NOVEMBER 3RD, 2022 – ANNUAL YEAR-END TAX UPDATE CALL

Peter Braden: This is Peter Braden with Godsey & Gibb. Thank you for joining us today for our Annual Year-End Tax Update with Marc Verdi. A quick housekeeping note before we get started, for those of you who have joined the meeting through zoom webinar, there is a chat feature at the bottom of your screen. If you have questions that you would like Marc to address at the end of the call, time permitting, please feel free to enter them in the chat. Please also include your contact information in case there is not enough time during the call for us to answer it. We will be sure to follow up with you afterwards. Only the hosts will see your questions, no other participant. We have all had good teachers in the past who have told us there are no dumb questions, so please if you have a question, feel free type it in the chat feature.

Now, to quickly introduce Marc Verdi. Marc Verdi of course needs no introduction. Typically, when I'm introducing Marc, I talk about his master's degree in taxation from University of Virginia. Unfortunately, the football team is not having a great season, so I'm going to move on and give you a fun fact about Marc that many of you likely do not know. Marc is a motorcycle enthusiast. He has a Triumph motorcycle that he likes to ride into work on when the weather is cooperating. He also participates in an annual charity event, The Distinguished Gentleman's Ride. This is a global event to raise money to benefit prostate cancer research. The event is a lot of fun and for a good cause. We've also had a lot of discussion about not letting Marc ride the motorcycle in the month of April, or maybe even March, because he's got important work to do so. With that said, I'm going to turn it over to Marc. The call will take about 45 minutes to an hour, and if we don't have time for your questions, we'll be sure to follow up afterwards. Alright, Marc, take us away.

Marc Verdi: Thanks Pete, I really appreciate that. Good morning, everyone. I want to thank you all for joining us today for the 2022 Year-End Tax Update Call. Pete was not kidding about the conversations around me not riding my motorcycle during tax season. I actually did not have the bike earlier this year, so we'll see how 2023 goes.

For those of you who have joined us in the past, this format and information may seem very familiar to you, but there's always a good need for a refresher and there will also be some new information. Welcome back. To those of you who are new, and have not joined this call in the past, welcome. I hope you enjoy the call and find useful tips that you can take away from this, that will be helpful to you. We'll spend about 45 minutes or so together this morning, and if you've had a chance to look through these slides prior to the call, you'll obviously have seen that there is a lot of information to cover. The goal is

to focus on the aspects of the tax provisions that we believe impact and are the most impactful to the largest number of our clients. If we miss anything or if you have questions, as Pete mentioned, there is the chat feature. We can address questions as time permits at the end of the call. Otherwise, you can certainly reach out to your Wealth Management Advisor or to the team here in Tax and Financial Planning directly, and we will address your particular situation at that time. I'm going to go ahead and share my slides, and for those of you who are following along in the PDF, there are two versions on the website. One does have slide numbers on it, so I will try to remember to prompt you to go to the next slide and mention the slide number if you are following along.

As Pete mentioned, I'm the Director of Tax and Financial planning and also the CFO at Godsey & Gibb. I've primarily focused on estates and gift and trust taxation in addition to financial planning throughout my career. As a brief plug for our Tax and Financial Planning group, we provide income tax return preparation, tax planning, and financial planning services to our clients who engage us to do so. This can include comprehensive financial plans, income tax return preparation on an annual basis, tax planning, or tax projections. When I mention tax projections, I'm referencing what many are considering at this time of the year for 2022 or the ad hoc questions that may arise at your quarterly, semiannual, or annual meetings with your wealth management advisor. There are always questions that come up that have a tax impact, and we are available for those questions and to join on those calls/meetings to help you to understand what the tax impact of various transactions may be.

With that said, we will get into the agenda on slide 3. During this call, we'll talk about current tax law, specifically the Tax Cuts and Jobs Act which has been almost the tax law of the land, if you will. We're currently in the fifth year of the eight years that this law will be in place, so it's been around for a while now. We'll briefly touch on this law because it impacts all of our tax situations and tax return preparation. We'll also touch on the Secure Act and the new Inflation Reduction Act of 2022, again touching on provisions that are relevant to our clients. There is so much information and many provisions within these acts, but we will try to focus on certain relevant provisions today. Next, we have the proposed IRS regulations regarding required minimum distributions (RMDs). Followed by tax planning strategies based on the tax laws and how we can utilize these provisions to our advantage to minimize your tax liability for 2022, in 2023, and beyond as these laws will be with us until Congress decides to change them. We'll also touch on the estates and trusts side, with some tax planning strategies there that may somewhat overlap with the individual strategies. We wanted to share these as well, as many of you have irrevocable trusts and are interested in gifting strategies. Finally, we'll end with the summary and a Q&A.

Moving on to slide 5, the Tax Cuts and Jobs Act. This is our current tax law, and it is effective through 2025. This law essentially lowered some of the previously enacted tax rates, provided preferential

qualified dividends and long-term capital gains tax rates, and added a 20% qualified business income deduction. This deduction is for self-employed individuals and folks that have certain pass-through entities, as the Tax Cuts and Jobs Act had provided lower tax rates for corporations. That means this 20% deduction for certain pass-through entities essentially provides the same type of tax benefit for clients who include their business activities on their individual return.

On slides 6 and 7, you'll see the ordinary income tax rates and where they stand now in addition to the taxable income ranges for each of the brackets. I didn't mention this earlier, but I'll mention it now; I'm not going to read the information in these slides verbatim. Hopefully, these slides will be a useful reference tool for you to utilize in the future as well as on the call today. Slide 6 shows your ordinary income rates and slide 7 shows the long-term capital gains rates that receive preferential treatment based on your income level. As you can see here, we have the taxable income levels at which you would have capital gains taxes of 15% and 20%. Once you're in the highest tax bracket, you're subject to the 20% long term capital gains rates on realized capital gains. There is also the 3.8% net investment income surtax that applies for higher income taxpayers, and we'll talk about that more in a few slides.

Moving to slide 8, The Tax Cuts and Jobs Act had also doubled the standard deductions. There are no longer personal exemptions per se. You used to have an exemption amount that would reduce your taxable income for you, your spouse (if you were married), and certain dependents. Those have been eliminated, but the standard deduction was doubled. This means more clients and more taxpayers are using the standard deduction, so in some ways it did simplify things a bit to just have the standard deduction. However, there are still opportunities to look at itemized deductions and go through the process of accumulating those to see if that makes sense, and you could benefit tax-wise for the itemized deductions instead of the standard deduction.

I will also mention that there are some slides in this presentation that will include 2023 information. The IRS recently came out with some of the inflation-adjusted 2023 numbers, so we included that information in in some places as well.

Here, on slide 9, we have allowable itemized deductions. Medical expenses are still deductible, to the extent these expenses exceed 7.5% of your adjusted gross income or AGI. I'll use the term AGI (adjusted gross income) a lot, because tax provisions are often linked to your AGI. Your AGI can impact the deductibility of certain deductions as well as certain credits that are available. There is also the state and local tax deduction, which is still limited to $10,000. This includes your state income taxes, state real estate taxes (if you own a home and pay state or local real estate taxes), and personal property taxes (in states where you have to pay personal property taxes for your vehicles, boats, motorcycles, etc.). You're limited to the $10,000 deduction regardless of how much you actually paid. This was something that was talked about a lot in the media within the first year or so when the Tax Cuts and

Jobs Act was enacted because of high income tax states. California and New York are two popular state examples where you were limited to $10,000 instead of getting a full deduction for all of your state taxes paid.

The charitable contributions deduction limit was also raised to 60% of your AGI, so the amount that you're able to deduct on your return is a little bit higher relative to your AGI, than it had been in the past. Another significant item is no miscellaneous itemized deductions. You used to be able to deduct your tax prep fees, investment management fees, and unreimbursed employee expenses. These are still not deductible, so we wanted to mention that now, as it is a popular question we receive.

On to slide 10. The Net Investment Income (NII) Tax is the 3.8% surtax on net investment income (interest, dividends, capital gains, rents from rental properties, royalties (like those from oil and gas partnerships), and income from other passive business activities). This tax affects individuals that have income or AGI that exceeds a certain amount as shown on the slide.

Slide 11 provides a little bit more information about the calculation of the NII tax. This tax is something to keep in mind as you're looking at your income levels, because this is something that we call a tax trigger; where you reach a certain income level that many of us are not subject to. If you have a certain amount of income or certain types of income, you may be subject to this NII surtax. If you require minimum distributions (RMDs), Social Security, or realized capital gains, you may be bumping up against the $200,000 income number or $250,000. As you're thinking about raising additional capital gains for example, or maybe even harvesting losses to lower your income, keep in mind that this additional surtax is a possibility for certain income levels and certain types of income.

Moving on to the Secure Act on Slide 12. This act was enacted at the end of 2019 and effective as of January 2020, so it has been in place for a couple of years now. The primary provision that I want to address here is the no age 70 1/2 limit on contributions if you're still working and you have an earned income. Now that the required minimum distribution age is 72, provided you were not age 70 1/2 at the end of 2019, then you're still able to contribute to your IRA. So, this gives you a little bit of extra time to contribute to your IRA before you have to start taking your RMD at age 72.

Also, stretch IRA distribution options have been limited significantly. This is something we get a lot of questions about, because there have been some changes here depending on if you inherit an IRA from someone and the type of beneficiary you are. As you can see on slide 13, the timeline to distribute the funds can vary. You used to be able to stretch the distributions, which would be taxable to you each year as you take the money out of the inherited IRA. For example, if you were 50 years old, according to the IRS tables, you may have up to 34 years to take that money out and have it fully liquidated and of course taxed over that timeframe, but if you're a non-spouse beneficiary now, as you can see on the slide, that

34-year timeframe example of the 50-year-old, is now 10 years. This is significant for folks in terms of the amount of taxable income you can have in a given year for inherited IRA distributions. We recently talked about this 10-year rule in our October Wealth Management Dispatch newsletter. I encourage you to take a look at that as well, for more information on this rule. This is just one planning item to consider in light of these new distribution periods. Be sure to look at your estate planning documents and your beneficiary designations to make sure that everything is still in line with your intentions as far as who will receive your assets.

On Slide 14, here's the proposed regulations. There was a lot of confusion, or I should say, different interpretations of the new 10-year rule. Some CPAs and advisors interpreted it as you had 10 years to distribute or fully liquidate an inherited IRA. You did not have to take money out each year as a required minimum distribution (RMD), as long as you liquidated it within the 10-year period. Other folks thought you needed to take a certain amount out every year. To try to clarify this, in February 2022, the IRS proposed regulations for certain beneficiaries, particularly for the non-spouse beneficiary. In these proposed regulations, they proposed that the beneficiary take a RMD every year over the 10-years versus waiting. Now, the calculation of the RMD wasn't specified. One common strategy is to take it ratably over the 10-year period. So say 1/10th in year one, 1/9th in year two, and so on. There are some clients who have done that in our practice, but at this point, the IRS has not finalized the regulations. They have not been signed into law, so there's still the option to defer those distributions until the proposed regulations are finalized and signed into law (if they are). This is a good planning opportunity for each of you to speak with your CPA, tax professional, or to meet with your wealth management advisor to talk about whether it makes sense for you to take distributions on an annual basis from an inherited IRA (versus waiting until the year 10 and having what could presumably be a significant tax hit in one year).

Let's move to the next slide, slide 15. The Cares Act is a law that was enacted in March of 2020 to provide relief from COVID and the associated lockdowns for businesses and individuals. We all remember the stimulus payments, recovery rebates, etc. that were in place in 2020 and 2021. I do want to mention, in case there are any questions about those provisions, that most of them did expire at the end of 2021. They did carry from 2020 into 2021, a charitable contribution deduction that was allowable whether you itemized or not. At this point this deduction has not been extended to 2022. The only item from an individual tax perspective that I'm aware was extended was the pause on student loan payments through the end of this year. This was supposed to expire in 2021, and was extended to 2022.

Moving forward to slide 16, The Inflation Reduction Act. This was signed into law in August of 2022, and again, like any other tax law, there are various interests that are provided for within these tax laws. In the interest of time and value, we will focus on the objectives that we feel are the most impactful for our clients. From kind of a 35,000-foot view, the objectives are to lower prescription drug costs, healthcare

costs, and energy costs to address climate change. There is also increased tax rates for corporations, and then they also mention taxes paid by the ultra-wealthy. Ultra-wealthy is a vague term, one of which I really didn't find a definition, other than reading that the Act attempts to make the law “fairer,” and I'm quoting this from whitehouse.gov, “No family making less than $400,000 per year will see their taxes go up by a single cent.” For many taxpayers, the Inflation Reduction Act will not have a significant impact on your taxes. For the purpose of this call, we’ll focus primarily on the clean energy credits. Many of these new credits will take effect in January of this upcoming year (2023), with current credits essentially being renamed and/or extended and improved upon beginning in 2023.

On Slide 17, we have the Energy Efficient Home Improvement Credit. This used to be called the Non-Business Energy Property Credit and has been extended through 2032. There have been some changes to the amount you are able to take as a credit on your taxes. I want to take a moment to clarify a credit versus a deduction. Credits are very valuable relative to a deduction, because you are getting a dollar-for-dollar credit against your taxes. If you owe $10,000, and you get a credit of $1,000, you would owe $9,000 versus a deduction against how much of your income is taxed at a certain rate. Wherever you’re able to take advantage of credits, they can be very valuable. In 2022, the old credit rules still apply, with the lifetime maximum of $500 on these improvements. In 2023, there's going to be a credit of 30% of the costs of these improvements, and we have a couple of them listed. These include exterior doors, energy efficient exterior window and skylights, and more. These credits are actually annual maximums of up to $1,200 versus the lifetime maximum. This means there are opportunities to receive additional credits over multiple years versus reaching the lifetime maximum of $500 and then no longer being able to take advantage of the credit if you make additional energy efficient home improvements. Slide 18 goes into additional details for this credit. As you can see, there is also an annual limit of $2,000 for qualifying heat pumps and water heaters (not limited by the $1,200 credit on the last slide). This means there is an opportunity if you purchased/made qualifying improvements of up to a $3,200 credit in a given year.

On slide 19, we have the Residential Clean Energy Credit. Again, a credit named the Residential Energy Efficient Property Credit was scheduled to expire next year and has been renamed and extended through 2034. This credit has actually been a popular one with several of our clients. This particular credit is for qualified solar powered property, like solar panels, on your home. In 2023, the credit goes back to 30%, which it had been in previous years. In 2022, it's 26%. As you can see on the slide, the credit is 30% for really the next 10 years and then 26% in 2023 and 22% in 2034. The credit for biomass furnaces and solar water heaters, which used to be under this credit, is now covered under the Energy Efficient Home Improvement Credit, so that is another change.

Finally, the Clean Vehicle Credit (on slide 20) is another one that has been relatively popular. This was one of the longer named credits that I've dealt with – The New Qualified Plug-In Electric Drive Motor

Vehicle Credit (started in 2009), but it is now just called the Clean Vehicle Credit and it's extended through 2032. The significant changes here include not only the amount available for clean vehicles (which is similar, we think was $7,500 before as well), but it's broken up into two different parts related to the battery and other structures of the vehicle. It also adds commercial vehicles (now clean vehicles over 14,000 pounds could get up to a $40,000 credit) as well as used vehicles (previously owned clean vehicles up to the lesser of 30% of the price or $4,000). There are some limitations though, so I recommend looking at the fine print, such as the way the $7,500 credit is broken up and based on both the retail price of the vehicle and your AGI. I would definitely consult with your tax advisor or give one of us a call if you are interested in a particular vehicle. We can look at what credit would be available to you, if the credit is an important factor in making the decision to purchase a clean vehicle.

With all of that in mind, let's move onto tax planning strategies for 2022. Right now, as it relates to the individual side and current tax law strategy considerations, you want to maximize your retirement plan and IRA contributions whether that's pretax or Roth. It makes sense to defer as much as you can into these pretax plans, particularly if you're in your high-income years, and likewise, the higher income brackets. I also included on this slide, the 2023 deferral limits from the IRS. Again, it may make sense to contribute to these and maximize this pretax, so that once you are retired and presumably your income is lower (you may just have your distributions from your IRA and Social Security) placing you in a lower tax bracket, you'll benefit from the lower taxes.

There was one item I did not mention with the credits. I apologize for jumping around here, but there was the Child Tax Credit that was enacted in 2021. It was a part of the American Rescue Plan and was at a higher amount than it had been before. That has gone back to pre-American Rescue Plan amounts, so it will be $2,000 per qualifying child. I think it is for children under 17 years of age.

Moving on to slide 23. Conversely to what I mentioned on the previous slide. If you're currently in a lower tax bracket and want to convert some of your Traditional IRA money into a Roth IRA at lower tax rates (either because your income is lower or because of the lower tax rates currently under the Tax Cuts and Jobs Act that are set to expire at the end of 2025), there may be an opportunity to time some Roth IRA conversions to fill up some of those lower brackets if you will. There may also be an opportunity to take some RMD or pre-RMD distributions. So, if you're not age 72 yet, but are in a relatively low tax bracket situation, you may benefit from taking some distributions from your traditional IRA in the current year or in upcoming years versus waiting until you're age 72. Again, every person and situation are different, so I encourage you to talk to your CPA or one of us to talk about your particular situation.

You also want to consider the non-tax impacts of this, like your cash flow. Do you need this distribution to cover living expenses? Do you have outside cash (meaning cash outside of the IRA) to pay for the conversion? Because ideally, you want to fully benefit from that conversion, so you if you wanted to

convert say $100,000 from your Traditional IRA to your Roth, you do not want the taxes to come out of that, and the net amount (let's call it $70,000) to go into a Roth. You would like 100% or $100,000 to go into the Roth so that you can have maximum benefit for that deferral over time.

As I mentioned on the slide, there are a couple other assets and taxable income sources to consider as you may have Social Security, a pension, and/or investment income. We talked about the NII tax earlier, and if you add Roth IRA conversion amounts on top of that, that taxable income can impact your exposure to the NII tax as well as impact Medicare premiums. We've talked about Medicare premiums a bit in the past, including in one of our wealth management dispatch newsletters. If your income is over a certain amount, you'll have what they call an income-related adjustment amount to your Medicare premium adjustment, so you'll pay more in premiums in a given year because the Social Security Administration looks at your tax return and decides what your premiums for the following year will look like based on your income for the year. Again, all of these are pieces to consider when you're thinking about incurring additional taxable income. There may certainly be good reasons to do so, but there may be other pitfalls to consider before making those types of distributions

Moving to slide 24, we have long term capital gains, and realizing long-term capital gains at 0%/15% tax rates. It's better to have realized capital gains taxes at the rates we still have now, in case they change after 2025. Each year, depending on the administration, certain folks in Congress will put forth a proposal to raise the rates on capital gains, so it's never bad to consider realizing those long-term capital gains now from a tax perspective or harvesting losses where appropriate. You don't want the tax tail to wag the dog, so to speak, and so from an investment management perspective, if it does not make sense to sell, then we wouldn't want to sell purely for tax purposes. This would, again, be something that your Wealth Management Advisor could work on in connection with us to analyze and see if it makes sense to realize more long-term capital gains.

We also get into deductions on slide 24. Again, itemized deductions aren't as prevalent as they used to be because of the doubling of the standard deduction, but it could still make sense to go through the process of itemizing. One way to take advantage of itemizing your deductions, is to bunch some of your deductions in any particular year and take the standard deduction in alternating years. This could include bunching some of your charitable contributions. For example, this year, you may want to give a certain amount of money to your favorite university, church, synagogue, or your favorite charity and then take advantage of your itemized deductions. Next year, or in 2023, you would take the standard deduction. Then, in 2024, you would again give a significant amount to charity to meet your philanthropic goals, but to also take advantage of being able to itemize those deductions over and above the standard deduction. Donating appreciated stock either directly or through a donor advised fund as an effective way to provide charitable contributions, and get a deduction for the fair market

value of that stock on the date that you distribute it (especially if you have low basis stock). So instead of selling the stock, raising cash to give to charity, and having a realized capital gains tax on that sale; you may be able to gift the low basis stock, and realize that charitable contribution as an itemized deduction in that year. Then again, going back to taking the standard deduction on alternating years.

On slide 25, this same bunching strategy works well for medical expenses, primarily because there is that 7 1/2% of AGI hurdle that you have to clear in order to start deducting expenses. If there is an opportunity for you to time certain significant medical expenses, to deduct them in a given year (for example, if you have an upcoming elective surgery, or if you're contemplating entering an assisted living facility or an independent living facility that may have a significant entrance fee with a portion able to be allocated as a medical expense), then you can time those expenditures in a given year and take advantage of the deductibility of those expenses as a larger number as you bunch them together. Then again taking the standard deduction in alternating years.

There is also the opportunity to contribute to a Health Savings Account (HSA) and to use it to pay for medical expenses. It's kind of an indirect way to deduct those expenses, because you are able to deduct your HSA contributions. There are limitations there as far as the amount you can, and whether that deduction is limited or eliminated because of your AGI, but that is an opportunity to contribute to your HAS and then to use it to pay medical expenses tax free (taking money out of that account, tax free).

Also, new for this year in particular, evaluate the timing of transactions eligible for the Clean Energy Credits that I mentioned earlier. In 2023, those credits change because of the Inflation Reduction Act, and so it may make sense to wait until 2023 if you've been thinking about purchasing solar panels for your home or purchasing a new vehicle. However, some of those credits are non-refundable, meaning that you get the credit to the extent you have tax liability, but you don't get a credit beyond that amount. Even if the credit is not as high in 2022 as it would be in 2023, depending on your income situation, if it's a non-refundable credit, it may make sense to be able to essentially reduce or eliminate your tax liability in 2022 versus waiting till next year. Again, this is something to evaluate and analyze the timing of with your tax professional, to see if it makes sense to wait until 2023 versus 2022.

On the next slide, on slide 26 under the current tax law strategy considerations we have qualified charitable distributions. I've already talked a bit about bunching your charitable contributions in order to be able to itemize those deductions on your tax return. A qualified charitable distribution (QCD) which many of you may be familiar with, is taking a distribution from your IRA, or what we call a QCD, and having it paid directly to a charity tax free. You have to be over age 70 1/2 to do this, and the funds must go directly to the charity from the IRA. If there is a check made out, it must be made payable to the charity. If it gets mailed to you, and you deliver it, that's fine too; as long as it's made out directly to the charity. This is available annually for up to $100,000 per year and it is counted towards your RMD. For

example, if you are now age 72, and you have to start taking your RMDs (you have a $50,000 RMD); if you don't need the money for living expenses and you typically give money to your favorite charity, you could gift a portion or all of that RMD to charity and have that amount excluded from your income. This is even more powerful, and can be more valuable, than a deduction. This is because it is completely removed or excluded from your taxable income and from your AGI. Again, your AGI is something where the lower you can keep it, the better. A lot of provisions again are tied to that number, so being able to avoid even including these QCD amounts in your AGI can be very valuable.

Finally, we have paying your investment management fees directly from your IRA instead of from a separate taxable account, since those fees are no longer deductible. That allows you to essentially make a tax-free distribution from your IRA to cover your management fees. In the past, some of you may remember (it's kind of old hat now), but years ago we would have you pay all of your fees from a taxable account and then deduct them on your tax return. Since this is not available any longer, we recommend deducting your IRA management fees from your IRA because it gets money out of your IRA without incurring taxes on the distribution to pay the expenses. Only fees related to the IRA are eligible for this treatment. You cannot deduct non-IRA fees or your taxable account management fees from the IRA, only the IRA management fees.

This next slide, slide 27, is about how important it is to check in with your CPA or tax preparer. This is the time of year when you want to make sure you are looking at your estimates and your withholdings. If you make quarterly estimated tax payments, you presumably have made three payments already this year. There is a 4th payment due in January 2023 for the fourth quarter of 2022. We recommend that you take a look at your current income and what you project your income to be for the rest of the year. I can relay what we do here at Godsey & Gibb, but I'm assuming that most of you who work with CPAs and tax preparers can do the same thing. When we're preparing your tax return, we're also inquiring about what the current year looks like. In this particular year, when we were preparing your 2021 returns, we were thinking about 2022 and getting an idea of what your 2022 income may look like, to refine the estimated tax payments that you would make quarterly or adjust your withholdings from your IRA. When you take your RMD, we highly recommend having your withholdings for your projected estimated tax liability come from your IRA, if that's possible. Again, everybody's situation is different, so we can address those with each of you as questions arise. At this time of year, you may have realized capital gains that are higher than what you had planned for, or conversely, they could be lower than you had planned for. You may have paid in enough so far this year to adequately cover your tax provisions for 2022, and may be able to actually skip the fourth quarter payment. With this said, you definitely want to revisit your tax situation for this year, and what you expect for the next month or so. I can't believe we're almost into 2023 at this point.

On the slide, you will also see some common variables to consider. In addition to those listed, marital status is another. If you got married or divorced, had a child, changed jobs, etc. – we want to make sure that you revisit your situation, so that there aren't any unexpected surprises come tax time. Also related to withholding, in addition to the IRA withholding, if you've changed jobs and have your payroll taxes obviously withheld (your federal and state if that applies to you), you want to make sure that you are sufficiently paid in for 2022 from a payroll tax withholding perspective as well. The IRS has a really good withholding estimator if you have your recent check stub. If you're working and have a check stub and want to look at their withholding estimator, I included a link on the slide. You can also Google "IRS withholding estimator," and the results will provide a link to that website as well.

On the next few slides, we get more into the estates and trust side again. Some of it will be similar to the individual provisions. On slide 29, I list the tax rates. Those were lowered as part of the Tax Cuts and Jobs Act in 2017. There are only four brackets for estates and trusts, but they're much more compressed, so you reach the highest tax bracket for ordinary income once you're over $13,450. This is something to keep in mind when you're looking at the taxable income for trusts. You still have the qualified dividend and long-term capital gains rates that are available, just as you have for individuals. There's also the NII tax (the 3.8%) that is there as well. As you can see, it's above $13,450, not $200,000 or $250,000. So, there is a much lower income threshold to be subject to that tax, which is something to keep in mind.

On slide 30, we get more into the estate tax side for estates of decedents who passed/pass away between January 2018 through the end of 2025. There is an annual exemption amount, but your lifetime state and gift tax exclusion amount is just over $12 million in 2022 for individuals. Combined for a married couple, the amount would about $24 million, that would be excluded from estate tax (this is a 40% tax, so it could save folks millions of dollars, and is also lowering the number of taxable estates.) There's a form from the IRS, form 706, that is required to be filed if you have a taxable estate. The number of estates subject to this form has been lowered because of the doubling of the exemption amount. If you look at the slide, you'll see I've included the IRS adjusted amounts for 2023 and also the annual gift exclusion amounts ($16,000). This amount was $15,000 prior to this year, is $16,000 in 2022, and will be $17,000 beginning next year.

We also have some other strategies you can employ on slide 31. Gifting is always a popular option to get some assets out of your estate. If you are interested in gifting to individuals and are you're married, you can split the gifts between the two of you. This means, if you're gifting $16,000 to one of your children, and you want to split the gift between you and your spouse, you can give up to $32,000 to your child. If they are married, and you want to give your daughter-in-law or son-in-law additional money to provide more for that family, that amount could be $32,000 or even $64,000 if you're splitting the gift with your spouse. There are significant opportunities to gift monies to two individuals without this exclusion

amount. Essentially you're able to gift that amount without reducing that lifetime exemption amount (the $12 million that I mentioned earlier, or $24 million). Another popular option for folks who have kids or grandkids and want to save for 529 plans is gifting up to 5 years' worth of the annual gift exclusion amount in one year. The IRS allows that gift to be treated as if it's been made over a 5-year period. So, you could gift $80,000 to a 529 plan, and not have it impact your lifetime exemption amount.

I know we're going over quite a bit here, so I'm going to just quickly move through these. Consider setting up an irrevocable trust for the benefit of your heirs. You will not get the step-up in basis if you do that, so keep that in mind. If you have some low basis stock that you want to leave to your heirs, they will get a step-up in the market value of that stock once you pass away, so that will help eliminate some capital gains taxes - or reduce them - so that's something to keep in mind.

The portability of an unused exemption amount for an estate; this refers to if someone passes away and you're married, and you think that based on the amount of your estate, that you would not be subject to an estate tax, but perhaps when you pass away and your estate has appreciated, you may be subject to it (estate tax), particularly if the estate exemption amounts revert back to what they were before 2018 (which would be around $6 million at this point). It does make sense to go ahead and file a 706, even if it's not required, and elect portability of this unused exemption amount. We have done this for clients, and essentially that is doubling the surviving spouse's exemption amount to avoid a taxable estate in some situations, or certainly to minimize estate taxes.

Finally, revisit your estate planning documents – your wills, trusts, power of attorney, advanced medical directives, etc. Look at all of these with your estate attorney to ensure that they accurately reflect your intentions. Under current law, there have been changes to the exemption and exclusion amounts, and other changes that have taken place. There may be specific dollar amounts that you had intended to go to certain beneficiaries, that could be impacted by these changes in the laws. I highly recommend that you revisit your estate planning documents to make sure that they are up to date.

Moving to the summary:

- Roth IRA conversions may be beneficial if you're in a tax bracket situation that makes sense to take those now
- Maximize your contributions to your retirement plans and your IRAs while you're still working
- Realize capital gains where that makes sense to take advantage of the lower rates, but be aware of surcharges, like the NII Tax, and impact on Medicare premiums
- Consider bunching deductions where you can, both charitable contributions and medical expenses

- If you're considering some clean energy home improvements or buying an electric vehicle, think about the timing and the impact of the credits for 2022 versus 2023 and beyond
- Consider charitable gifting strategies from your IRA
- Review your tax withholding and quarterly estimated tax payments
- Look at your estate planning documents to make sure that everything is reflecting what you want it to reflect and think about the portability of an unused exemption amount and filing an estate tax return to take advantage of that

With that, we're at the end of the presentation. I'm sorry I ran over just a little bit, your time is valuable and we appreciate you staying with us. There was a lot of information to go through quickly. If I missed anything, or if you have any questions, we'll take those at this time. I will say that I did get a couple of questions in advance when we sent out the invite and slides, so I'm going to address those now.

The first question was related to donations. The individual asked if we would cover any changes that may have come up in that area. I'm not aware of any changes as it relates to donations, other than the charitable contribution deduction that was available to folks (even if you did not itemize), is no longer available. I did talk about current law related to charitable contributions and QCDs and gifting to charity as well as individuals. If I didn't cover your question, I apologize, and we can address that outside of the call if you want to reach out to me directly.

The other question I had received was related to the Tax Cuts and Jobs Act – do we expect this to be extended? As I mentioned earlier, we're in the fifth year of this eight-year timeframe for the act. The question is will that be extended beyond 2025, because even with the change in administration at the end of 2020, there was concern about these tax cuts going away at that time, and they haven't yet, but Congress could act at any time, right? My personal prediction is that most of the provisions will be extended, particularly if there's a change in administration in 2024. That being said, there was a recent article that the Congressional Budget Office had released saying that if the Tax Cuts and Jobs Act provisions were extended, it would cost about $2.2 trillion over the next 10 years (really from now through 2032). This is really up to $2.7 trillion if you include the business-related provisions. Regardless, there's going to be some significant changes, and I would imagine they will either be dealing with planning for the expiration of those (if nothing changes between now and the end of 2025), or some additional Congressional actions taken to offset some of these extensions (if they are indeed extended beyond 2025). Either way, I anticipate that there will be a lot of discussions between CPAs, other tax practitioners, and wealth management advisors with their clients in 2025 to help best position clients for weathering whatever the inevitable changes are that come our way. Of course, we'll keep you updated as we learn what those changes are. With that, I've reached the end of what I was planning to

present in the questions that I had received ahead of time. I'll turn it over to Pete, to see if we received any additional questions that we can answer on this call. If not, we can reconvene one-on-one afterwards.

Peter Braden: Great! Thank you Marc. We have not received any additional questions beyond the ones that we received before the presentation, so thank you for that. I want to thank everybody for participating today. Marc, thank you for all of the great information you provided. The webinar has been recorded, so if anyone jumped in late or got distracted and missed something during the course of the webinar, it is recorded and will be available in about a week's time. So again, thank you all for participating.

Marc Verdi: Great! Thank you all so much. Take care.