

MARC EGORT CPA, P.A.

CERTIFIED PUBLIC ACCOUNTANT

110 N. FEDERAL HIGHWAY
SUITE 102
FORT LAUDERDALE, FL 33301
TEL 754-301-2183 FAX 954-621-3915
WWW.EGORTCPA.COM

Thank you for the opportunity to prepare your income tax return. Following is a guide to assist you with compiling the documents necessary to accurately prepare your income tax return for 2023.

Please feel free to call Michelle Gilmore if you have any questions about what information to provide. *In our continuing effort to implement green practices, we will send via secure e-mail an electronic copy of your tax return to the e-mail address we have on file. Please confirm that the email address we have is the one you wish to receive that file. We will no longer be accepting paper tax documents. Please scan and email tax documents to michelle@egortcpa.com or fax them to 954-621-3915 or we can provide you with a link to our secure portal where you can upload your information there. If you will be using Dropbox or a similar file sharing service to send us your tax documents, please use michelle@egortcpa.com. If you have any questions regarding this policy, please feel free to reach out to Michelle Gilmore directly at 754-301-2183.*

Please be advised we will not be preparing tax returns during client meetings. All other related meetings can be scheduled as normal with our office.

Extensions

To the extent you wish to engage us to apply for extensions of time to file tax returns on your behalf, you **MUST** notify us of this request by calling our office at 754-301-2183 and speaking with either Michelle Gilmore or Billie Bedgood. Requests made via voicemail and/or email will NOT be honored.

Contact Information (Please advise of any changes from the prior year):

- Current home address and telephone numbers
- Social Security Numbers and dates of birth for all taxpayers and dependents
- Current bank routing number and account number for direct deposit of any tax refund
- **Current E-mail address**
- Prior year tax return **if not prepared by my office**

Sources of Income: The IRS requires that the taxpayer report all income regardless of source.

- Form W-2 from all employers
- Form 1099-INT
- Form 1099-MISC
- Form 1099-DIV
- Form 1099-C from a cancellation of debt
- K-1's from Partnerships, S Corporations, Family Limited Partnerships, and/or Trusts
- Year-end summary **brokerage** statements to determine tax treatment of stock sales resulting in capital gains or losses (Form 1099-B)
- Social Security Income (Form 1099-SSA)

- Transactions from the sale of securities require the name of the security, the quantity sold, the date purchased, date sold, and the basis in the security (i.e., the purchase price)
- Any other income you received during the year from any source (**earned or passive**)

Deductions/Credits to consider:

- Child Tax Credit
 - For tax year 2023, the Child Tax Credit is \$2,000 per qualifying dependent child if your modified adjusted gross income (MAGI) is \$400,000 or below (married filing jointly) or \$200,000 or below (all other filers).
 - If your MAGI exceeds the limits detailed above, your credit will be reduced by \$50 for each \$1,000 of income exceeding the threshold until it is eliminated.
- Contributions to traditional Individual Retirement Accounts
- Student loan interest paid
- Tuition and related expenses
- Medical Expenses (including health insurance)
- Daycare information including name, address, tax identification number and amount paid
- Home Mortgage Interest (generally available on Form 1098 from your lender. Please advise if your mortgage balance is greater than \$1 million (\$750,000 for mortgages originated after December 15, 2017))
- State and local **real property** and/or **personal property** taxes paid, as well as state, local, or foreign **income** taxes paid. State and local general **sales** taxes may be deducted in lieu of state and local income taxes. The itemized deduction allowed for taxes paid is capped at \$10,000 (\$5,000 if married filing separately).
- Charitable Contributions – Please provide us with a **list** of charitable contributions made during the year. We recommend that you retain copies of canceled checks and/or receipts for your records.
- Credits may be available for purchases of energy efficient items in your home.

Income from Self Employment (Schedule C):

A.

- All income received.
- Deductions to consider:
 - All operating expenses
 - Auto – mileage is deductible if you maintain a written log and report actual miles driven. The IRS does not permit the use of estimates.
 - Home Office Deduction - If you use part of your home (includes renters) for business, you may be able to deduct expenses (utilities, mortgage interest, rent payments, property taxes) for the business use of your home. There are two basic requirements for your home to qualify for the deduction:
 - 1. You must regularly use part of your home exclusively for conducting business. For example, if you use an extra room to run your business, you can take a home office deduction for that extra room.
 - 2. You must show that you use your home as your principal place of business.

- A. The enclosed template should be used to detail all items of income and expense related to your Schedule C entity. If you have multiple schedule C entities, a separate template should be completed for each entity. The completed template(s) will help reduce the opportunity for errors and will allow us to complete your return in a timelier manner. Please note that we will not be able to complete your tax return without the completed template or similar report (e.g., a standard profit and loss).

Rental Property (Schedule E)

A.

- Report all rental income
 - Deductions to consider:
 - Utilities paid by you
 - HOA dues
 - Repairs & Maintenance
 - Telephone expenses
 - Auto expenses/mileage. Mileage is deductible as long as you maintain a written log and report actual miles driven. The IRS does not permit the use of estimates for auto expenses.
 - Any corporate filing fees or legal/professional fees
 - Depreciation (please provide a list of any fixed asset additions and/or disposals made during the year)
- A. The enclosed template should be used to detail all items of income and expense related to your Schedule E rental property. If you have multiple schedule E rental properties, a separate template should be completed for each rental property. The completed template(s) will help reduce the opportunity for errors and will allow us to complete your return in a timelier manner. Please note that we will not be able to complete your tax return without the completed template or similar report (e.g., a standard profit and loss).

Digital Assets (Virtual Currencies, Non-Fungible Tokens (NFTs), etc.)

All individual taxpayers must now answer whether at any time during 2023, they received (as a reward, award, or payment for property or services) sold, exchanged, gifted, spent, or otherwise disposed of a digital asset (or a financial interest in a digital asset). The IRS defines digital assets as any digital representations of value that are recorded on a cryptographically secured distributed ledger or any similar technology. For example, digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins. For federal tax purposes, digital assets are treated as **property**. If a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal income tax purposes.

Since digital assets are treated as property for federal tax purposes, a taxpayer generally will realize a capital gain or loss on the sale or exchange of a digital asset (including the use of a digital asset to purchase goods or services). In order to properly report the amount of the capital gain or loss realized on your tax return, we need you to provide us with the following information:

- A description of the digital asset sold (e.g., bitcoin)
- The amount of digital asset sold (For bitcoin, the amount **must** be reported to 8 decimal places.)
- The date you purchased the digital asset;
- The date you sold the digital asset;
- The amount of the proceeds received; and

- The cost basis of the digital asset sold

The following example illustrates the computation of the capital gain or loss on the sale of virtual currency:

- On October 7th, 2020, you purchased \$5,000 of bitcoin at a price of \$10,668.97. This means you purchased 0.46864880 bitcoin ($\$5,000 / \$10,668.97$ bitcoin).
- On December 8th, 2021, you sold 0.25000000 bitcoin of the 0.46864880 bitcoin you purchased for \$12,626.20.
- Your cost basis in the 0.25000000 bitcoin you sold is \$2,667.24 ($0.25000000 / 0.46864880 * \$5,000$).
- The amount of the capital gain realized as the result of this transaction is \$9,958.96 (\$12,626.20 sales proceeds less \$2,667.24 cost basis).

The above-detailed transaction will be reported on the Form 8949, Sales and Other Dispositions of Capital Assets, included with your 2021 Form 1040 as follows:

(a) Description of Property	(b) Date Acquired	(c) Date Sold or Disposed of	(d) Proceeds	(e) Cost or Other Basis	(h) Gain or (Loss)
0.25000000 bitcoin	10/7/2020	12/8/2021	\$12,626.20	\$2,667.24	\$9,958.96

Health Insurance

If you received your health insurance through the Marketplace, you will need to provide us with Form 1095-A. If you received your health insurance through the Marketplace and received any type of advanced premium tax credit, we suggest filing by the April 15th deadline. In the event you were not eligible for the advance premium tax credit, any possible remedies to reduce your tax burden may only be able to be done by April 15th. Please contact me to discuss the impact this may have on your tax return.

Deductions

Standard deduction

	2022	2023
Standard deduction	Single: \$12,950 Joint: \$25,900 Head of Household: \$19,400	Single: \$13,850 Joint: \$27,700 Head of Household: \$20,800

Mortgage interest, charitable contributions, and medical expenses

- The **mortgage interest deduction** can only be taken on mortgage debt of up to \$750,000 (\$375,000 if married filing separately), down from \$1 million (\$500,000 if married filing separately) prior to passage of the TCJA of 2017. This only applies to mortgages taken after Dec. 15, 2017; preexisting mortgages are grandfathered in. The \$750,000 cap applies to total mortgage debt (i.e., acquisition debt and home equity debt). Interest on home equity

debt may not be claimed as a deduction *unless* it is used to buy, build, or substantially improve a qualified residence.

- Regarding the **charitable contribution deduction** for 2023, please note the following:
 - Taxpayers who itemize may elect to apply up to 60% of their AGI for calendar-year 2023 qualified contributions. Qualified contributions are cash contributions to qualifying charitable organizations.
- The threshold for the **medical expense deduction** is 7.5% of AGI. In other words, if your adjusted gross income is \$50,000, you can deduct any unreimbursed medical expenses over \$3,750.

Security Concerns

The IRS has reported that tax return fraud is on the rise, and we want to do everything we can to minimize your risk. We want to assure you that we are taking all necessary measures to protect your personal information. All documents with social security numbers are shredded; all electronic information is protected by passwords and firewalls. Another easy way to minimize your risk is to file your return as early as possible – once the IRS receives your return, they will not accept another return with the same social security numbers. All W-2's and 1099's are required to be provided to you by January 31. Try to provide your information to us early in February so we file your return as early as possible.

The greatest compliment I can receive is the gift of your referral. Should any of your family, friends, co-workers, or associates inquire as to your accounting and tax services, I appreciate your thinking of me.

Kindest regards,

Marc Egort, CPA