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### **January 1, 2025**

As we reflect on the past year, we are mindful of its unique challenges and opportunities. With the arrival of tax season, we want to ensure you are fully prepared and equipped with the essential tools and information to navigate this period with confidence and ease.

At Ami Shah CPA, we remain steadfast in our commitment to supporting you through every step of the tax filing process. We are profoundly grateful to our clients, many of whom we now consider part of our extended family, for your trust and partnership over the years.

With this year-end letter, we encourage you not only to engage in your annual tax planning but also to take this opportunity to conduct a comprehensive financial review. Assessing your portfolios, estate planning, and broader financial strategies is always prudent, but this year, it is more critical than ever.

By taking proactive steps now, you can lay the foundation for a healthier, wealthier, and more prosperous future.

On behalf of the entire [Firm Name] team, we wish you and your loved ones a joyful, healthy, and successful New Year.

### **Federal Income Tax Filing Deadline:**

**The filing deadline for the year 2024 is Tuesday, April 15, 2025.**

## 2024 Individual Tax Provisions:

Federal income tax returns for 2024 are due by April 15, 2025, or October 15, 2025, with a tax extension. There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%

<b>Tax rate</b>	<b>Single</b>	<b>Head of household</b>	<b>Married filing jointly or qualifying widow</b>	<b>Married filing separately</b>
<b>Source: IRS</b>				
<b>10%</b>	\$0 to \$11,600	\$0 to \$16,550	\$0 to \$23,200	\$0 to \$11,600
<b>12%</b>	\$11,601 to \$47,150	\$16,551 to \$63,100	\$23,201 to \$94,300	\$11,601 to \$47,150
<b>22%</b>	\$47,151 to \$100,525	\$63,101 to \$100,500	\$94,301 to \$201,050	\$47,151 to \$100,525
<b>24%</b>	\$100,526 to \$191,950	\$100,501 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950
<b>32%</b>	\$191,951 to \$243,725	\$191,951 to \$243,700	\$383,901 to \$487,450	\$191,951 to \$243,725
<b>35%</b>	\$243,726 to \$609,350	\$243,701 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600
<b>37%</b>	\$609,351 or more	\$609,351 or more	\$731,201 or more	\$365,601 or more

The number of brackets remained the same at seven. The tax bracket thresholds increased significantly for each filing status.

### 2024 Standard Deduction and Personal Exemptions:

In 2024, the standard deduction is \$14,600 for single filers and married persons filing separately, \$21,900 for a head of household, and \$29,200 for a married couple filing jointly and surviving spouses

<b>Filing Status</b>	<b>Deduction Amount</b>
Single	\$14,600

<b>Filing Status</b>	<b>Deduction Amount</b>
Married Filing Jointly	\$29,200
Head of Household	\$21,900
Additional Amount for Married Seniors	\$1,550
Additional Amount for Unmarried Seniors	\$1,950

### **2024 Itemized Deductions:**

For the 2024 tax year, taxpayers who choose to itemize deductions on their federal income tax returns can consider the following allowable expenses:

- **State and Local Taxes (SALT):** You can deduct up to \$10,000 for a combination of state and local property taxes and either state and local income or sales taxes.
- **Home Mortgage Interest:** Interest paid on home mortgage debt is deductible for mortgages up to \$750,000.
- **Charitable Contributions:** Donations to qualified charitable organizations are deductible, subject to certain limitations based on your adjusted gross income (AGI).
- **Medical and Dental Expenses:** Unreimbursed medical and dental expenses that exceed 7.5% of your AGI are deductible.
- **Investment Interest:** Interest paid on loans used to purchase taxable investments may be deductible, up to the amount of net investment income.
- **Casualty and Theft Losses:** Losses from federally declared disasters can be deducted if they exceed \$100 per loss and 10% of your AGI.

It's important to note that the Tax Cuts and Jobs Act of 2017 suspended certain miscellaneous itemized deductions, such as unreimbursed employee expenses and tax preparation fees, through 2025.

### **2024 Alternative minimum tax:**

For the 2024 tax year, the Alternative Minimum Tax (AMT) ensures high-income taxpayers pay a minimum level of tax.

Key Details:

- Exemption Amounts:
  - Single: \$85,700
  - Married Filing Jointly: \$133,300
  - Married Filing Separately: \$66,650
- Exemption Phaseout Thresholds:
  - Single: Starts at \$609,350
  - Married Filing Jointly: Starts at \$1,218,700
- AMT Tax Rates:
  - 26% on income up to \$232,600 (Single) or \$116,300 (Married Filing Separately).
  - 28% on income exceeding these amounts.

Certain deductions are disallowed under AMT rules, which may lead to higher taxable income. Consulting a tax professional is recommended to determine its applicability.

### **2024 Child tax credit:**

The child tax credit amounts for the 2025 tax year apply to taxes filed in April 2026. The maximum credit limit remains \$2,000, with a refundable portion of up to \$1,700. The child tax credit income thresholds will also remain the same at \$400,000 for those married filing jointly and \$200,000 for all other filers.

### **2024 Section 529 plans:**

Unlike other tax-advantaged accounts like Roth and traditional IRAs, the IRS doesn't set a cap on 529 contribution limits. States can set their own limit, however. Most states do set 529 max contribution limits somewhere between \$235,000 and \$529,000.

Contributions may trigger gift tax consequences if you earmark more than the gift tax exclusion (\$18,000 for 2024) for any one beneficiary in a tax year. The vast majority of people do not need to worry about this since they are unlikely to need to contribute that much per year to meet their savings goals.

### **2024 Roth IRAs:**

For the 2024 tax year, the maximum total annual contribution to all your IRAs combined is \$7,000 if you are under age 50, and \$8,000 if you are age 50 or older. This means you can contribute up to \$7,000 to your Roth IRA (or a combination of traditional and Roth IRAs) if you are under 50, and an additional \$1,000 "catch-up" contribution if you are 50 or older.

### **2024 Health insurance:**

In 2024, the individual mandate for health insurance under the Affordable Care Act (ACA) remains repealed at the federal level, meaning there is no longer a penalty for not having health

insurance in most states. However, some states have implemented their own mandates, requiring residents to maintain health insurance coverage or face a state-level penalty. These states include:

- California
- Connecticut
- Hawaii
- Maryland
- Minnesota
- Rhode Island
- Washington

Residents of these states should ensure they have health insurance to avoid state penalties.

### **2024 Estate tax:**

In 2024, the federal estate tax exemption is \$13.61 million per individual (\$27.22 million for married couples), with a 40% tax rate on amounts exceeding the exemption. Higher exemptions are set to expire after 2025, potentially lowering to around \$7 million per individual in 2026.

## **2024 Business Tax Provisions:**

Unlike the individual tax provisions in the new law, the key provisions relating to businesses are generally permanent. Following is a brief rundown.

### **2024 Corporate tax rates:**

In 2024, the C corporation tax rate is a flat 21% under the TCJA, while individuals face a top rate of 37%, with a 20% passthrough income deduction for qualifying business income.

### **2024 Pass-through entities:**

In 2024, pass-through entities such as S corporations, partnerships, and sole proprietorships remain tax-efficient as they do not pay corporate taxes. Instead, income passes through to the owners and is taxed at individual rates, with a top rate of 37%. Owners may also qualify for a 20% Qualified Business Income (QBI) deduction, reducing taxable income, though eligibility is subject

to income thresholds and business type restrictions. These entities are particularly attractive for small businesses due to their tax flexibility.

### **2024 Section 179 deduction:**

In 2024, the Section 179 deduction allows businesses to deduct up to \$1.16 million for the purchase of qualifying equipment and software. The deduction begins to phase out when total purchases exceed \$2.89 million and are fully phased out at \$4.05 million. Additionally, businesses can take advantage of 80% bonus depreciation for qualifying property, though this is a reduction from previous years and will continue to decline. These provisions offer substantial tax incentives for businesses to invest in assets.

### **2024 Luxury car rules:**

In 2024, the IRS allows depreciation for luxury vehicles used in business with specific caps. Passenger cars have a first-year limit of \$20,400 (if claiming bonus depreciation), with subsequent years seeing reduced deductions. For SUVs, trucks, and vans, the limits are similar. Section 179 allows a maximum deduction of \$30,500 for heavy SUVs. Vehicles over 6,000 pounds in weight may qualify for higher deductions. These rules ensure businesses can deduct reasonable amounts for vehicle depreciation while limiting excessive claims for luxury cars.

### **2024 Section 199 deductions:**

In 2024, the Section 199A Qualified Business Income (QBI) deduction allows eligible self-employed individuals and small-business owners to deduct up to 20% of their qualified business income. The deduction is phased out for higher earners, with phase-in ranges of \$191,950 to \$241,950 for single filers and \$383,900 to \$483,900 for joint filers. The deduction is eliminated for taxable income above the phase-out ranges. These thresholds are adjusted for inflation annually, and additional limitations based on W-2 wages and qualified property may apply. It's advisable to consult a tax professional for specific guidance.

### **2024 Corporate AMT:**

In 2024, the Corporate Alternative Minimum Tax (CAMT) remains at 15% and applies to corporations with average annual adjusted book income exceeding \$1 billion over three consecutive years. Corporations must calculate both their CAMT liability and regular corporate tax liability, paying the higher amount. However, real estate investment trusts (REITs), regulated investment companies (RICs), private equity funds, and S corporations are exempt from the CAMT.

### **2024 Meals and Entertainment deductions:**

In 2024, the deduction for most business meals is limited to 50%. The temporary incentive that allowed a 100% deduction for certain meals expired at the end of 2022. Additionally, entertainment expenses remain non-deductible for tax purposes.

### **2024 Interest deductions:**

In 2024, taxpayers are limited to deducting no more than 30% of their Adjusted Taxable Income (ATI) in interest expense for the year. ATI is calculated by adding back certain deductions like depreciation, amortization, and depletion to taxable income.

### **2024 Foreign taxes:**

In 2024, you may qualify to exclude foreign earnings from income up to an inflation-adjusted amount, which is \$120,000 for the year. Additionally, you can exclude or deduct certain foreign housing amounts, helping reduce your overall taxable income.

### **2024 Net Operating Losses (NOLs):**

In 2024, taxpayers can no longer carry back Net Operating Losses (NOLs) except for certain farming losses and NOLs of insurance companies (other than life insurance companies). NOLs arising in tax years after December 31, 2017, can only be carried forward. The NOL deduction for losses arising after 2020 is limited to 80% of taxable income, excluding certain deductions like QBID and Section 250. The special 5-year carryback rule provided by the CARES Act for 2018-2020 no longer applies.

### **Life insurance**

Life insurance can replace income, offer a way to equalize assets among children active and inactive in a family business, provide cash to pay estate tax or be a vehicle for passing leveraged funds free of estate tax.

Life insurance proceeds generally are not subject to income tax. But if you own the policy, the proceeds will be included in your estate.

Always, consider why you want the insurance, such as to replace income, to provide liquidity or to transfer wealth to your heirs.

### **Living Trust**

All estate planning is not about dying. It is about your control over your assets- control while you are living and control after your death.

A living trust, specifically a revocable living trust, helps individuals have greater control over their assets and have their wishes carried after they die. A Living trust can help save the expense and delay of probate, which can last as long as three years and take up to 10-15% of an individual's estate's value.

It is a legal document that places your assets—investments, bank accounts, real estate, vehicles, and valuable personal property—in trust for your benefit during your lifetime and spells out where

you'd like these things to go upon your death. Because it is *revocable* you can cancel or change it at any time during your lifetime.