


# TAX UPDATE FOR 2024

February 11, 2025

# WHAT'S NEW FOR 2024?

- ▶ There are a few items for 2024
  - ▶ However, we should expect big changes because most of the Tax Cuts and Jobs Act of 2017 (TCJA) provisions are to sunset 12/31/2025
  - ▶ TCJA sunset date could be extended, or it could sunset, or we could get an entirely new tax package for 2026
  - ▶ Take advantage of tax planning opportunities in 2025 in case TCJA sunsets and we go back to 2017 rules
- 

# NEW FOR 2024 AND 2025

- ▶ 2024 - Provision that allows funds from 529 college savings plans to be rolled over into Roth IRAs.
- ▶ 2025 - Energy Efficient Home Improvement Credit provision requiring that the qualified item, e.g. door, window, heat pump, etc, **must be produced by a qualified manufacturer and the item's specific identification number must be reported by the taxpayer.**

# REMINDERS FOR 2024 AND 2025

Credits –Residential energy, EV, Clean Energy

RMDs – Age

Secure Act 2.0

A decorative graphic consisting of several parallel white lines of varying thicknesses, slanted diagonally from the bottom-left towards the top-right, set against a blue gradient background.

# ENERGY EFFICIENT HOME IMPROVEMENT CREDITS


The Residential Energy credit is a maximum of \$1,200 annually for years 2023 through 2032 with no lifetime limit.

The credit for exterior windows, skylights, and doors is a 30% credit up to \$250 for a single door up to a maximum of \$500. It's also a 30% credit for new windows up to a maximum of \$600.

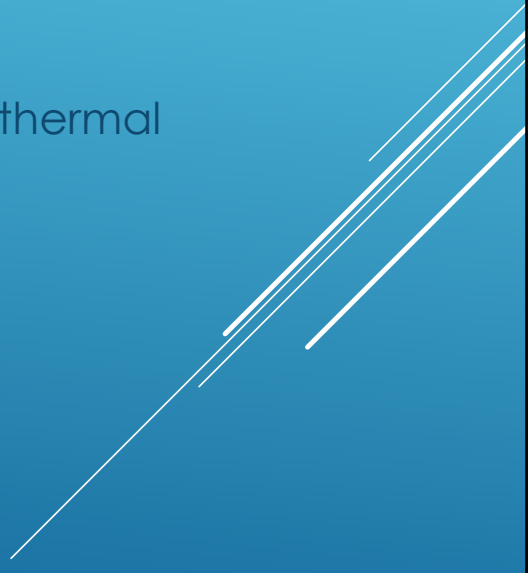
There is no lifetime limit for these credits.

**Planning tip – you have through 2032 – space out your improvements to not exceed the maximum credit each year. Use Form 5695 to calculate and report the credit.**

## CLEAN VEHICLE CREDIT

- ▶ Clean vehicle credits extended through 2032 for vehicles purchased in 2023 – 2032. Calculate the credit on Form 8936.
  - ▶ Final assembly of vehicle must occur in North America and batteries must meet certain manufacturing requirements.
- 
- A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.

# RESIDENTIAL CLEAN ENERGY CREDIT

- ▶ 30% credit through 2032; then percentage reduced to 26% in 2033 and 22% in 2034.
  - ▶ Qualified expenses include the cost of new clean energy property-Solar panels & water heaters; wind turbines; geothermal heat pumps; fuel cells; battery storage
- 
- A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.

# REQUIRED AGE TO BEGIN RMDS

- ▶ In 2023 the applicable age one must begin taking required minimum distributions from IRAs was changed to 73 for anyone born on or after January 1, 1951 through December 31, 1959.
- ▶ Starting in 2033, the applicable age will be 75 for anyone born on or after January 1, 1960.



# SECURE ACT 2.0

First Responders may be able to exclude certain service-related disability pension payments from gross income after reaching retirement age.

Retirement plans may make “qualified long-term care distributions”. Up to \$2,500 can then be distributed to purchase long-term care insurance. After December 29, 2025, the limit is \$2,600.

Individuals with unused balances in 529 education savings plans will be allowed to shift those dollars, up to \$35,000, to a Roth IRA if the 529 plan has a lifespan of at least 15 years. The amount transferred can't exceed Roth IRA contribution limits in any given year.

- ▶ Effective Jan 1, 2023, individuals age 70 ½ or older can make a one-time gift of up to \$53,000 (adjusted annually for inflation) (\$54,000 for 2024) directly from an IRA to a charitable remainder annuity trust, a charitable remainder unitrust, or a charitable gift annuity. The amount directed into the trust or annuity will apply toward the \$105,000 (\$108,000 for 2025) annual total Qualified Charitable Distribution (QCD) gift that is already allowed.

SECURE ACT 2.0

# INDIVIDUAL INCOME TAX BRACKETS FOR 2024

---

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

---

## DIVIDEND AND CAPITAL GAINS RATES FOR 2024

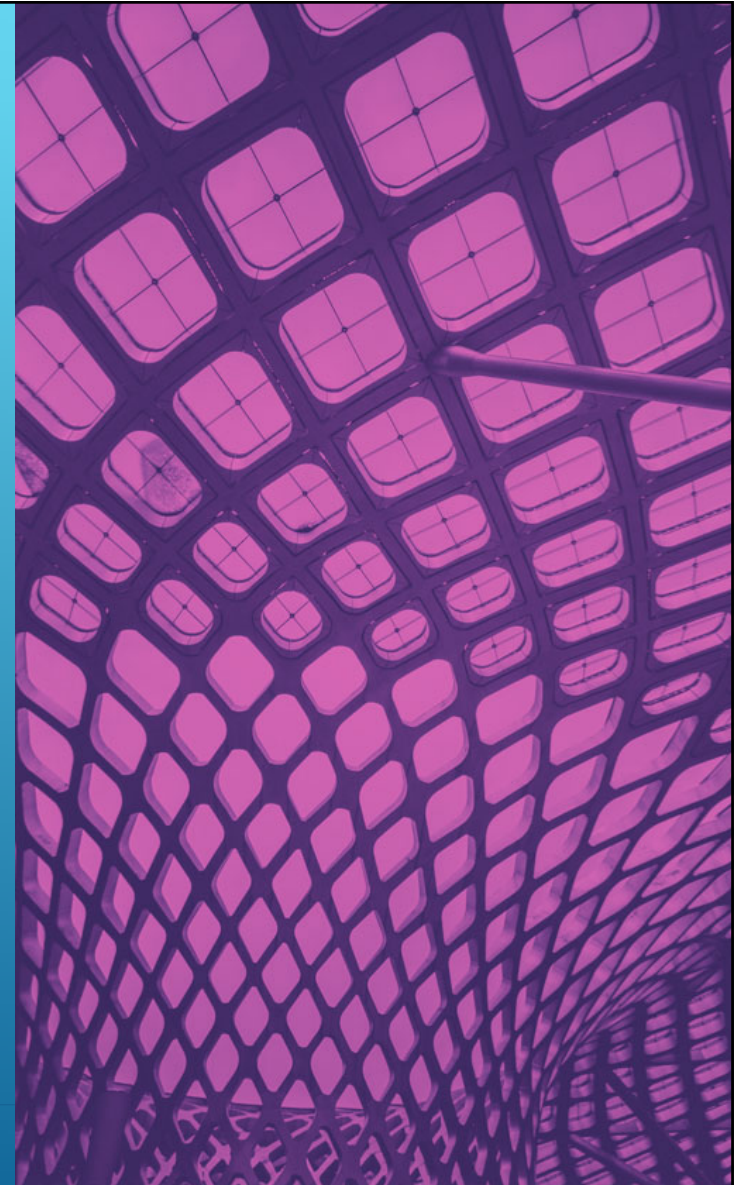
Qualified dividends and capital gains tax rate	Single filers	Joint filers	Head of household	Married filing separately
0%	Up to \$47,025	Up to \$94,050	Up to \$63,000	Up to \$47,025
15%	\$47,026 to \$518,900	\$94,051 to \$583,750	\$63,001 to \$551,350	\$47,026 to \$291,850
20%	\$518,901+	\$583,751+	\$551,351+	\$291,851+

## 2024 AND 2025 STANDARD DEDUCTION

	Single filers	Joint filers	Head of household	Married filing separately
<b>2024</b>	14,600	29,900	21,900	14,600
<b>2025</b>	15,000	30,000	22,500	15,000

2024: Add an additional \$1,550 if you're over 65 or blind (\$1,950 if single or head of household filing status)

2025: Add an additional \$1,600 if you're over 65 or blind (\$2,000 if single or head of household filing status)



# CRYPTOCURRENCY AND DIGITAL ASSET TRANSACTIONS

- ▶ The IRS is increasing reporting requirements related to these transactions.
- ▶ Form 1040, *U.S. Individual Income Tax Return*, and other business tax forms have a question on the first page regarding digital assets, which must be answered.
- ▶ The sale or exchange of digital assets, the use of such property to pay for goods or services, or receipt of digital assets in exchange for goods/services generally has tax consequences.
- ▶ Custodial brokers will report certain sale and exchange transactions on a new Form 1099-DA, *Digital Asset Proceeds from Broker Transactions*, for transactions in 2025 (brokers must report basis on certain transactions in 2026).

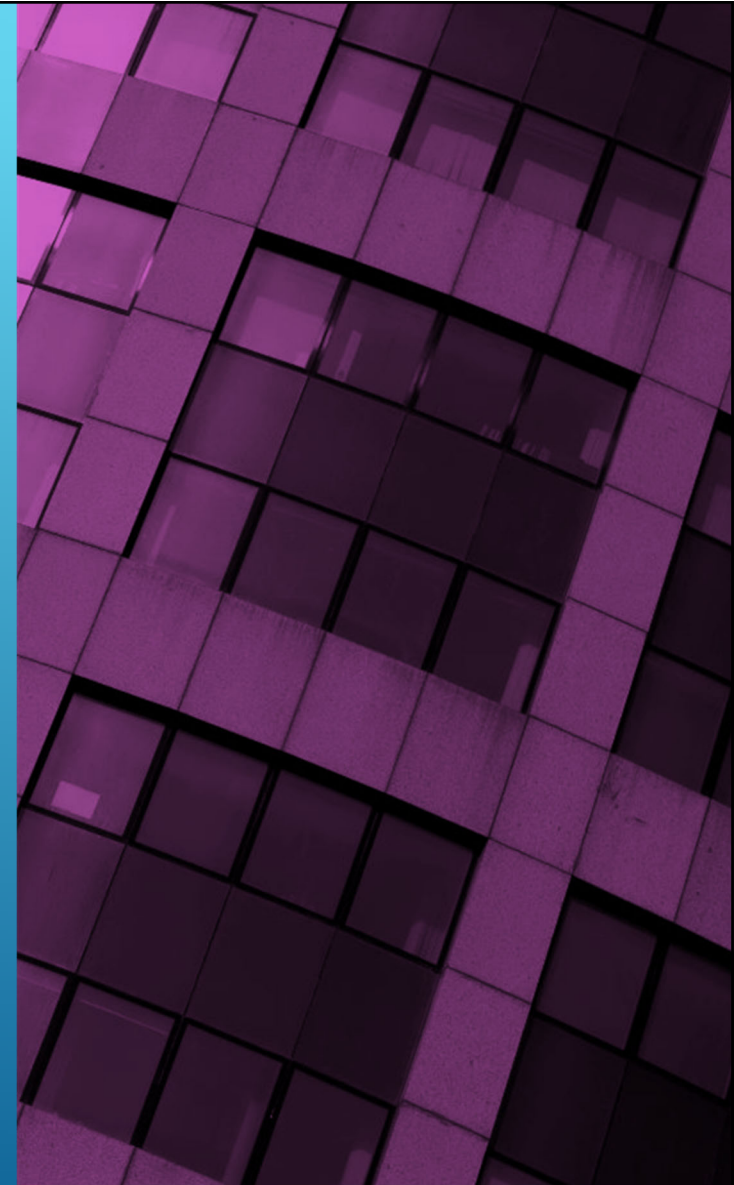
## RETIREMENT PLANNING

- ▶ Individuals can withdraw up to \$1,000 per year for emergencies without the usual 10% early withdrawal penalty.
- ▶ Employers can make matching contributions to retirement accounts based on employees' student loan payments
- ▶ Reminder - Unused funds in 529 college savings plans can be rolled over into Roth IRAs, subject to certain conditions and limits.



## ESTATE AND GIFT TAXES

- 2024 estate tax exemption: \$13.61 million (2025 figure is \$13.99 million). 2026 is projected to be \$7 to \$7.25 million after TCJA sunsets.
- Increase in exemption is temporary and expires on December 31, 2025.
- 2024 gift tax annual exclusion: \$18,000 (2025 is \$19,000)
- Estate planning is more than minimizing estate taxes
  - Updating documents
  - Repurposing insurance
  - Privacy
  - Asset protection





# EDUCATION TAX BENEFITS

- **American opportunity tax credit**
  - Up to \$2,500 annually per eligible student for first the four years of post-secondary school (income thresholds apply)
- **Lifetime learning credit**
  - Up to \$2,000 annually per eligible student for post-secondary school expenses (income thresholds apply)
- **Section 529 plans**
  - Tax-advantaged savings plan to encourage saving for future education costs
  - Can be used to pay up to \$10K per year per beneficiary for tuition at any public, private, or religious elementary/secondary school



# CHARITABLE CONTRIBUTION SUBSTANTIATION AND DISCLOSURE

- Must be made to a qualified charity and must be substantiated.
- Cash or non-cash contributions of \$250 or more
  - ✓ Need “contemporaneous written acknowledgment” from the charity
- Non-cash contributions over \$500
  - ✓ Need details of donee organization, items donated, cost, value and more (Form 8283, Section A)
- Non-cash contributions over \$5,000
  - ✓ Need qualified appraisal (attach to return if \$500,000 or greater)



# CHARITABLE CONTRIBUTION PLANNING REMINDERS

- ▶ Qualified charitable distributions from IRAs allow those over age 70 1/2 to exclude up to \$105,000 directly transferred to public charities
- ▶ Donor Advised Funds (DAFs) allow “bunching” of contributions
- ▶ Plan for five-year carryover of any excess contributions over annual deduction limitation



# DUE DATE REMINDERS

- ▶ Form 1040 (Individual federal return) – April 15 or October 15 if extended
- ▶ FinCEN Form 114 – Foreign bank account reporting – April 15 or October 15 if extended
- ▶ Form 709 Gift Tax return – April 15 or October 15 if extended
- ▶ North Carolina Individual return – April 15 or October 15 if extended
- ▶ Virginia Individual return – May 1 or November 1 if extended

# FOREIGN ACTIVITIES OR INVESTMENTS

- ▶ FinCEN forms 114 and 114a must be filed if you have an interest in, or a signature authority over, a financial account in a foreign country with an aggregate balance of at least \$10,000. The maximum penalty for non-willful failure to file the form is up to \$10,000 per violation. The maximum penalty for a willful violation can be as much as \$100,000. These penalty amounts are subject to inflation. FinCEN stands for Financial Crimes Enforcement Network.

# TAX TIPS


It's important to correctly classify qualified dividends and Section 199A dividends when preparing your returns to avoid paying more tax than required. Qualified dividends are taxed at a lower rate than non-qualified dividends and Section 199A dividends are qualified business income (QBI) that is eligible for a 20% deduction. The QBI deduction is part of the TCJA and is subject to sunset as of 12/31/2025.

Don't hesitate to ask for penalty relief if you filed late or underpaid your taxes. You may qualify for "First Time Abatement" if you have a history of good compliance and haven't had a penalty abated in the last 3 years. Call IRS or file Form 843, Claim for Refund and Request for Abatement.

# TAX PLANNING IDEAS

- ▶ Current federal tax rates are scheduled to sunset December 31, 2025. The 12% bracket will become 15%, the 22% bracket will become 25%, the 24% bracket will become 28%, and the 37% tax bracket becomes 39.6%. Standard deductions and personal exemptions will also revert back to 2017 amounts. Projections show that many taxpayers will pay about 20% more in taxes when the current law sunsets.
- ▶ Accelerating income in 2025 and converting non-Roth IRA monies to a Roth IRA may be strategies to consider to take advantage of the current lower tax rates.

# 2024 AND 2025 MILEAGE RATES


- ▶ Charitable miles - \$.14 per mile; same in 2025
  - ▶ Medical or moving miles - \$.21 per mile; same in 2025
  - ▶ Business miles - \$.67 per mile; \$.70 in 2025
- 
- A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.



- ▶ IRS Form 8888 allows you to have your refund direct deposited into two or three different accounts at a financial institution such as a checking account, a savings account, a mutual fund, a traditional IRA, a Roth IRA, a Roth SEP, or a SEP IRA. Other options include a HSA, an Archer MSA, or a Coverdell education savings account.
- ▶ Account must be in your name.
- ▶ You must notify the trustee or custodian of your IRA of the year to which the deposit should be applied.

## ALLOCATION OF REFUND

# NORTH CAROLINA TAX UPDATES

- ▶ 2024 Individual tax rate - 4.5% which is down from 4.75% in 2023; 4.25% in 2025 and 3.99% 2026 and later
  - ▶ Standard deductions: Married filing jointly \$29,200; Single and Married filing separate \$14,600; Head of Household \$21,900
- 
- A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.


# VIRGINIA TAX UPDATES

- ▶ Standard deduction is \$8,500 up from \$8,000 for single taxpayers and \$17,000 up from \$16,000 for married taxpayers filing jointly.
- ▶ VA wants individuals to remit payment electronically if payments exceed or can reasonably be expected to exceed \$1,500. This includes payments for estimated taxes, extension payments, or any amounts due when a return is filed.

# VIRGINIA TAX CREDITS REMINDER

- ▶ Firearm Safety Device Credit- \$300 nonrefundable credit for tax years 2023 through 2027 for the purchase of one or more firearm safety devices (gun safe, gun case, lock box or other device that locks with a key, a combination, or other similar means). Limited to one credit per year. The aggregate amount of credits allowable is \$5million per year. Credits will be allocated on a first-come, first-served basis by the Department of Taxation. Apply for certification by April 1<sup>st</sup> using Form FSD.
- ▶ Livable Home Tax Credit – Tax credit of up to \$6,500 available to individuals or licensed contractors for the purchase or construction of a new accessible residence or up to 50% of the cost of retrofitting activities on an existing residence. Application must be filed with the Department of Housing and Community Development by January 31 of the year following the year in which the purchase/construction/retrofitting was completed

# TIPS TO AVOID COMMON TAX SCAMS

- ▶ IRS does not call or email you without prior written communication. It's a scam call if you are told you need to pay immediately or to pay a third party or if you receive a threatening message.
  - ▶ You can freeze your credit with the major credit rating bureaus. Visit [identitytheft.gov](https://www.identitytheft.gov) for more information.
  - ▶ File your returns as early as possible, once you have all necessary documents/information.
  - ▶ You can request an Identity Protection Pin from the IRS to prevent someone else from filing a tax return using your information. Visit [IRS.gov](https://www.irs.gov) for instructions.
  - ▶ Shred your mail
- 

# FREE TAX FILING OPTIONS

IRS Direct File – <https://directfile.irs.gov>

Available in 25 states including NC but not VA – the program will link you to your state's website to file your state return.

Wage limitations, type of income limitations

Must use standard deduction

The website has a questionnaire that walks you through the criteria to determine if you are eligible for Direct File.

If you qualify then you must use ID.me account to access the program;

# FREE TAX FILING OPTIONS

- ▶ Free File – Adjusted gross income of \$84,000 or less
- ▶ Free File fillable forms – if your income is greater than \$84,000. It is an electronic version of IRS paper forms that can be e-filed for free and is best for people experienced in preparing their own returns.
- ▶ Visit [IRS.gov/FreeFile](https://www.irs.gov/FreeFile) for more information.
- ▶ Miltax – available to active duty and qualified veterans – search for [military.onesource](https://www.militaryonesource.com) which is a DoD website.
- ▶ IRS Certified Volunteers – Income less than \$67,000; 60 years or older; or need language support

# FREE TAX HELP

IRS Certified Volunteers are available at certain locations to provide free tax assistance to low to moderate income, age 60 and older taxpayers, persons with disabilities, and Limited English-speaking taxpayers. Visit [IRS.gov](https://www.irs.gov) (keyword VITA)

Visit [IRS.gov](https://www.irs.gov) for IRS forms, instructions, and helpful publications.

IRS customer service 800-829-1040

Visit [tax.virginia.gov](https://tax.virginia.gov) for forms and instructions

VA customer service 804-367-6113

Visit [NCDOR.gov](https://www.ncdor.gov) for North Carolina forms and instructions.

NC customer service 1-877-252-3052



QUESTIONS?

Just kidding - please ask!

