

## **Hons Tax Associates**

### **July 2023 update**

Hello all

Hope you are having a great summer

Below a few new numbers and small changes for federal 2023 tax year, and also a small piece about our Colorado properties valuation and tax. Please feel free to call me 303-929-8090 if questions.

My office building is being sold, not subject to the existing leases, so I am looking for a new office, not too far and with a convenient access. When I have a new lease, I will communicate my new business address via this newsletter and also a post office mailing. Will be in the next 3 months.

### **Off season and next year**

I would be happy to meet with you for tax planning before the end of the year. This can often be done in less than one hour and is particularly useful when changing situations: retirement, sale of home or a property, changing self-employment situation, large capital gain and unique situations.

If you get a letter from the IRS or a state (Colorado usually), and it could normally be for 2020 (IRS) or 2019 (Colorado) to 2022 returns (tax year listed top right of letter), refer to my previous Newsletter of May 2023 (which is also on the website [hons-tax.com](https://hons-tax.com) under the "Tax Posts" tab) for suggestions on what to do.

### **Electric cars**

Refer to previous newsletter, also for makes & models allowed as things got more complicated. Also good info on following sites:

<https://afdc.energy.gov/laws/409>

<https://www.fueleconomy.gov/feg/tax2023.shtml>

(check "vehicle placed in service on or after April 18, 2023": all vehicles will be listed under)

### **A few numbers and changes for 2023**

#### ***Secure 2.0 Act***

This is a new law to bolster retirement savings, many of the changes will begin in 2024 and 2025, but a few already go into effect in 2023. Below lists only the provisions applying in 2023 and is not exhaustive.

If you are interested in the main changes beginning in 2024 and 2025, I find the below ADP link clear and easy to read (click on each "key provision")

<https://www.adp.com/what-we-offer/benefits/retirement/secure-2.aspx#tab-eb76ffcf-6a1c-40b2-bdf9-f16bec3f51ba-5>

It is not however complete. Google "Secure 2.0 Provisions" for more details

- Age for taking the first Required Minimum Distribution (RMD) is raised from 72 to 73 years old
- The extra tax for people who fail to take their RMDs will go from 50% to 25%. I would like to mention here that few people have to pay it: In my experience, as long as reported in the tax return of the year the RMD was to be made (so a few months after year-end) with a form asking for abatement of penalty for reasonable cause, IRS has accepted it (meaning no letter from them). The RMD has to be made the following year though (so double RMD the following year, which could raise the tax rate in the tax return, and you may want in this case to increase the withholding rate)
- More exceptions to the 10% extra tax for taking retirement plans early distributions. This a a bit complicated as the exceptions are not the same for IRAs and company plans (like 401ks) . Below link lists the existing exceptions:  
<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions>
- The new added exceptions (2023, there are a few more in 2024-2025) are:
  - disaster relief (federally declared disasters): up to 22k to be made within 180 days of the disaster
  - terminal illness (google "Secure 2.0 exceptions penalties early distributions" for definition)
  - employer plan: employee leaving after age 55 (was 59<sup>1/2</sup>) or age 50 for qualified public safety employees.
- Roth matching: employers may permit participants in 401(k) and 403(b) plans to elect that matching or nonelective contributions be made as Roth (after-tax) contributions, these would be taxable income to the participant.
- Employers can offer "de minimis" financial incentives to employees who contribute to their 401k/403b plan (ex: gift cards, "de minimis" is yet to be interpreted...)
- employee self-certification of hardship withdrawals 401k/403b (no need for employer review)

### ***Numbers and changes in 2023:***

- standard deductions go to \$27,700 for married couples (plus \$1,500 each spouse 65 or older), \$13,850 single (plus \$1,850 if 65 or older)
- maximum 401k contribution: \$22,500 (\$30,000 if 50 and older)
- maximum Traditional IRAs deductible contribution (and Roth IRA contribution): \$6,500 (\$7,500 if 50 and older)
- income phase-out start for Roth contributions: AGI \$228,000 couples (10k more), AGI \$153,000 singles (15k more)
- income phase-out start for Traditional IRA deductible contribution:
  - . if retirement plan at work: AGI \$136,000 couples, \$83,000 singles
  - . spouse not covered by plan at work (other spouse covered) : AGI 228,000
  - . none of the spouses (or single) covered at work: no income phase-out

Tax brackets 2023

<https://www.bankrate.com/taxes/tax-brackets/#tax-bracket-2022>

(showing both 2022 and 2023)

- HSA deductible contributions: \$3,850 when self-coverage health insurance, \$7,750 family coverage, \$1,000 more if 55 and older (whether self or family!), need to be high deductible insurance

- the tax credit for photovoltaic solar panels is back to 30%. This is sizeable: on an install cost of \$24,000, the tax credit (not an income deduction, a credit against your taxes) would be \$8,000  
- applies on total installation cost, including labor, need to be owned (financing fine), not leased  
- it is a nonrefundable credit: if the credit is higher than your tax liability (before withholdings and payments), the remaining credit (after bringing your tax liability to zero) is carried over to next years.

- the tax credit for energy efficient home improvements is increased. It is a bit complicated. Up to 30% of installed cost, capped at \$500 for exterior door and \$600 for windows. If you did home energy efficient improvements in 2023, please let me know at tax time, I'll figure the credit per the rules.

### ***Roth IRA for children***

You can open a custodial Roth IRA for a child or grand child under 18 (they can't open it by themselves). You can put in it each year the lesser of \$6,500 or the child earned income (so child needs to have some earned income: summer job, etc)

The child cannot pull money out without your authorization before they are 18 :)

After 18 they could, but may be by then they could be educated a bit on financial matters...

### ***Business expenses***

- business mileage rate is 65.5 cents/mile (22 cents medical, 14 cents charitable)

- Covid years 100% write off for qualifying business meals expired: back to 50%

- full Covid years bonus depreciation of 100% of cost (expensed) is reduced to 80%

- IRS is delaying lower threshold reporting requirement on 1099K (reporting credit cards / Paypal revenue transactions) to 2024, so still 20k for 2023

### **Colorado Property Tax**

As all of us homeowners know after receiving our assessed property values in May, values on which property tax is based are increasing a lot: 30% to over 60% in Colorado (average 42%). It can be up to 80%-90% in mountain counties....

The assessors base the values by law on the period 07/01/20 to 06/31/22 when the real estate market values were the highest (they went down some after when the mortgage interest rates started rising)

Over 300,000 protests were filed with Colorado 64 assessors (for an average of just over 100,000 in the years before, so about 3 times more than normal), for Denver close to 25,000 protests were filed vs close to 9,000 2 years ago (assessments are every 2 years)

Senate Bill 23-303A was passed by the two Colorado chambers and signed by Governor Polis in May, but (per Colorado constitution and previous laws), as propositions HH, it will need to be voted in November by Colorado voters to apply. Main thing in the bill:

. residential assessment rate will be reduced from 7.15% to 6.7% (that will not make a significant change when the value could be up by 50% or more...)

. there will be a valuation reduction (before applying the assessment rate) of \$50,000 (current valuation reduction is \$15,000. This also will not be a large reduction)

. the bill amends some of the Tabor provisions, allowing a higher cap and the state to retain more revenue (if I understand correctly, this why it has to be approved by voters)

The link below explains the proposition HH and its political and law environment :

[https://ballotpedia.org/Colorado\\_Proposition\\_HH\\_Property\\_Tax\\_Changes\\_and\\_Revenue\\_Change\\_Measure\\_\(2023\)](https://ballotpedia.org/Colorado_Proposition_HH_Property_Tax_Changes_and_Revenue_Change_Measure_(2023))

There is a little-known property tax deferral program (to apply to between Jan 1 and April 1 2024). It is up to \$10,000. the State (Colorado) pays the property tax and the homeowner owes the money to the State plus interest (now 4.125%). The deferral has to be renewed every year.

May be at the best a short term help in my opinion

<https://colorado.propertytaxdeferral.com/faq>

<https://colorado.propertytaxdeferral.com/home>

Finally, if you are 65 and over and have lived 10 years in your house, don't forget the senior property tax exemption, the first \$100,000 of the assessed value of the house will be exempted under the conditions:

- at least 65 years old on Jan 1 of year being taxed
- owner of record and primary residence for at least 10 years prior to same date

The application for 2023 taxes payable in 2024 was July 15 (short form usually, issued by each county and available online) however: *"The assessor is authorized to accept late applications until September 15 if the applicant can show good cause for missing the July 15 deadline"*

[Colorado Senior Property Tax Exemption](#)

Again please feel free to call me 303-929-8090 if questions.

Thank you  
Michael