

# OAK FINANCIAL, INC.

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## NEWSLETTER SPRING 2024

The 2023 tax season is over. Time to start discussing 2024.

Many Tax Cuts and Jobs Act's (TCJA) provisions are due to sunset at the end of 2025.

Among them are:

- 1) Reduced individual tax rates.
- 2) Increased standard deduction.
- 3) Larger child tax credit
- 4) 20% qualified business income deduction
- 5) State income tax deduction limit of \$10,000.
- 6) Increased estate tax deduction.

Many people may get to start itemizing deductions again. But, then the old Alternative Minimum Tax calculations may kick in and you may be in same or worse position. Remember, Uncle needs your money, so we doubt taxes will go down. Also, more complexity is likely.

Illinois will be introducing a \$300 credit for children under 12.

For those with wealth, review estate planning if over 5.6 million single, or 11.6 million joint in assets. The current larger estate tax exemptions are set to expire in 2025.

Those seniors becoming 73 in 2024 must start taking IRA Required Minimum Distributions (RMD) by the end of 2024. Or, take it by March 31 of 2025, but then take a second 2025 distribution by the end of 2025. The penalty for failure has been reduced to 25% now, but still a big bite.

If you inherited an IRA from a non-spouse decedent, the account must be depleted within 10 years. If the decedent had already started RMD distributions, then RMD distributions will have to be made to you annually. If RMD's not started, then could wait till year 10, and deplete account then. However, that may probably result in more taxes. Please discuss with us in that case.

If you are over 70 ½, you may take Qualified Charitable Distributions (QCD's) from your IRA to fund charitable donations. Many seniors can no longer itemize. Doing the QCD may reduce your taxable income. May also help with the Medicare deduction in your social Security checks.

Health Savings Accounts (H.S.A.) are like Medical IRA's. You get a page 1 deduction like an IRA, the interest is tax exempt, and it can be rolled over to next year and ultimately to a traditional IRA. You must have a compatible insurance policy coverage. The contributions are \$4,150 single and \$8,300 family this year.

Maximum IRA contributions are \$7,000 this year, and \$8,000 if over age 50.

401k contributions max out at \$23,000 this year. Also, the \$7,500 catch-up for those over age 50. 2024 & 2025 are the last few years that catch up contributions will save taxes. After 2025, the catch up must be a Roth type. A super catch up of \$10,000 will be available starting in 2025 for those 60 to 63 years old.

401K catch up contributions will have to be Roth starting in 2026. So be sure to utilize traditional deductible catch-up contributions this year and next.

The Special Depreciation Deduction (SDA) goes down to 60% of new business equipment this year and 40% in 2025. The Section 179 deduction will still be available. But it has limits for purchase costs and in business income.

Thinking of buying that electric vehicle, doing solar panels, or other home energy improvements that may qualify for credits? These credits have limits and requirements. Better to call us to discuss before you buy.

For those with LLC's or Corporations the Business Ownership Interest (BOI) report is due to the Federal Crimes Enforcement Network (FIN CEN) by year end. Basically, it requires disclosure of persons who have own or control more than 25% of a business. This could include spouses, adult children & managers. Failure to file has HUGH penalties and can be criminal.

Why file an extension? It is automatic upon request. However, you must still pay your taxes in full by 4/15. IRA's are due by 4/15. So, you should figure it out anyway. Lastly, the extension extends the IRS statute of limitations. That gives Uncle more time to examine your deductions. Not good tax planning. Businesses need to get their info to us in January and Individuals in by early March.

We are here all year long. So, don't be afraid to call. No questions are too dumb. We also have a nice questionnaire regarding your taxes and economic affairs, we can send you and discuss. Want a bigger refund, or not owe next April, we can help you plan that.

Sincerely,



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