



## HOW TO PROVIDE YOUR TAX DOCUMENTATION

**Anderson, Davis & Associates, CPA asks you to utilize one of the below methods to provide us your 2023 income tax information:**

1. **Electronically** - by using [THIS LINK](#) our encrypted ShareFile system of which you can obtain a link from any of our Firm professionals;
2. **Paper documents** - place in our in-wall Drop Box located next to our 2<sup>nd</sup> floor Suite front door (Suite 204); or
3. **Paper documents** - mail your documents directly to our office and suite address (see bottom of this page).

If you plan to stop by our office, please call us when you are in our parking lot. This will allow us to efficiently serve you. Please remember to always provide us your contact email address for the primary taxpayer and spouse, along with the best contact cell phone number.

We ask that you provide us your complete tax information as soon as possible. Our goal is to be able to prepare your returns and file them on your behalf as soon as possible. We can only do that with your help.

**Thank you and we look forward to working with you again this tax season!**



## 2023 Income Tax Information for Individuals

Dear Clients and Friends:

Happy new year and we appreciate the confidence you place in our certified public accounting firm. We consider it an honor and a privilege to provide you quality tax, accounting, and consulting services. We look forward to our continued business relationship and wish you a very prosperous and happy 2024. We continue to invest in training, technology and equipment to provide the proper tools and professionals to perform quality services.

As always, feel free to email or call if you have questions regarding the items listed here or any other tax related questions. Please review our separate attachment to this email regarding our preferred methods of receiving your tax documents for this upcoming tax season.

### Important Tax Documents/Information You Will Need to Provide Us

- W-2 for wages
  - 1099-DIV for dividends
  - 1099-NEC for income
  - 1099-R for retirement
  - 1098 for mortgages
  - Form 5498 for IRA values
  - Charitable donations-total amounts
  - K-1 forms from investments in S corporations or partnerships
  - Business (Schedule C) or Rental Properties (Schedule E) income and expense statement
  - Child care costs, and the name, address, amount and ID # of the recipient
  - Estimated tax payment amounts and dates paid to IRS and States
  - Any letters you received from the IRS or state tax authorities
  - IRS scrutiny of foreign accounts means that you need to be absolutely clear about any non-US accounts or income, so that we report it correctly
  - If you have a foreign bank account or assets, there might be reporting requirements and tax forms to file. Noncompliance carries stiff penalties
  - If you have bought and/or sold a home in 2023, we need the closing statements on both the purchase and the sale, as well as a list of improvements (with cost) for any improvements you made to the old home
  - Nonbusiness Energy Property credit, Residential Clean Energy credit, New Clean Vehicle credit – please provide detail costs and documents for any such potential credits
- W-2G for gambling
  - 1099-B Brokerage
  - 1099-MISC for income
  - 1099-G for refunds & unemployment
  - 1098-T for tuition
  - IRA and Roth IRA contributions for 2022
  - Property tax paid on your home or second homes
- 1099-INT for interest
  - SSA-1099 Social Security
  - 1099-K for income (eBay/Facebook Mkt sales)
  - 1099-SA for HSA's

### Charitable Contribution Deductions

2023 charitable contribution rules have reverted back to no more than 60% of your AGI for cash contributions.

### Increased standard mileage rate for 2023

Beginning on January 1, 2023, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 65.5 cents per mile driven for business use.
- 22 cents per mile driven for medical or moving purposes for qualified active-duty members of the Armed Forces, consistent with the increased midyear rate set for the second half of 2022.
- 14 cents per mile driven in service of charitable organizations; the rate is set by statute and remains unchanged from 2022.

If you want to use the standard mileage rate method in any tax year, you must do so in the first tax year you use your car for business. In later years you can choose to switch back and forth between the methods from year to year. Each year, you'll want to calculate your expenses both ways and then choose the method that yields the larger deduction and greater tax benefit to you. If you use the actual expense method in the first year you are required to continue to use this method for that specific vehicle in future years. Leased vehicles must use the standard mileage rate method for the entire lease period (including renewals) if the standard mileage rate is chosen.

### **Required Minimum Distributions**

Beginning in 2023, the SECURE 2.0 Act raised the age that you must begin taking RMDs to age 73. If you reach age 72 in 2023, the required beginning date for your first RMD is April 1, 2025.

Two important things to think about: If you turned 72 in 2022 or earlier, you will need to continue taking RMDs as scheduled. If you're turning 72 in 2023, consider when to take your first RMD: Either by December 31, 2024, or delay until no later than April 1, 2025. Remember, if you delay your first RMD to April 1, 2025, you'll need to take 2 RMDs in 1 tax year: Your first by April 1, 2025, which satisfies your required withdrawal for 2024, and your second by December 31, 2025, which satisfies your required withdrawal for 2025.

### **Unemployment Compensation**

There is no exclusion from income in 2023. Unemployment compensation is includible in an individual's gross income and taxed accordingly.

### **Teleworking Arrangements and State Tax Obligations**

The pandemic has spawned changes in how people work, and more people are permanently working from home (i.e., teleworking). Such remote working arrangements across state lines could potentially have tax implications. Please contact us to discuss this further if you are in this situation or have questions.

### **Gift Tax Annual Exclusion**

On top of the \$17,000 annual exclusion in 2023 (\$18,000 in 2024), you get a \$12.92 million lifetime exclusion in 2023 (\$13.61 million in 2024). And because it's per person, married couples can exclude double that in lifetime gifts. That comes in handy when you're giving away more than the annual exclusion amount.

### **Standard Deduction versus Itemized Deductions**

For 2023, the standard deduction amounts are: \$13,850 (single or married filing separately); \$20,800 (head of household); \$27,700 (married filing jointly or Qualifying Surviving Spouse). An additional standard deduction amount of \$1,500 applies for taxpayers who are age 65 or older or blind who are married or qualified surviving spouse. This additional amount is increased to \$1,850 if using single or head of household filing status. If the taxpayer is both 65 or older and blind, this additional deduction is doubled.

### **Electronic Vehicles**

If you place in service a new plug-in electric vehicle (EV) or fuel cell vehicle (FCV) in 2023 or after, you may qualify for a clean vehicle tax credit. At the time of sale, a seller must give you information about your vehicle's qualifications. Sellers must also register online and report the same information to the IRS. If they don't, your vehicle won't be eligible for the credit.

If you waited until 2024 to buy an EV, you can opt to monetize the credit by transferring it to the dealer at the time of purchase, thus lowering the amount you will pay for the car. This allows you to take immediate advantage of the credit instead of having to wait until you file your federal income tax return.

### **Qualified Charitable Distributions**

People 70½ and older can transfer up to \$100,000 yearly from IRAs directly to charities. Qualified charitable distributions (QCDs) can count as RMDs, but they're not taxable and they're not added to your adjusted gross income. The QCD strategy is a good way to get tax savings from charitable gifts for taxpayers not itemizing because of higher standard deductions.

### **Roth IRA Conversion**

Is it the right time to convert a traditional IRA to a Roth IRA? You'll have to pay tax on the converted amount, but future earnings are tax-free.

## Tax Loss Harvesting

Capital losses offset capital gains plus up to \$3,000 of other income. Excess losses are then carried over to the next year and can help offset future capital gains. If you have capital loss carryforwards, cull your portfolio for capital gains. That's because your net gains — up to the carryover amount — won't be taxed at all.

Tax loss harvesting is one way that investors can lower their tax bill. The strategy involves selling stocks or other holdings in your taxable accounts that have declined in value for the purpose of generating capital losses to offset gains from the sale of winners. Investors commonly do this closer to the end of the year, when they have a better idea of the amount of total capital gains they will have.

## Cryptocurrency

We strongly remind you that crypto activity must be reported to us so that we may appropriately report it on your tax return. Additionally, because of the compliance rules, the reporting is extraordinarily complex, and we will need you to consider using a tax basis tracking software to even start trying to prepare your return.

Here are the 7 activities that require individual transaction reporting in addition to just reporting the existence of the account. You read that correctly—each individual transaction must be individually reported. For example, if you use a crypto currency to buy a cup of coffee, we must report that transaction individually on your return!

1. Selling (Converting) crypto to US Dollars
2. Trading 1 crypto for another
3. Spending crypto directly for goods or services
4. Mining crypto from your own computers
5. Staking or lending crypto and receiving payment in crypto or dollars
6. Receiving Airdrop crypto
7. Getting paid in crypto

Items 1,2 and 3 require that we report each and every transaction separately on your return! Potentially hundreds or thousands of transactions must be reported if you are spending cryptocurrency, trading (even via a “Bot”), mining, etc. The IRS has instituted significant penalties for failure to report crypto activities – as much as 50% of the highest balance in the account each year.

If you are considering retirement, starting a small business or selling an investment or business, we strongly suggest you contact us for a planning discussion for these items, as well as for any of the ideas discussed in this letter.

We will post tax updates and items that may be of interest throughout 2024 to our web site at [www.andersondaviscpa.com](http://www.andersondaviscpa.com). We do appreciate your business and look forward to working with you. If you have any questions as you gather your 2023 tax information, please contact us. If you have any family or friends looking for assistance, we always welcome the referral.

Sincerely,

*Anderson, Davis & Associates, CPA*

DEPENDENTS						
Name	*SSN# (last 4 digits)	Student	Grade	Income	Relationship	Date of Birth

**INCOME**

WAGES (W-2 Income)		
Description	*SSN# (last 4 digits)	Amount
Self		
Spouse		
Other: (Explain)		

SELF-EMPLOYMENT		
Type of Employment	C**	Amount

DIVIDEND INCOME					
Payee Name	C**	Amount	Payee Name	C**	Amount

INTEREST INCOME					
Payee Name	C**	Amount	Payee Name	C**	Amount

OTHER INCOME			
Type of Income	Amount	Type of Income	Amount
Alimony (pre-2019 agreements)		Pensions/Annuities (Enclose 1099-R or detail)	
Commissions/Bonuses (not reported on W-2)		S-Corp/Partner/Estate/Trusts (enclose K-1 Forms)	
Awards/Gambling Winnings (Enclose 1099 misc, W2G)		Social Security (Box 5)	
Farm (Furnish Schedule or Detail)		Tips/Gratuities (not reported on W-2)	
Hobby (Income & Expense)		Unemployment Compensation (Enclose 1099-G)	
IRA/Keogh Distribution (Enclose Form 1099-R)		Other (Explain):	
Jury Duty		Other (Explain):	

GAINS AND LOSSES FROM SALE OF PROPERTY/INVESTMENTS				
Description	Date Acquired	Date Sold	Sale Price	Cost

Name:	
Address:	
CITY, ST, ZIP:	
PHONE:	
Fax:	
E-mail:	

RENTAL PROPERTY			
INCOME	Property		
	(1)	(2)	(3)
1)			
2)			
3)			
EXPENSES			
Accounting Fees			
Association Dues			
Advertising			
Appliances			
Auto-Travel			
Commissions			
Furnace-Air Conditioning			
Insurance			
Interest: Mortgage (from 1098)			
Interest: Other			
Janitor-Yard Work			
Legal Fees			
Maintenance			
Management			
Plumbing			
Roofing			
Supplies			
Taxes			
Telephone			
Trash Removal			
Utilities: Heat			
Utilities: Electrical/Other			
<b>TOTAL EXPENSE</b>			
<b>NET INCOME</b>			

# DEDUCTIONS

TAXES PAID		
Real Estate		
Other		
Other		
Other		
<b>Estimated Taxes</b>	<b>Federal</b>	<b>State</b>
-Due 4/15		
-Due 6/15		
-Due 9/15		
-Due 1/15		

INTEREST PAID		
<b>Type</b>	<b>Payee</b>	<b>Amount</b>
Installment Sale		\$
Investment		
Mortgage (Form 1098)		
Home Equity		

IRA CONTRIBUTIONS		
<b>Type</b>	<b>Date Pd</b>	<b>Amount</b>
<b>Traditional IRA</b>		
Taxpayer		\$
Spouse		
<b>Roth IRA</b>		
Taxpayer		\$
Spouse		
<b>Other</b>		
Your current year IRA contribution may be made through April 15. Please note type of IRA.		

CHARITABLE GIFTS	
<b>Cash Donations</b>	<b>Amount</b>
Church	\$
Health Research	
Humane Society	
Public TV/Radio	
Salvation Army/Goodwill	
Schools	
Scouting	
United Way	
<b>Non-Cash Donations</b>	<b>Amount</b>
-Food Drives	\$
-Good Will	
-Supplies for Charity	
-Mileage      miles x      rate	

CHILD CARE EXPENSES	
<b>Provider/ID #</b>	<b>Amount</b>
	\$

CASUALTY / THEFT LOSS	
<b>Damage/loss from</b>	<b>Amount</b>
Fire Flood Wind	\$
Accident	
Theft	
Loss must occur in federally declared disaster area.	

HEALTH CARE EXPENSES	
<b>Payment for:</b>	<b>Amount</b>
Ambulance	\$
Chiropractor	
Crutches	
Dentist	
Doctor's Fees	
Equipment (prescribed)	
Eyeglasses/Contacts	
Hearing Aids & Supplies	
Hospital	
Insurance <Dental/Health>	
Laser Eye Surgery	
Lodging for Treatment	
Lona Term Care Premiums	
Medical Doctor	
Medical Mileage __ miles x __ rate	
Nursing Care	
Optometrist	
Orthodontist	
Physical Therapist	
Prescriptions & Drugs	
Smoking Cessation Program	
Supplemental Medicare (BI	
X-Ravs	

HSA INFORMATION	
<b>Description</b>	<b>Amount</b>
HSA Contributions	\$
<input type="checkbox"/> withheld from paycheck	
HSA Withdrawals	

EDUCATIONAL EXPENSES	
<b>Description</b>	<b>Amount</b>
Tuition	\$
Room	
Board	
Supplies	
Student Loan Interest	
Educator Expenses	
Other	

Note who for and where funds are used on receipts.

STATE TAXES PAID	
<b>Description</b>	<b>Amount</b>
Property Tax: Primary Residence	\$
Property Tax: Alternate Residence	
State Income Tax	
State Sales Tax: Major Purchases	

OTHER INFORMATION	
<b>Description</b>	<b>Amount</b>
	\$

