

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

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AARP Foundation
Tax-Aide

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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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Filing Statuses & Standard Deductions

<u>Filing Status</u>	<u>2023 Std.Ded.</u>	<u>2024 Std.Ded.</u>	<u>Change</u>
▪ MFJ (both >65)	▪ \$30,700	▪ \$32,300	▪ + \$1,600
▪ MFJ (one >65)	▪ \$29,200	▪ \$30,750	▪ + \$1,550
▪ MFJ	▪ \$27,700	▪ \$29,200	▪ + \$1,500
▪ QSS (>65)	▪ \$29,200	▪ \$30,750	▪ + \$1,550
▪ QSS	▪ \$27,700	▪ \$29,200	▪ + \$1,500
▪ HoH (>65)	▪ \$22,650	▪ \$23,850	▪ + \$1,200
▪ HoH	▪ \$20,800	▪ \$21,900	▪ + \$1,100
▪ Single (>65)	▪ \$15,700	▪ \$16,550	▪ + \$ 850
▪ Single	▪ \$13,850	▪ \$14,600	▪ + \$ 750
▪ MFS (>65)	▪ \$15,350	▪ \$16,200	▪ + \$ 850
▪ MFS	▪ \$13,850	▪ \$14,600	▪ + \$ 750
▪ Blind (per person)	▪ +\$1,500	▪ +\$1,550	▪ + \$ 50

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Becoming Single Again

<u>Filing Status</u>	<u>2024 Std.Ded.</u>
▪ MFJ (both >65)	▪ \$32,300
▪ MFJ (one >65)	▪ \$30,750
▪ MFJ	▪ \$29,200
▪ QSS (>65)	▪ \$30,750
▪ QSS	▪ \$29,200
▪ HoH (>65)	▪ \$23,850
▪ HoH	▪ \$21,900
▪ Single (>65)	▪ \$16,550
▪ Single	▪ \$14,600
▪ MFS (>65)	▪ \$16,200
▪ MFS	▪ \$14,600
▪ Blind (per person)	▪ +\$1,550

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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 one-year
 - 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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2024 Tax Brackets (based on Taxable Income)

<u>Tax Rate</u>	<u>MFJ or QSS</u>	<u>HoH</u>	<u>Single</u>	<u>MFS</u>
10%	\$ 23,200	\$ 16,550	\$ 11,600	\$ 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%	\$487,450	\$243,700	\$243,725	\$243,725
35%	\$731,200	\$609,350	\$609,350	\$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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2024 Tax Brackets (Comparing Ordinary & Long-Term)

<u>Tax Rate</u>	<u>MFJ or QSS</u>	<u>HoH</u>	<u>Single</u>	<u>MFS</u>
10%	\$ 23,200	\$ 16,550	\$ 11,600	\$ 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%	\$487,450	\$243,700	\$243,725	\$243,725
35%	\$731,200	\$609,350	\$609,350	\$365,600
37%	And up	And up	And up	And up
<u>Long-Term</u>				
0%	\$ 94,050	\$ 63,000	\$ 47,025	\$ 47,025
15%	\$583,750	\$551,350	\$518,900	\$291,850
20%	And up	And up	And up	And up

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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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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 |
| ● Interest, dividends, capital gains | ● 1099-INT, 1099-DIV, 1099-B (Broker Statement), K-1, self |
| ● Unemployment compensation | ● 1099-G |
| ● Gambling winnings | ● W-2G |

Note: TP/SP picture ids, all SS statements/cards, 2023 return

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Expenses You Need to Document if Itemizing Deductions

- Medical
 - Premiums: Insurance (self-paid, Medicare Part B, C, D, & Medicare supplement, dental, vision)
 - Payments: Doctors, Dentists, etc.
 - Prescriptions
 - Medical Aids (e.g., Glasses, CPAP, hearing aids, etc.)
 - LTC Insurance premiums (each)
 - Mileage to doctors, pharmacies, etc.
 - Travel expenses, if out-of-town
- Real estate taxes paid
- Sales taxes, actual or IRS table
- Mortgage Interest, Points, PMI (Private Mortgage Insurance)
 - 1st & 2nd Home
- Charitable Contributions
 - Total for all “cash” contributions
 - Total for all donated items <\$500
 - Breakout of donated items >\$500
 - 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 70½.
- 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 (QCDs)

- 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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Qualified Charitable Distribution Example

- Tommy & Tammy Taxpayer, both over 70½
- Tammy paused her career to raise their children resulting in lower SS benefits
- When Tommy retired, he chose 100%/50% pension option to have a larger payout while both were living
- They support their church and charities @ \$1,000 / mth
- Upon husband's death, life insurance would pay off mortgage

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Tax Return Comparison – without QCD & with QCD

Joint	Ln	w/o QCD	w/QCD	Sch. A	Ln	w/o QCD	w/QCD
IRA	4b	20,000	8,000	Med	A1	20,775	20,775
Pen.	5b	40,000	40,000	-7.5%	A3	<u>-7,500</u>	<u>-5,835</u>
SS:H	6a	<u>33,000</u>	<u>33,000</u>	TMed	A4	13,275	14,940
SS:W	6a	<u>15,000</u>	<u>15,000</u>	Sales	A5a	1,408	1,408
MAGI		<u>108,000</u>	<u>96,000</u>	Prop	A5b	8,000	8,000
SS:T	6b	<u>40,000</u>	<u>29,800</u>	M.Int.	A10	5,000	5,000
AGI	11	100,000	77,800	C.Con	A11	12,000	0
Ded.	12	<u>-40,000</u>	<u>-32,300</u>	C.Mile	A11	<u>317</u>	<u>317</u>
TaxIn	15	60,000	45,500	T.Ded	A17	40,000	29,665
Tax	16	<u>6,739</u>	<u>4,999</u>	Std.D.	>65	32,300	<u>32,300</u>

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Tax Return Comparison – Joint & Surviving Husband

Joint	Ln	w/o QCD	w/QCD	Husb	Ln	w/o QCD	w/QCD
IRA	4b	20,000	8,000	IRA	4b	20,000	8,000
Pen.	5b	40,000	40,000	Pen.	5b	40,000	40,000
SS:H	6a	<u>33,000</u>	<u>33,000</u>	SS:H	6a	<u>33,000</u>	<u>33,000</u>
SS:W	6a	<u>15,000</u>	<u>15,000</u>	SS:W	6a		
MAGI		<u>108,000</u>	<u>96,000</u>	MAGI		<u>93,000</u>	<u>81,000</u>
SS:T	6b	<u>40,000</u>	<u>29,800</u>	SS:T	6b	<u>28,050</u>	<u>28,050</u>
AGI	11	100,000	77,800	AGI	11	88,050	76,050
Ded.	12	<u>-40,000</u>	<u>-32,300</u>	Ded.	12	<u>-30,148</u>	<u>-19,048</u>
TaxIn	15	60,000	45,500	TaxIn	15	57,902	57,002
Tax	16	<u>6,739</u>	<u>4,999</u>	Tax	16	<u>7,797</u>	<u>7,599</u>

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Tax Return Comparison – Joint & Surviving Wife

Joint	Ln	w/o QCD	w/QCD	Wife	Ln	w/o QCD	w/QCD
IRA	4b	20,000	8,000	IRA	4b	20,000	8,000
Pen.	5b	40,000	40,000	Pen.	5b	20,000	20,000
SS:H	6a	<u>33,000</u>	<u>33,000</u>	SS:H	6a		
SS:W	6a	<u>15,000</u>	<u>15,000</u>	SS:W	6a	<u>33,000</u>	<u>33,000</u>
MAGI		<u>108,000</u>	<u>96,000</u>	MAGI		<u>73,000</u>	<u>61,000</u>
SS:T	6b	<u>40,000</u>	<u>29,800</u>	SS:T	6b	<u>23,625</u>	<u>13,425</u>
AGI	11	100,000	77,800	AGI	11	63,625	41,425
Ded.	12	<u>-40,000</u>	<u>-32,300</u>	Ded.	12	<u>-26,882</u>	<u>-16,550</u>
TaxIn	15	60,000	45,500	TaxIn	15	36,743	24,875
Tax	16	6,739	4,999	Tax	16	4,175	2,753

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Schedule A – Husband & Wife

Husb	Ln	w/o QCD	w/QCD	Wife	Ln	w/o QCD	w/QCD
Med	A1	10,443	10,443	Med	A1	10,443	10,443
-7.5%	A3	<u>-6,604</u>	<u>-5,704</u>	-7.5%	A3	<u>-4,772</u>	<u>-3,107</u>
TMed	A4	3,839	4,739	TMed	A4	5,671	7,336
Sales	A5a	1,150	1,150	Sales	A5a	1,052	1,052
Prop	A5b	8,000	8,000	Prop	A5b	8,000	8,000
M.Int.	A10	5,000	5,000	M.Int.	A10	0	0
C.Con	A11	12,000	0	C.Con	A11	12,000	0
C.Mile	A11	<u>317</u>	<u>317</u>	C.Mile	A11	<u>159</u>	<u>159</u>
T.Ded	A17	30,148	19,048	T.Ded	A17	26,882	16,547
Std.D.	>65	16,550	16,550	Std.D.	>65	16,550	16,550

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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 \leq \$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, Grauwylar, or Timberglen

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AARP Tax-Aide Denton

- 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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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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Gambling Income Input Impact

- When entering gambling winnings for the federal tax return, only enter Oklahoma state data if there were state tax withholdings.

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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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