



2024 YEAR-END TAX PLANNING

After years marked by pandemic recovery and high inflation, 2024 seemed to be a little quieter on the economic front. This steadiness extended to tax policies as well, with relatively few major changes taking center stage. While the IRS has continued releasing guidance tied to the Inflation Reduction Act of 2022 and SECURE 2.0 Act, most other areas of taxation have remained consistent throughout the year.

That said, 2024 wasn't entirely uneventful. Following a closely watched election, Americans voted in November to bring Donald Trump back to the White House. Much of his tax agenda revolves around the future of the Tax Cuts and Jobs Act of 2017 (TCJA), which is set to sunset at the end of 2025 and sure to dominate discussions as the new Congress addresses potential extensions. With the GOP controlling both the House and Senate, tax policy changes may accelerate in 2025. However, for now, the emphasis is on ending 2024 with smart, proactive planning. As we approach the end of the year, now is the time for individuals, business owners, and family offices to review their 2024 and 2025 tax situations and identify opportunities for reducing, deferring, or accelerating their tax obligations.

The information contained in this article is based on federal laws and policies in effect as of the publication date. This article discusses tax planning for U.S. federal income taxes. Applicable state and foreign taxes should also be considered. Taxpayers should consult with a trusted advisor when making tax and financial decisions regarding any of the items below.

BUSINESS TAX PLANNING HIGHLIGHTS

As we approach the close of 2024, it's critical for businesses to evaluate opportunities to maximize tax savings and ensure compliance with new regulations. Below are key areas to consider:

Corporate Transparency Act

The Corporate Transparency Act requires companies to determine their reporting and filing obligations for the Beneficial Ownership Information (BOI) report. These reports are due no later than January 1, 2025. Ensuring compliance now can help avoid last-minute complications as the deadline approaches.

It is important to note that on December 3, 2024, a federal district court ruled the Corporate Transparency Act is likely unconstitutional and issued a nationwide preliminary injunction prohibiting the enforcement of the BOI Reports. This is an evolving situation, but until further court order, reporting companies are legally not required to comply with the BOI reporting requirements. We will continue to monitor the situation closely and provide updates as needed.

Retirement Plans

The SECURE 2.0 Act of 2022 has introduced expanded opportunities for retirement planning that benefit both employers and employees. Starting in 2024, businesses that do not currently sponsor retirement plans can establish "starter" 401(k) plans or safe harbor 403(b) plans. These plans automatically enroll employees at a default deferral rate of 3% to 15% of compensation, with contribution limits matching those of IRAs.

Additionally, the SECURE 2.0 Act allows employers more flexibility in adopting and amending retirement plans. For new plans, employers have until the due date of their tax return to adopt the plan for the fiscal

year in which it becomes effective. Furthermore, discretionary plan amendments that enhance participants' benefits can now be adopted up until the employer's tax return deadline, rather than by the end of the plan year. These provisions present excellent opportunities to improve retirement offerings while meeting compliance standards.

Depreciation and Expensing

Generous depreciation and expensing provisions from the TCJA remain available for 2024. Businesses can take advantage of 100% first-year depreciation (commonly referred to as Section 179) for eligible machinery and equipment purchased during the year. Section 179 expensing allows an investment limitation of \$3,050,000 and a dollar limitation of \$1,220,000 for 2024.

Notably, the additional bonus first-year depreciation allowance (commonly referred to as Section 168) decreases to 60% for property placed in service in 2024 and will phase out completely by January 1, 2027. While some businesses may want to utilize this benefit immediately, it's worth considering that legislation in 2025 could reinstate 100% first-year depreciation. For those able to delay asset acquisitions, waiting until 2025 could be advantageous.

Clean Commercial Vehicles

The Inflation Reduction Act of 2022 offers a \$7,500 credit for businesses purchasing clean commercial vehicles. This incentive aligns closely with individual green energy vehicle credits, making it a strategic choice for companies looking to incorporate environmentally friendly options into their fleets. However, as with individual green energy credits, these provisions may be at risk of repeal in 2025, so businesses should weigh the timing of their purchases accordingly.

Other Year-End Strategies for Businesses

In addition to the above, traditional year-end tax strategies remain highly effective. Businesses should consider the following:

- Timing deductions for employee bonuses and executive compensation
- Prepaying rent or suppliers under the cash method or committing to contracts under the accrual method
- Reviewing inventory for potential write-offs
- Minimizing the impact of corporate AMT

By carefully evaluating these strategies, businesses can position themselves for financial success in the year ahead while staying compliant with evolving tax regulations.

INDIVIDUAL TAX PLANNING HIGHLIGHTS

2024 Federal Income Tax Rate Brackets

Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	\$0 - \$23,200	\$0 - \$11,600	\$0 - \$16,550	\$0 - \$11,600	\$0 - \$3,100
12%	\$23,201 - \$94,300	\$11,601 - \$47,150	\$16,551 - \$63,100	\$11,601 - \$47,150	-
22%	\$94,301 - \$201,050	\$47,151 - \$100,525	\$63,101 - \$100,500	\$47,151 - \$100,525	-
24%	\$201,051 - \$383,900	\$100,526 - \$191,950	\$100,501 - \$191,950	\$100,526 - \$191,950	\$3,101 - \$11,150
32%	\$383,901 - \$487,450	\$191,951 - \$243,725	\$191,951 - \$243,700	\$191,951 - \$243,725	-
35%	\$487,451 - \$731,200	\$243,726 - \$609,350	\$243,701 - \$609,350	\$243,726 - \$365,600	\$11,151 - \$15,200
37%	Over \$731,200	Over \$609,350	Over \$609,350	Over \$365,600	Over \$15,200

2025 Federal Income Tax Rate Brackets

Tax Rate	Joint/Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	\$0 - \$23,850	\$0 - \$11,925	\$0 - \$17,000	\$0 - \$11,925	\$0 - \$3,150
12%	\$23,851 - \$96,950	\$11,926 - \$48,475	\$17,001 - \$64,850	\$11,926 - \$48,475	--
22%	\$96,951 - \$206,700	\$48,476 - \$103,350	\$64,851 - \$103,350	\$48,476 - 103,350	--
24%	\$206,701 - \$394,600	\$103,351 - \$197,300	\$103,351 - \$197,300	\$103,351 - 197,300	\$3,151 - \$11,450
32%	\$394,601 - \$501,050	\$197,301 - \$250,525	\$197,301 - \$250,500	\$197,301 - \$250,525	--
35%	\$501,051 - \$751,600	\$250,526 - \$626,350	\$250,501 - \$626,350	\$250,526 - \$375,800	\$11,451 - \$15,650
37%	Over \$751,600	Over \$626,350	Over \$626,350	Over \$375,800	Over \$15,650

As the end of 2024 approaches, individuals have several opportunities to reduce their tax burden through strategic planning. Below are key areas to consider:

Timing of Income and Deductions

Taxpayers should consider whether they can reduce their tax bills by shifting income or deductions between 2024 and 2025. Ideally, income should be received in the year with the lower marginal tax rate, and deductible expenses should be paid in the year with the higher marginal tax rate. If the marginal tax rate is the same in both years, deferring income from 2024 to 2025 will produce a one-year tax deferral, and accelerating deductions from 2025 to 2024 will lower the 2024 income tax liability.

The tax brackets for 2025 reflect inflation adjustments, offering a slight advantage for deferring income into the new year. For example, the 24% bracket for married taxpayers filing jointly increases from \$201,051 in 2024 to \$206,701 in 2025. Deferring income may help taxpayers keep more earnings in lower brackets, reducing their overall tax liability.

Actions to consider that may result in a reduction or deferral of taxes include:

- Delaying closing capital gain transactions until after year-end or structuring 2024 transactions as installment sales so that gain is deferred past 2024 (see also Long-Term Capital Gains, to the right).
- Triggering capital losses before the end of 2024 to offset 2024 capital gains.
- Delaying interest or dividend payments from closely held corporations to individual business-owner taxpayers.
- Deferring commission income by closing sales in early 2025 instead of late 2024.
- Accelerating deductions for expenses such as mortgage interest and charitable donations (including donations of appreciated property) into 2024 (subject to adjusted gross income (AGI) limitations).
- Evaluating whether non-business bad debts are worthless -- and should be recognized as a short-term capital loss -- by the end of 2024.
- Shifting investments to municipal bonds or investments that do not pay dividends to reduce taxable income in future years.
- Taxpayers that will be in a higher tax bracket in 2025 may want to consider potential ways to move taxable income from 2025 into 2024, so that the taxable income is taxed at a lower tax rate. Current-year actions to consider that could reduce 2025 taxes include:
 - Accelerating capital gains to 2024 or deferring capital losses until 2025.
 - Electing out of the installment sale method for 2024 installment sales.
 - Deferring deductions such as large charitable contributions to 2025.

Long-term Capital Gains

The long-term capital gains rates for 2024 and 2025 are shown below. The tax brackets refer to the taxpayer's taxable income. Capital gains also may be subject to the 3.8% net investment income tax.

2024 Long-Term Capital Gains Rate Brackets

Long-Term Capital Gains Tax Rate	Joint/ Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
0%	\$0 - \$94,050	\$0 - \$47,025	\$0 - \$63,000	\$0 - \$47,025	\$0 - \$3,150
15%	\$94,051 - \$583,750	\$47,026 - \$518,900	\$63,001 - \$551,350	\$47,026 - \$291,850	\$3,151 - \$15,450
20%	Over \$583,750	Over \$518,900	Over \$551,350	Over \$291,850	Over \$15,450

2025 Long-Term Capital Gains Rate Brackets

Long-Term Capital Gains Tax Rate	Joint/ Surviving Spouse	Single	Head of Household	Married Filing Separately	Estates & Trusts
0%	\$0 - \$96,700	\$0 - \$48,350	\$0 - \$64,750	\$0 - \$48,350	\$0 - \$3,250
15%	\$96,701 - \$600,050	\$48,351 - \$533,400	\$64,751 - \$566,700	\$48,351 - \$300,000	\$3,251 - \$15,900
20%	Over \$600,051	Over \$533,400	Over \$566,700	Over \$300,000	Over \$15,900

Long-term capital gains (and qualified dividends) are subject to a lower tax rate than other types of income. Investors should consider the following when planning for capital gains:

- Holding capital assets for more than a year (more than three years for assets attributable to carried interests) so that the gain upon disposition qualifies for the lower long-term capital gains rate.
- Considering long-term deferral strategies for capital gains such as reinvesting capital gains into designated qualified opportunity zones.
- Investing in, and holding, “qualified small business stock” for at least five years.
- Donating appreciated property to a qualified charity to avoid long-term capital gains tax (see also [Charitable Contributions](#), below).

Net Investment Income Tax

An additional 3.8% net investment income tax (NIIT) applies on net investment income above certain thresholds. The NIIT does not apply to income derived in the ordinary course of a trade or business in which the taxpayer materially participates. Similarly, gain on the disposition of trade or business assets attributable to an activity in which the taxpayer materially participates is not subject to the NIIT. Impacted taxpayers may want to consider deferring net investment income for the year, in conjunction with other tax planning strategies that may be implemented to reduce income tax or capital gains tax.

Social Security Tax

The Old-Age, Survivors, and Disability Insurance (OASDI) program is funded by contributions from employees and employers through FICA tax. The FICA tax rate for both employees and employers is 6.2% of the employee’s gross pay, but is imposed only on wages up to \$168,600 for 2024 and \$176,100 for 2025. Self-employed persons pay a similar tax, called SECA (or self-employment tax), based on 12.4% of the net income of their businesses.

Employers, employees, and self-employed persons also pay a tax for Medicare/Medicaid hospitalization insurance (HI), which is part of the FICA tax, but is not capped by the OASDI wage base. The HI payroll tax is 2.9%, which applies to earned income only. Self-employed persons pay the full amount, while employers and employees each pay 1.45%. An extra 0.9% Medicare (HI) payroll tax must be paid by individual taxpayers on earned income that is above certain AGI thresholds: \$200,000 for individuals, \$250,000 for married couples filing jointly, and \$125,000 for married couples filing separately. However, employers do not pay this extra tax.

Maximizing Deductions

For 2024, the inflation-adjusted standard deduction amounts are \$29,200 for joint filers, \$21,900 for heads of households, and \$14,600 for all other filers. With such high standard deduction amounts, combined with the \$10,000 limitation on the deduction of state and local taxes, it is difficult for a lot of taxpayers to claim enough deductions to make itemizing them beneficial. Therefore, maximizing deductions may not be favorable for all taxpayers. One of the best ways to maximize deductions is to develop a bunching strategy which involves accumulating charitable contributions, or even medical expenses, from two or more years into one. For example, a taxpayer may have not made any of their typical contributions to charity in 2023, and then made double the usual amount in 2024 to help surpass the standard deduction amount. The same bunching strategy can be exercised for deductible medical expenses if the timing is to some extent flexible, such as for elective procedures (note that purely cosmetic procedures are not deductible).

Green Energy

The Energy Efficiency Home Improvement Credit was available beginning in 2023. The credit is usually equal to 30% of the taxpayer's qualified expenses. This can include doors, windows, other qualifying energy property, and even a home energy audit. The Residential Clean Energy Credit is also available and equal to 30% of qualified expenses. This credit applies to the installation of certain energy property like solar cells, small wind turbines, or battery storage. Restrictions and limitations apply to both credits.

When the Inflation Reduction Act of 2022 passed, it eliminated the broad credit that applied to the purchase of electric vehicles. Instead, two new credits are available, one \$7,500 credit for the purchase of a new clean vehicle that has stringent requirements and a \$4,000 credit for the purchase of a used clean vehicle.

Long-term Care Insurance and Services

Premiums an individual pays on a qualified long-term care insurance policy are deductible as a medical expense. The maximum deduction amount is determined by an individual's age. The following table sets forth the deductible limits for 2024 and the estimated deductible limits for 2025 (the limitations are per person, not per return):

Age	Deduction Limitation 2024	Deduction Limitation 2025
40 or under	\$470	\$480
Over 40 but not over 50	\$880	\$900
Over 50 but not over 60	\$1,760	\$1,800
Over 60 but not over 70	\$4,710	\$4,810
Over 70	\$5,880	\$6,020

Retirement Plan Contributions

Individuals may want to maximize their annual contributions to qualified retirement plans and individual retirement accounts (IRAs).

- The maximum amount in elective contributions that an employee can make in 2024 to a 401(k) or 403(b) plan is \$23,000 (\$30,500 if age 50 or over and the plan allows "catch-up" contributions). For 2025, these limits are \$23,500 and \$31,000, respectively.
- The SECURE Act permits a penalty-free withdrawal of up to \$5,000 from traditional IRAs and qualified retirement plans for qualifying expenses related to the birth or adoption of a child after December 31, 2019. The \$5,000 distribution limit is per individual, so a married couple could each receive \$5,000.
- Under the SECURE Act, individuals are now able to contribute to their traditional IRAs in or after the year in which they turn 70½.
- The SECURE 2.0 Act has adjusted retirement savings rules, increased the RMD age to 73 for individual born between 1951 and 1959. Taxpayers in their first RMD year (e.g. turning 73 in 2024) have until April 15, 2025, to make their first withdrawal. However, deferring the first RMD to 2025 would require taking two distributions in the same tax year, potentially pushing the taxpayer into a higher tax bracket.
- Individuals age 70 ½ or older can donate up to \$105,000 in 2024 (\$108,000 in 2025) to a

qualified charity directly from a taxable IRA. These donations are commonly referred to as QCDs (qualified charitable distributions). These allow IRA owners to make tax-free charitable contributions directly from their accounts which count toward RMDs.

- The SECURE Act generally requires that designated beneficiaries of persons who died after December 31, 2019, take inherited plan benefits over a 10-year period. Eligible designated beneficiaries (i.e., surviving spouses, minor children of the plan participant, disabled and chronically ill beneficiaries, and beneficiaries who are less than 10 years younger than the plan participant) are not limited to the 10-year payout rule. Special rules apply to certain trusts.
- Under final Treasury regulations (issued July 2024) that address RMDs from inherited retirement plans of persons who died after December 31, 2019, and after their required beginning date, designated and non-designated beneficiaries will be required to take annual distributions, whether subject to a 10-year period or otherwise.
- Small businesses can contribute the lesser of (i) 25% of employees' salaries or (ii) an annual maximum amount set by the IRS each year to a simplified employee pension (SEP) plan by the extended due date of the employer's federal income tax return for the year that the contribution is made. The maximum SEP contribution for 2024 is \$69,000. The maximum SEP contribution for 2025 is \$70,000. The calculation of the 25% limit for self-employed individuals is based on net self-employment income, which is calculated after the reduction in income from the SEP contribution (as well as for other things, such as self-employment taxes).

Foreign Earned Income Exclusion

The foreign earned income exclusion is \$126,500 in 2024 and increases to \$130,000 in 2025.

Alternative Minimum Tax

A taxpayer must pay either the regular income tax or the alternative minimum tax (AMT), whichever is higher. The established AMT exemption amounts for 2024 are \$85,700 for unmarried individuals and individuals claiming head of household status, \$133,300 for married individuals filing jointly and surviving spouses, \$66,650 for married individuals filing separately, and \$29,900 for estates and trusts. The AMT exemption amounts for 2025 are \$88,100 for unmarried individuals and individuals claiming head of household status, \$137,000 for married individuals filing jointly and surviving spouses, \$68,500 for married individuals filing separately, and \$30,700 for estates and trusts.

Kiddie Tax

The unearned income of a child is taxed at the parents' tax rates if those rates are higher than the child's tax rate.

Limitation on Deductions of State and Local Taxes (SALT Limitation)

For individual taxpayers who itemize their deductions, the Tax Cuts and Jobs Act introduced a \$10,000 limit on deductions of state and local taxes paid during the year (\$5,000 for married individuals filing separately). The limitation applies to taxable years beginning on or after December 31, 2017, and before January 1, 2026. Various states have enacted new rules that allow owners of pass-through entities to avoid the SALT deduction limitation in certain cases.

Charitable Contributions

Cash contributions made to qualifying charitable organizations, including donor-advised funds, in 2024

and 2025 will be subject to a 60% AGI limitation. The limitations for cash contributions continue to be 30% of AGI for contributions to non-operating private foundations.

Tax planning around charitable contributions may include:

- Creating and funding a private foundation, donor-advised fund, or charitable remainder trust.
- Donating appreciated property to a qualified charity to avoid long-term capital gains tax.

Estate and Gift Taxes

For gifts made in 2024, the gift tax annual exclusion is \$18,000 and for 2025 it is \$19,000. For 2024, the unified estate and gift tax exemption and generation-skipping transfer tax exemption is \$13,610,000 per person. For 2025, the unified estate and gift tax exemption and generation-skipping transfer tax exemption is \$13,990,000. All outright gifts to a spouse who is a U.S. citizen are free of federal gift tax. However, for 2024 and 2025, only the first \$185,000 and \$190,000, respectively, of gifts to a non-U.S. citizen spouse is excluded from the total amount of taxable gifts for the year.

Tax planning strategies may include:

- Making annual exclusion gifts.
- Making larger gifts to the next generation, either outright or in trust.
- Creating a spousal lifetime access trust (SLAT) or a grantor retained annuity trust (GRAT) or selling assets to an intentionally defective grantor trust (IDGT).

Net Operating Losses and Excess Business Loss Limitation

Net operating losses (NOLs) generated in 2024 are limited to 80% of taxable income and are not permitted to be carried back. Any unused NOLs are carried forward subject to the 80% of taxable income limitation in carryforward years.

A non-corporate taxpayer may deduct net business losses of up to \$305,000 (\$610,000 for joint filers) in 2024. The limitation is \$313,000 (\$626,000 for joint filers) for 2025. A disallowed excess business loss (EBL) is treated as an NOL carryforward in the subsequent year, subject to the NOL rules. With the passage of the Inflation Reduction Act, the EBL limitation has been extended through the end of 2028.

Additional Year-End Strategies for Individuals

Consider these other tax-saving tactics before the end of the year:

- Education Credits: Claim a credit for tuition paid in 2024 for academic periods starting by March 2025.
- 401(k) Contributions: Increase contributions to reduce AGI and maximize retirement savings.
- IRA Contributions: Eligible taxpayers can deduct contributions made up to April 15, 2025.
- Teacher Expenses: Educators can deduct up to \$300 for classroom supplies, including equipment to prevent the spread of illness.

By reviewing and implementing these strategies, taxpayers can optimize their financial outcomes as they prepare for the year ahead.