

2023 FEDERAL & MN Individual/Business Tax Updates

Federal provisions:

- The Energy Efficient Home Improvement credit is now an annual credit of up to \$1,200 for windows, doors, insulation, furnace, central a/c, water heaters, panelboard, heat pumps, biomass stoves and home energy audits; limitations do apply. The Residential Clean Energy credit is a 30% credit of the purchase price for solar, wind & geothermal energy property, solar water heaters, fuel cells and battery storage. Both credits are available from 2023 through 2032. ***Please provide invoices or statements***
- The Child Tax Credit is \$2,000 for each child 0 through 16; all other dependents are a \$500 credit
- The standard deduction has increased to \$13,850 for Single & MFS, \$20,800 for HOH and \$27,700 for MFJ; if you feel your itemized deductions will be over this amount for your filing status, please supply the information on page 4 of the tax questionnaire.
- Itemized Deductions – the medical expense AGI threshold is now permanent at 7.5%; state/local and property taxes are capped at \$10,000; interest on home equity debt is only deductible if it was used to buy or improve your home; cash contributions are deductible up to 60% of your AGI and the 2% miscellaneous deductions are eliminated. Please include all charitable contributions if your total is over \$500 for possible MN subtraction.
- Please supply your 1095-A form for reconciliation if you have gone through MNSURE for your health insurance
- Traditional and ROTH IRA max contribution amounts for 2023/2024 are \$6,500/\$7,000; plus \$1,000 if 50 & over
- HSA max contribution amounts for 2023/2024 – Individual - \$3,850/\$4,150 or Family - \$7,750/\$8,300; plus \$1,000 if 55 & over
- The RMD age is now 73 yrs old for IRA's and other plans; a QCD from an IRA is still available at age 70 ½ yrs
- If you received, sold, exchanged, gifted and/or disposed of any digital asset in 2023, please check the box on the tax questionnaire on page 2
- The annual gift tax exclusion amount is \$18,000 for 2024
- Mileage rates: Business – 65.5 cents/mile; Medical & Moving – 22 cents/mile; Volunteer – 14 cents/mile.
- 80% bonus depreciation is available for purchases of new and used assets for a business for 2023; each subsequent year it drops by 20% - it will be 60% for 2024
- 20% Qualified Business Income Deduction (QBID) possibly available for Sole Proprietors, S-Corps, & Partnerships
- Business meals are back to 50% deductible for 2023 and future years if purchased from a restaurant; any type of Entertainment is non-deductible – please keep receipts and the expenses separate
- The 1099-K tax form from 3rd party payment platforms for business goods or services received and personal items sold over \$600 has been delayed again; the \$20,000 received and 200 transactions remains in effect for 2023, with a new \$5,000 threshold amount implemented to start for the 2024 tax year.

MN Provisions:

- The MN standard deduction amounts are \$25 less for Single & MFS, the same for HOH and \$50 less for MFJ than the Federal standard deduction amounts; please see above
- The dependent exemption amount is \$4,800 for eligible dependents
- MN itemized deductions follow the Federal rules; however, MN includes the deduction for unreimbursed employee business expenses
- 529 Plan Contribution credit or subtraction – max \$500 credit or \$1500 for Single/\$3000 for MFJ subtraction; please supply account number, name of financial institution and contribution amount
- **NEW** Social Security Benefits subtraction – possible 100% subtraction of taxable SS benefits if AGI is less than \$100,000 for MFJ, \$78,000 for Single & HOH, and \$50,000 for MFS; phaseout applies if AGI is higher
- **NEW** Public Pension Income subtraction – possible \$25,000 subtraction for MFJ and \$12,500 subtraction for all other filers; certain qualifications apply