2023 Year-End Tax Planning Letter

(With 2024 Key Tax Figures)

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Tax Planning Letter

As of press date of November 17, 2023, major tax changes from recent years generally remain in place, including lower income tax rates, larger standard deductions, limited itemized deductions, elimination of personal exemptions, a lessened alternative minimum tax (AMT) for individuals, a major corporate tax rate reduction and elimination of the corporate AMT, limits on interest deductions, and generous expensing and depreciation rules for businesses. And non-corporate taxpayers with certain income from pass-through entities may still be entitled to a valuable deduction.

Whatever Congress decides to do, the time-tested approach of deferring income and accelerating deductions to minimize taxes still works for many taxpayers, as will the bunching of expenses into this year or next to avoid restrictions and maximize deductions.

In the event you have a life changing event, including but not limited to (change in employment, marriage, divorce, etc.) that effects your tax filing status, income, or wealth, please bring this to our attention immediately. In addition, if you are anticipating any large purchases, sales, or other type of significant transactions, please also bring these changes to our attention immediately. We cannot underscore the importance of promptly alerting us to any changes in your current situation so that we will be able to provide meaningful and timely advice to you. Finding out about these events during the tax preparation process may be too late.

We have compiled a checklist of actions based on current tax rules that may help save tax dollars if acted upon before year-end. Not all actions will apply in every situation, but you (or a family member, business colleague or friend) will likely benefit from many of them. We can narrow down the specific actions that you can take once we meet with you to tailor a particular plan. In the meantime, please review the following list and contact us at your earliest convenience so that we can advise you on which tax-saving moves to make.

The actions included are just some of the year-end steps that can be taken to save taxes. Again, by contacting us, we can tailor a particular plan that will work best for you. In addition, we have also enclosed 2024 key tax figures and projected tax figures.

NEXT STEPS

In light of the upcoming tax season, it is crucial for our clients to initiate the tax planning process promptly. Timely action allows us to thoroughly assess individual and business financial situations, identify potential deductions and credits, and strategize to minimize tax liabilities. To ensure the most comprehensive and tailored tax planning, I encourage clients to reach out as soon as possible. This proactive approach enables us to navigate any complexities in a timely manner, keeping us well ahead of filing deadlines. ***Feel free to contact our office (407) 322-0561 at your earliest convenience to schedule a consultation and commence the tax planning discussions.*** We are here to address any questions, provide guidance, and ensure a seamless and advantageous tax preparation process.

Tax Planning Moves for Individuals

LIFE EVENTS

- Certain life events can also affect your tax situation. If you have gotten married or divorced, had a birth or death in the family, lost or changed jobs, retired during the year, we need to discuss the tax implications of these events.

PLANNING FOR TIMING OF INCOME

- Postpone income until 2024 and accelerate deductions into 2023 if doing so will enable you to claim larger deductions, credits, and other tax breaks for 2023 that are phased out over varying levels of adjusted gross income (AGI). These include deductible IRA contributions, child tax credits, higher education tax credits, and deductions for student loan interest. Postponing income also is desirable for taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances. Note, however, that in some cases, it may be beneficial to actually accelerate income into 2023. For example, that may be the case for a person who will have a more favorable filing status this year than next (e.g., head of household versus individual filing status), or who expects to be in a higher tax bracket next year.

- It may be advantageous to try to arrange with your employer to defer, until 2024, a bonus that may be coming your way. This could cut as well as defer your tax. Again, considerations may be different for the highest income individuals.

- Long-term capital gain from sales of assets held for over one year is taxed at 0%, 15% or 20%, depending on the taxpayer's taxable income. If you hold long-term appreciated-in-value assets, consider selling enough of them to generate long-term capital gains that can be sheltered by the 0% rate. The 0% rate generally applies to the excess of long-term capital gain over any short-term capital loss to the extent that, when added to regular taxable income, it is not more than the maximum zero rate amount (e.g., $89,250 for a married couple; estimated to be $94,050 in 2024). If, say, $5,000 of long-term capital gains you took earlier in this year qualifies for the zero rate then try not to sell assets yielding a capital loss before year-end, because the first $5,000 of those losses will offset $5,000 of capital gain already taxed at 0%.

- Loss harvesting is the practice of selling stocks, mutual funds, and other securities that are now worth less than what you paid for them. If you have realized capital gains you should consider loss harvesting to reduce your tax liability. There are several ways this can be done. For example, you can sell the original holding then buy back the same security at least 31 days later.

- Consider disposing of passive activities to take advantage of suspended losses.

Tax Planning Moves for Individuals – continued

ITEMIZED DEDUCTIONS

- Many taxpayers will not benefit from itemizing because of the high basic standard deduction amounts that apply for 2023 ($27,700 for joint filers, $13,850 for singles and for marrieds filing separately, $20,800 for heads of household), and because many itemized deductions have been reduced or abolished, including the $10,000 limit on state and local taxes; miscellaneous itemized deductions (e.g., tax preparation fees, investment expenses, and unreimbursed employee expenses); and non-disaster related personal casualty losses. Personal casualty losses attributable to a federally declared disaster are deductible to the extent the $100-per-casualty and 10%-of-AGI limits are met. You can still itemize medical expenses that exceed 7.5% of your AGI, state and local taxes up to $10,000, your charitable contributions, plus mortgage interest deductions on a restricted amount of debt, but these deductions won't save taxes unless they total more than your standard deduction.

- Some taxpayers may be able to work around these deduction restrictions by applying a bunching strategy to pull or push discretionary medical expenses and charitable contributions into the year where they will do some tax good. For example, a taxpayer who will be able to itemize deductions this year but not next will benefit by making two years' worth of charitable contributions. 2023 deduction limits for gifts to public charities, including donor-advised funds, are 30% of adjusted gross income (AGI) for contributions of non-cash assets, if the assets were held more than one year, and 60% of AGI for contributions of cash. Contribution amounts in excess of these deduction limits may be carried over up to five subsequent tax years.

- You can reap a large benefit by donating appreciated assets, such as stock, to a charity. Donating appreciated assets not only entitles you to a charitable contribution deduction but you also avoid the capital gains tax that would otherwise be due if you sold the stock.

- Consider using a credit card to pay deductible expenses before the end of the year. Doing so will increase your 2023 deductions even if you do not pay your credit card bill until after year-end.

- If you expect to owe state and local income taxes when you file your return next year and you will be itemizing in 2023, consider asking your employer to increase withholding of state and local taxes (or pay estimated tax payments of state and local taxes) before year-end to pull the deduction of those taxes into 2023. But this strategy is not good to the extent it causes your 2023 state and local tax payments to exceed $10,000.

- Miscellaneous itemized deductions subject to the 2% floor are no longer allowed. Examples include investment expenses, unreimbursed job expenses, and tax preparation fees. For employee expenses, it may be advantageous to try to arrange a reimbursement plan with your employer.

- If you were in federally declared disaster area, and you suffered uninsured or unreimbursed disaster-related losses, keep in mind you can choose to claim them either on the return for the year the loss occurred (in this instance, the 2023 return normally filed next year), or on the return for the prior year (2022 1040 or 1040X amended return), generating a quicker refund.

Tax Planning Moves for Individuals – continued

ITEMIZED DEDUCTIONS - continued

- If you were in a federally declared disaster area, you may want to settle an insurance or damage claim in 2023 in order to maximize your casualty loss deduction this year.

HEALTH PLANS

- Consider increasing the amount you set aside for next year in your employer's health flexible spending account (FSA) if you set aside too little for this year and anticipate similar medical costs next year.

- If you become eligible on December 1st of 2023 to make health savings account (HSA) contributions, you can make a full year's worth of deductible HSA contributions for 2023.

RETIREMENT PLANS

- Required minimum distributions (RMDs) from an IRA or 401(k) plan (or other employer-sponsored retirement plan) have not been waived for 2023. If you were 72 or older in 2023 you must take an RMD. Those who turn 72 this year have until April 1, 2024, to take their first RMD but may want to take it by the end of 2023 to avoid having to double up on RMDs next year.

- If you are age 70 ½ or older by the end of 2023, and especially if you are unable to itemize your deductions, consider making 2023 charitable donations via qualified charitable distributions from your IRAs. These distributions are made directly to charities from your IRAs, and the amount of the contribution is neither included in your gross income nor deductible on Schedule A, Form 1040. However, you are still entitled to claim the entire standard deduction.

- If you believe a Roth IRA is better for you than a traditional IRA, consider converting traditional IRA money invested in any beaten-down stocks (or mutual funds) into a Roth IRA in 2023 if eligible to do so. Keep in mind that the conversion will increase your income for 2023, possibly reducing tax breaks subject to phaseout at higher AGI levels. This may be desirable, however, for those potentially subject to higher tax rates under pending legislation.

- Take an eligible rollover distribution from a qualified retirement plan before the end of 2023 if you are facing a penalty for underpayment of estimated tax and having your employer increase your withholding is unavailable or won't sufficiently address the problem. Income tax will be withheld from the distribution and will be applied toward the taxes owed for 2023. You can then timely roll over the gross amount of the distribution, i.e., the net amount you received plus the amount of withheld tax, to a traditional IRA. No part of the distribution will be includible in income for 2023, but the withheld tax will be applied pro rata over the full 2023 tax year to reduce previous underpayments of estimated tax.

Tax Planning Moves for Individuals – continued

ADDITIONAL MEDICARE INCOME TAX .9%

- The 0.9% additional Medicare tax also may require higher-income earners to take year-end action. It applies to individuals whose employment wages and self-employment income total more than a threshold amount ($250,000 for joint filers, $125,000 for married couples filing separately, and $200,000 in any other case). Employers must withhold the additional Medicare tax from wages in excess of $200,000 regardless of filing status or other income. Self-employed persons must take it into account in figuring estimated tax. There could be situations where an employee may need to have more withheld toward the end of the year to cover the tax. This would be the case, for example, if an employee earns less than $200,000 from multiple employers but more than that amount in total. Such employee would owe the additional Medicare tax, but nothing would have been withheld by any employer.

NET INVESTMENT INCOME TAX 3.8%

- Higher-income earners must be wary of the 3.8% surtax on certain unearned income. The surtax is 3.8% of the lesser of: (1) net investment income (NII), or (2) the excess of modified adjusted gross income (MAGI) over a threshold amount ($250,000 for joint filers or surviving spouses, $125,000 for a married individual filing a separate return, and $200,000 in any other case).

- As year-end nears, the approach taken to minimize or eliminate the 3.8% surtax will depend on the taxpayer's estimated MAGI and NII for the year. Some taxpayers should consider ways to minimize (e.g., through deferral) additional NII for the balance of the year, others should try to reduce MAGI other than NII, and some individuals will need to consider ways to minimize both NII and other types of MAGI. An important exception is that NII does not include distributions from IRAs and most other retirement plans.

ESTATE AND GIFT TAXES

- Make gifts sheltered by the annual gift tax exclusion before the end of the year if doing so may save gift and estate taxes. The exclusion applies to gifts of up to $17,000 made in 2023 to each of an unlimited number of individuals. You can't carry over unused exclusions to another year. The transfers also may save family income taxes where income-earning property or appreciated stock is given to family members in lower income tax brackets who are not subject to the kiddie tax.

IDENTITY THEFT

- Over the past few years, we have seen a significant increase in tax related identity thefts. Be alert to possible identity theft. If you feel that you have been a victim, please contact our office for valuable insight and expertise to assist you during this stressful time.

Tax Planning Moves for Individuals – continued

COMPLIANCE REQUIREMENT FOR CLAIMING EDUCATIONAL TAX CREDITS

- In order to claim an American Opportunity or Lifetime Learning Credit or a deduction for education-related tuition and fees, you must have received a Form 1098-T. The form reports qualified tuition and related expenses received by the educational institution. If you have educational expenses eligible for the credits or deduction, you should receive Form 1098-T by January 31, 2024.

DIVORCE AND ALIMONY

- Alimony is neither deductible by the payor nor includible in income by the recipient for agreements entered into after December 31, 2018.

ENERGY TAX CREDITS

- Under the Inflation Reduction Act credits, the energy efficient home improvement credits were extended through December 31, 2032.

- For electric vehicles (EVs) purchased after December 31, 2023, new credit requirements apply including maximum price limits, income limits, eligibility of a reduced credit for purchasing used EVs, and credits for business vehicles.

- You may qualify for a credit up to $7,500 under Internal Revenue Code Section 30D if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV). The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032.

FOREIGN BANK ACCOUNT REPORTING ("FBAR")

- The IRS has been actively pursuing individuals that fail to report their holdings in foreign accounts. If you have an interest in a foreign bank account, it must be disclosed; failure to do so carries stiff penalties. You must file a FBAR if: 1) you are a US resident of a person doing business in the US; 2) you had one or more foreign financial accounts that exceeded $10,000 during the calendar year; and 3) you had a financial interest in the account or signatory or other authority over a foreign financial account. If you are unclear about the requirements or think they could possibly apply to you, please let us know.

- The deadline for filing an FBAR is April 15. However, a six-month extension is available.

Tax Planning Moves for Individuals – continued

NOTES:

Tax Planning Moves for Businesses & Business Owners

GENERAL

- Businesses should consider accelerating income from 2024 to 2023 if it or its owners will be in a higher bracket next year. Conversely, it should consider deferring income until 2024 if they will be in a higher bracket this year.

- If you own an interest in a partnership or S corporation, consider whether you need to increase your basis in the entity so you can deduct a loss from it for this year.

- Sometimes the disposition of a passive activity can be timed to make the best use of its freed-up suspended losses. Where reduction of 2023 income is desired, consider disposing of a passive activity before year-end to take the suspended losses against 2023 income. If possible 2024 top rate increases are a concern, holding off on disposing of the activity until 2024 might save more in future taxes.

- More small businesses can use the cash (as opposed to accrual) method of accounting than were allowed to do so in earlier years. To qualify as a small business a taxpayer must, among other things, satisfy a gross receipts test, which is satisfied for 2023 if, during a three-year testing period, average annual gross receipts do not exceed $29 million. Cash method taxpayers may find it a lot easier to shift income, for example by holding off billings till next year or by accelerating expenses, for example, paying bills early or by making certain prepayments.

- Year-end bonuses can be timed for maximum effect by both cash- and accrual-basis employers. Cash-basis employers deduct bonuses in the year paid, so they can time the payment for maximum tax affect. Accrual-basis employers deduct bonuses in the accrual year when all events related to them are established with reasonable certainty. However, the bonus must be paid within 2 ½ months after the end of the employer’s tax year for the deduction to be allowed in the earlier accrual year. Accrual employers looking to defer deductions to a higher-taxed future year should consider changing their bonus plans before year-end to set the payment date later than the 2 ½ month window and change the bonus plan’s terms to make the bonus amount not determinable at year end.

- A corporation (other than a large corporation) that anticipates a small net operating loss (NOL) for 2023 (and substantial net income in 2024) may find it worthwhile to accelerate just enough of its 2024 income (or to defer just enough of its 2023 deductions) to create a small amount of net income for 2023. This allows the corporation to base its 2024 estimated tax installments on the relatively small amount of income shows on the 2023 return, rather than having to pay estimated taxes based on 100% of its much larger 2024 taxable income.

- To reduce 2023 taxable income, consider deferring a debt-cancellation event until 2024.

Tax Planning Moves for Businesses & Business Owners – continued

DEPRECIATION AND SECTION 179

- Businesses should consider making expenditures that qualify for the liberalized business property expensing option. For tax years beginning in 2023, the expensing limit is $1,160,000, and the investment ceiling limit is $2,890,000. Expensing is generally available for most depreciable property (other than buildings) and off-the-shelf computer software. It is also available for interior improvements to a building (but not for its enlargement, elevators or escalators, or the internal structural framework), for roofs, and for HVAC, fire protection, alarm, and security systems.

- The generous dollar ceilings mean that many small and medium sized businesses that make timely purchases will be able to currently deduct most if not all their outlays for machinery and equipment. What's more, the expensing deduction is not prorated for the time that the asset is in service during the year. So, expensing eligible items acquired and placed in service in the last days of 2023, rather than at the beginning of 2024, can result in a full expense deduction for 2023.

- Businesses also can claim a 80% bonus first year depreciation deduction for machinery and equipment bought used (with some exceptions) or new if purchased and placed in service this year, and for qualified improvement property, described above as related to the expensing deduction. The 80% write-off is permitted without any proration based on the length of time that an asset is in service during the tax year. As a result, the 80% bonus first-year write-off is available even if qualifying assets are in service for only a few days in 2023.

- Bonus depreciation has begun to phase out over the next four years, as follows:

  2024 (1/1/24 – 12/31/24) – 60% bonus depreciation allowed
  2025 (1/1/25 – 12/31/25) – 40% bonus depreciation allowed
  2026 (1/1/26 – 12/31/26) – 20% bonus depreciation allowed
  Without any new legislation, bonus depreciation will be completely phased out starting on January 1, 2027

- Businesses may be able to take advantage of the de minimis safe harbor election (also known as the book-tax conformity election) to expense the costs of lower-cost assets and materials and supplies, assuming the costs do not have to be capitalized under the Code Sec. 263A uniform capitalization (UNICAP) rules. To qualify for the election, the cost of a unit of property cannot exceed $2,500 ($5,000 if the taxpayer has an applicable financial statement (AFS; e.g., a certified audited financial statement along with an independent CPA's report). Where the UNICAP rules aren't an issue, and where potentially increasing tax rates for 2024 aren't a concern, consider purchasing qualifying items before the end of 2023.

- Consider accelerating recovery of real property through cost segregation and/or repair studies.

Tax Planning Moves for Businesses & Business Owners – continued

SECTION 199A 20% PASS-THROUGH DEDUCTION

- Taxpayers other than corporations may be entitled to a deduction of up to 20% of their qualified business income. For 2023, if taxable income exceeds $364,200 for a married couple filing jointly ($182,100 for others), the deduction may be limited based on whether the taxpayer is engaged in a service-type trade or business (such as law, accounting, health, or consulting), the amount of W-2 wages paid by business, and/or the unadjusted basis of qualified property (such as machinery and equipment) held by the business. The limitations are phased in; for example, the phase-in applies to joint filers with taxable income up to $100,000 above the threshold, and to others with taxable income $50,000 above their threshold.

- Taxpayers may be able to salvage some or all of the 20% deduction, by deferring income or accelerating deductions so as to come under the dollar thresholds (or be subject to a smaller phaseout of the deduction) for 2023. Depending on their business model, taxpayers also may be able increase the deduction by increasing W-2 wages before year-end. The rules are quite complex, so do not make a move in this area without consulting your tax adviser.

RESEARCH AND DEVELOPMENT CREDIT (R&D)

- The Inflation Reduction Act of 2022 increased the R&D Tax Credit from a maximum of $250,000 to $500,000. The R&D Tax Credit provides a payroll tax credit to qualified small businesses that conduct “qualifying” research and development in the United States. This credit offsets payroll taxes, so even unprofitable startups can reduce their tax burden and improve their cash flow.

- Under prior law, qualified small businesses could elect to apply up to $250,000 of the credit against the employer’s portion of Social Security Taxes. Effective for tax years beginning after December 31,2022, the IRA increases the amount of the research credit that a small business can use against its’ payroll tax liability (including Medicare Taxes) to $500,000.

MILITARY SPOUSES’ RETIREMENT PLAN ELIGIBILITY CREDIT

- Due to frequent moving, military spouses often do not remain employed long enough to become eligible for their employer’s retirement plan or to vest in employer contributions. Effective for tax years after 2022, the SECURE Act 2.0 allows certain employer a new general business credit for immediately including military spouses in their defined contribution plans. The credit has two components: a $200 credit for the spouse’s participation, plus an additional credit for up to $300 in employer contributions.

Tax Planning Moves for Businesses & Business Owners – continued

CREDIT FOR SMALL EMPLOYER PENSION PLAN STARTUP COSTS

- Effective for tax years beginning after December 31, 2022, new law (SECURE Act 2.0) increases the credit from 50% to 100% for certain small employers with no more than 50 employees. An additional credit (does not apply to defined benefit plans) is also provided for employer contributions by certain small employers equal to the applicable percentage of employer contributions (other than employee elective deferrals). This additional credit is limited to $1,000 per employee. Subject to the per employee limit, 100% of the employer contribution can be claimed in the first and second tax years; 75% in the third year; 50% in the fourth year; and 25% in the fifth year. For employers with 51 to 100 employees, the credit is reduced by 2 percentage points for each employee over 50. This credit begins to phase out for employers with more than 50 employees. The credit is fully phased out for employees with more than 50 employees. The credit is fully phased-out for employers with 100 or more employees. The additional credit does not apply with respect to any employee who receives wages in excess of $100,000. This $100,000 threshold is indexed for inflation after the 2023 calendar year.

BENEFICIAL OWNERSHIP INFORMATION REPORTING

- Beginning on January 1, 2024, many companies in the United States will have to report information about their beneficial owners, i.e., the individuals who ultimately own or control the company, to Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury. Companies must report the full name of the reporting company, any trade name or doing business as (DBA) name, business address, state or Tribal jurisdiction of formation, and an IRS taxpayer identification number. Additionally, information on the beneficial owners of the entity and for newly created entities, the company applicants of the entity is required. This information includes — name, birthdate, address, and unique identifying number and issuing jurisdiction from an acceptable identification document (e.g., a driver's license or passport) and an image of such document. Penalties for willfully not complying with the reporting requirement ("BOI") can result in criminal and civil penalties of $500 per day and up to $10,000 with up to two years of jail time.

Tax Planning Moves for Businesses & Business Owners – continued

NOTES:

2024 Key Tax Figures and Projected Tax Figures

The IRS has released the 2024 inflation adjusted numbers which are adjusted for inflation annually. Some of the key tax figures below are projected amounts.

Social Security Wage Base
The maximum wage base for the OASDI (social security) portion of the FICA and the Self-Employment Tax for 2024 is $168,600 (up from $160,200 in 2023).

Marginal Tax Rates
For tax year 2024, the top tax rate remains 37% for single taxpayers with incomes greater than $609,350 ($731,200 for married couples filing jointly). The other rates are:

- 35% for incomes over $243,725 ($487,450 for married couples filing jointly);
- 32% for incomes over $191,950 ($383,900 for married couples filing jointly);
- 24% for incomes over $100,525 ($201,500 for married couples filing jointly);
- 22% for incomes over $47,150 ($94,300 for married couples filing jointly);
- 12% for incomes over $11,600 ($23,200 for married couples filing jointly);
- 10% for incomes of single individuals of $11,600 or less ($23,200 for married couples filing jointly).

Standard Deduction Amounts
The standard deduction amounts for 2024 are:

- $29,900 for married couples filing jointly (up $27,700 from 2023);
- $14,600 for single taxpayers and married individuals filing separately (up $13,850);
- $21,900 for heads of household (up $20,800).

Child Tax Credit
The Child Tax Credits have now adjusted back to $2,000 per qualifying child. The refundable portion of the child tax credit is $1,700. Households earning up to $200,000 can claim these credits when filing their tax return.

Lifetime Learning Credit
The Lifetime Learning Credit maximum credit per return is $2,000 and is phased out beginning at AGI of $80,000 ($160,000 for a joint return).

American Opportunity Tax Credit
The American Opportunity Tax Credit maximum credit per student is $2,500 and will be an amount equal to 100% of qualified tuition and related expenses not in excess of $2,000 plus 25% of those expenses in excess of $2,000, but not in excess of $4,000. The credit is phased out beginning at an AGI of $80,000 ($160,000 for a joint return) and you can’t claim the credit if your AGI is over $90,000 ($180,000 for a joint return.)

Student Loan Interest Deduction
For 2024, the deduction for student loan interest is limited to $2,500 and phases out ratably for modified adjusted gross income between $165,000 and $195,000 for joint filers and between $80,000 and $95,000 for other returns.

2024 Key Tax Figures and Projected Tax Figures – continued

Flexible Spending Accounts (FSA)
The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending arrangements (FSA) is $3,200 (up $150 from 2023). The Cafeteria Plan permits the carryover of unused amounts up to $640 (up $30 from 2023).

According to the Internal Revenue Service (IRS), if you do not use all money in your health FSA by the end of the Plan Year, you will lose the unused balance, unless you use it within the Grace Period. In the 2024 Plan Year, the Grace Period will be to March 15 after the Plan Year ends, if you incur eligible health FSA expenses between January 1, 2025, and March 15, 2025, and you have a remaining balance in your 2024 health FSA, you will be reimbursed up to the remaining 2024 balance of your health FSA.

Health Savings Accounts
For 2024, and HSA participant with self-only coverage must have a high-deductible health plan with an annual deductible of at least $1,600, but not more than $3,200. The maximum out-of-pocket expense amount is $8,050 ($550 increase from 2023). For family coverage, the HDHP must have an annual deductible of at least $3,200, and the out-of-pocket expense amount is $16,100 ($1,100 increase from 2023).

If you have self-only HDHP coverage, you can contribute up to $4,150 ($3,850 in 2023). If you have family HDHP coverage, you can contribute up to $8,300 ($7,750 in 2023).

Child Adoptions
The credit allowed for an adoption of a child with special needs is projected to be $16,810. The maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to $16,810. The available adoption credit begins to phase out for taxpayers with modified adjusted gross income in excess of $252,150 and is completely phased out for taxpayers with modified adjusted gross income of $292,150.

Foreign Earned Income Exclusion Amount
The foreign earned income exclusion is $126,500 (up from $120,000 in 2023).

Estate and Gift Tax Exclusion Amount
For gifts made and estates of decedents dying in 2024, the exclusion amount will be $13,610,000 (up from $12,920,000 for gifts made and estates of decedents dying in 2023).

Gift Tax Exclusions
For gifts made in 2024, the annual gift tax exclusion is $18,000 (up from $17,000 in 2023).

Retirement Plan Contributions
The limit on annual contributions to an IRA is $7,000. The additional catch-up contribution limit for individuals aged 50 and over is $1,000. The amount you can contribute to your 401(k) or similar workplace retirement plan is $23,000. The additional catch-up contribution is $7,500, so if you're 50 or older, your 401(k) employee contribution limit should be $30,500 in 2024. The amount you can contribute to a Simple IRA or 401k plan is $16,000. The additional catch-up contribution is $3,500.

Roth IRA Contributions
Individuals may make nondeductible contributions to a Roth IRA, subject to the overall limit on IRA contributions. The maximum annual contribution that can be made to a Roth IRA is phased out for taxpayers with MAGI over certain levels for the tax year.