

The General Ledger

A Quarterly Update for Clients and Friends of Robins, Eskew, Smith & Jordan

SPRING 2023

IN THIS ISSUE:

- 2023 Tax Updates for Individuals
- Business Tax Credits
- Firm News



Top Tax Changes for Individuals in 2023

With the 2022 tax season in full swing, you may not be thinking about tax year 2023; however, the IRS recently announced numerous changes that take effect in 2023. Now is the ideal time to get up to speed on the changes while we are still early in the year.

NEW AGE FOR REQUIRED MINIMUM DISTRIBUTIONS

The IRS has increased the age for retirement account owners to begin taking required minimum distributions (RMD) from 72 to 73. This applies to those who turned 72 after 2022; so if you turned 72 in 2022, you must take your first RMD by April 1, 2023. For 2023, the RMD age increases to 73 and in 2033 it will increase to 75. The RMD applies to traditional IRA accounts and 401(k) accounts. Not taking your RMD at the correct time results in a penalty but the good news is the IRS has lowered the penalty for missing a withdrawal. Note: Roth 401(k) account holders no longer must take RMDs.

INCREASED DOLLAR LIMITS FOR RETIREMENT SAVINGS PLANS

Due to inflation, the maximum amount an individual can contribute to a 401(k) is now \$22,500 per year – this includes 403(b) and 457 plans. This is a \$2,000 increase over 2022. If you are 50 or older, you can make catch-up contributions – in 2023 the amount has increased to \$7,500 from \$6,500 in 2022.

CONTINUED ON PAGE 2 >>>

NEW ROTH IRA CONTRIBUTION LIMITS

Contributions to Roth IRAs are made on an after-tax basis and eligibility to contribute is based on income level. The income ceilings on these accounts are increasing in 2023. For married couples filing jointly, your adjusted gross income (AGI) for tax year 2023 must be less than \$228,000 and for single filers, AGI must be under \$153,000.

Planning now while the year is still young will help you realize the maximum benefits of the 2023 tax law changes.

HEALTH SAVINGS ACCOUNTS CONTRIBUTIONS

The annual cap on deductible contributions to a health savings account (HSA) has risen in 2023 to \$3,850 for individuals with self-only coverage. For those with family coverage, the new limitation is \$7,750. If you were born before 1969, you can contribute an extra \$1,000.

ELECTRIC VEHICLE TAX CREDITS

The maximum credit for buying an electrical vehicle (EV) is \$7,500 for tax year 2023. The Inflation Reduction Act has extended this tax credit for 10 years until December 2032. The credit is to be taken in the year you take delivery of the vehicle. There are other requirements that must be met to be eligible for the full \$7,500 credit; for example, the credit is dependent upon final assembly in North America and certain battery component requirements. As with other tax credits, there are income limits on claiming the EV tax credit. Singler filers with a modified AGI of more than \$150,000 and married couples with a modified AGI of more than \$300,000 cannot claim the credit. In addition, the purchase price of an EV cannot exceed \$55,000 for sedans or \$80,000 for vans, SUVs and pickup trucks. Used EVs purchased from a dealer qualify for a lesser credit.



HOME ENERGY TAX CREDITS

Tax credits are also available for a wide range of energy efficient home improvements for existing homes that are permanent residences – new construction and rentals do not qualify. Homeowners can get up to a 30% credit for the purchase of certain types of insulation, boilers, air conditioning systems, windows, doors and solar panels. The annual limit is \$1,200 but you can spread your energy efficiency improvements over several years since the annual limit resets each year through 2032.

Planning now while the year is still young will help you realize the maximum benefits of the 2023 tax law changes. Being proactive is always the best way to find ways to save on your taxes. The above items are just a few of the more common provisions for this year so be sure to reach out to RESJ so we can review your situation and devise the right strategy for you.

Reduce Your Taxes With These Popular Business Tax Credits and Incentives

Most business owners desire to find ways to reduce their tax bill and one way to potentially do that is through business tax credits and incentives. While both aim to reduce taxes, the two work in different ways. A tax credit directly decreases the tax owed while a tax incentive works as a deduction, decreasing taxable income. There are a number of business tax credits available, and while determining which one(s) your business might be eligible for can be difficult, it can definitely be worth it when it comes to lowering your tax bill.

Some of the more popular credits and incentives for businesses include:

RESEARCH & DEVELOPMENT (R&D) TAX CREDIT

The R&D Tax Credit provides businesses dollar-for-dollar cash savings for performing activities related to the development, design or improvement of products, processes, formulas or software. Enacted in 1981, this tax credit is intended to spur innovation and encourage development in the United States. If eligible, you can receive a 6% to 10% tax credit on qualified R&D expenses. To qualify, research activity must meet a four-part test. Expenses that qualify include salary and wages, outside services, supply costs and rental of computer time.

ENERGY-EFFICIENT COMMERCIAL BUILDINGS TAX DEDUCTION

Created under the Energy Policy Act of 2005, the intent of the Energy-Efficient Commercial Buildings Tax Deduction is to incentivize commercial building owners and designers of buildings to reduce energy usage. The incentive applies



to newly constructed buildings or renovations that incorporate energy-efficient components such as HVAC systems, hot water, interior lighting and the building envelope. Building owners, in addition to architects, engineers and contractors, can claim up to \$5.00 per square foot effective 2023.

WORK OPPORTUNITY TAX CREDIT

The Work Opportunity Tax Credit incentivizes the hiring of individuals from groups that have historically faced barriers to employment. Businesses that hire at least 50 new employees per year are typically the best candidates for this tax credit. Examples of targeted groups

include qualified veterans, ex-felons, individuals with disabilities and summer youth employees, to name a few. The amount of tax credit available is between \$2,400 and \$9,600 per eligible employee. You must apply for the credit within 28 days of the hire and employees need to work 120 hours to qualify.

COST SEGREGATION

Cost segregation is way to defer paying state and federal income taxes by accelerating depreciation deductions in the early years of building ownership. With cost segregation, commercial or residential rental property owners break down depreciable real estate

CONTINUED ON PAGE 4 >>>

FIRM NEWS



Promotions

SAM JONES, CPA



We are pleased to announce that Sam Jones was recently promoted to tax manager. Sam joined the firm in 2018 and is located in the

Duluth office where his responsibilities will continue to include consulting with small businesses to help them grow and plan for the future.

JARED KANE, CPA



The firm also is pleased to announce that Jared Kane has been promoted to tax manager in our McDonough office. Jared joined RESJ

in 2016 and is responsible for preparing tax returns and tax projections, and handling IRS and state tax issues.

New Hires

LISA ALI



The Fayetteville office recently welcomed a new administrative assistant, Lisa Ali. Lisa has almost two decades of administrative

experience. She is responsible for managing the front desk, supporting the partners and staff, assembling tax returns and assisting with bookkeeping tasks.

JORDAN WALTERS



Jordan Walters joined the firm's McDonough office in late 2022 as a staff auditor. Jordan is a recent graduate of Auburn University

where she earned a B.S.B.A degree in accounting.

Summer Leadership Experience 2023

We are looking forward to hosting our Summer Leadership Experience again this year! This two-day event will be held July 27-28, 2023 and provides a unique opportunity for accounting students to get a first-hand look at what it's like to work for a public accounting firm. We welcome applications from students who are within two years of completing an accounting program. **For more information, contact Natalie Greiner at ngreiner@resjcpas.com**

Reduce Your Taxes With These Popular Business Tax Credits and Incentives

<<< CONTINUED FROM PAGE 3

into individual components and identify which components can be depreciated quicker. This strategy frees up cash allowing you to invest in your business in the near-term and avoid paying taxes sooner than required. Industries that are most likely to benefit from a cost segregation study include real estate, retail, hotel/motel, restaurant, manufacturing, automotive dealerships and healthcare.

The world of business tax credits and incentives can be tricky to navigate – and the above are just a few of the many that are available. Your RESJ tax professional can help you determine eligibility, document your processes and maximize your return.

DID YOU KNOW?

The state of Georgia has passed a “heartbeat” bill that allows a \$3,000 deduction for an unborn child with a detectable heartbeat on or after July 20, 2022.