2024 YEAR–END TAX PLANNING GUIDE FOR INDIVIDUALS

FustCharles

INTRODUCTION

In 2024, FustCharles continued our commitment to talent development, innovation, and teamwork to provide our clients with a best-in-class service experience. As we turn the page on 2024, there is plenty of uncertainty in the tax landscape. Many TCJA provisions are set to expire at the end of 2025, however as Republicans hold the White House, and have a slim majority in both chambers of Congress, there is an increased likelihood that 2025 will have some level of tax legislation through the budget reconciliation process.

FustCharles tax professionals grasp the intricate connections between evolving laws, economic dynamics, and the tax implications of various business decisions, and are well-positioned to serve as strategic advisors, steering companies toward success. Tax planning remains a vital aspect for businesses seeking to optimize cash flow by managing their long-term tax obligations.

Our 2024 Year-End Tax Planning Guide delves into effective tax strategies, considering recent administrative guidance and potential legislative changes that are currently under review. For further information and assistance, please reach out to a member of our expert tax team.

Unless explicitly stated otherwise, the information provided in this guide is based on existing tax laws and policies as of the publication date, and it may be subject to adjustments in response to future legislative or tax policy changes.

As we approach the end of the year, now is the time for individuals, business owners, and family offices to review their 2024 and 2025 tax situations and identify opportunities for reducing, deferring, or accelerating their tax obligations.

The information contained in this article is based on federal laws and policies in effect as of the publication date. This article discusses tax planning for U.S. federal income taxes. Applicable state and foreign taxes should also be considered. Taxpayers should consult with a trusted advisor when making tax and financial decisions regarding any of the items below.

Individual Tax Planning Highlights

2024 Federal Income Tax Rate Brackets

Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	$0 – $23,200	$0 – $11,600	$0 – $16,550	$0 – $11,600	$0 – $3,100
12%	$23,201 – $94,300	$11,601 – $47,150	$16,551 – $63,100	$11,601 – $47,150	–
22%	$94,301 – $201,050	$47,151 – $100,525	$63,101 – $100,500	$47,151 – $100,525	–
24%	$201,051 – $383,900	$100,526 – $191,950	$100,501 – $191,950	$100,526 – $191,950	$3,101 – $11,150
32%	$383,901 – $487,450	$191,951 – $243,725	$191,951 – $243,700	$191,951 – $243,725	–
35%	$487,451 – $731,200	$243,726 – $609,350	$243,701 – $609,350	$243,726 – $365,600	$11,151 – $15,200
37%	Over $731,200	Over $609,350	Over $609,350	Over $365,600	Over $15,200

2025 Federal Income Tax Rate Brackets

Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	$0 - $23,850	$0 - $11,925	$0 - $17,000	$0 - $11,925	$0 - $3,150
12%	$23,851 - $96,950	$11,926 - $48,475	$17,001 - $64,850	$11,926 - $48,475	--
22%	$96,951 - $206,700	$48,476 - $103,350	$64,851 - $103,350	$48,476 – 103,350	--
24%	$206,701 - $394,600	$103,351 - $197,300	$103,351 - $197,300	$103,351 – 197,300	$3,151 - $11,450
32%	$394,601 - $501,050	$197,301 - $250,525	$197,301 - $250,500	$197,301 - $250,525	--
35%	$501,051 - $751,600	$250,526 - $626,350	$250,501 - $626,350	$250,526 - $375,800	$11,451 - $15,650
37%	Over $751,600	Over $626,350	Over $626,350	Over $375,800	Over $15,650

Taxpayers should consider whether they can reduce their tax bills by shifting income or deductions between 2024 and 2025. Ideally, income should be received in the year with the lower marginal tax rate, and deductible expenses should be paid in the year with the higher marginal tax rate. If the marginal tax rate is the same in both years, deferring income from 2024 to 2025 will produce a one-year tax deferral, and accelerating deductions from 2025 to 2024 will lower the 2024 income tax liability.

Actions to consider that may result in a reduction or deferral of taxes include:

- [ ] Delaying closing capital gain transactions until after year-end or structuring 2024 transactions as installment sales so that gain is deferred past 2024 (see also Long-Term Capital Gains below).
- [ ] Triggering capital losses before the end of 2024 to offset 2024 capital gains.
- [ ] Delaying interest or dividend payments from closely held corporations to individual business-owner taxpayers.
- [ ] Deferring commission income by closing sales in early 2025 instead of late 2024.
- [ ] Accelerating deductions for expenses such as mortgage interest and charitable donations (including donations of appreciated property) into 2024 (subject to adjusted gross income (AGI) limitations).
- [ ] Evaluating whether non-business bad debts are worthless -- and should be recognized as a short-term capital loss -- by the end of 2024.
- [ ] Shifting investments to municipal bonds or investments that do not pay dividends to reduce taxable income in future years.

Taxpayers that will be in a higher tax bracket in 2025 may want to consider potential ways to move taxable income from 2025 into 2024, so that the taxable income is taxed at a lower tax rate. Current-year actions to consider that could reduce 2025 taxes include:

- [ ] Accelerating capital gains to 2024 or deferring capital losses until 2025.
- [ ] Electing out of the installment sale method for 2024 installment sales.
- [ ] Deferring deductions such as large charitable contributions to 2025.

LONG-TERM CAPITAL GAINS

The long-term capital gains rates for 2024 and 2025 are shown below. The tax brackets refer to the taxpayer's taxable income. Capital gains also may be subject to the 3.8% net investment income tax.

2024 Long-Term Capital Gains Rate Brackets

Long-Term Capital Gains Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
0%	$0 – $94,050	$0 – $47,025	$0 – $63,000	$0 – $47,025	$0 – $3,150
15%	$94,051 – $583,750	$47,026 – $518,900	$63,001 – $551,350	$47,026 – $291,850	$3,151 – $15,450
20%	Over $583,750	Over $518,900	Over $551,350	Over $291,850	Over $15,450

2025 Long-Term Capital Gains Rate Brackets

Long-Term Capital Gains Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
0%	$0 - $96,700	$0 - $48,350	$0 - $64,750	$0 - $48,350	$0 - $3,250
15%	$96,701 - $600,050	$48,351 - $533,400	$64,751 - $566,700	$48,351 - $300,000	$3,251 - $15,900
20%	Over $600,051	Over $533,400	Over $566,700	Over $300,000	Over $15,900

Long-term capital gains (and qualified dividends) are subject to a lower tax rate than other types of income. Investors should consider the following when planning for capital gains:

- ☐ Holding capital assets for more than a year (more than three years for assets attributable to carried interests) so that the gain upon disposition qualifies for the lower long-term capital gains rate.
- ☐ Considering long-term deferral strategies for capital gains such as reinvesting capital gains into designated qualified opportunity zones.
- ☐ Investing in, and holding, "qualified small business stock" for at least five years.
- ☐ Donating appreciated property to a qualified charity to avoid long-term capital gains tax (see also Charitable Contributions below).

NET INVESTMENT INCOME TAX

An additional 3.8% net investment income tax (NIIT) applies on net investment income above certain thresholds. The NIIT does not apply to income derived in the ordinary course of a trade or business in which the taxpayer materially participates. Similarly, gain on the disposition of trade or business assets attributable to an activity in which the taxpayer materially participates is not subject to the NIIT.

Impacted taxpayers may want to consider deferring net investment income for the year, in conjunction with other tax planning strategies that may be implemented to reduce income tax or capital gains tax.

SOCIAL SECURITY TAX

The Old-Age, Survivors, and Disability Insurance (OASDI) program is funded by contributions from employees and employers through FICA tax. The FICA tax rate for both employees and employers is 6.2% of the employee's gross pay, but is imposed only on wages up to $168,600 for 2024 and $176,100 for 2025. Self-employed persons pay a similar tax, called SECA (or self-employment tax), based on 12.4% of the net income of their businesses.

Employers, employees, and self-employed persons also pay a tax for Medicare/Medicaid hospitalization insurance (HI), which is part of the FICA tax, but is not capped by the OASDI wage base. The HI payroll tax is 2.9%, which applies to earned income only. Self-employed persons pay the full amount, while employers and employees each pay 1.45%. An extra 0.9% Medicare (HI) payroll tax must be paid by individual taxpayers on earned income that is above certain AGI thresholds: $200,000 for individuals, $250,000 for married couples filing jointly, and $125,000 for married couples filing separately. However, employers do not pay this extra tax.

LONG-TERM CARE INSURANCE AND SERVICES

Premiums an individual pays on a qualified long-term care insurance policy are deductible as a medical expense. The maximum deduction amount is determined by an individual's age. The following table sets forth the deductible limits for 2024 and the estimated deductible limits for 2025 (the limitations are per person, not per return):

Age	Deduction Limitation 2024	Deduction Limitation 2025
40 or under	$470	$480
Over 40 but not over 50	$880	$900
Over 50 but not over 60	$1,760	$1,800
Over 60 but not over 70	$4,710	$4,810
Over 70	$5,880	$6,020

RETIREMENT PLAN CONTRIBUTIONS

Individuals may want to maximize their annual contributions to qualified retirement plans and individual retirement accounts (IRAs).

- ☐ The maximum amount in elective contributions that an employee can make in 2024 to a 401(k) or 403(b) plan is $23,000 ($30,500 if age 50 or over and the plan allows “catch-up” contributions). For 2025, these limits are $23,500 and $31,000, respectively. Individuals between age 60-63 may contribute a “catch-up” contribution of $11,250 instead of $7,500.
- ☐ The SECURE Act permits a penalty-free withdrawal of up to $5,000 from traditional IRAs and qualified retirement plans for qualifying expenses related to the birth or adoption of a child after December 31, 2019. The $5,000 distribution limit is per individual, so a married couple could each receive $5,000.
- ☐ Under the SECURE Act, individuals are now able to contribute to their traditional IRAs in or after the year in which they turn 70½.
- ☐ Beginning in 2023, the SECURE Act 2.0 raised the age at which a taxpayer must begin taking required minimum distributions (RMDs) to 73. If the individual reaches age 72 in 2024, the required beginning date for the first 2025 RMD is April 1, 2026.
- ☐ Individuals age 70½ or older can donate up to $105,000 in 2024 ($108,000 in 2025) to a qualified charity directly from a taxable IRA.
- ☐ The SECURE Act generally requires that designated beneficiaries of persons who died after December 31, 2019, take inherited plan benefits over a 10-year period. Eligible designated beneficiaries (i.e., surviving spouses, minor children of the plan participant, disabled and chronically ill beneficiaries, and beneficiaries who are less than 10 years younger than the plan participant) are not limited to the 10-year payout rule. Special rules apply to certain trusts.
- ☐ Under final Treasury regulations (issued July 2024) that address RMDs from inherited retirement plans of persons who died after December 31, 2019, and after their required beginning date, designated and non-designated beneficiaries will be required to take annual distributions, whether subject to a 10-year period or otherwise.
- ☐ Small businesses can contribute the lesser of (i) 25% of employees’ salaries or (ii) an annual maximum amount set by the IRS each year to a simplified employee pension (SEP) plan by the extended due date of the employer’s federal income tax return for the year that the contribution is made. The maximum SEP contribution for 2024 is $69,000. The maximum SEP contribution for 2025 is $70,000. The calculation of the 25% limit for self-employed individuals is based on net self-employment income, which is calculated after the reduction in income from the SEP contribution (as well as for other things, such as self-employment taxes).

FOREIGN EARNED INCOME EXCLUSION

The foreign earned income exclusion is $126,500 in 2024 and increases to $130,000 in 2025.

ALTERNATIVE MINIMUM TAX

A taxpayer must pay either the regular income tax or the alternative minimum tax (AMT), whichever is higher. The established AMT exemption amounts for 2024 are $85,700 for unmarried individuals and individuals claiming head of household status, $133,300 for married individuals filing jointly and surviving spouses, $66,650 for married individuals filing separately, and $29,900 for estates and trusts. The AMT exemption amounts for 2025 are $88,100 for unmarried individuals and individuals claiming head of household status, $137,000 for married individuals filing jointly and surviving spouses, $68,500 for married individuals filing separately, and $30,700 for estates and trusts.

KIDDIE TAX

The unearned income of a child is taxed at the parents' tax rates if those rates are higher than the child's tax rate.

LIMITATION ON DEDUCTIONS OF STATE AND LOCAL TAXES (SALT LIMITATION)

For individual taxpayers who itemize their deductions, the Tax Cuts and Jobs Act introduced a $10,000 limit on deductions of state and local taxes paid during the year ($5,000 for married individuals filing separately). The limitation applies to taxable years beginning on or after December 31, 2017, and before January 1, 2026. Various states have enacted new rules that allow owners of pass-through entities to avoid the SALT deduction limitation in certain cases.

CHARITABLE CONTRIBUTIONS

Cash contributions made to qualifying charitable organizations, including donor-advised funds, in 2024 and 2025 will be subject to a 60% AGI limitation. The limitations for cash contributions continue to be 30% of AGI for contributions to non-operating private foundations.

Tax planning around charitable contributions may include:

- [ ] Creating and funding a private foundation, donor-advised fund, or charitable remainder trust.
- [ ] Donating appreciated property to a qualified charity to avoid long-term capital gains tax.

ESTATE AND GIFT TAXES

For gifts made in 2024, the gift tax annual exclusion is $18,000 and for 2025 it is $19,000. For 2024, the unified estate and gift tax exemption and generation-skipping transfer tax exemption is $13,610,000 per person. For 2025, the unified estate and gift tax exemption and generation-skipping transfer tax exemption is $13,990,000. All outright gifts to a spouse who is a U.S. citizen are free of federal gift tax. However, for 2024 and 2025, only the first $185,000 and $190,000, respectively, of gifts to a non-U.S. citizen spouse is excluded from the total amount of taxable gifts for the year.

Tax planning strategies may include:

- [ ] Making annual exclusion gifts.
- [ ] Making larger gifts to the next generation, either outright or in trust.
- [ ] Creating a spousal lifetime access trust (SLAT) or a grantor retained annuity trust (GRAT) or selling assets to an intentionally defective grantor trust (IDGT).

NET OPERATING LOSSES AND EXCESS BUSINESS LOSS LIMITATION

Net operating losses (NOLs) generated in 2024 are limited to 80% of taxable income and are not permitted to be carried back. Any unused NOLs are carried forward subject to the 80% of taxable income limitation in carryforward years.

A non-corporate taxpayer may deduct net business losses of up to $305,000 ($610,000 for joint filers) in 2024. The limitation is $313,000 ($626,000 for joint filers) for 2025. A disallowed excess business loss (EBL) is treated as an NOL carryforward in the subsequent year, subject to the NOL rules. With the passage of the Inflation Reduction Act, the EBL limitation has been extended through the end of 2028.

Proactive tax planning and seamless tax compliance are essential components of financial success. At FustCharles, we are dedicated to providing year-round support, ensuring you stay informed about emerging opportunities, evolving tax laws, and optimal strategies. Our commitment is to guide you towards the most advantageous course of action aligned with your objectives, ultimately contributing to your business's financial well-being.

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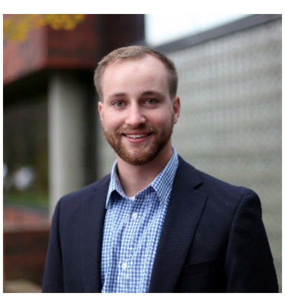

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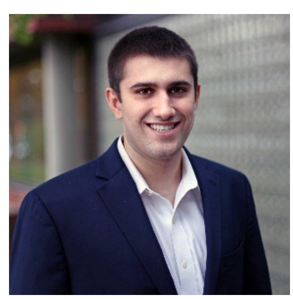

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