

2024 Tax Update

Thank you for choosing *Colorado Accounting & Tax Services* in preparing your 2024 taxes.

We continue to keep abreast with tax law and technology changes in the tax field. You can feel confident that you have made the right choice.

With that being said, I will now jump into how the federal tax law changes could affect you for the 2024 tax year.

Tax Season Officially Starts

The IRS will start accepting 2024 Business Tax Returns on **January 15, 2025**.

The IRS will begin accepting Individual Tax Returns on **January 27, 2025**.

The deadline to submit 2024 individual tax returns is **Tuesday, April 15, 2025**.

Here are some of the 2024 tax changes that will impact your taxes in 2025.

Colorado Residents E-File Processing Dates

For 2024 tax year, **Colorado Department of Revenue** anticipates e-file processing dates to start as follows:

- Individual – February 11, 2025
- Business – February 10, 2025
- Fiduciary – February 10, 2025

Standard Deduction

The standard deduction (STD) for 2024 has increased by \$750.00 per individual and \$1,500.00 for couples from the 2023 rates.

Below is a table that breaks down the Standard Deduction changes.

Filing status	2023 Standard Deductions	2024 Standard Deductions
Single	\$13,850.00	\$14,600.00
Married, filing separately	\$13,850.00	\$14,600.00
Married, filing jointly	\$27,700.00	\$29,200.00
Head of household	\$20,800.00	\$21,900.00

Please keep in mind that you may either pick the Standard Deduction or an itemized deduction. In some instances, the Standard Deduction is higher than the itemized (Schedule A) amount, which is deducted from the Adjusted Gross Income (AGI) before arriving at a tax liability.

For example, in 2024, an individual taxpayer with an income of \$50,600 can take the standard deduction and reduce their taxable income to \$36,000.

With new tax brackets in 2024, you may find that your liability is lower in some instances.

For example, if you earned \$47,000 in 2023, **you were in the 22% federal income tax bracket**. However, in

earning the same income (\$47,000.00) in 2024 your tax bracket will now be in a 12% tax bracket.

Below is 2024 tax bracket

Tax Rate	Single Taxpayers	Married, Filing Jointly
37%	Incomes greater than \$609,350	Incomes greater than \$731,200
35%	Incomes greater than \$243,725	Incomes greater than \$487,450
32%	Incomes greater than \$191,950	Incomes greater than \$383,900
24%	Incomes greater than \$100,525	Incomes greater than \$201,050
22%	Incomes greater than \$47,150	Incomes greater than \$94,300
12%	Incomes greater than \$11,600	Incomes greater than \$23,200
10%	Incomes of \$11,600 or less	Incomes of \$23,200 or less

Earned Income Tax Credit

Earned Income Tax Credits (EITC) and Child Tax Credits (CTC) for 2024 increased slightly from 2023. For 2024 tax year, and depending on Adjusted Gross Income (AGI) limitations, please see the table on the next page:

Colorado Accounting & Tax Services Inc.,
Barton K. Beckley, LLM.T.
441 Wadsworth Blvd Ste.
225C
Denver, CO 80226

PH: (303)-948-2686
Fax: (303)-948-3020

Email: Barton@coacct.com
Web: - www.coacct.com

*“The IRS will start accepting 2024 Business Tax Returns on **January 15, 2025**. The IRS will begin accepting Individual Tax Returns on **January 27, 2025**. The deadline to submit 2024 individual tax returns is **Tuesday, April 15, 2025**.”*

Here is a table for the earned income tax credit requirements for 2024

Dependents	Maximum possible credit	Income limit for single, head of household or widowed filers	Income limit for married filing jointly filers
0	\$632	\$18,591	\$25,511
1	\$4,213	\$49,084	\$56,004
2	\$6,960	\$55,768	\$62,688
3 or more	\$7,830	\$59,899	\$66,819

Child Tax Credit

Child tax credit for 2024 (taxes filed in 2025), is worth up to \$2,000 per qualifying dependent child. The refundable portion, also known as the additional child tax credit, is worth up to \$1,700.

According to the IRS, a qualifying child should be your dependent for the 2024 tax year and generally must meet the following guidelines:

- Be under 17 at the end of the tax year.
- Be your son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of one of these (for example, a grandchild, niece or nephew).
- Not provide more than half of his or her own support for the tax year.
- Have lived with you for more than half the tax year.
- Be claimed as a dependent on your return.
- Not file a joint return for the year (or filed the joint re-

turn only to claim a refund of taxes withheld or estimated taxes).

- Be a U.S. citizen, U.S. National or a U.S. resident alien.
- Must have a Social Security Number that is valid for employment and is issued before the due date of your tax return (including extensions).

In addition, you will eligible for the full credit amount if your Modified Adjusted Gross Income (MAGI) is \$400,000 or below (married filing jointly) or \$200,000 or below (all other filers). If your MAGI exceeds the limits, the credit is reduced by \$50 for each \$1,000 of income above the threshold until it phases out completely.

New Tax Threshold on Capital Gains

Capital gains taxes are levied on the sale of capital assets, such as stocks, bonds, valuable items like jewelry and real estate. For the 2024 tax year, you will not have to pay any capital gains tax if your total taxable income is \$47,025 or less. That's an increase from the income threshold of \$44,625 in 2023. The capital gains tax rate jumps to 15% if your income is between \$47,026 and \$518,900. In addition, if your income is higher than that, you will pay 20% in capital gains tax rate.

Changes to the Kiddie Tax

Children, who are wage earners under the age 19, will have their first \$1,300 of any unearned income taxed free in 2024. According to the IRS, "unearned income" includes investment-type income such as taxable interest, ordinary dividends, and capital gain distributions. The next \$1,300 is taxed at the child's rate. Any unearned income above \$2,600 is taxed at the parents' tax rate.

Gift Tax Exclusion Increase

When money is donated or given to family members or friends as a

gift you can give up to \$18,000 to each individual in 2024 before incurring gift tax. That's an increase over the \$17,000 exclusion in 2023.

Increased Foreign Earned Income Exclusion

Income earned in a foreign country or from an employer in a foreign country may benefit you from the foreign earned income exclusion, which increased to \$126,500 in 2024.

Health Savings Account Deductible Increases

In order qualify for a health savings account (HSA) in 2024, the insurance plan you participate in must have an annual deductible between \$2,800 and \$4,150 for individuals, with a maximum out-of-pocket expense amount of \$5,550. For family coverages, the annual deductible must be between \$5,550 and \$8,350, with an out-of-pocket expense limit of \$10,200. Additionally, if you participate in an HSA plan, you can contribute more to your plan this year: up to \$4,150 for individuals and up to \$8,300 for families.

Estate Exemption

Family members who had died during 2024, are entitled to basic estate tax exclusion amount of \$13.6 million. This is an increase from \$12.92 million.

Flexible Spending Account Increases

The dollar limit for flexible spending accounts (FSA) increases to \$3,200 in 2024. If you don't use all the money in your FSA and your plan allows you to carry over unused amounts up to \$640 into 2025.

SIDE NOTE

Please ensure you have a recordkeeping system – electronic or paper – that keeps important information in one place. This includes year-end income documents like

- Forms W-2 from employers,
- Forms 1099 from banks or other payers,
- Form 1099-K from third party payment networks,
- Form 1099-NEC for nonemployee compensation,
- Form 1099-MISC for miscellaneous income, or
- Form 1099-INT if you were paid interest, as well as records documenting all digital asset transactions.

Ensuring tax records are complete and correct before filing helps avoid errors and amended returns that lead to processing delays. When you have all your documentation, you will be in the best position to file an accurate return. Avoiding processing delays, refund delays, and IRS letters.

For more information or questions please contact our office.

Colorado Accounting & Tax Services Inc.,
Barton K. Beckley,
LL.M.T.
441 Wadsworth Blvd, Ste 225C
Denver CO 80226

PH:(303)-948-2686
Fax:(303)-948-3020

Email:
Barton@coacct.com

Website:
www.coacct.com