



2024 Year-End Tax Planning

Individual/Family Tax and Wealth Preservation

Poll Question 1

Do you need Continuing Professional Education (CPE) credits?

Today's session qualifies for 1 CPE credit. You must answer 3 of our 4 polls today and remain online for >50 minutes.



MEET THE SPEAKERS



Richard Weiner
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MEET THE SPEAKERS



Joshua England
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Tax Manager



Taxes & Wealth Preservation



What stayed the same?

- State Tax Limit: \$10,000
 - Mortgage Interest Limit \$750K for All Mortgages After December 15, 2017
 - No Tax Benefit for Miscellaneous Itemized Deductions
 - Increased Standard Deductions/No Exemptions
- 

2024 Standard Deduction

Single	\$14,600
Married Filing Jointly	\$29,200
Head of Household	\$21,900
Married Filing Separately	\$14,600
Qualifying Widow(er)	\$29,200

Charitable Contributions

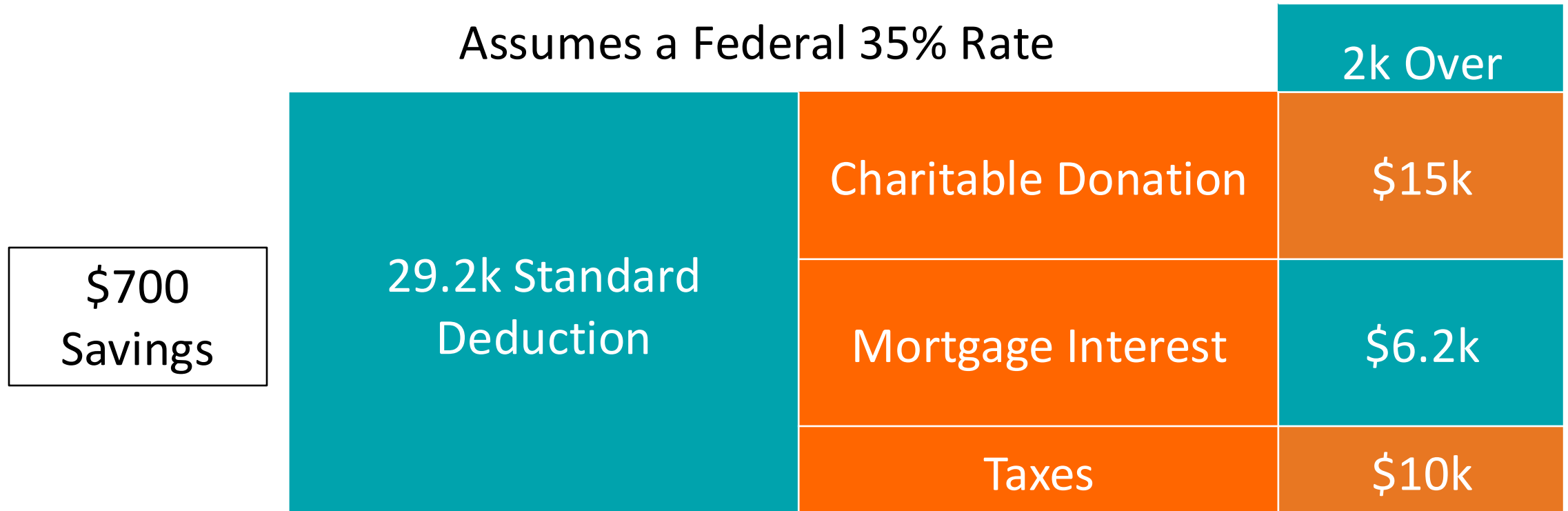
Given the substantial increase in standard deductions, people who may have itemized in the past may not do so anymore.

This could lead to those people receiving no benefit for charitable contributions.

One way around this would be to “stack” donations.

Use of Donor Advised Funds

How a Higher Standard Deduction Affects the Deductibility of Charitable Donations



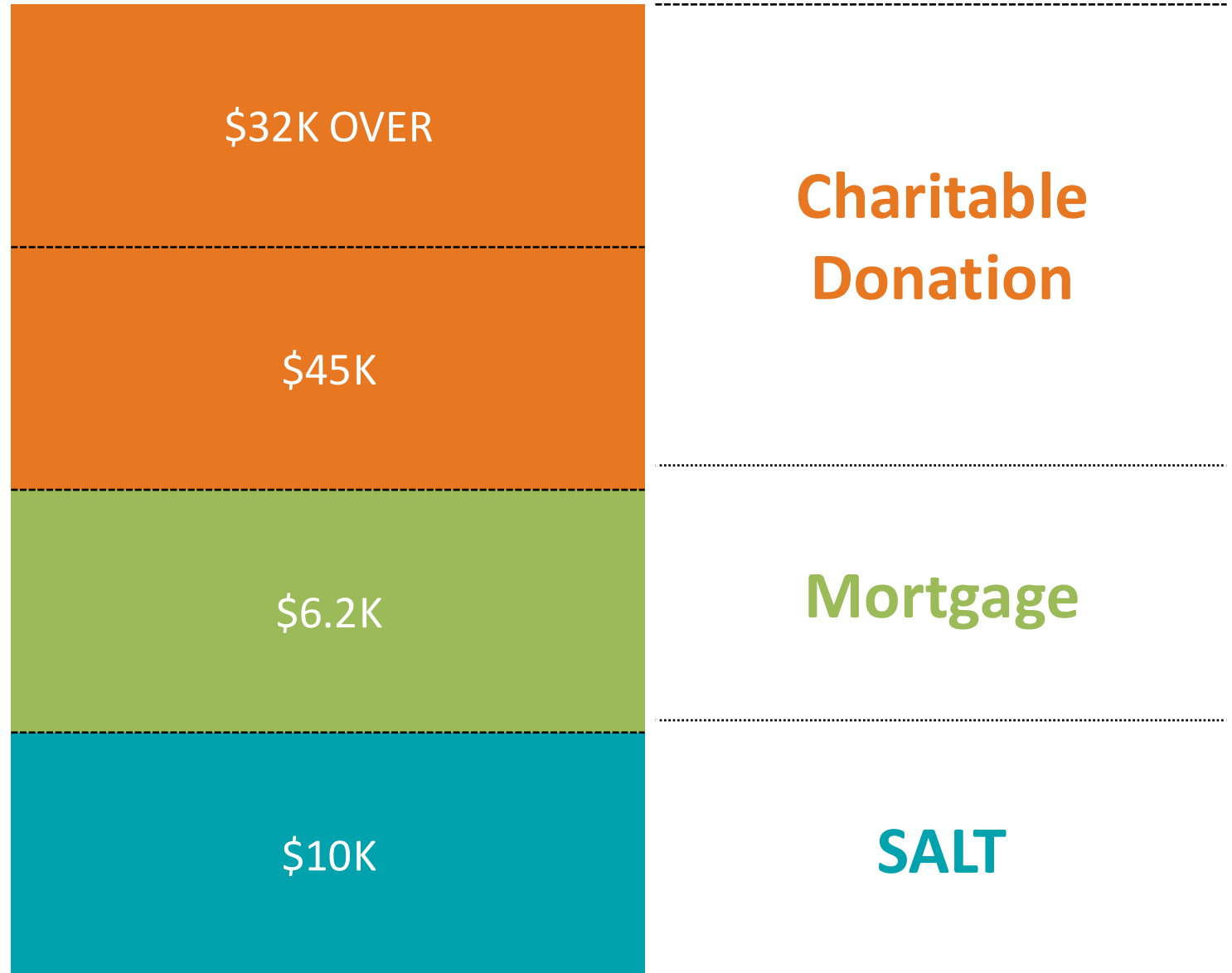
How a Higher Standard Deduction Affects the Deductibility of Charitable Donations

		2023	2024	2025	
Assumes a Federal 35% Rate		2k over	2k over	2k over	
\$2,100 Savings	29.2k Standard Deduction	Charitable Donation	15k	15k	15k
		Mortgage	6.2k	6.2k	6.2k
		Taxes	\$10K	\$10K	\$10K

Bunching Strategies Using a Donor Advised Fund

Assumes a Federal 35% Rate

\$11,200
Savings



Ways to Fund Charitable Giving



Appreciated Assets (Stock!)



Qualified Charitable Distributions (More to Come)



Cash

Qualified Charitable Distribution (QCD)

- Allows the Donor to Distribute up to \$100,000 Directly from IRA
- Must Be 70 ½ Years Old (regardless of RMD age)
- Counts Toward Your RMD
- Distribution Does Not Count as Taxable Income to the Donor

Qualified Charitable Distribution (QCD)

- Funds must go directly to charity.
- Keep track of these donations and give them to your tax advisor.
- For married couples, each spouse may make \$100,000 contribution.



Health Savings Accounts (HSAs)

- Must Be Covered by a Qualified High-deductible Health Plan
- Generally, Only Available Before Age 65
- HSAs Allow Pretax or Deductible Contributions
 - \$4,150 for an Individual and \$8,350 for a Family for 2024
 - Additional \$1,000 for Those Age 55 or Older
- May Be Invested
- Grows Tax-free Similar to an IRA
- Withdrawals for Qualified Medical Expenses Are Tax-free
- You can carry over remaining balances from year to year.
- When should it be spent?



Flex Savings Accounts (FSAs)

Plans are available through employers.

FSAs allow pretax contributions.

- \$3,200

Withdrawals For Qualified Medical Expenses

You may carry over \$640 of remaining balances from year to year.

When should it be spent?

Dependent Care Flex Savings Accounts (DCFSA's)

- Plans are available through employers.
- DCFSA's allow pretax contributions.
 - \$5,000 Per Household
- Used for Eligible Dependent Care Services (preschool, summer day camp, after school care)
- You can NOT carry over remaining balances from year to year.
- When should it be spent?



Retirement Contributions

- Max Out Retirement Contributions If Possible: \$23,000
 - 401(k) Plans: \$23,000 (\$7,500 catch up if over 50)
 - 403(b) Plans: \$23,000 (\$7,500 catch up if over 50)
 - IRAs: \$7,000 (\$1,000 catch up if over 50)
- *Earned Income

“Back Door” Roth IRA Contributions

If you are subject to the income limitations and not able to contribute directly to a Roth, consider doing a “back door” Roth.

- Set up a traditional IRA.
- Make a non-deductible contribution.
- Convert the amount to a Roth IRA.
- This only works well if you don’t have other IRAs.



Medicare Surcharges (IRMAA)

2024 MEDICARE PART B PREMIUM RATES:			
YOU PAY		If your 2022 income was:	
Premium	PART D Surcharge	SINGLE	MARRIED COUPLE
\$174.70 not Hold Harmless		\$103,000 or less	\$206,000 or less
\$244.60	\$12.90	\$103,001–\$129,000	\$206,001–\$258,000
\$349.40	\$33.30	\$129,001–\$161,000	\$258,001–\$322,000
\$454.20	\$53.80	\$161,001–\$193,000	\$322,001–\$386,000
\$559.00	\$74.20	\$193,001–\$500,000	\$386,001–\$750,000
\$594.00	\$81.00	Above \$500,000	Above \$750,000

Income based on Modified Adjusted Gross Income (MAGI).
 IRMAA: Income Related Monthly Adjustment Amount

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\$559.00	\$74.20	\$193,001–\$500,000	\$386,001–\$750,000
\$594.00	\$81.00	Above \$500,000	Above \$750,000

Income based on Modified Adjusted Gross Income (MAGI).
 IRMAA: Income Related Monthly Adjustment Amount

Medicare Surcharges (IRAMAA) Example

	Couple #1	Couple #2	Couple #3
Age	Late 70s	Late 70s	Late 70s
Income Source	Investment Income, Social Security, RMDs	Investment Income, Social Security, RMDS	Investment Income, Social Security, RMDS, House Sale
Income Total	\$200,000	\$260,000	\$400,000
Monthly Medicare Part B Premium	\$349.40	\$698.80	\$1,188.00
Monthly Part D Surcharge	\$0	\$66.60	\$148.40
Part B & D Monthly Total	\$349.40	\$765.40	\$1,336.40
Part B & D Annual Total	\$4,192.80	\$9,184.80	\$16,038.80

Medicare Surcharges Example (IRMAA)

- Sale of primary home
- Recent Retirement
- Divorce
- Loss of Income
- Settlement
- Death
- Request a reduction to Income-related Monthly Adjustment Amount to the SSA (SSA-44).

	Couple #3
Age	Late 70s
Income Source	Investment Income, Social Security, RMDS, House Sale
Income Total	\$400,000
Monthly Medicare Part B Premium	\$1,188.00
Monthly Part D Surcharge	\$148.40
Part B & D Monthly Total	\$1,336.40
Part B & D Annual Total	\$16,038.80

Medicare Surcharges Example (IRMAA)

- Current Year Strategies
 - Charitable Giving
 - Tax Loss Harvesting
 - Managing Gains When Possible
 - Retirement Contributions (earned income)
- Planning Strategies (long-term)
 - Roth Conversions to Lower RMDs During Years of Lower Income

	Couple #3
Age	Late 70s
Income Source	Investment Income, Social Security, RMDS, House Sale
Income Total	\$400,000
Monthly Medicare Part B Premium	\$1,188.00
Monthly Part D Surcharge	\$148.40
Part B & D Monthly Total	\$1,336.40
Part B & D Annual Total	\$16,038.80

Gap Year Strategies

Strategy	Benefit	Drawbacks
Partial Roth Conversions	Lowered RMDs, Use Lower Tax Brackets, Tax-free Growth	Current Year Taxable Income (more taxes)
Delayed Social Security	Increased Monthly Payment Down The Road, Flexibility in Gap Years	Reduced Current Income
0% LTCGs Capital Gains	← See Here	Reduced/No Income
Charitable Contributions	QCDs/DAFs/Appreciated Assets/Good Feels	Reduction of Assets

LTCG RATES BASED ON TAXABLE INCOME			
Filing Status	0% rate	15% rate	20% rate
Single	up to \$47,025	\$47,026-\$518,900	over \$518,900
Head of household	up to \$63,000	\$63,001-\$551,350	over \$551,350
Married filing jointly	up to \$94,050	\$94,051-\$583,750	over \$583,750
Married filing separately	up to \$47,025	\$47,026-\$291,850	over \$291,850
Estates and trusts	up to \$3,150	\$3,151-\$15,450	over \$15,450

Sunset Reminder



All tax provisions from the Tax Cuts and Jobs Act are set to sunset as of December 31, 2025.

What does this all mean?



Sunset Reminder

- Tax brackets will increase (highest rate will go back to 39.6% Federal).
- Estate tax exemption will be nearly cut in half. (More to come on this later.)
- Miscellaneous itemized deductions will be back.
- Tax cap on itemized deductions will be removed.

Sunset Reminder

- Standard deduction will decrease, and exemptions will return.
- Child Tax Credit will be reduced to \$1,000 (currently \$2,000), and the phaseouts (currently 400K for MFJ) will be down to 110K.
- Alternative Minimum Tax exemption will return to pre-TCJA levels (currently 133K but will go down to approximately 86K). More people will be subject to AMT!



Planning Ideas With Potential Sunset

Given the potential sunseting, what do you do?

- Consider accelerating income.
- Estate planning. (Again, more to come on that later.)
- Look at your overall assets and conduct tax and financial planning, now.



Massachusetts Charitable Contributions

- Beginning last year (2023), MA allowed for charitable contributions.
- Must be used on Part B income and can not be used against Part A or Part C income.
- Part A Income: Interest, Dividends
- Part C Income: Capital Gains

Massachusetts Millionaires Tax



Voters passed this amendment to the state constitution on November 8, 2022.



Establishes an additional income tax on taxable income exceeding \$1 million.

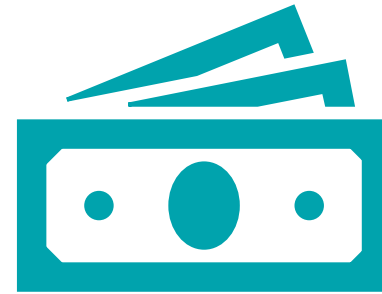


Effective for tax years beginning January 1, 2023.

Massachusetts Millionaires Tax

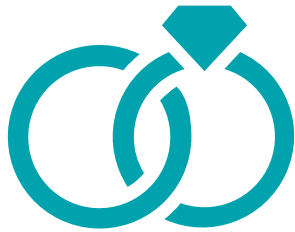


Only taxable income that exceeds \$1 million is subject to the additional tax. For example, if your MA taxable income is \$1.5 million, then \$500,000 is subject to 9% tax while the first million will be subject to 5%.

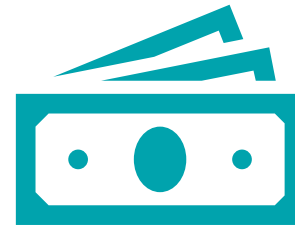


The \$1 million limit will be adjusted for inflation using the same method as the IRS (currently \$1,053,750).

Massachusetts Millionaires Tax



Married Filing Separate: Not an option anymore!



Still look at other means to spread income.

Installment Sales

State Apportionment

Relocation

Use of Trusts

Year End Personal Wealth Strategies



Roth Conversions



Tax Loss Harvesting



Maxing Out
Contributions



Revisit Asset Allocation Portfolio Drift/Financial Plan



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Poll Question 2

With potential tax law changes on the horizon, what action are you most likely to take?



Estate Tax Strategies



Massachusetts Estate Tax Update

- Massachusetts estate tax exemption increased to \$2,000,000.
- No inflation adjustment.
- Still third lowest exemption out of 13 states that impose an estate tax.
 - We now beat Oregon and Rhode Island.

Massachusetts Estate Tax

- Old Method of Calculating Tax
 - \$999,000 estate had zero estate tax.
 - \$1,100,000 estate had a \$38,800 estate tax.
 - \$2,000,000 estate had a \$99,600 estate tax.
- Today Eliminates the Filing Threshold
 - \$2,100,000 estate has a \$7,200 Massachusetts estate tax.
 - Rate is between 7.2% and 16%.





Massachusetts Estate Tax

- No Portability for Massachusetts
 - Exemption of the first spouse to die may go unused without proper planning.
 - Marital/Family Trust or A/B Trust for each spouse still necessary to ensure use of both \$2,000,000 exemptions.

Massachusetts Estate Tax

If you are a nonresident who owns real property in Massachusetts and your total assets exceed \$2,000,000, you are still subject to the Massachusetts estate tax.

- Assume total estate is \$10,000,000 and the Massachusetts real property is \$2,500,000 or 25% of the estate.
- As a Massachusetts resident, your estate tax would be \$968,000.
- As a non-resident, the estate tax would be \$242,000.
- With proper planning, this can be eliminated.



Federal Estate Tax

Federal Estate Tax Exemption

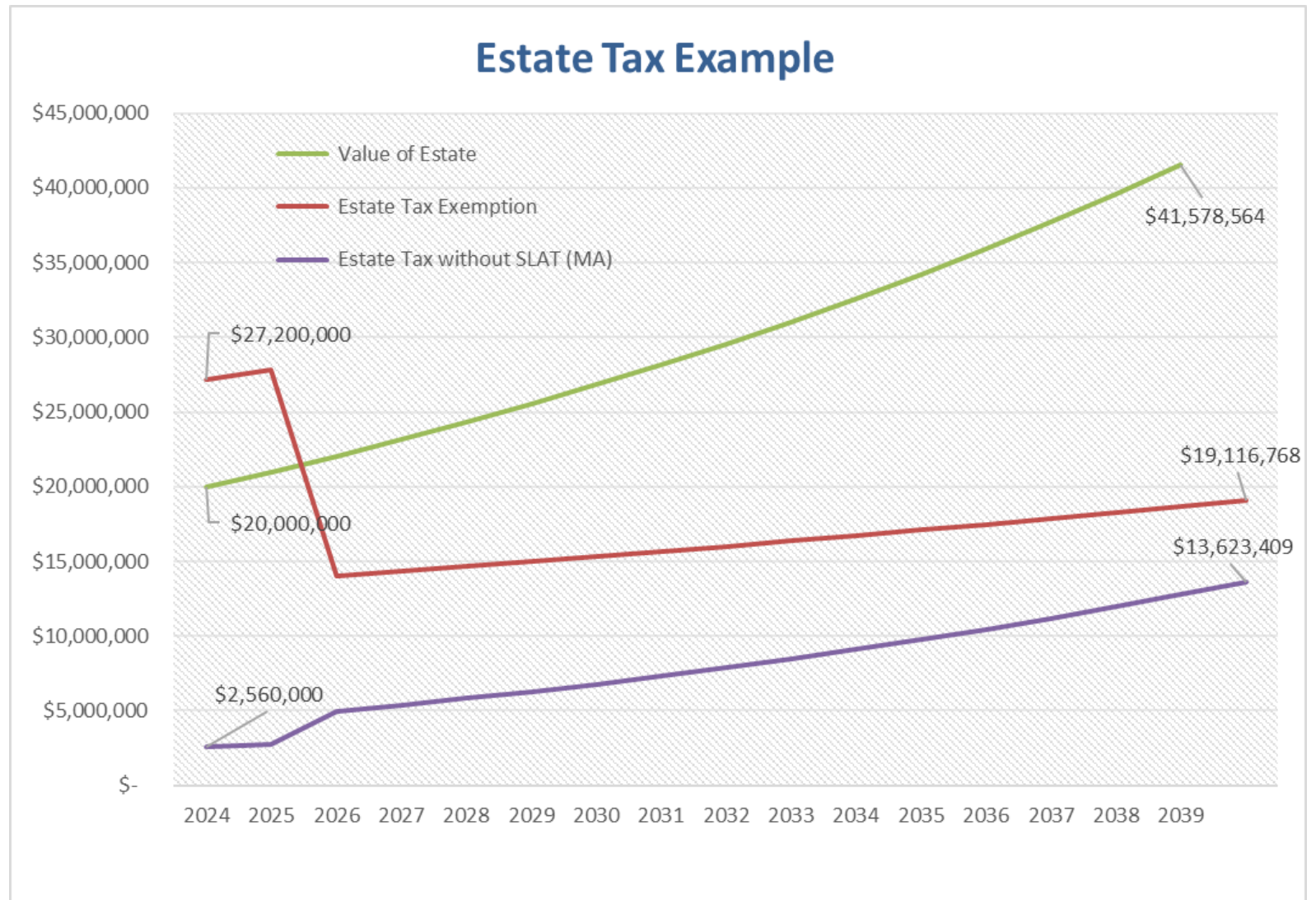
- 2024 is \$13,610,000
- 2025 to be \$13,990,000
- December 31, 2025 is approximately \$7,000,000
- 2025 Annual Exclusion increased to \$19,000

Use as much of the \$13,610,000 exemption as possible before it disappears.

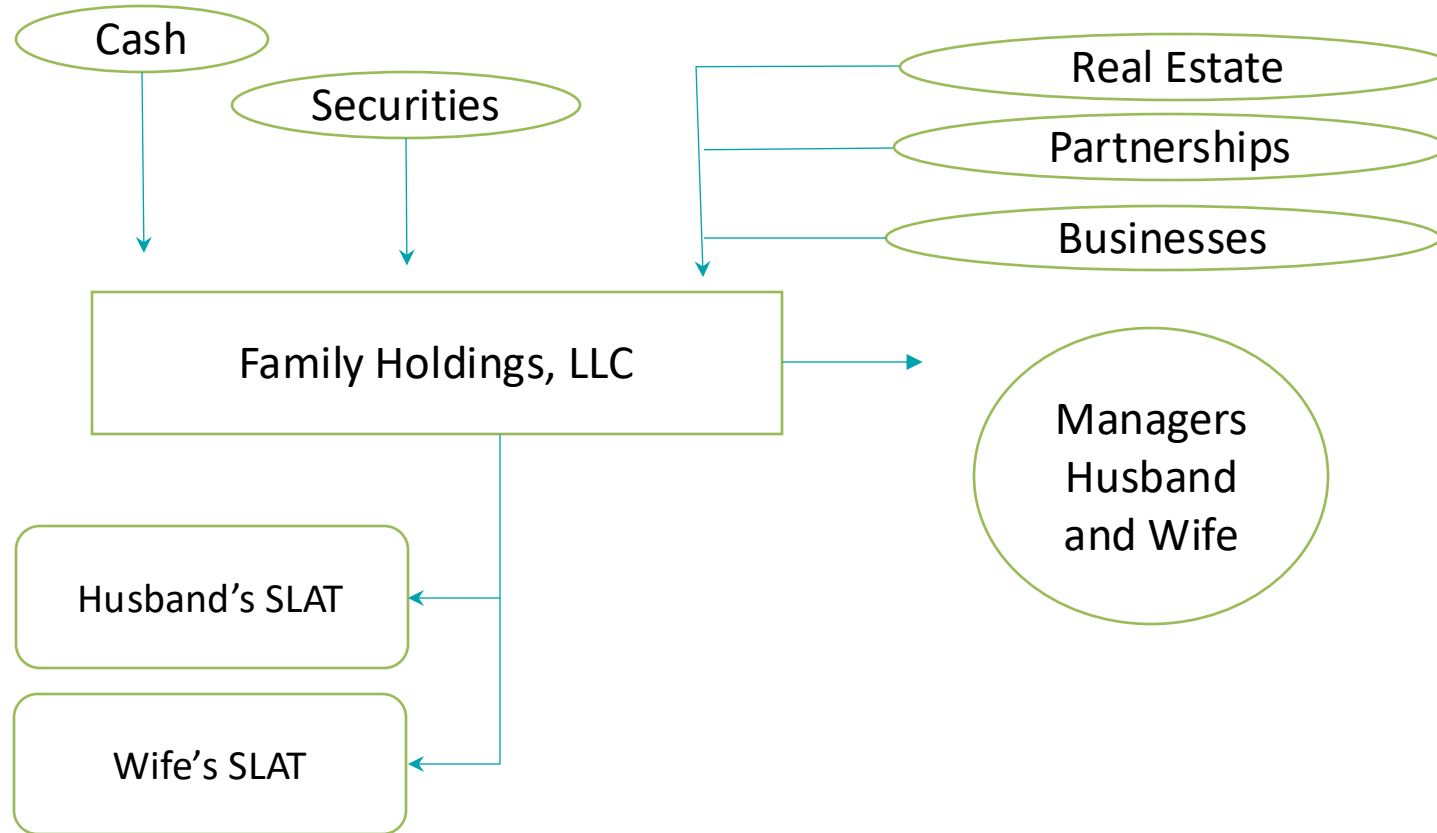
What can you do?

- If you're married, you can gift the assets to a trust for the benefit of your spouse and, thus, continue to enjoy control and access through your spouse.
- Known as a Spousal Lifetime Access Trust (SLAT)

Federal Estate Tax



Spousal Lifetime Access Trust (SLAT)



Federal Estate Tax

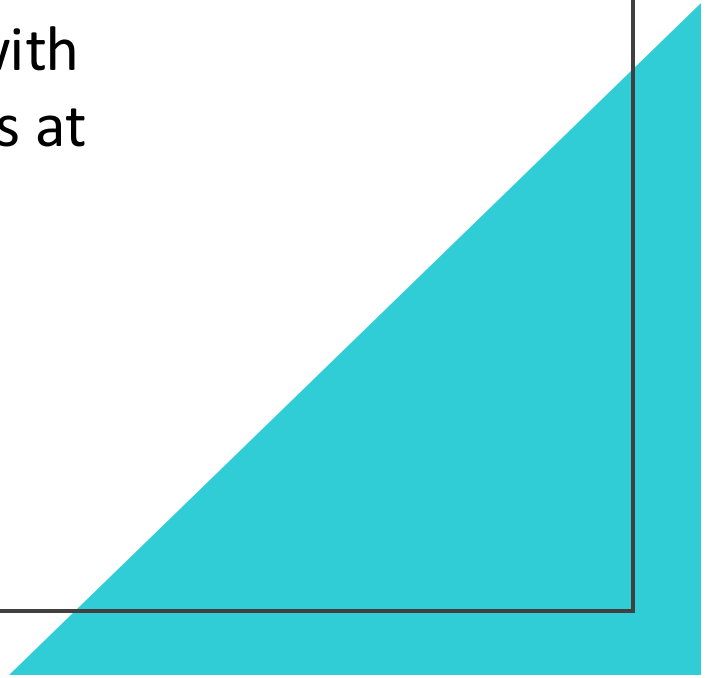
Step-up in Basis

- If I die owning an asset, my heirs receive a basis equal to the fair market value at my date of death.
- If I gift an asset during my life, my heirs receive a carryover of my basis.

Trust Tax Planning

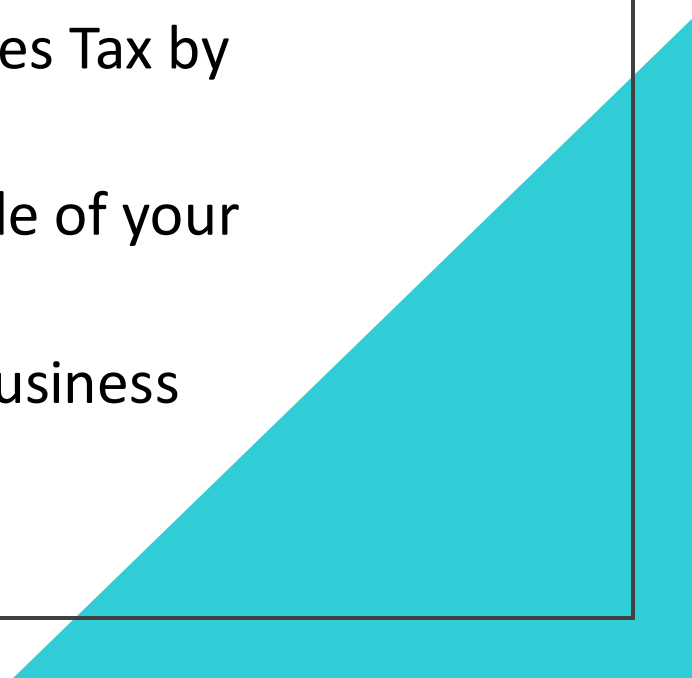
Up-Stream Trust

- Force an asset into the estate of an elderly relative with unused estate tax exemption to get a step-up in basis at that relative's death.
 - Maintain Control of the Assets
 - No Risk of the Asset Being Diverted



Trust Tax Planning

Delaware Incomplete Non-Grantor Trust (DING)

- May be used to reduce the Massachusetts Millionaires Tax by spreading income across multiple entities.
 - May be used to eliminate state income tax on the sale of your Massachusetts business.
 - May be used to multiply the \$10M Qualified Small Business Exemption.
- 

Poll Question 3

Do you have an estate plan in place?





Strategies for Entrepreneurs



Business Planning Reminders

Reduction of Bonus Depreciation from 80% to 60%

Deduction for Self-employed Health Insurance Includes Long-term Care, Medical, Dental Insurance Premiums

Consider creating bona fide loans for money you lend/lent to your S-Corp.

Continue to be vigilant with research and experimental expenditure changes that went into effect for tax years beginning January 1, 2022.

Consider analyzing the components of qualified business income (QBI).

Business Transaction Considerations

- Proactive Maintenance of Financials
- Consultation Timing

Sale Type	Asset	Stock
Tax Rate Exposure	Ordinary and Capital	Capital
“In a Vacuum” Sale Price	Generally Higher	Generally Lower
Tax Planning Opportunities	Price Allocation	Gain Exclusion

PassThrough Entity Tax

- Single member LLCs, sole proprietorships, trusts, non-profits, and corporations are not eligible.
- Generally available for partnerships and s-corporations through 2025.
- Works in the favor of individuals who receive passthrough income.
- Consult with your AAFCPAs tax advisor on whether this is a valuable exercise and/or election to make.

Qualified Student Loan Matching

Employer can match student loan payments with contributions to retirement accounts.

Tax-deductible employee benefit to supplement tuition reimbursement deduction.

Qualified contributions to 401(k), 403(b), and SIMPLE IRA plans.

Defined Contribution Plan

- Does Not Promise a Specific Benefit at Retirement
- Employer or Employee (or both) Contribute to an Individual Account

Sound familiar?

- Examples of Plans Include 401(k), 403(b), ESOP, and Profit-Sharing
- SEP IRA Availability



Defined Benefit Plan (DBP)

- Pension, Cash Balance Plan
- Provides a Fixed, Pre-established Benefit for Employees at Retirement
- Focuses on Ultimate Payout of Benefits That Are Not Tied to Market Performance
- DBPs may be used for single-member entities if the plan benefits that employee.
- Businesses may contribute (and deduct) up to \$275,000 per employee per year for 2024.



Defined Benefit Plan Summary

Pros:

- Predictable Retirement Benefit
- Benefits Are Not Tied to Asset Performance
- Greater Contribution Limits

Cons:

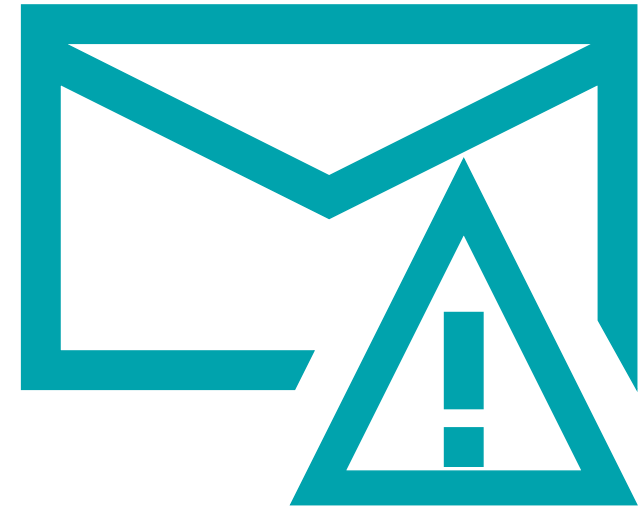
- Most Costly and Administratively Complex Retirement Plan
 - Form 5500 Must Be Filed
 - Certified Actuary Calculations Required
- Excise tax applies for under- and over-funding.

Various Plan Limits

401(k)/403(b)/457(b) Elective Deferrals	\$23,000
Catch-Up Contributions (50 and older)	\$7,500
Defined Contribution Plan Annual Limit	\$69,000
Defined Benefit Plan Annual Limit	\$275,000
SIMPLE IRA Elective Deferrals	\$16,000
IRA Contribution Limit	\$7,000
IRA Catch-Up Contribution (50 and older)	\$1,000

Corporate Transparency Act

- Starting January 1, 2024, the Corporate Transparency Act (CTA) went into effect.
- All entities formed or registered to conduct business in the United States will need to either:
 - Confirm they qualify for an exemption from the CTA's reporting requirements; or,
 - Timely submit a Beneficial Ownership Information (BOI) report to the U.S. Treasury's Financial Crimes and Enforcement Network (FinCEN).
- For more information, visit our blog or contact your AAFCPAs partner.



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Poll Question 4

Business owners, do you feel well-prepared if you are approached by an Unsolicited Friendly Offer (UFO) to sell your business?



Questions



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Upcoming Webinars: Save Your Seat

Post-Election Tax Update – Fireside Chat
November 13 | 12 – 1 PM ET

Tax Planning for Cannabis Operators
November 14 | 12 – 1 PM ET

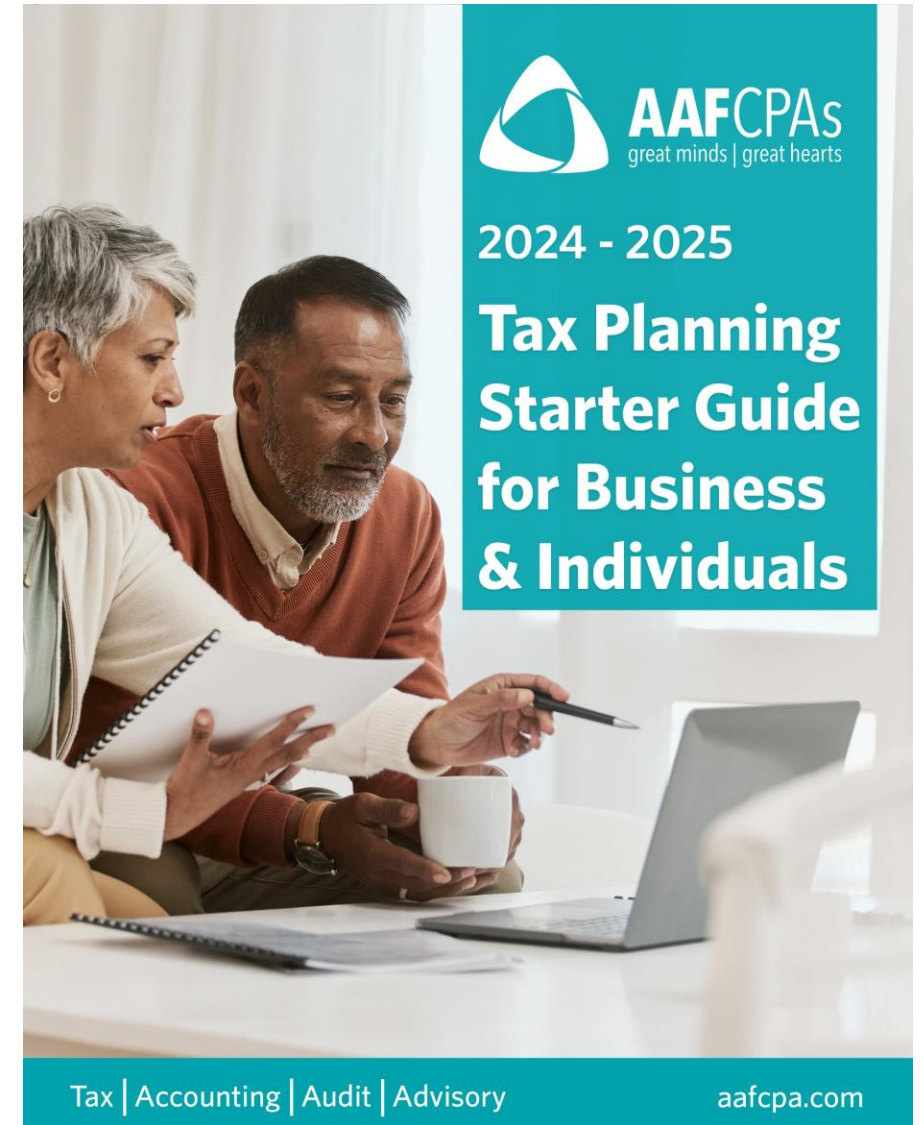
Scan to Attend



2024 – 2025 Tax Planning Guide for Businesses & Individuals

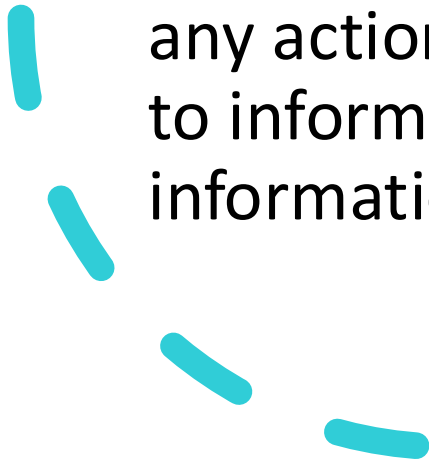
We welcome the opportunity to help you map out a tax plan that takes full advantage of all strategies available to you.

[2024-2025 Guide here.>>](#)





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Thank You!

