RETIREMENT TAX SERVICES

December 12th 2023 Edition **2024**

# TAX GUIDE

## Ordinary Income Tax

| | If taxable income | | | | The marginal tax rate is | | |
|---|---|---|---|---|---|---|---|
| | Is over | | But not over | | | | |
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2026* |
| Married filing jointly and qualifying widow(er)s | - | - | $22,000 | $23,200 | 10% | 10% | 10% |
| | $22,000 | $23,200 | $89,450 | $94,300 | 12% | 12% | 15% |
| | $89,450 | $94.300 | $190,750 | $201,050 | 22% | 22% | 25% |
| | $190,750 | $201,050 | $364,200 | $383,900 | 24% | 24% | 28% |
| | $364,200 | $383,900 | $462,500 | $487,450 | 32% | 32% | 32% |
| | $462,500 | $487,450 | $693,750 | $731,200 | 35% | 35% | 35% |
| | $693,750 | $731,200 | | | 37% | 37% | 39.6% |
| Single | - | - | $11,000 | $11,600 | 10% | 10% | 10% |
| | $11.000 | $11,600 | $44,725 | $47,150 | 12% | 12% | 15% |
| | $44,725 | $47,150 | $95,375 | $100,525 | 22% | 22% | 25% |
| | $95,375 | $100,525 | $182,100 | $191,950 | 24% | 24% | 28% |
| | $182,100 | $191,950 | $231,250 | $243,725 | 32% | 32% | 33% |
| | $231,250 | $243,725 | $578,125 | $609,350 | 35% | 35% | 35% |
| | $578,125 | $609,350 | | | 37% | 37% | 39.6% |

* brackets will be indexed for inflation, rates are set to increase in 2026 with the expiration of the rate cuts in the Tax Cut and Jobs Act (TCJA)

## Important Thresholds and Limits

| Type | LIMITATION 2023 | LIMITATION 2024 |
|---|---|---|
| Standard Deduction (Single/Married Filing Jointly) | *$13,850 /$27,700* | *$14,600 /$29,200* |
| Additional Standard Deduction Age 65+ or Blind (Single/MFJ) | $1,500 /$1,850 | $1,550 /$1,950 |
| Maximum elective deferral to retirement plans, e.g., 401(k), 403(b), 457 (gov't and tax-exempt employers) | $22,500 | $23,000 |
| Catch-up contribution limit for 401(k), 403(b), and certain 457 plans (over age 50) | $7,500 | $7,500 |
| Limit on annual additions to defined contribution and SEP plans *Limited to 25% of self employment earnings | *$66,000* | *$69,000* |
| Maximum annual compensation taken into account for contributions to retirement plans | *$330,000* | *$345,000* |
| Health flexible spending account (FSA) maximum salary reduction contribution (FSA) *Maximum carryover amount for 2024 is $640 | $3,050 | $3,200 |
| Health savings accounts (HSA) contribution limits (individual coverage/family coverage) | *$3,850 /$7,750* | *$4,150 /$8,300* |
| HSA Catch-up contribution limit (over age 55) | *$1,000* | *$1,000* |

## Tax on LT capital gains and qualified dividends*

| | If qualified income | | | | The marginal tax rate is | |
|---|---|---|---|---|---|---|
| | Is over | | But not over | | | |
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| Married filing jointly and qualifying widow(er)s | - | - | $89,250 | $94,050 | 0% | 0% |
| | $89,250 | $94,050 | $553,850 | $583,750 | 15% | 15% |
| | $553,850 | $583,750 | | | 20% | 20% |
| Single | - | - | $44,625 | $47,025 | 0% | 0% |
| | $44,625 | $47,025 | $492,300 | $518,900 | 15% | 15% |
| | $492,300 | $518,900 | | | 20% | 20% |

*TCJA did not change the long-term capital gains rates. The income brackets are adjusted for inflation each year, however based on current tax law there will be no change in the rates when other TCJA changes expire

Additional 3.8% federal net investment income (NII) tax applies to individuals on the lesser of NII or modified AGI in excess of $200,000 (single) or $250,000 (married/filing jointly and qualifying widow(er)s).

## Social Security *Base amount of combined income causing Social Security benefits to be taxable (no change from 2023)*

| Type | Up to 50% Taxable | Up to 85% Taxable |
|---|---|---|
| Married filing jointly | $32,001 - $44,000 | >$44,000 |
| Single | $25,001 - $34,000 | >$34,000 |

## Medicare - Part B Premium

| | If Modified AGI | | | | The monthly premium is | |
|---|---|---|---|---|---|---|
| | Is over | | But not over | | | |
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| Married filing jointly and qualifying widow(er)s | - | - | $194,000 | $206,000 | $164,90 | $174,70 |
| | $194,000 | $206,000 | $246,000 | $258,000 | $230,80 | $244.60 |
| | $246,000 | $258,000 | $306,000 | $322,000 | $329,70 | $349,40 |
| | $306,000 | $322,000 | $366,000 | $386,000 | $428,60 | $454.20 |
| | $366,000 | $386,000 | $750,000 | $750,000 | $527,50 | $559,00 |
| | $750,000 | $750,000 | | | $560,50 | $594,00 |
| Single | - | - | $97,000 | $103,000 | $164,90 | $174,70 |
| | $97,000 | $97,000 | $123,000 | $129,000 | $230,80 | $244,60 |
| | $123,000 | $129,000 | $153,000 | $161,000 | $329,70 | $349,40 |
| | $153,000 | $161,000 | $183,000 | $193,000 | $428,60 | $454,20 |
| | $183,000 | $193,000 | $500,000 | $500,000 | $527,50 | $559,00 |
| | $500,000 | $500,000 | | | $560,50 | $594,00 |

## Maximum earnings before Social Security Benefits are reduced

| Type | 2023 | 2024 |
|---|---|---|
| Under full retirement age ($1 withheld for every $2 above limit) | $21,240 | $22,320 |
| Full retirement age and over | No limit* | No limit* |

*Interim annual limit of $59,520 applies for month prior to attaining full retirement age during year individual reaches full retirement age ($1 withheld for every $3 above limit)

## Traditional and Roth IRAs

- Lesser of compensation or $7,000
- Up to $7,000 contribution can be made for nonworking spouse
- Catch-up contributions (age 50 and over): $1,000

## Additional considerations for Roth IRAs

*Contribution Eligibility*

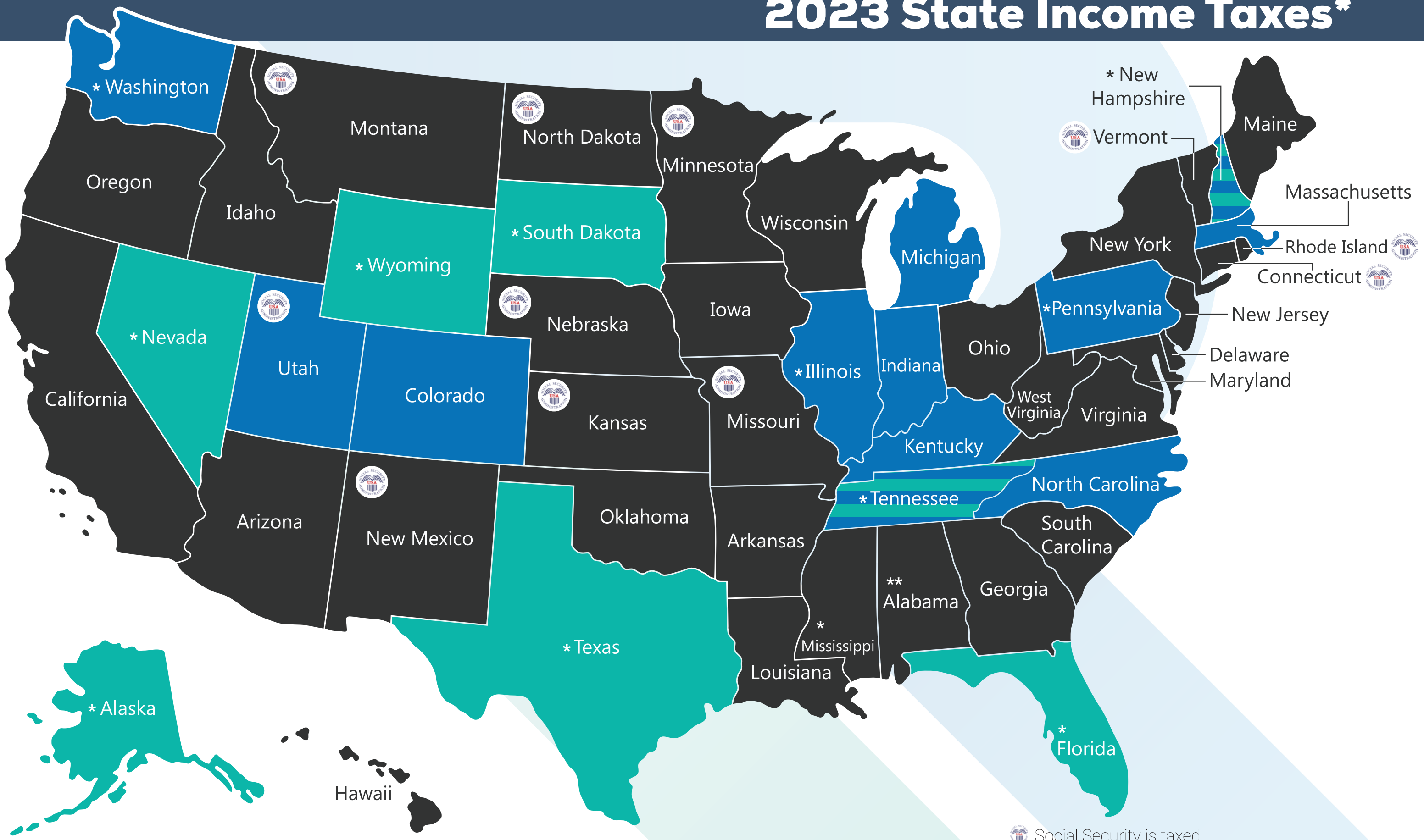
| Type | Phase Out Begins 2023 | Phase Out Begins 2024 | Phase Out Ends (no longer eligible) 2023 | Phase Out Ends (no longer eligible) 2024 |
|---|---|---|---|---|
| Single | $138,000 | $146,000 | $153,000 | $161,000 |
| Married filing jointly | $218,000 | $230,000 | $228,000 | $240,000 |

## Bonus Information

- **Kiddie tax**
  Child's unearned income above $2,500 is subject to taxation at the parent's marginal tax rate.
- **Child Tax Credit**
  Same as 2023
  $2,000 per "qualifying child" (who has not attained age 18 during the year); phased out as income exceeds $400,000 (married/filing jointly) or $200,000 (all other).
  AND
  $1,000 per "qualifying child" (who has not attained the age of 18 during the year)
  OR
  $1,700 per "qualifying child" (who has not attained the age of 6 during the year)
  This additional credit is phased out as income exceeds $150,000 (married/filing jointly) or $75,000 (all other).
- **Estate/Gift Exemptions**
  Annual gift tax exclusion: individual, $18,000; married electing split gifts, $32,000. Combined lifetime gift tax and gross estate tax exemption: $13,610,000 (exemption is portable).

This is still 2023 data, as of the release of this guide 2024 data for state tax rates was not yet available, stay tuned for updates

# 2023 State Income Taxes*




Green No State Income Tax
Blue Flat State Income Tax
Black Progressive State Income Tax

Social Security is taxed
* Pensions, IRA and 401(k) distributions are tax free
** IRA and 401(k) distributions are tax free
Only Dividend and Interest Income is Taxed

| | Tax Rate Range |
|---|---|
| Alabama | 2%-5% |
| Alaska | None |
| Arizona | 2.59%-4.5% |
| Arkansas | 2%-5.5% |
| California | 1%-13.3% |
| Colorado | 4.55% |
| Connecticut | 3%-6.99% |
| Delaware | 2.2%-6.6% |
| Florida | None |
| Georgia | 1%-5.75% |
| Hawaii | 1.4%-11% |
| Idaho | 1%-6% |
| Illinois | 4.95% |
| Indiana | 3.23% |
| Iowa | 0.33%-8.53% |
| Kansas | 3.1%-5.7% |
| Kentucky | 5.00% |
| Louisiana | 1.85%-3.5% |
| Maine | 5.8%-7.15% |
| Maryland | 2%-5.75% |
| Massachusetts | 5.00% |
| Michigan | 4.25% |
| Minnesota | 5.35%-9.85% |
| Mississippi | 4%-5% |
| MIssouri | 1.5%-5.4% |

| | Tax Rate Range |
|---|---|
| Montana | 1%-6.75% |
| Nebraska | 2.46%-6.84% |
| Nevada | None |
| New Hampshire | 5.00% on dividends |
| New Jersey | 1.4%-10.75% |
| New Mexico | 1.7%-5.9% |
| New York | 4%-10.9% |
| North Carolina | 4.75% |
| North Dakota | 1.1%-2.9% |
| Ohio | 2.76%-3.9% |
| Oklahoma | 0.25%-4.75% |
| Oregon | 4.75%-9.9% |
| Pennsylvania | 3.07% |
| Rhode Island | 3.75%-5.99% |
| South Carolina | 0%-7% |
| South Dakota | None |
| Tennessee | 1%-2% dividends and interest only |
| Texas | None |
| Utah | 4.95% |
| Vermont | 3.35%-8.75% |
| Virginia | 2%-5.75% |
| Washington | 7% capital gains only |
| West Virginia | 3%-6.5% |
| Wisconsin | 3.54%-7.65% |
| Wyoming | None |
| D.C. | 4%-10.75% |

## A FEW TAX REMINDERS FROM THE RTS TEAM

- Our favorite question to start conversations around specific tax planning opportunities is "what is your strategy for _______". What is your strategy for: not getting killed on taxes, for paying taxes during retirement, for avoiding IRMAA increases, for tax rates going up in 2026, to name a few.

- The amount of refund or payment at tax time is typically a distraction from what really counts, the amount of hard earned money the IRS kept during the year (line 24 of the tax return).

- Most people have never had someone walk through their tax return and explain where the amounts come from and how their total tax is calculated. Take the time to be that person for your clients.

- You don't have to memorize the tax code to deliver massive value on taxes to your clients. As long as you are committed to helping find the answer, whether you know it off the top of your head or not, you are in a position to provide tremendous help on a complicated and painful topic

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