



2024 Tax Year Client Letter



Dear Client,

January 2, 2025

The 2024 tax season is here!

We thank you for your business.

We want to remind you of the tax information we need you to compile and provide along with your signed Engagement Letter and Tax Organizer (or Tax Questions).

Here is a checklist of 2024 tax year forms and data that may apply to you:

- W-2 for wages
- 1099-DIV for dividends
- 1099-NEC for income
- 1099-R for retirement
- 1098 for mortgages
- 1099-G for refunds & unemployment
- K-1 forms from investments in S corporations or partnerships
- Form 5498 for IRA values
- IRA and Roth IRA contributions
- For taxpayers age 70 ^{1/2} or older, any qualified charitable distributions (QCD)
- Medical and dental expenses
- Insurance premiums
- Childcare costs and the name, address, amount, and ID # of all recipients
- Cash and non-cash charitable donations - total amounts and recipients
- Property tax paid on your home, property or vehicles
- Estimated Federal and State tax payments and dates
- Any letters or notices you received from the IRS or State tax authorities
- Rental income and expenses
- Business income and expenses
- W-2G for gambling
- 1099-B brokerage
- 1099-MISC for income
- 1099-E for student loans
- 1098-T for tuition
- 1099-INT for interest
- SSA-1099 Social Security
- 1099-K for credit card income
- 1099-SA for HSAs

If you have a small business or rental property, we can provide you with a separate checklist.

For 2025 tax planning, the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows: the federal income tax has seven tax rates in 2025: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent. The top marginal income tax rate of 37 percent will hit taxpayers with taxable income above \$626,350 for single filers and above \$751,600 for married couples filing jointly.

The new standard deductions for 2025 will be: 1) Married filing jointly: \$30,000, up \$800 from 2024, 2) Single taxpayers and married individuals filing separately: \$15,000, up \$400, 3) Heads of households: \$22,500, up \$600. Additionally, retired married couples receive an additional standard deduction of \$1,600 for each spouse age 65+. Single individuals receive an additional \$2,000. **Takeaway:** This increase will make it more difficult to itemize your deductions in 2025, which means your tax payments, mortgage interest and charitable contributions are less likely to provide you a tax benefit. With the standard deduction potentially falling significantly in 2026, you may want to consider a “bunching” strategy, such as deferring charitable contributions from 2025 to 2026 where they may provide greater tax savings.

The alternative minimum tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. The AMT exemption amount for 2025 is \$88,100 for singles and \$137,000 for married couples filing jointly.

The maximum earned income tax credit (EITC) in 2025 for single and joint filers is \$649 if the filer has no children. The maximum credit is \$4,328 for one child, \$7,152 for two children, and \$8,046 for three or more children.

The 401(k) contribution limit is rising by \$500, to \$23,500. The overall savings limit, referred to as the 415 limit, is also increasing \$1,000 to \$70,000. This includes your own savings plus any matching or profit-sharing contributions from your employer. While catch-up contributions for participants aged 50 and up will remain at \$7,500, the IRS is introducing a new “super catch-up” contribution limit for older employees. Beginning in 2025, individuals aged 60-63 can contribute an additional \$3,750 to their employer-sponsored retirement plans, for a total catch-up amount of \$11,250. **Takeaway:** Make sure you assess your retirement contributions to ensure you’re maximizing your benefits. Keep in mind the phaseout ranges have changed; couples with income over \$246,000 (and singles over \$165,000) will not be eligible to contribute to a Roth IRA next year.

Social Security and Supplemental Security Income (SSI) benefits will increase 2.5% in 2025, an average increase of almost \$48 per month. This adjustment is notably smaller when compared to the recent years’ 5-8% increases that were in response to high inflation. **Takeaway:** While inflation has slowed compared to the start of 2024, prices continue to be higher than previous years and may require you to review your cash flow strategy for the year to come.

The gift tax annual exclusion is increasing from \$18,000 to \$19,000 for 2025 – the fourth consecutive year the gift limit has increased. Individuals can gift up to this amount to any number of individuals in 2025 without incurring gift tax or using any of the taxpayer’s lifetime exemption. Married couples can each use this exemption, allowing them to gift up to \$38,000 annually to each recipient in 2025. The exclusion is increased to \$190,000 from \$185,000 for gifts to spouses who are not citizens of the United States.

The 2024 tax year filing deadline is Tuesday April 15, 2025.

To ensure we complete your return(s) by this deadline please submit your tax data to us as soon as you have it compiled. ***We work on a first-in, first-out basis.***

Reminders

- For those clients that receive a mailed tax package from us, please use the enclosed green 1st class envelope to mail us your Engagement Letter, Organizer (or Tax Questions) and 2024 tax documentation
- We again will offer online Tax Organizers and Engagement Letters using SafeSend (www.tpeterscpa.com/safesend)
- We will also continue to use SafeSend Returns to deliver our completed individual, business, and fiduciary tax returns to you electronically
- We provide invoice payment options online, free of charge (www.tpeterscpa.com/pay-your-fee)

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