit runs from January 1, 2023 through December 31, 2032 and the taxpayer may only take this credit once every three years.

### Chargers

There is a separate credit for electric vehicle chargers at your home:

- The credit is 30% of the cost up to \$1,000 maximum credit
- The system may be bi-directional
- You must live in a "rural area" or low income tract – Since McMinnville qualifies as a "rural area" for the Oregon health practitioners tax credit, likely it will qualify for this credit, but we need to wait until the IRS publishes that information.
- There is no requirement to have an electric car (seems a little crazy)!

The basis of vehicles and chargers must be reduced by any credit amount. The vehicle must be used in the United States.

## **EXPIRING PROVISIONS IN THE 2017 TAX CUTS & JOBS ACT**

*Source: Tax Speaker & Journal of Accountancy*

The provisions of the 2017 Tax Cuts and Jobs Act (TCJA) became effective January 1, 2018. In order to meet federal budget deficit requirements for the passage of income tax laws, many of the provisions were set to sunset on December 31, 2025. Unless Congress extends them, the expiring provisions include the following items that appear often in the tax returns of individuals and small business. Tax planning needs to allow for the uncertainty of the future of these provisions beyond 2025:

- Qualified Business Income (Sec 199A) Deduction ends  
This is the deduction for 20% of the net income from self-employment and qualifying pass-through entities that effectively reduced the federal tax rate on this income at half of the corporate tax rate reduction from 35% to 21%.

- Bonus Depreciation ending  
First-year bonus depreciation is being phased down from 100% in tax year 2022 to 0% in increments of a 20% reduction per year: 80% in 2023, 60% in 2024, 40% in 2025, and 0% thereafter. More details are in the next article.
- Big Standard deduction drops in half, but personal exemptions return  
The high standard deductions of the TCJA prompted many taxpayers to stop itemizing on their federal income tax returns. It also increased the popularity of Qualified Charitable Distributions from IRAs as a way to get a tax benefit from charitable contributions while using the standard deduction.
- Massive estate tax exemption drops in half+  
The current exemption amount is on page 18.
- Loss of 2% miscellaneous itemized deductions ends  
This provision and the drop in the standard deduction will bring back more itemizers and restore the tax benefit of investment advisory fees.
- Loss of casualty/disaster deduction ends  
This deduction will return to the individual itemized deductions.
- Low tax rates and high tax brackets ends  
The rates and brackets will roll back to those in effect through 2017 with adjustment for inflation.
- High AMT brackets ends  
Due to inflation, many middle income taxpayers will once again find themselves subject to this tax that was originally intended to impact the tax preferences used by high income taxpayers.
- State and Local Tax deduction \$10,000 limit ends  
The cap on this deduction has been problematic for taxpayers in states with high income and/or property taxes, including Oregon. It resulted in temporary state laws allowing the payment of the state income tax of members in pass-through entities as a business deduction of the entity.
- Child credit drops in half and low income phaseout returns  
This provision impacts working families.

### IRC SECTION 168(k) BONUS DEPRECIATION

*Source: Thomson Reuters and Tax Speaker*

The first-year bonus depreciation deduction under IRC Sec. 168(k) was extended through 2027 as part of the Tax Cuts and Jobs Act of 2017 (TCJA). The previous rate of 50% was increased to 100% effective September 28, 2017 through December 31, 2022 **and phases down at the rate of 20% per year starting in 2023 as stated in the previous article.** Extension beyond 2027 would require new legislation. Unlike the section 179 expense deduction discussed next, the bonus depreciation deduction is not limited to smaller companies or capped at a certain dollar level. Qualified property is virtually any equipment, building or leasehold improvement with a cost recovery period by statute of no more than 20 years. The requirement that the property be “new” was eliminated for acquisitions after September 28, 2017. First-year bonus depreciation applicable to vehicles is limited to \$8,000. As an exception that continues under prior law, Sport Utility Vehicles (SUVs) and pickup trucks with a gross vehicle weight rating in excess of 6,000 pounds are exempt from the luxury car depreciation caps discussed later. These qualify for a separate cap in Sec.179 or 168(k) expense; the inflation-adjusted limits are \$28,900 for 2023 and \$30,500 for 2024. The phase down of bonus depreciation increases the value of the Sec 179 expense election for qualifying assets. See the next article for discussion.



## **IRC SECTION 179 EXPENSE ELECTION**

*Source: Thomson Reuters and Tax Speaker*

Under Code Sec. 179, businesses can elect to recover all or part of the cost of qualifying property, up to a limit, by deducting it in the year it is placed in service. The Code Sec. 179-dollar limitation for 2023 and 2024 is \$1,160,000 and \$1,220,000 respectively with a \$2,890,000 investment ceiling for 2023 and \$3,050,000 for 2024. These limits were set by the TCJA. Qualified property must be tangible personal property, which is actively used in the business, and for which a depreciation deduction would be allowed. Qualified property must be newly purchased new or used property, rather than property that was previously owned and recently converted to business use. Orchards and vineyards (including capitalized planting costs) qualify, but not until the year in which the fruit is first harvested. Also qualifying are off-the-shelf computer software, single purpose agricultural structures, qualified improvements to real estate, HVAC, and roofs on commercial property. If qualified purchases for the year exceed the expensing dollar limit, the business can decide to split the expensing election among the new assets. As long as newly purchased business equipment is placed in service before the end of the tax year, the entire expensing deduction is allowed for that year. The deductibility depends on the date the qualified property is placed in service; not when it is purchased or paid.

The TCJA extended qualifying assets to include roofs on commercial property; personal property in residential rental; HVAC units; security, fire, and alarm systems. The qualified retail, restaurant, and leasehold improvement rules were replaced by a new qualified improvement property group defined as “interior modifications to commercial property”. The CARES Act included technical corrections that qualify it for Sec 179, bonus depreciation under Sec 168(k) or a 15-year depreciable recovery period. The differences between bonus depreciation and Code Sec. 179 expensing include advantages and disadvantages for each. For example, Code Sec. 179 property is subject to recapture if business use of the property during a tax year falls to 50 percent or less; but Code Sec. 179 allows a taxpayer to select for expensing particular qualifying assets within any asset class, whereas Code Sec. 168(k) requires an election for all assets within a class.

## **S CORPORATION AND PARTNERSHIP SCHEDULES K-2 AND K-3**

*Source: Tax Speaker*

Individuals with foreign income or foreign taxes are usually required to file Form 1116 for the foreign tax credit. If a partnership or S corporation has foreign sourced income or tax, it could affect the individual Form 1116.

When a partnership or S corporation (pass-through entity/PTE) has foreign sourced income, expenses, assets or tax, the entity is now required to fill out the 19-page Schedule K-2 for the entity, and then each flow-through owner receives his own 20-page Schedule K-3 reflecting his share of the entity’s foreign activity.

In 2021, the IRS waived the filing requirement in Notice 2021-39 for most small partnerships and S corporations if the entity met a few simple rules, and that similar waiver is still extended to 2022 returns (see below-the Form 1116 Exemption). The penalty for failure to file was \$280 for each K-2 or K-3 if it was not filed, incorrect or incomplete.

A PTE with no foreign source income, no assets generating foreign source income, no foreign members or owners, and no foreign taxes paid or accrued may still need to report information on Schedules K-2 and K-3. For example, if the member claims a credit for foreign taxes paid or accrued by the member, the member may need certain information from the PTE Form 1116 or 1118. Also, a PTE that has only domestic members may still be required to complete Part IX when the PTE makes certain deductible payments to foreign related parties of its domestic members.

### **Domestic Filing Exemption**

The new draft instructions waive the requirement for a PTE to file Schedule K-2 and furnish members with a K-3 if it is a domestic PTE meeting 4 rules:

1. The PTE has no foreign activity, or only passive foreign income (such as dividends) with less than \$300 of foreign tax paid or withheld and reported to the entity, and
2. All 2022 owners are US citizens/US estates/US grantor trusts/regular trusts with only US citizen beneficiaries, or resident aliens, and

3. Notify members (electronically or via mail) by the date the PTE furnishes Schedule K-1 to the member that no K-3 will be prepared unless the member notifies of the need for the K-3, and
4. The PTE is not notified by any member of their need for a K-3 by 1 month prior to the filing of the PTE's business income tax return.

Note that any PTE with a member that is a multi-owner S Corporation, C Corporation or multi-member LLC or partnership does not meet the domestic filing exemption but might still meet the Form 1116 exemption below.

If a PTE receives a request from an owner for the Schedule K-3 information after the 1-month date and has not received a request from any other owner for Schedule K-3 information on or before the 1-month date, the domestic filing exception is met and the PTE is not required to file the Schedules K-2 and K-3 with the IRS or furnish the Schedule K-3 to the non-requesting partners. However, the PTE is required to provide the Schedule K-3, completed with the requested information, to the requesting owner on the later of the date on which the PTE files its business tax return or one month from the date on which the PTE receives the request from the owner.

#### Form 1116 Exemption

If a PTE does not meet the domestic filing exemption, it may meet the Form 1116 Exemption to filing the Schedules K-2 and K-3. If the PTE has no direct or indirect member that would be able to claim a foreign tax credit or is exempt from filing Form 1116 or 1118 (such as when foreign taxes are all on passive income and amount to less than \$600 MFJ/\$300 for others in credit) it would meet this exemption. The PTE would need a statement or W-8 or W-9 from every member in this situation no later than one month before the due date of the business income tax returns.

**Due to the notification requirements of the exemptions and relative ease of preparation of schedules K-2 and K-3 for entities with no foreign source income, our firm will prepare both of these schedules unless specifically requested by the entity's management to use one of the exemptions with appropriate notifications to and from the members.**

**OREGON TAX LAW CHANGES**  
*Source: Oregon Department of Revenue*

**OREGON REDUCED TAX RATES ON PASS-THROUGH ENTITY INCOME**

Oregon did not adopt the Qualified Small Business Income deduction in the federal TCJA, so this deduction is not allowed on the Oregon individual return. However, Oregon previously enacted a provision in 2014 that allowed an annual election to claim a 2% reduction in the tax rate on qualifying net income from pass-through entities that employ at least one Oregon employee for 1,200 or more hours during the tax year. Qualifying income does not include wages or guaranteed payments to owners, or any income taxed on the federal return with long term capital gain tax rates. For 2018-2021 sole proprietorships and single member limited liability companies were added to the definition of qualifying “pass-through entities”. Unlike the federal deduction, net income from real estate rental activities does not qualify for the Oregon reduced tax rate. The election must be made by the due date of the Oregon return including extensions and cannot be claimed by an amendment filed after that date.

SB 139 passed in 2021 made changes to this law beginning in tax year 2022:

- Qualifying income is defined as “non-passive pass-through” income
- Removes sole proprietorships and single member LLCs from the definition of “pass-through entities”.
- Limits qualifying businesses to those with ordinary business income not in excess of \$5 million; the tax rate reduction is graduated, with the full 2% reduction under existing law limited to \$250,000 of income
- Requires the business entity to meet either:
  - An employee to employer ratio using 1,200 hours for a qualifying employee, OR
  - A 3-year average limit on distributions of income as a percentage of ordinary business income
- Specifications exist for coordination with the PTE-E tax discussed next.

**OREGON PASS-THROUGH ENTITY ELECTIVE TAX (OR PTE-E)**

SB 727 passed in 2021 created a new elective income tax on pass-through entities for tax years 2022 and 2023. In 2023 the legislature extended this law through tax year 2025. If paid, the business owners are allowed an offsetting income tax credit on their Oregon personal income tax returns based on their pro rata share of the entity tax. This election allows the state income tax on the pass-through income (including guaranteed payments in a partnership or LLC) to be effectively transferred from an itemized deduction on the individual returns of the members to a business deduction of the entity. It avoids the existing \$10,000 limit on itemized deductions for state and local taxes (SALT) under the 2017 Tax Cuts and Jobs Act (TCJA) effectively saving federal tax at the taxpayer’s marginal rate. As noted in a previous article, it may not be needed after 2025 if the SALT limit is not extended at the federal level when the TCJA sunsets.

Many of our pass-through entity clients registered for and paid 2023 Oregon tax estimates for their members under this program after registration opened in June through Revenue Online. A fourth quarter 2023 payment can be made by January 16, 2024. Most members lowered their personal Oregon estimates or withholding from their salaries, unless they had other income requiring more tax payments.

The Oregon form OR-21 series is used to administer this program, including an OR-21-K1 issued to each member showing the payments to be reported on that member’s individual Oregon return as additional estimated tax payments.

Because the election requires the consent of all owners, we can provide electing entities with a form to be signed by all owners and returned to us prior to completion of the tax returns, unless the entity’s governing documents grant authority for tax elections to a specific individual.

## **EARNED INCOME AND WORKING FAMILY DEPENDENT CARE TAX CREDITS**

HB 2433 made the following changes to these individual tax credits:

### **Earned Income Tax Credit (EITC)**

- Allows the credit to be claimed by taxpayers who are unable to claim the EITC on their federal return due to lack of a Social Security card for a child. Applies to tax years 2022-2025
- Oregon EITC is 9% of the federal EITC, but a dependent who is younger than age 3 at the end of the tax year increases the Oregon EITC to 12% of the federal credit. (no change from prior law)

### **Working Family Household and Dependent Care Credit (WFHDC)**

- Available for students with children beginning in the 2022 tax year.
- Students must seek a degree.
- Income deemed to be \$1,000 per month (\$2,000 if 2 or more children)
- Separate calculation for these taxpayers

## **OREGON COLLEGE SAVINGS PLAN**

The Oregon College Savings Plan, (OCSP) is an IRC Sec 529 plan that enables families to accumulate tax-free investment earnings to fund qualified higher education expenses. Contributions made to accounts in the Plan are also deductible for Oregon tax purposes only up to annual limits. Distributions are entirely tax-free as long as the proceeds are used for qualified expenses. Nonqualified distributions are taxable on the Oregon return to the extent of earnings and prior contribution deductions. Oregon did not adopt the federal changes in the TCJA to include payments for certain K-12 education in qualified expenses.

### **Mechanics of the Oregon Credit**

Oregon House Bill 2164 eliminated the subtraction from taxable income for contributions to the OCSP after December 31, 2019. The subtraction was replaced by a credit directly against tax. The credit is calculated as a percentage of the contribution, with a decreasing percentage as the taxpayer's income increases as follows:

Adjusted Gross Income	Tax Credit % of OCSP Contribution
<\$30,000	100%
\$30,000 - \$70,000	50%
\$70,000 - \$100,000	25%
\$100,000 - \$250,000	10%
>\$250,000	5%

The total credit for 2023 is limited to \$340 on a "married filing joint" return and \$170 for all others (after inflation adjustment). Contributions must be funded by December 31 of the tax year for which the credit is claimed.

### **Carryovers from Years Prior to 2020**

As a result of the HB 2164 change from a subtraction to a credit, a provision needed to be made for those taxpayers who have made contributions in excess of the annual deduction limit and are carrying those excess contribution deductions forward. Those taxpayers have four years in which to use up the excess deductions at the rate of the present annual limit. Any remaining unused carryforward at the end of 2023 has expired.

## **SURPLUS REFUND "KICKER" CREDIT**

The 2022 "kicker" is a refundable personal income tax credit equal to the kicker percentage (44.28%) x 2022 tax liability before all credits except the credit for taxes paid to another state. It is claimed on the 2023 income tax return in the section for tax payments. The taxpayer (including decedents) must have incurred a 2022 income tax liability

to create a kicker credit but need not have a 2023 tax liability to use the credit, since it is refundable. However, a 2023 tax return must be filed to claim and receive the credit.

**OREGON AGRICULTURAL WORKERS OVERTIME**

- Through 2022, agricultural workers were, for the most part, exempt from Oregon’s overtime rules.
- House Bill 4002 B effective January 1, 2023 provides the number of hours in a workweek for which workers would be required to receive overtime pay. The number would be in excess of 55 hours in 2023 and 2024; in excess of 48 hours in 2025 and 2026, and in excess of 40 hours beginning in 2027. The overtime provisions will not apply to family members or administrative employees.
- House Bill 4002 B creates a refundable income or corporate excise tax credit allowed to the employer for excess amount of wages paid as overtime pay to agricultural workers. It requires an application process that creates an automatic income tax filing extension, but only for Oregon tax purposes. The credit is not offered to labor contractors.

**TRANSPORTATION and TRAVEL EXPENSES; FRINGE BENEFITS**

**AUTO EXPENSES – STANDARD MILEAGE RATES AND DEPRECIATION LIMITS**

2023 and 2024 standard mileage rates in lieu of actual auto expenses:

RATES PER MILE:	2023	2024
Business Use	65.5¢	67¢
Charitable Use	14¢	14¢
Medical and Moving Expense	22¢	21¢

The personal use of an employer-provided vehicle must be treated as income to the employee. One of the optional valuation methods allows each personal mile to be valued at the business standard mileage rate, but only if the fair market value of the vehicle when first provided to the employee does not exceed a specified value. For all types of vehicles placed in service, the value is \$60,800 for 2023.

For passenger cars, SUVs, trucks, and vans weighing less than 6,000 lb. placed in service in 2023, the maximum depreciation allowances are as follows:

<u>Classification</u>	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Subsequent Years</u>
Vehicles for which no bonus depreciation is claimed under Code Sec. 168(k)	\$12,200	\$19,500	\$11,700	\$6,960
Bonus Depreciation under 168(k)	\$ 8,000	-0-	-0-	-0-

If depreciation exceeds the annual cap, the excess is deducted beginning in the year after the vehicle’s regular depreciation period ends at the maximum rate of \$6,360 per year.

**TRAVEL EXPENSE PER DIEM RATES**

The 2023 simplified “high-low” per diem rates for travel in the continental U.S. (excluding Alaska and Hawaii) that employers can use to reimburse employees who are away from home overnight on business are \$297 for high-cost areas, and \$204 for all other areas. The \$297 per day rate breaks down to \$223 for lodging and \$74 for meals and incidentals for high-cost areas. For low-cost areas, the breakdown is \$140 and \$64 respectively. The same rates are deductible on the tax returns of employees who are not reimbursed. Self-employed persons can use the per diems to substantiate meals only. They must separately substantiate lodging (cannot use \$297/\$204 rates). The high-low per diem rates for meals and incidentals in 2024 will remain the same, but the lodging rates increase to \$235 for high-cost and \$150 for low-cost areas.. Taxpayers using per diem rates may also deduct or be reimbursed for

transportation and mailing expenses. The per diem rate for the incidental expenses only deduction is \$5 per day for 2023 and 2024 travel.

## **FRINGE BENEFITS**

*Source: Tax Speaker*

- The Internal Revenue Code established in 1913 says that anything given by an employer to an employee is taxable compensation, unless specifically excluded in the Internal Revenue Code. This includes small “de minimis” fringe benefits. “De minimis” does NOT have a specific dollar amount attached to it, but it does mean that it cannot be cash or a gift card; it must be “stuff”, such as a holiday ham or pie, and must be made available to virtually every employee. An employee can turn it down, but not request an alternative gift. With inflation, holiday food gifts could be valued as high as \$250 in 2023.....
- An “Accountable Business Expense Reimbursement Plan” can be used to reimburse employees for expenses like a home office that would not be deductible on Schedule A for the employees. The plan should be written.

## **RETIREMENT AND HEALTH CARE PLANS**

### **SECURE ACT 2.0**

*Source: Tax Speaker*

As part of the Consolidated Appropriations Act of 2023 signed into law by the President on December 29, 2022, Congress approved the Retirement law changes title “Secure Act 2.0 of 2022”. This Omnibus Bill does not include tax changes other than retirement provisions. Here is a list of the retirement changes effective in 2023 and future years. More details will be provided in future newsletters, but we are happy to discuss them with clients sooner as requested for tax planning purposes.

#### **Provisions Effective Immediately After Enactment**

- Increases Required Mandatory Distribution Age to 73 beginning January 1, 2023, and to age 75 in year 2033.
- One-time Qualified Charitable Distribution (QCD) up to \$50,000 allowed to either a charitable remainder trust or gift annuity
- Reduces Rate of Penalty Tax for Failure to Take Minimum Distributions from 50% to 25% (or 10% if corrected in a timely manner)
- Adds Two More Exemptions from the 10% Excise Tax on Early Distributions: Domestic Abuse and Terminal Illness
- Modifies Small Employer Pension Startup Credit
- Eliminates the Requirement for Changes in the Contribution Rate of Participants in a 457(b) Plan to be requested by the first day of the month; changes can be made at any time
- Creates a Tax Credit for Small Employers of Military Spouses who allow immediate eligibility for the spouse’s participation in a defined contribution plan
- Public Safety Officers (PSOs):
  - Repeals the direct payment requirement for health insurance premiums to qualify for the \$3,000 exclusion.
  - Modifies the exception from the 10% early distribution tax for distributions made to a qualified PSO following separation from service after age 50 to also apply if the employee separates after at least 25 years of service under the plan.
  - Modifies the definition of qualified PSO to also include any employee of a State or political subdivision who provides services as a corrections officer or as a forensic security employee providing for the care, custody, and control of forensic patients.

- Automatic disaster relief for retirement plan distributions and loans
  - Applies upon the issuance of a federal disaster declaration.
  - Only available for distributions of up to \$22,000.
  - Applicable to disasters the incident period for which begins on or after January 26, 2021.

#### **Provisions effective January 1, 2024:**

- Roth 401(k)'s and 403(b)'s no longer require an annual RMD for original account holders.
- Allows SIMPLE IRAs and SEPs to accept Roth contributions
- Requirement that Age-Based Catch-Up Contributions Must be Roth (Not Pretax) for Participants Earning Over \$145,000 (indexed)
- Inflation indexing will apply to the present limits of:
  - \$1,000 on catch-up contributions to traditional and Roth IRAs
  - \$100,000 on Qualified Charitable Distributions (QCDs).
- Allows Sec 529 Plan rollovers to Roth IRAs with a lifetime aggregate limit of \$35,000 and minimum of 15-year history in the 529 Plan.
- Authorizes Employer Matching Contributions to Retirement Plans based on employees' student loan payments.
- Addressing the Need for Emergency Savings
  - Permits employers to offer workplace emergency savings accounts linked to defined contribution plans but funded with after-tax dollars.
  - Provides an exception from the 10% excise tax for retirement plan distributions up to \$1,000 per year used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses.

#### **Provisions Effective January 1, 2025**

- Mandatory Automatic Enrollment/Escalation requires employers that establish new 401(k) and 403(b) defined contribution plans to automatically enroll newly hired employees, when eligible, in the plan at a pretax contribution level of 3 percent of the employee's pay. This provision would not apply for small businesses with 10 or fewer employees, those in business for less than three years, church plans and governmental plans.
- Allows larger Catch-Up Contributions for participants ages 60 through 63.
- Expedite Part-Time Workers' Participation in their employers' 401(k) plan by shortening from three years to two years the consecutive years of service for eligibility.

#### **Provision effective January 1, 2026**

- Saver's Match Program
  - The Saver's Match replaces the current nonrefundable Saver's Credit for certain IRA and retirement plan contributions with a federal matching contribution that is deposited into an IRA or retirement plan.
  - The Match program would incentivize retirement savings by providing a 50% matching contribution on up to \$2,000 in retirement savings annually for low- and middle-income Americans, without regard to whether an individual has a tax liability.
  - The match phases out between \$41,000 and \$71,000 of Adjusted Gross Income in the case of taxpayers filing a joint return and lower limits for other filing statuses.

## **SOCIAL SECURITY AND MEDICARE**

### **Payroll Tax Rates for Employees**

	<b><u>2023</u></b>	<b><u>2024</u></b>
Social Security (FICA)	6.20%	6.20%
Medicare	<u>1.45%</u>	<u>1.45%</u>
Combined	7.65%	7.65%

### **Taxable Wage Bases**

Social Security (FICA)	\$160,200	\$168,600
Medicare	No Limit	

### **Earnings Needed to Accrue Benefits**

Wages Needed to Earn one "Credit" (to determine benefits)	\$1,640	\$1,730
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### **Earned Income Limits for Retirees Under Full Retirement Age**

Before normal retirement age	\$21,240	\$22,320
Year of normal retirement age	\$56,520	\$59,520

### **Maximum Monthly Benefit at Full Retirement Age**

	\$3,627	\$3,822
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These amounts increase by 8% for each year of benefit commencement deferral up to age 70.

<b><u>Medicare Part B Premiums per month</u></b>	\$164.90	\$174.70
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### **Medicare Premium Surcharges**

Couples with AGIs over \$194,000 and singles with more than \$97,000 of AGI for 2021 or \$206,000 and \$103,000 for 2022 owe an additional premium for 2023 and 2024 respectively. The 2024 surcharges range from \$70 to \$419 per month.

## **ESTATE AND GIFT TAX EXEMPTION LEVELS AND PLANNING**

	<b><u>2023</u></b>	<b><u>2024</u></b>
Federal estate tax exemption	\$12,920,000	\$13,610,000
Annual gift tax exclusion	\$17,000	\$18,000
Oregon estate tax exemption	\$1,000,000	\$1,000,000
Washington estate tax exemption	\$2,193,000	\$2,193,000

Amounts over the annual gift tax exclusion shown in the table above are taxable gifts that are subtracted from an individual's lifetime estate- and gift-tax exemption, which is the same as the estate tax exemptions in the chart above. In an alternative strategy, givers can "bunch" five years of annual excludable gifts to a 529 education-savings plan, typically for children or grandchildren by filing Form 709 and making the appropriate election.

While the filing of a gift tax return (Form 709) is not required for gifts to individuals not exceeding the increased \$18,000 annual exclusion per donee, a gift tax return is required if making gifts above the \$18,000 annual exclusion. Though many gifts to trusts will qualify for annual exclusion treatment and not require disclosure by filing a gift tax return, many trusts do not qualify for such treatment and will require the filing of a gift tax return. Additionally, gift tax returns are required to "gift split" – where one spouse makes a gift in excess of the annual exclusion amount and the couple wishes to treat the gift as being made by both spouses in order to utilize the annual exclusion treatment for both spouses. To do this, both spouses need to "consent" to the treatment on the gift tax returns each will file.

The basic exemption amount for estates is \$12,920,000 for 2023 and \$13,610,000 for 2024. This increase in the exemption is set to lapse after 2025. There are also unlimited deductions for qualifying transfers during life and at death to charities and spouses. In November 2018, the Treasury Department and the IRS issued proposed regulations that would allow individuals who make large gifts between 2018 and 2025 to retain the tax benefit of the higher exemption, even if it reverts to pre-2018 levels.



It is important to note that if a decedent's gross estate (the fair market value of the decedent's assets on the date of death plus prior taxable gifts) does not exceed the new increased lifetime exemption amounts noted above, an estate tax return is not required to be filed. However, in such circumstance, if an estate tax return is filed, the decedent's unused lifetime estate and gift tax exemption may be transferred to the decedent's surviving spouse for use during the spouse's lifetime or at death. This concept is known as portability, and to take advantage of this beneficial election, an estate tax return must be filed.

**CONTRIBUTION AND BENEFIT LIMITS FOR RETIREMENT PLANS AND HEALTH SAVINGS ACCOUNTS**

The dollar limits on contributions and benefits under qualified plans are as follows.

	<b>2023</b>	<b>2024</b>
401(K) Elective Deferrals Annual Dollar Limit	\$22,500	\$23,000
401(K) Age 50+ Catch-up Contribution	\$7,500	\$7,500
SIMPLE Plan Elective Deferrals Annual Dollar Limit	\$15,500	\$16,000
SIMPLE Plan Age 50+ Catch-up Contribution	\$3,500	\$3,500
Annual Includible Compensation Limit (SEP and qualified plans)	\$330,000	\$345,000
Key Employee's Compensation Limit (SEP and qualified plans)	\$215,000	\$220,000
Highly Compensated Employee's Compensation Limit	\$150,000	\$155,000
Defined Contribution and SEP Annual Addition Limit	\$66,000	\$69,000
Defined Benefit Pension Plan Annual Benefit Limit	\$265,000	\$275,000
SEP Minimum Compensation Amount	\$750	\$750
457 Plan Elective Deferral Limit	\$22,500	\$23,000
Traditional IRA Contribution	\$6,500	\$7,000
Roth IRA Contribution	\$6,500	\$7,000
IRA Age 50+ Catch-up Contribution	\$1,000	\$1,000
HSA Contribution Limits: Family	\$7,750	\$8,300
Single	\$3,850	\$4,150
Age 55+ Extra	\$1,000	\$1,000
HSA Caps on Out-of-Pocket Reimbursements: Family	\$15,000	\$16,100
Single	\$7,500	\$8,050
HSA Minimum Deductible on HDHP: Family	\$3,000	\$3,200
Single	\$1,500	\$1,600
FSA Out-of-Pocket Maximum	\$3,050	\$3,200

**ADMINISTRATION AND REPORTING ISSUES**

**IRS INTEREST RATES ON TAX DEFICIENCIES AND OVERPAYMENTS/ABATEMENT**

Source: Internal Revenue Service

	<u>January 1 – September 30, 2023</u>	<u>October 1, 2023 – December 31, 2023</u>	<u>January 1 – March 31, 2024</u>
Federal	7.0%	8.0%	8.0%
Oregon	6.0%	6.0%	8.0%

## **1099 AND W-2 INFORMATION REPORTING AND RELATED PENALTIES**

*Source: CCH Federal Tax Weekly*

**The electronic filing threshold for Forms W-2, 1099 and certain other information returns has changed for the 2024 filing season, affecting 2023 Forms W-2 and 1099 required to be filed in 2024. The threshold has decreased from 250 to 10 or more returns. You can register for electronic filing on the SSA website @: [www.ssa.gov](http://www.ssa.gov).**

Our office is available to prepare the 1099 information returns that are required to be issued by every business or individual that pays \$600 or more to an unincorporated entity for business services, rent, interest, or dividends. "Payments" include cash, check, or money order. It does not include payments by credit or debit card, and other third-party network transactions subject to 1099-K reporting by the processing entity. We can provide you with a worksheet for compiling the necessary information to enable us to prepare these forms that are due by January 31, 2024. Form 1098 Mortgage Interest Statements can also be prepared from this worksheet if you change "Recipients of 1099 Income" to "Payers of Mortgage Interest."

A separate form 1099-NEC is used to report Nonemployee Compensation. The 1099-NEC is intended to reduce misclassification of this type of income, because it can be subject to self-employment Social Security tax, unlike other types of income reported on form 1099-MISC.

The Oregon Department of Revenue (ODR) requires that copies of all 1099s to Oregon recipients be filed electronically with ODR using its iWire system. Filing the federal copies with the IRS is not sufficient to meet the Oregon requirements.

In an audit of business returns, the IRS may assess penalties for failure to file correct 1099's, W-2's and similar information returns. The penalty cap for failure to file correct information returns and failure to furnish correct payee statements increased in 2021 from \$1.5 million to \$3.7 million. The amount for each individual failure increased from as low as \$60 to as high as \$310. Lower penalty caps that apply when the penalty is corrected within 30 days or before August 1 have also doubled and tripled to \$630,500 and \$1.8 million, respectively. Lower limitations for persons with gross receipts of \$5 million or less have also been raised. The penalty amounts are indexed for inflation. The penalties apply for erroneous returns, as well as missing returns. However, there is a safe harbor. If an error is \$100 or less (\$25 in the case of errors involving tax withholding) the issuer is not required to file a corrected return and no penalty will be imposed. The recipient, however, can elect to have a corrected return issued.

## **FAILURE TO FILE PENALTIES**

*Source: Tax Speaker*

The Taxpayers First Act included an increase in the maximum penalty for failure to file an income tax return to the lesser of \$485 (indexed for inflation), or 100% of the amount required to be shown on the return.

## 2023 PENSION COMPARISON TABLE

*Source: Bob Jennings/Tax Speaker*

	<b>Traditional IRA</b>	<b>Roth IRA</b>	<b>Non-Deductible IRA</b>	<b>Roth 401-K</b>	<b>Simple IRA</b>	<b>SEP</b>	<b>Solo 401-K</b>	<b>401-K</b>
Highlights	Excellent savings plan for those not covered by other plans but who have earned income	Great long-term plan that offers tax-free accumulations and withdrawals	Worst of the 3 IRAs but better than nothing	Fantastic way to save big bucks with no future taxation, but must be employer sponsored	Excellent choice for side businesses, small businesses, and those with <\$50k annual income. 97% employee funded	Excellent contribution limits, no 5500 make this a winner, but 100% employer funded. Voluntary contributions	The best plan for family businesses, those with only part-time employees as long as they want to fund more than a SIMPLE. Better than a SEP in many cases.	Excellent plan, partly employee funded, but watch the dreaded top-heavy rules which can make this a bad choice for some businesses.
Max. Employee Contribution	\$6,500	\$6,500	\$6,500	\$22,500	\$15,500	-0-	\$22,500	\$22,500
Max. Employer Contribution	N/A	N/A	N/A	\$61,000	\$15,500	Lesser of 25% of W-2 or \$66,000	Lesser of 25% of W-2 or \$66,000	Lesser of 25% of W-2 or \$66,000
Max. Contribution All Sources	\$6,500	\$6,500	\$6,500	\$66,000	\$15,500 + 3% of W-2 Before Deferral	\$66,000	\$66,000	\$66,000
Over Age 49 Additional Catch-Up	\$1,000	\$1,000	\$1,000	\$7,500	\$3,500	N/A	\$7,500	\$7,500
Tax Deduction	Yes	No	No	No	Yes	Yes	Yes	Yes
Withdrawals	Taxed	Nontaxable	Earnings Taxed	Nontaxable	Taxed	Taxed	Taxed	Taxed
Earnings	Tax Deferred	Nontaxable	Tax Deferred	Nontaxable	Deferred	Deferred	Deferred	Deferred
Penalty Exceptions	Death, disability, education, 1 <sup>st</sup> home, more	Death, disability, education, 1 <sup>st</sup> time home, more	Death, disability, education, 1 <sup>st</sup> time home, more	Death, disability, education, 1 <sup>st</sup> time home, more	Most IRA exceptions	Most IRA exceptions	Most IRA exceptions	Most IRA exceptions
Form By (2023)	4/16/24	4/16/24	4/16/24	Due date + Extension	10/1/23	Due date + extension	Due date + Extension	Due date + Extension
Contribute By	4/16/24	4/16/24	4/16/24	Due date + Extension	Due date + Extension	Due date + Extension	Due date + Extension	Due date + Extension
Penalty Issues	10% before 59 ½	10% before 59 ½ on earnings only	10% before 59 ½	10% before 59 ½	25% 1 <sup>st</sup> 2 years	10% before 59 ½	10% before 59 ½	10% before 59 ½
Tests	1-Earned Income 2-Not covered by other plan 3-If covered, must be below income limits	1-Earned income 2-Max Income under \$144k single, \$214k MFJ	1-Earned Income	Employer sponsored	No other active plan	No other active plan	Family Only, Employer sponsored, other plans ok	Employer sponsored; other plans ok
Distributions	Start by 4/1 of year after turning 72	No requirement	Start by 4/1 of year after turning 72	Plan based Usually 72	Plan based Usually 72	Plan based Usually 72	Later of 72 or retirement	Later of 72 or retirement
Bankruptcy Protection	\$1,000,000 Infl. adj.	\$1,000,000 Infl. adj.	\$1,000,000 Infl. adj.	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
5500 Required?	No	No	No	Yes	No	No	Yes	Yes
More Information	Pub 590	Pub 590	Pub 590	Publications 560	Publications 560	Publications 560	Publications 560	Publications 560

For more information, visit the following websites:

<http://www.irs.gov/publications/p560or590/index.html>

# DOCUMENTATION GUIDE FOR CHARITABLE CONTRIBUTIONS

*Source: Thomson Reuters/PPC*

**PURPOSE:** This table describes the types of documentation required to substantiate various types of charitable contributions made by individual taxpayers. Failing to maintain the proper documentation generally results in the donation being nondeductible.

TYPE OF DONATION	AMOUNT GIVEN IN A SINGLE DONATION			
	Less than \$250	\$250 to \$500	Over \$500, up to \$5,000	Over \$5,000
<b>Cash</b>	<ul style="list-style-type: none"> <li>Bank record or written receipt from charity showing donee name, date, and amount of contribution unless donation is to a charitable remainder trust</li> </ul>	<ul style="list-style-type: none"> <li>Bank record or written receipt from charity showing donee name, date, and amount of contribution</li> <li>Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>Bank record or written receipt from charity showing donee name, date, and amount of contribution</li> <li>Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>Bank record or written receipt from charity showing donee name, date, and amount of contribution</li> <li>Acknowledgment</li> </ul>
<b>Noncash:</b>				
<b>1. Publicly traded stock</b>	<ul style="list-style-type: none"> <li>Receipt or reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>
<b>2. Nonpublicly traded stock</b>	<ul style="list-style-type: none"> <li>Receipt or reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> <li>Qualified appraisal</li> <li>Declaration of appraiser and donee acknowledgment (Form 8283, Section B)</li> </ul>
<b>3. Artwork</b>	<ul style="list-style-type: none"> <li>Receipt or reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> <li>Qualified appraisal</li> <li>Declaration of appraiser and donee acknowledgment (Form 8283, Section B)</li> </ul>
<b>4. Vehicles, boats, and airplanes</b>	<ul style="list-style-type: none"> <li>Receipt or reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Qualified appraisal if deduction is FMV</li> </ul>
<b>5. All other noncash donations</b>	<ul style="list-style-type: none"> <li>Receipt or reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgment</li> <li>Reliable written records</li> <li>Qualified appraisal</li> <li>Declaration of appraiser and donee acknowledgment (Form 8283, Section B)</li> </ul>
<b>6. Payroll deduction</b>	<ul style="list-style-type: none"> <li>Paystub, Form W-2, or other record from employer</li> <li>Pledge card from donee showing donee's name</li> </ul>	<ul style="list-style-type: none"> <li>Paystub, Form W-2, or other reliable written record from employer</li> <li>Documentation from charity</li> </ul>	<ul style="list-style-type: none"> <li>Paystub, Form W-2, or other reliable written record from employer</li> <li>Documentation from charity</li> </ul>	<ul style="list-style-type: none"> <li>Paystub, Form W-2, or other reliable written record from employer</li> <li>Documentation from charity</li> </ul>
<b>7. Out-of-pocket expenses while serving as a volunteer</b>	<ul style="list-style-type: none"> <li>Receipt, cancelled check, or other reliable written records</li> </ul>	<ul style="list-style-type: none"> <li>Receipt, cancelled check, or other reliable written records</li> <li>Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>Receipt, cancelled check, or other reliable written records</li> <li>Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>Receipt, cancelled check, or other reliable written records</li> <li>Acknowledgment</li> </ul>

**MEALS and ENTERTAINMENT DEDUCTIONS**  
**Under Tax Cuts and Jobs Act of 2017**  
**and Consolidated Appropriations Act of 2020**

<b>Type of Expense</b>	<b>TCJA 2018-2020 and 2023-2025</b>	<b>Consolidated Appropriations 2021-2022 - Expired</b>	<b>Reference and Comments</b>
Business Entertainment	No Deduction	No Deduction	IRC Section 274
Sky boxes	No Deduction	No Deduction	
Sporting/Theatre Tickets	No Deduction	No Deduction	
Other entertainment, amusement, or recreation expenses	No Deduction	No Deduction	Golf, lodges, trips, resorts, etc.
Business Meals where business is discussed during or immediately before or after the meal	50% Deductible as long as not lavish or extravagant and taxpayer or employee of taxpayer is present	100% Deductible as long as not lavish or extravagant and taxpayer or employee of taxpayer is present	
Business Meals at, before, or after an entertainment event such as dinner before a theatre	50% Deductible as long as not lavish, and taxpayer or employee of taxpayer is present	100% Deductible as long as not lavish, and taxpayer or employee of taxpayer is present	
Company Picnic or Holiday Events	100% Deductible	100% Deductible	De Minimis IRC Sec. 132(e)
Meals at Employer's Convenience (on premise rule)	100% Deductible	100% Deductible	IRC Sec. 199 Employer Convenience
Working Condition Fringe Meals	100% Deductible	100% Deductible	
Travel Meals	50% Deductible	100% Deductible	These are not meals subject to the entertainment limits, they are meals subject to travel limits
Meals reimbursed by employer under accountable plans	100% Deductible by employee, Employer subject to various tests which allow either a 50% deduction if business meals, or a 100% deduction if cost of providing service	100% Deductible by employee, Employer gets no deduction if business meals, 50% deduction if travel meals and 100% deduction if cost of providing service	
Business meeting meals of employees, stockholders and directors	50% Deductible	100% Deductible	
Meals sold to the general public (like cost of putting on an event – client seminars, etc.)	100% Deductible	100% Deductible	

## MEALS and ENTERTAINMENT DEDUCTIONS

<b>Business Related Meals</b>	<b>Deductible Percentage</b>			
	<b>100%</b>	<b>100% 2021 and 2022 Under CAA</b>	<b>50% in 2023</b>	<b>Non Deductible</b>
Quiet Business Meals		X	X	
Occasional Employee Fringe Benefit Meals (Cocktail parties, picnics, Holidays)	X			
Meals for Public as Costs of Goods Sold	X			
Meals for Public as Advertising	X			
Meals overnight for Business		X	X	
Meals as part of Equipment Installation (Capitalize)	X			
Meals with Business Groups		X	X	
Meals before and after entertainment		X	X	
Meals on Premises – For employer convenience		X	X	
<b>Business Related Entertainment</b>				
Sporting, Hunting, Fishing				X
Plays, Theatres, Shows, Concerts				X
Games of any Sport				X
Tickets to clients for any of above				X
Dues: Country clubs, social clubs, athletic clubs, or organizations				X
Skybox, Sporting or Entertainment facility fees or leases				X
Business Meals Separately Stated as part of above entertainment		X	X	
Entertainment directly related to taxpayers' line of business (sporting goods salesperson going to ballgame)	X			