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2024 Year in Review

Tax and financial planning items to consider

Key recent individual tax considerations

- Energy credit modifications mostly effective starting in 2023
- Excess business losses now effective through 2028 (loss limitation of \$305,000 (or \$610,000 for MFJ for 2023))
- Age for required minimum distributions (RMD) for 2024 — Age 73
- Form 1099-K changes for 2024
- Starting in 2024, there is a new provision that allows funds from 529 college savings plans to be rolled over into Roth IRAs

Individual income tax brackets for 2024

Rate	Single	Married filing jointly (and surviving spouses)	Head of household	Married filing separately
10%	Up to \$11,600	Up to \$23,200	Up to \$16,550	Up to \$11,600
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	\$16,551 to \$63,100	\$11,601 to \$47,150
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	\$63,101 to \$100,500	\$47,151 to \$100,525
24%	\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,501 to \$191,950	\$100,526 to \$191,950
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,700	\$191,951 to \$243,725
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,701 to \$609,350	\$243,726 to \$365,600
37%	\$609,351+	\$731,201+	\$609,351+	\$365,601+

Dividend and capital gains rates for 2024

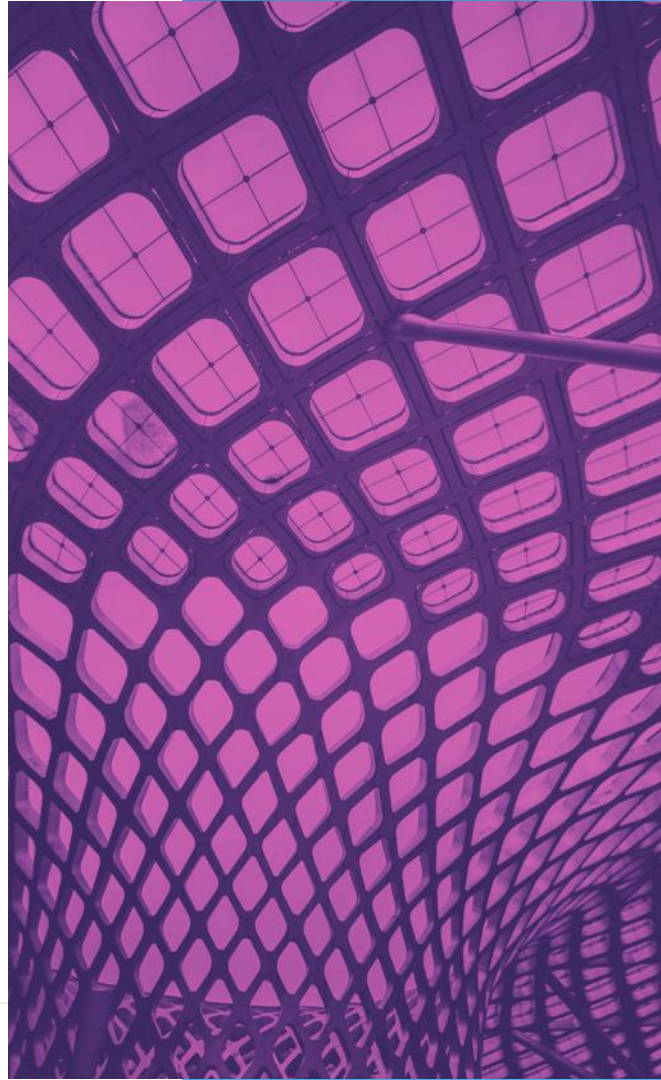
Qualified dividends and capital gains tax rate	Single filers	Joint filers	Head of household	Married filing separately
0%	Up to \$47,025	Up to \$94,050	Up to \$63,000	Up to \$47,025
15%	\$47,026 to \$518,900	\$94,051 to \$583,750	\$63,001 to \$551,350	\$47,026 to \$291,850
20%	\$518,901+	\$583,751+	\$551,351+	\$291,851+

2024 and 2025 standard deduction

	Single filers	Joint filers	Head of household	Married filing separately
2024	14,600	29,900	21,900	14,600
2025	15,000	30,000	22,500	15,000

2024: Add an additional \$1,550 if you're over 65 or blind (\$1,950 if single or head of household filing status)

2025: Add an additional \$1,600 if you're over 65 or blind (\$2,000 if single or head of household filing status)



Form 1099-K

- The IRS has been in the process of updating the reporting requirements for Form 1099-K.
- Ultimately, the threshold for reporting payments will be \$600. Any earnings of \$600 or more via online platforms like PayPal, Venmo, and Etsy must be reported to the IRS on Form 1099-K.
- **Previously**, the threshold was \$20,000 and 200 transactions.
- **Phased Implementation:** For the 2024 tax year, the IRS will begin to phase in the lowered threshold with a \$5,000 threshold.



State and local tax (SALT) issues

- More people working from home (remote workers) can cause state tax consequences and additional filing requirements.
- Make note of a possible credit for taxes paid in other states.
- Consider the ongoing impact of the change from physical presence to economic nexus standards for sales tax following the 2018 *Wayfair* decision (*South Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080).



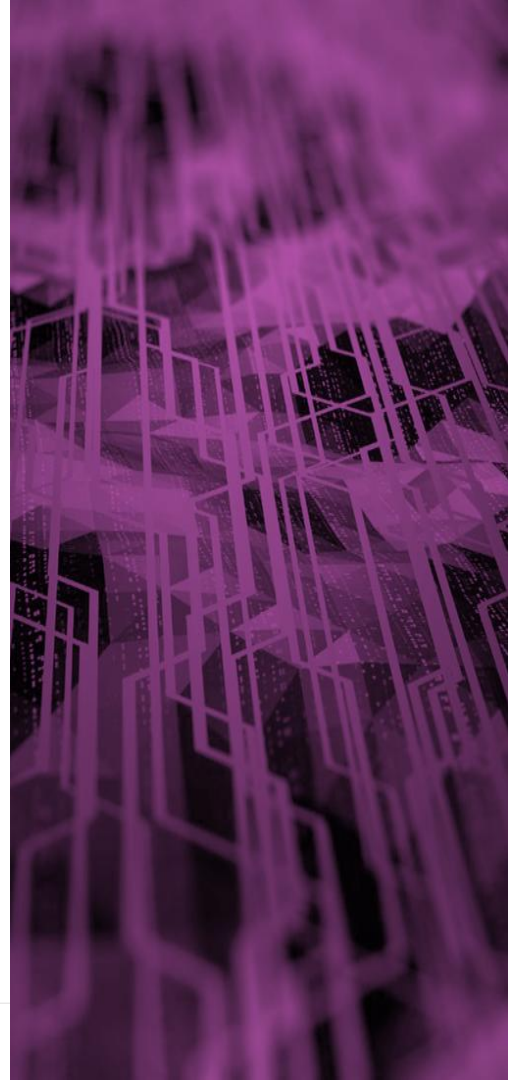
State and local tax (SALT) issues *(cont.)*

- For individual taxpayers, a deduction for state income and local property taxes is capped at \$10,000 (\$5,000 for married taxpayers filing separately) through 2025, *i.e.*, the SALT cap.
- In response, many states enacted legislation allowing elective entity-level SALT cap workarounds
- There are many factors to evaluate when considering a pass-through entity tax election due to differences in state laws.



Cryptocurrency and digital asset transactions

- As transactions involving digital assets continue to become more common, the IRS is increasing reporting requirements related to these transactions.
- Form 1040, *U.S. Individual Income Tax Return*, and other business tax forms have a question on the first page regarding digital assets, which must be answered.
- The sale or exchange of digital assets, the use of such property to pay for goods or services, or receipt of digital assets in exchange for goods/services generally has tax consequences.
- Custodial brokers will report certain sale and exchange transactions on a new Form 1099-DA, *Digital Asset Proceeds from Broker Transactions*, for transactions in 2025 (brokers must report basis on certain transactions in 2026).



Review of net investment income tax (NIIT)

- Additional 3.8% tax on certain investment items such as:
 - Capital gains
 - Interest
 - Dividends
 - Net rental and royalty income
 - Income from passive activities
- Affects individuals, estates and trusts with income above certain thresholds



Review of alternative minimum tax (AMT)

- Alternative tax system that parallels the regular federal tax (with different rates and rules for deductions)
- How does it work? It's a complex calculation that determines tentative minimum tax by:
 - Adding back certain non-taxable income and removing some deductions
 - Multiplying re-computed income by the applicable rate (26% or 28%)
- Higher of tentative minimum tax or regular tax is paid
- The Tax Cuts and Jobs Act (TCJA) significantly increased the exemption amounts while adopting several AMT concepts for regular tax purposes.
- Consider potential impact of a post-TCJA sunset.



Retirement planning

- RMDs: The age for starting RMDs is now 73 and will eventually rise to 75 in 2033.
- RMD's not required for Roth IRAs OR Roth 401(k)
- Catch-Up Contributions: Will now be indexed for inflation (\$7,500 for 401k and \$1,000 for IRA/Roth IRA)



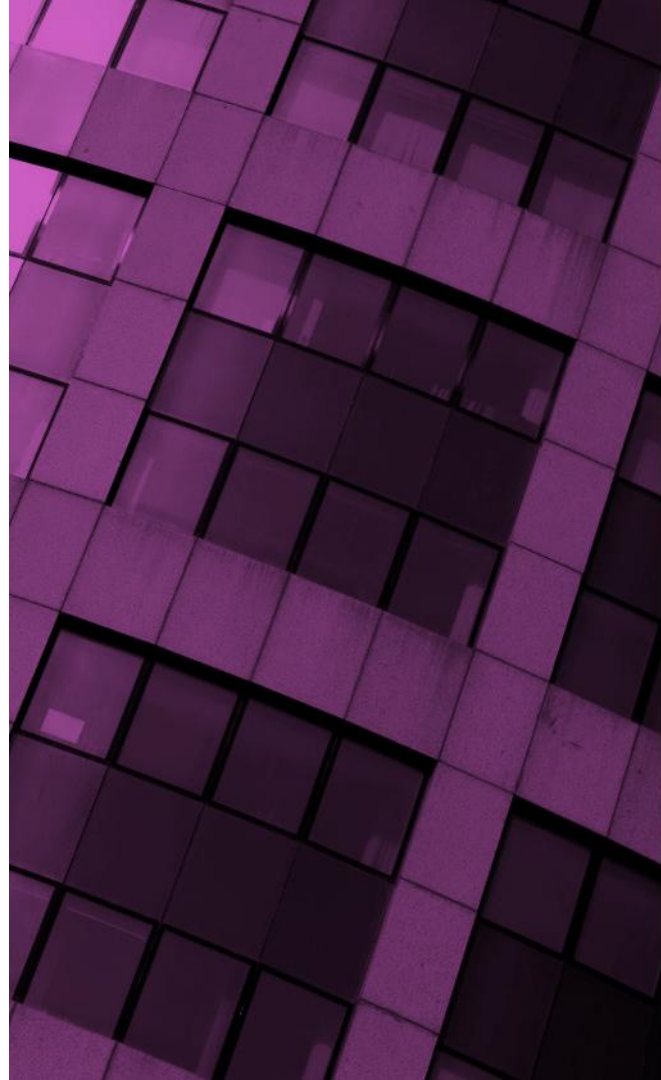
Retirement planning

- Individuals can withdraw up to \$1,000 per year for emergencies without the usual 10% early withdrawal penalty.
- Employers can make matching contributions to retirement accounts based on employees' student loan payments
- Unused funds in 529 college savings plans can be rolled over into Roth IRAs, subject to certain conditions and limits.



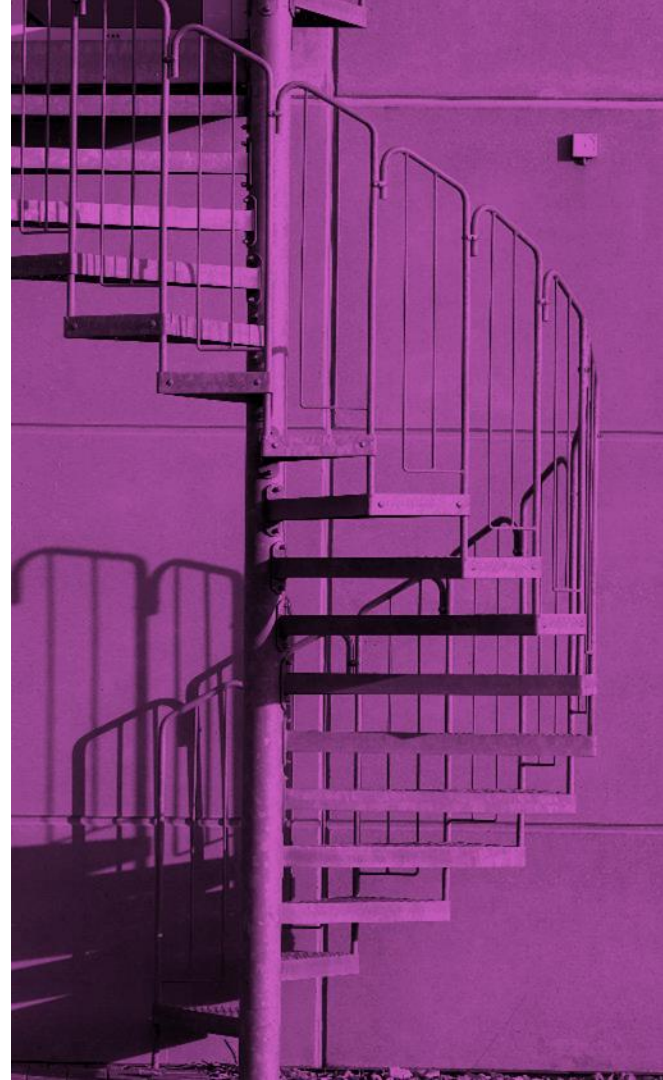
Estate and gift taxes

- 2024 estate tax exemption: \$13.61 million (2025 figure is \$13.99 million)
- Increase in exemption is temporary and expires on December 31, 2025.
- 2024 gift tax annual exclusion: \$18,000 (2025 is \$19,000)
- Estate planning is more than minimizing estate taxes
 - Updating documents
 - Repurposing insurance
 - Privacy
 - Asset protection



Education tax benefits

- **American opportunity tax credit**
 - Up to \$2,500 annually per eligible student for first the four years of post-secondary school (income thresholds apply)
- **Lifetime learning credit**
 - Up to \$2,000 annually per eligible student for post-secondary school expenses (income thresholds apply)
- **Section 529 plans**
 - Tax-advantaged savings plan to encourage saving for future education costs
 - Can be used to pay up to \$10K per year per beneficiary for tuition at any public, private, or religious elementary/secondary school
 - Rollover potential into Roth IRA



Charitable contribution substantiation and disclosure reminders

- Must be made to a qualified charity and must be substantiated.
- Cash or non-cash contributions of \$250 or more
 - ✓ Need “contemporaneous written acknowledgment” from the charity
- Non-cash contributions over \$500
 - ✓ Need details of donee organization, items donated, cost, value and more (Form 8283, Section A)
- Non-cash contributions over \$5,000
 - ✓ Need qualified appraisal (attach to return if \$500,000 or greater)

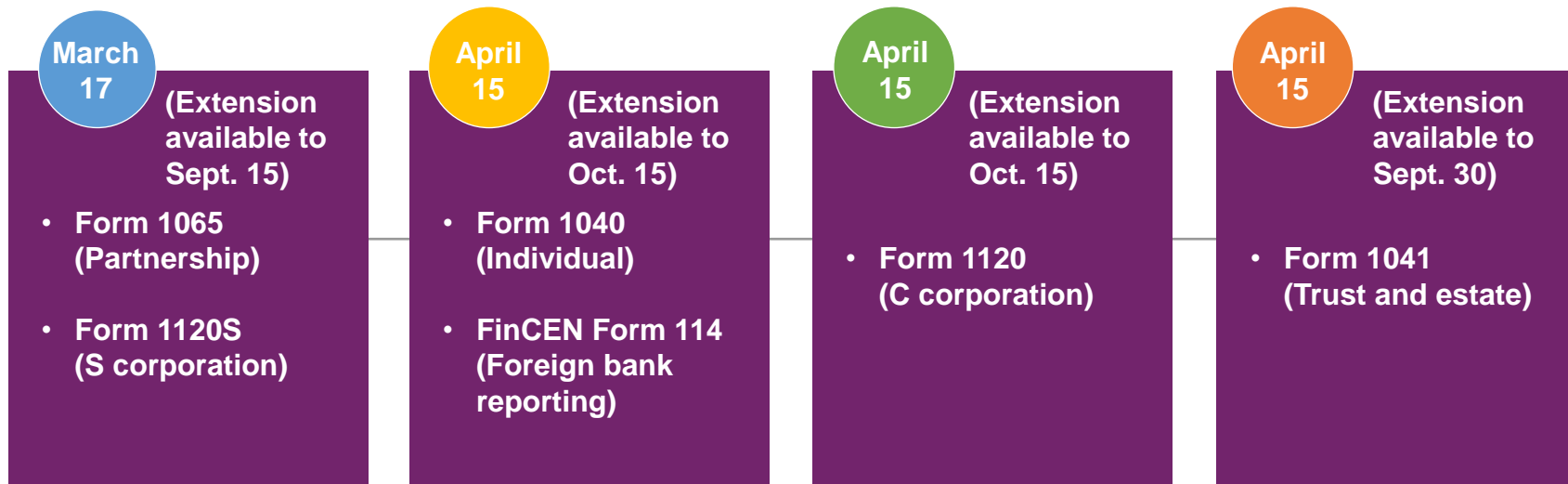


Charitable contribution planning reminders

- Qualified charitable distributions from IRAs allow those over age 70 ½ to exclude up to \$100,000 directly transferred to public charities
- Donor Advised Funds (DAFs) allow “bunching” of contributions
- Plan for five-year carryover of any excess contributions over annual deduction limitation



Reminder about due dates (for calendar year-end taxpayers)



Beneficial ownership information (BOI) reports to FinCEN

- **Existing Companies:** If your company was created or registered before January 1, 2024, you must file your initial BOI report by January 1, 2025.
- **New Companies:** If your company is created or registered on or after January 1, 2025, you must file your BOI report within 30 calendar days of receiving actual or public notice from your state's secretary of state or similar office that your company was created or registered.



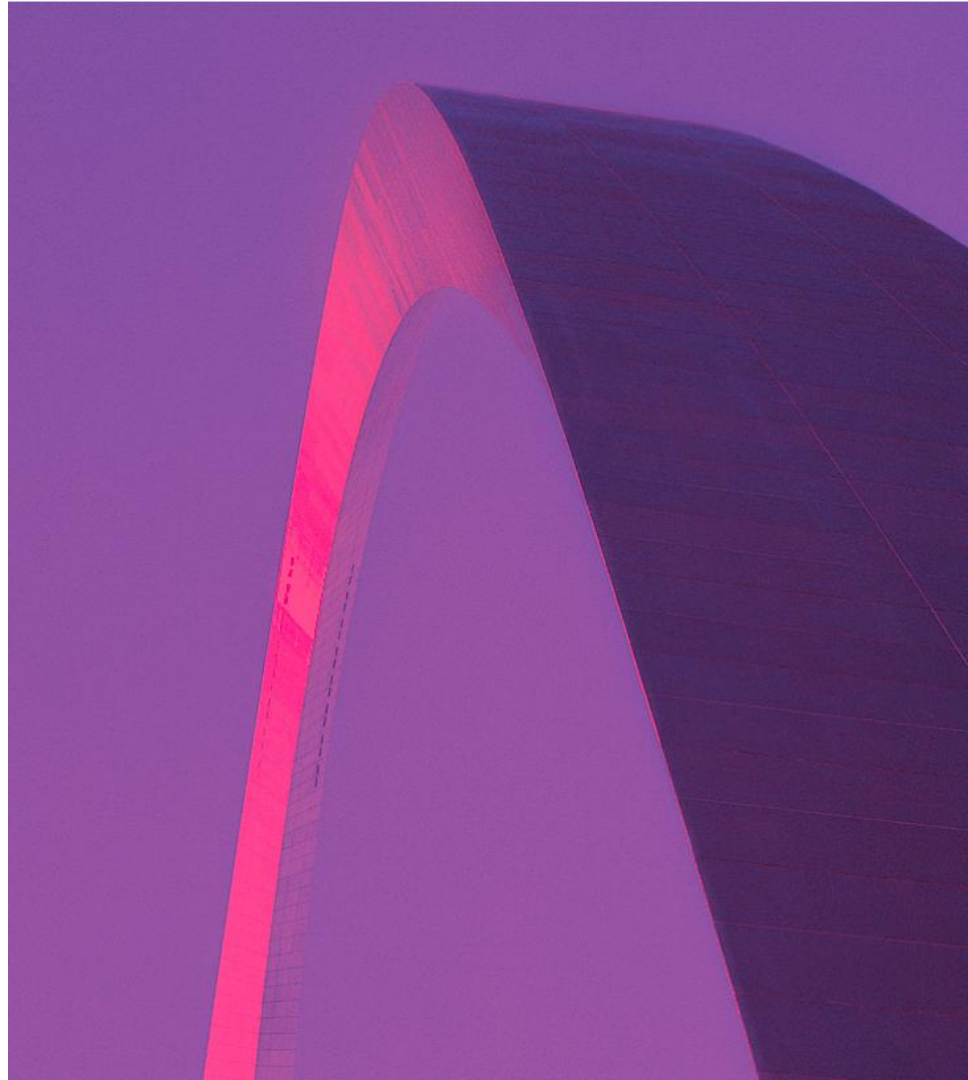
Small businesses — saving for retirement

- Consider changes from SECURE 2.0
- Savings Incentive Match Plan for Employees (SIMPLE)
- Simplified Employee Pension (SEP) plans
- Profit-sharing plans
- A variety of 401(k) plans
- For new plans — consider small employer pension plan start-up credit



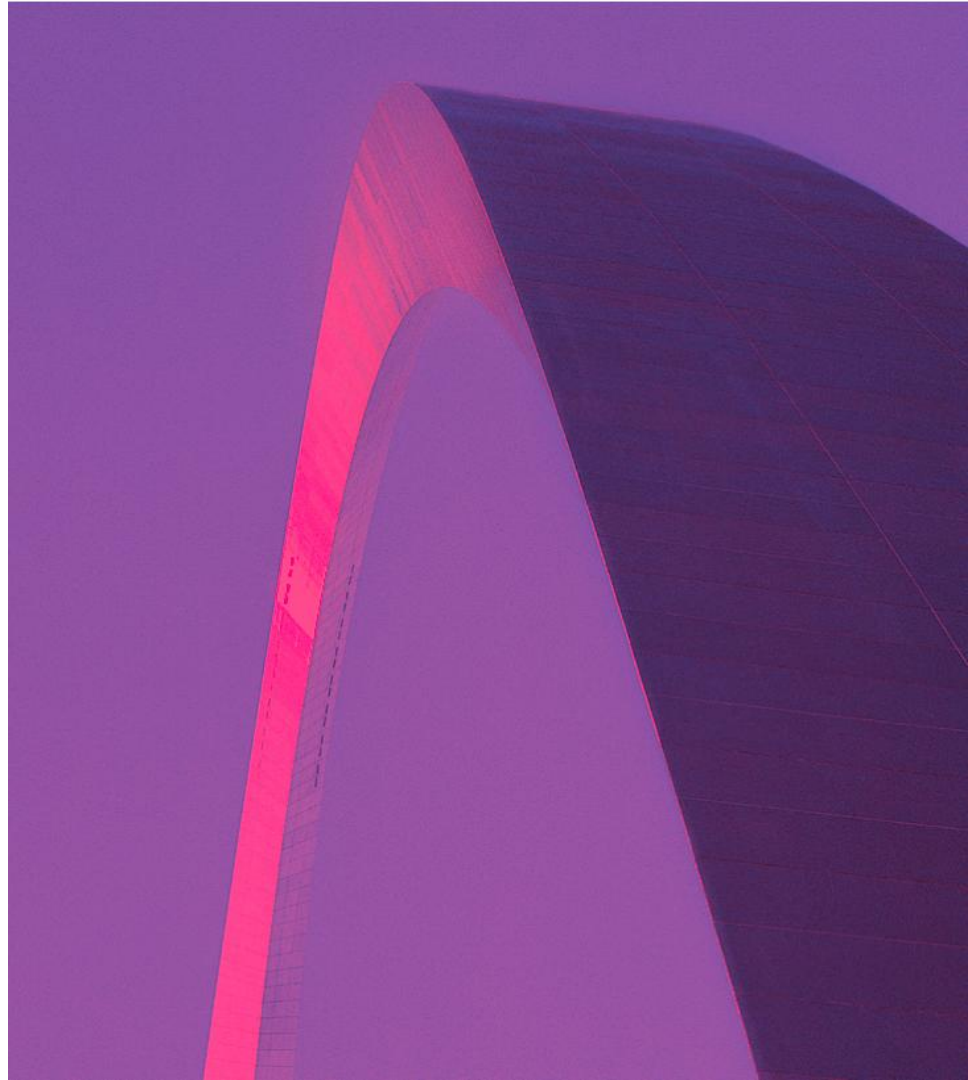
Top tax considerations for businesses

- Tax rates for corporations vs. qualified business income deduction for pass-throughs
- Research expense capitalization
- Business interest limitation changes



Depreciation tax updates for businesses

- Section 179 deductions — For qualifying property placed in service in tax years beginning in 2024, the maximum allowable first-year Sec. 179 deduction is \$1,220,000 million for qualifying property that does not exceed \$3,050,000.
- Bonus depreciation — 2024 currently at 60% and reduces 20% each year until 2027



Energy credits

Individuals

- Energy Efficient Home Improvement Credit
- Residential Clean Energy Credit
- Clean Vehicle Credit

Energy credits

Business

- IRC Section 45 — Production Tax Credit (PTC)
- IRC Section 48 — Investment Tax Credit (ITC)
- IRC Section 48C/45X — ITC or PTC Energy Equipment Makers

Protect yourself from fraud

Individuals

- Protect your information.
 - Shred your mail.
 - Don't let "phishing" or other phone or email scams fool you.
 - Check your credit report regularly.
 - Consider obtaining an IP PIN from the IRS.

Businesses

- Develop/update your security plan.
- Only collect what you need for as long as you need it.
- Secure your network.
- Train and restrict access.
- Audit regularly.

TCJA sunset

Many of the individual provisions of the TCJA are set to expire (or “sunset”) on December 31, 2025, including:

- Individual income tax rates and brackets will revert to 2017 levels.
- The standard deduction will be cut roughly in half, the personal exemption will return while the child tax credit (CTC) will be cut.
- The QBI 20 percent tax deduction for many pass-through businesses
- The estate tax exemption will be reduced.



Potential legislation

Many factors contribute to continued uncertainty for tax planning. Key developments to watch include:

- Outcome of the November elections
- Any “Lame-duck” session tax legislation
- Debt-ceiling negotiations in early 2025
- Global developments, particularly the ongoing rollout of the OECD’s two-pillar framework



Planning opportunities

**Complexity =
possible savings
opportunities**

**Consider
evaluating tax
structure.**

**A CPA can
provide tax and
financial planning
services.**