Contributions and Deductions for Retirement Plans

There are limits on how much employees can contribute to a retirement plan each year. Below are tables that outline the 2023 and 2024 contribution limitations for different plans:

Traditional and Roth IRA	**2023**	**2024**
Ages 49 and younger	$6,500.00	$7,000.00
Ages 50 and older	$7,500.00	$8,000.00

Note: The IRA contribution limit does not apply to Rollover Contributions.

Your traditional IRA contributions maybe tax deductible. The amount of deduction depends on whether you or your spouse are covered by a retirement plan at work and your income exceeds certain levels. For 2024, if you are covered by a retirement plan at work, please see the table below that outlines the modified adjusted gross income limit to determine your deduction.

Traditional IRA	Modified AGI	Potential Deduction
Single or Head of Household	Less than $77,000	Deduction up to the amount of your contribution limitation
	$77,000 - $87,000	Partial Deduction
	Greater than $87,000	No Deduction
Married Filing Jointly or Qualifying Widower	Less than $123,000	Deduction up to the amount of your contribution limitation
	$123,000 - $143,000	Partial Deduction
	Greater than $143,000	No Deduction
Married Filing Separately	Less than $10,000	Partial Deduction
	Greater than $10,000	No Deduction

For a Roth IRA, the contributions are not deductible, but you can contribute to a plan based on your Modified AGI. Below is a table that outlines the amount of Roth IRA Contributions you can make in 2023.

Roth IRA	Modified AGI	Contribution Amounts

Single or Head of Household	Less than $146,000	Contribution up to the limitation amount
	$146,000 - $161,000	Partial Contribution
	Greater than or equal to $161,000	None
Married Filing Separately	Less than $10,000	Partial Contribution
	Greater than or equal to $10,000	None
Married Filing Jointly or Qualifying Widow(er)	Less than $228,000	Contribution up to the limitation amount.
	$228,000 - $240,000	Partial Contribution
	Greater than or equal to $240,000	None

Deferred Contribution Plans - 401(k), 403(b) and most 457 Plans	**2024**	**2023**
Ages 49 and younger	$23,000.00	$22,500.00
Catch up Adjustment - Ages 50 and older	$7,500.00	$7,500.00

SIMPLE IRA Plans	**2023**	**2024**
Ages 49 and younger	$15,500.00	$16,000.00
Catch up Adjustment - Ages 50 and older*	$3,500.00	$3,500.00

Note: Please check the SIMPLE IRA Plan to confirm if Catch up Adjustments are permitted.

Withholding Calculator

IRS Withholding Calculator

It is a good idea to check if the withholding taxes are deducted from your paycheck correctly. There is a withholding calculator available on the IRS website. The tool will tell you if too much or too little income tax has been withheld. Therefore, you can provide you employer a new W-4 Form. When you use the IRS withholding calculator, have a copy of your most recent pay stub and your most recent income tax return. Please see the link below to determine if your tax withholding is correct.

https://apps.irs.gov/app/withholdingcalculator/

As a note, if you are subject to self-employment taxes, alternative minimum taxes or other taxes, please read Pub 505 to accurately calculate your withholding requirements. Please contact us if you have any questions.

Capital Gains and Losses

Review Investment Gains and Losses

Anything you own or use for investment purposes is a capital asset. For example, real estate and stocks owned for investment purposes are capital assets. When you sell a capital asset, the difference between the amount you paid and the amount you sold it for is a capital gain or loss. Below, I have provided some important information to consider if you have capital gains or losses.

1. The tax law divides capital gains into short-term and long-term gains. Short-term capital gains are for property owned for one year or less, while long-term capital gains are for property held for more than one year.

2. The tax rate you pay for a tax year depends on whether you have a short-term or long-term capital gain.

- For 2024, short-term gains are generally taxed at the individuals ordinary income tax rate and could be subject to the additional 3.8% Medicare surtax depending on your income level.
- Long-term gains are more favorable and are tax either at 0%, 15% or 20%.
- Long-term gains on collectibles are taxed at 28%.

3. A capital loss is when you paid more for the asset than the amount you sold it for. Capital losses are also categorized as short-term and long-term depending on the holding period. There are limitations on how much capital losses can be deducted. If your capital losses exceed your capital gains, the excess loss up to $3,000 ($1,500 for married filing separately) can be deducted on your tax return to reduce income, such as wages. If you total net capital loss exceeds the annual deduction amount, the capital loss is carried forward to next year.

4. Capital Gains and Losses are reported on Form 8949 and Schedule D.

Take a look at your investments to see if there is an opportunity to offset capital gains with capital losses. Please contact us if you have additional questions or need assistance.

Accelerate Deductions and Defer Income

As year end approaches, tax planning is an important step to consider. It is always a good idea to look at opportunities to accelerate deductions or defer income, so you can decrease your potential tax liability.

You can review last year's tax return and compare the amount of income to this year's income. If your income will be higher in the current year consider accelerating deductions. The following are a few examples of accelerating deductions:

1. **Prepay your property taxes for this year that are due next year by December 31**
2. **Consider making a charitable contribution before the end of the year.**
3. **Consider prepaying deductible interest before the end of the year, if applicable.**
4. **Take advantage of flexible spending accounts.**
5. **As a business owner, analyze your accounts receivables for a potential bad debt deduction**
6. **As a business owner, consider applicable home office deductions**
7. **For an accrual basis company with a December 31 year end, consider making bonus payments to employees before March 15 of the following year, to take the deduction in the current year.**

If your income will be higher in the current year versus next year, consider deferring income to next year. The following are a few examples of deferring income:

1. **For cash basis tax payers, you can send client invoices near the end of the year, to ensure payment will not be received until next year.**
2. **Look at your stock portfolio or other investments with potential taxable gains and consider holding off on selling them till next year.**

3. **If applicable, consider taking a non-required IRA distribution or other retirement account in January.**
4. **For investment purposes, consider making a 1031 Exchange.**
5. Installment Sales: For certain types of transactions, like selling property, you might be able to structure the deal as an installment sale, allowing you to spread out the income over multiple tax years.
6. Retainer or Advance Payments: If you're self-employed, you can defer recognizing income from retainer or advance payments until the services are performed or the goods are delivered.

As you get ready for year end, consider your individual situations for potential tax planning opportunities. Please contact us if you would like to discuss your specific situation or have any questions.

Plan Around Itemized Deductions

As you look at last year's tax return, take a look to see whether you took the allowed standard deduction or you itemized your deductions. The standard deduction for 2024 is outlined in the following table:

Filing Status	Standard Deduction Amount
Single	$14,600
Married Filing Jointly	$29,200
Married Filing Separately	$14,600
Head of Household	$21,900
Surviving Spouse	$29,200

Based on your filing status, if you believe your itemized deductions will be more than the standard deduction, please see Form 1040, Schedule A. Scan through these items to see if there are any applicable deductions you can take. A few examples of itemized deductions includes: (1) Home Mortgage Interest, (2) Personal Property Taxes, (3) Gifts made to Charities and (4) Medical and dental expenses.

As you get ready for year end, you can bunch itemized deductions into the year in which they can exceed the applicable thresholds. For medical expenses, the deductible amount on the tax return is the amount that exceeds 7.5% of your adjusted gross income.

In regards to itemized deductions, it is always a good idea to have support to substantiate the expense. You need to keep good record keeping habits, just in case the IRS sends you a notice or you are audited by the IRS. Please contact us if you would like to discuss your specific situation or have any questions.