

# Year-End Tax Saving 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<sup>1/2</sup>. 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](http://www.fincen.gov/boi))

**When:** Entities 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. Don't wait until the last minute. It might take you longer than you think, or you might need the help of a lawyer.

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