

C. A. WHITE ACCOUNTANCY

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WINTER 2023/2024 TAX NEWSLETTER

Hours of Operation: **tax season** 9:30am - 6:00pm Monday through Thursday; Saturday 9:30am to 5:00pm
off season 9:30am - 5:00pm Monday through Thursday

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- Appointments
- Mail-ins,
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- Deadlines - personal & business
- What to bring to your appointment
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- Protect yourself & privacy policy
- Old tax returns

Mileage Rates

Business Licenses – Includes Rentals

Record Retention – How long do I keep?

Identity Theft & Scams

California Taxes

- Form 571L, All Businesses

Miscellaneous

- Rentals: filing 1099s
- Foreign bank accounts, deadline change

New Information

Tax Laws and Information (Federal)

Year-end Strategies

California Rules

SPECIAL INFORMATION

See our website for:

- Addendum questionnaire (AQ23), engagement letter, home interest worksheet (all required forms)
- Federal & State links
- Commonly used forms from our office
- Up-to-date information on newsletter topics
- Additional tax information on subjects such as new tax laws

MANDATORY QUESTIONNAIRE (AQ23)

Completion is required by all clients.

HOME INTEREST WORKSHEET COMPLETE IF YOU have a home loan of any kind on your residence. With the new tax laws, this information is more important than ever before. This needs to be completed each year with 12/31 balances.

HINTS FOR BETTER SERVICE FROM US

- Phone Calls: Cheryl has blocked out 9:30-10:00 am to take questions;
- David takes appointments on the hour, so please pick-up taxes on the ½ hour.

Our office will be closed Dec 15, 2023 through Jan 8, 2024.

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WEBSITE: www.cwcpa.info

TAX PREPARATION REQUIREMENTS

There are 3 items we must have from you to complete your taxes. All can be found attached:

- ENGAGEMENT LETTER - Please print,
- sign and bring to your tax appointment or include in the tax package you mail/e-mail.
- HOME INTEREST WORKSHEET - We must have a completed copy of this worksheet for all clients with mortgage interest (1st or 2nd/equity line).
- AQ23 questionnaire with all questions answered.

RATES

- 1) Rates for tax preparation and consulting:
 - Individuals, Sole Proprietorships (Includes consulting time) \$180/hour
 - Corporations & Partnership/LLC's \$200/hour
 - Out-of-pocket expenses are additional.
- 2) Retainer fees will be collected at the first appointment. The retainer fee is normally a minimum of \$180 for individual 1040 returns. The retainer is a down payment against the total cost of your tax return. The retainer for business entities is \$200.
- 3) Payment in full is expected on completion of each tax return or consultation. Payment will be collected when you pick-up your return or before it is mailed to you.
- 4) Bad checks and accounts over 30 days will be charged interest at 18% per annum.

Note: We accept Visa and Master Card.

APPOINTMENT TIMES

February through April 15th

After January 15th, appointment slots fill up fast. Appointments are available on the hour, Monday-Thursday, 10 a.m. - 6 p.m.; Saturday, 10:00 a.m. - 5 p.m.

MAILING INSTRUCTIONS

If you are approved to mail tax data to us for tax preparation, include all items listed below under What to Bring to Appointments, plus a signed engagement letter, minimum \$180 retainer, form AQ23 and completed tax organizer. We must receive this package by **MARCH 21st** to meet the April 15th deadline. Please follow these instructions or there will be unnecessary delays while we await these items.

Please, No Children at Appointments: very boring for them and distracting for you.

Please call for an appointment. To change an appointment, call as soon as possible so others may be scheduled at the time you are vacating. You may be charged for missed appointments that you do not call to cancel.

Be aware that the April 15th deadline makes the tax season short and trying to reschedule an appointment may not be possible if you want to meet the deadline. If you do not obtain the appointment time you want, we'll put you on our waiting list. Just be ready. People often cancel on short notice.

March 30th is the last date for appointments and tax data to meet the April 15th deadline!

As always, our office is closed Fridays and Sundays and most holidays.

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YEAR-ROUND SERVICES

Tax, tax planning and accounting services are year-round. Our office is closed 3 weeks in December/January and most of May.

TAX ORGANIZERS

will be sent out in the first part of
January

Everyone should complete the
personal information page &
the questionnaire pages.

WHAT TO BRING TO APPOINTMENTS?

W-2 and all income sources, year-end 1099's, interest, dividends and mortgage statements, detail on securities and home sales, itemized personal deductions, business income and expenses, rental income and expenses, prior year tax returns if you are a new client.

An engagement letter will be ready for you to review and sign at your appointment.

IF YOU ARE BUYING YOUR HOME, WE NEED A COMPLETED HOME INTEREST WORKSHEET.

If you are a new client or electronic filing for the first time, bring your family's social security cards and birth dates.

While not required presently in California, current and valid driver's license info can expediate the government processing of your return.

Have childcare expenses? We need name, address, phone number and tax I.D. of each provider. Don't forget the sitter.

TAX QUESTIONS

After February 1st the best time to reach Cheryl with questions is 9:30 - 10:00 a.m. She saves this time slot to take calls during this busy time of year.

BUSINESS RETURNS

We prepare California S and C corporations for existing clients. We are not licensed to prepare corps for other states.

We no longer prepare partnership returns.

EXTENSION form 4868 for personal taxes is available if you cannot file taxes on time. This extends filing time to 10/15/24, which is a six-month extension. File form 4868 by 4/15/24.

Remember, this is an extension to file the tax return: it is NOT an extension to pay tax still due for 2023. We do NOT file the form 4868 for you.

If the estimate of tax liability on the extension is unreasonably low, IRS can void the extension (no zeroes on lines 4 & 5).

IMPORTANT: COMPLETE ALL LINES ON THE EXTENSION.

Tax extension deadline for LLC's, Partnerships, Trusts, S-Corps is September 15, 2024, for tax returns so that K1's go out timely.

See tax deadlines below.

TAX CALENDAR DEADLINES

1/15/24 Final 2023 Estimated tax payment due.

1/31/24 2023 W-2 and 1099's are due out

3/15/24 2023 S Corporation and Partnership/LLC deadline (12/31 year-end). S Corp/LLC, etc. income tax returns are due the 15th day of the 3rd month after the business year-end.

4/15/24 2023 Individual tax returns due; 2024 estimated tax due. Foreign account reporting #114 due.

C Corporations are now due the 15th day of 4th month after business year end.

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E-MAIL

Our e-mail address is cwcpa@aol.com. You may e-mail tax data needed to complete your tax returns. If you would like your taxes e-mailed to you when completed, we can only do so through our secure Link. Email us a request to join the Link and we will send an invitation to the e-mail address you choose. You will then set-up your link with a password you select, and we will be able to upload your taxes to you. See "Protect Yourself" for more.

If you are already on the Link, you do NOT need to make this request.

PLEASE inform us of e-mail address changes so we can keep you informed, when major tax changes occur during the year.

PRIVACY POLICY

It is our firm's policy not to disclose any nonpublic personal information about you. Access to such information is granted only to employees of our firm who need the information to complete the work they were hired to do. Our firm maintains physical, procedural and electronic safeguards that comply with Federal regulations to guard your information. We do not disclose personal and confidential information to anyone outside our firm without your written permission to do so.

PROTECT YOURSELF

- When you join our Link, you can send documents securely, as well as receive an electronic version of your final tax return.
- Set up a private e-mail address that you give to specific sources only for important documents, such as W2's, 1099's, etc.
- When you e-mail us, always use a subject title such as "tax info," "tax question 2023," etc.

IRA's, ROTH's, ETC.

If you're over 73, take your required minimum distribution NOW for 2023! If you have contributed to a pension account not on your W-2 form let me know about it.

OLD TAX RETURNS

Our office policy dictates that we shred tax workpapers that are over five years old. If we prepared your 2018 tax return in any year, we will be shredding workpapers after October 15th, 2024. If you want those workpapers, please send \$35.00 to our office by October 15th, 2024.

REMINDER

Our office will be closed December 15, 2023 through January 8, 2024.

Tax season begins January 9th.

MILEAGE RATES

For, 2023, the business rate is 65.5¢ per mile.

The medical rate for 2023 is 22¢ per mile.

The charity mileage rate for 2023 remains steady at 14¢ per mile.

Reminder: We always need total miles per vehicle per year for businesses.

BUSINESS LICENSES

You must obtain a local business license if you have a business or rental. More and more cities & counties are obtaining business info from the Franchise Tax Board.

Business/Rental Capital Assets

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As long as a capital asset is being depreciated, you must keep the invoices and records related to the purchase. For Section 179 write-offs, keep the related records while you possess that asset.

IDENTITY THEFT

If you believe you're a victim, call IRS (800) 908-4490. You will complete a Form 3949-A.

For California reporting, call (917) 845-7088. It is best to dedicate a computer to online banking and sensitive transactions. Do not open e-mail on this computer. Never open unexpected bank e-mails. Check and reconcile bank balances regularly. Place a maximum limit on transfers.

Get a free annual credit report:

www.creditreport.com or call 877-323-8238.

SCAMS ON THE RISE

The IRS will never:

- Angrily demand immediate payment over the phone, nor will the agency call about taxes owed without having mailed you a bill;
- Threaten to bring in local police or other law enforcement groups to have you arrested for not paying;
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they claim you owe;
- Require you to use a specific payment method for your taxes, such as a prepaid debit card, nor ask for any credit or debit card numbers over the phone.

Report tax scams to the Federal Trade Commission and Treasury Inspector (800) 366-4484.

RECORD RETENTION SCHEDULES

Copies of tax returns:	Forever
Tax & legal correspondence:	Forever
Audit Reports:	Forever
Contracts and leases:	Forever
Real estate records:	Forever
Corporate minutes:	Forever
Stock records:	Forever
Bank statements:	7 years
General ledger and journals:	7 years
Sales records and journals:	7 years
Employee expense records:	4 years
Personal investment records:	7 years after sales
IRA records:	7 years after withdrawals
Canceled checks:	4 years
Paid vendor invoices:	4 years
Employee payroll records:	4 years
Depreciation schedules and asset cost:	decades

1099 FORMS –RENTAL & BUSINESSES

1099 forms are required for payments made of \$600 or more to service providers for taxpayers receiving rental income from real property. THIS AFFECTS YOU AS A LANDLORD! Submit to IRS with form 1096 transmittal. For 2023 1099-NEC forms, the basic fine for filing with incorrect/incomplete data is \$250 per #1099-NEC. To obtain forms 1099 and 1096 transmittal form, call 800-829-3676.

This form need NOT be filed with California this year.

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FOREIGN BANK ACCOUNTS

Reminder: For any foreign financial account with an aggregate value over \$10,000 at any time during the year, you must file electronically form 114 by April 15 of the following year with the IRS; there is a six-month extension. You must disclose in your taxes if you have foreign financial assets over \$50,000. The form is #8938 and is filed with the tax return. Non-filing penalties can be up to 50% of the account value.

Business Personal Property Tax

If you are properly licensed, you will prepare California form 571L, due April 1 each year. This form reports the total cost of all business property you owned on January 1 each year to your county assessor for property tax purposes. Each asset, from a screwdriver to large equipment, must be placed into a class year and reported to your county assessor. Excluded from reporting are:

- Inventory (property held for sale or lease to others);
- Licensed vehicles;
- Certain computer software

There is no de minimis exclusion. “Everything” means you must include all items of personal property purchased but written off as non-substantial for income tax purposes, including:

- Non-significant incidental materials and supplies;
- Significant material and supply items of small value – small wares – with a \$200 per item cost or less, or having a useful life of less than one year for which a write-off election is made for income tax purposes;
- Items that would otherwise be capitalized, but written off for income tax purposes for having a per-item value under \$500

LLC’s, S-Corps

If you are thinking of forming one, call me first, there are things you must know. Don’t depend on information gathered online!

CALIFORNIA RULES: THESE AFFECT YOU

Most of our newsletter refers to Federal tax law. California does not always conform to Federal regulations.

Use Tax

Also, the tax department states that all businesses with sales over \$100,000 must register to pay sales tax on any business expenditures where sales tax was not paid at time of purchase.

S-Corp Shareholder/Employee

California EDD will determine income based on reasonable compensation for the services performed. Our experience has been that when no compensation is paid, the EDD determines that all distributions or all profits are wages.

Closing a business

A corporation, LLC, LLP is dissolved by filing documents with the Secretary of State (SOS). The entity is liable for the \$800 minimum tax until dissolution is complete.

Take these steps:

- File a timely “FINAL” tax return for the prior year – check “Final” box on the return.
- Do NOT do business after the end of the prior year.
- File a Certificate of Dissolution, Certificate of Surrender, Certificate of Cancellation with the SOS timely.

Standard Deduction for California

Single \$5,363

Married & Head-of-Household \$10,726

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NEW INFORMATION

Corporations & LLCs

Bring or send complete forms K-1, all pages. Tax returns for outside of California K-1's must be completed by a tax preparer from that state.

Social Security

To have Federal tax withheld, complete form W-4V and mail to your local Social Security office. You can choose to have 7%, 10%, 12% or 20% tax withheld from monthly benefits.

There will be a 3.2% increase benefit increase in 2024. Part B premiums are \$174.70 for most.

Refunds

Still awaiting IRS refunds? Go to "Where's My Refund" on the IRS website (irs.gov). Contact your congressional representative. Do not write IRS and do not send additional copies of your tax return.

Electric vehicle credit: \$7,500, **BUT**

Vehicle must meet specific battery and minerals requirements. The Department of Energy has a list of credit-eligible vehicles and additional limitations.

<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

If you receive any documentation, please print and bring to your appointment.

New 2024 rules: the suggested retail price cannot exceed \$55,000 for sedans, \$80,000 for SUV's, pickups and vans. Additionally, there is an income limit to be eligible for credit: modified AGI can't exceed \$300,000 for joint filers, \$150,000 for singles or \$225,000 for head-of-household filers.

Solar and Energy Credits

Solar credit is again 30% of the cost (not including any rebates you received).

There are new caps for other energy efficient purchase credits: \$600 for windows and \$500 for exterior doors, etc.

Individual Retirement Accounts (IRA's)

Contributions in 2024 increase to \$7,000 (plus \$1,000 for those 50 and older).

Depreciation

There is a Bonus of 80% of new & used qualifying business assets with lives of 20 year or less if purchased & placed in service by 12/31/23 is available.

Buyers of heavy (over 6,000lbs gross vehicle weight) SUVs used only for business purposes may be able to write-off the full cost.

Cash & Non-Cash Charitable Donations

Any one non-cash item you expect to deduct that has a value over \$500 must be appraised. If you give over \$5,000 worth of goods, every single item must be appraised.

Donations must be made to a charitable organization on the IRS Online Tax Exempt Organization Search.

There are no deductions for donations to individuals.

HSAs

In 2023 pay-in caps are \$3,850 for singles, \$7,750 for families.

2024 pay-in caps are \$4,150 for singles, \$8,300 for families

For both years, those over age 50 can still add \$1,000 more.

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Medicare surtaxes are still with us

Taxes are 3.8% on net investment income, when income is over \$200,000 for singles, \$250,000 for couples. In addition, there is the .9% Medicare tax when income exceeds these levels. There are complex formulae for both taxes.

Identity Protection

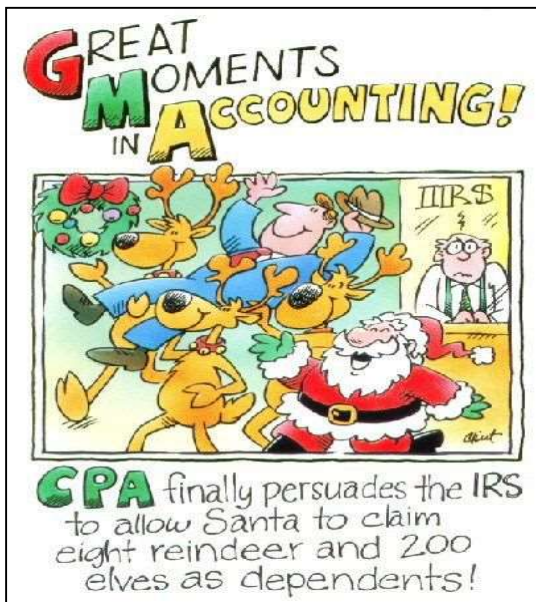
The IRS wants more individual taxpayers to obtain identity-protection PINs as an extra protection from tax-related identity theft. The IP PIN is a six-digit number assigned by the IRS to help verify your identity on returns, filed either on paper or electronically. For most people, getting an IP PIN is entirely voluntary. If you want one, you must apply for it each year by going to www.irs.gov/IPPIN and selecting "Get an IP PIN," and verify your identity.

Standard Deductions

Single \$13,850 (add \$1,850 if over 65)

Married Joint \$27,700 (add \$1,500 each if over 65)

Head of Household \$20,800



YEAR-END TAX STRATEGIES

Required Minimum Distributions

If 2023 is your first RMD year, you have until April 1, 2024 to take the RMD. The distribution will still be based on your total IRA balance as of December 31, 2022. If you opt to defer your first RMD to 2024, you will be taxed in 2024 on two payouts.

Itemized Deductions

If you itemize, you have flexibility in shifting write-offs. For example, making your January, 2024 mortgage payment on your home before year-end will allow you to deduct the interest portion on your 2023 return.

Contribute appreciated property, such as stocks or shares in mutual funds. If you have owned the property for more than a year, you can deduct its full value in most cases if you itemize. Neither you nor the charity pays tax on the appreciation. Don't donate assets that have dropped in value, the loss would be wasted.

Gift Tax Exclusion

You can give up to \$17,000 to each person this year without paying gift tax or tapping your lifetime estate-and-gift-tax exemption. Spouses can also give \$17,000.

For example: if you're married with four kids and six grandkids, you can give each relative up to \$34,000 (\$340,000 total) this year in excludable gifts. Annual gifts over the exclusion amount will trigger filing of a gift tax return for 2023, but no gift tax will be due unless your total lifetime gifts exceed \$12 million.

Holiday Greetings and Thank You.

Wishing you the Best in 2024.