

# 2024 Year-End Tax Highlights

Due to the vast scope of the ever-changing tax laws and bills, we have limited this letter to the items we wanted to highlight. We are also limiting this letter to the bills that have been enacted into law as of the time of this letter.

## Individual Items

(For simplicity, these figures use the Married Filing Jointly (MFJ) filing status unless otherwise noted, there may be different thresholds for other types of filers.)

For individuals who were not 72 on or before December 31, 2022, the age at which Required Minimum Distributions must begin was raised to 73 starting in 2023. Beginning January 1, 2033, the age will increase to 75.

If you inherit an IRA or defined contribution plan after 2019, the entire account balance must be distributed by December 31 of the 10th year following the year of the decedent's death. Some beneficiaries must take Required Minimum Distributions during this period. Exceptions to this 10-year rule include a surviving spouse, a minor child of the decedent (the 10-year rule applies once the child turns 18), disabled individuals, chronically ill individuals, and beneficiaries not more than 10 years younger than the decedent. Also, the age restriction on contributing to IRAs was lifted, allowing individuals of any age to make contributions starting in 2020.

The rule allowing taxpayers aged 70½ or older to make a tax-free transfer of up to \$105,000 for 2024 and \$108,000 for 2025 from IRAs directly to a qualified charity continues. These charitable distributions count toward satisfying Required Minimum Distributions (RMDs) for the year, providing a tax-efficient way to give. This is particularly beneficial for taxpayers who take the standard deduction instead of itemizing, as it essentially provides an "above-the-line" deduction for the charitable contribution.

The SECURE Act 2.0 introduced significant changes to help individuals save more for retirement. Some of the key provisions include increased contribution limits (especially catch-up limits for older individuals), expanding automatic enrollment in retirement plans, penalty-free withdrawals for specific emergency expenses, the introduction of starter 401(k) plans, and improved retiree plan access for part-time workers. Since this letter is focused on individuals, details about these changes will be provided by your employer-sponsored plans.

A new rule allows trustee-to-trustee transfers from 529 plans, which have been open for at least 15 years, to the beneficiary's Roth IRA. To qualify, the beneficiary must meet the income limits for Roth IRA contributions, and the transfer is subject to the annual Roth IRA contribution limit. This provides a new way to repurpose up to \$35,000 of leftover 529 plan funds if the beneficiary does not need them for education.

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For 2024, the credit for qualified energy-efficient home improvements remains at 30% with an annual limit of \$1,200. This limit is divided among various qualifying items, such as exterior doors (up to \$250 per door, with a maximum of \$500), windows and skylights (up to \$600), home energy audits (up to \$150), and insulation, air sealing materials, central air conditioners, and water heaters (subject to the overall \$1,200 cap). Additionally, there is a separate credit up to \$2,000 per year for qualified heat pumps, water heaters, biomass stoves or biomass boilers. This provides homeowners an opportunity to improve energy efficiency and take advantage of valuable tax savings.

Starting in 2023, the clean vehicle credit offers up to \$7,500 for new EVs. To qualify, the final assembly of the vehicle must occur in North America, the vehicle must have a battery capacity of at least seven kilowatt hours, it must be manufactured primarily for public streets and highways, with at least four wheels and a gross vehicle weight rating (GVWR) of less than 14,000 lbs. Additionally, no credit will be allowed if the manufacturer's suggested retail price (MSRP) of the vehicle exceeds \$80,000 for SUVs, pickups, and vans and \$55,000 for other vehicles. No credit will be available if your modified adjusted gross income exceeds \$300,000 (joint filers), \$225,000 (head of households), or \$150,000 (other filers). To verify a vehicle's eligibility, you can use the VIN decoder at [www.nhtsa.gov/vin-decoder](http://www.nhtsa.gov/vin-decoder). There remains some gray areas for leased vehicles, but generally, the credit stays with the manufacturer.

Starting in 2023, a credit is also available for used electric vehicles. To qualify, the sales price must be \$25,000 or less, the vehicle must be at least two model years older than the calendar year in which it is purchased, the credit must not have been claimed previously for this vehicle, and the buyer must not have claimed the used EV credit in the last three years, and the vehicle must be for personal use and purchased through a dealer. The credit is worth up to 30% of the vehicle's price, with a maximum credit of \$4,000. Income limits also apply as your modified adjusted gross income must not exceed \$150,000 (joint filers), \$112,500 (head of households), or \$75,000 (single filers). This provides a significant incentive for those considering purchasing a used electric vehicle.

Weighing the benefits of a Roth IRA conversion can be especially advantageous if this is a lower-tax year for you. Although the conversion is subject to income tax in the year of conversion, future withdrawals during retirement are tax-free, unlike traditional IRAs where distributions are taxed. Roth Conversions can also reduce the taxable value of your estate by paying taxes now, potentially benefiting your heirs. Consider whether this strategy aligns with your long-term financial plan.



Long-term capital gains and qualified dividends continue to benefit from preferential tax rates of 0%, 15%, and 20%. For 2024, the 0% rate applies to taxable income up to \$94,300, and for 2025, this limit increases to \$96,950. These favorable rates can significantly reduce the tax burden on investment income for taxpayers within these income thresholds.

The child tax credit remains at \$2,000 for each qualifying child under age 17 and \$500 for other dependents. However, the total credit is reduced by \$50 for each \$1,000 of modified adjusted gross income (MAGI) over \$400,000 for joint filers and \$200,000 for all other filers. Additionally, the credit is no longer fully refundable, with the refundable portion limited to 15% of earned income in excess of \$2,500.

The maximum eligible expenses for the child and dependent care credit remain at \$3,000 for one qualifying individual and \$6,000 for two or more qualifying individuals. The maximum credit is \$600 for one qualifying individual and \$1,200 for two or more. This credit can help offset the cost of care for qualifying dependents, making it easier for taxpayers to manage work and family responsibilities.

With the standard deduction increasing to \$29,200 for 2024 and \$30,000 for 2025, you might consider using a “bunching” strategy to maximize your itemized deductions every other year. The goal is to accumulate enough itemized deductions in one year so they exceed the standard deduction, while taking the standard deduction in the alternating years. For example, you could pay your 2024 real estate taxes in 2025, before the January 5 deadline, and also pay your 2025 real estate taxes within the same year. This allows you to “bunch” two years of real estate taxes into a single year to maximize your deductions for 2025, then take the standard deduction in 2024. You can also apply this strategy to charitable contributions and medical expenses (which exceed 7.5% of your AGI). By alternating between itemizing deductions and taking the standard deduction, you can optimize your tax savings without increasing your expenses, just by timing them differently.

For divorce or separation agreements executed after 2018, the Tax Cuts and Jobs Act (TCJA) eliminated the deduction for alimony payments, and these payments are no longer taxable to the recipient. However, for agreements made before 2019, alimony remains deductible by the payer and taxable to the recipient unless the agreement is modified to expressly make the payments nondeductible and nontaxable. Importantly, there is no sunset date for the repeal of alimony deductibility, so this rule is permanent. Child support payments remain nondeductible by the payer and non-taxable to the recipient.

Tax-related identity theft remains a common issue, and the IRS is combatting it by issuing Identity Protection PIN’s (IP PINs). These six-digit numbers are assigned annually to victims of identity theft. If you’ve been assigned an IP PIN, it will be sent to you in December. Be sure to provide this PIN to our office when preparing your tax return, as it is required for filing. Do not lose the IP PIN, as we will not be able to process your return without it.

Under the Patient Protection and Affordable Care Act (PPACA), there is a premium assistance credit for eligible individuals and families purchasing health insurance through government exchanges. This credit is refundable and may be paid in advance directly to the insurance company. While individuals with incomes exceeding 400% of the federal poverty level were historically ineligible, the American Rescue Plan (ARP) eliminated this limitation for 2021 or 2022, making more people eligible for the subsidy. Be aware of these rules as they can help reduce your out-of-pocket health insurance costs if you qualify.

## 2024 Federal Tax Rates & Brackets

Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
<b>10 %</b>	Up to \$11,600	Up to \$23,200	Up to \$11,600	Up to \$16,550
<b>12 %</b>	\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,551 to \$63,100
<b>22 %</b>	\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500
<b>24 %</b>	\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950	\$100,501 to \$191,950
<b>32 %</b>	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700
<b>35 %</b>	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600	\$243,701 to \$609,350
<b>37 %</b>	\$609,351 or more	\$731,201 or more	\$365,601 or more	\$609,351 or more

If you have signatory or other authority over a foreign bank account that had a value of \$10,000 or more at any time during the year, you must file Form FinCEN 114 with the IRS. This form is separate from your regular tax return and must be filed electronically by April 15 each year. There are significant penalties for failing to report such accounts, so please let us know if you have any authority over a foreign bank account. Additionally, you may also be required to file Form 8938, Statement of Specified Foreign Financial Assets, with your regular income tax return. This applies if you hold foreign financial accounts such as securities, brokerage, savings, demand, checking, mutual funds, insurance or annuity policies with cash surrender value, interests in foreign pension plans, foreign deferred compensation plans, or other financial instruments or investment contracts issued by a non-U.S. person. The threshold for filing this form is if the aggregate value exceeds \$50,000 on the last day of the tax year or \$75,000 at any time during the year (for married couples filing jointly, these thresholds increase to \$100,000 on the last day of the tax year or \$150,000 at any time during the year). If you are required to file Form 8938, we will need detailed information, including the account number, the name of the financial institution, and the maximum value during the year. Note that if you hold the foreign assets in a U.S. financial institution (e.g., a foreign stock in a U.S. brokerage account), those assets do not need to be reported. Penalties for failing to file Form 8938 are severe and start at \$10,000, with a maximum of \$50,000 for continued non-compliance. It's important to ensure all foreign assets are properly reported to avoid these penalties.

Virtual currency is considered an equivalent value to real currency or a substitute for real currency. It is often referred to as “convertible” virtual currency. An example of virtual currency is Bitcoin, which can be traded between users, used for purchases, or exchanged into U.S. dollars (USD), Euros (EUR), and other foreign or virtual currencies. For tax purposes, virtual currency is treated as property, not currency, meaning there are not foreign currency gains or losses to report. If you receive virtual currency as payment for goods or services, its value must be measured in U.S. dollars based on its trade value on the date of receipt. When you sell or exchange virtual currency, you generally recognize capital gains or losses if it was held as an investment. If the currency was received or used to pay for goods or services, the gains or losses are treated as ordinary income or expenses.

Form 1040 includes a yes/no question asking if the taxpayer has a financial interest in virtual currency. The question for 2024 reads: At any time during 2024, did you receive (as a reward, award, or payment for property or services), or sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? We will include this question in the tax organizer, and it is important to let us know if you have any financial interest in virtual currency when providing your tax information. If the question is left unanswered, we will assume you did not have

a financial interest in virtual currency. New for 2025, Form 1099-DDA will be required by certain custodial brokers to report digital asset proceeds from brokerage transactions. Be aware of this new requirement and ensure proper reporting when engaging in digital asset transactions.

For cash contributions, you are required to provide a canceled check, letter, receipt, or other written communication from the charity showing their name, the date, and the amount of the contribution. Contributions of \$250 or more must be supported by a receipt from the qualified charity, which must state whether you received anything in return for your contribution. This receipt must be obtained by the time you file your return, and a canceled check alone is not sufficient. The receipt must include the amount of cash contributed, a description of any property that was donated, a statement indicating whether the charity provided any goods or services in return for the contribution, if applicable, a good faith estimate of the value of any goods or services received or a statement that the goods or services provided consisted solely of intangible religious benefits. For noncash contributions of clothing and household items, the items must be in “good or better condition” to be eligible for deduction. Noncash contributions typically need to be supported by a receipt containing the name of the charity, a description of the donated property, and the date and location of the contribution. For noncash contributions of property valued at more than \$5,000 you must obtain a qualifying written receipt from the charity and an appraisal from a qualified appraiser.





## Estate and Gift Taxes

For individuals dying and generation-skipping transfers between 2018 and 2025, the TCJA raised the Unified Exclusion Amount for gift and estate taxes to \$13,610,000 in 2024 and \$13,990,000 in 2025. The portability election, allowing a deceased spouse's unused exclusion to transfer to the surviving spouse, remains unchanged. Regularly review your wills, powers of attorney, living wills, and beneficiary designations to ensure they are up-to-date.

The annual gift exclusion is \$18,000 in 2024 and \$19,000 in 2025, per recipient. Gifts exceeding these amounts require filing Form 709, United States Gift Tax Return.



## Business Related Items

Starting in 2024, most businesses must report Beneficial Ownership Information. New companies have 90 days to report, and existing companies were to report by January 1, 2025, but due to several court cases this deadline is currently not being enforced. This includes disclosing ownership and control details. As this is considered legal work, please consult your business attorney for assistance. More information is available at [www.fincen.gov/boi](http://www.fincen.gov/boi). Please check their website for updates and to check for changes to the filing requirements.

The standard mileage rate for business driving is 67 cents for 2024 and 70 cents for 2025. Parking and tolls can be claimed, but not fuel or repairs. This method can't be used if accelerated depreciation or expensing was claimed.

The Social Security wage base is \$168,600 for 2024 and \$176,100 for 2025.

Health Insurance Reimbursements made by employers are not allowed. Violations may result in a \$100 Per day penalty. Employers can increase employee pay to cover premiums, but cannot require the funds be used for this. S corporations can still reimburse 2-percent shareholder-employees for premiums without penalty, pending further guidance.

Starting in 2024 (originally slated for 2022), banks are required to report to the IRS and merchants the aggregate gross dollar amount a merchant receives from credit or debit card transactions on Form 1099-K. The threshold is being lowered to \$5,000 annually, down from the \$20,000 and 200+ transactions threshold used in 2023. There will also be a yes/no question on business returns asking if you filed the required 1099s for your business. Payments made via credit or debit card will be reported on Form 1099-K, so you won't need to file Form 1099-NEC for those. The IRS is aggressively enforcing penalties for failure to file 1099s, which range from \$50 to \$290 per form, depending on the filing date. For intentional failures, the penalty rises to \$580 per form, with possible additional penalties for not filing recipient copies. Larger penalties may apply to larger businesses. If filing 10 or more information returns, they must be electronically filed. This e-filing requirement applies to 1099s, W-2s, 1098s, and many other forms. All information returns are combined for purposes of meeting the 10-return threshold for e-filing.

Vehicles used primarily for business qualify for 168(k) Bonus Depreciation, but there are dollar caps on cars, trucks, vans, SUVs with a Gross Vehicle Weight Rating (GVWR) of 6,000 lbs. or less. For 2024, the maximum allowed depreciation is \$20,400 for the 1st year; 2nd year \$19,800; 3rd year \$11,900; fourth and subsequent years \$7,160. However, for vehicles with a GVWR over 6,000 lbs., 60% of its cost (with no dollar cap) can be deducted in 2024 under the 168(k) Bonus Depreciation Deduction. Note that bonus depreciation has decreased from 100% in 2022 to 80% in 2023, 60% in 2024, and 40% in 2025.



## North Carolina Provisions

For 2024 and 2025, individuals are subject to a flat income tax rate of 4.5% for 2024 and 4.25% for 2025. The rate is set to decrease to 3.99% after 2025.

Medical and dental expenses are now permanently deductible using the same federal rules, with a threshold of 7.5% of adjusted gross income.

The standard deduction for joint filers is \$25,500

Effective January 1, 2020, businesses are required to withhold state income tax on payments to the following:

1. A nonresident contractor, meaning a nonresident individual or entity who performs for compensation any performance, entertainment, athletic event, speech, or creation of a radio, film, or television program. A nonresident entity can be a foreign LLC, partnership, or corporation, which has not received a certificate of authority from the NC Secretary of State.
2. An Individual Taxpayer Identification Number (ITIN) contractor, meaning an individual who does not have a social security number who performs services in NC other than wages for compensation.
3. A person who does not provide a taxpayer identification number or a valid taxpayer identification number. Also, the payments are expected to exceed \$1,500 during the year.



An elective pass-through entity can utilize a workaround to the federal State and Local Taxes (SALT) deduction limitation of \$10,000 under the Tax Cuts and Jobs Act. The pass-through entity must make the election on its annual return, and this election cannot be revoked after the due date of the return, including any extensions. Once the election is made, a partnership or S corporation is no longer required to withhold state taxes on behalf of nonresident partners or shareholders.

Effective January 1, 2021, North Carolina allows a deduction for retirement pay received for service in the U.S. Armed Forces if the individual served at least 20 years or is medically retired under 10 U.S.C. Chapter 61. This deduction does not apply to severance pay received upon separation from the Armed Forces.

North Carolina also provides a child deduction based on the number of qualifying children, available to taxpayers eligible for the federal child tax credit. There are six different deduction amounts, ranging from \$500 to \$3,000, depending on the taxpayer's federal AGI. Taxpayers with federal AGI exceeding certain thresholds are ineligible for the deduction: \$140,000 for joint filers, \$70,000 for single and married filing separately, and \$105,000 for head of household.



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