

Tax Tips January, 2025

Important dates/deadlines for 2025:

January 15th - 4th quarter estimated tax payment due date for tax year 2023
 January 15-31 - Official first day IRS accepts tax filings (yet to be announced)
 March 15 - S-Corp and Partnership returns due if not filing extension
 April 15 - Individual, Corporate, Trust returns due if not filing extension
 September 15 - S-Corp and Partnership filings on extension due
 October 15 - Individual, Corporate, Trust filings on extension due

As in the recent past, these dates are subject to change and if you live in a federally declared disaster area, may have already changed.

It bears mentioning that we are subject to the highest rates of **underpayment penalty** in the last 16 years. If you anticipate a large balance due to the Fed or state when filing, you can reduce the underpayment penalty by making an estimated tax payment no later than **January 15th**.

These payments can be made online and fee-free to the IRS and CA respectively at these links:

<https://www.irs.gov/payments/direct-pay>

<https://www.ftb.ca.gov/pay/bank-account/index.asp>

Generally, 2024's tax provisions experienced no major changes as the 2018 Tax Cuts and Jobs Act remains in effect and the efforts of government were spent elsewhere. Inflation remains an unwelcome guest and the IRS has made allowance by increasing the **standard deductions** here

	2024	2025
Single	\$14,600	\$15,000
Married Joint	\$29,200	\$30,000
Head of Household	\$21,900	\$22,500

2024 Marginal Tax Rates

10% for taxable income up to \$11,600 (\$23,200 for married jointly)
 12% for taxable income up to \$47,150 (\$94,300 for married jointly)
 22% for taxable income up to \$100,525 (\$201,050 for married jointly)
 24% for taxable income up to \$191,950 (\$383,900 for married jointly)
 32% for taxable income up to \$243,725 (\$487,450 for married jointly)
 35% for taxable income above the 32% rate limits

With our graduated tax system, your effective tax rate is the average tax rate as your taxable income touches these brackets.

Keep in mind that in most cases **'self-employment'** income that exceeds eligible expenses is subject to an additional 15% tax to cover the FICA and Medicare liability on net profit.

1099-K Forms are to be issued by third party settlement organizations to individuals who received in excess of \$5,000 during 2024. Ultimately, the threshold is intended to drop to \$600 by 2026. This is going to be messy. Presumably, only small businesses and independent contractors should receive these, but if you are off the one to pony up for large dinners and everyone Zelles you their share, you could technically receive a 1099K.

The **Estate exclusion** is increased for 2024 from \$12,920,000 to \$13,610,000. It wasn't so long ago that this amount was \$620,000 which would have resulted in massive tax liabilities to estates and reduced inheritances for beneficiaries.

The **exclusion for gifts** increases from \$17k to \$18k for 2024. Here it is helpful to know that as long as gifts to any individual from any individual do not exceed this limit, there is no gift tax return filing requirement. Gifts are not deductible by the grantor, nor are they taxable to the recipient. Effectively, any gift exceeding the annual limit must be reported on a gift tax return to reduce the future exclusion by the excess gift amount.

Education Credits in the form of the American Opportunities Credit and the Lifetime Learning Credit remain in place. If you plan to claim either of these credits, please secure the 1098T from the education institution as supporting documentation for the claim.

If you make either estimated or balance due payments to the agencies via their **web-pay tools**, be sure to print or save to file the confirmation page when payment is processed. We have experienced some processing mishaps when IRS records do not accurately reflect payments made. For joint filings, both the IRS and CA use the primary/first listed taxpayer's SSN for the account tracking so any payments made should use the SSN of the primary listed taxpayer to be accurately processed.

If you expect to receive a **refund** and prefer **direct deposit** rather than paper check, please be sure to include the routing and account number of your preferred account.

You might have noticed that there is a **website address** at the top of the page. This is a recent addition to provide a convenient alternative for you to securely submit forms to our office via the **client portal** and to access **worksheets** and **calculators** to assist with your tax filing and planning. If you ever hear me asking for you to download my app, consider me a pod-person and immediately cut off all communication with me.

Finally, it bears mentioning that the provisions for individual taxpayers arising from the Tax Cuts and Jobs Act are set to expire after 2025. As a result of the recent election, and assuming the inauguration and transfer of power come off as expected, most of this legislation is expected to be made permanent. Of course, permanence in DC has a much different meaning than it does in the real world. There are water-cooler conversations about exempting tips and Social Security from taxation; the SALT limitation could be repealed, and farther off in the nimbus, the income tax system itself, along with the IRS, is under review for efficiency and possible termination. Pie-in-the-sky, I know, but...the dude has his own rockets.