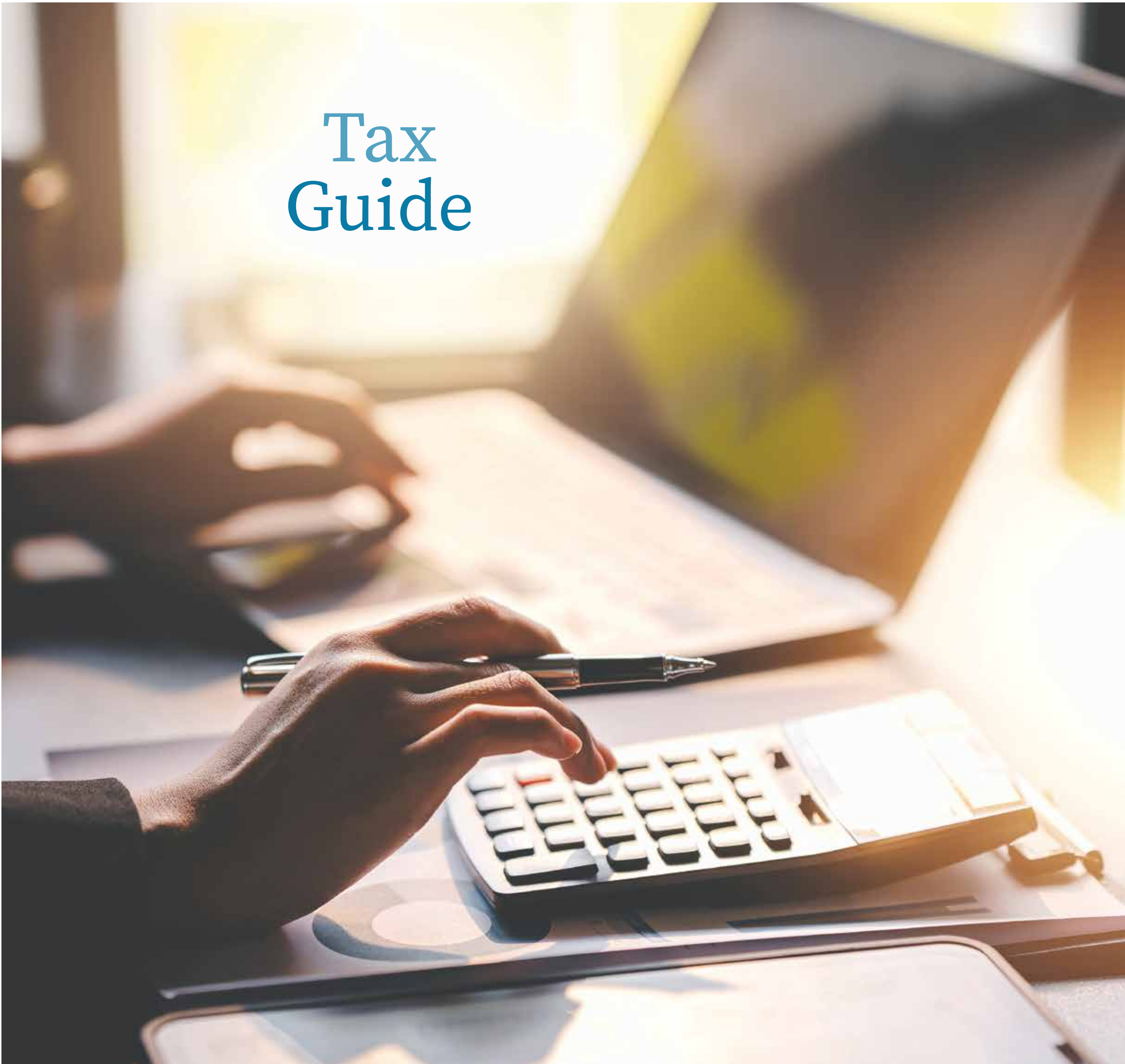


Tax Guide



Changes to the 2024 Tax Code

Keeping up with the tax code can be a challenge. The 2024 tax year brings several significant changes to the tax code that individuals need to be aware of when preparing their returns.

Understanding these updates can help taxpayers maximize their benefits and avoid potential pitfalls.

INCREASED STANDARD DEDUCTION

The standard deduction has increased for the 2024 tax year. For single filers and married individuals filing separately, the standard deduction is now \$14,600, up from \$13,850 in 2023. For married couples filing jointly, the deduction has increased to \$29,200, up from \$27,700.

Heads of household will see their deduction rise to \$21,900 from \$20,800. This increase helps to reduce taxable income for many taxpayers, simplifying the filing process for those who do not itemize deductions.

HIGHER CONTRIBUTION LIMITS FOR RETIREMENT ACCOUNTS

The contribution limits for retirement accounts have been adjusted for inflation. For 2024, the contribution limit for



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401(k) plans is \$23,000, up from \$22,500 in 2023. Those aged 50 and over can contribute an additional \$7,500, for a total of \$30,500.

Individual Retirement Account (IRA) contributions have increased to \$7,000 from \$6,500, with the catch-up contribution for those 50 and over remaining at \$1,000.

EXPANDED EARNED INCOME TAX CREDIT (EITC)

The Earned Income Tax Credit (EITC) has been expanded for the 2024 tax year. The maximum credit ranges from \$632 for someone with

no children to \$7,830 for a family with three or more dependent children, up from \$7,430 in 2023. The income thresholds for claiming the EITC have been adjusted upward, allowing more individuals and families to qualify for this valuable credit.

CHANGES TO TAX BRACKETS

The income tax brackets for 2024 have been adjusted for inflation. The new brackets are as follows:

- 10% for income up to \$11,600 for single filers, up to \$23,200 for married filing jointly, up to \$16,550 for head

of household.

- 12% for income \$11,601 to \$47,150 for single filers, \$23,201 to \$94,300 for married filing jointly, \$16,551 to \$63,100 for head of household.

- 22% for income \$47,151 to \$100,525 for single filers, \$94,301 to \$201,050 for married filing jointly, \$63,101 to \$100,500 for head of household.

- 24% for income \$100,526 to \$191,950 for single filers, \$201,051 to \$383,900 for married filing jointly, \$100,501 to \$191,950 for head of household.

- 32% for income \$191,951 to

\$243,725 for single filers, \$383,901 to \$487,450 for married filing jointly, \$191,951 to \$243,700 for head of household.

- 35% for income \$243,726 to \$609,350 for single filers, \$487,451 to \$731,200 for married filing jointly, \$243,701 to \$609,350 for head of household.

- 37% for income over \$609,351 for single filers, over \$731,201 for married filing jointly and over \$609,351 for head of household.

**Married filing separately has the same income bracket as single filers.

HEALTH SAVINGS ACCOUNT (HSA) CONTRIBUTION LIMITS

For 2024, the contribution limits for Health Savings Accounts (HSAs) have increased. Individuals with self-only coverage can now contribute up to \$4,150, up from \$3,850 in 2023. For family coverage, the limit is \$8,300, up from \$7,750. The catch-up contribution limit for those aged 55 and over remains at \$1,000.

CHILD TAX CREDIT

The Child Tax Credit (CTC) remains at \$2,000 per qualifying child for the 2024 tax year. However, the refundable portion of the credit, known as the Additional Child Tax Credit (ACTC), will be worth \$1,700, up from \$1,600 in 2023. The income threshold for phase-out begins at \$200,000 for single filers and \$400,000 for married couples filing jointly.

Cryptocurrency and Taxes

Cryptocurrency continues to gain mainstream acceptance. For those who invest, it becomes important to understand the tax implications of cryptocurrency transactions.

Whether you're trading Bitcoin, mining Ethereum or simply using cryptocurrency for purchases, the Internal Revenue Service (IRS) treats these activities as taxable events.

Cryptocurrencies are classified as property by the IRS. This classification means that cryptocurrency transactions are subject to capital gains tax, similar to stocks or real estate. When you sell or exchange cryptocurrency, you must report any capital gain or loss on your tax return. The amount of tax owed depends on how long you've held the cryptocurrency and your overall income.

SHORT-TERM VERSUS LONG-TERM GAINS

If you hold cryptocurrency for more than a year before selling or exchanging it, any profit is considered a long-term capital gain and is taxed at a lower rate, ranging from 0% to 20% depending on your income. However, if you sell or exchange cryptocurrency



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after holding it for a year or less, the profit is considered a short-term capital gain and is taxed at your ordinary income tax rate, which can be as high as 37%.

To calculate your capital gains or losses, you need to know the cost basis of your cryptocurrency. The cost basis is the amount you paid to acquire the cryptocurrency, including any transaction fees. Subtract the cost basis from the selling price to determine your gain or loss. Accurate record-keeping is crucial, as you need to report each transaction on your tax return.

TAXABLE EVENTS

Several types of cryptocurrency transactions are considered taxable events:

- **Selling cryptocurrency for fiat currency:** Selling Bitcoin for U.S. dollars, for example, triggers a taxable event.
- **Exchanging one cryptocurrency for another:** If you trade Bitcoin for Ethereum, you must report the transaction and calculate any gain or loss.
- **Using cryptocurrency to purchase goods or services:** If you buy a cup of coffee with Bitcoin, you must report the

difference between the Bitcoin's value at the time of purchase and its value when you acquired it.

- **Mining cryptocurrency:** The fair market value of mined cryptocurrency at the time of receipt is considered taxable income. Additionally, miners may be subject to self-employment tax.

REPORTING AND COMPLIANCE

Cryptocurrency exchanges may provide a Form 1099-B or similar document summarizing your transactions, but it's ultimately your responsibility

to keep detailed records. This includes the date of each transaction, the amount of cryptocurrency involved, the value in U.S. dollars at the time of the transaction and any associated fees.

Failure to report cryptocurrency transactions can result in penalties and interest. The IRS has been increasingly vigilant about cryptocurrency compliance, even adding a question about cryptocurrency on Form 1040. To avoid issues, it's advisable to consult with a tax professional who is knowledgeable about cryptocurrency taxation.

Taxes after a Disaster

When disaster strikes, it can leave more than just physical and emotional devastation in its wake.

Individuals living in areas declared as disaster zones often face additional challenges, including navigating complex tax implications.

Fortunately, the Internal Revenue Service (IRS) provides several forms of relief to ease the financial burden on those affected. In 2023, there were 399 disasters related to natural hazards according to the Emergency Events Database.

The IRS often grants automatic filing and payment extensions for taxpayers residing in federally declared disaster areas. For instance, if a hurricane strikes in September, the IRS might extend the Oct. 15 filing deadline for late tax returns to January of the following year. These extensions apply to individuals, businesses and even tax-exempt organizations within the disaster area.

One significant benefit for disaster-affected taxpayers is the ability to claim casualty losses on their federal tax returns. Casualty losses can include damage or destruction of property resulting from natural disasters such as hurricanes, floods, earthquakes and wildfires.

These losses are deductible



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to the extent they are not covered by insurance or other reimbursements. Taxpayers can choose to claim these losses on their tax return for the year the disaster occurred or on an amended return for the previous year, potentially yielding a quicker refund to aid recovery efforts.

Additionally, taxpayers may

be eligible for other relief measures such as expedited refunds. The IRS allows taxpayers to quickly receive refunds by amending their prior year's return, which can be particularly helpful for those needing immediate financial assistance.

For those with destroyed or damaged records, the IRS

provides guidance on reconstructing tax records to substantiate claims for casualty losses. This might involve obtaining copies of previous tax returns, securing documentation from banks and utility companies and leveraging insurance records.

Another crucial aspect of tax relief for disaster victims

is the exclusion from gross income of certain types of assistance. Qualified disaster relief payments, which cover expenses like medical costs, temporary housing and transportation, are generally not taxable. Similarly, payments from government programs to help with disaster recovery are often excluded from taxable income.

The IRS also assists by offering abatement of penalties for late filing and payment of taxes. If a taxpayer misses a deadline because of the disaster, penalties might be waived if the taxpayer can demonstrate that the delay was due to reasonable cause and not willful neglect. Interest on overdue taxes, however, typically cannot be abated.

Finally, taxpayers should stay informed about specific relief measures related to their situation by regularly checking the IRS website or consulting with a tax professional. The IRS often updates its relief policies in response to ongoing disaster events, and staying current can ensure that affected individuals take full advantage of available benefits.

While living through a disaster is undeniably challenging, understanding the tax relief options available can significantly alleviate financial stress. By leveraging filing extensions, casualty loss deductions and other IRS-provided relief, disaster-affected taxpayers can better navigate their financial recovery journey.

College Credits and Deductions

Paying for education can be a significant financial burden, but the U.S. tax code offers several credits and deductions to help offset these costs.

Understanding these education tax benefits can help students and their families reduce their tax liabilities and make education more affordable.

AMERICAN OPPORTUNITY TAX CREDIT (AOTC)

The American Opportunity Tax Credit (AOTC) is one of the most valuable education tax benefits available. It offers a maximum annual credit of \$2,500 per eligible student for qualified education expenses paid during the first four years of higher education. This credit is partially refundable, meaning if the credit reduces your tax to zero, you can receive 40% of any remaining credit amount (up to \$1,000) as a refund.

To qualify for the AOTC, the student must be pursuing a degree or other recognized education credential, be enrolled at least half-time for at least one academic period, and not have completed the first four years of higher education at the beginning of the tax year. Additionally, the credit phases out for taxpayers with modified adjusted gross incomes (MAGI) between



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\$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers).

LIFETIME LEARNING CREDIT (LLC)

The Lifetime Learning Credit (LLC) is another valuable tax benefit for education expenses. Unlike the AOTC, the

LLC is available for all years of post-secondary education and for courses to acquire or improve job skills. The maximum credit is \$2,000 per tax return, calculated as 20% of the first \$10,000 of qualified education expenses.

The LLC is non-refundable,

meaning it can reduce your tax to zero but won't result in a refund if the credit exceeds your tax liability. To qualify, the student must be enrolled in an eligible educational institution, and the credit phases out for taxpayers with MAGI between \$80,000 and \$90,000

(\$160,000 and \$180,000 for joint filers).

STUDENT LOAN INTEREST DEDUCTION

The Student Loan Interest Deduction allows taxpayers to deduct up to \$2,500 of interest paid on qualified student loans. This deduction is an adjustment to income, meaning you can claim it even if you don't itemize deductions on your tax return. The deduction phases out for taxpayers with MAGI between \$80,000 and \$95,000 (\$165,000 and \$195,000 for joint filers).

COVERDELL EDUCATION SAVINGS ACCOUNT (ESA)

A Coverdell ESA is a trust or custodial account designed to help families pay for education expenses. Contributions to a Coverdell ESA are not tax-deductible, but the earnings grow tax-free, and distributions used for qualified education expenses are also tax-free. The annual contribution limit is \$2,000 per beneficiary, and the ability to contribute phases out for taxpayers with MAGI between \$95,000 and \$110,000 (\$190,000 and \$220,000 for joint filers).

Education tax benefits can significantly reduce the financial burden of higher education. By taking advantage of credits and savings plans, taxpayers can make education more affordable and financially manageable. As always, consulting with a tax professional can help ensure you maximize these benefits and comply with current tax laws.

Tax Tips For Gig Workers

The gig economy has become a significant part of the modern workforce, with millions of people engaging in freelance work, side gigs, and short-term contracts.

While this type of work offers flexibility and independence, it also comes with unique tax considerations. Understanding how to navigate these tax obligations can help gig workers maximize their deductions and avoid potential pitfalls.

SELF-EMPLOYMENT TAX

One of the primary tax obligations for gig workers is the self-employment tax, which covers Social Security and Medicare. Traditional employees have these taxes withheld from their paychecks, but gig workers must pay them directly.

In 2024, the self-employment tax rate is 15.3% on net earnings, consisting of 12.4% for Social Security and 2.9% for Medicare. Gig workers can calculate their net earnings by subtracting business expenses from their gross income.

ESTIMATED TAX PAYMENTS

Unlike traditional employees who have taxes withheld from their paychecks, gig workers must make estimated



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tax payments quarterly. These payments cover both income tax and self-employment tax.

Failing to make timely estimated payments can result in penalties and interest. The due dates for estimated tax payments are typically April 15, June 15, Sept. 15, and Jan. 15 of the following year. Using IRS Form 1040-ES can help gig workers calculate and make these payments.

Estimated payments can be made at any time through the IRS website. Setting up a personal account lets gig workers track how much they have paid and any

changes year-to-year.

DEDUCTIBLE EXPENSES

Gig workers can reduce their taxable income by claiming deductions for business-related expenses. Some common deductible expenses include:

- **Home office:** If you use part of your home exclusively for business, you can deduct a portion of your rent or mortgage interest, utilities and insurance.
- **Vehicle expenses:** If you use your car for business purposes, you can deduct either the actual expenses (such as

gas, maintenance and insurance) or use the standard mileage rate, which is 65.5 cents per mile for 2024.

- **Supplies and equipment:** Office supplies, computer equipment and other tools necessary for your work can be deducted.

- **Professional services:** Fees paid for legal advice, accounting or other professional services related to your business are deductible.

- **Internet and phone:** If you use your internet and phone for business purposes, you can deduct a portion of these expenses.

KEEPING ACCURATE RECORDS

Maintaining detailed and accurate records is crucial for gig workers. This includes keeping receipts, invoices and any other documentation related to business expenses. Using accounting software or apps designed for freelancers can simplify record-keeping and ensure that you capture all potential deductions.

UNDERSTANDING FORM 1099-NEC

Gig workers often receive Form 1099-NEC from clients who pay them \$600 or more in a year. This form reports non-employee compensation and must be included in your tax return. It's important to track all income, even if you don't receive a 1099-NEC for smaller amounts.

HEALTH INSURANCE DEDUCTION

If you purchase your health insurance as a self-employed individual, you may be able to deduct the premiums. This deduction is available whether you itemize your deductions or not and can significantly reduce your taxable income.

RETIREMENT SAVINGS

Gig workers can also take advantage of retirement savings options, such as a Simplified Employee Pension (SEP) IRA or a Solo 401(k). Contributions to these accounts are tax-deductible and can help build a nest egg for the future while reducing current taxable income.

Benefits of an HSA

Health Savings Accounts (HSAs) offer a triple-tax advantage, making them a highly beneficial tool for managing healthcare costs while providing significant tax savings.

Understanding the tax benefits of contributing to an HSA can help individuals maximize their savings and plan for future medical expenses.

One of the primary tax benefits of an HSA is that contributions are tax-deductible. For individuals with high-deductible health plans (HDHPs), contributing to an HSA allows them to reduce their taxable income.

For the tax year 2024, the contribution limits are \$4,150 for individual coverage and \$8,300 for family coverage. Additionally, individuals aged 55 and older can make an extra catch-up contribution of \$1,000. Contributions can be made by the individual, their employer or a combination of both. All contributions, regardless of the source, are tax-deductible, effectively lowering the contributor's taxable income.

TAX-FREE GROWTH

Another significant tax benefit of an HSA is the ability for the account to grow tax-free. The funds contributed to an HSA can be invested in various financial instruments, such as stocks, bonds and mutual funds. The interest and investment earnings generated within the HSA are not subject to federal income tax.

This tax-free growth allows the HSA to serve as a powerful savings tool, potentially growing substantially over time, especially if the funds are not used immediately for medical expenses.



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TAX-FREE WITHDRAWALS

Withdrawals from an HSA are tax-free, provided they are used for qualified medical expenses. These expenses can include a wide range of health care costs, such as doctor visits, prescription medications, dental and vision care and even some over-the-counter medications.

By using HSA funds to pay for these expenses, individuals can avoid paying federal income tax on the money withdrawn, further maximizing their savings. It's important to keep receipts and documentation of all medical expenses paid with HSA funds in case of an IRS audit.

FLEXIBILITY AND PORTABILITY

HSAs offer flexibility and portability, adding to their appeal. Unlike Flexible Spending Accounts (FSAs), HSAs do not have a "use-it-or-lose-it" rule. Unused funds roll over from year to year, allowing the account to grow over time.

Additionally, the account is portable, meaning it stays with the individual even if they change jobs or retire. This portability makes HSAs a valuable long-term savings tool for healthcare costs in retirement.

RETIREMENT BENEFITS

Once an individual reaches the age

of 65, they can use HSA funds for any purpose without facing a penalty, although non-medical withdrawals will be subject to ordinary income tax. However, withdrawals for qualified medical expenses remain tax-free. This feature allows the HSA to function similarly to a traditional retirement account, providing additional financial security in retirement.

HSAs are excellent tools for managing healthcare costs and saving for the future. By understanding and leveraging these benefits, individuals with high-deductible health plans can maximize their savings and ensure they are financially prepared for both current and future medical expenses.

Changes to IRS Services

The Taxpayer First Act, signed into law on July 1, 2019, represents a significant overhaul of the Internal Revenue Service (IRS) and aims to improve taxpayer services, enhance cyber security and modernize the agency.

This comprehensive legislation is designed to create a more efficient and transparent IRS, making tax administration more user-friendly for taxpayers.

IMPROVED CUSTOMER SERVICE

One of the primary goals of the Taxpayer First Act is to enhance the IRS's customer service. The law mandates the creation of an IRS customer service strategy to provide taxpayers with more reliable and efficient assistance. This strategy includes measures such as:

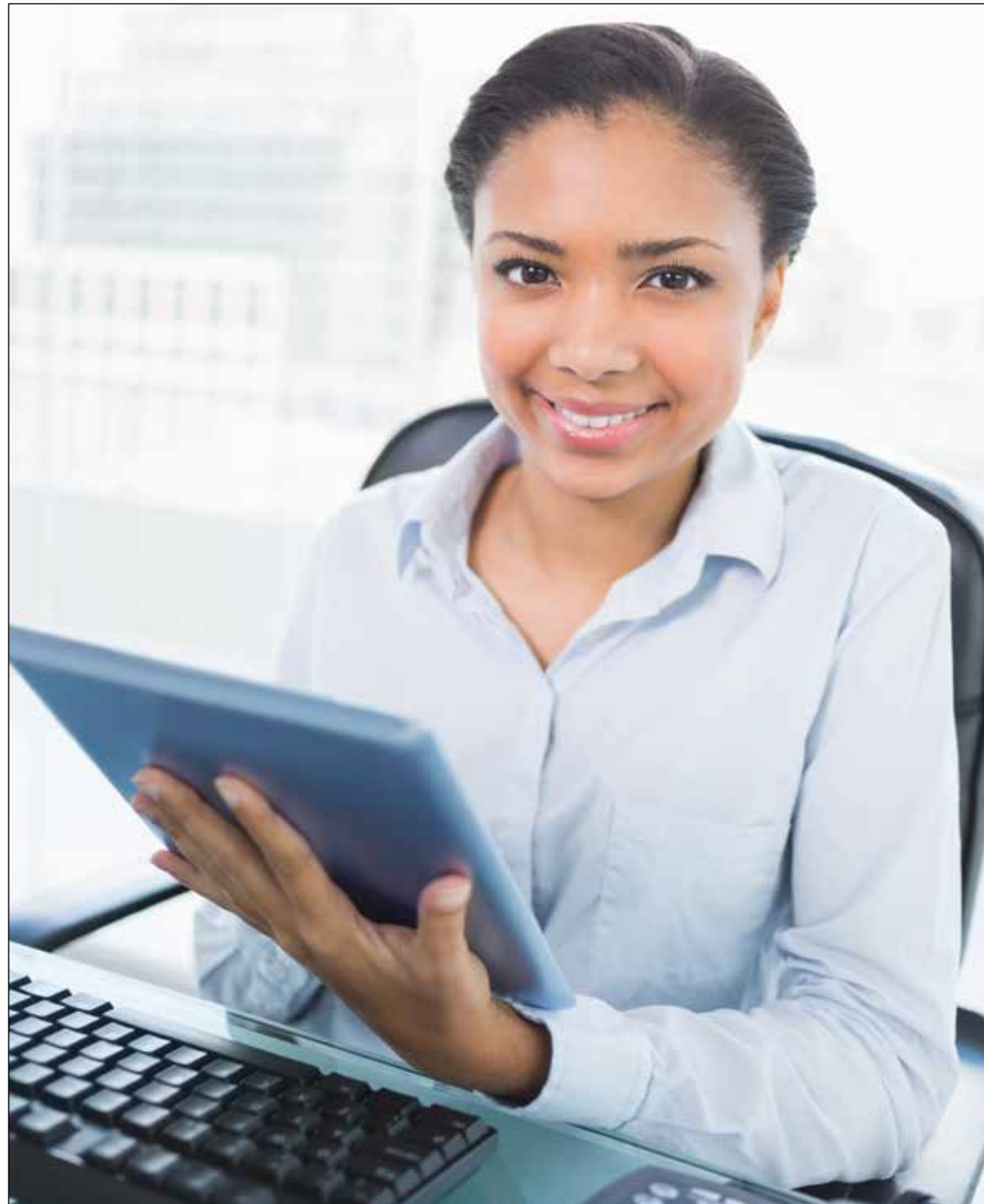
1. Better training for IRS employees. IRS employees will receive more comprehensive training to ensure they are well-equipped to assist taxpayers effectively.

2. Multi-channel support. The IRS is required to provide customer service through multiple channels, including online, over the phone and in-person, to accommodate diverse taxpayer needs.

3. Performance measures. The IRS must implement performance measures to evaluate the quality of customer service provided and make continuous improvements.

ENHANCED CYBERSECURITY AND IDENTITY PROTECTION

With the increasing prevalence of



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cyber threats, the Taxpayer First Act includes provisions to strengthen the IRS's cybersecurity and protect taxpayer identities.

These measures include:

1. Identity theft prevention. The IRS is tasked with developing a comprehensive strategy to combat identity theft and tax refund fraud. This includes expanding the use of Identity Protection Personal Identification Numbers (IP

PINs) to all taxpayers.

2. Data security. The law requires the IRS to adopt new cybersecurity measures and work with private-sector experts to safeguard taxpayer data more effectively.

3. Annual reporting. The IRS must report annually to Congress on its cybersecurity efforts and the effectiveness of its identity theft prevention programs.

INDEPENDENT OFFICE OF APPEALS

The Taxpayer First Act establishes an independent Office of Appeals within the IRS. This office ensures that taxpayers have a fair and impartial opportunity to resolve disputes with the IRS. Key features include:

1. Accessibility. Taxpayers now have easier access to the appeals process, with a clear pathway to resolve disputes without the need for litigation.

2. Transparency. The law requires the IRS to provide taxpayers with the rationale for decisions made during the appeals process, fostering greater transparency and understanding.

MODERNIZATION OF IRS TECHNOLOGY

The act mandates the modernization of the IRS's technology systems to improve efficiency and security. This includes:

1. Streamlined filing. Enhancements to electronic filing systems make it easier for taxpayers to file returns and make payments online.

2. Real-time processing. Upgraded technology allows for faster processing of tax returns and quicker issuance of refunds.

3. Data analytics. The IRS will use advanced data analytics to detect and prevent fraud more effectively, ensuring a fair tax system for all.

WHISTLEBLOWER PROTECTIONS

To encourage the reporting of tax fraud and ensure integrity within the tax system, the Taxpayer First Act strengthens protections for whistleblowers.

Whistleblowers' identities are protected to prevent retaliation. The law includes measures to protect whistleblowers from retaliation by employers, encouraging more individuals to come forward with information about tax fraud.