



2024 TAX UPDATE + INDIVIDUAL

We can provide you or your business with the knowledge and resources to make smart decisions and minimize your tax liability.

"Make the complex simple" is something we take to heart. Visit www.lutz.us/tax or email info@lutz.us to learn more.

- **AMT exemption amount:** \$85,700 (\$133,300 MFJ)
- **Standard Deduction:** \$14,600 Single (\$29,200 MFJ)
- **HSA contribution limit:** \$4,150 Single (\$8,300 Family)
- **FSA contribution limit:** \$3,200
- **Charitable Distributions from IRAs:** \$105,000
 - \$53,000 QCD to either a charitable remainder trust or charitable gift annuity
- **Energy Efficient Home Improvement Credit**
 - \$1,200 per taxpayer per year limit
 - \$2,000 limit for biomass stoves or boilers; electric or natural gas heat-pump water heaters; or electric or natural gas heat pumps (\$3,200 maximum credit)
 - Additional annual limits include:
 - \$600 for residential energy property expenditures per item category (ex: windows and skylights)
 - \$250 per exterior door (\$500 total for all exterior doors)
 - \$150 for a home energy audit of main home
- **Residential Clean Energy Credit**
 - 30% for installing solar, wind, or geothermal energy
- **American Opportunity Tax Credit of \$2,500**
 - Phase-out begins at \$80,000 (\$160,000 MFJ)
- **Lifetime Learning Credit of \$2,000**
 - Phase-out begins at \$80,000 (\$160,000 MFJ)
- **Student loan interest deduction limit: \$2,500**
 - Phase-out begins at \$80,000 (\$165,000 MFJ)
- **Qualified tuition and related expenses deduction expired in 2020. No longer available.**
- **Child tax credit of \$2,000 per child under the age of 17 (\$1,700 is refundable)**
 - Phase-out begins at \$200,000 (\$400,000 MFJ)
- **3.8% Net Investment Income Tax is imposed on the lesser of:**
 - An individual's net investment income for the tax year
 - Or modified AGI in excess of a floor: \$250,000 for joint filers and surviving spouses, \$125,000 for a married taxpayer filing separately and \$200,000 in any other case
 - Investment income includes gross income from: interest; dividends; annuities; royalties; rents, including rental income for real estate professionals & self-rental income; passive activity income; and capital gains
- **Additional .9% Medicare Tax – For employees**
 - Imposed on wages in excess of \$250k for joint filers, \$125k for married filing separately, and \$200k in any other case
 - Total Medicare rate on excess wages is 2.35%
 - Also attaches to self-employed individuals
 - Employers are required to withhold on wages in excess of \$200,000
- **Retirement Plan Limitations**
 - Early distribution penalty of 10% if under 59.5 years old
 - 401K: Lesser of \$23,000 or 100% of participants compensation [Catch-up (50+): Additional \$7,500]
 - SIMPLE Plans: Lesser of \$16,000 or 100% participants compensation [Catch-up (50+): Additional \$3,500]
 - IRA: Lesser of \$7,000 or 100% of earned income [Catch-up (50+): Additional \$1,000]
 - SEP IRA: 25% of total compensation and a maximum of \$69,000
 - Roth IRA: to contribute, MAGI must be less than \$146,000 (single) or \$230,000 (MFJ)
- **FICA wage base \$168,600 (previously \$160,200)**
- **Adoption of a Child Credit of \$16,810**
 - Phase-out begins at \$252,150
- **Annual exclusion for gifts \$18,000**
- **Estate & Gift Tax**
 - 40% maximum rate with a \$13.61 million exemption amount in 2024 [\$13.99M for 2025]
- **QBI Deduction**
 - Lessor of:
 - 20% of Qualified Business Income
 - 20% of taxable income less capital gains
 - *Greater of:
 - 50% of Wages
 - Sum of 25% of wages and 2.5% of unadjusted basis of business property
 - *only applies if taxable income over \$191,950 single, \$383,900 MFJ
- **Child & Dependent Care Credit**
 - Nonrefundable
 - \$3,000 allowable expense per dependent, \$6,000 max

Ordinary Rates	Dividend/CAP Gains	MFJ Income Levels	Single Income Levels
10%	0%	Under \$23,200	Under \$11,600
12%	0%	Between \$23,201 & \$94,050	Between \$11,601 & \$47,025
12%	15%	Between \$94,051 & \$94,300	Between \$47,026 & \$47,150
22%	15%	Between \$94,301 & \$201,050	Between \$47,151 & \$100,525
24%	15%	Between \$201,051 & \$383,900	Between \$100,526 & \$191,950
32%	15%	Between \$383,901 & \$487,450	Between \$191,951 & \$243,725
35%	15%	Between \$487,451 & \$583,750	Between \$243,726 & \$518,900
35%	20%	Between \$583,751 & \$731,200	Between \$518,901 & \$609,350
37%	20%	Over \$731,200	Over \$609,350

Individual Provisions

Top Ordinary Rate	37.0%
Top Capital Gains Rate (includes NIIT)	23.8%
AMT	Retained w/larger exemption
# of Tax Brackets	Seven
Standard Deduction (Single/MFJ)	\$14,600 / \$29,200
Personal Exemptions	Eliminated (but \$5,050 reference amount)
Child Tax Credit (maximum)	\$2,000 under age 17
State and Real Estate Taxes	\$10,000 (maximum combined deduction)
Home Mortgage Interest	Deductible for \$750k of debt
Medical Expenses	Retained (7.5% for 2024)
Unreimbursed Employee Expenses	Eliminated
Tax Prep & Investment Fees	Eliminated
Itemized Deduction Phase-Out	Eliminated
Alimony Deduction	Eliminated in 2019; retained for pre-2019 divorces
Student Loan Interest Deduction	Retained
Educator Deduction	\$300
Moving Expenses	Eliminated (except armed forces)
Cost Basis of Marketable Securities	Any Specified Method



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Estate Taxes

Top Tax Rate	40%
Lifetime Exemption 2024 **	\$13,610,000
Eliminate Estate Tax?	No

Pass-Through Businesses (S Corps & LLC's)

Qualified Business Income Deduction (Active and Passive) ***	Deduct 20% of income limited to 50% of wages; allowed for trusts & estates (see reverse side)
Carried Interest Treated as LTCG	3 Year Holding Period
Technical Termination of Partnership	Eliminated
Excess Business Losses	\$305,000/single and \$610,000/MFJ

Corporate/Business Provisions

Top Tax Rate	21%
AMT	Eliminated, except for corporations with over \$1 billion in average annual financial statement income
Expensing of Assets	100% Expensing of assets from 9/27/17 to 12/31/22, Bonus = 80% in 2023 & 60% in 2024
Section 179	\$1,220,000
Interest Expense (163(J))	Limited to 30% (for 2024) of income; only applies if revenue > \$30 million; add-back for depreciation and amortization eliminated
Entertainment Expenses	Nondeductible
NOL Carryovers	Default carry-forward applies and 80% limitation applies for tax years beginning after 12/31/2020
C Corps Forced Accrual Method	Receipts > \$30 million
All Businesses w/ Inventory Forced Accrual Method	Receipts > \$30 million
R&D and Low Income Housing Credit	Retained
Research Expenses	Capitalized and amortized over 5 years starting in 2022 (15 years for foreign R&E)
Section 263A	Receipts > \$30 million
Switch from Completed Contract to % of Completion for Long Term Contracts	Receipts > \$30 million
Contributions to Capital	Generally Tax-Free
Like-Kind Exchanges	Real Property Only
Domestic International Sales	Retained

Tax-Exempt Entities

Private Foundation Excise Tax Rate	1.39%
Excise Tax on Investment Income of Private Colleges	1.4%
Private Activity Bond Financing	Retained

Additional Notes:

** Will Sunset and go back down at end of 2025 (but no clawback)

*** 20% pass-through deduction can also include 2.5% of unadjusted basis in qualified property (great deal for real estate holdings)

- **50% deduction for business meals provided by a restaurant for 2024**
- **Bonus depreciation – applies to new and used property – 60% in 2024**
 - Phase down schedule beginning in 2023
 - At 80% for 2023;
 - At 60% for 2024;
 - At 40% in 2025; and
 - At 20% in 2026
 - And 0% in 2027 and after
- **Depreciation limits on qualifying vehicles for 2024:**
 - With bonus: \$20,400
 - Without bonus: \$12,400
- **Section 179 - may apply to purchase of new or used assets**
 - Expensing limit at \$1,220,000 phased out with investment of \$3,050,000
 - Computer software continues to be eligible for §179 election
 - Roofs, HVAC, fire and security alarm systems qualify
 - 179 SUV limitation - \$30,500
- **Qualified Leasehold/Retail Improvements and Restaurant Property replaced with Qualified Improvement Property (QIP). Effective as of 1/1/2018**
 - 15-year recovery period
 - Bonus eligible
- **Net Operating Losses for 2024 – carry-forward only and 80% of taxable income limitation can apply**
- **Excess Business Losses for 2024 – Limitation applies to losses over \$305,000 (\$610,000 MFJ). Any excess is treated as a NOL in the subsequent year**
- **Research & Development Expenses – Capitalized and amortized over 5 years (15 years for foreign R&E)**
- **Work Opportunity Tax Credit - Extended through December 31, 2025**
- **Employee Retention Credit - Terminated as of September 30, 2021**
- **2024 Mileage Rates Released:**
 - Business mileage: 67.0 cents/mile (up 1.5 cents)
 - Medical mileage: 21 cents/mile (down 1 cent)
 - Charitable mileage: 14 cents/mile (unchanged)
- **Clean Vehicle Credits**
 - Must be a vehicle assembled in North America (considers factors like vehicle's sourcing and assembly)
 1. **New Clean Vehicle Credit = max of \$7,500**
 - MSRP limit = \$55,000 (car) or \$80,000 (van, SUV, & pickup)
 - MAGI limit = \$150,000 (single) or \$300,000 (MFJ) (lesser of current and prior year)
 2. **Previously Owned Clean Vehicle Credit = the lesser of \$4,000 or 30% of the vehicle's sales price**
 - Sales price limit = \$25,000
 - MAGI limit = \$75,000 (single) or \$150,000 (MFJ) (lesser of current and prior year)
 3. **Qualified Commercial Clean Vehicle Credit = max of \$7,500 if vehicle weight rating < 14,000 lbs (\$40,000 if > 14,000 lbs)**

Depreciation 2024

Percent of Original Depreciable Basis under 200% DB Method (N/A for mid-quarter convention)

Recovery Year	3-Year Class	5-Year Class	7-Year Class
1	33.33	20.00	14.29
2	44.45	32.00	24.49
3	14.81	19.20	17.49
4	7.41	11.52	12.49
5		11.52	8.93
6		5.76	8.92
7			8.93
8			4.46