

Greenebaum, Saiger & Kasdin PC

2024 Summer Newsletter



The finance topic on everyone's minds this year is the interest rate. The longer it stays up, the more bonds the Fed will sell at a high rate, the better return we all get on savings accounts, and the higher the cost to borrow money for a house or other purposes. Inflation is, of course, also a hot topic as we want to make sure that, when we can afford to spend those interest yields again, the money is worth something. The hope is that high interest will cool inflation to a healthy pace. Predicting when and how the Fed will act on interest rates and inflation is a tough nut to crack, and Powell does not give one bit of information more than he wants to.

Speaking of nuts, you'd think they could be doing a little more to soften the inflation in the grocery store aisles. Have you seen cheese lately? I thought the whole point of the government subsidizing cheese producers was to keep those prices under control. If I had over a billion pounds of cheese stored in a cave in Montana, like the US Government does, I know I would be out there selling it cheap and making a killing. And don't even get me started on the cereal industry. Why is the subsidized wheat and corn stockpile not being used to bring those costs down? If the prices go any higher, I'll have to switch from a bowl of Cheerios for breakfast to some Captain Crunch once a week as a luxury treat!

OFFICE COMMUNICATION

As always, we are here year-round! If you want to get a head start on tax planning or your information (address, phone number, email address, etc....) changes, please reach out now to avoid any possible confusion down the road.

Let us know if you may be interested in additional services as well, such as creating new LLCs and other business entities or planning for life decisions/changes that will impact filing status. It is often easier (and cheaper for you) to update us on these things before we get into the tax season.

FRAUD WARNING

We continue to hear news about increased fraud and scams around the ERC and other Credits, Tax bills, and more. If you receive any communications related to your tax returns, records, or services related to credits or taxes offering to claim money on your behalf, please send them to us to verify their legitimacy so we can help you avoid losing money to fraud. Remember, phone-calls and emails are probably not real IRS communication. ****The IRS and State tax authorities will always initiate contact with paper mail.****

Extension Deadline Approaching: If we filed an extension for you, please make sure to send in any remaining documents ASAP. If you are unsure what is missing, give us a call.

PERSONAL TAX UPDATES

	2023	2024	change
Standard deduction (single/Married filing separately)	\$13,850	\$14,600	+\$750
Standard deduction (Married filing jointly)	\$27,700	\$29,200	+\$1,500
Standard deduction (Head of Household)	\$20,800	\$21,900	+\$1,100
401(k) contribution limit*	\$22,500	\$23,000	+\$500
IRA Contribution limit*	\$6,500	\$7,000	+\$500
HSA Contribution limit(individual/family)**	\$3,850/\$7750	\$4,150/\$8,300	+\$300/+\$550
Flex Spending Account contribution limit	\$3,050	\$3,200	+\$150
Refundable portion of the Child Tax Credit	\$1,600	\$1,700	+\$100
Foreign Earned Income exclusion	\$120,000	\$126,500	+\$6,500
Annual Exclusion for gifts	\$17,000	\$18,000	+\$1000
Estate Basic Exclusion	\$12,920,000	\$13,610,000	+\$690,000
Tax Brackets	These are a bit messy to include here, but all bracket thresholds have adjusted upward as well.		

*For those 50 and over, an additional \$7,500 can be contributed to 401K plans and an additional \$1,000 can be contributed to IRA's

**For those 55 and over, an additional \$1,000 can be contributed to HSA plans

I RECEIVED A TAX NOTICE FROM THE IRS OR STATE – WHAT DO I DO??!!

The IRS has said it is stepping up enforcement on the top tax earners, anyone with AGI over \$400,000, but these letters can come to anyone, and often for reasons that may not be cause to worry. If you get a letter from the IRS or the state tax department, sometimes called a correspondence audit or audit letter, send us a copy of the ENTIRE letter immediately, every page, front and back. We need all the information in that letter to determine what needs to happen next. Though they may be correct about a discrepancy, oftentimes we are able to submit documents, amend the return, or make a phone-call to reduce or eliminate that liability.

Common causes for these letters:

- A 1099 or other income source was not included on the tax return or did not match the amount reported on the tax return.
- The government wants documentation to prove that you qualify for a credit or deduction.

- The computerized system flagged some business income/expense amounts as questionable, and they are asking for documentation (remember you should be saving your original receipts and records for at least 7 years)
- Large changes in self-employment income or consistent years of negative income (if you lose money in three out of five consecutive years, the IRS is significantly more likely to audit the business)
- Large quantities of cryptocurrency trading – the limited oversight in this market means the IRS is on the lookout for anyone who might be under-reporting cryptocurrency gains.
- Claiming large rental losses – The IRS may audit rental activity with large or repeated losses to verify that it meets the criteria to be treated as a trade or business activity.

ESTIMATE TAX PAYMENTS

People often think of income taxes as a one-time April bill that they pre-pay in their paycheck. In reality, the United States income tax is a “pay as you go” system, meaning your income tax is due as you earn it, and the annual tax filing is just your chance to settle the difference. For those whose income is primarily earned through a regular paycheck, this is done through withholding.

If you have high income, significant investing/retirement income, or own your own business things get a bit trickier. You probably start seeing an estimated payment schedule and vouchers in your tax packet from us each year with your tax return. Failure to pay these estimates can result in an underpayment penalty. If you expect big changes, let us know and we can plan ahead.

CHARITABLE DONATION RULES

It’s always nice to be able to help someone else at the same time that you garner some tax benefits. If you itemize your deductions, keep the following rules in mind to simplify your taxes when the year-end rolls around.

- **Cash Donations** - If any *single* donation you make is greater than \$250, you must save the receipt or letter from the charity for your records. Your \$30 per month commitment is under that limit, but if it were a single \$360 donation for the year, you need to keep the receipt.
- **Noncash Donations**
 - These are not valued at what you paid for them, but at “fair market value” at the time of donation. If the value of the donation is \$5,000 or more, you need proof as well.
 - Unlike the “many small cash donations” loophole, noncash donations are grouped. Meaning every clothing donation you make to goodwill in a single year is considered a single donation for the deductions. However, if one trip is clothes and the next trip is books, or if both trips are clothes but one is to Amvets and one is to Goodwill, then they are counted separately.

ENVIRONMENTAL CREDITS GALORE!

Last year the government expanded the limits on many of the environmental credits that individual taxpayers can take advantage of. If you do any of the following in 2024, make sure to save the invoices and item descriptions so we can claim those credits for you on your taxes.

- Energy efficiency audit – We need the invoice documenting that you had a qualified company conduct an audit for ways to improve your energy efficiency.
- Energy efficient home improvements (Must be a residence you own for personal use) – We need the invoice, and a description of the item that shows an energy efficiency rating such as energy star.
 - External doors and windows
 - Insulation
 - Furnace and/or Water heater
 - Electric vehicle charging port
- Electric Vehicle – Save the purchase documents, there are state and federal credits we may be able to claim for you

STAR PROGRAM

As always whether you are a new homeowner who could be receiving the STAR credit or already receiving the STAR credit/exemption and turned 65 by the end of 2024 it is worth reviewing the STAR and enhanced STAR criteria. If you are not receiving the appropriate benefit you can find instructions to apply on this page: <https://www.tax.ny.gov/pit/property/star/>

Basic Star Criteria

- The property is your primary residence.
- Your income is \$500,000 or less (the same limit applies to combined income for spouses)

Additional Enhanced STAR Criteria

- At least one owner is 65 or older
- Income of \$93,200 or less (applies to combined income of owners and any owner's spouses who reside on the property)

Current Basic STAR recipients will need to verify income with the city/town assessor the first time they are eligible to receive Enhanced STAR. Forms can be found here:

<https://www.tax.ny.gov/pit/property/star/ivp.htm>

ROTH IRA CONVERSIONS (ALSO CALLED ROLLOVERS)

Should I convert my 401k or Traditional IRA to a Roth IRA? When should I do it? How much? This is a complicated topic but here are some benefits and factors to consider as you plan for your own income, tax, and estate planning. If you have substantial retirement savings, there are almost certainly large tax savings to have in the long run by taking advantage of this.

- **Benefits**

- When you take distributions from the Roth IRA, they are TAX FREE!
- No Required Minimum Distributions, meaning you don't need to take a penny more out of that account than you want to, and the rest can keep growing.
- Tax free to your beneficiaries! The money in your Roth is tax-free to whomever you designate as part of your estate planning.

- **Considerations**

- In the year that you make a rollover, there is income tax on that rollover to plan for. **Contact us now so we can help you plan for the tax impact.**
- The 5-year rule: money that is converted to a Roth is subject to a 10% penalty if you take it out within 5 years. There are many ways we can help you plan for this.
- Large rollovers, whether in a single year or multiple years, can impact your Medicare Part B premiums in the future. This can be a complicated hurdle, but there are ways to anticipate and account for it.

529 TO ROTH CONVERSIONS

That's right, another Roth opportunity in the same letter. If you or your children are the beneficiaries of a 529 college tuition savings plan that is no longer needed, starting in 2024 the Federal government is allowing you to roll that money over to a Roth IRA. BUT WAIT! Some states are not treating that as a qualified distribution. In NYS, for example, the beneficiary (whoever owns that Roth Account) will owe state income taxes on that rollover. Make sure to plan accordingly.

Additional uses for 529 plans include up to \$10,000 to pay off the beneficiary's student loans and to pay for certain apprenticeship programs.

As always, we hope you enjoy these warm summer months. Please reach out if we can answer questions or aid in your tax planning in any way. Now is the best time to come to us with your big questions!

Summer hours (in effect until October 1st)

Monday – Thursday	8:00 am – 4:00 pm
Friday	8:00 am – noon (In July – we are closed on Fridays)
Saturday, Sunday, Holidays	Closed

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