Avoid Tax Surprises with This 2024 Mid-Year Tax Planning Checklist for Individuals

Tax time is here again. Yes, April 15 is long past, and October's extended filing date is still months away. However, we're now midway through 2024, and performing a mid-year review is an important part of a holistic tax strategy. Giving you visibility into your potential tax liability for the year and letting you pinpoint areas for potential improvement. This handy checklist can help you identify opportunities to reduce your tax obligations and prevent unwelcome surprises when it's time to file 2024 taxes.

☐ ANNUAL GIFTING OPPORTUNITIES

Are you seizing every opportunity to get a jump on wealth transfer?

- Taking full advantage of the annual gift tax exclusion each year ($18,000 in 2024) is a great way to begin transferring wealth outside of your estate.
  - You and your spouse can each give any amount up to the limit, and to as many different people as you like. These generous rules make it possible for each child, each grandchild, and any other recipient you choose to receive $36,000 in gifts from you and your spouse this year, and neither you nor the recipients have to report or pay taxes on the gifted assets.
  - The gift tax exclusion applies to all types of assets, not just cash. You can transfer real estate interests, bonds, stocks, CDs, and other assets and financial instruments as you see fit.
  - If you make gifts to your intended beneficiaries year after year, over time you can transfer a significant amount of wealth tax free. It's also a great way to confer partial ownership stakes in a family-owned business.

☐ CHARITABLE GIVING

Does your giving strategy deliver optimal tax benefit?

- The standard deduction remains high, but it won't for long. The enhanced standard deduction sunsets soon. In 2026, it will be cut nearly in half. Regardless of the standard deduction amount, a common giving strategy is to compress your charitable donations into alternating years. Itemizing your deductions allows you to claim a big deduction for donations in one year, and then you can take the standard deduction the next year.
- Consider donating highly appreciated stock you acquired as equity compensation (or any other way). Those donated shares won't be subject to capital gains tax.
- If you don't need **required minimum distributions (RMDs)** to cover your living expenses, you might want to take your distribution in the form of a charitable donation. The limit on tax deductions for charitable distributions you make from retirement accounts (called qualified charitable distributions, or QCDs) in 2024 is $105,000.
- **Donor-advised funds** can benefit donors and the organizations they support. New rules are on the way for these funds, though, so work closely with your advisor to make sure your plans are still tax-efficient and fully compliant.

☐ ESTATE PLAN UPDATES

Do your estate plans reflect your current desires and leverage temporary tax provisions?

- With certain Tax Cuts and Jobs Act (TCJA) rules slated to expire in 2026, **act now to make use of its higher exemptions**.
  - Consider making gifts under the generation-skipping transfer tax (GSTT) exemption, which will drop drastically when TCJA sunsets.
  - For gifts that don't qualify for GSTT exemption, you or your spouse can give an amount up to the current estate tax exclusion limit now, while the higher lifetime estate and gift tax exemption applies (it's $13.61 million in 2024). You'll still be able to claim the other spouse's exemption later when it's time to execute your estate plans.
  - Verify that beneficiaries on all accounts, trusts, insurance policies, and estate planning documents reflect your current intentions.
  - Review all documents and update to align with recent changes to your business, personal finances, and family situation — or changes you anticipate this year.

Avoid Tax Surprises with This 2024 Mid-Year Tax Planning Checklist for Individuals

☐ RESEARCH AND EXPERIMENTAL COSTS

Are you ready for more potential changes to R&D credit rules?

- The **IRS plans to require more information** about projects for which a business claims the research tax credit.
- Keep in mind that most R&D expenses must now be amortized over five or more years instead of being deductible in the current year. There's legislation in the works that could retroactively eliminate this requirement, but only for domestic R&D (and it's still a long way from becoming law).

☐ RETIREMENT PLANNING UNDER SECURE 2.0

Do you know what the SECURE Act 2.0 means for your retirement plan?

- The SECURE Act 2.0 makes numerous changes to retirement plans. Two of the most impactful updates mean that:
  - You can wait longer before drawing down retirement funds on pre-tax accounts like IRAs and 401(k)s. RMDs now begin at age 73 for those born in 1959 or earlier and at age 75 for those born later.
  - If you've been affected by a federally declared disaster, you can take a loan or distribution from your retirement plan without paying a penalty.
- The IRS has set 2024 limits on individual retirement contributions (not including employer matching contributions) at:
  - $23,000 for traditional and Roth 401(k) accounts, with up to $7,500 in catch-up contributions allowed for employees aged 50 or older.
  - $7,000 for traditional and Roth IRAs ($1,000 catch-up contributions for age 50+).
  - $16,000 for SIMPLE retirement accounts ($3,500 catch-up contributions for age 50+).
- Individuals with a solo 401(k) plan can make additional 2024 contributions as employer match and profit-sharing dollars of up to 25% of compensation, subject to certain compensation caps.

☐ EXPIRING TAX PROVISIONS

Have you factored these tax changes into your planning?

- Numerous tax credits and incentives related to renewable energy, biodiesel, and alternative energy are set to expire as of December 31, 2024, as does the **high-deductible health plan safe harbor for telehealth and remote care services**.
- The window for making Roth conversions at lower TCJA tax rates closes at the end of 2025. Individuals who earn too much to make Roth contributions directly can roll over some or all of the funds in pre-tax retirement accounts to a Roth IRA. This lets you access the tax benefits of a Roth account even with a high income. You'll pay taxes now on the money you convert, but the long-term savings could far exceed the one-time bump in tax liability.

☐ KEY DATES TO REMEMBER

Have you put these important dates on your calendar?

- **September 16, 2024:**
  - Due date for third-quarter 2024 estimated tax payments

- **October 15, 2024:**
  - Deadline to file 2023 tax returns for individuals if you requested an extension
- **December 31, 2024:**
  - Taking RMDs from tax-deferred retirement accounts
  - Making voluntary employee contributions to solo 401(k) accounts
  - Making **529 college savings plan** contributions

TAX SAVINGS ARE SOMETHING TO CELEBRATE ALL YEAR

Taxes aren't as much fun as fireworks and vacations, it's true. But the insights you gain from a mid-year review allow you to adopt the most tax-efficient stance now, helping lower your tax bill for 2024 and advancing your long-term financial position.

Talk to your CRI advisor today about how you can minimize current and future tax liabilities. Then enjoy your summer barbecues and holiday trips knowing you're on track for a tax-efficient 2024.