SIMPLETAX

IRS UPDATES FOR TAX YEAR 2023
DECEMBER 5TH, 2023

WHAT WILL BE COVERED

- Tax Return Due Date
- Standard Deduction Increase
- AMT Exemption Increase
- Clean Vehicle Credit
- EIC Changes
- Tax Bracket Increase
- 1099-K Form
- Foreign Income Exclusion
- Student Loan Interest

TAX RETURN DUE DATE

Tax Day is Monday, April 15, 2024

- The deadline for filing the federal return is Monday, April 15, 2024.
- The taxpayer may incur penalties for failing to file a return and for not paying the taxes owed on time. The penalties can accumulate over time, and interest may also be charged on the unpaid tax balance.
- Filing for an extension helps avoid the late filing penalty, which is imposed on taxpayers who fail to file their returns on time. However, it's important to note that an extension only extends the filing deadline, not the deadline for paying any taxes owed.
- While an extension grants extra time to file the return, it doesn't extend the deadline for paying any taxes owed. Taxpayers are generally required to estimate their tax liability and make a payment by the original filing deadline to avoid interest and penalties on the unpaid amount.
- If there is an outstanding tax liability, interest will typically accrue on the unpaid amount from the original due date until the tax is paid in full.
- If the taxpayer doesn't pay the full amount owed by the original deadline, they may be subject to late payment penalties. These penalties are separate from the late filing penalties.

STANDARD DEDUCTION INCREASED

The increase in the standard deduction for Tax Year 2023 holds significant implications for tax preparers. This adjustment, varying by filing status, reduces taxable income for clients, potentially leading to lower overall tax liabilities and impacting tax refunds or amounts owed

- **Married Filing Jointly or Qualifying Widow:**
  - Tax Year 2022: [Previous Standard Deduction Amount]
  - Tax Year 2023: $27,700
- **Married Filing Separately or Single:**
  - Tax Year 2022: [Previous Standard Deduction Amount]
  - Tax Year 2023: $13,850
- **Head of Household:**
  - Tax Year 2022: [Previous Standard Deduction Amount]
  - Tax Year 2023: $20,800

AMT EXEMPTION INCREASED

The AMT exemption threshold has been raised to $81,300 ($126,500 for Married Filing Jointly). Additionally, the income range triggering the initiation of the AMT exemption phase-out has been elevated to $578,150 ($1,156,300 for Married Filing Jointly).

CLEAN VEHICLE CREDIT

For taxpayers who acquire an electric vehicle, the majority of adjustments outlined in the Inflation Reduction Act will apply to those purchased from January 1, 2023. This credit operates on a dollar-for-dollar basis and has the potential to reduce their tax liability by up to $7,500. Notably, since August 17, 2022, newly acquired electric vehicles must undergo final assembly in North America. A noteworthy change for tax year 2023 is that, for the first time, individuals purchasing a used electric vehicle may qualify for a tax credit, capped at the lower of $4,000 or 30% of the sales price.

EARNED INCOME TAX CREDIT

EITC Max AGI For TY2023

Children or Relatives Claimed	Filing as Single, Head of Household, or Widowed	Filing as Married Filing Jointly
Zero	$17,640	$24,210
One	$46,560	$53,120
Two	$52,918	$59,478
Three	$56,838	$63,398

EARNED INCOME TAX CREDIT

EITC Max Credit For TY2023

- No qualifying children: $600
- 1 qualifying child: $3,995
- 2 qualifying children: $6,604
- 3 or more qualifying children: $7,430

TAX BRACKETS INCREASED

Tax Brackets for TY2023

Tax Rate	Taxable Income (Single)	Taxable Income (Married Filing Jointly)	Taxable Income (Head of Household)
10%	Up to $11,000	Up to $22,000	Up to $15,700
12%	$11,000 to $44,725	$22,000 to $89,450	$15,700 to $59,850
22%	$44,725 to $95,375	$89,450 to $190,750	$59,850 to $95,350
24%	$95,375 to $182,100	$190,750 to $364,200	$95,350 to $182,100
32%	$182,100 to $231,250	$364,200 to $462,500	$182,100 to $231,250
35%	$231,250 to $578,125	$462,500 to $693,750	$231,250 to $578,100
37%	$578,125 or more	$693,750 or more	$578,100 or more

FORM 1099-K

The IRS has once again postponed the implementation of new thresholds for the tax year 2023. In their announcement on November 21, 2023, the IRS declared a further delay in reporting thresholds for third-party settlement organizations (TPSOs). Consequently, TPSOs are not obligated to report tax year 2023 transactions on Form 1099-K to either the IRS or the payee, specifically for the lower threshold of over $600, which was introduced under the American Rescue Plan of 2021.

This signifies that for tax year 2023 (for filings in 2024), the existing reporting threshold of more than $20,000 in payments from over 200 transactions will continue to be in effect.

The IRS is currently making preparations for a $5,000 threshold for tax year 2024 (for filings in 2025) as part of the gradual implementation of the lower threshold exceeding $600, as mandated by the American Rescue Plan.

FOREIGN INCOME EXCLUSION

In the tax year 2023, individuals can take advantage of a foreign earned income exclusion up to $120,000.

This provision allows qualifying taxpayers living and working abroad to exclude a specified amount of their foreign income from their U.S. taxable income.

Essentially, the first $120,000 of qualifying foreign earned income is not subject to U.S. taxation.

STUDENT LOAN INTEREST

Against the backdrop of the global economic challenges posed by the COVID-19 pandemic, the U.S. government implemented a temporary payment pause for federal student loans. This pause, aimed at alleviating financial burdens, officially concluded on September 1, 2023. As a result, borrowers can once again take advantage of student loan interest deductions, allowing them to deduct up to $2,500 in interest payments. This reinstatement of interest deductions serves as a crucial measure for borrowers seeking financial relief and underscores ongoing efforts to navigate the economic implications of the pandemic on student loan repayment.

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