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*** 2023 - 2024 TAX HIGHLIGHTS ***

This information addresses various issues that may be important to you or your business as we approach the end of 2023.

INDIVIDUALS

- ** ESTIMATED INCOME TAXES for Individuals** with AGI over \$75,000 Single/\$150,000 Married Filing Joint, must pay 110% of their 2022 tax bill to avoid an underpayment penalty, or 90% of their 2023 tax liability.
- ** TEACHERS** get \$300 for 2023 ABOVE-THE-LINE DEDUCTION.
- ** EDUCATION CREDITS** available are AMERICAN OPPORTUNITY TAX CREDIT & LIFETIME LEARNING CREDIT. No above the line deduction after 2020.
- ** CHARGING DEDUCTIBLE ITEMS** on a credit card before year-end establishes the deduction even if the bill is paid the following year.
- ** RETIREES** under full retirement age can earn \$21,240 in 2023, \$22,320 in 2024 before losing \$1 of every \$2 of their Social Security benefits.
- ** IRA's AND OTHER PLAN Contributions:** (certain limitations apply)
 - **IRA contribution** for 2023 must be made by April 15, 2024.
 - **Contribution/deduction limits** for **IRAs** and **Roths** \$6,500 2023, \$7,000 for 2024; age 50+ add \$1,000. After 2019, age limit for contributing to an IRA was removed, but you must have earned income to contribute.
 - **Maximum elective deferral** for **401K** contribution is \$22,500 for 2023, \$23,000 for 2024; Age 50+ can add \$7,500 for 2023 & 2024. (Catch-up)
 - **RMD age increased** under The Secure Act 2.0. (Avoid 2 RMDs in same year by planning)
 - **TAX FREE distributions for charitable purposes** from individual retirement accounts (**IRA**) of taxpayers age 70 ½ or older made permanent under **PATH**. (QCD)
 - **CAUTION! ROLLOVER** restrictions may apply.

- ** CHILD TAX CREDITS \$2,000 for 2023.**
- ** NANNY TAX** threshold is \$2,600 for 2023.
- ** INDIVIDUALS WITHOUT QUALIFIED HEALTH CARE COVERAGE** will not pay the Shared Responsibility Penalty after 2019. Additional questions/forms will still be required when filing.
- ** IF YOU PURCHASED MEDICAL INSURANCE** through the health insurance marketplace, the 1095-A is needed to reconcile the Premium Tax Credit you received and is required for filing Form 8962 included in your 2023 federal tax return.
- ** CONTRIBUTIONS have to be supported** by bank record, receipt, CC charge, letter, or written communication from the charity. The **\$250 or more rule** regarding written acknowledgment still applies. **CAUTION:** appraisals may be required for large items.
- ** FEDERAL LONG TERM CAPITAL GAIN** rates are generally 0%-15%; for higher-income individuals the rate could be 20% or 23.8% because of the Net Investment Income surtax (NIIT).
- ** UP TO 85%** of your **SOCIAL SECURITY BENEFITS** may be includible in federal taxable income if your income exceeds certain levels. North Carolina excludes from taxable income.
- ** THE GIFT TAX** annual exclusion is **\$17,000 (\$34,000 Joint) for 2023; \$18,000 (\$36,000 Joint) for 2024.**
- ** UNIFIED GIFT/ESTATE TAX** Exemption under TCJA ("Tax Cuts & Jobs Act") is **\$12.92 million in 2023, \$13.610 million in 2024.** Top transfer tax rate is currently at 40%.
- ** STANDARD BUSINESS MILEAGE RATE** for 2023 **\$.655 business, \$.22 medical, \$.14 charitable.** TCJA suspended miscellaneous itemized deductions for unreimbursed employee business expenses from 2018-2025. **Standard Business Mileage Rate for 2024 \$.67 business, \$.21 medical, \$.14 charitable.**
- ** MEDICARE SURTAX of 3.8% APPLIES AFTER 2012** on net investment income (NIIT) of individuals, estates & trusts above certain thresholds of modified adjusted gross income.
- ** N.C. INDIVIDUAL INCOME TAX RATE** is **4.75% 2023, 4.5% 2024.**
- ** VARIOUS CREDITS AFTER 2022 AND BEFORE 2032** are available for energy efficient residential improvements, clean energy credits, and electric vehicle credits. (part of The Inflation Reduction Act passed in August 2022.)

BUSINESSES

** PAYROLL TAXES FOR 2023/2024

- * **FICA** rate is **7.65%** on wages up to \$160,600 in 2023, \$168,600 in 2024 and **1.45%** on wages in excess of these amounts respectively.
- * **N. C. Unemployment Tax** base increases from \$29,600 for 2023 to \$31,400 for 2024.
- * **Federal Unemployment Tax** (FUTA) wage base remains **\$7,000** at **.6%**.
- * **Employers are required** to withhold **.9% Medicare** tax (The Affordable Care Act) on higher-income individuals after 2012; this applies to total wages, other compensation, and self-employment income exceeding applicable threshold amounts.
- * **DEADLINE FOR FILING FORMS W-2 with the Social Security Administration (SSA) is January 31, 2024.**

** STARTING JAN. 1, 2024, IF YOUR BUSINESS FILES 10 OR MORE INFORMATIONAL RETURNS, you must file electronically; was 250.

** **BENEFICIAL OWNERSHIP INFORMATION REPORTING (BOI) under The Corporate Transparency Act (CTA) regulations go into effect on Jan. 1, 2024.** Certain types of corporations, limited liability companies, and other similar entities created in or registered to do business in the U. S. must comply to avoid fines & penalties. Information regarding the BOI reporting requirements can be found at <https://www.fincen.gov/boi>. Please consider consulting with legal counsel if you have questions regarding the applicability of the CTA's/BOI reporting requirements and issues surrounding the collection of relevant ownership information.

** **BUSINESS EQUIPMENT: Maximum expensing amount (federal) for new or used qualifying assets placed in service under Code Sec. 179 is \$1,160,000 up to a total \$2.89 mil. investment, for 2023; you can claim **first-year BONUS Depreciation equal to 80%** of the cost of most new & used equipment placed in service beginning in 2023, **60%** for 2024 and decreasing each year to end after 2025.**

** **BUSINESS MEALS - 50% deduction for expenses paid for food/beverages after 2022.**

** **WORK OPPORTUNITY, RESEARCH & EXPERIMENTATION TAX CREDITS** were extended in PATH.

** **EMPLOYERS: ACA** requires entry on the W-2, box 12, and coded DD to reflect cost of Group Health insurance for certain employers.

** **APPLICABLE LARGE EMPLOYERS (ALEs) must furnish full-time employees 1095-B and file copies of Forms 1095-C with IRS for 2015 forward. (ALE) is an employer that employed on average 50 or more employees (determined by adding together the number of full-time and the full-time equivalent employees) during each month of the "Testing Period." Due date is January 31, 2024.**

- ** UNDER THE TCJA Qualified Business Income (QBI)** may render a **20% deduction** from taxable income under the Section 199A rules that are effective for 2018 forward for certain businesses.
- ** BUSINESS PROPERTY TAX Listings** are due by **January 31** unless an extension is requested. **New businesses** must comply.
- ** ACA (Affordable Care Act)** prohibits employers from subsidizing, reimbursing, or paying premiums for employees for individual market health insurance policies. **The penalty for violating the market reform restrictions is costly.**
- ** DEADLINE FOR FILING 1099-MISC & the New 1099-NEC** with IRS is **January 31, 2024**. **PENALTIES APPLY** for failure to withhold tax, if applicable, and to file correct information returns. Obtain W-9 forms from vendors before issuing payment.
- ** NORTH CAROLINA requires FORM NC-3, W-2 & 1099 Statements with income tax withheld be filed electronically. The Automatic Waiver of Penalty for Failure to File expired.**
- ** SMALL BUSINESSES have the "Safe Harbor" \$2,500** threshold for the immediate deduction of many expenditures that would otherwise need to be depreciated.
- ** NORTH CAROLINA'S GENERAL BUSINESS CORPORATE TAX RATE** remains 2.5% through 2024. The minimum corporate **Franchise Tax** is \$200.
- ** LLCs MUST FILE ANNUAL REPORTS** AND PAY THE \$200 FEE BY APRIL 15TH. Preferred filing method is on-line business services with the Secretary of State, www.sosnc.gov.
- ** CORPORATIONS MUST FILE ANNUAL REPORTS** AND PAY A \$25 ANNUAL FEE BY THE 15TH OF THE FOURTH MONTH AFTER YEAR END. Preferred filing method is on-line with the Secretary of State, www.sosnc.gov.
- ** INFRASTRUCTURE INVESTMENT & JOBS ACT (JOBS ACT)** became law 11/15/2021 thus terminating the **ERC CREDITS** 9/30/2021 except for Recovery Startup Businesses. The ACT contains very few income tax provisions.

This is a selective list of 2023 & 2024 HIGHLIGHTS and is not intended as a formal tax opinion. It should not be relied upon without a professional analysis of how any items listed may apply to a specific situation.

Call or email us if you need more information on these items or have other questions regarding any particular tax issues.

Sincerely,

Dale K. Cline, CPA, PLLC