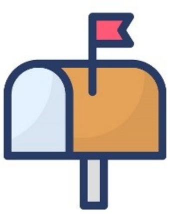
2024 YEAR-END TAX LETTER

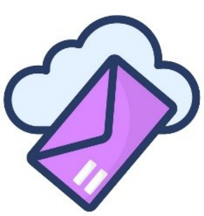
INSIDE THIS ISSUE:

IT'S TAX TIME AGAIN...

Your mailbox should be filling up with the information you will need to get the job done.

This letter is full of information designed to help you prepare your tax documents so you pay only the tax that you rightfully owe.





Time to get organized:

This checklist will help you collect the documents needed to file your tax return.

☐ **Your last 3 years' tax returns** *(new clients only)*.

☐ **Social Security numbers and dates of birth** for taxpayers, spouses and dependents.

☐ **Copy of Driver's License** for taxpayer and spouse.

☐ **Noncustodial parents claiming children** need a signed IRS Form 8332.

☐ **W-2 Forms.**

☐ **Your last paycheck stub of the year** (for each job).

☐ **IP PIN.** The IRS sends notice CP01A by mail if identity theft is suspected. You can't reuse your PIN from last year.

☐ **1099 Forms** for interest, dividends, sales, retirement, Social Security, self-employment, unemployment, etc. ★ *Remember to download and print statements from online accounts that don't send paper tax forms.*

☐ Statements for **real estate and personal property taxes.**

☐ **Forms 1098 for mortgage interest.**

☐ **Foreign accounts.** Bring statements. Such assets must be disclosed even if they do not generate income.

☐ **If you bought, sold, or refinanced a home** bring the settlement statement.

☐ **Purchase and sale information,** including dates, relating to anything sold.

☐ **Stock options & ESPPs.** Form 1099-B and supplemental statements showing "ordinary" income reported on form W-2.

☐ **Cryptocurrency.** Bring details including dates, proceeds, and original cost.

☐ **Forms W2-G** for gambling winnings. Bring a log of gambling sessions (if available).

☐ **Child care provider information** (name, address, tax ID#, amount paid). Required *even if you have a daycare flex account at work.*

☐ **Names, addresses, and Social Security numbers** from whom you received interest, or to whom you paid interest.

☐ **Bankruptcy or divorce papers** (if applicable).

☐ **Alimony** paid or received for divorces executed before 1/1/19. Provide dollar amount & SSN of payer/recipient.

☐ **If you paid an individual $600 or more for services in connection with your business,** please provide their name, address, and tax ID#.

☐ **Records showing income and expense for business and/or rental property you own.** Records of business and personal mileage are required for automobile deductions.

☐ **Form K-1** if you have an interest in a Partnership, S-Corporation, Estate or Trust.

☐ **IRA** (traditional, Roth, SEP, Simple) year-end statements.

☐ **Bring details for <u>all</u> income,** whether or not you think it's taxable. Don't forget barter, hobby, settlements, prizes, gifts, foreign, etc, etc.

☐ **Forms 1098-T** for post-secondary tuition payments are sent to the student. If the student is your dependent you must get it from them.

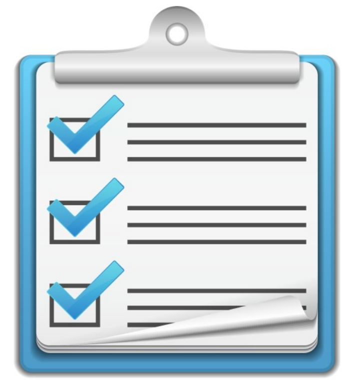
☐ **Forms 1099-Q** for education savings plan distributions.

☐ **Student loan interest forms 1098-E.**

☐ **Estimated taxes paid** (include amount and date).

☐ **Adoption costs.** Also bring the legal adoption documents.

☐ **Charitable donations.** Bring separate totals for cash and noncash contributions. Bring receipts. For noncash donations totaling over $500 include date, place, fair market value,



and original cost.

☐ **Qualified Charitable Distributions** from an IRA. Provide documentation.

☐ **Form 1098-C** for donations of automobiles or boats.

☐ If you purchased a qualifying new or used **plug-in vehicle (EV),** bring the Clean Vehicle Seller Report (provided by the dealership if the EV qualifies).

☐ If you installed **solar, wind, geothermal, EV charging station, or fuel-cell systems** bring receipts and details.

☐ If you installed an **energy efficient furnace, central AC, water heater, windows, doors, insulation, heat pump, etc.**) bring receipts and details.

☐ **If debts were forgiven,** bring Form 1099-C or 1099-A.

☐ **Forms 1099-K for internet or credit card income.**

☐ **Health Savings Account (HSA) contributions and distributions.** Bring forms 1099-SA and 5498-SA.

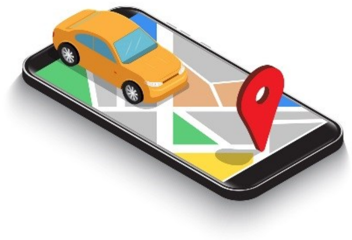
☐ **Form 1095-A** for health insurance purchased on healthcare.gov (or your state's ACA insurance marketplace).

☐ **Out of pocket medical expenses** may be deductible (if large). Bring details.

☐ **Form 1099-LTC** for long-term care policy benefits paid.

☐ **Employee Retention Credits?** Bring details. You may have to amend a return for the tax year the credits were paid.

☐ **Bring a voided check for direct deposit** of any refunds you expect to receive.



__Caution__: the IRS is very attentive to taxpayers who write off local travel costs.

A daily log of business use is essential. Also, don't forget to record the beginning and the year-end odometer readings.

Need help? There are plenty of smartphone apps that can help with tracking mileage.

DEDUCTING MILEAGE?

Did you drive for charity? If so, you can deduct **14¢** per mile (if you itemize).

If your medical expenses are substantial, you may want to calculate a mileage deduction. Medical miles for 2024 are **21¢ per mile.**

If you drove for business purposes, the situation is a little more complicated: First decide which miles qualify.

Use the following three scenarios to determine how many miles you can deduct:

Keep in mind the following: ***In general, commuting is not deductible.***

Scenario #1: If you have an office or regular place of business outside your home, you may not deduct miles commuting to and from work or to your first or from your last stop, but you may deduct mileage to drive to a *temporary work place* (less than one year's duration) and mileage to and from different work locations during the day.

Scenario #2: If you have an office in your home that qualifies for a home office deduction, all of your business-related mileage is deductible (see below for home office deduction qualifiers).

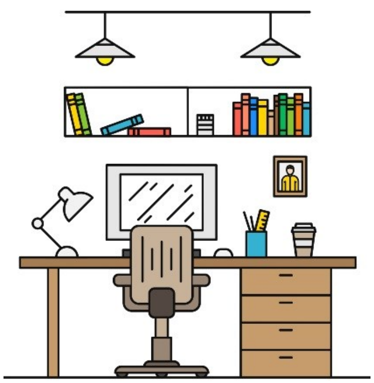
Scenario #3: If you work out of your home but do not qualify for the home office deduction, the distance between home and your first stop and between your last stop and home are nondeductible commuting miles. You should carefully plan to have your first and last stops close to home to maximize the mileage deduction. A trip to the bank, post office, or a supplier can help increase deductible business miles.

Once you have determined which miles to count, you need to decide whether to use the *standard mileage* rate or actual expenses.

The ***standard mileage rate*** *for qualified business use* for 2024 is **67¢ per mile.**

Which method is best? In general, the standard method works best if your business miles are high or your vehicle is economical to run.

The actual expense method works best if your vehicle weighs over 6000 pounds, is costly to run, or you do not have that many miles in total.



DO YOU WORK AT HOME?

If you are self-employed, you may qualify for the home office deduction if you use a portion of your home **exclusively** as your principal place of business, to store inventory, or to conduct substantial management or administrative activities. There can be no other fixed location where the above activities can be done.

The office space still needs to be **used regularly and exclusively for business.** You can not have any other usage of the area whatsoever. Using your office for personal or investment reasons eliminates the deduction as far as the IRS is concerned, so be careful to keep your office space all business.

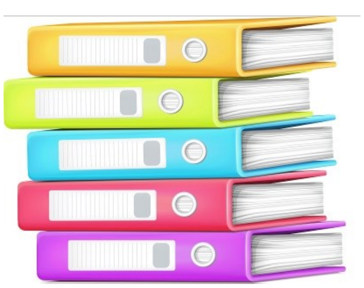
Having a deductible home office means you can deduct all of your local business travel as described earlier.

If your office qualifies, you will need additional information: Measure the business space and the total space. You will also need your mortgage interest, taxes, insurance, association fees, repairs, maintenance, utilities, garbage, security, and/or rent paid. Also, provide an accounting of the total investment in your home.

The IRS has provided a simplified home office deduction, if you choose. Instead of calculating all of the above information, $5 per square foot can be deducted (maximum $1,500). The IRS estimates that the simplified home office method saves taxpayers 1.6 million hours per year.

To avail yourself of tax deductions, you need to be organized and well documented.

Save proof of all tax deductible purchases.



COMPUTER & CELLPHONE GUIDELINES

Did you buy a computer that you would like to deduct? You can use the following guidelines to determine what is deductible.

If you are self-employed, the business percentage of computer usage, measured by time, is deductible.

If you are a student, the use of a computer is not deductible, but you can tap your 529 plan for a computer purchase.

Keep a log of computer usage to support your deduction.

Cell phone deductions are as follows:

Employers providing cell phones do not have to require records of use to provide tax-free cell phones to employees.

Self employed individuals can deduct business cell phone usage. The IRS, however, still has a hard time believing a cell phone is 100% for business. It's wise to keep a log of use.

EMPLOYEE BUSINESS EXPENSE DEDUCTIONS ARE NOT ALLOWED ON THE FEDERAL RETURN

The Tax Cuts & Jobs Act eliminated federal deductions for non-reimbursed employee work expenses. As such, most of the deductions discussed on this page are for <u>business owners</u> only.

WHAT'S NEW FOR TAX YEAR 2024?

Let's take a look at the new tax laws for 2024.

Note: The detailed qualifiers of these new rules are beyond the scope of this newsletter.

IRA Contribution Limit
IRA contribution limit for tax year 2024 is $7000 (up from $6500 in 2023). Taxpayers age 50+ can contribute an additional $1000.

Early Withdrawal Penalties
Taxpayers under age 59.5 have two new exemptions to the 10% early withdrawal penalty.

Victims of domestic abuse (within the last year) will be able to distribute up to $10,000 (maximum) without penalty.

Distributions of $1000 (maximum, limit once every three years, unless repaid) will be allowed for **unforeseeable or emergency needs**.

Both of the above distributions are subject to tax (if applicable), but not penalty. Such distributions can also be repaid within a 3 year window to recoup the tax.

Plug-In Electric Vehicles (EVs)
Qualifying new EVs were a little harder to find in 2024. That's because more stringent battery and mineral component requirements kicked-in on 1/1/24. As before, visit fueleconomy.gov for lists of qualifying EVs.

2024 was the first year that dealerships could apply the EV tax credit at the point-of-sale. They were also required to provide a Clean Vehicle Seller Report to buyers of qualifying EVs.

Taking the credit at the point-of-sale is optional The alternative is to claim the credit on your tax return. Regardless of where you take the credit (point-of-sale vs. tax return), IRS form 8936 is required.

Beware that you will have to pay-back point-of-sale credits on your tax return if you don't qualify for other reasons. For example, you don't qualify if your income for both the current and prior year was above $150,000/$225,000/$300,000 (single, HH, MFJ).

529 Plan used for Beneficiary's Annual Roth IRA Contribuiton
Beneficiaries of 529 education savings plans can make tax and penalty free rollovers to a Roth IRA regardless of their income. Here are a few limitations:

- Roth IRA must be in the name of the 529 plan's beneficiary
- $35,000 lifetime limitation
- 529 Plan must be at least 15 years old
- 529 plan contributions (plus earnings) made within last 5 years do not qualify
- Direct trustee-to-trustee transfer (from 529 into Roth)
- Roth IRA contribution rules still apply, including earned income requirement and contribution limits ($7000 + $1000 age 50+ catch-up)

$5000 1099-k Threshold
Folks that received $5,000+ for goods or services (in 2024) from a third-party payment network will now get a 1099-k form (the previous threshold was $20,000, plus 200+ transactions). This will affect those receiving payments via credit card, apps (e.g. Venmo, PayPal, & others), online marketplaces (e.g. Etsy, Ebay, & others), ridesharing platforms (e.g. Uber, Lyft, & others), crowdfunding sites (e.g. Kickstarter, & others), etc.

Of course, the new reporting threshold doesn't change the fact that taxpayers must report all taxable income regardless of whether or not a 1099 was issued. Rather, it makes it harder to cheat by not reporting undocumented income.

RMDs Eliminated for Roth Qualified Plans
Annual Required Minimum Distributions (RMDs) from employer sponsored Roth plans (e.g. Roth 401(k), Roth 403(b), etc.) have been eliminated. Roth IRAs already had this provision based on old rules. In contrast, inherited Roth accounts still have RMDs (same as before).

Charitable Giving From an IRA
Qualified Charitable Distribution (QCD) limits are now being indexed for inflation. The annual QCD maximum for 2024 increased by $5000 (up to $105,000). As a reminder, QCDs are tax free distributions, but only allowed for taxpayers age $70^{1/2}$ and older.

Employer Match for Employee's Student Loan Payments
Employers are now allowed to make matching contributions to most types of retirement accounts based on an employee's student loan payments. Employers that choose to offer this benefit will be helping employees that can't afford to fund their retirement while paying off student loans.

Emergency Savings Accounts
Employers can create a new type of tax-advantaged saving account for non-highly compensated employees called Pension Linked Emergency Savings Accounts (PLESAs). Employers will be allowed to auto-enroll employees. Employees will be allowed to opt-out. The maximum annual contribution (and account balance) cannot exceed $2500. Contributions would qualify for employer matching.

Delayed 2024 Rule Changes
The IRS has delayed some rules that were supposed to go into effect 1/1/24. Most notably, catch-up contributions to retirement plans (for those age 50+) would have been required to go into a Roth account if the taxpayer's income was $145,000+. The IRS delayed this rule until 1/1/2026. The delay makes sense, given that many employers still don't have Roth options within their retirement plan.

Heads-up! Inherited IRAs
The IRS issued long awaited final regulations regarding the 10-year-rule for distributing funds from IRAs that were inherited AFTER 12/31/19. In question was whether or not Required Minimum Distributions (RMDs) were required for non-spouse beneficiaries in each of the 10 years.

Here's the gist: If the decedent was already of RMD age, then RMDs are required in each of the 10 years. In contrast, if the decedent was under RMD age, heirs can distribute the funds as they wish. In both cases, the account must be fully distributed by the end of the 10th year.

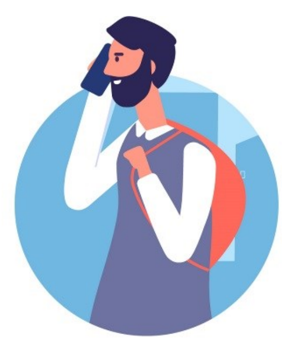
Due to the delayed ruling, penalties for missed RMDs (in the above-mentioned instance only) are waived for tax years 2020—2024. Penalties resume for such missed RMDs in 2025.

Other "eligible designated beneficiaries" generally have longer than 10 years to distribute their inherited IRA, including:

- Surviving spouses
- Minor children under age 21
- Disabled or chronically ill individuals
- Those not more than 10 years younger than the deceased

Legislatively, 2024 was a quiet year… but that doesn't mean that tax laws stayed the same.

Prior year legislation scheduled MANY new tax laws to begin on 1/1/24.



These are only the highlights of the new laws affecting tax year 2024. Ask for help to determine how these (and other tax rules) apply to your specific situation.

YEAR-END TAX TIPS

Consider the following before 2024 comes to an end:

Lower Your Taxable Income:
Employees have until 12/31/24 to increase pre-tax deductions (e.g. 401(k), 403(b), etc.) from their paycheck (unless already maxed).

Self-employed folks can lower their taxable income too by making business purchases or contributing to a retirement plan. Ask for help if you need year-end tax planning. Retirement plan rules are more complex for self-employed folks.

Why consider this? Not only can it reduce tax, but there are credits and surtaxes that are sensitive to income levels. Each income threshold is calculated differently, and there are other qualifiers, so ask for help if you need assurances. With that in mind, here are some examples:

Do you have kids in college or pay tuition for yourself? The American Opportunity Credit (first four years of college) and Lifetime Learning Credit (for other degree programs including grad school) begins to phase out at an income of $80,000 (single/HH) and $160,000 (MFJ).

Do you own a business? The QBI deduction begins to phase out for many business owners starting at a taxable income of $191,950 (single/HH/MFS) and $383,900 (MFJ).

Do you have a modest income? The Earned Income Credit phases out at varying income levels between $18,591 (single with no qualifying children) and $66,819(Married with 3+ children).

Do you have a larger income? The Child Tax Credit begins to phase-out at $200,000 (single) and $400,000 (married). Medicare and investment surtaxes begin at $200,000 (single) or $250,000 (married).

Do you put money in a Roth IRA? Contributions to a Roth IRA begin to phase-out at $146,000 (single/HH) or $230,000 (MFJ).

Do you own rental property? Your ability to deduct most rental losses incurred during the current tax year phases out between $100,000 and $150,000 of income.

Are you paying student loans? Your ability to deduct the interest begins to phase out at $80,000 (single/HH) and $165,000 (MFJ).

Do you buy ACA health insurance on healthcare.gov (or state run exchange)? Your premium contribution is limited to 8.5% of household income. As such, lower incomes might result in higher Premium Tax Credits.

Charity:
Nearly 90% of taxpayers will not itemize this year. If that's you, consider the following charity strategies:

- **Volunteer**. The value of your time was never a tax deduction, so you're not missing out on anything.
- **Plan ahead for a QCD:** Qualified Charitable Distributions (QCD) from an IRA are allowed for taxpayers over age $70^{1/2}$. The contribution must be made directly from the IRA to the charity. QCDs have annual limits ($105,000 in most cases).

Selling investments?
If your taxable income is below $47,025 (single), $63,000 (HH), or $94,050 (MFJ) consider selling long term investments that have gained in value. You will not pay any federal tax on the gain if you keep your taxable income below those thresholds.

Conversely, it might be wise to check your portfolio for losses. You can offset up to $3,000 of other income with capital losses. If you want to repurchase the stock, wait at least 31 days to avoid a wash-sale (which disallows the loss).

If you are planning on deducting worthless stock, note that it's not deductible until it's completely worthless.

Roth conversions:
The deadline to convert funds from a traditional IRA to a Roth IRA is 12/31/24. Unlike Roth contributions, conversions are allowed regardless of income. The amount converted is taxable income, and cannot be reversed at a later date.

Health Savings Accounts:
If you choose a health plan that is compatible with **Health Savings Accounts (HSA)** you can contribute to the HSA and lower your taxable income. The maximum amount you can shelter for tax year 2024 is $4,150 (single coverage) or $8,300 (family coverage). Taxpayers age 55+ can contribute an additional $1000. You should contribute the maximum if you can afford to. That's because HSAs have three tax benefits;

1. Contributions are a tax deduction.
2. Qualified medical distributions are tax free.
3. You can invest the funds and reimburse yourself for qualified medical expenses after the account has grown in value (remember to save your medical receipts).

Employee fringe benefits:
Aside from HSAs, look into other pre-tax spending options that your employer offers such as; insurance, daycare, commuting, parking, & education.

Beneficial Ownership Information (BOI) Deadline:
Most (not all) corporations and LLCs (plus some other business entities) must report information about their owners, controllers, and applicants by 12/31/24. Failure to comply may result in fines and/or criminal prosecution.

The purpose of this newsletter is to raise awareness about BOI reporting. It is not designed to cover BOI filings in detail. .

Who Reports BOI? Entities may need to report BOI if they are:

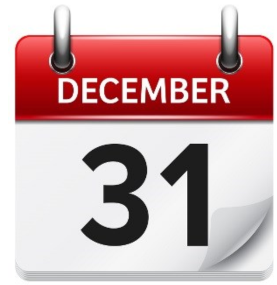
- A corporation, a Limited Liability Company (LLC), or was otherwise formed by filing a document with a secretary of state or any office under the law of a state or Indian tribe.
- A foreign company that was registered in any state or Indian tribe by such a filing.

There are 23 types of exemptions to the filing requirement. These details are beyond the scope of this newsletter. Most of the exemptions are for entities that are already required to report information to other federal agencies (including: banks, insurance companies, some investment and securities companies, large operating companies, among many others).

How: Reporting companies submit information electronically through FinCEN's website (www.fincen.gov/boi)

When: Companies that were formed prior to 1/1/24 have until 12/31/24 to file. Companies formed during 2024 have 90 days to file. Companies formed after 12/31/24 will have 30 days to file.

The FinCEN website is where to go for more information (www.fincen.gov/boi). Specifically, click on "Small Business Resources" (where you will find helpful FAQs, plus the Small Entity Compliance Guide).



The basic strategy for year-end tax planning can be summed up in the following two statements:

- *Channel your income into the year where it will be taxed at a lower rate.*
- *Channel your deductions to the year where your income will be taxed at a higher rate.*

If you need year-end tax planning a consultation would be wise.