

# HOLDEN & MICKEY, INC.

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## Top tax changes for 2024

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Inflation was far more reasonable in 2023. The consumer price index in October 2023 was up 3.2 percent compared with 12 months earlier. In October 2022, it was up 7.7 percent year over year.

Still, the IRS has made annual inflation adjustments that increase how much you can save for retirement, how much of your income is tax-free and how much you can earn before moving into the next tax bracket. It's worth considering these changes as you draft your financial plan for 2024.

### Standard Deductions

Your standard deduction in 2024 will be higher than it was in 2023. Your standard deduction is the amount of income the federal government lets you keep 100 percent of. You may owe less tax in 2024 if your income increases by less than 5.4 percent — the amount the deduction increased by due to inflation.

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*In the picture below, the Holden & Mickey team gathers in the Century Plaza lobby preparing for our annual Christmas luncheon.*



*Pictured are: Steven Davis, David Holden, John Mickey, Chip Holden, Brian Holden (back row) Camille Phillips, Lynn Benton, Linda Long, Autumn Ryan (front row).*

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Holden & Mickey, Inc. designs, implements, and monitors financial plans for high net worth individuals. Our firm has been working with clients in this area since 1930. Holden & Mickey advisors are highly credentialed and multi-generational in their focus on wealth management.

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- For single people and married couples filing separate returns, it increases from \$13,850 to \$14,600.
- For heads of household, it increases from \$20,800 to \$21,900.
- For married people filing jointly, it increases from \$27,700 to \$29,200.

If you're 65 or older, your additional standard deduction increases from \$1,500 to \$1,550 if you're married and from \$1,850 to \$1,950 if you file as single or head of household.

## Tax Brackets

Marginal tax rates won't change in 2024. The lowest rate will remain 10 percent, and the highest will still be 37 percent. The amount you can earn within each tax bracket has been increased for inflation, however.

Here's a simplified example that assumes all your income comes from work. If you filed as single in 2023 and earned \$95,375, you were at the top of the 22 percent tax bracket. In 2024, you could earn \$100,525 and still pay the same marginal tax rate. In other words, your pay could have increased by \$5,150, or about 5.4 percent, without pushing any of your income into the 24 percent tax bracket.

The average salary increase in 2023 was about 4.4 percent according to The Conference Board, a nonpartisan think tank that delivers business insights. For 2024, U.S. companies expect to raise salaries by 4.1 percent.

"It's a good idea to consider if you should update your W-4 withholding form with your employer," said Annette Nellen, CPA, professor of tax and accounting at San Jose State University. "If you owed taxes when you filed your 2023 return, you might not be having enough taxes withheld from your paychecks or you might need to make quarterly estimated tax payments."

## Resale Income

In 2024, you might receive one or more copies of 1099-K forms from any third-party network that you conducted transactions with in 2023. Payment card companies, payment apps, and online marketplaces are

required to fill out these forms and send them to the IRS each year. They must also send a copy to you by January 31.

Perhaps you sold items through an event ticket website, an online marketplace, or in person and got paid through an online payment platform. If so, the company that processed the payment has to report the total of all the payments you received to the IRS if they exceed \$20,000 and 200 transactions. Even if they don't exceed the threshold, you're still responsible for reporting the income.

The good news is that you may be able to reduce your taxable gains by certain losses. The bad news is that you'll have to figure out your cost basis and selling fees for your transactions so that you can accurately report your gain or loss on your 2023 tax return. You'll also need to hang on to your records in case the IRS audits your return.

## IRA Contribution Limits

You can contribute about 7.7 percent more to your Roth or traditional IRA in 2024. The annual contribution limit will be \$7,000 instead of \$6,500 (or 100 percent of your earned income, whichever is less).

While the deadline to contribute for 2024 won't arrive until April 15, 2025, making regular contributions and automatic investments throughout the year can be more effective than hoping you'll have a lump sum to contribute at tax time.

- If you want to **max out your savings** and contribute monthly, you'll need to set aside \$583.33 per month.
- If you want to **align your contributions** with your biweekly paychecks, that's \$269.23 every two weeks.

The catch-up contribution amount for individuals 50 and older remains at \$1,000 for 2024. That's an additional \$83.33 per month (\$666.66 total) or \$38.46 every two weeks (\$307.69 total).

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If you have a SIMPLE IRA through work, the annual salary deferral contribution limit will increase by \$500, from \$15,500 to \$16,000. The catch-up contribution limit will stay the same at \$3,500.

## Roth IRA Eligibility Income Limits

The IRS limits how much you can contribute to a Roth IRA directly when your modified adjusted gross income reaches certain levels.

- If you file as single or head of household, you can directly contribute a reduced amount (less than the \$7,000 maximum) once your income hits \$146,000 (up from \$138,000). You can't contribute directly to a Roth IRA at all if your modified adjusted gross income exceeds \$161,000 in 2024 (up from \$153,000 in 2023).
- If you're married and file jointly, the phaseout range is \$230,000 to \$240,000 in 2023 (up from \$218,000 to \$228,000).
- If you're married and file separately and you lived with your spouse at any time during the year, the phaseout range doesn't adjust for inflation and will still be \$0 to \$10,000 in 2024. If you did not live with your spouse, the single and head of household range applies.

You can still contribute indirectly to a Roth through a backdoor Roth IRA once your income exceeds these limits.

**Traditional IRA deductible contribution income limits**  
You can make after-tax contributions to a traditional IRA regardless of how high your income is. To claim a tax deduction, however, your income needs to fall below certain limits if you or your spouse are able to contribute to a workplace retirement plan.

- If you're a single filer, the phaseout range in 2024 is \$77,000 to \$87,000 (up from \$73,000 to \$83,000 in 2023).
- If you're married and file jointly, the range is \$123,000 to \$143,000 (up from \$116,000 to \$136,000) if you can contribute to a workplace retirement plan.

- If you're married to someone who can contribute to a workplace retirement plan but you can't contribute yourself, the phaseout range is \$230,000 to \$240,000 (up from \$218,000 to \$228,000).
- If you're married filing separately and covered by a workplace retirement plan, the phaseout range remains at \$0 to \$10,000.

## 401(k), 403(b), most 457 and Thrift Savings Plan Contribution Limits

If you have access to any of these employer-sponsored retirement accounts, you'll be able to contribute as much as \$23,000 in 2024, an increase of \$500 (about 2.2 percent) from 2023.

If you get paid every two weeks and want to max out your contributions, you'll have an additional \$19.23 withheld from each paycheck, for a total of \$884.61 per pay period.

"If you have student loans and your employer has a 401(k) matching program, find out if starting in 2024, your employer will permit a match from them tied to your student loan payments," Nellen said.

This student loan matching provision from the SECURE 2.0 Act is designed to help workers save for retirement while repaying education debt.

Workplace plans also let you make catch-up contributions of up to \$7,500 in 2024 if you're 50 or older, or an extra \$288.46 per paycheck. This limit is unchanged from 2023.

## Solo 401(k) Contribution Limits

If you earn money from a company that doesn't classify you as an employee, you don't receive employee benefits. But if your independent contractor income is high enough, you can take advantage of a solo 401(k) to save far more for retirement than most employees are allowed to.

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Like employees, you can contribute up to \$23,000 to a solo 401(k) in 2024. And instead of the matching contributions that many employees receive, your company can make a profit-sharing contribution of up to \$46,000 (increased from \$43,500 in 2023).

That's a maximum annual contribution of as much as \$69,000 (up from \$66,000 in 2023) — plus a \$7,500 catch-up contribution if you're 50 or older. To contribute the maximum, however, your self-employment income would need to be at least \$275,000.

## Long-term Capital Gains Taxes

Outside of tax-advantaged retirement accounts, long-term capital gains tax applies when you make money selling an investment you've held for more than a year. Unlike short-term capital gains, which are taxed at your top marginal rate, long-term gains are taxed at lower rates.

In 2024, the long-term capital gains tax rate is 15 percent tax once your income hits \$47,025 if you're single, \$63,000 if you're head of household, and \$94,050 if you're married and file jointly. The respective thresholds in 2023 were \$44,625, \$59,750, and \$89,250. Below these limits, you don't owe the tax.

Should your income get into the mid-six figures (\$518,000 for single filers, \$551,300 for heads of household, and \$583,750 for married joint filers), the capital gains tax rate hits 20 percent.

## Conclusion

The tax changes for 2024 are mostly minor and allow you to continue saving for retirement while possibly reducing your tax bill. Wondering whether your financial plan is on track? A MassMutual financial professional can help you review your accounts and help create a personalized strategy to meet your goals.



*On January 5th, 2024, our own Brian Holden was inducted into the Fury Athletic Hall of Fame at Forsyth Country Day School. Brian was a four-time All-State and four-time All-Conference Lacrosse player at Forsyth Country Day before attending Syracuse University as a scholarship lacrosse player. Congratulations Brian!*

*Pictured to the left are: Chip Holden, Carol Holden, Brian Holden, Jr., James Holden, Brian Holden and Kara Holden*



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