



THERE MAY STILL BE TIME TO LOWER YOUR 2023 TAX BILL

If you're preparing to file your 2023 tax return and expecting a tax bill, you may still be able to lower it — or even claim a refund. If you qualify, you can make a deductible contribution to a traditional IRA right up until the original filing deadline, April 15, 2024, and see tax savings on your 2023 return.

For eligible taxpayers, the 2023 contribution limit has increased to \$6,500, or \$7,500 for taxpayers aged 50 and up. If you're a small business owner, you can establish and contribute to a Simplified Employee Pension (SEP) plan up to the extended due date of your return. The maximum SEP contribution you can make for 2023 is \$66,000.



What determines eligibility? To make a deductible contribution to a traditional IRA, you (and your spouse) must not be active participants in an employer-sponsored retirement plan, unless your 2023 modified adjusted gross income falls within these limits:

- For single taxpayers covered by a workplace plan, the income phaseout range is \$73,000 to \$83,000.
- For a married couple filing jointly, where the spouse making IRA contributions is covered by a workplace plan, the income phaseout range is \$116,000 to \$136,000. If the spouse making the IRA contributions isn't covered by a workplace plan but his or her spouse is, the phaseout range is \$218,000 to \$228,000.
- For a married individual, filing separately, with you or your spouse covered by a workplace plan, the phaseout range is \$0 to \$10,000.

Contact us if you want more information about this important topic. We can help you save the maximum tax-advantaged amount for retirement. ■

TRAVELING FOR BUSINESS IN 2024? WHAT'S DEDUCTIBLE?

If you and your employees will be traveling for business this year, there are many factors to keep in mind. Under the tax law, certain requirements for out-of-town business travel within the United States must be met before you can claim a deduction. The rules apply if the business conducted reasonably requires an overnight stay.

Note: Under the Tax Cuts and Jobs Act, *employees* can't deduct their unreimbursed travel expenses through 2025 on their own tax returns. That's because unreimbursed employee business expenses are "miscellaneous itemized deductions" that aren't deductible through 2025. Self-employed individuals can continue to deduct business expenses, including away-from-home travel expenses.

RULES THAT COME INTO PLAY

The actual costs of travel (for example, plane fare and cabs to the airport) are generally deductible for out-of-town business trips. You're also allowed to deduct the cost of lodging. And a percentage of your meals is deductible even if the meals aren't connected to a business conversation or other business function. For 2024, the law allows a 50% deduction for business meals.

No deduction is allowed for meal or lodging expenses that are "lavish or extravagant," a term that generally means "unreasonable." Also, personal entertainment costs on trips aren't deductible, but business-related costs such as those for dry cleaning, phone calls and computer rentals can be written off.



MIXING BUSINESS WITH PLEASURE

Some allocations may be required if the trip is a combined business/pleasure trip; for example, if you fly to a location for four days of business meetings and stay on for an additional three days of vacation. Only the costs of meals, lodging and so on incurred during the business days are deductible — not those incurred for the personal vacation days.

On the other hand, with respect to the cost of the travel itself (for example, plane fare), if the trip is primarily for business purposes, the travel cost can

IS YOUR SPOUSE JOINING YOU?

The rules for deducting the costs of a spouse who accompanies you on a business trip are very restrictive. No deduction is allowed unless the spouse is an employee of yours or of your company. If that isn't the case, then even if there's a bona fide business purpose for having your spouse make the trip, you probably won't be able to fully deduct his or her travel costs (though you can deduct some costs).

Specifically, the restrictions apply only to additional costs incurred by having your non-employee spouse travel with you. For example, the expense of a hotel room or for traveling by car would likely be fully deductible since the cost to rent the room or to travel alone or with another person would be the same, even in a rented car.

be deducted in its entirety and no allocation is required. Conversely, if the trip is primarily personal, none of the travel costs are deductible. An important factor in determining if the trip is primarily business or personal is the amount of time spent on each (though this isn't the sole factor).

Suppose a trip isn't for the actual conduct of business, but is for the purpose of attending a convention or seminar. The IRS may check the nature of the meetings carefully to make sure they aren't vacations

in disguise, so retain all material helpful in establishing the business or professional nature of this travel.

Also, personal expenses you incur at home related to the trip aren't deductible. This might include costs such as boarding a pet while you're away.

BEFORE YOU HIT THE ROAD

Contact us with any questions you may have about travel deductions. We can help you stay in the right lane. ■

HOW TO SECURE A TAX BENEFIT WITH THE QBI DEDUCTION

QBI may sound like the name of a TV quiz show. But it's actually the acronym for "qualified business income," which can trigger a tax deduction for some small business owners or self-employed individuals. The QBI deduction was authorized by the Tax Cuts and Jobs Act (TCJA), and it took effect in 2018.

HOW IT WORKS

The deduction is still available to owners of pass-through entities — such as S corporations, partnerships and limited liability companies — as well as



self-employed individuals. But it is scheduled to expire after 2025 unless Congress acts to extend it.

The maximum deduction is equal to 20% of QBI. Generally, QBI refers to your net profit, excluding capital gains and losses, dividends and interest income, employee compensation and guaranteed payments to partners. The deduction can be claimed whether or not you itemize.

Notably, the QBI deduction is subject to a phaseout based on your income. If your total taxable income is below the lowest threshold, you may be entitled to the full 20% deduction although other limitations do apply.

- For 2023, the thresholds are \$182,100 for single filers and \$364,200 for joint filers.
- For 2024, the thresholds are \$191,950 for single filers and \$383,900 for joint filers.

But things get tricky if your income exceeds the applicable threshold. In that case, your ability to claim the QBI deduction depends on the nature of your business.

Specifically, the rules are different for regular business owners of pass-through entities, sole proprietors and those who are in "specified service trades or businesses"

(SSTBs). This covers most business people who provide personal services to the public, such as physicians, attorneys, financial planners and accountants. (Engineers and architects are excluded). Professionals in this group forfeit the QBI deduction entirely if income exceeds another set of limits.

- For 2023, these upper limits are \$232,100 for single filers and \$464,200 for joint filers.
- For 2024, these upper limits are \$241,950 for single filers and \$483,900 for joint filers.

If your income falls between the thresholds stated above, your QBI deduction is reduced, regardless of whether you're in an SSTB or not. For taxpayers who *are* in

SSTBs, the deduction is phased out until it disappears at the upper income threshold. For other taxpayers, the deduction is limited to the lesser of 20% of QBI or the greater of 1) 50% of the wages paid to employees on W-2s, or 2) 25% of wages plus 2.5% of the unadjusted basis of the qualified property owned by the business.

AVAILABLE FOR A LIMITED TIME

The QBI deduction provides a valuable tax break for small business owners, so if it expires, their taxes are likely to go up. It's unclear at this time whether the deduction has a chance of being extended. Contact us for guidance in determining the best strategy for your personal situation. ■

TRACKING DOWN DONATION SUBSTANTIATION

If you're like many Americans, your mailbox may have been filling up in recent weeks with letters from your favorite charities acknowledging your 2023 donations. But what happens if you haven't received such a letter for a contribution? Can you still claim a deduction on your 2023 income tax return for the gift? It depends.

WHAT'S REQUIRED

To support a charitable deduction, you need to comply with IRS substantiation requirements. This generally includes obtaining a contemporaneous written acknowledgment from the charity stating the amount of the donation if it's cash. If the donation is property, the acknowledgment must describe the property, but the charity isn't required to provide a value. The donor must determine the property's value.

"Contemporaneous" means the earlier of the date you file your tax return or the extended due date of your return. So, if you donated in 2023 but haven't yet received substantiation from the charity, it's not too late — as long as you haven't filed your 2023 return. Contact the charity and request a written acknowledgment.

Keep in mind that, if you made a cash gift of under \$250 with a check or credit card, generally a canceled check, bank statement or credit card statement is sufficient to support your donation. However, if you received something in return for the donation, you generally must reduce your deduction by its value — and the charity is required to provide you a written acknowledgment as described earlier, listing the value of the item you received.

ITEMIZED DEDUCTIONS OR STANDARD?

You may remember that in recent tax years — 2020 and 2021 — there was a special provision of tax law that



allowed taxpayers who take the standard deduction on their tax returns to claim a limited deduction.

Many people don't realize that this provision wasn't reauthorized for subsequent years. Since the tax break has expired, it's no longer available to non-itemizers. So, to deduct your charitable donations, you must opt to itemize deductions on your tax return, rather than taking the standard deduction.

ASK QUESTIONS

If you aren't sure about some of your donations, we can answer your questions and help you determine whether you have sufficient substantiation for the donations you hope to deduct on your 2023 return. We can also guide you on the substantiation you'll need for charitable gifts you're planning this year to ensure you can enjoy the desired deductions when you file this year's return. ■