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Helpful Information for Filing 2024 Income Taxes and Proactive Tax Planning for 2025

Special Report!

Tax planning should always be a key focus when reviewing your personal financial situation. One of our goals as financial professionals is to identify as many tax saving opportunities and strategies as possible for our clients. We believe that a proactive approach to looking at your tax situation can lead to better results than a reactive approach. We hope you find this report helpful.

This special report reviews some of the broader tax laws along with a wide range of tax reduction strategies. As you read this report, please take note of each tax strategy that you think could be beneficial to you. Not all ideas are appropriate for all taxpayers. We always recommend that you address any tax strategy with your tax professional to consider how one strategy may affect another and calculate the income tax consequences (both state and federal). Remember, tax strategies and ideas that have worked in the recent past might not even be available under today's new tax laws. Always attempt to understand all the details before making any decisions—it is always easier to avoid a problem than it is to solve one.

Please note: Your state income tax laws could be different from federal income tax laws. Visit <https://tax.findlaw.com> for a wide range of information and links to tax forms for all 50 states. All examples mentioned in this report are hypothetical and meant for illustrative purposes only.

Income tax is a large revenue source for the United States government. While tax rates have changed many times, since the 1860's, the United States has used a "progressive" tax code. A progressive tax code means that people who make more money are taxed at a higher rate than those who make less money. Our progressive tax system works by placing earners through different brackets according to how much money they make. The dollar amounts define your tax brackets and there are differing tables depending on your filing status (single, married, etc.). This matters in determining your marginal tax rate.

Understanding Marginal Tax Rates

Determining your tax bracket is not as simple as just adding up your total income and checking a tax table. Taxpayers need to calculate their income (which can be sometimes referred to as their "adjusted gross income") and then adjust for any deductions to find their final taxable amount.

Once you determine your taxable income amount, it is critical to know that your income will be taxed at different rates. For example, if someone is married filing jointly in 2024 with \$105,000 of taxable income, their first \$23,200 is taxed at 10%, then \$71,100 at 12%, and \$10,700 at 22%. An important concept to understand is that these tax filers were in a "marginal tax bracket" of 22%. That is, their last dollar earned was taxed at that 22% tax rate.

2024 Tax Law Updates

2024 brought some tax legislation changes. While there is time to investigate tax planning ideas for your 2025 taxes, here are some items that 2024 tax filers should review.

- Tax brackets have been slightly adjusted.
- Standard deductions have slightly increased.
- The cap on state and local tax (SALT) deductions remains.
- Long-term capital gains are still taxed at favorable rates.
- There is still a 3.8% Net Investment Tax.
- Charitable donations are available to those who can itemize deductions.
- You might still be able to contribute to retirement plans.
- Medical expense deductions were capped at 7.5% of AGI for 2024.

We help clients with tax planning and would like to help you!

Most of the Tax Cuts and Jobs Act (TCJA) changes are scheduled to expire on December 31, 2025. The new administration promised to address tax laws in 2025. Our goal is to keep clients aware of how this may affect them!

2024 Tax Tables and Tax Rates

There were still seven federal income tax brackets for 2024. The lowest of the seven tax rates is 10% and the top tax rate is still 37%. The income that falls into each is scheduled to be adjusted in 2025 for inflation. For 2024, use the chart in this report to see what bracket your final income fell into.

TAX TIP: *If you are not sure how best to file, ask your tax preparer or review IRS Publication 17, Your Federal Income Tax, which is a complete tax resource.* It contains helpful information such as whether you need to file a tax return and how to choose your filing status.

2024 Standard Deduction Amounts

Most taxpayers claim the standard deduction. For 2024, the standard deduction has slightly increased. The amounts are now \$14,600 for single filers and \$29,200 for those filing jointly (\$21,900 for head of household filers). If you are filing as a married couple, an additional \$1,550 is added to the standard deduction for each spouse age 65 and older or blind. If you are single, an additional deduction of \$1,950 can be made.

Child Tax Credit

The Tax Cuts and Jobs Act (TCJA), allows a maximum tax credit of \$2,000 for each qualifying child.

State and Local Tax (SALT) Deduction

Under the 2017 Tax Cuts and Jobs Act (TCJA) state and local tax deductions (SALT) remain capped at a combined total of \$10,000 (or \$5,000 for married taxpayers filing separately). This deduction limitation is set to sunset on December 31, 2025. Unless Congress makes any changes

before this expiration date, starting in 2026, taxpayers may have the ability to claim larger SALT deductions again.

Medical Expense Deduction

The 2024 threshold for deducting medical expenses remained at 7.5% of your AGI. You must itemize your deductions to deduct these medical expenses. The IRS website, www.irs.gov, provides a long list of expenses that qualify as "medical expenses," so it can be a good idea to keep track of yours if you think they may qualify.

Investment Income

Long-term capital gains are taxed at more favorable rates compared to ordinary income. For qualified dividends, investors will continue to be taxed at 0, 15% or 20%.

One tax strategy is to review your investments with unrealized long-term capital gains and sell enough of the appreciated investments to generate enough long-term capital gains to push you to the top of your federal income tax bracket. This strategy could be helpful if you are in the 0% capital gains bracket and do not have to pay any federal taxes on this gain. Then, if you want, you can buy back your investment the same day, increasing your cost basis in those investments. If you sell them in the future, the increased cost basis will help reduce long-term capital gains. You do not have to wait 30 days before you buy back this investment—the 30-day rule only applies to losses, not gains.

Note: *This non-taxable capital gain for federal income taxes might not apply to your state.*

TAX TIP: Remember that marginal tax rates on long-term capital gains and dividends can be higher than expected. The 3.8% surtax can raise the effective rate to 18.8% for

2024 Tax Table

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

single filers with income from \$200,000 to \$518,900 and 23.8% for single filers with income above \$518,900 in 2024. It can raise the effective rate to 18.8% for married taxpayers filing jointly with income from \$250,000 to \$583,750 and to 23.8% for married taxpayers filing jointly with income above \$583,750.

Calculating Capital Gains and Losses

With the different tax rates for different types of gains and losses in your marketable securities portfolio, it is probably a good idea to familiarize yourself with some of the ordering rules:

- Short-term capital losses must first offset short-term capital gains.
- Long-term capital losses must first offset long-term capital gains.
- If there are net short-term losses, they can be used to offset net long-term capital gains.
- If there are net long-term losses, they can be used to offset net short-term capital gains.
- If all gains and losses net to an overall loss, up to \$3,000 can offset (\$1,500 if married filing separately) ordinary income.
- Remaining unused capital losses can be carried forward to later tax years and then considered in the same manner as described above.

TAX TIP: Please remember to look at your 2023 income tax return Schedule D (page 2) to see if you have any capital loss carryover from 2023. This is often overlooked, especially if you are changing tax preparers.

Please double-check your capital gains or losses. If you sold an asset outside of a qualified account during 2024, you most likely incurred a capital gain or loss. Sales of securities showing the transaction date and sale price are listed on the 1099 generated by the financial institution. However, your 1099 might not show the correct cost basis or realized gain or loss for each sale. You will need to know the full cost basis for each investment sold outside of your qualified accounts, which is usually what you paid for it, but this is not always the case.

2024 Long-Term Capital Gains Tax Rates			
Tax Rate	Single Filer	Head of Household	Married Filers
0%	\$47,025 or less	\$63,000 or less	\$94,050 or less
15%	\$47,026 – \$518,900	\$63,001 - \$551,350	\$94,051 - \$583,750
20%	\$518,901 +	\$551,351 +	\$583,751 +

3.8% Medicare Investment Tax

The year 2024 is the twelfth year of the net investment income tax of 3.8%. It is also known as the Medicare surtax. If you earn more than \$200,000 as a single or head of household taxpayer, \$125,000 as married taxpayers filing separately or \$250,000 as married joint return filers, then this tax applies to either your modified adjusted gross income or net investment income (including interest, dividends, capital gains, rentals, and royalty income), whichever is lower. This 3.8% tax is in addition to capital gains or any other tax you already pay on investment income.

It is helpful to pay attention to timing, especially if your income fluctuates from year to year or is close to the \$200,000 or \$250,000 amount. Consider realizing capital gains in years when you are under these limits. The inclusion limits may penalize married couples, so realizing investment gains before you tie the knot may help in some circumstances. This tax makes the use of depreciation, installment sales, and other tax deferment strategies suddenly more attractive.

Medicare Health Insurance Tax on Wages

If you earn more than \$200,000 in wages, compensation, and self-employment income (\$250,000 if filing jointly, or \$125,000 if married and filing separately), the Affordable Care Act levies a special additional 0.9% tax on your wages and other earned income. You’ll pay this all year as your employer withholds the additional Medicare Tax from your paycheck. If you’re self-employed, plan for this tax when you calculate your estimated taxes.

If you’re employed, there’s little you can do to reduce the bite of this tax. Requesting non-cash benefits in lieu of wages won’t help—they’re included in the taxable amount. If you’re self-employed, you may want to take special care in timing income and expenses (especially depreciation) to avoid the limit.

Charitable Gifts and Donations

For 2024, the rules remain that taxpayers can only deduct charitable contributions if they itemize their tax deductions on Schedule A. Through 2025, the 60% of AGI ceiling on charitable cash contributions remains unchanged but is scheduled to revert to 50% thereafter.

To qualify for the 60% limitation, the charitable gift must be cash (or cash equivalent) made to a qualified charity (501(c)(3)). To qualify, this contribution

should have been made on or before December 31, 2024.

When preparing your list of charitable gifts, remember to review your bank account so you do not leave any out. Everyone remembers to count the monetary gifts they make to their favorite charities, but you should count noncash donations as well. Make it a priority to always get a receipt for every gift. Keep your receipts. If your contribution totals more than \$250, you will also need an acknowledgment from the charity documenting the support you provided. Remember that you will have to itemize to claim this deduction, but when filing, the expenses incurred while doing charitable work often are not included on tax returns.

You can't deduct the value of your time spent volunteering, but if you buy supplies for a group, the cost of that material is deductible as an itemized charitable donation. You can also claim a charitable deduction for the use of your vehicle for charitable purposes, such as delivering meals to the homebound in your community or taking your child's Scout troop on an outing. For 2024, the IRS will let you deduct that travel at .14 cents per mile.

Child and Dependent Care Credit

Millions of parents claim the child and dependent care credit each year to help cover the costs of after-school daycare while working. Some parents overlook claiming the tax credit for childcare costs during the summer. This tax break can also apply to summer day camp costs. The key is that for deduction purposes, the camp can only be a day camp, not an overnight camp.

In 2024, if you paid a daycare center, babysitter, summer camp, or other care provider to care for a qualifying child under age 13 or a disabled dependent of any age, depending on your income you may qualify for a tax credit of up to 50% of qualifying expenses of \$3,000 for one child or dependent, or up to \$6,000 for two or more children.

Contribute to Retirement Accounts

The SECURE Act allowed people with earned income to make contributions to Traditional IRAs past the age of 70½ starting in 2020.

Retirement Plan	2024 Limit
Elective deferrals to 401(k), 403(b), 457(b)(2), 457(c)(1) plans	\$23,000
Contributions to defined contribution plans	\$69,000
Contributions to SIMPLEs	\$16,000
Contributions to traditional IRAs	\$7,000
Catch-up Contributions to 401(k), 403(b), 457(b)(2), 457(c)(1) plans	\$7,500
Catch-up Contributions to SIMPLEs	\$3,500
Catch-up Contributions to IRAs	\$1,000

If you have not already funded your retirement account for 2024, consider doing so by Tuesday, April 15, 2025. That's the deadline for contributions to a traditional IRA (deductible or not) and a Roth IRA. However, if you have a Keogh or SEP and get a filing extension by October 15, 2025, you can wait until then to put 2024 contributions into those accounts. To start tax-advantaged growth potential as quickly as possible, however, try not to delay in making contributions. If eligible, a deductible contribution will help you lower your tax bill for 2024 and your contributions can grow tax deferred.

To qualify for the full annual IRA deduction in 2024, you must either: 1) not be eligible to participate in a company retirement plan, or 2) if you are eligible, there is a phase-out from \$77,000 to \$87,000 of MAGI for singles and from \$123,000 to \$143,000 for married taxpayers filing jointly. If you are not eligible for a company plan but your spouse is, your traditional IRA contribution deduction is phased out from \$230,000 to \$240,000. For 2024, the maximum IRA contribution you can make is \$7,000 (\$8,000 if you are age 50 or older by the end of the calendar year). For self-employed persons, the maximum annual addition to SEPs and Keoghs for 2024 is \$69,000.

Although contributing to a Roth IRA instead of a traditional IRA will not reduce your 2024 tax bill (Roth contributions are not deductible), it could be the better choice because all qualified withdrawals from a Roth can be tax-free in retirement. Withdrawals from a traditional IRA are fully taxable in retirement. To contribute the full \$7,000 (\$8,000 if you are age 50 or older by the end of 2024) to a Roth IRA, you must have MAGI of \$146,000 or less a year if you are single or \$240,000 if you are married and file a joint return. **If you have any questions on retirement contributions, please call us.**

Roth IRA Conversions

A Roth IRA conversion is when you convert part or all of your traditional IRA into a Roth IRA. This is a taxable event. The amount you converted is subject to ordinary income tax. It might also cause your income to increase, thereby subjecting you to the Medicare surtax. Roth IRAs grow tax-free and qualified withdrawals are tax-free in the future, a time when tax rates might be higher.

Whether to convert part or all of your traditional IRA to a Roth IRA depends on your particular situation. It is best to prepare a tax projection and calculate the appropriate amount to convert.

Remember—you do not have to convert all of your IRA to a Roth. Roth IRA conversions are not subject to the pre-age 59½ penalty of 10%.

Many 401(k) plan participants (if their plan allows) can convert the pre-tax money in their 401(k) plan to a Roth 401(k) plan without leaving the job or reaching age 59½. There are numerous pros and cons to making this change. **Please call us to see if this makes sense for you.**

Required Minimum Distributions (RMD)

The SECURE Act increased the age for Required Minimum Distributions (RMD) starting January 1, 2020, to age 72. The SECURE 2.0 Act increased the age to start taking RMDs further, to 73 in 2023 and to 75 in 2033. For the purposes of tax year 2024, the Required Minimum Distributions age is 73.

Other Overlooked Tax Items and Deductions

Reinvested Dividends - This is not a tax deduction, but it is an important calculation that can save investors a bundle. Former IRS commissioner Fred Goldberg has previously shared with Kiplinger magazine in their annual overlooked deduction article that missing this break costs millions of taxpayers a lot in overpaid taxes.

Many investors have mutual fund dividends that are automatically used to buy extra shares. Remember that each reinvestment increases your tax basis in that fund. That will, in turn, reduce the taxable capital gain (or increases the tax-saving loss) when you redeem shares. Please keep good records. Forgetting to include reinvested dividends in your basis results in double taxation of the dividends—once in the year when they were paid out and immediately reinvested and later when they are included in the proceeds of the sale.

If you are not sure what your basis is, ask the fund or us for help. Funds often report to investors the tax basis of shares redeemed during the year. Regulators currently require that for the sale of shares purchased, financial institutions must report the basis to investors and to the IRS.

Student-Loan Interest Paid by Parents - Generally, you can deduct interest only if you are legally required to repay the debt. But, if parents pay back a child's student loans, the IRS treats the transactions as if the money were given to the child, who then paid the debt. So, as long as the child is no longer claimed as a dependent, the child can

deduct up to \$2,500 of student-loan interest paid by their parents each year and is subject to income limitations. *(The parents can't claim the interest deduction even though they actually foot the bill because they are not liable for the debt).*

Helpful Tax Time Strategies

- ✓ Write down expenses or keep all receipts you think are even possibly tax-deductible. Sometimes, taxpayers assume that various expenses are not deductible and therefore do not mention them to their tax preparer. Don't assume anything—give your tax preparer the chance to tell you whether something is or is not deductible.
- ✓ Be careful not to overpay Social Security taxes. If you received a paycheck from two or more employers and earned more than \$168,600 in 2024, you may be able to file a claim on your return for the excess Social Security tax withholding.
- ✓ Don't forget items carried over from prior years because you exceeded annual limits, such as capital losses, passive losses, charitable contributions, and alternative minimum tax credits.
- ✓ Check your 2023 tax return to see if there was a refund from 2023 applied to 2024 estimated taxes.
- ✓ Calculate your estimated tax payments for 2025 very carefully. Many computer tax programs will automatically assume that your income tax liability for the current year is the same as the prior year. This is done to avoid paying penalties for underpayment of estimated income taxes. However, in some cases, this might not be a correct assumption, especially if 2024 was an unusual income tax year due to the sale of a business, unusual capital gains, the exercise of stock options, or even winning the lottery! **A qualified tax professional should be able to help you with a tax projection for 2025.**
- ✓ Remember that IRS.gov could be a valuable online resource for tax information.
- ✓ Always double-check your math where possible, and **remember it is always wise to consult a tax preparer before filing.**

Proactive Tax Planning for 2025

PROACTIVE TAX PLANNING

A “Proactive” approach to your tax planning instead of a “Reactive” approach could produce better results!



Items Taxpayers Could Consider to Proactively Tax Plan for 2025 Include:

- 1. Prepare a 2025 tax projection** - Taxpayers already know the 2025 rates and by reviewing their 2024 situation and all 2025 expectations of income, a qualified tax professional could help them with a tax projection for 2025.
- 2. New contribution limits for retirement savings** - For 2025, the contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is \$23,500. The limit on annual contributions to an IRA is \$7,000. The catch-up contribution limits for those 50 and over remain unchanged at \$1,000 for IRAs.
- 3. Starting in 2025, New “Super Catch-up contributions” for those aged 60 to 63.** The SECURE 2.0 Act allows participants of some retirement plans ages sixty to sixty-three to make “super-catch-up contributions” of up to \$11,250 or 150 percent of the regular catch-up limit.
- 4. Explore if a potential Roth IRA conversion is helpful for your situation** - A Roth IRA can be beneficial in your overall retirement planning. Investments in a Roth IRA have the potential to grow tax-free and they do not have required minimum distributions during the lifetime of the original owner. Also, Roth IRA assets may pass to your heirs income tax-free. **Roth conversions include complex details and are not right for everyone. Also, some recent proposals have suggested changes about which IRAs could be converted to ROTH IRAs. For updates and to review if a ROTH conversion is a good idea for you, please call us.**
- 5. Take advantage of annual exclusion gifts** - For 2025, the maximum amount of gift tax exemption is \$19,000 for gifts made by an individual and \$38,000 for gifts made by married couples. This means you can give up to that amount to a family member without having to pay a gift tax. Ideas for gifting can include contributing to a working child (or grandchild's) IRA or gifting to a 529 plan, which is a tax-sheltered plan for college expenses.
- 6. Consider bunching your charitable donations into a Donor Advised Fund (DAF)** - Now is the time to explore if it is helpful for your tax situation to deposit cash, appreciated securities or other assets in a Donor Advised Fund, and then distributing the money to charities over time. Up to 60% of your adjusted gross income can be deductible if given as donations to typical charities.
- 7. For 2025, the maximum Qualified Charitable Distribution (QCD) is \$108,000 per individual.** This means that someone aged 70 1/2 or older can donate up to \$108,000 directly from their IRA to a qualified charity without having to include the amount in their taxable income.
- 8. Talk with us about your situation.** As financial professionals, we enjoy helping clients pursue their goals. **We appreciate the opportunity to be the stewards of our client's wealth.**



Proposed Tax Policy Changes

The new administration has proposed to extend or make permanent many of the temporary provisions from the 2017 Tax Cuts and Jobs Act (TCJA). These provisions are currently set to expire at the end of 2025. Some of the new administration's proposals include:

- **Maintaining the current individual tax rates, with the top tax rate being 37%.**
- **Maintaining the current standard deductions exemptions.** The TCJA nearly doubled the standard deduction while eliminating personal exemptions. Making these changes permanent would simplify filing for many taxpayers and maintain the higher deduction levels.
- **Increasing the Child Tax Credit and Other Dependent Credits to \$5,000** and introducing a credit for other dependents, which would continue to provide tax relief for families if made permanent.
- **Permanently raising Alternative Minimum Tax (AMT) exemption levels.**
- **Maintaining pass-through deductions** so most businesses (i.e. partnerships or S Corps) can take a 20% deduction off their income immediately before it passes through to their individual tax return.
- **The TCJA doubled the estate tax exemption, allowing individuals to pass on larger estates tax-free.** The new administration is proposing to make these provisions permanent, which would mean that more individuals could transfer wealth to heirs without incurring estate taxes, effectively reducing the tax burden on large estates.

We believe in a proactive approach to your finances.

Our goal is to update clients on any tax law changes could affect their situation!

Conclusion

Filing your 2024 taxes will continue to include the new tax rates set forth with the Tax Cuts and Jobs Act (TCJA) enacted in 2018 (currently set to expire after December 31, 2025). An essential part of maintaining your overall financial health is attempting to keep your tax liability to a minimum.

If you would like us to review your financial situation, we would be happy to do so. We pride ourselves in our ability to help clients make informed decisions.

One of our primary goals is to keep clients informed of the changes that will be affecting investors. We believe that taking a proactive approach is better than a reactive approach—especially regarding income tax strategies!

We're here to help, because we don't want you to worry about things that you don't need to worry about!

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

INSERT APPROVED BROKER/DEALER DISCLAIMER AND APPROVED CONTACT INFORMATION

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Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax-free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change. Additionally, each converted amount is subject to its own five-year holding period. Investors should consult a tax advisor before deciding to make a conversion.

Sources: www.IRS.gov, turbotax.com; Investopedia.com. Contents Provided by The Academy of Preferred Financial Advisors, Inc 2025 © All rights reserved. Reviewed by Keebler & Associates.

We are accepting new clients!

	YES	NO	Not Sure
Do you feel your advisor is fully aware of your financial situation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has your advisor reviewed your tax forms to understand how to coordinate your investments with your taxes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has your advisor discussed tax planning strategies that could help you keep more of what you make?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is your advisor updated and current on tax planning strategies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Would you like a complimentary review of your financial situation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you answered **No** or **Not Sure** to any of these questions, we would like to offer you a **complimentary, one-hour, private consultation** with one of our professionals.

To schedule your financial check-up, please call us at **(xxx) xxx-xxxx**.