

WICPA TGIF
Waukesha



Individual Income Tax Update

For the 2024 Tax Return Filing Season

A general update on selected Federal and Wisconsin tax provisions affecting the 2024 individual tax return filing season for experienced tax and accounting professionals

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June Norman, CPA, MST
Hartwig, Norman & Shannon LLP
Pewaukee, WI
june@hartwigcpas.com
262-737-8863

Sali L. Sheafor, CPA
TAP Consulting, LLC
Holmen, WI
sali@tapconsultantlax.com
608-519-3072

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New Law or Procedure Affecting 2024 Tax Returns



Provision Affecting Future Year, 2025 and beyond



Does not apply to 2024 returns



Planning Idea



Teaching the Basics



Reminder



Uncertainty



Note in the Federal outline re: specific Wisconsin Provision

Abbreviations and Notes:

Tp = Taxpayer

MFJ = Married Filing Jointly, S = Single filing status, HH = Head of Household, MFS = Married Filing Separately,

Note: Limits etc are generally listed for MFJ and S status, HOH and MFS are not generally listed due to lower applicability, so you may need to look up such limits as they may differ that listed for S status

Q = Qualified

I. Current and Recent Major Federal Legislation

A. Federal Disaster Tax Relief Act of 2023 (PL 118-1478, signed 12/12/24)

1. Extends rules for treatment of certain disaster related personal casualty losses and provides relief for losses due to wildfires
 - a) Settlement payments received from the California and Hawaii wildfires (Ex: Camp fire) are excluded from gross income
 - b) Timeframe: Wildfire payments received 2020-2025 for federal wildfires which occurred after 2014
 - c) Also extends time for filing an amended return to one year after date of enactment
 - (1) Expected that \$512 million in taxes will be returned to affected Tps
2. Tps affected by federally declared disaster
 - a) Personal Casualty Loss rules:
 - (1) Normal \$100 per casualty loss and 10% of AGI rules bypassed, instead \$500 per casualty loss
 - (2) Above the line deduction
 - b) Also affects personal casualty losses incurred by victims of hurricane's Ian, Idalia, Nicole, Fiona, Debby, Hele and Milton, among others
 - (1) More info on the IRS Disaster Relief Pages
3. Likewise, qualifying relief payments received related to the East Palestine Train Derailment (2/3/23) are not taxable

B. Tax Relief for American Families and Workers Act of 2024

1. Introduced in January, Passed the House, languishing in the Senate since August
2. Provisions:
 - a) Modifies the refundable portion of the Child Tax Credit
 - (1) Increases maximum refundable amount (1,800 in 2023, \$1,900 in 2024 and \$2,000 in 2025) and multiply by the number of qualifying children
 - (2) Adding an inflation adjustment to the \$2,000 child tax credit
 - (3) Election to use prior year earned income in calculating the earned income credit


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- b) Research and experimental costs
 - (1) Delays the five-year deduction to 2026 (thus allowing immediate expense of costs incurred 2022-2026)
- c) Extension of 100% Bonus Depreciation for 2023, 2024, and 2025
- d) Increase to the 179 limitation
- e) Increases independent contractor reporting Form 1099-NEC from \$600 to \$1,000, with an adjustment for inflation
- f) Increases penalties for aiding and abetting the understatement of tax liability with respect to Covid related ERC

Prior Year Legislation



C. Consolidated Appropriations Act 2023, signed 12.29.22

1. The Act was an omnibus bill funding the federal government for 2023 (consisting of 4,000 pages, authorizing spending of 1.7 trillion dollars)
2. The Appropriations Acts did not include any major tax provisions or extenders, but it DID include SECURE 2.0 Act of 2022 (Division T)
 - a) SECURE 2.0 had passed the House with bipartisan support, but was lollygagging around the Senate, Finance Committee, until it was tacked onto the must-pass Appropriations bill
 - b) SECURE 2.0 builds upon the original SECURE Act, passed December 2019
 - (1) Purpose of original SECURE was to get more people saving for retirement, SECURE 2.0 continued that goal

3.  Reminder: SECURE I (Signed December, 2019)
 - a) “SECURE” = Setting Every Community Up for Retirement Enhancement
 - b) Reminders of a few significant SECURE I changes:
 - (1) SECURE I increased Required Minimum Distribution (RMD) beginning date from age 70 ½ to 72;
 - (a) SECURE II (below) increased the RMD age to 73, beginning in 2023
 - (2) QCDs still at 70 ½
 - (3) Ended the age 70 ½ contribution limit TO IRAs for seniors still working
 - (4) Stretch IRAs eliminated for IRAs inherited after 1/1/20
 - (a) New shortened distribution period for non-spouse beneficiaries is ten years (with many details and exceptions)
 - (5) Birth or adoption of a child now exempt from the 10% early withdrawal penalty (\$5,000 limit)



Major Provisions of SECURE 2.0: Securing a Strong Retirement Act of 2022:

- c) Required Minimum Distributions (RMD)
 - (1)  Increase in RMD age
 - (a) Refresher: Prior law
 - (i) Original SECURE had increased the RMD age from 70 ½ to age 72
 - (b) Under SECURE 2.0, the new RMD age is phased in over ten years; first to age 73, then to age 75
 - (i) Beginning in 2023, RMD age is now 73 (Born 1951 – 1957)
 - (ii) Effective in 2033, RMD will be age 75 (Born after 1958)
 - (2) Eliminated RMDs for employer retirement plan based Roth accounts (Roth 401(k) and Roth 403(b)), effective 2024
 - (a) Correcting a previous disparity between Roth accounts within a 401(k) and a Roth IRA
- d) Increased Catch-Up limits
 - (1) Refresher: Prior law
 - (a) Age 50 and older, 2024 catch up contributions:
 - (i) \$7,500 additional contribution permitted to most retirement plans, including 401(k) & 403(b)
 - (ii) \$3,500 to SIMPLEs
 - (2)  New Law: Effective tax years after 2024
 - (a) Catch up provisions will now be subject to inflation adjustment
 - (b) A new second catch up is permitted to participants aged 60, 61, 62 or 63
 - (i) Effective in 2025, these individuals will be permitted to contribute \$11,500 to 401(k) or 403(b) or \$5,250 to SIMPLE (vs the current \$7,500 and \$3,500 respective catch-up for savers over age 50) (Note—these amounts have been inflation adjusted)

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- (c) Example 401(k) Plan limits for 2025
 - (i) Under age 50 = \$23,500
 - (ii) Over age 50 = \$31,000 (\$7,500 catch-up)
 - (iii) Age 60-63 will be = \$34,750 (Beginning in 2025 the catch up increases for this age bracket to \$11,250)
- (3) Catch-up contributions for employees earning > \$145,000 in the preceding year will be subject to mandatory Roth treatment (ie after tax) rules, rather than only where allowed by plan
 - (a) This provision was to be effective after 2023 but has been delayed to 2026 (IRS Notice 2023-62)
- e) Employer Plans
 - (1) Expands automatic enrollment opportunities for new employer retirement plans
 - (2) Employers no longer prohibited from offering small immediate incentives, such as gift cards, in exchange for employees making elective deferrals
 - (3) Improved coverage for part-time workers
 - (a) SECURE's 3 year service requirement has been reduced to 2 years
 - (b) At least 500 hours and worked for employer at least 3 consecutive years, now two
 - (4) Provides assistance for **small employers** establishing new plans in the form of tax credits
 - (5) **Roth option now permitted for employer match** or nonelective contribution (*allowed, not required*)
 - (a) Results in W-2 wage inclusion
 - (b) Effective for employer contributions after 12/29/22; however, employer plan must include this as an option
- f) SIMPLE Plans
 - (1) Employers allowed to make non-elective contributions of a uniform percentage to a SIMPLE IRA or SIMPLE 401(k) plan up to 10% of compensation, capped at \$5,000
 - (2) Effective after 2022, allows SIMPLE and SEP IRA participants to make Roth contributions (vs previous rules permitting pre-tax contributions only)

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- g) Employer assistance for student loan borrowers
- (1) Effective plan years after 2023, employers may make payments to qualified plans that match qualified student loan payments (*allowed, not required*)
 - (2) Matching contribution for student loan payments must be at the same rate as elective deferrals

Example: An employee earns \$50,000 annually and pays \$500 per month, or \$6,000 towards student loans and does not contribute to their 401(k); Student's employer has adopted this plan provision and is matching 4% of the employee contributions; as such Employer can contribute 4% of salary or \$2,000 to the employee's retirement account, even though the employee contributed nothing
 - (3) Non-discrimination rules still apply

- h)  Saver's Credit becomes a Saver's Match in 2027

- (1)  Refresher: Prior/(Current) law (first effective in 2001)
 - (a) 2023 Saver's Credit maximum \$2,000 (MFJ) \$1,000 (S)
 - (b) 50%, 20%, or 10% of contribution made to a qualified plan or IRA (see details)
 - (c) 2024 Phase out for the Saver's Credit ends at \$76,500 (MFJ) \$38,250 (S)
 - (d) Ineligible: Full time students, < 18 or dependent of another
- (2) New law, effective after 2026 will be a Saver's Match
 - (a) Credit simplified from current 3 tier structure to unified 50% credit with phaseout for higher incomes, subject to inflation adjustments
 - (i) 50% match up of employee's own contribution to \$2,000
 - (ii) Completely phases out at MFJ \$71,000, S \$35,500
 - (b) Rather than a cash credit (as part of a tax refund), federal matching contribution deposited into the Tp's retirement plan or Individual Retirement Account

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- (c) Effective date of 2027 will allow Treasury Department to work through the logistics of depositing funds into Tp's retirement accounts

i) Penalties:

- (1) SECURE 2.0 reduces the penalty for missed RMD from 50% to 25% of the shortfall

- (a) If corrected in a timely manner, penalty is reduced to 10%

- (2) Early Withdrawal Penalty


- (a)  Permanently removes 10% early withdrawal penalty on qualified withdrawals made as a result of federally declared disaster


- (i) Effective for all federally declared disasters, rather than prior method of inclusion within specific disaster relief bill

- (ii) However, new limit is \$22,000, rather than historical per disaster limit of \$100,000

- (iii) Included in income ratably over three years

- (iv) Effective for distributions occurring after 12/31/23

- (b)  Also provides new exceptions for victims of domestic abuse and individuals diagnosed with a terminal illness

- (c)  New \$1,000 penalty-free withdrawal due to personal financial emergency

- (i) 3 year option to repay




- (ii) Effective after 12/31/23

- (d) For specific qualification see law, Form 5329, Publication 575 or Publication 590-B for more info

- (3) Previous exception for birth/adoptions


- (a) New three year time limit to repay

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- j)  New path to transfer unused **529 funds to Roth IRA**, beginning in 2024
- (1) Roth account receiving the funds must be in the same name of the beneficiary of the 529 plan
 - (a) Trustee to trustee transfer
 - (2) 529 plan must have been maintained for 15+ years
 - (3) Contributions made within last 5 years are ineligible
 - (4) Annual transfer limit is the IRA contribution per year (with no doubling up by also making a Roth contribution)
 - (a) Example: \$7,000 (Roth contribution 2024 limit) less any contributions already made to a Roth account
 - (b) Lifetime maximum of \$35,000
 - (5) Effective for distributions after 12/31/23
 - (6)  Wisconsin follows Federal provision
 - (7)  Don't forget the original SECURE created an option for students to use 529 balances to pay off up to \$10,000 in student loans
- k) Other provisions within SECURE 2.0:
- (1) New "Emergency" savings accounts
 - (a) Up to \$2,500 post tax (Roth) basis
 - (b) Participant can withdraw up to \$1,000 per year for an emergency, not subject to the 10% early withdrawal penalty
 - (2) Provision expanding annuity opportunities
 - (3) Sole proprietors will be allowed to make a retroactive first year 401(k) elective deferral, up to April 15th
 - (4) Numerous plan administration changes meant to improve efficiency
 - (5) ABLE program age limit increased
 - (a) Act increases the age before which an individual's disability or blindness must have occurred, from age 26 to 46
 - (b) Effective 2025
 - (c) Wisconsin has followed this change


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- (6) New income exclusion for first responder retirement payments for service-related disability retirement payments after they reach retirement age; effective for eligible amounts received after 12/31/26
- (7) Permits distributions of up to \$2,500 to purchase qualified long-term care insurance
- l) What was NOT in the bill?
 - (1) No changes preventing the Back Door Roth technique
 - (2) No change to QCD age—continues to be age 70½
 - (a) On a related note, the QCD limit of \$100,000 will now be linked to inflation (2024)

 **D. Inflation Reduction Act of 2022, Public Law 117-169, signed 8/16/22 (Including here only those provisions generally applicable to smaller practitioners)**

- 1. The Act provided investment in clean energy, promotes reductions in carbon emissions, and extends popular Affordable Care Act premium reductions
 - a) Most provisions took effect in 2023
- 2. **Energy Efficient Home Improvement Credit** (Formerly Energy Property Credit)
 - a) New credit: Increased the limits and removed the \$500 lifetime limit, such that limits to each category are now annual limits
 - b) New credit generally effective for property placed in service after 12/31/22 and before 1/1/33
 - (1) Overall limit of \$1,200 per year (no lifetime limit)
 - (a) 30% on qualified energy property \$600
 - (b) 30% on exterior windows and skylights \$600
 - (c) 30% exterior doors \$250 (single door), \$500 total
 - (2) What qualifies?
 - (a) Qualifying property must be used by Tp as a residence, but not necessarily primary residence (except home energy audits)
 - (b) NEW: Home energy audit, 30%, \$150 limit (Principal residence only),
 - (c) Certain HVAC systems

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- (d) Heat pump, heat pump water heaters & biomass stoves & boilers have separate \$2,000 annual limit, no lifetime limit
 - (e) New standards for some items
 - (f) Note: Roofs no longer qualify
- c)  Beginning in 2025, will need a product identification number to claim the credit
- (1) Without a valid number, e-filing is expected to reject
- d) 2022 to 2032: 30% on qualifying property
- (1) Dropping in 2033 to 26% and 2034 to 22%, with no lifetime limits
- e) Refer to IRS Fact Sheet for further details
3. **Residential Clean Energy Credit** (Formerly the Energy Efficient Credit)
- a) Applies to solar electric, solar hot water, fuel cell, small wind energy, geothermal heat pump, biomass fuel property
 - (1) Battery storage technology added to Q expenditures after 12/31/22
 - b) Check effective dates: Placed in service after 2021 for some, 2022 for others, expires after 2034
 - c) Begins at 30% and drops to 26% and 22% in later years
4. **New Clean Vehicle Credit** (Formerly the Qualified Plug-In Electric Drive Motor Vehicle Credit)
- a) Previous vehicle credit: Each manufacturer had unit limits
 - b) New credit effective for qualifying vehicles placed in service after 12/31/22 and before 12/31/32
 - c) Applicable to both plug-in electric vehicles and fuel cell vehicles
 - d) To qualify *Final Assembly* of the vehicle must take place in North America (for placed in service after 8/15/22) and also phases in sourcing requirements for critical components of the vehicle and battery system
 - (1) Dept of Energy has published list of with final assembly in North America
 - (a) <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>
 - (b) <https://fueleconomy.gov>

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- (2) To verify: Check the 17 character VIN at energy.gov Alternative Fuels Data Center: Electric Vehicles with Final Assembly in North America
 - (a) <https://www.nhtsa.gov/vin-decoder> or
 - (b) <https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>
 - (c) Limit of manufacturer's suggested retail price \$80,000 for vans, SUVs & pickups or \$55,000 for cars
- e) Computation:
 - (1) Maximum credit remains at \$7,500 (\$3,750 critical minerals + \$3,750 battery component)
 - (2) Income limitation: Modified AGI \$300,000 MFJ, \$225,000 HOH, \$150,000 S/MFS (Cliff limits)
 - (3) See details of bill for computation/and details regarding minimum battery capacity etc....
 - (a) Beginning in 2023 50% of the battery must be manufactured or assembled in North America, increasing by 10% per year to 100% in 2029
- f) Beginning in 2024, the purchaser is able to transfer the credit to the dealer at the time of sale to get an immediate reduction in price/rebate (See rules)
 - (1) Buyer will have to repay the credit on return if it is determined that Tp doesn't qualify due to AGI exceeding limit
- g) New: **Credit for Previously Owned Clean Vehicles**, effective 2023
 - (1) Credit lesser of \$4,000 or 30% of sales price of vehicle
 - (2) Lower MAGI than the new vehicle credit: \$150,000 MFJ; \$112,500 HOH; \$75,000 S/MFS
 - (3) Rules apply:
 - (a) Dealer sale only
 - (b) 2 model years old
 - (c) Price < \$25,000
 - (d) First transfer only
 - (e) Qualified buyer (including cannot be a dependent of another Tp)
- h) Also a new Credit for Qualified Commercial Clean Vehicles (See law for details)

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5. Note: There are more Green Energy provisions in the bill less applicable to our average individual Tp and beyond our scope today (and my vocabulary!)



6. And now certain of these credits will be transferable



- a) Allowing, for example, a tax-exempt entity to treat the credit as a payment of income taxes or allow selling of the credit to a Tp with taxable income
- b) For more details of direct pay eligible energy tax credits: See [Publication 5817-G \(6-2023\) \(irs.gov\)](#)

7. **Premium Tax Credit Enhancements** from ARPA were extended 3 more years through 2025 (had been scheduled to expire end of 2022)

- a) Prior to 2021 eligibility limited to those with household income under 400% of Federal Poverty Line
- b) Now, through 2025, no maximum income limit for the premium tax credit
- c) Lower percentage table and removed cliff at 400% of Federal poverty line
- d) Without this extension premium subsidies would have dropped in 2023, increasing the cost of health insurance for those qualifying for subsidized premiums
- e) Premiums currently capped at 8.5% of household income for these Tps
 - (1) Household income = Modified AGI + tax exempt interest, nontaxable social security, RR benefits & foreign income for all members of household (see rules)
 - (2) Check the rules for deductions FOR AGI
 - (3) This provision benefits older Tps (50-65) whose premiums are age-adjusted in most states & can be up to 3 times that of young adult premiums for the same policy
- f) Eligibility
 - (1) Enrolled in health insurance through the Marketplace
 - (2) US citizen or lawfully present in the US
 - (3) Ineligible for the premium tax credit if eligible for other minimum essential coverage” such as Medicare, Medicare or employer-sponsored coverage that is considered adequate and affordable
 - (4) Cannot be claimed as a dependent by another person

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8. Revenue Raisers/Funding for this “Green Energy Bill”:

- a)  Corporate Alternative Minimum Tax Reinstated
 - (1) Effective tax years beginning after 12/31/22
 - (a) 3-year average annual adjusted financial statement income > \$1,000,000,000 (Not a typo, it really is \$1 billion!)
 - (i) Reduced to \$100 million for certain foreign-parented corporations
 - (b) 15% Tentative minimum tax on financial statement income, less AMT Foreign Tax Credit
 - (c) Two last minute carve outs involving certain manufacturers and corporate subsidiaries of private equity firms
- b)  New 1% Excise Tax on Repurchase of Corporate Stock
 - (1) Effective repurchases of stock after 12/31/22
 - (2) Covered US corporation (publicly traded securities)
 - (a) Exceptions: Reorganization, retirement plan contribution or ESOP, where repurchase < \$1,000,000, if treated as taxable dividend, and a few other circumstances
- c) Another extension of Limitation on Excess Business Loss of Noncorporate TPs
 - (1) Recall TCJA instituted this provision whereby non-corporate Tps were limited on total deductible trade or business losses (such as Sch C, partnership or S Corp pass throughs (Sch E), F)
 - (2) Under TCJA, this had been scheduled this to expire after 2025; this provision extends the limits to 2028
 - (3) Original loss limits \$250,000/\$500,000 for S & MFJ Tps
 - (a) 2024 limits are \$305,000/\$610,000 S/MFJ after inflation adjustments
 - (4) This loss limit is applied after the Basis, At-Risk and PAL limitations (in that order)
- d) This legislation included \$80 billion in additional IRS Funding--an attempt to tighten the “Tax Gap”
 - (1) Discussed below

E. Reminder: Tax Cuts and Jobs Act (TCJA), Signed 12/22/17

1. 100% Bonus depreciation for equipment and machinery, with phase down:
 - a) Beginning in 2023, bonus depreciation drops to 80%,
 - b) 2024 falls to 60%
 - c) 2025 40%
 - d) 2026 Bonus Depreciation completely phases out
2. Amortization of R&D Expenses
 - a) Beginning in 2022 TCJA requires companies to amortize the cost of R&D investment over five years rather than the option of immediately expensing
3. Limit on Business Interest Expenses
 - a) Beginning in 2017, TCJA limited business interest to 30% of EBITDA
 - b) Beginning in 2022, this is now limited to the tighter EBIT
4. After the end of 2025—just 12 months from now--the following selected significant individual provisions from TCJA will expire (absent future legislation):
 - a) Lower individual tax rates
 - (1) Ex: Highest marginal rate: Current TCJA rate of 37% will return to 39.6% after the expiration of TCJA
 - b) Standard deductions return to approx one-half current levels
 - c) Pease Limitation returns (Cut to itemized deduction for higher income Tps)
 - d) Personal Exemptions return (estimated at \$5,050)
 - e) Child Tax Credit, currently \$2,000, will revert to \$1,000
 - (1) And certain enhancements expire, including increased refundable amount and increased phase out ranges
 - f) \$10,000 SALT cap expires
 - (1) Removing the SALT cap will bring the AMT back into play, since SALT is the most common AMT adjustment
 - g) Limits on mortgage interest deduction return to old rules
 - (1) \$1,000,000 + \$100,000
 - h) AMT exemption amount and phaseout threshold return to previous (lower) levels
 - (1) Remove of the SALT cap brings the AMT back into play for many Tps

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- i) §199A 20% Qualified Business Income deduction expires
 - (1) No 199A deduction for business owners!
 - j) Moving deduction returns (Deduction FOR AGI)
 - k) Miscellaneous 2% Itemized Deduction return
 - l) Personal Casualty Losses deductible again (Currently limited to federally declared disaster areas)
 - m) Charitable Contribution limitation returns to 50% AGI (Cash gifts are currently subject to 60% AGI limit)
 - n) Doubling of the lifetime gift and estate tax exemption will also expire
 - (1) No claw back for those who made gift prior to the sunset and die after the sunset
 - o) Certain enhancements to ABLE accounts expire
5. Excess Business Losses Sec 461(l)
- a) \$250,000 / \$500,000 limit (adjusted for inflation; now \$610,000)
 - b) This loss limit applies *after* applying the basis, at-risk and passive activity loss rules
6. Certain TCJA changes were permanent, including the following significant/popular changes
- a) Increase to the §179 was a permanent change
 - b) Treatment of alimony was permanent change
 - (1) No deduction/no taxable income for agreements executed after 12/31/18
 - c) C Corporation tax rate decrease from a top rate of 35% to a flat rate of 21% was a permanent change, effective 2018
 - d) Repeal of Corporate AMT was permanent
 - e) And a reminder that the TCJA adopted a “Chained CPI” for inflation adjustments

II. What's To Come:

A. New Administration

1. How quickly can they move?
 - a) Right now there are Republican working groups writing and working to have legislation ready to go
2. Discussion of potential provisions and unique challenges facing leaders as they try to pass a tax bill

III. IRS Activities in 2024

A. Launching of Direct File

1. In 2024 12 states allowed Tps with basic returns were allowed to use the IRS website to prepare and file their 2023 tax returns, similar to if they had used a third party site
2. For 2024 returns this option is being expanded to 24 states, with additional features available to more Tps



- a) Wisconsin is now one of the eligible states

3. Direct File does not prepare state returns, it will guide Tp to a state-supported preparation and filing tool after the federal return is completed

4. Eligibility:

- a) Income: W-2 wages, Social Security, 1099-G, 1099-INT, 1099-R, 1099-MISC for Alaska Permanent Fund Dividends

- (1) Other types of income, such as dividend or 1099-NEC make Tp ineligible for Direct File

- b) Credits: Earned Income, Child Tax Credit, Other Dependents, Child & Dependent Care Credit, Premium Tax Credit, Elderly/Disabled, Retirement Savings Contribution

- a) Deductions: Supports standard deduction (only), and the following adjustments: Student loan interest, Educator \$300, HSA

- (1) Itemizing not eligible for Direct File

5. Access Direct File through ID.me

6. See IRS.gov/DirectFile for more info

B. What has the IRS done in 2024 with the Increase in Funding Provided within the Inflation Reduction Act?

1. Hired 5,000 new telephone customer service personnel, which resulted in a decrease in call wait times
2. Added callback options so callers do not have to wait on hold
3. Increased in-person help at Tp Assistance Centers
4. Simple Notice Initiative
 - a) Redesigned 109 common notices, towards their goal of simplifying 90% of their notices
 - b) Goal 200 individual notices to be shorter and clearer

5. Launched Direct File
6. Digital First Initiative
 - a) Improving TP service in person, on the phone and online
 - b) Created or improved online tools such as “Where’s My Refund”
 - c) New features/enhancements to Tax Professionals Online Account
 - d) 170 types of letters and notices now available on Tps online account
 - (1) Goal to add another 98 notices digitally by end of 2024
7. Concentrated efforts on high-income high-wealth Tps who have failed to pay recognized debt
 - a) Concentrating on Tps with > \$1m in income and more than \$250k in recognized tax debt
 - b) Specifically, collected over \$1.1 billion from 1,280 millionaires with delinquent tax debt
 - (1) The release announcing this stated they previously lacked the resources

C. Identity Protection PIN (More below, under Tidbits)

1. IRS is promoting an IPPIN as an extra layer of protection between your tax returns and identity thieves

D. Issued Proposed Regs for Circular 230 (IR-2024-315, 12/20/24)

1. Updating rules for who can practice before the IRS
2. Includes a new requirement that practitioners must maintain technological competency as part of their practice before the IRS

E. IRS Announced Automatic Payment of 2021 Recovery Rebate Credit to Eligible Tps

1. To Tps who filed a 2021 return, were eligible, but did not claim the credit
 - a) Expecting \$1 million payments totaling \$2.4 billion
2. Payments and letters going out December 2024/January 2025
 - a) Direct deposit and paper check
 - (1) Maximum payment is \$1,400 per individual
 - b) Explanation letter issued

F. National Tp Advocate Annual Report to Congress

1. Ten most serious problems and key statistics from the FYE 2023 report
 - a) Processing
 - (1) As of the end of FY 2023, original paper returns awaiting processing comprised only 15% of the backlog, down from 46% at the end of FY 2022
 - (2) 150.9 million filed Form 1040 electronically in FY 2023, and 19.4 million Tps experienced a rejection of their return
 - b) IRS Hiring, Recruitment and Training
 - c) IRS Transparency
 - (1) Through 4/22/23 the IRS answered only 35% of calls it received
 - (2) This high level of service resulted in customer service representatives being idle 34% of the time
 - d) Telephone and In-Person Service
 - (1) Live assistors answered only 29% of total calls
 - (2) Automated responses answered 18% of calls
 - (3) And the IRS didn't answer the rest, or the caller disconnected
 - (a) The IRS initiated a disconnect on 16.3 million calls in FYE 2023!
 - e) Return Preparer Oversight
 - (1) For tax year 2022, over 60% PTINs belonged to non-credentialed preparers
 - (a) Non-credentialed preparers filed 79% of returns prepared claiming EITC
 - (i) Their returns account for 91% of associated audits and generated 94% of EITC audit adjustments
 - f) Identity Theft
 - (1) IRS suspended processing of 4.8 million tax returns
 - (2) Victims of identity theft waited nearly 19 months to have their returns processed and receive their refunds
 - g) Online Account Access for Tps and Tax Professionals
 - h) International
 - i) Compliance challenges for Tps Abroad

j) Appeals

(1) Average wait time doubled from 120 to 243 days

2. Summary of this report is available at:
<https://www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/most-serious-problems/>






G. Fun Facts from IRS Statistics

2024 Filing season statistics — individual income tax returns

Cumulative statistics comparing Oct. 20, 2023, and Oct. 18, 2024.

Return/Refund category	2023	2024	% Change
Total returns received	160,071,000	161,489,000	0.9
Total returns processed	160,736,000*	161,260,000*	0.3
Total e-filing returns received (may not equal subtotals due to rounding)	149,340,000	150,811,000	1.0
E-filing returns received from tax professionals	84,320,000	84,780,000	0.5
E-filing returns received from self-prepared	65,021,000	66,031,000	1.6
Web usage, IRS.gov visits	779,769,000	865,363,000	11.0
Total number of refunds	103,791,000	103,185,000	-0.6
Total amount refunded	\$308.986 billion	\$309.929 billion	0.3
Average refund amount	\$2,977	\$3,004	0.9
Total number of direct deposit refunds	95,326,000	93,506,000	-1.9
Total amount refunded with direct deposit	\$288.847 billion	\$289.107 billion	0.1
Average direct deposit refund amount	\$3,030	\$3,092	2.0

Top Five Most Common Electronic Filing Rejects for Individual Taxpayers, TY 2022

- 
Primary prior year personal identification number or primary prior year adjusted gross income amount does not match the e-File database
- 
The primary Social Security number is the same as the Taxpayer Identification Number of a previously accepted electronic individual return filed for the same tax period
- 
Missing Form 8962, Premium Tax Credit, or Affordable Care Act document
- 
Invalid Identity Protection Personal Identification Number
- 
Primary birthdate does not match e-File database

Source: IRS 2023 Annual Report to Congress

IV. Income

A. Virtual Currency

1. IRS announced that virtual currency, such as Bitcoin, meets the definition of currency for purposes of Form 8300, Reports of Cash Payments over \$10,000 in a Trade or Business
 - a) Effective for transactions beginning in 2024
 - b) Due date to the IRS: 15th day after the cash transaction occurred
 - c) E-filing required if 10 or more information forms
 - d) Form (Name, address, DOB and contact person and phone number) to Tp by January 31
 - e) Hefty criminal and civil penalties for failure to comply

B. Information Reporting by Cryptocurrency Exchanges

1. Beginning 1/1/25, sales and exchanges of digital assets will be required to be reported to the IRS
 - a) Gross proceeds required in 2025
 - b) Basis is voluntary in 2025, mandatory in 2026
2. IRS is working on a draft of Form 1099-DA

CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 8949	OMB No. 1545-XXXX	2025 Form 1099-DA	Digital Asset Proceeds From Broker Transactions		
		1a Code for digital asset		Copy B For Recipient			
		1b Name of digital asset					
FILER'S TIN	RECIPIENT'S TIN	1c Number of units		This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.			
RECIPIENT'S name		1d Date acquired				1e Date sold or disposed	
Street address (including apt. no.)		1f Proceeds				1g Cost or other basis	
City or town, state or province, country, and ZIP or foreign postal code		\$				\$	
Account number		1h Accrued market discount				1i Wash sales loss disallowed	
CUSIP number		\$				\$	
5 Check if loss is not allowed based on amount in 1f <input type="checkbox"/>		6 Gain or loss: <input type="checkbox"/> Short-term <input type="checkbox"/> Ordinary <input type="checkbox"/> Long-term				2 Check if basis reported to IRS <input type="checkbox"/>	
9 Check if digital asset is a noncovered security <input type="checkbox"/>		10 Digital asset is a noncovered security because: <input type="checkbox"/> Broker did not provide custodial services for it <input type="checkbox"/> Broker provided custodial services and it was transferred in to broker <input type="checkbox"/> Broker provided custodial services and it was acquired prior to 2026				3a Reported to IRS: <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Net proceeds	
11b If 11a checked, number of transactions		11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in 1f that are attributable to first sales by creator or minter				3b Check if proceeds from: <input type="checkbox"/> Reserved for future use <input type="checkbox"/> QOF	
		\$				4 Federal income tax withheld	
				\$			
		12a Number of units transferred in		8 Check if broker relied on customer-provided acquisition information <input type="checkbox"/>			
				11a Check if gross proceeds reported in 1f is an aggregate amount for: <input type="checkbox"/> Qualifying stablecoins <input type="checkbox"/> Specified NFTs			
				12b If transferred in, provide transfer-in date			
				13			
14 State name		15 State identification no.		16 State tax withheld			
				\$			
				\$			

Form **1099-DA** (Keep for your records) www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

C. Excess Business Losses

1. 2024 limits: \$610,000 MFJ; \$305,000 S
2. Timing: Under TCJA this loss limitation had been scheduled to end after 2025, however the 2022 Inflation Reduction Act extended this provision to 2028

D. Social Security: Random Interesting Statistics and Other Fun Facts from ssa.gov (Many from the Fact Sheet)

1. Beneficiaries:
 - a) Total benefits paid to 71.6 million people in 2023:
 - (1) 77.8% retired workers and their dependents
 - (2) 11.0% disabled workers and their dependents
 - (3) 11.2% survivors of deceased workers

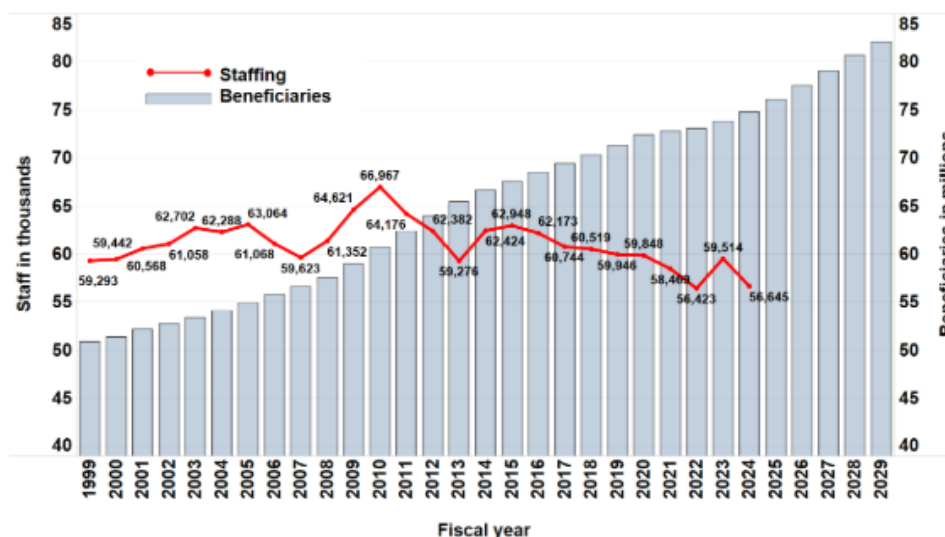
- b) 5.8 million people newly awarded SS benefits in 2023
 - (1) 62% Retired workers
 - (2) 29% survivors and dependents
 - (3) 9% disabled workers
- c) 55% of all SS beneficiaries in 2023 were women
- d) Average benefits paid June 2024:
 - (1) Retired workers \$1,918 average monthly benefits (\$23,016 annually)
 - (2) Disabled workers \$1,538 average monthly benefit (\$18,456 annually)
 - (3) Survivors \$1,508 average monthly benefit (\$18,096 annually)
- e) About 1 in 4 of today's 20 year olds will become disabled and entitled to SS disabled worker benefits before reaching age 67
- f) More than 1 in 8 of today's 20 year olds will die before reaching age 67
- g) Cost of Living Adjustment for more than 72.5 million Americans will increase 2.5% in 2025
 - (1) Beneficiaries include retired workers, widows, dependents, disabled workers and dependents
 - (2) Recent COLAs: 2024 3.2% and 2023 8.7%
- h) Fun Fact: About 39 of our 50 states do not tax social security benefits

2. Workers paying IN

- a) Maximum amount of earnings subject to SS tax will increase to \$176,100 for 2025, up from 168,600 in 2024
- b) Estimated 184 million workers in OASDI covered employment in 2024
- c) 31% of the workforce in private sector has no access to private pension coverage
 - (1) Only 16% of those without access to an employer sponsored plan said they have any retirement savings

3. Operating stats from SSA.gov:

Serving more people with fewer staff



- a) Goal: Processed initial disability claims within 7 months (215 days) by end of FY 2025
 - (1) Conduct disability determination appeals hearings and issue decisions within 270 days in FYE 2025
- 4. Life expectancy
 - a) In 1940 the life expectancy of a 65 year old was almost 14 years; today it is over 20 years
- 5. Aging population
 - a) The number of American’s age 65 and older will increase from about 61 million in 2023 to about 77 million in 2035
 - b) In 2023 there are an estimated 2.7 covered workers per each SS beneficiary; by 2035 the Trustees estimate there will be 2.4 covered workers for each beneficiary
- 6. New: 2025 in person services at one of 400 SSA offices will require an appointment
 - a) Schedule at 1-800-772-1213 or call your local SSA office or request an appointment online at www.ssa.gov/onlineservices

7. 2024 Annual Trustees Report

Source: SSA.gov

Table 1: Key Findings of the 2024 Trustees Reports

	Social Security		Medicare	
	Old-Age and Survivors Insurance (OASI)	Disability Insurance (DI)	Hospital Insurance (HI)	Supplementary Medical Insurance (SMI)
Types of benefits paid from the trust fund	Retirement and survivor benefits	Disability benefits	Inpatient hospital and post-acute care (Part A)	Physician and outpatient care (Part B), and prescription drugs (Part D)
Full scheduled benefits are expected to be payable until	2033	At least through 2098	2036	Indefinitely
Percentage of scheduled benefits payable at time of reserve depletion	^a 79	—	^b 89	—
75-year actuarial balance, as a percent of taxable payroll	-3.63	.14	-.35	—

8. Look at Fast Facts & Figures About Social Security, 2024 available at SSA.gov Publication # 13-11785

E. Medicare

1. The standard monthly premium for Medicare Part B will be \$185 for 2025, an increase of \$10.30 from \$174.70 in 2024
2. Request to lower an IRMAA Amount
 - a) Life changing event (marriage, divorce, death of spouse, loss of income, employer settlement payment: Fax or mail your required Form SSA-44
 - b) Amended income tax returns
 - (1) Amended returns are not automatically processed, the way the original return is processed, resulting in the IRMAA notice
 - (2) Rather Tp must call 1-800-772-1213 to tell a representative that an amended return has been filed

3. 2025 Medicare Part B Income-Related Monthly Adjustment Amounts (2023 tax returns) (IRMAA)

Full Part B Coverage			
Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$106,000	Less than or equal to \$212,000	\$0.00	\$185.00
Greater than \$106,000 and less than or equal to \$133,000	Greater than \$212,000 and less than or equal to \$266,000	74.00	259.00
Greater than \$133,000 and less than or equal to \$167,000	Greater than \$266,000 and less than or equal to \$334,000	185.00	370.00
Greater than \$167,000 and less than or equal to \$200,000	Greater than \$334,000 and less than or equal to \$400,000	295.90	480.90
Greater than \$200,000 and less than \$500,000	Greater than \$400,000 and less than \$750,000	406.90	591.90
Greater than or equal to \$500,000	Greater than or equal to \$750,000	443.90	628.90

4. Vs 2024 Medicare Part B IRMAA (2022 tax returns)

Single	Married Filing Jointly	Married Filing Separately	Part B Premium	Part D IRMAA
\$103,000 or less	\$206,000 or less	\$103,000 or less	\$174.70	\$0 + your plan premium
\$103,000 up to \$129,000	\$206,000 up to \$258,000	N/A	\$244.60	\$12.90 + your plan premium
\$129,000 up to \$161,000	\$258,000 up to \$322,000	N/A	\$349.40	\$33.30 + your plan premium
\$161,000 up to \$193,000	\$322,000 up to \$386,000	N/A	\$454.20	\$53.80 + your plan premium
\$193,000 and less than \$500,000	\$386,000 and less than \$750,000	\$103,000 and less than \$397,000	\$559.00	\$74.20 + your plan premium
\$500,000 or above	\$750,000 and above	\$397,000 or above	\$594.00	\$81.00 + your plan premium

V. Above the Line Deductions

A. Teacher Above the Line Deduction

1. Remains at \$300

B. Tuition Deduction Expired

1. Expired after 2020 tax year

C. Student Loan Interest

1. Up to \$2,500 of student loan interest is deductible, subject to AGI limitations (\$70,000 S or \$140,000 MFJ)


VI. Itemized Deductions

A. Standard Deductions


2024	
S	\$ 14,600
MFJ	29,200
HH	21,900
MFS	14,600

1. Plus \$1,950 for over age 65 or blind; \$1,550 for MFJ
 - a) So, a MFJ couple age 65+ has a 2024 standard deduction of \$32,300


B. Mortgage Interest

1.  Reminder, no Private Mortgage Insurance (PMI) (ended in 2021)
2. Mortgage limit: \$750,000 for recent mortgages; \$1,000,000 for -pre-2017 loans (specifically pre 12/16/17)
 - a) Combined limits on main and second home
 - b) MFS limits are one-half
 - c) Pre 1987 loans have special grandfathering rules
3. Secured by and used to buy, build or substantially improve your main or second home
 - a) Interest on a home equity loan not used to buy, build, or substantially improve your home are not currently deductible (TCJA)
4. See IRS Publication 936 for details on items such as more than one home, points, qualified home etc

C. Charitable Contributions

1. AGI % limits for itemized deduction of charitable contributions:
 - a) 60% AGI limit for CASH contributions
 - (1)  After 2025 the 60% AGI limitation for cash donations reverts to 50% (absent future legislation)
 - b) Contribution of long-term capital gain property to a public charity limited to 30% of AGI

- c) Donations to Private Foundation
 - (1) Cash donations: 30% of AGI
 - (2) Long term capital gain property: 20%
- d) Corporations returned to 10% limit

2.  **70 1/2: Qualified Charitable Distribution (QCD)**
- a) Must be from an IRA
 - (1) DIRECT transfer to the charity from the IRA
 - (a) Distributions to donor advised funds do not qualify
 - (2) An IRA, not a 401(k) or other retirement plan, only an IRA
 - b) Must be 70 1/2 or older to qualify
 - (1) Note: This did NOT increase to 72 or 73 under either SECURE
 - c) Limited to \$105,000 for 2024 (inflation adjusted from \$100,000 in 2023)
 - d) QCD count towards the RMD
 - e) If check is written from the IRA checkbook, the check must be CLEARED BY 12/31/24 to be a 2024 RMD/QCD
 - (1) IRA custodians are not keeping track of clients' QCDs, so Tp needs to keep records (and the checkbook is an easy manner to track)

D. Medical Expenses

- 1. Condoms have been added to list of qualified medical expenses (IRS Notice 2024-71)
 - a) For the Tp, spouse, or dependent
 - b) Previously deductible on a case by case basis

VII. Tax Rates, Credits, Penalties and Forms

A. Form 1040 Due Date: Tuesday, April 15th

1. Extension available to October 15th: An extension to file, not to pay!

B. 2024 Filing Season Opens on January 27, 2025

C. Ordinary Tax Rates Source AARP.org Tax brackets for income earned in 2024

Tax Rate	Single filers	Married filing jointly
10%	Up to \$11,600	Up to \$23,200
12%	\$11,601 - \$47,150	\$23,201 - \$94,300
22%	\$47,151 - \$100,525	\$94,301 - \$201,050
24%	\$100,526 - \$191,950	\$201,051 - \$383,900
32%	\$191,951 - \$243,725	\$383,901 - \$487,450
35%	\$243,726 - \$609,350	\$487,451 - \$731,200
37%	Over \$609,350	Over \$731,200

D. Long Term Capital gain Rates for 2024 Source: CNC.com

Filing Status	0%	15%	20%
Single	\$0 to \$47,025	\$47,026 to \$518,900	\$518,901 or more
Married filing jointly	\$0 to \$94,050	\$94,051 to \$583,750	\$583,751 or more
Married filing separately	\$0 to \$47,025	\$47,026 to \$291,850	\$291,851 or more
Head of household	\$0 to \$63,000	\$63,001 to \$551,350	\$551,351 or more

E. Kiddie Tax

1. \$1,300 standard deduction for dependent of another
2. or \$450 plus earned income

F. Qualifying Relative \$500 Credit

1. For 2024 the gross income limitation for a qualifying relative is \$5,050

G. Earned Income Credit Limit:

1. \$59,899 S / \$66,819 MFJ with three or more qualifying children
2. \$18,591 S / \$25,511 MFJ with no qualifying children
3. EIC 2024 limit on investment income is \$11,600
4. Many more rules, these are just a few details to keep you familiar with qualifying income levels

H. Child Tax Credit

1. 2024 Child Tax Credit is \$2,000 for each qualifying child
2. Child must be under the age of 17 on 12/31/24 to qualify; else look at \$500 Qualifying Relative Credit
3. Maximum refundable piece \$1,700

**I. Child and Dependent Care Credit**

1. Higher expense limits of Covid times were not renewed
 - a) Eligible expenses: \$3,000 for one and \$6,000 for two or more qualifying persons (25%-20%, depending upon income)
2. Credit is non-refundable for 2024

J. Digital Asset Question:

1. The draft 2024 question is the same as 2023, located on page one directly below the filing status box and above the standard deduction/dependents box
 - a) "At any time during 2024, did you: (a) receive (as a reward, award, or payment for services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions)"
2. Instructions state the following examples do not, alone, generally require Tp to check "Yes"
 - a) Holding a digital asset in a wallet or account (bought and held)
 - b) Transferring a digital asset from one wallet/account you own to another wallet/account that you own
 - c) Purchasing digital assets using US or other real currency, including through the use of electronic platforms such as PayPal and Venmo
3. The following examples DO require you to check "yes"
 - a) Received digital assets as payment for property or services, or as a reward

- b) Received digital assets as a result of mining, staking, or as a result of a hard fork
 - c) Disposing of digital assets in exchange for property or services or in trade for another digital asset
 - d) Sold digital assets
 - e) Transferred digital assets for free, such as a bona fide gift
 - f) Or otherwise disposed of a financial interest in a digital asset
4. If you received digital assets as compensation for service, report as W-2 wages
 5. If you disposed of any digital assets held as a capital asset through a sale, exchange, gift or transfer, check “yes” and report your capital gain on Form 8949 and Schedule D

K.  Vehicle Credits

1. If Tp purchased an eligible vehicle in 2024 and transferred the credit to the dealer at the time of purchase, must file Form 8936 and Schedule A to report the transfer of the credit and reconcile your eligibility
 - a) Our organizer or separate questionnaire should ask clients “Did you purchase a new or used vehicle eligible for the Clean vehicle Credit”, If so, please provide details including credit received at purchase (transfer to dealer)
2. Repayments reported on Form 8936

L. Form 1099-K (Merchant and Third Party Network Payments) (Such as credit cards, PayPal, Ticketmaster & Venmo)

1. New for 2024, if Tp received a Form 1099-K that shows payments that were included in error or for personal use assets sold at a loss, there is now a new entry space on Schedule 1:

<p>SCHEDULE 1 (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service</p>	<p>Additional Income and Adjustments to Income</p> <p>Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.</p>	<p>OMB No. 1545-0074</p> <p style="font-size: 2em; font-weight: bold;">2024</p> <p>Attachment Sequence No. 01</p>
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
<p>For 2024, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss</p> <p>Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See www.irs.gov/1099k.</p>		
Part I Additional Income		
1	Taxable refunds, credits, or offsets of state and local income taxes	1
2a	Alimony received	2a
b	Date of original divorce or separation agreement (see instructions):	
3	Business income or (loss). Attach Schedule C	3

2. Report income on Schedule 1, Part 1, line 8(z) Other Income
 - a) Report any associated basis in the asset sold on Schedule 1, Part II, line 24(z) Other Adjustments
3. 1099-K threshold for 2024 is \$5,000
 - a) Scheduled to go to \$2,500 for 2025 and \$600 for 2026

M. ACA Healthcare

1. Reminder to ask clients if they purchased healthcare coverage from the ACA marketplace, as the Premium Tax Credit must be reconciled using Form 8962
 - a) e-filed return will bounce if required Premium Tax Credit reconciliation is omitted
2. Reminder: 2025 is the last year on the books that the increased eligibility applies
 - a) That is, absent future legislation, we revert to the 400% of federal poverty level eligibility rules rather than the 0-8.5% of income rules, and
 - (1) Thus Tps will likely be receiving lower Premium Tax Credits in 2026, absent further legislation

N. 2024 is the Final Year for Form 5405, Repayment of First-Time Homebuyer Credit

1. 15 year repayment period for the original first time homebuyer credit
2. For homes purchased in 2008, repayment began in 2010 and ends with the 2024 repayment

O. Treasury Offset and State Reciprocal Programs

1. IRS and WDR have program to exchange debtor information to offset individual income tax refunds for debts owed to the state or federal government
 - a) When a refund is intercepted to pay a debt, the debtor will receive a notice advising them of the intercept
 - (1) Notice will include contact info for the agency that submitted the debt for interception
 - (a) TP should contact the agency for info about the debt basis or balance

P. Federally Declared Disaster Areas, Due Dates Postponed

1. Ex: Hurricane Milton
 - a) May 1 deadline to individuals and businesses in all of Florida
 - (1) If Tp address is other than Florida, but affected, call the IRS Disaster #
 - b) Many businesses qualify for deposit penalty relief
2. See “Tax Relief in Disaster Situations” on [irs.gov](https://www.irs.gov) for all details
 - a) Check the IRS disaster pages for specifics regarding disaster relief
3. Search “Disaster” under on [irs.gov](https://www.irs.gov) for more info than you imagined
4. IRS Disaster Hotline 866-562-5227

VIII. Miscellaneous Tidbits re: Individual Filing

A. IP PIN—Identity Protection PIN

1. Available to ALL Tps, effective in 2022
2. Apply online, in person or by paper Form 15227
3. System closed on November 23, 2024 for maintenance, opening again early January 2025



4. e-filing of duplicate dependents
 - a) In prior years, a second to file e-filed return was rejected by the e-filing system
 - (1) Example: Dependent filed for themselves (without checking the “Dependent of Another” box) or divorced parent filed before the “rightful” parent files the return with the dependency exemption
 - (2) Under the old system, the second return had to be paper filed
 - b) IRS recently announced a change to the e-filing system regarding duplicate dependency claims, effective for 2024 returns
 - (1) If the primary Tp (listed first) on a second to e-file return is filed with a valid IP PIN, the return will not bounce
 - (a) HoH, S, Tp must have a valid IP PIN
 - (b) MFJ, the first Tp listed (not necessarily the parent) must have an IP PIN and the duplicate dependent SSN e-filing will be allowed
 - (2) The IP PIN verifies the Tp identity, giving the IRS enough information to determine which Tp is permitted the dependency deduction
 - (a) Presumably notices will go out to determine which on which return the dependent rightfully belongs
 - (b) Reminder: IRS has its own rules, centering on Custodial parent
 - (i) Any dependency deduction claimed by a non-custodial parent must have the signed release form included in the return
 - (ii) That is, the IRS doesn’t care what the legal divorce document states; it has its own rules

- (a) Only recourse is through the court system (custodial parent can work through their attorney and the court system to get ex to stop claiming the dependency exemption, though this probably costs more than the child tax credit!
- (3) Purpose of this change is to prevent refund delays
- c) Another suggestion: Create an Online Account at irs.gov to verify filing
- d) See IRS News Release IR-2024-294, 11/21/24 for more info
- e) Returns filed with a dependency claimed for an SSN with a previously filed return *without* the IPIN will continue to bounce

B. Purchase of Savings Bonds Through Refund Discontinued

C. Intuit’s Fall 2024 Turbo Tax Ad Campaign Bashing CPAs and Tax Professionals

1. Encouraging people to break up with their tax preparers in exchange for their own preparers and software
 - a) Did anyone in their Marketing Department think about running the campaign vibe past the Sales Department to see how many “CPAs and Tax Professionals” subscribe to any of their software products?
 - (1) QuickBooks
 - (2) Quicken
 - (3) ProConnect, including Lacerte and ProSeries
 - (4) Mailchimp
 - (5) Credit Karma
2. Talk about biting the hand that feeds you!




D. IRS' First Time Penalty Abatement (*Not new, just an important reminder*)

1. Applies to the following penalties:
 - a) Failure to File
 - b) Failure to Pay
 - c) Failure to Deposit
2. Eligibility:
 - a) Must have filed all required returns (none outstanding)
 - b) Must have paid or arranged to pay all tax due
 - (1) Must be current on installment agreement
 - c) Clean payment history for 3 preceding years
3. Applies to one year only
 - a) Where penalty applies to two years, abatement will be applied to earlier year, only
4. Administrative: Request via phone (# on the notice) or in writing
5. Sample letter to the IRS requesting abatement: Main paragraphs:

<p>To whom it may concern:</p> <p>We respectfully request that the Failure to _____ penalty be abated based on the IRS's First Time Abate administrative waiver procedures, as discussed in IRM 20.1.1.3.6.1, First Time Abate (FTA).</p> <p>The taxpayer meets all of the first-time penalty abatement criteria as stated below: Filing compliance: All required returns have been filed. Payment compliance: All taxes have been paid (or an installment agreement is in place and Tp is current on payments). Clean Penalty History: The taxpayer has had no prior penalties in any of the prior three Years.</p> <p>We understand that this type of penalty abatement is a one-time consideration.</p>
--

6. Fun Fact: The IRS granted First Time Penalty Abatement to approximately 125,000 Tps for penalties associated with filing their 2022 returns
 - a) Another 1.4 million Tps appeared eligible for First Time Penalty Abatement, but did not request it!

 **E. Reporting for Foreign Financial Assets**

1. U.S. Tps are subject to BOTH IRS Form 8938 AND Treasury F114
2. IRS: Foreign Account Tax Compliance (FATCA) Foreign Asset Reporting
 - a) Required to file IRS Form 8938 Statement of Specified Foreign Financial Assets if
 - (1) Specified foreign financial assets of \$100,000 on the last day of the tax year or more than \$150,000 at any time during the year for MFJ (\$50,000 and \$75,000 respectively for Single Tps)
 - (2) If Tp meets these amounts, be sure to file—because it’s likely the foreign financial institution is required to report to the IRS
 - b) Penalties are steep!
 - (1) \$10,000 failure to file
 - (2) \$50,000 if fail to report after being notified by the IRS
 - (3) Plus, interest and penalties on underpayment of income tax liability attributed to undisclosed foreign financial asset (20% accuracy penalty is increased to 40%)
 - (4) Statute of limitations extends to six years if return omits gross income from foreign assets of > \$5,000
 - c) Tax return preparers have a due diligence requirement to inquire about foreign financial assets
3.  Treasury Department: Report of Foreign Bank and Financial Accounts (FBAR or FinCEN Report 114) (Formerly Form TD F 90-22.1)
 - a) Required if: US individual or entity has financial interest or signing authority over an offshore financial account and value of all foreign financial accounts exceeds \$10,000 at any time during the calendar year
 - b) No income requirement—just the existence of a foreign financial asset over the threshold
 - c) Due date moved forward to April 15, effective after 12/31/15 with extension available
 - d) Disclosure required electronically on Treasury Department Financial Crimes Enforcement Network (FinCEN) (Not an income tax return)

VIII. Miscellaneous Tidbits re: Individual Filing

- (1) Electronic Form 114
http://basefiling.fincen.treas.gov/Enroll_Individual.html
- e) Civil penalties for not filing: \$10,000 for each non-willful violation; Willful violation > \$100,000 or 50% of the account value, per occurrence???
- f) The FBAR filing does NOT relieve an individual of the Form 8938 FATCA requirements (see previous item): Both forms may be required—these are separate agencies


IX. Selected Retirement Plans/Accounts Topics

A. Qualified Charitable Distributions (QCD)



1. 2024 limit is \$105,000, up from previous limit of \$100,000
2. Eligibility:
 - a) Over age 70 ½
 - b) Direct distribution to the charity, not through the hands of the IRA owner
 - c) IRA only (not 401(k))

B. Inherited IRAs (Deaths After 2020)

1. Ten year rule for non-spouses clarified (Final Regs on SECURE issued)
 - a) If IRA inherited from someone who had already been required to and started taking RMDs, then the non-spousal/non-qualified beneficiary must continue taking the RMD annually in years one-nine, with entire balance distributed by end of tenth year (12/31 of tenth year)
 - (1) Non-spouse beneficiaries who are required to withdraw annually must begin distributions no later than December 31 of the year *following* the death of the original IRA owner
 - (2) Effective in 2025
 - (a) That is, no penalty for failure to take an RMD in 2024 (again)
 - (b) IRS issued relief to inherited beneficiaries who failed to take an annual RMD in 2021, 2022, 2023 and now again in 2024 (IRS Notice 2024-35)
 - (c) Failure to take an annual RMD in 2025, if required, will be subject to an excise tax under Section 4974
 - b) If inherited from decedent who had not yet met the RMD age, annual distributions are not required (years 1 – 9); entire account balance must be distributed by end of year ten
2. No Beneficiary: Five year plan or decedent's life expectancy depending upon whether the decedent died before or after their required beginning date
3. These rules apply only to deaths after 2020; deaths in 2019 or before follow the old rules
4. Spousal Beneficiaries: Rollover or stretch available (10 year rule does not apply)

5. Eligible Designated Beneficiary (Disabled/Chronically ill/minors): Stretch IRA (10 year rule does not apply)
6. Roth IRAs
 - a) No Required Minimum Distributions during account owner's lifetime
 - b) However beneficiaries who inherit a Roth IRA must take RMDs per above rules
7.  Caution: IRA rules are COMPLEX--Consult with someone who really knows these rules!

C. SECURE 2.0 Changes (See details above under Recent Legislation)

1.  Waiver of 10% penalty on early withdrawal for personal emergency \$1,000 beginning in 2024 (SECURE 2.0)
 - a) Penalty free, but not tax free
 - b) Can be repaid within three years from date of distribution to avoid taxation
2.  Rollover of excess 529 funds to Roth IRA (SECURE 2.0)
 - a) See discussion above for limits
3. Victims of domestic abuse may distribute lesser of \$10,000 or 50% of accrued benefit from an eligible retirement plan without the 50% early withdrawal penalty
 - a) See IRS Publication 575 for details
 - b) Also a three year repayment provision

D. Sole Proprietors

1. New retroactive first year 401(k) plan elective deferral up to the unextended due date of the return
 - a) Had been a December 31 due date

X. Selected Estate/Gift Provisions

A. TCJA doubled the Lifetime Exclusion Amount Applicable to Estate, Gift and Generation Skipping Transfer Tax

1. If the TCJA sunsets after 2025, as provided under current law, the exclusion amounts return to half the current amounts in 2026
2. **??** On the other hand, if the new administration is successful in making the TCJA provisions permanent, or at least extending, will the Estate, Gift and GST exclusion amounts be included in legislation??
3. Estate and gift exemption is \$13,610,000 for 2024
 - a) “Use it or lose it” ordering rule
 - b) Excess is lost if not used before the law reverts

B. Reminder: Portability Election on First Spouse to Die, to Preserve Exemption

1. Five years to claim


C. Annual Gift Exemption

1. \$18,000 in 2024 and \$19,000 in 2025
 - a) Double if gift splitting


XI. Selected Business Topics

A. Bonus Depreciation (TCJA)

1. Under current law, 100% Bonus depreciation for equipment and machinery, has phase down:
 - a) 2023, bonus depreciation dropped to 80%,
 - b) 2024 falls to 60%
 - c) 2025 40%
 - d) 2026 Bonus Depreciation completely phases out
 - e) These percentages are, of course, absent future legislation

2.  Wisconsin does NOT conform to Bonus Depreciation Rules

B. 179 limit for 2024

1. \$1,220,000
2. Phase out begins at \$3,050,000
3.  Wisconsin conforms to Federal 179 rules

C. Standard Business Mileage Rate

- 1.

	2024	2025
Cents per business mile	70¢	67¢

D. Form 1099—K limit \$5,000 (IRS Notice 2024-85)

1. For transactions during calendar years 2024 and 2025
2. This comes from Notice 2024-85

E. Tp has Asset Purchases and is not Eligible for 179

1. **??** Do you push the purchases through before year end 2024, or do you place a bet that Congress will act in your favor in 2025?

F. Meals

1. Reminder business meals are at 50% deductibility, for both Federal and Wisconsin purposes

G. New 2024 Form 7217 for Partners Receiving Property Distributions (Non-Cash)

1. Partner files (not the partnership)
2. Applies to partner receiving a distribution of property from a partnership in a non-liquidating or liquidating distribution
3. Purpose: To report basis in the property
4. Does not apply to distributions of money or marketable securities treated as money

Form 7217 (12-2024) Page **2**

Part II Allocation of Basis of Distributed Property								
(a) Description of distributed property (If applicable, include property code. See Pub. 946, Appendix B.)	(b) Partnership's basis in distributed property immediately before the distribution	(c) Check applicable box(es) below. See instructions.					(d) FMV of distributed property	(e) Partner's basis in distributed property after application of section 732
		(i) 732(d)	(ii) 732(f)	(iii) 734(b)	(iv) 743(b)	(v) Reserved for future use		
1	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
2	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
3	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
4	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
5	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
6	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
7	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
8	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
9	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
10	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
11	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$

H. Research & Experimentation Costs

1. 5 year amortization applies, even if project abandoned (Notice 2023-63, software development)

I. Basis Reporting, include in Form 1040

1. Form 7203 S Corp Basis Reporting
2. Form 7217 Partnership (If distributions)

J. ?? Corporate Tax Rates

1. Maximum C Corporation tax rate had been 35% prior to TCJA
2. TCJA made permanent the 21% C corporation tax rate
3. While campaigning, the President-elect floated the idea of further reducing the corporate rate, specifically noting that a lower rate could be applied to foreign-based corporations who relocate to the US

K. Corporate Transparency Act (CTA) (Within National Defense Authorization Act for Fiscal Year 2021, Passed 1/1/21 on Congressional Override of President Trump's Veto)



***** Update: On December 26, 2024 a different panel of the US Court of Appeals for the Fifth Circuit issued an order vacating the Court's December 23rd order. Accordingly, as of December 26, 2024, the injunction issued by the district court in Texas Cop Shop, Inc. v Garland is in effect, and reporting companies are not currently required to file beneficial ownership information with FinCEN**

***** Update: On December 23, 2024 a panel of the US Court of Appeals for the Fifth Circuit granted a stay of the district courts preliminary injunction; Due date was extended to January 13, 2025**



***** Update: On December 3rd, Texas Cop Shop Inc., et al v. Garland, et al. the US District Court for the Eastern District of Texas has found that the Corporate Transparency Act is likely unconstitutional and as a result issued a TEMPORARY nationwide injunction barring FinCEN from enforcing the BOI filing requirements *****

?? The AICPA and AON, a malpractice insurance company, have stated that while you can advise your clients that they do not have to file by December 31st, you should still advised them to gather the information and be prepared in event the injunction is lifed (and **stay tuned for futher developments**)

Conclusion: Be ready if overturned; Warn clients they must monitor the situation

1. That said, here are the provisions of the CTA:
 - a) Who: Most closely held LLCs and corporations
 - b) What: Reporting of Beneficial Owners (also referred to as BOI)
 - c) When: Effective January 1, 2024
 - d) Where: Reporting is through FinCEN (Financial Crimes Enforcement Network, a bureau of the Department of the Treasury)

- e) Why: Database of companies beneficial ownership information to be sued for law enforcement purposes, aimed to protect US national security and to safeguard the US financial system from illicit use
- f) How much: No filing fee

2. Specifically:

- a) Definition of “reporting company” is complex and may include many small businesses, middle market businesses, and sole practitioners
 - (1) Most exemptions are reserved for entities that are already subject to substantial federal or state regulation
 - (2) CPA firms are listed among the 23 exemptions if registered with the PCAOB in accordance with section 102 of Sarbanes Oxley
 - (a) Also exempt: Inactive entities & tax exempt entities.
 - (b) Full list of exemptions:
https://www.fincen.gov/boi-faqs#B_1
- b) Domestic and foreign corporations, LLPs, Limited partnerships, LLPs, and other entities created by filing of a document with the secretary of state (or similar office)
 - (1) General partnerships that have not filed formation documents with state are not required to report
 - (2) Large operating company exception
 - (a) > 20 full time US employees
 - (b) which has filed income tax or information return in the US for the previous year demonstrating > \$5m in gross receipts
 - (c) AND operates a physical office within the US
- c) Initial report includes
 - (1) Full legal name of the company
 - (a) Any trade name or DBA
 - (2) Complete current US address
 - (3) State of formation
 - (4) EIN or TIN for foreign reporting company
 - (5) Beneficial owner info (BOI)
 - (a) Natural person/human being

- (b) Defined as: > 25% ownership interest or who exercises substantial control over the reporting company
 - (i) Substantial Control:
 - (ii) Senior officer; has authority over the appointment or removal of any senior officer or a majority of the BOD or directs determines or has substantial influence over important decisions including those regarding the nature, scope and attributes of the business of the reporting company
 - (iii) Example: officer or director of the reporting company
 - (6) Reporting the following about the beneficial owners
 - (a) Full legal name of the individual
 - (b) DOB
 - (c) Complete current residential address of the individual
 - (d) Unique identifying number (such as passport, DL or certain other governmental documents)
 - (e) An image of one of the specified documents (DL, passport, or more)
 - d) Deadlines
 - (1) Entities created before 1/1/24: initial report will be due on or before 1/1/25
 - (2) Entities created in 2024 or after: 90 calendar days from date of creation/registration
 - (a) Note: This was extended from 30 to 90 days on 11/29/23
 - (3) Initial report in 2024, and then updated any time there is a change
 - (a) **Updated or corrected reports due 30 days after change in information**
 - (4) No annual reporting requirement
 - (a) <https://www.fincen.gov/boi-faqs>
 - e) System: BOSS database (Beneficial Ownership Secure System)
3. These are the general rules, applicable to most of our clients--for specifics, such as ownership, definition of 90 days etc, research this matter more closely
4. Penalties:
- a) Both civil and criminal can apply

- b) \$500 per day penalty for willful failure to file, up to \$10,000 and imprisonment up to two years
5. FinCEN estimates 32.6 million entities will be required to file this first year
6. Caution: The Act poses potentially significant professional liability risks for CPAs
- a) Client gets assessed penalties for failure to comply or update, who do you think they will blame?
 - b) CPAs should include a specific provision in all engagement letters disclaiming a responsibility to provide assistance under the Corporate Transparency Act, unless specifically engaged, under a separate engagement letter
7. Action required:
- a) CPAs should send a newsletter or other general client notification letter to all clients informing them of the Act and its reporting requirements
 - (1) For liability purposes, retain a copy of the newsletter and the distribution list
 - b) Paragraph should be included in all engagement letters, regardless of service, disclaiming responsibility
 - c) Consider adding this to firm checklists for new clients
 - (1) Is the potential client in compliance with Corporate Transparency Act and do they have legal counsel to assist

Sample Engagement Letter Paragraph

Corporate Transparency Act/Beneficial Ownership Reporting

Assisting you with your compliance with the Corporate Transparency Act (“CTA”), including beneficial ownership information (“BOI”) reporting, is not within the scope of this engagement. You have sole responsibility for your compliance with the CTA, including its BOI reporting requirements and the collection of relevant ownership information. We shall have no liability resulting from your failure to comply with CTA. Information regarding the BOI reporting requirements can be found at <https://www.fincen.gov/boi>. Consider consulting with legal counsel if you have questions regarding the applicability of the CTA’s reporting requirements and issues surrounding the collection of relevant ownership information.

- d) FinCEN website has numerous resources

Including BOI reporting FAQ [Beneficial Ownership Information Reporting | FinCEN.gov](https://www.fincen.gov/boi-faqs) <https://www.fincen.gov/boi-faqs>

XII. Tax Planning and Year End Considerations for Individuals

A. Capital Loss Harvesting

1. Offset gains to \$3,000 loss

B. Capital Gain Harvesting

1. Where current year bracket is expected to be lower than future bracket
2. Example: Excellent opportunity for a retiree with low taxable income (maybe hasn't started taking social security yet) and has unrealized gains in a taxable investment portfolio--fill up their zero percent bracket
 - a) 30 day wash sale rule applies to losses, not gains

C. Roth Conversions

1. Tax bracket management
 - a) Consider the impact of a conversion on:
 - (1) Tax brackets/AGI (taxation of SS)
 - (a) Hopefully paying tax sooner, at a lower rate on a smaller amount
 - (b) Under age 59 ½: Five year waiting period
 - (i) Any withholding would be subject to a 10% penalty
 - (2) Over age 63: Consider IRMAA & Increased cost of Medicare Part B
 - (a) AGI rules determined two years ahead of Medicare age 65
 - (3) Two-year lookback for income determination
 - (4) Eligibility for Premium Tax Credit (on Marketplace health insurance)
 - (5) "In-service" withdrawals can be done – check plan details
 2. Future growth of the account is tax free
 3. No RMD for the original Roth account owner
 - a) However, beneficiaries of an Inherited Roth IRA must follow the Inherited IRA RMD rules
 4. Cash outside the qualified account to pay the income tax on conversion, to maximize the benefit
 5. Planning tool when funds are not expected to be needed anytime soon

D. Charitable Planning

1. Qualified Charitable Distributions (QCDs)
2. Donation of appreciated securities
3. Use of Donor Advised Funds

E. Retirement Plans

1. Maximizing retirement plan and IRA contributions
2. Roth versus Traditional contributions
3. Have RMDs have been taken?

F. Educational Expense and Accounts

1. Consider timing of tuition payments and American Opportunity Credit eligibility (4 calendar years, not 5)
2. Consider 529 contributions
 - a) Account grows tax free
 - b) Amounts over the annual excess will carryforward indefinitely for the Wisconsin deduction
3. Review Educational Funds—unused amounts?
 - a) Consider whether transfers to other beneficiaries would be appropriate?
 - b) Repayment of student loans (See terms above)
 - c) Roth conversion opportunity (See terms listed under SECURE 2.0 above)

G. Review HSA Eligibility and Contributions

1. High deductible plan
2. No use-it or lose it provision
3. Watch for catch up provision
 - a) Over 55 year of age
 - b) Must use two account when both are over 55

H. Itemized Deductions

1. Consider timing of tax payments
2. Consider timing of charitable gifts
3. Age 70 ½ or more: Consider QCD
 - a) QCD doesn't increase AGI (IRMAA); while the itemized deduction route would
4. Consider bunching strategy
 - a) Donor Advised Funds

I. Review Your Current & Projected Future Tax Bracket(s) and Consider How These Rates Could Be Affected by Possible Future Legislation

1. Income/deduction deferral or acceleration as appropriate
2. Ponder how future tax law under a new administration may affect your/your clients' situation

J. Smaller Gifting Opportunities

1. Annual gift exclusion
2. 529 gifts
3. Direct educational or medical gifts

K. Business owners consider 127 Educational Assistance Plan

1. Excludable from taxable wages
 - a) Deductible by employer
2. \$5,250 per employee
 - a) Discrimination rules apply
 - b) No double dipping (Ex: Education credits)
3. Written plan

L. Estate Planning for Larger Estates

1. Income and estate tax motivated
2. Consider larger lifetime gifts before the lifetime exemption decreases
 - a) Use it or lose it—no claw back if the lifetime limit decreases

- M. Review Estimated Tax Payments Before January `15th Fourth Quarter Due Date**
- N. Consider Significant Financial Events that May Take Place Next Year, and Whether Any Action or Offsetting is Warranted This Year**

XIII. Tax Professionals

A. Renew your PTIN

1. PTIN Fee is \$19.75 (\$11 user fee to IRS and \$8.75 to third party contractor who administers toe online process)

B. 2024 IRS Nationwide Tax Forum seminars

1. Available on line at <https://irstaxforumonline.com/seminars>

C. The Tax Advisor: Annual Tax Software Survey

1. Refer to August 15, 2024 article summarizing result of the annual tax software survey
2. Summary

Favorites by firm size						
	Number of preparers					
	1	2 to 5	6 to 20	21 to 100	101 to 500	501 or more
ATX	9.0%	4.8%	0.3%	6.4%	6.7%	0.6%
CCH Axxess Tax	3.7%	7.9%	14.4%	32.3%	20.4%	32.4%
CCH ProSystem fx	7.8%	10.7%	14.1%	9.8%	5.8%	6.8%
Drake Tax	30.3%	17.7%	4.7%	11.5%	17.3%	10.2%
Lacerte	13.6%	20.1%	22.5%	11.9%	16.4%	17.6%
ProSeries	19.9%	11.5%	4.2%	7.7%	16.9%	5.7%
UltraTax CS	15.7%	27.3%	39.9%	20.4%	16.4%	26.7%

Percentage of respondents saying their firms are in that size category who used each software. Some columns do not add up to 100% due to rounding.

XII. Tax Planning and Year End Considerations for Individuals

Overall ratings								
	All products	ATX	CCH Access Tax	CCH ProSystem fx	Drake Tax	Lacerte	ProSeries	UltraTax CS
Overall rating	4.3	4.1	4.1	4.4	4.5	4.4	4.3	4.2
How easy was the update/installation process?	4.6	4.7	4.3	4.5	4.8	4.5	4.7	4.3
How easy was the software to use?	4.6	4.7	4.3	4.5	4.8	4.5	4.7	4.3
How well did it handle updates during tax season?	4.4	4.6	4.1	4.3	4.7	4.4	4.5	4.2
How well did it handle transfers of data within returns?	4.2	4.0	3.8	4.1	4.3	4.3	4.3	4.3
How easy was electronic filing?	4.7	4.7	4.5	4.6	4.8	4.8	4.7	4.6
How well did it handle multistate business returns?*	4.1	4.1	4.1	4.2	4.1	4.3	4.2	4.0
How well did it integrate with your accounting and other software?	3.3	2.8	3.4	3.3	3.0	3.3	3.4	3.4
How easy was it to import data?	3.4	3.1	3.6	3.4	3.3	3.4	3.5	3.5
Would you recommend it to someone starting a tax practice?***	79.2%	90.6%	67.1%	66.1%	96.0%	82.1%	86.8%	70.9%
Numeric ratings are the average for each product's users on a 1-5 scale, with 5 being the best.								
*Based on 1,767 respondents who filed multistate business returns and gave a rating.								
***Percentage of each product's users who answered "yes."								

Source: The Tax Advisor August, 2024

XIV. DISCLAIMER

This material contains current legislation and updates through December 3, 2024. Great effort has been made to offer the most current, correct and clearly stated information herein.

This outline is written in general terms and is not intended to be all-inclusive—only selected provisions were discussed, in summary format. There are MANY, many details not included here.

This outline is written for professionals with a general knowledge of tax law and intended to give participants basic information on changes to the more common areas of tax law affecting individuals and is intended to serve as a springboard for the participants' own personal study and research, and is not a substitute for professional research, nor should it be used as a basis for any decision or action. Participants are encouraged to conduct their own independent research as the impact and application of tax law can vary widely from case to case based upon unique facts and circumstances. Sites have been provided to guide you to the appropriate legislation for further reading.

The information provided in this outline is intended as general guidance and not intended to serve as legal, accounting or tax advice under Circular 230.

While all reasonable care has been taken in the preparation of this outline, the author accepts no responsibility for any errors it may contain or for any losses sustained by any person or entity relying on this outline.

That is: consult your tax advisor!

Wisconsin Income Tax – 2024

1. Changes in sales tax rates for some localities:
 - a. City of Milwaukee – added 2% (effective 1.1.24)
 - b. Milwaukee County – increased from .5% to .9% (effective 1.1.24)
 - c. Manitowoc County – added .5% (total is now 5.5%) (effective 1.1.25)
 - d. Racine County – added .5% (total is now 5.5%) (effective 4.1.25)

2. Sales Tax and Swipe fees
 - a. If the sale is taxable, the swipe fee is taxable
 - b. If the sale is non-taxable, the swipe fee is non-taxable
 - c. If the sale is both, the “retailer may allocate the “swipe” fee between the taxable and nontaxable purchases.
 - d. Wisconsin Tax Bulletin 224 – Jan 2024 offers great examples

3. 529 Plans and Employer Contributions
 - a. Beginning in 2024:
 - i. 529 contributions increase to \$5,000 joint filers
 - ii. \$2,500 MFS
 - iii. Indexed for inflation
 - iv. Lower divorced parent rate (\$2,000) repealed - now \$5,000
 - b. Beginning in 2022 – federal changes automatically adopted for WI
 - c. Employee college savings accounts
 - i. Increased rate from 25% to 50% of the employer contribution
 - ii. Maximum credit allowed \$800 per employee
 - iii. 2025 indexed for inflation and rounded to the nearest \$10
 - iv. Compensation must be reported on W-2
 - v. Schedule ES – copy enclosed

4. Changes to Form 1 (copy enclosed):

- a. Schedule WI-2441 – copy enclosed
 - i. New schedule replacing Line 14 from 2023
 - ii. Applies to 2024 expenses paid in 2024
 - iii. Prior credit was 50% of the federal 2441 – increased to 100%
 - iv. Capped at \$10,000 for one qualifying child; \$20,000 for two or more
 - v. New credit restrictions
 - 1. At least one spouse must be a full year resident of WI
 - 2. All the following must apply:
 - a. Filing status of Single, HOH, or MFJ
 - b. Filing status of MFS only applies for HOH
 - c. Care provided to allow work or work search
 - d. Must have earned income
 - e. Care for qualifying persons
 - f. Care provider isn't spouse, parent of qualifying child, or dependent
 - g. Care provider details included on schedule
 - h. Special calculations for 2023 expenses paid in 2024
- b. Blind worker transportation services credit
 - i. New line 15 on WI Form 1
 - ii. Available to blind taxpayers – as defined in sec. 63(f)(4) of the IRC
 - iii. Transportation services between home and work
 - 1. Mass transit
 - 2. Paratransit – Abby Vans/Pace/...Transit/DART
 - 3. Taxi
 - 4. Transportation network company – Uber/Lyft
 - 5. Does not include:
 - a. Costs reimbursed
 - b. Paid from ABLE funds
 - iv. Maximum credit
 - 1. 50% of costs paid, not to exceed
 - 2. \$1,500 per qualifying person
- c. Schedule 3 becomes page 5 of Form 1
 - i. Part I – previously embedded in return
 - ii. Part II – all new related to organ donation

5. Planning points

- a. Federal bonus depreciation still not an option for WI

- b. 529 plan rollovers to ROTH
 - i. Plan must have existed for a minimum of 15 years
 - ii. Contributions and associated earnings must be in the plan for more than 5 years, ending with the date of the rollover
 - iii. Annual rollover amount cannot exceed the annual ROTH contribution limit
 - iv. IRC lifetime maximum of \$35,000
 - v. Rollover must be direct
 - vi. Must be rolled only into ROTH maintained for the benefit of the designated beneficiary of the 529
 - vii. Income limitations waived for rollovers
 - viii. No age limit requirement of the beneficiary
 - ix. Larger 529 plans
 - 1. Move balance in 529 to new beneficiary
 - a. Change the 15-year clock?
 - b. New rollover allowed?
 - 2. Stay tuned – letter submitted 9.23 to IRS for clarification of the 15-year clock – no input found on the new rollover
- c. Married couple credit
 - i. Still on first \$16,000
 - ii. Both must have earned income
 - iii. Not indexed for inflation
- d. Property tax credit
 - i. Pay at least \$2,500 in real estate taxes to get full credit of \$300
 - ii. Consider holding all other taxes for new year
- e. Additions
 - i. State and municipal interest
 - ii. Nonqualified distributions from WI 529 plans
 - iii. Federal NOL
 - iv. Farmland preservation credit becomes income
 - v. Other credits become income
 - 1. Development Zone Credits
 - 2. Capital Investment Credit
 - 3. Research Credits
 - 4. Employee College Savings Account Contribution Credit
 - 5. More
- f. Subtractions
 - i. US interest
 - ii. Unemployment for lower income taxpayers
 - iii. Medical care insurance

1. Does not include:
 - a. LTC
 - b. Life
 - c. Auto (medical coverage portion)
 - d. Amounts paid through tax free distributions from a retirement plan
 - e. Amounts paid by an employer unless they are included in box 1 of the W-2
 - f. Amounts noted in box 12 of the W-2
 - g. Amount deducted above the line on the Federal return for self-employed health insurance
2. Does include:
 - a. Post tax payments for medical insurance
 - b. Medicare premiums
 - c. Amounts paid through an Exchange (Marketplace)
- iv. Long-term care insurance premiums
- v. Tuition and fee expenses
 1. Related to:
 - a. Amounts paid in 2024
 - b. Paid to attend classes in WI
 - c. At a school that qualifies as:
 - i. University
 - ii. College
 - iii. Technical college
 - iv. Other post-secondary schools that have been approved through the Educational Approval Program: dspseap.wi.gov/resources/schoolsprogram.asp
 - d. Paid to attend classes in MN at a vocational school or public institution of higher education
 - e. Paid to attend classes outside WI provided the tuition is paid to an institution located in WI
 2. Does not apply to:
 - a. Pre-schools/elementary/secondary schools
 - b. Schools not noted above
 - c. Room/board; athletic tickets; costs that are not tuition
 - d. Amounts paid with tax-free funds
 - e. Amounts paid with a withdrawal from a WI college savings program
 3. Limited for higher income earners
- vi. Private school tuition
- vii. Contributions to 529 plans
 1. Edvest
 2. Tomorrow's Scholar

- g. Eligible Veterans and Surviving Spouses Property Tax Credit
 - i. Eligible unmarried surviving spouse or veteran
 - ii. Cannot double dip and take the property tax credit, homestead credit, or farmland preservation credit
 - iii. Must be certified by the WI Dept of Veteran Affairs (WDVA)
 - iv. Credit amount:
 - 1. Equal to property taxes paid
 - 2. Principal dwelling
 - 3. In WI
 - 4. Special assessments/interest/charges not included
 - v. Also applies if renting and property taxes are paid as rent
 - vi. Claimed within 4 years of the unextended due date of the return
 - vii. Extension of time to file may be requested if WDVA is reviewing eligibility (Fact Sheet 1122 available to assist with extension details)

- h. Third party designees
 - i. List preparer on return
 - ii. WI will use this in lieu of power of attorney

APPENDIX A: Numbers to Know

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>							
RELATING TO STANDARD DEDUCTION AND PERSONAL EXEMPTION																
Standard Deduction																
Single	\$	14,600	\$	13,850	\$	12,950	\$	12,550	\$	12,400	\$	12,200	\$	12,000	\$	6,350
Married Filing Joint, surviving spouse		29,200		27,700		25,900		25,100		24,800		24,400		24,000		12,700
Head of Household		21,900		20,800		19,400		18,800		18,650		18,350		18,000		9,350
Married Filing Separate		14,600		13,850		12,950		12,550		12,400		12,200		12,000		6,350
Additional Standard Deduction for Elderly & Blind																
Unmarried and not a surviving spouse		1,950		1,850		1,750		1,650		1,650		1,650		1,600		1,550
Married (each) and surviving spouse		1,550		1,500		1,400		1,350		1,300		1,300		1,300		1,250
Dependent of another		n/a		n/a		n/a		n/a		n/a		n/a		n/a		1,050
2017: Greater of \$1,050 or \$350 plus earned income, limited to reg std ded																
Personal & Dependency Exemption	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	4,050
<i>Tracking, for other areas of the code</i>																
		5,050		4,700		4,400		4,300	\$	4,300	\$	4,200	\$	4,150		
Haircut Phase-outs Begin at AGI of																
Itemized Deductions (Pease Limitation)																
MFJ	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	313,800
HH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	287,650
S	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	261,500
MFS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	156,900
Personal Exemptions Phase out range (PEP)																
MFJ: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	313,800
MFJ Ending	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	436,300
S: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	261,500
S: Ending	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	384,000
HOH: Beginning	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	287,650
HOH: Ending	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	410,150

PEP & Pease limitations are scheduled to return after 2025 (TCJA)

** Please Note: Every effort was taken to ensure accuracy of the above figures including updating for new legislation. However, accidents can and do happen. Please use these figures for general purposes only and complete your own independent research before making any decisions based upon these figures. Facts are based upon current law at 11/25/2024--based upon information widely available at this time.*

2025 2024 2023 2022 2021 2020 2019 2018 2017

RELATING TO INCOME, RATES, CREDITS

Foreign Earned Income Exclusion	\$ 130,000	\$ 126,500	\$ 120,000	\$ 112,000	\$ 108,700	\$ 107,600	\$ 105,900	\$ 104,100	\$ 102,100
Earnings Ceiling for Social Security									
Below full retirement age (\$1 in benefits w/h for every \$ in earnin	23,400	22,320	21,240	19,560	18,960	18,240	17,640	17,040	16,920
Year full retirement age reached	62,160	59,520	56,520	51,960	50,520	48,600	46,920	45,360	44,880
Full retirement age	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
FICA Taxable Wages									
OASDI (6.2%) Wage Limit	\$ 176,100	\$ 168,600	\$ 160,200	\$ 147,000	\$ 142,800	\$ 137,700	\$ 132,900	\$ 128,400	\$ 127,200
	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Medicare (1.45%)	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
SE Tax: Same wage limits, double the rates									
Maximum SS Benefits for Working Retiring at Full Retirement A:	\$4,018/mth	\$3,822/mth	\$3,627/mth	\$3,345/mth	\$3,148/mth	\$3,011/mth	\$2,861/mth	\$2,788/mth	\$2,687/mth
Maximum SS Benefits for Working Retiring at age 62	\$2,831/mth	\$2,710/mth	\$2,572/mth	\$2,364/mth		\$2,265/mth	\$2,209/mth	\$2,158/mth	\$2,153/mth
Medicare Surcharge Thresholds (Earned Income .9% and NIIT 3.8%)									
Single, Head of Household	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Married Filing Joint	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Married Filing Separately	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
<i>Note: These thresholds are not indexed for inflation</i>									
Capital Gains Rates (Excluding NIIT)									
0%	MFJ < \$96,700	MFJ < \$94,050	MFJ < \$89,250	MFJ < \$83,350	MFJ < \$80,000	MFJ < \$80,000	MFJ < \$78,750		
15%	S \$48,351-533,400	47,026-518,900	44,626-492,300	41,676-459,750	S \$40,401-445,850	S \$40,000-441,450	S \$39,376-434,550		
20%	MFJ > \$600,050	MFJ > \$583,750	MFJ > \$553,850	MFJ > \$517,200	MFJ > \$501,600	MFJ > \$496,601	MFJ > \$488,850		
Kiddie Tax on Unearned Income		2,600	2,500	2,300	2,200	2,200	2,200	2,100	2,100
\$1,300 exemption and \$1,300 at their own rates = \$2,600									
AMT Exemption									
Single, Head of Household		85,700	81,300	75,900	73,600	72,900	71,700	70,300	54,300
Married Filing Jointly or Qualifying Widow(er)		133,300	126,500	118,100	114,600	113,400	111,700	109,400	84,500
Married Filing Separate		66,650	63,250	59,050	57,300	56,700	55,850	54,700	42,250
Child Tax Credit		2,000	2,000	2,000	3,000/3,600	2,000	2,000	2,000	1,000
Phase-out for Child Tax Credit (\$2,000 in 2021)									
MFJ Begins		400,000	400,000	400,000	400,000	400,000	400,000	400,000	110,000
S, HH Begins		200,000	200,000	200,000	200,000	200,000	200,000	200,000	75,000
MFS Begins		200,000	200,000	200,000	200,000	200,000	200,000	200,000	55,000
Family Tax Credit (Non-minor dependent)		500	500	500	500	500	500	500	n/a

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RELATING TO CREDITS, continued									
Savers Credit, Max, MFJ	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Phase-out cutoff for Saver's Credit									
MFJ phase-out ends		76,500	73,000	68,000	66,000	65,000	64,000	63,000	62,000
HH ends		57,375	54,750	51,000	49,500	48,750	48,000	47,250	46,500
S, MFS ends		38,250	36,500	34,000	33,000	32,500	32,000	31,500	31,000
Adoption Credit		16,810	15,950	14,890	14,440	14,300	14,080	13,840	13,570
Also Adoption Assistance W-2 exclusion	Phase out:	\$252,150-\$292,150							
Estimated Tax Payments AGI > 150,000	110%	110%	110%	110%	110%	110%	110%	110%	110%
RELATING TO EDUCATION									
American Opportunity Credit (Hope Credit) Max	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Phase-out Range for American Opportunity Credit									
MFJ Beginning	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
MFJ Ending	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
S, HH: Beginning	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
S, HH: Ending	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
No credit for MFS									
Lifetime Learning Credit, Max	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Phase-out Range for Lifetime Learning									
MFJ: Beginning	160,000	160,000	160,000	160,000	160,000	118,000	116,000	114,000	112,000
MFJ Ending	180,000	180,000	180,000	180,000	180,000	138,000	136,000	134,000	132,000
S, HH: Beginning	80,000	80,000	80,000	80,000	80,000	59,000	58,000	57,000	56,000
S, HH: Ending	90,000	90,000	90,000	90,000	90,000	69,000	68,000	67,000	66,000
No credit for MFS									
Tuition Deduction	<i>Expired</i>	<i>Expired</i>	<i>Expired</i>	<i>Expired</i>	<i>Expired</i>	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Student Loan Interest Deduction	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Phase-out Range for Interest on Education Loans									
MFJ: Beginning	170,000	165,000	150,000	145,000	140,000	140,000	140,000	135,000	135,000
MFJ Ending	200,000	195,000	180,000	175,000	170,000	170,000	170,000	165,000	165,000
S, HH: Beginning	85,000	80,000	75,000	70,000	70,000	70,000	70,000	65,000	65,000
S, HH: Ending	100,000	95,000	90,000	85,000	85,000	85,000	85,000	80,000	80,000
Employer Provided Educational Assistance Exclusion Amount			5,250	5,250	5,250	5,250	5,250	5,250	5,250

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RELATING TO TRANSPORTATION, DEPRECIATION, AND OTHER EXPENSES									
Standard Mileage Rate									
Business cents per mile	0.70	0.67	0.655	0.585/0.625	0.56	0.575	0.58	0.545	0.535
Charitable	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Medical and Moving (Q Active Duty Armed Forces)	0.21	0.21	0.22	0.18/0.22	0.16	0.17	0.20	0.18	0.17
Sec 199A Pass Through Deduction (TCJA)	20%	20%	20%	20%	20%	20%	20%	20%	--
QBI Specified Services Trade/Biz: Taxable Income Threshold begins at									
MFJ		383,900	364,200	340,100	329,800	326,600	321,400	315,000	--
S		191,950	182,100	170,050	164,900	163,300	160,700	157,500	--
Qualified Transportation Fringe (per month)									
Qualified Parking		315	300	280	270	270	265	260	255
Commuter Vehicle & Transit Passes		315	300	280	270	270	265	260	255
							No Bicycle benefits		
Federal §179									
Current Sec 179 Expense	1,250,000	1,220,000	1,160,000	1,080,000	\$ 1,050,000	\$ 1,040,000	\$ 1,000,000	\$ 1,000,000	\$ 510,000
On Asset Purchases	3,130,000	3,050,000	2,890,000	2,700,000	2,620,000	2,590,000	2,500,000	2,500,000	2,030,000
Qualified Real Property (See outline for definition)									
SUV Limitation	31,300	30,500	28,900	27,000	26,200	25,900	25,000	25,000	25,000
Wisconsin §179									
Current Depreciation Expense	Follows	Follows	Follows	Follows	Follows	Follows	Follows	Follows	Follows
Investment Limitation	Federal	Federal	Federal	Federal	Federal	Federal	Federal	Federal	Federal
Federal Bonus Depreciation	50%	60%	80%	100%	100%	100%	100%	100%	50%
Luxury Auto Depreciation Limits: Autos, 100% Business									
Year 1 (no Code Sec 168(k))		12,400	12,200	11,200	10,200	10,100	10,100	10,000	3,160
Year 1 w/ bonus depr		20,400	20,200	19,200	18,200	18,100	18,100	18,000	11,160
Year 2		19,800	19,500	18,000	16,400	16,100	16,100	16,000	5,100
Year 3		11,900	11,700	10,800	9,800	9,700	9,700	9,600	3,050
Year 4 & later		7,160	6,960	6,460	5,860	5,760	5,760	5,760	1,875
Excess Business Loss Limitation IRC Sec 461(l)									
Single	313,000	305,000	289,000	270,000	262,000	<i>Provision retroactively delayed via covid</i>			
Married	626,000	610,000	578,000	540,000	524,000	<i>legislation</i>			

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RELATING TO MEDICAL EXPENSES									
As an Itemized Deduction					<i>Permanent</i>		SECURE ACT		
Regular Tax, Under Age 65	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI
Regular Tax , Over Age 65	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI	7.5% of AGI
Healthcare Flex Spending Accounts	\$ 3,300	\$ 3,200	\$ 3,050	\$ 2,850	\$ 2,750	\$ 2,750	\$ 2,700	\$ 2,650	\$ 2,600
Health Savings Account (HSA)									
Maximum Contribution for Coverage by High Deductible Plan									
Self	\$ 4,300	\$ 4,150	\$ 3,850	\$ 3,650	\$ 3,600	\$ 3,550	\$ 3,500	\$ 3,450	\$ 3,400
Family	8,550	8,300	7,750	7,300	7,200	7,100	7,000	6,900	6,750
Age 55 Catch-up	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Minimum Deductible, High Deductible Health Plan									
Self		1,600	1,500	1,400	1,400	1,400	1,350	1,350	1,300
Family		3,200	3,000	2,800	2,800	2,800	2,700	2,700	2,600
Maximum Out-of-pocket, High Deductible Health Plan									
Self		8,050	7,500	7,050	7,000	6,900	6,750	6,650	6,550
Family		16,100	15,000	14,100	14,000	13,800	13,500	13,300	13,100
Medical Savings Account (MSA)									
Minimum Deductible									
Self			2,650	2,450	2,400	2,350	2,350	2,300	2,250
Family			5,300	4,950	4,800	4,750	4,650	4,600	4,500
Maximum Deductible									
Self			3,950	3,600	3,600	3,550	3,500	3,450	3,350
Family			7,900	7,400	7,150	7,100	7,000	6,850	6,750
Maximum Out-of pocket									
Self			5,300	4,950	4,800	4,750	4,650	4,600	4,500
Family			9,650	9,050	8,750	8,650	8,550	8,400	8,250
Eligible Long Term Care Premiums									
< Age 40		470	480	450	450	430	420	420	410
Age 41 - 50		880	890	850	850	810	790	780	770
Age 51 - 60		1,760	1,790	1,690	1,690	1,630	1,580	1,560	1,530
Age 61 - 70		4,710	4,770	4,510	4,520	4,350	4,220	4,160	4,090
> Age 70		5,880	5,960	5,640	5,640	5,430	5,270	5,200	5,110

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RELATING TO RETIREMENT PLANS									
Contribution Limits									
401(k), 403(b), 457, SARSEP									
Under age 50	\$ 23,500	\$ 23,000	\$ 22,500	\$ 20,500	\$ 19,500	\$ 19,500	\$ 19,000	\$ 18,500	\$ 18,000
Age 50+ (w/ catch-up)	31,000	30,500	30,000	27,000	26,000	26,000	25,000	24,500	24,000
SIMPLE IRA									
Under age 50	16,500	16,000	15,500	14,000	13,500	13,500	13,000	12,500	12,500
Age 50+ (w/ catch-up)	20,000	19,500	19,000	17,000	16,500	16,500	16,000	15,500	15,500
SEP IRA									
Maximum contribution	70,000	69,000	66,000	61,000	58,000	57,000	56,000		
Maximum compensation considered for SEP IRA	350,000	345,000	330,000	305,000	290,000	285,000	280,000		
Traditional and ROTH IRA									
Under age 50	7,000	7,000	6,500	6,000	6,000	6,000	6,000	5,500	5,500
Age 50+ (w/ catch-up)	8,000	8,000	7,500	7,000	7,000	7,000	7,000	6,500	6,500
Traditional IRA Deduction Phase Out									
MFJ	126-146k	123-143k	116-136k	109-129k	105-125k	104-124k	103-123k	101-121k	99-119k
S, HH	79-89k	77-87k	73-83k	68-78k	66-76k	65-75k	64-74k	63-73k	62-72k
Roth IRA Contribution Eligibility: AGI									
MFJ	236-246k	230-240k	218-228k	204-214k	198-208k	196-206k	193-203k	189-199k	186-196k
S, HH, MFS and did not live with spouse at any time	150-165k	146-161k	138-153k	129-144k	125-140k	124-139k	122-137k	120-135k	118-133k
Eligibility for Rollover to Roth IRA: AGI									
MFJ, S, HH	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
S	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
Compensation limit (§ 401(a)(17))	350,000	345,000	330,000	305,000	290,000	285,000	280,000	275,000	270,000
Defined Contribution: Limits §415(c)(1)(A)	70,000	69,000	66,000	61,000	58,000	57,000	56,000	55,000	54,000
Defined Benefit Limits	280,000	275,000	265,000	245,000	230,000	230,000	225,000	220,000	215,000

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RELATING TO GIFTS AND ESTATES									
Unified Credit Equivalent									
Estate Tax Exemption*	\$ 13,990,000	\$ 13,610,000	\$ 12,920,000	\$ 12,060,000	\$ 11,700,000	\$ 11,580,000	\$ 11,400,000	\$ 11,180,000	\$ 5,490,000
Gift Tax Exemption (Lifetime)	\$ 13,990,000	\$ 13,610,000	\$ 12,920,000	\$ 12,060,000	\$ 11,700,000	\$ 11,580,000	\$ 11,400,000	\$ 11,180,000	\$ 5,490,000
Maximum Estate Tax Rate	40%	40%	40%	40%	40%	40%	40%	40%	40%
Annual Gift Tax Exclusion	\$ 19,000	\$ 18,000	\$ 17,000	\$ 16,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 14,000
(Double if gift splitting elected)									
Remember: Checks written directly to an educational or medical institution are not applied against the annual gift tax exclusion									
Annual gift to non-citizen spouse	\$ 190,000	\$ 185,000	\$ 175,000	\$ 164,000	\$ 159,000	\$ 157,000	\$ 155,000	\$ 152,000	\$ 149,000

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	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>WISCONSIN LIMITS, CREDITS, ETC</u>									
Wisconsin Personal Exemption									
Personal Exemption	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
Age 65	250	250	250	250	250	250	250	250	250
Tuition Deduction (per student)									
Phase-out range ending for tuition deduction (Indexed for inflation)		7,333	6,974	6,976	6,973	6,972	6,974	6,974	\$ 6,958
MFJ Ending	135,529	130,729	120,759				111,299	108,380	106,310
S, HH: Ending	81,319	78,339	72,459				66,779	65,030	63,790
MFS: Ending	67,759	65,369	60,379				55,649	54,190	53,160
EdVest Contributions (Wisconsin 529)									
If MFS or Divorced parent	5,000	3,860	3,560	3,380	3,340	3,280	3,200	3,140	
Maximum aggregate contribution limit	2,500	1,930	1,780	1,690	1,670	1,640	1,600	1,570	456,000
Property Tax Credit Max									
Married Couple Credit Max	300	300	300	300	300	300	300	300	300
WISCONSIN FEDERAL 179									
Current Expense (Higher for Farms)	480	480	480	480	480	480	480	480	480
Investment Limitation	1,250,000	1,220,000	1,160,000	1,080,000	1,050,000	\$ 1,040,000	1,000,000	1,000,000	510,000
	3,130,000	3,050,000	2,890,000	2,700,000	2,620,000	2,590,000	2,500,000	2,500,000	2,030,000
Taxation of Social Security Benefits in Wisconsin									
% taxable in Wisconsin	0%	0%	0%	0%	0%	0%	0%	0%	0%
Generally results in WI modification of	85%	85%	85%	85%	85%	85%	85%	85%	85%
Long Term Capital Gains Exclusion									
60% for farm assets	30%	30%*	30%*	30%*	30%*	30%*	30%*	30%*	30%*
Child Care Expense Subtraction									
One Child	Credit	Credit	Credit	3,000	3,000	3,000	3,000	3,000	3,000
Two or More	in 2024	in 2023	in 2022	6,000	6,000	6,000	6,000	6,000	6,000
Wisconsin Adoption Expense Deduction									
Qualified Productions Credit (Mfg & Ag Credit)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Private School Tuition Deduction (Schedule PS)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
K-8th Grade, per student	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
9-12th Grade, per student	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000