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Newsletter January 2024

# January 2024 Due Dates

**January 2024 Individual Due Dates**

**January 10 - Report Tips to Employer -**

If you are an employee who works for tips and received more than $20 in tips during December, you are required to report them to your employer on IRS Form 4070 no later than January 10.

**January 16 - Individual Estimated Tax Payment Due -**

It's time to make your fourth quarter estimated tax installment payment for the 2023 tax year.

**January 31 - Individuals Who Must Make Estimated Tax Payments -**

If you didn't pay your last installment of estimated tax by January 16, you may choose (but aren't required) to file your income tax return (Form 1040 or Form 1040-SR) for 2023 by January 31. Filing your return and paying any tax due by January 31 prevents any penalty for late payment of the last installment. If you can't file and pay your tax by January 31, file and pay your tax by April 15 (April 17 if you live in Maine or Massachusetts).

**January 2024 Business Due Dates**

**January 16 - Employer's Monthly Deposit Due -**

If you are an employer and the monthly deposit rules apply, January 16 is the due date for you to make your deposit of Social Security, Medicare, and withheld income tax for December 2023. This is also the due date for the nonpayroll withholding deposit for December 2023 if the monthly deposit rule applies. Employment tax deposits must be made electronically (no paper coupons), except employers with a deposit liability under $2,500 for a return period may remit payments quarterly or annually with the return.

**January 31 - 1099-NECs Due to Service Providers & the IRS -**

If you are a business or rental property owner and paid $600 or more to individuals (other than employees) as nonemployee compensation during 2023, you are required to provide Form 1099-NEC to those workers by January 31. "Nonemployee compensation" can mean payments for services performed for your business or rental by an individual who is not your employee, commissions, professional fees and materials, prizes and awards for services provided, fish purchases for cash, and payments for an oil and gas working interest. To avoid a penalty, copies of the 1099-NECs also need to be sent to the IRS by January 31, 2024. The 1099-NECs must be submitted on optically scannable (OCR) forms. This firm prepares 1099s in OCR format for submission to the IRS with the 1096 submittal form. This service provides both recipient and file copies for your records. A business or individual who is required to file 10 or more information returns (i.e., 1099s and W-2s among others) must file those forms electronically. Please call this office for preparation assistance.

**January 31 - Form 1098 and Other 1099s Due to Recipients -**

Form 1098 (Mortgage Interest Statement) and Forms 1099, including 1099-NEC (see above) are due to recipients by January 31. The IRS' copy, other than for 1099-NECs, is not due until February 28, 2024, or April 1, 2024, if electronically filed. These 1099s may be reporting the following types of income:

- Dividends and other corporate distributions
- Interest
- Rent
- Royalties
- Payments of Indian gaming profits to tribal members
- Profit-sharing distributions
- Retirement plan distributions
- Original issue discount
- Prizes and awards
- Medical and health care payments
- Debt cancellation (treated as payment to debtor)
- Cash payments over $10,000 (Form 8300)
-

**January 31 - Employers - W-2s Due to All Employees & the Government -**

EMPLOYEE'S COPY: All employers need to give copies of the W-2 form for 2023 to their employees. If an employee agreed to receive their W-2 form electronically, post it on a website and notify the employee of the posting. GOVERNMENT'S COPY: W-2 Copy A and Transmittal Form W-3, whether filed electronically or by paper, are due January 31 to the Social Security Administration.

**January 31 - File Form 941 and Deposit Any Undeposited Tax -**

File Form 941 for the fourth quarter of 2023. Deposit any undeposited Social Security, Medicare, and withheld income tax. (If your tax liability is less than $2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until February 12 to file the return.

**January 31 - W-2G Due from Payers of Gambling Winnings -**

If you paid either reportable gambling winnings or withheld income tax from gambling winnings, give the winners their copies of the W-2G form for 2023.

**January 31 - Individuals Who Must Make Estimated Tax Payments -**

Individuals Who Must Make Estimated Tax Payments. If you didn't pay your last installment of estimated tax by January 17, you may choose (but aren't required) to file your income tax return (Form 1040 or Form 1040-SR) for 2022 by January 31. Filing your return and paying any tax due by January 31 prevents any penalty for late payment of the last installment. If you can't file and pay your tax by January 31, file and pay your tax by April 18.

**January 31 - File Form 940 - Federal Unemployment Tax -**

File Form 940 2023. If your undeposited tax is $500 or less, you can either pay it with your return or deposit it. If it is more than $500, you must deposit it. However, if you deposited the tax for the year in full and on time, you have until February 12 to file the return.

**January 31 - File Form 945 -**

File Form 945 to report income tax withheld for 2023 on all nonpayroll items, including backup withholding and withholding on pensions, annuities, IRAs, gambling winnings, and payments of Indian gaming profits to tribal members. Deposit or pay any undeposited tax. (If your tax liability is less than $2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the year timely, properly, and in full, you have until February 12 to file the return.

**Weekends & Holidays:**

If a due date falls on a Saturday, Sunday or legal holiday, the due date is automatically extended until the next business day that is not itself a legal holiday.

## Clean Vehicle Credit Can Be Transferred to Dealer to Offset Purchase Price

**Article Highlights:**

- Special Transfer Option
- Does the Vehicle Qualify for Credit
- MSRP and Purchase Price
- Taxpayer Qualifications
- Modified AGI
- Applying for the Credit Transfer
- Change of Mind
- About the Credit

Beginning in 2024, a special election allows a taxpayer purchasing a new clean vehicle or previously owned clean vehicle, to transfer the entirety of the allowable credit to an eligible (registered) dealer. The dealer in turn applies the credit to the purchase of the vehicle. In short, the tax credit can be applied to reduce the cost of the purchase by the amount of the credit. This also make it easier for taxpayers to meet down payment requirements and avoids waiting for the credit until their tax return for the year of purchase is filed.

The dealer will be reimbursed by the federal government for the credit amount that is applied to the purchase.

A buyer choosing to transfer the credit to the dealer is not mandatory, and taxpayers can still choose to claim the tax credit on their return instead of transferring a new or previously owned clean vehicle tax credit to the dealer. However, should a taxpayer choose to transfer the credit to an eligible dealer there are several issues that should be considered before making that decision.

**Does The Vehicle Qualify for Credit?** – Although a dealer must provide a certification that the particular vehicle qualifies for the credit, someone shopping for credit-qualified vehicles may wish to first determine which vehicles, both new and previously owned, qualify for credit. The following websites will provide that information.

- New vehicles qualifying for credit is provided by **The Department of Energy**.
- Previously owned clean vehicles qualifying for credit is provided by the **IRS**.

Qualified vehicles must also have prices below certain caps. For new vehicles, the manufacturer suggested retail prices (MSRP) must be below $80,000 for SUVs, vans, and trucks and $55,000 for others. For a previously owned clean vehicle the dealer price must be $25,000 or less. In addition, a previously owned clean vehicle must be a model year which is at least two years earlier than the calendar year in which the taxpayer acquires it.

**Taxpayer Qualifications** – First and foremost, a taxpayer needs to make sure they qualify for a credit. The credit, beginning in 2023, limits the income of the buyer that can qualify for a credit and these limitations are different for new clean vehicles and previously owned clean vehicles. If their modified adjusted gross income (MAGI) is even $1 over the limit, the taxpayer will not qualify for the credit. Taxpayers can use the MAGI from either their 1040 return for the year of purchase or the return for the previous year. Thus, if purchasing a vehicle in 2024, either the 2023 or 2024 MAGI can be used. The MAGI limitations are illustrated in the table below.

| BUYER INCOME LIMITATIONS - QUALIFIED CLEAN VEHICLES | | |
|---|---|---|
| Filing Status | Modified AGI | |
| | New Vehicles | Previously Owned Vehicles |
| Married Filing Joint & Surviving Spouse | $300,000 | $150,000 |
| Head of Household | $225,000 | $112,500 |
| Others | $150,000 | $75,000 |

MAGI for most taxpayers is the same as AGI which appears on line 11 of the 1040. However, in rare cases, taxpayers may have excluded income from foreign counties or U.S. possessions, and these exclusions must be added back for purposes of the limitations, thus the term modified AGI.

In addition, a taxpayer purchasing a previously owned clean vehicle must not be a dependent of another person, and in the prior 3 years cannot have been allowed a credit for a previously owned clean vehicle.

It is important to note, that should a taxpayer successfully have a credit transferred to an eligible dealer, and not qualify for the credit, then they must repay the credit on the return for the year of purchase. There are no forgiveness provisions. For some taxpayers this could be an unexpected financial hardship.

**Applying for the Credit Transfer** – The taxpayer must provide the eligible dealer from whom the taxpayer intends to purchase the new or previously owned clean vehicle required information which the dealer will then submit to the IRS for approval. If the sale report is approved by the IRS, it is anticipated the funds will be transferred to the dealer within 48 to 72 hours. Dealers will receive real time online confirmation as to whether an advance request was accepted or rejected. If the seller report is rejected, the taxpayer may not claim the new clean vehicle credit or previously owned clean vehicle credit. Therefore, purchasers and dealers are strongly encouraged to receive confirmation of a successfully submitted seller report before finalizing a sale and placing a vehicle in service.

The purchaser information needed to be submitted includes:

- Date of the transfer election.
- Taxpayer identification number (generally the taxpayer's Social Security number).
- A photocopy of a valid government-issued photo identification document (such as a driver's license or passport).
- The following attestations:
  - That either MAGI for the prior year OR the current did not exceed the limits. If not known, then to the best of their knowledge it will not exceed the limits.
  - For new clean vehicles, that the vehicle will be used predominantly for personal use or for previously owned clean vehicles, that the qualified buyer requirements are met.
  - An income tax return will be filed for the taxable year in which the vehicle is placed in service with proof of certain qualifications.
  - Election is prior to placing the vehicle in service and this is the first or second transfer election made during the taxable year.
  - If the MAGI limits are exceeded the advance credit will be repaid for the tax year the vehicle was placed in service.
  - The credit transfer was voluntarily elected.

**Change of Mind** – Once the sale is finalized, the taxpayer cannot change their mind about whether to transfer the credit to the dealer.

**About the Credit** – The clean vehicle credits are non-refundable and there is no carryover. Non-refundable means it can only offset a taxpayer's tax liability on their tax return for the year claimed and any excess is lost.

In addition, where the taxpayer has the credit transferred to the dealer, the IRS says you can't transfer a partial credit, it is all or nothing. For a taxpayer in this situation it may be more appropriate to just wait and claim the credit when they file their tax return. In doing so they avoid receiving the full benefit of the credit through the dealer and having to repay a portion. Whereas by claiming the credit on the tax return they only get credit for the amount they are entitled to.

As you can see there is a lot to consider related to the new and previously owned clean vehicle credit. Please contact this office for assistance related to your particular circumstances.

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.

Aaron Bagby
Kramer, Jensen & Bagby, LLC

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