

## 2024 YEAR-END LETTER

*Greetings! Here are some staff updates, office deadlines, tax thresholds, planning strategies, and reminders.*

### Office Announcements

- Braulio Arroyo-Sosa has left our firm to pursue another opportunity at a larger firm in the area. We wish him the best in his new position!
- Melanie Dos Reis, EMBA has joined our tax team as a Tax Associate. Melanie has over 25 years of experience working in tax, accounting, and audits. She is a Chicago native and currently resides in Reston, VA.

Please visit our website [[www.abramsontax.com](http://www.abramsontax.com)] for full bios and pics of all our staff.

### IDENTITY THEFT & USPS MAIL ISSUES

**Identity Theft:** The IRS will not call you about any tax matter without first mailing you a letter; nor will the IRS demand immediate payment over the phone. Unless you have initiated contact, do not give any personal information over the phone, through the mail, or on the internet.

If you have been a victim of tax-related identity theft, the IRS will issue you a different Identity Protection PIN annually. Please send us your assigned PINs each year.

**USPS Mail Issues:** There continues to be theft of mail from both inside the post office and public mailboxes. We offer setup of electronic payments when e-filing tax returns and extensions.

### Important Firm Deadlines!

**Tax Client Organizers:** In early January, we will send out 2024 Engagement Agreements and Tax Organizers. Please note that **if we do not receive your completed Tax Organizer and all related tax documents by Friday February 21, 2025, your returns will be placed on extension.** We will provide our Extension Worksheet to those who miss our February 21 deadline. Your completed worksheet – along with your tax forms (1099s, W2s, etc.) – will need to be received by March 15, 2025 to ensure that timely extensions can be prepared.

**Payments to Housekeepers, Child & Health Care Providers:** Unless hired through an agency, such providers are classified as employees. In 2024, if you will have paid any such worker \$2,700 or more in total wages, you must issue them a Form W2 by January 31, 2025. **If you want us to prepare W2s, we need your information by Friday January 10, 2025.**

In MD, a domestic employer is liable to pay unemployment insurance if wages of \$1,000 or more are paid to any employee during any quarter of the current or preceding calendar year. In DC, an employer becomes liable when they pay at least \$500 in a quarter and remains liable for all wages paid in subsequent quarters until they become inactive.

**Payments to Independent Contractors:** In the course of your business [including rentals], if you pay any non-corporate contractors \$600 or more during 2024, you must issue a Form 1099 by January 31, 2025. **If you want us to prepare 1099s, we need your information by Friday January 10, 2025.**

## IRS SIMPLE NOTICE INITIATIVE

The IRS is in the process of redesigning up to 200 of the most common taxpayer notices in an effort to reduce taxpayer confusion. If you receive a notice from the IRS and are unsure of its legitimacy, please contact us.

## Law Updates

**FinCEN BOI Reporting Requirement:** As you may be aware from our September 2024 memo, the Financial Crimes Enforcement Network [FinCEN] has established a beneficial ownership information [BOI] reporting requirement whereby “reporting companies” are required to provide information about their beneficial owners. **This new reporting requirement is outside of the scope of the tax services we provide, and we will not be offering any BOI-related services as part of our engagement.** If you would like another copy of our memo, please contact us.

**Energy Efficient Home Improvement Credit:** Beginning in 2025, taxpayers will be required to provide a qualified product identification number [PIN] for any item to be used to claim the credit. PINs can be issued only by qualified manufacturers registered with the IRS. There is currently no planned PIN requirement for the more beneficial Residential Clean Energy Credit which applies to solar panels.

**Inherited IRA RMDs:** In final regulations released July 2024, the Treasury confirmed that beginning in 2025, non-spouse beneficiaries of IRAs inherited after 2019 must begin taking RMDs if the original IRA owner had been required to take RMDs while alive. The 10-year mandatory liquidation rule remains in effect.

**FBAR:** If you have foreign financial accounts that exceed \$10,000 in aggregate at any time in 2024, a Report of Foreign Bank and Financial Accounts is due April 15, 2025.

## Retirement Planning

**Required Minimum Distributions [RMDs]:** For non-inherited IRAs, RMDs must start at age 73. Your first RMD can be delayed until April 1 of the year following the calendar year in which you reach age 73. For subsequent years, the RMD must be taken before December 31. [Note: Choosing to delay the first RMD means that two RMDs must be taken that year – i.e., age 73 and age 74 distributions.] Distributions from current employer-sponsored plans are not required unless the employee owns more than five percent [5%] of the business.

**IRA Contributions:** For those with earned income, contributions to IRAs may be made at any age. The eligible IRA type is dependent on income.

**Back Roth IRAs:** If your income is too high for a Roth, consider contributing to a non-deductible IRA followed by a Roth conversion.

**Charitable Donating Directly from an IRA:** Consider charitable contributions directly from an IRA if you take the standard deduction or claim medical expenses [AGI based].

## Social Security & Medicare Planning

**Maximizing Social Security:** To receive a statement of earnings and/or an estimate of eligible benefits, contact Social Security Administration [SSA]: 800.772.1213 or visit <https://secure.ssa.gov/RIL/SiView.action>.

The most common concern is whether to start claiming benefits at age 62 or to continue to let your benefits grow until age 66 or 70. Consider using a benefits analysis company such as Social Security Solutions, Inc. to help you determine the best strategy:  
<https://www.socialsecuritysolutions.com/>

**What is IRMAA?** IRMAA is a surcharge for Medicare Parts B and D premiums for those with income above certain thresholds. The higher the income, the higher the IRMAA. The surcharge is determined by the income from your income tax return two years prior. For example, the IRMAA adjusted Medicare Premium for 2025 is based on 2023 income.

## Thresholds and Limits

### **Threshold for 0% Federal Rate on Long-Term Capital Gains:**

If your 2024 taxable income is less than the following amounts, your long-term capital gains are taxed at a 0% federal rate:

Married Filing Joint: \$94,050

Single: \$47,025

For 2025, the amounts are \$96,700 [MFJ] and \$48,350 [Single].

**Standard Deduction:** The 2024 standard deduction is \$29,200 for joint filers and \$14,600 for single filers. For 2025, the amounts are \$30,000 [MFJ] and \$15,000 [single].

**IRA & 401(k) Limit:** For 2024 and 2025, the IRA contribution limit is \$7,000; for those 50 and older, it is \$8,000. The contribution limit for 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is \$23,000 for 2024 and \$23,500 for 2025; for those aged 50 or older, the limit is \$30,500 for 2024 and \$31,000 for 2025.

**Health Savings Account [HSA]:** If offered by your employer, consider deductible contributions to HSAs where withdrawals are tax free if used for qualified medical expenses. For eligibility, you must have a High Deductible Health Plan. For 2024, contribution limits are \$4,150 for self-only coverage and \$8,300 for family coverage. If 55 or older, you can contribute an additional \$1,000 "catch up" [per spouse, if married]. For 2025, the limits are \$4,300 for self-only and \$8,550 for family coverage. The "catch up" amount" has not yet been released.

### **MERP: Deduction Opportunity for Businesses**

Employers, including those self-employed, can adopt a Medical Expense Reimbursement Plan [MERP] to benefit "key" employees. This results in a tax deduction for out-of-pocket medical expenses. MERPs can be used for medical reimbursements alongside a group health insurance plan or offered independently. Strict guidelines must be followed to comply with IRC Sec. 105. For further information, contact Hannah Fagan, benefit specialist at Potomac Companies [hfagan@potomacco.com]. Hannah's agency partners with BeniComp, one of the groups offering a fully insured, supplemental, group executive MERP policy.

## DC, MD & VA

### **Residential Rental Owner Requirements:**

**DC:** (1) Obtain a business license; (2) Register with DC Consumer and Regulatory Affairs (DCRA); and (3) Meet the District's housing code compliance standards [<https://dcra.dc.gov/service/dc-housing-code-standards>]. You must also register online with DC Tax and Revenue [Form 500], file an annual personal property return, and an unincorporated business franchise tax return [if gross annual rent is greater than \$12,000].

**Montgomery County, MD:** (1) Obtain a rental license; (2) Pass a lead test if built before 1950; and (3) Designate a MD resident agent. Units occupied by relatives, or in Rockville, Takoma Park, or Gaithersburg are exempt [<https://www.montgomerycountymd.gov/DHCA/housing/licensing/>].

**Arlington County, VA:** Obtain a business license: [<https://taxes.arlingtonva.us/business/new-businesses/>].

### **DC Homestead & Senior Citizen Real Property Tax Relief:**

**Homestead Deduction:** Reduces your property's assessed value by \$87,050.

**Senior Citizen [age 65] Additional Relief:** Reduces your tax by 50%. Income threshold applies.

Both forms of tax relief apply only to primary residences. It is your responsibility to notify DC of any changes in eligibility. Apply online using your MyTax DC portal.

**DC Domestic Worker Employment Rights Act:** Household employers and those hiring domestic contractors are now required to have a work agreement in place clarifying pay, duties, leave, etc. For more info: [<https://gtm.com/household/washington-dc-domestic-worker-protections/>]

**Section 529 Plans:** DC, MD, & VA allow deductions for contributions to their state Education and ABLE plans benefiting those with disabilities.

## **Estate and Gift Planning**

### **Reportable Gifts and the Federal Estate and Gift Tax:**

The threshold for when a gift tax return [Form 709] must be filed is \$18,000 for 2024 and \$19,000 for 2025. Even though the excess above the reporting thresholds is a "taxable gift", there is no gift tax until one's "taxable gifts" exceed ~ \$13.6M. The gift return merely tracks the "taxable gifts" so they will be counted towards one's cumulative lifetime transfers. The threshold applies to total asset values at death PLUS lifetime "taxable gifts".

For lifetime gifts, the donee [gift recipient] takes the basis of the donor. For inheritances, the beneficiary gets a basis "step-up" to the date of death value.

**DC/MD Estate Tax Exemptions:** The DC exemption is \$4.71M and MD is \$5M. VA does not have an estate tax.

**Planning Opportunities:** For taxpayers with assets greater than their respective exemption amounts, planning using "marital", "disclaimer", and "irrevocable life insurance"

trusts can provide estate tax savings and flexibility. In addition, since neither DC nor MD requires a decedent's estate to include lifetime gifts, they are an excellent DC/MD estate tax savings tool. [Note: payments for qualified educational and medical expenses are not reportable gifts if paid directly to the provider of the service.]

### **MD MOLST [Medical Orders for Life-Sustaining Treatment]** **DC MOST [Medical Orders for Scope of Treatment]**

These forms can provide more specificity for life-sustaining treatments than Advanced Directives and Living Will Declarations. They are becoming a widely used complement for avoiding the possibility of unwanted resuscitation in the event of cardiac or respiratory arrest outside of a medical care facility. Sooner rather than never, please download, complete the form, and have it signed by your physician.

**Estate Documents:** Please review your estate planning documents every three to five years, whenever there is a change in law, or if you experience a major life event. While we no longer prepare estate planning documents, we can provide referrals upon request.

**HAPPY HOLIDAYS FROM ALL OF US AT ABRAMSON & ASSOCIATES, LLC!**