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**IRS filing deadline for small, non-profit organizations**

*Deadline includes sports clubs, civic organizations and local associations*

APPLETON, Wis. (Jan. 1, 2024) – Most of the COVID-related restrictions on group activities have been lifted and many local sports leagues, clubs and other community organizations have returned to their pre-pandemic activities.

Some of those nonprofits restarted with new people in leadership positions who may not be familiar with their obligations to file with the IRS each year. Even small, community-based nonprofits must file an annual information return with the IRS and the costs of not doing so can lead to lost donations and even the loss of their nonprofit status.

Nonprofits don’t pay taxes, but it is vital that they file annual information returns for two reasons:

1. The IRS makes the reported information available for public inspection and lets donors verify that their gifts of money and other items can be deducted.
2. By law, the IRS must automatically revoke the federal tax-exempt status of organizations that don’t file annual reports for three consecutive years.

Churches and church-related organizations are not required to file annual reports unless they have unrelated business taxable income (UBTI).

The Form 990-series information returns and electronic notices are due on the 15th day of the fifth month after an organization’s tax year ends (usually May 15). If the due date falls on a Saturday, Sunday or a legal holiday, the due date is the next business day.

The IRS offers an online search tool called [Tax Exempt Organization Search](https://apps.irs.gov/app/eos/). This helps users easily find key information about the federal tax status and filings of certain tax-exempt organizations.

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**IRS again delays rule that would increase reporting of small online sales**

*But many Americans will still receive Forms 1099-K reporting sales for the first time*

APPLETON, Wis. (Jan. 1, 2024) – In November, the IRS, for the second time, postponed requiring online marketplaces and third-party payment processors to report sellers who received a total of $600 or more in payments to the agency.

The IRS initially scheduled the requirement of issuing a Form 1099-K to go into effect for the 2022 tax year, but postponed it just before it went into effect to reduce taxpayer confusion. Instead, as part of its transition to the $600 reporting requirement at a future date, the IRS is implementing a $5,000 reporting threshold for 2024.

The delay benefits sellers on platforms such as eBay, Etsy and Vrbo, as well as individuals using payment platforms like Venmo or PayPal. However, organizations may still automatically issue Forms 1099-K for 2023 to sellers due to automated issuance systems set at the $600 threshold.

Taxpayers must report that income to the IRS if they receive a Form 1099-K, even if they weren’t required to receive one. It remains an information return listing income they earned, and the IRS will also receive a copy

If someone receives a 1099-K for the sale of personal property (i.e., concert tickets, home goods, baby clothes, etc.), they do not need to include the entire amount in their taxable income for the year. They need only report their profit as income (for assets held for less than a year) or a capital gain (for assets held longer than a year).

To do this, the taxpayer needs to know the product’s original value, known as its “cost basis,” to calculate these gains. If the person received less than the cost basis, they can claim a loss on the transaction and no tax will be due. To prevent confusion, the IRS advises taxpayers to report these losses on Schedule 1, Line 8z, with a notation of “Form 1099-K personal item sold at a loss.” This amount is then backed off the return with a second entry on Line 24z.

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**Taxpayers continue to see debt canceled in 2023 due to COVID-19**

*Some canceled debt may be considered income, resulting in taxation*

APPLETON, Wis. (Jan. 1, 2024) – Taxpayers continued to see the financial effects of COVID-19, even in 2023. There are situations, however, where they may have been able to cancel some debt (mortgage, credit card, etc.), which could have resulted in immediate relief. It's important to note, though, there may be repercussions this tax season.

If debt was canceled, taxpayers will receive a Form 1099-C, *Cancellation of Debt*, when the lender cancels the debt. The taxpayer should report the cancellation of debt income (CODI) on Schedule 1 (Form 1040), Line 8c, as ordinary income. Some or all the debt may be eligible to be excluded from income due to insolvency.

If the taxpayer qualifies for an exclusion, they must report the CODI on Form 982 by indicating which exclusion applies and the amount they are excluding from gross income. In addition, they must reduce their tax attributes, if any, by the amount excluded from gross income. However, tax attributes should not be reduced below zero.

Pertaining to student loans, gross income does not include any amount that would be cancellation of debt income from the forgiveness of certain student loan debt in 2021-2025.

These loans include:

1. Loans for postsecondary educational expenses (loans must be made, insured or guaranteed by the U.S., a state or an eligible educational institution)
2. Private education loans
3. Loans from an educational organization described in §170(b)(1)(A)(ii)
4. Loans from a tax-exempt organization under §501(a) to refinance a student loan

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**Military personnel may receive additional tax benefits for 2023 returns**

APPLETON, Wis. (Jan. 1, 2024) – Members of the military and their families may be eligible for special tax benefits on their 2023 tax returns. For federal tax purposes, the U.S. armed forces includes enlisted personnel in all regular and reserve units controlled by the Secretaries of Defense – the Air Force, Army, Coast Guard and Navy.

Travel expenses can be deducted if they are unreimbursed and incurred while traveling away from home. Homes of U.S. armed forces members are considered their duty station if they are on a permanent duty assignment. To be deductible, the travel expenses must be work related. Military personnel cannot deduct any expenses for personal travel, such as visits to family on leave.

If a taxpayer is a member of the reserves, their unreimbursed travel expenses for trips of more than 100 miles from home to perform reserve duties can be deducted. These deductions can often be claimed by taxpayers who claim the standard deduction and don't itemize because the tax code treats travel expenses as adjustments to income, not tax deductions. The standard mileage rate is 65.5 cents per mile for 2023, up from 62.5 cents for the second half of 2022.

Uniform purchase cost and future upkeep deductibility depend on whether the uniform can be worn when off duty. If the uniform can be worn while off duty, no costs can be deducted. However, if the uniform is prohibited from being worn when off duty, the cost associated with that uniform may be deducted. The following are deductible:

* Military battle dress uniforms and utility uniforms that cannot be worn while off-duty
* Articles not replacing regular clothing, including insignia of rank, corps devices, epaulets, aiguillettes and swords

Special rules apply to the moving expenses of active-duty members of the U.S. armed forces and their surviving spouses who move due to a permanent station change. Deductible expenses include unreimbursed costs of moving, travel and storage, and insuring personal items including household goods. The standard mileage rate for moving is 22 cents per mile for 2023, which is unchanged from the second half of 2022.

Certain rules come into play for qualified reservists when withdrawing funds from an IRA, 401(k), or 403(b) during active duty. These rules apply from the date they are ordered or called to active duty, spanning 180 days or more, until the conclusion of their active-duty period. Those distributions may not be subject to the 10 percent penalty tax on early distributions. Such distributions can also be repaid to the plan within two years of ending active duty.

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**2023 dependent care credit remains the same, despite rising costs**

*Rates for child care, dependent care soared; no changes made to tax credit*

APPLETON, Wis. (Jan. 1, 2024) – While child and dependent care costs increased in 2023, working taxpayers have not received an increase in tax benefits to help pay for their care. Inflation has especially impacted child and dependent care providers, causing them to increase the amounts they charge by double the overall rate of inflation for 2023.

Since the government does not adjust the credit amount for inflation each year, eligible taxpayers won’t see an increase in the credit amount to offset their rising expenses.

In response to the COVID-19 pandemic, Congress increased the child and dependent care credit to $8,000 for one child, but in 2022, the credit amount reverted to 2020 levels and has not increased for 2023. This means eligible expenses have a dollar limit of $3,000 for one qualifying individual or $6,000 for two or more.

For taxpayers with an adjusted gross income (AGI) of $15,000 or less, the credit amount is 35% of employment-related child and dependent care expenses. The maximum credit dollar amount is $1,050 ($3,000 x 0.35) for one qualifying individual, or $2,100 ($6,000 x 0.35) for two or more.

The credit amount is reduced by one percent for each $2,000 of AGI, or fraction thereof, above $15,000 until the taxpayer’s AGI reaches $43,000. Taxpayers with an AGI over $43,000 are allowed a credit equal to 20% of employment-related child and dependent care expenses.

To qualify for the credit for child and dependent care expenses, the person receiving care must be either the taxpayer’s dependent child under the age of 13 or someone physically or mentally incapable of caring for themselves. That could include the taxpayer’s spouse if they can’t take care of themselves.

If the dependent is not the taxpayer’s spouse or child, the taxpayer must also be the custodial guardian and must live with them more than half the year, even if the taxpayer did not claim them as a dependent.

Only care provided while the taxpayer (and spouse, if applicable) works or looks for work qualifies. If married, taxpayers must file a joint return to claim the credit. Special rules apply for separated parents.

Spouses, the other parent of the taxpayer’s child, the taxpayer’s dependents, and the taxpayer’s children under age 19 do not qualify as caregivers. However, a relative who is not the taxpayer’s dependent may qualify for the credit, even if the relative resides in the taxpayer’s home.

There are many more stipulations and caveats to this credit. The [National Association of Tax Professionals (NATP)](http://www.natptax.com/) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn about NATP, or to find a local, registered tax professional, visit [natptax.com](http://www.natptax.com/).

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**Taxpayers must take more steps to deduct charitable contributions on 2023 returns**

*Certain donations are not recognized by the IRS as deductible*

APPLETON, Wis. (Jan. 1, 2024) – For 2023, taxpayers can only deduct a charitable contribution if they itemize their deductions and don't claim the standard deduction.

A qualified charitable contribution includes cash contributions to churches, nonprofit education institutions, nonprofit medical institutions, public charities or other qualified charities. While many contributed to Ukraine-related relief efforts, not all donations may be deductible for the taxpayer.

Before donating, it is wise to verify the organization’s charitable status by calling, checking their website or using the [IRS’s tax-exempt organization search](https://www.irs.gov/charities-non-profits/tax-exempt-organization-search).

The IRS cautions users that data update delays now exist, limiting the database’s accuracy. A bank record supporting the donation or written receipt from the charity showing the name of the donee organization, date and amount of contribution is needed for any deductible donation – even a single dollar dropped into the red bucket.

For those who do itemize, not every donation is deductible. For example, clothing or food given directly to victims of a disaster (through a charity), political contributions and time volunteering — even if the work accomplishes something a paid position would otherwise accomplish, or if time was taken off work — are all considered nondeductible contributions.

Contributions are commonly paid via cash check, credit card or payroll deductions. The entire amount of a monetary donation is deductible if nothing of value is received in return. If a benefit is received because of a contribution, only the part of the contribution that is greater than the value of what was received is deductible.

Other common donations are out-of-pocket expenses paid to do volunteer work or property donations. If transportation costs to perform volunteer work are incurred, the actual cost of gas and oil, parking and tolls, or the standard rate of 14-cents-per-mile (2023) can be deducted. Volunteers must keep detailed records of any out-of-pocket expenses incurred. To value clothing and household items, use their fair market value (FMV) and deduct donated food items at cost.

Noncash contributions require records describing the property donated and the method used to determine its value. The taxpayer is responsible for valuing the property either through appraisal or by comparison to other property. Generally, charitable organizations will only issue a receipt stating the donation was made and will not assign a value. Special rules apply for donated stock, real estate and other capital assets that would have resulted in capital gains. The applicable guidance for property contributions of more than $500, and property contributions of more than $5,000, should be consulted when applicable.

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**U.S. taxpayers see more benefits for improving homes to be more energy efficient**

*Inflation Reduction Act of 2022 extends and enhances tax credits to incentivize homeowners to make clean energy improvements through 2034*

APPLETON, Wis. (Jan. 1, 2024) – U.S. homeowners can take advantage of the new and enhanced clean energy tax credits included in the Inflation Reduction Act, passed in August 2022, as early as Jan. 1, 2023, when they make qualifying home improvements.

U.S. homeowners can now use the extended residential clean energy credit (formally known as the residential energy efficient property credit) to purchase solar water heating systems, solar panels, small wind energy components, geothermal heat pumps and batteries that store the generated electricity. It also includes the costs of onsite preparation, assembly and installation. The credit is 30% of the costs for tax years 2022 to 2032, 26% for tax year 2033 and 22% for 2034.

The credit is nonrefundable, meaning it can only offset tax. The credit is nonrefundable, meaning it will only offset tax. Taxpayers can carry forward any unused credits indefinitely. The taxpayer can use them to offset tax in a future year(s). If the property is installed in connection with mixed-use property and the business use percentage is 20% or more, taxpayers must allocate the credit between personal and business use.

Several enhancements were made to the nonrefundable energy-efficient home improvement credit (formally known as the nonbusiness energy property credit). Instead of a $500 lifetime limitation that applies before 2023, taxpayers are allowed an annual credit of $1,200 for the cost of qualifying property.

While there is an overall limitation of $1,200 per year, exterior windows and skylights are further limited to $600 per year for the aggregate cost of those items. Exterior doors are limited to a credit of $250 per door and the total credit related to exterior doors for the year cannot exceed $500. The Inflation Reduction Act removed the costs for metal and asphalt roofs designed to reduce heat gain. The building envelope components listed above must be installed in or on a dwelling unit that is the taxpayer’s principal residence in the U.S.

The annual limitation for certain heat pumps, heat pump water heaters, and biomass stoves and boilers cannot exceed $2,000. In addition, the credit for qualified energy property that meets certain energy efficiency requirements is limited to $600 per item. Qualified energy property includes central air conditioners, water heaters, furnaces and hot water boilers that use natural gas, propane or oil.

Any costs to improve or replace a panel board, subpanel board, branch circuit or feeder with a maximum load capacity of not less than 200 amps and that is part of the installation of either building envelope components or qualified energy property are included.

Qualified energy property must be new and may be installed on the taxpayer’s principal residence or a vacation home as long as the home is located in the U.S. and used as a residence by the taxpayer.

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**Electric vehicles tax credit for 2023 returns**

*Inflation Reduction Act expanded the electric vehicle credit, but added additional requirements*

APPLETON, Wis. (Jan. 1, 2024) – Some drivers looking to purchase an electric vehicle in 2024 can still take advantage of a federal tax credit when it comes time to prepare their 2023 returns, but buyers will need to satisfy more conditions than in previous years.

The Inflation Reduction Act expanded and modified the current electric vehicle tax credit’s stipulations to include more makes and models, as well as used electric vehicles. However, it also limited the tax credit to vehicles under a specified retail price, added North American sourcing requirements, and restricted the credit to taxpayers earning less than a specified amount. Some electric vehicles purchased and delivered in 2022 were also impacted by this legislation.

Buyers can claim the clean vehicle credit, which replaces the qualified plug-in electric drive motor vehicle credit, for the purchase of a qualified vehicle beginning in 2023 through 2032. The maximum credit is $7,500 for buyers of new all-electric vehicles and hybrid plug-ins.

To qualify for the credit, the vehicle must have been sold after Aug. 16, 2022, the final assembly of the vehicle must be in North America and the manufacturer must meet the battery and critical mineral components requirement. The per-manufacturer cap is eliminated. Before this new legislation, the credit began to phase out for a manufacturer when that manufacturer sold 200,000 qualified vehicles.

A transition rule applies to taxpayers who entered binding contracts between Jan. 1, 2022, and Aug. 16, 2022. If a taxpayer bought a vehicle before Aug. 16, 2022, the qualified plug-in electric drive motor vehicle (“old”) rules were applicable. Old rules also apply to taxpayers who had written binding contracts in place before Aug. 16, 2022, but took possession after Aug. 16, 2022. The new final assembly rules do not come into effect.

For those who purchased and took possession of the vehicle on or after Aug. 16, 2022, but before Jan. 1, 2023, the old rules apply, including manufacturing caps, but the new final assembly rules also come into effect.

The legislation also includes a new credit for previously owned clean vehicles. To claim this credit, a qualified buyer must purchase and use a previously owned clean vehicle after 2022. The credit amount is the lower of $4,000 or 30% of the cost of the vehicle.

The act also added a new credit for qualified commercial clean vehicles. This credit is for qualifying commercial use clean vehicles acquired after Dec. 31, 2022.

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**Beneficiaries must take minimum distributions from inherited IRAs in specific timeframe to avoid penalties**

*Increase in taxpayers inheriting retirement plans in recent years*

APPLETON, Wis. (Jan. 1, 2024) – In general, taxpayers must begin to take required minimum distributions (RMDs) each year from their IRA, SEP IRA, SIMPLE IRA or other qualified retirement plan when they reach a specific age:

|  |  |
| --- | --- |
| **If taxpayer reaches age:** | **Start RMDs after reaching age:** |
| 70-and-a-half in 2020 | 70-and-a-half |
| 70-and-a-half after 2019, and 72 before 2023 | 72 |
| 72 after 2022 and 73 before 2033 | 73 |
| 74 after 2032 | 75 |

When a taxpayer inherits an IRA, the RMD rules for a beneficiary depend on several factors, such as their relationship to the deceased IRA owner and whether the IRA owner already started taking RMDs.

If an IRA owner dies after 2019, nonspouse designated beneficiaries generally must distribute the entire IRA within 10 years following the year of death, whether the IRA owner died before or after starting RMDs (10-year rule). However, if the beneficiary is an eligible designated beneficiary (EDB), RMDs may be stretched out over a longer period.

An EDB is a designated beneficiary who is disabled, chronically ill, not more than 10 years younger than the IRA owner, a child of the IRA owner who has not reached the age of majority, or a surviving spouse of the IRA owner. In general, the following rules apply to EDBs:

* If the IRA owner died before they were required to start taking distributions, an EDB must take annual RMDs over the beneficiary’s remaining life expectancy, unless they elect the 10-year rule. In general, RMDs must begin by Dec. 31 of the year following the year of death. However, if the surviving spouse is the sole beneficiary, they can wait until Dec. 31 of the year the IRA owner would have reached the age to start RMDs.
* If the IRA owner died after starting RMDs, an EDB must continue to take annual RMDs over the longer of the beneficiary’s remaining life expectancy or the IRA owner’s remaining life expectancy.
* If a surviving spouse is the sole beneficiary, they can elect to treat the IRA as their own, then follow the RMD rules for IRA owners.

Lastly, if the IRA doesn’t have a designated beneficiary (or the IRA owner’s estate is the named beneficiary), different rules apply. If the IRA owner died before they were required to start taking distributions, the entire IRA must be distributed by the end of the fifth year following the year of death. On the other hand, if the IRA owner died after starting RMDs, RMDs must continue to be taken over the IRA owner’s remaining life expectancy.

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**Some employers can still amend their returns to claim the employee retention credit**

*Per-employee credit was offered to employers to retain employees during the pandemic*

APPLETON, Wis. (Jan. 1, 2024) – Processing of employer retention credits (ERC) due to the COVID-19 pandemic is on hold to help combat dubious claims of the credit.

Businesses that claimed the credit and believe it is not eligible for the entire credit can take steps to remedy the situation. To qualify, the business must have made the claim on an amended Form 941-X, Form 943-X, Form 944-X or CT-1X, and filed the amendment only to claim the ERC.

Additionally, the claim must not be processed by the IRS. If it was, the refund check cannot be deposited or cashed.

If a business qualifies, the next steps depend on whether it received a refund and is not under audit, received a refund and its claim is being reviewed, or it has a check in hand but has not yet cashed or deposited it.

**No check and not under audit**

The business must make a copy of the return claiming the ERC. In the left margin of the first page, write “withdrawn,” and in the right margin, authorized individual should sign and date it. Include their name and title in the right margin as well.

Fax the information to the IRS’s ERC claim withdrawal line at 855-738-7609. If faxing is not possible, businesses should use the instructions of the adjusted return to determine where the information should be mailed to. A copy of the information should be kept for the business’ records.

**No check and under audit**

Businesses should follow the steps in the previous section above but should not mail or fax the information. Instead, work with the examiner to submit the request. If an examiner has not been assigned, respond to the notice with the withdrawal request. Use the instructions in the notice.

**Check received but not deposited or cashed**

Businesses that had their claim processed but have not cashed or deposited the check need to follow the steps in the ‘no check and not under audit’ section. Additionally, write “void” in the endorsement section of the check and include a note that says, “ERC withdrawal.” The note should briefly explain why the check is being returned. Instead of faxing the request, businesses should mail the copy of the amended return and voided check to the Cincinnati Refund Inquiry Unit.

For businesses that already cashed their check and do not believe they are eligible for the credit, the IRS plans on launching a voluntary disclosure program. This will prevent future action from the IRS. The IRS has an eligibility [checklist](https://www.irs.gov/newsroom/employee-retention-credit-eligibility-checklist-help-understanding-this-complex-credit) to help businesses determine whether or not they qualify.

This article contains general information for taxpayers. Each tax situation is different, so do not rely on this information as the sole source of authority.

The [National Association of Tax Professionals (NATP)](http://www.natptax.com/) advises working with a trusted expert who keeps current on tax law changes and is an NATP member. To learn about NATP, or to find a local, registered tax professional, visit [natptax.com](http://www.natptax.com/).

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**Virtual currency income rose in 2023, affecting more taxpayers**

*2024 tax season rules for reporting 2023 virtual currency income*

APPLETON, Wis. (Jan. 1, 2024) – Virtual currency is now so mainstream it cannot be ignored. As the IRS continues to issue new guidance regarding virtual currencies (i.e. digital assets), it is important taxpayers understand the tax consequences of transactions involving virtual currency.

All individuals must answer the digital asset question on their 2023 federal income tax return, which asks, “At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange or otherwise dispose of a digital asset (or a financial interest in a digital asset)?”

In general, taxpayers must recognize taxable income, gain or loss from virtual currency transactions, such as when they sell it, exchange it for goods or services or another digital asset, or receive it as payment for property or services or from mining or staking activities.

When taxpayers use virtual currency to make payments for goods or services in the ordinary course of their trade or business, information reporting requirements generally apply. Thus, the payor furnishes an information return (e.g., Form W-2, Wage and Tax Statement, or Form 1099-MISC, Miscellaneous Information) to the payee reporting the amount that must be included in their gross income, and the payor must treat it like they sold such virtual currency.

There’s no requirement to report the disposition of virtual currency on an information return, even though some brokers report it on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions.

New information reporting requirements for brokers regarding the disposition of virtual currency are coming but not expected for a few more years.

Proposed regulations were issued in 2023, which introduced a new Form 1099-DA for this purpose. However, this reporting requirement does not apply until 2026 for sales taking place in 2025. Regardless of whether taxpayers receive an information return or not, they must report the sale of virtual currency on their tax return, generally Form 8949, Sales and Other Dispositions of Capital Assets.

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**Child tax credit is not keeping up with inflation for 2023**

*Child-related costs continue to rise while child tax credit amount stays stagnant*

APPLETON, Wis. (Jan. 1, 2024) – The child tax credit (CTC) provides most U.S. parents with a tax benefit to help offset the costs of raising children. However, while the costs of child-rearing increased this year due to inflation, the credit amount is not indexed for inflation and will remain unchanged for 2023.

For 2023 returns, the CTC provides a credit of up to $2,000 for each qualifying child under age 17. The CTC begins phasing out when the taxpayers’ modified adjusted gross income (MAGI) exceeds $400,000 for a married couple filing a joint return, or $200,000 for taxpayers claiming any other filing status. Congress increased the amount of the credit for 2021 returns to help offset some of the financial struggles families experienced related to COVID-19. The temporary changes expired Dec. 31, 2021.

A taxpayer can only claim the CTC up to the amount of taxes they owe. If they can’t claim the full credit amount because they don’t have enough tax liability, they may be eligible for the refundable component of the CTC, the additional child tax credit (ACTC). For 2023, up to $1,600 of the ACTC is refundable, which means that taxpayers who owe little to nothing in taxes can still claim a refund of up to that amount.

The ACTC is limited to the lesser of the unused CTC amount or 15% of the taxpayer's earned income over $2,500, up to $1,600 per qualifying dependent for 2023. The $2,500 minimum income does not apply if the taxpayer has three or more qualifying dependents.

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