

# TAXES

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## 1 Updates for 2024

Here's an overview of key 2024 adjustments published by IRS and other changes for this year.

## 2 Tax Tidbits

Bits of information you may find interesting.

## IRS 2024 Changes and Adjustments

Here's some information on items that have been updated for tax year 2024, either by required inflation adjustments, due to changes in tax laws or as the result of new tax laws.

### Payroll Changes

The Social Security wage base (wages that are taxed for Social Security each year) increased to \$168,600, up from \$160,200 for 2023. The Social Security tax rate remains at 6.20% each for the employer and employee.

There are no changes in the Medicare tax wage base (unlimited) or tax rate of 1.45% each for the employer and employee. Additional Medicare tax of 0.90% must be withheld on all wages over \$200,000 paid during 2024.

The federal unemployment tax wage base (\$7,000) remains the same, as does the rate of 6.0% for the 2024 tax year (before the potential state credit

### Winter 2024

of 5.4% is applied, leaving a net rate of 0.60%). California, New York and the Virgin Islands are credit reduction states for tax year 2023.

In Illinois, the taxable wage base for state unemployment is \$13,590 for 2024, up from \$13,271 last year. Tax rates for IL unemployment range from 0.85% to 8.65% (including the fund builder surcharge), depending on your business's experience rating.

### Standard Deduction Increases

The standard deduction for married couples filing jointly for tax year 2024 is increased \$1,500 to \$29,200. For married taxpayers filing separately and single taxpayers, the increase is \$750 to \$14,600.

For taxpayers filing under the head of household status, the 2024 standard deduction will be \$21,900, up \$1,100 from 2023.

### Marginal Tax Rates

For tax year 2024, the top tax rate remains at 37%, and applies for single taxpayers with incomes greater than \$609,350 (\$578,126 in 2023). The 37% rate starts at \$731,201 for married couples filing jointly (\$693,751 in 2023).

All other tax brackets reflect similar increases for 2024. The lowest tax rate is 10% for incomes \$11,600 or less for single taxpayers and \$23,200 or less for married couples filing jointly.

The individual income tax brackets are indexed for inflation. This provision of the law was enacted in 1981 after a period of high inflation to ensure that taxpayers are not pushed up into higher tax brackets by inflation.

### Capital Gains Tax Rates

For tax years beginning in 2024, the income brackets for tax on long-term capital gains and qualified stock dividends have also increased.

For married taxpayers filing joint tax returns, no capital gains tax is due until their income exceeds \$94,050 (an increase of \$4,800 from 2023). Tax of 15% will apply to their long-term

capital gains until their income exceeds \$583,750 (an increase of \$29,900 from 2023). Above \$583,750 a tax rate of 20% will apply. All other filing statuses reflect similar increases for 2024.

### **Gift and Estate Exclusions**

For 2024 the annual exclusion for gifting will be \$18,000, up from \$17,000 in 2023. You can gift as many people as you choose up to \$18,000 in 2024 without any reduction to your lifetime exemption or any gift tax consequence.

In addition to annual \$18,000 gifts, you can pay unlimited amounts for anyone's tuition or medical expenses, without affecting your lifetime exemption, as long as you pay the school or medical provider directly.

The lifetime exemption for gift and estate taxes for 2024 will be \$13.61 million, up from \$12.92 million in 2023. Under the 2017 Tax Cuts and Jobs Act, the lifetime exemption will be reduced by more than half after 2025, barring any action from Congress.

### **Retirement Plan Contributions**

IRS also announced changes to retirement plan contributions. Payroll deferrals of \$23,000 will be allowed for 401(k) plans in 2024, an increase of \$500. This increase also applies to 403(b) and most 457 plans.

Catch-up contributions for taxpayers aged 50 and over for these plans will remain at \$7,500 in 2024. This means the maximum deferral for taxpayers aged 50 and over will be \$30,500 for the year.

The limit for annual contributions to IRA accounts increases to \$7,000 in 2024 (up \$500). Annual catch-up contributions for taxpayers aged 50 and over remains at \$1,000 for the year.

Income ranges for determining eligibility to make deductible IRA contributions and contributions to ROTH IRAs have also increased for 2024.

### **HSA Inflation Adjustments**

For 2024, the annual limit on

contributions to an HSA for an individual with self-only coverage is \$4,150, up \$300 from 2023. For an individual with family coverage, the maximum contribution for 2024 will be \$8,300, up \$550 from 2023 limits.

Individuals aged 55 and older will be entitled to make annual catch-up contributions, limited to \$1,000 per year. This is the same amount as allowed in 2023.

### **Other Provisions Impacted**

Other provisions that have been adjusted include the Earned Income Tax Credit, the Alternative Minimum Tax exemption and phase-out ranges, the monthly limitation for qualified transportation fringe benefits, provisions relating to medical savings accounts, and more. For more details on these provisions, please contact our office.



### **Standard Mileage Rate**

In December 2023, the IRS announced an increase in the standard mileage rates effective on January 1, 2024.

The standard mileage rate for business travel is 67.0 cents per mile, up 1.5 cents from the rate effective for 2023. The new rate for deductible medical miles or moving purposes expenses (available only for active-duty members of the military) is 21 cents per mile, down 1 cent from the rate effective for 2023.

The mileage rate for charitable organizations remains unchanged at 14 cents per mile. This rate is set by statute.

It's important to note that under the Tax Cuts and Jobs Act, taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed mileage

expenses they incur as an employee. Taxpayers cannot claim a deduction for moving expenses unless they are in the Armed Forces and meet other requirements.

## **Tax Tidbits**

**The IRS** allocated funds from the Inflation Reduction Act to tax enforcement, and announced it was going after tax-evading high-income and high-wealth taxpayers.

Last year the IRS collected over \$160 million in back taxes. Last October the IRS said it had collected \$122 million from 100 wealthy taxpayers, in addition to the \$38 million they collected from high-income earners earlier last year. IRS continues to pursue these taxpayers.

**The Treasury Inspector General** does a "deep dive" into IRS collection and enforcement efforts each year. In December 2023 they announced some highlights from their most recent report:

\$4.9 trillion – the amount of total tax revenue collected from returns in Fiscal Year (FY) 2022. That's the most ever collected by the IRS.

\$72.4 billion – the amount of revenue collected through enforcement in FY 2022. Most of this (58%) was collected from taxpayers responding to IRS notices.

8,855 – the total number of IRS examination employees in FY 2022. That's down 341 from FY 2021.

708,000 – the number of examinations completed in FY 2022. Most were done by mail (79%), not in person.

## **For More Info**

The articles in this newsletter are intended to present general tax information. Accounting rules and tax laws are complex. Not all ideas presented may be appropriate for your specific circumstances. For additional information, call Kagan & Associates, Ltd. at 847-392-3300 or e-mail us at [info@KaganLtd.com](mailto:info@KaganLtd.com).