**Burchett Financial Services

Highlights Of the 2024, 2025 & Beyond Tax Changes**

* The Traditional IRA and Roth IRA are at $7,000 for 2024 as well as $7,000 for 2025, and if you are 50 and over, you can contribute $1,000 more to catchup for 2024 and 2025 each year.
* For 2024, maximum 401K, 403B and 457 contribution remains at $23,000 and over 50 can catch up an extra $7,500. The cap on simple plans goes to $16,000 and over 50 can put in $3,500 catchup. For 2025 the amounts go to $23,500 for 401K, 403B and 457 plans and $7,500 for catchup. The cap on simple plans goes to $16,500 and $3,500 for simple plans. SEP max for 2024 are $69,000 based on $340K compensation and for 2025 $70,000 based on $350K compensation.
* The 2024 standard mileage rate for business driving was 0.67 cents a mile, medical/moving is 0.21 cents, and charity 0.14 cents. Mileage for 2025 has not been announced. Medical and military moves are $0.21/mile and charity remain at $0.14/mile plus parking and tolls.
* The federal per diem for meals for 2024 is a standard $59/day and transportation industry (truckers airlines, railroad, maritime worker, oil rigs, etc.)$74/day. For 2025 $68 (standard) and $86 (transportation).The deduction is still 50% for a business deduction and 80% deductible for the transportation industry.
* Again, IRS has modified the new 1099-K reporting rules. This is for payments such as Venmo and PayPal for payments made to payees. [The threshold for 2024 1099K- $5,000, but 2025 will be lower at $2,500 reporting threshold to be sent out in 2026.]
* Social Security recipients received a 2.5% COLA or raise for 2025. The Medicare Part B monthly premium will rise to $185.00 for 2025- and upper-income seniors will pay even higher Part B and D premiums depending on income. This is the smallest increase since 2020 and follows a 8.7 increase in 2024.
* The Social Security wage base jumps in 2025 to $176,100 and $7,300 hike from 2024. The S/S tax rate remains at 6.2 % and 1.45% Medicare tax on all compensation with no cap. The Medicare surtax on wages and self-employment income remains at 0.9% and 3.8% surtax for singles over $200,000 and $250,000 for couples.
* There are higher lifetime estate ($13,900,000) and gift tax exemptions ($19,000/recipient) for 2025. After 2025, the exemption will fall back to $5 million unless Congress agrees to extend or change the amount.
* Remember that the child tax credit is up to a max of $2,000/child depending on income levels. There were no stimulus checks for 2024 nor advanced child tax credits. Dependent childcare expenses are up to $3,000/child and $6,000 for 2 or more.
* Businesses can only deduct 50% of business meals and beverages for 2024. It still has a 50% Haircut. Business entertainment expenses are still no longer deductible. (Sush as sporting events, concert tickets, and any form of entertainment.) Business meals are deductible at 100% for reimbursement expenses to employees, company parties and events, as Ade minus fringe, and others such as drilling rigs. Please keep them as separate expenses.
* Remember the withdrawals of the retirement funds in 2020 because of COVID-19, which were penalty free and could spread the amount over 3 years. And if you repaid the whole amount within the 3-year period, then you can go back and amend 2020 or later years to get your refund. 2022 was the last year for the third installment to be added into income. But if you paid the withdrawal back within the 3-year period, you need to go back and amend 2020 or later years to get your refund. IRS will NOT send automatically. (Go back & amend for refund if paid back)

**What Does the Future Hold for 2025 and Beyond?**

* Now the New Year has begun, the election and the inauguration are behind us, we will begin to see what the Trump 2.0 Presidency will look like. We have started 2025 with one set of federal tax rules but it is highly likely that there will be major changes during the year.
* The current tax law presently is the 2017 Tax Cuts and Jobs Act (Trump’s Tax Bill) which is set to expire December 31, 2025. So, any changes during 2025 could be made **retroactively** or prospectively. **So, hold onto your hat and seat and let us look at some key target points.**
* The federal income tax brackets for individuals are a bit wider for 2025 but the tax rates are unchanged. There are 7 tax brackets 10%, 12%, 22%, 24%, 32%, 35%, and 37%.
* The tax rates for long-term capital gains and qualified dividends did not change 0%, 15%, AND 20% (for holding periods longer than 1 year and 1 day).
* Standard deductions are a bit higher for 2025,

 MFJ - $30,000 (plus $1,600 for each spouse 65 or older)

 Single- $15,000 - $17,000 if 65 and up.

 HOH - $22,500 plus $2,000 if 65 and up.

 Legally blind people will receive $1,600 more, $2,000 if they are unmarried and not a surviving spouse.

* Remember the best ways to save money are your deferred compensation of 401Ks and 403Bs. But also, FSAs and the limit is $3,000 and Dependent Care FSAs limit is $5,000. In 2024, you can contribute up to $4,150 if you are covered by a high-deductible health plan just for yourself, or $8,300 if you have coverage for your family. In 2025, you can contribute up to $4,300 if you are covered by a high-deductible health plan just for yourself, or $8,550 if you have coverage for your family. At age 55, individuals can contribute an additional $1,000.
* Will social security benefits be fully tax-free? It’s unlikely. At present benefits can be taxed between 50-85% depending on other income.
* What will the fate of the $10,000 cap on state and local tax (Salt) deductions? This is the cap for the SALT write-off Schedule A. There is chatter on both sides, so it is a wait and see approach.
* Project 2025 and universal savings accounts? Anyone want to make any wagers? I’m not touching this subject.
* The IRA qualified charitable distribution cap is $108,000 for 2025.
* The Secure Act 2.0 changed the RMD age from 72 to 73 in 2023. The Secure Act 2.0 was enacted in 2022 to help IRA owners and participants in 401Ks and other workplace retirement plans. The law has over 90 provisions and some took place in 2023, 2024 and each year up to 2027. Starting in 2025: Expanded automatic enrollment in 401Ks and 403Bs. People ages 60 – 63 can stash money in 401Ks and Simples. It will be the greater of $10,000 or 150% of the regular catch-up figure.
* Inherited IRAs after 2019, “10 year clean out rule.” The IRS has been very lax on the RMD rules for 2020-2024. Missed distributions do not need to be made up and penalties will not be assessed. **But beneficiaries must take out RMD starting in 2025.** These are 50%penalties so if the RMD is $10,000 the penalty will be $5,000 and paid on the tax return until it is taken out.
* Let’s Talk Long-Term Capital Gains President Trump wants to make the 2017 tax cuts permanent and take it further with even more federal income tax rates for individuals. Today, L-T capital gains get favorable rates at 0%, 15%, and 20% (this depends on your filing status and taxable income level). Before 2018, L-T capital gains rates were taxed by your tax bracket. The pre-2018 rules are slated to return at the end of 2025, unless Congress acts. This is a huge tax increase if not extended, modified, or changed in some form and the pre-2018 rules go back in effect at the end of 2025. So…
* Alternative Minimum Tax (AMT) will still be alive with a higher exemption amount, but it will revert to 2017 rules if not extended or changed.
* Energy Credits for qualified plug-in electric cars are still available, up to a $7,500 credit for now. You can go to <https://fueleconomy.gov> to read more on eligible EVs. If you purchased one previously and installed a charging station, you may be eligible for a federal tax credit of 30% of the cost or $1,000 whichever is smaller. The EV credits could be on the chop block to pay for other tax reductions.
* Tax Credit for Energy Efficient Home Improvements There is an annual tax credit up to $1,200 now available if you make qualified energy improvements to your home (biomass stoves and boilers have a separate annual credit limit of $2,000). There are still credits available for renewable energy sources such as solar, wind, geothermal, or fuel cells or battery storage technology. The credit equals 30% the cost of materials and installation for systems that you install in your home through 2032, it falls to 26% in 2033, 24% in 2034, and then expires. These smaller energy efficient home improvement credits have been here since 2007 but were revamped in 2023. The credit varies for the type of improvement such as insulation, boilers, central A/C systems, water heaters, heat pumps, exterior doors, windows, and the like from 2023-2034. These items must also meet certain energy-efficient ratings, depending on the product.
* Tax laws help our neighbors in western NC and all other areas affected by Helene, Milton and other federally declared disasters. Helene victims (Mecklenburg County was included) have until May 1, 2025, to file 2023 federal income taxes and other payroll tax filings. There is also retirement-related easing for disaster victims as well as amended returns that can be filled for casualty losses so refunds can be expedited.
* Last year’s Inflation Reduction Act gave the IRS an additional $80 Billion in funding for over 10 years, with half the money being dedicated to enforcement, collection, and improving taxpayer service. This amount has since been cut and reallocated to other agencies, departments, and Israel and Ukraine for their wars. The IRS has many enforcement priorities, in part due to the funding windfall promised in the Inflation Reduction Act. Giving more money to the IRS for enforcement raises revenues. It would instead hike the federal deficit (which is $36 Trillion and rising daily). The Congressional Budget Office estimates that reducing IRS funding by $14.3 Billion would result in lost federal revenues of almost $27 Billion. So again, I will just point that out the math to you. In 2025, Congress clawed back 25% of the amount or $20 Billion.IRS pledges to not hike audit rates for taxpayers earning under $400,000.
* You can help voluntarily pay down the federal debt and get a tax write off on Schedule A. Uncle Sam will say thank you. These payments qualify as a charitable contribution. You can give online at Pay.gov or send a check to the Bureau of the Fiscal Service and note with your payment that it’s a gift to reduce the debt held by the public. Donors have chipped in over $2.5 million in such donations this year through October 2024.