# Supplement to J. K. Lasser’s 1,001 Deductions and Tax Breaks 2023

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THIS SUPPLEMENT REFLECTS CHANGES THROUGH FEBRUARY 1, 2024. IF CONGRESS ENACTS THE TAXPAYER RELIEF FOR AMERICAN FAMILIES AND WORKERS ACT OR OTHER MEASURES IMPACTING 2023 RETURNS, THIS SUPPLEMENT WILL BE UPDATED AND REPOSTED.

This year’s book, *J.K. Lasser’s 1,001 Deductions and Tax Breaks,* reflects the tax rules as they stood on December 1, 2023. But tax law is not static and new legislation, IRS pronouncements, and court decisions continue to tweak tax rules. They impact reporting on 2023 returns as well as tax planning for 2024 and beyond. This Supplement updates this year’s book for these late-breaking developments.

As of February 1, 2024, Congress had not enacted any tax legislation after publication of this book. However, the House approved the Tax Relief for American Families and Workers Act of 2024, which would make some retroactive changes impacting 2023 returns. The legislation awaits action by the Senate. Will there be a new law? IRS Commissioner Werfel said: “Don’t wait on Congress [to file 2023 returns].” The proposed changes are noted in this Supplement, so continue to monitor developments.

The changes covered in this Supplement are listed according to the chapters in which the subject matters appear. I’ve attempted to include an answer to every notation in the book that states “see the Supplement.” Be sure to note which changes listed in this Supplement apply to 2023 returns and which apply after 2023 for purposes of figuring 2024 estimated taxes. For changes in 2024, only an overview is provided, with more details to come in the next edition of this book.

***Introduction***

***Standard deduction amounts.*** The basic standard deduction amounts are increased for 2024 (not on 2023 returns) due to cost-of-living adjustments as follows:

* Married filing jointly and surviving spouses: $29,200 (up from $27,700).
* Heads of households: $21,900 (up from $20,800).
* Singles and married filing separately: $14,600 (up from $13,350).

***Additional standard deduction amounts.*** For 2024, the additional standard deduction amount for age and/or blindness rises to $1,900 for single filers and heads of households and $1,550 for married filers (filing jointly or separately) and surviving spouses.

## Chapter 1—Your Family

***Dependents.*** While the personal and dependency exemptions are not deductible in 2018 through 2025, the definition of dependent continues to apply for various tax breaks (e.g., child tax credit; head of household status). In determining dependent status for 2024, a person can be your qualifying relative only if he or she has gross income below $5,050 (up from $4,700 in 2023).

***Child tax credit.*** The refundable child tax credit for 2024 is $1,700 (up from $1,600 in 2022).

***Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would increase the refundable portion to $1,800 for 2023, $1,900 for 2024, and $2,000 for 2025. The credit would be adjusted for inflation in 2024 and 2025.

***Earned income credit.*** The earned income credit amounts, including adjusted gross income limits, have been increased due to a cost-of-living adjustment. As a result, the maximum earned income credit in 2024 is $4,213 for one qualifying child, $6,960 for two qualifying children, $7,830 for three or more qualifying children, and $632 for a taxpayer with no qualifying child.

The earned income credit cannot be claimed if investment income exceeds a set amount. For 2024, the limit is $11,600 (up from $11,000 in 2023).

***Adoption credit.*** The adoption credit limit increases to $16,810 for 2024 (up from $15,090 in 2023). The modified adjusted gross income limits on eligibility for the credit have also been slightly raised for 2024.

## Chapter 2—Medical Expenses

***Premium tax credit.*** This refundable tax credit, which continues to apply despite repeal of the individual mandate, is designed to help individuals pay for the cost of health coverage for themselves and their dependents. To be eligible for the premium tax credit, your household income must be at least 100%, but usually no more than 400% of the federal poverty line for your family size. However, as in 2023, the credit may be claimed in 2024 for those with household income above 400%. Eligibility for the credit in 2024 is based on 2023 federal poverty guidelines for the 48 contiguous states and District of Columbia as shown in the following table.

|  |  |
| --- | --- |
| ***Persons in the family/household*** | ***Federal poverty guideline (100%)*** |
| 1 | $14,580 |
| 2 | $19,720 |
| 3 | $24,860 |
| 4 | $30,000 |
| 5 | $35,140 |
| 6 | $40,280 |
| 7 | $45,420 |
| 8 | $50,560 |
| More than 8 | Add $5,140 for each additional person |

\*The guidelines are higher in Alaska and Hawaii; see <https://aspe.hhs.gov/poverty-guidelines>.

This means that a 4-member household with income at 400% of the federal has a poverty line of $120,000.

Employer coverage is affordable (and no premium tax credit may be claimed if such coverage is offered) provided it is no more than 8.39% of household income in 2024.

***Itemized medical expenses.*** For 2024, the IRS medical expense mileage rate is 21¢ per mile (down from 21¢ per mile in 2023).

There has been no change in federal law that allows for a deduction of marijuana, even if prescribed by a doctor in a state in which this is legal.

***Nonqualified medical expenses.*** No change has been made to the treatment of marijuana for medical purposes under federal law. This is so even though medical marijuana is legal in about half the states.

***Long-term care coverage.*** The portion of long-term care insurance premiums that are treated as a deductible medical expense in 2024 (not on 2023 returns) are in the following chart. The limitations are lower in 2024 than in 2023:

|  |  |
| --- | --- |
| ***Age at the end of 2024*** | ***Limitation on premiums*** |
| 40 or less | $470 |
| More than 40 but less than 50 | $880 |
| More than 50 but less than 60 | $1,760 |
| More than 60 but less than 70 | $4,710 |
| More than 70 | $5,880 |

***Flexible spending arrangements (FSAs).*** In 2024, the maximum salary contribution to a health FSA is capped at $3,200 (up from $3,050 in 2023). The carryover limit of unused benefits in 2024 to 2025 is $640.

Items that can be covered by health FSAs includes sunscreen and warm steam vaporizers.

***Excepted benefit health reimbursement arrangements (EBHRAs).*** In 2024, the maximum reimbursement is limited to $2,100 (up from $1,950 in 2023).

***QSEHRAs.*** The maximum employer reimbursement under a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) for individually-obtained health insurance in 2024 is $6,150 for self-only coverage and $12,450 for family coverage (up from $5,850 and $11,800 respectively for 2023).

***Health savings accounts (HSAs).*** The 2024 minimum and maximum amounts for high-deductible health plans (a prerequisite for HSAs) as well as contribution limits to HSAs have increased slightly:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Type of plan*** | ***Minimum deductible under the plan*** | ***Maximum out-of-pocket costs*** | ***Maximum contribution\**** |
| Self-only coverage | $1,600 | $8.050 | $4,150 |
| Family coverage | $3,200 | $16,100 | $8,300 |

\*Those age 55 or older by the end of 2024 can add another $1,000, but no contributions are allowed if enrolled in Medicare.

Having a health savings account is predicated on medical coverage under a high-deductible health plan (HDHP). Telehealth services in 2024 do not require a deductible; an HDHP covering these services without a deductible is still qualified.

***Archer medical savings accounts (MSAs).*** There are still some individuals covered by these health plans. Again, contributions to MSAs can only be made for those covered by a high-deductible health plan. The limits for 2024 have increased slightly:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Type of plan*** | ***Minimum deductible under the plan*** | ***Maximum deductible under the plan*** | ***Cap on out-of-pocket expenses*** |
| Self-only coverage | $2,800 | $4,150 | $5,550 |
| Family coverage | $5,550 | $8,350 | $10,200 |

***Accelerated death benefits.*** For chronically ill individuals, the daily dollar limit excludable from gross income for 2024 is $410 (down from $420 in 2023). Excess amounts are taxable to the extent they exceed actual long-term care costs.

***Medicare.*** The “standard” premium for Part B coverage in 2024, the premium paid by most beneficiaries, is $174.70 per month (compared with $164.90 per month for 2023). The following table shows the 2024 surcharges and total premiums for higher-income taxpayers, which are based on modified adjusted gross income (MAGI) in 2022.

|  |  |  |  |
| --- | --- | --- | --- |
| ***2022 MAGI for joint filers*** | ***2022 for other filers\**** | ***Total monthly Part B premium for 2024*** | ***Total monthly Part D premium for 2024*** |
| Up to $206,000 | Up to $103,000 | $174.70 | Your premium |
| $206,001 but not over $258,000 | $103,001 but not over $129,000 | $244.60 | $12.00 + your premium |
| $258,001 but not over $332,000 | $129,001 but not over $161,000 | $349.40 | $33.50 + your premium |
| $332,001 but not over $386,000 | $161,001 but not over $193,000 | $454.20 | $53.80 + your premium |
| $386,001 but less than $750,000 | $193,001 but less than over $500,000 | $559.00 | $74.20 + your premium |
| $750,000 or greater | $500,000 or greater | $594.00 | $81.00 + your premium |

\* Married persons who live with their spouses at any time during the year but filed separately for 2022 are subject to a monthly premium in 2024 of $384.30 for Part B and $74.20 for Part D if 2022 MAGI was over $103,000 but less than or equal to $397,000, or $419.30 for Part B and $81.00 for Part D if 2022 MAGI was $397,000 or more.

***Medical insurance rebates.*** Private insurers paid out in 2023 about $1.1 billion in Medical Loss Ratio rebates for coverage in 2022 (down from $2.1 billion in 2021). These rebates to eligible individuals were to be paid to about 8.2 million people by insurers by September 30, 2023.

## Chapter 3—Education Costs

***Student loan interest deduction.*** The modified adjusted gross income (MAGI) phaseout range for the 2024 deduction (not on 2023 returns) is $80,000 to $95,000 for singles and $165,000 to $195,000 for joint filers.

***Interest on U.S. savings bonds.*** The modified adjusted gross income limits on eligibility to claim the exclusion for interest on bonds redeemed to pay qualified higher education costs have been increased for 2024. The phase-out ranges for 2024 (not on 2023 returns) are $145,200-$175,200 for joint returns and $96,800-$111,800 for all other returns.

***Cancellation of a student loan.*** The freeze on repayment of certain student loans, including zero interest during the freeze, which began in March 2020, ended on September 30, 2023.

There have been changes in the income-driven repayment (IDR) plan. The remaining balance of a student loan repayment account can be forgiven after a required number of payments are made (this is usually 20 or 25 years of payments). Loans must be consolidated to benefit from an IDR account adjustment, with a consolidation deadline of April 30, 2024. See the [U.S. Department of Education](https://studentaid.gov/announcements-events/idr-account-adjustment) for more information.

For those whose loans have not been canceled, there is the Saving on a Valuable Education (SAVE) plan. About 5.5 million borrowers were enrolled as of December 2023, which allowed about 2.9 million federal student loan borrowers to reduce their monthly payments to zero. Beginning February 2024, loans with a balance of $12,000 or less or who’ve made payments for at least 10 years were canceled. Also, beginning July 2023, the usual monthly repayment of student loans—10% of discretionary income—is set to drop to 5% for many borrowers, essentially cutting in half the amount of monthly repayments.

***Qualified tuition programs (529 plans).*** Beginning in 2024, tax-free transfers from long-term 529 plans to Roth IRAs of 529 beneficiaries are permissible up to the annual Roth IRA contribution limit, with a lifetime limit of $35,000. The limit for transfers in 2024 is $7,000 (the Roth IRA contribution limit for 2024).

***Special rule for Maryland prepaid college trust distributions.*** Generally, only one qualified rollover is allowed tax free within a 12-month period. However, the IRS has waived this 12-month limitation for rollovers from the Maryland Prepaid College Trust (MPCT) for distributions from or distributions transferred to a MPCT account for a designated beneficiary before January 1, 2025, and if other conditions are met. See [Notice 2024-23](https://www.irs.gov/pub/irs-drop/n-24-23.pdf).

***ABLE accounts.*** The annual contribution limit for 2024 is $18,000 (up from $17,000 in 2023).

## Chapter 4—Your Home

***Real estate taxes.*** No change has been made to the SALT cap for 2023 or later.

***Caution:*** The SALT Marriage Penalty Elimination Act, if enacted, would increase the deduction limit for married persons filing jointly to $20,000 if their adjusted gross income is less than $500,000. The change would apply for 2023 and beyond.

***Moving expenses.*** No deduction can be claimed for work-related moving expenses except for certain military personnel. Those who qualify can figure their move-related driving at 21¢ per mile in 2024 (down 1¢ from 2023).

***Energy improvements.*** The credit for home energy audits in 2024 must be conducted by a person certified to do so. There are various home energy certification programs approved by the U.S. Department of Energy. The auditor must provide the homeowner with an employer identification number, which will then be listed on the homeowner’s Form 5695 when they file their 2024 income tax return.

Also beginning in 2024, the homeowner will have to provide a product identification number (PIN) to claim the energy efficient home improvement credit. The PIN will show that the item was produced by a qualified manufacturer.

***Home sale exclusion.*** There has not been any change to the dollar limit on the exclusion of gain on the sale of a home in which the taxpayer owned and used the home as a principal residence for at least 2 of the 5 years preceding the date of the sale.

***Disaster rules for casualties to your home.*** See Chapter 13.

## Chapter 5—Retirement Savings

***Traditional IRAs and Roth IRAs.*** The basic contribution limit for 2024 is $7,000 ($500 more than in 2023); the additional “catch-up” contribution limit is $1,000 (unchanged from 2023) for those who are at least 50 years old by the end of the year. Even though $1,000 catch-up contribution limit could have been indexed for inflation starting after 2023, there is no change in the limit for 2024.

The modified adjusted gross income (MAGI) limits on eligibility to make deductible contributions to a traditional IRA are increased for 2024, as are the MAGI limits for Roth IRAs.

***401(k) and similar plans.*** The elective deferral contribution limit for a 401(k) plan in 2024 is $23,000 (up from $22,500 in 2023). The additional contribution limit is $7,500 for those who are age 50 or older by the end of the year for 2024 (unchanged from 2023).

If an employer adopts a starter 401(k), the elective deferral for 2024 is $6,000, plus a $1,000 catchup contribution for those age 50 or older by the end of 2024.

Employer matching contributions in 2024 can be based on an employee’s repayment of student loans.

***Self-employed retirement plans.*** The contribution, benefit, and other limits for these plans are increased for 2024. For example, the contribution limit for profit-sharing plans in 2024 is $69,000 (up from $66,000 in 2023).

***Simplified Employee Pension plans (SEPs).*** The contribution limit for these plans for 2024 is $69,000 (up from $66,000 in 2022). The earnings threshold for including an employee in a SEP in 2024 is $750 (unchanged from 2023).

***Savings Incentive Match Plans for Employees (SIMPLEs).*** The 2024 contribution limit for SIMPLEs and the additional contribution limit for those age 50 or older by the end of the year are $16,000 (up from $15,500 in 2023) and $3,500 respectively (unchanged from 2023).

***Retirement saver’s credit.*** The MAGI limits on eligibility to claim the retirement saver’s credit for contributions to IRAs, 401(k)s, and similar plans, as well as to ABLE accounts, have been increased for 2024.

***Changes in penalties.*** SECURE Act 2.0 expanded the list of events for which the 10% early distribution penalty before age 59 ½ does not apply. Beginning in 2024 (but not for 2023 returns), the list includes:

* Emergency savings withdrawals up to $1,000 per year.
* Withdrawals by domestic abuse survivors up to the lesser of $10,000 or 50% of the account balance.

***IRAs inherited after 2019.*** A 10-year rule went into effect for beneficiaries of these accounts, but how the rule operates has not been clear. Proposed regulations had said that a beneficiary who inherited an account after the owner’s beginning date would have to continue RMDs, with the remaining balance distributions by the 10th calendar year after the year of the owner’s death. Comments from tax professionals did not think this IRS interpretation reflected the law. The IRS has agreed to waive penalties in 2020 and 2021 related to RMDs from these inherited accounts. Due to this confusion over the rules for RMDs, any final rules will apply no earlier than 2023. As of February 1, 2024, the anticipated regulations have not yet been issued.

***Charitable transfers of IRA distributions.*** Qualified charitable distributions from IRAs in 2024 by those age 70½ are limited to $105,000; they were limited to $100,000 in 2023.

***Qualified longevity annuity contracts (QLACs).*** The maximum amount of funds transferred from an IRA or qualified retirement plan into a QLAC is limited in 2024 to $200,000, which is unchanged from the dollar limit in 2023.

***Disaster distributions.*** See Chapter 12.

***Chapter 6—Charitable Giving***

***Cash donations.*** There has been no enactment of a rule allowing non-itemizers to claim a deduction for their cash contributions to charity.

***Conservation easements.*** Proposed regulations issued in November 2023 address syndicated conservation easements after December 31, 2022.

***Leave-based donation programs.*** If your employer had a leave-based donation program that allowed for contributions intended to benefit victims of the Hawaii wildfires in August 2023, you are not taxed on contributions of unused vacation, sick, and personal days, provided your employer donated by December 31, 2023, a cash equivalent to a charity benefiting the victims. You cannot take a charitable contribution deduction; your employer can. The amount of your contribution should not be reported as taxable compensation on your Form W-2.

## Chapter 7—Your Car

***Business use of your personal car.*** The IRS announced that the standard mileage rate, used in lieu of deducting the actual costs of business driving, is 67¢ per mile in 2024 (up 1.5¢ per mile from the rate in effect for 2023). If you use the standard mileage rate, you must reduce the basis of your vehicle by 30¢ per mile in 2024 (up from 28¢ per mile in 2023).

***New electric vehicles (EVs).*** As of January 1, 2024, buyers of new EVs can “sell” the tax credit to a dealer as a way of reducing the purchase price. This effectively lowers the down payment. The dealer must be registered with the IRS for this purpose. The IRS has made it clear that if a buyer eligible for the credit does not have sufficient taxable income to have fully used it if he or she waited to claim the credit when filing the return, there is no clawback—not from the taxpayer and not from the dealer.

***Note:*** The modified adjusted gross income limits and purchase price limits for eligibility to claim the credit are the same in 2024 as in 2023; they are not adjusted annually for inflation.

***Pre-owned EVs.*** As of January 1, 2024, buyers of used EVs can “sell” the tax credit to a dealer as a way of reducing the purchase price. This effectively lowers the down payment. The dealer must be registered with the IRS for this purpose.The IRS has made it clear that if a buyer eligible for the credit does not have sufficient taxable income to have fully used it if he or she waited to claim the credit when filing the return, there is no clawback—not from the taxpayer and not from the dealer.

***Note:*** The modified adjusted gross income limits and purchase price limits for eligibility to claim the credit are the same in 2024 as in 2023; they are not adjusted annually for inflation.

## Chapter 8—Investing

***Taxable income breakpoints for capital gains rates.*** The following table shows the break points for capital gain rates for 2024 (this table does *not* apply to 2023 returns):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Rate*** | ***Married filing jointly (and surviving spouse)*** | ***Head of household*** | ***Single*** | ***Married filing separately*** |
| 0% | Up to $94,050 | Up to $63,000 | Up to $47,025 | Up to $47,025 |
| 15% | $94,050 - $583,750 | $63,000 - $551,350 | $47,025- $518,900 | $47,025- $291,850 |
| 20% | Over $583,750 | Over $551,350 | Over $518,900 | Over $291,850 |

***Cryptocurrency.*** There has been no legislation applying the wash sale rule to digital asset transactions.

***Clarification:*** The court decision mentioned on page 270 did not provide the complete picture. That court said cryptocurrency is not necessarily a security for purposes of whether seller—a hedge fund—could be regulated by the SEC. The decision cannot be appealed.

Reminder: If you engaged in any digital asset transaction in 2023, you must answer “yes” to the question on page 1 of Form 1040 or 1040-SR (do not try to submit a form leaving the answer blank).

## Chapter 9—Travel

***Business travel per diem rates.*** The standard federal per diem rate set by the General Services Administration (GSA) for travel starting October 1, 2023, through September 30, 2024, covering lodging and meals and incidental expenses (M&IE) within the continental United States (CONUS) in most locations is $166 per day ($107 for lodging and $59 for M&IE). There are 302 locations that have a per diem rate exceeding the standard rate for all or part of the year. These rates can be found [here]((https:/www.gsa.gov/travel/plan-book/per-diem-rates/fy-2024-per-diem-highlights).

The high-low substantiation rates set by the IRS for areas within CONUS for the period October 1, 2023, through September 30, 2024, are $309 for travel to high-cost localities and $214 for travel to all other areas within CONUS. Of these rates, the meal portion is $74 for high-cost areas and $64 for all other areas within CONUS. The list of high-cost areas has been changed (see [Notice 2022-68](Notice%202022-68) for details).

***Driving your car for medical purposes or by military personnel under certain conditions.*** The IRS standard mileage rate for 2024 is 21¢ per mile (1¢ lower than in 2023).

## Chapter 10—Real Estate

***Like-kind exchanges.*** The IRS said that land development rights are “real property” for purposes of like-kind exchange rules.

***Deduction for energy-efficient commercial buildings.*** In 2024 (not on 2023 returns), the deduction is $0.57 increased (but not above $1.13) by $0.02 for each percentage point by which the total annual energy and power costs for the buildings are certified to be reduced by a percentage greater than 25%. The applicable dollar value used to determine the increased deduction amount for property is $2.83 increased (but not above $5.65) by $0.11 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25%. In both instances, the higher dollar limit applies when [wage and apprenticeship rules](https://www.irs.gov/credits-deductions/prevailing-wage-and-apprenticeship-requirements) are met.

***Special breaks for certain disaster victims.*** See Chapter 4 on relief for losses on personal residences.

***Low-income housing credit. Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would increase the credit ceiling for 2023 through 2025.

***Chapter 11—Borrowing and Interest***

***Home mortgage interest***. See Chapter 4.

***Student loan interest***. See Chapter 3.

***Borrowing from retirement plans***. See Chapter 5.

***Investment-related interest***. See Chapter 8.

## Chapter 12—Insurance and Catastrophes

***Disaster areas.*** Check with FEMA for the latest [disaster area declarations](https://www.fema.gov/disaster/declarations).

***Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would exempt from tax certain qualified wildfire relief payments for 2020 through 2025 and East Palestine train derailment payments.

***Accelerated death benefits.*** For chronically ill individuals, the daily dollar limit excludable from gross income for 2024 is $410 (down from $420 from 2023); excess amounts are taxable to the extent they exceed actual long-term care costs.

## Chapter 13—Your Job

***Educator expenses.*** If you are an educator, the cap on the above-the-line deduction for classroom expenses in 2024 is $300 (unchanged from 2023).

***Fringe benefits.*** Note changes for 2024 in dollar limits and other changes for certain employee benefits, including:

***Transportation fringe benefits****.* The monthly exclusion for free parking, transit passes, and van pooling for 2024 is $315 (up from $300 in 2023).

***Adoption assistance****.* The exclusion amount in 2024 for employer-provided adoption assistance is $16,810 (up from $15,050 in 2023).

***Dependent care assistance****.* The cap on dependent care assistance remains at $5,000 in 2023; it is not adjusted annually for inflation.

***Income earned abroad.*** The maximum foreign earned income exclusion for 2024 is $126,500 (up from $120,000 in 2023).

Eligibility requirements for 2023 may be waived for certain countries (there were waivers in 2023 for 6 countries). The IRS has yet to announce any waivers for 2023 (it did not post those 6 countries for 2022 until March 2023 so check for 2023 waivers that may appear in March 2024).

***Wage withholding.*** If your circumstances have changed since 2023 (e.g., a spouse began to work or stopped working, you had or adopted a child), you may want to file a new withholding form (Form W-4) for 2024 to better estimate tax liability. Those claiming exemption from withholding *must* file a new Form W-4 by February 15, 2024, to have the exemption effective for 2024.

## Chapter 14—Your Business

***Qualified business income (QBI) deduction.*** The taxable income threshold is slightly higher for 2024 (not for 2023 returns), at $383,900 for joint filers and $191,950 for all other filers (up from $364,200 for joint filers and $182,100 for all other filers in 2023).

***Interest deduction limitation. Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would apply the limitation without regard to any deduction allowable for depreciation, amortization, or depletion for 2024 through 2026. However, small businesses (those with average annual gross receipts for the 3 prior years not exceeding $29 million in 2023 and $30 million in 2024) are NOT subject to this limitation.

***Equipment purchases.*** Some dollar limits and percentages have changed for 2022:

* *First-year expensing.* The deduction limit for 2024 (not for 2023 returns) is $1,220,000 (up from $1,160,000 in 2022). This amount begins to phase out when purchases in 2023 exceed $3,050,000 (up from $2,890,000). ***Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would increase the limit for 2024 to $1,290,000 and the start of the phase-out to $3,220,000 beginning in 2023, with the dollar amounts indexed for inflation for 2024 (i.e., the dollar amounts likely would be higher in 2024).
* *Bonus depreciation.*Bonus depreciation, which was 80% in 2023, declines to 60% in 2024, 40% in 2025, and 20% in 2026. (There is an additional year for property with long production periods.) ***Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would allow 100% bonus depreciation for 2023 through 2025.

***Research and experimentation.*** The deduction for R&E costs after 2021 must be amortized over 5 years. ***Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would allow for full expensing of R&E costs through 2025. If enacted and this break is applicable to you, an amended return for 2022 can be filed.

***Self-employment tax.*** The wage base for the Social Security portion of the self-employment tax in 2024 is $168,600 (up from $160,200 in 2023).

***Employee retention credit. Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, wouldcut short the period for filing an amended return to claim the credit. The period was supposed to run through April 15, 2025, but if enacted, the refund period would have ended on January 31, 2024.

***Standard mileage rate.*** The IRS announced the standard mileage rate, used in lieu of deducting the actual costs of business driving, is 67¢ per mile for 2024 (up from 1.5¢ per mile from the rate that applied in 2023).

Those who own their vehicles and use the standard mileage rate for 2024 must reduce the vehicle’s basis by 30¢ per mile (up from 28¢ per mile in 2023).

***Information reporting. Caution:*** The Tax Relief for American Families and Workers Act of 2024, if enacted, would increase the threshold for issuing Form 1099-NEC and Form 1099-MISC from the current $600 to $1,000 for payments made on or after January 1, 2024.

***Chapter 15—Miscellaneous Items***

***IRS interest rate.*** The rate for underpayments and overpayments of federal income tax by individuals is 8% for the first quarter of 2024. This rate may be adjusted quarterly and has risen steadily since the end of 2021.

***Gifts you make.*** The annual exclusion amount for 2024 is $18,000 per recipient (up from $17,000 in 2023). Of course, the recipient can receive any amount tax free (the exclusion impacts only the gift tax, if any, owed by the person making the gift).

***Tax audits.*** The reasonable reimbursement rate for attorney’s fees in 2024 when the IRS’s position is not substantially justified and other requirements are met is $240 per hour (up from $230 per hour in 2023).

***Exemption amounts.*** The AMT exemption amounts for 2024 are (not for 2023 returns) is:

|  |  |
| --- | --- |
| ***Filing status*** | ***2024 exemption*** |
| Married filing jointly/surviving spouse | $133,300 |
| Single/head of household | $85,700 |
| Married filing separately | $66,650 |

***Exemption phase-out****.* The exemption amounts for 2024 start to phase out when alternative minimum taxable income (AMTI) exceeds $1,218,700 for married filing jointly and surviving spouses and $609,350 for other filers.

***ABLE accounts.*** See Chapter 2.