



# Newsletter

NOVEMBER 2023

*Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.*

## This Month:

### Upcoming dates:

#### November 23

- Thanksgiving

#### Reminder

- Conduct year-end tax and financial planning

This month's newsletter outlines Social Security's cost-of-living adjustment for 2024, plus some basic information on how Social Security works. And there is still time to take action to reduce this year's tax bill. Please review the tax planning articles to bring some ideas top of mind for yourself and your business.

Please feel free to forward this newsletter to someone who may be interested in a topic and call with any questions you may have.

## Tax Planning: Now More Important Than Ever

Thankfully it's not too late to try and minimize your taxes for 2023. If you haven't scheduled a tax planning session, now is a great time to do so. Here's how a tax planning session can potentially help your situation:

- **It can make a difference.** This is especially true if you have a major event that occurs during the year. For example:
  - Even in uneventful years, external forces like new tax laws can be managed if planned for in advance.
  - Selling a house? You can avoid taxes if primary residence requirements are met.
  - Starting a business? Choosing the correct entity can lower your taxes every year!
  - Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.

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## Tax Planning: Now More Important Than Ever (Cont'd)

- **Put yourself in control.** Timing is important when it comes to minimizing taxes, and the timing is often in your control. For instance, bundling multiple years of charitable contributions into one year can create an opportunity to itemize deductions. Plus holding investments for longer than one year to get a lower tax rate, and making efficient retirement withdrawals are other examples of prudent tax strategies that you control.
- **There are tax planning opportunities for every level of income,** not just those at the top of the tax bracket. Tax deductions are available for student loan interest, IRA contributions and other situations even if you claim the standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.
- **The tax landscape is constantly changing.** New tax laws are passed almost every year. New laws may mean new tax deductions you can take advantage of. It can also mean that an existing deduction you had been used to taking is no longer available. A tax planning session can help you understand what deductions are and are not available for your particular situation.
- **You have help.** Tax planning comes down to looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

## 2024 Social Security Changes

### 2024 Social Security

Find out how your benefits have changed

### Average Retirement Benefits Starting January 2024

Average Benefits - All Workers

- 2024: \$1,907/mo (+\$80)
- 2023: \$1,827/mo

Maximum Benefits for Workers Retiring at Full Retirement Age

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## 2024 Social Security Changes (Cont'd)

- 2024: \$3,822/mo (+\$195)
- 2023: \$3,627/mo

An 3.2% cost of living increase for Social Security retirement benefits and SSI payments begins with December 2023 benefits (payable in January 2024).

Increase your Social Security retirement benefits by 5-8% per year when you delay applying until you're age 70.

### Social Security Revenues & Expenditures

Revenue Sources = \$1.22 trillion

- 3.9% - Taxation of benefits
- 5.4% - Interest
- 90.7% - Payroll taxes

Expenditures = \$1.24 trillion

- 0.6% - Administrative expenses
- 0.4% - Railroad Retirement financial interchange
- 99.0% - Benefit payments

*SOURCE: 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Table II.B1.*

### 2024 Social Security & Medicare Tax Rates

If you work for someone else, your employer pays **7.65%**

If you work for someone else, you pay **7.65%**

If you're self-employed, you pay **15.3%**

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## 2024 Social Security Changes (Cont'd)

*NOTE: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also a 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.*

Item	2024	2023	Change
Maximum amount you may pay in Social Security taxes	<b>\$10,453.20</b>	\$9,932.40	+\$520.80
Maximum earnings amount Social Security will tax at 6.2%	<b>\$168,600.00</b>	\$160,200.00	+\$8,400.00

- **182+ million** people work and pay Social Security taxes
- Social Security has provided financial protection for Americans **since 1935**

### Social Security Payments Explained

- **Social Security** (SS) retirement benefits are for people who have paid into the Social Security system through taxable income.
- **Social Security Disability** (SSD or SSDI) benefits are for people who have disabilities but have paid into the Social Security the system through taxable income.
- **Supplemental Security Income** (SSI) benefits are for adults and children who have disabilities, plus limited income and resources.

### Maximum SSI Payments

Filing Status	2024	2023	Change
Individual	<b>\$943/mo</b>	\$914/mo	+ \$29
Couple	<b>\$1,415/mo</b>	\$1,371/mo	+ \$44

### How does Social Security work?

- When you work, you pay taxes into Social Security.
- The Social Security Administration uses your tax money to pay benefits to people right now.

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## 2024 Social Security Changes (Cont'd)

- Any unused money goes into Social Security trust funds and is borrowed by the government to pay for other programs.
- Later on when you retire, you receive benefits.

### How to qualify for retirement benefits

When you work and pay Social Security taxes, you earn **credits** toward benefits. The number of credits you need to earn retirement benefits depends on when you were born.

- If you were born in **1929** or later, you need **40 credits** (10 years of work) to receive retirement benefits
- You receive one credit for each **\$1,730** of earnings in **2024**
- **4 credits** maximum per year

### Did you know you can check your benefits status before you retire?

- You can check online by creating a *my* Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.
- If it doesn't show earnings from a state or local government employer, contact them. The work may not be covered within Social Security.

Sources: *SSA.gov*

## Year-End Tax Planning Tips for Your Business

As 2023 winds down, here are some ideas to help you prepare for filing your upcoming tax return:

- **Informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.

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## Year-End Tax Planning Tips for Your Business (Cont'd)

- **Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.
- **Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment processor from whom you receive \$600 or more in payments. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.
- **Categorize income and expenses.** The best way to prepare for receiving a 1099-K is to organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form, including a 1099-K, should be easy to tie out to your books.
- **Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.
- **Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit.
- **Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.
- **Leveraging business meals.** Business meals with clients or customers are 50% deductible. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt.
- **Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.
- **Cell phone record review.** Review your telephone records for qualified business use. While expensing a single landline out of a home office can be difficult to deduct, cell phone use can be documented and deducted for business purposes.
- **Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.

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## Year-End Tax Planning Tips for Your Business (Cont'd)

- **Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.
- **Review your estimated tax payments.** Recap your year-to-date estimated tax payments and compare them to your forecast of full year earnings. Then make your 2023 4th quarter estimated tax payment by January 16, 2024.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

*This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.*