

# **2024 YEAR END CLIENT LETTER**

Key Tax Facts and Planning Strategies for 2024 and 2025



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# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 1. Tax Filing Deadlines:

- a) April 15, 2025 (Filing)
- b) October 15, 2025 (With Extension)

## 2. Tax Brackets: 2024

2024 tax brackets

Tax rate	Single filers	Married couples filing jointly	Married couples filing separately	Head of household
10%	\$11,600 or less	\$23,200 or less	\$11,600 or less	\$16,550 or less
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,551 to \$63,100
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500
24%	\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950	\$100,501 to \$191,950
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,276 to \$365,600	\$243,701 to \$609,350
37%	\$609,351 or more	\$731,201 or more	\$365,601 or more	\$609,351 or more



# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 2. Tax Brackets: 2025

### 2025 tax brackets

Tax rate	Single filers	Married couples filing jointly	Married couples filing separately	Head of household
10%	\$11,925 or less	\$23,850 or less	\$11,925 or less	\$17,000 or less
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$11,926 to \$48,475	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,526 to \$375,800	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$375,801 or more	\$626,351 or more

- a) Capital gains tax rates are 0%, 15%, and 20%, depending on your income level for both years.
- b) The federal estate tax exemption is \$13,610,000 for 2024 and \$13,990,000 for 2025.
- c) Gift tax exclusion was \$18,000 per recipient for 2024 and will be \$19,000 per recipient in 2025. Please consider these for your annual gifts.



# **INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES**

## **3. Insurance from the Exchange**

If you received health insurance through the Exchange and received premium credits, you must reconcile these payments on your tax return. Please provide Form 1095-A with your tax preparation documents.

## **4. Virtual Currency Transactions**

If you engaged in transactions involving virtual currency (e.g., Bitcoin, Dogecoin, NFTs), you are required to report this activity on your tax return.

## **5. FBAR Filing Requirements**

The annual Report of Foreign Bank and Financial Accounts (FBAR), Form 114, is due on the same date as your federal income tax return. For 2024, the due date is April 15, 2025, with an option to extend it to October 15, 2025. Non-reporting penalties are significant. Please contact us if this applies to you.





# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 6. Standard Deduction Amounts

- **2024:** \$14,600 for single filers and \$29,200 for married filing jointly.
- **2025:** \$15,000 for single filers and \$30,000 for married filing jointly.

## 7. Medical Expense Deduction

The threshold for deducting medical expenses remains at 7.5% of Adjusted Gross Income (AGI).

## 8. Energy-Efficient Tax Credits

Tax credits for solar, wind, and geothermal installations are 30% of the total installation cost from 2022 to 2032.



# **INDIVIDUAL TAX FACTS AND** **PLANNING STRATEGIES**

## **9. Electric Vehicle (EV) Credit**

The EV credit is available to individuals and businesses. To qualify, you must:

- Purchase the vehicle for personal use (not resale).
- Use the vehicle primarily in the U.S.

Income limits for eligibility:

- \$300,000 for married couples filing jointly or surviving spouses.
- \$225,000 for heads of households.
- \$150,000 for all other filers.



# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 10. Quarterly Estimated Taxes

### a) **Methods to Avoid Penalties:**

- **90% Rule:** Pay 90% of the current year's tax liability.
- **100/110% Rule:** Pay 100% of the prior year's tax liability (110% if income exceeds \$150,000).
- **Annualization:** Adjust payments quarterly based on year-to-date income.

**b) Tip:** Increase withholding from wages late in the year to cover prior underpayments. Withheld taxes are treated as paid evenly throughout the year.

## 11. Timing Deductions

**a) Bunching Deductions:** If standard deductions exceed itemized deductions annually, concentrate itemizable payments (e.g., medical expenses, charitable donations) in a single year.

### b) **State and Local Tax Deductions (SALT):**

- Deduction capped at **\$10,000** annually.
- Use **Pass-Through Entity (PTE) taxes** in states that allow this to bypass the cap. (Applicable to business owners only)



# **INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES**

## **12. Capital Gains and Losses**

### **a) Netting Rules:**

- Short-term gains (taxed at higher rates) and losses are netted first, then long-term.
- Excess losses offset up to **\$3,000** of ordinary income annually.

### **b) Strategies:**

- Harvest losses to offset gains.
- Defer or accelerate capital gains based on expected income levels or tax rate changes.

## **13. Alternative Minimum Tax (AMT)**

### **a) Planning Considerations:**

- AMT exemption limits are higher due to TCJA, reducing applicability for many taxpayers.
- Income shifts (e.g., exercising stock options) may reduce exposure to higher marginal rates under AMT rules.

### **b) Strategy:**

- Accelerate ordinary income into AMT years if the marginal AMT rate (28%) is lower than the regular tax rate (37%).





# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 14. Charitable Contributions

### a) Tax-Efficient Donations:

- Donate appreciated long-term securities to avoid capital gains taxes and claim deductions at fair market value.
- **Qualified Charitable Distributions (QCDs)** from IRAs for taxpayers aged 70½+ can satisfy Required Minimum Distributions (RMDs) while reducing taxable income.

**b) Documentation:** Ensure proper receipts and acknowledgments to secure deductions.

## 15. Educator Expenses

**a)** Kindergarten through 12th grade teachers, instructors, counselors, principals or aides who work at least 900 hours during the year are allowed a \$300 (2024) deduction for qualified expenses.

**b)** Qualified expenses include books, supplies, equipment, software, and other materials, and the cost of professional development classes, but do not include home schooling costs.



# **INDIVIDUAL TAX FACTS AND** **PLANNING STRATEGIES**

## **16. Retirement Plans**

### **a) 2025 Max Contributions:**

- 401(k): Contribute \$23,500 (or \$31,000 with catch-up for those 50+ or \$34,750 for those 60+).
- The Traditional IRA contribution limit is \$7,000 per person and \$8,000 for ages 50 and older. IRAs for 2024 must be deposited by April 15, 2025. The IRA contribution limits for 2025 are the same as 2024.
- IRA: Max out contributions, with Roth IRA conversions considered during low-income years.

### **b) Required Minimum Distributions (RMDs):**

- Begin withdrawals by April 1 of the year after turning 73 to avoid excise taxes.

## **17. 2024 Mileage rates**

- 21 cents per mile driven for medical or moving purposes for qualified active-duty members of the Armed Forces, a decrease of 1 cent from 2023.
- 14 cents per mile driven in the service of charitable organizations; the rate is set by statute and remains unchanged from 2023.



# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 18. Health Savings Accounts (HSAs)

- Max out contributions to HSAs if enrolled in a high-deductible health plan.
  - Contributions are pre-tax, growth is tax-free, and withdrawals for medical expenses are tax-free.
- **2024 Contribution Limits:** \$4,150 (individual) and \$8,300 (family), with an extra \$1,000 catch-up for those 55+.
- **2025 Contribution Limits:** \$4,300 (individual) and \$8,550 (family), with an extra \$1,000 catch-up for those 55+.

## 19. Tax-Efficient Investments

- Shift taxable investments into tax-advantaged accounts like IRAs or 401(k)s where possible.
- Use **tax-loss harvesting** to offset gains by selling underperforming investments.
- Opt for **municipal bonds:** Interest is often exempt from federal and state taxes.



# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 20. Maximize Education Tax Benefits

- Use **529 Plans** for education savings: Earnings grow tax-free and withdrawals for qualified expenses are tax-free.
- Claim education credits like the **American Opportunity Tax Credit (AOTC)** or **Lifetime Learning Credit** if eligible.

## 21. Mortgage Interest Optimization

- If refinancing, consider timing it strategically to maximize deductible interest in a high-income year.
- Pay January's mortgage payment in December to accelerate the deduction.

## 22. Roth Conversions During Low-Income Years

- Convert traditional IRAs to Roth IRAs in years where income is unusually low to lock in lower tax rates.
- Future withdrawals from Roth accounts are tax-free.



# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## 23. Estate Tax Strategies

- Leverage **annual gift exclusions** (\$18,000 in 2024) and lifetime exemptions.
- Set up **Grantor Retained Annuity Trusts (GRATs)** or **Irrevocable Life Insurance Trusts (ILITs)** for large estates.
- Consider **Qualified Personal Residence Trusts (QPRTs)** to pass on property tax-efficiently.

## 24. Kiddie tax

- Child's unearned income above \$2,600 is generally subject to taxation at the parent's marginal tax rate; unearned income above \$1,300 but not more than \$2,600 is taxed at the child's tax rate.



# **INDIVIDUAL TAX FACTS AND** **PLANNING STRATEGIES**

## **Other Tax Tips**

### **1. Worthless Investments:**

- Claim losses on securities determined worthless within the tax year.

### **2. Wash Sales:**

- Avoid repurchasing identical securities within 30 days before/after a loss sale to preserve deductions.

### **3. Use Tax Credits:**

- Leverage electric vehicle or energy-efficient home improvement credits under the Inflation Reduction Act.

**4. Analyze Gains/Losses:** Review taxable accounts for opportunities to offset gains with losses.

**5. Deferral and Acceleration:** Decide whether to defer income or deductions to next year based on expected changes in tax brackets.





# INDIVIDUAL TAX FACTS AND PLANNING STRATEGIES

## Other Tax Tips

**6. Review Legislative Updates:** Monitor 2024 developments regarding TCJA extensions or modifications.

**7. Diversify Across Tax Types:** Maintain a balance of pre-tax, Roth, and taxable accounts for flexibility in withdrawals.

**8. Donor-Advised Funds (DAFs)** - Contribute to a DAF to receive an immediate tax deduction while distributing charitable gifts over time.

**9. Charitable Trusts** - Establish a **Charitable Remainder Trust (CRT)** or **Charitable Lead Trust (CLT)** for tax-efficient giving and estate planning.

**10. Review estate plans** to align with changing tax rules and personal circumstances.



# BUSINESS TAX FACTS AND STRATEGIES

## 1. Tax Deadlines:

- a) March 15, 2025 - S Corporations and Partnership (Filing), September 15, 2025 (With Extension).
- b) April 15, 2025, C Corporation (Filing), October 15, 2025 (With Extension).

## 2. Optimize Entity Structure

- If eligible, elect **S-Corp** status to reduce self-employment taxes.
- Use **C-Corp** status to take advantage of the current **21%** corporate tax rate, especially for reinvested earnings.



# **BUSINESS TAX FACTS AND STRATEGIES**

## **3. Retirement Plan**

- See our memo regarding changes that may affect your business in setting up a retirement plan.
- Set up a SEP IRA, SIMPLE IRA, or Solo 401(k) to increase pre-tax contributions for small business owners.
- For larger businesses, use defined benefit or cash balance plans to defer substantial amounts of income.
- Make an additional contribution towards the existing 401(k) plan by using the profit-sharing option. Contributions towards profit-sharing can be made up until the due date of the tax returns.



# **BUSINESS TAX FACTS AND STRATEGIES**

## **4. Depreciation Strategies**

- Take advantage of bonus depreciation or Section 179 expensing to accelerate deductions for business equipment purchases.
- Purchase equipment and furniture by the end of the year to take advantage of the immediate deduction.
- Opt for a cost segregation study to depreciate parts of a building faster.
- Section 179 \$1,220,000 comes before bonus.
- Bonus 60% depreciation in the first year.

## **5. Home Office Deduction**

- If self-employed, claim a home office deduction for a portion of home-related expenses, such as rent, utilities, and maintenance.



# **BUSINESS TAX FACTS AND STRATEGIES**

## **6. Beneficial ownership information (BOI) reporting**

- Filing method: Reports must be filed electronically through the FinCEN e-filing portal
- Filing deadline: The deadline is dependent on when the company was created or registered:
  - Created or registered before January 1, 2024: The initial BOI report must be filed by January 1, 2025.
  - Created or registered in 2024: The BOI report must be filed within 90 calendar days of receiving notice of its creation or registration.
  - Created or registered on or after January 1, 2025: The BOI report must be filed within 30 calendar days of receiving notice of its creation or registration.



# BUSINESS TAX FACTS AND STRATEGIES

## 7. 2024 Pension Limits

- Deferrals: Simple \$16,000 (\$17,600) + Over Age 49 \$3,500 (\$3,850)
- Deferrals: 401k \$23,000 + Over Age 49 \$7,500
- Max Contribution all sources: 401K \$69,000 + Over Age 49 \$7,500

## 8. 2024 Qualified Business Income (QBI) Deduction

- The maximum deduction is the lesser of :
  - 20% of an owner's QBI **or**
  - 20% of taxable income, excluding net capital gains
- **QBI Threshold** is \$383,900 for joint filers and \$191,950 for other filers in 2024.





# **BUSINESS TAX FACTS AND STRATEGIES**

## **9. 2024 Business Mileage rate**

- 67 cents per mile driven for business use, up 1.5 cents from 2023.

## **10. State Pass-Through Entity (PTE) Taxes**

- Pay State PTE taxes through the business to avoid the \$10,000 SALT limit on your personal taxes.

