



2023 AAI Tax Planning Seminar Living in Turbulent Times

Stancil CPAs • Advisors | February 11, 2023



Presented by:

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Agenda:

- Secure Act 2.0
- How Can I Take Advantage of a Down Market?
- 2022 Tax Legislation and Prospective Changes
- Actions During Inflationary Times

Before You Can Plan, Know Your Marginal Tax Bracket:

<u>Rates</u>	<u>Single</u>	<u>HOH</u>	<u>MJF</u>
10%	0 - 11,000	0 – 15,700	0 – 22,000
12%	11,000 – 44,725	15,700 – 59,850	22,000 – 89,450
22%	44,725 – 95,375	59,850 – 95,350	89,450 – 190,750
24%	95,375 – 182,100	95,350 – 182,100	190,750 – 364,200
32%	182,100 – 231,250	182,100 – 231,250	364,200 – 462,500
35%	231,250 – 578,125	231,250 – 578,100	462,500 – 693,750
37%	over 578,125	over 578,100	over 693,750



Secure Act 2.0

Changes to Retirement Contributions Allowed:

		<u>Under 50</u>	<u>50 and over</u>
401k/403b/Roth 401k		22,500	30,000
	*2023 increased catchup to \$7,500		
	*In 2025, 60-63 will have a \$10,000 catch up		
Simple IRA/Roth Simple IRA (New)		15,500	19,000
	*2023 increased catchup to \$3,500		
	*In 2025, 60-63 will have a \$5,000 catch up		
** NOTE -- If income is > \$145,000, then catch up must be a Roth Contribution and cannot be pre-tax			
** NOTE -- All catchup contributions will be inflationary indexed as well			
** NOTE -- Employees have option to have company match go to Roth			
SEP IRA		66,000	66,000
IRA/Roth IRA		6,500	7,500
	Wage limit if able to participate in Employer plan:		
	PHASE OUT:	<u>Start</u>	<u>End</u>
	Single/HOH	73,000	83,000
	MFJ	116,000	136,000
	Wage limit if Spouse able to participate in Employer plan:		
	PHASE OUT:	<u>Start</u>	<u>End</u>
	MFJ	218,000	228,000
	Roth Contribution Wage limit:		
	PHASE OUT:	<u>Start</u>	<u>End</u>
	Single/HOH	138,000	153,000
	MFJ	218,000	228,000
Solo 401k - can make contribution up to April 15th like an IRA.			
* Applies to only 1st year of plan			



Changes Required Minimum Distributions (RMD's):

RMD Starting Age:

- 2023 – Age 73
- 2033 – Age 75

Penalty for Failure to Take RMD:

- Reduced from 50% to 25%. If you correct it timely, then 10%.

Qualified Charitable Distributions:

- Allowed a one time \$50,000 distribution to charities through certain Charitable Annuities or Trusts
- The annual amount allowed will not be inflationary indexed – currently \$100,000

Roth accounts within 401k, 403b & 457 no longer subject to RMD's.



Other Secure Act changes:

529 Plan Rollover options:

- If plan has been open for 15 years, left over 529 amount may be rolled over to Roth IRA for beneficiary
- Effective for Distributions starting in 2024
- Maximum allowed to rollover \$35,000 or amount put into 529 plan in most recent 5 years

SAVER's match Credit:

- Starting in 2027 – Allowed a credit for contributions to IRA's, Employer Retirement Plans and ABLE accounts
- Credit is allowed on 50% contributed up to \$2,000 max credit
- Phase out:
 - Single – 20,500 – 35,500
 - HOH – 30,750 – 53,250
 - MFJ – 41,000 – 20,500

Early Withdrawal Options Starting in 2024:

- Allowed \$1,000 a year in early withdrawals without penalty with option to repay within 3 years
 - Subsequent withdrawals cannot be done until this is repaid
- Penalty free withdrawal of up to \$10,000 or 50% of the balance of the account in cases of domestic abuse (self-certified)
- Penalty free withdrawal in certain cases of birth or adoption.
- Penalty free distributions to a terminally ill individual (84 month threshold)
- Penalty free distributions up to \$22,000 to cover expenses related to a federally declared disaster. Distributions treated as gross income over three years Distributions can be repaid.
 - Effective for disasters occurring after 01/26/2021.

Other Secure Act changes (cont.):

Credits for Contributions to Employer Plans:

- Allowed a credit up to \$5,000 for costs on setting up new Employer Pension Plan
 - 1-50 Employees -- 100% of costs eligible
 - 51-100 Employee – 50% of costs eligible
- Allowed a credit for money put into Pension plan by Employers
 - Maximum allowed \$1,000 per employee
 - Years 1 & 2 – 100% of amount put in is eligible
 - Year 3 – 75%
 - Year 4 – 50%
 - Year 5 – 25%
 - Limits:
 - Must have 100 or less employees
 - Does not count if employee makes more than \$100,000

Employer Contributions to Plans:

- Contributions for those with Student Loan Debt
 - Employers may make contributions to Retirement plans for amounts of Student Load debt repaid by Employee
 - Employee does not have to contribute to the plan to be eligible
- Employers with Simple Plans can make an additional contribution up to max of 10% of salary or \$5,000
- SEP Contributions may now be treated as Roth contributions



How Can I Take Advantage of a Down Market?



How Can I Take Advantage of a Down Market?

- Consider a Roth Conversion or Back Door Roth Conversion
 - If doing a Back Door Roth Conversion then must not have other Tax Deferred IRA's
- Maximize Roth IRA/Roth 401k Contributions
 - Roth IRA contributions allowed by April 15th
- Distribute Inherited IRA's while value is down
 - If you received an Inherited IRA after 12/31/2019, then generally must withdrawal within 10 years of receiving.
 - Withdrawal from the IRA is done at Ordinary Income Tax Rates
 - Qualified Dividends and Long Term Capital Gains are taxed at 0%/15%/20%



How Can I Take Advantage of a Down Market? (continued)

- Maximize 529 Plan Contributions
 - Grandparents can make a Gift for Grandchildren
 - May do 5 years worth at one time (\$80k for 2022)
 - \$10k of Funds a year may be used for Elementary to High School
 - May use \$10k of Funds to repay College Loans each year
- If over the Estate Tax limit, take advantage of gifting to lower potential Estate Tax
 - Normal gift is \$16k a person
- Capture Capital Losses
 - No expiration on carryover years
 - Beware of pitfalls:
 - If in 0% tax bracket for Qualified Dividends and LT gains, you may not receive any benefit
 - Must wait 31 days to repurchase same stock

How Can I Take Advantage of a Down Market? (continued)

- Potential Pitfall – Just because market is down doesn't mean that Dividends and Capital Gains from Mutual Funds will not be high
- Maximize Health Savings Account Contribution
 - Allowed to Contribute through April 15th
 - No use it or lose it like a Flexible Spending Account
 - Contributions Allowed:

	<u>Under 55</u>	<u>55 and over each person</u>
Single	3,650	1,000
Family	7,300	1,000



2022 Tax Legislation and Prospective Changes



Current Year Law Changes:

- Electric Motor Vehicle credit for 2022 equals \$2500 plus \$417 for each kilowatt hour of capacity in excess of 5 kilowatt hours (max \$5,000 extra)
 - If contract was signed by August 16, 2022 and vehicle delivered by year end then allowed on all electric vehicles
 - If purchased after August 16th then vehicle must have final assembly in US.
 - For 2023, the credit changes as follows:
 - \$7500 total (\$3750 for each part)
 - Vehicle must have final assembly in US
 - Cost cannot exceed \$80k for Vans/SUV's/Trucks and \$55k for all other vehicles
 - AGI cannot exceed \$300k (MFJ), \$225k (HOH), \$150k (Single)



Current Year Law Changes: (continued)

- Residential Energy Efficient Improvements is \$500 lifetime through end of 2022
 - In 2023 it will become \$1200
- The expanded Health Care Subsidy (Premium Tax Credit) was extended through 2025
 - Allowed a credit to extent Premiums are more than 8.5% of Adjusted Gross Income
- College Loan Forgiveness
 - Currently this law is under litigation and no applications are being processed
 - Maximum Lifetime Forgiveness allowed:
 - If you received a Pell Grant in college – \$20,000
 - If you did not receive a Pell Grant in college - \$10,000
 - AGI must be below the following to apply:
 - Single - \$125,000
 - Married/HOH - \$250,000
 - Apply at studentaid.gov/



Potential Tax Changes for Next 2 years until Presidential Election:

- There will be lots of talk but very little action. Will focus on items considered non-major
- Look for more laws affecting Tax Deferred accounts (IRA's & 401k's)
 - Potential caps on amount allowed to be in tax deferred account
 - Acceleration of withdrawal of RMD's – inherited and regular
- Potential extension of 100% bonus depreciation that expires at end of 2022
- Potentially revive the expensing of R&D expenses instead of amortizing
- Extend the child tax credit rules that were in effect in 2021
- Items not likely to happen – Any changes to Tax Rates
- The Key issue will be treatment of Trump Tax Cuts that expire at end of 2025



Actions During Inflationary Times



Actions During Inflationary Times

- Take advantage of Idle money with Higher interest income rates
- Review rates on Tax Exempt Bonds (State & Federal)
 - Not subject to Net Investment Income Tax of 3.8%
 - It is counted when Medicare costs are calculated

QUESTIONS???



Thank you for attending!

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