

1040 Quickfinder® Handbook (2023 Tax Year)

Post-publication Updates

Replacement Pages for Two-Sided (Duplex) Printing

Instructions: This packet contains “marked up” changes to the pages in the 1040 Quickfinder® Handbook that were affected by developments after the *Handbook* was published.

This is a specially designed update packet for owners of the 3-ring binder version of the *Handbook* who have access to a printer that prints two-sided (duplex). Simply print the entire PDF file (make sure to select two-sided or duplex printing), three-hole punch the pages, and then replace the pages in your *Handbook*. It’s that easy.

2023 States Quick Reference



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State Individual Income Tax Quick Reference Chart (2023)

State	Website	Maximum Rate	Return Due Date ¹	Resident Tax Form Number	Accepts Federal Extension?	State Extension/ Payment Voucher	
Alabama	https://revenue.alabama.gov	5.00%	April 15	40	No	40V ²	
Alaska	https://tax.alaska.gov			N/A—no individual income tax			
Arizona	https://azdor.gov	2.50	April 15	140	Yes	204 ³	
Arkansas	www.dfa.arkansas.gov	4.70	April 15	AR1000F	Yes	AR1055-IT ⁴ / AR1000ES ⁵	
California	www.ftb.ca.gov	12.30	April 15	540	No	3519 ²	
Colorado	https://tax.colorado.gov	4.40	April 15	104	No	0158-I ²	
Connecticut	https://portal.ct.gov/drs	6.99	April 15	CT-1040	Yes	CT-1040EXT ³	
Delaware	https://revenue.delaware.gov	6.60	April 30	PIT-RES	No	PIT-EXT	
District of Columbia	https://otr.cfo.dc.gov	10.75	April 15	D-40	No	FR-127	
Florida	https://floridarevenue.com/taxes			N/A—no individual income tax			
Georgia	https://dor.georgia.gov	5.75	April 15	500	Yes	IT-303 ⁴ /IT-560 ⁵	
Hawaii	https://tax.hawaii.gov	11.00	April 20	N-11	No	N-101A ²	
Idaho	https://tax.idaho.gov	5.80	April 15	40	No	51 ²	
Illinois	https://tax.illinois.gov	4.95	April 15	IL-1040	No	IL505-I ²	
Indiana	https://in.gov/dor	3.15	April 15	IT-40	Yes	IT-9 ³	

Table continued on the next page

State Individual Income Tax Quick Reference Chart (2023) (Continued)

State	Website	Maximum Rate	Return Due Date ¹	Resident Tax Form Number	Accepts Federal Extension?	State Extension/ Payment Voucher	
Iowa	https://tax.iowa.gov	6.00%	April 30	IA 1040	No	IA 1040V ²	
Kansas	https://ksrevenue.gov	5.70	April 15	K-40	Yes	K-40V ²	
Kentucky	https://revenue.ky.gov	4.50	April 15	740	Yes	740EXT ⁴	
Louisiana	https://revenue.louisiana.gov/	4.25	May 15	IT-540	No	R-2868V ^{5,9}	
Maine	https://maine.gov/revenue	7.15	April 15	1040ME	No	1040EXT-ME ²	
Maryland	https://marylandtaxes.gov	5.75	April 15	502	Yes	PV ⁶	
Massachusetts	https://mass.gov/orgs/massachusetts-department-of-revenue	12.00 ¹⁰	April 15	1	No	M-4868 ²	
Michigan	https://michigan.gov/taxes	4.05	April 15	MI-1040	Yes	4 ²	
Minnesota	https://revenue.state.mn.us	9.85	April 15	M1	No	9	
Mississippi	https://dor.ms.gov	5.00	April 15	80-105	Yes	80-106 ²	
Missouri	https://dor.mo.gov	4.95	April 15	MO-1040	Yes	MO-60 ³	
Montana	https://mtrevenue.gov	6.75	April 15	2	No	Form-IT ^{5,7}	
Nebraska	https://revenue.nebraska.gov	6.64	April 15	1040N	Yes	4868N ³	
Nevada	https://tax.nv.gov			N/A—no individual income tax			
New Hampshire	https://revenue.nh.gov	7.50	April 15	DP-10/1040-NH	No	DP-59-A ² , BT-EXT ²	
New Jersey	https://state.nj.us/treasury/taxation	10.75	April 15	NJ-1040	Yes	NJ-630 ³	
New Mexico	https://tax.newmexico.gov	5.90	April 15	PIT-1	Yes	RPD-41096 ³	
New York	https://tax.ny.gov	10.90	April 15	IT-201	No	IT-370	
North Carolina	https://ncdot.gov	4.75	April 15	D-400	Yes	D-410	
North Dakota	http://nd.gov/tax	2.50	April 15	ND-1	Yes	101 ⁴ /ND-1EXT ⁵	
Ohio	https://tax.ohio.gov	3.75	April 15	IT 1040	Yes	IT 40P ⁵	
Oklahoma	https://oklahoma.gov/tax	4.75	April 15	511	Yes	504-I ³	
Oregon	https://oregon.gov/dor	9.90	April 15	OR-40	Yes	40-V ³	
Pennsylvania	https://revenue.pa.gov	3.07	April 15	PA-40	Yes	REV-276 ³	
Rhode Island	www.tax.ri.gov	5.99	April 15	RI-1040	Yes	RI-4868 ³	
South Carolina	https://dor.sc.gov	6.40 ¹⁰	April 15	SC1040	Yes	SC4868 ³	
South Dakota	https://dor.sd.gov			N/A—no individual income tax			
Tennessee	www.tn.gov/revenue			N/A—no individual income tax			
Texas	https://comptroller.texas.gov/			N/A—no individual income tax			
Utah	https://tax.utah.gov	4.65	April 15	TC-40	No	TC-546 ²	
Vermont	https://tax.vermont.gov	8.75	April 15	IN-111	Yes	IN-151	
Virginia	https://tax.virginia.gov	5.75	May 1	760	No	760IP ²	
Washington	https://dor.wa.gov			N/A—no individual income tax ¹¹			
West Virginia	https://revenue.wv.gov	5.12	April 15	IT-140	Yes	Sch L ³	
Wisconsin	https://revenue.wi.gov	7.65	April 15	1	Yes	1-ES ⁸	
Wyoming	http://revenue.wyo.gov			N/A—no individual income tax			

¹ See *Return due date* on Page 2-3.

² File only if tax due. If no tax due, return is extended without any action by taxpayer.

³ File if federal Form 4868 not filed or if tax due.

⁴ File if federal Form 4868 not filed.

⁵ Use to pay any tax due.

⁶ File if Form 4868 not filed and tax is due. If Form 4868 not filed and no tax due, request extension online.

⁷ Automatic extension granted if certain requirements met.

⁸ Use to remit payment if tax due. If no federal 4868 filed, attach a statement to the return.

⁹ Extension filed electronically.

¹⁰ Massachusetts has various flat tax rates dependent upon the type of income and elections made. In addition, high-income taxpayers have a 4% surtax.

¹¹ Washington imposes a 7% excise tax on individuals with sales or exchanges of long-term capital assets.

GENERAL

Tab 2 is for reference purposes and is not intended to include all necessary information to prepare a state income tax return. Its purpose is to provide tax preparers with general information. More detailed information is available in the *All States Quickfinder® Handbook*. You can also use the phone numbers or website addresses provided here to obtain forms and instructions for a particular state. Many states allow or require electronic filing of returns and/or extensions as well as electronic payment of taxes. Some states have a different due date for electronically filed returns, which is usually later than a paper filed return.

Return due date. The return due dates for filing returns shown in this tab are the statutory due dates. When the statutory due date falls on a weekend or holiday, many states extend the due date until the next working day.

⚠ **Caution:** Tax preparers should check the respective state's instructions to determine the return's exact due date when the statutory due date falls on a weekend or holiday. For federal tax, the 2023 Form 1040 is due on April 15, 2024.

The Quick Tax Method. Use the Quick Tax Method to calculate tax due. In the appropriate state section, find the taxpayer's taxable income bracket and multiply the taxpayer's state taxable income by the given tax rate. Next, subtract the "minus" amount to arrive at the tax due.

Example: Assume MFJ Alabama taxpayers with taxable income of \$57,500. $\$57,500 \times 5.0\% - \$80 = \$2,795$ Tax

ALABAMA

Website: <https://revenue.alabama.gov>

Tax assistance: 334-242-1170



2023 Quick Tax Method—For Taxable Income of:

Single, MFS, Head of Family	\$ 0 – 500 × 2% minus \$ 0.00 = Tax 501 – 3,000 × 4 minus 10.00 = Tax 3,001 and over × 5 minus 40.00 = Tax
MFJ	\$ 0 – 1,000 × 2% minus \$ 0.00 = Tax 1,001 – 6,000 × 4 minus 20.00 = Tax 6,001 and over × 5 minus 80.00 = Tax

Filing requirements. Residents must file if:

Filing status:	Gross income of at least:
Single.....	\$ 4,500
Head of Family	8,200
MFJ.....	11,500
MFS.....	5,750

Part-year residents must file if:

Filing status:	Gross income of at least:
Single.....	\$ 4,500 (while an Alabama resident)
Head of Family	8,200 (while an Alabama resident)
MFJ.....	11,500 (while an Alabama resident)
MFS.....	5,750 (while an Alabama resident)

Nonresidents must file if gross income is over the allowable pro-rated exemption. To calculate, multiply the full exemption amount of \$3,000 for MFJ and Head of Family, or \$1,500 for Single and MFS, by the Alabama percentage of adjusted total income.

Alabama form to file:

- Resident and part-year resident: Form 40 (Alabama Individual Income Tax Return). **Note:** Part-year residents who receive Alabama-source income while a nonresident may also be required to file Form 40NR.
- Nonresident: Form 40NR (Alabama Individual Income Tax Return).

Return due date: April 15

Allowable extension. Alabama allows an automatic six-month extension without written request. If additional tax is due, file Form 40V (Individual Income Tax Payment Voucher) by the original return due date.

ALASKA

Website: <https://tax.alaska.gov>

Tax assistance: 907-269-6620



Filing requirements. The state of Alaska does not have an individual income tax.

ARIZONA

Website: <https://azdor.gov>

Tax assistance: 602-255-3381, 800-352-4090



2023 Tax Rate

Income tax rate.....2.50%

Filing requirements. Residents, part-year, and nonresidents must file if:

Filing status is:	and gross income is at least:
Single, MFS	\$ 13,850
MFJ	27,700
HOH	20,800

Arizona form to file:

- Resident: Form 140 (Resident Personal Income Tax Return).
- Part-year resident: Form 140PY (Part-Year Resident Personal Income Tax Return).
- Nonresident: Form 140NR (Nonresident Personal Income Tax Return).

Return due date: April 15

Extension form. Form 204 (Application for Filing Extension).

Allowable extension. Arizona allows up to a six-month extension if:

- Taxpayer files federal Form 4868 with the IRS or
- Taxpayer files Form 204.

Also use Form 204 to make a payment, if necessary.

ARKANSAS

Website: www.dfa.arkansas.gov



Tax assistance: 501-682-1100

2023 Quick Tax Method—For Taxable Income of:						
All Filing Statuses	\$ — — 5,099	×	0.0%	minus \$ 0.00	= Tax	
	5,100	— 10,299	×	2.0	minus 101.98	= Tax
	10,300	— 14,699	×	3.0	minus 204.97	= Tax
	14,700	— 24,299	×	3.4	minus 263.77	= Tax
	24,300	— 87,000	×	4.7	minus 579.65	= Tax
For taxpayers with income greater than \$87,000						
	\$ — — 4,400	×	2.0%	minus \$ 0.00	= Tax	
	4,401	— 8,800	×	4.0	minus 88.00	= Tax
	8,801 and above	—	×	4.7	minus 149.60	= Tax

Filing requirements. Residents must file if:

Marital status is:	Filing Status is:	Gross income of at least:
Single	Single	\$ 13,850
	HOH with ≤ 1 dependent	19,692
	HOH with ≥ 2 dependents	23,473
Married	MFJ with ≤ 1 dependent	\$ 23,357
	MFJ with ≥ 2 dependents	28,111
	MFS	9,140
Widowed in 2021 or 2022 and not remarried in 2023	QSS with ≤ 1 dependent	\$ 19,692
	QSS with ≥ 2 dependents	23,473

Part-year residents must file if:

Filing status is:	Taxable income is at least:
All Filing Statuses	\$1 (while an Arkansas resident)

Nonresidents must file if:

Filing status is:	Taxable income is at least:
All Filing Statuses	\$1 of Arkansas-source income

Arkansas form to file:

- Resident: Form AR1000F (Arkansas Individual Income Tax Return).
- Part-year and nonresident: Form AR1000NR (Arkansas Individual Income Tax Return).

Return due date: April 15

Extension form. Form AR1055-IT (Request for Extension of Time for Filing Income Tax Returns).

Allowable extension:

- Arkansas allows an automatic seven-month extension if federal Form 4868 is filed or
- File Form AR1055-IT to request an extension (to November 15).

CALIFORNIA

Website: www.ftb.ca.gov

Tax assistance: 800-852-5711



2023 Quick Tax Method—For Taxable Income of: ¹						
Single,	\$ — —	10,412	×	1% minus	\$ — = Tax	
Married/	10,413	— 24,684	×	2% minus	104.12 = Tax	
RDP ² filing	24,685	— 38,959	×	4% minus	597.80 = Tax	
sep.	38,960	— 54,081	×	6% minus	1,376.98 = Tax	
	54,082	— 68,350	×	8% minus	2,458.60 = Tax	
	68,351	— 349,137	×	9.3% minus	3,347.15 = Tax	
	349,138	— 418,961	×	10.3% minus	6,838.52 = Tax	
	418,962	— 698,271	×	11.3% minus	11,028.13 = Tax	
	698,272 and over	—	×	12.3% minus	18,010.84 = Tax	
Married/	\$ — —	20,824	×	1% minus	\$ — = Tax	
RDP filing	20,825	— 49,368	×	2% minus	208.24 = Tax	
jointly and	49,369	— 77,918	×	4% minus	1,195.60 = Tax	
QSS	77,919	— 108,162	×	6% minus	2,753.96 = Tax	
	108,163	— 136,700	×	8% minus	4,917.20 = Tax	
	136,701	— 698,274	×	9.3% minus	6,694.30 = Tax	
	698,275	— 837,922	×	10.3% minus	13,677.04 = Tax	
	837,923	— 1,396,542	×	11.3% minus	22,056.26 = Tax	
	1,396,543 and over	—	×	12.3% minus	36,021.68 = Tax	

¹ Does not include the mental health services tax (1% of taxable income over \$1 million).

² Registered domestic partner.

Filing requirements. Residents, part-year, and nonresidents must file if:

Dependents:	0	1	2 or more
California gross income exceeds:			
Single or HOH under age 65	\$21,561	\$36,428	\$47,578
Single or HOH age 65 or over	28,761	39,911	48,831
Married/RDP (joint or separate) both under 65	43,127	57,994	69,144
Married/RDP (joint or separate) one taxpayer age 65 or over	50,327	61,477	70,397
Married/RDP (joint or separate) both 65 or over	57,527	68,677	77,597
QSS under age 65	N/A	36,428	47,578
QSS 65 or older	N/A	39,911	48,831
or California AGI exceeds:			
Single or HOH under age 65	\$17,249	\$32,116	\$43,266
Single or HOH age 65 or over	24,449	35,599	44,519
Married/RDP (joint or separate) both under 65	34,503	49,370	60,520
Married/RDP (joint or separate) one taxpayer age 65 or over	41,703	52,853	61,773
Married/RDP (joint or separate) both 65 or over	48,903	60,053	68,973
QSS under 65	N/A	32,116	43,266
QSS 65 or older	N/A	35,599	44,519

Dependent, any filing status, any age: Income exceeds standard deduction.

Taxpayers must also file if they owe any of the following:

- Tax on a lump-sum distribution.
- Tax on a qualified retirement plan, IRA or medical savings account.
- Tax for children under age 19 or full-time students under age 24 who have investment income greater than \$2,300.
- Alternative minimum tax.
- Recapture taxes.

NEW YORK

Website: <https://tax.ny.gov>

Tax assistance: 518-457-5181



2023 NY State Quick Tax Method—For Taxable Income of:

Single, MFS	\$ 0 – 8,500 × 4.00% minus \$ 0 = Tax
	8,501 – 11,700 × 4.50 minus 43 = Tax
	11,701 – 13,900 × 5.25 minus 130 = Tax
	13,901 – 80,650 × 5.50 minus 165 = Tax
	80,651 – 215,400 × 6.00 minus 568 = Tax
	215,401 – 1,077,550 × 6.85 minus 2,399 = Tax
	1,077,551 – 5,000,000 × 9.65 minus 32,571 = Tax
	5,000,001 – 25,000,000 × 10.30 minus 65,071 = Tax
	25,000,001 and over × 10.90 minus 215,071 = Tax
MFJ, QSS	\$ 0 – 17,150 × 4.00% minus \$ 0 = Tax
	17,151 – 23,600 × 4.50 minus 86 = Tax
	23,601 – 27,900 × 5.25 minus 263 = Tax
	27,901 – 161,550 × 5.50 minus 333 = Tax
	161,551 – 323,200 × 6.00 minus 1,140 = Tax
	323,201 – 2,155,350 × 6.85 minus 3,887 = Tax
	2,155,351 – 5,000,000 × 9.65 minus 64,237 = Tax
	5,000,001 – 25,000,000 × 10.30 minus 96,737 = Tax
	25,000,001 and over × 10.90 minus 246,737 = Tax
HOH	\$ 0 – 12,800 × 4.00% minus \$ 0 = Tax
	12,801 – 17,650 × 4.50 minus 64 = Tax
	17,651 – 20,900 × 5.25 minus 196 = Tax
	20,901 – 107,650 × 5.50 minus 249 = Tax
	107,651 – 269,300 × 6.00 minus 787 = Tax
	269,301 – 1,616,450 × 6.85 minus 3,076 = Tax
	1,616,451 – 5,000,000 × 9.65 minus 48,337 = Tax
	5,000,001 – 25,000,000 × 10.30 minus 80,837 = Tax
	25,000,001 and over × 10.90 minus 230,837 = Tax

Note: If NY AGI is more than \$107,650, the graduated tax rates above are phased out.

2023 NYC Quick Tax Method—for Taxable Income of:

Single, MFS	\$ 0 – 12,000 × 3.078% minus \$ 0.00 = Tax
	12,001 – 25,000 × 3.762 minus 82.00 = Tax
	25,001 – 50,000 × 3.819 minus 96.00 = Tax
	50,001 and over × 3.876 minus 125.00 = Tax
MFJ, QSS	\$ 0 – 21,600 × 3.078% minus \$ 0.00 = Tax
	21,601 – 45,000 × 3.762 minus 148.00 = Tax
	45,001 – 90,000 × 3.819 minus 173.00 = Tax
	90,001 and over × 3.876 minus 225.00 = Tax
HOH	\$ 0 – 14,400 × 3.078% minus \$ 0.00 = Tax
	14,401 – 30,000 × 3.762 minus 98.00 = Tax
	30,001 – 60,000 × 3.819 minus 116.00 = Tax
	60,001 and over × 3.876 minus 150.00 = Tax

Filing requirements. Residents must file if they are:

- Required to file a federal return or
- Not required to file a federal return, but:

Federal filing status would have been:	Federal AGI plus New York additions exceeds:
Single and can be claimed as dependent on another person's return	\$ 3,100
All others.....	4,000

- To claim a refund of state or city income taxes withheld from taxpayer's pay.

- To claim any of the refundable or carryover credits available. Part-year and nonresidents are required to file if:

Federal filing status:	Received New York-source income and New York AGI exceeds:
Single and can be claimed as dependent on another person's return	\$ 3,100
Single and cannot be claimed as dependent on another person's return	8,000
MFJ.....	16,050
MFS.....	8,000
HOH.....	11,200
QSS.....	16,050

Part-year and nonresidents are also required to file if any of the following apply:

- They are subject to separate tax on lump-sum distributions derived from or connected to New York sources (part-year residents).
- They incurred a New York NOL without incurring a similar federal NOL.
- To claim a refund of state or city income taxes withheld from taxpayer's pay.
- To claim any of the refundable or carryover credits available.

New York form to file:

- Resident: Form IT-201 (Resident Income Tax Return).
- Part-year and nonresident: Form IT-203 (Nonresident and Part-Year Resident Income Tax Return).

Return due date: April 15

Extension form. Form IT-370 (Application for Automatic Six-Month Extension of Time to File for Individuals).

Allowable extension. To request an automatic six-month extension, file Form IT-370 and remit any tax due. A copy of the federal extension is not accepted.

NORTH CAROLINA

Website: <https://ncdor.gov>

Tax assistance: 877-252-3052



2023 Tax Rate

Income tax rate.....	4.75%
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Filing requirements. Every resident whose income for the year exceeds the amount for his filing status as shown in the following chart must file a return:

Filing status	A return is required if federal gross income exceeds
Single.....	\$ 12,750
MFJ.....	25,500
MFS if spouse does not claim itemized deductions.....	12,750
MFS if spouse claims itemized deductions.....	0
HOH.....	19,125
QSS.....	25,500
Nonresident alien.....	0

Note: 2023 amounts not available at time of publication. Amounts shown are for 2022.

An individual not required to file a federal income tax return but who has gross income from all sources—both inside and outside of North Carolina—that equals or exceeds the amount for his filing status shown in the chart above is required to file a North Carolina return. He must complete a federal return and attach it to his North

Carolina income tax return to show how his adjusted gross income and deductions were determined.

A part-year resident must file if his total income for the tax year exceeds the amount for his filing status shown in the chart above and he:

- Received income while a resident of North Carolina or
- Received income while a nonresident that is:
 - Attributable to ownership of any interest in real or tangible personal property in North Carolina;
 - Derived from a business, trade, profession or occupation carried on within North Carolina or
 - Derived from gambling activities in North Carolina.

A nonresident must file if his total income from all sources—both inside and outside of North Carolina—exceeds the amount for his filing status as shown in the chart above and he received income for the tax year from North Carolina sources that was:

- Attributable to ownership of any interest in real or tangible personal property in North Carolina;
- Derived from a business, trade, profession, or occupation carried on in North Carolina or
- Derived from gambling activities in North Carolina.

North Carolina form to file:

- Resident, part-year, and nonresident: Form D-400 (Individual Income Tax Return).
- Part-year and nonresidents: D-400, page 4, D-400 Schedule S (Supplement Schedule); Part D (Computation of North Carolina Taxable Income for Part-Year Residents and Nonresidents).

Return due date: April 15

Extension form. Form D-410 (Application for Extension for Filing Individual Income Tax Return).

Allowable extension. North Carolina allows an automatic six-month extension if granted a federal extension. Only file Form D-410 to make a payment or if Form 4868 was not filed.

NORTH DAKOTA

Website: <http://nd.gov/tax>

Tax assistance: 701-328-7088; 877-328-7088

2023 Quick Tax Method—For Taxable Income of:							
Single	\$	0 – 44,725	×	0.00%	minus	\$ 0.00	= Tax
		44,726 – 225,975	×	1.95	minus	872.14	= Tax
		225,976 and over	×	2.50	minus	2,115.00	= Tax
MFJ, QSS	\$	0 – 74,750	×	0.00%	minus	\$ 0.00	= Tax
		74,751 – 275,100	×	1.95	minus	1,457.63	= Tax
		275,101 and over	×	2.50	minus	2,970.68	= Tax
MFS	\$	0 – 37,375	×	0.00%	minus	\$ 0.00	= Tax
		37,376 – 137,550	×	1.95%	minus	728.81	= Tax
		137,551 and over	×	2.50%	minus	1,485.34	= Tax
HOH	\$	0 – 59,950	×	0.00%	minus	\$ 0.00	= Tax
		59,951 – 250,550	×	1.95	minus	1,169.03	= Tax
		250,551 and over	×	2.50	minus	2,547.05	= Tax

Filing requirements. Residents must file if they are required to file a federal income tax return.

Nonresidents must file if they are required to file a federal return and received gross income from North Dakota sources. Part-year residents must file if they are required to file a federal return and

received income from any source while a resident or received North Dakota-source income while a nonresident.

North Dakota form to file:

- Resident, part-year, and nonresident: Form ND-1 (Individual Income Tax Return).
- Part-year and nonresident: Schedule ND-1NR (Tax Calculation for Nonresidents and Part-Year Residents)—attachment to Form ND-1.

Return due date: April 15

Extension form. Form 101 (Application for Extension of Time to File a North Dakota Tax Return).

Allowable extension: An extension of time to file a taxpayer's federal return is recognized for North Dakota purposes. If there is no federal extension, file Form 101 to request an extension of time to file (Form 101 is not an automatic extension). Use Form ND-1EXT (Individual Extension Payment Voucher) to make a payment.

Reciprocity agreements. Minnesota and Montana. Minnesota residents are not required to file a North Dakota return if only North Dakota source of income is compensation and the taxpayer maintains a home in Minnesota and returns to the home at least once each month. Montana residents are not required to file a North Dakota return if only North Dakota source of income is wages.

OHIO

Website: <https://tax.ohio.gov>

Tax assistance: 800-282-1780



2023 Quick Tax Method—For Taxable Income of:

All	\$ 0 – 26,050	×	0.00%	minus	\$ 0.00	= Tax
	26,051 – 100,000	×	2.750%	minus	355.69	= Tax
	100,001 – 115,300	×	3.688%	minus	1,293.69	= Tax
	115,301 and over	×	3.750%	minus	1,365.17	= Tax

Filing requirements. Residents and part-year residents are required to file unless one of the following exceptions applies:

- Ohio AGI is less than or equal to \$0.
- The total of the taxpayer's senior citizen credit, lump-sum distribution credit and joint filing credit is equal to or exceeds his income tax liability and he is not liable for school district income tax.
- The taxpayer's exemption amount is the same as or more than his Ohio AGI.

Nonresidents are required to file if they have Ohio-sourced income.

Ohio form to file:

- Resident, part-year, and nonresident: Form IT 1040 (Individual Income Tax Return).
- Part-year and nonresidents: Schedule D (Nonresident/Part-Year Resident Credit) (Form IT 1040, page 4).

Return due date: April 15

Extension form. Ohio does not have a separate extension form.

Allowable extension. Ohio allows an extension based on the federal extension. Use Form IT 40P (Income Tax Payment Voucher) to make any payments by the original return due date.

Reciprocity agreements. Residents of a border state (Indiana, Kentucky, West Virginia, Michigan, and Pennsylvania) are not required to file Ohio return if only Ohio income is wages and salaries from an unrelated employer.

OKLAHOMA

Website: <https://oklahoma.gov/tax>

Tax assistance: 405-521-3160; 800-522-8165

2023 Quick Tax Method—For Taxable Income of:						
Single, MFS	\$ 0 –	1,000 × 0.25%	minus	\$ 0.00 =	Tax	
	1,001 –	2,500 × 0.75	minus	5.00 =	Tax	
	2,501 –	3,750 × 1.75	minus	30.00 =	Tax	
	3,751 –	4,900 × 2.75	minus	67.50 =	Tax	
	4,901 –	7,200 × 3.75	minus	116.50 =	Tax	
	7,201 and over	× 4.75	minus	188.50 =	Tax	
MFJ, QSS, HOH	\$ 0 –	2,000 × 0.25%	minus	\$ 0.00 =	Tax	
	2,001 –	5,000 × 0.75	minus	10.00 =	Tax	
	5,001 –	7,500 × 1.75	minus	60.00 =	Tax	
	7,501 –	9,800 × 2.75	minus	135.00 =	Tax	
	9,801 –	12,200 × 3.75	minus	233.00 =	Tax	
	12,201 and over	× 4.75	minus	355.00 =	Tax	

Filing requirements. Residents must file a return if:

Filing status:	Gross income exceeds:
Single.....	\$ 7,350
MFJ.....	14,700
MFS.....	7,350
HOH.....	10,350
QSS with a Dependent Child.....	13,700

Dependents must file if:

Marital status:	Gross income exceeds:
Single dependents.....	\$ 6,350
Married dependents.....	6,350

Part-year residents are required to file if they meet resident filing requirements while a resident or receive \$1,000 or more Oklahoma-source gross income while a nonresident.

Nonresidents are required to file if they received \$1,000 or more Oklahoma-source gross income.

Oklahoma form to file:

- Resident: Form 511 (Oklahoma Resident Income Tax Return).
- Part-year and nonresident: Form 511-NR (Oklahoma Nonresident/Part-Year Income Tax Return).

Return due date: April 15 or April 20 if return is filed electronically.

Extension form. Form 504-I (Application for Extension of Time to File an Oklahoma Income Tax Return For Individuals).

Allowable extension. Oklahoma allows a six-month extension if the taxpayer attaches a copy of a valid federal extension. If the federal return is not extended or the taxpayer owes Oklahoma tax, Form 504-I must be filed. Use Form 504-I to remit any tax due.

OREGON

Website: <https://oregon.gov/dor>

Tax assistance: 503-378-4988; 800-356-4222



2023 Quick Tax Method—For Taxable Income of:

Single, MFS	\$ 0 –	4,050 × 4.75%	minus	\$ 0.00 = Tax
	4,051 –	10,200 × 6.75	minus	81.00 = Tax
	10,201 –	125,000 × 8.75	minus	285.00 = Tax
	125,001 and over	× 9.90	minus	1,722.50 = Tax

MFJ, HOH, QW	\$ 0 –	8,100 × 4.75%	minus	\$ 0.00 = Tax
	8,101 –	20,400 × 6.75	minus	162.00 = Tax
	20,401 –	250,000 × 8.75	minus	570.00 = Tax
	250,001 and over	× 9.90	minus	3,445.00 = Tax

Filing requirements. Residents must file if they are required to file a federal income tax return or have \$1 or more of Oregon income tax withheld from wages. Also, residents are required to file if:

Filing Status:	Gross Oregon Income Exceeds:
Single.....	\$ 7,305
HOH.....	9,165
MFJ, RDP filing joint.....	14,605
MFS, RDP filing separate ¹	7,305
QSS.....	10,180
Dependent ²	1,250

¹ If spouse/RDP itemizes deductions, this amount is \$0.
² The greater of \$1,250 or earned income plus \$400, but no more than standard deduction amount.

Oregon form to file:

- Resident: Form OR-40 (Oregon Individual Income Tax Return for Full-year Residents).
- Part-year resident: Form OR-40-P (Oregon Individual Income Tax Return for Part-Year Residents).
- Nonresident: Form OR-40-N (Oregon Individual Income Tax Return for Nonresidents).

Return due date: April 15

Extension form. Form OR-40-V (Oregon Individual Income Tax Payment Voucher).

Allowable extension. Oregon allows the same extension allowed on the federal return. File Form OR-40-V and check the extension payment checkbox to make a tax payment or if no federal extension is filed.

PENNSYLVANIA

Website: <https://revenue.pa.gov>

Tax assistance: 717-787-8201, 888-728-2937



2023 Tax Rate

Income tax rate.....	3.07%
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Filing requirements. Residents, part-year, and nonresidents are required to file if they receive total Pennsylvania gross taxable income in excess of \$33, or if they incurred a loss from any transaction as an individual, sole proprietor, partner or Pennsylvania S corporation shareholder.

Pennsylvania form to file. Resident, part-year, and nonresident: Form PA-40 (Pennsylvania Income Tax Return).

Return due date: April 15

Allowable extension. Pennsylvania allows an extension for up to six months if the taxpayer:

- Does not owe any Pennsylvania tax and has a valid federal extension.
- Files Form REV-276 and pays any Pennsylvania tax due.
- Pays Pennsylvania tax due by debit or credit card at www.officialpayments.com or 800-272-9829. Do not file Form REV-276.
- Pays Pennsylvania tax due via electronic funds transfer from taxpayer's bank account at the department's website at www.revenue.pa.gov. Do not file Form REV-276.

Reciprocity agreements. Indiana, Maryland, New Jersey, Ohio, Virginia, and West Virginia. Pennsylvania does not tax residents of these states on employee compensation that is subject to employer federal withholding.

RHODE ISLAND

Website: www.tax.ri.gov

Tax assistance: 401-574-8829, option #3



2023 Quick Tax Method—For Taxable Income of:

All Filers	\$ 0 - 73,450 × 3.75%	minus \$ 0.00 = Tax
	73,451 - 166,950 × 4.75%	minus 734.50 = Tax
	166,951 and over × 5.99%	minus 2,804.68 = Tax

Filing requirements. Residents must file if they are required to file a federal return or not required to file a federal return, but receive Rhode Island income in excess of the sum of their personal exemptions and applicable standard deduction.

Part-year residents must file if they are required to file a federal return, or have Rhode Island modifications increasing federal AGI.

Nonresidents must file if they received income from Rhode Island sources and are required to file a federal return or have Rhode Island modifications increasing federal AGI.

Rhode Island form to file:

- Resident: Form RI-1040 (Resident Individual Income Tax Return).
- Part-year and nonresident: Form RI-1040NR (Nonresident Individual Income Tax Return).

Return due date: April 15

Extension forms. Form RI-4868 (Rhode Island Application for Automatic Extension of Time to File a Rhode Island Individual Income Tax Return).

Allowable extension. Automatic six-month extension if:

- Federal Form 4868 filed and no payment due: Attach a copy of federal Form 4868.
- Payment due or federal Form 4868 not filed: File Form RI-4868 for six-month extension.

SOUTH CAROLINA

Website: [https://dor.sc.gov](http://www.dor.sc.gov)

Tax assistance: 844-898-8542, option #1



2023 Quick Tax Method—For Taxable Income of:

All Filing Statuses	\$ 0 - 3,300 × 0.00%	minus \$ 0 = Tax
	3,301 - 16,680 × 3.00%	minus 100 = Tax
	16,681 and over × 6.40%	minus 670 = Tax

Note: Amounts are based on 2023 estimated tax instructions. Final amounts for 2023 are not available at time of publication.

Filing requirements. Residents must file if they are required to file a federal income tax return that included income that is taxable by South Carolina or have South Carolina income tax withheld from wages.

Exception: Residents age 65 or older are not required to file if:

- 1) Their gross income is less than or equal to the federal filing requirement plus \$15,000 (\$30,000 if MFJ and both spouses age 65 or older) and
- 2) They do not have South Carolina income tax withheld from wages.

Part-year and nonresidents are required to file if they had income taxed by South Carolina or had South Carolina income tax withheld from their wages.

South Carolina form to file:

- Residents and part-year residents who elect to file as residents: Form SC1040 (Individual Income Tax Return).
- Part-year and nonresident: Schedule NR (Nonresident Schedule)—attachment to Form SC1040.

Return due date: April 15

Extension form. Form SC4868 (Request for Extension of Time to File South Carolina Individual Income Tax Return).

Allowable extension. Six-month extension allowed:

- No payment due and federal Form 4868 filed.
- Payment due or federal Form 4868 not filed: File Form SC4868 for six-month extension. At least 90% of current year tax must be paid.

SOUTH DAKOTA

Website: <https://dor.sd.gov>

Tax assistance: 800-829-9188, 605-773-3311



Filing requirements. South Dakota has no personal income tax.

TENNESSEE

Website: www.tn.gov/revenue

Tax assistance: 615-253-0600, 800-342-1003



Filing requirements. Tennessee does not have a personal income tax.

TEXAS

Website: <https://comptroller.texas.gov>



Tax assistance: 800-252-1381

Filing requirements. Texas does not have a personal income tax.

UTAH

Website: <https://tax.utah.gov>



Tax assistance: 801-297-2200, 800-662-4335

2023 Tax Rate

Income tax rate 4.65%

Filing requirements. Residents and part-year residents must file if they are required to file a federal income tax return.

Nonresidents must file if they are required to file a federal income tax return and received Utah-source income.

Utah form to file:

- Resident, part-year, and nonresident: Form TC-40 (Utah Individual Income Tax Return).
- Part-year and nonresident: Form TC-40B (Non or Part-year Resident Schedule)—attachment to Form TC-40.

Return due date: April 15

Allowable extension. Utah allows an automatic six-month extension of time to file. Utah does not have an extension form. Use Form TC-546 (Individual Income Tax Prepayment Coupon) to make a payment.

VERMONT

Website: <https://tax.vermont.gov>

Tax assistance: 802-828-2865



2023 Quick Tax Method—For Taxable Income of:

Single	\$ 0 – 45,400 × 3.35% minus \$ 0.00 = Tax
	45,401 – 110,050 × 6.60 minus 1,475.50 = Tax
	110,051 – 229,550 × 7.60 minus 2,576.00 = Tax
	229,551 and over × 8.75 minus 5,215.83 = Tax
MFJ, QW, CU Filing Jointly	\$ 0 – 75,850 × 3.35% minus \$ 0.00 = Tax
	75,851 – 183,400 × 6.60 minus 2,465.13 = Tax
	183,401 – 279,450 × 7.60 minus 4,299.13 = Tax
	279,451 and over × 8.75 minus 7,512.80 = Tax
MFS, CU Filing Separately	\$ 0 – 37,925 × 3.35% minus \$ 0.00 = Tax
	37,926 – 91,700 × 6.60 minus 1,232.56 = Tax
	91,701 – 139,725 × 7.60 minus 2,149.56 = Tax
	139,726 and over × 8.75 minus 3,756.40 = Tax
HOH	\$ 0 – 60,850 × 3.35% minus \$ 0.00 = Tax
	60,851 – 157,150 × 6.60 minus 1,977.63 = Tax
	157,151 – 254,500 × 7.60 minus 3,549.13 = Tax
	254,501 and over × 8.75 minus 6,475.88 = Tax

Filing requirements. Residents, part-year residents, and nonresidents must file if they are required to file a federal return and earn or receive:

- 1) \$100 or more of Vermont income or
- 2) \$1,000 or more of Vermont gross income as a nonresident.

Vermont form to file:

- Resident, part-year, and nonresident: Form IN-111 (Vermont Income Tax Return).
- Part-year and nonresident: Schedule IN-113 (Income Adjustment Calculations)—attachment to Form IN-111.

Return due date: April 15

Extension form. Form IN-151 (Application for Extension of Time to File Form IN-111 Vermont Individual Income Tax Return).

Allowable extension. Vermont allows an automatic six-month extension if Form IN-151 is filed by the due date of the return or taxpayer uses myVTax to file the extension.

VIRGINIA

Website: <https://tax.virginia.gov>

Tax assistance: 804-367-8031



2023 Quick Tax Method—For Taxable Income of:

All Filing Statuses	\$ 0 – 3,000 × 2.00% minus \$ 0.00 = Tax
	3,001 – 5,000 × 3.00 minus 30.00 = Tax
	5,001 – 17,000 × 5.00 minus 130.00 = Tax
	17,001 and over × 5.75 minus 257.50 = Tax

Filing requirements. Residents and part-year residents are required to file if:

Filing status:	Virginia AGI is at least:
Single or MFS	\$ 11,950
MFJ	23,900

Nonresidents are required to file if they receive any income from Virginia sources other than interest from personal savings accounts, interest or dividends from an individual stock market investment, or pension payments from a Virginia payor.

Virginia form to file:

- Resident: Form 760 (Virginia Resident Individual Income Tax Return).
- Part-year resident: Form 760PY (Virginia Part-Year Resident Income Tax Return).
- Nonresident: Form 763 (Virginia Nonresident Income Tax Return).

Return due date: May 1

Allowable extension. Virginia allows an automatic six-month extension of time to file. Ninety percent of the tax liability must be paid by the original due date for filing the return to avoid penalty. No application for extension is required. To make a payment of tentative tax by the original due date, use voucher Form 760IP.

Reciprocity agreements. The District of Columbia, Kentucky, Maryland, Pennsylvania, and West Virginia residents may be exempt from filing if their only source of Virginia income is wages subject to income tax by the resident state (or district). For residents of the District of Columbia and Kentucky, the exemption applies if the individual had no actual place of abode in Virginia during the year. The exemption applies to Maryland, Pennsylvania, and West Virginia residents if they are present in Virginia for 183 days or less during the year.

WASHINGTON

Website: <https://dor.wa.gov>

Tax assistance: 360-705-6705



Filing requirements. Washington does not have a personal income tax, but effective January 1, 2022, it imposes a 7% excise tax on individuals with sales or exchanges of long-term capital assets. Only taxpayers owing capital gains tax are required to file a capital gains tax return. Taxpayers must have capital gains in excess of \$250,000. See the *All States Quickfinder® Handbook* for more information.

WEST VIRGINIA

Website: <https://tax.wv.gov>

Tax assistance: 800-982-8297,
304-558-3333



2023 Quick Tax Method—For Taxable Income of:

MFJ, Single, HOH, QSS	\$ 0 – 9,999 × 2.36%	minus \$ 0.00	= Tax
	10,000 – 24,999 × 3.15	minus 78.99	= Tax
	25,000 – 39,999 × 3.54	minus 176.49	= Tax
	40,000 – 59,999 × 4.72	minus 648.48	= Tax
	60,000 and over × 5.12	minus 888.47	= Tax
MFS	\$ 0 – 4,999 × 2.36%	minus \$ 0.00	= Tax
	5,000 – 12,499 × 3.15	minus 39.49	= Tax
	12,500 – 19,999 × 3.54	minus 88.24	= Tax
	20,000 – 29,999 × 4.72	minus 324.23	= Tax
	30,000 and over × 5.12	minus 444.22	= Tax

Filing requirements. Residents and part-year residents are required to file if their West Virginia AGI is greater than the exemption allowance (\$2,000 per exemption or \$500 if zero exemptions were claimed) or to claim a senior citizen's tax credit.

Exception: Taxpayers age 65 or older if income is less than exemption allowance plus senior citizen modification of up to \$8,000 do not have to file.

Nonresidents are required to file if their federal AGI includes any West Virginia-source income.

West Virginia form to file:

- Resident, part-year, and nonresident: Form IT-140 (West Virginia Personal Income Tax Return).
- Part-year and nonresident: Schedule A (Nonresidents/Part-Year Residents Schedule of Income)—attachment to Form IT-140.

Return due date: April 15

Extension form. Schedule L (Application for Extension of Time to File).

Allowable extension. West Virginia allows up to a six-month extension if tax liability is paid and the taxpayer either:

- Attaches a copy of federal Form 4868 or
- Files Schedule L if tax owed or federal Form 4868 not filed.

Reciprocity agreements. Kentucky, Maryland, Ohio, Pennsylvania, and Virginia residents may file Form IT-140NRS (Special Nonresident Income Tax Return) to claim a refund if the only West Virginia income is from wages and salaries.

Note: Pennsylvania and Virginia residents qualify only if they did not spend more than 183 days within West Virginia in 2023.

WISCONSIN

Website: <https://revenue.wi.gov>

Tax assistance: 608-266-2486



2023 Quick Tax Method—For Taxable Income of:

Single, HOH	\$ 0 – 13,810 × 3.54%	minus \$ 0.00	= Tax
	13,811 – 27,630 × 4.65	minus 153.29	= Tax
	27,631 – 304,170 × 5.30	minus 332.89	= Tax
	304,171 and over × 7.65	minus 7,480.88	= Tax
MFJ	\$ 0 – 18,420 × 3.54%	minus \$ 0.00	= Tax
	18,421 – 36,840 × 4.65	minus 204.46	= Tax
	36,841 – 405,550 × 5.30	minus 443.92	= Tax
	405,551 and over × 7.65	minus 9,974.35	= Tax
MFS	\$ 0 – 9,210 × 3.54%	minus \$ 0.00	= Tax
	9,211 – 18,420 × 4.65	minus 102.23	= Tax
	18,421 – 202,780 × 5.30	minus 221.96	= Tax
	202,781 and over × 7.65	minus 4,987.29	= Tax

Filing requirements. Residents must file if:

Filing status:	Age:	Gross income is at least:
Single	Under 65.....	\$ 13,460
	65 or older.....	13,710
MFJ	Under 65 (both spouses).....	\$ 25,020
	65 or older (one spouse).....	25,270
	65 or older (both spouses).....	25,520
MFS	Under 65.....	\$ 11,920
	65 or older.....	12,170
HOH	Under 65.....	\$ 17,180
	65 or older.....	17,430

Note: 2023 amounts not available at time of publication. Amounts shown are for 2022.

Residents must also file if they owe a Wisconsin penalty on an IRA, retirement plan, ABLE account, medical or health savings account or Coverdell education savings account (excess contribution).

Part-year and nonresidents must file if gross income is at least \$2,000.

Wisconsin form to file:

- Resident: Form 1, Wisconsin Income Tax.
- Part-year and nonresident: Form 1NPR (Nonresident and Part-Year Resident Wisconsin Income Tax).

Return due date: April 15

Allowable extension. Wisconsin allows an extension based on the federal extension. Use Form 1-ES to make any payments. If federal Form 4868 not filed, attach a statement to the Wisconsin tax return indicating which federal extension provision (for example, federal automatic six-month provision) the taxpayer is applying for.

Reciprocity agreements. Illinois, Indiana, Kentucky, and Michigan residents are not required to file a Wisconsin return if the only Wisconsin income is from personal services.

WYOMING

Website: <http://revenue.wyo.gov>

Tax assistance: 307-777-5200

Filing requirements. Wyoming does not have a personal income tax.

Quick Facts, Worksheets, Where to File

All worksheets included in Tab 3 may be copied and used in your tax practice.



Tab 3 Topics

Quick Facts Data Sheet	Page 3-1	Donations Substantiation Guide	Page 3-8
Business Use of Home Worksheet	Page 3-4	Earned Income Credit (EIC) Worksheet (2023)	Page 3-9
Capital Loss Carryover Worksheet (2023)	Page 3-5	Net Operating Loss Worksheets	Page 3-9
Form 8949 (Sales and Other Dispositions of Capital Assets)—Gain/Loss Adjustment Codes	Page 3-5	Social Security Benefits Worksheet (2023)	Page 3-13
Carryover Schedule for Charitable Contributions	Page 3-6	Qualified Business Income Deduction Worksheet (2023)	Page 3-14
Donations—Noncash	Page 3-7	2023 State and Local Sales Tax Deduction	Page 3-15
Donated Goods Valuation Guide	Page 3-7	Where to File 2023 Form 1040	Page 3-16
		Where to File Form 1040-ES for 2024	Page 3-16
		Where to File Form 4868 for 2023 Return	Page 3-16

Quick Facts Data Sheet

	2024	2023	2022	2021	2020
General Deductions and Credits					
Standard deduction:					
MFJ or QSS	\$ 29,200 ⁴⁴	\$ 27,700	\$ 25,900	\$ 25,100	\$ 24,800
Single	14,600 ⁴⁴	13,850	12,950	12,550	12,400
HOH	21,900 ⁴⁴	20,800	19,400	18,800	18,650
MFS	14,600 ⁴⁴	13,850	12,950	12,550	12,400
Additional for age 65 or older or blind each (MFJ, QSS, MFS)	1,550 ⁴⁴	1,500	1,400	1,350	1,300
Additional for age 65 or older or blind each (Single, HOH)	1,950 ⁴⁴	1,850	1,750	1,700	1,650
Earned income credit:					
Earned income and AGI must be less than (MFJ): ²					
No qualifying children	\$ 25,511 ⁴⁴	\$ 24,210	\$ 22,610	\$ 27,380	\$ 21,710
One qualifying child	56,004 ⁴⁴	53,120	49,622	48,108	47,646
Two qualifying children	62,688 ⁴⁴	59,478	55,529	53,865	53,330
Three or more qualifying children	66,819 ⁴⁴	63,398	59,187	57,414	56,844
Maximum amount of credit (all filers except MFS):					
No qualifying children	\$ 632 ⁴⁴	\$ 600	\$ 560	\$ 1,502	\$ 538
One qualifying child	4,213 ⁴⁴	3,995	3,733	3,618	3,584
Two qualifying children	6,960 ⁴⁴	6,604	6,164	5,980	5,920
Three or more qualifying children	7,830 ⁴⁴	7,430	6,935	6,728	6,660
Investment income limit	11,600 ⁴⁴	11,000	10,300	10,000	3,650
Child tax credit/credit for other dependents:					
Credit per child	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000 ³	\$ 2,000
Refundable portion limit	1,700 ⁴⁴	1,600	1,500	2,000 ³	1,400
Refundable child tax credit—earned income floor	2,500	2,500	2,500	0 ³	2,500
Credit per other dependent	500	500	500	500	500
Adoption credit/exclusion:					
Maximum credit/exclusion (and amount allowed for adoption of special needs child)	\$ 16,810 ⁴⁴	\$ 15,950	\$ 14,890	\$ 14,440	\$ 14,300
Credit/exclusion phase-out begins at AGI of:					
All taxpayers except MFS	\$ 252,150 ⁴⁴	\$ 239,230	\$ 223,410	\$ 216,660	\$ 214,520
MFS	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed
Kiddie tax unearned income threshold					
\$ 2,600 ⁴⁴	\$ 2,500	\$ 2,300	\$ 2,200	\$ 2,200	\$ 2,200
Foreign earned income exclusion					
\$ 126,500 ⁴⁴	\$ 120,000	\$ 112,000	\$ 108,700	\$ 107,600	
FICA/SE Taxes					
Maximum earnings subject to tax:					
Social security tax	\$ 168,600	\$ 160,200	\$ 147,000	\$ 142,800	\$ 137,700
Medicare tax	No Limit	No Limit	No Limit	No Limit	No Limit
Maximum tax paid by:					
Employee—social security	\$ 10,453.20	\$ 9,932.40	\$ 9,114.00	\$ 8,853.60	\$ 8,537.40
Self-employed—social security	20,906.40	19,864.80	18,228.00	17,707.20	17,074.80
Employee or self-employed—Medicare	No Limit	No Limit	No Limit	No Limit	No Limit
Additional Medicare tax begins at earnings of:					
MFJ	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Single, HOH, or QSS	200,000	200,000	200,000	200,000	200,000
MFS	125,000	125,000	125,000	125,000	125,000

Table continued on the next page

Quick Facts Data Sheet (Continued)

	2024	2023	2022	2021	2020
Business Deductions					
Section 179 deduction:					
Overall limit	\$ 1,220,000 ^{**}	\$ 1,160,000	\$ 1,080,000	\$ 1,050,000	\$ 1,040,000
SUV limit (per vehicle)	30,500 ^{**}	28,900	27,000	26,200	25,900
Qualifying property phase-out threshold	3,050,000 ^{**}	2,890,000	2,700,000	2,620,000	2,590,000
Depreciation limit—autos, trucks, and vans (1st year)	4, 11	12,200 ⁴	11,200 ⁴	10,200 ⁴	10,100 ⁴
Standard mileage allowances:					
Business	67¢ ^{**}	65.5¢	58.5¢/62.5¢ ¹⁰	56¢	57.5¢
Charity work	14¢	14¢	14¢	14¢	14¢
Medical/moving	21¢ ^{**}	22¢	18¢/22¢ ¹⁰	16¢	17¢
Qualified business income (QBI) deduction taxable income thresholds:					
MFJ	\$ 383,900 ^{**}	\$ 364,200	\$ 340,100	\$ 329,800	\$ 326,600
Single, HOH, QSS, or MFS	191,950 ^{**}	182,100	170,050	164,900 ⁵	163,300
Excess business loss disallowance limits:					
MFJ	\$ 610,000 ^{**}	\$ 578,000	\$ 540,000	\$ 524,000	\$ 518,000
Single, HOH, QSS, or MFS	305,000 ^{**}	289,000	270,000	262,000	259,000
Health Care Deductions/Exclusions/Credits					
Health savings accounts (HSAs):					
Self-only coverage:	Contribution limit	\$ 4,150	\$ 3,850	\$ 3,650	\$ 3,600
	Plan minimum deductible	1,600	1,500	1,400	1,400
	Plan out-of-pocket limit	8,050	7,500	7,050	7,000
Family coverage:	Contribution limit	8,300	7,750	7,300	7,200
	Plan minimum deductible	3,200	3,000	2,800	2,800
	Plan out-of-pocket limit	16,100	15,000	14,100	14,000
	Additional contribution limit—age 55 or older	1,000	1,000	1,000	1,000
Long-term care insurance—deduction limits:					
Age 40 and under	\$ 470 ^{**}	\$ 480	\$ 450	\$ 450	\$ 430
Age 41 – 50	880 ^{**}	890	850	850	810
Age 51 – 60	1,760 ^{**}	1,790	1,690	1,690	1,630
Age 61 – 70	4,710 ^{**}	4,770	4,510	4,520	4,350
Age 71 and older	5,880 ^{**}	5,960	5,640	5,640	5,430
Long-term care—excludable per diem	\$ 410 ^{**}	\$ 420	\$ 390	\$ 400	\$ 380
Medical savings accounts (MSAs):					
Self-only coverage:	Plan minimum deductible	\$ 2,800 ^{**}	\$ 2,650	\$ 2,450	\$ 2,400
	Plan maximum deductible	4,150 ^{**}	3,950	3,700	3,600
	Plan out-of-pocket limit	5,550 ^{**}	5,300	4,950	4,800
Family coverage:	Plan minimum deductible	5,550 ^{**}	5,300	4,950	4,800
	Plan maximum deductible	8,350 ^{**}	7,900	7,400	7,150
	Plan out-of-pocket limit	10,200 ^{**}	9,650	9,050	8,750
Health flexible spending arrangement—contribution limit	\$ 3,200 ^{**}	\$ 3,050	\$ 2,850	\$ 2,750	\$ 2,750
Advance payment of health insurance premium tax credit—repayment limit:⁶					
Household income < 200% of federal poverty line (FPL)	\$ 750 ^{**}	\$ 700	\$ 650	\$ 650	\$ 650
Household income ≥ 200% of FPL, but < 300%	1,900 ^{**}	1,800	1,650	1,600	1,600
Household income ≥ 300% of FPL, but < 400%	3,150 ^{**}	3,000	2,800	2,700	2,700
Qualified small employer HRA reimbursement limits:					
Employee only	\$ 6,150 ^{**}	\$ 5,850	\$ 5,450	\$ 5,300	\$ 5,250
Employee and family	12,450 ^{**}	11,800	11,050	10,700	10,600
Small employer health insurance credit—average wage limit	\$ 32,400 ^{**}	\$ 30,700	\$ 28,700	\$ 27,800	\$ 27,600
Education Tax Incentives					
Education savings accounts (ESAs) phase-out begins at AGI of:					
MFJ	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000
Single, HOH, QSS, or MFS	95,000	95,000	95,000	95,000	95,000
American opportunity credit—maximum credit (per student)	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Lifetime learning credit (LLC)—maximum credit (per return)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Education credit phase-out begins at AGI of:					
MFJ: American opportunity	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000
LLC	116,000	160,000	160,000	160,000	118,000
Single, HOH, or QSS: American opportunity	80,000	80,000	80,000	80,000	80,000
LLC	58,000	80,000	80,000	80,000	59,000
MFS	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed
Student loan interest deduction limit	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Student loan interest deduction phase-out begins at AGI of:					
MFJ	\$ 165,000 ^{**}	\$ 155,000	\$ 145,000	\$ 140,000	\$ 140,000
Single, HOH, or QSS	80,000 ^{**}	75,000	70,000	70,000	70,000
MFS	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed

Quick Facts Data Sheet (Continued)

	2024	2023	2022	2021	2020
Savings bonds income exclusion phase-out begins at AGI of:					
MFJ or QSS	\$ 145,200 ^{**}	\$ 137,800	\$ 128,650	\$ 124,800	\$ 123,550
Single or HOH	96,800 ^{**}	91,850	85,800	83,200	82,350
MFS	Not Allowed	Not Allowed	Not Allowed	Not Allowed	Not Allowed
Tuition deduction phase-out begins at AGI of:					
MFJ	N/A ⁷	N/A ⁷	N/A ⁷	N/A ⁷	\$ 130,000
Single, HOH, or QSS	N/A ⁷	N/A ⁷	N/A ⁷	N/A ⁷	65,000
MFS	N/A ⁷	N/A ⁷	N/A ⁷	N/A ⁷	Not Allowed
Additional Taxes					
AMT exemption:					
MFJ or QSS	\$ 133,300 ^{**}	\$ 126,500	\$ 118,100	\$ 114,600	\$ 113,400
Single or HOH	85,700 ^{**}	81,300	75,900	73,600	72,900
MFS	66,650 ^{**}	63,250	59,050	57,300	56,700
Child subject to kiddie tax—earned income plus	N/A ⁸	N/A ⁸	N/A ⁸	N/A ⁸	N/A ⁸
Net investment income tax begins at AGI of:					
MFJ or QSS	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Single or HOH	200,000	200,000	200,000	200,000	200,000
MFS	125,000	125,000	125,000	125,000	125,000
Retirement Plans					
IRA contribution limits:					
Under age 50 at year end	\$ 7,000	\$ 6,500	\$ 6,000	\$ 6,000	\$ 6,000
Age 50 or older at year end	8,000	7,500	7,000	7,000	7,000
Traditional IRA deduction phase-out begins at AGI of (taxpayer or spouse covered by employer retirement plan):					
MFJ and QSS (covered spouse)	\$ 123,000	\$ 116,000	\$ 109,000	\$ 105,000	\$ 104,000
MFJ (non-covered spouse)	230,000	218,000	204,000	198,000	196,000
Single and HOH	77,000	73,000	68,000	66,000	65,000
MFS	0	0	0	0	0
Roth IRA contribution phase-out begins at AGI of:					
MFJ or QSS	\$ 230,000	\$ 218,000	\$ 204,000	\$ 198,000	\$ 196,000
Single or HOH	146,000	138,000	129,000	125,000	124,000
MFS	0	0	0	0	0
SIMPLE IRA plan elective deferral limits:					
Under age 50 at year end	\$ 16,000	\$ 15,500	\$ 14,000	\$ 13,500	\$ 13,500
Age 50 or older at year end	19,500	19,000	17,000	16,500	16,500
401(k), 403(b), 457, and SARSEP elective deferral limits:					
Under age 50 at year end	\$ 23,000	\$ 22,500	\$ 20,500	\$ 19,500	\$ 19,500
Age 50 or older at year end	30,500	30,000	27,000	26,000	26,000
Profit-sharing plan/SEP contribution limits					
Compensation limit (for employer contributions to profit sharing plans)	\$ 345,000	\$ 330,000	\$ 305,000	\$ 290,000	\$ 285,000
Defined benefit plans—annual benefit limit	\$ 275,000	\$ 265,000	\$ 245,000	\$ 230,000	\$ 230,000
Retirement saver's credit phased-out when AGI exceeds:					
MFJ	\$ 76,500	\$ 73,000	\$ 68,000	\$ 66,000	\$ 65,000
HOH	57,375	54,750	51,000	49,500	48,750
Single, MFS, or QSS	38,250	36,500	34,000	33,000	32,500
Key employee compensation threshold	\$ 220,000	\$ 215,000	\$ 200,000	\$ 185,000	\$ 185,000
Highly compensated threshold	\$ 155,000	\$ 150,000	\$ 135,000	\$ 130,000	\$ 130,000
Social Security					
Maximum earnings and still receive full social security benefits:					
Under full retirement age (FRA) at year-end, benefits reduced by \$1 for each \$2 earned over	\$ 22,320	\$ 21,240	\$ 19,560	\$ 18,960	\$ 18,240
Year FRA reached, benefits reduced \$1 for each \$3 earned over (months up to FRA only)	59,520	56,520	51,960	50,520	48,600
Month FRA reached and later	No Limit	No Limit	No Limit	No Limit	No Limit
Estate and Gift Taxes					
Estate and gift tax exclusion	\$ 13,610,000 ^{**}	\$ 12,920,000 ⁹	\$ 12,060,000 ⁹	\$ 11,700,000 ⁹	\$ 11,580,000 ⁹
GST tax exemption	\$ 13,610,000 ^{**}	\$ 12,920,000	\$ 12,060,000	\$ 11,700,000	\$ 11,580,000
Gift tax annual exclusion	\$ 18,000 ^{**}	\$ 17,000	\$ 16,000	\$ 15,000	\$ 15,000
1 The exemption deduction amount is zero; however, for other Code provisions that refer to the Section 151 exemption amount (for example, the definition of qualifying relative when determining dependents under IRC Sec. 152), the amount is \$5,050 ^{**} for 2024, \$4,700 for 2023, \$4,400 for 2022, \$4,300 for 2021, and \$4,300 for 2020.					
2 Phaseout amount for all other filers (except MFS) is amount shown reduced by: \$6,920 ^{**} for 2024, \$6,560 (\$6,570 if no children) in 2023; \$6,130 in 2022; \$5,950 (\$4,950 if three or more children) in 2021; \$5,890 in 2020.					
3 Increased refundable credit amounts of \$1,600 per child under age six and/or \$1,000 per child age six or over are phased out beginning at \$150,000 for MFJ/QSS, \$112,500 for HOH, and \$75,000 for Single. Refundability is determined without regard to earned income.					
4 Add \$8,000 if special depreciation claimed.					
5 \$164,925 for MFS (2021), \$160,725 for MFS (2019).					
6 For single filing status, the amount is half of the amount shown. For tax years beginning in 2020, no additional income tax is imposed on advance credit payments exceeding the taxpayer's PTC.					
7 Permanently repealed for tax years beginning after December 31, 2020.					
8 The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) has suspended the provision limiting the exemption amount for children subject to the kiddie tax to the sum of the child's earned income plus \$9,250 ^{**} for 2024 (\$8,800 for 2023) for tax years 2018–2025 [IRC Sec. 55(d)(4)(A)(ii)].					
9 Plus the amount of any deceased spousal unused exclusion and/or any restored exclusion related to lifetime gifts to a same-sex spouse.					
10 The first amount applies to 1/1/22–6/30/22 and the second amount applies to 7/1/22–12/31/22.					
11 Amount not available at time of publication.					

Business Use of Home Worksheet

Caution: Schedule C filers must use Form 8829 (Expenses for Business Use of Your Home) or claim the deduction computed under the simplified method on Schedule C, line 30. Use this worksheet if Schedule F is filed or if the individual is a partner (result to Schedule E). For daycare facilities not used exclusively for business, see Form 8829.

Part 1—Part of Home Used for Business:

- 1) Area of home used for business..... 1) _____
- 2) Total area of home..... 2) _____
- 3) Percentage of home used for business (divide line 1 by line 2 and show result as percentage)..... 3) _____ %

Part 2—Allowable Deductions:

- 4) Gross income from business..... 4) _____

	(a)	(b)
	Direct Expenses	Indirect Expenses

5) Casualty loss	5) _____	_____
6) Deductible mortgage interest.....	6) _____	_____
7) Real estate taxes.....	7) _____	_____
8) Total of lines 5 through 7	8) _____	_____
9) Multiply column (b) of line 8 by line 3	9) _____	
10) Add column (a) of line 8 and line 9.....	10) _____	
11) Business expenses not related to business use of home.....	11) _____	
12) Add lines 10 and 11	12) _____	
13) Deduction limit. Subtract line 12 from line 4 (if zero or less, enter -0-).	13) _____	
14) Excess mortgage interest.....	14) _____	
15) Excess real estate taxes.....	15) _____	
16) Insurance.....	16) _____	
17) Rent.....	17) _____	
18) Repairs and maintenance.....	18) _____	
19) Utilities.....	19) _____	
20) Other expenses related to use of home	20) _____	
21) Add lines 14 through 20.....	21) _____	
22) Multiply column (b) of line 21 by line 3	22) _____	
23) Carryover of operating expenses from prior year	23) _____	
24) Add column (a) of line 21, line 22 and line 23	24) _____	
25) Allowable operating expenses. Enter the <i>smaller</i> of line 13 or line 24	25) _____	
26) Limit on excess casualty losses and depreciation. Subtract line 25 from line 13.....	26) _____	
27) Excess casualty losses.....	27) _____	
28) Depreciation of home from line 40 below	28) _____	
29) Carryover of excess casualty losses and depreciation from prior year	29) _____	
30) Add lines 27 through 29.....	30) _____	
31) Allowable excess casualty losses and depreciation. Enter the <i>smaller</i> of line 26 or line 30	31) _____	
32) Add lines 10, 25, and 31.....	32) _____	
33) Casualty losses included on lines 10 and 31.....	33) _____	
34) Allowable expenses for business use of home. (Subtract line 33 from line 32.)	34) _____	

Part 3—Depreciation of Home:

- 35) Smaller of adjusted basis or fair market value of home when first used for business..... 35) _____
- 36) Basis of land (or FMV, if FMV of home used on line 35)
- 37) Depreciable basis of building (subtract line 36 from line 35)..... 37) _____
- 38) Business basis of building (multiply line 37 by line 3)..... 38) _____
- 39) MACRS depreciation percentage
- 40) Depreciation allowable (multiply line 38 by line 39)..... 40) _____

Part 4—Carryover of Unallowed Expenses to Next Year:

- 41) Operating expenses. Subtract line 25 from line 24. If less than zero, enter -0-
- 42) Excess casualty losses and depreciation. Subtract line 31 from line 30. If less than zero, enter -0-

Social Security Benefits Worksheet (2023)

Caution: Do not use this worksheet if any of the following apply.

- 1) If the taxpayer made a 2023 traditional IRA contribution and was covered (or spouse was covered) by a qualified retirement plan, see *IRA Deduction and Taxable Social Security* on Page 14-7.
- 2) The taxpayer repaid any benefits in 2023 and total repayments (box 4 of Forms SSA-1099 and RRB-1099) were more than total benefits for 2023 (box 3 of Forms SSA-1099 and RRB-1099). None of the benefits are taxable for 2023.
- 3) Use the worksheet in IRS Pub. 915 if any of the following apply:
 - Form 2555 (Foreign Earned Income) is being filed;
 - Form 4563 (Exclusion of Income for Bona Fide Residents of American Samoa) is being filed;
 - Form 8815 (Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989) is being filed;
 - The taxpayer is excluding income from sources within Puerto Rico; or
 - The taxpayer is excluding employer-provided adoption benefits.

Computation of Amount for Line 6b of Form 1040

- 1) Enter the total amount from box 5 of all Forms SSA-1099 and RRB-1099. Also enter this amount on Form 1040, line 6a..... 1) _____
- 2) Enter one-half of line 1 2) _____
- 3) Enter the total of the amounts from Form 1040, lines 1z, 2b, 3b, 4b, 5b, 7, **and 8, and Schedule 1 lines 8r, 8t, and 8u** 3) _____
- 4) Enter the amount, if any, from Form 1040, line 2a 4) _____
- 5) Add lines 2, 3, and 4 5) _____
- 6) Enter the total of the amounts from Schedule 1, lines 11 through 20, and 23 and 25 6) _____
- 7) Is the amount on line 6 less than the amount on line 5?
No None of the social security benefits are taxable. Enter -0- on Form 1040, line 6b.
Yes Subtract line 6 from line 5 7) _____

- 8) If taxpayer is:
 - MFJ, enter \$32,000.
 - Single, HOH, QSS, or MFS and the taxpayer lived apart from his spouse for all of 2023, enter \$25,000.
 - MFS and taxpayer lived with his spouse at any time in 2023, skip lines 8 through 15; multiply line 7 by 85% (0.85) and enter the result on line 16. Then go to line 17 8) _____
- 9) Is the amount on line 8 less than the amount on line 7?
No None of the social security benefits are taxable. Enter -0- on line 6b of Form 1040. If the taxpayer is married filing separately and lived apart from his spouse for all of 2023, also enter "D" to the right of the word "benefits" on line 6a.
Yes Subtract line 8 from line 7 9) _____
- 10) Enter \$12,000 if MFJ; \$9,000 if single, HOH, QSS, or MFS and the taxpayer lived apart from his spouse for all of 2023 10) _____
- 11) Subtract line 10 from line 9. If zero or less, enter -0- 11) _____
- 12) Enter the smaller of line 9 or 10 12) _____
- 13) Enter one-half of line 12 13) _____
- 14) Enter the smaller of line 2 or line 13 14) _____
- 15) Multiply line 11 by 85% (0.85). If line 11 is zero, enter -0- 15) _____
- 16) Add lines 14 and 15 16) _____
- 17) Multiply line 1 by 85% (0.85) 17) _____
- 18) Taxable social security benefits. Enter the smaller of line 16 or line 17. Also enter this amount on Form 1040, line 6b 18) _____

Note: If a portion of social security benefits is taxable for 2023 and includes benefits received in 2023 that were for an earlier year, the taxable portion shown on this worksheet may be reduced. See *Social security lump-sum election* on Page 4-17 for details.

Qualified Business Income Deduction Worksheet (2023)¹

Use this worksheet to estimate a taxpayer's QBI deduction. Form 8995 or 8995-A must be used to calculate the QBI deduction reported on 2023 Form 1040 line 13. See *Qualified Business Income (QBI) Deduction* on Page 6-22.

1) Qualified business income (QBI) from this trade or business (before netting)	1) \$ _____
1a) Allocable share of negative QBI from other trades or businesses or loss carryover, if any.....	1a) _____
2) W-2 wages for this trade or business	2) _____
3) Qualified property (investment) for this trade or business	3) _____
4) Taxable income before QBI deduction.....	4) \$ _____
5) Applicable threshold amount: Enter \$364,200 if MFJ; \$182,100 for all other filing status.....	5) _____
6) Line 4 – Line 5.....	6) \$ _____

Patrons of specified agricultural and horticultural cooperatives (if N/A, skip to Line 10)

7) Portion of QBI (amount on line 1) allocable to qualified payments received from the cooperative	7) \$ _____
8) Reserved (Not Used)	
9) Cooperative's QPAI deduction allocated to patron and identified in writing by cooperative	9) \$ _____

Threshold qualifications

10) Is line 6 less than or equal to 0?	
<input type="checkbox"/> YES: STOP. The full 20% deduction is allowed (subject to taxable income limitation); skip Lines 11–30, multiply the amount on Line 1 minus Line 1a by 20%, and enter result on Line 31.	
<input type="checkbox"/> NO: Continue.	
11) Applicable phase-in range: Enter \$100,000 if MFJ; \$50,000 if Single, HOH, or MFS	11) \$ _____
12) Is the trade or business a specified service trade or business (SSTB)?	
<input type="checkbox"/> YES: Continue.	
<input type="checkbox"/> NO: Skip to line 19.	
13) Is Line 4 greater than \$464,200 if MFJ; \$232,100 for any other filing status?	
<input type="checkbox"/> YES: STOP. No QBI deduction is allowed. Enter -0- on Line 47.	
<input type="checkbox"/> NO: Continue.	

QBI—specified service trade or business exclusion phase-in²

14) Line 6 ÷ Line 11	14) _____ %
15) Phase-in % (100% – Line 14).....	15) _____ %
16) Includible QBI before netting (Line 1 × Line 15).....	16) \$ _____
17) Includible W-2 wages (Line 2 × Line 15)	17) _____
18) Includible qualified property (Line 3 × Line 15).....	18) _____

Wage/investment limitation

19) QBI before netting (amount on Line 16, if any; otherwise, amount on Line 1)	19) \$ _____
19a) Less: Allocable share of negative QBI from other trades or businesses or loss carryover, if any.....	19a) _____
19b) Net QBI after netting of losses (Line 19 – Line 19a)	19b) _____
20) QBI deduction at 20% (Line 19b × 20%)	20) _____
21) W-2 wages (amount on Line 17, if any; otherwise, amount on Line 2).....	21) _____
22) Wage limit: 50% of wages (Line 21 × 50%).....	22) _____
23) Qualified property (amount on Line 18, if any; otherwise, amount on Line 3).....	23) _____
24) W-2 wages × 25% (Line 21 × 25%).....	24) _____
25) Qualified property × 2.5% (Line 23 × 2.5%)	25) _____
26) Wage/investment limit (Line 24 + Line 25)	26) \$ _____
27) Limitation (greater of Line 22 or Line 26).....	27) \$ _____
28) Phase-in of limit % (Line 6 ÷ Line 11)	28) _____ %
29) Line 20 – Line 27 (but not less than -0-).....	29) \$ _____
30) Limit (Line 28 × Line 29).....	30) \$ _____
31) QBI deductible amount reduced for wage/investment limit (Line 20 – Line 30)	31) \$ _____

Qualified Business Income Deduction Worksheet (2023)¹ (Continued)

Reduction for qualified payments received from cooperatives

32) QBI allocable to payments received from cooperative (Line 7).....	32)	\$ _____
33) 9% of QBI from this trade or business allocable to payments received from cooperative (Line 32 × 9%)	33)	_____
34) W-2 wages allocable to payments received from cooperative (Line 21 × Line 7 ÷ Line 1)	34)	_____
35) 50% of wages allocable to payments received from cooperative (Line 34 × 50%)	35)	_____
36) Lesser of 9% of QBI or 50% of wages allocable to cooperative payments (lesser of Line 33 or 35).....	36)	_____
37) QBI deductible amount reduced for cooperative allocation, if any (Line 31 – Line 36)	37)	_____
38) If applicable, QBI deductions from other trades or businesses (total of Lines 37 from all other worksheets).....	38)	\$ _____
39) QBI deduction from all trades or businesses (Line 37 + Line 38).....	39)	\$ _____

Qualified REIT and PTP income

40) Total REIT and PTP income	40)	\$ _____
41) QBI deduction at 20% (Line 40 × 20%).....	41)	_____
42) Combined QBI amount before taxable income limit (Line 39 + Line 41).....	42)	\$ _____

Taxable income limitations

43) Taxable income before QBI deduction (Line 4)	43)	\$ _____
44) Net capital gain.....	44)	_____
45) Excess of taxable income over net capital gain (Line 43 – Line 44)	45)	_____
46) Taxable income limit (Line 45 × 20%).....	46)	\$ _____
47) Total QBI deduction (lesser of Line 42 or Line 46)	47)	\$ _____

QPAI deduction from cooperatives

48) QPAI deduction identified in writing by cooperative (Line 9)	48)	\$ _____
49) Taxable income before QPAI deduction and after QBI deduction (Line 43 – Line 47)	49)	_____
50) Allowable QPAI deduction from cooperative (lesser of Line 48 or Line 49).....	50)	\$ _____
51) Total Section 199A deduction (Line 47 + Line 50)	51)	\$ _____

¹ Compute separately for each trade or business and then combine the Line 37 amounts on Line 38. In the case of a partnership or S corporation, the provision applies at the partner or shareholder level. Each partner takes into account the partner's allocable share of each qualified item of income, gain, deduction, and loss, and is treated as having W-2 wages for the tax year equal to the partner's allocable share of W-2 wages of the partnership. The partner's allocable share of W-2 wages is required to be determined in the same manner as the partner's share of wage expenses. Losses from carryovers and businesses with negative QBI must be apportioned among businesses with positive QBI [see Reg. 1.199A-1(c) and (d)]. Form 8995-A, Schedule C (Loss Netting and Carryforward) may be used to compute loss netting.

² Specified service businesses are excluded from the definition of *qualified trade or business* when the taxpayer's taxable income exceeds the threshold amount plus phase-in range amount (thus, the exclusion is deemed to phase-in over the phase-in range).

2023 State and Local Sales Tax Deduction

For 2023, taxpayers can elect to deduct state and local sales taxes instead of state and local income taxes (see *Electing to Deduct Sales Tax on Page 5-5*). Instead of deducting their actual expenses, taxpayers can use optional sales tax tables [based on the taxpayer's state(s) of residence] provided by the IRS. The deduction worksheet and any optional tables issued by the IRS will be posted to the *Handbook Updates* section of tax.thomsonreuters.com/quickfinder.

Where to File 2023 Form 1040

Due Date: April 15, 2024

	Address to: "Department of the Treasury Internal Revenue Service"	Address to: "Internal Revenue Service"
Taxpayer lives in:	Without payment	With payment
AL, FL, GA, LA, MS, NC, SC, TN, TX	Austin, TX 73301-0002	P.O. Box 1214 Charlotte, NC 28201-1214
AK, CA, CO, HI, ID, KS, MI, MT, NE, NV, ND, OH, OR, SD, UT, WA, WY	Ogden, UT 84201-0002	P.O. Box 802501 Cincinnati, OH 45280-2501
AZ, NM	Austin, TX 73301-0002	P.O. Box 802501 Cincinnati, OH 45280-2501
CT, DC, DE, IL, IN, IA, KY, ME, MD, MA, MN, MO, NH, NJ, NY, RI, VT, VA, WV, WI	Kansas City, MO 64999-0002	P.O. Box 931000 Louisville, KY 40293-1000
PA	Kansas City, MO 64999-0002	P.O. Box 802501 Cincinnati, OH 45280-2501
AR, OK	Austin, TX 73301-0045	P.O. Box 931000 Louisville, KY 40293-1000
A foreign country, U.S. possession or territory; or uses an APO or FPO address; or files Form 2555 or 4563; or is a dual-status alien. If taxpayer lives in American Samoa, Puerto Rico, Guam, U.S. Virgin Islands, or the Northern Mariana Islands, see Pub 570.	Austin, TX 73301-0215 USA	P.O. Box 1303 Charlotte, NC 28201-1303 USA

Where to File Form 1040-ES for 2024

Due Dates: See *Estimated Tax Payments—Due Dates* on Page 16-7.

Address to: "Internal Revenue Service"

Taxpayer lives in:	Send to:
AL, AZ, FL, GA, LA, MS, NM, NC, SC, TN, TX	P.O. Box 1300 Charlotte, NC 28201-1300
AR, CT, DE, DC, IL, IN, IA, KY, ME, MD, MA, MN, MO, NH, NJ, NY, OK, RI, VT, VA, WV, WI	P.O. Box 931100 Louisville, KY 40293-1100
AK, CA, CO, HI, ID, KS, MI, MT, NE, NV, ND, OH, OR, PA, SD, UT, WA, WY	P.O. Box 802502 Cincinnati, OH 45280-2502
A foreign country, American Samoa, or Puerto Rico (or is excluding income under IRC Sec. 933); or uses an APO or FPO address; or files Form 2555 or 4563; or is a dual-status alien or nonpermanent resident of Guam or the U.S. Virgin Islands	P.O. Box 1303 Charlotte, NC 28201-1303, USA
Address to: "Department of Revenue and Taxation, Government of Guam"	
Guam: Bona fide residents*	P.O. Box 23607 GMF, GU 96921
Address to: "Virgin Islands Bureau of Internal Revenue"	
U.S. Virgin Islands: Bona fide residents*	6115 Estate Smith Bay, Suite 225 St. Thomas, VI 00802

*Bona fide residents must prepare separate vouchers for estimated income tax and self-employment tax payments. Send the income tax vouchers to the address for bona fide residents and the self-employment tax vouchers to the address for non-bona fide residents.

Where to File Form 4868 for 2023 Return

Due Date: April 15, 2024

Address to: "Department of the Treasury,
Internal Revenue Service Center"

	Address to: "Department of the Treasury, Internal Revenue Service Center"	Address to: "Internal Revenue Service"
Taxpayer lives in:	Without payment	With payment
AL, FL, GA, LA, MS, NC, SC, TN, TX	Austin, TX 73301-0045	P.O. Box 1302 Charlotte, NC 28201-1302
AK, CA, CO, HI, ID, KS, MI, MT, NE, NV, ND, OH, OR, SD, UT, WA, WY	Ogden, UT 84201-0045	P.O. Box 802503 Cincinnati, OH 45280-2503
AZ, NM	Austin, TX 73301-0045	P.O. Box 802503 Cincinnati, OH 45280-2503
CT, DE, DC, IL, IN, IA, KY, ME, MD, MA, MN, MO, NH, NJ, NY, RI, VT, VA, WV, WI	Kansas City, MO 64999-0045	P.O. Box 931300 Louisville, KY 40293-1300
PA	Kansas City, MO 64999-0045	P.O. Box 802503 Cincinnati, OH 45280-2503
AR, OK	Austin, TX 73301-0045	P.O. Box 931300 Louisville, KY 40293-1300
A foreign country, American Samoa, or Puerto Rico; or is excluding income under IRC Sec. 933; or using an APO or FPO address; or filing Form 2555 or 4563; or is a dual-status alien; or is a nonpermanent resident of Guam or the U.S. Virgin Islands.	Austin, TX 73301-0215 USA	P.O. Box 1303 Charlotte, NC 28201-1303 USA
All foreign estate and trust Form 1040-NR filers	Kansas City, MO 64999-0045 USA	P.O. Box 1303 Charlotte, NC 28201-1303 USA
All other Form 1040-NR, 1040-PR, and 1040-SS filers	Austin, TX 73301-0045 USA	P.O. Box 1302 Charlotte, NC 28201-1302 USA

— End of Tab 3 —

State and Local Tax Refund Worksheet

See Form 1040 instructions if MFS in 2022.

- 1) Enter the income tax refund from Form(s) 1099-G (or similar statement). Do not enter more than income tax deducted on line 5d of 2022 Schedule A 1)
- 2) Is the amount of state and local income taxes (or general sales taxes), real estate taxes, and personal property taxes paid in 2022 (generally, 2022 Schedule A, line 5d), more than the amount on 2022 Schedule A, line 5e?
No, enter the amount on line 1 on line 3 and go to line 4.
Yes, subtract the amount on 2022 Schedule A, line 5e, from the amount of state and local income taxes (or general sales taxes), real estate taxes, and personal property taxes paid in 2022 (generally, 2022 Schedule A, line 5d) 2)
- 3) Is the amount on line 1 more than the amount on line 2?
No, **STOP HERE**, none of your refund is taxable.
Yes, subtract line 2 from line 1 3)
- 4) Enter total itemized deductions from line 17 of the 2022 Schedule A 4)
- 5) Enter the amount shown below for the filing status claimed on the 2022 Form 1040 5)
 - \$12,950 Single.
 - \$19,400 HOH.
 - \$25,900 MFJ or QSS.
 - \$12,950 MFS not required to itemize.
- 6) Multiply the number of any boxes checked next to standard deduction on page 1 of the 2022 Form 1040 by \$1,400 (\$1,750 if single or HOH in 2022) 6)
- 7) Add lines 5 and 6 7)
- 8) Subtract line 7 from line 4. If zero or less, enter -0 8)
- 9) **Taxable part of refund.** Enter the smaller of line 3 or line 8 here and on line 1 of Schedule 1, Form 1040 9)

Alimony Received

See **Alimony** on Page 13-12.

Enter amounts received as alimony or separate maintenance pursuant to a divorce or separation agreement entered into on or before December 31, 2018. Enter the month and year of the original divorce or separation agreement that relates to the alimony payment reported. If alimony payments are from more than one divorce or separation agreement, enter the month and year from the divorce or separation agreement for which the most income was received. Attach a statement listing the month and year of the other agreements.

Business Income/Loss

Schedule C. See Tab 6.

Other Gains/Losses

Form 4797. See *Sales of Business Property* on Page 7-12.

Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.

Schedule E. See Tab 8.

Farm Income/Loss

See *Schedule F—Profit/Loss From Farming* on Page 6-16.

Unemployment Compensation

See IRS Pub. 525.

Unemployment compensation is taxable [IRC Sec. 85(a)]. Total unemployment compensation is reported to the taxpayer on Form 1099-G. If an overpayment was received and repaid during the year, subtract the repayment amount from the total and enter the

result on line 7 of Form 1040, Schedule 1. Write "Repaid" and the amount repaid on the dotted line.

Repayments for prior years cannot be deducted from the benefits reported on line 7. See *Repayments of Income* on Page 5-20 for information on how to handle prior year repayments.

Other Income

Use line 8 of Form 1040, Schedule 1 to report any taxable income not reported elsewhere on the return. List the type and amount of income and, if necessary, include a statement showing the required information.

Examples of income to report:

- Income from the exercise of stock options not otherwise reported on Form 1040, line 1.
- Income from the rental of personal property if the taxpayer was not in the business of renting such property. Report expenses on line 24 of Form 1040, Schedule 1.
- Income from an activity not engaged in for profit. See *Business vs. Hobby Losses* on Page 6-10.
- Net operating loss deduction. See *Net Operating Loss (NOL)* on Page 6-14.
- Most prizes and awards.
- Olympic and Paralympic medals and USOC prize money. See Form 1040, Schedule 1 instructions.
- Jury duty pay.
- Gambling winnings. (Winnings over certain thresholds generally reported to taxpayer on Form W-2G.)
- Foreign earned income exclusion and/or the housing exclusion claimed on Form 2555, Part VIII.
- Taxable distributions from qualified tuition programs (QTPs) or Coverdell education savings accounts (ESAs). Taxable amount may be subject to 10% penalty, reported on Form 5329. See *Education Savings Accounts* on Page 13-8 and *Qualified Tuition (Section 529) Programs* on Page 13-7.
- Taxable distributions from a health savings account (see *Taxable health savings account (HSA) distributions* on Page 4-22) or an Archer MSA. Taxable distributions may also be subject to a penalty tax. See Forms 8889 and 8853.
- Deemed income from an HSA because the individual did not remain HSA-eligible during the testing period. See *Recapture* on Page 4-23.
- Reemployment trade adjustment assistance (RTAA) payments (Form 1099-G, box 5).
- Loss on certain corrective distributions of excess elective deferrals to employer retirement plans. A loss is reported as a negative amount and identified as "Loss on Excess Deferral Distribution."
- Dividends on insurance policies if they exceed the total of all net premiums paid for the contract.
- Taxable cancellation of debt income (non-business debts). See *Canceled Debt* on Page 4-4.
- Recapture of charitable contribution deductions related to donations of fractional interests in personal property or to property donations when the charity disposes of the property within three years.
- Taxable part of disaster relief payments.
- Taxable distributions from an ABLE account. See *Qualified ABLE Programs* on Page 13-3.
- Scholarship and fellowship grants not reported on Form W-2.
- Nontaxable amount of Medicaid waiver payment included on Form 1040, line 1a or 1d. See instructions.
- Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental Section 457 plan.

Continued on the next page

- Wages earned while incarcerated.
- Section 461(l) excess business loss adjustments.
- U.S. shareholders of controlled foreign corporations are required to report their (1) prorata share of the corporation's subpart F income under IRC Sec. 951, and (2) the global intangible low-taxed income (GILTI) in taxable income under IRC Sec. 951A. Include the amount figured on Form 8992, and attach a copy. Attach a copy of Form 5471 if applicable.
- Income and taxable reimbursements not included on any other line or schedule.

Taxable health savings account (HSA) distributions. Distributions not used for qualified medical expenses of the account beneficiary, spouse, or dependents are included in gross income and subject to a 20% penalty. Exceptions to the penalty include distributions after the beneficiary's death, disability, or attainment of age 65. (Qualified medical expenses are generally the same as for itemized medical expenses. See Tab 5. *Exception:* Insurance premiums normally are not treated as a qualified medical expense for HSAs.)

All HSA distributions are reported on Form 8889 [Health Savings Accounts (HSAs)] where the taxable amount and 20% penalty, if any, are computed and carried to line 8f of Form 1040, Schedule 1; and line 17c of Form 1040, Schedule 2, respectively.

Crowdfunding. For years beginning after **2023 (tax year 2023 was a transitional year—see Notice 2023-74)**, the Form 1099-K filing threshold is met when the total of all payments distributed to a person is more than \$600, regardless of the number of transactions or donations. However, payment processors are not required to file Form 1099-K if the contributors to the crowdfunding campaign do not receive goods or services for their contributions. Therefore, when a payment processor distributes money raised meeting the reporting threshold (\$600), and the contributors received goods or services for their contributions, then a Form 1099-K is required to be filed. Box 1 should reflect the gross amount of the distributions made during the calendar year; however, the issuance of Form 1099-K does not automatically mean the amount reported is taxable to the recipient.



The income tax consequences depend on all the facts and circumstances and the distribution of the money raised may not be taxable income to the recipient. Income is taxable unless specifically excluded, and gifts are generally excluded. If crowdfunding contributions are made as a result of the contributors' detached and disinterested generosity, and without the contributors receiving or expecting to receive anything in return, the amounts may be gifts and therefore may not be includable in the gross income of those for whom the campaign was organized.

 **Note:** Crowdfunding organizers and any person receiving amounts from crowdfunding should keep complete and accurate records of all facts and circumstances surrounding the fundraising and disposition of funds for at least three years.

SCHEDULE 1—PART II: ADJUSTMENTS TO INCOME

Educator Expenses

See *Educator expenses—Form 1040, Schedule 1* on Page 9-7.

Business Expenses for Certain Employees

Form 2106. See *Above-the-Line Deduction for Certain Employees* on Page 9-7.

Health Savings Account Deduction

See IRS Pub. 969.

A health savings account (HSA) is a savings account set up exclusively for paying the qualified medical expenses of the account beneficiary or the beneficiary's spouse or dependents (IRC Sec. 223).

Eligible individuals. To qualify for an HSA, an individual:

- Must be covered under a high deductible health plan (HDHP).
- May not be covered under any non-HDHP health plan.
- Cannot be enrolled in Medicare. See INFO 2016-0003 and 2016-0014 for guidance on computing the maximum HSA contribution for the year the individual reaches age 65 and first enrolls in Medicare.
- Cannot be eligible to be claimed as a dependent on another person's return.

 **Note:** Telehealth and other remote care coverage is disregarded in determining eligibility in the case of months beginning after March 31, 2022, and before January 1, 2025.

 **Law Change Alert:** The Inflation Reduction Act (IRA) of 2022 provided that for years beginning after 2022, an HDHP may provide a \$0 deductible for selected insulin products.

Employees. The employee, the employer, or both may contribute to the HSA.

- Contributions made by the employee are deductible.
- Contributions made by the employer (including contributions made through a cafeteria plan) are excluded from employee's income and are not subject to employment taxes.

S corporation shareholders. More-than-2% shareholders are not eligible for pre-tax HSA contributions by their employer. Employer contributions to a more-than-2% shareholder's HSA are generally treated as compensation and then deducted by the shareholder (Notice 2005-8).



Self-employed or unemployed. The eligible individual may contribute to the HSA or any person (such as a family member) may contribute to an HSA on behalf of an eligible individual.

- Contributions made by the individual (or by any other person) are deductible in computing the individual's AGI.
- A self-employed individual's own HSA contributions are not taken into account in determining SE tax.

2023 HSA Contribution Limits ¹		
Type of Coverage	Under Age 55	Additional Contribution Age 55 or Older at Year-End
Self-Only	\$3,850	\$1,000
Family	7,750 ²	1,000

¹ Contribution limit reduced by:

- Amounts contributed to an MSA.
- Employer contributions to the HSA that were excluded from income.
- Transfers from the individual's IRA to the HSA. See *Health savings account (HSA) funding distribution (HFD)* on Page 4-16.

² Divided between spouses if either spouse has family coverage.

Married couples. If either spouse has family coverage, both spouses are treated as having family coverage. If both spouses have family coverage, each spouse is treated as having family coverage with the lower annual deductible of the two health plans. The contribution limit is split equally between the spouses unless they agree on a different division. A separate Form 8889 is completed for each spouse.

☞ **Lines I and J.** Schedule C includes questions asking if the sole proprietor made any payments during the year that would require the filing of Forms 1099 and if so, whether the Forms 1099 were filed. For example, payments totaling \$600 or more are made to a service provider (which is not a corporation) during the year.

☞ **Note:** For nonemployee compensation payments made, Form 1099-NEC (Nonemployee Compensation) is used instead of Form 1099-MISC for payments made to a payee of at least \$600.

Part I—Income

Report income consistently from year to year under the accounting method chosen on line F.

☞ **Line 1: Gross receipts or sales.** Enter gross receipts or sales from the business, including any taxable amounts reported on Forms 1099-K, 1099-MISC, or 1099-NEC. If the total income reported in box 1 of Form 1099-NEC received in connection with the taxpayer's trade or business is more than the amount the taxpayer reports on Schedule C, line 1, attach a statement explaining the difference. Taxpayers are not required to reconcile their gross receipts to amounts reported on Form 1099-K.

Form 1099-K filing threshold. Beginning with payment transactions settled after December 31, 2023 (tax year 2023 was a transitional year—see Notice 2023-74), the reporting threshold for third party settlement organizations (such as Venmo, Paypal, Etsy, and Ebay) is reduced from \$20,000 in aggregate payments and 200 transactions to solely a threshold of \$600 in aggregate payments (with no minimum transaction requirement). Only transactions for goods or services are required to be included on Form 1099-K. If applicable, taxpayers will need to separate business transactions from personal transactions reported on Form 1099-K to determine their reportable taxable income. Organized documentation and recordkeeping will be crucial to prove that transactions are not of a business nature. See IRS Fact Sheet 2023-06 and News Release IR 2023-53 for FAQs that include examples.

✖ **Strategy:** If the information on Form 1099-MISC or 1099-NEC is incorrect, request a corrected copy from the payer. If the payer will not issue a corrected form, attach an explanation to the tax return. Also, although the IRS is not matching amounts reported to sole proprietors on Form 1099-K to the Schedule C, taxpayers whose amounts reported on Form 1099-K make up a higher than expected portion of gross receipts may be asked to provide additional information to the IRS.

If the business engaged in any bartering transactions, include the FMV of goods or services received. Do not include interest earned from a business bank account. Report interest income on Schedule B.

Statutory employees. See *Statutory Employees* on Page 6-13. Be sure to check the box next to line 1 of Schedule C.

☞ **Line 2: Returns and allowances.** Enter amounts for returned sales, rebates, or allowances from the sales price.

☞ **Line 4: Cost of goods sold.** See instructions for *Lines 33–42 under Part III—Cost of Goods Sold* on Page 6-5.

☞ **Line 6: Other income.** List business-related items including:

- Finance reserve income.
- Scrap sales.
- Bad debts recovered.
- Interest received (such as on notes and accounts receivable).
- State gasoline or fuel tax refunds received in the current tax year.
- Income from trade or business shown on Form 1099-PATR.
- Recapture of excess depreciation (including any Section 179 deduction) from Form 4797 (Sales of Business Property) when business use of listed or leased listed (other than a vehicle) property drops to 50% or less.

- Prizes and awards received related to the trade or business.
- Credit for federal tax paid on gasoline or other fuels claimed on the prior year Form 1040.
- Any amount of credit for biofuel claimed on line 3 of Form 6478.
- Any amount of credit for biodiesel, renewable diesel, and sustainable aviation fuel claimed on line 10 of Form 8864.
- The amount of any payroll tax credit taken by an employer for qualified paid sick leave and qualified paid family leave.
- Any amount of credit for COBRA premium assistance.
- Other kinds of miscellaneous business income.

Part II—Expenses

Deductible business expenses must be ordinary and necessary in carrying on a trade or business (IRC Sec. 162). Certain expenses attributable to the production or acquisition of property for resale cannot be deducted currently. They must be included in inventory costs or capitalized. See instructions for *Lines 33–42 under Part III—Cost of Goods Sold* on Page 6-5.

☞ **Observation:** Business expenses paid with a third-party credit card should be deductible when charged, not when the credit card bill is paid, based on IRS rulings that addressed charitable contributions and medical expenses paid by credit card (Rev Ruls. 78-38 and 78-39).

Expenses paid after close of business. If expenses incurred in prior years are paid in the current year by a cash method taxpayer, they are deductible on Schedule C even if the business has been discontinued (Rev. Rul. 67-12).

☞ **Line 8: Advertising.** The expenses must bear a reasonable relationship to the business activity. Advertising to influence legislation is not deductible.

☞ **Line 9: Car and truck expenses.** Expenses are deducted under one of the following methods:

- 1) **Actual cost.** Deduct the business-use percentage times the actual cost of operating the vehicle (gas, oil, repairs, insurance, tires, license, etc.). Show depreciation on line 13 and rent/lease payments on line 20a.
- 2) **Standard mileage.** For 2023, the business standard mileage rate is 65.5¢ per mile. The standard rate includes all vehicle operating and ownership costs—except the business percentage of auto loan interest, auto personal property taxes, and business parking and tolls (these amounts can be deducted in addition to the standard mileage rate).

Information on vehicle. If any car or truck expenses are deducted, Part IV of Schedule C or Part V of Form 4562 must be completed. Use Form 4562 to answer the mileage questions only if that form is required for other reasons (such as claiming a depreciation, amortization, or Section 179 deduction). Otherwise, use Schedule C. See Tab 11 for claiming deductions for the business use of vehicles.

☞ **Line 10: Commissions and fees.** Deduct commissions and fees other than amounts deducted elsewhere on the return.

☞ **Line 11: Contract labor.** Deduct expenses paid for services performed by nonemployees. Do not include contract labor deducted elsewhere, such as on lines 17, 21, 26, or 37. If \$600 or more is paid to an individual for services performed during the year, the payer must file Forms 1099-NEC and 1096 with the IRS. A copy of Form 1099-NEC must be given to the worker (IRC Sec. 6041). See *Independent Contractors* on Page 6-11 for more information.

☞ **Line 12: Depletion.** A depletion deduction is allowed when a taxpayer has an economic interest in mineral property; an oil, gas, or geothermal well; or standing timber.

For oil and gas properties, taxpayers can deduct the greater of cost or, if they qualify, percentage depletion for each property (well or

interest). See *Depletion* on Page 12-27. See *Timber depletion* on Page 6-21 for depleting an interest in timber.

✓ **Line 13: Depreciation and Section 179 expense.** See Tab 10.

✓ **Line 14: Employee benefit programs.** Deduct expenses for accident and health plans, group term-life insurance, and dependent care benefit programs. See *Health Care Costs* on Page 6-6. Certain employers may be eligible for a credit for health insurance premiums and qualified allocable health plan costs paid for their employees, which reduces the amount reported on line 14. See *Small Employer Tax Credits* on Page 12-14.

☛ **Note:** Do not include contributions on behalf of the sole proprietor to an accident or health plan or for group-term life insurance. See *Self-Employed Health Insurance Deduction* on Page 6-6.

✓ **Line 15: Insurance (other than health).** Deduct the following business insurance premiums (not including any amounts credited to a reserve for self-insurance):

- Fire, theft, flood, or other casualty insurance.
- Credit insurance to cover losses from unpaid debts.
- Overhead insurance that pays for business overhead expenses when the sole proprietor is unable to work due to sickness or disability, but not premiums paid for a policy that pays for lost earnings due to sickness or disability.
- Liability and malpractice insurance.
- Business interruption insurance for loss of profits due to a fire or other cause that shuts down the business operations.
- Workers' compensation insurance.

✓ **Line 16: Interest.** Mortgage interest on business real property (other than a principal residence) is deducted on line 16a. Interest expenses for the business use of a principal residence are deducted on Form 8829 (see *Business Use of Home* on Page 6-8). All other business interest paid is deducted on line 16b.

Interest on auto loans. An individual engaged in a trade or business, other than as an employee, may deduct the business-use percentage of interest paid on a vehicle loan (Temp. Reg. 1.163-8T). This deduction is allowed in addition to the business standard mileage rate.

Interest tracing rules. If borrowed funds (for example, vehicle loans or credit card charges) are used for business expenses, the business-use portion of interest paid may be deducted if tracing rules are followed. See *Interest Tracing* on Page 5-7.

Interest on income tax owed. Interest on income tax assessed on Form 1040 is not deductible even if the tax due is related to Schedule C [Temp. Reg. 1.163-9T(b)(2)(i)(A)].

Interest capitalization. Under the uniform capitalization (UNICAP) rules of IRC Sec. 263A, certain interest payments must be added to the cost basis of property that is produced. See *Capitalization of Interest* in Tab L of the *Small Business Quickfinder® Handbook*.

Section 163(j) limitation. The business interest expense deduction is limited to the sum of a taxpayer's (1) business interest income, (2) 30% of adjusted taxable income (if a positive amount), and (3) floor plan financing interest. However, businesses (other than tax shelters) with average annual gross receipts for the prior three years of an inflation-adjusted \$25 million or less (\$29 million in 2023) are exempt from this limitation.

✓ **Line 17: Legal and professional services.** Fees, such as those charged by accountants, that are ordinary and necessary expenses of operating a business are deductible on line 17. However, legal and other fees paid to acquire business assets must be added to the basis of the asset and depreciated on Form 4562 (line 13 of Schedule C). Fees for tax preparation and tax advice for Schedules C, E, and F are deductible as business expenses (Rev. Rul. 92-29).

✓ **Line 18: Office expenses.** Deduct costs such as office supplies and postage.

✓ **Line 19: Pension and profit-sharing plans.** Enter contributions to pension, profit-sharing or annuity plans, or plans for the benefit of employees. Any amount contributed for the benefit of the sole proprietor must be entered on line 16 of Schedule 1 (Form 1040), not Schedule C.

☛ **Note:** The deduction is reduced for the credit for small employer pension plan start-up costs, the additional credit for certain employer contributions, the military spouse retirement plan eligibility credit, and the retirement auto-enrollment credit (IRC Secs. 45E, 45AA, and 45T). See *Small Employer Tax Credits* on Page 12-14.

✓ **Line 20: Rent or lease.** Use line 20a for vehicle, machinery, and equipment rental expenses. Use line 20b for other rental expenses (such as office/building rent). Deduct business use of home rent on Form 8829 (Expenses for Business Use of Your Home) (line 30, Schedule C). See Tab 11 for inclusion amounts that may reduce the lease deduction for vehicles.

Lease or purchase. In general, lease payments are deductible; loan payments are not. The cost of purchasing a business asset is recovered through depreciation and, if financed, interest expense deductions. Some lease agreements are treated as purchases for tax. If the asset can be purchased for a nominal amount (a fraction of its FMV) at the end of the lease term, the lease is actually a conditional sales contract and the lease payments must be treated as loan payments. See Rev. Rul. 55-540 for criteria for determining whether an agreement is a lease or conditional sales contract.

✓ **Line 21: Repairs and maintenance.** Deduct the cost of repairs and maintenance, including supplies, labor, and other items that are not required to be capitalized. See *Repairs vs. Capitalized Improvements* on Page 10-3 for more information.

✓ **Line 22: Supplies.** Deduct the cost of supplies that are not included in inventory costs. Generally, deduct the cost of nonincidental supplies only to the extent the supplies are consumed or used during the tax year. Incidental supplies (kept on hand with no inventory or record of use) are deductible in the year purchased, provided that method clearly reflects income.

✓ **Line 23: Taxes and licenses.** Deduct:

- Employer's share of FICA taxes. Cash-basis employers deduct their share of payroll taxes when the funds are paid to the government (Rev. Rul. 80-164). Accrual-basis employers can use a safe harbor accounting method that allows them to deduct their payroll taxes in the year that (1) all events have occurred to establish that the related compensation liability exists and (2) the compensation liability's amount can be determined with reasonable accuracy (Rev. Proc. 2008-25).

☛ **Observation:** The employee's share of FICA tax and FIT withheld are deducted on line 26 as wages.

- State and local sales tax imposed on the taxpayer as the seller of good or services. The amount must also be included in gross receipts or sales on line 1.
- Federal unemployment taxes.
- Federal highway use tax.
- Real estate and personal property taxes on business assets.
- Licenses and regulatory fees for the trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized.
- State taxes on gross income (vs. net income) directly attributable to a trade or business (Rev. Rul. 70-40).
- Contributions to state unemployment insurance fund or disability benefit fund if they are considered taxes under state law.

Do not use line 23 for the following taxes:

- Federal income taxes (nondeductible).

Tax Treatment of Employee Stock Options						
	Incentive Stock Options (ISOs)		Employee Stock Purchase Plans (ESPPs)		Nonqualified Stock Options (NQSOs)	
	Regular Tax	AMT Adjustment	Regular Tax	AMT Adjustment ¹	Regular Tax	AMT Adjustment
At Grant Date ²	Not taxed.	None.	Not taxed.	None.	Not taxed unless the option has a readily ascertainable FMV.	Same as for regular tax.
At Exercise Date ³	Not taxed.	Positive = FMV of option – exercise price. ⁴ Stock basis for AMT equals FMV at date of exercise (cost plus positive AMT adjustment).	Not taxed.	None.	Vested stock received. Compensation (ordinary) income = excess of the FMV – option price. Restricted stock received. Income recognition is deferred until the stock substantially vests. If the employee made a Section 83(b) election, then treated same as vested stock was received (above).	Same as for regular tax.
When Stock Vests	N/A	N/A	N/A	N/A	No Section 83(b) election. Compensation (ordinary) income = excess of the stock's FMV (at vesting date) – option price. Section 83(b) election. No tax consequences when the stock vests.	Same as for regular tax.
At the Date Sold—holding period is not met (see Disqualifying dispositions on Page 7-12)	If FMV (at exercise date) – exercise (option) price = positive, then compensation (ordinary) and any excess gain is capital gain. If negative, the loss is a capital loss.	Negative = stock basis for AMT – stock basis for regular tax. ⁵	FMV (at exercise date) – exercise (option) price = compensation (ordinary income).	None.	N/A	N/A
At the Date Sold—holding period is met	Sale of stock is capital gain or loss. Stock basis equals exercise (option) price.	Negative = stock basis for AMT – stock basis for regular tax. ⁵	For stock granted at a price < FMV, ordinary income is recognized up to the amount by which the stock's FMV on the grant date exceeded the option price (or, if less, the excess of FMV on sale date over amount paid). If stock is sold at a loss, no ordinary income is recognized.	None.	Gain on sale is capital gain.	Same as for regular tax.

¹ AMT does not apply to ESPPs.

² Unlike an ESPP, the option price of an ISO may not be less than the FMV on the grant date [IRC Sec. 422(b)(4)].

³ A stock option eligible for a Section 83(i) election can be an ISO, ESPP, or NQSO. If the election is made, the option is treated as a disqualifying distribution and the rules that would normally apply for ISOs or ESPP options do not apply when exercised. NQSO treatment applies for FICA purposes as well as for income tax purposes.

⁴ No adjustment required if stock is exercised and sold in the same year.

⁵ The amount of the negative adjustment will normally be the amount of the positive AMT adjustment at date of exercise. However, the adjustment may be less if the taxpayer incurs a net capital loss for AMT purposes that is limited to \$3,000 (\$1,500 if MFS).

Taxpayer reporting virtual currency transactions. Capital gains and losses from virtual currency transactions are reported on Form 8949 (Sales and Other Dispositions of Capital Assets). Ordinary income from virtual currency transactions is reported on Form 1040 series form or Schedule 1 (Additional Income and Adjustments to Income), as applicable. The IRS reminds taxpayers to maintain records documenting receipts, sales, exchanges, or other dispositions of virtual currency and the FMV of the currency. Tax professionals must ask their clients about any virtual currency holdings and check the appropriate box on page 1 of Form 1040.

🏛️ Law Change Alert: For returns required to be filed and statements required to be furnished after December 31, 2023, the definition of *cash* under IRC Sec. 6050I has been expanded by the Infrastructure Investment and Jobs Act to include digital assets. Consequently, digital assets will be included in the transactions reportable by a business on Form 8300 (Report of Cash Payments Over \$10,000 Received in a Trade or Business) for filings after **final regulations are issued (Ann. 2024-4)**. The IRS has plans to issue Form 8300-DA [Report of Digital Asset(s) and Cash Payments Over \$10,000 Received in a Trade or Business]. Tax professionals should be on alert for this form.

💡 Practice Tip: Page 1 of Form 1040 includes a question asking the taxpayer whether they received (as a reward, award,

or payment for property or services); or sold, exchanged, or otherwise disposed of a digital asset (or a financial interest in a digital asset). If the taxpayer's only virtual currency transaction during the tax year was the purchase of virtual currency with real currency (including through the use of electronic platforms like PayPal and Venmo), this question may be answered "No" according to the Form 1040 instructions.

Foreign account reporting. Generally, a U.S. person who has a financial interest in, or signature or other authority over, any foreign financial accounts, including bank, securities, or other types of financial accounts located in a foreign country, must file a Report of Foreign Bank and Financial Accounts (FBAR) with the FinCEN if the aggregate value of those foreign financial accounts exceeds \$10,000 at any time during the calendar year {see *FinCEN Form 114 [Report of Foreign Bank and Financial Accounts (FBAR)]* on Page 5-23}.

A foreign account holding virtual currency is not reportable on the FBAR (unless it's a reportable account because it holds reportable assets besides virtual currency). These funds aren't reportable at this time, per FBAR regulations issued by FinCEN February 24, 2011, but FinCEN Notice 2020-2 indicates FinCEN's intention to propose amending the regulations to include virtual currency as a type of reportable account.

EMPLOYEE STOCK OPTIONS

See also *IRC Secs. 421, 422, and 423; and IRS Pubs. 525 and 15-B*

A stock option gives an employee the right to purchase a certain number of shares of employer stock at an established price. The grant of a stock option may allow purchases at an unspecified future date, but the option will generally expire after a period of time.

Important dates:

- **Grant date.** The date on which the company grants the option to purchase the stock.
- **Exercise date.** The date on which stock is actually purchased.
- **Date of disposition.** The date on which stock is eventually sold.

Statutory Stock Options—ISOs and ESPPs

Two kinds of stock options, *incentive stock options (ISOs)* and options granted under *employee stock purchase plans (ESPPs)*, receive preferential tax treatment and are referred to as “statutory stock options.” If requirements are met, stock purchased with a statutory stock option produces capital gain or loss when sold. This shifts employee compensation from ordinary income to capital gain in the amount of the stock’s appreciation.

For an option to qualify as a statutory stock option, the individual must be employed by the company granting the option, or a related company, from the time the option is granted until three months before the option is exercised (for ISOs, the three-month period is extended to one year for disabled individuals). The stock must be held for at least two years from the grant date and for at least one year from the exercise date to receive preferential tax treatment. The option may not be transferable except at death.

Disqualifying dispositions. If stock acquired by exercising a statutory stock option is sold within two years from the grant date or within one year from the exercise date, the holding period requirement is not met so the taxpayer has a disqualifying disposition.

Employment taxes. Federal income tax withholding, FICA, and FUTA are not assessed upon the exercise of a statutory stock option or the qualifying or disqualifying disposition of stock acquired by an employee pursuant to the exercise of a statutory stock option [IRC Secs. 421(b), 423(c), 3121(a)(22), and 3306(b)(19)].

Section 83(i) deferral. A restricted stock unit (RSU) is an arrangement under which an employee has the right to receive at a specified future time an amount determined by reference to the value of one or more shares of employer stock. An election under IRC Sec. 83(i) allows a qualified employee to defer the inclusion of income from the exercise of an RSU or option of the qualified stock of a nonpublicly-traded corporation for up to five years. See *Deferring Income From Qualified Equity Grants* in Tab I of the *Small Business Quickfinder® Handbook* for further discussion.

Nonqualified Stock Options (NQSOs)

Stock options other than statutory stock options are referred to as *non-qualified stock options (NQSOs)*. If a NQSO’s FMV can be readily determined (such as when the option is traded on an established market, which is not common for employer stock options), the option is taxed to the employee as compensation at the time it is granted.

If the FMV cannot be readily determined, the employee recognizes compensation when the option is exercised. The amount included as compensation is the difference between the amount paid for the stock and FMV at the time it becomes substantially vested. The amount included in income increases the basis in the stock.

Restricted property. If stock received has restrictions, do not include its value in income until it becomes substantially vested (when the stock is transferable or no longer subject to substantial risk of forfeiture) unless the taxpayer makes a Section 83(b) election. Restrictions that never lapse (for example, being subject to a buy/sell agreement) are ignored for determining whether stock is vested, but they may reduce the stock’s value (that is, the amount included in income).

BAD DEBTS

Nonbusiness Bad Debt

A nonbusiness bad debt is deductible if the debt:

- 1) Is a legal obligation for a fixed amount of money to be repaid.
- 2) Is totally worthless.
- 3) Arose from money actually loaned or amounts previously included in income. Nonpayment of expected income does not qualify. For example, unpaid wages and back rents or child support do not qualify, unless previously reported as income.

Worker and supplier liens. Workers and material suppliers may file liens against a taxpayer’s property because of debts owed by a builder or contractor. If the taxpayer pays off the lien to avoid foreclosure and loss of property, the taxpayer is entitled to repayment from the builder or contractor. If that debt is uncollectible, the taxpayer can take a bad debt deduction [Martin, 38 TC 188 (1962)].

Insolvency of contractor. A taxpayer can take a bad debt deduction for the amount deposited with a contractor if the contractor becomes insolvent and the taxpayer is unable to recover the deposit (Rev. Rul. 69-457). If the deposit is for work unrelated to the taxpayer’s trade or business, it is a nonbusiness bad debt deduction.

Secondary liability on home mortgage. If a home buyer assumes a seller’s mortgage, the seller may remain secondarily liable for repayment of the mortgage loan. If the buyer defaults on the loan and the house is then sold for less than the amount outstanding on the mortgage, the seller may have to make up the difference. The seller can take a bad debt deduction for the amount paid to satisfy the mortgage, if the amount cannot be collected from the buyer.

How to report. Nonbusiness bad debts are treated as short-term capital losses subject to the capital loss limitations and may be deducted only in the year the debt becomes totally worthless [IRC Sec. 166(d)(1)]. There must be proof the debt had value at the beginning of the year and no value at the end of the year.

Report the loss on Form 8949, Part I, line 1. Enter the name of the debtor and “bad debt statement attached” in column (a). Enter the taxpayer’s basis in the bad debt in column (e) and enter zero in column (d). Use a separate line for each bad debt. Attach a statement to the tax return that contains [Reg. 1.166-1(b)(1); IRS Pub. 550]:

- 1) Description of the debt, amount, and date due;
- 2) Debtor’s name and taxpayer’s relationship (business or family) to debtor;
- 3) Description of efforts made to collect the debt; and
- 4) Explanation as to why debt is worthless, such as bankruptcy.

Effort to collect. If collection of the debt has not been attempted, the IRS is not likely to allow a deduction. **What to do:** Make a formal demand for repayment, preferably in writing. Have the debtor make a statement that he cannot repay, and include a good reason why. Use such statement as proof of worthlessness, which is required to make the debt deductible.

Business Bad Debt

See *Business Bad Debts* in Tab O of the *Small Business Quickfinder® Handbook* for information on business bad debts.

SALES OF BUSINESS PROPERTY

Form 4797

When business assets are sold, part of the gain may be taxed at ordinary income rates and part at the favorable long-term capital gain rates. A net loss is always treated as an ordinary loss. Form 4797 is used to calculate and separate gains and losses into categories of capital or ordinary, short or long-term, depreciation recapture, etc.

Section 1231 Gain/Loss

- Includes gains and losses from sales of real property or depreciable property used in a business or rental activity and held over

Credits, AMT, NIIT, and Special Taxpayers



Tab 12 Topics

Tax Credits Summary (2023)	Page 12-1	Retirement Saver's Credit.....	Page 12-13
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Tax Credits Summary (2023)

For information on additional credits available to individuals, see *Line-By-Line Quick Reference to 2023 Form 1040* on Page 4-1. See Tab O in the *Small Business Quickfinder® Handbook* for more information on the general business credit and other tax credits for businesses.

Tax Credit	IRC Sec.	For	Credit Amount	IRS Pub	Tax Form	Refundability, Carryover	Allowed Against AMT?	QF Page
Additional Child	24	Taxpayers who don't claim full \$2,000 tax credit for each child and (1) have one or more qualifying children and over \$2,500 of earned income, (2) have three or more qualifying children, or (3) are bona fide residents of Puerto Rico.	Up to \$1,600 per child.	—	Sch. 8812	Partially refundable	Yes	12-7
Adoption Expense	23	Expenses incurred in the legal adoption of a child under age 18 or for the adoption of an incapacitated or special needs person (regardless of age). Credit is phased out for modified AGI between \$239,230–\$279,230.	\$15,950 for a special needs child; up to \$15,950 per child for all other adoptions.	17	8839	Nonrefundable; fwd 5 years	Yes	12-3
Child and Dependent Care	21	Care expenses for dependent(s) under age 13 or incapacitated that allow taxpayer to work or look for work.	Depending on AGI, 20% to 35% of qualifying (limited) expenses. \$1,050 maximum credit with one qualifying individual, and \$2,100 with two or more qualifying individuals.	503	2441	Nonrefundable	Yes	12-4
Child	24	Taxpayers with qualifying children under age 17. Phase-out begins at modified AGI over \$400,000 MFJ; \$200,000 for all other taxpayers.	\$2,000 per child.	—	Sch. 8812	Generally nonrefundable	Yes	12-6
Clean Vehicle Credit	30D	Taxpayers who purchase new four-wheeled plug-in electric vehicles manufactured primarily for use on public streets, roads, and highways that meet certain technical requirements. Subject to phase-out based on MAGI.	Up to \$7,500. \$3,750 for vehicles meeting the critical minerals requirement. \$3,750 for vehicles meeting the battery components requirement.	5724-G	8936	Nonrefundable	Yes	11-6
Commercial Clean Vehicle Credit	45W	Businesses that purchase certain clean vehicles or mobile machinery subject to depreciation.	\$7,500 or \$40,000. Limited to the lesser of 15% of the vehicle's cost (30% for vehicles not gasoline or diesel powered) or the incremental cost of the vehicle as compared to vehicles powered with a gasoline or diesel internal combustion engine.	5724-H	8936	Nonrefundable; can be carried forward as a general business credit	No	11-8
Earned Income	32	Working taxpayers with the following number of children: <ul style="list-style-type: none"> None; AGI < \$17,640 (\$24,210 if MFJ). One; AGI < \$46,560 (\$53,120 if MFJ). Two; AGI < \$52,918 (\$59,478 if MFJ). Three or more; AGI < \$56,838 (\$63,398 if MFJ). Investment income limited to \$11,000.	Maximum credit: <ul style="list-style-type: none"> \$600 for no children. \$3,995 for one child. \$6,604 for two children. \$7,430 for three or more children. 	596	Sch. EIC	can be carried forward as a general business credit	Yes	12-7

Table continued on the next page

Tax Credits Summary (2023) (Continued)

Tax Credit	IRC Sec.	For	Credit Amount	IRS Pub	Tax Form	Refundability, Carryover	Allowed Against AMT?	QF Page
Education—American Opportunity	25A	Up to four years of qualified higher education expenses. Credit is per student. Modified AGI phase-out: \$80,000–\$90,000 (\$160,000–\$180,000 for MFJ).	Up to \$2,500 (100% of first \$2,000; 25% of next \$2,000).	970	8863	May be partially refundable (40%)	Yes	12-10
Education—Lifetime Learning	25A	Postsecondary education and courses to acquire or improve job skills. Credit is per return. Modified AGI phase-out: \$80,000–\$90,000 (\$160,000–\$180,000 for MFJ).	Up to \$2,000 (20% of first \$10,000).	970	8863	Nonrefundable	Yes	12-10
Elderly or Disabled	22	Low-income taxpayers age 65 or older or permanently and totally disabled. Nontaxable social security (or equivalent) must be less than \$7,500 MFJ if both spouses qualify; \$5,000 MFJ if only one spouse qualifies; \$3,750 MFS if lived apart the entire year; \$5,000 Single, HOH, or QSS.	Based on filing status, age, and income. For MFJ also based on spouse's age and income.	524	Sch. R	Nonrefundable	Yes	4-28
Energy Efficient Home Improvement	25C	Homeowners who install certain energy saving improvements such as insulation, doors, windows, and heat pumps, or have a home energy audit performed.	30% of qualified expenses, up to \$3,200 per year depending on type.	—	5695	Nonrefundable	Yes	12-13
Federal Tax Paid on Fuels	34	Fuels used on a farm for farming purposes, for off-highway business use, and other qualified uses.	Varies by type of fuel and use.	510	4136	Refundable	Yes	—
Foreign Tax	27 and 901(a)	Income taxes paid to a foreign country or U.S. possession on income that is also subject to U.S. federal income tax.	Amount of foreign tax up to U.S. tax multiplied by ratio of foreign/total taxable income.	514	1116	Nonrefundable; back 1 yr; fwd 10 years	Yes	12-11
Minimum Tax	53	Credit allowed against regular tax for part of the AMT paid and attributable to deferral items.	AMT attributable to deferral items.	—	8801	Nonrefundable; fwd indefinitely	N/A	12-15
Mortgage Interest	25	Part of interest expense paid by homebuyers issued a government mortgage credit certificate.	Based on interest paid and credit rate under certificate.	530	8396	Nonrefundable; fwd 3 years	Yes	—
Other Dependents	24	Credit allowed for qualifying dependents other than qualifying children.	\$500 per qualifying dependent.	—	Sch. 8812	Nonrefundable	Yes	12-6
Premium Assistance	36B	Certain taxpayers who enroll, or whose family member enrolls, in a qualified health plan offered in the Marketplace (health insurance exchange).	Up to the amount of the enrollment premiums.	974	8962	Refundable	Yes	12-11
Previously-owned Clean Vehicle Credit	25E	Taxpayers who purchase certain used vehicles. The vehicle's original use must have started with a person other than the taxpayer and the vehicle must also generally meet the requirements for the clean vehicle credit for new vehicles. Subject to phase-out based on MAGI.	Lesser of \$4,000 or 30% of the sales price.	5724	8936	Nonrefundable	Yes	11-7
Residential Clean Energy	25D	These types of qualified property installed on taxpayer's residences: solar electric, solar water heating, small wind energy, geothermal heat pump, fuel cell, and battery storage technology.	30% of cost.	—	5695	Nonrefundable; fwd indefinitely	Yes	12-13
Retirement Saver's	25B	For individuals who make retirement plan contributions or eligible contributions to an ABLE account. Credit in addition to tax deduction. AGI ≤ \$73,000 MFJ; \$54,750 HOH; \$36,500 Single, MFS, QSS.	10% to 50% of contributions. Maximum: \$2,000 MFJ, \$1,000 other.	590-A	8880	Nonrefundable	Yes	12-13

PREPARER DUE DILIGENCE FOR REFUNDABLE CREDITS

Form 8867, IRS Pub. 4687

Tax preparers are subject to special due diligence requirements when claiming the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), Credit for Other Dependents (ODC), or American Opportunity Tax Credit (AOTC) for a taxpayer. These requirements also apply in determining a taxpayer's eligibility to file as a head of household (HOH). These requirements focus on accurately determining the taxpayer's eligibility for and the amount of each credit, and/or HOH filing status. A \$600 penalty (per failure) is imposed on any preparer who fails to meet due diligence requirements with respect to these credits [IRC Sec. 6695(g)].



To protect themselves from the penalty, preparers must (Reg. 1.6695-2):

- 1) Complete and attach Form 8867 (Paid Preparer's Due Diligence Checklist) (or similar form that provides the same information) to the taxpayer's return.
- 2) Complete the credit Worksheets in the Form 1040 instructions (or similar worksheet that provides the same information).
- 3) Keep a record of how, when, and from whom the information used to prepare the Form 8867 and worksheet was obtained.
- 4) Keep copies of any documents that the client provides (including social security cards and birth certificates) that are used to determine eligibility for or amount of the credit and/or HOH filing status.
- 5) Make reasonable inquiries if the information furnished to, or known by, the preparer appears to be incorrect, inconsistent, or incomplete. Keep a record of any additional information relied upon to determine the taxpayer's eligibility.



What's New



Tab 17 Topics

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Selected Tax Provisions	Page 17-6
SECURE 2.0 Act of 2022	
Summary of Major Provisions.....	Page 17-12

INFLATION-ADJUSTED AMOUNTS

For a complete summary of the inflation-adjusted amounts for 2023 (plus 2024 and 2022 and prior years), see the *Quick Facts Data Sheet* on Page 3-1.

TAX LEGISLATION

Inflation Reduction Act of 2022

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (H.R. 5376, P.L. 117-169). The Act includes a 15% corporate alternative minimum tax, a 1% excise tax on stock buybacks, and numerous environmental and green energy tax credits. The Act adds IRC Sec. 5000D, which imposes a new excise tax on sales by drug manufacturers, producers, and importers of "designated drugs" during the time that the manufacturer, etc., fails to enter into drug pricing agreements under the Social Security Act. The Act extends the current Premium Tax Credit (PTC) rules through 2025. The Act also increases the qualified small business payroll tax credit for research activities after 2022 [IRC Sec. 41(h)(4)(B) and (h)(5)(B) and IRC Sec. 3111(f)].

See the table *Inflation Reduction Act of 2022 (P. L. 117-169) Selected Tax Provisions* on Page 17-6 for a summary of selected tax provisions included in the Act.

Consolidated Appropriations Act, 2023

Congress passed the Consolidated Appropriations Act of 2023 (H.R. 2617) and it was signed by President Biden on December 29, 2022. The bill contains the Setting Every Community Up for Retirement 2.0 Act of 2022 (SECURE 2.0), which includes dozens of retirement-related provisions intended to build on reforms passed in late 2019. Among the key retirement provisions in the Act are: (1) expanding automatic enrollment in retirement plans; (2) increasing the age for the required beginning date for mandatory distributions; (3) a higher catch-up limit to apply at age 60, 61, 62, and 63; and (4) elimination of the additional tax on corrective distributions of excess contributions. The Act also includes a number of smaller non-retirement tax provisions including changes to Achieving a Better Life Experience (ABLE) accounts under IRC Sec. 529A and modifications to the rules governing charitable conservation easements under IRC Sec. 170. The bill doesn't include the traditional set of tax extenders.

Discussions about provisions relating to the changes in SECURE 2.0 in 2023 will be found throughout this publication. See the table SECURE 2.0 Act of 2022, *SECURE 2.0 Act of 2022 Summary of Major Provisions* on Page 17-12 for a summary of selected tax provisions included in the Act.

STUDENT LOAN RELIEF

In August 2022, President Biden announced a plan to forgive certain federal student loan debt, fulfilling a campaign promise. The relief was to be provided in response to the financial burdens imposed on low and middle-income borrowers related to the COVID-19 pandemic. By September 2022, several lawsuits were filed challenging the debt forgiveness plan. In October 2022, the student loan forgiveness application portal opened, despite rising legal challenges and the Eighth Circuit Court of Appeals' emergency order to temporarily block the plan. In November 2022, the plan was blocked by multiple judges and the Department of Education stopped accepting applications. President Biden asked the U.S. Supreme Court to remove the block and the Court agreed to hear arguments for cases brought against the plan. On June 30, 2023, the Supreme Court struck down President Biden's student loan forgiveness plan, ruling that relief under Biden's current plan is illegal and cannot move forward. However, there may be other paths for the implementation of Biden's plan.

Education Act

As a result of Sputnik, in 1958 Congress authorized the first federal student loans under the National Defense Education Act of 1958 (Education Act). With the Soviet Union successfully launching the first earth-orbiting satellite, Americans worried that their educational system wasn't producing enough scientists and engineers. Funding began in 1958 and was increased over the next several years. The funding spurred college attendance in the U.S. In 1960, there were 3.6 million college students in the U.S. By 1970, that amount had more than doubled. The original federal student loan of \$1,000 per student, per year has billowed into \$1.6 trillion of outstanding federal student loans extended to 43 million borrowers.

The terms of federal loans are set by law and contain several favorable features including (1) deferral of any repayment until after graduation; (2) loan qualification regardless of credit history; (3) relatively low fixed interest rates; (4) income-sensitive repayment plans; and (5) for certain borrowers, government payment of interest while the borrower is in school. The Education Act allows the Secretary of Education to cancel or reduce loans, but only in limited circumstances and to a particular extent.

HEROES Act

The September 11th terrorist attacks spurred Congress to enact the Higher Education Relief Opportunities for Students Act of 2001 due to concern that borrowers affected by the crisis, particularly those who served in the military, would need additional assistance. The law gave the Secretary of Education specific waiver authority to respond to conditions in the national emergency caused by the attacks on 9/11, for a limited time period. Not wanting this provision to expire, Congress issued the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act) in September of 2003. This Act extended the terms of the 2001 statute to include any war or national emergency, not just the attacks on 9/11. The HEROES Act provides that the Secretary of Education can waive or modify any statutory or regulatory provision applicable to the student financial assistance programs under the Education Act in connection with a war, other military operation, or national emergency. Under the HEROES Act, a national emergency is a national emergency declared by the President of the United States.

COVID-19

On March 13, 2020, former President Trump declared the COVID-19 pandemic a national emergency. One week later, the Secretary of Education suspended loan repayments and interest accrual for all federally-held student loans. In August 2022, President Biden announced that the COVID-19 pandemic was over, but not before he announced his plan to reduce or eliminate federal student debts directly. The terms of President Biden's plan would have cancelled up to \$20,000 in student debt for federal borrowers who were Pell Grant recipients and up to \$10,000 in student debt for other federal borrowers making under \$125,000 per year. In its June 30, 2023 rulings, the Supreme Court ruled that the HEROES Act is not the appropriate law to carry out this relief.

Biden vs. Nebraska

In this case, six states sued, arguing that the HEROES Act doesn't authorize President Biden's loan cancellation plan. The Court said that the HEROES Act allows the Secretary of Education to "waive or modify" existing statutory or regulatory provisions applicable to financial assistance programs under the Education Act but doesn't allow him to rewrite that statute to the extent of canceling \$430 billion of student loan principal. It continued by saying that the Secretary of Education's power doesn't permit "basic and fundamental changes in the scheme" designed by Congress. While Congress specified in the Education Act a few situations that qualify a borrower for loan forgiveness, the Secretary extended the forgiveness to nearly every borrower in the country. The Court determined that this was highly unlikely to be authorized by Congress through such a subtle modification.

President's Response

On the day of Supreme Court ruling, the White House issued a fact sheet announcing new actions to provide debt relief and support for student loan borrowers. The Secretary of Education initiated a rule making process aimed at opening an alternative path to debt relief using authority under the Higher Education Act. The Department of Education has also finalized an affordable repayment plan. The Department is instituting a 12-month "on-ramp" to repayment beginning October 1, 2023 through September 30, 2024. During this time, financially vulnerable borrowers who miss monthly payments are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies. The Fact Sheet with more information can be found at www.whitehouse.gov/briefing-room/statements-releases/2023/06/30/fact-sheet-president-biden-announces-new-actions-to-provide-debt-relief-and-support-for-student-loan-borrowers/.

BENEFICIAL OWNERSHIP REPORTING

The Corporate Transparency Act of 2020 (CTA), enacted January 1, 2021, created new reporting requirements relating to the beneficial owners of certain companies doing business in the U.S. The Financial Crimes Enforcement Network (FinCEN) issued final regulations on September 29, 2022 that will become effective on January 1, 2024. The new rules are intended to protect the U.S. financial systems from criminal use by providing information to national security, intelligence, and law enforcement agencies to help prevent the use of so-called shell companies to launder money or hide assets.

According to the preamble to the regulations, shell companies are typically non-publicly traded corporations, LLCs, or other types of entities with no physical presence and little to no economic value. They can be used to carry out financial transactions while concealing their owners' involvement. Some shell companies are used to engage in criminal activity, such as money laundering, human

and drug trafficking, tax or financial fraud, terrorism financing, or other illegal activity.

Currently, the data available to law enforcement about who owns and operates businesses is generally limited to what is collected when the entity is created. Most states do not require detailed information about ownership or control when a company is formed. The new reporting requirements aim to increase transparency and create a centralized database with beneficial ownership information, hindering the ability for criminals to use shell companies for illegal activity.

Filing Requirements

Both domestic and foreign reporting companies are subject to the new beneficial ownership reporting requirements. A domestic reporting company is a corporation, LLC, or any other entity created by filing a document with the secretary of state (SOS) or similar office. Because sole proprietorships, trusts, and general partnerships do not require the filing of a formal document, they generally are not considered a reporting company and will not have a filing requirement.

 **Observation:** Although not explicitly included in the domestic reporting company definition, it appears that most limited partnerships, LLPs, and LLLPs will be subject to the new reporting rules because they fall into the category of "any other entity created by filing a document with the SOS."

A foreign reporting company is a corporation, LLC, or similar entity that registers to do business in the U.S. by filing a document with the SOS or similar office. Just like domestic companies, the key to whether a foreign company must report beneficial ownership is whether a document is filed to register the entity. If registration of the foreign entity is not required under state law, the entity is not a reporting company and is not required to report beneficial ownership information to FinCEN.

Companies that meet one of 23 statutory exemptions are excluded from the definition of a reporting company and are not subject to the new reporting rules. Most of these exemptions are for entities such as financial institutions, insurance companies, securities brokers, and other types of entities that are already required to report ownership information to a governmental authority. A list of exemptions can be found at *Appendix: Reporting Company Exemptions on Page 17-4*.

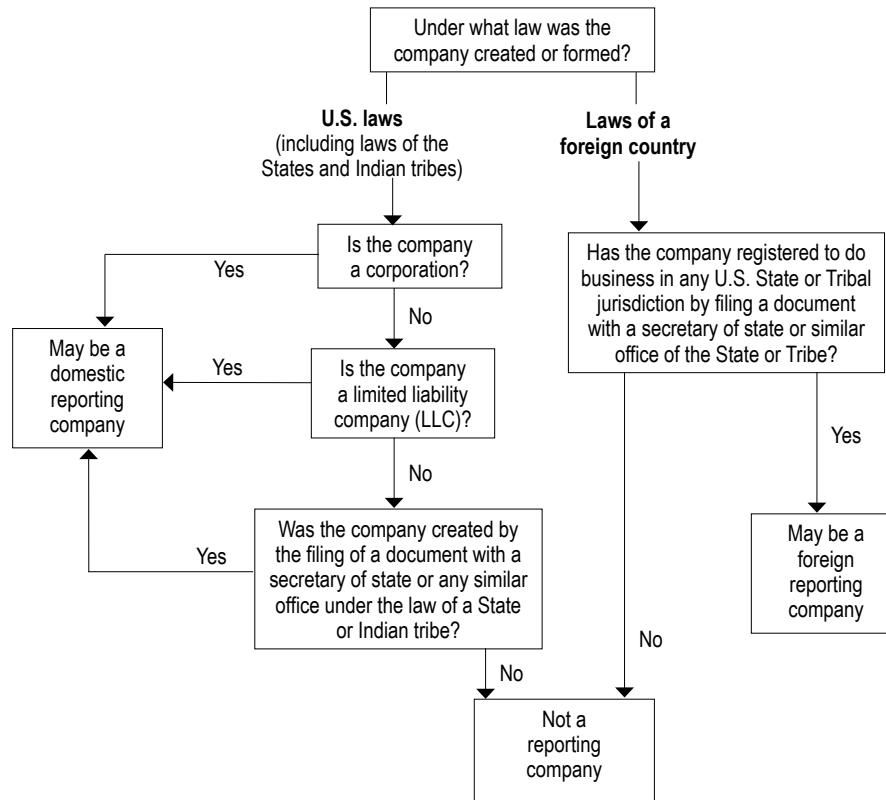
There is one significant exemption that is an outlier from this general rule—a large operating company. A large operating company is any entity with (a) more than 20 full-time U.S. employees, (b) an operating presence at a physical office in the U.S., and (c) more than \$5,000,000 of U.S. sourced gross receipts (net of returns and allowances) reported on its prior year federal income tax or information return. Presumably, meeting these criteria makes a company less likely to be a shell company, so large operating companies are exempt from the reporting requirements.

Important Filing Dates

Initial Report. For existing reporting companies created or registered before 2024, the initial report is due January 1, 2025. So, tax professionals still have plenty of time to identify which clients must file and collect the information needed. For reporting companies created or registered after 2023, the initial report is due 30 days after the entity's creation or registration. This short turnaround means that for newly created or registered entities, the initial report should probably be filed as part of the entity formation engagement. So, professionals should request the necessary information at the time of entity formation or registration.

 **Note:** FinCEN extended for 2024 only the initial filing deadline for beneficial ownership reports from 30 to 90 days for entities

Beneficial Ownership Reporting Requirements



created or registered in 2024. This **gives** those entities additional time to understand the new reporting obligation and collect the necessary information to complete the filing.

Updated Report. An updated report must be filed when there is a change to previously reported information about the reporting company or its beneficial owners. The updated report is due within 30 days of the change. It is imperative that clients are aware of this requirement, so they timely inform their advisors of any changes that need to be reported. If a reporting company files an information report and later qualifies for one of the 23 filing exemptions, an updated report should be filed to report the change in exemption status.

Corrected Report. Corrected reports are required when any information previously reported is discovered to be inaccurate. The corrected report is due within 30 days after the reporting company becomes aware or has reason to know of the error.

FinCEN is in the process of creating a secure electronic filing system that will be accessed via their website and will begin accepting reports on January 1, 2024.



Reported Information

Beneficial ownership information (BOI) must be reported for the reporting company's beneficial owners and certain company applicants. BOI includes an individual's full legal name, date of birth, street address, and a unique ID number. The unique ID number can be from a non-expired U.S. passport, state driver's license, or other photo-identification card issued by a state or local government. If the individual does not have any of those documents, then a non-expired foreign passport can be used. An image of the document showing the unique ID number must also be included with the report.

Similar information about the reporting company must also be reported, including the company's legal name, DBA, street address, jurisdiction where it was formed or registered, and tax ID.

Individuals and reporting companies can request a FinCEN identifier (FinCEN ID) to use in place of supplying detailed information on the report. A FinCEN ID is a unique number assigned by FinCEN by submitting the same information as is required of a beneficial owner or reporting company. A FinCEN ID may be useful to individuals who would prefer to send their personal information directly to FinCEN rather than through the reporting company. Or it may be useful to individuals who are required to supply information as a beneficial owner or company applicant of several reporting companies. Individuals and companies with a FinCEN ID must update their information within 30 days of any changes and must correct inaccurate information within 30 days of identifying inaccuracies.

Beneficial Owners

Two groups of individuals are considered beneficial owners of a reporting company: (1) any individual who directly or indirectly exercises substantial control over the reporting company; or (2) any individual who directly or indirectly owns or controls at least 25% of the reporting company's ownership interests.

Substantial Control. Individuals have substantial control if they have substantial influence over important decisions made by the reporting company. These individuals do not need to have actual ownership in the company to be a beneficial owner for reporting purposes. Important decisions associated with substantial control include decisions related to—

- The business's nature, scope, and attributes, including the sale, lease, mortgage, or other transfer of principal assets.
- Reorganizing, dissolving, or merging the reporting company.

Continued on the next page

- Major expenditures or investments, issuing equity, incurring debt, or approving the operating budget.
- Selecting or terminating business lines or ventures, or geographic focus.
- Compensation and incentive programs for senior officers.
- Entering into, terminating, or fulfilling significant contracts.
- Amending substantial governance documents.

The reporting company's senior officers are automatically deemed to have substantial control, as are individuals with the authority to appoint or remove any senior officer or a majority of the board of directors. Senior officers include the president, chief financial officer, general counsel, chief executive officer, chief operating officer, and any other officer who performs a similar function, regardless of their official title.

Ownership Interest. The regulations define an ownership interest broadly. It includes any equity, stock, or similar interest; any capital or profits interest; any convertible interest (including convertible debt interest); a future interest, warrant, or right; any put, call, straddle, or other option to buy or sell any of the items previously mentioned; and any other instrument, contract, understanding, or mechanism used to establish ownership.

An individual may have ownership in a reporting entity through ownership in one or more intermediary entities that separately or collectively own an interest in a reporting company.

When a trust holds an ownership interest in a reporting company, the following individuals can be treated as owners: a trustee with the authority to dispose of trust assets, a beneficiary who is the sole beneficiary or has the right to demand distributions of substantially all assets from the trust, or a grantor with the right to withdraw assets or revoke the trust. According to the preamble to the final regulations, it's possible that an ownership interest held by a trust will be considered held simultaneously by multiple parties if more than one individual meets the criteria for substantial control.

The preamble also explains that FinCEN considered addressing constructive ownership or attribution in defining an ownership interest but determined that doing so would be over inclusive and could create significant burdens for reporting companies. So, it appears that only actual indirect ownership, but not attribution from a related party, will be counted.

Exceptions. There are five exceptions to the definition of a beneficial owner:

- 1) A minor child when the reporting company includes the information of the child's parent or guardian.
- 2) A nominee, intermediary, custodial, or agent of another individual.
- 3) A reporting company's employee who is not a senior officer and is acting solely in their capacity as an employee.
- 4) An individual having only a future interest in the reporting company through a future inheritance.
- 5) A creditor of the reporting company.

Company Applicants

The company applicant is the individual who directly files the document that creates or registers the reporting company. If more than one individual participates in filing the document, the person primarily responsible for overseeing the filing is also considered a company applicant. So, up to two individuals can be the company applicant.

Company applicants must provide the same information that is required of beneficial owners, but only if the reporting company is formed or registered after 2023. FinCEN recognizes that tracking

down the personal information for company applicants of reporting companies that have been in existence for a number of years may be very difficult, if not impossible in some cases. So, reporting companies formed or registered before 2024 do not have to supply BOI for their company applicants.

Penalties for Reporting Violations

Penalties for noncompliance are steep. Reporting companies are responsible for filing BOI reports, but beneficial owners (including senior officers) and company applicants are also subject to civil and criminal penalties for failing to provide information or providing false information to the reporting company.

The fine for willfully failing to complete an initial or updated report or for willfully providing false or fraudulent information to a reporting company is \$500 per day, up to \$10,000 and imprisonment for up to two years. The fine for knowingly disclosing or using BOI without authorization is \$500 per day, up to \$250,000 and imprisonment for up to five years.

A safe harbor to avoid penalties is available if a corrected report is filed no later than 90 days after the report with inaccurate information is submitted.

Confidentiality of the Information Collected

The law limits the disclosure of BOI to federal agencies engaged in national security, intelligence, or law enforcement. The information can also be disclosed to state law enforcement agencies if authorized by a court as part of a civil or criminal investigation and to certain foreign authorities if requested by a federal agency under an international treaty. Financial institutions subject to customer due diligence requirements may also request BOI from FinCEN with consent from the reporting company. FinCEN plans to issue additional regulations to clarify who may access BOI and for what purpose, as well as what safeguards will be used to ensure the information is safe and protected.

Appendix: Reporting Company Exemptions

The following types of companies are not included in the definition of reporting company with respect to the beneficial ownership information reporting requirements:

- 1) *Securities reporting issuer.* An issuer of securities that is either registered under Section 12 or required to file supplementary and periodic information under Section 15(d) of the Securities Exchange Act of 1934.
- 2) *Governmental authority.* A federal, tribal, or state entity that exercises governmental authority on behalf of the U.S. or any Indian tribe, state, or political subdivision.
- 3) *Bank.* Any bank as defined in Section 3 of the Federal Deposit Insurance Act, Section 2(a) of the Investment Company Act of 1940, or Section 202(a) of the Investment Advisers Act of 1940.
- 4) *Credit union.* Any federal or state credit union as defined in Section 1010 of the Federal Credit Union Act.
- 5) *Depository institution holding company.* Any bank holding company as defined in Section 2 of the Bank Holding Company Act of 1956 or any savings and loan holding company as defined in Section 10(a) of the Home Owner's Loan Act.
- 6) *Money services business.* Any money business service registered with the Financial Crimes Enforcement Network (FinCEN) under 31 USC 5330 or 31 CFR 1002.380.
- 7) *Broker or dealer in securities.* Any broker or dealer as defined in Section 3 of the Securities and Exchange Act of 1934 that is registered under Section 15 of that Act.
- 8) *Securities exchange or clearing agency.* Any exchange or clearing agency as defined in Section 3 of the Securities and Exchange Act of 1934 that is registered under Sections 6 or 17A of that Act.