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Sharing your vision and positioning you for success

Dear Valued Client,

Thank you for selecting Banks & Associates CPAs, LLC to assist you with your tax preparation this year. Income tax time is HERE! Tax time is the perfect time to review your overall financial picture. In addition to providing tax preparation and planning, we offer a full array of financial planning services. Let us know if you would like one of our trusted partners to contact you for a free financial evaluation.

You are receiving our year-end client letter which provides important tax information for preparing your 2023 income tax returns.

We will ask that you sign an engagement letter that explains the services we provide. It also explains what we expect of you so that we may continue to provide you with the high quality, personal service that you have grown to expect from us.

As always, income tax returns will be prepared on a first-come, first-served basis, so the sooner we receive your information, the greater the likelihood that we will be able to complete your income tax return(s) by April 15th, 2024. We will do our best to complete all returns by the April 15th deadline, but it will not be possible unless **ALL the tax information necessary to prepare your income tax return(s) has been received by March 20th, 2024, or an extension may be required.** Extensions are due by April 15th, 2024. If you feel that a balance will be due on your extended return, you will need to provide the amount you wish to pay with the extension.

For 2023, there are several important tax and form changes you should be aware of. Some of the most important 2023 tax changes that may affect your return are:

1. Non-business energy credits are now available in 2023 for your home, second home or vacation home. These credits are for major items such as windows, skylights, doors (including garage doors), insulation, EV charging stations, heat pumps, corn/pellet stoves, central air conditioning, hot water boilers and solar panels.
2. If you are engaged in business and purchased or traded assets in 2023, please provide your invoices (or a copy) of ALL equipment transactions. For an asset purchased from an individual without an invoice, a copy of your check is required. Equipment traded is considered a sale, (not a trade-in) with a gain/loss calculated. However, the newly acquired asset receives a higher depreciable basis.
3. If you purchased an electric vehicle (EV), a copy of the dealer's invoice is required.
4. If you had a cancellation of debt, student loan interest, or sales of items over the internet (e.g. eBay), a copy of the 1099 received is needed.
5. If you lost a spouse in the last five (5) years, you should contact your attorney to determine if the "portability election" for estate tax purposes should be filed.

6. The Required Minimum Distribution (RMD) was increased in 2023 to age 73.

A couple Ohio changes this year worth noting:

1. The maximum 529 deduction is \$4,000 per year/per beneficiary. Effective in 2023, Ohio will now allow contributions to non-Ohio institutions.
2. Donations made to a Scholarship-Granting Organization (SGO) can provide a non-refundable Ohio income tax credit up to \$750 (individual) or up to \$1,500 (married filing jointly). If you file a joint return, each taxpayer will need to make their own \$750 donation to claim the maximum tax credit of \$1,500. SGOs are nonprofit organizations that provide scholarships to primary and secondary school students in need. If you contribute to an SGO, it will offset your Ohio tax dollar-for-dollar. You can also designate your donation for students attending a participating school in your area. A tax credit receipt is required from the SGO, and it must be attached to the Ohio return. Donations can be made up to April 15, 2024, and can be applied to tax year 2023.

Another Important Change: New Corporate Transparency Act (CTA) filing requirements:

Clients who own 25% of a state registered business, rental real estate, LLC, Corporation, Limited Partnership or other state authorized entity may be required to file with the Financial Crimes Enforcement Network (FinCEN).

Starting January 2024, new federal reporting requirements may require your business to comply with the Corporate Transparency Act (CTA). CTA requires corporations (C or S), limited liability companies (LLCs) including single-member LLC filings on Schedule C (sole proprietorships), Schedule E (rental properties), or Schedule F (farms) filed with a Secretary of State to report beneficial ownership information.

The purpose of this new filing requirement is to create a massive, centralized database for use by law enforcement, national security, intelligence agencies and federal regulators. It will be used to enforce anti-money laundering laws to crack down on corruption, money laundering, terrorist financing, and tax fraud by individuals who evade taxes using numerous companies.

If your reporting company was created or registered before January 1, 2024, you have until December 31, 2024, to file. We strongly encourage you to wait until later this year to file the report as Congress is getting “push back” on this mandate which could be delayed, modified or eliminated altogether. If you create or register a reporting company after January 1, 2024, there is a 90-day filing deadline. There is a 30-day filing deadline to report any changes or inaccuracies previously reported or if you create a reporting company after January 1, 2025.

Penalties for failure to file and comply with CTA and BOI disclosure reporting will result in civil penalties up to \$500 for each day that the failure to file violation continues and criminal penalties up to \$10,000 and / or up to two years of imprisonment. We must recommend all our clients comply with this new law.

Currently, we are NOT permitted to facilitate the filing of this report due to the debate of practicing law. Since CTA is NOT part of the IRS tax code, we currently recommend you contact your attorney or the company you used to create your company. They will be able to assist in determining if your company is required to file and to help navigate this filing requirement. If it is later determined that we can facilitate the filing of this report, we will send another email later this year and let you know.

Other Reminders:

1. If there is an addition to your household, we need a copy of their SS card and date of birth. Also, we will need to know if a 2023 dependent is no longer a dependent in your household.
2. As in 2022, state and local personal income taxes and real estate taxes are still deductible but are limited to \$10,000 for married and single taxpayers or \$5,000 for married filing separate who itemize. Business real estate taxes remain 100% deductible.
3. As in 2022, taxpayers who are engaged in a trade or business, including Partnerships and S Corporations, with a profit are eligible for a **20% DEDUCTION** subtracted from your taxable income. This deduction computation is complex; however, the tax savings can be substantial.
4. Clients who have itemized in the past should continue to gather those deductions and we will determine which deduction is to your tax advantage between taking the standard deduction or continuing to itemize.

Here are a few ways to help keep your costs down:

1. **WAIT** until you have received **ALL** your tax documents. Your return will not be started until **ALL the tax information necessary to prepare your income tax return(s) has been received**. Bringing in documents after the return is started or finished may result in additional fees.
2. **Print and complete** the 2023 Client Checklist on our website and bring it with your tax documents.
3. Please remove all your documents from the envelopes and unfold them.
4. Bring a new copy of a voided check, even if it is the same one used last year, that you wish to use for direct deposit/withdrawal.
5. Bring a copy (only the front is necessary) of both the primary taxpayer's and the spouse's driver's license or state identification card. We will need the same for any returns prepared for your children.
6. Complete and sign the Engagement Letter (both taxpayers if applicable) and bring it with your tax documents. This document is available on our website and in our office.
7. Be prepared to sign IRS Form 8879 upon the completion of your tax returns. This form is not available until your taxes are complete.

As always, we appreciate the opportunity to assist you with your tax preparation and planning, as well as financial planning needs. We thank you in advance for your referrals and appreciate your trust in our business.

Please feel free to contact us at 419.525.2828 or email us if you have any questions or need additional information.

Sincerely,

Banks & Associates CPAs, LLC