# SYSTEMIZER 2024

## INDIVIDUAL INCOME TAX RETURN
## FORM 1040

**www.nancyfeltz.com**

THIS SYSTEMIZER IS PREPARED AS A **GUIDE** FOR YOU TO COMPILE YOUR TAX DATA PROPERLY AND IN THE MOST ACCURATE WAY, ONE THAT WILL HELP AVOID ANY QUESTIONS OR OMISSIONS OF INFORMATION. THE SYSTEMIZER ALSO IS INSTRUMENTAL IN NOTIFYING YOU OF **IMPORTANT MATTERS** AND **CHANGES IN THE TAX STRUCTURE.**

**☼IRS & most State taxing agencies mandate that tax preparers MUST file their client's returns electronically. Failure to do so may subject this office to a PENALTY unless the client signs a specifically worded statement documenting the taxpayer's request to file by paper. Further, additional forms – Form 8948 & State Opt-Out Forms – will be included with your paper-filed Federal & State returns, stating that you have elected to file by paper. Paper returns are being phased-out by most taxing authorities. If you still do not want to file electronically, please call our office and we will mail you a specimen form to be signed and returned to this office prior to commencing work on your return. *OTHERWISE, THE TAX PREPARER (me) IS SUBJECT TO A PENALTY FOR PAPER FILING.***

## BENEFITS OF IRS E-FILING:

- ACCURACY   SECURITY   ELECTRONIC SIGNATURES   PROOF OF ACCEPTANCE   FASTER REFUNDS
- FLEXIBLE ELECTRONIC PAYMENT OPTIONS   Convenient, safe and secure electronic payment options are available. E-File and pay in a single step. Schedule an electronic funds withdrawal from your bank account (up to and including **April 15, 2025**, OR the extended due date [**subject to late payment charges if not paid by April 15, 2025**] or pay by credit card. Easy payment with immediate proof of acceptance. You can also schedule payments for the future (estimated tax payments). **Payment deadline for 2024 tax year is April 15, 2025 for IRS and all States.**
- **When you E-File you hopefully avoid possible delays of refunds caused by often disruptions in mail service.**

## IMPORTANT NEWS FOR 2024 FILING YEAR

- **Increased scrutiny for Virtual Currency/Digital Assets**
  - Payments for services, sales of property, etc, etc
- **New Thresshold Form 1099-K, but does not remove the requirement to report all income.**
- **Pension Linked Emergency Savings Accounts (PLESAs)**

**REFUNDS: ALL Returns, especially those containing an Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC), and uncertain claims could expect DELAYS receiving Refunds. *IRS IS Still EXPERIENCING UNPRECEDENTED UNPROCESSED WORKLOADS AND PROCESSING DELAYS WHICH MAY IMPACT YOUR RETURN FILINGS, especially if paper-filed.***

**IRA CONTRIBUTIONS**: Taxpayers with sufficient Earnings (eg. W-2 or Self-Employment Net Profit, etc) may make Contributions to a Traditional IRA, regardless of their age. **There is no longer an age limitation for contributing to the Traditional IRA.**. Due Date to make a 2024 Contribution is April 15, 2025

**DUE DILIGENCE**: The IRS is requiring the completion of Form 8867, Paid Preparer's Due Diligence Checklist, which must be submitted with every return or claim for refund prepared with the EITC, CTC, or AOTC (American Opportunity Tax Credit). The Tax Preparer must personally answer Question 15 of the Form 8867, Credit Eligibility Certification, and the Preparer must document and retain records of how, when, and from whom the information obtained to prepare the tax return and worksheets were obtained, as well as answers to the Filer's questions. I may require school records, birth certificates, utility bills, etc to verify information, if the situation warrants this. Further, the IRS assesses stiff fines if the Tax Preparer fails any of the due diligence requirements. The preparation of this Form will increase the time required to complete your returns; and this may result in an increase in the Preparation Fees. If the IRS decides that the Credit was improperly taken, there will be a penalty period before the use of that penalty would be allowed again.

## INHERITANCE, ESTATE AND GIFT TAX

**Note: The following is only an introduction to and a brief synopsis of a COMPLICATED subject, and is not intended cover all matters of Inheritance, Estate & Gift Taxes and Planning Measures.**

**FEDERAL Form 706 and Form 709 United States Federal Estate, Gift & Generation-Skipping Transfer Taxes** were designed to form a unified transfer tax system on the transfer of property at death (Estate Tax), during life (Gift Tax), and on transfers that skip a generation (GST Tax). There is an automatic lien on all property an individual owns when he/she dies; therefore, a waiver is required to transfer it to the heirs. The manner in which assets are titled (such as joint bank accounts, etc.) could affect the decedent's intentions for the disposition of those assets which **may pass outside the will**, in whole or in part.

**NOTE**: Estates with a FMV less than the exemption amount **are encouraged to file the Form 706** in order to establish basis and to begin the statute of limitations regarding the "Step-Up" or alternate value. It is **MANDATORY** to file (regardless of the value of the Gross Estate) if you want to elect **PORTABILITY** between individuals married to the decedent at the time of death! See below. Same-Sex married couples enjoy the same treatment as traditional married couples for the Federal Estate taxes. Many states also recognize same-sex marriages, including New York & New Jersey. Since NJ previously had Civil Unions and Domestic Partnerships, it is important to actually get married in order to qualify for the Federal benefits. ***Be sure to check with an attorney knowledgeable in this matter in your state***.

**>Rev. Proc. 2022-32 extends the portability election period to on or before the fifth anniversary of the decedent's date of death.**

**Common Elections:** Revocable Trust; Recognition of gain or loss of distributed property; Contributions; 65-day rule; QTIP; Portability; Alternate Valuation; Gift splitting with spouse.

The basic exclusion amount for the estates of decedents who die during **2024** was **$13,610,000**. For **2025**, that amount increases to **$13,990,000**. This amount will increase for inflation each year until 2025. The top estate and gift tax is **40%.** No marital deduction is allowed for Federal purposes if the surviving spouse is not a U.S. citizen, regardless whether the assets pass under or outside of the Will. Special rules apply to spouses who are not citizens of the U.S.

In addition to raising the exclusion amount, the **ATRA'12** made **"PORTABILITY"** of the exclusion between spouses permanent, meaning that any exemption amount not used by the spouse who is first to die would transfer to the surviving spouse without the need for complex estate planning techniques. Thus, if a spouse died in 2024 and left the entire estate to the surviving spouse (which does not require the use of the exemption), the surviving spouse could conceivably have a $27,220,000 million exemption available to use on that spouse's death (in certain circumstances). For 2025, this amount could be as much as $27,980,000, with portability. **The IRS has instructed estates that want to elect portability to timely file an estate tax return (Form 706) even if there is no estate tax liability**. Many of us may not expect to leave an estate of this size, but there is always the **lottery, or re-marriage**. This may prove to be a very wise move, in some estate situations. It is important to note, however, that portability is **only a FEDERAL concept**, & NOT for New Jersey or New York, nor for most states. **See Rev Proc 2022-32 <**

**The Gift Tax** is based on all property transferred during life. The applicable exclusion was **$13,610,000 for 2024**. The applicable exclusion for **2025** will be **$13,990,000**.

**NOTE:** Taxable gifts do not include those gifts protected by the annual per donee exclusion allowed for gifts of present interest. The aggregate annual exclusion per donor (gift-giver) per donee (recipient) was at **$18,000** for **2024**. The aggregate annual exclusion for **2025** is projected to be **$19,000**. Therefore, these excludable amounts are neither taxed nor do they use up any of the donor's lifetime gift tax applicable credit amount. Taxable gifts also do not include gifts to your spouse (who is a U.S. citizen), payments directly to an education institution for tuition (books and fees are not eligible for this exclusion) for another individual (whether or not your dependent), or payments directly for medical care, including medical insurance for another individual (whether or not your dependent). Filing a gift tax return doesn't necessarily mean that you will owe gift tax. Gifts to a noncitizen Spouse are excludable up to the first $185,000 for 2024 and projected to be $190,000 for 2025. Special rules apply for non-residents and non-citizen gift giving and receiving.

**New York** does not have an Inheritance Tax; however, it does have an Estate Tax, with an exemption of $6,940,000 for deaths from 1/1/24 through 12/31/24, and $7,160,000 for deaths from 1/1/25 through 12/31/25.

**Pennsylvania** has an Inheritance Tax, but no Estate Tax.

**New Jersey no longer** has an Estate tax, but it does have an **Inheritance Tax**, both Resident and Non-Resident (when applicable). There is an unlimited marital deduction, therefore no Inheritance Tax if the entire estate is left to the spouse. **NJ INHERITANCE TAX** is based upon the **Class of the Beneficiary**. There are special NJ Estate Tax rules for a spouse who is not a U.S. citizen.

**ESTATE PLANNING** It is **IMPORTANT** that you review your **WILL** at certain times. The Intent of the Will can be frustrated if the assets are not properly titled. Estate & Inheritance Taxes can be very complex and involved. Refer to **PAGE A4** for some brief tips.

**IT IS IMPORTANT THAT YOU HAVE A POA FOR HEALTH CARE AS WELL AS ONE FOR OTHER MATTERS. IT MAY ALSO BE IMPORTANT TO HAVE A POA WHICH BECOMES EFFECTIVE ONLY UPON CERTAIN EVENTS (SUCH AS UNEXPECTED HOSPITALIZATION OR INCAPACITATION). THIS ALSO APPLIES TO MARRIED INDIVIDUALS.**

**TALK TO YOUR ATTORNEY ABOUT THESE MATTERS!**

## QUALIFIED RETIREMENT PLANS

| | 2024 | 2025 |
|---|---|---|
| The elective deferral limits for 2024 & 2025 are listed below: | | |
| 401(k), 403(b) annuities, SEPs, and 457 plans (in general) | $23,000 | $23,500 |
| Catch-up contributions for taxpayers over age 49. | 7,500 | 7,500 |
| ages 60-63 | | 3,750 add'l |
| NOTE: 403(b) can have a special rule for the catch-up contribution. | | |
| SIMPLE plans | 16,000 | 16,500-17,600* |
| Catch-up contributions for taxpayers over age 49 | 3,500 | 3,500 |
| Ages 60-63 | | 1,750 add'l |

This limit applies to the sum of elected deferrals for all plans combined, regardless of the number of employers or plans.

***Profit Sharing & SEP** maximum contribution in **2024** was **$69,000** ($70,000 in 2025).*

**NOTE:** **401(k)** and **403 (b)** plans can be modified to accept ROTH contributions [**Roth 401(k)**]. While these elective deferrals will not create any current deductions, they do offer some alternative choices to save for retirement.

### TRADITIONAL IRA AGI Limitations for Active Participants

The deduction for contributions to a traditional IRA is phased out if the taxpayer is an active participant in a qualified employer sponsored retirement plan or is the spouse of an active participant. The phase-out begins when modified AGI exceeds a specific amount and is reduced to zero over a $10,000 range. (For 2024, these limitations are between $77,000 & $87,000 for Single & HH; $123,000 & $143,000 for Married Filing Joint & Qualified Widow/er; $0 & $10,000 for Married Filing Separate (no change).

**2024 & 2025:** Qualified **IRA** contribution is **$7,000** (**$8,000** if you are **50** or older). This amount is limited to your earned income, with special rules for married filers as relates to the earned income, (for 2025-$7,000 with a catch up of $1,000 if you are 50 or older, THE SAME AS 2024).

**ROTH IRA:** The contribution amount is the same as for Traditional IRA's. ROTH MAGI 2024 phase-outs start at $230,000 and ends at $240,000 for MFJ or QW; $146,000 and ends at $161,000 for Single or HOH; and MFS who lived with the spouse ($0-$10,000 phaseout – no change).

**VIP NOTE;** Total contributions, including BOTH Traditional and ROTH, may not exceed the $7,000 ($8,000 if age 50 or older) limit for 2024 (**2025** limit is $7,000/$8,000 50 or older). (If you are Married Filing Separately, and did NOT live with your spouse at ANY time during the year, then you are considered SINGLE for the IRA deduction purposes.)

### EDUCATION IRA (Now called Coverdell Education Savings Accounts)

Annual nondeductible total aggregated contributions limit of $2,000 per designated beneficiary, per year, (subject to income limitation). No more contributions when the beneficiary reaches age 18 (other than special needs individuals). Balance must be distributed by Beneficiary's age 30 (other than special needs individuals). Contribution due date is **April 15, 2025**. Eligible Education expenses that may be paid tax-free by a Coverdell ESA **include K through High School** costs as well as higher education.

### HEALTH SAVINGS ACCOUNTS (HSA)

This plan, like an IRA, allows taxpayers to save money in tax-deferred accounts. Funds are exclusively for medical expenses. The owner must carry a high-deductible medical health plan (MDHP). 2024 HSA contribution deadline is **April 15, 2025**.

| Taxpayers may contribute the lesser of the annual deductible for medical insurance coverage: | **2024** | **2025** |
|---|---|---|
| Self-Only coverage | $4,150 | $4,300 |
| Family Coverage | 8,300 | 8,550 |
| Catch-up provision for account beneficiary age 55 or older at the end of the year | 1,000 | 1,000 |

**NOTE: DISTRIBUTIONS NOT USED TO PAY QUALIFIED MEDICAL EXPENSES ARE SUBJECT TO INCOME TAX PLUS A 20% PENALTY. NO PENALTY IF 65 OR OVER.**

### SHIFTING INCOME TO YOUR CHILDREN: TAKING ADVANTAGE OF YOUR CHILD'S LOWER TAX BRACKET

The "kiddie tax" is a special tax intended to stop you from shifting investment income to children, who are presumably taxed at lower rates than their parent(s). For 2024, the tax applies to dependent children under age 18 and dependent full-time students under age 24 at the end of 2024 who report unearned income over $2,600, with some special qualifications for support and earned income. For 2024, the child's first $1,300 of unearned income is not taxed at all, the next $1,300 of unearned income is taxed at the child's tax rate, and the child's "excess" unearned income is taxed at the parent's higher marginal rate. Certain levels of earned income will impact tax reporting.

The kiddie tax rules crimp your ability to cut tax by shifting investment income to your children. Careful planning will be necessary to see what is the best plan for investments. You might be able to invest your child's assets in vehicles that do not generate current income. Be sure to discuss with your Financial Advisor.

**TAX YEAR 2024**

# Fighting Back Against Identity Theft

Federal Trade Commission

**Deter identity thieves by safeguarding your information:**

- Shred financial documents and paperwork with personal information before you discard them.
- Protect your Social Security number. Don't carry your Social Security card in your wallet or write your Social Security number on a check. Give it out only if absolutely necessary or ask to use another identifier.
- Don't give out personal information on the phone, through the mail, or over the internet unless you know who you are dealing with.
- Never click on links sent in unsolicited emails; instead type in a web address you know. Use firewalls, anti-spyware, and anti-virus software to protect your home computer; keep them up-to-date. Visit OnGuardOnline.gov for more information
- Don't use an obvious password like your birth date, your mother's maiden name, or the last four digits of your Social Security number.
- Keep your personal information in a secure place at home, especially if you have roommates, employ outside help, or are having work done in your house.

**Remember, the IRS does not initiate contact with taxpayers via e-mail, and the IRS does not request detailed personal information through e-mail. Please forward bogus email claiming to be from the IRS to phishing@irs.gov.**

**THE IRS DOES NOT MAKE TELEPHONE CALLS TO TAXPAYERS. CALL ME IF YOU RECEIVE ANY CALLS, EMAILS, OR LETTERS; BUT DO NOT, not, NOT GIVE OUT ANY INFORMATION ON THE TELEPHONE OR ON THE INTERNET. DO NOT give personal information to emails or calls from Social Security Administration. ALWAYS CALL THIS OFFICE FIRST.**

**ABSOLUTELY DO NOT OPEN attachments or click on the links found within bogus emails!!**

**SECTION 529 PLAN DISTRIBUTIONS** (per the SECURE Act of 2019)

- $10,000 each year to pay for education costs paid to a public, private, or religious elementary or secondary educational institution.
- Can be used to pay for qualified expenses of apprenticeship programs.
- $10,000 maximum lifetime distribution can be used to pay down student loan debt.
- Allows for a 60 day penalty-free rollover into an ABLE account.

MANY STATES HAVE DEDUCTIONS FOR THEIR 529 PLAN CONTRIBUTIONS, HIGHER EDUCATION EXPENSES, & STUDENT LOAN INTEREST, WITHIN LIMITS. ALWAYS PROVIDE THIS INFORMATION.

**NEW JERSEY Info: VETERAN'S EXEMPTION FOR 2024 IS $6,000. 2024 PENSION & RETIREMENT INCOME MAXIMUM EXCLUSION (MFJ) IS $150,000.**

**NJ EIC EXPANDED TO 18 YRS AND OLDER Non Dependents, etc..**

**TIP**: Everyone can benefit from an **ESTATE PLAN**. It should consist of your will, health care documents, powers of attorney, life insurance coverage Trusts, and post-mortem letters. Update periodically as needed.

**Some Reasons to Prepare A Will**:

1. To Choose Beneficiaries
2. To Minimize Taxes
3. To Appoint a Guardian for Children
4. To Name an Executor
5. To Establish a Domicile
6. Asset Protection
7. Ease Family Questions regarding Distribution of Assets, etc.

**TIP:** Here are some **LIFE EVENTS** that necessitate an update to your **ESTATE PLAN**:
>Marriage or Remarriage
>Birth/Adoption of a Child
>Death of a family member
>Sale or Purchase of Residence
>Enactment of new tax laws
>Retirement

Do Both the **Name and SSN** on Your Tax Forms Agree with your Social Security Card? Also do your Tax Documents have the correct social and name? If not this could affect your Social Security earnings. Contact Social Security at 1-800-772-1213 or www.ssa.gov

**NO REFUND FOR SOME!**
Expecting a refund but haven't paid certain bills? Some people may find themselves waiting a long time. Federal Law allows income tax refunds to be taken to pay off all or part of past-due child and spousal support, delinquent student loans, income tax or federal debts. The IRS will let people know if their refund was used to pay back what they owe.

**Turning 65**? Be sure to put in the paper work for your **Medicare coverage three months before you turn 65**, even though you are not yet eligible to collect Social Security Benefits. You may also sign up for Medicare part D at that time. Check out all plans to be sure that you elect the proper Prescription coverage. Penalties may apply for failure to sign up for Medicare at

## CONTRIBUTIONS

**CHARITABLE GIFTS OF CASH** - There are several ways to write off charitable gifts depending on what you give and any "strings" you keep attached. Here are some rules for cash gifts:

- For **2024** You can deduct up to 60% of your AGI for cash gifts to Private Foundations, with a five year carry forward for the excess (15 years for qualified conservation contributions) based on the limitation when the carried over contribution was made.
- Non-cash gifts are limited to 50% of AGI.
- Certain organization contributions are limited to 30% of AGI. Called "for the use,".
- Gifts by check are deductible in the year you present the check, even if it is not cashed until the next year;
- If your gift of $75 or more entitles you to dinner or a banquet, the organization has to disclose the value of those benefits. Token items have no reduction requirement;
- If you give a single gift of more than $250, you will need a written receipt dated no later than the filing date of your return;
- If your donation to a college entitles you to buy athletic tickets, you can deduct 80% of your gift. The right to buy tickets is valued at 20% of the gift, regardless of the amount.

**CHARITABLE GIFTS**

| Amount | Proof |
|---|---|
| **Under $250** | Dated bank record or receipt |
| **$250-$500** | Dated bank record & receipt. Receipt must show value received (dinner, etc.) |
| **$500-$5,000** | Dated bank record & receipt. Receipt must show value received (dinner, etc.). Gifts of any single item of property over $500 require Form 8283. |
| **Over $5,000** | Dated bank record & receipt. Gifts of property worth more than $5,000 require a written appraisal (except for publicly-traded securities, or non-public stock up to $10,000). |
| **Payroll Withdrawal** | Pay stub, W2, or other document showing total withdrawal, plus pledge card showing name of charity. |

**CHARITABLE GIFTS OF PROPERTY** – Don't overlook gifts of property and appreciated assets for valuable deductions (subject to yearly limitations with carryover provisions as noted above):

- Gifts of clothing, furniture, electronics & household items in good condition are deductible at fair-market value ("FMV"). New rules let the IRS deny deductions for items with minimal value, like used socks or underwear;
- Gifts of insurance are valued at the policy's cash value, plus any ongoing premiums you give to the charity;
- Deductions for remainder interests in your home or other property are determined according to the property's value, your age, and the current "Section 7520" rate;
- For all donations of property, including **clothing and household items**, get from the charity, if possible, a receipt that includes the name of the charity, date of the contribution, and a reasonably detailed description of the donated property. If a donation is left at a charity's unattended drop site, keep a written record of the donation that includes this information, as well as the fair market value of the property at the time of the donation and the method used to determine that value. Additional rules apply for a contribution of $250 or more.

**Gifts of appreciated assets** – Appreciated Assets, such as securities, real estate, and artwork, that you have held for more than a year make ideal charitable gifts. Special considerations apply, for example:

- You deduct the FMV of the gift. (For securities, FMV is the average of the high and low sale prices on the date of the donation. For real estate, artwork, and personal property, FMV is the appraised value. Deduct appraisal fees as a miscellaneous itemized deduction.)
- You avoid tax on capital gains that you would have paid if you had sold the property first and then gave cash;
- If you give art or tangible personal property (books, furniture, etc.) your deduction depends on how the charity plans to use it. If the charity plans to use it for "exempt" purposes, such as displaying donated art for students to study, deduct the FMV. If the charity sells the gift, your deduction is limited to your basis or actual cost, whichever is less.

## NON-CASH CHARITABLE CONTRIBUTIONS

You **MUST** maintain DOCUMENTATION for NONCASH items. Provide me with the following for donations to organizations such as Goodwill or Veterans, etc:

- **Date Acquired** (VARIOUS is an acceptable date)
- **Condition**
- **Purchase Price** (You may reasonably Estimate this amount)
- **Current Retail Value & How Determined** (eg., Thrift Shop, Comparable Sales, etc)

Please note that I do not have access to your records regarding the above. However, these are questions that I have to answer when completing the Form 8283 for Non-Cash Charitable Donations. The answers to these questions are your responsibility. The **IRS is scrutinizing returns with Non-Cash Contributions** and, as with any other information included in your return, you are required to have **SUBSTANTIATION** for the Income or Deductions. You must maintain this substantiation and certify that you have it. You do not need to provide me with the Substantiation, unless I need to clarify an issue. In that case, I will contact you for the paperwork.

## EDUCATION CREDITS

NOTE: Payments must be **made IN 2024 for academic periods beginning in 2024 or the first 3 months of 2025.**

1. **AMERICAN OPPORTUNITY TAX CREDIT** (a.k.a. MODIFIED HOPE CREDIT) has (a) increased the maximum credit to **$2,500** per student, subject to increased phase outs, etc.; (b) expanded the definition of qualified educational expenses to also include course materials (books), along with tuition & fees, (c) the credit is only allowed for the first **four** years of post-secondary education, (d) for the qualified period, the taxpayer may be allowed a refundable credit up to 40% of the maximum allowable American opportunity credit (up to **$1,000** refundable of the **$2,500 max**), after limitations and certain restrictions, etc. (e) the credit is allowed against the AMT, subject to restrictions and limitations. The ***American Opportunity Tax Credits (AOTC)/Hope Scholarship for higher education expenses has been made PERMANENT by the Consolidated Appropriations Act, 2016.***
2. **LIFETIME LEARNING CREDIT** (max of **$2000** per return per year subject to income limitations) based on 20% of the first $10,000 of qualified expenses, which include all years of post-secondary education as well as graduate level and for courses to acquire or improve job skills. There is no degree required for the Lifetime Learning Credit. This benefit is available for an unlimited number of years.
3. **PHASE-OUT LIMITS ON LLC NOW MATCH THE PHASE-OUT LIMITS FOR AOTC**

**NOTE:** EDUCATION CREDIT

a. YOU **CANNOT** TAKE THE CREDIT IF SOMEONE ELSE LISTS YOU AS A DEPENDENT ON THEIR TAX RETURN

b. YOU **CANNOT** TAKE THE CREDIT IF YOUR FILING STATUS IS MARRIED FILING SEPARATELY.

c. PER THE **TRUMP TAX CUTS AND JOBS ACT**, SECTION 529 DISTRIBUTIONS MAY INCLUDE UP TO $10,000 PAID FOR ELEMENTARY OR SECONDARY SCHOOL TUITION INCURRED AFTER 2017.

d. AN AMOUNT DISTRIBUTED FROM A QTP AFTER 12/22/2017 IS NOT TAXABLE IF IT ROLLED OVER TO AN ABLE ACCOUNT FOR THE BENEFIT OF THE SAME BENEFICIARY OR FOR THE BENEFIT OF A MEMBER OF A BENEFICIARY'S FAMILY, SUBJECT TO ANNUAL CONTRIBUTION LIMITS. ALSO NEW RULES FOR $35,000 MAX R/O OF UNUSED FUNDS.

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**RESIDENTIAL CLEAN ENERGY CREDIT** – (**RCEC**) This credit applies to solar and wind power property, geothermal heat pumps, biomass fuel property and fuel cell property. The Credit is available for both existing homes and homes being newly constructed. For tax years 2023 through 2032, the credit rate is 30% of the cost of eligible property, including labor costs. There is no annual limit other than for fuel cell property which is limited to $500 with respect to each one=half kilowatt of capacity of the qualified fuel cell property. The Residential Clean Energy credits are nonrefundable and, to the extent not used in the current year to reduce federal income tax, it may be eligible for carryforward. **A taxpayer may claim the RCEC for improvements to his or her main home, whether he or she owns or rents in the United States.**

**!!! ALERT: Certify Eligibility PRIOR to beginning work for all Energy Credits !!!**

**Energy Efficient Home Improvement Credit (EEHIC) Beginning in 2023 through 2032, a taxpayer who makes qualified energy-efficient improvements to his or her home may qualify for a tax credit of up to $3,200.**

- **$1,200** for energy property costs & certain energy efficient home improvements, and
- **$2,000** per year for qualified heat pumps, biomass stoves or biomass boilers

The credit has no lifetime dollar limit. A taxpayer can claim the maximum annual credit every year that he or she makes eligible improvements.

The EEHIC is nonrefundable and unused amounts **cannot** be carried forward.

Qualified taxpayers may claim the EEHIC for improvements to the main home. It must be located in the United States, and must be an existing home that the taxpayer improves or adds onto, not a new home.

In most cases, the home must be the taxpayer's primary residence. A taxpayer cannot claim the credit if he or she does not live in the home. Refer to Client Handout on www.nancyfeltz.com

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**CLEAN Vehicle Credit Be cautious when purchasing. Dealers will not always know the limitations, etc. for your returns.**

You may receive a credit if you buy a new qualified plug-in electric vehicle (PEV) or fuel cell electric vehicle (FCV) or a Previously Owned qualified plug-in electric vehicle (PEV) or fuel cell electric vehicle (FCV), subject to Income Limitations and Vehicle Qualifications

If the vehicle meets only the critical minerals requirement or the battery components requirement, the credit is $3,750. If the vehicle meets both requirements, the credit is $7,500, and for qualifying Previously owned vehicles is max of $4,000, all subject to qualifying information, income limitations, etc., etc. Refer to Client Handout on www.nancyfeltz.com

The Credits are nonrefundable.

You may check the **look-up tool** to see if the vehicle qualifies. Go to www.fueleconomy.gov/feg/tax2023.shtml

**Installment Agreements** If you cannot pay your Federal Income tax in full, you may request an installment arrangement with the IRS at the time of filing. This arrangement allows for you to make monthly installment payments. Setting up an installment plan with the IRS in 2025 can cost between **$43 and $225**, depending on the agreement type. Short-term plans have no setup fees, but interest and penalties accrue. Longer-term payment plans require direct debit for balances over $25,000 and have a $22 setup fee plus penalties and interest[23]. Low-income taxpayers may have waived or reimbursed fees under certain conditions[1].

The one-time fee for an approved installment agreement is $130 in 2025 ($43 if payments are made by electronic funds withdrawal). After approving the request, the IRS will bill you for interest and a late payment penalty on the tax not paid by the original due date of the return (**extensions do NOT extend the time to pay the tax in full**). These charges will be assessed even if the request to pay in installments is granted. To limit the interest and penalty charges, you should try to pay as much of the tax as possible by the original due date. **Phone plan setup is $225**.

**Before** considering an installment agreement, you may want to consider other less costly alternatives, such as a bank loan. Once you have decided to apply for the installment agreement, you must determine how much you can pay every month to enable the tax to be paid off in five years' time; payments of greater amounts will save penalties and interest, which continue to accrue. Once a monthly amount is established, you must be sure to pay at least that amount by the periodic date established with the installment request. You can always pay more in any month if you have the available funds, but you can **NEVER PAY LESS THAN THE ESTABLISHED MONTHLY AMOUNT WITHIN THAT MONTH.**

**If you default**, the IRS will demand payment of the entire remaining balance in full. At that time, another installment request may be filed, but, if accepted by the IRS, an additional set-up fee will be charged. The installment request may be made when we electronically file your return.

**SOCIAL SECURITY COMPENSATION**

Compensation subject to Social Security withholding (and SE Tax) was **$168,600 for 2024**. All compensation, regardless of the amount, is still subject to Medicare tax withholding. After wages reach a threshold of $200,000, **an additional 0.9%** of Medicare tax will be withheld from wages, in addition to the normal 1.45%. However, the actual thresholds when filing the tax returns are: Married Filing Joint - $250,000; Married Filing Separate - $125,000; and all others (S, QW, HH) - $200,000. An employee will have excess Social Security or Tier 1 Railroad Retirement Tax withholding for 2024 only if the wages from two or more employers were more than $160,200.

**In 2025, the Social Security Compensation Wage Limit is $176,100.**

**REFUND CLAIMS**

Generally, a claim for credit or refund of a tax paid by return must be filed within the later of (A) three years from the date the return was timely or untimely filed (or the due date if filed earlier), of (B) two years from the date the tax was paid. If you do not meet this statute, you will lose your refund (in most cases).

**IMPORTANT TIP: IRS AGENTS WILL NEVER CONTACT YOU VIA TELEPHONE UNLESS YOU PLACE A CALL TO THEM DIRECTLY, NOR BY E-MAIL. IF THE IRS NEEDS TO CONTACT YOU THEY WILL DO SO VIA U.S. MAIL. AT THIS TIME YOU SHOULD REFER THE CORRESPONDENCE TO FELTZ ASSOCIATES, LLC TO PROPERLY HANDLE THE SITUATION. NEVER GIVE OUT PRIVATE INFO OVER THE PHONE OR MAIL UNLESS YOU GENERATED THE REQUEST. NEVER, EVER BY E-MAIL**

## HOME OFFICE DEDUCTION EXPLAINED

*If you are self-employed and if you use a portion of your home exclusively and regularly for business purposes **(non-W-2 activities)**, you may be able to take a home office deduction.

***You** can deduct certain expenses if your home office is the **principal place** where your **trade or business** is conducted or where you meet and deal with clients or patients in the course of your business. If you use a separate structure not attached to your home for part of your business, you can deduct expenses related to it, even if it is not the principal place of business.

***Your** home office will qualify as your principal place of business if you use it **exclusively** and **regularly** for the administrative or management activities. If you do not meet these conditions, and you use both your home and other locations regularly in your business, you determine which location is your principal place of business based on the relative importance of the activities performed at each location. If the relative importance factor does not determine a principal place of business, consider the time spent at each location.

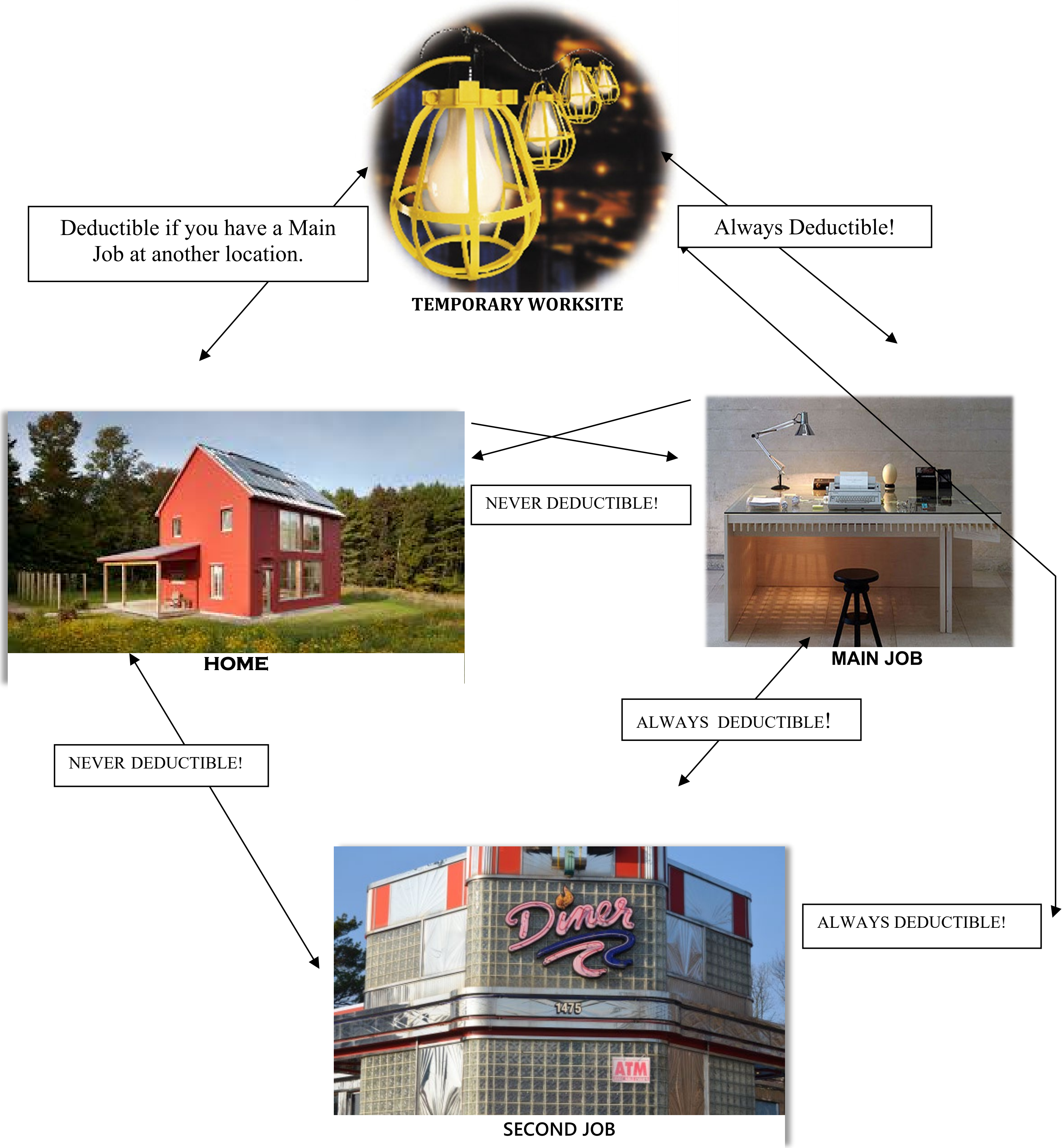
*'**Exclusive** Use' test is **NOT** required for **(1)** an area used regularly for inventory and product sample storage; **(2)** a home used as a Day Care Facility.

***Expenses** that you can deduct for business use of the home may include the business portion of real estate taxes, mortgage interest, rent, utilities, insurance, depreciation, painting & repairs. However, you may not deduct personal expenses, expenses for lawn care or those related to rooms not used for business.

**Do not perform Form W-2 employment activity in your Home Office. This may disqualify the deduction.**

# TAX YEAR 2024

WHEN ARE LOCAL TRANSPORTATION EXPENSES DEDUCTIBLE?



**ITEMIZED DEDUCTION LIMITATIONS**

State and Local Income taxes and Property taxes are still limited to $10,000 ($5,000 MFS). Even though your Federal Return might use the Standard Deduction (for 2024, MFJ=$29,200, HH=$21,900, S or MFS=$14,600, with additional amounts for age and blindness), it is important to submit those expenses, as well as all Medical Expenses, since there may be State Benefits for these various Deductions.

**NEW YORK MATTERS:**

- New York, as well as several other states, will require the inclusion of your License or Government ID number on the 2024 return in order to electronically file. In some circumstances, you may opt out.
- TAX DELINQUENCIES –
  - New York is suspending the Driver's License of a Taxpayer with a delinquent tax liability of $10,000 or greater.
  - New York may garnish your pay without the filing of a Tax Warrant. You have only 21 days to set up and installment or pay the tax before the garnishment begins, from the receipt of the first notice.
  - The State of New York will offset your Gambling Winnings to pay delinquent taxes.
- NY State's Empire State Child Credit is a refundable credit for full-year NY Residents with a qualifying child **under** the age of 17. The Eligible Income Thresholds are $110,000 or less for MFJ, $75,000 or less for S and $55,000 for MFS. This credit has other eligibility requirements as well. There are also many Real Property Credits as well as NYC credits, including a Child Tax Credit available based on eligibility. Be sure to include all Home Rent paid and Homeowner Real Estate Tax information with your submissions to our office.

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❖ ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) Account for People with Disabilities –

ABLE accounts are tax-advantaged savings accounts for individuals with disabilities and their families. Eligible individuals and their families may establish an ABLE savings account to save up to $18,000 per year (2024). The savings are protected and will not affect eligibility for most means-tested benefits such as Supplemental Security Income (SSI), Medicaid and food stamps (SNAP). Working individuals may contribute even more! An eligible individual must meet certain qualifications to open an ABLE account. **CONTRIBUTION DEADLINE FOR 2024 IS DECEMBER 31, 2024**.

- Families may roll over funds from a 529 plan to another family member's ABLE account.
- The ABLE account must be for the same beneficiary as the 529 account or for a member of the same family as the 529 account holder. Rollovers from a section 529 plan count toward the annual contribution limit. For example, the $18,000 annual contribution limit would be met by parents contributing $13,000 to their child's ABLE account and rolling over $5,000 from a 529 plan to the same ABLE account.
- States can offer ABLE accounts to help people who become disabled before age 26 or their families pay for disability-related expenses. These expenses include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services.
- Though contributions aren't deductible for federal tax purposes, distributions, including earnings, are tax-free to the beneficiary, if they are used to pay qualified disability expenses.

**The *Securing a Strong Retirement Act of 2022 – (SECURE 2.0*)** – Some Provisions include:

**Raises default age at which require minimum distributions (RMDs) must begin in two steps. 1$^{st}$age increase was from 72 to- 73 for taxpayers who turn 72 after 12/31/2022. 2ndstep occurs when the default age for RMDs increases to 75 for individuals who turn 74 after 12/31/2032.

**Excise tax on plan participants who fail to take an RMD decreases from 50% t0 25%, starting 1/1/2024., with a decrease to 10% if the distribution is corrected within a two-year period

** Employers can match student loan payments by contributing the same amount to the employee's retirement account in 2024.

**Participants who are 70 ½ or older may elect to make a one-time gift of up to $53,000 to a charitable remainder unitrust, charitable remainder annuity trust or charitable gift annuity as part of their qualified charitable distribution (QCD)limit for 2024.

** Beneficiaries of 529 college savings accounts are allowed to roll over up to $35,000 from any account in their name to their Roth IRA over the course of their lifetime, subject to qualifications.

**PLESAs** Employers have the option to offer a new pension-linked emergency savings account – a short-term savings account established & maintained in connection with a defined contribution plan on behalf of an eligible participant. PLESAs are treated as designated Roth accounts. Eligible participants are subject to certain ownership per centages and compensation levels.

# TAX YEAR 2024

**IRA owners 70 ½ or older can make a Qualified Charitable Distribution directly from their IRA to the Qualified Charity to reduce taxable income.** This provision is not new but the limits change from time to time. For 2024, the excludable amount cannot exceed $100,000.

**THE AFFORDABLE CARE ACT**

**If you purchased your health insurance through the Market Place at any time during 2024, you will be required to submit to me the Form 1095-A that you receive in the mail before I can complete your 2024 Income Tax Return. Please submit the any other series 1095 that you receive (1095-C or B), if available.**

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**NET INVESTMENT INCOME TAX (THE NIIT OR UIMC TAX) UNEARNED INCOME MEDICARE CONTRIBUTION**

Starting in 2013, another part of the ACA, a 3.8% Medicare tax is applied against net investment income (NII) of individuals, estates and trusts. Individual for this purpose means any natural person, except those who are nonresident aliens. As such, the net investment income tax (NIIT) applies only to citizens or residents of the U.S.

**The NIIT (or UIMC) tax is 3.8% of the lessor of:**

- Net investment income for the year (special categories apply for this tax), or
- The excess of modified adjusted gross income (MAGI) over a threshold amount
  - $250,000 of MFJ and QW
  - $125,000 for MFS
  - $200,000 for HH and S

A new form was added to the return to calculate the NIIT – Form 8960.

**NOTE: With the new Net Investment Income (NII) surtax of 3.8%, the overall Capital Gain rate for higher income Taxpayers is effectively 23.8%.**

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## LIKE KIND EXCHANGE EXTREMELY IMPORTANT

1. CALL THIS OFFICE MANY WEEKS BEFORE CLOSING
2. YOU NEED A QUALIFIED INTERMEDIARY TO HANDLE THE MONEY
3. YOU MAY NOT RECEIVE ANY OF THE FUNDS, OR THE LKE IS CANCELLED
4. THERE ARE CERTAIN REQUIREMENTS FOR IDENTIFYING THE LIKE KIND PROPERTY AND FOR THE CLOSING OF THE PURCHASE OF THAT PROPERTY

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## VIRTUAL CURRENCY/CRYPTOCURRENCY

- New Government Form 1099-DA (digital asset) to report Crypto Transactions is now scheduled for mandatory use with 2025 tax returns. However, careful Basis tracking is required.
- New Question on Schedule C regarding Payments in Crypto will be implemented in coming years. However, reporting of Crypto Income is required whenever received, even on the 2024 Income Tax return.
- Use of a Block Chain Explorer is recommended to keep track of private Crypto Transactions so you can correctly report Crypto Transactions on the Form 1040 or on the Business Tax Returns. Example: blockchain.com
- Best practice recommendation by preparers is to use FIFO for reporting Basis in Sales, etc.

### WHEN TO CHECK THE "NO":Box

Normally, a taxpayer who merely owned digital assets during 2024 can check the "No" box as long as they did not engage in any transactions involving digital assets during the year. They can also check the "No" box if their activities were limited to one or more of the following:

- Holding digital assets in a wallet or in an account;
- Transferring digital assets from one wallet or account they own or control to another wallet or account they own or control; or
- Purchasing digital assets using U.S. or other Real Currency, including through electronic platforms.