



HONECK ·  
O'TOOLE

...where people count

renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

4th Quarter 2023

## 'TIS THE SEASON FOR GIVING... WITH THESE TAX TIPS IN MIND

It's a lovely thing to provide financial gifts to personal beneficiaries or charitable organizations, and you may be planning to do just that before the end of 2023.

Many of our clients make gifts and donations in the fourth quarter of each year as a thoughtful holiday idea while enjoying certain tax benefits as well.

However, there's often confusion about different tax rules related to financial gifts and donations. For instance, how financial gifts should be reported on tax returns, what portion (if any) is tax deductible, and so forth.

Let's set the record straight on some of the most common rules, so you can make smart giving choices.

### What Gifts are Reportable to the IRS?

The IRS may levy a Gift Tax on anything of substantial value — such as cash, stocks, art, and real estate — that you personally gift to another individual and you don't get anything substantial in return. Or, if you sell something at less than its full value or if you make an interest-free or reduced-interest loan, you may be making a gift.

You can avoid Gift Tax depending on the cash amount or property value that you provide as a gift (as a donor) and who you donate to (the donee). The following gifts are listed by the IRS as not taxable gifts:

- **Annual Exclusion:** Gifts that are not more than the annual exclusion for the calendar year. (Each year, the IRS sets annual limits on how much taxpayers can gift to a donee and over their lifetime without incurring the gift tax.) **The annual exclusion for 2023 is \$17,000 per donee. For 2024, \$18,000.**

**BONUS: Gift splitting:** If you're married, and you and your spouse jointly own property that you wish to gift to someone else, you'll double that per donee exclusion amount to \$34,000 for calendar year 2023. \$36,000 for 2024.

- **Educational Exclusion:** Tuition you pay directly to the educational institution on someone's behalf is an

*continued on page 2*



*Thank You  
for Your Business*

We're grateful for your business and your kind referrals... and we look forward to serving you in 2024 and beyond. May you and yours have a joyous Holiday Season and a very prosperous New Year!

*Your Honeck O'Toole Team*

### Call Now for a Year-End Projection and Last-Minute Advice

If you've had changes in your business or personal life this year or you're not sure about the 2023 tax law changes... contact us ASAP for assistance with your 2023 tax-year picture. We may discover steps to take now for your benefit! **Contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com)**

### Use Our SmartVault Client Portal.

It's the fastest and most secure way to send us your tax information and access previous documents. Need help with your Client Portal? **Contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com)**

excludible gift. The educational exclusion is for tuition only and does not apply to supplies or room and board.

- **Medical Exclusion:** Medical expenses you pay directly to providers on someone's behalf are not subject to gift tax. Medical expenses include medical insurance as well as any type of medical expense listed for income tax purposes. (Note, the only medical expenses deductible on your personal income tax return are those for you, your spouse, and dependents.)
- Gifts to your spouse (there are special rules if your spouse is not a US citizen.)
- Gifts to a political organization for its use.

### Where Do I Deduct the Gifts That I Made?

Generally, there is no income tax deduction for gifts you make. The exception being donations to charities, or educational and medical expenses paid for your spouse and dependents.

### Where Do I Include the Gifts That I Received and Pay the Tax?

When you are the recipient of a gift, you do not need to include the amount as income on your income tax return. Generally, you do not need to report anything about the gift on a tax return, unless it was a gift from a foreign resident.

Since gifts you received are not includible income, there is no income tax. As a gift recipient, you should not have to pay any tax on the gift unless the person who gave you the gift failed to pay gift tax if it was owed (unusual to see but could happen if the gift giver used up their lifetime gift exclusion).

### When Do Gifts Get Reported?

You are required to file a Form 709 United States Gift (and Generation-Skipping Transfer) Tax Return by April 15th (or October 15th, if extended) of the year following the year you gifted more than the exclusions listed above.

### What Else Do I Need to Know About Charitable Gifts?

If you made any gifts above the exclusions, you are required to report all your charitable gifts/donations on the gift tax return. Although you are required to report these amounts on a gift tax return, you also receive a charitable deduction on the gift tax return so no gift tax is incurred on the donations.

We wanted to remind you that the 100% deduction for donations is over. Rules enacted as part of the COVID-19 relief legislation, which allowed you to deduct 100% of your adjusted gross income (AGI) for cash donations in 2020 and 2021, expired last year.

**If you itemize deductions on your 2023 income tax return,** you may deduct up to 60% of your AGI for cash donations to qualified charities. For non-cash donations such as stocks, artwork furniture, clothing, books, and other items in good condition, you may deduct between 20% and 50% of your AGI, depending on the type of donation.

Be sure to keep donation receipts as a record for tax purposes. Many organizations such as Goodwill, Habitat for Humanity, and others provide a receipt upon request when making donations. Don't forget "round up for causes" receipts on your grocery bill, for example. Those may qualify for deduction as well. 🍀



## NEW: MAINE NOW REQUIRES FORMS W2 AND 1099 TO BE FILED

**Heads up!** Maine now requires Forms W2 and 1099 to be filed with them. This is new for 2023 returns and is important to know especially if you typically file your own tax forms.

The Maine Revenue Services (MRS) Rule 803, "Income Tax Withholding Reports and Payments," Section .07(E), requires employers and

payers that are required to electronically file (e-file) federal Forms W-2 with the Social Security Administration or federal Forms 1099 with the Internal Revenue Service ("IRS") to also file these forms electronically with MRS.

MRS Rule 803 is available at [www.maine.gov/revenue/publications/rules](http://www.maine.gov/revenue/publications/rules). Or contact us if you have questions about this new requirement. 🍀



**MAINE TAX ALERT**  
A Publication of Maine Revenue Services ("MRS") for Tax Professionals  
Volume 33, Issue 11  
October 2023

**DISCLAIMER:** Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

## BOOST YOUR GIVING WITH A DAF

You may not have heard about DAFs (Donor Advised Funds), but they may be just the ticket to giving MORE as you earn more to give.

Let's explain. With this approach, you'll set up a charitable investment account (aka a philanthropic account) specifically for donating to organizations you wish to support... as long as they're IRS-eligible 501(c)(3) charitable organizations. And then you'll deposit assets for donating to these organizations over time.

### How is This Different from Donating Directly to a Charity?

Instead of sending donations to specific charities, you'll make contributions of cash, securities, or other assets to a trusted, recognized third party: a donor-advised fund.

Through that arrangement, you may take an immediate tax deduction the year you establish the DAF and your funds may grow over time as an investment account. Since the tax deduction occurs in the year you put the money into the account, there is not a deduction in later years when the money goes from the DAF to the charity you choose.



### What are the Options for Gifting to a Donor Advised Fund?

You can find all kinds of different donor advised funds by searching online or talking with your current financial advisor if you have one. Please note that they all charge fees for their services, but it may well be worth it.

#### Here are just a few worth investigating:

- Maine Community Foundation
- Fidelity Charitable
- CharityVest
- Daffy
- Every.org
- Goldman Sachs Philanthropy Fund
- National Philanthropic Trust
- Network for Good
- Schwab Charitable
- Vanguard Charitable Endowment Program

### QUESTIONS?

You can always call or email us: **207-774-0882** or **info@honeckotoole.com**.

## BENEFICIAL OWNERSHIP REPORTING

Beginning on January 1, 2024, many companies in the United States will have to report information about their beneficial owners, i.e., the individuals who ultimately own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN), through FinCEN's website. FinCEN is a bureau of the U.S. Department of the Treasury.

Essentially, any company created by filing a document with the State, will need to file the report. There are 23 exemptions for entities like publicly traded companies, non-profit organizations, banks, and other investment related companies, just to name a few. If not exempt, any business created before January 1, 2024, will have until January 1, 2025 to file. If the business was created after January 1, 2024, it will have 30 days from being created to file. (At the time of writing, there is a proposal on the table to extend the filing requirement to 90 days for a business created in 2024 to file on time.)

#### Businesses will need to report the following to FinCEN:

- 1) its legal name and any trade name or DBA;
- 2) its address;
- 3) the jurisdiction in which it was formed or first registered;
- 4) its Taxpayer Identification Number (TIN).

The company must report the beneficial ownership information (BOI) for those who substantially control the company (think of your key employees - like President, CEO, or CFO - and other decision makers) or anyone who owns at least 25% of the company.

#### The information to report for these individuals includes:

- 1) legal name;
- 2) birthdate;
- 3) address;
- 4) a picture of and identifying number from a driver's license, passport, or other approved document.

In addition, for companies created after January 1, 2024, the "company applicants" must also be reported.

The FinCEN BOI reporting is new, so the filing website is being developed. In the meantime, FinCEN has provided a guidance page to provide information and to address questions. To learn more, please visit [fincen.gov/boi](https://fincen.gov/boi)

**Alert:** FinCEN has been notified of recent fraudulent attempts to solicit information from individuals and entities who may be subject to reporting requirements under the Corporate Transparency Act. The fraudulent correspondence may be titled "Important Compliance Notice" and asks the recipient to click on a URL or to scan a QR code. Those e-mails or letters are fraudulent. FinCEN does not send unsolicited requests. Please do not respond to these fraudulent messages, or click on any links or scan any QR codes within them. 🚫



### ANSWER to the wordsearch game.

You're not about to cheat - are you?

W N I D N V F E A U  
 X R C S F L G H D F  
 V O L I R T I V V R  
 H J I X Y Q V G I E  
 O T E V U G I I C F  
 L H N H V S N J E N  
 I A T P C Z G Z P S  
 D N D J I M N P E W  
 A K F P R E B I L L  
 Y S O W J U E A O E

Can you find these six words?

HOLIDAY, ADVICE, PREBILL, CLIENT, GIVING, THANKS.  
Answer is on page 3.  
But don't cheat.

WATCH FOR OUR PURPLE PRE-BILL

By now, you should have received your 2023 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill"). You can choose to pay part of next spring's tax return preparation fee before 12/31/23 and take the deduction in this tax year (if you qualify).

Please note that this payment is always **OPTIONAL**, not required.

Happy Holidays



Call for Assistance Anytime! We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.

www.honeckotoole.com

511 Congress Street, Suite 900, Portland, Maine 04101  
Mall: PO Box 7980 DTS, Portland, ME 04112  
Email: info@honeckotoole.com  
Phone: 207-774-0882 Fax: 207-773-2047

