

Preparing Your IRA for 2023 Taxes & Changes







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Agenda

- 1 About Entrust
- 2023 Dates & Deadlines IRA Holders Should Know
- New Limits, Ranges & Cost-of-Living Adjustments
- Tips for the Upcoming Tax Season
- **5** Q&A Time



Meet Your Presenter

John Paul Ruiz

Director of Professional Development at The Entrust Group











About Entrust





About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy



800.392.9653

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee

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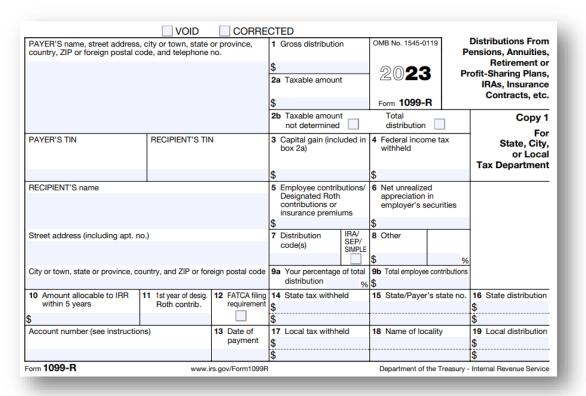


2023 Dates & Deadlines
IRA Holders Should Know



January 31

- Fair Market Valuation (FMV) Statement
- Required Minimum Distribution (RMD) Statement
- IRS Form 1099-R





Fair Market Valuation (FMV) Statement

- IRA custodians and trustees are regulated to provide FMVs to IRA holders by January 31 of the following year
- Reports the December 31 balance of an individual's IRA
- Used for RMD calculation
- Amount may come from the IRA holder
 - Custodians may use alternatives besides an appraisal
 - Some values may be difficult to acquire promptly
 - Partnerships
 - LLCs

Required Minimum Distribution (RMD) Statement

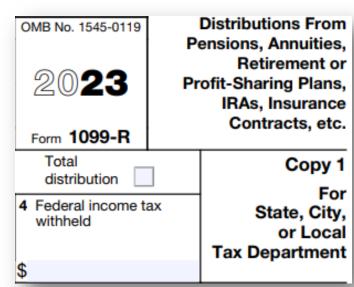
- Required for custodians under IRS notice 2002-27
- IRA custodians and trustees must provide RMD statements to IRA holders by January 31 of the year an RMD is due
- Assists in notifying IRA holders that they have an RMD due that year





What is IRS Form 1099-R?

- IRS Form 1099 Series: Reports distributions and other taxable events from retirement plans
- Sent out by IRA custodians and trustees by January 31 of the following year
- Not all reportable distributions are taxable
 - Recharacterizations
 - Direct rollovers
- Does not need to be filed with the tax return unless there's an amount on Box 4 "Federal Income Tax Withheld"





March

March 15

- Tax deadline for S-corporations and Partnerships (see IRS Publications 4951 & 541)
- SEP and Individual 401(k) Plan establishment and contribution deadline for S-corps and partnerships (see IRS Publication 560)

March 31

 Deadline for Traditional IRA, SEP, SIMPLE and Individual 401(k) Plan participants, who turned 72 in 2022 and delayed the distribution of their first RMD, to take their first RMD

April

April 18

- Individual tax return due date
- Deadline to make an IRA contribution—<u>does not</u> include extensions
- Deadline to establish and contribute to SEP or Individual 401(k) Plans for sole proprietors or C-corporations (see IRS Publication 560)
- Same deadline to recharacterize a current year contribution, as well as execute a corrective distribution of an ineligible IRA contribution

April 28

 Deadline for IRA custodians and trustees to mail IRS Form 5498-ESA to IRA holders.

May 31

- IRA custodians and trustees must mail IRS Forms 5498 and 5498-SA to IRA holders by May 31
 - While IRS Form 5498-SA covers HSA plans, the 5498 reports IRA contributions, rollovers, Roth IRA conversions, and required minimum distributions (RMDs) to the IRS

	CORE	RECT	ED (if checked)				
TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		\$ 2	1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a) \$ 2 Rollover contributions			IRA Contribution Information	
		3	Roth IRA conversion amount		echaracterized ontributions		Сору В
TRUSTEE'S or ISSUER'S TIN	PARTICIPANT'S TIN	5	FMV of account		fe insurance cost i	included in	For Participan
PARTICIPANT'S name		7	IRA SEP	\$ SIMPL	E Roth II	RA 🗌	This information
		8	SEP contributions	9 S \$	IMPLE contribut	ions	is being furnished to
Street address (including apt. no.)		1	10 Roth IRA contributions 11 If checked, required minimum distribution for 2024		the IRS		
City or town, state or province, cour	ntry, and ZIP or foreign postal code	12:	a RMD date	12b R	MD amount		
		13:	a Postponed/late contrib.	13b Y	ear 13c Code		
		14:	a Repayments	14b C	ode		
Account number (see instructions)			a FMV of certain specified assets	15b C	ode(s)		
Form 5498	(keep for your records)		v.irs.gov/Form5498	Dep	partment of the 1	Freasury -	Internal Revenue Service

2727	☐ VOID ☐ CORR	ECTED			
TRUSTEE'S name, street address, cit ZIP or foreign postal code, and teleph		Employee or self-employed person's Archer MSA contributions made in 2023	OMB No. 1545-1518	HSA, Archer MSA, or	
		and 2024 for 2023 \$ 2 Total contributions made in 2023	2023	Medicare Advantage MSA Information	
		\$	Form 5498-SA		
TRUSTEE'S TIN	PARTICIPANT'S TIN	3 Total HSA or Archer MSA co	ntributions made in 2024	for 2023 Copy A	
		\$		For	
PARTICIPANT'S name		4 Rollover contributions	5 Fair market value of Archer MSA, or MA		
		\$	\$	File with Form 1096.	
Street address (including apt. no.)		6 HSA Archer MSA		For Privacy Act and Paperwork Reduction Act	
City or town, state or province, country	ry, and ZIP or foreign postal code	MA MSA		Notice, see the 2023 General Instructions for	
Account number (see instructions)				Certain Information Returns.	
Form 5498-SA Do Not Cut or Separa	Cat. No. 38467V te Forms on This Pa	www.irs.gov/Form5498SA ge — Do Not Cut o		reasury - Internal Revenue Service orms on This Page	



June 1

- Deadline for IRA holders to remove excess ESA contributions and earnings for 2022
- To remove excess contributions, request a withdrawal by contacting your financial institution





September

September 15

- Deadline for S-corporations and partnerships (that filed for a tax return extension for 2022) to make contributions
- The same deadline applies to employers (that filed for a tax return extension) establishing SEP and Individual 401(k) Plans for tax year 2022
- Deadline for S-corporations and partnerships (that filed for a tax return extension for 2022) to make SIMPLE Plan employer contributions

September 29

 Deadline for existing businesses to establish a new SIMPLE Plan for tax year 2023

October

October 16

- Deadline for C-corporations and sole proprietors (who filed for a tax extension) to establish and contribute to SEP and Individual 401(k) Plans for tax year 2022
- Taxpayers who filed a tax extension, or filed their taxes timely, must remove or recharacterize a 2022 contribution by this date
- Deadline for C-corporations and sole proprietors (who filed for an extension) to make SIMPLE Plan employer contributions for tax year 2022

October 31

 IRA custodians and trustees must send out the document required to satisfy the SIMPLE Plan notice requirements by this date

November

November 2

 60 days before the following plan year, businesses must provide notices to their employees about the type of contribution they will be making for tax year 2023

November 11

• IRA custodians and trustees must send Fair Market Valuation notifications to all clients by the end of the 2nd week in November to update their asset's FMV (except publicly-traded assets with openly available market prices)

December 30

- Traditional IRA, SEP, SIMPLE and Individual 401(k) Plan participants (who are older than 72) must distribute their RMD by this date
- Separate accounts/inherited IRAs must be established by this date for each beneficiary of IRA holders who died in 2022





New Contribution Limits, Ranges & Cost-of-Living Adjustments



Traditional & Roth IRA Contribution Limits

Contribution Categories	2022	2023
Up to age 50	\$6,000	\$6,500
Catch-up contributions age 50+	\$1,000	\$1,000
Total contribution if over the age 50+	\$7,000	\$7,500



Traditional IRA Modified Adjusted Gross Income Limits

Participant Status	2022	2023
Single individuals	\$68,00 - \$78,000	\$73,00 - \$83,000
Married, filing a joint tax return	\$109,000 - \$129,000	\$116,000 - \$136,000
Married, filing separate tax returns	\$0 - \$10,000	\$0 - \$10,000
Spouse of an active participant	\$204,000 - \$214,000	\$218,000 - \$228,000



Roth IRA Contribution Limits MAGI Phase-Out Ranges

Participant Status	2022	2023
Single individuals	\$129,000 - \$144,000	\$138,000 - \$153,000
Married, filing a joint tax return	\$204,000 - \$214,000	\$218,000 - \$228,000
Married, filing separate tax returns	\$0 - \$10,000	\$0 - \$10,000

Employer-Sponsored Plan Contribution Limits

SIMPLE IRA	2022	2023
Deferrals	\$14,000	\$15,500
Catch-up contributions age 50+	\$3,000	\$3,500
Total contribution if over the age 50+	\$17,000	\$19,000



Employer-Sponsored Plan Contribution Limits

SEP IRA	2022	2023
Less of 25% of compensation or:	\$61,000	\$66,000
Compensation limits	\$650	\$650
Maximum compensation cap	\$305,000	330,000



Employer-Sponsored Plan Contribution Limits

Individual 401(k)	2022	2023
Employer contributions	\$61,000	\$66,000
Employee deferral	\$20,500	\$22,500
Catch-up contributions age 50+	\$6,500	\$7,500



Health Savings Account Contribution Limits

HSA	2022	2023
Single Coverage	\$3,650	\$3,850
Family Coverage	\$7,300	\$7,750
Catch-up contributions age 55+	\$1,000	\$1,000



Education Savings Account Contribution Limits

ESA	2022	2023	
Limits per year until child is 18	\$2,000	\$2,000	





Tips for the Upcoming Tax Season



Traditional IRA Reporting and Taxation

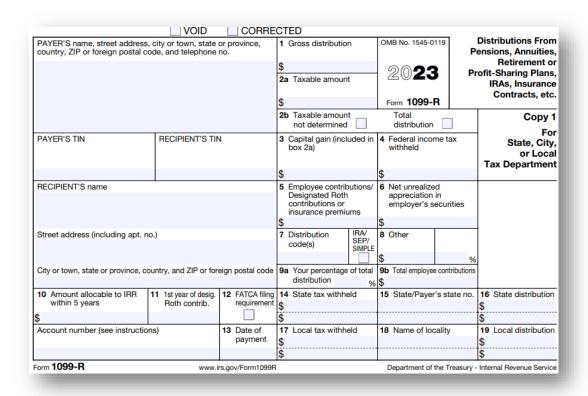
- Distributions are generally taxable
- Nondeductible contributions (basis) nontaxable
- Proration determined by IRA holder at the end of the year using IRS Form 8606
- IRS Form 1099-R reporting codes 1, 4, & 7





Roth IRA Reporting and Taxation

- Qualified distribution
 - IRS code Q on IRS Form 1099-R
 - Tax-free
- Nonqualified distribution
 - Ordering rules
 - IRA holder files IRS Form 8606 part III
 - IRS codes J or T on IRS Form 1099-R





Qualified Distribution

5-Year Period

AND

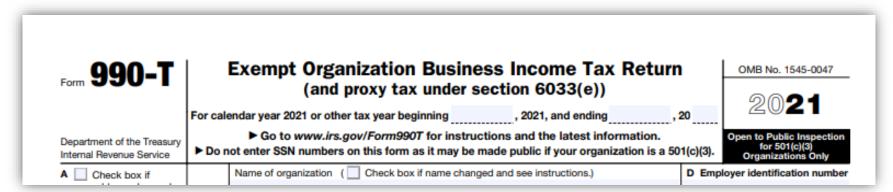
- 1 of the 4 qualifying events:
- 1. Death
- 2. Disability
- 3. Turning 59 ½
- 4. First time home buyer (\$10,000)

IRS distribution code Q on IRS Form 1099-R



Additional Tax Reporting

- IRS Form 990-T Exempt Organization Business Income Tax Return
 - Unrelated Business Income Tax (UBIT)
 - Applies to income that exceeds \$1,000
 - IRA will need to acquire its own EIN
 - May be required for the following types of investments:
 - Partnerships
 - LLCs
 - Must be filed electronically





Additional Tax Reporting

- Leveraged investments under an IRA may also be subject to Unrelated Debt-Financed Income (UDFI) taxes
 - Filed with IRS Form 990-T
 - Leveraged portion of asset income is subject to trust tax rates





Investments Not Subject to UBIT

- Examples: (IRS Publication 598, Tax on Unrelated Business Income)
 - Corporations
 - Stocks (dividends)
 - Rental property (rents)
 - Rights (royalties)
 - Disposition of property (gains)
- Leveraged investments may be subject to UDFI
 - Such as a single-family property purchased using a nonrecourse loan

Unrelated Debt-Financed Income Tax

 Any property held to produce income (including gains from its disposition), for which there is an acquisition indebtedness at any time during the tax year

• Example:

- Ernie purchased an income property using his IRA to fund 50% of the purchase price, and funding the other 50% from a non-recourse loan lender
- The monthly income of the property is \$2,000
- Assuming the payments towards the loan go only towards the interest accrued, 50% of the monthly income will be taxed
- The income will be taxed at trust tax rates

IRS Form 990-T

Form 990 -	·T	Exempt Organization Business Incom (and proxy tax under section 603			OMB No. 1545-004	7
		For calendar year 2021 or other tax year beginning, 2021, and	d endir	ng, 20		
Department of the Ti		► Go to www.irs.gov/Form990T for instructions and the Is	atest i	nformation.	Open to Public Inspect	ion
A Check box if	Pai	Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
	1a	Gross receipts or sales				
	b	Less returns and allowances	1c			
	2	Cost of goods sold (Part III, line 8)	2			
	3	Gross profit. Subtract line 2 from line 1c	3			
	4a	Capital gain net income (attach Sch D (Form 1041 or Form 1120)) (see instructions)	4a			
	b	Net gain (loss) (Form 4797) (attach Form 4797) (see instructions)	4b			
	C	Capital loss deduction for trusts	4c			
	5	Income (loss) from a partnership or an S corporation (attach statement)	5			
	6	Rent income (Part IV)	6			
	7	Unrelated debt-financed income (Part V)	7			
	8	Interest, annuities, royalties, and rents from a controlled	•			





Let's Summarize



Preparing For Success in 2023

Mark your calendars

Organize your calendars with important dates

Know your limits

Remember your contribution and phase-out limits

Take your time with taxes

Prepare taxes carefully to maximize your earnings

Stay updated on laws

Stay informed because laws are subject to change



What's Next?



Upcoming Webinar – Resort Real Estate Investing With an SDIRA

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Time for Questions





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Education is the passport to the future, for tomorrow belongs to those who prepare for it today.

- Malcolm X



