

- Your 2023 tax liability, or 110 percent of your 2023 tax liability if your 2023 adjusted gross income (AGI) exceeded \$150,000 if you file as Married Filing Jointly (or \$75,000 if you file as Married Filing Single), or
- 90 percent of your 2024 tax liability

Participating in a Tax Projection Meeting in November or December can help you estimate your 2024 tax liability and adjust your withholding or calculate an estimated tax payment to minimize any potential underpayment penalty.

To schedule a year-end Tax Projection Meeting with SWC Founding Partner Marni Walker, please call our office at (858) 487-4580.

To schedule with Founding Partner Laura Stees, visit www.SWC.cpa/Contact, click “Schedule an Appointment,” then select “Tax Projection” to choose a convenient day and time.

Consider Bunching Itemized Deductions

Each year, you can deduct the greater of your itemized deductions (mortgage interest, charitable contributions, medical expenses, and taxes) or the standard deduction. The 2024 standard deduction is as follows:

- \$29,200 for couples who are married filing jointly (MFJ)
- \$14,600 for singles and for individuals who are married filing separately (MFS)
- \$21,900 for those who file as head of household (HOH).

If your total itemized deductions exceed your standard deduction every year, itemizing every year is best. However, if your total itemized deductions are close to the standard deduction without exceeding it, you may be able to save money by “bunching” your itemized deductions, so they exceed your standard deduction every other year.

For example, if you file a joint return and your itemized deductions are steady at around \$28,000 per year, you will end up claiming the standard deduction in both 2024 and 2025. However, if you can bunch expenditures so that you have itemized deductions of \$32,000 in 2024 and \$24,000 in 2025, you could itemize in 2024 and get a \$32,000 deduction versus a \$29,200 standard deduction. In 2025, your itemized deductions would be below the standard deduction, so you’d claim the standard deduction.

Here are a few ways you can bunch deductions by moving them into an earlier tax year:

- Pay the house payment that’s due in January 2025 in December 2024. (Note that there may be a limit on the amount of mortgage interest you can deduct in any given tax year.)

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- Make charitable contributions in the year you plan to itemize.
- Consider accelerating elective medical procedures, dental work, and vision care into the year you plan to itemize.
- Pay state and local income taxes in the year you plan to itemize to whatever extent allowable. (Note that the deduction for state and local taxes is limited to \$10,000 (\$5,000 if you file as *married filing separately*).

Warning: Prepaying state and local taxes can be a bad idea if you owe Alternative Minimum Tax (AMT) for 2024, since those taxes aren't deductible under the AMT rules. If you are subject to AMT in 2024 and think you won't be in 2025, it's better to pay the taxes in 2025, when you have a chance of deducting them.

Review Your Investment Portfolio

If you hold investment securities outside of a retirement account, such as an Individual Retirement Accounts (IRA) or 401(k), review those securities with an eye toward selling before year-end to save taxes. Every taxpayer's situation is different, but here are some general guidelines:

- If you're selling securities for a profit, consider holding them for at least 12 months, so the profit will be taxed at the lower long-term capital gains tax rate. The highest tax rate on long-term capital gains is 23.8 percent (including the 3.8 percent Net Investment Income Tax [NIIT] for high-income taxpayers), which is far less than the 37 percent maximum tax rate on ordinary income and short-term capital gains.
- If you sold securities at a loss earlier in the year or have capital loss carryovers from previous years, use those capital losses to offset any capital gains you realize by selling securities at a profit this year.
- Consider selling stocks at a loss, if it makes sense to do so, to offset any capital gains you realized on the sale of other stocks.
- When selling stocks at a loss, consider the wash-sale rules. If you sell shares at a loss and acquire substantially identical securities within 30 days of the sale date, the loss is suspended until you sell the identical securities.
- If your capital losses exceed your capital gains, you can use the resulting net capital loss for the year to shelter up to \$3,000 (\$1,500 if *married filing single*) of 2024 ordinary income from salaries, self-employment income, interest, etc. Any excess capital loss from this year is carried forward to next year and beyond.

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Warning: Don't base your decision to buy or sell securities solely on the tax implications. For example, if you have a stock that has dropped in value but you think will recover, you may want to hold it rather than sell it and claim the capital loss.



Plan Your Charitable Donations

You can reduce your 2024 taxable income by making charitable donations (assuming your itemized deductions exceed your standard deduction). You don't need to make cash donations to a specific organization. Here are some other options:

- Donate to a donor-advised fund (also known as charitable gift funds or philanthropic funds) – a public charity or community foundation that uses the assets to grant money to specific charities. Donors can suggest (but not dictate) which grant requests should be honored.
- Donate appreciated assets that you held for over a year. You can deduct the donated asset's fair market value and avoid the tax you would have paid had you sold the asset and donated the cash to the charity.
- If you are age 70½ or older, consider a direct transfer from your IRA to a qualified charity (known as a Qualified Charitable Distribution [QCD]). While you can't claim a charitable donation for the amount transferred to the charity, the QCD counts toward your Required Minimum Distribution (RMD) without increasing your adjusted gross income (AGI) as an RMD would. Keeping your AGI low can decrease the amount of your taxable Social Security benefits and minimize the phaseout of other favorable tax provisions based on AGI.

Convert Traditional IRAs into Roth Accounts

If you expect to be in the same or a higher tax bracket during your retirement years, consider converting traditional IRAs into Roth IRAs. You must pay tax on the conversion just as if the traditional IRA had been distributed to you, but you avoid paying potentially higher taxes on distributions in the future. In effect, a Roth IRA can insure part or all of your retirement savings against future tax rate increases.

Pro Tip: If converting a traditional IRA into a Roth IRA pushes your total income into a higher tax bracket, you may be wise to convert gradually over several years. You don't have to do it all at once.

Spend Any Funds Remaining in Your Flexible Spending Accounts

If you participate in an employer-sponsored medical or dependent care flexible spending plan, look closely at your plan. Generally, funds not spent before the plan's year-end are forfeited (the use-it-or-lose-it rule). There are a few exceptions. What's important is that you know how your Flexible Spending Account(s) work so you don't lose any funds.

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Take Advantage of the Annual Gift Tax Exclusion

If you think your estate may be taxable, annual exclusion gifts (typically to children or grandchildren) are an easy way to reduce your taxable estate. For 2024, you can make annual exclusion gifts up to \$18,000 per donee, with no limit on the number of donees. And these tax-free gifts don't count toward your lifetime exclusion amount.

Estate Tax: An estate tax is levied on the value of everything you pass down to your heirs upon your death. In 2024, estates valued up to \$13.61 million (\$27.22 million for married couples) are excluded from the Federal estate tax. That exclusion is scheduled to drop to \$5 million (\$10 million for married couples) in 2026. So, many estates that will escape taxation before 2026 will be subject to estate tax after 2025.

Estate planning involves more than merely avoiding the Federal estate tax, and gifting can become complicated by other factors, such as the Kiddie Tax. We can help you navigate the estate planning process to maximize the value of your estate and ensure that more of that value is transferred to your heirs as you desire.

Although this singlette focuses on last minute steps you can take at the end of the year to save on taxes, keep in mind that tax planning is most effective when it's personalized and when it covers an entire year or, better yet, multiple years. We would love to help you develop a personalized tax strategy that can save you money on your 2024 taxes and for years to come! Contact us to schedule a consultation and, if you own a business, stay tuned for Part 2 of our two-part series on steps you can take at year's end to reduce your Federal Income Tax.

Tax Projection Meeting

If you recently received an email from Mallory in our office about your 2024 Tax Projection Meeting and haven't scheduled your meeting yet, please do! Our CPAs, Laura Stees and Marni Walker, will walk you through recent tax law changes and help you make proactive decisions that can positively impact your finances, whether for personal, family, or business matters. During your one-hour meeting, which you can easily schedule by phone for Marni or online using the steps below for Laura, we'll review your financial situation and identify tax-saving opportunities that will save you money on next year's tax filing.

To make things easy, we offer phone, virtual/video, and in-person meeting options through the end of the year.

To schedule a Tax Projection Meeting with Marni Walker, please call our office at (858) 487-4580.

To schedule your 2024 Tax Projection Meeting with Laura Stees:

1. Visit our [Contact Page](http://www.SWC.cpa/Contact) at www.SWC.cpa/Contact.
2. Click "Schedule an Appointment." This will open our booking form.
3. Select "Tax Projection" from the list of options.

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4. **Choose Your Advisor:** Select Laura Stees from the “Select Staff” dropdown.
5. **Pick Your Date and Time.**
6. **Enter Your Details** (name, email, etc.).
7. **Confirm Your Meeting Preference** (online, phone, or in person).

If you're unable to find a convenient time or need help, please contact our office at (858) 487-4580, and we will assist you in finding the best appointment time.

Disclaimer: *The information in this SWC singlette about last minute moves to reduce your 2024 federal income is provided for general informational purposes only and may not reflect current financial thinking or practices. No information contained in this singlette should be construed as financial advice from the staff at SWC (Stees, Walker & Company, LLP), nor is this the information contained in this singlette intended to be a substitute for financial counsel on any subject matter or intended to take the place of hiring a Certified Public Accountant in your jurisdiction. No reader of this singlette should act or refrain from acting on the basis of any information included in, or accessible through, this singlette without seeking the appropriate financial planning advice on the particular facts and circumstances at issue from a licensed financial professional in the recipient's state, country or other appropriate licensing jurisdiction.*



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