Getting Ready for the 2024 Tax Filing Season

What's New

Every year, it's a sure bet that there will be changes to current tax law, and this year is no different. From standard deductions to health savings accounts and tax rate schedules, here's a checklist of tax changes to help you plan the year ahead.

Individual Taxpayers: Tax Changes and Highlights for Your 2024 Tax Return

In 2024, several tax provisions are affected by inflation adjustments, including Health Savings Accounts, retirement contribution limits, and the foreign earned income exclusion. The tax rate structure, which ranges from 10 to 37 percent, remains the same as 2023; however, the tax-bracket thresholds increase for each filing status. Standard deductions also rise, and as a reminder, personal exemptions have been eliminated through tax year 2025.

Standard Deduction

In 2024, the standard deduction increases to $14,600 for individuals (up from $13,850 in 2023) and to $29,200 for married couples (up from $27,700 in 2023).

Long-Term Capital Gains and Dividends

In 2024, tax rates on capital gains and dividends remain the same as 2023 rates (0%, 15%, and a top rate of 20%); however, threshold amounts have increased: the maximum zero percent rate amounts are $47,025 for individuals and $94,050 for married filing jointly. For an individual taxpayer whose income is at or above $518,900 ($583,750 married filing jointly), the rate for both capital gains and dividends is capped at 20 percent. All other taxpayers fall into the 15 percent rate amount (i.e., above $47,025 and below $518,900 for single filers).

"Kiddie Tax"

For 2024, the amount that can be used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax" is $1,300. The same $1,300 amount is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax." For example, one of the requirements for the parental election is that a child's gross income for 2024 must be more than $1,300 but less than $14,600.

Alternative Minimum Tax (AMT)

In 2024, AMT exemption amounts increase to $85,700 for individuals (up from $81,300 in 2023) and $133,300 for married couples filing jointly (up from $126,500 in 2023). Also, the phaseout threshold increases to $609,350 ($1,218,700 for married filing jointly). Both the exemption and threshold amounts are indexed annually for inflation.

Foreign Earned Income Exclusion

For 2024, the foreign earned income exclusion amount is $126,500 up from $120,000 in 2023.

Estate and Gift Taxes

For an estate of any decedent during calendar year 2024, the basic exclusion amount is $13.61

million, indexed for inflation (up from $12.92 million in 2023). The maximum tax rate remains at 40 percent. The annual exclusion for gifts increases to $18,000.

Health Savings Accounts (HSAs)
Contributions to a Health Savings Account (HSA) are used to pay the account owner's current or future medical expenses, their spouse, and any qualified dependent. Medical expenses must not be reimbursable by insurance or other sources and do not qualify for the medical expense deduction on a federal income tax return. For calendar year 2024, you can contribute up to $4,150 for a self-only plan or $8,300 for a family plan.

A qualified individual must be covered by a High Deductible Health Plan (HDHP) and not be covered by other health insurance with the exception of insurance for accidents, disability, dental care, vision care, or long-term care. For calendar year 2024, a qualifying HDHP must have a deductible of at least $1,600 for self-only coverage or $3,200 for family coverage and must limit annual out-of-pocket expenses of the beneficiary to $8,050 for self-only coverage and $16,100 for family coverage.

Medical Savings Accounts (MSAs)
There are two types of Medical Savings Accounts (MSAs): The Archer MSA created to help self-employed individuals and employees of certain small employers, and the Medicare Advantage MSA, which is also an Archer MSA, and is designated by Medicare to be used solely to pay the qualified medical expenses of the account holder. To be eligible for a Medicare Advantage MSA, you must be enrolled in Medicare. Both MSAs require that you are enrolled in a high-deductible health plan (HDHP).

Self-only coverage: For calendar year 2024, the term "high deductible health plan" for self-only coverage means a health plan that has an annual deductible that is not less than $2,800 and not more than $4,150, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $5,550.

Family coverage: For calendar year 2024, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less than $5,500 and not more than $8,350, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $10,200.

Eligible Long-Term Care Premiums
Premiums for long-term care are treated the same as health care premiums and are deductible on your taxes subject to certain limitations. For individuals age 40 or younger at the end of 2024, the limitation is $470. Persons more than 40 but not more than 50 can deduct $880. Those more than 50 but not more than 60 can deduct $1,760, while individuals more than 60 but not more than 70 can deduct $4,710. The maximum deduction is $5,800 and applies to anyone more than 70 years of age.

Individuals – Tax Credits

Oregon Refunds May be Smaller in 2024

Taxpayers will not receive a refundable kicker credit from the State of Oregon on their 2024 tax return filed in 2025. The kicker credit is assessed biannually. The next potential credit would be on your 2025 Oregon return filed in 2026.

Adoption Credit

In 2024, a nonrefundable (only those individuals with tax liability will benefit) credit of up to $16,810 is available for qualified adoption expenses for each eligible child.

Earned Income Tax Credit

For tax year 2024, the maximum Earned Income Tax Credit (EITC) for low, and moderate-income workers and working families increases to $7,830 (up from $7,430 in 2023). The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children.

Child Tax Credit

For 2024, the child tax credit remains at $2,000 per child, age 17 or younger. The refundable portion of the credit increases to $1,700 in 2024, so that even if taxpayers do not owe any tax, they can still claim the credit. A $500 nonrefundable credit is also available for dependents who do not qualify for the Child Tax Credit (e.g., dependents age 17 and older).

Child and Dependent Care Tax Credit – No Changes for 2024

If you pay someone to take care of your dependent (defined as being under the age of 13 at the end of the tax year or incapable of self-care) to work or look for work, you may qualify for a credit of up to $1,050 or 35 percent of $3,000 of eligible expenses in 2024. For two or more qualifying dependents, you can claim up to 35 percent of $6,000 (or $2,100) of eligible expenses. For higher-income earners (AGI of $43,000 or more), the credit percentage is reduced, but not below 20 percent, regardless of the amount of adjusted gross income. This tax credit is nonrefundable.

Clean Vehicle Tax Credit – No Changes 2024

Vehicles eligible for the Clean Vehicle Tax Credit now include both EVs (electric vehicles) and FCEVs (fuel cell electric vehicles) but must meet two requirements to be eligible for the tax credit. The critical minerals component refers to sourcing requirements for critical mineral extraction, processing, and recycling. The battery components requirement refers to vehicles that include a traction battery that has at least seven kilowatt-hours (kWh).

Vehicles that meet critical mineral requirements are eligible for $3,750 tax credit, and vehicles that meet battery component requirements are eligible for a $3,750 tax credit. Vehicles meeting both requirements are eligible for a nonrefundable tax credit of up to $7,500; however, there are additional requirements regarding manufacturer suggested retail price (MSRP) thresholds for modified adjusted gross income (MAGI).

Individuals - Education

Interest on Educational Loans
In 2024, the maximum deduction for interest paid on student loans is $2,500. The deduction begins to be phased out for higher-income taxpayers with modified adjusted gross income of more than $80,000 ($165,000 for joint filers) and is completely eliminated for taxpayers with modified adjusted gross income of $95,000 ($195,000 joint filers).

American Opportunity Tax Credit and Lifetime Learning Credit – No Changes for 2024
The maximum credit is $2,500 per student for the American Opportunity Tax Credit. The Lifetime Learning Credit remains at $2,000 per return. Both credits phase out for taxpayers with modified adjusted gross income between $80,000 and $90,000 (between $160,000 and $180,000 for joint filers). To claim the full credit for either, your modified adjusted gross income (MAGI) must be $80,000 or less ($160,000 or less for married filing jointly).

Individuals - Retirement

401(k), 403(b), 457 Plans
The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan increases to $23,000. The maximum compensation used to determine contributions increases to $345,000 (up from $330,000 in 2023).

SIMPLE Plans
Contribution limits for SIMPLE plans also increase to $16,000. The maximum compensation used to determine contributions increases to $345,000 (up from $330,000 in 2023).

Traditional IRA
The deduction for taxpayers making contributions to a traditional IRA is $7,000 for tax year 2024. This is phased out for singles and heads of household who are covered by an employer-sponsored retirement plan and have modified AGI between $77,000 and $87,000. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by an employer-sponsored retirement plan, the phase-out range increases to $123,000 and $143,000. For an IRA contributor who is not covered by an employer-sponsored retirement plan and is married to someone who is covered, the deduction is phased out if the couple's modified AGI is between $230,000 and $240,000.

Roth IRA
The modified AGI phase-out range for taxpayers making contributions to a Roth IRA is $146,000 and $161,000 for singles and heads of household, up from $138,000 to $153,000. For married couples filing jointly, the income phase-out range is $230,000 and $240,000, up from $218,000 to $228,000. The phase-out range for a married individual filing a separate return who makes

contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

Saver's Credit
In 2024, the AGI limit for the Saver's Credit (also known as the Retirement Savings Contribution Credit) for low and moderate-income workers is $76,500 for married couples filing jointly, up from $73,000 in 2023; $57,375 for heads of household, up from $54,700 in 2023; and $38,250 for singles and married individuals filing separately, up from $36,500 in 2023.

Business: Important Tax Changes and Highlights for Your 2024 Tax Return

Here's what small business owners need to know about tax law changes and inflation adjustments for the year ahead.

Beneficial Ownership Reporting
Effective January 1, 2024, as part of the Corporate Transparency Act's expanded anti-money laundering laws, all reporting companies are required to register with the Financial Crimes Enforcement Network (FINCEN). For companies created or registered before 2024, the initial report is due January 1, 2025. For entities created or registered in 2024, the report is due 90 days after the entity's creation or registration. For entities created or registered after 2024, the initial report is due 30 days after the entity's creation or registration. You are also required to update FINCEN within 30 days if there are updates to your reported information.

The penalties for failure to file these reports are steep - $500 per day that the report is late, up to $10,000 and imprisonment for up to two years.

These reports are not part of our standard tax compliance process. Please contact us if you if have any questions or would like assistance with filing these forms.

As of December 4, 2024, FINCEN is blocked from enforcing BOI reporting for now due to an court-ordered injunction. The injunction is temporary while the case is litigated in court. If you have not already filed your BOI information, you do not have to before January 1, 2025, but you should have the information gathered in case the injunction is overturned.

Click HERE for answer to key questions about Beneficial Ownership Reporting.

Standard Mileage Rates
In 2024, the rate for business miles driven is 67 cents, up 1.5 cents from 2023.

Section 179 Expensing
In 2024, the Section 179 expense deduction increases to a maximum deduction of $1,220,000 of the first $3,050,000 of qualifying equipment placed in service during the current tax year. This amount is indexed to inflation for tax years after 2018.

The deduction was enhanced under the TCJA to include improvements to nonresidential qualified real property such as roofs, fire protection, alarm systems and security systems, and heating, ventilation, and air-conditioning systems. Also of note is that costs associated with the purchase of any sport utility vehicle, treated as a Section 179 expense, cannot exceed $30,500.

Bonus Depreciation

Businesses are allowed to immediately deduct 100% of the cost of eligible property placed in service after September 27, 2017, and before January 1, 2023, after which it will be phased downward over a four-year period: 80% in 2023, **60% in 2024**, 40% in 2025, 20% in 2026, and 0% in 2027 and years beyond

Qualified Business Income Deduction

Eligible taxpayers can deduct up to 20 percent of certain business income from qualified domestic businesses and certain dividends. To qualify for the deduction, business income must not exceed a certain dollar amount. In 2024, these threshold amounts are $191,500 for single and head-of-household filers and $383,900 for married taxpayers filing joint returns.

Employee Student Loan Payment Matching Contributions

Starting in 2024, employees that make student loan payments to loan servicers qualify for matching contributions from their employer to a retirement plan – even if the employees do not make contributions of their own.

Research & Development Tax Credit – No Changes in 2024

Starting in 2018, businesses with less than $50 million in gross receipts can use this credit to offset alternative minimum tax. Certain start-up businesses that might not have any income tax liability will be able to offset payroll taxes with the credit as well.

Work Opportunity Tax Credit (WOTC) - No Changes in 2024

Extended through 2025 (The Consolidated Appropriations Act, 2022), the Work Opportunity Tax Credit is available for employers who hire long-term unemployed individuals (unemployed for 27 weeks or more) and is generally equal to 40 percent of the first $6,000 of wages paid to a new hire.

Employer-provided Transportation Fringe Benefits

If you provide transportation fringe benefits to your employees in 2024, the maximum monthly limitation for transportation in a commuter highway vehicle, as well as any transit pass, is $315. The monthly limitation for qualified parking is also $315.

Help is Just a Phone Call Away

While this checklist outlines important tax changes for 2024, additional changes in tax law are likely to arise during the year ahead. Do not hesitate to contact the office if you have any questions or want a head start on tax planning for your small business in the year ahead.