

Tax Letter

January 2023



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January 2023

We wish all of our friends a Happy and Healthy New Year!

This letter contains important payroll tax related information that you may need for 2022 and 2023. As always, please contact us if you have any questions.

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Important Websites

Internal Revenue Service:

- United States Department of Treasury:
www.irs.gov
- Electronic Federal Tax payments (EFTPS):
<https://www.eftps.gov/eftps>

New Jersey:

- Division of Taxation:
www.state.nj.us/treasury/taxation/index.shtml
- Annual Report & Other Miscellaneous Business Filings:
<https://www.njportal.com/DOR/annualreports/>
- Electronic Services:
<https://www.state.nj.us/treasury/taxation/online.shtml>
- New Hires:
<https://njcse.com>
- NJ BAIT:
https://www1.state.nj.us/TYTR_BusinessFilings/jsp/common/Login.jsp?taxcode=09

Pennsylvania:

- Department of Revenue:
www.revenue.state.pa.us
- My Path (Electronic tax payments):
<https://www.mypath.gov>
- PA Business One-Stop-Shop-Hiring Workers:
<https://business.pa.gov/operate/hiring-workers/>

Social Security Administration:

www.ssa.gov



Due Dates for All 2022 Tax Returns

Type of Tax Return	Due Date
Partnerships and S Corporations	March 15, 2023
C Corporations and individuals	April 18, 2023
Trusts and estates	April 18, 2023
Exempt organizations	May 15, 2023
Final deadline for partnerships and S Corporations	September 15, 2023
Final deadline for trusts and estates	October 2, 2023
Final deadline for C Corporations and individuals	October 16, 2023
Final deadline for exempt organizations	November 15, 2023

Automobile Mileage Rates

Type	2023	2022
Business	\$0.655/mile	\$0.585/mile: January 1 to June 30 & \$0.625/mile: July 1 to December 31
Medical/Moving	\$0.22/mile	\$0.18/mile: January 1 to June 30 & \$0.22/mile: July 1 to December 31
Charitable	\$0.14/mile	\$0.14/mile

Flexible Spending Account Limits (FSA)

Pre-tax dollar limit:

- **2022:** \$2,850 maximum per employee
- **2023:** \$3,050 maximum per employee

All clients who sponsor an FSA should review their plan documents and amend the plan, if applicable, to provide for the new mandatory limit.

Health Savings Account Limits (HSA)

Minimum Plan Deductible	2023	2022
Single coverage	\$1,500	\$1,400
Family coverage	\$3,000	\$2,800

Maximum HSA Contribution Level	2023	2022
Single coverage	\$3,850	\$3,650
Family coverage	\$7,750	\$7,300
Catch up – age 55 and over	\$1,000	\$1,000

Out of Pocket Maximum	2023	2022
Single coverage	\$7,500	\$7,050
Family coverage	\$15,000	\$14,100

Social Security

Social Security Cost of Living Adjustment

The cost of living adjustment for 2023 will be 8.7 percent.

Social Security While Continuing to Work

The maximum Social Security Benefit eligibility is based on the following chart:

Year of Birth	Full Retirement Age (FRA)
1937 and prior	65
1938 – 1942	65 – 66
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67



Social Security (continued)

The following chart reflects the annual retirement earnings test for exempt amounts for 2023 and 2022.

Year FRA Attained	2023	2022	Social Security Benefits Withheld
The year reaching full retirement age	\$56,520 \$4,710/mo.	\$51,960 \$4,330/mo.	\$1 in benefits for every \$3 of earnings in excess of the higher exempt amount, but only for months prior to the reaching of FRA.
Under full retirement age	\$21,240 \$1,770/mo.	\$19,560 \$1,630/mo.	\$1 in benefits for every \$2 in earnings in excess of lower exempt amount.

The maximum social security benefit for a worker retiring at full retirement age is \$3,345 per month for 2022 and \$3,627 for 2023.

Minimum Wage

Jurisdiction	Minimum Wage	Minimum Wage with Tips
Federal	\$7.25	\$2.13
Federal - Certain Government Contracts	\$16.20	\$13.75
Delaware, effective 1/1/2023	\$11.75	\$2.23
New Jersey (Most Employers), effective 1/1/2023	\$14.13	\$5.26
Pennsylvania	\$7.25	\$2.83

Full minimum wage information listed by state can be found at:

<http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>

Worker Misclassification Law

New Jersey and other states have instituted strict new requirements for determining if a worker is an employee or a subcontractor. These rules are known as the "ABC Test" www.myworkrights.nj.gov. The burden is on the employer to determine if a worker should be classified as an employee or subcontractor (1099 worker). An employer found to be in violation of the law is subject to back pay awards, penalties, stop-work orders, license revocation and other harsh penalties.

1099 Reporting Requirements

Clients are required to file Form 1099-NEC/1099-MISC if you have paid during the year to an unincorporated business, including LLC's, the following:

1. At least \$10 in royalties.
2. At least \$600 in rents, services, prizes & awards, and other income payments. Report only when payments are made in the course of your trade or business. Personal payments are not reportable.
3. At least \$600 in fees or gross proceeds paid to an attorney in connection with legal services.

Exceptions are generally:

1. Payments made to a corporation (except in the case of gross proceeds or fees paid to an attorney).
2. Payments for merchandise, telephone, freight, storage, and similar items.
3. Payments of rent to real estate agents.

Due dates for 1099's for the 2022 tax year are as follows:

You must provide the recipient with their respective Form 1099 by January 31, 2023 and you must file Form 1096 and the 1099s with the IRS by February 28, 2023.

1099-NEC is due to IRS by January 31, 2023 (and some 1099s are due to recipients by February 15, 2023, but most are due by January 31, 2023).

IRS announces delay for implementation of \$600 reporting threshold for third-party payment-platforms' Forms 1099-K:

The Internal Revenue Service announced a delay in reporting thresholds for third-party settlement organizations set to take effect for the upcoming tax filing season.

As a result of this delay, third-party settlement organizations will not be required to report tax year 2022 transactions on a Form 1099-K to the IRS or the payee for the lower, \$600 threshold amount enacted as part of the American Rescue Plan of 2021.

The American Rescue Plan of 2021 changed the reporting threshold for third-party settlement organizations (TPSOs). The new threshold for business transactions is \$600 per year; changed from the previous threshold of more than 200 transactions per year, exceeding an aggregate amount of \$20,000. The law is not intended to track personal transactions such as sharing the cost of a car ride or meal, birthday or holiday gifts, or paying a family member or another for a household bill.

Under the law, beginning January 1, 2023, a TPSO is required to report third-party network transactions paid in 2022 with any participating payee that exceed a minimum threshold of \$600 in aggregate payments, regardless of the number of transactions. TPSOs report these transactions by providing individual payee's an IRS Form 1099K, Payment Card and Third-Party Network Transactions.

Retirement Plan Benefits and Limits

Type			2023	2022
Traditional and Roth IRA contribution			\$6,500	\$6,000
Traditional and Roth IRA catch-up contribution			\$1,000	\$1,000
SIMPLE IRA and SIMPLE 401(k) salary deferral			\$15,500	\$14,000
SIMPLE IRA and SIMPLE 401(k) catch-up contribution (50 years old & above)			\$3,500	\$3,000
401(k), 403(b), 457(b), and SARSEP salary deferral contribution			\$22,500	\$20,500
401(k), 403(b), 457(b), and SARSEP catch-up contribution (50 years old & above)			\$7,500	\$6,500
SEP minimum compensation			\$750	\$650
SEP maximum compensation			\$330,000	\$305,000
Retirement Savings Contribution Credit: Married filing jointly			\$73,000	\$68,000
Retirement Savings Contribution Credit: Married filing separately and single			\$36,500	\$34,000
Retirement Savings Contribution Credit: Head of Household			\$54,750	\$51,000
Roth IRA income eligibility limitation	Married filing jointly	100%	\$218,000 or less	\$204,000 or less
		Partial	\$218,001 – \$227,999	\$204,001 – \$213,999
		None	\$228,000 or more	\$214,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/head of household	100%	\$138,000 or less	\$129,000 or less
		Partial	\$138,001 – \$152,999	\$129,001 – \$143,999
		None	\$153,000 or more	\$144,000 or more
	IRA deductibility limits assuming one spouse participates in a qualified plan: (No income limitation applies if not covered by an employers’ retirement plan)			
Traditional IRA income eligibility limitation	Married filing jointly	100%	\$116,000 or less	\$109,000 or less
		Partial	\$116,001 – \$135,999	\$109,001 – \$128,999
		None	\$136,000 or more	\$129,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/head of household	100%	\$73,000 or less	\$68,000 or less
		Partial	\$73,001 – \$82,999	\$68,001 – \$77,999
		None	\$83,000 or more	\$78,000 or more
Annual addition/contribution limit under a defined contribution plan or SEP IRA			\$66,000	\$61,000
Annual benefit under a defined benefit plan			\$265,000	\$245,000
Compensation cap			\$330,000	\$305,000
Key employee definition			\$215,000	\$200,000
Highly compensated employee definition			\$150,000	\$135,000
Social Security (FICA) wage base			\$160,200	\$147,000



Unified Estate and Gift Tax Exclusion Amount

For gifts made and estates of decedents dying in 2023, the exclusion amount will be \$12,920,000 (up from \$12,060,000 in 2022) per person, \$25,840,000 for a married couple. The federal gift limitation increases to \$17,000 (up from \$16,000 in 2022) per recipient per year without gift tax implications.

New Jersey Business Alternative Income Tax (BAIT)

Partnerships, S Corporations and Limited Liability Companies with two or more members will be able to deduct NJ income tax on their federal business tax returns in the year paid. This tax is NOT automatic as taxpayers must elect into the tax regime annually. The election has to be made on or before the original due date of the return. The election and tax payments must be made online at:

www.state.nj.us/treasury/taxation/baitpte.shtml

The statutory rates for the NJ BAIT are as follows:

Pass-Through Entity Income	Tax Rate
First \$250,000	5.675%
Amount between \$250,000 and \$1 million	6.52%
Amount over \$1 million	10.9%

Please contact us to discuss your individual situation to see if this tax is something you want to elect into.

New Jersey Anchor Program

This new benefit is based on your 2019 New Jersey Gross Income and cannot exceed the amount of property taxes paid. If your 2019 NJ Gross Income exceeded \$250,000 you are not eligible.

Homeowners

- 2019 Gross Income (NJ 1040 Line 29) of \$150,000 or less = \$1,500
- 2019 Gross Income (NJ 1040 Line 29) of \$150,001 to \$250,000 = \$1,000

Renters with income of \$150,000 or less = \$450

The filing date expires January 31, 2023. The application can be filed online or call 877-658-2972.

Individual Income Tax Deductions and Credits for 2022 & 2023 Tax Returns

Standard Deduction	2023	2022
Married Filing Jointly	\$27,700	\$25,900
Head of Household	\$20,800	\$19,400
Single/Married Filing Separately	\$13,850	\$12,950
Dependent Standard Deduction (min)	\$1,250	\$1,150
Additional Amount for Aged or Blind (also unmarried and not a surviving spouse)	\$1,850	\$1,750
Additional Amount for Aged or Blind	\$1,500	\$1,400

Child Tax Credits (Subject to AGI Thresholds)	2023	2022
Qualifying Child	\$2,000	\$2,000
Other Dependents	\$500	\$500

Phase out in income \$200,000 single and \$400,000 married filing jointly.

Dependent Care Credit Expanded	2023	2022
One qualifying dependent max credit	\$1,050	\$1,050
Two qualifying dependents max credit	\$2,100	\$2,100



2023 Payroll Tax Rates

Jurisdiction & Tax Type	Employee Rate	Employer Rate	Limits (if any)
FEDERAL			
Federal Unemployment	N/A	0.60%	Maximum wages \$7,000 Maximum of \$42 per employee
FICA	6.20%	6.20%	Maximum wages \$160,200 Max deduction: \$9,932.40
Medicare	1.45% 0.09%	1.45% N/A	No wage base limit Additional .9% tax on all wages in excess of \$200,000 (\$250,000 for joint returns, \$125,000 for Married Filing Separately)
Federal Income Tax	Based on Circular E	N/A	Rates vary (10% – 37%)
NEW JERSEY			
NJ State Unemployment Workforce/S.W.F.	0.425%	Rates Vary (0.6% - 6.4%)	Maximum wages employee and employer: \$41,100 Maximum employee deduction: \$174.68 Standard New Employer Rate is 3.1%
NJ Disability Rate	0.0%	Rates Vary	Maximum wages employee: \$0 Maximum wages employer: \$41,100 Standard New Employer Rate is 0.5%
NJ Paid Family Leave Rate	0.06%	N/A	Maximum employee wages \$156,800 Max employee deduction: \$94.08
NJ Income Tax	See Withholding Charts	N/A	Rates vary (1.4% – 8.97%) and 10.75% over \$1 million in taxable income
PENNSYLVANIA			
PA State Unemployment	0.07%	Rates Vary	Maximum wages for employers \$10,000 New Employer Rate 3.822% (non-construction) 10.5924% (construction)
PA Income Tax	3.07%	N/A	
PHILADELPHIA			
Wage Tax: Residents Non-Residents	3.79% 3.44%	N/A N/A	Effective July 1, 2022 through June 30, 2023 Effective July 1, 2022 through June 30, 2023





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