

SAVVY TAX TIPS

2024



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Track your tax withholding and estimated tax payments for the year, considering all income sources including sales of real estate property and capital gains/losses.

Understand how recent tax law changes impact whether you take the standard deduction or itemized deductions. The number of taxpayers itemizing has declined dramatically since the 2018 tax law changes.

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Consider “bunching” itemized deductions (such as charitable donations and property taxes) every other year or two. Medical donations only start to qualify for itemizing at 7.5% of your Adjusted Gross Income and you are limited to \$10K in state and local tax payments including real estate taxes and income taxes.

Maximize funding to retirement accounts (401(k), IRAs) from earned income, including self-employment income. Evaluate if you qualify to fund a Roth IRA and if this is advantageous for you.

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Self-employment income must be reported over \$400. Have good recordkeeping for business deductions and consider funding an IRA, Roth IRA or SEP-IRA retirement account based on your self-employment earnings.

Required Minimum Distributions (RMDs) from IRA accounts must be taken by age 73 for individuals turning 72 on or after January 1, 2023. Those 70 ½ and older may consider making direct “Qualified Charitable Distributions” (QCDs) to reduce the taxable burden of IRA distributions. The penalty for not taking RMDs is now 25% of the RMD or 10% if taken within two years with a corrected tax return.

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Consider Roth Conversions in years when you pay less income tax. Withdrawals for those over age 59 ½ are tax-free and not subject to RMDs if you have had your Roth account for five years or more.

Consider gifting opportunities (including low-cost basis stock) up to gift tax exclusion limits. The gifting annual exclusion limit for 2024 has risen to \$18,000 per donor per donee. Gifts over the annual exclusion require a gift tax return filing to report the gift.

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Track your cost basis and transactions if you participate in virtual currency trades. Remember that you must report that you are holding virtual currency on your tax return even if you do not trade in a given year. Gains or losses from virtual current trades are reported on Schedule D of your tax return annually.