

2023 & 2024 IMPORTANT TAX CHANGES

* **INCOME TAXES:** In 2024, the rates will remain the same as compared to 2023 but the income amounts have been adjusted for inflation.

2023 Tax Rates & Tax Brackets

Tax Rate	Single	Married Filing Joint	Married Filing Separate	Head of Household
10%	Under \$11,000	Under \$22,000	Under \$11,100	Under \$15,700
12%	\$11,001 to \$44,725	\$22,201 to \$89,450	\$11,001 to \$44,725	\$15,701 to \$59,850
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$44,726 to \$95,375	\$59,851 to \$95,350
24%	\$95,376 to \$182,100	\$190,751 to \$364,200	\$95,376 to \$182,100	\$95,351 to \$182,100
32%	\$182,101 to \$231,250	\$364,201 to \$462,500	\$182,101 to \$231,250	\$182,101 to \$231,250
35%	\$231,251 to \$578,125	\$462,501 to \$693,750	\$231,251 to \$346,875	\$231,251 to \$578,100
37%	Over \$578,125	Over \$693,750	Over \$346,875	Over \$578,100

2024 Tax Rates & Tax Brackets

Tax Rate	Single	Married Filing Joint	Married Filing Separate	Head of Household
10%	Under \$11,600	Under \$23,200	Under \$11,600	Under \$16,550
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,550 to \$63,100
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500
24%	\$100,525 to \$191,950	\$201,051 to \$383,900	\$100,525 to \$191,950	\$100,501 to \$191,950
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600	\$243,700 to \$609,350
37%	Over \$609,350	Over \$731,200	Over \$365,600	Over \$609,350

* **SECURE 2.0 ACT:** The SECURE 2.0 Act was signed into law in December 2022. Some of the highlights of the SECURE Act 2.0 include the mandatory age for RMDs is increased from age 72 to 73 for those who turn 72 after 2022 and age 75 for those who turn 74 after 2032; Reduced excess tax on missed RMDs to 25% (from 50%); and increased employer plan catch-up contributions for ages 60-63 starting 2025.

* **EARLY WITHDRAWAL PENALTIES:** The SECURE 2.0 Act adds to the list of retirement distributions prior to age 59.5 without 10% penalty. The new penalty exemptions include long-term care distributions, substantially equal period payments, domestic abuse, terminal illness, qualified public safety employees, presidentially declared disasters and more.

* **CAPITAL GAINS DIVIDENDS TAXES:** In 2024, the tax rates for long term capital gains will remain unchanged at 15% for most individuals. Most of those in the 10% and 12% brackets can still take advantage of the 0% long-term capital gains rate. Qualified dividends will also be taxed at these rates. Short term capital gains will be taxed at ordinary income rates.

* **401(k), 403(b), AND MOST PLANS:** In 2024, the contribution limit into 401(k), 403(b), most 457, and the Thrift Savings Plan remains the same at \$23,000. The catch-up contribution limit remain the same at \$7,500 for those over 50 years old, giving a total contribution amount of \$30,500.

* **IRA CONTRIBUTIONS:** In 2024, individuals that have a workplace retirement plan can take an IRA deduction if they are single with a modified adjusted income (MAGI) of under \$87,000 or married with a MAGI of under \$143,000. For individuals who do not have a workplace retirement plan but their spouse does, an IRA deduction is available if their MAGI

is under \$240,000. The IRA contribution limit will increase to \$7,500 with a catch-up of \$1,000 for those over 50 years old. For taxable years beginning after December 31, 2019, the SECURE Act removed the age restrictions for taxpayers to contribute to a traditional IRA.

* **ROTH IRA CONTRIBUTIONS:** In 2024, the Roth IRA income limitations increased to \$161,000 to individuals and \$228,000 for married couples. The contribution amount will increase to \$7,000 with a \$1,000 catch-up for those over 50 years old. If you don't qualify for a Roth IRA, you may consider converting an IRA to a Roth IRA. Conversions, however need to be done by December 31, NOT April 15th. "Backdoor Roths" are still available.

* **QUALIFIED BUSINESS INCOME DEDUCTION:** Starting 2018, individual taxpayers general may deduction up to 20% of their domestic "qualified business income". For 2023, the deduction is phased out starting at \$383,900 for married joint filers, \$182,100 for single, head of household and married filing separate individuals. Income from "specified service trades or businesses" is not eligible for the deduction when taxable income is at or above the phase out ceiling.

* **RESIDENTIAL ENERGY EFFICIENT PROPERTY CREDIT:** In 2023, solar property credit on your personal use properties (primary residence, vacation home) is reinstated to 30% for property installed after December 31, 2021 through the end of 2032.

* **CLEAN VEHICLE CREDIT:** The Inflation Reduction Act '22 replaces the New Qualified Plug-In Electric Drive Motor Vehicles Credit with the Clean Vehicle Credit. The revised credit may be claimed for vehicles placed in service after 2022 that have a MSRP below specified levels and by taxpayers below specified AGI levels. The maximum amount of credit is \$7,500 per qualified vehicle or \$3,750 if it does not meet the requirements.

* **SECTION 179 EXPENSE DEDUCTION:** For 2024, the 179 expensing for small businesses is increased to \$1,220,000 and increases the phase-out threshold to \$3,050,000. Note that Bonus Depreciation is decrease to 80% for 2023 and 60% for 2024.

* **STANDARD MILEAGE RATES:** In 2023 standard mileage rate is 65.5 cents per business mile, 14 cents per charitable mile, and 22 cents per medical mile. The 2024 rates have not been published at the time of writing this letter.

* **QCDs and CHARITABLE CONTRIBUTIONS:** With the increased standard deductions, it might be a good idea to setup a qualified charitable contribution (QCD) instead of making an after tax charitable contribution. QCDs can be setup with your IRA custodian. The limitation for QCDs is \$100,000 a year. You will not get a tax deduction on the QCD but you will not need to recognize it as income either. For noncash donations, please make your best attempt at estimating the fair market values of the goods you donate to any charitable organization. For donations over \$500, you should know how it was obtained and at what cost. In the case of large items, you may need to obtain an appraisal. A blank slip from the organization no longer suffices. Stocks that have appreciated in value also make good contributions as you do not have to recognize the gain but get to deduct the fair market value of the donation.

* **BENEFICIAL OWNERSHIP REPORTING:** Starting 2024, the beneficial ownership information reporting is mandatory. Corporations, LLCs (including single member LLCs), or entity created with the SOS. Foreign corporations & LLCs also must report. A beneficial owner is any individual who direct or indirectly exercises substantial control or owns 25% of the reporting company. Vast majority of small & medium-sized businesses will be subject to Beneficial Ownership Reporting to FinCEN. For entities in existence prior to 2023, the due date is January 1, 2025 to file the report. For domestic/foreign entities registered during 2024, the due date is 90 days of the earlier of 1) Notice they are registered is received; or 2) the government office provides public notice they are registered.