Preparing & Filing 2024 U.S. Income Taxes (w/ Focus on Newly Single)

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Topics

- Filing Statuses and Standard Deductions
 - Along with a Warning (Planning)
- 2024 Inflation Adjustments
- 2024 Tax Law Changes
- Miscellaneous Filing Tidbits
- New IRS Self-File option
- Questions & (hopefully) Answers

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Filing Status Explanation

MFJ — Married Filing Jointly (living together last 6 mo.*)

QSS — Qualified Surviving Spouse**
(w/ dependent children (natural, step, or adopted), not grandchildren)

HoH — Head of Household (w/ dependents***)

Single — No dependents

MFS — Married Filing Separately (not recommended)
TX is a community-property state, very messy

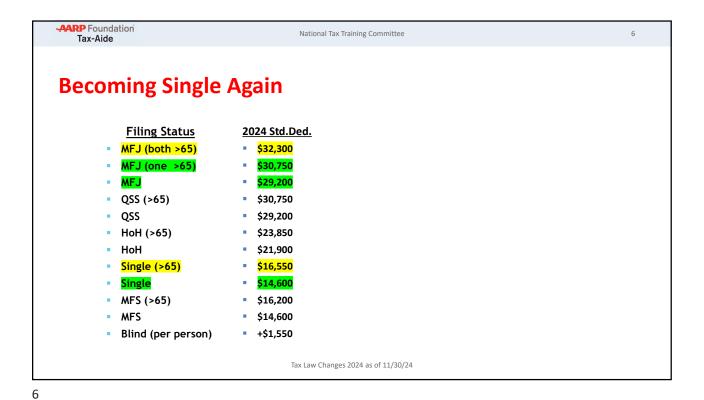
* "Temporary" absences excluded (nursing home, military, school, incarceration, etc.)

** Spouse died in 2023 or 2022

*** If dependents are parents, they do not need to be living with you

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AARP Foundation National Tax Training Committee Tax-Aide **Filing Statuses & Standard Deductions** Filing Status 2023 Std.Ded. 2024 Std.Ded. Change MFJ (both >65) \$30,700 \$32,300 + \$1,600 MFJ (one >65) \$29,200 \$30,750 + \$1,550 \$29,200 + \$1,500 \$27,700 QSS (>65) \$29,200 \$30,750 + \$1,550 + \$1,500 HoH (>65) \$22,650 + \$1,200 \$23,850 \$20,800 + \$1,100 \$21,900 Single (>65) \$15.700 \$16,550 +\$ 850 \$13,850 \$14,600 +\$ 750 \$15,350 Blind (per person) +\$1,500 +\$1.550 +\$ 50 Tax Law Changes 2024 as of 11/30/24



Filing Threshold - Income Based
(Who Must File? ***)

Filing thresholds for most taxpayers is their standard deduction (except MFS: \$5)

Filing threshold increased by additional standard deduction amount due to age 65 or older

However, Filing threshold is not increased by additional amount for blindness

Include all non-SS income plus 50% of SS income

If you have HSA, APTC, AMT, SE Income >\$400, and other items, you must file

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Who Should File

- Claiming refund of withheld taxes or estimated tax payments
- Claiming any refundable credit (credit independent of taxes owed)
 - Earned Income Credit
 - Additional Child Tax Credit
 - Education Credits
- Desire to help prevent identity theft

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Definitions of Income Types (Gross, Adjusted, Taxable)

- Gross Income: income received from all sources worldwide (e.g., wages, pensions, SS, cap. gains ...)
 - Long-Term Income is a subset of gross income (next slide)
- Adjusted Gross Income (AGI): gross income minus adjustments (e.g., alimony paid, Self-Employment taxes & Self-Employment health insurance premiums)
- Taxable Income: AGI minus standard or itemized deductions and Qualified Business Income deduction

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Ordinary Income vs. Long-Term Income

- Most income is classified as Ordinary income
- Long-Term income is income earned because of holding assets for longer than oneyear
 - Stocks and bonds are the most common
 - Sale of homes are normally another
 - Qualified dividends are also long-term
- Long-Term income is taxed differently than Ordinary income
- Long-Term rates are 0%, 15%, and 20% (with much wider brackets)

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AARP Foundation 13 National Tax Training Committee Tax-Aide 2024 Tax Brackets (based on Taxable Income) Tax Rate MFJ or QSS Single HoH MFS 10% **\$ 23,200** \$ 11,600 **\$** 16,550 \$ 11,600 12% **\$ 94,300** • \$ 63,100 \$ 47,150 \$ 47,150 22% **\$201,050 \$100,500** \$100,525 \$100,525 24% **\$383,900 \$191,950 \$191,950** \$191,950 32% \$243,725 **\$487,450** \$243,700 \$243,725 35% \$609,350 \$609,350 \$731,200 **\$365,600** 37% And up And up And up And up Your tax bracket is not your overall tax rate, just how your last \$ of income or deduction is valued Knowing the top of your bracket is important for determining tax strategy for future planning

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AARP Foundation National Tax Training Committee Tax-Aide 2024 Tax Brackets (Comparing Ordinary & Long-Term) Tax Rate MFJ or QSS HoH Single MFS **\$ 23,200 \$** 16,550 \$ 11,600 **\$ 11,600** 12% **\$ 94,300** • \$ 63,100 \$ 47,150 \$ 47,150 22% **\$201,050 \$100,525 \$100,500** \$100,525 24% **\$383,900 \$191,950 \$191,950 \$191,950** 32% **\$487,450 \$243,700** \$243,725 \$243,725 **\$731,200 \$609,350** 35% \$609,350 **\$365,600** 37% And up And up And up And up Long-Term • \$ 63,000 • \$ 94,050 **\$** 47,025 0% \$ 47,025 15% **\$583,750** \$551,350 \$518,900 \$291,850 20% And up And up And up And up Tax Law Changes 2024 as of 11/30/24

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Standard Mileage Rates

- Standard mileage rates per mile for 2024:
 - Business mileage:
 - 67¢
 - Medical mileage and active-duty military moving mileage:
 - **21**¢
 - Charitable mileage:
 - 14¢ (never changes, inflation was not included in the law)
- Note: Don't forget tolls and parking fees too

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AARP Foundation National Tax Training Committee Tax-Aide **Income Documents Needed for Tax Return Preparation Employment** W-2 Social Security or RR SSA 1099, RRB 1099 Pensions, IRA distributions • 1099-R, RRB 1099-R, CSA 1099-R • 1099-INT, 1099-DIV, 1099-B (Broker Interest, dividends, capital gains Statement), K-1, self 1099-G Unemployment compensation Gambling winnings W-2G Note: TP/SP picture ids, all SS statements/cards, 2023 return

AARP Foundation National Tax Training Committee Tax-Aide **Expenses You Need to Document if Itemizing Deductions** Medical Real estate taxes paid Premiums: Insurance (self-paid, Sales taxes, actual or IRS table Medicare Part B, C, D, & Medicare supplement, dental, vision) Mortgage Interest, Points, PMI (Private Mortgage Insurance) Payments: Doctors, Dentists, etc. Prescriptions 1st & 2nd Home Medical Aids (e.g., Glasses, CPAP, Charitable Contributions hearing aids, etc.) Total for all "cash" contributions LTC Insurance premiums (each) Total for all donated items <\$500 Mileage to doctors, pharmacies, etc. Breakout of donated items >\$500 Travel expenses, if out-of-town Mileage for volunteer activities

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Required Minimum Distribution Age

- Age for beginning required minimum distributions (RMD) from a defined contribution plan or IRA previously increased to 72 from 70%.
- Started 1/1/2023 RMD age increased to 73.
- Starting 1/1/2033 RMD age increases to 75.
- RMD failure penalty reduced from 50% to 25%.

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Qualified Charitable Distributions

- If over age 70½, and
- Withdrawing money from IRA for daily living or RMD, and
- Support churches or charities
- Consider donating directly from you IRA to charity through a QCD

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Considering Qualified Charitable Distributions

- Will be presented in class
- Comparison with and without

Energy-efficient Home Improvement Credits

- Prior to 2023, \$500 lifetime credit
- 2023+: 30% of qualified expenses, with \$1200 aggregate annual limit
- Building envelope components (exterior doors, windows, skylights, insulation materials) (30% of costs w/o labor, w/ different limits)
- Home energy audits (30% of cost up to \$600)
- Residential energy property (ACs, water heaters, furnaces, etc.) (30% of costs w/ labor up to \$600/item)

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IP (Identify Protection) PIN program

- Taxpayers who received an IP PIN through the Get an IP PIN tool on irs.gov will need to access their account to get their new IP PIN for 2024
- If can't access their account, can call IRS and be mailed their IP PIN
- Others will receive CP01A with their new IP PIN

Note: we get returns rejected because taxpayer has not provided IP PIN or the correct IP PIN

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Takeaways

- Lost spouse in 2024 file Married Filing Jointly for 2024
- Lost spouse in 2025, file MFJ for 2024 and again for 2025
- If you are paying someone to prepare your taxes, but have no tax situations requiring such services, consider a FREE service like IRS Free-File (next slide) or AARP Tax-Aide

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IRS Free-File Option

- IRS Currently has a free-file option
- AGI must be <= \$79,000
- Must select 1 of 8 IRS-contracted vendors
- Zero charge for filing US return
- Vendor may try to sell additional services, you may refuse.
- IRS is currently beta-testing their own direct file system in several small states. May be available in TX for TY2024

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AARP Tax Sites Near Here

- Denton American Legion Senior Center 629 Lakey St
- Flower Mound Senior Center 2701 W Windsor Dr
- Lewisville Library 1107 W Main St
- The Colony Community Center 5151 N Colony Blvd
- Carrollton Libraries 4220 N Josey Ln or 1700 Keller Springs Rd
- Dallas Libraries Bachman Lake, Grauwyler, or Timberglen

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- American Legion Senior Center, 629 Lakey St (corner of Wilson St) (E of Bell, S of Prairie, N of Morse)
- Tuesdays 9-12, Thursdays 9-4
- Appointments Preferred: 940-268-5494 (text or voice mail, will receive callback)
- Appointment via Internet: see flyer
- Walk-ins accepted: but you may wait awhile due to lower priority

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We cannot prepare returns with:

- Self-employment with employees, depreciation, losses
- Hobby income or other activities not for profit
- Complicated cap. gains/losses, e.g., futures, options
- Rental, farm, and ranch income
- Alternative Minimum Tax, additional Medicare tax, net investment income tax, solar panel energy credit
- Foreign financial asset reporting
- Digital assets directly owned or traded
- Any situation for which we have not been trained

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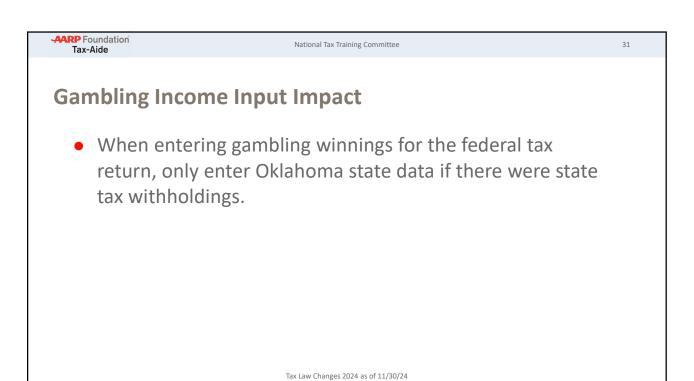
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Background

- Requests were made for Texas AARP Tax-Aide counselors to file Nonresident Oklahoma tax returns if Texas residents have Oklahoma earnings of \$1,000 or more
- Oklahoma requires electronic submission of state tax returns with the federal tax return or paper submission of state tax returns with a copy of the federal tax return
- Mainly impacts gambling and oil/gas royalty income from Oklahoma

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Creating Oklahoma Return

Choose Nonresident return type. Resident and Part-year Resident are Out of Scope

Oklahoma does not tax social security income.

Oklahoma does not tax U.S. Gov't Interest.

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Oklahoma Subtractions

- Retirement benefits from pension or IRA can be excluded from the tax calculation, up to \$10,000.
- Oklahoma supports oil/gas royalty depletion of 22% versus the federal depletion of 15%.

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Oklahoma Tax Calculation

 If the federal return used standard deduction, then the Oklahoma tax calculation will use a standard deduction. If federal used itemized deduction, Oklahoma will use itemized deduction with a limit of \$17,000

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