



MUHLENKAMP & ASSOCIATES LLC
MUHLENKAMP & GAGEL WEALTH ADVISORS LLC

December 2023 Individual Newsletter

TAX PLANNING

Should you take a look at your income figures before year end? There is still time to set up an appointment for year-end tax planning. Please call our office to set up an appointment.

SAFESEND/PORTAL - electronically sending and receiving your information securely

We have partnered with SafeSend Suite to provide a secure, convenient, and user-friendly program for our clients. This will provide additional electronic options. If you have questions on how to use the system, contact our office.

- Ability to send us your tax documents securely.
- Allows Muhlenkamp & Associates to send your copy of the tax return electronically & for you to sign required paperwork electronically.
- Ability to send payroll documents, general ledger, or other documents.
- Ability to upload Quickbooks backup

CORPORATE TRANSPARENCY ACT (CTA)

Beginning in January 1, 2024, the US Corporate Transparency Act (CTA) will require ALL corporations, LLCs, limited partnerships and other similar entities to disclose beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), a bureau within the US Department of Treasury. Any companies that are in existence on 1/1/24 must file their reports within one year (1/1/25). Any new companies started after 1/1/24, will need to file their reports within 90 days of being created. Beware of scammers wanting to file this paperwork for a fee. **Currently, the penalty for not filing this form is up to \$10,000 and up to two years in prison.** We are still waiting on final clarifications and rules on this CTA, but know it's coming for 2024.

ERC CREDITS

Please be aware of "ERC Mills" that are portraying themselves to be ERC experts. If you have used a third party to obtain this ERC credit for 2020 or 2021, you are required to amend your prior year's tax returns. **The IRS recently made changes.** If you have filed the paperwork to get the ERC credit and wish to withdrawal the paperwork before you receive the money, there are steps you can do to stop the filing. If you have already received the money, the IRS is working on a process for employers to return the money if the employer feels they received this money in error. Please reference the IRS website for more information.

OHIO CAT (Commercial Activity Tax) RULE CHANGES

- For calendar year 2024, the exclusion amount increased from \$1 million to \$3 million.
- For calendar year 2025 and thereafter, the exclusion amount is increased to \$6 million.
- Taxpayers with \$3 million or less in taxable gross receipts in 2024 and \$6 million or less in 2025 will not be required to file a return with the Department of Taxation.
- **CAT Cancellations** - If you file your own CAT returns and have questions regarding cancelling your account, contact our office. If we file your CAT return for you, we most likely have reached out to you about cancelling your CAT account.

DEPRECIATION

The Section 179 expensing of new or used equipment for 2023 is set to \$1,160,000 for the first \$2,890,000 of acquisitions, at which point the deduction begins to phase out. The bonus depreciation deduction for both new and used property is 80% for 2023 tax year. The bonus depreciation deduction is scheduled to decrease to 60% in 2024. Ohio & Indiana still limit first year expensing to \$25,000.

W-2 & 1099 ELECTRONICALLY FILING

If you file your own year-end W-2s and 1099s, please be aware of the changes for 2023 filing:

IRS – If you file more than 10 W-2s or 1099s, you must file these electronically. They will no longer accept paper copies.

OHIO – All employers who file IT501 Ohio withholding returns electronically, are now required to upload the W-2s electronically via OBG (Ohio Business Gateway). This is effective for 2023 W-2s due January 31, 2024. Please visit www.tax.ohio.gov/W2Upload for more information.

ENERGY CREDITS

There are energy efficient home credits on personal residences available for 2023-2032. If you have installed new windows, doors, insulation, Central A/C, electric or gas heat pumps, water heaters, woodstoves, natural gas/propane water heaters or boilers, solar panels or geothermal at your personal residence, please provide us with the receipts or amount paid for which item with your tax information. See our website for specific credit amounts.

1099-K

If you receive over \$600 electronically on online marketplaces (via Venmo, Ebay, CashApp, Etsy, etc.), you **MAY** receive a tax form 1099-K in January for these transactions. If you receive a 1099-K, please include with your tax information and any detail regarding the transactions. If it is all personal transactions, there will be no tax implications on these transactions, but will need to be reported on your tax return.

MILEAGE RATE

2023: Business mileage rate - 65.5 cents per mile. Medical mileage rate - 22 cents per mile. Charitable mileage rate - 14 cents per mile. 2024 rates are not yet released.

PAID LABOR

- If your business or farm pays labor to individuals, please refer to our website under Links/Forms - “IRS 20 Factor Test-Contractor or Employee” to determine if the individual is a contractor (1099) or employee (W-2). Our website also includes new hiring forms, withholding tables, minimum wage information, etc.
- Report subcontract/casual labor on the annual BWC True-Up Report. Omitted reporting to BWC is a “**high-target**” for **BWC audits**. Exclude only if documentation is on file of the individual or businesses BWC policy, liability insurance certificate, or business invoices.
- If a subcontractor is paid over \$2,500 per year, a New Hire form must be reported at www.oh-newhire.com or contact us for a form to fax in.

EDUCATION CREDITS

There are two popular education credits available to college students.

- American Opportunity Credit – available first four years of college with maximum credit of \$2,500 each year (100% credit on first \$2,000 of expenses and 25% credit on the next \$2,000 of expenses)
- Lifetime Learning Credit – 20% credit on the first \$10,000 of education expenses and no limit on number of years it can be claimed.

Both education credits require 1098-T form from the college, and receipts and/or transcripts to justify the credit.

LIKE KIND EXCHANGE

Like kind exchanges (1031 exchanges) are only allowed for real property used for business/rental. All trades of equipment and vehicles will be treated as a sale and corresponding purchase. *We will need trade-in values for any equipment or vehicles traded in 2023.*

GIFT TAX

The annual gift tax exclusion amount for 2023 is \$17,000 and in 2024 it will be \$18,000. If you gave an individual more than \$17,000 in cash or property during 2023, a gift tax return may be necessary. The lifetime gift exclusion for estate tax is currently \$12.92 million for 2023.

DIRECT IRA TO CHARITY

Taxpayers may make donations directly to a charity of choice from IRA accounts. The taxpayer must be 70 ½ or older, money must go directly to the charity, and it counts as your RMD (required minimum distribution) but does not count as income or taxable. This is limited to \$100,000 per year, per taxpayer.

HSA (Health Savings Account) CONTRIBUTIONS

The 2023 HSA contribution limits are \$7,750 for family and \$3,850 for single health plans. If you are age 55 or older, you are eligible to contribute an extra \$1,000. Current year contributions can be made until April 15, 2024.

The 2024 HSA contribution limits are \$8,300 for family and \$4,150 for single health plans. If you are age 55 or older, you are eligible to contribute an extra \$1,000.



We're dedicated to providing comprehensive planning advice through a tax-focused lens by using the right asset allocation, tax-efficient investment products and tax-conscious planning solutions to help you meet your goals and keep more of what you earn.

- Tax-Focused Investment Strategies - Managing investments for long-term goals with better after-tax results.
- Retirement Planning & Withdrawal Strategies – Can you retire according to your plan?
- Family Risk Management - Protecting yourself and your loved ones from loss.
- Business Planning - Strategizing for growth, retirement, and continuity within your business.
- Legacy Planning - Maximizing the transfer of wealth to benefit loved ones and the causes you care about.
- Education Planning - Funding the education needs of your loved ones.
- Cash Flow Management - Creating a spending plan for short and long-term goals.

OHIO DEDUCTION TO COLLEGE ADVANTAGE 529 PLAN

We can help you establish 529 accounts. In 2023, \$4,000 per beneficiary per year can be deducted on the Ohio return for contributions to Ohio/Blackrock 529 college savings plans. The state of Indiana allows a 20% credit up to \$1,500 on the first \$7,500 contributed to the 529 plan. To be deductible in the current year, these contributions must be made by December 31. **NEW** rule allows a \$35,000 lifetime transfer from 529 to ROTH after account exists for 15 years.

RETIREMENT RULES

- You must take your first RMD by April 1st of the year after you reach the age 73.
- Contributions to IRAs can still be made after age 73 if the taxpayer has earned income.
- Withdrawals from IRAs after 59 ½, are not subject to the 10% penalty.

RETIREMENT PLAN LIMITS

Contact our office to set up your retirement plans (401k, Simple IRA, etc.) for employees and owners (partners, shareholders, and self-employed), as well as your personal retirement and investment accounts. The deadline for current year Traditional, ROTH and SEP IRA contributions is up to the extended due date of the return.

The 2023 contribution limits (subject to income limits)

Traditional & ROTH IRAs	\$6,500 plus a \$1,000 “catch up” if age 50 or over
SIMPLE IRAs	\$15,500 plus a \$3,500 “catch up” if age 50 or over
401k	\$22,500 plus a \$7,500 “catch up” if age 50 or over
SEP IRA	\$66,000 or 25% of pay/profit

The 2024 contribution limits (subject to income limits)

Traditional & ROTH IRAs	\$7,000 plus a \$1,000 “catch up” if age 50 or over
SIMPLE IRAs	\$16,000 plus a \$3,500 “catch up” if age 50 or over
401k	\$23,000 plus a \$7,500 “catch up” if age 50 or over
SEP IRA	\$68,000 or 25% of pay/profit

RETIREMENT PLAN CREDITS

There are new credits available for businesses establishing a retirement plan if one was not offered during the previous 3 years and it covers at least one NHCE (non-highly compensated employee – an employee who does not own more than 5% of the company and had less than \$150,000 in compensation in 2023). If you have set up a retirement account for 2023 or wish to set up an account for a future year, contact our office for eligibility requirements. See our website for specific credit information.

Securities offered through Avantax Investment ServicesSM, Member FINRA, SIPC
 Investment Advisory Services offered through Avantax Adviosry ServicesSM
 Insurance services offered through an Avantax affiliated insurance agency.