

TAX UPDATE



KENNEY TAX &
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2022 Year End

January 2023

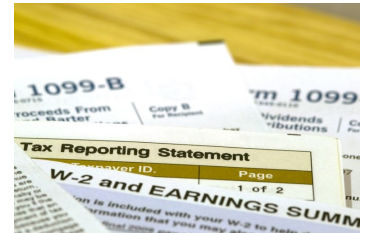
Greetings to clients and friends! Once again a new year is behind us and tax filing season is coming. **Tax organizers will be available in your secure portal. Please see the "Client Portal Quick Start Guide" on page 5 for more information.** If you prefer to use a blank organizer, please visit our website at www.kenneytax.com/client-tax-packet/ to access a blank organizer and forms for your appointment. Don't hesitate to call if you have questions or wish to discuss your situation.



2022 Tax Changes & Reminders

Here are some key changes to the tax code for 2022 and reminders to help you prepare for your 2022 tax obligations:

- ◆ **Gifts to Charity.** In 2021, taxpayers who did not itemize but made cash contributions were allowed to take a deduction of up to \$300 for single filers and \$600 for Married filers on the Federal tax return. **This extra deduction was not extended for the 2022 tax year and is no longer available.**
- ◆ **Child Tax Credit.** In 2021, the maximum amount for the Child Tax Credit (CTC) was increased from \$2,000 up to \$3,600. **For 2022, this increase was not extended and the credit reverted back to the 2020 limit of \$2,000 per child.** The child must also be under age 17 at the end of the year to qualify.
- ◆ **Dependent Care Credit.** For 2021, the maximum qualified childcare expenses was increased to \$8,000 for one child and \$16,000 for two or more children. **For 2022, the maximum qualified childcare expenses roll back to \$3,000 for one child and \$6,000 for two or more children.**
- ◆ **Virtual Currency.** We will need you to verify whether you have bought, sold, traded or spent any virtual currency. This question was added to the tax return in 2020 and the IRS is now requiring more stringent reporting of these transactions by brokers.
- ◆ **Educator Expense.** For 2022 the educator expense deduction maximum is \$300.
- ◆ **Deductions.** We still need the information for your 1) Medical expenses, 2) State income and property tax, 3) Mortgage interest, 4) Charity and other deductions in order to apply the latest rules and to complete your state tax returns.
- ◆ **Tax Forms you Receive.** In order to prepare your return, **we are required** to obtain all of your forms W-2, 1099's from retirement, interest, dividends, brokers, and self-employment, Forms 1095 for health insurance, bank forms 1098 and any other official IRS and MN forms.



IP Pins for Everyone!

In January 2021, the IRS rolled out the Identity Protection (IP) Pin opt-in program to the entire country. They recommend that everyone opt into this program. For more information visit <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin> or call us to discuss.

IRS Delays \$600 1099-K Filing Threshold

The American Rescue Plan of 2021 required Third Party Settlement Organizations, including Venmo, Paypal and CashApp, to issue form 1099-K for any payments made in 2022, and subsequent years, to a single payee that exceed a minimum threshold of \$600.

The IRS released guidance in Notice 2023-10 that calendar year 2022 will be a transition period for the new reporting requirements. The existing 1099-K reporting requirements of \$20,000 in payments from over 200 transactions will remain in effect.

The new form 1099-K reporting requirements will go into effect for calendar year 2023 and beyond.



Remember to check for digital forms as well! Many employers, banks and others are making their forms available electronically so you may not get a paper form in the mail.

As always, there are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. We request that everyone have their tax information to us as soon as they have everything together, and no later than **March 24, 2023**. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,
Christina Kenney, E.A.

Tax Planning

1. Bunching Strategy. In the current tax era of higher standard deductions, a tax “bunching” strategy can help you recognize that the best tax deductions are obtained by putting deductions in one year rather than spread out amongst several years. For example, if you donate to your favorite charity every year, holding off donations this year and doubling up next year may allow you to itemize and take larger deductions.
2. Health Savings Account. If you have an HSA, you should be depositing into it and leaving a minimal balance in it to maximize the tax savings this provides.
3. Contribute to your 401k. The single greatest tax loophole available is the ability to defer over \$20,000 into a 401k if your employer has one.
4. Estate Tax. If the value of your home, life insurance, retirement and savings or investments is over \$1 million it may be time to again do some advance planning after tax season due to tax law changes.

Tax Filing Due Dates

- ◇ Individual Tax Returns ▶ Due April 18th
- ◇ Partnerships and LLC’s ▶ Due March 15th
- ◇ S Corporations ▶ Due March 15th
- ◇ C Corporations ▶ Due April 18th
- ◇ Annual Reporting of Foreign Bank Accounts (FBAR form 114) ▶ Due April 18th

Mailing Address

Please use and update your records with our mailing address:

PO Box 252, Hanover MN 55341



RATES

	2022	MN	2023
Standard Deductions			
Married Filing Joint	\$ 25,900	\$25,050	\$ 27,700
Head of Household	\$ 18,800	\$18,800	\$ 20,800
Single	\$ 12,550	\$12,525	\$ 13,850
Married Filing Sep	\$ 12,550	\$12,525	\$ 13,850
Elderly/Blind Deduct			
Single	\$ 1,750	\$1,650	\$ 1,750
Married	\$ 1,400		\$ 1,400 per person
Personal Exemption	\$ 0	\$4,350	\$ 0
		<i>(per dependent)</i>	
Child Tax Credit	\$ 2,000 (per child)		\$ 2,000 (per child)
Mileage Rates	Jan-Jun	Jul-Dec	
Business	58.5¢	62.5¢	65.5¢
Charitable	14.0¢	14.0¢	14.0¢
Medical/Moving	18.0¢	22.0¢	22.0¢
Section 179 Deduct	\$1.080 Mil (Max)		\$ 1.080 Mil (Max)
Annual Gift Exclude	\$16,000		\$17,000
Retirement Contrib.			
IRA	\$ 6,000		\$ 6,500
IRA (50 & over)	\$ 7,000		\$ 7,500
Simple IRA	\$ 14,000		\$ 15,500
401k	\$ 20,500		\$ 22,500
Student Loan Interest Deduction	\$ 2,500		\$ 2,500
Estate Tax Exclusion	\$12.06 Mil		\$12.92 Mil

Security & Identity Theft

The IRS has determined that tax preparation companies are one of the prime targets of data theft . In order to protect you and our data, we have implemented a no click, no open policy for emails. We will no longer open any attachments or click on links in emails that we receive.

Subscribe to Our Quarterly Newsletter...



- ⇒ Current year tax figures
- ⇒ Tips for finding often overlooked deductions
- ⇒ Key tax changes for the current year
- ⇒ Fraud prevention tips
- ⇒ Next year tax figures
- ⇒ And much more!
- ⇒ Upcoming tax changes

2023 CONSOLIDATED APPROPRIATIONS ACT



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The Consolidated Appropriations Act of 2023 was signed into law by the President on December 30, 2022. Contained in this Act were retirement law changes known as the Secure Act 2.0 of 2022. Below is a summary of the retirement changes effective in 2023 and future years:

- **Increase in Required Mandatory Distribution (RMD) Age**
 - The original SECURE Act increased the age at which participants must begin taking required minimum distributions (RMDs) to 72 (up from 70-1/2).
 - The SECURE 2.0 further increases the age for starting RMDs to age 73 beginning January 1, 2023 and up to age 75 in year 2033.
- **One Time Qualified Charitable Distribution (QCD) to Charitable Remainder Trust**
 - Permits a one-time \$50,000 qualified charitable distribution (QCD) to either a charitable remainder trust or a charity gift annuity
- **Reducing the Failure to take RMD 50% and 10% Penalty Taxes** (*Effective January 1, 2023*)
 - Failures by an individual to take minimum distributions are subject to a 25% exercise tax. Previously this was a 50% excise tax.
 - If the failure to take an RMD is corrected in a timely manner the excise tax on the failure is further reduced from 25% to 10%
 - There is up to a \$10,000 penalty exception for RMDs in the event of domestic abuse
 - There is a similar exception for individuals with a terminal illness
- **Small Employer Pension Startup Credit Modification**
 - The 3 year small business startup credit is increased from 50 percent to 100 percent of administrative costs for employers with up to 50 employees.
- **Military Spouse Credit**
 - Creates a credit for small employers for each military spouse that starts participating in the employers eligible defined contribution plan.
 - Annual credit amount is \$200 for each military spouse plus the amount of related employer contributions to the plan (capped at \$300 of contributions for any individual).
 - Credit may be taken in the year the spouse participates in the plan and the succeeding two tax years.
- **Public Safety Officers Early Distribution Penalty Removed**
 - Distributions made to qualified public safety employees following separation of service after age 50 or after at least 25 years of service are provided an exception from the 10% early distribution penalty
- **Allow SIMPLE IRAs to accept Roth Contributions**
 - SEPs have the option of treating employee and employer contributions as Roth (in whole or in part)
- **Requirement that age based catch up contributions must be Roth**
 - Requires that, depending on wages, age-based catch-up contributions to employer-sponsored plans must be made to Roth accounts, allowing the government to tax these dollars sooner.
 - Applies only to employees whose wages were over \$145,000 in the prior year

2023 CONSOLIDATED APPROPRIATIONS ACT



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(Continued)

- **Inflation Indexing for Catch Up Contributions (starting 1/1/2024)**
 - Starting in 2024, the catch up contribution will be indexed to inflation and future increases will be in increments of \$100
- **Authorize 529 rollovers to Roth IRAs**
 - Allows a tax and penalty free rollover from a 529 account to a Roth IRA
 - Limited to \$35,000 aggregate in lifetime
 - Subject to annual Roth IRA contribution limits (but the income limitation is removed)
 - The 529 plan must have been open for at least 15 years
- **Authorize Student loan payment matching (effective 1/1/2024)**
 - Allows employers to make matching contributions to retirement plans based on employees student loan payments.
- **Emergency Savings**
 - Provides employers with two optional emergency savings provisions to provide to employees
 - Permits employers to offer a workplace savings account linked to a defined contribution plan
 - Permits an exception for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to a personal or family emergency expenses. Individuals would be able to take one distribution per calendar year of up to \$1,000 with the option to repay it within a certain time
- **Catch up contributions**
 - Beginning January 1, 2024 increases the annual catch-up amount for participants ages 60 through 63 from \$7,500 to the greater of (1) \$10,000 or (2) 150% of the regular catch-up (which is \$11,250 in 2023).
 - Effective January 1, 2025 the higher limit will be indexed for inflation
- **Part time worker participation in 401K Plans**
 - Beginning in 2023, provides expanded eligibility for part time workers with two years of consecutive years of service to participate in their employers 401(k) plan.
- **Savers match program**
 - Effective tax years beginning after 2026, provides a 50% matching contribution on up to \$2,000 in retirement savings annually for low and middle income Americans without regard to tax liability.
 - Replaces the current nonrefundable Savers Match
- **Mandatory automatic enrollment**
 - Effective plan years Beginning after 12/31/2024 for businesses with more than 10 employees
 - Requires employers that establish new 401(k) and 403(b) defined contribution plans to automatically enroll newly hired employees, when eligible, in the plan at a pretax contribution level of 3 percent of the employees pay
 - Level increases annually by 1 percent not to exceed 15 percent

CLIENT PORTAL QUICK START GUIDE



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This quick start guide is intended to help you get setup and working with your secure portal right away. For more detailed instructions see the complete portal users guide at <https://c09614528.preview.getnetset.com/files/Client-Portal-User-Guide.pdf>.

In order to use this guide, you must have been granted access to use the Roesner | Kenney Tax & Accounting secure portal. If you are unsure whether you have access, please contact us at (763) 210-9956 or roesnertax@roesnertax.com

1. Setup initial access to your secure portal

- a. Check your email for a notification that you have been added
- b. Click the link in the email and verify your information
- c. Setup your password
- d. This will bring you to your home screen (secure folder/portal)

2. Login to your secure portal

- a. Go to our website at <http://kenneytax.com/portal/>
- b. Click on "Client Portal Login"
- c. Enter your username and password
- d. This will bring you to your home screen (secure folder/portal)

3. Retrieve a file from us

- a. Check your email for notification that a file(s) are available for you to download
- b. Click the link in the email
- c. Enter your username and password
- d. Click the box in front of the file(s) you want to download
- e. The download box will appear on the bottom left corner of your screen
- f. Click the arrow next to the file(s) and select show in folder
- g. The Downloads window will open and you can open and view the file(s) from there. (Note: large files may take a few minutes to download)

4. Upload a file to us

- a. Go to our website at <http://kenneytax.com/portal/>
- b. Click on "Client Portal Login"
- c. Enter your username and password
- d. This will bring you to your home screen (secure folder/portal)