November 2024

Dear Client:

With year-end approaching, it is time to start thinking about moves that may help lower your tax bill for this year and next.

Whether or not tax increases become effective next year, the standard year-end approach of deferring income and accelerating deductions to minimize taxes will continue to produce the best results for all but the highest income taxpayers, as will the bunching of deductible expenses into this year or next to avoid restrictions and maximize deductions.

If proposed tax increases do pass, however, the highest income taxpayers may find that the opposite strategies produce better results: Pulling income into 2024 to be taxed at currently lower rates, and deferring deductible expenses until 2024, when they can offset what would be higher-taxed income. This will require careful evaluation of all relevant factors.

We have compiled a list of actions based on current tax rules that may help you save tax dollars if you act before year-end. Not all of them will apply to you, but you (or a family member) may benefit from many of them. We can narrow down specific actions when we meet to tailor a particular plan for you. In the meantime, please review the following list and contact us at your earliest convenience so that we can advise you on which tax-saving moves might be beneficial:

- New tax credits for EVs. If you are looking to buy a new car this year, remember that the Inflation Reduction Act has introduced various credits for buying both new and used electric vehicles.
- If you believe a Roth IRA is better for you than a traditional IRA, consider converting traditional-IRA money invested in any beaten-down stocks (or mutual funds) into a Roth IRA in 2024 if eligible to do so. Keep in mind that the conversion will increase your income for 2024, possibly reducing tax breaks subject to phaseout at higher AGI levels. This may be desirable, however, for those potentially subject to higher tax rates under pending legislation.
- Many taxpayers won't want to itemize because of the high basic standard deduction amounts that apply for 2024 ($29,200 for joint filers, $14,600 for singles and for marrieds filing separately, $21,900 for heads of household), and because many itemized deductions have been reduced (such as the $10,000 deduction limit on state and local taxes) or abolished (such as the miscellaneous itemized deduction and the deduction for non-disaster related personal casualty losses). You can still itemize medical expenses that exceed 7.5% of your AGI, state and local taxes up to $10,000, your charitable contributions, plus mortgage interest deductions on a restricted amount of debt, but these deductions won't save taxes unless they total more than your standard deduction.

- Some taxpayers may be able to work around these deduction restrictions by applying a bunching strategy to pull or push discretionary medical expenses and charitable contributions into the year where they will do some tax good. For example, a taxpayer who will be able to itemize deductions this year but not next will benefit by making two years' worth of charitable contributions this year.
- New rules for required minimum distributions (RMDs) from an IRA or 401(k) plan (or other employer-sponsored retirement plan). In general, an IRA owner must take their first RMD for the year in which they reach age 73.
- If you are age 70½ or older by the end of 2024, and especially if you are unable to itemize your deductions, consider making 2024 charitable donations via qualified charitable distributions from your traditional IRAs. These distributions are made directly to charities from your IRAs, and the amount of the contribution is neither included in your gross income nor deductible on Schedule A, Form 1040. However, you are still entitled to claim the entire standard deduction. (The qualified charitable distribution amount is reduced by any deductible contributions to an IRA made for any year in which you were age 70½ or older, unless it reduced a previous qualified charitable distribution exclusion.)
- Consider increasing the amount you set aside for next year in your employer's FSA if you set aside too little for this year and anticipate similar medical costs next year.
- If you become eligible in December 2024 to make HSA contributions, you can make a full year's worth of deductible HSA contributions for 2024.
- Make gifts sheltered by the annual gift tax exclusion before the end of the year if doing so may save gift and estate taxes. The exclusion applies to gifts of up to $18,000 made in 2024 to each of an unlimited number of individuals. You can't carry over unused exclusions to another year. These transfers may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.
- If you were in federally declared disaster area, and you suffered uninsured or unreimbursed disaster-related losses, keep in mind you can choose to claim them either on the return for the year the loss occurred (in this instance, the 2024 return normally filed next year), or on the return for the prior year (2023), generating a quicker refund.

These are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you.

Very truly yours,

PSK LLP Tax Team

3001 Medlin Drive Suite 100 • Arlington, Texas 76015-2368 • 817-664-3000 • FAX 817-664-3001
www.pskcpa.com