



Jack Skehan & Associates

TAX PREPARATION

Enrolled Agents • *Tax Experts Since 1963*

Winter 2023 / 2024 Newsletter

Dear Friends:

Best wishes for a happy and healthy 2024. We hope 2023 treated you well. Our goal is to help you make your way through the income tax part of your lives. We look forward to working with you again this year.

Before we get into updates with income taxes we need to share some sad news. Judy, Jack's beloved wife, passed away in December. She retired a few years ago, having been an integral part of growing this business. She loved catching up with everyone and looked forward to chatting over a cup of coffee. She is greatly missed.

Your Tax Appointment – Clients who have an in-office appointment with a tax professional will find a prescheduled date on the address page of this mailing. We used last year's appointment as a guide but can easily reschedule if the time/date chosen is no longer convenient. For those who haven't needed an in-office appointment in the past, but find you now need that time with your preparer, please call soon for the best choice of open slots.

Face-to-face meetings are still the most popular choice, while some clients prefer to send us their tax documents and meet over the telephone or virtually. When confirming your appointment, please let us know whether you prefer an in-person, drop-off, telephone or virtual (via Microsoft Teams) appointment. If choosing the telephone or virtual option, we need your tax forms ahead of your appointment. They can be dropped off, mailed, sent via secure email (please contact us for a secure link), or faxed. ***Please do not send documents with sensitive information in a non-secure email.*** These options allow us to work with clients regardless of circumstances. We met with clients from 26 states, the District of Columbia, and two foreign countries last year.

- We will pick up tax information from clients who have transportation issues and live within a reasonable distance of our office, and deliver the tax return, at no extra charge. We are not set up to prepare returns offsite.
- If you are not feeling well, please reschedule your in-person appointment.

Appointment confirmation - Clients who confirm their (in person, virtual or drop-off) tax appointment by Saturday, January 27, 2024, will be entered into our annual drawing. Two winners will each receive a check for \$250. Call (207) 582-1040 or email Info@JackSkehan.com. Congratulations to last year's winners!

We appreciate your help in growing the business. We are accepting a limited number of new clients and continue to offer a referral reward. You will earn a \$50 credit toward your 2024 tax preparation (the tax return we will prepare in 2025) for each new client referred, who has us prepare their tax return; some restrictions apply.

Tax Appointment Checklist & Questionnaire and Engagement Letter – Within each section of the questionnaire is a list of the forms/records needed to prepare that portion of your tax return; it is a reminder to gather records, note questions to ask your preparer and it may help us uncover areas for potential tax savings. Completing the questionnaire before coming to your tax appointment is encouraged. Please read and sign the Engagement Letter. This contract between you and our firm describes each party's responsibilities and explains how we charge for our services. Your effort may reduce delays and fees for additional time.

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Things you need to know – Federal Taxes

Energy Efficient Home Improvement Credit - You may qualify for a non-refundable tax credit up to \$3,200. The credit equals 30% of certain qualifying expenses with a \$1,200 maximum for energy property costs and certain energy efficient home improvements (sub limits of \$250 per external door/\$500 total, \$600 for windows and \$150 for home energy audits). There is also a \$2,000 per year credit for qualified heat pumps, biomass stoves or biomass boilers.

The credit is claimed for the year of installation. It is important to keep all receipts/records on purchases eligible for the credit. The necessary documentation needed to claim the credit is ever evolving as the program is being implemented.

Clean Vehicle Credit - There is a credit of up to \$7,500 for qualifying new plug-in electric drive vehicles, and a new credit of up to \$4,000 for previously owned qualifying vehicles purchased from a car dealer after 12/31/2022. It is important to verify the vehicle you purchase is eligible for the credit.

Unused 529 Plan funds - A 529 is a tax-advantaged account for education savings. Many Mainers started one when their children were born with the \$500 Alford Grant. Because of circumstances, all of a child's 529 plan may not be used or needed for educational purposes. There are a few options for what to do with the money. The money can be transferred to another beneficiary. It can also be used to pay up to \$10,000 in qualified student loans.

A new option starting in 2024 is that the funds may be transferred to a Roth IRA. The beneficiary can convert up to \$35,000 lifetime to a Roth without incurring penalties or interest. The annual Roth limits apply as well. For example, in 2024 if the beneficiary has over \$7,000 in earned income, \$7,000 of the 529 plan can be transferred to a Roth account. If your child does not use the Alford Grant for educational purposes, by age 28, the \$500 Alford Grant and any gains/losses incurred in the market while invested will be forfeited and revert back to the Alford Scholarship Foundation.

Another popular subject that comes up during interviews revolves around LLCs (**Limited Liability Company**). An LLC is a business entity organized in the United States under state law. Its basic premise is that conducting business under the LLC structure protects its owner(s) from personal responsibility for its debts and liabilities. How an LLC is taxed is determined by the elections made and the number of owners. A single member LLC classified as a disregarded entity separate from the owner would be filed on Schedule C, E or F of the individual's 1040. If the LLC has at least two members (this includes a married couple), it defaults to a partnership return. An LLC, whether single or multimember, can also elect to be taxed as a corporation (C or S). It is important to be aware of your LLC's filing requirements, as the filing deadline is not always the same as the April 15th for a personal return.

New for 2024 - If you have an LLC or corporation, you are required to report information to the U.S. government about who ultimately owns and controls them. This will be done through the Financial Crimes Enforcement Network (FinCEN) and be called Beneficial Ownership Information (BOI) Reports. If the company was established pre-2024, you have until January 1st, 2025 to file the initial report. Companies formed in 2024 will have 90 days upon creation and ones formed in 2025 will have 30 days. Failure to file the reports will result in heavy fines. The BOI report will contain up-to-date information regarding the company and the beneficial owners (own at least 25% of company or exercise substantial control). The owner's full legal name, date of birth, current residential address and current U.S. passport or state ID/driver's license with image will need to be submitted.

Required Minimum Distributions (RMDs) - There have been multiple changes in this area since 2020. Starting in 2023, the current requirement is to begin taking a distribution at age 73.

Qualified Charitable Deductions (QCD) remains the best option for receiving a tax benefit for your charitable contributions. If you are 70 ½, a distribution made directly from your IRA to a qualifying charity is nontaxable and counts toward your RMD.

Standard mileage rate - For business use in 2023, the IRS allows a deduction of \$0.655/mile. The rates for medical purposes or moving (for qualified active-duty members of the Armed Forces) is \$0.22/mile and \$0.14/mile for qualifying charities. For taxpayers who deduct mileage expenses, we need to know how many miles were driven for each category, as well the total number of miles driven in 2023, for any purpose. The IRS recently announced the rates for 2024; they are \$0.67/mile, \$0.21/mile, and \$0.14/mile, respectively.

Things you need to know – Maine Taxes

Winter Energy Relief Program - On December 15th, the Internal Revenue Service (IRS) announced that Maine's \$450 Winter Energy Relief Payments will not be subject to federal tax.

Pension income deduction - This deduction for non-military retirement plan benefits is increased to \$30,000 for tax year 2023, from \$25,000 for tax year 2022. It will continue to be offset by any Social Security or Railroad benefits received. Benefits received under a military retirement plan, including survivor benefits, continue to be fully exempt from Maine income tax.

Student Loan Repayment Tax Credit (SLRTC) - This credit replaced the Maine Educational Opportunity Tax Credit (MEOTC) last year. It provides up to a \$2,500 refundable credit each year equal to the amount of eligible student loan payments made directly by the taxpayer. It also includes any unused carryover credit from the MEOTC. The credit has a lifetime limit of \$25,000. An important change from the previous credit is that the SLRTC is available for anyone who graduates with an Associate's, Bachelor's or Master's degree after 2007 from an in-state or out-of-state college or university.

Contributions to education savings plans ("529 Plans") - For tax years beginning on or after January 1, 2023, Mainers can deduct contributions made to a qualified tuition program. The deduction is equal to contributions made to a qualified tuition plan up to \$1,000 for each designated beneficiary, and may be claimed by taxpayers whose federal adjusted gross income is under certain limits.

Property Tax Fairness Credit - For tax years beginning on or after January 1, 2023, resident individuals who are veterans and 100% permanently and totally disabled are allowed an additional income tax credit equal to the amount of the property tax fairness credit the individual otherwise qualifies for, effectively doubling the property tax fairness credit. The total credit may not exceed the property taxes paid.

Reminders

After reviewing the Tax Appointment Checklist and our Engagement Letter, you may need:

Form 1095-A - People who purchase health insurance through the Health Insurance Marketplace, known as "CoverME" in Maine, will receive IRS form 1095-A. The information on form 1095-A needs to be included on your federal tax return. Without it, the return will reject, and processing will be delayed. Please bring yours to your appointment.

Form 1098-T - Provided by a college or university for each student. The form is required when claiming education credits. An account history of financial transactions, listed by semester, is available from the school. Please bring any 1099-Qs from 529 Plan distributions and external expenses, such as books.

Form 8332 - Required by the IRS when the custodial parent allows the non-custodial parent to claim their child as a dependent. You are urged to use caution and get both tax and legal advice when completing this form. Even though there is no longer a federal deduction for personal exemptions, being entitled to claim the child allows additional tax savings opportunities, primarily the child tax credit. There is a link to this form on our web site, or we can provide the form for you.

Consent Form - Even when we know a caller, the IRS requires us to have a very specific, signed consent form on file before honoring a request to allow someone else to pick up or send their tax return to a financial institution. This includes parents picking up a child's tax return, or a child picking up the parents' return. We can provide you with the Consent Form, or you can find it on our website.

Identity Theft / Fraudulently Filed Tax Returns - If you are a confirmed victim of tax-related identity theft and the IRS has resolved your tax account issues, they will mail you a CPOIA Notice with your new IP PIN in December or January each year. The PIN prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. The IP PIN is known only to you and the IRS. It helps the IRS verify your identity when you file your electronic or paper tax return. Please bring the letter to your appointment as we must enter the PIN on your tax return. Additionally, to cut down on identity theft, we need to see a current driver's license, military or state ID.

Online statements - If you signed up to receive paperless statements from financial institutions, investment houses and virtual currency reporting companies such as Robin Hood, Acorn and Schwab, your tax forms may be delivered to you by that method rather than in the mail. This is for reporting interest income, dividends, capital gains or losses. For those with digital assets (such as Bitcoin), we need the annual gain/loss report and transaction summary from the company where you purchased (Robinhood Crypto, Coinbase).

For those in business (including owners of rental property) who pay a person or non-incorporated entity \$600 or more, both Forms 1099-MISC and 1099-NEC are due to the recipient by January 31. These are used to report payment for services, rent, some medical payments and more.

Beginning in 2024, a **new federal regulation** requires documents such as these to be sent electronically when filing 10 or more. The new threshold applies, in aggregate, for almost all federal information return types, including W-2s and 1099s. Maine Revenue Services begins the same requirement, where employers and payers that are required to file at least 10 federal Forms W-2 and Forms 1099, in aggregate, must file the forms electronically with MRS using the Maine Tax Portal at revenue.maine.gov or, if applicable, via the Combined Federal/State Filing Program. MRS Rule 803 is available at www.maine.gov/revenue/publications/rules.

NOTE: We prepare payroll, W-2 and 1099 Forms for interested clients, and can file the forms electronically.

Office Practice - Last year we revised our policy regarding how long we keep clients' tax returns on file. We will retain your file for a minimum of 6 years; we reserve the right to destroy the file after that time-period. We will continue to return all original documents to you and give access to a copy of your file up until that time.

Complementary Consult - This benefit of doing business with Jack Skehan & Associates remains very popular. We offer this complementary one-hour tax/financial consultation service to every client during the off-peak season. We believe it is important to understand how potential events and/or transactions will affect your taxes, investments or retirement. Several people sold their home or rental property. Some clients sold investments when the stock market was up, and some sold when it was waning. All wanted to know the consequences, and some wanted to know what would happen with what they were planning to do (or had just done!).

Staffing - We have such a great crew! We're happy to add Ron Lachapelle to our support staff. We are pleased to have him join us as we enter the 2024 filing season.

We hope you find this letter helpful as you prepare to see us in 2024. Call for more information or clarification of any tax matter. Thank you for entrusting our firm, operating since 1963, to provide income tax, accounting and other financial services. You have a choice of income tax providers in the area. We are pleased you selected a firm whose staff live, work, and shop locally.

We wish everyone a healthy and happy new year!

Sincerely,

Jack Skehan & Associates

Jack Skehan & Associates subscribes to the tenets of Circular 230 which refers to Treasury Department Circular No. 230. This publication establishes the rules governing those who practice before the IRS, including attorneys, Certified Public Accountants (CPAs) and Enrolled Agents (EAs).

The information given does not cover every situation and is not intended to replace the law or change its meaning. It is intended to inform, not replace legal advice.