December 2023

Dear Valued Client:

We are pleased to provide you with this year-end letter outlining important guidelines for compliance with federal and state rules of taxation and reporting requirements. The letter contains information regarding some of the more significant changes to the tax code from legislation enacted in the last few years.

This letter also contains 2023 and 2024 payroll tax requirements, employee benefits reporting, informational return filing requirements, and other information for tax planning. Official federal and state forms, publications, and other information can be obtained from the specific agencies' websites.

Please note that this letter is designed to provide an overview of selected tax rules that we believe to be of interest to our clients. Tax rules are very complex and can be subject to interpretation. There are many special rules and exceptions that have not been addressed herein. In addition, the contents of this letter are subject to change as new tax laws are passed.

For additional tax news and insights, please visit our website:
https://tonneson.com/news-insights

Contents

I. Individuals

Federal Income Tax Brackets for Ordinary Income

Married Filing Jointly and Surviving Spouses:

Taxable Income	2023 Tax Rate
$0 - $22,000	10% of taxable income
$22,001 - $89,450	$2,200 plus 12% of the amount over $22,000
$89,451 - $190,750	$10,294 plus 22% of the amount over $89,450
$190,751 - $364,200	$32,580 plus 24% of the amount over $190,750
$364,201 - $462,500	$74,208 plus 32% of the amount over $364,200
$462,501 - $693,750	$105,664 plus 35% of the amount over $462,500
$693,751 or more	$186,601.50 plus 37% of the amount over $693,750

Single:

Taxable Income	2023 Tax Rate
$0 - $11,000	10% of taxable income
$11,001 - $44,725	$1,100 plus 12% of the amount over $11,000
$44,726 - $95,375	$5,147 plus 22% of the amount over $44,725
$95,376 - $182,100	$16,290 plus 24% of the amount over $95,375
$182,101 - $231,250	$37,104 plus 32% of the amount over $182,100
$231,251 - $578,125	$52,832 plus 35% of the amount over $231,250
$578,126 or more	$174,238.25 plus 37% of the amount over $578,125

Head of Household:

Taxable Income	2023 Tax Rate
$0 - $15,700	10% of taxable income
$15,701 - $59,850	$1,570 plus 12% of the amount over $15,700
$59,851 - $95,350	$6,868 plus 22% of the amount over $59,850
$95,351 - $182,100	$14,678 plus 24% of the amount over $95,350
$182,101 - $231,250	$35,498 plus 32% of the amount over $182,100
$231,251 - $578,100	$51,226 plus 35% of the amount over $231,250
$578,101 or more	$172,623.50 plus 37% of the amount over $578,100

Married Filing Separately:

Taxable Income	2023 Tax Rate
$0 - $11,000	10% of taxable income
$11,101 - $44,725	$1,100 plus 12% of the amount over $11,000
$44,726 - $95,375	$5,147 plus 22% of the amount over $44,725
$95,376 - $182,100	$16,290 plus 24% of the amount over $95,375
$182,101 - $231,250	$37,104 plus 32% of the amount over $182,100
$231,251 - $346,875	$52,832 plus 35% of the amount over $231,250
$346,876 or more	$93,300.75 plus 37% of the amount over $346,875

Long Term Capital Gains Tax Brackets

Long term capital gains are taxed at a rate determined by your taxable income (which includes the capital gain income itself) and filing status:

Tax rate	Married Filing Joint & Surviving Spouse	Single	Head of Household	Married Filing Separately
0%	$0 – $89,250	$0 - $44,625	$0 – $59,750	$0 - $44,625
15%	$89,251 - $553,850	$44,626 - $492,300	$59,751 - $523,050	$44,626 - $276,900
20%	$553,851 and up	$492,301 and up	$523,051 and up	$276,901 and up

Short term capital gains are taxed at the ordinary income tax rates.

Standard Deduction & Personal Exemptions

In 2023, taxpayers cannot claim a personal exemption. The standard deduction has been increased to the following amounts:

Filing Status	Standard Deduction
Married Filing Joint & Surviving Spouses	$27,700
Single	$13,850
Head of Household	$20,800
Married Filing Separately	$13,850

Alternative Minimum Tax (AMT)

AMT is a supplemental income tax imposed on high income earners to prevent them from significantly reducing or eliminating their tax liabilities with available deductions and certain tax preferences.

An individual calculates their taxable income under the regular income tax rules, then calculates their alternative minimum taxable income (AMTI) under the AMT rules, and pays the higher of the regular tax or the AMT. AMT is calculated on the amount that AMTI exceeds an exemption amount. The AMT exemption has been increased to the following amounts:

Filing Status	2023 AMT Exemption
Married Filing Joint & Surviving Spouses	$126,500
Single & Head of Household	$81,300
Married Filing Separately	$63,250

Phase out: The 2023 AMT exemption is reduced if AMTI exceeds $1,156,300 for married taxpayers filing jointly and surviving spouses, or if it exceeds $578,150 for married filing separately or single taxpayers.

Qualified Business Income (QBI) Deduction

QBI Defined:
QBI is the net amount of a business's qualified income, gain, deduction, and loss to the extent they are effectively connected with the conduct of a trade or business within the United States. QBI does not include capital gains or losses, certain dividends, and interest.

Overview:

- Individual taxpayers can receive QBI from their S-corporations, partnerships, sole proprietorships, trusts, and estates.
- Income earned through services performed for a C-Corporation does not qualify for the deduction.
- QBI must be calculated for each qualified trade or business. Each calculated QBI is then allocated to the business owners based on ownership.
- A taxpayer can receive QBI from multiple qualified businesses and if certain conditions are met, aggregate the total into an amount called combined QBI.
- Up to 20% of an individual’s combined QBI can be used to reduce taxable income.
- An individual’s QBI deduction may be limited if their taxable income falls within a certain range:

Tax years beginning in 2023:

	Single + Head of Household	Married Filing Joint	Married Filing Separately	Limitation
Below	$182,100	$364,200	$182,100	None
Between	$182,101 - $232,100	$364,201 - $464,200	$182,101 - $232,100	Partial
Over	$232,101	$464,201	$232,101	Limits apply

Tax years beginning in 2024:

	Single + Head of Household	Married Filing Joint	Married Filing Separately	Limitation
Below	$191,950	$383,900	$191,950	None
Between	$191,951 - $241,950	$383,901 - $483,900	$191,951 - $241,950	Partial
Over	$241,951	$483,901	$241,951	Limits apply

For taxpayers with taxable income between the lower and upper thresholds, a wage and capital limitation will be phased in. For taxpayers with taxable income below the lower threshold, the limitation does not apply.

Itemized Deductions

Medical and Dental Expenses
Unreimbursed expenses over 7.5% of adjusted gross income (AGI) are deductible.

> Example: Your 2023 AGI is $100,000. Your total combined medical and dental expenses are $11,000. 7.5% of your AGI is $7,500. The combined expenses over $7,500 are deductible. Your deduction for 2023 is $3,500.

State and Local Taxes Paid (includes real estate taxes)
The maximum allowable deduction for 2023 remains $10,000. The $10,000 can be made up of state and local property taxes paid and state and local income taxes paid, or sales taxes paid in lieu of income taxes paid. For married taxpayers filing separately, the deduction is split with $5,000 allocated to each spouse's tax return.

Home Mortgage Interest Paid
Interest paid on up to $750,000 of principal is deductible for any mortgages acquired after December 15, 2017. For mortgages acquired on or before December 15, 2017, the old rule still applies: the interest paid on up to $1,000,000 of principal is deductible. The deduction is allowed for mortgage interest paid on primary and secondary residences. In 2026, the principal limitation will revert back to $1,000,000 regardless of when the mortgage debt was incurred, and interest paid on home equity loans will become deductible again.

> Note: Certain refinancing of mortgages originating before December 15, 2017 may still be eligible for the $1,000,000 limitation.

Charitable Contributions
There are certain limitations on the amount you can deduct for contributions given to qualified charities. In general, the deductible amount is 60% of your adjusted gross income for cash contributions. Other limitations apply depending on the type of property and the organization. Contributions made to individuals or nonqualified organizations (e.g. GoFundMe pages) are not deductible.

Personal Casualty Losses
A deduction can only be taken for personal property losses incurred as a result of federally declared disasters. All other casualty loss deductions have been suspended until 2026.

Miscellaneous Itemized Deductions Subject to the 2% AGI Limitation
These deductions remain suspended, meaning they cannot be deducted again until the 2026 tax year or until Congress legislates otherwise. Some of the more common miscellaneous deductions that are no longer deductible are unreimbursed employee expenses, tax preparation fees, and investment fees.

Clean Vehicle Tax Credit

Taxpayers who buy a new all-electric, plug-in hybrid, or fuel cell vehicle in 2023 or after may qualify for a federal income tax credit of up to $7,500. The availability of the credit depends on several factors, including vehicle price, the taxpayer's adjusted gross income (AGI), and certain aspects of the vehicle's production. To determine if a new vehicle qualifies for the credit, go to https://fueleconomy.gov/feg/tax2023.shtml and search for the vehicle's make and model. Qualifying clean vehicles classified as vans, SUVs, or pickup trucks must have an MSRP under $80,000, and all other vehicles must have an MSRP under $55,000. Taxpayers cannot claim the credit if their AGI exceeds $300,000 for married couples, $225,000 for heads of household, and $150,000 for all other filers. Taxpayers can use their AGI from the year they take delivery of the vehicle or the year before, whichever is less. The credit is nonrefundable and cannot be carried forward to future years.

A credit of up to $4,000 is also available for the purchase of pre-owned clean vehicles. To determine if a pre-owned vehicle qualifies for the credit, taxpayers should go to https://www.fueleconomy.gov/feg/taxused.shtml and search for the vehicle's make and model. Qualifying pre-owned vehicles must be sold for $25,000 or less excluding taxes and fees, have a model year at least 2 years earlier than the calendar year in which the vehicle is resold, and the vehicle cannot have already been resold since August 16th, 2022. The credit cannot be claimed by taxpayers whose AGI exceeds $150,000 for married couples, $112,500 for heads of household, and $75,000 for all other types of filers. The credit is nonrefundable and cannot be carried forward to future years.

Taxpayers who purchase a qualifying vehicle must claim the credit on their income tax returns. However, beginning January 1, 2024, taxpayers who purchase a qualifying vehicle from an eligible entity (e.g. a dealership or manufacturer) may elect to transfer the credit to the eligible entity no later than the date of purchase. The intent of this rule is to provide the credit's benefit to the taxpayer at the date of purchase rather than the later date of filing a tax return. Taxpayers should consult with the vehicle seller to determine if this option is available.

Child Tax Credit

The credit is $2,000 per child that is under age 17 at the end of the year. The credit begins to phase out at $400,000 of income for married joint filers and $200,000 for all other taxpayers. Although the tax credit is $2,000, the maximum amount refundable may not exceed $1,600 per qualifying child in 2023; this means if a taxpayer has no tax liability to offset, then the most that can be refunded for the child tax credit is $1,600 per qualifying child. In addition, a $500 nonrefundable credit is available for each qualifying dependent that is not a qualifying child.

Kiddie Tax

The purpose of the kiddie tax is to prevent parents in higher tax brackets from shifting income (generally investment income) to children who are usually in lower tax brackets.

For 2023, a child’s earned income (i.e. W-2 wages, business income, tips) is taxed at the rates for single individuals. A child’s net unearned income (i.e. interest, dividends, capital gains, rents, royalties) over a threshold amount of $2,500 is added to the parent’s taxable income and is taxed at the parent’s marginal tax rate.

Limitation on Losses from a Trade or Business

An excess business loss is the excess of a noncorporate taxpayer’s aggregate deductions from all trades or businesses over the sum of the aggregate gross income or gain from all trades or businesses, plus $289,000 ($578,000 if filing a joint return). Any excess business loss is disallowed and carried forward as a net operating loss (NOL) to the next tax year.

The CARES Act in 2020 waived the disallowance of excess business losses for tax years 2018, 2019 and 2020. The original disallowance resumed in 2021 and is unchanged for 2023. The Inflation Reduction Act extended the disallowance through 2028.

Education Credits

American Opportunity Tax Credit (AOTC)
A credit of up to $2,500 per eligible student is available for qualified education expenses paid (i.e. tuition, fees, books, supplies, equipment, and other expenses required for enrollment or attendance). The credit is reduced for married taxpayers filing jointly with income over $160,000 and over $80,000 for all other taxpayers. The credit is disallowed if income is over $180,000 for joint filers and over $90,000 for all others. These income thresholds are not adjusted for inflation each year. Students should receive a Form 1098-T tuition statement which is used in calculating the credit.

Eligible students must:

- Be pursuing a degree or other recognized education credential
- Be enrolled as at least a half time student
- Not have finished the first four years of higher education at beginning of tax year
- Not have claimed the AOTC for more than four tax years
- Not have a felony drug conviction at the end of the tax year

Lifetime Learning Credit (LLC)
This credit is for 20% of the first $10,000 in qualified tuition expenses paid by the taxpayer, effectively capping the credit at $2,000 per taxpayer (not per student). Unlike the AOTC, there is no limit on the number of years the LLC can be claimed, and it can be used for graduate degrees and courses taken to acquire or improve job skills. The student must be enrolled in one or more courses at an eligible educational institution, and must be the taxpayer, a spouse, or a dependent listed on the taxpayer's return. The credit is reduced for married taxpayers filing jointly with income over $160,000 and over $80,000 for all other taxpayers. The credit is disallowed if income is over $180,000 for joint filers and over $90,000 for all others. These income thresholds are not adjusted for inflation each year.

Student Loan Interest Deduction

Taxpayers can deduct up to $2,500 for interest paid on qualified education loans. The deduction is phased out when modified adjusted gross income exceeds $75,000 and disallowed over $90,000 ($155,000 and $185,000 if married filing jointly). Taxpayers who may be claimed as dependents, or if married filing separately, cannot take the deduction.

Employers with a qualified educational assistance program can make payments towards an employee's qualified education loans as part of the program. These payments can be excluded from the employee's taxable income, but any interest paid cannot be deducted by the employee as part of their student loan interest deduction.

Please note, interest is not deductible on student loan payments made using 529 plan disbursements or made through an employer's student loan repayment benefit plan.

Health Insurance Mandate

The Affordable Care Act had mandated that all individuals obtain health insurance or pay a penalty tax. But this mandate and penalty were repealed for years beginning in 2019 and remains repealed in 2023.

Alimony and Child Support Payments

For divorce or separation agreements executed or modified after December 31, 2018, alimony and child support payments are not deductible by the payor and are not includable as income by the payee.

Moving Expenses

The deduction for moving expenses remains suspended until 2026. However, the deduction is generally still available for active duty members of the U.S. Armed Forces.

529 Plans and ABLE Accounts

529 plans are tax-advantaged investment accounts that allow parents to save money for their children's tuition at elementary or secondary public, private, or religious schools, and college. Annual contribution limits vary by state. Income earned by the account is tax-free upon distribution if the distributions are used to pay qualified education expenses. Up to $10,000 of cash distributions per year are also allowed for elementary and secondary school expenses. An additional tax-free distribution up to $10,000 is allowed for student loan payments for the designated beneficiary or a sibling of the beneficiary. Qualified education expenses also include certain expenses of apprenticeship programs that are registered and certified with the U.S. Secretary of Labor. Any distributions not used for qualified expenses are subject to a 10% penalty, and any earnings on those distributions are includible in gross income.

Contributions to a 529 plan are not deductible. However, if proceeds from the redemption of U.S. savings bonds are used to make 529 plan contributions, then those proceeds can be excluded from taxable income.

Beginning in 2024, amounts held in a 529 plan for a designated beneficiary may be rolled over to a Roth IRA for the same beneficiary. The 529 plan must have been open for at least 15 years, and any contributions made to the plan during the preceding 5 years cannot be rolled over. The rollover amount counts toward the annual Roth IRA contribution limits and, therefore, cannot exceed $7,000 in 2024. A lifetime limit of $35,000 can be rolled over for a designated beneficiary.

Achieving a Better Life Experience (ABLE) accounts are tax-advantaged investment accounts that allow families of disabled young people to set aside money for their care. Income earned by the account is tax free upon distribution if the distributions are used to pay qualified disability expenses. The annual contribution limit is $17,000 for 2023 and $18,000 for 2024.

For tax years 2018-2025, taxpayers can roll over amounts from 529 plans into ABLE accounts without penalty if the ABLE account is owned by the designated beneficiary of the 529 plan or a member of the beneficiary's family. Rollover contributions are subject to overall ABLE account contribution limits.

Net Investment Income Tax (NIIT)

Individuals who have modified adjusted gross income (MAGI) over a certain threshold must pay a 3.8% tax on either their net investment income or the MAGI over the threshold, whichever is lower. These thresholds are not adjusted for inflation. The threshold amounts are:

Filing Status	Income Threshold
Married Filing Jointly & Surviving Spouses	$250,000
Single & Head of Household	$200,000
Married Filing Separately	$125,000

Investment income includes, but is not limited to interest, dividends, capital gains, rental income, royalty income, annuity income, other passive activity income, and certain dispositions of property.

For trusts and estates, the amount subject to this tax is either the undistributed net investment income or the amount of MAGI over $14,450, whichever is lower.

It should be noted that when the NIIT is added to the top income tax brackets, the individual's tax rate could be as high as 40.8% (37% + 3.8%) for ordinary income and short-term capital gains, and 23.8% (20% + 3.8%) for long-term capital gains.

Additional Medicare Tax

Individuals with self-employment income or wages over a certain threshold are subject to a 0.9% additional Medicare tax on the amount of income over the threshold. These thresholds are not adjusted for inflation. The threshold amounts are:

Filing Status	Income Threshold
Married Filing Jointly	$250,000
All other individuals	$200,000
Married Filing Separately	$125,000

This tax does not apply to net investment income. However, taxpayers can be subject to both the additional Medicare tax and the net investment income tax if their income types and amounts meet the criteria.

II. Estates and Trusts

Federal Income Tax Brackets

Taxable Income	2023 Tax Rate
$0 - $2,900	10% of taxable income
$2,901 - $10,550	$290 plus 24% of the amount over $2,900
$10,551 - $14,450	$2,126 plus 35% of the amount over $10,550
$14,451 and up	$3,491 plus 37% of the amount over $14,450

Lifetime Gift Exemption and Annual Exclusion

The lifetime gifting exemption is $12.92 million per individual through the end of 2023. Therefore, a married couple can shield $25.84 million from the estate and gift tax. In addition, donors may be entitled to the annual exclusion, the medical or education expense exclusion, the charitable deduction, and the marital deduction. The lifetime exemption increases to $13.61 million per individual in 2024. This exemption will revert to the pre-Tax Cuts and Jobs Act level of $5 million (and adjusted for inflation) effective January 1, 2026.

The 2023 annual gift tax exclusion is $17,000. This means that an individual can give a tax-free gift to any number of other individuals up to $17,000 each, and a married couple can gift up to $34,000. The exclusion increases to $18,000 in 2024.

III. Businesses

Federal Tax Rate Remains 21%

The 21% flat tax rate applies to all C-corporations for the 2023 tax year.

The income from S-corporations, partnerships, and sole proprietorships flows through to the individual owners and is taxed at the owners' individual rates.

Corporate Alternative Minimum Tax (AMT)

The Inflation Reduction Act enacted a corporate-level AMT that takes effect for tax years beginning in 2023. The AMT is 15% of a corporation's "adjusted financial statement income" (AFSI), defined as the net income or loss reported on the corporation's applicable financial statements with adjustments for certain items. The AMT only applies to corporations with average annual AFSI over $1 billion for the prior three tax years. The threshold is reduced to $100 million for certain corporations with foreign parents.

Depreciation

Section 179 provides a deduction for qualifying property purchased and placed in service during the tax year. The maximum deduction is $1,160,000 for 2023 and $1,220,000 for 2024. This deduction is reduced dollar for dollar by the amount that the total cost of qualifying property placed in service during the year exceeds $2,890,000 for 2023 and $3,050,000 for 2024. Any disallowed amounts cannot be carried forward. Bonus depreciation can be taken after the Section 179 spending cap is reached.

The 2023 bonus depreciation rate is 80% for new, used, and qualified improvement property acquired and placed in service during the tax year. The bonus rate decreases to 60% for 2024, 40% for 2025, 20% for 2026, and 0% for 2027 and beyond unless the rules are changed by Congress.

Massachusetts currently conforms to the Federal Section 179 rules. However, Massachusetts <u>does not</u> conform to the Federal bonus depreciation rules, which can result in differing Federal and Massachusetts depreciation deductions. Other states have varying conformity rules regarding Federal Section 179 and bonus depreciation. Please consult your tax advisor to determine the proper depreciation treatment as it applies to the states in which you are required to file.

Research and Experimental Expenditures

For tax years beginning in 2022, research and experimental expenditures cannot be deducted, but instead must be capitalized and amortized over five years for expenditures in the U.S. and fifteen years for foreign expenditures. These specified research expenses (SRE) are expenses paid or incurred in connection with a taxpayer's trade or business, including all costs related to the development or improvement of a product, the costs of obtaining a patent and the related attorneys' fees, and certain software development costs. SRE do not include expenses to acquire or improve land or depreciable property to be used in connection with research or experimentation.

Cash Method of Accounting

In general, the cash method cannot be used by C corporations, partnerships that have one or more C corporation partners, and tax shelters. However, the cash method can be used for certain farming and timber businesses, qualified personal service corporations and any corporation or partnership with average annual gross receipts of $29 million or less for the prior three tax years. Businesses with inventories generally cannot use the cash method unless they too have average annual gross receipts of $29 million or less for the prior three tax years. Gross receipts include total sales, any amounts received for services, and income from investments or outside sources such as interest, dividends, and rents.

Net Operating Losses (NOL)

NOLs from prior years can be used to offset up to 80% of taxable income in the current year.

NOLs generated in tax years beginning in 2021 and later cannot be carried back; they are carried forward indefinitely.

NOLs generated in 2018, 2019, or 2020 could be carried back five years or carried forward indefinitely.

NOLs generated before 2018 and still being carried forward remain subject to a 20-year carryforward period.

Uniform Capitalization (UNICAP) Rules Exemption

The UNICAP rules require certain costs related to the production of goods to be capitalized for tax purposes. Taxpayers with average annual gross receipts of $29 million or less for the prior three tax years are exempt from the UNICAP rules, regardless of entity structure or industry.

Business Interest Deduction

A taxpayer's deduction of business interest expense is limited to the sum of business interest income, 30% of adjusted taxable income, and the taxpayer's floor financing interest for the tax year. Any business interest in excess of this limitation is carried forward indefinitely to succeeding tax years.

Adjusted taxable income excludes the following:

- Any item of income, gain, deduction, or loss that is not properly allocable to a trade or business
- Any business interest income or business interest expense
- The amount of any net operating loss deduction
- Any deduction under Section 199A with respect to qualified business income of a pass-through entity
- Capital loss carryback or carryover deductions

Taxpayers with average annual gross receipts of $29 million or less for the prior three tax years are exempt from the limitation.

Meals and Entertainment

No deduction is allowed for activities constituting entertainment, amusement, or recreation. No deduction is allowed for membership dues for a club organized for business, pleasure, recreation, or other social purposes, or for a facility used for any of these activities.

A deduction is allowed for 50% of food and beverage expenses directly associated with operating a trade or business, including meals provided in-office for meetings, drinks and snacks for employees, meals while traveling for work, and meals at conferences. Through 2025, this deduction includes employer expenses associated with providing food and beverages to employees through an eating facility that meets the de minimis fringe requirements.

A deduction is allowed for 100% of food for recreational employee events, food provided to the public to promote goodwill, food for events in support of a charitable cause, meals that are an essential part of your business function, meals provided to employees for the convenience of the employer, meals included as taxable compensation to employees or independent contractors, and meals sold to a client or customer.

Travel Expenses

No deduction is allowed for expenses associated with providing transportation fringe benefits to employees, or reimbursements for transportation costs related to employees' commute between their residences and place of employment. However, a deduction is allowed for transportation expenses incurred by an employer to ensure employee safety. Any payments for transportation may be excluded from employee wages as fringe benefits.

Charitable Contributions Limitation

The deduction for charitable cash contributions made by a corporation in 2023 is generally limited to 10% of taxable income. Any excess contributions may be carried forward for 5 years.

IV. Payroll Taxes and Withholding

Social Security and Self-Employment Taxes

Description	**2023**	**2024**
Social Security:		
Maximum Earnings	$160,200	$168,600
OASDI Tax Rate	6.2%	6.2%
Self-employment Tax Rate	12.4%	12.4%
Medicare:		
Maximum Earnings	Unlimited	Unlimited
Medicare Tax Rate*	1.45%	1.45%
Self-employment Tax Rate**	2.9%	2.9%
Earnings Ceiling for Social Security:		
Under full retirement age	$21,240/yr. ($1,770/mo.)	$22,320/yr. ($1,860/mo.)
The months preceding retirement age in the year an individual reaches full retirement age	$56,520/yr. ($4,710/mo.)	$59,520/yr. ($4,960/mo.)
Beginning the month an individual attains full retirement age	None	None

*Please see the following section regarding withholdings for the additional Medicare tax of 0.9%.

**Self-employment income in excess of $200,000 (single) and $250,000 (married) is subject to the additional Medicare tax of 0.9%.

Payroll Withholding Requirements

Employers should report personal use of a company vehicle as fringe benefit income on a regular pay period using a reasonable basis so long as it is at least annually. Employers need not use the same period or method for all employees and may change their reporting period at any time. The Internal Revenue Service does not require a formal election.

Reasonable estimates should be used for the valuation of fringe benefits for withholding and deposits; however, the actual value must be determined by January 31, 2024 for all 2023 fringe benefits.

Federal withholding on the value of the fringe benefit may be computed either with the regular wages for the elected pay period or, if treated as supplemental wages, withheld at a flat rate of 22% (37% if supplemental payments exceed $1,000,000 per employee). An employer can elect not to withhold income taxes on the value of employees' personal use of company vehicles provided it tells its employees, in writing, by January 31st of the year for which it elects not to withhold. Either way, the FICA, OASDI, and Medicare taxes associated with the value must be withheld and matched by the employer.

In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% additional Medicare tax from wages you pay to an employee that are above $200,000 in a calendar year. You are required to begin withholding additional Medicare tax in the pay period in which you pay an employee wages of more than $200,000 and continue to withhold it each pay period, until the end of the calendar year. Additional Medicare tax is only imposed on the employee; there is no employer share.

The actual value of the fringe benefits must be determined in time to include the amount in the Form 941, *Employer's Quarterly Federal Tax Return* filed for the fourth quarter of the year. To help make a timely determination, an employer can elect to treat personal employee use of a company car during November and December as incurred in the following calendar year. With an employee's consent, you may be eligible to provide copies of their Form W-2 to them electronically, however, the option of paper W-2's must still be provided and certain special disclosures need to be made.

W-2 Reporting of Benefits for S-corporation Shareholders

There are special rules for certain fringe benefits received by S corporation shareholders who own more than 2% of the outstanding stock. Amounts paid by the corporation for certain benefits, such as health, disability and accident insurance, all group term life insurance (including the first $50,000 of coverage) and reimbursed medical expenses must be treated as compensation to the shareholder and be reported on Form W-2. A more than 2% shareholder may be able to deduct 100% of the amount paid for medical insurance for themselves, their spouse, and dependents on their individual tax return. Please note that health insurance is not subject to Social Security and Medicare taxes.

Group Term Life Insurance

The cost of group term life insurance in excess of $50,000 of coverage provided to an employee is included as compensation and is subject to FICA and Medicare taxes. Exhibit E can be used to gather the information needed for the calculation. The cost is based on the employee's age as of December 31st, and is determined by the following table:

Cost per $1,000 of Protection for One Month	
Age	Cost
Under 25	$0.05
25 through 29	$0.06
30 through 34	$0.08
35 through 39	$0.09
40 through 44	$0.10
45 through 49	$0.15
50 through 54	$0.23
55 through 59	$0.43
60 through 64	$0.66
65 through 69	$1.27
70 and older	$2.06

Example: Tom's employer provides him with group-term life insurance coverage of $200,000. Tom is 45 years old, is not a key employee, and pays $100 per year toward the cost of the insurance. Tom's employer must include $170 in his wages.
$200,000 of insurance coverage is reduced by $50,000. The yearly cost of $150,000 of coverage is $270 ($0.15 x 150 x 12) and is reduced by the $100 Tom pays for the insurance. The employer includes $170 in boxes 1, 3, and 5 of Tom's Form W-2. The employer also enters $170 in box 12 with code "C."

V. Other Items

Tax Return Filing Deadlines

Partnerships and S-corporations	The 15th day of the third month following the close of the tax year.
C-corporations, Individuals, Trusts, and Estates	The 15th day of the fourth month following the close of the tax year.
Tax-Exempt Organizations	The 15th day of the fifth month following the close of the tax year.
FinCEN Report 114 (FBAR)	April 15th with a six-month extension period ending October 15th.

2023 Tax Return Filing Deadlines

For calendar year tax returns reporting 2023 information, the following are the actual due dates based on the 2024 calendar:

Tax Return Type	Initial Due Date	Extended Due Date
Partnerships and S-corporations	March 15, 2024	September 16, 2024
C-corporations, Individuals, and FinCEN Report 114	April 15, 2024	October 15, 2024
Trusts and Estates	April 15, 2024	September 30, 2024
Tax-Exempt Organizations	May 15, 2024	November 15, 2024

Penalties

There are significant penalties for failure to properly report, file, and pay all types of business and employment taxes. Some of the more common federal tax penalties:

Failure to file return – fraud	15% of unpaid tax per month, max 75%
Failure to file return – reasonable cause	5% of unpaid tax per month, max 25%
Failure to pay tax	0.5% per month, maximum 25%
Substantial understatement of tax	20% of the underpayment
Failure to make timely deposits	From 2% to 15% of the unpaid deposit, depending on the length of time elapsed
FinCEN Report 114 (FBAR) – non willful failure to report	*Up to $15,611 per violation, waived if there is reasonable cause
FinCEN Report 114 (FBAR) – willful failure to report	*$156,107 or 50% of the foreign account balance, whichever is greater

*Adjusted annually for inflation by the U.S. Department of the Treasury

Penalties for Unreported Foreign Assets

There are significant penalties for failure to properly report foreign financial assets and ownership in foreign businesses. Taxpayers should consult with their tax advisor about reporting their ownership of foreign assets, including any financial account maintained by a foreign financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract that has an issuer or counterparty that is not a U.S. person, and any interest in a foreign entity.

Retirement Plan and IRA Limits

Description	Plan Type	2023	2024
Max contribution	401(k), 403(b), most 457 plans	$22,500	$23,000
Catch-up contribution for ages 50 or older	401(k), 403(b), most 457 plans	$7,500	$7,500
Max contribution	IRA and Roth IRA	$6,500	$7,000
Catch-up contribution for ages 50 or older	IRA and Roth IRA	$1,000	$1,000
IRA deduction phase-out range for single taxpayers covered by workplace retirement plan	IRA	$73,000-$83,000	$77,000-$87,000
IRA deduction phase-out range for joint filers where the spouse making the IRA contribution is covered by workplace retirement plan	IRA	$116,000-$136,000	$123,000-$143,000
IRA deduction phase-out range for a contributor not covered by workplace retirement plan and is married to spouse who is covered	IRA	$218,000-$228,000	$230,000-$240,000
IRA deduction phase-out range for a married individual filing a separate return and is covered by workplace retirement plan	IRA	$0 - $10,000	$0 - $10,000
Income phase-out range for eligibility to make Roth IRA contributions (you cannot contribute to a Roth if your income is too high)	Roth IRA – single and head of household	$138,000-153,000	$146,000-$161,000
Income phase-out range for eligibility to make Roth IRA contributions (you cannot contribute to a Roth if your income is too high)	Roth IRA – married filing jointly	$218,000-228,000	$230,000-$240,000
Income phase-out range for eligibility to make Roth IRA contributions (you cannot contribute to a Roth if your income is too high)	Roth IRA – married filing separately	$0 - $10,000	$0 - $10,000
Max benefit for defined benefit plan	415(b)(1)(A)	$265,000	$275,000
Max contribution for defined contribution plan	415(c)(1)(A)	$66,000	$69,000
Limitation on exclusion for elective deferrals	402(g)(1)	$22,500	$23,000
Compensation limit	401(a)(17)	$330,000	$345,000
Grandfather rule for certain government plans	401(a)(17)	$490,000	$505,000
Minimum compensation for SEPs	408(k)(2)(C)	$750	$750
Compensation limit for SEPs	408(k)(3)(C)	$330,000	$345,000
SIMPLE plan deferral limit	408(p)(2)(E)	$15,500	$16,000
Highly compensated employee limit	414(q)(1)(B)	$150,000	$155,000
Elective deferral catch-up contributions to an applicable employer plan for age 50 or older	414(v)(2)(B)(i)	$7,500	$7,500
Catch-up contributions for age 50 or older for SIMPLE plans	414(v)(2)(B)(ii)	$3,500	$3,500

SECURE 2.0 Act Retirement Planning Changes

Passed in December 2022, the SECURE 2.0 Act made numerous changes to the rules regarding saving for retirement. Some of the changes include:

- As of January 1, 2023, the age at which you must take required minimum distributions (RMDs) is 73. The penalty for not taking RMDs is now 25% of the RMD amount.
- The catch-up contribution limit for taxpayers aged 50 or older for IRAs is now adjusted annually for inflation for tax years beginning in 2024.
- For tax years beginning in 2025, a second catch-up contribution limit for retirement plans (401(k), 403(b), most 457 plans) will be available for taxpayers aged 60-63. This second catch-up limitation will start at $10,000 ($5,000 for SIMPLE Plans) and will be adjusted for inflation each year.

Automobile Limitations

Description	**2023**
Automobile Standard Mileage Allowances	
Business (see note below)	65.5¢
Charity	14¢
Medical/Moving (see note below)	22¢
Depreciation limits for passenger autos acquired after September 27, 2017, placed in service during calendar year, bonus claimed	
1st tax year	$20,200
2nd tax year	$19,500
3rd tax year	$11,700
Each succeeding tax year	$6,960
Depreciation limits for passenger autos acquired and placed in service during calendar year, bonus not claimed	
1st tax year	$12,200
2nd tax year	$19,500
3rd tax year	$11,700
Each succeeding tax year	$6,960

At the time of publication of this letter, the IRS has not yet released the standard mileage rates or automobile depreciation limits for 2024. The IRS usually releases the standard mileage rates in mid-December for the following year and releases the automobile depreciation limits in mid-May. These updates will be available on the IRS website, irs.gov.

Automobile Limitations (continued)

The luxury car limits are based on 100% business use. If business use is less than 100%, the limits must be reduced to reflect the actual business use percentage. The term "luxury" is not defined in the Internal Revenue Code, and there is no rule expressed in terms of "luxury." Thus, the depreciation limits listed in the table above apply to all business autos, with the following exceptions:

Vehicles with unloaded gross vehicle weight ratings (GVWRs) of more than 6,000 pounds do not constitute a passenger vehicle for purposes of being limited to the luxury automobile depreciation limits. We advise you to examine the manufacturer's sticker or the sticker on the inside of the driver's side car door for the vehicle's exact GVWR. The maximum allowed Section 179 deduction on these vehicles is $28,900 for tax years beginning in 2023, and $30,500 in 2024; this amount is adjusted for inflation each year. Amounts in excess of the limit can be depreciated over five years starting with the year the asset was placed in service. The Section 179 deduction cannot be claimed if the standard mileage rate is elected for the vehicle.

Trucks and vans, which are not qualified for personal use, are not subject to annual depreciation limits. "Not qualified" for personal use means the vehicle is designed in such a way that it is not likely to be used for more than a de minimis amount for personal purposes.

Personal Use of Company Owned/Leased Vehicles

Whether your company supplies business automobiles to employees as a personal benefit or as necessary tools to complete their work, an employee's personal use of the vehicle must generally be treated as a non-cash, taxable fringe benefit that is also subject to social security taxes.

There are four valuation methods for valuing the personal usage of a company car:

1. The general fair market value method, which is based on what a person would pay locally to buy or lease a comparable vehicle for the same period that the employee has use of the car;

2. The lease value method, which assigns an IRS-determined annual lease value to the automobile depending on its value when first provided for the employee's personal use;

3. The cents-per-mile method, which values each personal-use mile at the standard business mileage rate designated by the IRS; or

4. The $1.50 per one-way commute method.

The first two methods can be used for any automobile and employee. The cents-per-mile method and the $1.50 commute method are only available if certain conditions are met, outlined in further detail in Exhibit D.

Which of the four methods will result in the lowest personal use valuation, and the lowest tax bill for employees, will depend on factors such as the value of the automobile, annual number of personal miles, and the ratio of personal miles to total miles.

For your convenience we have included worksheets in Exhibits A, B, C and D to assist you in calculating personal use amounts. Additionally, we can help you navigate these rules to determine which method would most benefit your company.

Year End Reporting to the IRS

Employees vs. Independent Contractors
The tax form employers use to report compensation paid depends on whether the payee is an employee or an independent contractor. The determination of status rests on the degree of control the party paying the compensation has over the person performing the work. Generally, you have the right to control or direct only the result of the work done by an independent contractor, and not the means and method of accomplishing the result. In certain circumstances you can ask the IRS on Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding* to rule whether a worker is an independent contractor or an employee. Erroneously classifying an employee as an independent contractor can cause the employer, or the employer's representative, to be liable for the employee's payroll taxes and subject the employer to significant penalties and interest.

1099-MISC Reporting
Certain payments made in the course of a trade or business operating for profit, are required to be reported on a Form 1099-MISC, Miscellaneous Income. A business paying at least $10 in royalties or at least $600 during the calendar year towards rents, prizes and awards, medical and health care payments, gross proceeds to an attorney, as well as several other items, will be required to file a Form 1099-MISC. You must also file form 1099-MISC for any individuals from whom you have withheld federal income tax. Most reportable items remain the same with the exception of nonemployee compensation, which is now reportable on Form 1099-NEC, Nonemployee Compensation. Form 1099-MISC must be furnished to recipients by January 31, 2024 and filed with the IRS by February 29, 2024 if you file on paper, or by March 31, 2024 if you file electronically.

1099-NEC Reporting
Form 1099-NEC was introduced to relieve the submission burden on taxpayers and reduce uncertainty around the different filing due dates that were formerly required by Form 1099-MISC, based on the inclusion of nonemployee compensation. Nonemployee compensation for services is now reported on Form 1099-NEC if the following conditions are met:

- The business made payments during the year of at least $600 to the payee;
- Payment was made to someone who is not an employee of the business;
- Payment was made for services rendered in the course of the business; and
- Payment was made to an individual, partnership, or estate.
- Like with Form 1099-MISC, you must file Form 1099-NEC for any federal income tax withheld on persons to whom the above payments were made

Cash payments of at least $600 for fish paid to an individual engaged in the trade or business of catching fish, or in payments for attorneys’ fees, would also be reported on Form 1099-NEC. Form 1099-NEC must be furnished to recipients and filed with the IRS by January 31, 2024.

Per Diem Travel Expenses

Companies can deduct the amount of ordinary and necessary business expenses incurred by employees while traveling away from home. Necessary business expenses include lodging, transportation, meals, and other incidental expenses. The employer has two options of reporting these expenses. The first option, an accountable plan, requires the employee to provide an expense report with receipts for expenses they incurred while traveling. These reimbursements are not includable in adjusted gross income.

The second option of reporting these expenses is under a non-accountable plan. The amount of money the employee received for travel expenses would be added to his or her compensation and subject to payroll taxes. Please note, while once deductible by the employee, for tax years 2018 through 2025, the itemized deduction for unreimbursed employee expenses is disallowed.

Employers can also provide the same per diem rates to their employees that apply to federal government employees. The expenses deemed substantiated are the lesser of the per diem allowance the business pays or the amount computed at the federal per diem rate for the locality of travel. The federal per diem rate tables can be found here: www.gsa.gov/perdiem.

Reporting Foreign Financial Accounts – FinCEN Form 114 (FBAR)

United States persons, who have a financial interest in, or signature authority over, foreign financial accounts, with an aggregate value that exceeds $10,000 at any point during the year, must report each account on FinCEN Form 114, *Report of Foreign Bank and Financial Accounts (FBAR)*. Reporting is required whether or not the account generates income. A financial account includes, but is not limited to, a security, brokerage, savings, demand, checking, deposit, time deposit, or other account maintained with a financial institution.

If a United States person owns over 50% of a business based outside of the United States, and the business has a bank account, then the person will need to report the bank account on an FBAR because the person is deemed to have a financial interest in the account as a 50% owner of the business.

The form must be filed electronically and filed separately from the federal tax return. It is due by April 15, 2024 for the 2023 calendar year. The due date is automatically extended by an additional six months to October 15, 2024 if not filed by April 15, 2024. Failure to file by October 15, 2024, may result in civil or criminal penalties.

VI. Massachusetts Highlights

Short-term Capital Gains

The tax rate on short-term capital gains for individuals has been reduced from 12% to 8.5% effective January 1, 2023.

Charitable Contributions Deduction

Massachusetts individuals will be able to claim a deduction for qualified charitable contributions made as of January 1, 2023. The deduction can be claimed even if the taxpayer does not itemize deductions on their federal tax return. Massachusetts calculates the charitable contribution deduction the same as the IRS, but the Massachusetts deduction can only be claimed against ordinary income. The deduction cannot be claimed if a taxpayer only has investment income or long term capital gains.

Massachusetts Millionaires Tax

Starting in tax year 2023, Massachusetts will impose an additional 4% surtax on the portion of personal taxable income over $1,000,000. The taxable income threshold for the surtax will be adjusted annually for inflation. The 4% surtax applies to Massachusetts residents, nonresidents, part-year residents, trusts, estates, and unincorporated associations that have income exceeding the threshold.

To determine the surtax, taxpayers will calculate their taxable income for a tax year and then subtract the surtax threshold for that year. The difference between taxable income and the surtax threshold is the amount subject to the surtax. For example, if an individual's Massachusetts taxable income in 2023 is $1,100,000, then the 4% surtax applies to the $100,000 of income above the 2023 threshold of $1,000,000.

For taxpayers involved with pass-through entities in Massachusetts, it should be noted that the Massachusetts elective pass-through entity excise is imposed at a statutory rate of 5%, which cannot be increased to account for the 4% surtax.

Elective Pass-Through Entity (PTE) Excise

On September 30, 2021, the Massachusetts Legislature enacted an elective PTE excise in response to the $10,000 cap on the federal state and local tax (SALT) deduction added in the 2017 federal Tax Cuts and Jobs Act.

Massachusetts joined several other states in enacting an entity-level excise that responded to the SALT cap. Under the new legislation, for tax years beginning on or after January 1, 2021, entities taxed as S corporations and partnerships, and certain trusts, may elect annually to be subject to the PTE excise at a rate of 5%. The law will expire if the federal SALT deduction limitation expires or is repealed.

Qualified members of an electing PTE are then eligible for a credit on their personal income tax returns equal to 90% of their distributive share of PTE excise paid. To elect the excise, a PTE must file electronically Form 63D-ELT, their income tax return, and all required schedules. The PTE excise must be paid electronically via MassTaxConnect. Please consult your tax advisor to determine whether you might benefit from the election.

Massachusetts Electric Vehicle Rebate

Massachusetts offers a rebate of $3,500 for the purchase or lease of eligible new battery electric or fuel-cell electric vehicles. A list of eligible vehicle models can be found here: https://mor-ev.org/eligible-vehicles. The sale price for eligible new vehicles must be $55,000 or less. The rebate can be applied at the point of sale, or the rebate can be applied for online within 90 days after sale or lease. Applicants must be either private individual residents of Massachusetts, or businesses or non-profit organizations located and licensed to operate in Massachusetts. Rebate applicants must retain ownership of the vehicle for 36 consecutive months from the date of sale or lease. There are no income limits for claiming the rebate on a qualified new vehicle.

A rebate of $3,500 is also available for the purchase or lease of eligible used battery electric or fuel cell electric vehicles. The sale price must be $40,000 or less. Applicants must be Massachusetts residents whose modified adjusted gross income does not exceed $150,000 for married taxpayers or surviving spouses, $112,500 heads of households, and $75,000 for all others.

More information on the available rebates can be found here: https://mor-ev.org/

MassTaxConnect Online

The Massachusetts Department of Revenue allows you to perform many different tasks online using its MassTaxConnect service. Businesses and individuals who create an account can use this service to electronically pay taxes, respond to notices, file certain information returns, and more. For more information and to create your MassTaxConnect account, please visit https://mtc.dor.state.ma.us/mtc/

Paid Family and Medical Leave (PFML)

PFML entitles eligible employees to receive paid time off to care for their own serious health condition or that of a family member, including bonding time after birth, adoption, and foster placement. The maximum weekly benefit is $1,129.82 in 2023, and increases to $1,149.90 in 2024.

Employers with over 25 employees in Massachusetts must contribute 0.63% of eligible wages to the PFML program. Employers can deduct from employee wages up to 40% of the medical contribution and up to 100% of the family leave contribution.

Employer returns and remittance of PFML tax or contributions to the state are due on the last day of the month, after the end of the previous calendar quarter: April 30th, July 31st, October 31st, and January 31st.

For more detailed information, please visit the mass.gov website which has organized all the necessary information about the law here:
https://www.mass.gov/info-details/paid-family-and-medical-leave-pfml-overview-and-benefits

Renters and Homeowners Circuit Breaker Credit

A Massachusetts resident taxpayer age 65 or older who owns or rents their principal place of residence may qualify for this refundable credit. For tax year 2023, the taxpayer's total income cannot exceed $69,000 for single filers, $86,000 for a head of household, and $103,000 for married couples filing jointly. For tax year 2023, the assessed valuation (before residential exemptions but after abatements) of the taxpayer's principal residence may not exceed $1,025,000. For tax year 2023, the maximum credit amount for both renters and homeowners is $2,590. Married taxpayers filing separately are not eligible for this credit.

Section 529 Tax Deduction

Massachusetts residents are allowed up to a $1,000 deduction for contributions to state authorized Section 529 education plans (up to $2,000 for married taxpayers filing jointly).

In this letter, we have discussed information that may be applicable to the preparation and submission of your 2023 informational returns and to the computation of taxable employee benefits. We have also highlighted some important planning considerations as we move into the 2023 filing season. We will continue to monitor current changes that may affect our clients' filing responsibilities.

Please do not hesitate to contact us if you have any questions regarding this information or if we can be of additional service.

Very truly yours,

tonneson + co

EXHIBIT A

2023 Annual Lease Value Table

Automobile fair market value	*Annual Lease Value*
$ 0 to 999	$ 600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

For vehicles with a fair market value over $59,999, the annual lease value is equal to: (0.25 x the fair market value of the vehicle) + $500.

EXHIBIT B

2023 AUTOMOBILE USAGE REPORT

To be completed by All Employees using Company Owned or Leased Vehicle(s)

Employee Name ________________________________

The personal use of company owned or leased vehicles is a taxable fringe benefit. The amount of the benefit must be computed each year in accordance with Internal Revenue Service Regulations. The value of the fringe benefit will be included as additional compensation on your 2023 Form W-2, *Wage and Tax Statement*.

To assist in complying with this law, the following information for 2023 usage must be documented. Your response should be returned as soon as possible.

1. The number of business miles driven (your business miles do not include commuting to and from work). _____________

2. The number of commuting miles driven. ___________

3. The number of personal (other than commuting) miles driven _________

4. The total number of personal miles (sum of lines 2 and 3). __________

5. The total number of miles you drove the company car during the year (sum of lines 1 and 4). __________

6. Did you have a second personally owned vehicle available for personal use? Yes ___ No ___

7. Did you maintain written records to document your business and personal use? Yes ___ No ___

8. Do you wish to have federal and state income taxes withheld from your pay based on the taxable fringe benefit amount? Yes ___ No ___

________________________________ ___________________

(Signature) (Date)

FOR COMPANY USE ONLY

Period Car Used by Employee during Year from: ___________ To: ___________

Type of Vehicle (Year/Make/Model) ___________ ___________ ___________

Date Vehicle Purchased by the Company ______________________

Original Cost: ________________

Gasoline Paid by Employer: Yes ___ No ___

EXHIBIT C

WORKSHEET TO CALCULATE INCOME
<u>FROM PERSONAL USE OF COMPANY VEHICLE</u>

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR CALENDAR YEAR 2023

Employee: ____

Description of Vehicle: ____

Date Vehicle First Made Available to Any Employee: ____________________________

Date Vehicle First Made Available to This Employee: ____________________________

Select One Method (Note Limitations on Methods II and III)

Usage Period: *(Check One)* 11/1/22 to 10/31/23 _______ Or Calendar 2023 _______

<u>METHOD I – Annual Lease Value Method</u> (For Autos Available 30 Days or More)

<u>Step</u>

1	Fair market value of vehicle (predetermined at the beginning of the first year and every 4th year thereafter)	$ __________
2	Annual lease value, per attached chart	$ __________
3	Enter number of days during the year that the vehicle was available	x __________ (See Note 1)
4	Divide step 3 by number of days in tax year (365). Place result in the space provided.	__________
5	Prorated annual lease value (multiply Step 2 by Step 4)	__________
6	Personal use % (personal/total miles, per statement from employee Exhibit B, divide line 4 by line 5)	x __________%
7	Personal annual lease value (Step 5 x Step 6)	$ __________
8	If fuel is provided by employer: multiply personal miles by 5.5 cents (See Note 2)	__________
	Personal use taxable income (Step 7 + Step 8)	$ __________

EXHIBIT C (continued)

AUTOMOBILE LEASE FOOTNOTES

(1) For automobiles available less than 30 days, please multiply the number of days the vehicle is available by 4, and place that result in the space provided.

-or-

For automobiles available 30 days or more, enter the days available in the space provided.

Please note that if by treating all periods as 30 days or more results in a lower valuation, then an election can be made to do so for **ALL** periods.

(2) If fuel is provided "in kind," the fair market value may be determined based on all facts and circumstances or, alternatively, 5.5 cents per mile, if vehicle usage is within the U.S., Canada, and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles reimburse or allow employees to charge fuel costs, the fleet-average cents per mile may be used. If the fleet employer determines that both the actual cost and fleet average methods are unreasonable administrative burdens, the 5.5 cents per mile may be used.

EXHIBIT D

WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR CALENDAR YEAR 2023

METHOD II – CENTS-PER-MILE VALUATION METHOD

Generally, in order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be used primarily by employees, regularly in the employer's business throughout the calendar year, (2) be driven at least 10,000 miles per year, and (3) have a maximum fair market value of $60,800. Once this method is adopted for a vehicle, it must be continued until the vehicle no longer qualifies.

Enter personal miles ______x $0.655 for period 1/1/23 through 12/31/23 = $________

Deduct:

If fuel is NOT provided by the employer, enter personal miles ___________ x $0.055 = (__________)

Personal use taxable income $ __________

METHOD III – COMMUTING VALUATION METHOD

This method may only be used for vehicles owned or leased by the company, used in the company's business, and covered by a written policy that allows commuting but no other personal use. If more than one employee commutes in the vehicle, the value calculated below applies to each employee. DO NOT USE this method if the employee is a 1% or more owner, an officer or board member with compensation equaling or exceeding $130,000 for 2023, an individual with compensation equaling or exceeding $265,000 for 2023 or is a director.

Number of commuting round trips made	___________
Value per round trip	x ______$3.00
Personal use taxable income	$___________

EXHIBIT E

GROUP TERM LIFE INSURANCE
(To be Completed by Employers)

Please complete the following for all employees with Group Term Life Insurance coverage over $50,000.

Employee Name			
Insurance Company			
Policy Number			
Amount of Coverage			
Policy Beneficiary			
Policy Premium			
Period Covered			
Employee's Age			

Completed By: ____

______________________________ ______________
Name and Title Date