



End-of-Year Individual Tax Planning

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Speaker



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Agenda

- Top 10 Individual Tax Planning strategies
- 2023 Tax Credits
- Qualified Opportunity Funds
- Qualified Small Business Stock
- Donor-Advised Funds vs Private Nonoperating Foundations
- Incentive Stock Options and Nonqualified Stock Options
- IRS Initiatives for Individual Taxpayers



Top 10 Individual Tax Planning Strategies for Year End

- 1) Harvesting Loss
- 2) Reduce Underpayment penalties
- 3) Maximize pre-tax dollars
- 4) Plan for Long-Term Capital Gain
- 5) Evaluate Qualified Dividends



Top 10 Individual Tax Planning Strategies at Year End (continued)

- 6) Worthless Stock and Bad Debt Write offs
- 7) Release At-risk basis losses
- 8) Dispose passive activities with prior year disallowed passive losses
- 9) Small Business Owner tax opportunities (Qualified Business Income Deduction; Research and Development; State Pass through entity elections; SEP Contributions)
- 10) Retirement planning (Qualified Charitable Distributions; Non spouse Beneficiaries)



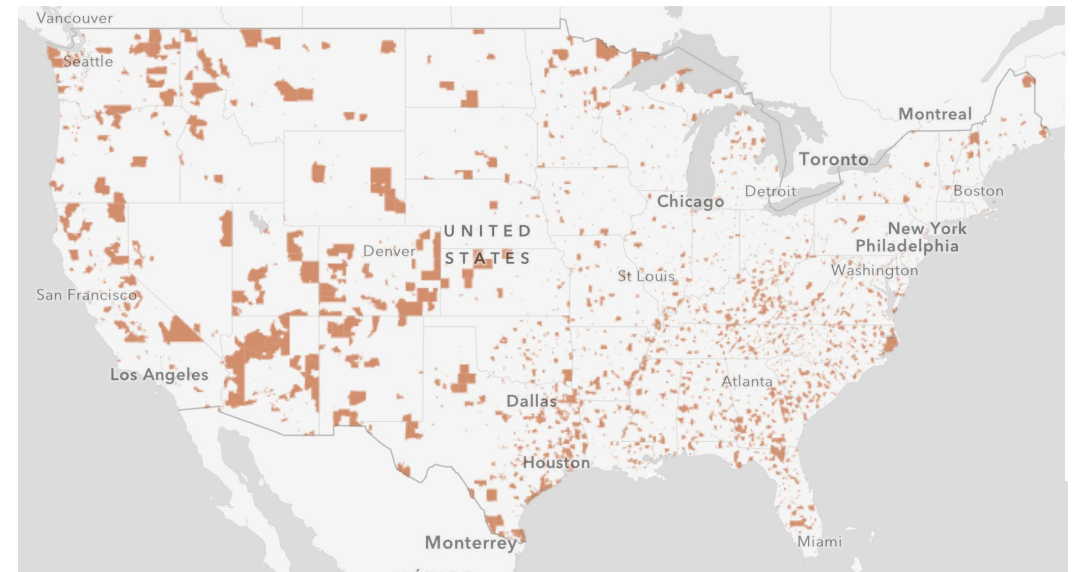
Credits for 2023 Tax Year

TAX CREDIT	AMOUNT
Residential Clean Energy Credit	30% of Qualified Property
Energy Efficient Home Improvement Credit	Maximum Credit up to \$3,200
Clean Vehicle Credit	Maximum Credit up to \$7,500 subject to Adjusted Gross Income phaseouts



Qualified Opportunity Funds

- Goal
- Qualified Opportunity Zones defined
- Qualified Opportunity Funds defined
- How does it work?
- Special rule for Pass-through owners
- Gross Gains count
- Which gains to defer?
- State Conformity
- What should you do?



Qualified Small Business Stock (Section 1202)

- **Goal**
- **Tax Benefits**
- **Challenging part**
- **Documentation**
- **Section 1045 remedy**
- **State Conformity**



Donor-Advised Fund

- Donating to reduce tax bill
- Donate Directly
- Set up a Donor-Advised Fund
- Donor-Advised Fund defined
- How does it work?
- Tax Benefit
- ACE Act
- Advantages vs Disadvantages
 - Fairbairn vs Fidelity



Private Nonoperating Foundation

- Example
- Private Nonoperating Foundation defined
- How does it work?
- Appreciated stock strategy
- Advantages vs Disadvantages



Incentive Stock Options & Nonqualified stock options Planning



Incentive Stock Options (ISOs) Tax Rules

- **Qualifying Disposition Defined –**
 - Long-term capital gain treatment
 - Holding period requirements
 - Taxpayer must not sell the underlying stock until the later of:
 - The expiration of two years from the grant date, or
 - One year from the exercise date of the stock option.



Incentive Stock Options Lifecycle

- **Grant date:** No tax consequences
- **Exercise date:**
 - Regular Tax – No tax consequences
 - Alternative Minimum Tax (“AMT”) – Income = FMV at exercise less exercise price
 - Prior Year Minimum Tax Credit
- **Sale date:**
 - Regular Tax – Capital Gain = Sales Price less basis
 - Alternative Minimum Tax – Capital Gain = Sales Price less basis (includes compensation income recognized on the exercise date)
 - Prior Year Minimum Tax Credit



Strategy No 1: Hold the ISO Stock Long Term

- Hold the Stock for more than a year.
- Stock prices increase vs decrease



Strategy No 2: Dispose of Shares in Exercise Year

- Disqualifying disposition
- Compensation Income equal to the lesser of:
 - FMV at exercise less exercise price or;
 - FMV at sale less exercise price
- No AMT adjustment
- Advantages vs Disadvantages
- Beware of wash sale loss rules
- W-2 income and no withholding



Strategy No 3: Sell in Exercise Year and Year After

- Implement blended strategy
- Breakeven point
- Tax Benefits



NonQualified Stock Options Tax Lifecycle

- **Grant Date:** No tax consequences, except if readily ascertainable fair-market-value
- **Exercise Date:** Compensation equal to the FMV at exercise less exercise price, except if substantial risk of forfeiture or transferability restrictions.
- **Lapse Date:** If substantial risk of forfeiture or transferability restrictions, then compensation is recognized on lapse date (in lieu of exercise date)
- **Sale Date:** Capital gain equal to FMV at sale less basis (includes compensation income previously recognized)

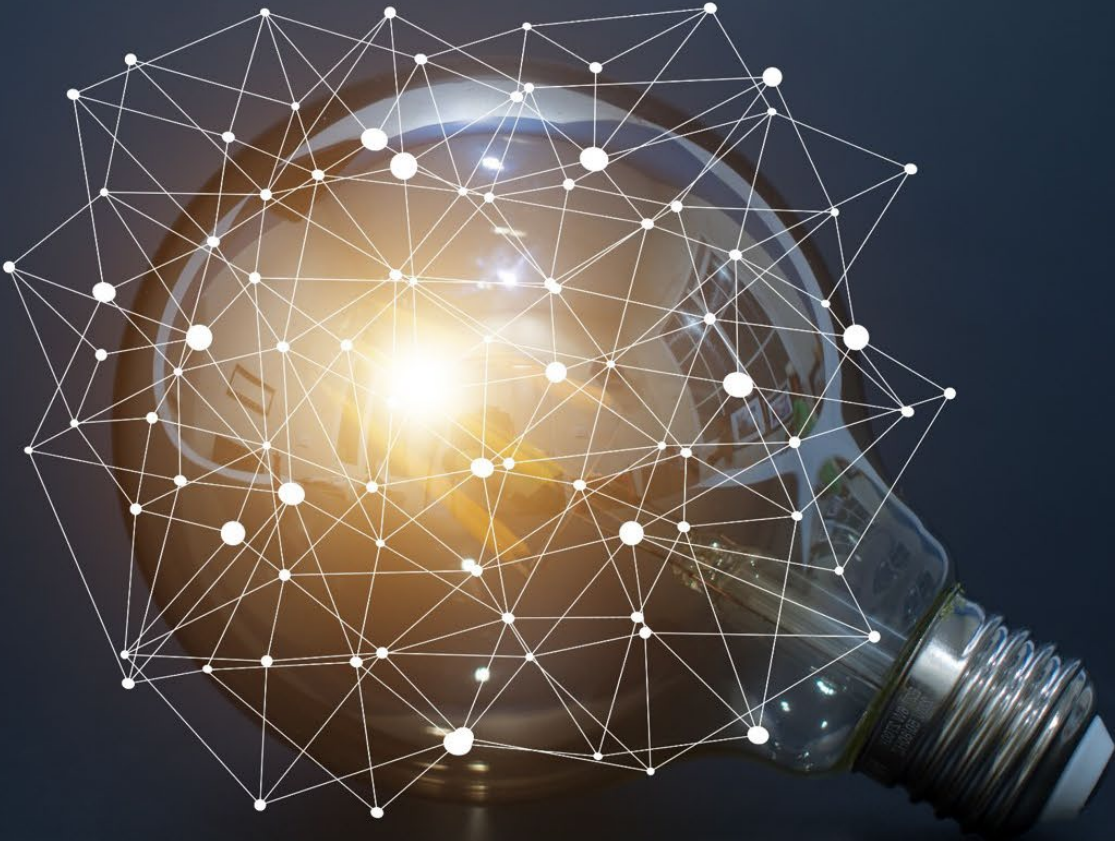


IRS Initiatives for Individual Taxpayers

- Global High Wealth Program expansion
- High-Income collection cases field initiative
- Digital Assets Cases expected to increase
- Report of Foreign Bank and Financial Accounts (FBAR) greater scrutiny
- Real Estate Professional Status
- Non-cash contributions, art donations
- Basis and losses claimed excess of basis



Questions?





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Alyssa Rausch is a Senior Tax Manager in the Private Client Services Group with more than 17 years of experience in providing comprehensive tax compliance and advisory services to high-net-worth individuals, closely held businesses and their owners, S corporations and partnerships.

Prior to joining the firm, Alyssa was an accountant with a regional accounting firm and was responsible for the review of tax returns, tax research and finding solutions for tax clients.

Alyssa is an active author, and her work has appeared in Bloomberg Tax on incentive stock options and nonqualified stock options as well as the New Jersey Business Magazine on the Affordable Care Act. In addition, she has written on the topics of Income Tax Savings Opportunities for Special Needs Families, New York Special Accrual Rules, Home Sale Exclusion, Private Foundations vs Donor Advised Funds and Qualified Opportunity Funds.

SPECIALTIES

- Individual Taxation & Planning
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CREDENTIALS/EDUCATION

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- University of Michigan: BA, Psychology
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