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STRATEGIES TO MANAGE TAXES AND UPDATES ON RECENT TAX LAW CHANGES

Tax Strategies

Consider using the following strategies to manage taxes:

- Maximize retirement contributions
- Contribute to health savings accounts
- Utilize flex spending accounts
- Roth IRA conversions in down markets and low-income years
- Tax loss harvesting to offset taxable capital gains
- Depreciation options on fixed asset additions
- Defer income and accelerate deductions

Charitable contribution options to maximize tax deduction:

- Donate appreciated securities
- Bunch donations into one tax year
- Donor advised funds
- Charitable remainder trusts
- Qualified charitable distributions

SECURE 2.0



Strength in numbers
with a personal touch

Key tax provisions in the Setting Every Community Up for Retirement Enhancement 2.0 Act of 2022 (SECURE 2.0) signed into law December 29, 2022, include the following:

- Increase in age for RMDs from retirement plans from 72 in 2022 to 73 in 2023 and 75 in 2033
- Tax-free rollovers from 529 accounts open more than 15 years to Roth IRAs permitted effective for distributions up to \$35,000 lifetime limit after December 31, 2023
- Reduction in excise tax on certain accumulations in qualified retirement plans
- Elimination of additional tax on earnings from corrective distributions of excess contributions to IRA
- Qualified charitable distribution enhancements
- Starting in 2024, Roth 401(k) accounts no longer require RMDs
- Many employer-sponsored retirement plan provisions included



Iowa Tax Law Changes

Iowa has enacted significant tax law changes that includes phasing in lower individual and corporate tax rates ultimately down to a 3.9% flat individual tax rate and a 5.5% flat corporate tax rate

Changes effective for 2022

- Iowa Sec. 199A QBI deduction increases to 75% of federal deduction
- Mandatory composite returns for pass-through entities with non-resident owners or beneficiaries
- Iowa inheritance tax rates declining 20% a year (total of 40% decline for 2022) until eliminated for 2025 and beyond

Changes effective for 2023

- Iowa will no longer allow a deduction for federal taxes paid on individual returns after 2022
- Federal taxes paid in 2023 for years ending before 2023 will be deductible on 2023 returns
- Iowa Sec. 199A QBI deduction increases to 100% of federal deduction
- Elimination of most capital gain exclusions
- Retirement income exclusion – expected to be restricted to qualified plans and IRAs
- Health insurance deduction only available for taxpayers 65 or older, and only where net income is under \$100,000
- Capital gains from sale of real property used in farming business is excluded if taxpayer meets 10-year material participation and holding period or taxpayer is selling to a relative
- Eligible retired farmers can elect to exclude rents from income
- Married filing separately on combined return is eliminated
- Provisions not repealed: pension exclusion, military pay and retirement exclusion, first-time homebuyer deductions, state tax exempt bond income, and federal securities exemptions

RETIRED FARMERS

Capital Gain vs Rent Exclusions



Retired farmers who elect to exclude rents from income will be ineligible For capital gain exclusion from the sale of real property used in a farming business. Lease income exclusion requirements include must be 55 years of age or older, real property held for 10 or more years, 10 or more years of material participation, and written lease agreement. Entities and CRP currently not eligible.

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