



Willson & Pechacek, P.L.C. Newsletter



General Issue

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2023 Personal and Business Tax Credits For New Electric Vehicles

By Lee M. Rankin

Personal Tax Credits

Considering a new personal electric or plug-in hybrid electric vehicle? The Inflation Reduction Act of 2022 changed the rules for electric vehicle tax credits starting April 18, 2023.

The tax credit requires the final assembly of the vehicle to take place in North America. The credits include \$3,750 for a minimum battery component (or fuel cell) sourcing requirement and another \$3,750 credit for minimum battery (or fuel cell) assembly percentage in North America. A vehicle can satisfy either or both requirements for either a \$3,750 credit (if only one requirement is satisfied) or a \$7,500 credit (if both requirements are satisfied).

In addition, vehicles are ineligible for the credit if they exceed the MSRP limit: \$80,000 for vans, pickup trucks, and SUVs; \$55,000 for other vehicles.

A current list of eligible new vehicles is available at [FuelEconomy.gov](https://www.fueleconomy.gov).

Buyer eligibility is based on adjusted gross income for most people, and for Joint filers, the income limit is \$300,000, with Head of Household and Single filers' limits of \$225,000 and \$150,000, respectively. Note this test applies to income in the year

the vehicle is purchased or the prior year, whichever is less.

This credit is both non-refundable (except for non-profit entities) and not eligible for carryover so it is important to plan your purchase to maximize your credit. Beginning January 1, 2024, the tax credit becomes transferable back to the dealer for full payment of the credit.

Business Tax Credits

For those looking to place a new commercial electric vehicle into service starting in 2023, buyers have a couple of options. First, they can follow the same rules described for personal tax credits, with some small differences (i.e. owners of pass-through entities receive the credit, subject to income limits). Also, the IRS stated that C corporations do not have income limits, so only the vehicle needs to qualify.

Second, there is a separate commercial electric vehicle tax credit, which requires the vehicle to be sold by a "qualified manufacturer," a full list is available on the IRS website (includes all you would think plus more) and the credit is calculated as the lesser of:

- 15% of the cost of the vehicle (30% if the vehicle is not powered by gas or diesel), or
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with a GVWR of less than 14,000 lbs. and \$40,000 for all other vehicles. Incremental costs for most passenger vehicles, trucks, SUVs, etc. are all at least \$7,500 (as published by the Department of Energy), the only exception is a compact plug-in hybrid with an incremental cost of \$7,000.

Vehicles can either be made for public streets, roads, and highways or must qualify as "mobile machinery" (equipment related to transportation on or off public highways) and must have a battery capacity of not less than 15 kilowatt hours (7 kilowatt hours for vehicles weighing less than 14,000 pounds) and be charged by an external electricity source.

Key differences from the personal tax credit are no income or price limits and no battery source material or manufacturing requirements so more vehicles should be eligible for the tax credit. Plus, this is a general business credit, so while there are current year application limits, unused amounts may be carried forward.

If you are considering the purchase of an electric vehicle for personal or business use, please feel free to call our office to discuss tax credit eligibility.

FDIC Basics Amid Recent Bank Failures

By Paul S. Wilson

You've probably seen recent news about bank failures in California and New York. The recent failure of major banks, including First Republic Bank, Silicon Valley Bank, and Signature Bank, have caused concerns of a looming financial catastrophe, like the 2007-2008 crisis leading up to the Great Recession. For now, the situation has stabilized, but many people are wondering if their money is secure at their banks.

The Federal Deposit Insurance Corporation (FDIC) protects depositors of insured banks from the loss of their deposits if an insured bank fails. The vast majority of banks, including online banks, offer deposit customers FDIC insurance. When you open an account with an FDIC-insured bank, you are automatically enrolled in the federal insurance. FDIC insurance is backed by the full faith and credit of the U.S. government.

FDIC insurance covers depositors' accounts at each insured bank, dollar-for-dollar, including principal and any accrued interest through the date of the insured bank's closing, up to the insurance limit of \$250,000.00 per depositor, per insured bank, for each account ownership category.

The FDIC covers checking accounts, savings accounts, money market accounts, certificates of deposit cashier's checks, and money orders. The FDIC does not

cover stocks, bonds, mutual funds, annuities, or safe deposit box contents.

FDIC's distinct ownership categories include:

- Single Accounts
- Certain Retirement Accounts
- Joint Accounts
- Revocable Trust Accounts
- Irrevocable Trust Accounts
- Employee Benefit Plan Accounts
- Corporation and Partnership Accounts (Accounts held in the name of a sole proprietorship are not insured under this ownership category. Rather, they are insured as the single account deposits of the owner, added to the owner's other single accounts, if any, at the same bank and the total insured up to \$250,000.)
- Government Accounts

A single account is a deposit owned by one person, including an account held in one person's name only, provided the owner has not designated any beneficiaries who are entitled to receive the funds when the account owner dies. Importantly, if the owner of a single account has designated one or more beneficiaries who will receive the deposit when the owner dies, the account would be insured as a revocable trust account, which is a distinct category from Single Accounts.

The FDIC categorizes payable on death accounts as informal revocable trusts, which are created when the account owner signs an agreement, usually part of the bank's signature card, directing the bank to transfer the funds in the account to one or more named beneficiaries upon the owner's death. For example, if a bank deposit of \$1,250,000.00 is payable on death equally to five (5) beneficiaries, it would be fully insured (5 times \$250,000.00 equals \$1,250,000.00).

If a bank fails, the FDIC attempts to arrange for the sale of the failed bank to a healthy bank. If there is no way to arrange for such a sale, the FDIC will promptly pay the depositor directly by check up to the insured balance in each account.

Figuring out which accounts are insured for how much can be complex and confusing. The FDIC has an online tool called EDIE to calculate FDIC coverage at <https://edie.fdic.gov>.

If you have any questions or concerns, please feel free to contact one of our firm's attorneys.

Beware: You Could Lose Your Rights to Real Estate Under Little Known Iowa Law!

By Jamie L. Cox

Do you have a lease, easement, option to purchase, right of first refusal or other agreement related to real estate that is perpetual in duration, meaning there is no termination date? If so, beware that you could lose your ability to enforce your rights to the real estate after ten years under Iowa Code Section 614.17A. This article describes what you must do to protect your interests in real estate.

Under Section 614.17A, you are not allowed to bring a lawsuit to recover or establish an interest in or claim to real estate if all of the following conditions are true: (1) the lawsuit is based on a claim to real estate arising more than ten years earlier or existing for more than ten years; (2) the lawsuit is against a person who holds record title to the real estate; and (3) the person and their immediate or remote grantors have held chain of title for more than ten years.

To protect your rights to the real estate, you must within ten years of the date on which your lease, easement, option to purchase, right

of first refusal, etc. arose or first existed (the date the document creating the interest was recorded), record with the county recorder where the real estate is located a written statement which is signed and notarized, and describes the real estate, the nature and extent of your right of interest in the real estate, and the facts upon which you base your claim to real estate.

Recording this statement extends for another ten years the deadline by which you may file a lawsuit to recover or establish your interest in or claim to real estate. You must file these statements every ten years to preserve your rights.

The purpose of Section 614.17A is to give effect and stability to the chain of title in real estate by cutting off claims of uncertain interests. Therefore, the statute applies to recorded agreements that are perpetual in duration or that do not include a firm termination date. But it does not apply to recorded agreements that fix a date certain for termination (at least not until after expiration of the expressed period). For example, if an ease-

ment expires according to its terms, then after that expiration Section 614.17A will apply to bar claims to reopen the easement after ten years.

Remember that rights and claims to real estate may be contained in real estate contracts, deeds, wills, and even trust agreements. The law could also extend to mortgages, assignments of leases and rents, boundary agreements, etc.

If your agreement related to real estate has not been timely extended, the agreement would need to be re-executed and recorded in order to gain protection under the law. For agreements that have not yet expired under the 10-year deadline, your attorney can help you develop a statement to be recorded to extend the deadline. You may want to review your files to determine if there are interests in real estate that should be extended or replaced with new agreements. Please contact your attorney if you have any questions or need further information and guidance.

Income Tax: “Fair Share”??

By Frank W. Pechacek, Jr.

IRS statistics for 2020 show the tax burden on high-incomers rose sharply.

- Top one percent (1%) of individual filers paid 42.31% of all US income taxes.
- The highest five percent (5%) paid 62.74% of total income tax.
- The top ten percent (10%) paid 73.67%.

The bottom 50% of individual filers paid only 2.32% of total federal income tax.

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New Iowa Property Tax Breaks Signed Into Law

By Paul S. Wilson

Iowa seniors and veterans can now apply for property tax breaks under a new law signed by Governor Reynolds in May, 2023. Under the new law, additional property tax exemptions are available for those over the age of 65 and for military veterans.

The new law provides a \$3,250.00 exemption on the taxable value of a home owned and used as the taxpayer's residence beginning on January 1, 2023, if the taxpayer was over the age of 65. Additionally, the new law raises the homestead property tax exemption to \$6,500.00 for the 2024 assessment year. Individuals in the military or nursing homes are also eligible even if they do not reside in the home. The new law increases the property tax exemption for veterans to \$4,000.00 in taxable value, up from the current \$1,852.00 in taxable value.

The Iowa Department of Revenue amended the homestead tax credit exemption form to allow seniors to apply for this exemption. Applications are due July 1 to the county assessor's office. Once allowed, the exemption will continue without filing, if the taxpayer continues to qualify. Military veterans currently receiving the exemption will not need to file a new application.

If you have any questions or concerns, please feel free to contact one of our firm's attorneys.
