

# JUMP START

2023 YEAR END NEWSLETTER

## PRE-TAX SEASON CLIENT UPDATES



### HERE ARE SOME KEY CHANGES TO THE TAX CODE FOR 2023

#### TAX BRACKETS AND RATES

The income brackets subject to tax are increasing by approximately 7 percent due to inflation.

#### KEY CHANGES

##### INCREASED AGE FOR REQUIRED DISTRIBUTIONS

If you turn 72 in 2023 or later, you can keep money in a tax-deferred IRA or 401(k) for another 12 months to help the account continue growing before starting to withdraw funds.

This retirement benefit is now available thanks to the required minimum distribution age being raised from age 72 to age 73.

##### DECREASED PENALTY IF REQUIRED DISTRIBUTIONS AREN'T TAKEN

The penalty for failing to take a required minimum distribution is reduced from 50% to 25%. If the correction is generally made within two years, the penalty is further reduced to 10%.

#### NEW TAX CREDITS

##### TAX CREDIT FOR NEW CLEAN VEHICLES

A credit up to \$7,500 is available if you (or your business) buy a new, qualified plug-in electric vehicle or fuel cell electric vehicle.

##### TAX CREDIT FOR USED CLEAN VEHICLES

A credit up to \$4,000 is available if you buy a previously owned, qualified plug-in electric vehicle or fuel cell vehicle, including cars and light trucks.

In addition, your modified adjusted gross income (AGI) must not exceed:

- \$150,000 for married couples filing jointly
- \$112,500 for heads of households \$75,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less.

##### TAX CREDIT FOR ENERGY EFFICIENT HOME IMPROVEMENTS

An annual tax credit up to \$1,200 is available if you make qualified energy improvements to your home (biomass stoves and boilers have a separate annual credit limit of \$2,000).

#### TIME TO GET ORGANIZED

With the 2023 tax filing season right around the corner, here are ideas to help make processing this year's tax return as easy as ever.

#### MAKE A LIST

Create a list of expected tax documents. Do this now by reviewing the documents from last year. Then use the list to check off each one when it is received to ensure you have everything you need.

#### CHECK IT TWICE

As soon as you receive a document take a look at it for errors. This is especially important for any 1099-Ks or investment forms (1099-B). Both are common sources of errors in reporting.

#### FIND MISSING ITEMS

Missing documents are the most common reason why processing a tax return gets delayed. So, sort your documentation and look for any missing items. It may be a K-1 being delayed by a business or a missing tuition credit form.

#### WRITE DOWN YOUR EXPENSES

Review and keep all receipts to support possible deductions for medical expenses, contributions, childcare, and business expenses. Each can help reduce your taxable income.

#### TAX ALERT: FOR SELF EMPLOYED INDIVIDUALS & GIG ENTREPRENEURS

**Look out for your Form 1099-K** - This year you may receive an unfamiliar 1099-K tax form. Here's what you need to know



### DEARBORN OFFICE

📍 23814 Michigan Ave  
Dearborn MI 48124  
☎ (313) 626-6555

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## 1099-K BASICS

- It shows gross payment amounts. A Form 1099-K reports the gross amount of payments received by you from payment transactions like credit cards or digital payment services like PayPal and Venmo.
- Reporting changes mean more forms. Starting in 2023, all third-party payment services are required to send a 1099-K for any activity over \$600. The dollar amount threshold under the old rules was \$20,000. This is being done by the IRS to capture unreported business transactions from ticket resellers and payment processing platforms like Amazon, Etsy and eBay.
- You are now in business. So now individuals reselling concert tickets or using Venmo to receive payments may business in the eyes of the IRS.
- Personal payments may be included on a 1099-K. It's possible that a personal payment you received, for example a friend sending you their share of a restaurant bill, ends up being included on a 1099-K.

## WHAT YOU SHOULD DO WHEN YOU GET A 1099-K

### SAVE THE FORM

If you receive a 1099-K, save the form! You will need to account for this information on your tax return or face the possibility of the activity triggering a correspondence audit from the IRS.

### IT'S A BUSINESS TRANSACTION

If you received the form due to activity on sites like Amazon, Etsy or you are reselling tickets or taking rent payments, you are in business. In the eyes of the IRS, this is true even if you lost money on the transactions. This revenue needs to be reported, but you can also include any related business expenses to reduce reportable income, so you may need to include a Schedule C with your 2023 Form 1040.

### STAY ORGANIZED AND BRING IT IN

If you receive any Form 1099-Ks, your tax return will now be a bit more complex. But you can help if you stay organized and well documented to explain exactly how you used the third-party payment platform that sent you the form.

## MAXIMUM EARNED INCOME TAX CREDIT

For the 2023 tax year (taxes filed in 2024), the earned income credit ranges from \$600 to \$7,430, depending on your filing status and how many children you have.

No. of Children	2022 Maximum EIC credit	2023 Maximum EIC credit	Increase ↑	Max AGI, single or head of household filers	Max AGI, married joint filers
0	\$560	<b>\$600</b>	7.14%	\$17,640	\$24,210
1	\$3,733	<b>\$3,995</b>	7.02%	\$46,560	\$53,120
2	\$6,164	<b>\$6,604</b>	7.14%	\$52,918	\$59,478
3 or more	\$6,935	<b>\$7,430</b>	7.14%	\$56,838	\$63,398

## BEAT THE RUSH

### OPTION 1: SUBMIT YOUR INFORMATION REMOTELY

Our Mobile App: Refund Connect – gives you the ability to submit your information, upload pictures / documents and share them with us safely and securely. We can also chat about any questions you might have, all within the app.

### START YOUR TAX RETURN REMOTELY:

VISIT: [www.alliance-tax.com/submit-online](http://www.alliance-tax.com/submit-online)

### OPTION 2: SCHEDULE YOUR TAX APPOINTMENT

Our tax professionals can handle all of your tax needs, including help with getting you all of the tax credits, deductions, fast refunds, and more. Whatever your situation, we know how to get you the **Maximum Refund**.

### SCHEDULE YOUR APPOINTMENT:

VISIT: [www.alliance-tax.com/schedule](http://www.alliance-tax.com/schedule)