



**The Exact Tax, Inc. team would like to thank our clients for the opportunity to provide our accounting services.**

At Exact Tax, Inc. we don't count the days. We make the days count. It's been a long 2 years with the pandemic and the recent tragic Monterey Park mass shooting but know that we are here to support you.

We are sending our love to those affected by the mass shooting and thank the first responders for their assistance. We consider you our family and truly believe that unity builds community.

**WINTER 2023**

# Tax Credits for New Clean Vehicles Purchased in 2023 or After

The IRS has provided new guidelines for purchases of new plug-in electric vehicles (EV) or fuel cell vehicles (FCV) in 2023 or after that may qualify for a clean vehicle tax credit.

## Who Qualifies

You may qualify for a credit up to \$7,500 under IRS Section 30D if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV). The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032.

### The credit is available to individuals and their businesses.

To qualify, you must:

- Buy it for your own use, not for resale
- Use it primarily in the U.S.

### In addition, your modified adjusted gross income (AGI) may not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in 1 of the two years, you can claim the credit.

The credit is nonrefundable, so you can't get back more on the credit than you owe in taxes. You can't apply any excess credit to future tax years.



## Qualified Vehicles

### To qualify, a vehicle must:

- Have a battery capacity of at least 7 kilowatt hours
  - Have a gross vehicle weight rating of less than 14,000 pounds
  - Be made by a qualified manufacturer (listed on IRS website)
- FCVs do not need to be made by a qualified manufacturer to be eligible. See Rev. Proc. 2022-42 for more detailed guidance.*
- Undergo final assembly in North America

### The sale qualifies only if:

- You buy the vehicle new
- The seller reports required information to you at the time of sale and to the IRS.

*Sellers are required to report your name and taxpayer identification number to the IRS for you to be eligible to claim the credit.*

### In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

MSRP is the retail price of the automobile suggested by the manufacturer, including options, accessories and trim but excluding destination fees, not necessarily the price you pay.

To claim this credit, please be sure to provide all relevant information to your tax preparer so that it will be attached to your tax return and filed together. (Source: IRS)

## 2022 Federal Tax Brackets

Tax Bracket / Rate	Single	Married Filing Jointly	Head of Household
10%	\$0 - \$10,275	\$0 - \$20,550	\$0 - \$14,650
12%	\$10,276 - \$41,775	\$20,551 - \$83,550	\$14,651 - \$55,900
22%	\$41,776 - \$89,075	\$83,551 - \$178,150	\$55,901 - \$89,050
24%	\$89,076 - \$170,050	\$178,151 - \$340,100	\$89,051 - \$170,050
32%	\$170,051 - \$215,950	\$340,101 - \$431,900	\$170,051 - \$215,950
35%	\$215,951 - \$539,900	\$431,901 - \$647,850	\$215,951 - \$539,900
37%	\$539,901+	\$647,851+	\$539,901+





## **Exact Tax celebrated their Lincoln Heights grand opening on January 20, 2023!**

## **Employees Should Know These Inflation Adjustments**

There are three top figures in 2023 that employees should know because it relates to compensation from work: paycheck withholding, the potential need for estimated taxes, and your retirement savings — and due to inflation this year, they are bigger than in past years. Before tax season is in full swing, the beginning of this year is a good time to look at these numbers and consider your tax planning for 2023.

### **1. The Social Security Wage Base**

The Social Security tax (at a rate of 6.2%) applies to wages up to a maximum amount per year that is set annually by the Social Security Administration. Income above that threshold is not subject to the Social Security tax.

In 2023, the Social Security wage cap is \$160,200, up from \$147,000 in 2022. This means the maximum possible Social Security withholding in 2023 is \$9,932.40. Once your income is over the wage cap and you've maxed out the withholding, you'll see 6.2% more in your paycheck!

### **2. Your Income-Tax Bracket & Withholding**

If you're an employee, your company withholds taxes from your paycheck according to the information on your Form W-4. Reviewing the new 2023 federal income-tax brackets and their rates, will tell you whether the withholding as indicated on your W-4 will cover the total tax you will owe for 2023. To avoid "penalizing" additional income in your mind, be sure you know your effective or average tax rate.

#### **Need To Pay Estimated Taxes?**

Additional compensation received, such as a cash bonus or income from a nonqualified stock option exercise or vesting of restricted stock units, is considered supplemental wage income. For federal income-tax withholding, most companies do not use your W-4 rate for this income. Instead, they apply the IRS flat rate of 22% for supplemental income (the rate is 37% for yearly supplemental income in excess of \$1 million).

Once you know your marginal tax-bracket rate for 2023, you may find the withholding rate of 22% does not cover all of the taxes that you will owe on supplemental wage income. In that case, you must either put extra money aside for the 2023 tax return you will file in 2024, pay estimated taxes during 2022, or adjust your W-4 for your salary withholding as soon as possible to cover the shortfall. Schedule a tax planning session with one of our tax preparers to discuss the best approach to take.

### **3. Your Contribution Limit For Qualified Retirement Plans**

In 2023, you can elect to defer up to \$22,500 from your paychecks into qualified retirement plans, such as your 401(k). That annual limit increased from \$20,500 in 2022.

The total ceiling for deferrals to defined contribution retirement plans, including any extra part contributed by your employer, rose to \$66,000 in 2023, a \$5,000 increase over last year's amount. If you are 50+, you can contribute an additional \$7,500 per year, a limit that also went up in 2023.

The amount of compensation income that can be considered in the calculation for qualified deferrals grew to \$330,000 in 2023. Check with your company's 401(k) plan administrator for the process of making changes in your compensation deferral election.

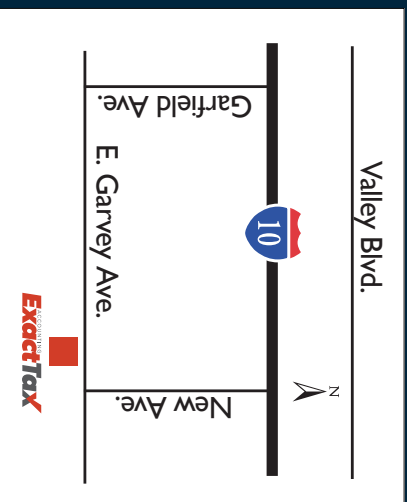
### **Inflation Adjustments For Health Savings Accounts (HSAs)**

While not all employees have them, health savings accounts (HSAs) are also getting an increase in their pre-tax contribution limits for 2023 in response to inflation. HSAs are available only for high-deductible health plans.

The IRS has raised the yearly contribution limit for HSA self-only coverage to \$3,850, up by \$200 from last year, and for family coverage it is now \$7,750, up from \$7,300 in 2022. The limit for HSA catch-up contributions, available for people ages 55 or older, remains \$1,000. With more companies setting up pre-tax payroll deductions for HSAs and matching employee contributions, these increases could be significant for many people as the cost of health care continues its relentless rise.

## Monterey Park

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### Hours of Operation\*

M-Th 9AM - 5:30PM F 9AM - 1PM

## Los Angeles (Lincoln Heights)

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### Hours of Operation\*

M-Th 9AM - 5:30PM F Closed

\* Please check our website for tax season hours

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## Exact Tax, Inc.

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## You earned it. Protect it.

You work hard for your money. We work hard to make sure it stays in your pocket. Our sole focus is on protecting your financial health. We handle bookkeeping, payroll, tax planning and preparation, and new business formation. From start to finish, we provide expert insight and aggressively pursue all tax matters to achieve the best possible outcome for you or your business.

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