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Business Advisors

WATCH OUT FOR THESE UNEXPECTED TAX SURPRISES!

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Find a Succentrix Business Advisor near you to navigate any tax surprises you run into on your 2023 tax return.

TOP NEWS

No one likes to receive unexpected notices or communications from the IRS. Here are some tax situations you might encounter and what you should do in each of them.

- **Kids getting older tax surprise.**

If your kids fit the requirements, they can be a great tax deduction. However, when they age, a large number of child-related deductions disappear, leaving an unforeseen tax burden. It also doesn't occur all at once.

For instance, the child tax credit offers you one of the biggest tax benefits your kids may give you. You may be eligible to receive up to $2,000 for that child on that year's tax return if they are under 17 on December 31st and fulfill certain additional requirements. However, this deduction will end the year they become 17. You would owe an additional $2,000 in taxes if they turn 17 in 2023 since you will not be able to claim the child tax credit when you file your 2023 tax return in 2024.

- **Limited losses tax surprise.**

If you, for instance, sell stocks, cryptocurrencies, or any other asset for a $5,000 loss, you may match that loss with the sale of another asset for a $5,000 gain, and voila! The $5,000 loss offsets the $5,000 gain, so you won't be required to pay taxes on it. What happens, though, if you don't own any other profitable item that you sold? The maximum deduction you can claim in this case on your tax return is $3,000; any amount that remains after deductions is carried over to future years.

This is where the tax shock is. You are only able to lose up to $3,000 if the amount of losses you have from selling assets exceeds that amount and you have no gains from doing so. You can only deduct $3,000 of your loss on your 2023 tax return if you have a significant loss from selling an asset in 2023 and no significant gains from selling other assets to use as an offset.

- **Getting a letter from the IRS surprise.**

Both you and the IRS receive official tax paperwork through mail, such as W-2s and 1099s. You will receive a notice from the IRS informing you that you are subject to an audit if the numbers on your income tax return do not match those held by the IRS. These audits, also referred to as correspondence audits, are now completed via mail.

Check the details in the IRS letter with your records, supposing that you are aware that you have received all of your 1099s and W-2s and have verified their authenticity. Unbelievably, the IRS is not perfect all the time! It's always preferable to seek assistance when needed with correspondence and, if necessary, make prompt payments.

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