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December 7, 2023

As in previous years, we would like to take this opportunity to review a few of the tax law changes and alert you to some tax saving moves that can still be made for the year 2023. This letter presents some planning ideas to consider while there is still time to act before the year-end.

**Electric Vehicles EV Credit** – Many new EVs qualify for a credit of up to \$7,500. The break is up to \$4,000 if buying a used EV.

- Some high-cost EVs aren't eligible. The manufacturer's suggested retail price can't exceed \$55,000 for sedans and \$80,000 for vans, SUVs and pickup trucks.
- There is also an income limit. Modified adjusted gross income can't exceed \$300,000 for couples, \$225,000 for household heads or \$150,000 for singles. For used-EV buyers, the modified AGI thresholds are \$150,000, \$112,500 and \$75,000, respectively. <https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after>

If you wait until 2024 to buy an EV, you can opt to monetize the credit by transferring it to the dealer at the time of purchase, thus lowering the amount you will pay for the car. This allows you to take immediate advantage of the credit instead of having to wait until you file your federal income tax return.

<https://electrek.co/guides/ev-federal-tax-credit/>

<https://cleanvehiclerebate.org/en/eligibility-guidelines>

#### **Retirement Contribution Limits for 2023 and 2024**

<http://fieldercpa.com/chart-of-retirement-contribution-limits.php>

#### **Depreciation for Business Equipment for 2023**

<http://fieldercpa.com/chart-of-depreciation-expense.php>

#### **2023 Standard Mileage Rates**

<http://fieldercpa.com/standard-mileage-rates.php>

#### **Estate and Gift Tax**

For 2023, estates over \$12,920,000 will be subject to estate tax. For 2024, the exemption is \$13,610,000. You may choose to make annual exclusion gifts before year end to minimize estate tax. You can give \$17,000 in 2023 and \$18,000 for 2024 to an unlimited number of individuals free of gift tax. However, you may not carry over unused exclusions from one year to the next. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax. Gifts in excess of the annual exclusion may require you to report on Form 709.

#### **Meals and Entertainment**

For 2023 there is a 50% deduction for meals and beverages. Entertainment expenses for federal are still non-deductible but are deductible for California at 50%. Please make sure the meals and entertainment expenses you provide us are separated accordingly.

#### **Nanny Tax**

If you have individuals over the age of 18 performing service in your residence their earnings may be subject to payroll taxes. The threshold for this is earnings greater than \$2,700 for 2024 and \$2,600 for 2023. You may also be required to issue them a Form W-2.

## **Businesses - Hiring Your Children Under 18**

One advantage of operating your own business is hiring family members. Payments for services of a child may have no income tax liability if their earned income is equal or less than \$13,850. Then you can combine this with a Roth IRA for your child. The annual maximum contribution for 2023 is \$6,500.

## **Like-Kind Exchange (Sec 1031)**

Under the TCJA, like-kind exchanges are limited to real estate. Previously both real estate and personal property were eligible. Please note that real property located in the U.S and real property located outside of the U.S. are not considered property that are like-kind. **California requires that all individuals and business entities that perform like-kind exchanges of property located in California for property located outside California must file a California like-Kind exchange information return. You must continue to file this form annually as long as you defer the gain or loss.**

## **General Reminders**

### **Foreign Accounts or Investments**

The reporting requirements for assets held overseas are increasing and the penalties for failure to report them are significant. Foreign bank accounts, notes receivable, ownership in a foreign partnership or corporation, and interest in Canadian RRSPS are some examples. Form 8938 and Form 114 may be required to be attached with your annual tax return. If you have any questions about any foreign accounts, please contact me.

### **Inventory**

Make sure you take a thorough and accurately priced detail of your inventory at your business year-end. This documentation is critical in the event there is an audit.

### **S-Corporation Shareholders**

Remember to contact your payroll service for common year-end adjustments to your W-2. Health insurance paid for you by your corporation should be added to your W-2. Also, personal use of vehicles owned by your corporation may result in income to be reported by you on your W-2. This calculation should be done in late December or early January in order to avoid amending your W-2. It may be helpful to review your investment basis in a Partnership or S-Corporation prior to year-end in order to utilize any losses incurred. Please contact us for any year end calculations related to tax planning.

### **IRS Email and Telephone Spam**

Beware of any emails or phone calls you receive claiming that they are from the IRS. See link below for more information.

<https://www.irs.gov/newsroom/tax-scamsconsumer-alerts>

### **Documentation**

IRS recently ruled that credit card statements are not sufficient support, and that actual receipt of charges are required. **Please keep 7 years of records.** If assets are still owned, please keep purchase records for 7 years after the date of sale.

### **Form 1099s**

A reminder that these are due to recipients by February 1, 2024. If your trade or business pays a non-incorporated service provider greater than \$600/year, then you will need to issue them a Form 1099-MISC or a Form 1099-NEC. In addition, California requires that you submit Form DE 542 to report service providers you expect to do business with in 2024. Please see link below for more information

<https://www.irs.gov/forms-pubs/about-form-1099-misc>

[https://edd.ca.gov/en/Payroll\\_Taxes/Independent\\_Contractor\\_Reporting](https://edd.ca.gov/en/Payroll_Taxes/Independent_Contractor_Reporting)

Sincerely,

