

Tax Changes Oh My!

Two decades ago, tax changes proceeded at what seemed a glacial pace compared to today. Now, every year we see shifting contribution limits, exemptions, gifting amounts, deductions, qualification ages, even definitions for concepts like “hardship” and “education expenses”. Whether you use software or a real person to help prepare your taxes, here are several changes effective in 2024 and beyond that will help you with planning.

- Annual gifting amounts advance to \$18,000 per person, up from \$17,000.
- The lifetime estate exclusion moves up to \$13.6 million from \$12.9 million. Keep in mind that this generosity could cease in 2026, when the tax act governing the higher amounts expires. If Congress does nothing, the amount will fall back to \$5 million.
- The standard deduction for married couples filing jointly is rising to \$29,200, an increase of \$1,500. For single taxpayers and married individuals filing separately, the standard deduction rises to \$14,600 for 2024.
- The contribution limit for employees who participate in 401(k), 403(b), and most 457 plans is increased to \$23,000, up from \$22,500. Catch up contributions remain at \$7,500.
- The limit on annual contributions to an IRA increases to \$7,000, up from \$6,500. The IRA catch-up contribution limit for individuals aged 50 and over was amended under the SECURE 2.0 Act of 2022 (SECURE 2.0) to include an annual cost-of-living adjustment but remains \$1,000 for 2024.
- Speaking of catch up contributions, that pesky provision requiring high-income earners to make those into a ROTH instead of deducting them will not come into effect until 2026.
- Income tax brackets have been adjusted for inflation as follows:

2024 Tax Brackets (Taxes Due 2025)

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$11,600 or less	\$23,200 or less	\$11,600 or less	\$16,550 or less
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,551 to \$63,100
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500
24%	\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950	\$100,501 to \$191,950
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600	\$234,701 to \$609,350
37%	Over \$609,350	Over \$731,200	Over \$365,600	Over \$609,350

That’s the round-up of major changes. Of course, all sorts of niche-y bits of the code are different next year, but you’ll have to consult your tax advisor about those. Happy tax filing!