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Individual Tax Year-End Workshop Reference Book

Tax Year 2023

Written by Vincent J. O'Brien, CPA

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About the Author

Vincent J. O’Brien, CPA is a renowned lecturer and author, and has instructed tax professionals in New York and the Northeast for decades. As a practicing CPA, he provides the rare combination of expertise, practical experience, and the ability to teach.

Mr. O’Brien is the principal lecturer and CEO of M + O = CPE, Inc. co-founded by Mr. O'Brien and Eugene T. Maccarrone, CPA, Esq., in 1995. The company is a registered CPE sponsor in New York, New Jersey and Pennsylvania, as well as an IRS-approved continuing education sponsor.

Since its inception in 1995, Mr. O’Brien has authored annual CPE textbooks for M + O = CPE, Inc. He is also a contributor to CCH/Wolters Kluwer books and publications, which address new tax laws and planning issues and are used by tens of thousands of professionals nationwide.

He has additionally taught advanced accounting at Hofstra University, CPE for the former Chaykin CPE program, and review courses for candidates preparing to take the Uniform CPA Examination.

Mr. O’Brien founded the accounting firm, Vincent J. O’Brien, CPA, P.C., in 1993, and as its CEO, provides accounting, tax and consulting services to businesses and individuals across the country and serves as a technical consultant for numerous CPA firms. Prior to founding the firm, he was a Senior Accountant at KPMG.

Mr. O'Brien graduated as Valedictorian of Hofstra University, and was awarded the prestigious Elijah Watt Sells Award for scoring one of the highest grades in the nation on the CPA Exam.

Mr. O'Brien is available for consultations; for fees and scheduling, call 516-594-9273.

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Introduction

As with all tax law, the provisions discussed in this seminar are subject to further interpretation and guidance to be issued by the Treasury Department and the IRS and may be changed by future laws.

We will discuss newly-effective federal and New York laws and interpretations that affect individual income taxation in **M + O = CPE, Inc.'s Individual Tax Year-End Workshop**, **which will be presented on December 5, 2024, December 12, 2024, January 9, 2025, and January 16, 2025.** Reserve your place now.

The news section of our website, www.mocpe.com has useful news and information throughout the year.

Energy Credit Changes for 2023

Background

The Inflation Reduction Act of 2022, which was enacted on August 16, 2022, contains several provisions related to energy credits, and many of the changes are effective in 2023.

Credit for New Clean Vehicles

Background

- In this section, we will discuss the use of this credit for personal-use (i.e., non-business) vehicles. This credit is also available for new clean vehicles used in a trade or business, and we will discuss those considerations in a later section.

- The credit for new clean vehicles is available for a vehicle which draws propulsion energy from a battery that may be recharged from an external source and is claimed on Form 8936, *Clean Vehicle Credit*[1].

- The nonrefundable credit of up to $7,500 is available for qualifying vehicles, if taxpayers have income below certain thresholds. Unused personal credits cannot be carried forward to future years.

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[1] The IRS has issued frequently asked questions regarding this credit. The October 2023 update is available at: https://www.irs.gov/pub/taxpros/fs-2023-22.pdf. Additional updates may be issued by the IRS.

The Inflation Reduction Act of 2022 renamed this credit, which used to be called the plug-in electric vehicle credit. The credit is scheduled to expire after 2032. The credit is set forth in Internal Revenue Code §30D. There is also a credit allowed for fuel cell motor vehicles, which use cells that combine oxygen and hydrogen to create electricity to power a vehicle. See Internal Revenue Code §30B(b)(3).

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SECURE 2.0 Act

Background

The SECURE 2.0 Act was enacted on December 29, 2022, as part of the Consolidated Appropriations Act of 2023.

The new law makes far-reaching changes to the rules for retirement accounts and greatly affects related planning issues for those accounts.

The name of the new law reflects that these changes represent a second batch of changes to retirement accounts, following those that came from the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was enacted on December 20, 2019, as part of the Consolidated Appropriations Act of 2020.

Higher Age for Required Minimum Distributions (RMDs)

First Change Effective in 2023

- Those who reach age 72 after December 31, 2022 and before January 1, 2033 must begin taking RMDs from retirement accounts when they reach the age of 73 years old[49].

- This change effects those born beginning in 1951, but the RMD age is scheduled to increase again in 2033, as discussed next.

- Prior to this change, the RMD age was 72, and those who reached age 72 during 2022 or in an earlier year are unaffected by this change, and must continue to take RMDs using the prior age rule[50].

- In Notice 2023-54, the IRS provided special relief for those born in 1951, since they were expecting to begin RMDs for the 2023 tax year, prior to the change in the law.

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[49] Technically, the required beginning date for RMDs is April 1 following the year in which and individual reaches the RMD age. While the individual has until the following April 1 to take our the RMD for the first year, RMDs for all subsequent years must occur by December 31 of each year.

Individuals who are still employed when the RMD age is reached may be permitted to delay their RMDs from any employer-sponsored retirement plan maintained by that specific employer for whom the individual is still working. To be eligible for the deferral, the individual cannot be a more-than-5%-owner of the employer for whom the individual works. (To meet this eligibility requirement, individuals must either have no ownership interest in the employer or must own 5% or less of the equity of the employer for whom they work.) An individual who meets these requirements can defer RMDs only from the retirement plan sponsored by that employer until April 1 following the year in which the individual retires from that employer. This deferral does not apply to RMDs required from any other employer-sponsored retirement plans from earlier/former employers, and it does not apply to RMDs required from traditional IRAs.

[50] The RMD age of 72 applied to individuals who attained age 70½ after December 31, 2019. For individuals who attained age 70½ before that date, the RMD age was 70½.

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- Preparers must renew their PTINs
  - All PTINs obtained for the 2023 calendar year expire after December 31, 2023, and all preparers are required to renew their PTINs before that date in order to prepare 2023 tax returns, beginning in January of 2024.
  - For the 2023 tax year, the fee for obtaining a PTIN is $19.75, which is lower than the $30.75 fee for last year[147].
  - As part of the renewal, the IRS continues to ask practitioners if they have a written information security plan.
    1. The IRS has updated its Publication 5708, *Creating a Written Information Security Plan for your Tax & Accounting Practice*[148].
    2. Practitioners should compare their own written information security plans with the template provided in this publication.
    3. Practitioners should also annually review and update their own written information security plans.
- Other Registration Considerations
  - New York State continues to require registration for preparers who are not CPAs, attorneys or enrolled agents[149]. Such preparers must also take continuing education classes that are provided by New York State[150] and comply with various other requirements, including displaying certain information in the area where they provide services.
  - The IRS continues to offer a voluntary program for preparers who are not CPAs, attorneys or enrolled agents. Information about this annual filing season program is available at: https://www.irs.gov/tax-professionals/annual-filing-season-program.

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[147] In January 2023, a district court held that the IRS had charged excessive fees for obtaining a PTIN in earlier years in a class action suit. The court ordered the IRS to make partial refunds of these fees, but the amount and logistics of those refunds have not yet been finalized. See Adam Steele, et al., v. United States of America, 1:14-cv-01523-RCL (D.D.C. 2023)

[148] Publication 5708 is available at: https://www.irs.gov/pub/irs-pdf/p5708.pdf. In addition, the IRS offers guidance on information security in Publication 4557, *Safeguarding Taxpayer Data, A Guide for Your Business,* and Publication 5293, *Protect Your Clients; Protect Yourself, Data Security Resource Guide for Tax Professionals.* These publications are available at: https://www.irs.gov/newsroom/security-summit-releases-new-data-security-plan-to-help-tax-professionals-new-wisp-simplifies-complex-area.

[149] There is also a registration requirement for any preparer, including CPAs, attorneys or enrolled agents, who offer refund anticipation loans ("RALs") or refund anticipation checks ("RACs").

[150] Practitioners can obtain more information about these requirements from the New York State Department of Taxation and Finance at: https://www.tax.ny.gov/tp/reg/tpreg.htm.

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