

# T & K Accounting

7521 Richmond Rd Ste G  
Williamsburg, VA 23188  
kelly@t-kaccounting.com  
Phone: (757)345-6690 | Fax: (757)345-6691

Happy New Year! It's time to start gathering information for tax time.

There were not many changes this year. We have included a brief overview of the changes for 2023. Due to the increased cost of doing business, we find it necessary to increase our tax preparation services. The average increase will be 20% from the previous year.

The IRS has not announced when they will start accepting returns. It is usually at the end of January and the state usually follows. We encourage you to get your information to us as soon as possible. Due to the additional time each return takes now and the various deadlines we have to set the following cutoff times:

1. Sub-S Corporations (Form 1120S) and Partnership (Form 1065) returns are due March 15th. Extensions will be filed on returns if information is received after February 15th.

These are flow through returns so if an extension is necessary - it will be necessary to file an individual extension as well.

2. Individual (Form 1040) and C-Corporation (Form 1120) returns are due April 15th. Extensions will be filed on returns if information is received after March 15th.

These dates are firm. An extension extends the due date for filing. It does not extend the due date for paying any tax that is due. An extension does not cause an audit. There could be other instances that an extension will need to be filed - that will be determined on an individual basis.

Please bring your signed engagement letter (if joint return need taxpayer and spouse) and all supporting documents, including W-2 and 1099 statements, to your tax-preparation appointment or when you drop off your information. Please include a updated copy of your driver's licenses (if joint return need taxpayer and spouse) with your documentation. A client portal is also available on our website that you can securely upload your documentation to us, [www.t-kaccounting.com](http://www.t-kaccounting.com). We ask to please use your checklist of items enclosed to gather your information and make sure it is as complete as possible.

In the last few years we have experienced increased changes to tax returns by taxing authorities regarding inaccurate estimated tax payments claimed on the returns. In the majority of cases this has been due to receiving inaccurate information from the taxpayers. In an effort to eliminate these situations if you are a taxpayer that pays quarterly federal and/or state estimated tax, we will need documentation of these payments showing the dates and amounts paid. Examples would be cancelled checks, printout from IRS or state portals or online receipts.

We appreciate your continued business and confidence in us as your tax professionals. Contact our office at

(757)345-6690 if you have any questions or need additional information.

Sincerely,

Tom & Kelly Lusk

# T & K Accounting

7521 Richmond Rd Ste G  
Williamsburg, VA 23188  
kelly@t-kaccounting.com  
Phone: (757)345-6690 | Fax: (757)345-6691

## Engagement of Preparation of Your 2023 Tax Returns

We will prepare your 2023 federal and state income tax returns. We will depend on you to provide the information we need to prepare and complete accurate returns. We may ask you to clarify some items but will not audit or otherwise verify the data you submit. Use the Checklist and Questionnaire to help you collect the data required for your return. This will help you avoid overlooking important information. By using it, you will contribute to the efficient preparation of your returns.

We will perform accounting services only as needed to prepare your tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for you to clarify some of the information you submit. We will inform you of any material errors, fraud, or other illegal acts we discover. Should we encounter instances of unclear tax law, or of potential conflicts in the interpretation of the law, we will outline the reasonable courses of action and the risks and consequences of each. We will ultimately adopt, on your behalf, the alternative you select.

Our fee is based on the time required at standard billing rates plus out-of-pocket expenses. **Invoices are due and payable upon presentation.** All accounts not paid within thirty (30) days are subject to interest charges to the extent permitted by state law.

We will return your original records to you at the end of this engagement. Store these records, along with all supporting documents, canceled checks, etc., in a secure location in case these items are needed later to prove accuracy and completeness of a return. We retain copies of your records and our work papers for your engagement for seven years, after which these documents will be destroyed.

Our engagement to prepare your 2023 tax returns will conclude with the delivery of the completed returns to you. Review all tax-return documents carefully before signing them.

To affirm that this letter correctly summarizes your understanding of the arrangements for this work, sign the enclosed copy of this letter in the space indicated and return it to us.

Thank you for the opportunity to be of service. If you have any questions, contact our office at (757)345-6690.

Accepted By: (Both spouses must sign for preparation of joint returns.)

\_\_\_\_\_  
Taxpayer Date

\_\_\_\_\_  
Spouse Date



2023

## Checklist

Name:

SSN:

## Checklist

This checklist is provided to help you gather necessary information for us to prepare your 2023 income tax return. Return this list, along with the supporting documentation, to our office and let us know of any significant changes from your 2022 tax year.

## General Information and Prior Year Documentation

- ☐ Proof of identity for those claimed on the return (driver's license or state issued ID, Social Security card, birth certificates for children, etc.)
- ☐ Income tax returns from the prior year
- ☐ Depreciation schedules from prior years for businesses, rentals, etc.

## Current Year Income Documentation

- ☐ Wage and tax statements (Form W-2)
- ☐ Gambling income (Form W2-G)
- ☐ IRA distributions, pensions, and annuities (Form 1099-R)
- ☐ Dividend income (Form 1099-DIV)
- ☐ Interest income (Form 1099-INT)
- ☐ Miscellaneous income (Form 1099-MISC)
- ☐ Nonemployee compensation (Form 1099-NEC)
- ☐ Unemployment compensation and other government payments (Form 1099-G)
- ☐ Credit card, debit card, and third-party network transactions (Form 1099-K)
- ☐ Reportable payment transactions
- ☐ Social Security benefits (Form SSA-1099)
- ☐ Railroad retirement benefits (Form RRB-1099)
- ☐ Income from partnerships, S corporations, estates, and trusts (Schedule K-1)
  - ☐ Basis information for any partnerships and S corporations
- ☐ Documentation of brokerage transactions and disposition of capital assets (Form 1099-B)
- ☐ Proceeds from real estate transactions (Form 1099-S)
- ☐ Self-employed business income (Schedule C)
- ☐ Farm income (Schedule F)
- ☐ Farm rental income (Form 4835)
- ☐ Income from rental real estates and royalties (Schedule E)

## Other Income (provide supporting documentation for income received for the following items)

- ☐ Sale of assets or property
- ☐ Cancellation of debt
- ☐ Other income \_\_\_\_\_

## Payments (provide supporting documentation for payments made for the following items)

- ☐ Educator classroom expenses
- ☐ Employee business expenses
- ☐ Contributions to a Health Savings Account
- ☐ Expenses related to work relocation with the military
- ☐ Alimony
- ☐ Student loan interest
- ☐ Refunded student loan interest payments
- ☐ Student loan forgiveness
- ☐ Tuition and fees for higher education
- ☐ Expenses related to child or dependent care
- ☐ Contributions to a Retirement Savings Account
- ☐ Medical and dental expenses
- ☐ Real estate taxes
- ☐ Other state and local taxes
- ☐ Mortgage interest
- ☐ Investment interest

**Checklist**

Name:

SSN:

**Checklist**

- ☐ Cash contributions
- ☐ Noncash contributions (provide organization name)
- ☐ Unreimbursed employee expenses
- ☐ Investment expenses
- ☐ Gambling losses
- ☐ Other payments \_\_\_\_\_

## Questionnaire

Name:

SSN:

## Questionnaire

## Personal Information

Yes No

- ☐ ☐ Did your marital status change during the year?  
If "Yes," explain. \_\_\_\_\_
- ☐ ☐ Did your name change during the tax year?  
If "Yes," explain. \_\_\_\_\_
- ☐ ☐ If your filing status is married, but you are filing separately from your spouse, did you and your spouse live apart for the last six months of 2023?
- ☐ ☐ Can you or your spouse be claimed as a dependent by someone else?
- ☐ ☐ Did your address change during the year?
- ☐ ☐ Were you, your spouse, or any dependents a victim of identity theft?  
If "Yes," explain. \_\_\_\_\_
- ☐ ☐ Were you, your spouse, or any dependents issued an Identity Protection PIN (IP PIN)?  
If "Yes," provide Notice CP01A from the IRS.

**Provide proof of identity to be eligible to e-file your tax return (driver's license or state-issued photo ID)**

## Dependent Information

Yes No

- ☐ ☐ Did you have any changes in dependents during the year?  
If "Yes," explain. \_\_\_\_\_
- ☐ ☐ Can another person qualify to claim any of your dependents?
- ☐ ☐ Did you have any child or dependent care expenses during the year?
- ☐ ☐ Did you have any adoption expenses during the year?
- ☐ ☐ Did you have any children under age 19 or a full-time student under age 24 with more than \$2,500 of unearned income?

**Provide documentation for proof of dependent credits (school records, medical records, daycare records, etc.)**

## Health Care Information

Yes No

- ☐ ☐ Did any member of your household have healthcare coverage through the Marketplace (Obamacare)?  
If "Yes," provide copies of Form 1095-A.
- ☐ ☐ Did you receive any distributions from a Health Savings Account (HSA), Archer MSA, or Medicare Advantage MSA during the year?

## Income, Purchases, Sales, and Debt Information

Yes No

- ☐ ☐ Did you receive any tips not reported to your employer?
- ☐ ☐ Did you receive any disability income during the year?
- ☐ ☐ Did you cash in any U.S. savings bonds during the year?
- ☐ ☐ Did you start a new business or purchase any rental property during the year?
- ☐ ☐ Did you sell an existing business, rental property, or other property during the year?
- ☐ ☐ Did you purchase any business assets or convert any assets to business use?  
If "Yes," provide the cost of the asset, the date it was placed in service, and the business use percentage.
- ☐ ☐ Did you purchase any gasoline, diesel, or special fuels for off-road business use?
- ☐ ☐ Did you buy or sell any stocks, bonds, or other investments during the year?
- ☐ ☐ Did you sell a principal residence during the year?  
If "Yes," provide closing documentation for the purchase and sale of the home.
- ☐ ☐ Did you have a principal residence or a piece of real property foreclosed on during the year?
- ☐ ☐ Did you abandon a principal residence or a piece of real property during the year?
- ☐ ☐ Did you refinance your principal home or second home or take out a home equity loan during the year?  
If "Yes," provide all escrow, closing, and other pertinent documentation and information.
- ☐ ☐ Did you receive any principal or interest during this year from property sold in prior years?



## Questionnaire

Name: \_\_\_\_\_

SSN: \_\_\_\_\_

## Questionnaire

- ☐ ☐ Did you rent out your home or use it for business?  
☐ ☐ Did you sell, exchange, or purchase any real estate during the year?  
☐ ☐ Did you acquire a new or additional interest in a partnership or S corporation?  
☐ ☐ Did you have any debts canceled or forgiven this year?  
☐ ☐ Does anyone owe you money that has become uncollectible?  
☐ ☐ Did you purchase a new or previously owned clean vehicle (electric vehicle, plug-in hybrid, fuel-cell vehicle, qualified commercial clean vehicle) during the year?  
     If "Yes," provide the report the dealer or seller is required to provide to you.  
☐ ☐ Did you receive income or incur expenses associated with a fantasy sports league?  
     If "Yes," provide documentation.  
☐ ☐ Did you receive income or incur expenses associated with car sharing (e.g., Lyft or Uber)?  
     If "Yes," attach Form 1099-MISC, Form 1099-NEC, or Form 1099-K.  
☐ ☐ Did you receive income or incur expenses associated with freelancing (e.g., Upwork or TaskRabbit)?  
     If "Yes," attach Form 1099-K or Form W-2.  
☐ ☐ Did you receive income or incur expenses associated with fashion sharing (e.g., Poshmark or thredUP)?  
     If "Yes," provide documentation.  
☐ ☐ Did you receive income or incur expenses associated with crowdfunding (e.g., Kickstarter or Indiegogo)?  
     If "Yes," attach Form 1099-K.  
☐ ☐ Did you receive income or incur expenses associated with a short-term rental (e.g., Airbnb, VRBO or HomeAway)?  
     If "Yes," provide documentation.  
☐ ☐ Did you receive income or incur expenses as an independent contractor (e.g., Shipt, Instacart, DoorDash)?  
     If "Yes," provide documentation.  
☐ ☐ Did you receive any other income you have not provided information for with this organizer?  
     If "Yes," explain. \_\_\_\_\_

## Itemized Deduction Information

Yes No

- ☐ ☐ Did you pay out-of-pocket medical or dental expenses (premiums, prescriptions, mileage, etc.) during the year?  
☐ ☐ Did you pay any long-term care premiums for yourself, your spouse, or a dependent during the year?  
☐ ☐ Did you receive any state or local income tax refunds from prior years?  
☐ ☐ Did you make any major purchases (vehicle, boat, etc.) during the year?  
☐ ☐ Did you pay any real estate property taxes or personal taxes during the year?  
☐ ☐ Did you pay mortgage interest during the year?  
☐ ☐ Did you make cash donations to charity during the year?  
☐ ☐ Did you make noncash donations to charity (clothes, furniture, etc.) during the year?  
☐ ☐ Did you donate a boat or vehicle during the year?  
     If "Yes," attach Form 1098-C.  
☐ ☐ Did you have gambling winnings or losses during the year?  
☐ ☐ Did you have any job-related expenses that were not reimbursed by your employer (uniforms, safety equipment, etc.)?  
☐ ☐ Did you use your vehicle on the job other than for commuting to work?  
☐ ☐ Did you work out of town at any time during the year?

## Retirement Information

Yes No

- ☐ ☐ Did you make any contributions to an IRA, Roth, Keogh, SIMPLE, SEP, 401(k), or other qualified retirement plan during the year?  
☐ ☐ Did you make any withdrawals or receive distributions from a pension or profit-sharing plan, IRA, Roth, Keogh, SIMPLE, SEP, 401(k), or other qualified retirement plan during the year?  
☐ ☐ Did you execute any rollovers from an IRA, Roth, Keogh, SIMPLE, SEP, 401(k), or other qualified retirement plan during the year?  
☐ ☐ Did you receive any Social Security benefits during the year?

2023

## Questionnaire

Name:

SSN:

## Questionnaire

## Education Information

Yes No

- ☐ ☐ Did you pay tuition expenses that were required for attending college, university, or vocational school for yourself, your spouse, or a dependent during the year (even if classes were attended in another year)?
- ☐ ☐ Did anyone in your household attend a post-secondary school during the year?
- ☐ ☐ Did you make a contribution to or receive a distribution from an Education Savings Account or Qualified Tuition Program during the year?
- ☐ ☐ Did you pay student loan interest for yourself, your spouse, or your dependents during the year?  
If "Yes," provide the amount of interest that was refunded.
- ☐ ☐ Did you receive forgiveness on a qualifying federal student loan?

## Foreign Tax Information

Yes No

- ☐ ☐ Did you have a financial interest in or signature authority over a financial account or asset located in a foreign country?
- ☐ ☐ Did you receive a distribution from, or were you a grantor of, or transferor to, a foreign trust?
- ☐ ☐ Did the aggregate value of your foreign accounts exceed \$10,000 at any time during the year?
- ☐ ☐ Did you have any income from, or pay taxes to, a foreign country?
- ☐ ☐ Did you receive a Schedule K-3 from a partnership or S corporation?
- ☐ ☐ Did you have ownership in a foreign corporation at any time during the year?
- ☐ ☐ Did you own property in a foreign country?

## Refund, Withholding, and Estimated Tax Information

Yes No

- ☐ ☐ If you have an overpayment of 2023 taxes, do you want the refund applied to your 2024 estimated taxes?
- ☐ ☐ Did you make any estimated payments toward your 2023 taxes?
- ☐ ☐ Did you apply an overpayment of your 2022 taxes to your 2023 estimated taxes?
- ☐ ☐ Do you want to have any refund or balance due directly deposited or withdrawn?  
If "Yes," provide a canceled checking or savings slip.
- ☐ ☐ Do you anticipate your income or withholdings to be different for 2024?

## Miscellaneous Information

Yes No

- ☐ ☐ Did you receive, sell, exchange, gift, or otherwise dispose of any digital asset or financial interest in any digital asset?
- ☐ ☐ Did you incur a gain or loss due to damaged or stolen property, while living in a federally declared disaster area?  
If "Yes," provide the incident date, value of the property, amount of insurance reimbursements, and the declaration number assigned by FEMA.
- ☐ ☐ Did you pay wages to any household employees (babysitter, nanny, housekeeper, etc.)?
- ☐ ☐ Did you make gifts to any one person in excess of \$17,000 during the year?
- Yes No**
- ☐ ☐ If "Yes," are you splitting the gift with your spouse?
- ☐ ☐ Did you incur moving expenses with the military during the year?
- ☐ ☐ Did you make any energy-efficient improvements to your main home during the year?
- ☐ ☐ Are you a business owner who paid health insurance premiums for your employees during the year?
- ☐ ☐ Did you receive a cash payment or digital asset of more than \$10,000 in one transaction or two or more related transactions during the year?
- Yes No**
- ☐ ☐ If "Yes," was Form 8300, Report of Cash Payment over \$10,000 Received in Trade or Business, filed?
- ☐ ☐ Do you own interest or shares in or did you dispose of a Qualified Opportunity Fund during the year?

QUESTION.LD



2023

## Questionnaire

Name:

SSN:

## Questionnaire

- ☐ ☐ Did you make any purchases subject to use tax during the year?  
If "Yes," provide details.
- ☐ ☐ Did you receive any notices from the IRS or state taxing authority?  
If "Yes," explain. \_\_\_\_\_
- ☐ ☐ May the IRS discuss your tax return with your preparer?
- ☐ ☐ Would you like a copy of your tax return sent to you electronically instead of receiving a printed copy?

## Preparer Notes

## 2023 Tax Organizer Personal Information

### Personal Information

| Name  |  | SSN           | Has<br>IP PIN | Date of Birth |
|---|--|---------------|---------------|---------------|
| Taxpayer  |  |               |               |               |
| Spouse  |  |               |               |               |
| Name of person to whom all information should be addressed, if not the taxpayer |  |               |               |               |
| Street address, city, state, and ZIP  |  |               |               |               |
| Occupation  |  | Daytime Phone | Evening Phone | Cell Phone    |
| Taxpayer  |  |               |               |               |
| Spouse  |  |               |               |               |
| Taxpayer email  |  |               |               |               |
| Spouse email  |  |               |               |               |

#### Filing status at the end of 2023

☐ Single    ☐ Married    ☐ Widowed - If widowed and your spouse died after December 31, 2021, enter the date of death \_\_\_\_\_

☐ Married filing separately - If married but filing separately, did you live apart from your spouse for the last six months of 2023? \_\_\_\_\_

Yes    No

- ☐ ☐ Are you or your spouse blind?
- ☐ ☐ Are you or your spouse disabled?
- ☐ ☐ Are you or your spouse a full-time student?
- ☐ ☐ Do you or your spouse want to designate \$3 to go to the Presidential Election Campaign Fund?
- ☐ ☐ At any time during 2023 did you:
- (a) receive (as a reward, award, or payment for property or service) a digital asset?
- (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?

### Identification Information

#### Taxpayer's type of photo ID

☐ Driver's license    ☐ State-issued photo ID

Photo ID number \_\_\_\_\_

State photo ID was issued \_\_\_\_\_

Date photo ID was issued \_\_\_\_\_

Date photo ID expires \_\_\_\_\_

#### Spouse's type of photo ID

☐ Driver's license    ☐ State-issued photo ID

Photo ID number \_\_\_\_\_

State photo ID was issued \_\_\_\_\_

Date photo ID was issued \_\_\_\_\_

Date photo ID expires \_\_\_\_\_

### Account Information for Deposits and Withdrawals

| Name of Bank | Bank<br>Routing Number | Bank<br>Account Number | Type of Account |         | Use this Account for |             |
|--------------|------------------------|------------------------|-----------------|---------|----------------------|-------------|
|              |                        |                        | Checking        | Savings | Deposits             | Withdrawals |
|              |                        |                        |                 |         |                      |             |
|              |                        |                        |                 |         |                      |             |

### Appointment Information

Your 2023 appointment is scheduled for \_\_\_\_\_

## Dependent and Other Information

Name:

SSN:

## Dependent Information

| First and Last Name<br>SSN | Has<br>IP PIN | Relationship | Months<br>in<br>Home | Date of Birth | Disabled | Full-<br>time<br>Student | Childcare<br>Expenses |
|----------------------------|---------------|--------------|----------------------|---------------|----------|--------------------------|-----------------------|
|                            |               |              |                      |               |          |                          |                       |
|                            |               |              |                      |               |          |                          |                       |
|                            |               |              |                      |               |          |                          |                       |
|                            |               |              |                      |               |          |                          |                       |
|                            |               |              |                      |               |          |                          |                       |

List dependents required to file a return \_\_\_\_\_

## Child and Other Dependent Care Expenses

| Name of Care Provider | Address | SSN or EIN | Amount Paid |
|-----------------------|---------|------------|-------------|
|                       |         |            |             |
|                       |         |            |             |
|                       |         |            |             |

## Estimates

|                               | Federal   |        | Resident State |        | Resident City |        |
|-------------------------------|-----------|--------|----------------|--------|---------------|--------|
|                               | Date Paid | Amount | Date Paid      | Amount | Date Paid     | Amount |
| Overpayment applied from 2022 |           |        |                |        |               |        |
| First quarter                 |           |        |                |        |               |        |
| Second quarter                |           |        |                |        |               |        |
| Third quarter                 |           |        |                |        |               |        |
| Fourth quarter                |           |        |                |        |               |        |
| Additional payments           |           |        |                |        |               |        |



## What's New — Individuals

| <i>Tax Provision</i>  | <i>New Law</i>   | <i>Prior Law</i>   |
|---|--|--|
| <b>Income</b>   |  |  |
| <b>Health and Dependent Care Flexible Spending Arrangements</b> | The new law allows employers to amend their health flexible spending arrangement or dependent care flexible spending arrangement so that any unused amounts remaining in the account at the end of the year for the plan year ending in 2020 may be carried over to the plan year ending in 2021. For plan years ending in 2021, any unused amounts remaining in the account at the end of the year may be carried over to the plan year ending in 2022. Thus, the carryover under this new law is not limited to \$500. The new law also extends the grace period for using carryover amounts from 2½ months to up to 12 months after the end of plan year. | Health and dependent care flexible spending arrangements allow employees to elect to make pre-tax contributions to a plan that can later be used to reimburse medical expenses or child and dependent care expenses on a tax-free basis. Amounts remaining in the account at the end of the year are generally forfeited, unless the plan permits a grace period of up to 2½ months that allows up to \$500 of any unused year-end balance to pay for qualified expenses incurred during the grace period.   |
| <b>Unemployment Benefits</b>                                    | Effective for the 2021 tax year and beyond, unemployment benefits are fully taxable.   | Effective for the 2020 tax year only, the first \$10,200 of unemployment compensation is excluded from taxable income. In the case of a joint return, the \$10,200 exclusion applies to unemployment compensation received by each spouse. The exclusion does not apply if modified AGI is \$150,000 or more.  |
| <b>Deductions</b>   |  |  |
| <b>Charitable Contributions</b>                                 | Effective for 2022, taxpayers must itemize to deduct charitable contributions. The Tax Cuts and Jobs Act (TCJA) increased the 50% AGI limitation to 60% for cash contributions. Effective for 2026, the 60% AGI limit goes back to 50%.  | Effective for 2021, up to \$300 (\$600 MFJ) of qualified charitable contributions are deductible for taxpayers who do not itemize.   |
| <b>Credits</b>  |  |  |
| <b>Earned Income Credit</b>                                     | Effective for 2022, a taxpayer with no qualifying children has to be at least age 25 and under age 65 to qualify for the EIC.  | Effective for the 2021 tax year only, for taxpayers with no qualifying children, the applicable minimum age is 19 (age 24 for specified students and age 18 for qualified former foster youth or qualified homeless youth). The under age 65 rule did not apply. The phase-out percentage and phase-out amounts were also increased.   |
| <b>Child Tax Credit</b>   | Effective for 2022, the Child Tax Credit is \$2,000 per qualifying child, of which \$1,500 is refundable. A qualifying child is a dependent child who has not yet attained the age of 17 as of the close of the calendar year. The credit begins to phase-out when AGI exceeds \$400,000 for a MFJ return and \$200,000 for all others.  | Effective for the 2021 tax year only, the Child Tax Credit is \$3,000 per qualifying child who has not yet attained the age of 18 as of the close of the calendar year, and \$3,600 per qualifying child who has not yet attained the age of 6 as of the close of the calendar year. The full amount of the Child Tax Credit is refundable. The increased portion of the credit begins to phase-out when AGI exceeds \$150,000 for MFJ and QSS, \$112,500 for HOH, and \$75,000 for Single and MFS. After the phase-out of the increased credit, the remaining credit begins to phase-out when AGI exceeds \$400,000 for a MFJ return and \$200,000 for all others. The IRS also paid up to 50% of the credit to taxpayers in the form of monthly advance payments during the second half of 2021. |
| <b>Dependent Care Credit and Exclusion</b>                      | Effective for 2022, the dependent care expense limitation is \$3,000 for one child and \$6,000 for two or more children. The credit is not a refundable credit. The credit equals a percentage of dependent care expenses ranging from 35% for taxpayers with AGI not over \$15,000, down to 20% for taxpayers with AGI over \$43,000, with every percentage in between.<br><br>Under the dependent care assistance program, employees can exclude up to \$5,000 (\$2,500 MFS) of employer benefits used to pay for the same expenses that generally would otherwise qualify for the dependent care expense credit.  | Effective for the 2021 tax year only, the dependent care expense limitation is \$8,000 for one child and \$16,000 for two or more children. The credit is fully refundable. The credit equals 50% of dependent care expenses for taxpayers with AGI not over \$125,000. The credit percentage begins to phase-out for taxpayers with AGI above \$125,000.<br><br>Under the dependent care assistance program, employees can exclude up to \$10,500 (\$5,250 MFS) of employer benefits used to pay for the same expenses that generally would otherwise qualify for the dependent care expense credit.  |
| <b>Premium Tax Credit</b>                                       | Effective for 2021 through 2025, the percentages used to calculate the PTC are reduced to zero for taxpayers below 200% of the federal poverty line, and up to 8.5% for those above 400% of the federal poverty line. A taxpayer with an applicable percentage of zero means the taxpayer qualifies for 100% of his/her health insurance premiums to be subsidized.  | The Premium Tax Credit (PTC) is a refundable credit designed to subsidize the cost of health insurance. The PTC amount is determined based on the percentage of income the cost of premiums represents, ranging from 2% of income for those below 133% of the federal poverty line to 9.5% of income for those at 400% of the federal poverty line. Taxpayers with income above 400% of the federal poverty line do not qualify for the PTC.   |



# What's New — Individuals

| Tax Provision                                   | New Law   | Prior Law  |
|---|---|--|
| <b>Credits—continued</b>                        |   |  |
| <b>Energy Efficient Home Improvement Credit</b> | <p>Effective for 2023, the nonbusiness energy property credit is renamed the energy efficient home improvement credit. The credit is increased to 30% of the cost of improvements made, and replaces the lifetime limitations to the following annual limitations.</p> <ol style="list-style-type: none"> <li>1) In general, the combined credit for all energy efficient home improvements is limited to \$1,200 per year, except for (5) below.</li> <li>2) The credit for residential energy property expenditures is limited to \$600 per year.</li> <li>3) The credit for windows is limited to \$600 in the aggregate for all exterior windows and skylights.</li> <li>4) The credit for doors is limited to \$250 per year for any exterior door, and \$500 in the aggregate for all exterior doors.</li> <li>5) Notwithstanding paragraphs (1) and (2) above, the credit allowed for heat pumps and heat pump water heaters, biomass stoves and boilers is limited to \$2,000 per year.</li> <li>6) The credit for energy audits is limited to \$150 per year.</li> </ol> <p>Qualified energy efficiency improvements include energy efficient insulation, exterior windows, skylights, and exterior doors that meet various energy standard requirements. The new law removes roofs from the definition of building envelope components, but adds air sealing insulation to the definition of insulation material or system which reduces the heat loss or heat gain of a dwelling unit.</p> | <p>The nonbusiness energy property credit is for energy efficient improvements made to the principal residence of the taxpayer. The credit does not apply for new construction.</p> <p>The credit equals:</p> <ul style="list-style-type: none"> <li>• 10% of the cost of exterior windows, including skylights, up to a credit limit of \$200,</li> <li>• 10% of the cost of exterior doors, insulation and/or systems which reduce heat gain or loss,</li> <li>• Up to \$300 of the cost of heat pumps, central air conditioners, and water heaters,</li> <li>• Up to \$150 of the cost of natural gas, propane, or oil furnaces or hot water boilers, and</li> <li>• Up to \$50 of the cost for qualified advanced main air-circulating fans.</li> </ul> <p>A total lifetime combined credit limit of \$500 (including a \$200 lifetime limit for windows) applies for all tax years after 2005.</p> <p>The nonbusiness energy property credit was set to expire for tax years after 2021.</p>  |
| <b>Residential Clean Energy Credit</b>          | <p>The Residential Energy Efficient Property Credit is renamed the Residential Clean Energy Credit, with the applicable percentages being modified as follows.</p> <ol style="list-style-type: none"> <li>1) In the case of property placed in service after December 31, 2016, and before January 1, 2020, 30%,</li> <li>2) In the case of property placed in service after December 31, 2019, and before January 1, 2022, 26%,</li> <li>3) In the case of property placed in service after December 31, 2021, and before January 1, 2033, 30%,</li> <li>4) In the case of property placed in service after December 31, 2032, and before January 1, 2034, 26%, and</li> <li>5) In the case of property placed in service after December 31, 2033, and before January 1, 2035, 22%.</li> </ol> <p>The new law replaces qualified biomass fuel property expenditures with qualified battery storage technology expenditures.</p>  | <p>The residential energy efficient property credit equals the sum of the applicable percentages of:</p> <ol style="list-style-type: none"> <li>1) The qualified solar electric property expenditures,</li> <li>2) The qualified solar water heating property expenditures,</li> <li>3) The qualified fuel cell property expenditures,</li> <li>4) The qualified small wind energy property expenditures,</li> <li>5) The qualified geothermal heat pump property expenditures, and</li> <li>6) The qualified biomass fuel property expenditures, that are made by the taxpayer during the year.</li> </ol> <p>Applicable percentages mean:</p> <ol style="list-style-type: none"> <li>1) In the case of property placed in service after December 31, 2016, and before January 1, 2020, 30%,</li> <li>2) In the case of property placed in service after December 31, 2019, and before January 1, 2023, 26%, and</li> <li>3) In the case of property placed in service after December 31, 2022, and before January 1, 2024, 22%.</li> </ol> |
| <b>Clean Vehicle Credit</b>                     | <p>The new law eliminates the phase-out rules when a manufacturer reaches its 200,000th sale and replaces it with an expiration of the credit for all vehicles placed in service after 2032. Final assembly of the vehicle must occur within North America.</p> <p>In addition to qualified electric vehicles, the credit also applies to qualified fuel cell motor vehicles.</p> <p>No credit is allowed if the taxpayer's modified AGI for the tax year or the preceding tax year exceeds:</p> <ul style="list-style-type: none"> <li>• \$300,000 for MFJ or QSS.</li> <li>• \$225,000 for HOH.</li> <li>• \$150,000 for Single or MFS.</li> </ul> <p>No credit is allowed if the manufacturer's suggested retail price exceeds:</p> <ul style="list-style-type: none"> <li>• \$80,000 in the case of a van,</li> <li>• \$80,000 in the case of a sport utility vehicle,</li> <li>• \$80,000 in the case of a pickup truck, and</li> <li>• \$55,000 in the case of any other vehicle.</li> </ul> <p>The new law also provides for a reduced credit for the purchase of a previously-owned clean vehicle.</p>  | <p>A taxpayer is allowed a nonrefundable tax credit for the purchase of a new qualified plug-in electric drive motor vehicle placed in service during the year. The base amount of the credit is \$2,500. This amount is increased by \$417 for each kilowatt hour of battery capacity that exceeds 5 kilowatt hours, not to exceed \$5,000. Thus the maximum credit allowed is \$7,500. The credit phases out when the manufacturer sells at least 200,000 qualifying vehicles.</p>   |