Dear Valued Client (**Important Information**), December 31, 2023

You are receiving our year-end client letter which provides important tax information for preparing your 2023 Federal and Ohio income tax returns. For 2023, there are a number of important tax changes worth noting. Many hours have been incurred studying these new changes. Some of the tax changes that may affect you are:

* **#1:** In 2020, Congress passed the Corporate Transparency Act (CTA), effective January 1, 2024. The CTA requires corporations, any Limited Liability Companies (LLCs) including a one member taxed on an individual Schedule C, Schedule E, (rental property), or Schedule F filed with the Secretary of State, or a business trust to mention the most common entities to report beneficial ownership information.

The CTA is a government effort to crack down on corruption, money laundering, terrorist financing, tax fraud, and illicit activity by creating a massive private database for use by law enforcement, national security, intelligence agencies, and federal regulators enforcing anti-money launderings laws reporting to the Financial Crimes Enforcement Network (FinCEN).

If you form a new entity as mentioned above in 2024, there is a 90-day filing deadline while existing entities have until January 1, 2025, to file the FinCEN report at “Fincen.gov/boi.” I would highly recommend that you wait until November or December 2024 to file the report if you are an existing entity as Congress is getting a “push back” on this mandate which could be delayed, modified, or terminated. The penalty for failure to comply with the CTA is $500 a day (up to $10,000) and up to two (2) years imprisonment.

An entity is exempt from this filing if it has 20 or more full-time employees who work 10 hours per week or 130 hours per month; has a physical presence in the US; **AND** filed a 2022 federal tax return showing more than $5 million in gross receipts or sales (net of R & A).

AAC is unable to file your CTA report due to liability concerns. You can either file the return yourself using the link mentioned above or you can ask your attorney to file the CTA report on your behalf;

* **#2:** Non-business energy credits are now available in 2023 for your home, second home, or vacation home, such as windows, skylights, doors (including garage doors), insulation, EV charging stations, heat pumps, corn/pellet stoves, air conditioners, hot water boilers, and solar panels to mention the major items;
* **#3**: If you are engaged in business and purchased or traded assets in 2023, please bring your invoices (or a copy) of **ALL equipment transactions**. For an asset purchased from an individual, a copy of your check is required. Equipment “traded-in” is a “sale” and a gain/loss is calculated. However, the newly acquired asset receives a higher depreciable basis;
* **#4**: If you purchased an electric vehicle (EV), a copy of the dealer’s invoice is required;
* **#5**: If you had a “cancellation of debt” as bankruptcies and foreclosures are on the rise, “student loan interest,” or sales of items over the internet (e.g., Ebay), a copy of the 1099 is needed;

* **#6**: If you lost a spouse in the last five (5) years, you should contact your attorney to determine if the “portability election” for estate tax purposes should be filed;
* **#7**: The “Required Minimum Distributions (RMD)” was increased in 2023 to age 73 and increases to age 75 beginning in 2033;
* **#8**: A few **Ohio** changes this year are worth noting. They are:

1. Beginning In 2024, If you have a child working in a municipality and under the age of 18, **DO NOT** have the employer withhold city income taxes;
2. Effective October 1, 2023, baby products are exempt from sales tax for items purchased such as child diapers, creams and wipes, car seats, cribs, and strollers;
3. A non-refundable “*Home School Education Expense Credit*” up to $250 per year for expenses paid is allowed for direct education expenses used for home-school instruction such as books, materials, computer software, and/or subscriptions. Amounts paid for computers, electronic devices, computer accessories, or electronic devices are not eligible for this credit;
4. A non-refundable tax credit for *“Non-Chartered, Non-Public Tuition Credit”* for tuition paid for dependent(s) attending a private school NOT chartered by the State Board of Education. The maximum allowable credit is $1,000 if the taxpayer’s household Federal Adjusted Gross Income (FAGI) is under $50,000 and $1,500 if their FAGI exceeds $50,000;
5. A non-refundable income tax credit up to $750 per year (or $1,500 filing jointly) is allowed for cash donations made to a “*certified nonprofit organization*” awarding scholarships to primary and secondary school students that prioritizes low-income students. If you would like to contribute to an organization up to the amount mentioned above, it is **offset dollar-for-dollar from your Ohio tax…a great humanitarian gesture.** A list of charities can be found at <https://charitable.ohioago.gov/Scholarship-Granting-Organization-Certification/List>. A certificate is required from the SGO and it must be attached to the Ohio return. The contribution can now be made up to April 15, 2024 and be applied to tax year 2023 and;
6. The maximum 529 deduction is $4,000 per year/per beneficiary. Effective in 2023, Ohio will now allow contributions to non-Ohio institutions.

* **OTHER REMINDERS**:

1. If there is an addition to your household, I need a copy of their SS card and date of birth. Also, I will need to know if a 2022 dependent is no longer a dependent in your household;
2. Taxpayers who are engaged in a trade or business with a profit are eligible for a **20% DEDUCTION** subtracted from their taxable income. This deduction computation is complex; however, the tax savings can be substantial. Since it requires additional time to compute, a separate line item will be added to your invoice entitled “Special 20% Calculation”;
3. Clients, who have itemized in the past, continue to gather those deductions and I will determine which deduction is to your tax advantage…taking the standard deduction or continuing to itemize;
4. Please bring your driver’s license and spouses, **if it was renewed in 2023**, (or a copy) with you; and
5. There will be a modest fee increase this year as inflation has hit the tax and accounting profession.

I hope this information was helpful in assisting you in filing your tax return this year.

Richard