

TAX TALK FROM


**ALT TAX & FINANCIAL
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FALL 2023



Dear Client:

Happy Fall! As you prepare for the cold and snow (it is Wisconsin, after all), don't forget to prepare for your tax appointment in a few months. Fall is here and tax season is not that far away. We are here working diligently to keep up with everything before the upcoming tax season.



We are beginning to work on updating all of our wonderful tax organizing worksheets and getting our prescheduled tax interview appointments ready for the upcoming 2023 tax season in 2024.

We hope this newsletter will keep you informed of the new laws as well as refresh old ones. All too often, taxpayers wait until after the close of the year to worry about their taxes and miss opportunities that could reduce their tax liability or financially benefit them. Being informed can save you money—and that is always our goal. The following are some events that could trigger tax consequences. Did you (or are you going to):

- Get married, divorced, or become widowed?
- Change jobs or has your spouse started working?
- Have a substantial increase or decrease in income?
- Buy or sell a rental?
- Start, acquire or sell a business?
- Buy or sell a home?
- Retire?
- Reach age 73 this year?
- Make any unplanned withdrawals from an IRA or pension plan?
- Trade in Cryptocurrency?
- Start receiving Social Security benefits?

If you believe your situation could benefit by year-end tax planning, call us now.

Your friends at Alt Tax & Financial Services

APPOINTMENTS

Alt Tax & Financial Services will continue to pre-schedule tax interview appointments for most prior year clients. If you are a prior year client and you would prefer to drop off your tax information, please call us so that we don't pre-schedule a tax interview appointment for you.



In early January, all of our clients will receive an envelope with our tax organizing worksheets.

If you have moved or will be moving in 2023, be sure to let us know your new address, change of email or change of phone number. That way you will continue to receive this newsletter and your prescheduled appointment letter that we mail in January.

REMINDER

If you receive and correspondence letters or notices from the IRS or Wisconsin, please bring those to our office to review **AS SOON AS POSSIBLE.**





Clean Energy and Efficiency Provisions

Beginning in 2023, the Inflation Reduction Act of 2022 (IRA) made changes to the qualified energy efficiency improvements and expenditures by replacing the old 10% tax credit to 30% off the cost with a \$1,200 annual tax credit to replace the old \$500 lifetime limit.

The Energy Efficient Home Improvement Credit can help you afford:

- Exterior Doors, Windows or Skylights
- Insulation and air-sealing materials or systems

and it also covers “residential energy property” that includes:

- Central Air Conditioners
- Water Heaters (heat-pump or natural-gas varieties)
- Air-source heat pumps
- Gas and oil hot water boilers (though only high efficiency models qualify)
- Electrical components needed to support these systems, including new wiring and electrical panels
- Home Energy Audit (professional helps figure out what your home needs)

There are some sub-limits so check before you invest

JUST FOR FUN

Win Free 2023 Tax Preparation - Up to \$250.

Please visit our website at
WWW.ALTTAX.NET

- ⇒ Click on the “Just For Fun” Tab
- ⇒ Fill in Your Name
- ⇒ Fill in Your Email Address
- ⇒ In the question box type “2023”

We will take all submitted questions and put them into a drawing to be picked on Monday, November 13, 2023 at 9:00 a.m.

Note: If you do not have access to email feel free to call Barbara Alt to be entered into the drawing.

Year-End Tips and Considerations

Here are a few things that need to be done by the end of the year...

- ♦ **Employee Retirement Contributions**
The deadline for contributing (or making changes) is 12/31/23.
- ♦ **Roth Conversions**
Converting pre-tax retirement accounts to a Roth IRA must be done by 12/31/23.
- ♦ **Taxable Capital Gains or Losses**
Gains or losses are not “realized” until the investment is sold. Check with your financial advisor to see if any tax harvesting would benefit you before 12/31/23.

CORPORATE TRANSPARENCY ACT

Small Businesses Should Prepare Now for Anti-Money Laundering Law

Almost all small businesses - including corporations, partnerships, and limited liability companies (LLCs) will be impacted by the Corporate Transparency Act on January 1, 2024. This act is a federal anti-money laundering law passed in 2021 because of decades of concern about the use of “shell companies” to facilitate criminal activity, tax evasion, terrorist financing, and—more recently—human trafficking.

If you are a small corporation or LLC, you will likely be required to report your beneficial ownership information to FinCEN.

A beneficial owner is any individual who exercises substantial control over your company, or who owns or controls at least 25% of your company.

Entities created or registered to do business in the USA before January 1, 2024 = **Must File by January 1, 2025**

Entities created or registered to do business in the USA on or after January 1, 2024 = **Must File within 30 Calendar Days** of receiving actual or public notice that the creation or registration of the company is effective.

More information can be found at: www.fincen.gov/boi



FAMILY WEALTH TRANSFER CHECK

Whether you have an estate plan in place or not, you should make sure you update the foundational documents listed below every three to five years, or when you have a major life event, such as: *Marriage, Birth or adoption of child, Divorce, Death of spouse or child or Receipt of an inheritance.*



- Beneficiary Designation Forms
- Health Care Proxy
- Power of Attorney
- HIPAA Release
- Living Will or Medical Directive
- Letter of Instruction
- Trust
- Will

Securities offered through Avantax Investment ServicesSM, Member FINRA, SIPC (finra.org, sipc.org). Investment advisory services offered through Avantax Advisory ServicesSM. Insurance services offered through an Avantax affiliated insurance agency. This newsletter was created by Dennis Alt, Gary Pankonien, Joseph Valentine and does not represent the views and opinions of Avantax Wealth Management® or its subsidiaries.

GM, Ford, Chrysler and other retirees should save their **December 1st** pension check stub. These stubs will show any year-to-date health, dental, and vision insurance needed for the deduction on your 2023 Wisconsin tax return. If you have signed up to receive your check stubs online, please print out the December stub and bring it with you at tax time.

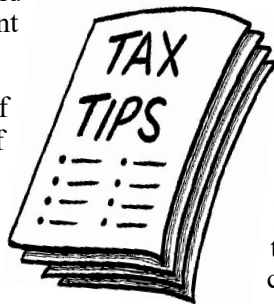
The 2023 annual exclusion for gifts increases to \$17,000.

The HSA (Health Savings Account) annual deductible contribution limit for 2023 is \$3,850 for individuals and \$7,750 for families. If you are 55 or over, an additional \$1,000 can be contributed. However, no contributions are allowed if you are covered by Medicare. If you did not have the plan for the entire year, the amount must be prorated.

Social Security beneficiaries will see a Cost of Living Adjustment (COLA) increase in 2024 of 3.2% and Medicare Part B premiums increase to \$174.70/mo.

Up to \$2,500 of interest paid on a student loan is deductible if your income is below \$75,000 if single (\$155,000 for joint filers)

In 2023, the estate and gift tax exemption has been increased to \$12.92 million (\$25.84 million for married couples)



As a reminder, job expenses and certain miscellaneous expenses are no longer deductible. Some expenses you could previously claim as itemized deductions won't be allowed. Here's a list of the more common items that are no longer deductible:



- Work-related travel, meals and lodging
- Union dues
- Tools needed for your job
- Safety shoes and other safety equipment
- Uniforms
- Professional dues and licenses
- Subscriptions to professional journals
- Continuing education
- Job seeking expenses
- Investment publications and fees

Now would be a great opportunity to negotiate an accountable plan with your employer.


Charitable Contributions—Recent court cases have denied charitable contribution deductions to taxpayers who failed to substantiate their contributions. In different cases, the charitable organization's receipt/written acknowledgement did not contain the correct information such as the language regarding "no goods or services were provided in exchange for your contribution". **ALL** deductions of **any amount** must have a receipt (*cancelled check, credit card statement, etc.*). Any single contribution of \$250 or more must also have an acknowledgement letter from the charity, and the letter must be dated by the date your tax return is filed. The letter should show the date and the amount of any individual contribution of \$250 or more, and also state that no goods or services were received in exchange for the contribution.

Beneficiaries of IRAs

If an IRA owner dies before taking all of his or her Required Minimum Distribution (RMD) for the year the amount must still be withdrawn from the account. This distribution is generally paid to the beneficiary and not to the deceased owner or his or her estate.

The beneficiary has until December 31 of the year of death to take that final RMD for the deceased owner, and the beneficiary is taxed on the distribution amount.





Standard Mileage Rates

The Internal Revenue Service has revised the optional standard mileage rate for 2023. This results from increased fuel costs. Standard mileage rates apply to deductible transportation expenses paid or incurred for business, medical, or moving expenses.

PURPOSE	Rates 1/1 thru 12/31
Business	65.5 cents per mile
Medical/ Moving	22 cents per mile
Charitable	Remains at 14 cents per mile all year

Starting a new business? There are many costs associated with the start-up of a business that can be deducted once your business opens. To qualify as a start-up cost, the expense must be one that you could deduct if you were already in business. If start-up costs are less than \$50,000, you are allowed to deduct up to the first \$5,000 in the first year of business. Any additional expenses are deducted over a remaining period of not less than 180 months.



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Wisconsin residents need to remember to tally up all of their purchases made in 2023 that are subject to Wisconsin Use Tax. Wisconsin continues to require you to "certify" if you did not have any purchases that were subject to use tax before your return can be e-filed.



Illinois Individual Income Tax personal exemption allowance for 2023 is \$2,425.

The Illinois Individual Income Tax rate has not changed, it will remain at 4.95%

Saving for College

Qualified tuition plans provide options

Many of you are already familiar with qualified tuition plans, commonly referred to as 529 plans. They can be a way to build tax-free earnings for your child's college education.

But did you know that the Tax Cuts and Jobs Act added a provision that also allows you to use a 529 plan to pay for the enrollment costs for your child to attend an elementary or secondary public, private or religious school?



There is a catch, however. While distributions from a 529 plan for college expenses are unlimited provided they are used to pay for qualified educational expenses, distributions for elementary and secondary education expenses are limited to \$10,000 per year per designated beneficiary.

Wisconsin Department of Revenue Electronic Filing Notice

The State of Wisconsin is requesting that taxpayers provide information from their driver's license or state issued identification card. This is an effort to combat stolen identity tax fraud and ensure your tax refund goes to you. Wisconsin will process your return even if you do not provide the driver's license or state issued ID but providing the information can help process your return more quickly. Many states are "requiring" this information and it may also be mandatory in Wisconsin soon. Please bring a copy of your drivers license or Wisconsin ID with you to your tax appointment if you wish to participate in this program.



Virtual Currency Transactions

Just a reminder... Bitcoin, Bitcoin Cash, Ethereum, Litecoin, Zcash, Dash, Ripple, Monero, EOS, and Cardano, etc. are all a version of virtual currency (a.k.a. Cryptocurrency).

The Treasury Department and the Internal Revenue Service are now working on a new form for crypto firms to use called the 1099-DA (Digital Asset), which will be different than the 1099-B used by stock and bond brokers.

If you own cryptocurrencies, they are held as a capital asset like stocks or bonds. Any gain or loss from the sale or exchange of the cryptocurrency is taxed as a capital gain or loss.

If you "mine" cryptocurrencies, you are using computer resources to validate the transactions and maintain the public transaction ledger.

According to the IRS, when you successfully "mine" cryptocurrencies, you have earnings from that activity whether in the form of cryptocurrency or any other form, and you **MUST** include it in your gross income after determining the fair market dollar value of that virtual currency as of the day you receive it.

Foreign Accounts



Do you have a financial interest in or signature authority over a financial account **LOCATED OUTSIDE** the US?

These include (but are not limited to) bank accounts, securities, brokerage, commodities, options, insurance policy or annuities with cash value, and offshore online gambling companies.

If any of these accounts reach a value exceeding over \$10,000 (at ANY point during the year) you are required to file a FinCEN Form 114 (FBAR) online by April 15th of each year, or with an automatic extension until October 15th. (This does not get reported with your tax return).

The FATCA, Foreign Account Tax Compliance Act requires Form 8938 to be filed with your tax return when the **VALUE** of accounts exceed:

- \$50,000 on 12/31 or more than \$75,000 at any time during the year (S/HH)
- \$100,000 on 12/31 or more than \$150,000 at any time during the year (MFJ)



Need to make a Payment? Direct Pay is available.

You can make Federal estimated tax payments, pay a balance due from your current or prior year return, or pay any audit adjustments totally free at: www.irs.gov/directpay

For Wisconsin go to:

www.revenue.wi.gov

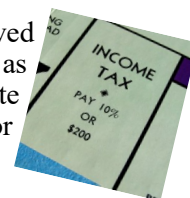
- ⇒ Under "Individuals"
- ⇒ Click "Payment Options"
- ⇒ Click "Make a payment—Individuals" and follow the steps



Reminders

Executor of an Estate

If you are an executor of an estate and received a fee for your services, be sure to report it as income on your tax return. The IRS and state governments search filed estate returns for the missing income.



Gambling

ALL gambling winnings are taxable even if you didn't win enough to get a reporting document. You should keep a log of ALL your winnings and losses for tax purposes. The gambling logging rules called "sessions" are available to gamblers who keep meticulous records.

Bartering

Bartering is the trading of one product or service for another. Often there is no exchange of cash. For example, a tenant might trade services to work on the rental unit they live in for rent to their landlord. If you barter, you should know that the value of products or services from bartering is taxable income.



“SEASONAL” SECRETARY/RECEPTIONIST

During the 2024 tax filing season from mid-January through mid-April we would like to hire a “seasonal” secretary/receptionist. The position requires strong phone skills, appointment setting skills, attention to detail, time management, and people skills. Some responsibilities include data entry, handling client forms, answering incoming calls, and filing.

Candidates need to be available
Monday - Friday, and some Saturdays.

We are seeking candidates that are available
for the following shifts:

9am - 3pm or 1pm - 7pm

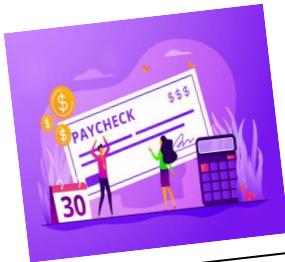
If you, or someone you know would be interested in a “seasonal” position, please call Barbara Alt with Alt Tax & Financial Services at 608-756-5919

Paycheck Checkup

It is always a good idea to periodically check how much federal and state income tax you're having withheld from your paycheck. Life events such as the following can effect your tax due.

- Marriage
- Divorce
- Birth of a child
- Adult children no longer dependents
- Start a new job
- Start or stop a second job
- Unemployment Compensation
- Retirement Income
- Social Security Benefits

You can call and speak to your tax preparer if you have concerns.

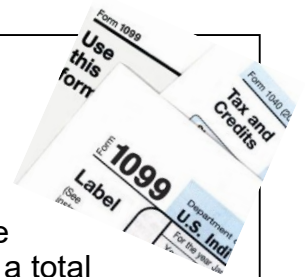


1099 Forms

All business owners and farmers are required to issue Form 1099 to a single recipient or business when a total amount paid in the calendar year adds up to \$600 or more. Items that need to be reported on a Form 1099 include commissions, fees, rents, veterinarian and attorney services, interest, royalties and other compensation.

These forms need to be issued by January 31st of each year for the prior year

If your business or farm needs to file any 1099 forms, please call and schedule an appointment with Joe Valentine between January 2-January 19, 2024.



Alt Tax & Financial Services, Inc. is committed to giving away a **minimum** of four (4) free tax returns every year with a value of up to \$250 each.



Please watch for details around the following months:

- 1) In the **January** Appointment Package
- 2) On **April 15** - The Client Appreciation Drawing
- 3) In the **June** Spring Tax Talk Newsletter
- 4) In the **October** Fall Tax Talk Newsletter



Is it time to review your Revocable Trust?

Every trust should be reviewed every few years to make sure it is up-to-date with the law and to ensure that it continues to meet your goals.

- 1) Do you have the right successor trustees?
- 2) Who can remove trustees?
- 3) Can your spouse change the distribution of trust assets after you have passed away?
- 4) Does your trust protect your children and grandchildren from lawsuits and divorce?
- 5) At what age will children and grandchildren receive their inheritance?
- 6) Have you funded your trust?
- 7) Who is named as beneficiary of your retirement plans and other investments?
- 8) Does your trust have provisions providing for maximum tax deferral if it is named the beneficiary of a retirement plan?
- 9) Is your trust up-to-date for estate tax purposes?

(A public service announcement: If your estate plan was created prior to 2010, you need to have it reviewed pronto. It's entirely possible your plan includes a bypass trust that's no longer necessary and that could needlessly complicate your estate).

*** For help with these issues contact your trust attorney



EdVest or Tomorrow's Scholar 529 Plans

Reminder: Clients that invest in an EdVest or Tomorrow's Scholar 529 plan may qualify for a Wisconsin subtraction from income for amounts contributed per beneficiary. (\$3,860 Max Subtraction for 2023)

We need you to bring in documentation so that we can fill out the required Wisconsin Schedule CS for College Savings Accounts.

Please bring in the
YEAR-END
Account Statements

The year-end statements will give us the owner/beneficiary information as well as the contributions.



Inheritance

If you inherit property or receive property as a gift, heed this advice:

For Inheritances...

You will need to know the date-of-death value

For Gifts...

You will need to know the donor's cost



Earned Income Tax Credit (EITC)



This is just a reminder to clients who may qualify for this credit. We **MUST** ask for documentation to show that you and your child lived together at the same address for more than half of 2023. We must have documentation for **EACH CHILD'S** name, address of record and dates lived with you (if applicable).

Acceptable documentation may include:

- * School Records (not a report card) ~ printed online records are a good start
- * Medical Records
- * Daycare Records
- * Social Service Records

For self-employed individuals: Please bring copies of documents to substantiate your business income and expenses such as: Business License ~ 1099 forms issued to you ~ Log Books ~ Business Bank Account Statements.



EDUCATION CREDITS

Reminder...The IRS now requires us to obtain additional information for each taxpayer claiming an Education Credit. In order for us to prepare a complete and accurate return for those clients who claim an Education Credit, we will need the following information when you come to your tax interview appointment:

- Year 2023 Form 1098-T Tuition Statement from the educational institution.
- The student's full "Billing Account Activity Statement". This needs to show all activity from the student's start date at the educational institution to the current year.
- Amount paid for Course Materials (*if applicable*) in 2023. (*including required books, supplies, equipment - not computers*)



Are you or your spouse age 73 or older in 2023?

If **YES**, you will need to take a **2023 Required Minimum Distribution (RMD)**.

If you have an IRA, 401(k), 403(b), etc., you will need to check with your Financial Advisor for the amount you need to take out for 2023.

If you were born in 1951, you will be age 73 in 2023.

- If you were born 1/1/1951—06/30/1951 You **MUST** take your RMD by 12/31/23
- If you were born 7/1/1951—12/31/1951 You **SHOULD** take your 2023 RMD by 12/31/2023... but you can **ELECT** to take your 2023 RMD by 4/1/2024.
Note: If you elect this, you will need to take two (2) RMDs in 2024.

FERPA: Family Educational Rights and Privacy Act

Did you know that once your child is 18 information regarding their education will no longer be disclosed to you without their written consent? Even if you're the one paying for their college tuition bills!

A FERPA authorization allows you to access all of your adult child's educational records, including transcripts, disciplinary actions, scholarships, tuition and any medical records maintained by a school's health clinic.



FERPA

Virtual Currency... Cryptocurrency... Bitcoin...

At any time during 2023, did you:

- Receive (as a reward, award, or payment of property or services);
- Sell, exchange, or otherwise dispose of a digital asset (or financial interest in a digital asset)?

We need to answer this question on every tax return. If you do answer "Yes" to this question we will also need any tax reporting forms.

Please download and print out any forms that may come to you electronically for us to prepare your 2023 tax return.



Financial Power of Attorney

Many clients have children on the cusp of turning 18 and some already have turned that milestone. Some children want and/or need their parents financial guidance or help as they adjust to adult life and a new, busy schedule!

Once a child turns 18, you legally lose all access to financial records unless your child has designated you as their Financial Power of Attorney.

Since turning 18 marks the end of adolescence in the eyes of the law, having the appropriate documents in place can help a family better navigate this transition by avoiding unintended dealings with finances.

