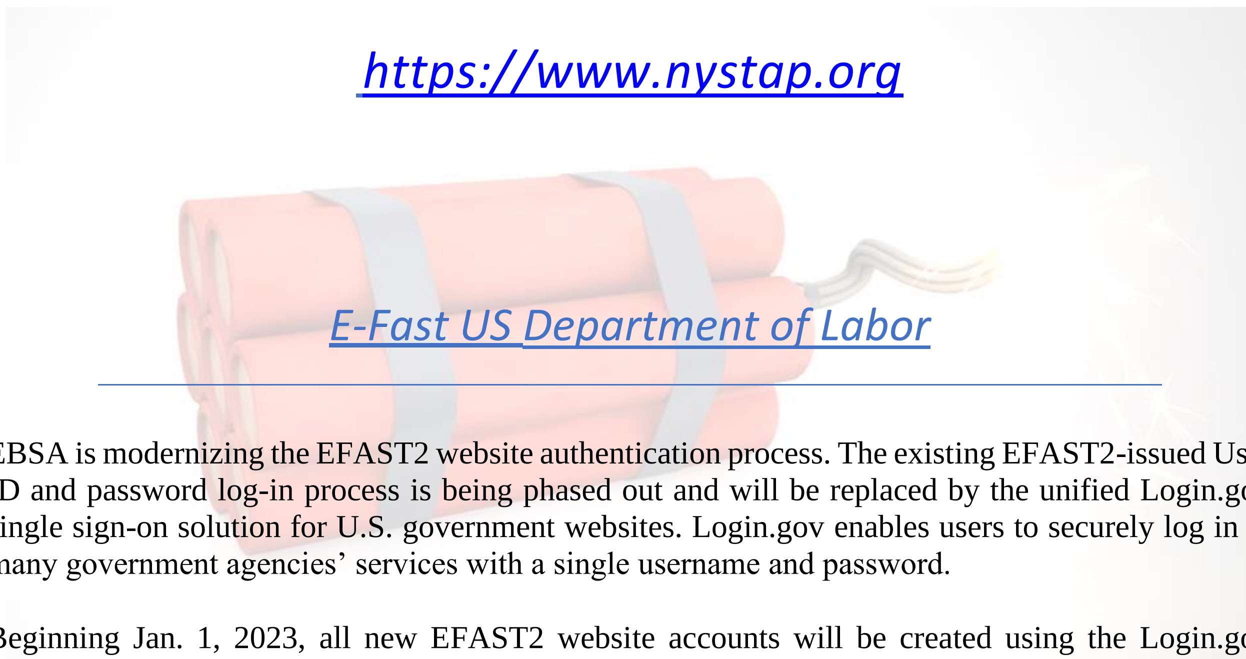
TAX BLAST

NEWS FOR THE TAX PROFESSIONAL

FEBRUARY 2023

https://www.nystap.org



E-Fast US Department of Labor

EBSA is modernizing the EFAST2 website authentication process. The existing EFAST2-issued User ID and password log-in process is being phased out and will be replaced by the unified Login.gov single sign-on solution for U.S. government websites. Login.gov enables users to securely log in to many government agencies' services with a single username and password.

Beginning Jan. 1, 2023, all new EFAST2 website accounts will be created using the Login.gov process. Existing filers may use their EFAST2-issued User ID and password to log in to the EFAST2 website until Sept. 1, 2023. This eight-month grace period provides a gradual transition for filers. However, existing filers may change to a Login.gov account as early as Jan. 1, 2023.

Logging into the EFAST2 website is required to obtain new electronic signature credentials for the Form 5500 Series. It is also required to file the Form PR or to use IFILE, the government's Form 5500 Series filing application. Logging into the EFAST2 website is generally not necessary for existing Form 5500 Series filers using approved private software.

Link for from IRS Eligible Clean Vehicle Models

Link for Manufacturers and Models for New Qualified Clean Vehicles Purchased in 2023 or after

https://www.irs.gov/credits-deductions/manufacturers-and-models-for-new-qualified-clean-vehicles-purchased-in-2023-or-after

North America Final Assembly and MSRP Requirements

Vehicle make/models that appear in the list below do not automatically qualify. They must also

- Have undergone final assembly in North America
- Not exceed a manufacturer suggested retail price (MSRP) of
  - $80,000 for vans, sport utility vehicles and pickup trucks
  - $55,000 for other vehicles

To check if the vehicle is eligible the tax credit use the ink for the US Department of Energy

https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit

The House of Representatives has a new sheriff in town and on its agenda is to rescind the increase in funding for the IRS.

Required Minimum Distributions

New Commencement Age for RMDs. Since 2020, age 72 has been the age at which individuals were required to start taking annual distributions from their retirement accounts such as traditional IRAs. However, for those who will be turning 72 in 2023, an 11th hour change in the tax laws, as part of the SECURE Act 2.0, increased the age for starting RMDs to 73 effective January 1, 2023. Therefore, these individuals will be permitted to delay their distributions an additional year. The required minimum distribution age will increase yet again to age 75 starting January 1, 2033.

Qualified Charitable Distributions

IRA owners over the age of 70.5 may direct up to $100,000 per year to be distributed directly from their IRA to a charity as a Qualified Charitable Distribution (QCD). Such distributions are not taxable to the account owner. Additionally, a QCD may be used to offset a taxpayer's required minimum distribution for the year.

When a taxpayer who is subject to RMDs takes funds from an IRA, any amount withdrawn is first assumed to satisfy the RMD. Therefore, an IRA owner who is considering making a QCD for the year may want to do this earlier in the year to satisfy their RMD using the QCD before making an any other distributions from the account. This not only includes distributions directly to the account owner, but also rollovers and Roth conversions. Otherwise, the account owner may generate a tax liability that could have been avoided simply by doing transactions in a different order.

Annual exclusion gifts.

Like contributions to retirement plans, there are benefits to making annual exclusion gifts early in the tax year. An early gift gives the recipient more time to invest the funds, which will hopefully appreciate in the recipient's hands, rather than in the donor's estate. For 2023, the annual exclusion is $17,000 per recipient.

2023 Luxury Auto Depreciation Caps and Lease Inclusion Amounts Issued (Rev. Proc 2023-14)

The IRS has issued the luxury car depreciation limits for business vehicles placed in service in 2023 and the lease inclusion amounts for business vehicles first leased in 2023

Luxury Passenger Car Depreciation Caps

The luxury car depreciation caps for a passenger car placed in service in 2023 limit annual depreciation deductions to:

1. $12,200 for the first year without bonus depreciation
2. $20,200 for the first year with bonus depreciation
3. $19,500 for the second year
4. $11,700 for the third year
5. $6,960 for the fourth through sixth year

Depreciation Caps for SUVs, Trucks and Vans

The luxury car depreciation caps for a sport utility vehicle, truck, or van placed in service in 2023 are:

1. $12,200 for the first year without bonus depreciation
2. $20,200 for the first year with bonus depreciation
3. $19,500 for the second year
4. $11,700 for the third year
5. $6,960 for the fourth through sixth year

Excess Depreciation on Luxury Vehicles

If depreciation exceeds the annual cap, the excess depreciation is deducted beginning in the year after the vehicle's regular depreciation period ends.

The annual cap for this excess depreciation is:

- $6,960 for passenger cars and
- $6,960 for SUVS, trucks, and vans.

Lease Inclusion Amounts for Cars, SUVs, Trucks and Vans

If a vehicle is first leased in 2023, a taxpayer must add a lease inclusion amount to gross income in each year of the lease if its fair market value at the time of the lease is more than:

- $60,000 for a passenger car, or
- $60,000 for an SUV, truck or van.

The 2023 lease inclusion tables provide the lease inclusion amounts for each year of the lease.

The lease inclusion amount results in a permanent reduction in the taxpayer's deduction for the lease payments

Vehicles Exempt from Depreciation Caps and Lease Inclusion Amounts

The depreciation caps and lease inclusion amounts do not apply to:

1. cars with an unloaded gross vehicle weight of more than 6,000 pounds; or
2. SUVs, trucks, and vans with a gross vehicle weight rating (GVWR) of more than 6,000 pounds.

REV. PROC. 2023-14 TABLE 1

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2023, FOR WHICH THE §168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Year 1	$20,200.00

Year 2	$19500.00
Year 3	$11,700.00
Each succeeding year	$6,900.00

REV. PROC. 2023-14 TABLE 2

Year 1	$12.200.00
Year 2	$19,500.00
Year 3	$11,700.00
Each succeeding year	$ 6,900.00

New Terminology

IR-2023-12 The Term Virtual Currency has been replaced with digital assets. Digital assets are a more encompassing term.

What is a digital asset?
A digital asset is a digital representation of value which is recorded on a cryptographically secured, distributed ledger. Common digital assets include:

- Convertible virtual currency and cryptocurrency
- Stablecoins
- Non-fungible tokens (NFTs)

NYC PTET TAX

If you're an authorized person filing on behalf of an eligible entity, you can opt in to the NYC PTET for 2022 through March 15, 2023. For additional information, visit New York City pass-through entity tax (NYC PTET): Election.

Note: You **cannot** opt in to the NYC PTET for an entity that did not opt in to the New York State PTET for 2022, or for an entity that already filed its 2022 PTET annual return.

To make additional payments for 2022 prior to filing your entity's annual return, request an extension of time to file; you can make estimated tax payments for your entity through the online PTET Extension application.

2022 PTET Elections

The deadline for opt in is March 15, 2023. Note if you want to elect a NYC PTET you aqre required to file for the State PTET.

More NYS Changes

Effective January 1, 2022, any student loan forgiveness award included in federal AGI will be subtracted when calculating NYS AGI.

Effective January 1, 2022, the small business subtraction modification percentage for both NYS and NYC personal income taxes is increased from 5% to 15%. Those eligible for the subtraction was expanded to include:

a. sole proprietors with one or more employees and less than $250,000 of net business income or net farm income.

b. partnerships, LLC's, and NYS S corporations with one or more employees and net farm income of less than $250,000; and

c. partnerships, LLC's, and NYS S corporations with one or more employees and less than $1.5 million of "New York gross business income" attributable to a non-farm business.

For purposes of "c" and with respect to entities treated as partnerships, "New York gross business income" is defined by reference to Tax Law § 658(c)(3)(B). This Law provides that New York source gross income is the sum of the partners' or members' shares of federal gross income from the partnership or LLC derived from or connected with NYS sources, determined in accordance with Tax Law §631 as if those provisions and any related provisions expressly referred to a computation of federal gross income from New York sources. For this purpose, federal gross income is computed without any allowance or deduction for cost of goods sold.

For purposes of "c" regarding S corporations, "New York gross business income" means receipts included in the numerator of the corporation's apportionment factor.

The individual income tax rate reductions – originally intended to phase in beginning in 2024 – were accelerated to 2023.

Useful tool

To confirm that an organization is tax-exempt. https://apps.irs.gov/app/eos/

Annual Convention

Save the date for our all-day Annual Convention June 22, 2003 to be held at Russo's on the Bay in Howard Beach, New York