

Great Tax Reduction Ideas

With the much higher standard deduction amounts, those who do not itemize think there are no longer ways to reduce your taxes. Here are some ideas to consider:

- **Maximizing HSA contributions.** If you have qualified high deductible health insurance, contribute as much as possible to a Health Savings Account (HSA). That way you not only reduce your taxable income, but you pay out-of-pocket qualified medical, dental and vision care with pre-tax dollars!
- **Leveraging retirement accounts to their fullest.** There are numerous

retirement tax plans, including 401(k), 403(b), and IRAs. The key is each has an annual contribution limit, and if you don't use that limit for the year, it is gone. So try to take full advantage of the tax benefits within each plan.

- **Donating appreciated assets.** If you itemize deductions, instead of donating cash, consider donating appreciated assets you have owned for more than one year. Your charity gets the same financial value, but you not only get a great charitable donation, you also avoid paying capital gains tax on the investment.

- **Student loan interest.** You can deduct up to \$2,500 of student loan interest on your tax return. This includes parents co-signing the loan.
- **Bundling your itemized deductions.** While many taxpayers do not have enough deductions to itemize, if you can bundle two or three years of deductions into one tax year you can maximize your deductions in that particular tax year.

Remember, the end of a tax year and the beginning of a new one are great times to think about these tax saving ideas.

Standard Deductions

Item	2023	2022	Change
Single	\$13,850	\$12,950	+\$900
Married Joint/Widow	27,700	25,900	+\$1,800
Head of Household	20,800	19,400	+\$1,400
Married Filing Separate	13,850	12,950	+\$900
Elderly/Blind: Married	+\$1,500	+\$1,400	+\$100
Elderly/Blind: Unmarried	+\$1,850	+\$1,750	+\$100

Maximum Earned Income Tax Credit

	2023	2022	Change
No Child	\$600	\$560	+\$40
1 Child	3,995	3,733	+\$262
2 Children	6,604	6,164	+\$440
3+ Children	7,430	6,935	+\$495

Mileage Rates

Item	2023		2022		Change
	2023	2022	eff. 1/1/22	eff. 7/1/22	
Business	65.5¢/mi	58.5¢/mi	62.5¢/mi		+3.0¢
Medical/Moving	22.0¢/mi	18.0¢/mi	22.0¢/mi		—
Charitable	14.0¢/mi	14.0¢/mi	14.0¢/mi		—

Section 179 Maximums

Limits	2023	2022	Change
Section 179	\$1.16 million	\$1.08 million	+\$80,000
Property Limit	\$2.89 million	\$2.70 million	+\$190,000

Key Retirement Plan Limits

Retirement Plan	2023	2022	Change	Age 50 or older catch-up
401(k), 403(b), 457 plans	\$22,500	\$20,500	+\$2,000	Add \$7,500
IRA: Roth	\$6,500	\$6,000	+\$500	Add \$1,000
IRA: SIMPLE	\$15,500	\$14,000	+\$1,500	Add \$3,500
IRA: Traditional	\$6,500	\$6,000	+\$500	Add \$1,000

ALERT: Form 1099-K reporting change

Because of a late breaking change in November 2023, you could still receive Form 1099-Ks that may need to be reported on your tax return.

This last-minute change (literally 45 days before vendors need to start sending out 1099-Ks) moves the \$600 threshold for receiving a Form 1099-K back to \$20,000 for 2023.

What you should do

- **Save the form.** If you receive a 1099-K, save the form! You will need to account for this information on your tax return or face the possibility of the activity triggering a correspondence audit from the IRS that may lead to a bigger tax bill.
- **It's a business transaction.** If you have activity on sites like Amazon, Etsy, or you are reselling tickets or taking rent payments, you are in business. In the eyes of the IRS, this is true even if you lost money on the transactions. This revenue needs to

be reported even if you don't receive a 1099-K. But you can also include any related business expenses to reduce reportable income.

- **Stay organized.** If you receive any Form 1099-Ks, your tax return will now be a bit more complex. But you can help by staying organized and well documented to explain exactly how you used the third-party payment platform that sent you the form.

1099-K Basics

Here are the basics about Form 1099-K in the event you do receive one:

- **It shows gross payment amounts.** A Form 1099-K reports the gross amount of payments received by you from payment transactions such as credit cards; digital payment services like PayPal, Venmo, and Apple Pay; and online marketplaces like Amazon and Etsy.
- **Personal payments may be included on a 1099-K.** It's possible that a personal payment you received, for example from a friend sending you their share of a restaurant bill, ends up being included on a 1099-K. You will need to account for this.

Remember, though, that whether or not you receive a Form 1099-K, the IRS expects you to report all your taxable income.