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Dear Clients and Friends:

As we approach the end of 2023, it is crucial to review your tax and financial plans to ensure they align with your financial goals.

To streamline the process of submitting your tax documents, we offer several convenient options, including the secure SafeSend portal, US mail, and a lockbox at our Warrington location. Dropoff is also available to our Warrington or Richboro offices during regular business hours.

The SafeSend portal provides a quick and secure way to transfer documents, offering digital, fillable organizers for your convenience. Additionally, it enables electronic signatures and accepts electronic payments via credit cards.

Here are some important reminders for 2023:

- With the passage of the Inflation Reduction Act of 2022, there are new tax incentives to consider.
- Several tax provisions have expired or will soon.
- Major changes in your life, such as marriage or divorce, a birth or death in the family, employment changes, starting a business, and significant expenditures (real estate purchases, college tuition payments, etc.), could impact your tax situation.

Each individual's tax situation is unique, and we are here to assist you with any questions you may have.

INDIVIDUALS

Standard Deduction: For 2023, the standard deduction amount increased to $13,850 for single filers and $27,700 for married joint filers.

Charitable Contributions: Consider gifting appreciated stocks directly to a qualified charity in lieu of cash.

A qualified charitable distribution (QCD) allows individuals who are 70½ or older to donate up to $100,000 total to one or more charities **directly** from a taxable IRA instead of taking their required minimum distributions (RMD).

Medical Expenses: Itemizers can only deduct unreimbursed medical expenses that exceed 7.5% of your adjusted gross income. If you are approaching or have already met the threshold, consider scheduling appointments for medical, dental, and/or orthodontic procedures before year-end.

Retirement Plans and the Secure Act 2.0: You can still reduce 2023 taxable income by contributing to traditional IRAs and/or employer-sponsored retirement plans to the extent you are eligible. However, withdrawals from your IRAs are transitioning in stages. Anyone who turned 72 in 2022 or earlier follows the old rules. Those who turn 72 in 2023 (born from 1951-1959) have 73 as their RMD age. They have to take their RMD by April 1 of the year after they turn 73. Anyone born 1960 or later has 75 as the RMD starting age.

Additional tax and financial planning considerations to discuss with your tax advisor:

- Section 529 prepaid tuition or college savings plans are not subject to federal annual contribution limits and do not provide a federal income tax deduction, but Pennsylvania residents are entitled to a state income tax deduction of up to $17,000--$34,000 if filing jointly--provided both spouses have $17,000 of income
- Beginning in 2024, you can rollover a 529 plan to a Roth IRA. There are **specific** requirements, one of which is the 529 plan must be older than 15 years and you can rollover a lifetime maximum of $35,000.

- Tuition payments made directly to an educational organization on behalf of a person, and payments for a person's medical care made directly to the provider are not treated as taxable gifts, nor do they erode the $17,000 annual gift exclusion.
- The annual gift exclusion amount for 2023 is $17,000 per person and a married couple can gift up to $34,000 per year, per person. Gifts made up to these amounts will not reduce their lifetime exemption or result in the federal gift tax.
- Consider holding assets for over one year to take advantage of the long-term capital gain rates of 0%, 15%, or 20%, depending on the taxpayer's taxable income. If you hold long-term appreciated-in-value assets, consider selling enough of them to generate long-term capital gains that can be sheltered by the 0% rate.
- The sale or exchange of virtual currencies, and the use of such currencies to pay for goods or services, generally have tax impacts. The IRS continues to increase its scrutiny in this area.
- The Inflation Reduction Act of 2022 included new and newly expanded tax credits for solar panels, electric vehicles, and energy-efficient home improvements.
- If you were in a federally declared disaster area, and you suffered uninsured or unreimbursed disaster-related losses, you can choose to claim them for either the disaster year or the year preceding the disaster. If you choose to amend the prior year's return, you have six months from the original due date to amend it.

BUSINESSES

Year-end Bonuses: Bonuses can be timed for maximum tax effect by employers. Check with your tax advisor to discuss your best strategy.

Establish a Tax-Favored Retirement Plan: Retirement plan rules allow for significant deductible contributions. For example, if you're self-employed and set up a SEP-IRA, you can contribute up to 25% of your self-employment earnings, with a maximum contribution of $66,000 for 2023. If you're employed by your own corporation, up to 25% of your salary can be contributed with a maximum contribution of $66,000.

Energy Tax Credits: There are many tax incentives to encourage businesses to decrease their carbon footprint and become more environmentally sustainable.

Informational returns, including W2s and 1099s: If you are filing at least 10 returns, they must now be filed electronically.

1099s: If you are a Pennsylvania based business and have subcontractors outside of Pennsylvania that you pay more than $5,000 you are *required* to withhold Pennsylvania tax.

Beginning in 2023 if you received over $600 in payments for goods or services through third-party payment network transactions you will receive a 1099-K. Please furnish these to your tax advisor.

Additional tax and financial planning considerations:

- For the tax year 2023, the maximum allowable contribution deduction remains limited to 10% of a corporation's taxable income.
- IRS Forms K-2 and K-3 are new forms and can require much effort and potentially apply to even smaller entities. The IRS announced an additional exception to the requirement to complete and provide these forms.
- Bonus depreciation is a tax benefit that allows businesses to take 100% depreciation of the cost of qualifying property in the year of purchase. This benefit will begin to phase out in 2023 and end in 2027. The phase out schedule is as follows: 80%in 2023, 60% in 2024, 40% in 2025, 20% in2026 and 0% in 2027.

The information in this letter is based on federal and state tax laws in effect as of the publication date of this letter. Please consult with us before implementing any of the above tax strategies. It is always our goal to provide you with timely and professional tax preparation and advisory services.