



TAX PLANNING

IN 2024



TAX PLANNING IN 2024

Albert Einstein once said, “The hardest thing in the world to understand is the income tax.”

The tax law is notoriously complicated and regularly changing as rates are revised to consider inflation, and rules and provisions are added or modified that potentially impact how you manage your personal tax responsibilities. Thankfully, there are financial professionals and tax planning guides like this one to help you navigate the complex themes so you can manage and potentially reduce some of your tax liability and lower the stress and frustration that accompanies tax season.

Year-end tax planning and designing tax-efficient strategies should not be just an end-of-the-year task. To unlock and utilize tax advantages to benefit you and your family is something that you must do throughout the year as events happen, and details within your life and tax status change.

TAX PLANNING IN 2024

What Does the Government do With the Taxes we Pay?

Taxes are collected by the government to pay for various public services. In 2023, \$6.1 trillion of tax money was spent on the various public services. According to the Center on Budget and Policy Priorities, this amounted to 22.7 percent of the national gross domestic product (GDP). Around nine-tenths of the \$6.1 trillion total went toward federal programs, and the rest toward interest payments on the federal debt.

If you break down the \$6.1 trillion, around \$4.4 trillion came from federal revenues and the remainder from borrowing.

There are a variety of federal programs that depend on your taxes to operate. The three largest include:

Social Security

In 2023, according to the 2024 OASDI trustees report, over \$1.4 trillion or 21 percent of the budget, was used to fund Social Security which consists of the Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Funds.

Social Security provided monthly retirement benefits averaging \$1,833 to 49.1 million retired workers. However, Social Security benefits don't only help retirees. They also provided benefits to 8.7 million disabled workers and their eligible dependents, 5.9 million surviving children and spouses of deceased workers, and 2.7 million spouses and children of retired workers.

Medicare and other health insurance

In 2023, around \$848 billion was spent on Medicare. Behind Social Security, Medicare is the second largest funded program in the federal budget. Also funded are Medicaid and the Children's Health Insurance Program (CHIP) (accounting for \$633 billion), and the Affordable Care Act marketplace health insurance subsidies (\$91 billion). In total, these programs accounted for around 24 percent of the budget, or \$1.6 trillion.

Medicaid and CHIP provided some form of care to around 93.9 million low-income children, parents, the elderly, and people suffering from disabilities. In 2023, around 15.7 million people were enrolled in the Affordable Care Act marketplace, and an additional 20.8 people million opted for coverage during the 2024 open enrollment.

Defense Spending

In total, in 2023, \$820 billion, or 13.3% was spent on national defense. About 95 percent of the costs went toward operations and maintenance, training troops, procurement of weapons and equipment, and research, development, and testing.

TAX PLANNING IN 2024

(Continued)

The Tax Brackets and Standard Deductions

There are seven federal income tax rates and brackets: 10%, 12%, 22%, 24%, 32%, and 37%. Your filing status and taxable income will be used to determine which federal tax rates apply to you and to calculate your tax liability for that year.

Tax Year 2024 Standard Deductions

Married Filing jointly	\$29,200
Head of Household	\$21,000
Single	\$14,600
Married filing separately	\$14,600
Standard Deduction for dependents	Greater of \$1,300 or \$450+ earned income

Tax Brackets 2024

Married Filing Jointly	
Taxable Income:	Tax Due:
0 - \$23,200	10% of taxable income
\$23,201 - \$94,300	\$2,320 + 12% over \$23,200
\$94,301 - \$201,050	\$10,852 + 22% over \$94,300
\$201,051 - \$383,900	\$34,337 + 24% over 201,050
\$383,901 - \$487,450	\$78,221 + 32% over \$487,450
\$731,201+	\$196,669.50 + 37% over \$731,200

Head of Household	
Taxable Income:	Tax Due:
0 - \$16,550	10% of taxable income
\$16,551 - \$63,100	\$1,655 + 12% over \$16,550
\$63,101 - \$100,500	\$7,241 + 22% over \$63,100
\$100,501 - \$191,950	\$15,469 + 24% over \$100,500
\$191,951 - \$243,700	\$37,417 + 32% over \$191,950
\$243,701 - \$609,350	\$53,977 + 35% over \$243,700
\$609,351+	\$181,954.50 + 37% over \$609,350

TAX PLANNING IN 2024

(Continued)

Single	
Taxable Income:	Tax Due:
0 - \$11,600	10% of taxable income
\$11,601 - \$47,150	\$1,160 + 12% over \$11,600
\$47,151 - \$100,525	\$5,426 + 22% over \$47,150
\$100,526 - \$191,950	\$17,168.50 + 24% over \$100,525
\$191,951 - \$243,725	\$39,110.50 + 32% over \$191,950
\$243,726 - \$609,350	\$55,678.50 + 35% over \$243,725
\$609,351+	\$183,647.25 + 37% over \$609,350

Married Filing Separately	
Taxable Income:	Tax Due:
0 - \$11,600	10% of taxable income
\$11,601 - \$47,150	\$1,160 + 12% over \$11,600
\$47,151 - \$100,525	\$5,426 + 22% over \$47,150
\$100,526 - \$191,950	\$17,168.50 + 24% over \$100,525
\$191,951 - \$243,725	\$39,110.50 + 32% over \$191,950
\$243,726 - \$365,600	\$55,678.50 + 35% over \$243,725
\$365,601+	\$183,647.25 + 37% over \$609,350

Trusts and Estates	
Taxable Income:	Tax Due:
0 - \$3,100	10% of taxable income
\$3,101 - \$11,150	\$310 + 24% over \$3,100
\$11,151 - \$15,200	\$2,242 + 35% over \$11,150
\$15,201+	\$3,659.50 + 37% over \$15,200

The Tax Cuts and Jobs Act provisions are scheduled to sunset at the end of 2025 unless Congress extends or makes them permanent, taxpayers can expect the brackets to change back to their pre-2018 amounts.

TAX PLANNING IN 2024

(Continued)

Estate and Gift Tax

Annual gift tax exclusion	\$18,000 (for couples \$36,000)
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This amount can be gifted to as many separate individuals as the taxpayer wishes up to the lifetime exemption amount (see below). If you give over the annual gift tax exclusion amount to one person you can include the excess toward your lifetime exemption without being subject to a tax penalty.

Lifetime gift tax exemptions	\$13,610,000
Generation-skipping transfer	\$13,610,000

A generation-skipping transfer tax occurs when a person gifts someone an asset but skips a generation. The transfer tax is either paid by the grantor (the person who sets up the trust) or the skipped beneficiary depending on how the gift is structured. A direct generation-skipping tax is paid by the grantor whereas an indirect generation-skipping tax is paid by the skipped beneficiary.

Current transfer tax rate	40%
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Tax treatment of Capital Gains and Losses

A capital gain occurs if you sell an asset for more than your adjusted basis. Conversely, a capital loss occurs when you sell the asset for less than your adjusted basis.

The gains and losses from your investments are classified according to the amount of time held.

- If the asset is held more than 12 months, it is considered **long-term**.
- If the asset has been held for 12 months or less, it is considered **short-term**.
- Net capital gains for both long-term and short-term net capital gains are included in gross income.
- Net short-term capital gains are treated as ordinary income.
- Net long-term capital gains create a tax liability and are subject to a maximum tax rate of 0%, 15% to 20%. Capital gains from collectibles are taxed at a maximum rate of 28%.



TAX PLANNING IN 2024

(Continued)

Capital Gains and Qualified Dividend rates

0% tax rate applies for incomes less than:

Married, filing jointly	\$94,050
Head of household	\$63,000
Single or Married filing separately	\$47,050
Estates and trusts	\$3,150

15% tax rate applies for incomes less than:

Married, filing jointly	\$583,750
Head of household	\$551,350
Single	\$518,900
Married filing separately	\$291,850
Estates and trusts	\$15,450

20% tax rate applies to incomes in excess of the 15% maximum incomes.

If you have capital losses, long-term capital losses, and short-term capital losses are treated the same. A taxpayer may use net capital losses to offset up to \$3,000 of ordinary income annually. Capital losses in excess of the \$3,000 limit are carried forward and deducted in future years. The capital loss limit for couples married, filing separately is \$1,500.

Contributions to Retirement Plans

Contributions to traditional 401(k) plans will lower your taxable income and thereby reduce your taxes for the year by the contributed amount multiplied by your marginal tax rate based on your tax bracket.

Qualified plan contributions

401(k), 403(b), 457 and SARSEP	\$23,000
Age 50 and over (catch-up contribution)	7,500 (for a total of \$30,500)

TAX PLANNING IN 2024

(Continued)

Education

Student loan interest	
Max deduction	\$2,500
(MAGI) Phase out, Single	\$80,000 and \$95,000
(MAGI) Phase out, Married, filing jointly	\$165,000 and \$195,000

529 Education Savings Plans	
Plan contributions per individual	\$18,000 per year
Plan contributions per couple	\$36,000 per year (splitting the gift)
Spread over 5 years (accelerated gifting)	\$90,000 per individual
Spread over 5 years (accelerated gifting)	\$180,000 per couple

** In order for the gift to be fully excluded from their estates, the parents or grandparents must survive beyond the 5-year period. (The gift is excluded from the giver's estate over time, 20% each year).

Redeeming Series EE and I bonds to pay qualified higher education expenses	
Phase out, parent (Single filer) owning bonds with AGI above	\$96,800
Phase out, parents (Married, filing jointly) owning the bonds with AGI above	\$145,200

Child Tax Credit

Taxpayers can receive a tax credit of up to \$2,000 per qualifying dependent child. The additional child tax credit (the refundable portion) is worth up to \$1,700.

You are eligible for the full credit amount if your modified adjusted gross income (MAGI) is \$400,000 or below (married filing jointly) or \$200,000 or below for all other filers. Should you MAGI exceed the limits, the credit is reduced by \$50 for each \$1,000 of income above the threshold until it completely phases out.

Kiddie Tax

The kiddie tax was created in 1986 as part of the Tax Reform Act to prevent parents from shifting wealth into their children's name to bypass having to pay taxes at a higher tax rate. Therefore, earned income is taxed at single tax bracket rates, and unearned income in excess of \$2,600 is taxed at the rates of the child's parents.

TAX PLANNING IN 2024

(Continued)

Planning for Tax Season

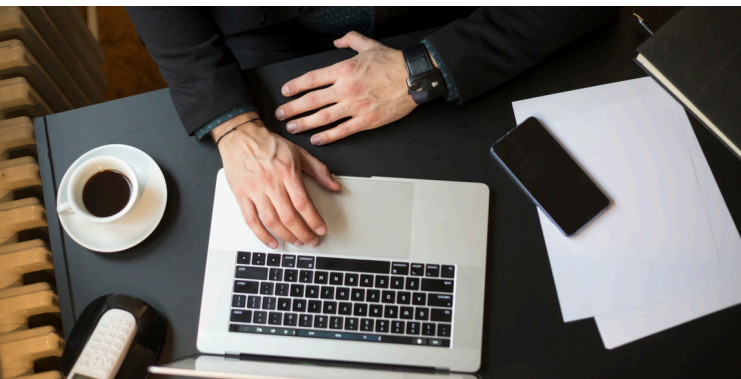
Preparing well ahead of the tax season can help you be better equipped for unexpected situations. Here are several reasons to start planning early:

- You want to have enough time to save sufficient money should you have a tax liability.
- Events may have occurred in your life the previous year that required your attention and could impact you.
- You want to get the most out of any tax credits and deductions should you qualify.

Therefore, reviewing your taxes throughout the year is encouraged, and you can make changes as they occur instead of trying to figure them all out while the deadline is fast approaching.

You also want to keep your tax records in a safe place. Here are some of the items you may want to have on hand:

- W-2 form from your employer
- Receipts
- Canceled checks
- Pay stubs
- Documents related to philanthropy
- Mortgage payment documents
- Home purchase records
- Business and travel receipts
- Automobile mileage associated with business
- Medical bills
- Bank statements
- Credit card statements
- Form 1099-K, 1099-MISC, W-2 or any other income statements if you do gig work.
- 1099 forms for dividend and pension income, unemployment compensation, annuity or retirement plan distributions, and from banks or other issuing agencies.
- Form 1099-INT if you were paid interest.
- Form 1095-A, your health insurance marketplace statement.
- Form 1099-G for state and local taxes
- Any other IRS or agency letters.



Remember:

It is critical to keep your documents safe, secure, yet easily accessible. Also, if you keep most of them in digital form on your computer, make the effort to back them up on a storage device or thumb drive.

TAX PLANNING IN 2024

(Continued)

How to Prepare for Filing Your Taxes

- **Organize all of your relevant tax documents**

- Being organized makes it easier to have a clearer picture of your taxes and to help mitigate necessary errors that tend to create delays in processing, receiving a refund if you get one, and having to pay more in taxes when you could have utilized tax strategies, for example, credits and deductions, to lower your payment.

- **Meet with a tax professional**

- A tax professional can help you determine if you have withheld enough tax or if you need to modify your withholding if you received a large refund or if you owed because changing your withholding may help you keep more money each time you are paid and even avoid a larger tax bill. There may have been changes made to credit amounts that apply to you, a marriage, divorce, or birth in the family that you can take advantage of if you adjust your withholding.

- **Consider making estimated tax payments**

- For some taxpayers, if you have a significant amount of non-wage income such as investment income, self-employment income, Social Security benefits, or annuity and pension income you should make quarterly estimated tax payments. This strategy can help give you an idea of your cash flow, get some of your debt paid off, and avoid penalties. Not all income is subject to withholding so it is helpful to understand what is and isn't.
- If the amount of income tax withheld from your salary or pension isn't enough, or if you earn income from other sources like capital gains, dividends, interest, alimony, self-employment income, or prizes and awards, you make estimated tax payments based on that income you expect to earn and the credits you expect to qualify for that year. Taxpayers typically use the prior year's tax return as a model. You may send estimated tax payments with Form 1040-ES.

- **Ensure you notify the IRS of an address change.**

- Changing your personal information could impact your tax returns by creating delays in processing and receiving your refund.

- **Notify the Social Security Administration if you legally changed your name, for example, from a marriage or divorce.**

- Having your personal information correct helps for more efficient processing of your tax return and Social Security benefits and prevents delays, and issues with identity verification.

- **Ensure your individual tax identification number (ITIN) is up to date.**

- If your ITIN expires, it may delay the processing of your return or delay credits that you are owed including the Child Tax Credit and the American Opportunity Tax Credit, however, you are still able to file your tax return and the IRS will still accept it.

TAX PLANNING IN 2024

(Continued)

Impacts on Tax Refunds

There are a variety of reasons your tax refund could be affected, for example, your filing status or tax benefit eligibility could change because of a marriage or divorce, the birth of a child, or the death of a spouse or a dependent you claim.

Natural Disasters

If you reside in an area stricken by a natural disaster and need more time to file your tax return, you may qualify for tax relief. The IRS may postpone the tax filing deadline for taxpayers who live in or have businesses in federally declared disaster areas.

The Death of a Loved One

When someone passes away, the final return is filed on the same form the taxpayer would have used had they still been alive, but the word “Deceased” is written at the top of the return after the person’s name accompanied by their death date. The deadline to file the final return is the filing deadline of the year following the taxpayer’s death.

If you are married and your spouse passes away in 2024, you may still benefit from joint return rates for 2025 and 2026. This is beneficial because that filing status would generate a lower tax payment than you could have had to pay as a single filer. If the deceased was not married, the return is filed as a single filer.

Legal separation or divorce

If you get legally separated or divorced in 2024, here are several potential tax concerns to be aware of:

- **Filing status**

- Whether or not you are married on the last day of the year determines your filing status.
- Various deductions such as medical expenses, mortgage interest, and real estate taxes could be impacted by a legal separation or divorce.

- **Withholding**

- You generally adjust the amount of tax withheld from your check

- **Alimony or separate maintenance income**

- If you were granted alimony or separate maintenance income, the details of your agreement impact how the payments are taxed so you may want to adjust your withholding. It might even be beneficial to make estimated tax payments.
- Payments are deductible by the spouse who pays and included in the income of the recipient spouse in your agreement was signed in 2018 or earlier. If your divorce or separation agreement changes the tax treatment of your payments, there could be exceptions.
- If your agreement was signed in 2019 or later, payments aren’t deductible by the spouse who pays them and aren’t included in the income of the recipient spouse.

TAX PLANNING IN 2024

(Continued)



Impacts on Tax Refunds (Continued)

- **Child support**
 - Child support payments aren't deductible by the payer and aren't taxable to the payee.
- **Claiming dependents**
 - The parent who was granted custody of the child can claim that child on their tax return as head of household or claim credits. If both parents split custody, either the parents agree to which years each will get to claim the child, or the courts will decide.
- **Managing retirement accounts**
 - If you have a retirement plan such as a 401(k) and 403(b), your ex-spouse could be entitled to a portion under a qualified domestic relations order (QDRO) which manages retirement accounts that are not IRAs. Keep in mind that payments from a QDRO count as income unless you roll them into a traditional IRA lest other conditions apply.
 - IRAs are divided using a process called transfer incident to divorce. This process allows you to transfer assets from your IRA into your spouse's IRA tax-free.
 - If divorced or separated at the end of the year, you aren't permitted to deduct contributions you make to your former spouse's traditional IRA. Also, taxable alimony or separate maintenance payments, and contribution and deduction limits for an IRA count as compensation.
- **Property transfers**
 - Regarding the transfer of property, there is typically no recognized gain or loss on the transfer between spouses or former spouses; however, you may be required to report the transaction on a gift tax return.

TAX PLANNING IN 2024

(Continued)



Tax Credits

You may also become eligible for certain tax benefits if you lose your job, purchase a home, or enroll in college. Some of the tax credits you could qualify for include:

- **The Earned Income Tax Credit (EITC)**
 - For 2024, eligible taxpayers for the EITC with no qualifying children may receive up to \$632
- **The Child Tax Credit**
 - For 2024, each qualifying child is worth up to \$2,000. The child must be under age 17 at the end of 2024 to qualify.
- **The Child and Dependent Care Credit**
 - Taxpayers may receive up to 35% of their employment expenses.
- **Credit for Other Dependents**
- **Home energy tax credit**
 - Certain tax credits may be available to taxpayers who make energy improvements to their homes.
- **Clean vehicle tax credit**
 - With the purchase of an electric vehicle or fuel cell vehicle you may qualify for a tax credit. When you purchase a clean vehicle, the seller must provide you information about your vehicle's qualifications and register online with the IRS to submit time-of-sale reports. If you happen to be a licensed dealer, you can also register to receive advance payments to offset the amount of a tax credit that was applied toward a customer's purchase price.

TAX PLANNING IN 2024

(Continued)

Changes Brought About by SECURE Act 2.0

Roth modifications

Regarding 401(k), 403(b), and 457(b) governmental plans:

- Employers now can make Roth matching or nonelective contributions.
- RMD rules no longer apply to Roth distributions.

Emergency withdrawals are exempt from triggering a penalty

Taxpayers under age 59 ½ can now withdraw up to \$1,000 for a personal, or family emergency expense (certain conditions apply) without being subject to the 10% penalty on early withdrawals.

Increased ages for required minimum distributions (RMDs)

Individuals born after 1950, the age when they must begin taking RMDs increased from 72 to 73. Those born in 1951 don't have to take an RMD until 2024 and may delay their first RMD until April 1, 2025. The minimum age is projected to increase again in 2033, to age 75.

Excise tax for insufficient or delayed RMDs decreases

For those with insufficient or delayed RMDs, the excise tax decreased from 50% to 25% provided certain conditions are met.

Automatic retirement plan enrollment

Beginning in 2025, employers must automatically enroll workers with 401(k) or 403(b) plans of at least 3%, but no higher than 10% of the employee's pay. Also, automatic escalation will be required for these plans, increasing contributions on the first day of each plan year by 1% until reaching at least 10%, but no higher than 15%.

Catch-up contribution catch-up

Starting in 2025, individuals with 401(k), 403(b), and 457(b) governmental plans increase the catch-up contribution limit for those aged 60-63 to \$11,250.



TAX PLANNING IN 2024

(Continued)



IRS Withholding Calculator

The IRS encourages taxpayers to accurately calculate the correct amount to have withdrawn from their paycheck. Therefore, the IRS created the [Withholding Calculator](#) (also called the Tax Withholding Estimator) to help you estimate the amount that should be withheld from your paycheck.

You will find that you may have a significant refund, or you owe a substantial amount in taxes. If this occurs, you may want to look into your withholding election.

If you are owing a large amount of tax, you may wish to increase the amount that is withheld from your paycheck and if you have a large refund you may elect to reduce the amount of taxes withheld. The idea is that you want to try and be as close to zero as possible. Doing this helps to eliminate the possibility of owing large amounts of federal taxes when you prepare your return in future years.

The calculator will require specific information including your projected gross income, your current withholding number, the current amount of federal taxes withheld, and other questions.

The calculator will inform you what you might have to pay or how much the refund could be and offers changes to your withholding or how much additional money to request be withheld from your check.

TAX PLANNING IN 2024

(Continued)

Individual Deadlines and Dates

Jan. 15, 2025 – 4th Quarter estimated taxes due

For those who are self-employed or have other income without tax withholding, and make quarterly payments, this is your final quarterly payment due date.

Jan. 29, 2025 (approximately) – Tax season begins

The IRS starts accepting and processing 2024 federal tax returns.

Jan. 31, 2025 – Date for when employers must send out W-2 forms to employees

Employers must send W-2 forms no later than this date to ensure you have time to complete your tax return.

Jan. 31, 2025 – Various 1099 forms are sent

1099 forms including 1099-K, 1099-NEC, 1099-MISC, and others are used to report payments that generally don't come from an employer such as gig work, self-employed individuals, independent contractors, money from brokerage account transactions, interest and dividends, rents, royalties, and prizes and awards.

Feb. 18, 2025 – File your exemption request to reclaim from withholding

If you filed form W-4 claiming an exemption from your employer withholding taxes from your paycheck the previous year, you will have to re-file the form by this date. This is done if you had no tax liability the previous year and believe you will have no tax liability this year.

April 1, 2025 – If you turn 73 in 2024, the required minimum distributions (RMDs) are due

You have until April 1, 2025, to take your 2024 RMD.

April 15, 2025 – Taxes are due

The tax deadline is April 15 unless extended because of a local state holiday or if you are approved for an extension to file a completed tax return on October 15, 2025. If you decide to file an extension, you are still obligated to pay any taxes due by the April due date.

April 15, 2025 – First quarter estimated tax payments for 2025 due

You estimate how much income you believe you will earn and calculate how much you are likely going to owe the IRA in taxes. If your estimate is high and you overpay you could get a refund, and if you underpay you will owe. IRS Form 1040-ES can be used to help you calculate how much you may be required to pay.

April 15, 2025 – IRA and HSA contributions deadline for 2024 tax year

This is the last day to make IRA and HSA contributions. After this date, you typically can't make any more contributions for the prior year.

TAX PLANNING IN 2024

(Continued)

Individual Deadlines and Dates *(Continued)*

June 16, 2025 – Second quarter estimated tax payments for 2025 due

Making this estimated payment helps you to make equal quarterly payments throughout the year. Again, if you overpay you likely get a refund and if you underpay you owe.

September 15, 2025 – Third quarter 2025 estimated tax payments due

October 15, 2025 – Extended 2024 tax return filing deadline

This is the last day to file your extended tax return.

December 31, 2025 – Individuals aged 73 or older by the end of 2025 owe RMDs

Even if you take your first RMD by April 1, 2025, for 2024, if you turned 73 in 2024, you are required to take your 2025 RMD by the end of the year unless you are still employed, and your employer doesn't require you to take it.

January 15, 2026 – Fourth quarter 2025 estimated tax payment deadline

The last quarterly tax payment for 2025 is due.

Consult Your Financial Professional

Don't wait until the end of the year to begin working on your taxes. Consider scheduling a consultation with a financial professional to discuss your questions and concerns and work to create strategies and manageable approaches that align with your tax and financial goals.

See following page for important disclosures.



IMPORTANT DISCLOSURES

Content in this material is for educational and general information only and not intended to provide specific advice or recommendations for any individual.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

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