

IRS Updates for Tax Year 2023

December 2023



Topics We'll Cover ...

uTax

2023-2024
Tax Law Updates

- Updated tax inflation adjustments for TY 2023
- Ramifications of the **Secure Act 2.0**
- The **Residential Clean Energy Credit** (Form 5695, Part I)
- The **Energy Home Improvement Credit** (Form 5695, Part II)
- Navigating **Form 8936** – Clean Vehicle Credits
 - New Clean Vehicle Credit
 - Used Clean Vehicle Credit
 - Commercial Clean Vehicle Credit



Topics We'll Cover ...

uTax

2023-2024
Tax Law Updates

- Updates regarding Form 1099-K for 2023
- New reporting requirement for Corporations, LLCs and Limited Partnerships
- Revisiting the **Employee Retention Credit**
- Awareness of your responsibility to have a **Data Security Plan** (often referred to as a **WISP – Written Information Security Program**)



Updated Tax Inflation Adjustments



Updated Tax Inflation Adjustments

➤ Standard Deductions for TY 2023:

- \$13,850: Single or Married Filing Separate
- \$27,700: Married Filing Joint or Querying Widow(er)
- \$20,800: Head-of-Household

➤ Maximum Earned Income Tax Credit:

- \$7,430 – 3 or more children
- \$6,604 – 2 children
- \$3,995 – 1 child
- \$600 – for taxpayers without qualifying children

➤ Refundable portion of the Child Tax Credit: \$1,600



Updated Tax Inflation Adjustments

uTax

2023-2024
Tax Law Updates

Mileage Rates – *per mile*

- Business: 65.5¢
- Medical/Moving: 22¢
- Charitable Purposes: 14¢



Secure Act 2.0



Secure Act 2.0

uTax

2023-2024
Tax Law Updates

Secure Act 2.0 – Retirement Plan Changes

- Required minimum distributions for individuals must now begin at age 73 (was 72)
- Individuals may withdraw up to \$22,000 from their retirement account for federal disasters without penalty
 - Taxpayer can elect to have the amount withdrawn be taxed over 3 years
- Tax credit for starting a new plan – **by an employer with up to 50 employees** – has been increased to 100% of eligible start-up costs



Residential Energy Credits Form 5695



Form 5695, Part I

uTax

2023-2024
Tax Law Updates

Residential Clean Energy Credit Form 5695, Part I

- Nonrefundable
- Calculated as 30% of cost of qualified property installed in 2023
- Unused credit may be carried forward
- Examples of eligible property include:
 - *solar panels;*
 - *wind turbines;*
 - *fuel cells;*
 - *battery storage units; and*
 - *geothermal heat pumps*
- Credit may be claimed every year that there is installed eligible property
- No lifetime limit on this credit – except for fuel cell property



Form 5695, Part II

Energy Efficient Home Improvement Credit

Form 5695, Part II

- Nonrefundable
- Credit is up to \$3,200 depending on type of eligible improvements made to primary residence.
- Heat pumps and Biomass Stoves – credit is 30% of cost up to \$2,000
- Other qualified property – 30% of cost up to \$1,200
- Limits for some types of other property such as doors (\$500) and exterior windows (\$600)



Clean Vehicle Credits



Navigating Form 8936

uTax

2023-2024
Tax Law Updates

New Clean Vehicle Credit

- \$7,500 nonrefundable credit for purchase of a new electric or fuel cell vehicle under 14,000 lbs.
- For electric vehicles, the credit is split into two \$3,750 increments as follows:
 - Battery must contain at least 40% of critical minerals that were extracted or processed in a country which has a free trade agreement with US
 - At least 50% of battery components must have been manufactured or assembled in North America
- Visit ***Fueleconomy.gov*** to see if a specific vehicle qualifies for full or partial credit



Navigating Form 8936

uTax

2023-2024
Tax Law Updates

New Clean Vehicle Credit – continued

- AGI limit is \$150,000 (\$300,000 for MFJ) for current or previous year
- Price cannot be greater than \$55,000; \$80,000 for SUVs/pickup trucks
- For fuel cell vehicles: The full \$7,500 credit is available when the requirements for being powered by a fuel cell are met
- Information on the vehicle will be required to be entered on the new **Form 8936 – Schedule A**
- ***Beginning in 2024:*** The taxpayer can elect to transfer the credit to the dealership to use as a downpayment for the vehicle



Navigating Form 8936

uTax

2023-2024
Tax Law Updates

Used Clean Vehicle Credit

- Credit is lesser of ...
 - 30% of purchase price; or
 - \$4,000
- Cost of the vehicle must be \leq \$25,000
- Vehicle must be a model year that is at least two years prior to applicable tax year (e.g., for TY 2023, the model year must be 2021 or earlier)



Navigating Form 8936

uTax

2023-2024
Tax Law Updates

Used Clean Vehicle Credit

- Vehicle must be purchased from a dealership
- AGI limit is \$75,000 (\$150,000 MFJ) for current or prior year
- This credit can be claimed once every three years
- Credit is nonrefundable
- Vehicle must be purchased for personal use
- Information on the vehicle will be required to be entered on the new **Form 8936 – Schedule A**



Navigating Form 8936

uTax

2023-2024
Tax Law Updates

Commercial Clean Vehicle Credit

- Credit is calculated as a percentage of the cost of the vehicle as follows:
 - 15% for hybrid electric vehicles
 - 30% for electric or fuel cell vehicles
- Maximum credit is \$7,500 (14,000 lbs. or less) – or \$40,000 (over 14,000 lbs.)
- Credit is nonrefundable
- Unused credit may be carried forward
- Information on the vehicle will be required to be entered on the new **Form 8936 – Schedule A**



New Reporting Requirements



New Reporting Requirements

For Corporations, LLCs and Limited Partnerships:

- Under the **Corporate Transparency Act** (enacted in 2021), all Corporations, LLCs, and Limited Partnerships are required to file a Beneficial Ownership Report with the Financial Crimes and Enforcement Network beginning on 01.01.2024
- Applies to all Corporations, LLCs, Limited Partnerships and any entity created by filing a document with a State
- Companies already in existence on 01.01.2024 have until 01.01.2025 to file their initial report
- New companies formed after 12.31.2023 must file within 30 days of when they were created or registered



Revisiting the Employee Retention Credit



Employee Retention Credit

- This credit was made available to employers that kept employees on payroll during the height of the pandemic
After 03.12.2020 and before 01.01.2022
- Also of note: eligibility and credit amounts vary depending on when the business impacts occurred
- Making a claim involves amending **Form 941** (Employer's Quarterly Federal Tax Return) for the period(s) in which conditions for the claim are met



Employee Retention Credit

- Currently, the IRS has stopped processing new claims for this credit due to high incidences of questionable claims being submitted
- Furthermore, the IRS has emphasized that if a business improperly claims and receives an Employee Retention Credit, they will be required to pay it back
- More information of this can be found on this by visiting the **CrossLinktax.com** website ▶ 'Customer Resources' tab ▶ 'Tax Resource Center'



Concerning Data Security Plans



Having a Data Security Plan (WISP)

- First up: By Federal law, all tax preparers are **required** to create and implement a data security plan
- This is referred to as a **Written Information Security Plan (WISP)**
- **Security Summit** partners created a sample security plan to help preparers (especially smaller practices) create a plan to help protect their data and information
- In order to be WISP compliant, guidelines and specific requirements can be found in **Publication 5708**
- Check out the following for further information:
 - [Creating a Written Security Plan \(Publication 5708\)](#) on IRS website
 - [Data Theft Information for Tax Professionals](#) on the IRS website



Join the Conversation

uTax

2023-2024
Tax Law Updates



www.facebook.com/utaxsoftware.com



twitter.com/utaxsoftware



www.instagram.com/utaxsoftware



www.linkedin.com/company/utaxsoftware





Stay in Contact

Partner Support – 206-209-2653

uTax Sales – 844-440-8829

uTax Resource Center - <https://resourcecenter.utaxsoftware.com/>



Thank
You