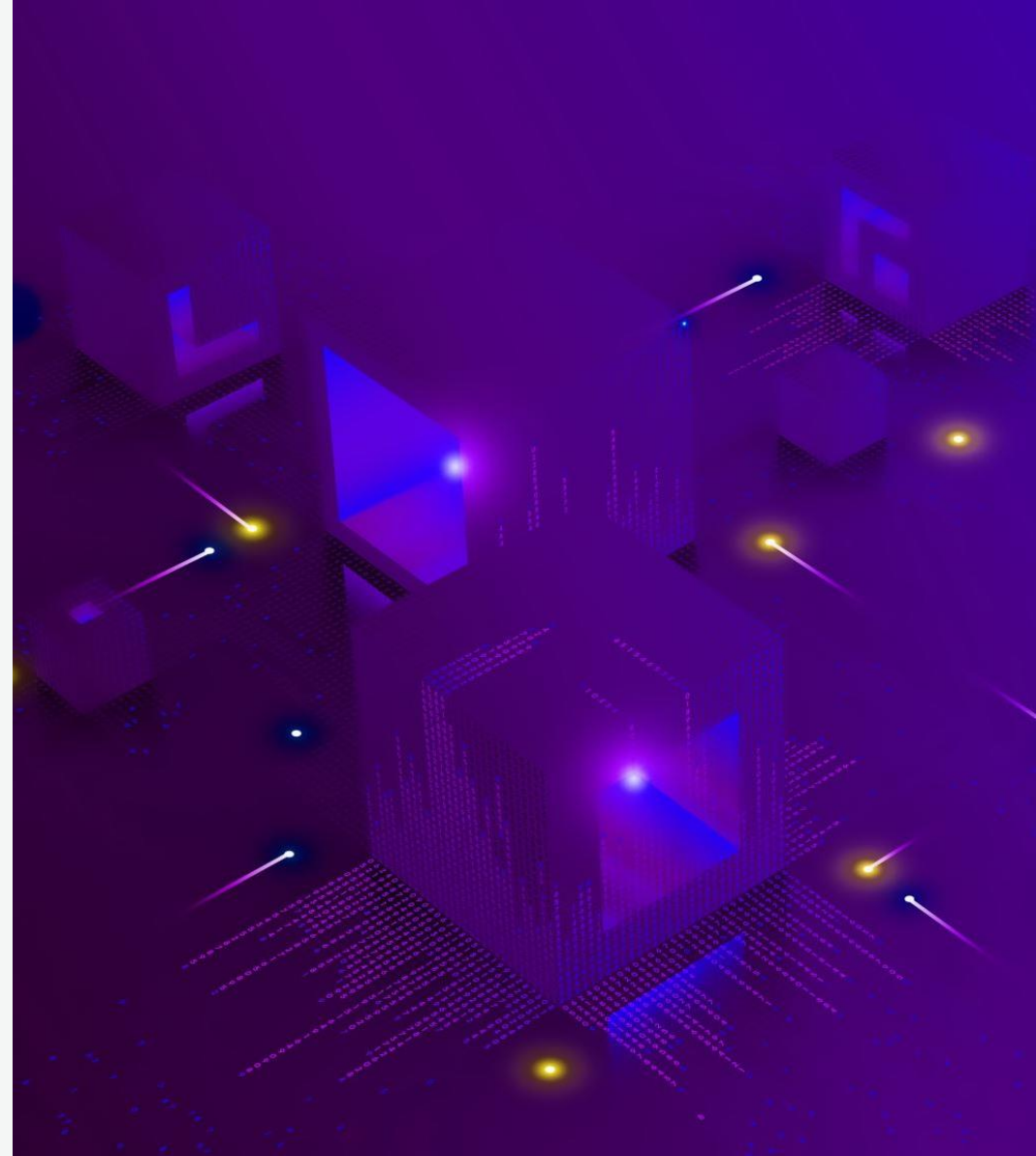


2023 Tax Changes

Megan J. Sather, AFC, FFC, FSW, MCFT

VT Veteran's Personal Financial Counselor



Agenda



Inflation Reduction Act

Home Improvements
Clean Cars



Normal Annual Changes



The Future

Inflation Reduction Act

- Energy Efficient Home Improvement
- Credit Residential Clean Energy Property Credit
- Qualified Plug-in Electric Drive Motor Vehicle Credit
 - – New Clean Vehicles
 - – Used Clean Vehicles





- Revamped for 2023-2033
- Annual credit of up to \$3,200 (vs lifetime credit)
- Credit taken in year installed
- Credit is 30% of qualifying expenses
- Qualified energy efficiency improvements installed during year
- Residential energy property expenditures
- Home energy audits during the year (30% of costs up to \$150)

Energy Efficient Home Improvement Credit

Qualified Energy Efficiency Improvements



Maximum credit of \$1,200 for these improvements



Exterior doors (30% of costs up to \$250 per door, up to a total of \$500)



Exterior windows and skylights (30% of costs up to \$600)



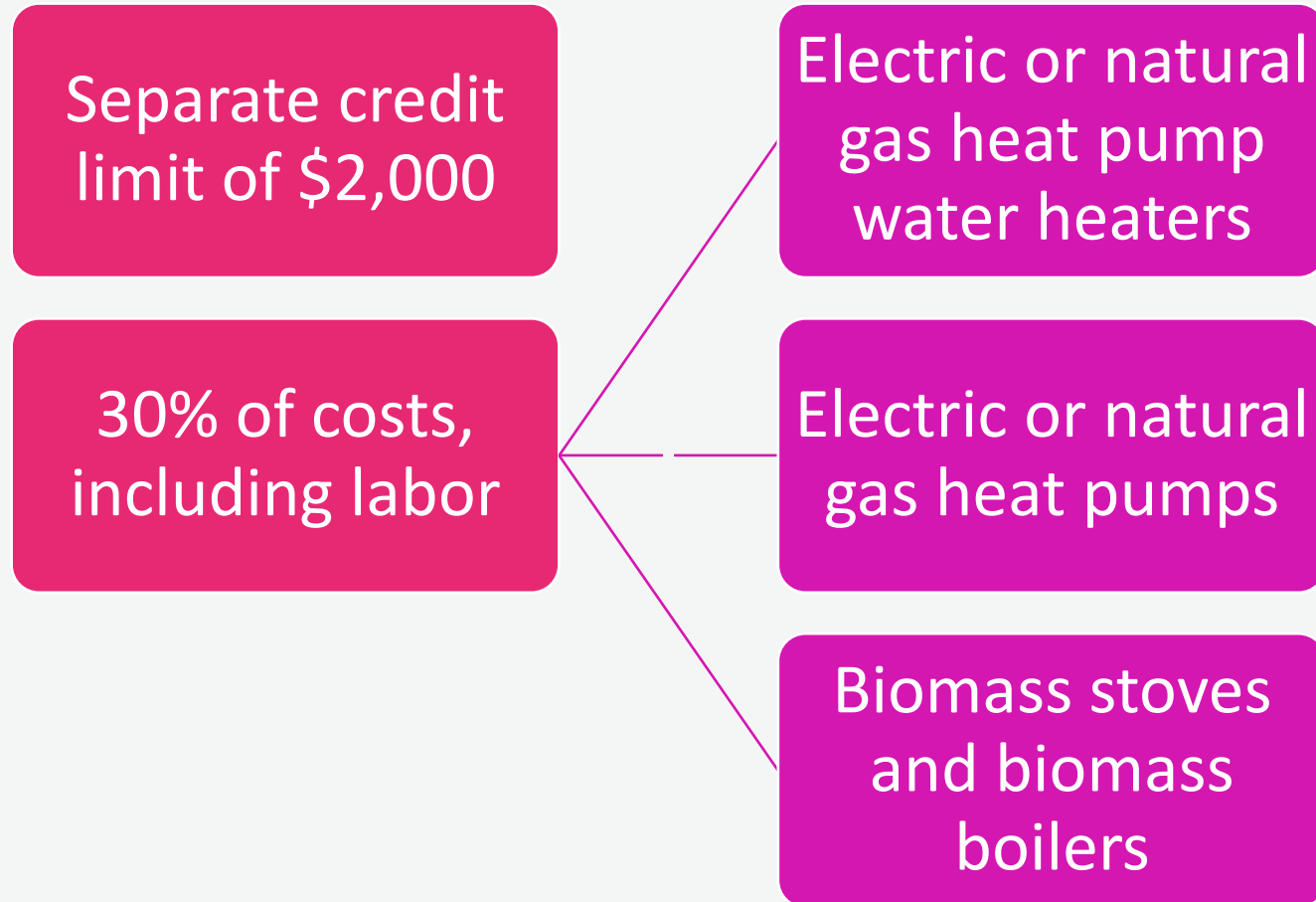
Insulation & air sealing materials or systems (30% of costs)

Residential Energy Property Expenditures

- Maximum credit of \$1,200
- 30% of costs, including labor, up to \$600 for each item
- Central air conditioners
- Natural gas, propane, or oil water heaters
- Natural gas, propane, or oil furnaces and hot water boilers
- Other (electrical equipment)



Heat Pumps and Biomass



Suggestions

- Before undertaking any work, research the tax credits
- EnergyStar.gov (includes pictures!)
- Consider spreading work over several years
- Credit is based on install date
 - Heat pump: November 2023
 - Heat pump hot water heater: January 2024
- Clients should review their tax situation
- Will they have tax to offset?
- Strong emphasis on heat pumps



New Clean Cars

Qualified plug-in EV or
fuel cell electric vehicle
(FCV)

IRS has a list of eligible
cars (fueleconomy.gov)

Maximum credit of
\$7,500

Nonrefundable

New rules!

- \$3,750 for meeting the critical minerals requirement
- \$3,750 for the battery components requirement

Only apply to purchases;
leases avoid these
requirements

New Clean Cars

AGI Limits (current or prior year):

\$300,000 for married couples filing jointly

\$225,000 for heads of households

\$150,000 for all other filers

MSRP must be below:

\$80,000 for vans, sport utility vehicles and pickup trucks

\$55,000 for other vehicles

Used Clean Vehicles



Qualified used electric vehicle (EV) or fuel cell vehicle (FCV) from a licensed dealer



IRS has a list of vehicles... ([fueleconomy.gov](https://www.fueleconomy.gov))



30% of the sale price, up to \$4,000 credit



AGI limits (current or prior year)

\$150,000 for married filing jointly or a surviving spouse
\$112,500 for heads of households
\$75,000 for all other filers

Used Clean Vehicles More Requirements



Have a sale price of
\$25,000 or less



Have a model year at least
2 years earlier than the
calendar year when
purchased



Not have already been
transferred after August
16, 2022, to a qualified
buyer



Not have claimed another
used clean vehicle credit
in the 3 years before the
purchase date

New for 2024

- Dealer will submit your info to the IRS
- Two ways to claim the credit
 - 1. Claim it on your tax return on form 8936
 - 2. Transfer the credit to the dealer (and lower the cost)
- Still need to file form 8936 noting the transfer
- NOTE: If the vehicle qualifies but you do not qualify for the credit for any reason (e.g., your modified adjusted gross income exceeds certain thresholds), **you must reimburse IRS for any difference** in the credit for which you are eligible and the benefit you received from the dealer. **Dealers are not required to verify the eligibility of the buyer at the time of sale.** It is your responsibility to ensure that you meet all buyer requirements. The dealer is, however, required to provide the modified adjusted gross income requirements for your information.

Suggestions

- Research before walking into the dealership
- Get the details down before negotiating
- Private sellers are a disadvantage
- Discount in the private markets?
- Negotiate without mentioning/considering the credit
- Credits are nonrefundable
- Need a tax liability to offset
- Credits do not carryforward
- Dealers will report everything to IRS



Normal Annual Changes Retirement Account

Thrift Savings Plan (TSP), 401(k), 403(b), and most 457 plans

2023 – Contribution Limit:
\$22,500 / Catch-Up Limit: \$7,500

2024 – Contribution Limit:
\$23,000 / Catch-Up Limit: \$7,500



Roth IRAs/Traditional IRAs

Contribution limit increases to \$7,000 (\$8,000 if 50 or older)



IRA contribution limits can be phased out based on the modified AGI of the taxpayer or spouse if one or the other is covered by a retirement plan at work.

Normal Changes Health Savings Account

2024 Contribution
Limits based on High
Deductible Health
Plan (HDHP) Coverage

Limits are increased
by \$1,000 for
individual taxpayers
aged 55 and older

\$4,150 (self-only
HDHP) and

\$8,300 (family HDHP)

Normal Annual Changes Standard Deduction

• Filing Status	2022	2023	2024
• Single	\$12,950	\$13,850	\$14,600
• MFJ	\$25,900	\$27,700	\$29,200
• MFS	\$12,950	\$13,850	\$14,600
• Head of Household	\$19,400	\$20,800	\$21,900

Normal Annual Changes Education



Coverdell Education Savings Account (ESA)

Contribution limits: \$2,000 per student per year
(2023 and 2024)

Income limits: \$220,000 married filing jointly,
\$110,000 for others



• 529 Contribution Limits

Generally, the Annual Gift Tax Exclusion
(\$18,000)

State law may determine deductibility

Can preload with 5 years (\$90,000), 2
grandparents (\$180,000)

Normal Annual Changes Gift and Estate Tax



Lifetime Estate Tax Exemption: \$13.61 million in 2024
\$12.92 million in 2023



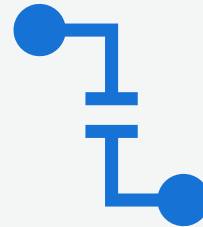
Annual Gift Tax Exclusion: \$18,000 in 2024 / \$17,000 in 2023

Miscellaneous



Tax returns due April 15, 2024

Maine and Massachusetts: April 17, 2024



- Extensions

Only an extension to file, not to pay!

Can extend to October 15, 2024, but must pay the estimated liability by April 15

The Future

- 2026 is looming: Tax Cuts and Jobs Act (TCJA) 2017 sunsets many provisions on December 31, 2025
 - ✓ Increase in tax rates (12% rate/15% rate)
 - ✓ Standard deduction would halve
 - ✓ Child Tax Credit would revert to \$1,000
 - ✓ Exemptions would return (~\$5,000 per person)
- Tax free treatment for student loans forgiven due to death/disability would end
- \$10,000 limit on itemizing state and local taxes would end
- AMT exemption amounts will radically reduce causing more AMT

The Future



Medicare: March 2023 report: Trust fund depletion in 2031



Social Security: March 2023 report: Trust fund depletion in 2034



Current tax rates are historically low



Tax rates could rise to cover benefit shortfalls

Child Tax Credit Currently



Child Tax Credit

\$2,000 per child that meets the criteria (related, resided, age, and support)

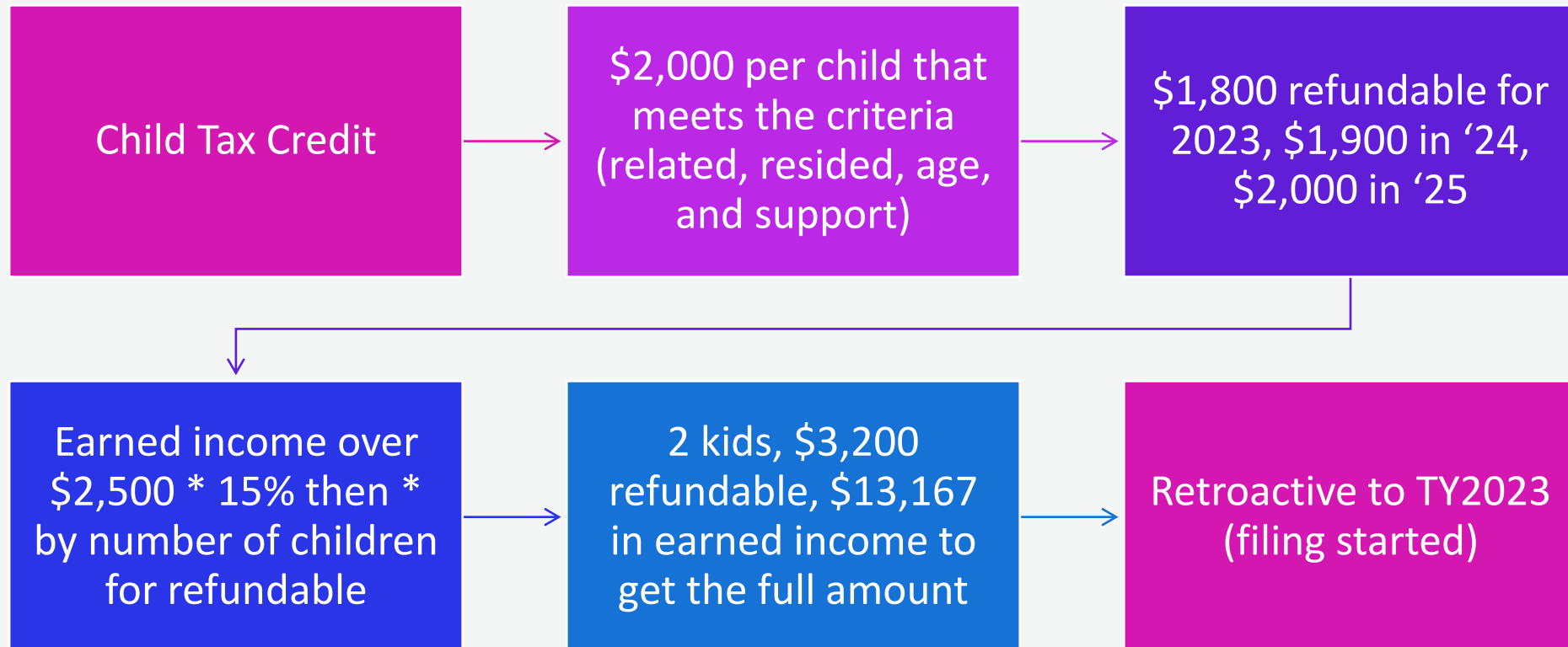
\$1,600 refundable for 2023

Earned income over \$2,500 * 15% for refundable portion



*2 kids, \$3,200 refundable, \$23,833 in earned income to get the full amount

Child Tax Credit Proposed



Questions?

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