

# Tax Letter

January 2024



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# January 2024

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

This letter contains important tax related information that you may need for 2023 and 2024. 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](http://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](http://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://njcseps.com>
- NJ BAIT:  
[https://www1.state.nj.us/TYTR\\_BusinessFilings/jsp/common/Login.jsp?taxcode=09](https://www1.state.nj.us/TYTR_BusinessFilings/jsp/common/Login.jsp?taxcode=09)

## Pennsylvania:

- Department of Revenue:  
[www.revenue.state.pa.us](http://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](http://www.ssa.gov)





# Due Dates for All 2023 Tax Returns

Type of Tax Return	Due Date
Partnerships and S Corporations	March 15, 2024
C Corporations and individuals	April 15, 2024
Trusts and estates	April 15, 2024
Exempt organizations	May 15, 2024
Final deadline for partnerships and S Corporations	September 16, 2024
Final deadline for trusts and estates	September 30, 2024
Final deadline for C Corporations and individuals	October 15, 2024
Final deadline for exempt organizations	November 15, 2024

## Automobile Mileage Rates

Type	2024	2023
Business	\$0.67/mile	\$0.655/mile: January 1 to June 30 & \$0.67/mile: July 1 to December 31
Medical/Moving	\$0.21/mile	\$0.22/mile: January 1 to June 30 & \$0.21/mile: July 1 to December 31
Charitable	\$0.14/mile	\$0.14/mile

## Flexible Spending Account Limits (FSA)

### Pre-tax dollar limit:

Type	2024	2023
Health FSA	\$3,200	\$3,050
Dependent Care	\$5,000	\$5,000
Transportation (Parking)	\$315/mo	\$300/mo
Transportation (Transit)	\$315/mo	\$300/mo
FSA rollover max	\$640	\$610

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	2024	2023
Single coverage	\$1,600	\$1,500
Family coverage	\$3,200	\$3,000

Maximum HSA Contribution Level	2024	2023
Single coverage	\$4,150	\$3,850
Family coverage	\$8,300	\$7,750
Catch up – age 55 and over	\$1,000	\$1,000

Out of Pocket Maximum	2024	2023
Single coverage	\$8,050	\$7,500
Family coverage	\$16,100	\$15,000

## Social Security

### Social Security Cost of Living Adjustment

The cost of living adjustment for 2024 will be 3.2 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)
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 2024 and 2023.

Year FRA Attained	2024	2023	Social Security Benefits Withheld
The year reaching full retirement age	\$59,520 \$4,960/mo.	\$56,620 \$4,710/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	\$22,320 \$1,860/mo.	\$21,240 \$1,770/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 \$3,822 per month for 2024 and \$3,627 for 2023.

## Minimum Wage

Jurisdiction	Minimum Wage	Minimum Wage with Tips
Federal	\$7.25	\$2.13
Federal - Certain Government Contracts	\$17.20	\$13.75
Delaware, effective 1/1/2024	\$13.25	\$2.23
New Jersey (Most Employers), effective 1/1/2024	\$15.13	\$5.26
Pennsylvania	\$11.00	\$6.60

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](http://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 2023 tax year are as follows:

Form	Recipient Deadline	IRS Paper-filed Deadline	IRS E-filing Deadline
1099-NEC	1/31/24	1/31/24	1/31/24
1099-MISC (no data in boxes 8 or 10)	1/31/24	2/28/24	4/1/24
1099-MISC (with data in boxes 8 or 10)	2/15/24	2/28/24	4/1/24
1099-B, 1099-S	2/15/24	2/28/24	4/1/24
1099-C, 1099-DIV, 1099-INT, 1099-K, 1099-R, 1098-T	1/31/24	2/28/24	4/1/24

IRS has announced a delay in Form 1099-K reporting threshold for third party platform payments for 2023; plans for a threshold of \$5,000 in 2024 to phase in implementation.

New mandate effective January 1, 2024, e-filing threshold for 1099's lowered to 10, changed from 250 threshold in prior years.

# Retirement Plan Benefits and Limits

Type			2024	2023
Traditional and Roth IRA contribution			\$7,000	\$6,500
Traditional and Roth IRA catch-up contribution			\$1,000	\$1,000
SIMPLE IRA and SIMPLE 401(k) salary deferral			\$16,000	\$15,500
SIMPLE IRA and SIMPLE 401(k) catch-up contribution (50 years old & above)			\$3,500	\$3,500
401(k), 403(b), 457(b), and SARSEP salary deferral contribution			\$23,000	\$22,500
401(k), 403(b), 457(b), and SARSEP catch-up contribution (50 years old & above)			\$7,500	\$7,500
SEP minimum compensation			\$750	\$750
SEP maximum compensation			\$345,000	\$330,000
Retirement Savings Contribution Credit: Married filing jointly			\$76,000	\$73,000
Retirement Savings Contribution Credit: Married filing separately and single			\$38,250	\$36,500
Retirement Savings Contribution Credit: Head of Household			\$57,375	\$54,750
Roth IRA income eligibility limitation	Married filing jointly	100%	\$230,000 or less	\$218,000 or less
		Partial	\$230,001 - \$239,999	\$218,001 - \$227,999
		None	\$240,000 or more	\$228,000 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%	\$146,000 or less	\$138,000 or less
		Partial	\$146,001 - \$160,999	\$139,001 - \$152,999
		None	\$161,000 or more	\$153,000 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%	\$123,000 or less	\$116,000 or less
		Partial	\$123,001 - \$142,999	\$116,001 - \$135,999
		None	\$143,000 or more	\$136,000 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%	\$77,000 or less	\$73,000 or less
		Partial	\$77,001 - \$86,999	\$73,001 - \$82,999
		None	\$87,000 or more	\$83,000 or more
Annual addition/contribution limit under a defined contribution plan or SEP IRA			\$69,000	\$66,000
Annual benefit under a defined benefit plan			\$275,000	\$265,000
Compensation cap			\$345,000	\$330,000
Key employee definition			\$220,000	\$215,000
Highly compensated employee definition			\$155,000	\$150,000
Social Security (FICA) wage base			\$168,600	\$160,200





# Unified Estate and Gift Tax Exclusion Amount

For gifts made and estates of decedents dying in 2024, the exclusion amount will be \$13,610,000 (up from \$12,920,000 in 2023) per person, \$27,220,000 for a married couple. The federal gift limitation increases to \$18,000 (up from \$17,000 in 2023) 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](http://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%

Other states offer similar programs but with different rules.

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 2020 New Jersey Gross Income and cannot exceed the amount of property taxes paid. If your 2020 NJ Gross Income exceeded \$250,000 you are not eligible.

### Homeowners

- 2020 Gross Income (NJ 1040 Line 29) of \$150,000 or less = \$1,750
- 2020 Gross Income (NJ 1040 Line 29) of \$150,001 to \$250,000 = \$1,250

**Renters** with income of \$150,000 or less = \$700

The filing date expires December 29, 2023. The application can be filed online or call 1-877-658-2972.

<https://www.nj.gov/treasury/taxation/anchor/home.shtml>.

# Individual Income Tax Deductions and Credits for 2023 & 2024 Tax Returns

<b>Standard Deduction</b>	<b>2024</b>	<b>2023</b>
Married Filing Jointly	\$29,200	\$27,700
Head of Household	\$21,900	\$20,800
Single/Married Filing Separately	\$14,600	\$13,850
Dependent Standard Deduction (min)	\$1,300	\$1,250
Additional Amount for Aged or Blind (also unmarried and not a surviving spouse)	\$1,950	\$1,850
Additional Amount for Aged or Blind	\$1,550	\$1,500

<b>Child Tax Credits (Subject to AGI Phaseout Thresholds)</b>	<b>2024</b>	<b>2023</b>
Qualifying Child Under 17	\$2,000 (\$1,700 refundable)	\$2,000 (\$1,600 refundable)

<b>Dependent Care Credit Expanded</b>	<b>MAX</b>	<b>MIN</b>
One qualifying dependent	\$1,050	\$600
Two qualifying dependents	\$2,100	\$1,200

After \$200,000 (single) or \$400,000 (MFJ) of Adjusted Gross Income, the credit phases out.

## Corporate Transparency Act (CTA)

This Act is aimed at improving business ownership transparency, particularly for small businesses. The goal is to increase awareness regarding an entity's structure and potential illicit activities, including tax fraud. The document to be filed is known as the Beneficial Ownership Information Report and is filed with the Financial Crimes Enforcement Network (FinCen).

The CTA takes effect January 1, 2024 and requires disclosure of beneficial ownership information for certain entities from their respective owners (ownership in excess of 25%). There are substantial penalties for non-compliance. To read our recent email blast on clarifying the CTA, click on the link below.

[Clarifying the Corporate Transparency Act1.docx](#)

## Qualified Charitable Distributions (QCDs)

Individual Retirement Arrangement (IRA) owners age 70 ½ or over can transfer up to \$100,000 to qualified charity organizations tax-free each year. QCDs satisfy the taxpayer's Required Minimum Distribution (RMD) for the year and are not taxable to the individual.

# 2024 Payroll Tax Rates

Jurisdiction and Tax Type	Employee Rate	Employer Rate	Limits (if any)
<b>FEDERAL</b>			
Federal Unemployment	N/A	0.60%	Maximum wages \$7,000 Maximum of \$42 per employee
FICA	6.20%	6.20%	Maximum wages \$168,600 Max deduction: \$10,453.20
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%)
<b>NEW JERSEY</b>			
NJ State Unemployment Workforce/S.W.F.	0.425%	Rates Vary (0.6% - 6.4%)	Maximum wages employee and employer: \$42,300 Maximum employee deduction: \$179.78 Standard New Employer Rate is 3.4%
NJ Disability Rate	0.0%	Rates Vary	Maximum wages employee: \$0 Maximum wages employer: \$42,300  Standard New Employer Rate is 0.5%
NJ Paid Family Leave Rate	0.09%	N/A	Maximum employee wages \$161,400 Max employee deduction: \$145.26
NJ Income Tax	See Withholding Charts	N/A	Rates vary (1.4% – 10.75%)
<b>PENNSYLVANIA</b>			
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	
<b>PHILADELPHIA</b>			
<b>Wage Tax:</b> Residents Non-Residents	3.75% 3.44%	N/A N/A	Effective July 1, 2023 through June 30, 2024 Effective July 1, 2023 through June 30, 2024







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