Hart Patterson
FINANCIAL GROUP

New Year's 2023 Newsletter

We hope the year has started off well for everyone and that you had a safe and relaxing holiday season. This issue of our newsletter is packed with a number of updates, including new legislation impacting the retirement system as well as our annual update on retirement plan contribution amounts, the deductibility of long term care insurance premiums and when to expect tax documents.

As those of you who are claiming Social Security will see in your January deposit, the Social Security Administration announced the highest cost of living adjustment (8.7%) since 1981. In additional good news, Medicare premiums will decline and residents of 20 states including Massachusetts, were entitled to what one CPA we work with called a "rare and wonderful rebate". Read on, and as always, please be in touch with any questions or concerns.

What the New SECURE 2.0 Act Means for You
Congress has recently passed the SECURE 2.0 Act which includes some changes that may be relevant to you. There are additional changes that will not be in effect until 2026+ that are not listed here, but we will be in communication at that time. *Adapted from Kitces.com*

- **Required Minimum Distribution (RMD) age increase**: RMDs will now start at age 73 for individuals born between 1951 and 1959 and age 75 for those born in 1960 or later.
- **Penalty on RMDS**: The penalty for missed RMDs (or distributing too little) will be decreased from 50% to 25% of the shortfall, and if the mistake is corrected in a timely manner, the penalty is reduced to 10%.
- **RMDs from Roth retirement plans:** eliminates RMDs for Roth 401ks and Roth 403bs beginning in 2024.
- **Roth opportunities in certain IRAs:** creates a Roth-style version of SEP and SIMPLE IRA accounts – can begin in 2023.
- **Employer Roth contributions:** allows employers to make matching contributions and non-elective contributions to the Roth side of the retirement plan.
- **Transfers from 529 plans to Roth IRAs:** the 529 plan must have been maintained for 15 years or longer and the transfer must go to the 529 account beneficiary (not owner). Other restrictions apply. This starts in 2024.
- **IRA catch-up contributions subject to cost of living adjustments (COLA):** begins in 2024 (so that they will increase with inflation from the current $1,000 limit), while also increasing 401(k) and similar plan catch-up contributions;
- **Mandatory 'Rothification' of catch-up contributions**: for certain high-income taxpayers starting in 2024. The new rule applies to catch-up contributions for 401(k), 403(b), and governmental 457(b) plans, but not to catch-up contributions for IRAs, including SIMPLE IRAs.

2023 Contribution Limit Updates

IRAs
Individuals under age 50 may contribute $6,500 and individuals age 50 and older may make an additional "catch-up" contribution of $1,000 for a total of $7,500.

TSA/403(b), 401(k)
The contribution limit for participants under age 50 is $22,500. Participants age 50 and older may make an additional "catch-up" contribution of $7,500 for a total of $30,000.

Simple IRA Deferral Contributions

Participants under age 50 may contribute $15,500. The “catch-up” contribution provision available for participants age 50 and older allows for an additional $3,500 for a total of $19,000.

Profit-Sharing Plan Contribution/Deduction Limits
The employer deduction limit for profit-sharing plans remains at 25%. This continues to allow substantially increased annual contributions for employers who use or allow multiple contribution options, such as profit sharing, matching, and after-tax contributions.

Please contact us if you retired last year or are planning to retire this year and are making systematic investments to retirement accounts through our office.
If you are no longer working, we will need to terminate any automatic/systematic investments that you may have had established for your various retirement accounts (i.e., IRAs, Simple IRAs, and SEPs) so that contributions are not made this year.

2023 Limits for Tax Deductibility of Long-Term Care Insurance Premiums
Premiums up to the limits below are considered unreimbursed medical expenses. They are deductible to the extent that they, along with other unreimbursed medical expenses, exceed 7.5% of your adjusted gross income (AGI). Amounts above the limits specified below are not treated as a deductible medical expense.

Attained Age before the Close of 2023	Maximum Deduction
40 or less	$480
more than 40, but not more than 50	$890
more than 50, but not more than 60	$1,790
more than 60, but not more than 70	$4,770
more than 70	$5,960

Tax Year Retirement Plan Contributions
Please note that we need to receive your retirement plan contribution checks by April 6, 2023 or contact us if you would like to set up an ACH from your bank account. This will allow us time to process your transaction before the deadline. If you are not able to make this date, you may send your checks directly to the appropriate investment company. Remember to write the contribution year in the Memo field (e.g., IRA or Roth IRA 2022 contribution) so that it can be coded to the proper tax year.

Tax Planning and 1099s - Just a reminder – revised or late 1099s from investment companies are always a possibility SEI usually mails out their 1099s on the last day of February. 1099-Rs (retirement income) are mailed in late January.

State Budget Surplus Checks
You may have already received a state surplus check. If so, here’s the reason why. Up to 20 states,

including Massachusetts, are using their budget surplus accumulated from the federal Covid-19 relief money and higher tax revenue to help their taxpayers deal with high inflation. These payments or “rebates” vary from state to state and do not require any submission of an application, but rather you must have filed your income tax return for 2021 to qualify.

Massachusetts law requires that tax revenue over the state’s annual revenue cap be returned to taxpayers and the state audit confirmed that this was exceeded this year. *Taxpayers will receive refunds equal to about 14% of their 2021 state tax bill* and should have received this refund in mid-December. If you haven’t filed your return yet, you can still get a refund if you file by September 15, 2023. For additional information, visit the Federation of Tax Administrator’s website https://www.taxadmin.org/state-tax-agencies.

Quarterly Statements
You should be receiving statements at least quarterly from SEI. If you are not receiving these statements, or you need another copy of a statement, please call us and we will provide one to you. Clients are encouraged to review the information on the statements, especially the amount of fees deducted, and compare that information with any information provided by Hart & Patterson Financial Group LLC. If there are any questions or discrepancies, please contact us.

2022 Charitable Contributions
Hart & Patterson is proud to have supported the following organizations in 2022!
The Amherst Rotary Good Works Fund Inc. (in honor of Sally Vanasse), The Literacy Project, The American Cancer Society (2022 Relay for Life), Amherst ABC, Pan Mass Challenge and Cooley Dickinson Hospital (The Breast Cancer Center) and Girls on the Run Western Massachusetts.

Best wishes to you all for a wonderful New Year ahead!

Vikki D. Lenhart
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