Michael Mellberg
CERTIFIED PUBLIC ACCOUNTANT

Tax Toolkit 2023

Michael Mellberg: We're On The Move!

Another year in the books? Or is it the time of the year to get the books in order and your tax files in?

It's both of those. It is that most busiest of times of the year for me and my team and we're looking forward to it. At least we do for the first couple of months. By mid-April? Okay, we might be in a different mindset.

Another thing that is definitely different and exciting is where we're hanging our shingle. We moved! Yes, we're now more in the center of town, in a hopefully much more convenient and friendly location for you. We're off of East Plumb Lane, not that far away from Costco.

So when you pick up your year-long supplies of shampoo, smoked almonds and salmon, stop by and say, "Hello."

Even though our location has changed, one thing that remains the same is our sincere gratitude that you choose us to assist with your taxes each year. Yes, it can be a grind as the deadlines approach, but we actually love doing taxes and appreciate you trust us with yours.

Here's to another great year.

Michael

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Small Businesses: SIMPLE IRA

You don't have to be a Fortune 100 company to be able to offer retirement plans to your employees. In fact, there are many tax-friendly investment strategies that are designed to benefit the business owner as well. One of these excellent options is a SIMPLE IRA.

A SIMPLE IRA plan can be adopted by employers that maintain no other qualified retirement plans and that generally have no more than 100 employees with compensation of $5,000 or more per year.

Your maximum contributions are expressed as a percentage of compensation, up to $15,500 per year for 2023. There are a couple of approaches (or formulas) from which you can choose.

Matching contribution formula:
The employer generally is required to match each employee's elective contributions dollar for dollar, up to 3% of the employee's compensation A special rule allows the employer, in no more than two out of any five years, to elect a lower rate (but not less than 1%) for all employees.

Nonelective contribution formula:
The employer is required to make a contribution equal to 2% of compensation on behalf of each eligible employee (regardless of the employee's salary-deferral contribution, if any).

An existing employer may set up a SIMPLE IRA plan between Jan. 1 and Oct. 1 if it did not previously have a SIMPLE plan.

An employer maintaining a SIMPLE IRA plan is not required to file an annual Form 5500. Set up a time for a consultation if you have questions about adding a SIMPLE IRA for your business.

INDIVIDUAL PROTECTION FROM FRAUD

- Shred mail
- Don't get fooled by phishing phone call or email
- Check credit report regularly
- Consider obtaining an IPPIN from IRS

BUSINESS PROTECTION FROM FRAUD

- Develop a security plan
- Only collect records that are needed
- Secure your network
- Train and restrict access
- Audit regularly

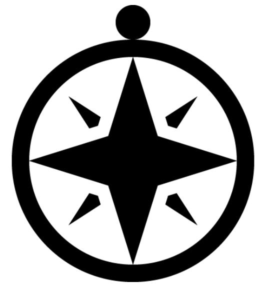
DISCLAIMER

The material for this newsletter is derived from sources believed to be reliable, but its accuracy and the opinions based thereon are not assured. The articles and opinions in this publication are for general information only and are not intended to serve as specific financial, accounting or tax advice.

Michael Mellberg CPA is a registered Investment Advisor in the State of Nevada.

New Tax Laws Point Towards Smaller Returns

As we prepare to file your 2022 income tax returns here are a few key points regarding changes in tax law. The bottom line is that several of the generous tax credits that were offered during the time of pandemic are being reduced. In particular, the child tax credits are being shrunk significantly. There is also a tightening of the rules surrounding charitable contributions. Here are some of the specifics regarding recent changes in the tax laws.



Secure Act Legislation:
SECURE 2.0 Act was signed into law in late 2022, delivering dozens of new retirement-related provisions. These changes build on the original SECURE Act of 2019, which altered the rules around how you can save and withdraw money from your retirement accounts. SECURE 2.0 Act addresses additional issues related to retirement and savings that were not part of the original SECURE Act, creating new flexibility and accessibility to help individuals plan for a more secure future. Here are some of the main areas of impact:

1. RMDs (Req. Min. Distribution) to age 73-2023
2. RMDs to age 75-2033
3. Reduce RMD excise tax from 50% to 25% or 10%
4. No RMD for work based Roth accounts (401Ks)
5. New exceptions to 10% early withdrawal penalty
6. Employer matching to Roth accounts
7. More part time worker participation in retirement plans
8. Eventually SEP IRA Roth and Simple IRA Roth choices

Build Back Better
The tax implications of the legislation known as "Build Back Better" are significant, and seemingly ever-changing. It has many impacts including child tax credit, expanded earned income tax credit, SALT deductions and more. Because legislation has changed in many ways over the last half of the year I will not be discussing in this Tax Toolkit. If you have further questions please schedule a time for after the current tax season for a consultation.

Tax Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	Up to $10,275	Up to $20,550	Up to $10,275	Up to $14,650
12%	$10,276 to $41,775	$20,551 to $83,550	$10,276 to $41,775	$14,651 to $55,900
22%	$41,776 to $89,075	$83,551 to $178,150	$41,776 to $89,075	$55,901 to $89,050
24%	$89,076 to $170,050	$178,151 to $340,100	$89,076 to $170,050	$89,051 to $170,050
32%	$170,051 to $215,950	$340,101 to $431,900	$170,051 to $215,950	$170,051 to $215,950
35%	$215,951 to $539,900	$431,901 to $647,850	$215,951 to $323,925	$215,951 to $539,900
37%	$539,901 or more	$647,851 or more	$323,926 or more	$539,901 or more

IMPORTANT TAX FILING DATES

- March 15th, 2023; S-Corporations & Partnerships (Wednesday)
- April 18; Individuals, C-Corporations & Trusts/Estates (Tuesday)
- September 15th; S-Corporations & Partnerships extension deadline (Friday)
- October 2nd; Trusts/ Estates with Calendar year (Monday)
- October 16th; Individual extension deadline, Calendar year C-Corporations (Monday)

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2022 Tax Preparation

You can rely on our team to help you prepare your taxes. But we do need your help. Below is a list of items you can put together to provide you with the most tax deductions possible.

Personal Taxes Checklist

Client documentation
* Recent IRS correspondence letters
* EIN# letter, S-Corporation acceptance letter, Operating agreement with stated ownership-For new business
* Completed Organizer. A custom organizer for you is now available on our Canopy Portal. Go to our website at MellbergCPA.com and click on the link. Call us if you need assistance.
* New clients of our firm should bring a minimum of prior two federal/state income tax returns and identification with social security card
* Changes in dependent status. If new dependent(s) we need copy of social security card and Date of Birth
* We can still file a 2020 and 2021 tax return to obtain benefit of any stimulus checks that have not been legally received.

Income
* W2, W2Gs, Tips not reported to employer
* Form 1099-NEC for Self-employment income
* Form 1099-Misc for rents paid in course of business
* Investment income on Forms 1099-Int, 1099-OID, 1099-Div, 1099-B
* Pension Forms 1099-R, 1099-SSA, RRB-1099 (railroad)
* Settlement statements for sale or purchase of real property
* Form 1099-S for sale of real estate
* Rental Income and expenses
* K-1s from partnerships, S-Corporations, Estate & Trusts
* Other 1099 Form types; 1099-A, 1099-G(unemployment-request amendment from State of NV Employment Security Division if fraud), 1099-Q(529dist.)
* Damage awards or injury awards
* Alimony-Only Amounts received as alimony for agreements on or before 12/31/2018
* Stock options; ISOs
* Any other income including Bitcoin gains, hobby income, prizes, Air BNB, foreign source
* Restricted Stock Units can have a 5 year deferral option
* Primary indebtedness exclusion down to $750K from $2M through Dec. 31, 2025
* Zero tax rate still applies up to following thresholds for capital gains:

	2021	2022
Capital Gains - 0% Rate		
SingleMFS	$40,400	$41,675
Joint	$80,800	$83,350
Head of Household	$54,100	$55,800
Estates and Trusts	$2,700	$2,800

Deductions
* Retirement plan contributions: Trad IRA, Roth IRA, SEP IRA (Form 5498)
* Education loan interest
* Teachers classroom or professional development expense up to $300
* Out of pocket medical expenses (need 7.5% of AGI). Self-employed get premiums paid
* Personal Protective Equipment preventing Covid 19 spread
* Form 1098 Qualified mortgage interest, points paid
* HELOC interest must be used for use on qualified home for improvements or home acquisition if it is to be deductible (limitation is still $750K for purchase of home secured by mortgage + HELOC used for improvements or home acquisition).
* Mortgage insurance premiums have expired as of Dec. 31, 2021. Not deductible in 2022.
* Property taxes paid on primary residence, second residence and investment properties
* Charitable contributions (note that personal itemized deductions are still deductible; however, you will need more than $12.5K-Single, $18.8K-Head of Household, $25.1K-MFJ)

Credits
* Dependent care expenses for working parents for children under 13-Credit goes down to 3,000 per child or $6,000 for two or more
* Education expenses paid out of pocket on Form 1098-T
* 30% of the qualified solar electric property expenditures for property placed in service by the taxpayer during such year through December 31, 2019, 26% for property placed in service in 2020-2021, 30% for property placed in service in 2022-2032, 26% for property placed in service in 2033, and 22% for property placed in service in 2034-**Inflation Reduction Act**
* Opportunity zone investments
* Home office for business
* Other Sole Proprietor business credits
* Nonbusiness Energy Property-furnaces, boilers, biomass stoves, heat pumps, water heaters, central air conditioners, and circulating fans. Subject to life time cap of $500
* EIC investment income limitation is raised to $10,000

Tax Return Due Date
April 18, 2023