

PRESS BUSINESS

DIANE GIORDANO, PARTNER IN TAX DEPARTMENT AT MARCUM LLP

TALKING TAXES

BY CLAUDE SOLNIK

This is a busy time of year for Diane Giordano, a partner in the tax department of the Melville office of Marcum LLP. Nevertheless, as the April 18 income tax filing date approaches, she took time to talk with us about what's new in taxes and tax planning opportunities this year.

Has inflation impacted taxes and how? In order to address inflation, the IRS has built in inflation adjustments to tax credits, deductions, and incremental movements in rate thresholds. Benefits, such as 401(k) deductions and child tax credits, have increased as well. Some programs to benefit energy efficiency that were previously phased out are once again included. Individual rate thresholds are increasing to address higher income levels to ensure that people in lower brackets are treated beneficially.

What happened regarding Covid and are any programs still in place? The Covid programs are basically winding down. Some programs ended in 2021. There is one Covid-related program, known as the Employee Retention Credit (ERC), that still exists. Many businesses may be eligible for this payroll-related refund, which has a big impact on income, taxes, and potential refunds.

Have individual tax rates changed? They remain between 10% and 37%, but the brackets changed. Rate brackets change every year. The top rate of 37% for 2022 kicks in at \$647,850. But that rises in 2023 to \$693,750. The corporate rate for federal purposes is a flat 21%. That hasn't changed since 2018.

What's the state of deductions? Now that the standard deductions are high and state and local tax (SALT) deductions are limited to \$10,000, most people are subject to the standard deductions. Fewer people are eligible to itemize. Accountants will still need to obtain clear and complete documentation.

Is anything being done to help New York State residents with SALT? Many states developed a workaround that the IRS approved related to SALT. New York State has a program in which SALT deductions can be taken on an



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entity level and passed through to individual owners of S corporations, LLCs, and partnerships. The deduction is taken on the entity level and a credit is passed on to the individual.

How has the R&D credit changed? Starting with 2022, the treatment of the research and development tax credits changed. Taxpayers used to get two bites of an apple. Expenses could be deducted, and a credit was realized based on those expenses. In 2022, expenses aren't all currently deductible and will need to be capitalized and amortized over five years.

How has the deduction for energy-efficient commercial buildings

structure. Companies that sell energy-efficient shades are pushing them, because this credit program exists again. There also is an energy-efficient home credit.

How is the maximum 401(k) changing for the upcoming year?

For 2023, the 401(k) maximum has increased from \$20,500 for 2022 to \$22,500 for 2023. For those older than 50, the maximum contribution is \$27,000 in 2022 and \$30,000 in 2023. That's a nice jump after staying flat for a couple of years.

How are the annual gift tax exclusions changing for the upcoming year?

The amount for the annual gift tax exclusion increased from \$16,000 in 2022 to \$17,000 in 2023.

How has the refundable Child Tax Credit changed?

It increased from \$1,500 to \$1,600 for 2023. Those eligible must have a qualifying child. The credit also has income restrictions.

How are estate taxes changing?

The gift tax exclusion increased as noted. Estate tax rates are between 10% and 37%, but the ranges increased. In 2022, the 10% bracket applied to estate taxable income of \$2,750. For 2023, that 10% bracket commences at \$2,900. Estates won't be taxed if the income is less than \$2,900.

What's new regarding nonprofits?

Nonprofits can take advantage of the Employee Retention Credit, as this is a refundable payroll tax program. If a nonprofit is renovating office space, the energy-efficiency deduction can be passed on to the architect. Starting last year, the IRS indicated they're going to be scrutinizing non-cash deductions more. Because the standard deductions are so high, a lot of people don't get a benefit from charitable donations, unless their total deductions exceed the standard deduction of \$25,900 for 2022 and \$27,700 for 2023. That may have an effect on donors.

How can people make things go more quickly with accountants?

Send everything in complete. Don't send things in piecemeal. This applies to both businesses and individuals. Provide accountants with complete packages and details.

changed? The Energy-Efficiency Commercial Building Deduction, which allows building owners a deduction for

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energy-efficiency improvements, has increased from \$1.80 to up to \$5.00 a square foot to incentivize commercial builders and businesses renovating a