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**HAPPY 2024!** We hope this letter finds you and your families healthy and happy. This letter aims to provide an understanding of new changes and guidance as you prepare for the upcoming tax season. To assist in compiling your tax information, attached please find our tax organizer. **THIS IS OPTIONAL AND NOT MANDATORY!** If you prefer a detailed organizer reflecting your prior-year information, please call or email us. Organizers for Schedule C (sole proprietorship) and/or Schedule E (rental properties), can be found on our website ([www.vwe-ltd.com](http://www.vwe-ltd.com)).

When providing us with your tax information, please do so by using the drop-off box located next to the entrance of our office; via trackable delivery service (USPS Priority Mail, FedEx or UPS); or by uploading your information to our secure portal (<https://vweltd.securefilepro.com>) through the Guest Exchange (sign-up is not required). Using the portal is also mobile friendly and can be used to upload files directly from your phone or tablet, including pictures. Please refrain from texting pictures of any documents containing personal information as we cannot ensure its security and confidentiality. Regardless of method, please be sure to keep copies of all documents.

\* \* \* Taxes are due **MONDAY, APRIL 15<sup>th</sup>** \* \* \*

### TAX CHANGES FOR TAX YEAR 2023

**RMD AGE INCREASE:** Effective for 2023, taxpayers are required to begin taking required minimum distributions (“RMD”) by April 1<sup>st</sup> of the calendar year following the year they reach age 73. Taxpayers who turned 73 in 2023 were required to start under prior law by April 1, 2023. Taxpayers who turn 73 in 2024 must take their RMD for 2024 by April 1, 2025.

**CLEAN VEHICLE CREDIT:** Purchase of a qualified clean vehicle (plug-in electric, fuel cell electric or, plug-in hybrid) during 2023 may be eligible to claim a nonrefundable credit up to \$7,500 for new vehicles or, \$4k for used vehicles. Vehicles must have undergone final assembly in North America with a purchase price of \$80k or less for SUVs, vans and pickup trucks, and \$55k for all other vehicles. AGI limitations for 2023 or 2022 \$300k married filing joint, \$225k head of household and \$150k single.

**RESIDENTIAL CLEAN ENERGY CREDIT:** Nonrefundable credit of 30% cost of solar electric panels, solar water heaters, wind turbines, geothermal heat pumps, fuel cells and battery storage technology.

**ENERGY EFFICIENT HOME IMPROVEMENT CREDIT:** Energy efficient improvements to your home may qualify for annual tax credits up to \$3,200 which are non-refundable and cannot be carried forward. The previous lifetime credit no longer applies. Credit is generally 30% of qualified expense which includes exterior doors, skylights exterior windows, insulation, heat pumps, heat pump water heaters, biomass stoves/boilers and home energy audits. **IMPORTANT** – each category has specific maximums per year.

**NEW EXCEPTIONS TO 10% PENALTY FOR EARLY RETIREMENT DISTRIBUTIONS:** Penalty does not apply to distributions from a qualified retirement plan before the age of 59½ to an individual connected with a qualified federally declared disaster, is terminally ill or is a public safety officer aged 50 or, with 25 years of service.

**QUALIFIED CHARITABLE DISTRIBUTION ONE-TIME ELECTION:** Beginning in 2023, taxpayers can elect to make a one-time distribution of up to \$50,000 from an individual retirement account to charities through a charitable remainder trust, a charitable remainder unitrust or, a charitable gift annuity funded only by qualified charitable distributions.

**FORM 1099-K FROM THIRD-PARTY PAYORS (e.g., Venmo/PayPal):** Reporting requirements have again been delayed!

**SOCIAL SECURITY/MEDICARE:** Social security benefits will receive a cost-of-living increase of 3.2%. Medicare Part B deductions increase 5.9% for 2024.

**STANDARD DEDUCTION INCREASE:** For 2023, the standard deduction amount has been increased for all filers -- \$13,850 (single or married filing separately); \$27,700 (married filing jointly or qualifying widow(er); and \$20,800 (head of household).

**MILEAGE RATES:** For 2023 mileage rates are 65.5¢ business, 22¢ medical and 14¢ charitable. For 2024 mileage rates are 67¢ business, 21¢ medical and 14¢ charitable.

**MARYLAND TAXES:** The Maryland standard deduction is \$2,550 (single) and \$5,150 (married filing joint/head of household/qualifying widow); compared to Federal amounts of \$13,850 (single/married filing separately), \$27,700 (married filing joint/qualifying widow) and \$20,800 (head of household) respectively – this could result in additional state tax. Personal exemptions are still allowed as in the past and no income phase-out for itemized deductions. New addition for resident members of a pass-through entity that is taxed at the entity level in another state. **NEW SUBTRACTION FOR UNION DUES!** Other subtractions-increased pension exclusion age 65 or older; military retirement subtraction up to \$12,500; pension exclusion for qualified retired correctional/law enforcement officers or, fire, rescue, and emergency services personnel up to \$5,000 (*under age 55*); and up to \$15,000 (*ages 55 and older*), including death benefits; subtraction up to \$10,000 for organ donors and adoption expenses; \$250 subtraction for full-time school teachers (*K-12 classrooms*). MD college savings plan subtraction up to \$2,500 per account. Subtraction and credit for childcare expenses; subtraction up to \$5k for earned income of law enforcement officers depending on crime rate; Anne Arundel local tax rate remains at 2.81% for MD taxable income more than \$50k and 2.7% if less than \$50k.

### **REMINDERS FOR INDIVIDUALS**

**Digital Assets (virtual currency) & Foreign Assets:** If you own a foreign asset or receive virtual currency as a reward, award or payment for property or services; or sold, exchanged, gifted or otherwise disposed of a digital asset, you must notify us! This is very important and must be disclosed on your return.

**Child Tax & Dependent Care Credits:** The child tax credit remains at \$2k per child under age 17 (\$1,700 max refundable). Other dependent credit remains at \$500. Dependent care tax credit remains at 35% for 2023. The credit is non-refundable and allowed for up to \$3k in expenses for one child and \$6k for more than one, resulting in max credit of \$1,050 and \$2,100. Full credit is allowed for families making less than \$15k and begins to phase-out over that amount. If AGI is over \$43k, max credit is \$600 and \$1,200.

**529 Plans:** Distributions for private schools and registered apprenticeships now allowed, and up to \$10k in certain student loan repayments.

**Estate & Gift Tax:** 2023 exemption increased to \$12.92 million and annual gift tax exclusion INCREASED to \$17k per recipient. 2024 annual gift tax exclusion INCREASED to \$18k per recipient.

**Long-term Capital Gains and Qualified Dividends:** Tax rates remain unchanged for 2023.

**Medical Deduction:** Remains at 7.5% through 2023.

**Health Insurance:** You must provide Form 1095-A if you receive benefits through the marketplace.

**Standard vs. Itemized Deduction:** Due to the higher Federal standard deduction, not reciprocated by Maryland, it is important to calculate each return using the new standard deduction, as well as the prior itemized deduction method, to optimize tax savings. *Therefore, please continue to send us all itemized deduction supporting documents.*

**HSA Contributions:** The limit for 2023 is \$3,850 individual, \$7,750 family (plus \$1k catch-up if age 55) and can be made until April 15, 2024. 2024 contribution limits increased to \$4,150 individual, \$8,300 family.

**IRA Contribution:** The limit for 2023 is \$6,500k (\$7,500 if at least 50 years old), and can be made until April 15, 2024. 2024 contribution limit increased to \$7k (\$8k if at least 50 years old). **IMPORTANT**-both Traditional and Roth IRA Contributions are subject to income limitations! Please consult with us before funding.

### **IMPORTANT REMINDERS**

**Donations:** Any cash/check donation receipt over \$250 must include language noting “no goods or services were provided in exchange for the donation.”

**Estimated Taxes:** If you pay federal and/or state estimated tax payments, please include accurate dates and amounts paid (cancelled checks, if available). 4<sup>th</sup> quarter payments must be paid by January 15, 2024.

**Identification Required:** If your license expired/renewed in 2023, please provide a copy of your license (front only) or ID card.

### **SCAM WARNING! – PLEASE BE AWARE**

There are numerous scams designed to obtain sensitive personal/financial information

The IRS will only communicate via US Mail. Should you receive an IRS notice, please send us a copy immediately

*\* Do not disclose personal/financial information to any person over the phone, via fax or email \**

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**A Big Thank You for Your Business**

**We Look Forward to Catching Up!**

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