**[www.bandrtax.com](http://www.bandrtax.com) Tax Handbook**

Tax Rate - 2024 Tax Year

**Taxable Income**

|  |
| --- |
| Married Filing Jointly **Taxable Income** |
| 0 | 23,200 | 10% |
| 23,200 | 94,300 | 12% 2320+12% \* |
| 94,300 | 201,050 | 22% 10852+22% \* |
| 201,050 | 383,900 | 24% 34337+24% \* |
| 383,900 | 487,450 | 32% 78221+32% \* |
| 487,450 | 731,200 | 35% 111357+35% \* |
| 731,200 |  | 37% 196669+37% \* |

|  |
| --- |
| Single **Taxable Income** |
| 0 | 11,600 | 10%  |
| 11,600 | 47,150 | 12% 1160+12% \* |
| 47,150 | 100,525 | 22% 5426+22% \* |
| 100,525 | 191,950 | 24% 17168+24% \* |
| 191,950 | 243,725 | 32% 39110+32% \* |
| 243,725 | 609,350 | 35% 55678+35% \* |
| 609,350 |  | 37% 183647+37% \* |

|  |
| --- |
| Married Filing Separately **Taxable Income** |
| 0 | 11,600 | 10%  |
| 11,600 | 47,150 | 12% 1160+12% \* |
| 47,150 | 100,525 | 22% 5426+22% \* |
| 100,525 | 191,950 | 24% 17168+24% \* |
| 191,950 | 243,725 | 32% 39110+32% \* |
| 243,725 | 365,600 | 35% 55678+35% \* |
| 365,600 |  | 37% 98334+37% \*\* |

|  |
| --- |
| Head of Household **Taxable Income** |
| 0 | 16,550 | 10% |
| 16,550 | 63,100 | 12% 1655+12% \* |
| 63,100 | 100,500 | 22% 7241+22% \* |
| 100,500 | 191,950 | 24% 15469+24% \* |
| 191,950 | 243,700 | 32% 37417+32% \* |
| 243,700 | 609,350 | 35% 53977+35% \* |
| 609,350 |  | 37% 181954+37% \* |

FICA Rate

SS 6.2% + Med 1.45% = 7.65%

Employer 7.65% + Employee 7.65% = 15.3%

Self-Employed: 12.4% (SS) + 2.9% (Med) = 15.3%

Standard Deduction & Filing Requirement

|  |  |
| --- | --- |
| Married Filing Jointly | **Filing Req.** |
|  **Both < age 65** | **29,200** |
|  One > age 65 (+1,550) | 30,750 |
|  Both > age 65 (+3,100) | 32,300 |
| Single  |  |
|  **< age 65** | **14,600** |
|  > age 65 (+1,950) | 16,550 |
| Married Filing Separately |  |
|  **< age 65** | **14,600** |
|  > age 65  | 16,500 |
| Head of Household |  |
|  **< age 65** | **21,900** |
|  > age 65 (+1,950) | 23,850 |
|  |  |
| Child | 1300 or Earned Income+450 upto 14600 |
| Self-Employment Income (Net) | **> 400****Must file** |

IL Filing Requirement & Dependent Exemption

**> 2,775** (IL Exemption)

If a Dependent’s Illinois Income <= $2,775,

Then the Exemption is $2,775.

If a Dependent’s Illinois Income > $2,775,

Then the Exemption is $0.

LT Capital Gain

**Taxable Income – Deduction to Reduce Ordinary Income First**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 0% | 15% | 20% |
| MFJ | 0-94,050 | 94,051-583,750 | 583,751- |
| Single | 0-47,025 | 47,026-518,900 | 518,901- |
| MFS | 0-47,025 | 47,026-291,850 | 291,851- |
| HOH | 0-63,000 | 63,001-551,350 | 551,351- |

Filing Requirement for Children

**AGI**

|  |  |
| --- | --- |
| Earned Income Only | >14,600 |
| Unearned Income Only | >1,300 |
| Has Both Earned Income and Unearned Income | Unearned Income as soon as >450;Or Unearned < 450 but Earned + Unearned > 14,600 |

Children Unearned Income Tax Rate

|  |  |
| --- | --- |
| 0 - 1,300 | 0% |
| 1,300 – 2,600 | Child’s own tax rate |
| > 2,600 | Parent’s tax rate – Kiddie Tax |

Child Care Credit (Non-Refundable)

**<= 12 Year Old; Both Parents Working**

**Summer Camp Included**

**1 Child Expense: up to $3000**

**2+ Children: up to 6000**

**(also if Employer dependent benefit > $3000 / $6000, no more Credit)**

**AGI:**

|  |  |
| --- | --- |
| <15000 | 35% |
| 15000-25000 | 34% - 30% |
| 25000-35000 | 30% - 25% |
|  35000-43000 | 25% - 20% |
| >43000 | 20% |

Education Credit ($1500 Non-Refundable; $1000 Refundable)

**MAGI\* =** AGI + Foreign Income Exclusion

1040NR not qualified

|  |  |  |
| --- | --- | --- |
|  | AOTC (up to 2,500)(2,000 for 2,000 then 500 for 2,000-4,000) | LLC (20% of Tuition up to 10K Tuition) |
| 1098T? | 1098-T Required | 1098-T Required |
| Degree? | Must be pursuing a degree | Courses for job skills qualified |
| Enrollment? | at least part time for one semester | one course OK |
| Books/Material? | Tuition, Fees, and Books/Material | Tuition, Fees |
| MFJ | **AGI\*** < 160K160K-180K (5% decrease per 1K) | **AGI\*** < 160K160K-180K (5% decrease per 1K) |
| Single/HOH | **AGI\*** <80K80K-90K (10% decrease per 1K) | **AGI\*** <80K80K-90K (10% decrease per 1K) |
| MFS | NO | NO |

IRS Pub 970

Student Loan Interest: Max 2,500

**MAGI\* =** AGI + Foreign Income Exclusion

Single/HOH 80K-95K; MFJ: 165K-195K

IRS Pub 970

Educator Expense Deduction: $300

IL K-12 Classroom Material Credit: $500

**529 Plan Rollover to ROTH**:

Lifetime $35K/Beneficiary (subject to the annual Roth IRA contribution limit)

Earned Income Credit (Refundable)

**AGI**

**– Dependent is younger than TP**

**- Dependent is under 19 (or 24 Full Time Student)**

**- Or disabled**

**- Not Married Filing Separately**

**- No Foreign Income**

**- Investment Income < 11,000**

**- TP Must between 25 – 65 Years Old**

0 Children --- $632 Max

|  |  |  |
| --- | --- | --- |
|  | 0 Children | Peak |
| MFJ  | < 25,511 | 8,300-17,200 |
| Single, HOH | < 18,591 | 8,300-10,350 |

1 Child --- $4,213 max

|  |  |  |
| --- | --- | --- |
|   | 1 Child | Peak |
| MFJ | < 56,004 | 12,350-29,650 |
| Single, HOH | < 49,084 | 12,350-22,750 |

2 Children --- $6,960 max

|  |  |  |
| --- | --- | --- |
|  | 2 Children | Peak |
| MFJ | < 62,688 | 17,400-29,650 |
| Single, HOH | < 55,768 | 17,400-22,750 |

3 Children --- $7,830max

|  |  |  |
| --- | --- | --- |
|  | 3 Children | Peak |
| MFJ | < 66,819 | 17,400-29,650 |
| Single, HOH | < 59,899 | 17,400-22,700 |

Form 1040 Instructions

Kiddie Tax

|  |  |
| --- | --- |
| < 18 | Always apply |
| = 18 | Earned Income < 50% of his support? |
| 19-23 | Full time student? Earned Income < 50% of his support? |
| > 23 | Never apply |

Obama Care Repayment

**Household Total Income as % of Poverty Level (“MAGI\*\*” + Dependent “MAGI\*\*”) 2025**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Family size | Poverty Line | 200% | 300% | 400% |
| 1 | $15,060  | $30,120  | $45,180  | $60,240  |
| 2 | $20,440  | $40,880  | $61,320  | $81,760  |
| 3 | $25,820  | $51,640  | $77,460  | $103,280  |
| 4 | $31,200  | $62,400  | $93,600  | $124,800  |

**Applicable Figure**

|  |  |
| --- | --- |
| How Much Total HH Income Above National Poverty Line | Taxpayer Contribution Req’d |
| < 150% | 0% |
| 200% | 2% |
| 250% | 4% |
| 300% | 6% |
| 350% | 7.25% |
| 400% | 8.5% |
| >400% | 8.5% |

Form 8962 Instructions

Taxpayer Contribution Required = Total “MAGI\*\*” Applicable Figure

Medical Insurance Premium Tax Credit Allowed = **SLCSP**

(Second Lowest Cost Silver Plan Premium) - Taxpayer Contribution Required

**Repayment Limitation 2024**

|  |  |  |
| --- | --- | --- |
|  | Single | All Others |
| < 200% | 375 | 750 |
| 200%-300% | 950 | 1,900 |
| 300%-400% | 1,575 | 3,150 |
| > 400% | 8.5% Total “MAGI\*\*” | 8.5% Total “MAGI\*\*” |

Form 8962 Instructions

HSA Contribution Limit

- High Deductible Health Plan Required

**- Medicare Not Eligible**

**- FSA / HRA generally not qualified for HSA**

- Unearned Income / No Income still OK

|  |  |  |
| --- | --- | --- |
| **04/15/2025** | <55 | >55 |
| Self-only | 4,300 | 5,300 |
| Family | 8,550 | +1000/each |

FSA Contribution Limit

**By 12/31/2025** 3,300

Excess HSA Contribution

Remove the excess contribution through a distribution by 4/15 (or 10/15), and withdraw income earned on the excess contribution(s) and including it on your tax return for that year.

Pre-tax contributions and the earnings should be included in the employee’s W2, or reported as "other income" on the tax return. Post-tax contributions would not be taxable as income, but the earnings would be taxable as income.

MFS Lost Benefit:

|  |  |
| --- | --- |
| **Potential Benefit:**State tax savings (when one spouse lives in high-tax state and the other spouse lives in very-low-tax state)Medical expenses deduction (when medical expenses if over 7.5% of one spouse AGI)Child credit (when joint AGI is too high to be qualified for child credit --- but beware of the higher tax bracket the high-income spouse will be facing if MFS) | **Lost Benefit:**- Earned income credit- Child and dependent care expenses credit- Education credits (AOTC and LLC)- Student loan interest deduction- Capital loss deduction limit is $1,500 (instead of $3,000)- Your rental loss allowance limit is $12,500 (instead of $25,000).- If your spouse itemizes deductions, you can’t claim the standard deduction.  |

Retirement Savings Credit (Non-Refundable)

|  |  |  |  |
| --- | --- | --- | --- |
| **AGI** | MFJ | HOH | Single, MFS |
| 50% | < $46,000 | < $34,500 | < $23,000 |
| 20% | $46,001- $50,000 | $34,501 - $37,500 | $23,001- $25,000 |
| 10% | $50,001 - $76,500 | $37,501- $57,375 | $25,001 - $38,250 |

IRS Retirement Savings Contributions Credit

RMD

--- Age 73, first RMD by April 1st of NEXT year

--- Inherited IRA: Entire balance must be withdrawn by the end of the 10th year

--- Spousal Transfer: Spread over the deceased remaining life expectancy, or the surviving spouse’s single life expectancy, whichever is longer.

--- Minor Children: 10-Year rule begins when they turn 21

--- IRAs and 403(b)s: can aggregate RMD amounts and withdraw the total from ONE or MORE accounts

--- 401(k)s: must calculate the RMD separately for each account and take it individually from each account

|  |  |  |  |
| --- | --- | --- | --- |
| Age |  | Age |  |
| 73 | 3.77% | 77 | 4.37% |
| 74 | 3.92% | 78 | 4.55% |
| 75 | 4.07% | 79 | 4.74% |
| 76 | 4.22% | 80 | 4.95% |

SECURE 2.0 Act

Emergencies --- you can withdraw up to $1,000 from a retirement account, but you’d have to replace those funds in the next three years before you can make another similar withdraw.

Employers can match your student loan payments instead of retirement matches.

QCD

Qualified Charitable Distribution. For age 70½ +. From a traditional IRA or a Roth IRA, cannot take from 401(k)s however. Not counted as taxable income. Count toward RMD.

Excess Contribution

(1) Return the excess contribution back to you by 4/15 (or 10/15 with extension) to avoid penalty --- must include the earning of the excess contribution as well. Report the earnings on your tax return for the year.

Or (2) Apply the excess contribution to a later year. It doesn’t, however, let you avoid the 6% tax penalty on any excess contributions remaining at the end of a tax year.

Retirement Plans and Definitions

(1) Defined Contribution Plans --- 401(K), 403(b)

(2) Deferred Compensation Plans --- Pensions, 401(k), 403(b) Stock Options

(3) Defined Benefit Plans --- Pensions

(4) Profit Sharing Plans

(5) Nonqualified Deferred Compensation Plans

(6) Highly Compensated Employees and Key Executives: Owned more than 5% of the business at any time during the year; or received more than $155K in compensation and was in the company's top 20% in pay.

**(7) “Comp.” = Compensation or Pay**

**(8) \*\*\* The $70K Limit (+Catchups for 50 and Older) Employer + Employee MAX, For any ONE Employer,**

**(9) +++ Employee’s multi-jobs contributions:**

Multi 401K’s / Multi Solo 401K’s /

401K + Solo 401K / Multi Simple IRA’s / 401K + Solo 401K + Simple IRA

**(10) Total Employee Contribution** Limits to All Retirement Plans <= 23,500 (or 31,000 for 50 or older)

**(11) Employer Contributions**: upto the Employer + Employee $70,000 Limit **Per Job**

IRA and ROTH - 2025

|  |  |  |
| --- | --- | --- |
| **MAGI** | IRA | ROTH |
| Contribution Limit | 7,000 (50 and older 8,000) Combined (Deductible IRA + Non-deductible IRA + ROTH) |
| If Individual is covered by company’s plan | MFJ: 126K-146KSingle/HOH: 79K-89KMFS: <10K | MFJ: 236K-246K Single/HOH: 150K-165KMFS: <10K  |
| If Individual is not covered but Spouse is covered | MFJ: 236K-246K |
| If Both are not covered by company’s plan | Full deductible no matter how much income |

Retirement Contribution Limit and Deadline 2025

|  |  |  |  |
| --- | --- | --- | --- |
| **2025** | Contrib. | 50 and Older | Deadline |
| **401k, 403b, 457, TSP (Defined Contribution)** | 23,500 or 100%comp.Employer upto 100% \*\*\* The $70K Limit | +7,50060-63: +11250 | 12/31 |
| **SIMPLE IRA****SIMPLE 401K****ROTH SIMPLE IRA** | 16,500SECURE 2.0: 17,600^^^or 100%comp.Employer 3% (req. 3% or “nonelective” 2%) | +3,500SECURE 2.0: +3,850^^^60-63: +5,250 | W2: 12/31(Employer Match: 4/15 or 10/15) |
| **SEP** | 25% net profit\*\*\* The $70K Limit | No Diff. | 4/15 or 10/15 |
| **Solo 401K --- Self, and ONE employee: Spouse** (double the benefit) | 23,500 or 100%comp.Employer upto 25% \*\*\* The $70K Limit | +7,50060-63: +11250 | W2: 12/31(Employer S-Corp/ Partner: 3/15 or 9/15C-Corp/ Single LLC: 4/15 or 10/15) |
| **Deductible IRA** | 7,000 | +1,000 | 4/15  |
| **ROTH** | 7,000 | +1,000 | 4/15 |
| **ROTH Conversion / Backdoor ROTH:** 12/31IRA made 1/1-4/15 can count toward prior year’s IRA contribution, but the ROTH conversion applies to current year’s conversion |
| **Defined Benefit Plan (Pension)** | 100%comp.to 275,000 | Same | Set up by 4/15 or 10/15 |
| **Profit Sharing Pln**(1) Employer contribution, to share part of business profit; (2) Business tax deductible; (3) Up to 25% of Employee Compensation; (4) \*\*\* The $70K Limit; (5) ^^^ The 25 or Fewer Employees Rule |
| **Nonqualified Deferred Compensation Plans (NQDC) PLAN ---** For Highly Compensated Employees and Key Executives(1) No Limit; (2)by 12/31; (3) Contribution Not tax deductible by the employer; (5) Not includable in the employee’s taxable income; (6) But subject to FICA and FUTA taxes; (7) Distributions tax deductible for employer; (8) Distributions includable in the employee’s taxable income (no 10% penalty for pre-age 59½ distributions) |

**Backdoor ROTH Conversion**: 7000/8000 Non-Deductible IRA 🡪 ROTH

**Mega Backdoor ROTH Convesion**: Pre-tax 401K + ROTH 401K + Employer Contribution + After-tax 401K = 70K

Convert the After-tax 401K to ROTH 401K or ROTH IRA

(1) The retirement plan allows After-tax 401K contributions (2) The retirement plan allows After-tax 401K move to a ROTH 401K or a ROTH IRA

Rental Loss Deduction Limitation

**MAGI\* =** AGI + Foreign Income Exclusion

**Single or MFJ**

|  |  |  |
| --- | --- | --- |
| < 100,000 | 100,000 – 150,000 | >150,000 |
| 25,000 | 500 Less / 1K | None |

MFS

|  |  |  |
| --- | --- | --- |
| < 50,000 | 50,000 – 75,000 | >75,000 |
| 12,500 | 500 Less / 1K | None |

3.8% Net Investment Income Tax (NIIT) & 0.9% Additional Medicare Tax

(Medicare Tax 2.9% + 0.9% = 3.8%)

|  |
| --- |
| **For NIIT: AGI + Foreign Income Exclusion****For Additional Medicare: W2 Box 5 & Sch. SE** |
| MFJ | > 250K |
| Single / HOH | > 200K |
| MFS | > 125K |
| **NIIT:** Applies to Int, Div, Capital Gains, Rental, Royalty, Business Passive IncomeNot Applies to Self-employment, Unemployment, Alimony, Tax –exempt Int**Additional Medicare:** Applies to All Wages currently subject to Medicare Tax.**E.g,** wife’s job income 230K, husband SE net income 70K. Workplace withholds 0.9% Medicare tax for wife’s 30K (no employer match required), husband pays estimated tax for 20K\*0.9% (230K+70K-250K-30K=20K) |

1031 Like-Kind Exchange

--- 45-Day: Contract / 180-Day: Closing

--- Rental Property only; Primary home, Secondary Not qualify

--- The property was exchanged > 5 years ago

--- Keep for at least 2 years, to rent >14 days/year, to live <14 days/year

--- Depreciation reset to 27.5/39

--- **Taxable Boot:** **if Purchase Price for New < Selling Price from Old**

Line 12, Line 13 = 0,

Line 15 = Boot, Taxable!

Line 21 = 0

Line 16 = Purchase Price the Property Received, including Closing Cost

Line 18 Adjusted Basis of the Property Given-up = Purchase Price the Property Given-up,

including Closing Cost +

Capital Improvement –

Accumulated Depreciation +

Closing Cost of Selling the Property Give-up +

Net Debt/Liability Increase (Purchase Price for New – Selling Price from Old)

Basis of like-kind property received = Adjusted Basis Gave Up; or the new property (if less)

High Income Earners

|  |  |  |  |
| --- | --- | --- | --- |
| MFJ | SGL, HOH, MFS | Category | Not Allowed |
| MAGI\* >100,000**MFJ, SGL, HOH** | >50,000 **(MFS)** | Rental Loss Deduction | >150,000(>75,000) |
| MAGI\* >165,000 | >80,000 | Student Loan Int. | >195,000(>95,000) |
| MAGI\* >160,000 | >80,000SGL, HOH>0 for MFS | AOTC&LLC | >180,000(>90,000) |
| MAGI >236,000  | >150,000 | ROTHIRA (both no 401K) | >246,000(>165,000) |
| MAGI\* >250,000W2 Box 5 + SE > 250,000 | >200,000SGL, HOH>125K MFS | NIITAdd. Med. Tax |  |
| AGI >400,000 | >200,000 | Child Tax Credit | >440,000(>240,000) |
| AGI >500,000 | >250,000 | IL Property Tax CreditK-12 Education Credit | >500,000(>250,000) |

**MAGI\* =** AGI + Foreign Income Exclusion

High Income Earners Recommendations

Business purchase of vehicles – ref. to “Section179 Deduction + Bonus Depreciation”

Other business purchases

Maximize defined-contribution plans (410K etc.)

Backdoor ROTH

HSA, 529

Non-deductible IRA: growth tax-deferred

Defined benefit plans --- pensions

Nonqualified deferred compensation plans --- no limits

“Creative Accounting”

Self-Employed?

|  |  |
| --- | --- |
| No Ownership but Employed | N |
| Independent Contractor or Freelancer | Y |
| Sole Proprietor  | Y |
| General Member of a Business Partnership | Y |
| Limited Member of a Business Partnership | N |
| Owner of an LLC | Y |
| Owner of an S Corp | N |
| Owner of an C Corp | N |
| Passive Income from Business Investment | N |
| Owner of a Rental Property | N\* |

\* Unless operating as a business – cleaning, security etc.

Type of Income

|  |  |
| --- | --- |
| Earned Income | W2, Sch CSch E and Sch F in some cases |
| Portfolio Income | Interest, Dividends, Stock Gains, Capital Gains from Selling Assets  |
| Passive Income | Rental, Royalties, Passive Business Investment, Limited Partnership |
| Non-Passive Income | S Corp K-1 |

Illinois Alimony

Annual Alimony = (33% of the payer’s net income) – (25% of the recipient’s net income)

**Years Married and Years Maintenance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| < 5Y | 2 Y |  | 13 Y | 5.6 Y |
| 6 Y | 2.4 Y | 14 Y | 6.0 Y |
| 7 Y | 2.8 Y | 15 Y | 6.4 Y |
| 8 Y | 3.2 Y | 16 Y | 6.8 Y |
| 9 Y | 4.0 Y | 17 Y | 7.2 Y |
| 10 Y | 4.4 Y | 18 Y | 7.6 Y |
| 11 Y | 4.8 Y | 19 Y | 8.0 Y |
| 12 Y | 5.2 Y | > 20 Y | Permanent maintenance or equal to the length of the marriage |

**Form 8846 Credit for Employer FICA Paid on Employee Tips**

Stock Options

– Contract / Promise

– Vest / Grant

– Exercise / Buy / Purchase

– Sell

|  |  |  |
| --- | --- | --- |
|  | ESPP | RSU |
|  | Options to exercise (purchase) company shares on a future date with the current (or predetermined) price, and a discount (5%-15%) on Vesting Date | Pledges or promises or contract of company shares, but restricted until Vesting Date (e.g. 25% of the shares is vested on the date); Granted at Vesting Date price; and can be sold or after Vesting Date.  |
| Waiting Period for Exercise and Sale | A few months / 1Y / 2Y after the Vesting Date | Between Promise Date --- Vesting Date |
| Add to W2 – Adjusted Amount (ordinary tax rate) | Market Value at Exercise Date – Predetermined Value with Discount at Vesting Date | Full Market Value at Vesting Date |
| Stock Gain (ST or LT) | Sale Price – Adjusted Cost Basis (on W2)  | Sale Price – Adjusted Cost Basis (on W2)  |
|  |  |  |

Preferred stocks are senior (higher ranking) to common stock but subordinate to bonds in terms of claim.

MAGI calculation

**AGI**

**+ Non-taxable SS** (incl SSDI, but excl SSI) **(1)**

+ Tax-exempt interest **(2)**

+ Foreign earned income & housing exclusion **(3)**

+ IRA / SEP Deduction

+ Student loan interest

+ Educator expense

+ 1/2 of self-employment tax; SEHI;

+ Rental loss; public-traded partnership loss;

+ Other passive loss;

**(1) (2) (3)** for ACA (Affordable Care Act) MAGI\*\* Purpose

QBI

Sum of:

Schedule C + Schedule E (Rental) + K1 (QBI Screen) – Losses and Carried QBI Losses

**Taxable Income Before QBI**

|  |  |  |  |
| --- | --- | --- | --- |
| Single, HOH, MFS | MFJ | Qualified Trade or Business | Special Services **\*** |
| <191K | <383K | 20% | 20% |
| 191K-241K | 383K-483K | W2 Wages limit (shareholder portion of the W3): 50% W2 or 25% W2+2.5% Dpr Basis | W2 Wages limit (shareholder portion of the W3): 50% W2 or 25% W2+2.5% Dpr Basis |
| >241K | >483K | W2 Wages limit (shareholder portion of the W3): 50% W2 or 25% W2+2.5% Dpr Basis | NO |

**\*** health, law, accounting, performing arts, consulting, athletics, financial, investment management

Section179 Deduction;

Bonus Depreciation

\* Immediate deduction related to depreciable assets such as **equipment, vehicles, and software**, rather than capitalizing an asset and depreciating it over time in future tax years.

\*\* Section 179 tax deductions require your company to be in the black (Business Income Limit) --- deduction limited to the taxable income from the trade or business

\*\*\* Bonus depreciation can be used even if your business is not profitable.

\*\*\*\* If either Section 179 expensing or Bonus Depreciation is used by a taxpayer, the standard mileage rates cannot be used for ANY periods after the year that depreciation is taken. Actual auto expenses (fuel, tires, repairs, etc.) must be tracked going forward.

\*\*\*\*\* A Form 1065 or Form 1120S entity does not include Section 179 Expense in the business deductions. Instead, it is passed through separately to the partners and shareholders' Schedules K-1.

|  |  |  |  |
| --- | --- | --- | --- |
| Vehicle | Section 179 | Bonus Dpr | Total |
| < 6,000lb (3T)“Passenger Auto” | 12,200 | 8,000 | 20,200 |
| 6,000lb – 14,000lbfull-size SUVs, commercial vans, and pickup trucks | 30,500 | Remaining60% | 30,500 + 60% Remaining |
| > 14,000lb | 100% upto 1.25M |  | 100% upto 1.25M |

IRS Pub 946 Section 179, and Section “Passenger Automobile Limits - Maximum Depreciation Deduction”

**IRS Approved Modernized e-File (MeF) Business Providers**

Mileage Deduction

67 ₵

|  |  |
| --- | --- |
| Mileage Deduction | Actual Expenses Method |
| Not allowed: Car Payment, Car Depreciation, Car Lease Expenses, Fuel, Insurance, License Plate, Maintenance and Repair | Allowed |
| Allowed: Car Loan Interest, Parking and Tolls, Registration and Property Tax | Allowed |
| Need to choose his method in the 1st year in order to use it in any year, and can switch back and forth between the two methods | If choose this method in the 1st year, then required to continue to use it for the rest of the vehicle life |
| Can’t choose this method if you have five or more vehicles on the road at the same time |  |
| Can’t choose this method if claimed any deprecation other than the Straight Line |  |

Gift and Estate Exclusion

|  |  |
| --- | --- |
| Gift Tax Annual Exclusion | 18,000 |
| Estate and Gift Tax Lifetime Exclusion | 12M / person |
| Gift to Non-Citizen of the US | 185,000 |

Trust Tax Rate

|  |  |  |  |
| --- | --- | --- | --- |
| 0-2900 | 10% | 10551-14450 | 35% |
| 2900-10550 | 24% | 14451- | 37% |

**Long-Term Care Premium Deduction on Schedule A**

|  |  |
| --- | --- |
| < Age 40 | $480 |
| Age 40 - 50 | $890 |
| Age 50 - 60 | $1,790 |
| Age 60 - 70 | $4,770 |
| > Age 70 | $5,960 |

Medicare Premiums

**2024** Plan A Full Price $505

**AGI**

|  |  |  |  |
| --- | --- | --- | --- |
| **Single** | **Married Filing Jointly** | **Medicare Part B Monthly** | **Medicare Part D Monthly** |
| < $106,000 | < $212,000 | $185 | $0.00  |
| $106,000- $133,000 | $212,000 - $266,000 | $259 | $13 |
| $133,000 - $167,000 | $266,000 - $334,000 | $370 | $35 |
| $167,000 - $200,000 | $334,000 - $400,000 | $480 | $57 |
| $200,000 - $500,000 | $400,000 - $750,000 | $591 | $78 |
| > $500,000 | > $750,000 | $628 | $85 |

<https://www.cms.gov>

Full Retirement Age:

< 1954: 66 1954-60: 66 and months

>1960: 67

Social Security Earning Limit 2025

**Wage Base:** $168,600 www.ssa.gov

|  |  |  |
| --- | --- | --- |
| < Ret. Age | Year of Ret. Age | > Ret. Age |
| 23,400 or more: | 62.160 or more: | Unlimited |
| $1 withhold for every $2 earnings | $1 withhold for every $3 earnings | N/A |

Maximum SS Benefit

**2025**

$4,080/M ($50,160/Y) – Full retirement age

$5,180/M ($61,296/Y) – Age 70

SS and Med Credit 2025

$1,810 per credit $7,240 four credits

Maximum Social Security Taxable Earnings

**2017 =** 127,200 **2018 =** 128,400 **2019 =** 132,900

**2020 =** 137,700 **2021 =** 142,800 **2022 =** 147,000

**2023 =** 160,200 **2024 =** 168,600 **2025 =** 176,100

How Much SS Taxable?

**Combined Income CI (or “Provisional Income PI”) = AGI Excl. SS +**

**Nontaxable Interest + ½ SS Benefits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Single etc** | **MFJ** | **% Taxable** |
| CI | Whatever < 25,000 | Whatever < 32,000 | **0%**  |
| CI | 25,000 – 34,000 | 32,000 – 44,000 | (CI with Half SS > 25000: 1 – 9000) \* 50%, up to 4,500;(CI with Half SS > 32000: 1 – 12000) \* 50%, up to 6,000 |
| CI | >34,000 | > 44,000 | (CI with Half SS > 34000) \* 85%CI with Half SS > 44000) \* 85%**(2) Add Above Together** **Compare with SS \* 85%****Maximum SS \* 85%** |

<https://www.moneytree.com/resources/calculating-taxable-social-security-benefits/>

**Reduced Benefit v.s. Delayed Credits**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Age | Benefit | Spousal |                          | Age | Benefit | Spousal |
| **62** |  70.0  |  32.5  | **66** | 93.3 | 45.8 |
| 62 + 1  | 70.4 | 32.7 | 66 + 1  | 93.9 | 46.2 |
| … | … | … | … | … | … |
| 62 + 11  | 74.6 | 34.8 | 66 + 11  | 99.4 | 49.7 |
| **63** | 75.0 | 35.0 | **67** | 100 | 50 |
| 63 + 1  | 75.4 | 35.2 | 67 + 1  | 100.7 | 50 |
| …. | … | … | … | … | … |
| 63 + 11  | 79.6 | 37.3 | 67 + 11  | 107.3 | 50 |
| **64** | 80.0 | 37.5 | **68** | 108.0 | 50 |
| 64 + 1  | 80.6 | 37.8 | 68 + 1  | 108.7 | 50 |
| … | … | … | … | … | … |
| 64 + 11  | 86.1 | 41.3 | 68 + 11  | 115.3 | 50 |
| **65** | 86.7 | 41.7 | **69** | 116.0 | 50 |
| 65 + 1  | 87.2 | 42.0 | 69 + 1  | 116.7 | 50 |
| … | … | … | … | … | … |
| 65 + 11  | 92.8 | 45.5 | 69 + 11  | 123.3 | 50 |
|  |  |  | **> 70** | 124.0 | 50 |

SS Cost-Of-Living Adjustments (COLA)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **COLA** | **Year** |  | **COLA** | **Year** |
| 8 | 1976 | 2.7 | 2005 |
| 6.4 | 1977 | 4.1 | 2006 |
| 5.9 | 1978 | 3.3 | 2007 |
| 6.5 | 1979 | 2.3 | 2008 |
| 9.9 | 1980 | 5.8 | 2009 |
| 14.3 | 1981 | 0 | 2010 |
| 11.2 | 1982 | 0 | 2011 |
| 7.4 | 1983 | 3.6 | 2012 |
| 3.5 | 1984 | 1.7 | 2013 |
| 3.5 | 1985 | 1.5 | 2014 |
| 3.1 | 1986 | 1.7 | 2015 |
| 1.3 | 1987 | 0 | 2016 |
| 4.2 | 1988 | 0.3 | 2017 |
| 4 | 1989 | 2 | 2018 |
| 4.7 | 1990 | 2.8 | 2019 |
| 5.4 | 1991 | 1.6 | 2020 |
| 3.7 | 1992 | 1.3 | 2021 |
| 3 | 1993 | 5.9 | 2022 |
| 2.6 | 1994 | 8.7 | 2023 |
| 2.8 | 1995 | 3.2 | 2024 |
| 2.6 | 1996 | 2.5 | 2025 |
| 2.9 | 1997 |  |  |
| 2.1 | 1998 |  |  |
| 1.3 | 1999a |  |  |
| 2.5 | 2000 |  |  |
| 3.5 | 2001 |  |  |
| 2.6 | 2002 |  |  |
| 1.4 | 2003 |  |  |
| 2.1 | 2004 |  |  |

**Can I file for my Social Security at 62 and switch to spousal benefits later?**

Only if your spouse is not yet receiving retirement benefits. In this case, you can claim your own Social Security beginning at 62 and make the switch to spousal benefits when your husband or wife files.

Social Security will not pay the sum of your retirement and spousal benefits; you’ll get a payment equal to the higher of the two benefits.

**Can I apply only for spouse’s benefits and delay filing for my own retirement benefit to earn delayed retirement credits?**

No, you are required to file for both your own retirement and for any benefits you are due as a spouse. This requirement is call deemed filing.

**Spousal Benefit**

--- Married for at least a year

--- You are at least age 62 (or care for a child under 16, or a disabled child)

--- The worker already filed SS benefits

--- Receive 32.5% - 50%, depends on age of the worker when he filed

--- May be reduced if you are under full retirement age and continue to work

--- If you are eligible for a retirement benefit based on your own earnings, and if that benefit is higher than the spousal benefit, then you will get your own retirement benefit. Note: Deemed Filing = You can't apply only for spouse’s benefits and delay filing for your own retirement benefit to earn delayed retirement credits.

**Deceased Worker Spousal Benefit**

--- Married for at least nine months

--- You are at least age 60, or at least 50 and disabled (or care for a child under 16, or a disabled child): 71.5% of the deceased worker’s benefit

--- You are between 60 (or 50 … or child … ) and your full retirement age: 71.5%

 - 99% of the deceased worker’s benefit

--- You are at full retirement age: 100% of the deceased worker’s benefit

--- Deceased Worker’s Benefit:

if the deceased worker not yet reached full retirement age, then Deceased Worker’s Benefit = 100% of the benefit he would have been entitled to, based on lifetime earnings

if the deceased worker passed full retirement age, then Deceased Worker’s Benefit = delayed credit

--- May be reduced if you are under full retirement age and continue to work

--- If you are eligible for a retirement benefit based on your own earnings, and if that benefit is higher than the spousal benefit, then you will get your own retirement benefit. Note: Deemed Filing = You can't apply only for spouse’s benefits and delay filing for your own retirement benefit to earn delayed retirement credits.

**Divorced Spousal Benefit**

--- Married for at least 10 years

--- You haven’t remarried

--- You’re not eligible to receive a higher benefit based on your own work record,

--- You’re at least 62 years’ old

--- Your ex-spouse is eligible to receive Social Security retirement or disability benefits, even if they haven’t decided to start receiving them yet.

**Divorced and Deceased Worker Spousal Benefit**

--- Married for at least 10 years

--- You haven’t remarried before age 60 (or 50 if disabled)

--- Then the same rule as in “Deceased Worker Spousal Benefit”

IRS Phone Numbers

Individuals： **800-829-1040** 7 a.m. to 7 p.m. local time

Businesses： **800-829-4933** 7 a.m. to 7 p.m. local time

Local IRS office Appointment: 844-545-5640

Practitioner Hotline (for Tax Preparer Professional Only): 866-860-4259

1040-NR: 267-941-1083 6 a.m. to 10 p.m. eastern time

Illinois Department of Revenue

**800-732-8866**or**217-782-3336**

|  |  |
| --- | --- |
| Individual Tax | REV.TA-IIT@illinois.gov |
| Business Tax | REV.TA-BIT-WIT@illinois.gov |
| Sales Tax | REV.TA-Sales@illinois.gov |
| MyTax Illinois Help | REV.MyTaxHelp@illinois.gov |

IRS Payroll Tax Deposit Schedule

Monthly depositor --- By the 15th day of the following month.

Semi-weekly depositor ---

|  |  |
| --- | --- |
| Wed, Thu, Fri | (following) Wed |
| Sat, Sun, Mon, Tue | Fri |

Next-day deposit rule --- If you accumulate $100,000 or more in taxes on any day then you must deposit by the next business day.

IRS Penalty and Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reason** | **Type of Penalty** | **Amount of Penalty** | **First Time Penalty Abatement** | **Amount of Interest** |
| Installment | Failure to Pay Penalty | 0.25% / M | N/A | Fed short-term rate plus 3% |
| < 90% of Current Year Tax Liability or < 100% (110% for 150K +) of Prior Year Tax Liability | Underpayment of Estimated Tax Penalty | About 5% / Y | Yes | Fed short-term rate plus 3% |
| Pay after 4/15 | Failure to Pay Penalty | 0.5% \* Balance Due / M, until 25% | Yes | Fed short-term rate plus 3% |
| File after 4/15 (or 10/15) | Failure to File Penalty**Combined Failure to File & Failure to Pay** | 5% \* Balance Due / M, until 25%- Failure to Pay PEN. up to 2.5%**Failure-to-file penalty stops until 5th month 25%-2.5%****Failure-to-pay penalty stops until 50th month 25%****Combined: 47.5%** | Yes | Fed short-term rate plus 3% |
| Understate your tax liability by 10% | Substantial Understatement of Income Tax Penalty | 20% Underpaid Tax | No | Fed short-term rate plus 3% |
| Missed payment after Notice of Levy | Failure to Pay Penalty | 1% / M, until 50% reached | No | Fed short-term rate plus 3% |
| File Form 1120 C Corp late | Failure to File Penalty | 5% \* Balance Due / M, until 25%After 60 days minimum the whole tax due or $485 | Yes | Fed short-term rate plus 3% |
| File Form 1120S S Corp late | Failure to File Penalty | $235 each month up to 12 months | Yes | Fed short-term rate plus 3% |

2022-2023 IRS Interest Rate

<https://www.irs.gov/payments/quarterly-interest-rates>

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Interest Categories** | **Q1 25** | **Q3 24** | **Q2 24** | **Q1 24** | **Q4 23** | **Q3 23** | **Q2 23** | **Q1 23** | **Q4 22** | **Q3 22** | **Q2 22** | **Q1 22** |
| Federal Short-Term Rate | 4% | 5% | 5% | 5% | 5% | 4% | 4% | 4% | 3% | 2% | 1% | 0% |
| Individual | 7% | 8% | 8% | 8% | 8% | 7% | 7% | 7% | 6% | 5% | 4%​ | 3%​ |
| ​​Large Corporate | 9% | 10% | 10% | 10% | 10% | 9% | 9% | 9% | 8% | 7% | 6% | 5% |

|  |  |  |
| --- | --- | --- |
| **Type of Penalty** | **Penalty** | **Corrections** |
| Additional Tax on Early Distributions From a Qualified Retirement Plan | 10% | See the Table Below |
| Additional Tax on Disqualified Distributions From Education Accounts | 10% |  |
| Additional Tax on Excess Contributions to Traditional IRAs | 6% | --- Withdraw the excess and the earnings (taxable), file an amended return by October 15, don't cliam the deduction--- Withdraw the excess and the earnings (taxable) after October 15, pay the current year's penalty, reduce next year's contributions by the amount of the excess (then no penalty for next year) |
| Additional Tax on Excess Contributions to Roth IRAs | 6% | --- Withdraw the excess and the earnings (taxable)--- Recharacterize the ROTH as Non-Deductible Traditional IRA--- Withdraw the excess and the earnings (taxable) after October 15, pay the current year's penalty, reduce next year's contributions by the amount of the excess (then no penalty for next year) |
| Additional Tax on Excess Contributions to HSAs | 6% | Remove the excess contributions and any earnings by October 15 |
| Additional Tax on Not Receiving RMD | 25% | Take the missed distribution(s) as soon as possible, IRS will likely waive the penalty … but only if the appropriate steps are taken in a timely manner. Attach a statement of explanation and file Form 5329 as follows:1. Complete lines 52 and 53 as instructed.2. Enter “RC” and the amount of the shortfall you wantwaived in parentheses on the dotted line next to line 54. Subtract this amount from the total shortfall and enter the result on line 54.3. Complete line 55 as instructed. You must pay any tax duethat is reported on line 55.The IRS will review the information you provide and decidewhether to grant your request for a waiver. |

**Lien** is a public notice of the IRS, telling your creditors that the IRS' interest in your property supersede any other's, and that sale of your property would require you to use the proceeds to first satisfy your debt to the IRS. This is important because the creditors would look into your financial status before issuing a loan.

While a lien is a legal claim against your property, a **Levy** actually takes the property to satisfy the tax debt. A levy is where the IRS comes in and takes what you own, including your sole home. If it’s an bank account, the IRS can seize and drain it. If it is an asset, like a property, the IRS puts it up on the market for its quick sale value and uses the proceeds to pay your debt.

The key difference is that a **Garnishment** is used to allow IRS to contact your employer and take part of your wages from your paycheck, while a levy permits a creditor to withdraw funds from your bank account directly.

401K/IRA Early Distributions - Exception to 10% Pen.

|  |  |  |  |
| --- | --- | --- | --- |
| **Exceptions** | **Descriptions** | **Qualified Plans (401K etc.)** | **IRA, SEP, SIMPLE IRA and SARSEP** |
| **IRS Levy** | because of an IRS levy of the plan | yes | yes |
| **Corrective Distributions** | corrective distributions (and associated earnings) of excess contributions, excess aggregate contributions and excess deferrals, made timely | yes | n/a |
| **Contributions to another plan within 60 days** | contributions to another retirement plan or IRA within 60 days | yes | yes |
| **Separation from Service - Rule 55** | laid off or quit, in the calendar year in which you turn 55 or older | yes | no |
| **Substantially Equal Periodic Payment (SEPP, Rule 72)** | at least one distribution per year for at least five years or until you turn 59½, whichever comes last; | yes **NO** if still working for the employer | yes |
| **Death / Disability** |  | yes | yes |
| **Education** | qualified higher education expenses | **NO \*\*\*** | yes |
| **First-Time Homebuyers** | qualified first-time homebuyers, up to $10,000 | **NO \*\*\*** | yes |
| **Medical – Payment**  | amount of unreimbursed medical expenses >7.5% AGI) | yes | yes |
| **Medical – Insurance** | health insurance premiums paid while unemployed | **NO** | yes |
| **Military** | certain distributions to qualified military reservists called to active duty | yes | yes |

\*\*\* 401k Safe Harbor Hardship Distribution

401K withdraw for Medical, Rent, Purchase of principal residence, Tuition and room and board …

Subject to 10% penalty, unless meet the Exceptions above

The needed amount can NOT roll over to IRA

Rollover 60-Day Rule

Traditional or Roth IRA distributions, you have up to 60 days to deposit it into another IRA. You can do this once within a 12-month period.

ROTH Withdraw Rules

You can withdraw sums equal to your Contributions any time, tax- and penalty-free.

Earnings withdrawals must be taken after age 59½, and must be taken after a five-year holding period.

In withdraws, Contributions come out first, and Earnings come out afterwards.

|  |
| --- |
| < 59½ |
| < 5 Years | > 5 Years |
| Earnings subject to taxes and 10% penalties | Earnings subject to taxes and 10% penalties |
| You may be able to avoid penalties (but not taxes) in the following situations:IRS LevyQualified education expenses;First-time home purchase (up $10,000 lifetime);Substantially Equal Periodic Payment (SEPP, Rule 72) - at least one distribution per year for at least five years or until you turn 59½, whichever comes last;Birth or adoption (up to $5,000);Disabled or deceased;Medical expenses or health insurance when unemployed; | You may be able to avoid penalties (but not taxes) in the situations the same as when < 5 Years.***You may be able to avoid both penalties and taxes in the following situations:***First-time home purchase (up $10,000 lifetime);Disabled or deceased; |
|  |
| > 59½ |
| < 5 Years | > 5 Years |
| Earnings subject to taxes but not penalties | No taxes or penalties. |

ROTH Conversion Withdraw Rules

Before turning 59½ converted funds must remain in a Roth IRA for at least five years, otherwise there is a 10% early withdrawal penalty in addition to income taxes.

ROTH 401(K) Employer Matches

Typically when an employer makes matching contributions to a Roth 401(k), they must be deposited in a separate, traditional 401(k), meaning that unlike the funds in the Roth 401(k), they will be taxed by the IRS when you withdraw them in retirement.

Thanks to the SECURE Act (December 2022), an employer may instead match an employee's contributions in their Roth account, rather than in a traditional account. However, the match is a taxable income for the employee (with a 1099-R form)

ROTH RMD

No Required Minimum Distributions ------- If you are the original owner.

But, upon your death, your beneficiaries — other than a surviving spouse — must take RMDs from your account after they inherit it.

IRS Payment Plans

https://sa.www4.irs.gov/opa/individual/pages/indi.xhtml

For Business: https://sa.www4.irs.gov/opa/pages/bmf.xhtml

**Short-term Payment Plan ---** up to **$100K** in 180 days; $0 setup fee;

Penalty 0.25% per month, Interest Fed short-term rate plus 3%

\*Apply thru “IRS My Account”; or by Phone

|  |  |
| --- | --- |
| **Payment Method** | **Costs** |
| (1) Direct Pay from a bank account (Individuals only)(2) Pay online or by phone using Electronic Federal Tax Payment System (EFTPS) (enrollment required)(3) Pay by check, money order or debit/credit card*Fees apply when paying by card* | --- Apply online: $0 setup fee (individuals only)--- Apply by phone, mail, or in-person: $0 setup fee (up to 180 days)--- Accrued Penalty 0.25% per month, Interest Fed short-term rate plus 3% |

**Long-term Payment Plan (Installment Agreement) ---** up to **$50K** in 72 months

 \*Apply from **B&R Software**; thru “IRS My Account”; or by Phone

|  |  |
| --- | --- |
| **Payment Options** | **Costs** |
| **Option 1:** Direct Debit (automatic monthly payments from your bank account) | --- Apply online (or **B&R Software**): $31 setup fee--- Apply by phone, mail, or in-person: $107 setup fee--- Low income: setup fee waived--- Penalty 0.25% per month, Interest Fed short-term rate plus 3% |
| **Option 2:** Manual Payment: Pay each month (non-Direct Debit) (1) Make monthly payment online using Electronic Federal Tax Payment System (EFTPS) (enrollment required)(2) Make monthly payment by check, money order or debit/credit card*Fees apply when paying by card* | --- Apply online (or **B&R Software**): $130 setup fee--- Apply by phone, mail, or in-person: $225 setup fee--- Low income: setup fee waived--- Penalty 0.25% per month, Interest Fed short-term rate plus 3% |

**Change an Existing Payment Plan**

* Revise Online: https://sa.www4.irs.gov/opa/individual/pages/indi.xhtml
* Revise by Phone

**IRS Payment Online**  https://www.irs.gov/payments

**IL Payment Online** https://tax.illinois.gov/individuals/pay.html

Taxable or Nontaxable

|  |  |
| --- | --- |
| **Type of Income / Benefits / Payouts** | **Taxable ?** |
| Bonus, Incentives, Awards, Allowances, Sick Time, Severance Pay, Settlement, Back Pay, Moving Reimbursement, Survival Benefits | Cash --- YNoncash Gifts --- N |
| Employer Contributions to Employee’s Retirement Plan | N |
| Health Plans (Medical Dental Vision), Accident Plans | N (must be in S Corp 2% Owner W2’s, then Deductible as SEHI) |
| Dependent Care Benefits | N |
| Educational Assistance | N (< $5,250) |
| Employee Discount | N |
| Fringe Benefits (Car, Flights, Travel, Vacations, Services, Membership, …) | Y |
| Employee Discount | N |
| Fringe Benefits (Car, Flights, Travel, Vacations, Services, Membership, …) | Y |
| Tips | Y |
| Workers’ Compensation (Wage Replacement, Medical Treatment, …) | N |
| Unemployment Benefits  | Y |
|  |  |
| Scholarships | N --- for Tuition and FeesY --- for Room and Board etc. |
| Rebates, Credit Card Rewards | N |
| Canceled Debt | YN --- for Insolvency |
| Social, Legal and Scientific Prizes and Awards | Y |
| Jury Pay | Y |
| Social Welfare Benefits | N |
| Disaster Relief | N |
| Gifts and Inheritance | N |
| VA Benefits | N |
| Lawsuit Settlement / Legal Remedies |  |
| --- Physical Injury | N |
| --- Non-Physical Injury (Mental, Emotional, Defamation, Humiliation, Discrimination …) | Y |
| --- Punitive | Y |
| Life Insurance Proceeds | N |
| Disability Benefits – Premium Paid By Your After-Tax Money | N |
| Disability Benefits – Premium Paid By Your Employer or Your Before-Tax Cafeteria Plan | Y |
| Home and Other Property Insurance Claims, Car Insurance Claims  | N |

**Income Not Subject to Self-Employment Tax**

Interest, Dividend, Capital Gain, Sale or Disposing Property, Rental, Hobby, S Corp K-1, Limited Partner K-1 (except for guaranteed payment),

Incentive from Automotive Manufacture To An Automotive Dealer,

Nonresident Aliens

Deductible or Nondeductible

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Commuting | N |   | Collecting Expenses | N |   |
| Home Office |   | If have Sch C | Credit or Debit Card Convenience Fees | N |   |
| Lunches With Co-Workers, Meals While Working Late | N |   | Disability Insurance Premiums | N |   |
| Professional Accreditation Fees | N |   | Dividend Reinvestment Service Fee | N |   |
| Travel Expenses  | N |   | Fees To Collect Interest and Dividends | N |   |
| Unreimbursed Employee Exp | N |   | Investment Fees and Exp | N |   |
| Unreimbursed Employee Exp - for Persons with Disabilities | YES | Using Sch A | Life Insurance Premiums  | N |   |
| Wages Never Received Or Lost Vacation Time | N |   | Loss From The Sale Of Properties | N |   |
| Adoption Expenses |   | Tax Credit - Using Form 8839 | Loss of Cash Or Property | N |   |
| All Licenses | N |   | Loss on Bank Deposits | N |   |
| Bribes And Kickbacks | N |   | Loss on IRA | N |   |
| Campaign Expenses | N |   | Passed-Through Investment Exp | N |   |
| Estate Tax | YES | Using Sch A | Ponzi-Type Investment Schemes | YES | Using Form 4684 |
| Fines or Penalties | N |   | Repayments of Prior Year's Income |   | If >$3,000, Using Sch A |
| Legal Expenses | N |   | Repayments of Social Security Benefits |   | If >$3,000 |
| Lobbying Expenses | N |   | Stock, Bonds Paper Safe Deposit Box | N |   |
| Political Contributions | N |   | Unrecovered Investment in Annuity | YES | Using Sch A |
| Tax Preparation Fees | N |   | Burial or Funeral, Cemetery Lot | N |   |
| Trustee's Administrative Fees | N |   | Club Due | N |   |
| Amortizable Bond Premium | YES | Using Sch A | Fitness and Health | N |   |
| Broker's Commissions | N |   | Gambling Losses Up to the Amount of Gambling Winnings | YES | Using Sch A |
| Capital Expenses | N |   | Hobby Expenses | N | Income Taxable, Exp Not Deductible |
| Casualty and Theft Losses | N |   | Home Repairs | N |   |
| Casualty and Theft Losses - of Income-Producing Property | YES | Using Form 4684 or Form 4797 | Home Security System | N |   |
| Check-Writing Fees | N |   |   |   |   |

Residential Clean Energy Credit and Energy Efficient Home Improvements Credit (Non-Refundable, Carryover, Form 5695)

|  |  |
| --- | --- |
| **EQUIPMENT TYPE** | **2023-2032 TAX YEARS** |
| Solar panels, Solar water heaters | 30% of costNo annual or lifetime limit |
| Wind turbines, Natural gas or electric heat pumps, Biomass stoves/boilers, Battery storage technology property, Biomass stoves/boilers | 30% of costUp to $2,000 per year |
|  |
| Air conditioners | 30% of cost, up to $600 each item, up to $1,200 per year |
| Water heaters/water boilers |
| Furnace |
|  |
| Exterior doors | 30% of cost, up to $250 per door, up to a total of $500 |
| Exterior windows and skylights  | 30% of cost, up to $600 |
| Insulation and Sealing Materials (of sidings etc.) | 30% of cost, up to $1,200 per year |
|  |
| Electric panel or circuit upgrades | 30% of cost, up to $600 |
|  |  |

EV Credit (Non-Refundable, NO Carryover. 2023-2032. Form 8936)

https://fueleconomy.gov/feg/tax2023.shtml

MAGI (Smaller of Last and This Year) MFJ: < 300,000 HOH: < 225,000 Single & MFS: < 150,000

--- up to $7,500 --- Independent Only

Previously-Owned Clean Vehicles Credit (Non-Refundable, NO Carryover. 2023-2032. Form 8936))

https://www.fueleconomy.gov/feg/taxused.shtml

MAGI (Smaller of Last and This Year) MFJ: < 150,000 HOH: < 112,500 Single & MFS: < 75,000

--- Vehicle sale price < 25,000 --- Model at least 2 years older than current year

--- Not being transferred in the past year --- up to $4,000 --- Independent Only

EV Charger (Alternative Fuel Vehicle Refueling Property Credit) (Non-Refundable, NO Carryover. 2023-2032. Form 8911))

30% of cost, up to $1,000 / Item

ID Theft

* Call the IRS, 800-908-4490 Extension 245 is for Taxpayers Not in Previous Contact with IRS
* Create a IRS Online Account <https://api.id.me/en/registration/new>
* Logon to your IRS Account for more information

<https://www.irs.gov/payments/your-online-account>

* Get an ID Protection PIN (IP PIN) from IRS Account

<https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>

* Or to get an ID Protection PIN (IP PIN) by mailing Form 15227



* File Form 14039 ID Theft Affidavit <https://www.irs.gov/pub/irs-pdf/f14039.pdf>



* Report ID Theft to Federal Trade Commission <https://www.identitytheft.gov>
* Visit the Internet Crime Complaint Center <https://www.ic3.gov/> File an online report
* Notify one of the three major credit bureaus: Equifax, Experian, or TransUnion. Check your credit report for anything out of the ordinary. (You can get a free credit report at [AnnualCreditReport.com](file:///C%3A%5CUsers%5CPhilip%5CDocuments%5CAnnualCreditReport.com))
* IRS Identity Theft Guide <https://www.irs.gov/newsroom/taxpayer-guide-to-identity-theft>
* Social Security Administration Office Identity Theft Guide

 <https://www.ssa.gov/pubs/EN-05-10064.pdf>

Non US Resident Alien Taxation

|  |  |  |
| --- | --- | --- |
|  | **< 183 Days** | **> 183 Days** |
| Bank Interest | No | No |
| Dividend | 30% | 30% |
| Mutual Fund Dividend | No | 30% |
| OID | 30% | 30% |
| Stocks, Securities, Commodities thru a US broker | No | 30% |
| Stocks, Securities, Commodities by yourself | No | 30% |
| Gain from other Capital Assets (that is NOT Real Property) | No | 30% |
| Sale of US Main Home | $250K/500K exclusion | $250K/500K exclusion |
| Scholarships and Fellowships (for tuition)  | No | No |
| Scholarships and Fellowships (for room, board, travel …) | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Scholarships and Fellowships (for teaching, research) | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Wages from Foreign Employer and Foreign Earned Income | No | No |
| Job Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Self-Employment Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Partnership Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Trust or Estate Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Other Business Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Transportation Income | 4% | 4% |
| Real Property Gain | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Gain from other Depreciable Property | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Gambling (Bingo, Slot Machine, Lottery …) | 30% | 30% |
| blackjack, baccarat, craps, roulette, or big-6 wheel | No | No |
| dog or horse race | No | No |

1040 or 1040NR?

**Substantial Presence Test**

You are a resident for tax purposes if you meet the substantial presence test for calendar year 2021. To meet this test, you must be physically present in the United States on at least:

1. 31 days during 20X3; and
2. 183 days during the 3-year period that includes 20X3, 20X2, and 20X1, counting:
	1. All the days you were present in 20X3,
	2. 1/3 of the days you were present in 20X2, and
	3. 1/6 of the days you were present in 20X1.

**Exempt individual**

Do not count days for which you are an exempt individual. The term “exempt individual” does not refer to someone exempt from U.S. tax, but instead refers to anyone in the following categories.

* A student under an “F,” “J,” “M,” or “Q” visa.
* A teacher or trainee under a “J” or “Q” visa.
* Foreign government-related individual under an “A” or “G” visa.
* A professional athlete to compete in a charitable sports event.

***Student – Five Calendar Year Rule***

A student under an “F,” “J,” “M,” or “Q” visa can exclude U.S. days of presence as a “student” for purposes of the substantial presence test for up to five **calendar** years. The five-year limit is a lifetime limit that can’t be renewed.

***Teacher or Trainee – Two Calendar Year Rule***

A teacher or trainee under a “J” or “Q” visa can exclude U.S. day of presence as a “teacher or trainee” for purposes of the substantial presence test for up to two **calendar** years. However, unlike the student limit which is a lifetime limit, the teacher or trainee limit can be renewed.

***After the Five / Two Calendar Year Rule***

A “F,” “J,” “M,” or “Q” visa alien who otherwise meets the substantial presence test can nevertheless be treated as a nonresident for U.S. income tax purposes by: establishing that you do not intend to reside permanently in the United States and have a closer connection to a foreign country

Foreign Earned Income Exclusion 2024

Up to $126,500/ person (X2 if both spouse qualify) Req. 330 Days in 12 Consecutive Months

A 12-month period can be any period of 12 consecutive months that includes 330 full days of presence in a foreign country. If you qualify under the physical presence test for part of a year, it is important to carefully choose the 12-month period that will allow the maximum exclusion for that year.

**Bona Fide Residence Test** - Only U.S. citizens/resident who are also citizens or nationals of U.S. treaty countries can use this test. Otherwise, use **Physical Presence Test**.

Foreign Housing Exclusion 2023

This exclusion applies to foreign employer-paid amount only, **not applies to self-employment income.**

Qualified Housing Expenses: Rent, Utilities (except phone, TV, streaming, internet), Housing insurance, Fees, Furniture and parking rentals, Rental repairs.

Not qualified: Mortgage payments, Maids or housekeepers, Purchased furniture, Lavishness

Maxium Limit on Housing: See Form 2555 Instruction table, if not listed, then use $98/day, or 30% of $126,500/365 --- $37,950 if for 365 days.

(Minimum) Base Housing Amount: $52/day, or 16% of $126,500/365 --- $20,240 if for 365 days.

**Foreign Housing Exclusion = Qualified Housing Expenses/Maxium Limit - (Minimum) Base Housing Amount (cannot be more than Total Employer-paid Amount)**

**Foreign Housing Deduction**

This exclusion applies to foreign self-employement income only.

**Qualified Housing Expenses/Maxium Limit - (Minimum) Base Housing Amount**

 **- if there is any Employer-based Foreign Housing Exclusion applied**

 **(cannot be more than Remaining Foreign Earned Income After All Other Exclusions)**

Foreign Currency Exchange Rate

https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

Foreign Tax Credit (Non-Refundable, Carryover)

**(1) You cannot take a foreign tax credit for taxes on income you exclude.**

**Claim the Foreign Tax Credit Without Filing Form 1116**： “Passive Category Income” ， and Total < $600 (MFJ)/ $300 (Others)

**Passive Category Income**. Interest, Dividends, Royalties, Rents, Annuities, Capital Gains, Gains from sale of property, Gains from foreign currency or commodities transactions

**General Category Income**: Wages/Salary, Income earned in a trade/business

If you received both Passive Category Income and General Category Income from foreign sources, **you must complete two Forms 1116.**

**Line 1a --- Don't include any earned income excluded on Form 2555**

**Form 1116 Lines 2 Through 5 --- Deductions and Losses**

--- reduce your foreign gross income

**Line 3d.** Enter your gross foreign source income from the category you checked above. Include any foreign earned income you have excluded on Form 2555 (to calculate Deduction Pro Rata)

If you had income from more than one country, you must enter income from only one country in each column.

**Line 3e.** Enter on line 3e in each column your gross income from all sources and all categories, both U.S. and foreign. Include any foreign earned income you have excluded on Form 2555.

**Line 3g.** %age = Foreign Income From This Category / Form 1040 Gross Income.

Foreign Income Deduction Allowed = Form 1116 Deduction \* %age

You can **carry forward 10 years** any foreign tax you paid or accrued

**First, apply the excess to the earliest year to which it may be carried. Then, apply it to the next earliest year, and so on.**

**Line 17.** Net Foreign Source Taxble Income from This Category

**Line 18.** Total Form 1040 Taxable Income

**Line 19.** %age

**Line 20.** Total Form 1040 Tax

**Line 21.** Maximum Foreign Tax Credit of This Category = Total Form 1040 Tax \* %age

**Line 24.** Foreign Tax Paid (subject to Maximum)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Sole Proprietorship | Partnership | LLP | Single Member LLC | Multi Member LLC | C Corp | S Corp |
| Formation | Not registered | Not registered | Registered by State | Registered by State | Registered by State | Registered by State | Elected to IRS(from LLP, LLC or C Corp) |
| Notes |  |  |  | Some states not allow professionals to form LLC’s |  | < 100 shareholders |
| Ownership | Individuals | Individuals or Any Other Type of Businesses | Individuals; Some states limit it to certain professions: Architecture, Engineering, Law, CPA | Individuals or Any Other Type of Businesses | Individuals or Any Other Type of Businesses | Individuals, Single Member LLC (disregarded entity), some trusts /estates. No partnerships, No corps. S Corp can own a QSub subsidiary S Corp, which does not file its own tax |
| Management | Self | One or more Managing Partner(s) | Shareholder(s) or to hire outside Manager(s) |
| Liabilities | Liabilities not limited | Liabilities not limited | Only liable for his own negligence, not other partners’ | Limited liabilities unless owners act illegally |
| Tax Form | Schedule C | Form 1065Either a General Partner or a Limited Partner; OR BOTH | Schedule C | Form 1065Either a General Partner or a Limited Partner; OR BOTH | Form 1120 | Form 1120S |
| Taxation | Owner | Partners | Partners | Owner | Partners | CompanyAnd Double Taxation | Shareholders |
| 15. |  |  |  |  |  |  |  |
| Non Resident Alien Owner? | Yes | Yes | Yes | Yes | Yes | Yes | NO(Resident Alien OK) |
| Paper-file IL REG-1, in the SSN field, specify as “Foreign National”K-1 SSN Field = “FOREIGNUS” / “APPLD FOR" |  |
| Self-Employed? | Yes | Yes | Yes | Yes | Yes | No | NoSEHI must show in W2 |
| 15.3% Self-employment Tax | Yes | Yes | Yes | Yes | Yes | No | Officer Compensation – YesK1 Dividend - No  |

Form 2553 – Election to a S Corp

Form 8832 – Single or Multimember LLC elect to a C Corp