

Happy New Year!

It's that time of year again! Time for new beginnings, new goals, and, another season of filing taxes! In this new year, we have found ourselves feeling thankful for the opportunity to serve our clients and grateful for the continued support. We have been working hard to improve our processes and sharpen our knowledge and are excited for a great season at VDTA!

Tax Changes Coming this Year

Over the last few years, tax returns have had quite the overhaul and filing them has become more complicated than ever. The IRS has slowed down their overhaul train, but the State of Michigan has made some major changes that will affect many filers.

New Standard Deduction Limits & Thresholds

The IRS has imposed larger-than normal increases to standard deductions and tax bracket thresholds this year. In a normal year, these amounts generally increase around 5%, but this year, we are seeing a 7% increase due to the hefty rise in inflation. If you have experienced substantial changes to your household income in 2023, this may be something you will want to look at. A detailed chart is available on our website, www.vdtapro.com.

1099-K Reporting

Due to feedback from taxpayers, the IRS is revising the requirements for third-party payment vendors (such as Venmo, PayPal, Square, etc) to issue 1099-Ks to their users. This means that we will not be seeing required reporting implemented for most taxpayers yet. For 2023, the reporting requirements start at \$20,000 in income *and* more than 200 transactions. Beginning with 2024 1099-Ks, the IRS plans to reduce the income threshold to \$5,000. The initial threshold was \$600.

Inflation Reduction Act

Electric Vehicle Purchases: As a part of the Inflation Reduction Act, taxpayers that have purchased an electric vehicle or charging station may be entitled to a tax credit. One of the key elements of this credit is that the vehicle must contain certain mineral and battery component requirements to qualify. This credit can also be applied to qualifying used electric vehicles. The VIN is required to claim the EV credit.

Energy Efficient Home Improvement Credit:

We have been seeing residential energy credits for quite some time but under the Inflation Reduction Act, the home improvement credit has been significantly expanded and extended. Previously, the credit allowed 10% of the certain improvement costs to be applied to the credit amount. Improvements made after January 1, 2023 may have up to 30% of the project cost applied. The lifetime limit, which was \$500, no longer applies. Now, each year there is an annual limit of \$3,200. The credit includes improvements such as exterior doors, insulation, windows, heat pumps, water heaters, upgraded electrical panels & more. See enclosed chart for more details.

Michigan Tax Updates

Earned Income Tax Credit: The State of Michigan passed a law that retroactively increased the amount of the Michigan Earned Income Tax Credit. This means, if a filer claimed the MI EITC in 2022, they will be receiving a check for the credit increase. For those claiming the MI EITC on their 2023 returns, refunds may take longer to be issued than in previous years due to the delay in the effective date of the new law.

Retirement Income Changes: For Michigan filers that report any retirement or IRA income, changes are coming. The state is giving taxpayers the opportunity to choose the best tax deduction for their retirement income. This will be a beneficial change for most filers. It

also means 2023 Michigan refunds with retirement income may be delayed.

Other Important Information

- Medical Expense Deduction: 7.5% for 2023
- Mileage Rate: \$0.655 per mile
- Refund Dates: Federal refunds for tax returns claiming the Child Tax Credit or the Earned Income Credit will be held until mid to late February again. Michigan refunds for tax returns claiming retirement subtractions or the MI EITC will be delayed as well.

Things to Note about Tax Documents

The final mailing date for W-2s and 1099s is January 31st, but many investment companies that issue 1099s do not issue those documents on time. Specifically, retirement-related 1099s generally don't start to be mailed until the beginning of March.

Each year we see more clients file before they have received all of their documents, forcing an amendment to be filed. As a part of our tax preparation process, we check to make sure we have the same documents used to file the prior year's return, but as an additional measure, it is always a good idea to check with your investment advisor to make sure you are not going to receive a late 1099.

Changes in the Office

Over the last two seasons, we have worked hard to accommodate our clients' needs with our in-office capabilities. Some of these changes have been great and some of the changes simply did not serve our clients well.

Last year, we worked with just one main tax preparer handling both in-person appointments and drop off returns. We have come to realize that our need is far greater than that, so we have made a few changes in hopes of better serving our clients.

We will have an additional staff member available for remote and drop off preparation and will also be limiting the number of in-person

appointments available. These changes were not made lightly but with a growing number of our clients choosing drop off and remote preparation, this will allow us more time for communication and completion in a timely manner.

If you find yourself in need of an in-person appointment, you can submit a request for an appointment on our website via our booking tool, or feel free to call or email the office to set up an appointment. Requests will be handled on a client-by-client basis.

On a quick note about tax preparation fees- our base fee is not increasing this year from the small increase seen last year. At times, there are circumstances where additional work and reporting are required that may add additional fees. An example is tax planning services provided during the year for things such as ROTH conversions. We aim to keep our pricing reasonable, honest and transparent!

We look forward to working with all of you again and hope you are enjoying the new year! Don't forget to check our website for checklists, and tax resources.

As always, thank you for being a VDTA client!

Sincerely,

*Becky VanDort
& The VDTA Team*

Becky VanDort, EA

A quick note for business and rental property owners: VDTA files 1099s! The process is simple and easy and don't forget, they are due to be mailed by January 31, 2024!