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November 2024

To My Clients and Friends:

CAPITAL ASSET TRANSACTIONS

The 2024 federal tax rate for long-term capital gains is:

Taxable Income:

Less than \$94,050 joint, \$47,025 single	0%
Less than \$583,750 joint, \$518,900 single	15%
Over \$583,750 joint, \$518,900 single	20%

Capital gains and losses result from the sale or exchange of capital assets, i.e. marketable securities. Capital gains and losses are segregated between short and long term with the “holding period” being the deciding factor. A capital asset must be held for more than 12 months to be long-term. While *net long-term capital gains* presently are taxed at lower tax rates than other income (salaries, wages and interest), the deduction of net capital losses is severely restricted. Further, *net short-term capital gains* are taxed at the same rates as ordinary income where income tax rates can be as high as 37%.

For a security transaction to be effective for 2024 the “*trade date*” must be on or before **December 31, 2024**.

Recognizing capital gains (short or long) for 2024 may also be a good idea if you have already recognized net capital losses for 2024 or have a capital loss carryover. At a minimum, capital gains should be recognized to the extent of realized capital losses and capital loss carryovers or at least to the extent that net capital losses for the year do not exceed \$3,000, the maximum amount of capital losses that can be used to offset ordinary income.

Recognizing gains and losses for income tax purposes should be properly planned to make certain you understand the income tax consequences, i.e. possibly paying income taxes in an earlier year than you otherwise would.

NET INVESTMENT INCOME TAX

Net capital gains are defined as *investment income* and as such may also be subject to the *net investment income tax* of 3.8% if your modified adjusted gross income exceeds \$250,000 (married filing joint return) or \$200,000 (single).

If you have any questions, please call me.

Very truly yours,
Charles E. Solak

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