December 31, 2023

PERSONAL FINANCIAL PLANNING LLC

"A nickel ain't worth a dime anymore."
Yogi Berra

Rollback Ahead for Estate Tax Exemption

Under current regulations, estates valued at less than $13 million ($26 million for a married couple), are not subject to estate taxes. This historically generous exemption was established by the 2017 tax overhaul and is on track to sunset at the end of the 2025.

Without Congress intervention, the exclusion will revert to $5 million per person, so estate planning may be more crucial.

IRS to Waive $1 Billion

During the pandemic, the IRS temporarily paused mailing reminders to taxpayers who owed back taxes. Even though the taxpayers didn't receive reminder notices, failure-to-pay penalties continued to add up.

Taxpayers didn't hear from the agency for more than a year, so the IRS is waiving failure-to-pay penalties to taxpayers affected by the collection pause during 2020 and 2021.

2024 Tax Planning Tips

A new year is a great time to make smart tax moves and avoid dumb ones. It makes a difference to your investment returns, your retirement savings, your home, and your donations, among other things. So let's kick off 2024 with a few New Year's resolutions that can make a difference.

I will document and substantiate The IRS has $60 billion in new funding, much of it earmarked for enforcement. Taxpayers should expect increased scrutiny, so it's critical to document important positions and deductions, including charitable giving. Remember that *written acknowledgement* from the organization is required for cash gifts over $250 and non-cash donations over $500.

I will maximize retirement Savings IRAs and 401(k)s still offer some of the best tax savings in the tax code. Contributions reduce taxable income and grow tax-free until distributed. The 2023 contribution limits are $22,500 for a 401(k) and $6,500 for an IRA, and can be made as late as April 15, 2024. Additional "catch-up" contributions can be made by those age 50 and older.

I will plan for required minimum distributions The age when distributions must be made from retirement accounts was recently increased from 70.5 to 72. If you were born after January 1, 1951, the age increases to 73, and rises to 75 after 2032.

I will make up a tax shortfall with increased withholding Employed taxpayers who find themselves in danger of being penalized for underpaying taxes can make up the shortfall through increased withholding, even at year-end. If you have no withholding, you must pay 90% of your taxes before April 15 or face penalties. These charges didn't matter much when interest rates were low but have recently climbed to 8% (ouch!)

I will keep records of home improvements If you sell your home, capital gains taxes are due on the difference between the purchase price and sale price. However, an exemption of up to $250,000 of gains for single filers and $500,000 for married couples wipes out this tax for many home sellers. With home values rising, your gain may exceed the exemption amounts, so be sure and keep records of home improvements and additions.