
2024 TAX NEWSLETTER

The tax laws continue to provide opportunities for the wise and traps for the unwary. For many, tax savings can be achieved by acting before the year ends. With 2024 being an election year, anything can happen. The incoming administration can enact new tax laws or extend current ones. In addition, several provisions enacted under the Tax Cuts and Jobs Act in 2017 will expire at the end of 2025, unless they are extended. The information and strategies provided within this newsletter may or may not be appropriate for your situation. It's important to consult with your tax professional before implementing them.

New Retirement Account Rules

Starting in 2024, certain individuals may take penalty-free withdrawals from their retirement accounts. These include:

- **Domestic Abuse Victims.** Individuals under age 59½ can withdraw up to \$10,000 from their retirement accounts. The distribution is taxable but is not subject to the usual early withdrawal 10% penalty. Eligible distributions are those made with a 1-year period beginning on any date on which the individual is a victim of domestic abuse by a spouse or domestic partner. The term “domestic abuse” is defined in as physical, psychological, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate, or intimidate the victim, or to undermine the victim’s ability to reason independently, including by means of abuse of the victim’s child or another family member living in the household.
- **Emergency Withdrawals.** Taxpayers facing an emergency can withdraw up to \$1,000 penalty-

free. An emergency personal expense distribution is a distribution made to an individual for purposes of meeting unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses. An emergency personal expense distribution is includible in gross income, but it is not subject to the 10% percent additional tax.

Increased Retirement Contributions. Beginning in 2024, catch-up contributions to IRAs will be indexed for inflation. For 2024, contributions to a traditional IRA are limited to \$7,000. If you are age 50 or older, the catch-up contribution limit remains at \$1,000 for 2024. In 2025, the catch-up contribution limit for 401(k) plans will increase from \$7,500 to \$10,000 for workers aged 60 to 63.

Required Minimum Distributions (RMDs). The RMD age remains 73 in 2024 and will gradually increase to 75 by 2033. This allows for more time to defer taxes on retirement savings.

Beneficiaries of a decedent’s IRA generally have 10 years to withdraw the entire balance of the inherited IRA. Distributions are to begin the year following the year of death. However, the IRS postponed until 2025 the requirement for beneficiaries who were required to take RMDs in 2021, 2022, 2023 or 2024. This postponement does not extend the 10-year withdrawal period.

Additional News & Updates

Adoption Credits. An individual may claim a tax credit for qualified adoption expenses which are reasonable and necessary adoption fees, court costs,

attorney fees, and other expenses that are directly related to the legal adoption of an eligible child (an individual under age 18, or physically or mentally incapable of self-care.) The credit is a nonrefundable personal credit allowed against the income tax and alternative minimum tax. The total amount that may be taken as a credit for all tax years for the adoption of a child is \$16,810 for 2024.

The credit begins to phase out for taxpayers with modified adjusted gross income (MAGI) in excess of \$252,150. The phaseout is complete at MAGI of \$292,150.

Student Loan Interest Deduction. The maximum amount of student loan interest you can deduct each year is \$2,500. The deduction is phased out if your adjusted gross income (AGI) exceeds certain levels.

For tax years beginning in 2024, the \$2,500 maximum deduction begins to phase out after modified AGI exceeds \$80,000 (\$165,000 for joint returns) and is completely phased out for taxpayers with modified adjusted gross income of \$95,000 or more (\$195,000 or more for joint returns).

Educator Expenses. Eligible educators are allowed a maximum \$300 deduction for out-of-pocket classroom expenses in 2024. If both you and your spouse are eligible educators, each of you can deduct up to \$300 for out-of-pocket classroom expenses.

Out-of-pocket expenses include books, supplies, computer equipment, related software and services and other equipment, and supplementary materials used in the classroom. Qualified expenses also include personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of COVID-19. Covered items include face masks, disinfectants, hand soap, hand sanitizer, disposable gloves, tape, paint, or chalk used to guide social distancing; physical barriers, such as clear plexiglass; air purifiers; and other items recommended by the Centers for Disease Control (CDC).

Eligible educators include teachers, instructors, counselors, principals, and aides who work at least 900 hours a school year in a school providing elementary or secondary education.

Expenses for homeschooling or nonathletic supplies for health or physical education are not eligible.

Standard Mileage Rate. Taxpayers can use the standard mileage rate instead of actual expenses when computing the deductible costs of operating vehicles owned or leased by them for business purposes. The following rates are applicable for the 2024 tax year:

Business	.67
Medical	.21
Moving	.21*
Charitable	.14

*Applies to members of the Armed Forces on active duty who move pursuant to a military order.

Notable Changes for 2025

The tax year 2025 adjustments described below generally apply to income tax returns to be filed starting tax season 2026. The tax items for tax year 2025 of greatest interest to many taxpayers include the following dollar amounts:

Standard Deductions. For single taxpayers and married individuals filing separately for tax year 2025, the standard deduction rises to \$15,000 for 2025. For married couples filing jointly, the standard deduction rises to \$30,000. For heads of households, the standard deduction will be \$22,500 for tax year 2025.

Alternative Minimum Tax Exemption Amounts. For tax year 2025, the exemption amount for unmarried individuals increases to \$88,100 (\$68,650 for married individuals filing separately) and begins to phase out at \$626,350. For married couples filing jointly, the exemption amount increases to \$137,000 and begins to phase out at \$1,252,700.

Health Flexible Spending Cafeteria Plans. For the taxable years beginning in 2025, the dollar limitation for employee salary reductions for contributions to health flexible spending arrangements rises to \$3,300. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount rises to \$660.

Medical Savings Accounts. For tax year 2025, participants who have self-only coverage the plan must have an annual deductible that is not less than \$2,850 (a \$50 increase from the previous tax year), but not more than \$4,300 (an increase of \$150 from the previous tax year).

The maximum out-of-pocket expense amount rises to \$5,700. For family coverage in tax year 2025, the annual deductible is not less than \$5,700; however, the deductible cannot be more than \$8,550. For family coverage, the out-of-pocket expense limit is \$10,500 for tax year 2025.

Foreign Earned Income Exclusion. For tax year 2025, the foreign earned income exclusion increases to \$130,000.

Estate Tax Credits. Estates of decedents who die during 2025 have a basic exclusion amount of \$13,990,000, increased from \$13,610,000 for estates of decedents who died in 2024.

Annual Exclusion for Gifts increases to \$19,000 for calendar year 2025, rising from \$18,000 for calendar year 2024.

Tax Planning

The key to effective tax planning is timing. Here are some helpful strategies and important considerations to keep in mind.

Recognize Long-Term Gains: If you expect to be subject to a higher tax rate in the future, it may be beneficial to recognize long-term capital gains in the current year to take advantage of the lower current rate. For taxpayers with income below the zero-rate threshold, recognizing long-term gains up to that amount can be advantageous. If your income is already below the threshold, avoid recognizing long-term capital losses this year.

Deferring Gains with Installment Sales

If you're looking to defer gains from the sale of assets, consider using the installment sale method. With this option, you only recognize gain when payments are received.

Deferring Gains with a Like-Kind Exchange

A like-kind exchange can allow you to defer taxes on eligible property (i.e., real estate held for business use or for investment purposes) by exchanging it for similar property without triggering a taxable event.

Donating Appreciated Securities

If you plan to make charitable contributions, consider donating appreciated securities instead of cash. By donating the securities directly, you avoid paying capital gains taxes on the appreciation, and the organization still benefits from the full value.

Selling Your Home?

If you're selling your principal residence, strategic timing can lead to big tax savings. If you've lived in your home for at least two of the last five years, you can exclude up to \$500,000 of gain if married filing jointly, or \$250,000 for other taxpayers. Surviving spouses may also qualify for the \$500,000 exclusion if they sell within two years of the spouse's death.

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We restrict access to non-public personal information, and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

2024 Reference Guide

2024 Standard Deduction

Married Filing Joint or Qualified Surviving Spouse	\$29,200
Head of Household	21,900
Single or Married Filing Separately	14,600
<i>Additional amounts for age 65 or older and/or blind (per person).</i>	
<i>MFJ or QSS, or MFS</i>	1,550
<i>Single or HOH</i>	1,950

2024 Federal Tax Rate Schedule

Tax Rates	Single		Head of Household		Married Filing Separately		Married Filing Jointly Qualified Surviving Spouse (QSS)	
	Taxable Income over	to	Taxable Income over	to	Taxable Income over	to	Taxable Income over	to
10%	\$0	\$11,600	\$0	\$16,550	\$0	\$11,600	\$0	\$23,200
12%	11,600	47,150	16,550	63,100	11,600	47,150	23,200	94,300
22%	47,150	100,525	63,100	100,500	47,150	100,525	94,300	201,050
24%	100,525	191,950	100,500	191,950	100,525	191,950	201,050	383,900
32%	191,950	243,725	191,950	243,700	191,950	243,725	383,900	487,450
35%	243,725	609,350	243,700	609,350	243,725	365,600	487,450	731,200
37%	609,350	--	609,350	--	365,600	--	731,200	--

2024 Long-Term Capital Gains

Rate	Single	HOH	MFJ or QSS	MFS
0%	\$0 – 47,025	\$0 – 63,000	\$0 – 94,050	\$0 – 47,025
15%	47,026 – 518,900	63,001 – 551,350	94,051 – 583,750	47,026 – 291,850
20%	518,901 +	551,351 +	583,751 +	291,851 +

2024 Health Savings Accounts

Type of Coverage	Contribution Limit
Self-only	\$4,150
Family	\$8,300
<i>Catch up Contributions for Individuals over 55</i>	\$1,000

2024 IRA Contribution Limits

Regular contribution	\$7,000
Catch up for taxpayers 50 and over	\$1,000