

## 2023 YEAR-END LETTER

*Greetings! Here are some staff updates, office deadlines, tax thresholds, planning strategies, and reminders.*

### Office Announcements

- Braulio Arroyo-Sosa, EA, has now passed all three parts of the Enrolled Agent's exam and is now licensed to represent taxpayers before the Internal Revenue Service.
- Nick Watkins has been handling the front desk and other administrative duties since January. When not at the office, Nick designs and fabricates "larger than life" costumes.

Please visit our website [www.abramsontax.com] for full bios and pics of all our staff.

### Identity Theft and USPS Mail Issues

**Identity Theft:** The IRS will not call you about any tax matter without first mailing you a letter; nor will the IRS demand immediate payment over the phone. Unless you have initiated contact, do not give any personal information over the phone, through the mail, or on the internet. If you have been a victim of tax-related identity theft, the IRS will issue you a different Identity Protection PIN annually. Please send us your assigned PINs each year.

**USPS Mail Issues:** There has been a recent rise in theft of mail from both inside the post office and public mailboxes. We offer setup of electronic payments when e-filing tax returns and extensions.

### Important Firm Deadlines!

**Tax Client Organizers:** By early January, we will send out 2023 Engagement Agreements and Tax Organizers. Please note that **if we do not receive your completed Tax Organizer and related source documents by Friday February 23, 2024, we will put your returns on extension.** [Note: If you are awaiting only a couple of items [e.g., brokerage 1099s and K1s], please submit what you *do* have by February 23rd and note what is missing.

**Payments to Housekeepers, Child & Health Care Providers:** Unless hired through an agency, such providers are classified as employees. In 2023, if you will have paid any such worker \$2,600 or more in total wages, you must issue them a Form W2 by January 31, 2024. **if you want us to prepare W2s, we need your information by January 12, 2024.**

In MD, payments to all employees totaling greater than \$1,000 per calendar quarter are reportable for Unemployment Compensation purposes; the DC quarterly threshold is \$500.

**Payments to Independent Contractors:** In the course of your business [including rentals], if you pay any non-corporate contractors \$600 or more during 2023, you must issue a Form 1099 by January 31, 2024. **if you want us to prepare 1099s, we need your information by January 12, 2024.**

**FBAR:** If you have foreign financial accounts that exceed \$10,000 in aggregate at any time in 2023, a Report of Foreign Bank and Financial Accounts is due April 15, 2024.

## Retirement Plan Tidbits

**Required Minimum Distributions [RMDs]:** For non-inherited IRAs, RMDs must start at age 73. Distributions from current employer-sponsored plans are not required unless the employee owns more than five percent [5%] of the business.

**Inherited IRAs:** Distributions are allowed but not required within the first nine years. Beneficiaries must, however, liquidate the account by the end of the tenth year following the death of the original IRA owner.

**IRA Contributions:** For those with earned income, contributions to IRAs may be made at any age. The eligible IRA type is dependent on income.

**Back Roth IRAs:** If your income is too high for a Roth, consider contributing to a non-deductible IRA followed by a Roth conversion.

**Charitable Donating Directly from an IRA:** Consider charitable contributions directly from an IRA if you take the standard deduction or claim medical expenses [AGI based].

## Social Security and Medicare Planning

**Maximizing Social Security:** To receive a statement of earnings and/or an estimate of eligible benefits, contact Social Security Administration [SSA]: 800.772.1213 or visit <https://secure.ssa.gov/RIL/SiView.action>.

The most common concern is whether to start claiming benefits at age 62 or to continue to let your benefits grow until age 66 or 70. Consider using a benefits analysis company such as Social Security Solutions, Inc. to help you navigate to the best strategy: <https://www.socialsecuritysolutions.com/>

**What is IRMAA?** IRMAA is a surcharge for Medicare Parts B and D premiums for those with income above certain thresholds. It is determined by the income from your income tax return two years prior. For example, the IRMAA adjusted Medicare Premium for 2024 is based on 2022 income.

## 2023 Thresholds and Limits

### **Threshold for 0% Federal Rate on Long-Term Capital Gains:**

If your taxable income is less than the following amounts, your long-term capital gains are taxed at a 0% federal rate:

Married Filing Joint: \$89,250

Single: \$44,625

Head of Household: \$59,750

**Standard Deduction:** The standard deduction is \$13,850 for single filers and \$27,700 for joint filers.

**IRA & 401(k) Limit:** For 2023, the IRA contribution limit is \$6,500; for those 50 and older, it is \$7,500. The contribution limit for 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains at \$22,500; for those aged 50 or older, the limit is \$30,000.

**Health Savings Account [HSA]:** If offered by your employer, consider deductible contributions to HSAs where withdrawals are tax free if used for qualified medical expenses. For eligibility, you must have a High Deductible Health Plan. For 2023, contribution limits are \$3,850, \$4,850 if > age 55, and \$7,750 for family coverage.

## MERP: Deduction Opportunity for Businesses

Employers, including those self-employed, can adopt a Medical Expense Reimbursement Plan [MERP] to benefit "key" employees. This results in a tax deduction for out-of-pocket medical expenses. MERPs can be used for medical reimbursements alongside a group health insurance plan or offered independently. Strict guidelines must be followed to comply with IRC Sec. 105. For further information, contact Hannah Fagan, benefit specialist at Potomac Companies [hfagan@potomacco.com]. Hannah's agency partners with BeniComp, one of the groups offering a fully insured, supplemental, group executive MERP policy.

## DC, MD & VA

### **Residential Rental Owner Requirements:**

**DC:** (1) Obtain a business license; (2) Register with DC Consumer and Regulatory Affairs (DCRA); and (3) Meet the District's housing code compliance standards [<https://dcra.dc.gov/service/dc-housing-code-standards>].

You must also register online with DC Tax and Revenue [Form 500], file an annual personal property return, and an unincorporated business franchise tax return [if gross annual rent is greater than \$12,000].

**Montgomery County, MD:** (1) Obtain a rental license; (2) Pass a lead test if built before 1950; and (3) Designate a MD resident agent. Units occupied by relatives, or in Rockville, Takoma Park, or Gaithersburg are exempt [<https://www.montgomerycountymd.gov/DHCA/housing/licensing/>].

**Arlington County, VA:** Obtain a business license: [<https://taxes.arlingtonva.us/business/new-businesses/>].

### **DC Homestead & Senior Citizen Real Property Tax Relief:**

1) The Homestead Deduction reduces your property's assessed value by \$84,000.

2) The Sr. Citizen [age 65] Property Tax Relief will apply to FY 2023 [10/1/2023 to 9/30/2024] if your total household income for calendar year 2023 is less than \$149,400.

Both forms of tax relief apply only to primary residences. It is your responsibility to notify DC of any changes in eligibility: [[https://www.taxpayerservicecenter.com/FP100\\_Homestead\\_Application.jsp](https://www.taxpayerservicecenter.com/FP100_Homestead_Application.jsp)]

**DC Domestic Worker Employment Rights Act:** Household employers and those hiring domestic contractors are now required to have a work agreement in place clarifying pay, duties, leave, etc. For more info: [<https://gtm.com/household/washington-dc-domestic-worker-protections/>]

**Section 529 Plans:** DC, MD, & VA allow deductions for contributions to their state Education and ABLE plans benefiting those with disabilities.

## Estate and Gift Planning

**Reportable Gifts & the Federal Estate/Gift Tax:** The threshold for when a gift tax return [Form 709] must be filed is \$17,000 for 2023 and \$18,000 for 2024. But even though the excess above the reporting thresholds is a "taxable gift", there is no gift tax until one's "taxable gifts" exceed ~ \$13M. The gift return merely tracks the "taxable gifts" so they will be counted towards one's cumulative lifetime transfers. The threshold applies to total asset values at death PLUS lifetime "taxable gifts".

For lifetime gifts, the donee [gift recipient] takes the basis of the donor. For inheritances, the beneficiary gets a basis "step-up" to the date of death value.

**DC/MD Estate Tax Exemptions:** The DC exemption is \$4.53M and MD is \$5M. VA does not have an estate tax.

**Planning Opportunities:** For taxpayers with assets greater than their respective exemption amounts, planning using "marital", "disclaimer", and "irrevocable life insurance" trusts can provide estate tax savings and flexibility. In addition, since neither DC nor MD requires a decedent's estate to include lifetime gifts, they are an excellent DC/MD estate tax savings tool. [Note: payments for qualified educational and medical expenses are not reportable gifts if paid directly to the provider of the service.]

### **MD MOLST [Medical Orders for Life-Sustaining Treatment]** **DC MOST [Medical Orders for Scope of Treatment]**

These forms can provide more specificity for life-sustaining treatments than Advanced Directives and Living Will Declarations. They are becoming a widely used complement for avoiding the possibility of unwanted resuscitation in the event of cardiac or respiratory arrest outside of a medical care facility. Sooner rather than never, please download, complete the form, and have it signed by your physician.

**Estate Documents:** Please review your estate planning documents every three to five years, whenever there is a change in law, or if you experience a major life event. While we no longer prepare estate planning documents, we can provide referrals upon request.

**HAPPY HOLIDAYS FROM ALL OF US AT ABRAMSON & ASSOCIATES, LLC!**