Fitzpatrick & Goguen
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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To Our Clients and Friends:

To help you with year-end tax and financial planning, we have summarized some of the more relevant strategies. Hopefully, these will save you some taxes and avoid any surprises when you file your 2024 tax return and help you plan for any changes going forward.

If you had a federal income tax balance due in 2023 and your income and deductions are the same and you did not increase federal taxes paid through payroll withholding or estimated tax payments, expect a similar result for 2024! If you want an estimate of what your 2024 tax refund or balance due will be, you should contact us now to prepare a tax plan for 2024.

Two items everyone should consider:

1. Because of increasing frequency of fraudulent individual income tax returns being filed, the IRS is recommending taxpayers obtain an **Identity Protection Personal Identification Number (IP PIN)**. This can be done via the IRS website (www.IRS.Gov). This is a six-digit number known only by the IRS and taxpayer and is issued every January and is required to E-File your tax return each year.

2. **Place a "freeze" on your credit file and check your credit report** at least once a year. You can request a copy of your credit report for free by going to www.annualcreditreport.com. This can be important as the risk and occurrence of identity theft continues to increase, and it is important to review who has been accessing your credit report. The security "freeze" is also free and can be requested directly at all 3 major credit bureaus to prevent unauthorized use of your Social Security number.

Important information for all business owners and any client who has an LLC:

The January 1 deadline for companies created prior to January 1, 2024 is fast approaching for the new Beneficial Ownership Information filing and the timeframe for newer businesses to file is shorter.

Companies created or registered in 2024 have 90 days to file this information, and those created or registered after January 1, 2025, have only 30 days to file.

The corporate transparency act (CTA) created the Beneficial Ownership Information (BOI) report that is required to be filed with the Financial Crimes Enforement Network (FinCEN).

The CTA was enacted by Congress to create business ownership transparency by identifying individuals who have either direct or indirect ownership ("beneficial ownership") in a company. The overall goal is to alleviate fraudulent and illegal activities.

The CTA requires most existing U.S. businesses and foreign businesses that have registered to do business in the U.S. to disclose the required beneficial ownership information.

A reporting company created or registered to do business before January 1, 2024, will have until January 1, 2025, to file its initial beneficial ownership information report.

Failure to file by the deadline may become extremely costly, with civil penalties starting at $500 per day and criminal penalties of up to $10,000 and/or two years in prison.

Our office is not currently filing BOI reports for clients. You can find more information from FinCen at the following link or consult your Attorney: https://www.fincen.gov/boi/toolkit

Some tax saving and deferral steps you should go through before year-end:

- In 2024 the **energy credit** is set at 30% of all eligible home improvements made during the year, limited to $1,200 annually. Solar panels, heat pumps, biomass stoves/boilers, and electric vehicles may also qualify for their own energy credits.

- **Massachusetts** has several state specific deductions and credits. Examples include a deduction for cash donations, rent paid, UFund 529 contributions, commuter deduction for tolls or monthly transit commuter passes purchased for the MBTA, a Septic credit to help offset the costs of replacing a failed Title V septic or to connect to municipal sewer, and a residential solar credit to list a few.

- **Massachusetts Non-Resident employees who work from home** may be able to reduce their taxable wages based on days worked out of MA.

- **Crypto currency transactions** must be reported. Please remember that you do not need to "cash out" in order to have a reportable transaction. Making purchases using cryptocurrencies or exchanging one crypto currency for another all qualify as reportable events for your tax return. You should be able to obtain any reporting of proceeds and cost basis from the exchanges.

- Opening a **529 plan** could be a good idea to help with college savings. The income earned in the account is not taxable if the earnings are used for qualified education expenses. These plans are now allowed to cover private school K-12 educations costs. There is no Federal tax deduction for contributions, but Massachusetts does offer a deduction limited to $1,000 for single filers, married filing separately, and Head of household filers and $2,000 for taxpayers filing married joint returns. Contributions must be made to the Massachusetts UFund 529 plan managed by Fidelity as other state sponsored plans do not qualify for the Massachusetts tax deduction.

  You may be eligible for a $50 start-up payment for newborns through the MA Baby Steps Program: https://www.mass.gov/babysteps

- If you have a child living at home who is a **college student** and has to file a tax return, you should coordinate their filing with your own tax return to determine if they should claim themselves and how to get the most benefit from education credits. *Beware – if you are claiming your child on your tax return and your child self-prepares their returns and claims themselves, your return will be rejected for e-filing and will need to be mailed in to the IRS which is causing major delays for clients expecting refunds.*

- If you can afford to, review and **increase your contributions to your retirement plans**. If you are not enrolled, but qualify for a company plan, consider signing up immediately - even if there is no company match! Contributions to Traditional IRA's and ROTH IRA's might still be allowed even if you are covered by a Company plan, dependent on income limitations. Traditional and ROTH IRA Funding is allowed up to the filing deadline on April 15, 2025.

- Review your investment holdings in your non-retirement accounts to determine if you can **take any capital losses** to offset capital gains and up to $3,000 of ordinary income. The Federal tax rate on capital gain and qualified dividends is 20%, but this only applies to those in the top tax bracket. For those with lower taxable incomes, the tax rate is 0%, and for those in between, the tax rate is 15%. So even if you have no capital losses, but are in a low tax bracket, consider selling long-term (more than one year) holdings.

- Consider making **Charitable Contributions** before year-end to obtain a tax deduction (*if you can itemize your deductions with this contribution*). Any individual contribution over $250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. MA now allows a charitable deduction for cash donations made during the year. *There is a tax advantage in donating **appreciated securities**, such as stock or mutual funds, in lieu of cash.* You get a charitable deduction while avoiding being taxed on the capital gains. Also, don't forget to consider documenting your **non-cash** donations, such as clothing, etc.

- For those over age 70 1/2, you are allowed a **Qualified Charitable Deduction** (QCD) from your IRA up to $100,000 without having to include this amount in income but be careful as there are specific rules that you must adhere to. If you are over age 73, the QCD does count toward the annual RMD for the year.

- If you have any **Foreign Accounts,** such as a bank account, retirement account or business interests with a value over $10,000 in a foreign country, special rules apply. There are substantial penalties for failure to disclose these items. The due date for this filing has been moved up from June 1st to April 15th. An emerging issue is that some crypto wallets are based in foreign countries and may qualify unknowing taxpayers for an FBAR filing.

For Taxpayers with self-employment income:

- **Defer income and accelerate expenses** at year end. Remember that even though you might be on the cash basis of accounting, certain credit card purchases are an exception and are treated as an expense when charged, not when the credit card bill is paid.

- Take advantage of various **retirement plan deductions**, even if already covered by an employer plan. There are several plans with varying contribution limits and account set-up deadlines to be aware of, but contributions are normally allowed until the tax return filing deadline, including extensions.

Other matters to consider going forward:

- For 2024 you are allowed to **gift up to $18,000 per person** or $36,000 for a joint gift without having to file a gift tax return.

- If you have an IRA account and will be in a low tax bracket this year, maybe due to a business loss or a lay-off, now may be a good time to **convert to a ROTH IRA.** The idea is to pay at low tax rates on the IRA conversion now as compared to a higher rate when eventually withdrawn. An added benefit in addition to all future earnings being tax free is the ROTH IRA has no mandatory withdrawal requirement at age 73. If you are over age 63, be careful to consider the impact the additional income may have on your Medicare Part B monthly premium.

- Taxpayers are required to take **Required Minimum Distribution (RMD's)** from their retirement accounts by April 1 of the year after they turn age 73. Be careful, because if you wait until then you will be required to take out distributions for both years in one year. Also, many taxpayers who are under age 73 who are not required to take RMD's may consider doing so because they are in a low tax bracket and will have little or no additional income taxes as a result!

- If you have a high deductible health insurance plan and qualify for a **Health Savings Account** (HSA) offered at work, take advantage of it as a savings vehicle or to pay medical expenses on a pre-tax basis. Contributions to an HSA through payroll deferrals are not subject to FICA or income taxes and earnings in an HSA are tax free if used to pay for qualified medical expenses. Unlike an FSA, there is no “use it or lose it” provision and contributions can be invested in the stock market like an IRA or 401k and once you reach age 65 you can make withdrawals for any use without penalty, but they will be subject to income tax.

- **Flexible Spending Accounts** (FSA) offered at work are another great option to pay medical or daycare expenses on a pre-tax basis. Don’t be afraid of the ‘spend it or lose it’ provision, just be conservative with your estimate. Most employers now allow you to pay expenses after year end and still qualify.

Hopefully you will find the above summary helpful as you begin to gather your 2024 tax documents and make any adjustments to your personal finances for 2025. As always, if you have any questions or concerns, please do not hesitate to reach out to us to discuss how the above comments impact you personally.

Lastly, we would like to **thank you**, our clients, for placing your faith in us to handle your tax and financial matters.

Best regards,

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