



MARTIN · SMITH

& COMPANY CPAs

January 2024

Dear Client,

We faced another challenging economic year in 2023. Rising interest rates, higher inflation, and worries about a possible recession continue to dominate the business news. While there was no substantial new tax legislation passed during the year, there are a number of important changes. The following is a summary of the more important tax matters of which you should be aware.

Dates for 2023 tax returns – The due date is April 15 (Monday). In prior years we benefitted from an additional day or two due to Emancipation Day (a holiday in the District of Columbia). However, the IRS will honor this holiday only in the states of Maine and Massachusetts. The IRS will begin accepting individual e-filed returns on January 29.

Earned Income Tax Credit, Child Tax Credit and tax rates/brackets – The 2023 credits have been indexed for inflation over the 2022 amounts. Other than these increases, the credits did not change. The tax brackets have been somewhat expanded thereby reducing income taxes.

Key Legislation Passed in 2022

Inflation Reduction Act of 2022 – This Act promotes clean energy through a number of tax credits for certain vehicles and an increase and enhancement of certain residential energy credits. These credits are generally applicable for 2023. Be sure to get documentation for these credits at the time of purchase as the details are critical and specific. Regarding solar panels, investigate your true potential tax savings before purchasing. Each person's tax situation differs from another, and solar panel salespeople tend to make statements that are not reality when the tax return is prepared.

SECURE 2.0 Act (part of the Consolidated Appropriations Act) – This Act includes many taxpayer-friendly retirement-related provisions. The age for required minimum distributions increased to 73 in 2023 (the age will increase to 75 in 2033). The Act also includes increased catch-up contributions for taxpayers 50 years and older; provisions for rollover of unused 529 plans to Roth IRAs; expanded exceptions to the 10% penalty for early withdrawal; and reduced penalties for failure to take an RMD.

South Carolina Fuel Tax Credit - For South Carolina residents, 2022 was the final year for claiming this credit.

Security and the IRS – Many of our clients use a service called RightSignature to electronically sign (e-sign) their income tax e-file forms. Increased security now requires you to perform an identity verification process to continue using this service on an ongoing basis. We will be contacting you via phone or email to perform this verification in the next several weeks or at the time of filing your return. Additional information can be found in the **Newsletters** section on our website.

Stay up to date with current tax information - Our website is updated periodically, so please go to it for current information and more detailed explanations. Refer to the **Tax Alerts** on the right side of the home page and additional subject matters on the **Newsletters** page. Additionally, you can subscribe to **eNewsletters**. These newsletters are updated monthly.

Inflation – It is now apparent that inflation is here to stay and that the higher prices we are paying for goods and services are here to stay. As an accounting firm, we too have experienced increased costs to provide you with outstanding tax services. Consequently, it is necessary that we increase our fees by 10-15%. Each year we evaluate our fee structure to accommodate our increasing costs while not compromising on the tax system and research support that we use to provide professional and personal tax services.

We look forward to once again serving you this year.

Sincerely yours,

MARTIN SMITH & COMPANY CPAs, PA

Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended to be a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. It is not a substitute for specific advice related to your own circumstances.