



# Tax Planning Considerations for 2024

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# Your Presenters

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# Agenda

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- Importance of Tax Planning
- SECURE Act Highlights
- Sunsetting Tax Provisions
- Estate Planning Considerations
- Business Tax Updates
- Q&A



# Importance of Tax Planning

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- ✓ Overall goal is to minimize income tax liability
- ✓ Understanding current & potential future tax law changes
- ✓ Assist with achieving financial goals
- ✓ Planning will help to avoid surprises



# SECURE Act Highlights

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- **Provisions include automatic enrollment of participants into new 401(k) & 403(b) plans** upon becoming eligible – employees may opt out within 90 days
- **Credit for small business pension plan start up cost modifications**
- **Required minimum distribution beginning date changes:**
  - Starting on 1/1/23 – must take RMD at age 73
  - Starting on 1/1/33 – must take RMD at age 75

# Secure Act Highlights *(cont'd.)*

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- **Increase to catch-up contributions**
- **Incentives can be provided to employees to contribute to a plan:**
  - Example would be a low-dollar amount gift card
- **Qualified part time employees can be included in plans** (previously could be excluded)



# Secure Act Highlights *(cont'd.)*

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- **Emergency Savings Accounts can be linked to pension accounts:**

- Capped at \$2,500
- Up to four withdrawals can be taken per plan year without fees or charges



- **Additional exemptions to penalty-free withdrawals provided such as emergency expenses**

A photograph of a sunset over the ocean. The sun is a bright yellow circle on the horizon, with its light reflecting as a shimmering path on the dark blue water. The sky is filled with soft, golden clouds. The overall mood is serene and contemplative.

# Planning for the Sunset

Tax Cuts & Jobs Act of 2017 Sunsetting Provisions



# Income Tax Provisions



# Individual Tax Rates

- **Sunset provisions**

- Top rate reverts to 39.6%
- Rate and bracket adjustments push earners into higher tax brackets on the same level of income

TAX RATES 2017		
Rate	Single filers	Married, filing jointly
10%	\$0 - \$9,325	\$0 - \$18,650
15%	\$9,326 - \$37,950	\$18,651 - \$75,900
25%	\$37,951 - \$91,900	\$75,901 - \$153,100
28%	\$91,901 - \$191,650	\$153,101 - \$233,350
33%	\$191,651 - \$416,700	\$233,351 - \$416,700
35%	\$416,701 - \$418,400	\$416,701 - \$470,700
39.6%	\$418,401+	\$470,701+

TAX RATES 2023		
Rate	Single filers	Married, filing jointly
10%	\$0 - \$11,000	\$0 - \$22,000
12%	\$11,001 - \$44,725	\$11,001 - \$89,450
22%	\$44,726 - \$95,375	\$89,451 - \$190,750
24%	\$95,376 - \$182,100	\$190,751 - \$364,200
32%	\$182,101 - \$231,250	\$364,201 - \$462,500
35%	\$231,251 - \$578,125	\$462,501 - \$693,750
37%	\$578,126+	\$693,751+

# Potential Tax Increase on Reversion

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<b>MARRIED FILING JOINTLY</b>			
	<b>Annual income: \$100,000</b>	<b>Annual income: \$150,000</b>	<b>Annual income: \$250,000</b>
Taxes paid in 2023	\$8,236	\$17,521	\$40,152
Taxes paid in 2026	\$10,453	\$21,722	\$48,127
Tax bill increase	26.9%	24.0%	19.9%

# Standard Deduction

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**2024**  
**Standard Deduction**

**Single:**  
14,600

**Married Joint:**  
29,200

**2026**  
**Reversion (estimated)**

**Single:**  
7,300

**Married Joint:**  
14,600

# Itemized Deductions

## With TCJA

- SALT limited to 10,000
- Mortgage interest limited to first 750,000 of qualified debt
- No home equity loan deduction unless for qualified expenses
- Charitable gifting up to 60% of AGI
- Most miscellaneous itemized deductions eliminated

## 2026 Reversion

- No SALT limit
- Mortgage interest limited to first 1,000,000 of qualified debt
- Home equity loan deduction on first 100,000
- Charitable gifting up to 50% of AGI
- Miscellaneous itemized deductions in excess of 2% of AGI deductible

# Alternative Minimum Tax (AMT)

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- **Return of itemized deductions brings back the Alternative Minimum Tax (AMT)**
- **TCJA increased the exemption & phaseout levels** so fewer taxpayers were impacted
- **Increased standard deduction under the TCJA** meant many taxpayers didn't itemize & therefore did not pay AMT
- **Sunset returns the exemption level & phaseout levels to 2017 amounts** resulting in more taxpayers paying AMT

# Other Changes

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- **Child Tax Credit**

- TCJA increased to \$2,000 per qualifying child
- Revision to \$1,000 per qualifying child

- **Personal Exemption**

- TCJA suspended personal exemptions
- Revision to estimated \$2,500



# Planning Opportunities

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- **Plan ordinary income transactions before the increase**
  - Roth Conversions
  - Exercise Stock Options
  - Trigger events for deferred compensation payouts
  - Sell a business that has a large ordinary income component to the sale





# Estate & Gift Tax Provisions



# Lifetime Exemption

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- **TCJA effectively doubled the estate & gift tax exemption** from 5.49M to 11.18M for 2018 which has increased annually based upon inflation
- **2024 lifetime exemption** – 13.16M
- **2025 lifetime exemption (estimated)** – 14.16M
- **2026 sunset lifetime exemption (estimated)** – 7.0M
- **Annual exclusion is not impacted by the sunset**
  - 2024 – 18,000 per person
  - 2025 – 19,000 per person (estimated)

# Lifetime Exemption *(cont'd.)*

The lifetime exemption shelters gifts during your life and your taxable estate at death from estate transfer taxes.

Tax rate	Taxable amount	Tax owed
18%	\$0 to \$10,000.	18% of taxable amount.
20%	\$10,001 to \$20,000.	\$1,800 plus 20% of the amount over \$10,000.
22%	\$20,001 to \$40,000.	\$3,800 plus 22% of the amount over \$20,000.
24%	\$40,001 to \$60,000.	\$8,200 plus 24% of the amount over \$40,000.
26%	\$60,001 to \$80,000.	\$13,000 plus 26% of the amount over \$60,000.
28%	\$80,001 to \$100,000.	\$18,200 plus 28% of the amount over \$80,000.
30%	\$100,001 to \$150,000.	\$23,800 plus 30% of the amount over \$100,000.

32%	\$150,001 to \$250,000.	\$38,800 plus 32% of the amount over \$150,000.
34%	\$250,001 to \$500,000.	\$70,800 plus 34% of the amount over \$250,000.
37%	\$500,001 to \$750,000.	\$155,800 plus 37% of the amount over \$500,000.
39%	\$750,001 to \$1,000,000.	\$248,300 plus 39% of the amount over \$750,000.
40%	\$1,000,001 and up.	\$345,800 plus 40% of the amount over \$1,000,000.

# Planning Guidelines

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- **You have to give away more than the projected revision amount for the planning** to capture the increased exemption
- **When the revision happens, you will have exhausted your lifetime exemption so future gifts beyond the annual exclusion may be taxable** along with your assets held at the time of your death
- **Make smart gifts after you've exhausted your lifetime exemption**
  - Medical payments directly to the provider
  - Tuition payments directly to the schools for private elementary through college & advanced degrees
  - Spread your gift among individuals
  - Maximize annual exclusion gifts

# Planning Opportunities

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- Outright gifts to family members
- Gifts to **Spousal Lifetime Access Trust (SLAT)**
- Gifts or asset sales to **Grantor Retained Annuity or Income Trusts (GRAT or GRIT)**
- Gift vacation home or personal residence to a **Qualified Personal Residence Trust (QPRT)**
- Gift to **Charitable Remainder Annuity or Uni Trust (CRAT or CRUT)**
- Installment sales to **Intentionally Defective Grantor Trusts (IDGT)**
- Utilize valuation discounts when applicable to maximize the benefit of the gift or sale

# Key Concepts

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- ✓ Always know and understand your current plan
- ✓ Make sure you follow the plan steps and properly title your assets
- ✓ Meet with your advisors to test and update the plan
- ✓ Make sure your plan is flexible for changes in the law
- ✓ Maximize the use of your lifetime exemption



# Business Tax Updates

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- **Sunsetting Business Tax Provisions (12/31/25):**
  - **Corporate tax rate was reduced** from 35% to 21% - this will not change
  - **Qualified Business Income (QBI) deduction** – 20% deduction for owners of passthrough entities set to expire
  - **Changes to bonus depreciation on qualified property:**
    - 100% through 2022
    - 80% through 2023
    - 60% through 2024
    - 40% through 2025
    - 20% through 2026
    - 0% after 2026

# Business Tax Updates *(cont'd.)*

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- **Section 179 expensing still available**
  - Maximum amount of section 179 property that can be fully expensed is \$1,220,000 in 2024
- **Employee Retention Credit** - processing moratorium
  - IRS put hold on processing all claims until some time in 2024 due to surge in questionable claims made





# Business Tax Updates *(cont'd.)*

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- **Research & development expense changes** – effective for tax years ending after 12/31/21
  - R&D costs must be capitalized & amortized
  - Can still take R&D credit
  - Potential relief introduced in congress to delay R&D capitalization & restore the deduction retroactively to 2022
- **Net Operating Losses** –
  - Post 2020 NOLs –carried forward indefinitely
  - NOL deduction subject to 80% of taxable income limitation

# Business Tax Updates *(cont'd.)*

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- **Meals & Entertainment expenses** – effective 2023, rules reverted back to 50% deduction for most business meals (from 100% in 2021 & 2022)
  - Entertainment expenses still not deductible
- **Pass-through state income tax deduction** – as of 2023, 36 states have some form of the pass-through tax deduction
  - Allows a pass-through entity to elect to pay the state income tax due on the business income that would otherwise pass through & get paid on the owner's personal tax returns.
  - The tax payment would be a deduction against the owner's federal income

# Questions?

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# Contact Us

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