

Brian D. Goguen, P.C.

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED FINANCIAL PLANNER™

164 CONCORD ROAD – BILLERICA, MA 01821

TEL. (978) 667-4595 FAX (978) 667-4597

EMAIL: office@bgoguen.com

December 1, 2023

To Our Clients and Friends:

To help you with year-end tax and financial planning, we have summarized some of the more relevant strategies. Hopefully, these will save you some taxes and avoid any surprises when you file your 2023 tax return and help you plan for any changes going forward.

If you had a federal income tax balance due in 2022 and your income and deductions are the same and you did not increase federal taxes paid through payroll withholding or made estimated tax payments, expect a similar result for 2023! If you want an estimate of what your 2023 tax refund or balance due will be, you should contact me now to prepare a tax plan for 2023.

Because of increasing frequency of fraudulent individual income tax returns being filed, the IRS is recommending taxpayers obtain an **Identity Protection Personal Identification Number (IP PIN)**. This can be done via the IRS website (www.IRS.Gov). This is a six-digit number known only by the IRS and taxpayer and is required to E-File a tax return each year.

Some tax saving and deferral steps you should go through before year-end:

- In 2023 the **energy credit** has been greatly expanded to 30% of all eligible home improvements made during the year, limited to \$1,200 annually. Solar panels and electric vehicles may also qualify for their own energy credit.
- The IRS has further delayed changes to the Form 1099-K issuance limits, however the State of MA requires those deriving more than **\$600** in gross payments on a third-party network, such as EBay, Stubhub and AirBnB, to receive a **Form 1099-K** from these sources. These amounts need to be reported on your tax return. If these relate to a business or rental property, this income along with deductions, should be reported on a Schedule C for business or Schedule E for rental form respectively. If they relate to the sale of personal property and is not a business, you can exclude the income.
- **Massachusetts** has several deductions and credits. Examples include a commuter deduction for tolls paid through an E-Z pass account or monthly transit commuter passes purchased for the MBTA, a Septic credit to help offset the costs of replacing a failed Title V septic or to connect to municipal sewer, and a residential energy credit.

Brian D. Goguen, P.C.

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED FINANCIAL PLANNER™

164 CONCORD ROAD – BILLERICA, MA 01821

TEL. (978) 667-4595 FAX (978) 667-4597

EMAIL: office@bgoguen.com

- Opening a **529 plan** is a good idea to help with college savings. The income earned in the account is not taxable if the earnings are used for qualified education expenses. These plans are now allowed to cover private school K-12 education costs. There is no Federal tax deduction for contributions, but Massachusetts does offer a deduction limited to \$1,000 for single filers, married filing separately, and Head of household filers and \$2,000 for taxpayers filing married joint returns. Contributions must be made to the Massachusetts UFund 529 plan managed by Fidelity as other state sponsored plans do not qualify for the Massachusetts tax deduction.

You may be eligible for a \$50 start-up payment for newborns through the MA Baby Steps Program: <https://www.mass.gov/babysteps>

- **Massachusetts Non-Resident employees who work from home** are allowed to reduce their taxable wages based on days worked out of MA.
- For those dealing with **Crypto currency transactions**, these need to be reported. Please remember that you do not need to “cash out” in order to have a reportable transaction. Making purchases using cryptocurrencies or exchanging one crypto currency for another all qualify as reportable events for your tax return. You should be able to obtain any reporting of proceeds and cost basis from the exchanges.
- If you have a child living at home who is a **college student** and has to file a tax return, you should coordinate their filing with your own tax return to determine if they should claim themselves and how to get the most benefit from education credits. *Beware – if you are claiming your child on your tax return and your child self-prepares their returns and claims themselves your return will be rejected for e-filing and will need to be mailed in to the IRS which is causing major delays for clients expecting refunds.*
- If you can afford to, **increase your contributions to your retirement plans**. For 401k plans, the contribution limit for 2023 is **\$22,500** for taxpayers under age 50 and **\$30,000** for those over age 50. These limits have annual adjustments for inflation. If you are not enrolled, but qualify for a company plan, sign up immediately - even if there is no company match! Contributions to Traditional IRA's and ROTH IRA's might still be allowed even if you are covered by a Company plan, dependent on income limitations. Traditional and ROTH IRA Funding is allowed up to the filing deadline on April 15, 2024.
- Analyze your investment holdings in your non-retirement accounts to determine if you can **take any capital losses** to offset capital gains and up to \$3,000 of ordinary income. The Federal tax rate on capital gain and qualified dividends is 20%, but this only applies to those in the top tax bracket. For those with lower

Brian D. Goguen, P.C.

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED FINANCIAL PLANNER™

164 CONCORD ROAD – BILLERICA, MA 01821

TEL. (978) 667-4595 FAX (978) 667-4597

EMAIL: office@bgoguen.com

taxable incomes, the tax rate is 0%, and for those in between, the tax rate is 15%. So even if you have no capital losses, but are in a low tax bracket, consider selling long-term (more than one year) holdings. Ask yourself if you didn't own it, would you buy the position now? If the answer is no, then consider selling. Also, if you have too much of your portfolio concentrated in one stock, now might be a good time to sell and diversify.

- Consider making **Charitable Contributions** before year-end to obtain a tax deduction (*if you can itemize your deductions with this contribution*). Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. *There is a tax advantage in donating **appreciated securities**, such as stock or mutual funds, in lieu of cash.* You get a charitable deduction while avoiding being taxed on the capital gains. Also, don't forget to consider documenting your **non-cash** donations, such as clothing, etc. For those over age 70 1/2, you are allowed to gift up to **\$100,000** from your IRA without having to include this amount in income, but be careful as there are specific rules that you must adhere to.
- If you have any **Foreign Accounts**, such as a bank account, retirement account or business interests with a value over \$10,000 in a foreign country, special rules apply. There are substantial penalties for failure to disclose these items. The due date for this filing has been moved up from June 1st to April 15th. An emerging issue is that some crypto wallets are based in foreign countries and may qualify unknowing taxpayers for an FBAR filing.

Taxpayers with self-employment income:

- **Defer income and accelerate expenses** at year end. Remember that even though you might be on the cash basis of accounting, certain credit card purchases are an exception and are treated as an expense when charged, not when the credit card bill is paid.
- Can take advantage of various **retirement plan deductions**, even if already covered by an employer plan. There are several plans with varying contribution limits and account set-up deadlines to be aware of, but contributions are normally allowed until the tax return filing deadline, including extensions.
- **Accelerate depreciation deductions** for equipment/motor vehicles in the year purchased. Most large trucks qualify, but the deduction for heavy SUV's (over 6,000 lbs.) is limited.

Brian D. Goguen, P.C.

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED FINANCIAL PLANNER™

164 CONCORD ROAD – BILLERICA, MA 01821

TEL. (978) 667-4595 FAX (978) 667-4597

EMAIL: office@bgoguen.com

Other matters to consider going forward:

- **Review the investment selections** to your company retirement plan to determine that you are well diversified and at an appropriate risk level. If you would like me to review other investments you may have or if you are looking to **roll over an old company plan**, please contact me for a meeting to discuss. As a Registered Investment Advisor Representative and Certified Financial Planner, I am qualified to go through this exercise with you.
- You are allowed to **gift up to \$17,000 per person** during 2023 without having to file a gift tax return. This is being increased to **\$18,000** for 2024.
- If you have an IRA account and will be in a low tax bracket this year, maybe due to a business loss or a lay-off, now may be a good time to **convert to a ROTH IRA**. The idea is to pay at low tax rates on the IRA conversion now as compared to a higher rate when eventually withdrawn. An added benefit in addition to all future earnings being tax free is the ROTH IRA has no mandatory withdrawal requirement at age 73. If you are over age 63, be careful to consider the impact the additional income may have on your Medicare Part B monthly premium.
- Taxpayers are required to take **Required Minimum Distribution (RMD's)** from their retirement accounts by April 1 of the year after they turn age 73. Be careful, because if you wait until then you will be required to take out distributions for both years in one year. Also, many taxpayers who are under age 73 who are not required to take RMD's may consider doing so because they are in a low tax bracket and will have little or no additional income taxes as a result!
- If you have a high deductible health insurance plan and qualify for a **Health Savings Account (HSA)** offered at work, take advantage of it as a savings vehicle or to pay medical expenses on a pre-tax basis. Contributions to an HSA through payroll deferrals are not subject to FICA or income taxes and earnings in an HSA are tax free if used to pay for qualified medical expenses. Unlike an FSA, there is no "use it or lose it" provision and contributions can be invested in the stock market similar to an IRA or 401k and once you reach age 65 you can make withdrawals for any use, but they will be subject to income tax.
- **Flexible Spending Accounts (FSA)** offered at work are another great option to pay medical or daycare expenses on a pre-tax basis. Don't be afraid of the 'spend it or lose it' provision, just be conservative with your estimate. Most employers now allow you to pay expenses after year end and still qualify.
- **Check your credit report** at least once a year. You can do this for free by going to www.annualcreditreport.com. This can be important as the risk and occurrence

Brian D. Goguen, P.C.

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED FINANCIAL PLANNER™

164 CONCORD ROAD – BILLERICA, MA 01821

TEL. (978) 667-4595 FAX (978) 667-4597
EMAIL: office@bgoguen.com

of identity theft has increased in recent years and it is important to review who has been accessing your credit report. You are also able to “freeze” your credit for free through all 3 major credit bureaus to prevent unauthorized use of your Social Security number.

Hopefully you will find the above summary helpful as you begin to gather your 2023 tax documents and make any adjustments to your personal finances for 2024. As always, if you have any questions or concerns, please do not hesitate to reach out to us to discuss how the above comments impact you personally.

Lastly, we would like to **thank you**, our clients, for placing your faith in us to handle your tax and financial matters.

Best regards and Happy Holidays!

Brian, Thomas, Dana, Sean, and Monirina
Brian D. Goguen, P.C.