Wells Fargo Wealth & Investment Management

2024 Tax Planning Guide

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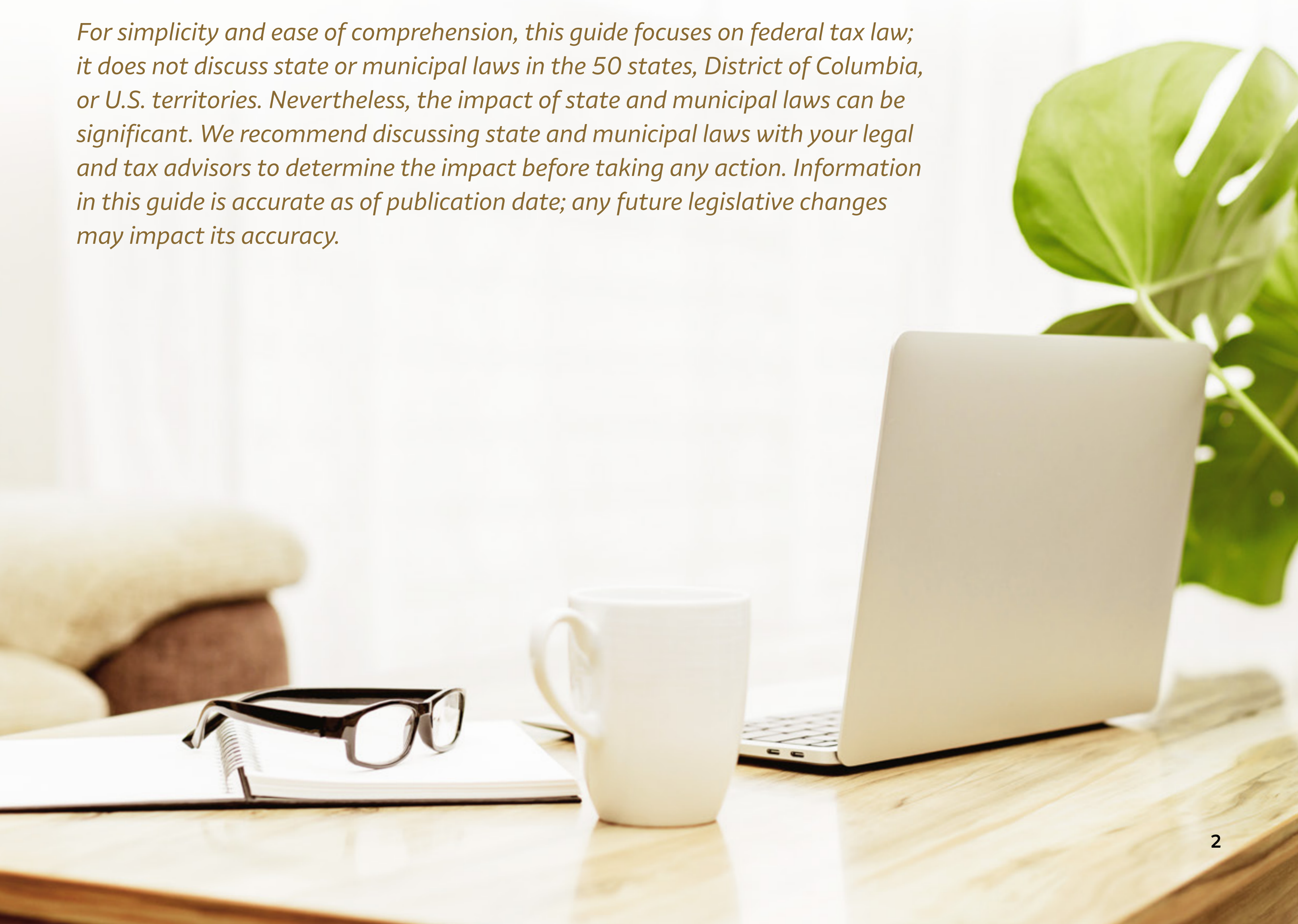
For simplicity and ease of comprehension, this guide focuses on federal tax law; it does not discuss state or municipal laws in the 50 states, District of Columbia, or U.S. territories. Nevertheless, the impact of state and municipal laws can be significant. We recommend discussing state and municipal laws with your legal and tax advisors to determine the impact before taking any action. Information in this guide is accurate as of publication date; any future legislative changes may impact its accuracy.



Important tax deadlines for 2024

2024 deadlines are approaching for many strategies to reduce your tax bill. Review the checklist below and discuss these strategies with your advisor and tax advisor.

January 16

- [ ] Pay fourth-quarter 2023 federal individual estimated income tax

January 26

- [ ] Buy in to close a short-against-the-box position (regular-way settlement) for 2023

April 15

- [ ] Pay first-quarter 2024 federal individual estimated income tax
- [ ] File 2023 federal individual income tax return (or make payment with extension)
- [ ] Make 2023 contribution to Traditional IRA, Roth IRA, Health Savings Account (HSA), or Coverdell Education Savings Account (ESA)

June 17

- [ ] Pay second-quarter 2024 federal individual estimated income tax

September 16

- [ ] Pay third-quarter 2024 federal individual estimated income tax

October 15

- [ ] File 2023 federal individual income tax return subject to automatic extensions

November 29

- [ ] Double up to avoid violating the “wash sale” rule

December 31

- [ ] Sell stock or listed options to realize a gain or loss
- [ ] Take 2024 required minimum distributions (RMDs) from Traditional, SEP & SIMPLE IRAs, and most qualified plans if required
- [ ] Complete a Roth IRA conversion
- [ ] Complete a 529 plan contribution
- [ ] Sell shares acquired through the 2024 exercise of incentive stock options (ISOs) in disqualifying disposition to limit Alternative Minimum Tax (AMT) exposure
- [ ] Deadline for completion of gifts for the current calendar year (charitable or other)

2024 income tax rate schedules

These are the tax tables in effect for 2024 as of publication. Keep in contact with your advisors throughout the year to stay current with any changes.

Married taxpayer filing jointly/surviving spouse rates

Taxable income[1]		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$23,200	$0	10%	$0
$23,200	$94,300	$2,320.00	12%	$23,200
$94,300	$201,050	$10,852.00	22%	$94,300
$201,050	$383,900	$34,337.00	24%	$201,050
$383,900	$487,450	$78,221.00	32%	$383,900
$487,450	$731,200	$111,357.00	35%	$487,450
$731,200+		$196,669.50	37%	$731,200

Single taxpayer rates

Taxable income[1]		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$11,600	$0	10%	$0
$11,600	$47,150	$1,160.00	12%	$11,600
$47,150	$100,525	$5,426.00	22%	$47,150
$100,525	$191,950	$17,168.50	24%	$100,525
$191,950	$243,725	$39,110.50	32%	$191,950
$243,725	$609,350	$55,678.50	35%	$243,725
$609,350+		$183,647.25	37%	$609,350

Head of household rates

Taxable income[1]		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$16,550	$0	10%	$0
$16,550	$63,100	$1,655.00	12%	$16,550
$63,100	$100,500	$7,241.00	22%	$63,100
$100,500	$191,950	$15,469.00	24%	$100,500
$191,950	$243,700	$37,417.00	32%	$191,950
$243,700	$609,350	$53,977.00	35%	$243,700
$609,350+		$181,954.50	37%	$609,350

1. Taxable income is income after all deductions (including, but not limited to either itemized or standard deduction).

Information in all tables from irs.gov unless otherwise specified

Married taxpayer filing separately rates

Taxable income[2]		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$11,600	$0	10%	$0
$11,600	$47,150	$1,160.00	12%	$11,600
$47,150	$100,525	$5,426.00	22%	$47,150
$100,525	$191,950	$17,168.50	24%	$100,525
$191,950	$243,725	$39,110.50	32%	$191,950
$243,725	$365,600	$55,678.50	35%	$243,725
$365,600+		$98,334.75	37%	$365,600

2. Taxable income is income after all deductions (including, but not limited to either itemized or standard deduction).

Standard deductions

Married/joint	$29,200
Single	$14,600
Head of household	$21,900
Married/separate	$14,600
Dependents	$1,300

For dependents with earned income, the deduction is the greater of $1,300 or earned income +$450 (up to the applicable standard deduction amount of $14,600).

Additional standard deductions

Married, age 65 or older or blind	$1,550[3]
Married, age 65 or older and blind	$3,100[3]
Unmarried, age 65 or older or blind	$1,950
Unmarried, age 65 or older and blind	$3,900

3. Per person

Capital gains, losses, and dividends

Short-term capital gains (gains on the sale of capital assets held one year or less) are taxed at the ordinary income tax rate for individuals and trusts regardless of filing status. Long-term capital gains tax rates are not tied to the tax brackets.

The table below shows long-term capital gains tax rates. Qualified dividends are taxed at long-term capital gains rates, while nonqualified dividends are taxed at ordinary income tax rates. Your financial professional can work with you and your tax advisor to help determine whether realizing portions of your portfolio's gains (and losses) can help manage the tax impact of activity in your investment portfolio.

Long-term capital gain rate (longer than one year)

	0%[4]	15%[4]	20%[4]
Single	$0 – $47,025	$47,026 – $518,900	$518,901+
Married filing jointly and surviving spouse	$0 – $94,050	$94,051 – $583,750	$583,751+
Head of household	$0 – $63,000	$63,001 – $551,350	$551,351+
Married filing separately	$0 – $47,025	$47,026 – $291,850	$291,851+
Trusts and estates	$0 – $3,150	$3,151 – $15,450	$15,451+

4. Determine your capital gain bracket(s) by adding your net long-term capital gains and/or qualified dividends to your other taxable income net of deductions. (Multiple rates may apply.) Higher rates apply to collectibles and unrecaptured Section 1250 gains. Consult your tax advisor about how this applies to your situation.

Netting capital gains and losses

1. Net short-term gains and short-term losses.
2. Net long-term gains and long-term losses.
3. Net short-term against long-term.
4. Deduct up to $3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years.

Tax loss harvesting

Capital loss harvesting may be used to reduce taxes on other reportable capital gains. This requires selling securities at a value less than their adjusted cost basis to create a loss, which is generally used to offset other recognized capital gains for the year. With the potential for volatility in the market, harvesting capital losses should not be limited to the end of the year. Instead, consider reviewing this strategy with your advisor throughout the year, which may help you take advantage of market swings, avoid wash sale situations (the purchase of a "substantially identical" security within 30 days before or after the sale realizing the loss), understand the impact on dividend distributions and transaction fees, and make sure it works with your overall wealth management strategy.

Remember, when executing transactions intended to affect your tax bill, the trade date — not the settlement date — determines the holding period for most transactions. This will in turn determine whether an asset is held long-term or not. Be sure to work closely with your tax advisor as well regarding how tax loss harvesting may impact your tax situation.

Rebalance your investment portfolio

With volatility oftentimes a risk in the market, it is important to review your investment portfolio to determine if rebalancing is necessary to help maintain your desired asset allocation. You may have some or all of your accounts set up to automatically rebalance. However, if you do not have automatic rebalancing, it is important to review your entire portfolio, including both taxable accounts and assets held in tax-advantaged accounts (such as your IRAs and 401(k) accounts) to see if any changes may be necessary.

Avoid purchasing new mutual funds with large expected capital gains distributions

Like other types of securities, you realize capital gains on your mutual fund holdings when you sell them. However, a unique feature of mutual funds is their potential annual distribution of capital gains to shareholders. Companies that manage mutual funds announce the amount of capital gains to be distributed to shareholders near the end of the year.

The announcement includes:

- A record date (the date of record for shareholders to receive a distribution)
- An ex-date (the date the security trades without the distribution)
- An amount typically expressed as a percentage of a shareholder's position
  - For example, a 10% distribution on a $100 investment would equal a $10 distribution

For investors looking to rebalance their portfolios, mutual fund distributions can be problematic. A rule of thumb is that you typically don't want to buy into capital gains distributions. When reallocating your rebalanced proceeds to a new mutual fund near year-end, pay attention to the date of its annual capital gains distribution to avoid any unexpected tax consequences.

There are risks associated with investing in mutual funds. Investment returns fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Wash sale rules

A wash sale occurs when a security is sold at a loss and the same security, or a substantially identical security, is purchased within 30 days before or 30 days after the sale date. When a wash sale occurs, the loss recognized from the transaction is disallowed and is unable to be used to offset other gains. Instead, the amount of the disallowed loss will be added to the cost basis of the repurchased securities. The rule was developed to prevent investors from creating a deductible loss without any market risk.

A wash sale can be avoided by purchasing the identical security more than 30 days before the loss sale or more than 30 days after the loss sale. A security within the same sector but that is not substantially identical may be purchased at any time before or after the loss sale and will not trigger the wash sale rules.

Retirement accounts

401(k), 403(b), Governmental 457(b) plan contribution limits

Employee maximum deferral contributions	$23,000
Catch-up contribution (if age 50 or older)	$7,500

Combined limit for designated Roth account and pretax 401(k), or 403(b) deferral contributions is $23,000 for those younger than 50 and $30,500 for those 50 and older within a particular tax year.

Traditional and Roth IRAs

Maximum contribution	The lesser of $7,000 or total compensation for the year
Maximum contribution (per individual if age 50 or older within a particular tax year)	The lesser of $8,000 or total compensation for the year

- Monday, April 15, 2024, is the last day to establish and/or make contributions for 2023 for Traditional and Roth IRAs, and Coverdell Education Savings Accounts (ESAs) — no extension.
- Contribution deadline extensions apply to employer contributions with SEP and SIMPLE IRAs.
- The total contribution to all of your Traditional and Roth IRAs cannot be more than the annual maximum for your age or 100% of earned income, whichever is less.
- There is no maximum age for making IRA contributions, as long as you, or your spouse if filing jointly, has earned income and meet other eligibility requirements.
- Roth contributions are not tax-deductible.
- You can contribute to an IRA whether or not you contribute to a workplace retirement plan (WRP), such as a 401(k), 403(b), SEP IRA, or SIMPLE IRA, as long as you have enough earned income to cover the contributions.

Traditional and Roth IRA — what's right for you?

Traditional IRAs offer tax-deferred growth potential. Generally, you do not pay taxes on any investment earnings until you withdraw or "distribute" the money from your account, presumably in retirement.[5] Exceptions may apply. Additionally, if you're not covered by a workplace retirement plan or if you are and your income is below the modified adjusted gross income (MAGI) limits, your contribution may be tax deductible.

Roth IRAs offer tax-free growth potential. Investment earnings are distributed tax-free, if the account has been funded for more than five years **and** you are at least age 59½, or as a result of your disability, or using the first-time homebuyer exception or taken by your beneficiaries due to your death.[5] Since contributions to a Roth IRA are not deductible, there is no tax deduction regardless of income. If your income exceeds the MAGI limit, you are not eligible to contribute to a Roth IRA.

When deciding which IRA might be appropriate for your situation, be sure to consider such factors as:

- Your current and future tax rates, as well as your current income
- When you will need these funds and for what purpose
- Potentially tax-free income in retirement or a tax deduction now
- Whether you'd like the flexibility of not taking required minimum distributions (RMDs)
- Your access to other forms of retirement income

5. Traditional IRA distributions are taxed as ordinary income. Qualified Roth IRA distributions are not subject to state and local taxation in most states. Qualified Roth IRA distributions are also federally tax-free, provided a Roth IRA has been funded for more than five years and the owner has reached age 59½, or disabled, or using the first-time homebuyer exception, or taken by their beneficiaries due to their death. Both may be subject to a 10% additional tax if distributions are taken prior to age 59½.

Traditional IRA deductibility limits

Full deduction if you and your spouse are not covered by a workplace retirement plan[6], regardless of income.

If you and your spouse are covered by a workplace retirement plan[6], deductions are phased out based upon MAGI:

Married/joint MAGI	Single/HH[7] MAGI	Deduction
Up to $123,000	Up to $77,000	Full
$123,000 – $143,000	$77,000 – $87,000	Phased out
$143,000 or more	$87,000 or more	None

If your spouse is covered by a workplace retirement plan[6] but you are not, your deductions are phased out based upon MAGI:

Married/joint MAGI	Married/separate MAGI[8]	Deduction
Up to $230,000	N/A	Full
$230,000 – $240,000	Up to $10,000	Phased out
$240,000 or more	$10,000 or more	None

Roth IRA contribution phase-out limits

Contributions are subject to the following MAGI limits:

Married/joint MAGI	Married/separate MAGI[8]	Single/HH[7] MAGI	Contribution
Up to $230,000	N/A	Up to $146,000	Full
$230,000 – $240,000	Up to $10,000	$146,000 – $161,000	Phased out
$240,000 or more	$10,000 or more	$161,000 or more	None

SEP, SIMPLE IRAs, and other retirement plan limits[9]

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	$16,000
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	$3,500
Maximum annual defined contribution plan limit	$69,000
Maximum compensation for calculating qualified plan contributions	$345,000
Maximum annual defined benefit limit	$275,000
Threshold for highly compensated employee	$155,000
Threshold for key employee in top-heavy plans	$220,000
Maximum SEP contribution is lesser of limit or 25% of eligible compensation	$69,000
Income subject to Social Security	$168,600

6. The "Retirement Plan" box in Box 13 of your W-2 tax form should be checked if you were covered by a workplace retirement plan.

7. HH stands for Head of Household.

8. Your filing status is considered single for IRA contribution purposes if you did not live with your spouse during the tax year.

9. For 401(k), 401(k) SIMPLE, profit-sharing plan, money purchase plan, SEP IRAs, and SIMPLE IRAs distributions are subject to ordinary income tax and may be subject to an IRS 10% additional tax for early or pre-59½ distributions.

Consider converting to a Roth IRA

Roth conversions

One way to benefit from tax-advantaged growth potential and possible tax-free distributions may be to convert your Traditional IRA or qualified employer sponsored retirement plan (QRP) eligible rollover distribution to a Roth IRA. It is important to remember that you must have a triggering event, such as separation of service, to be eligible to make distributions from your QRP. At the time of conversion, you will pay the appropriate taxes due, but the benefits of tax-free income in retirement may justify the conversion. One benefit is that any earnings would be distributed tax-free, if the Roth IRA has been open for longer than five years **and** you are at least age 59½, or you are disabled, or you are using the first-time homebuyer exception.

Roth conversion considerations

Roth conversions are not for everyone and there are numerous factors that are critical in your decision-making. Consider the following before making a decision to convert:

Features

- Potential tax savings. If you are expecting to be in a higher tax bracket in the future, paying tax now at a lower rate may be wise.
- No RMDs during your lifetime.
- Generally tax-free distributions for beneficiaries, a feature which supports important estate planning options.
- Tax diversification potential. Tax-free distributions may allow for more flexibility to manage taxable income in retirement.

Please keep in mind that rolling over your QRP assets to an IRA is just one option. You generally have four options for your QRP distribution:

- Roll over your assets into an IRA
- Leave assets in your former QRP, if plan allows
- Move assets to your new/existing QRP, if plan allows
- Take a lump-sum distribution and pay the associated taxes

When considering rolling over your assets from a QRP to an IRA, factors that should be considered and compared between QRPs and IRAs include fees and expenses, services offered, investment options, when you no longer owe the 10% additional tax for early distributions, treatment of employer stock, when required minimum distributions begin and protection of assets from creditors and bankruptcy. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with QRPs. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

Conversion is not an all-or-nothing proposition, as you can convert all or a portion of your eligible retirement accounts. Note that a Roth IRA conversion will trigger ordinary income in the year of conversion and potentially the Medicare surtax on other net investment income, as the conversion counts toward the calculation of MAGI and may bump you into a higher tax bracket.

Questions to consider

- What is your tax situation and ability to pay for the conversion? Because, once you convert, you can no longer recharacterize, or undo the conversion.
- Will a conversion push you into a higher tax bracket for the year?
- Do you expect to be in a lower tax bracket in retirement?
- Are you planning to retire in a state without income tax but currently live in a state with income tax? If so, converting now may cost you more.
- Do you need the converted Roth funds within the next five years?
- Do you have funds outside of the IRA to pay the taxes on the conversion? Because taking a distribution from your IRA to pay the taxes due on the Roth conversion will result in additional income taxes, loss of tax deferral, and if you are under 59½, the 10% additional tax.

If you are thinking about a Roth conversion, we suggest you speak with your tax advisor as well as your financial advisor. They will be able to review your specific situation and discuss a Roth conversion in more detail.

Qualified charitable distributions (QCDs)

QCDs are a unique tax strategy that allow individuals who are at least age 70½ and have Traditional and/or Inherited IRAs to distribute up to $105,000, indexed for inflation, per year directly from their IRA to a qualified charity with no federal income tax consequences. As part of your QCD, you may distribute a one-time $53,000, indexed for inflation, QCD paid directly from your IRA to certain split-interest entities that qualify. The $53,000 is part of the QCD annual limit. Making a QCD will reduce the value of your IRA, thereby potentially reducing your RMDs. If you file a joint return, the $105,000 limit applies to each spouse.

Deductible Traditional IRA contributions made beginning at age 70½ may reduce your QCD amount.

Please consult with your tax advisor.

Estate and gift taxes

Applicable exclusion: $13.61 million

Taxes are imposed on transfers, by gift or at death, above an applicable exclusion amount, which is indexed to inflation (currently $13.61 million for an individual). With proper planning, it is possible for a married couple to use two exclusion amounts. For example, an executor can make a "portability" election to transfer any unused exclusion from a deceased spouse to a surviving spouse. Consult your tax and legal advisors to determine the appropriate strategy for applying the portability rules.

Estate tax rate: 40%

The estate tax rate is 40% for any amount exceeding $13.61 million (or exceeding $27.22 million for married U.S. residents or citizens).

Generation-skipping tax exemption: $13.61 million

Gift tax annual exclusion: $18,000

Each individual may transfer up to $18,000 per person per year to any number of beneficiaries (family or nonfamily) without paying gift tax or using up any available applicable exclusion during one's lifetime.

Explore wealth transfer opportunities

There are actions you can take to potentially reduce your future estate tax liability and to maximize your lifetime gifting. However, make these decisions in conjunction with other wealth planning decisions to make sure assets pass effectively and efficiently and fulfill your wishes and the needs of your beneficiaries.

- One action that may pass assets effectively and efficiently is paying tuition and medical expenses of your beneficiaries. Tuition and medical expenses paid on behalf of anyone directly to the institution are excluded from taxable gifts and are unlimited in amount.
- Another possible action is an outright gift in excess of $18,000. While such outright gifts are simple to execute and can reduce taxable estates, clients are sometimes reluctant to use them due to a lack of control and concerns about access once gifts are made.

If Congress does not act, the current estate tax and gift tax exemptions are scheduled to sunset on December 31, 2025, potentially cutting the exemptions in half for 2026. Be sure to discuss these exemptions with your estate planning and financial advisors to determine whether you want to make changes to your gifting strategies where appropriate.

Typically, families with significant taxable estates are strategic about how best to use the annual exclusion and their lifetime exclusion gifting by utilizing advanced strategies such as irrevocable trusts (for example, irrevocable life insurance trusts, spousal lifetime access trusts, intentionally defective grantor trusts, grantor retained annuity trusts, and charitable split interest trusts), transfers of interests in entities (such as family limited partnerships and limited liability companies), and other planning techniques.

Modern planning techniques are, in general, increasingly flexible, and some may provide mechanisms to help protect your beneficiaries while also allowing you options for maintaining your own desired lifestyle. Given the market volatility and interest rates at time of publication, some of these strategies may be that much more impactful at this time. As with any strategy, there are risks to consider and potential costs involved. Discussions with your advisors can help in the education of how these strategies work and the role that depressed valuations of certain assets and interest rates can play.

A modern wealth planning approach goes beyond minimizing transfer taxes and should incorporate income tax planning, asset protection, business succession planning, and family dynamics considerations such as education of heirs and beneficiaries to be financially fluent and knowledgeable about wealth stewardship expectations and/or opportunities.

Many taxpayers reside in states that have their own death, estate, or inheritance taxes. This topic should also be reviewed with your attorney to see if additional planning can minimize or eliminate state estate taxes or if any adjustments need to be made to existing planning as a result of the discrepancy between state and federal estate taxes.

Federal trust and estate income tax rates

Tax rates[10]

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$3,100	$0	10%	$0
$3,100	$11,150	$310.00	24%	$3,100
$11,150	$15,200	$2,242.00	35%	$11,150
$15,200+		$3,659.50	37%	$15,200

10. See page 6 for corresponding capital gain and qualified dividend rates.

Social Security

Social Security and Medicare taxes

In 2024, individuals will be taxed 6.2% in Social Security taxes, up to $168,600 of earnings, at which point there are no additional taxes. Medicare taxes are applied to 1.45% of earnings and there is no maximum wage cap. An extra 0.9% may be applied on the earnings over $200,000 for single filers and for joint filers earning over $250,000. Contact your tax advisor for current Social Security and Medicare tax information.

Earnings test

The earnings test indicates the level of earnings permissible for Social Security recipients without incurring a deduction from benefits. These limits are indexed to increases in national earnings.

Worker younger than full retirement age	$22,320
Year worker reaches full retirement age (applies only to earnings for months prior to attaining full retirement age)	$59,520
Worker at full retirement age	No limit

Maximum monthly benefit: $3,822

This benefit is for an individual who reaches full retirement age in 2024 and earns at least the maximum wage base for 35 years.

Information provided by the Social Security Administration.

Taxation thresholds

Up to a certain percentage of an individual's Social Security benefits may be subject to taxation when his or her provisional income[11] exceeds certain threshold amounts:

	Up to 50% taxed	Up to 85% taxed
Married filing jointly	$32,000 – $44,000	More than $44,000
Single/Head of Household/Qualifying Widower	$25,000 – $34,000	More than $34,000
Married filing separately	Up to 85% taxable[12]	

11. Provisional income generally includes MAGI plus nontaxable interest and one-half of Social Security benefits.

12. There is an exception to this rule if you lived apart from your spouse for the entire year. Consult your tax advisor for more information.

Medicare surtax

The Medicare 3.8% surtax is imposed on certain types of unearned income of individuals, trusts, and estates with income above specific thresholds. For individuals, the surtax is imposed on the lesser of the following:

- Net investment income for the tax year
- The amount by which MAGI exceeds the threshold amount in that year

The threshold amounts

Single/Head of Household	Married Filing Joint/Surviving Spouse	Married filing separately
$200,000	$250,000	$125,000

For trusts and estates, the surtax is imposed on the lesser of the following:

- The undistributed net investment income for the tax year
- The excess (if any) of the trust's or estate's adjusted gross income over the dollar amount at which the highest tax bracket begins ($15,200) in 2024

Net investment income defined

1. Gross income from taxable interest, dividends, annuities, royalties, and rents
2. Gross income from a passive activity or a trade or business in which you do not materially participate
3. Net gain to the extent taken into account in computing taxable income (such as capital gains) less the allowable deductions that are properly allocable to that gross income or net gain

Note: The surtax does not apply to nonresident aliens.

Charitable contributions

Congress recognized that the doubling of the standard deduction under the Tax Cuts and Jobs Act of 2017 would effectively eliminate the ability of many taxpayers to obtain a benefit for their charitable contributions, potentially causing many taxpayers to give less. To counteract this, a change was made to increase the adjusted gross income (AGI) limitation for cash contributions to a public charity from 50% to 60%.

When deciding to make a direct gift of stock or cash, remember that your deduction may be limited by your income as shown in the following chart. The limitation is based on the type of organization and the type of gift.

AGI limitations on deductions for charitable gifts

Type of organization	Cash gifts	Long-term capital gain property[13]	Tangible personal property[14]
Public charity	60%	30% using fair market value of the asset contributed	30% using fair market value of the asset contributed
Private foundation	30%	20% using fair market value if the asset contributed is publicly traded stock	20% using tax/cost basis of the asset contributed[15]

Although the AGI limitation for cash contributions was increased, it is important to consider donating appreciated property. Generally, if you donate appreciated property that has been held for over one year, you are eligible to deduct the fair market value without paying income tax on the unrealized gain. However, you can only deduct up to 30% of your AGI when making these gifts of long-term capital gains property (to a public charity). Being able to avoid the payment of taxes on the unrealized gain combined with the charitable contribution deduction may produce a better tax result than donating cash. A common example would be donating stock held long term that has increased in value since its purchase (see table on page 19). Charitable giving rules can be complex and you should discuss them with your tax advisor.

13. Long-term property is property held more than one year. Short-term property, held one year or less, is subject to different limits.

14. This applies if it will be used by the charity in conducting its exempt functions (for example, art in a museum). Different limits apply for tangible personal property that will not be used by the charity in conducting its exempt functions.

15. If the fair market value of unrelated use property is lower than the tax/cost basis (depreciated asset), the allowed deduction will be limited to the fair market value.

Source: irs.gov, unless otherwise specified

Consider donating stock instead of cash

This hypothetical example shows the potential advantages of a charitable donation of stock that has increased in value during the time the investor owned it (appreciated stock) vs. cash. It assumes a $10,000 gift; the stock has a $2,000 cost basis and was held for longer than 12 months; and the investor is in the 37% ordinary-income and 20% long-term capital-gains tax brackets, subject to the 3.8% Medicare tax on investment income, and able to itemize deductions.

Gift	Income Tax Savings[16]	Capital Gain Tax Savings	Medicare Tax on Investment Income Savings[16]
$10,000 Cash	$10,000 x 37%= $3,700	n/a	n/a
$10,000 Stock	$10,000 x 37%= $3,700	$8,000 x 20%= $1,600	$8,000 x 3.8%= $304

16. The amount of income tax saved may be subject to rules that limit charitable deductions as a percentage of AGI. Medicare surtaxes apply to certain higher income taxpayers.

By donating cash, the investor saves $3,700 in income taxes. However, by donating appreciated stock, they also save $1,600 in capital gains taxes and $304 in the Medicare tax on investment income they would have incurred if they had sold the stock instead of donating it. This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

When considering charitable gifting and capturing potential tax deductions, review your tax situation and carefully determine which assets to give. Gifts made to qualified, tax-exempt organizations are generally deductible, but as noted in the table on the previous page, are subject to limitations based on the type of organization (public or private), the asset being gifted, and your AGI. Charitable contributions that are not deductible in the current year due to AGI limitations can be carried forward for up to five years.

- Gifts made via check or credit cards are considered deductible in the current year if the check is written and mailed or the charge to the credit card posts on or before December 31. **Important note:** For 2024, check sent by USPS must be **postmarked** by December 31. Check sent by FedEx, UPS, or another carrier must **arrive** by December 31.
- Gifts of stock are considered complete on the date the brokerage firm transfers title, which can take several business days (or the date the taxpayer can substantiate permanent relinquishment of dominion and control over the stock), so be sure to plan these types of transfers well before December 31.
- Obtain and keep receipts and be aware of any value received for goods or services that may reduce the value of any tax deduction.

Naming a qualified charity as the beneficiary of your 401(k) or Traditional IRA upon your death can keep your estate and your heirs from having to pay income taxes on the distributions from those retirement assets. The full amount of your retirement assets will benefit the named charity because charities do not pay income taxes. The retirement assets will remain as part of your estate, but your estate will receive a charitable tax deduction. Alternatively, you can divide your retirement assets between your loved ones and charity, naming both as beneficiaries.

Depending on your circumstances, there are some additional planning options to consider:

- As noted earlier in this guide, QCDs allow individuals who are at least age 70½ to distribute up to $105,000 indexed for inflation, per year directly from their Traditional or Traditional Inherited IRA to a qualified charity with no federal income tax consequences. See details discussed earlier in the IRA section.
- If you are approaching retirement and anticipate lower ordinary income during retirement, you may find it beneficial to explore making a large gift to a donor-advised fund while working instead of smaller gifts during retirement.
- A charitable remainder trust (CRT) is a strategy in which annual income is distributed to one or more noncharitable beneficiaries, either for a life term or a term of not more than 20 years.

Take advantage of charitable deductions

The higher standard deduction combined with limits on other deductions means fewer people will be able to deduct their charitable contributions. An option to get a deduction is to bunch your donations together into one year and take the standard deduction in an alternate year if eligible.

For example, instead of making contributions in December 2024, you can make your 2024 contributions in January 2025. Making your 2025 contributions later during the year might give you enough to itemize in one calendar year. You could then take the standard deduction in 2024 and again in 2026, when you don't make contributions. If you are looking to maximize your charitable contributions, your tax advisor can assist with determining whether AGI limitations will apply and the timing of the gifts to fully utilize your deduction.

Donor Advised Fund (DAF)[17]

A Donor Advised Fund (DAF) is a charitable giving vehicle which may assist with "bunching" of charitable contributions into a given year. This can be useful when you are able to make a donation but have yet to determine the timing of the distributions out of the donor-advised fund or what charities will receive the gift.

17. Donations are irrevocable charitable gifts. The sponsoring organizations maintaining the fund have ultimate control over how the assets in the fund accounts are invested and distributed. Donor Advised Fund donors do not receive investment returns. The amount ultimately available to the Donor to make grant recommendations may be more or less than the Donor contributions to the Donor Advised Fund. While annual giving is encouraged, the Donor Advised Fund should be viewed as a long-term philanthropic program. Tax benefits depend upon your individual circumstances. Clients should consult their Tax Advisor. While the operations of the Donor Advised Fund and Pooled Income Funds are regulated by the Internal Revenue Service, they are not guaranteed or insured by the United States or any of its agencies or instrumentalities. Contributions are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Donor Advised Funds are not registered under federal securities laws, pursuant to exemptions for charitable organizations.

Kiddie tax

Children with investment and other unearned income, such as dividends and capital gains, exceeding $2,600 may be subject to the kiddie tax rules. These rules apply to children that are:

- Age 17 and under
- Age 18 with earned income not exceeding half of their support
- Over age 18 and under age 24 if also full-time students with earned income not exceeding half of their support

If certain conditions are met, parents may elect to report a child's unearned income on their own return using IRS Form 8814 for amounts less than $13,000. While doing so may be simpler, it may not necessarily be more tax-efficient. For example, the kiddie tax applicable to a child's unearned income of $10,000 may be less than when claimed by a parent already subject to top tax rates.

Unearned income of children is taxed at the higher of the parents' marginal tax rate or the child's tax rate.

Unearned income	Tax treatment
Less than $1,300	No tax
$1,300 – $2,600	Taxed at child's rate
More than $2,600	Taxed at the higher of the parents' top marginal rate or the child's tax rate

Education planning

529 plans

- Earnings, if any, accumulate tax-deferred; qualified withdrawals (such as tuition, fees, supplies, books, and required equipment) may be free of federal and state income taxes. See IRS publication 970 for more details on qualified expenses.
- There are no federal income, state-residency, or age restrictions.
- Potential state-tax incentives are available in some states.
- Plans may be funded up to the annual exclusion amount, $18,000 (single) or $36,000 (married) per year per donation recipient. Donors can also elect to make five years' worth of annual exclusion amounts in a single year's contribution, up to $90,000 (single) and $180,000 (married). For example, a couple with twins could fund $180,000 for each child after birth and let those funds potentially grow tax-free until needed. Contributions in excess of annual exclusions should be filed on a gift tax return (Form 709) to report use of the donor's available lifetime exclusion or the election to superfund five years' worth of annual contributions. Most plans allow for contributions by people other than the original donors, such as aunts/uncles, grandparents, friends, etc. You should consult with your tax advisor about filing a gift tax return to make this election.
- Aggregate contribution limits vary by state — roughly $200,000 to $500,000 per beneficiary.
- Elementary and secondary school tuition expenses of up to $10,000 per year are qualified education expenses for federal tax purposes. This flexibility may allow earlier access for private tuition prior to college. However, not all states conform to this definition of qualified expenses, so check with your tax advisor and confirm your state rules before taking a distribution for this purpose.

  While the benefits under 529 plans for early education may sound exciting, taxpayers may find it more advantageous to leave the 529 plan account untouched. This may allow the 529 the potential to grow tax-free during the primary education years and instead use it for college and post-graduate studies.
- Distributions may be used to pay the principal and/or interest on qualified education loans of the beneficiary or the sibling of the beneficiary, subject to a $10,000 lifetime limit per individual. Not all states have conformed to this law, and therefore a distribution may be considered a nonqualified withdrawal in your state. Nonqualified withdrawals are subject to federal and state income tax and a 10% penalty.

Please consider the investment objectives, risks, charges, and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your advisor. Read it carefully before you invest. The availability of such tax or other benefits may be conditioned on meeting certain requirements.

Considerations for excess 529 funds

- If a plan is overfunded due to your child (or whoever the plan was set up for) not having enough (or any) qualifying education expenses, you can change the plan beneficiary so long as the new beneficiary is a family member of the previous beneficiary (a sibling, spouse, parent, first cousin, etc.) and it is not a custodial 529 plan.
  - The donor can still access those tax-deferred funds; however, income taxes and penalties on distributions not used for qualified education expenses will apply on the growth of the assets.
  - While changing a 529 plan beneficiary is generally not a taxable event, changing to a new beneficiary in a younger generation may have gift tax consequences if not done appropriately.
- Achieving a Better Life Experience (ABLE) accounts allow for tax-advantaged funds to help disabled individuals pay for qualified disability-related expenses.
  - Rollovers from 529 plans to ABLE accounts (529A plans) are permissible, subject to federal and state limitations. Be aware that rollover rules may vary by state.
- If you are a designated beneficiary of a 529 plan, you may be eligible to have a direct rollover contribution made on your behalf from your 529 plan to a Roth IRA, if certain conditions are met (state laws may vary):
  - 529 must have been maintained for 15 years
  - May not exceed the aggregate of contributions (and earnings attributable thereto) made more than five years before the date of the rollover
  - May not exceed $35,000 lifetime limit
  - Are subject to annual Roth IRA contribution limits
  - The Roth IRA owner must have earned income at least equal to the amount of the rollover

Some of these rules are complex, contact your tax advisor for details.

Coverdell Education Savings Accounts (ESAs)

- Annual, non-deductible contributions are limited to a total of $2,000 per child from all contributors, regardless of the number of ESAs for that beneficiary.
- Contributions may be made until the child, sometimes referred to as the designated beneficiary, reaches age 18.
- Special needs beneficiaries are allowed contributions beyond 18.
- Maximum contribution amount is reduced if a contributor's MAGI is between $95,000 and $110,000 for individual filers or $190,000 and $220,000 for joint filers.
- Contributions can be made to both an ESA and a state sponsored 529 plan for the same year for the same beneficiary.
- Qualified distributions are generally federally tax-free, if they aren't more than the beneficiary's adjusted qualified education expenses for the year. Qualified ESA distributions are not subject to state and local taxation in most states.
- Funds must be used before age 30 or transferred to a family member under the age of 30 (except for special needs beneficiaries).
- A prior advantage of ESAs over 529s was the ability to use an ESA for private elementary or secondary school tuition. This advantage has been minimized now that 529 plans offer similar distributions and permit higher funding contributions, which are not phased out by the donor's income level.

American Opportunity Credit

Maximum credit: $2,500 per student per year, for first four years of qualified expenses paid

MAGI phase-outs	
Married filing jointly	$160,000 – $180,000
Single filer	$80,000 – $90,000

Up to 40% ($1,000) of the American Opportunity Credit is refundable. This means that even if your tax bill is zero, you can receive a refund of up to $1,000.

Lifetime Learning Credit

Maximum credit: 20% of the first $10,000 (per tax return) of qualified expenses paid in the current tax year

MAGI phase-outs	
Married filing jointly	$160,000 – $180,000
Single filer	$80,000 – $90,000

Exclusion of U.S. savings bond interest

MAGI phase-outs	
Married filing jointly	$145,200 – $175,200
Others	$96,800 – $111,800

Bonds must be titled in name(s) of taxpayer(s) only. Owner must be age 24 or older at time of issue. Must be Series EE or I bonds issued after 1989. Proceeds must be used for qualified post-secondary education expenses of the taxpayer, spouse, or dependent.

Student loan interest deduction

Maximum deduction: $2,500

MAGI phase-outs	
Married filing jointly	$165,000 – $195,000
Others	$80,000 – $95,000

Alternative minimum tax (AMT)

The alternative minimum tax (AMT) calculates income tax under different rules for income and deductions. If the AMT calculation results in a higher tax, the taxpayer will be subject to AMT and pay the higher tax. Generally, a taxpayer with a high proportion of capital gains income in relation to total income may trigger the AMT, as might exercising incentive stock options.

AMT income	Tax
Up to $232,600[18]	26%
Over $232,600	28%

18. $116,300 if married filing separately

AMT exemption

	Exemption	Phased out on excess over
Married taxpayer filing jointly/surviving spouse	$133,300	$1,218,700
Unmarried individual	$85,700	$609,350
Married taxpayer filing separately	$66,650	$609,350
Estates and trusts	$29,900	$99,700

Long-term care deduction for policy premiums

For specific qualified long-term care policies, the premiums are considered to be a personal medical expense and deductible by the IRS. The amount of qualified long-term premiums that will be considered a medical expense are shown in the table below.[19] The medical expense deduction is limited to qualified medical expenses over 7.5% of adjusted gross income.

Age before the close of the taxable year	Limit on premiums eligible for deduction
40 or under	$470
Over 40 but not over 50	$880
Over 50 but not over 60	$1,760
Over 60 but not over 70	$4,710
Over 70	$5,880

19. Limitations apply based on the type of taxpayer. You should consult your tax advisor regarding your situation.

Health savings account (HSA) limits

Health Savings Accounts (HSAs) are available to participants enrolled in a high-deductible health insurance plan. At the federal level, contributions to HSAs are not subject to income tax. Distributions are tax-free as long as they are used for qualified medical expenses.

In most states, contributions to HSAs are not subject to state taxes and income earned in HSAs is tax-deferred. Similar to federal law, qualified distributions are tax-free in most states. Please consult with your tax advisor for state-specific guidance on the tax deductibility of contributions and state taxes due on earnings.

If a distribution occurs from an HSA prior to age 65 for reasons other than qualified medical expenses, ordinary income taxes along with a 20% penalty are due on the distribution amount. Distributions from HSAs after age 65 are not subject to the 20% penalty but are subject to ordinary income taxes. Contributions to HSAs can no longer be made after enrolling in Medicare (eligibility for Medicare begins at age 65).

Maximum contribution	
Single	$4,150
Family	$8,300

$1,000 catch-up contribution allowed per individual age 55 or older.

Minimum health insurance plan deductible	
Single	$1,600
Family	$3,200

Maximum out-of-pocket expenses	
Single	$8,050
Family	$16,100

Connect regularly with your advisors

While the strategies in this guide may be effective in helping manage your tax burden, they are not all-inclusive or a destination in and of themselves. A better starting point is a strategic plan tailored for your specific needs and goals. That's where LifeSync® can help.

LifeSync is a planning experience that your advisor will guide you through to create a personal path for every individual, helping you make more informed financial decisions that more closely align with your aspirations. Whether you're just starting out on your journey, comfortably on the way, or ensuring things are in place for the next generation, your advisor can help guide you through LifeSync to help ensure your values and financial priorities stay in sync over time, help answer the questions you need answered, and provide the clarity you need to help you make the right decisions — at the right moments.

Connect with your advisor to get started. Finally, connect with your legal and tax advisors before taking any action that may have tax or legal consequences to determine how the information in this guide may apply to your specific situation.

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