ClientLine®

RUSK
& Company, P.A.
Certified Public Accountancy

Michael H Rusk, CPA
mrusk@ruskcpa.com
Tel: 410-821-8700
Fax: 410-821-8701
www.ruskcpa.com

Accounting, Audit, Tax Planning & Preparation, Financial Planning

March 2024

THERE'S STILL TIME

Time to shore up your retirement security. For example, if you haven't made a maximum contribution to an IRA for 2023, you have until the 2023 filing date for your personal tax return—April 15, 2024—to max out your account. For the 2023 tax year, you can contribute up to $6,500 ($7,500 if you're age 50 or older).

DEDUCTIBILITY

These contributions are tax-deductible as long as personal adjusted gross income (AGI) for 2023 doesn't exceed $73,000 (filing single or head of household) and $116,000 (joint filers). Deductibility is phased out from $73,000-$83,000 and $116,000-136,000.

NON-DEDUCTIBLE IRA CONTRIBUTIONS

If your 2023 IRA contribution won't be deductible, consider a Roth IRA. While these contributions are made after tax, qualified distributions are tax-free, and you won't have to take any minimum distributions during your lifetime. The amount you can contribute to a Roth IRA for 2023 is phased out with AGI between $138,000 and $153,000 (single and head of household filers) and $218,000 and $228,000 (joint filers).

EMPLOYER-SPONSORED PLAN

What about company contributions to your employer-sponsored retirement plan on behalf of yourself and other employees? These contributions must be deposited by the due date of your business tax return. Assuming your business and retirement plan have calendar fiscal years, the 2023 contributions must be made by the due date of the 2023 company tax return to be deductible.

For a corporation, that due date is probably April 15, 2024, without an extension, or October 15, 2024, if a six-month extension is received. It's okay if the contribution is made after the tax return is filed, so long as the deposit is made before the tax return is due.

Different due dates apply to sole proprietors, partnerships, LLCs, and other entities. Confirm your contribution deadline when you provide your tax professional with your 2023 tax filing information.

WHERE TO PUT YOUR EMERGENCY FUND

According to Bankrate.com, regular savings account rates only increased an average of less than .15% to hover around .5% in 2023. The costs of possible emergencies for which you have those funds are increasing far more. Some alternative options that may pay more for liquid savings are:

- High-yield bank savings accounts
- Money market bank or mutual fund accounts

Each has its own advantages and disadvantages you should discuss with your financial professional before investing.

PROTECT YOUR MONEY

When considering any of the alternatives, find out if the account or fund is backed by the Federal Deposit Insurance Corporation or covered by the Securities Investor Protection Corporation. Both FDIC and SIPC insurance have limits but are crucial in safeguarding your investment.

CLIENT PROFILE

Marlene owns rental property inherited from her father. She's looking for money to expand her veterinary clinic and diversify her investments. One option is a home equity loan.

Checking with local banks, Marlene has found that not all banks offer home equity loans on rental property and that lenders share standard requirements for these loans: (1) 15% to 20% equity minimum, (2) minimum credit score of 620 to 700, and (3) debt-to-income-ratio of 43% or less. Some lenders may also have limited Loan-to-Value caps for investment properties, 60%, for example.

She's also learned that the rental property home equity loan interest may be tax deductible, but, generally, only if she uses the loan to improve the property and designates it as a qualified residence for the tax year claimed rather than renting it.

Marlene also has found some alternatives—a home equity line of credit, a cash-out refinance, and a personal loan. She's going to discuss her possibilities with her financial professional.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

HOME SWEET HOME RENOVATIONS

It's spring, and for many homeowners, thoughts are turning to home renovations. If this describes you, be aware that some qualified home improvements are eligible for tax deductions.

NEW TAX CREDIT

For starters, the new federal income tax credit available through 2032 allows you to deduct up to 30% or $3,200 annually for energy-efficient home renovations. The tax credit covers improvements such as installing heat pumps, heat pump water heaters, insulation, doors, and windows, as well as electrical panel upgrades, home energy audits, and more.

You may claim the credit for your existing primary residence only. If you use your home partly for business, the full credit is available for business use up to 20%. For more than 20% of business use, the credit is based on the share of expenses allocable to nonbusiness use.

In addition to the energy efficiency credit, homeowners can also take advantage of the modified and extended Residential Clean Energy credit, which provides a 30% income tax credit for clean energy equipment, such as rooftop solar, wind energy, geothermal heat pumps, and battery storage through 2032, stepping down to 22% for 2033 and 2034.

REBATES FOR ENERGY-EFFICIENT UPGRADES

The U.S. Department of Energy will provide $8.8 billion in rebates for home energy efficiency and electrification projects as part of the Inflation Reduction Act. You may be able to save money on energy bills, improve in-home comfort, and reduce indoor and outdoor air pollution. Household savings can range from hundreds of dollars for single items such as an electric cooktop or dryer to $8,000 for a heat pump or cutting home energy use by 35% or more.

Rebates will vary based on your household income and where you live since each state will administer the program separately. They may be stacked on top of existing tax credits. Check with your tax professional to see what credit and rebates are available to you.

DIVERSITY IN ENTREPRENEURSHIP

According to the U.S. Census Bureau, small businesses are owned by a diverse group of individuals.

21.4%	21.7%	19.9%
WOMEN-OWNED	IMMIGRANT-OWNED	MINORITY-OWNED

Source: https://www.census.gov

THE LOWDOWN ON EXCISE TAX

Generally, federal excise tax is imposed on the sale of specific goods, services, or certain uses. Some examples include fuel, airline tickets, heavy trucks and highway tractors, tires, tobacco, alcohol, indoor tanning services, and other goods and services. The tax may be imposed at the time of import, sale by the manufacturer, sale by the retailer, or use by the manufacturer or consumer.

REPORTING AND PAYING

You generally must file an IRS Form 720, Quarterly Federal Excise Tax Return to report and pay the tax. Excise taxes are in addition to any sales tax on items and independent of income tax. States may levy excise tax as well. You'll find a similar state or local form on the tax authority's website.

You can pass the cost of excise tax onto your customers.

DEDUCTIBLE?

You can deduct federal excise taxes paid for goods or services on your small business taxes, potentially decreasing your small business effective tax rate.

Excise taxes collected from customers are not deductible.

You might want to consult a tax professional to help you with reporting and filing.

Q

Q. I'm big into spring cleaning this year and wondering whether I can toss my old tax returns and records.

A

Generally, keep tax returns for at least three years from the return's due date. The IRS can go back up to six years if your return omitted more than 25% of income. There's no limit if fraud is proven. Also, businesses should hang on to payroll tax records for a minimum of four years after the due date for filing Form 941 for the fourth quarter of a year. Additionally, records on costs of business assets, depreciation, etc., should be retained for decades. It's best to follow the advice of your tax professional.

HEIRS OR BENEFICIARIES?

The terms heirs and beneficiaries are interchangeable, right? Not necessarily when it comes to distributing your property after death. So, knowing the difference between the two is essential in estate planning.

THE DEFINITION OF HEIRS

An heir is a legally identified person who's entitled to receive your estate property when no will or trust dictates distribution. In that case, state law dictates how an estate is distributed and which heirs are entitled to assets.

Generally your heirs, in succession order are:

1. Your spouse
2. Your children
3. Your parents
4. Your siblings
5. Your grandparents
6. Your next of kin. If no next of kin, your property would revert back to the state.

BENEFICIARIES DEFINED

A beneficiary is a person you've specifically named to receive proceeds and assets from:

- ◊ Life insurance,
- ◊ Employer-provided qualified retirement plans,
- ◊ Individual retirement accounts,
- ◊ Trusts, and
- ◊ Annuities, as well as property distributed under your will.

A beneficiary may or may not be an heir and vice versa. Understanding a beneficiary's role in your estate plan and their rights to your assets or property is a key element in planning. If you don't name beneficiaries with a will or other planning tools, they'll be chosen for you.

AUTO-ENROLLMENT IS COMING

On average, 401(k) plans with an automatic enrollment feature have a 20% higher participation rate than plans without, according to Bankrate.com.

ENTER THE SECURE 2.0 ACT
Automatic enrollment is about to become more "popular." If you're a new plan sponsor or contemplating adding a 401(k) plan to your benefits package, the SECURE 2.0 Act may have taken the decision of whether or not to include automatic enrollment in your plan out of your hands. Under the Act's provisions, starting in 2025, many 401(k) and 403(b) plans set up after 2022 must automatically enroll all employees who meet their company's plan eligibility requirements.

The SECURE 2.0 Act's other automatic enrollment provisions include:

01 The plan's initial contribution amount must be at least 3% and no more than 10%.

02 Contributions increase by 1% annually until reaching at least 10%, but not more than 15%.

03 Existing 401(k) and 403(b) plans pre-Act are grandfathered.

04 Small businesses with ten or fewer employees, businesses newer than three years old, and church and government plans are exempt.

05 Individual employees may opt out of the automatic enrollment.

The general information provided in this publication is not intended to be nor should it be treated as tax, legal, investment, accounting, or other professional advice. Before making any decision or taking any action, you should consult a qualified professional advisor who has been provided with all pertinent facts relevant to your particular situation. Great care has been taken to ensure the accuracy of the contents of this newsletter at press time; however, tax law and IRS guidance can change circumstances suddenly. Whole or partial reproduction of this publication is strictly forbidden without the written permission of the publisher. © LTM Marketing Specialists LLC, 2024