

Heads Up! Four Things You Need to Know Before the End of Tax Year 2024

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As the calendar year draws to a close, changes to the tax code and regulations are inevitable – regardless of which political party holds sway in Washington, D.C., or controls state legislatures in California or elsewhere.

The end of 2024 is no exception, with several updates that could save you or your business money as we enter the new year or leave you with less of your hard-earned money in 2025.



Here are four items to be aware of as we approach year-end:

1. Maxing out your tax-deferred retirement contributions
2. FSA contribution limit increases for 2025
3. Qualified charitable distributions for eligible IRA owners by year-end
4. Beneficial Ownership Information (BOI) reporting

As we'll explore in this SWC singlette, there's still time to take advantage of the first three tax-saving opportunities before the year ends. For the fourth item – beneficial ownership information reporting – while you also have time to file before the beginning of the year, a recent court ruling favors anyone concerned about the prospect of facing fines or criminal charges for failing to do so.

Here's what you need to know to make informed decisions before 2024 comes to a close.

Maxing Out Your Tax-deferred Retirement Contributions

For 2024, the IRS has increased contribution limits for various retirement accounts:

- For a 401(k), 403(b), SIMPLE, and SARSEP plans, the contribution limit is \$23,000, with an additional \$7,500 catch-up contribution if you're 50 or older. If you contribute to multiple plans, this limit is for all plans collectively, not for each plan individually.
- For Individual Retirement Plans (Traditional and Roth IRAs), the contribution limit is \$6,500, with a \$1,000 catch-up for those 50 and over. This limit is separate from the limit for contributions to 401(k), 403(b), SIMPLE, and SARSEP plans.
- If you contribute to a 457(b) plan, you have a contribution limit separate from the limits that apply to your other plans. In 2024, you may defer the lesser of \$23,000, or 100 percent of your includible compensation. A governmental 457(b) plan may allow age-50 catch-ups of an additional \$7,500. In addition, the plan may allow a special "last three-year catch-up," which enables you to defer in the three years before you reach the plan's normal retirement age. If a governmental 457(b) allows *both* the age-50 catch-up and the three-year catch-up, you can use the one that allows a larger deferral but not both.

We're bringing this to your attention because the contribution deadline for most retirement plans is Tuesday, Dec. 31, 2024. However, you have until Tuesday, April 15, 2025 to make contributions to an IRA for tax year 2024.

Pro Tip: If your employer matches your retirement contributions, take full advantage of that perk to build your retirement savings even faster!

Warning: Avoid making excess contributions. If you contribute more than the specified limit, you may withdraw the excess amount from your account by the due date of your tax return (including extensions). Otherwise, you must pay a 6 percent tax each year on the excess left in your account.

Maxing Out Your FSA Contributions and Spending the Money Before You Lose It

For 2025, employees can contribute up to \$3,300 for their Flexible Spending Arrangement (FSA) account, which can help pay for qualified medical expenses not covered by their other health plans. If you participate in an FSA, you can contribute through payroll deductions, and the amounts contributed are not subject to federal income tax, Social Security tax, or Medicare tax.

You can use the money in your FSA to pay for qualified medical expenses including the following:

- Co-pays and deductibles

- Dental visits and procedures
- Vision care, including eyeglasses
- Hearing care, including hearing aids and batteries
- Over-the-counter medications, including allergy products, sunscreen, and warm steam vaporizers
- Routine checkups or visits with specialists that regular insurance plans do not cover

For FSAs that permit the carryover of unused amounts, the maximum you can carry over to 2025 is \$660. The carryover doesn't affect the maximum you can contribute for the year.

Use it or lose it! Many FSAs are structured in a way that requires you to spend all the money in your account by the end of the year. If you don't, you lose that money. In other words, the plan doesn't allow you to carry over the balance into the following year. If you're in one of these plans, try to spend the balance before Tuesday, Dec. 31, 2024. Buy over-the-counter medications you frequently use, first-aid supplies such as bandages, new eyeglasses if you need them, or something else that qualifies as a medical expense.

Make Qualified Charitable Distributions from Your IRA by Year End

If you're 70½ years or older, have a traditional IRA, and would like to donate money to a not-for-profit charitable organization, consider contributing funds from your IRA. You can contribute up to \$105,000 from your IRA as qualified charitable donations (QCDs) without reporting it as income. Married couples can each contribute \$105,000 in distributions from their own IRAs for a combined charitable contribution of \$210,000. If you're 73 years or older, QCDs also count toward the year's required minimum distribution. QCDs must be sent directly to a qualified charity by the trustee of the account.

This tax-saving strategy isn't suitable for Roth IRAs, because distributions from Roth IRAs are already excluded from reported income. If you have a Roth IRA, you're generally better off donating money from your savings and deducting it as a charitable contribution.

Reporting Beneficial Ownership Information

In 2021, the United States Congress passed the Corporate Transparency Act (CTA) – a measure that created a *beneficial ownership information (BOI) reporting requirement*. This requirement was part of the U.S. government's efforts to make it harder for criminals, terrorists, and other bad actors to hide or benefit from their ill-gotten gains through shell companies or other murky ownership structures.

Tax year 2024 marked the first year that businesses were required to report BOI, and many companies we work with filed their reports ahead of the original deadline of Jan. 1, 2025. However, in early-December 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction halting the BOI reporting requirement.

SWC Recommends: Prior to the early-December 2024 ruling, small businesses meeting certain criteria would have been required to file reports with the U.S. Department of the Treasury by Jan. 1, 2025, or risk fines and even criminal penalties. If your business hasn't filed yet, you're currently under no obligation to do so. Since this could change, stay tuned to the SWC blog for the latest updates and alerts.

Getting Professional Help with Your Taxes

The older you are and the more complex your life and your finances, the more complicated and overwhelming tax planning and management can be. The federal tax code is currently more than 2,600 pages long, and it's not light reading. It's filled with legal language and financial terms and concepts that can make the average taxpayer's head spin. And please don't hold your breath waiting for the day when politicians deliver on their promise to allow taxpayers to submit their returns on a postcard!

We encourage you to get professional advice from a CPA who specializes in tax planning and wealth building. If you're in or near the San Diego area, [contact us to schedule a tax planning consultation](#). But even if you choose not to work with us, we hope you seek the assistance of an equally qualified and reputable firm. Yes, it costs money to have a professional do your taxes, but you stand to save far more money than you'll spend, and you'll have the peace of mind knowing that you're in compliance with federal, state, and local tax code.

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