

2024 Tax Changes: What Professional Tax Preparers Need to Know

Tax laws and regulations are constantly changing, and it's crucial for professional tax preparers to stay up-to-date on the latest developments. This presentation will dive into the most significant 2024 tax changes, equipping you with the knowledge needed to navigate the upcoming filing season with confidence.

By understanding these changes, you'll be able to provide your clients with the most accurate and advantageous tax planning strategies, ensuring they maximize their savings and avoid potential pitfalls. Let's explore the **key updates** that will impact your practice in the coming year.

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Federal Tax Bracket Adjustments

The IRS adjusts tax brackets each year to account for inflation, which may place clients in a lower tax bracket even if their income remains relatively stable.

There are still seven individual income tax rates ranging from **10%** to **37%**, depending on the following income thresholds for each tax filing status:

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

Standard Deduction Increases

The IRS annually adjusts the standard deduction to keep pace with the rising cost of living. This deduction lowers taxable income, with the allowable amount varying based on filing status.

Here are the 2024 standard deduction amounts compared to 2023:

Tax filing status	Standard deduction 2024	Standard deduction 2023
Single	\$14,600	\$13,850
Head of Household	\$21,900	\$20,800
Married filing jointly and surviving spouse	\$29,200	\$27,700
Married filing separately	\$14,600	\$13,850

Clients who are blind or age 65 and older are eligible for an additional standard deduction:

Age and filing status	2024 additional standard deduction	2023 additional standard deduction
65+ OR blind (single and head of household)	\$1,950	\$1,850
65+ AND blind (single and head of household)	\$3,900	\$3,700
65+ OR blind (married filing jointly or separately)	\$1,550 (per qualifying individual)	\$1,500 (per qualifying individual)
65+ AND blind (married filing jointly or separately)	\$3,100 (per qualifying individual)	\$3,000 (per qualifying individual)

Form 1099-K Reporting Threshold Changes

For clients receiving payments through third-party networks like PayPal®️, Venmo®️, or eBay®️, the 1099-K reporting threshold changes for 2024 are important to note. Beginning this tax year, any earnings of \$5,000 or more from these platforms will generate a 1099-K form. For clients with side businesses or online sales, understanding this form and how to report it is essential.

Form 1099-K rules	2024	2023
Reporting threshold	\$5,000 in gross payments	\$20,000 in gross payments
Transaction threshold	One or more	At least 200

Form 1099-K Taxpayer Misconceptions

This is a new tax I will have to pay

Clients may believe this is a new tax, but it's simply a reporting change. Income from sales and services has always been taxable, yet small amounts often went unreported. The IRS has now reduced the Form 1099-K reporting threshold, which will increase the number of clients receiving these forms for third-party payment transactions. This update is intended to improve compliance by capturing a broader range of taxable income.

All the transactions listed on Form 1099-K are taxable.

Form 1099-K reflects gross payments processed, which may include personal payments, reimbursements, and sales resulting in a loss – items not necessarily subject to tax. Clients are only taxed on profits from goods or services sold. Start with the gross amount on Form 1099-K, then reconcile it against client records to determine actual taxable income, adjusting for non-taxable transactions. Documentation of these adjustments is essential for accuracy and audit purposes.

I'm not a business, so I don't need to report my sales profits.

Clients may assume they're exempt from reporting sales profits if they aren't operating a formal business. However, profit from occasional sales, such as hobby crafts or furniture flipping, must still be reported as income, generally on Schedule 1 as "Other Income." For clients with frequent transactions or business-like activity, consider Schedule C treatment. Educate clients on the implications of business versus hobby income to ensure proper classification and reporting.

I owe tax on all items I sell, even those sold for a loss.

Clients often misunderstand that only profitable sales are taxable. Items sold below cost basis are not subject to tax, as no gain exists. Although personal losses aren't deductible, encourage clients to maintain records of these transactions to support accurate reporting on gains. For investment assets, however, clients may offset gains with losses.

Form 1099-K Common Questions

Why has the reporting threshold for Form 1099-K changed?

The American Rescue Plan Act of 2021 introduced a lower threshold for Form 1099-K, affecting more clients involved in online sales and gig work. With the gig economy expanding, previously unreported income has become more common. This lower threshold helps capture taxable income from third-party payment networks and aims to improve overall tax compliance.

Will my clients owe tax if they only use payment apps for personal payments?

The new 1099-K requirements impact only payments for goods or services. Personal payments (e.g., splitting rent or reimbursing a friend) are not taxable. Some payment platforms offer “friends and family” categories, which clients can use to distinguish personal transactions from business payments. This classification can help prevent personal transactions from being incorrectly reported as taxable income.

Will clients receive a 1099-K for online marketplace sales?

For tax year 2023, clients with over \$20,000 in total transactions and 200+ transactions will receive Form 1099-K. In 2024, the threshold lowers to \$5,000 for any number of transactions. Clients should know that only profits are taxable—selling personal items below their original purchase price (cost basis) isn’t subject to tax. However, taxable income must still be reported, so it’s critical to separate profit-generating sales from non-taxable transactions such as gifts or reimbursements.

How should I handle a 1099-K for a client’s nontaxable transactions?

Clients may receive a 1099-K for personal or nontaxable transactions if payment platforms mistakenly categorize them as business income. Since Form 1099-K is informational, nontaxable transactions don’t need to be included on the tax return.

For self-employed clients, you may encounter both a 1099-K and a 1099-NEC for different payments. This typically happens when payments are made via third-party processors (1099-K) and others by clients directly via cash or check (1099-NEC). Report each form accordingly and avoid double-reporting income to ensure accurate totals.

The IRS expects tax preparers to assist clients in distinguishing between taxable and non-taxable items. Encouraging clients to separate personal and business transactions on payment platforms—and advising them to avoid debit or credit cards for non-business payments—can help prevent reporting errors.

Will this change impact my clients’ tax obligations?

For clients who have been correctly reporting their taxable income, this change won’t increase tax liabilities, as only the reporting requirements have changed. However, clients new to gig work or who may not have fully reported income previously could see a tax impact. Clients earning profits on sales may benefit from a capital gains tax calculator to assess how the new reporting could affect their tax outlook.

Capital Gains Tax Rates

Capital gains tax applies to profits from the sale of assets like stocks, real estate, and cryptocurrency. Short-term gains, for assets held a year or less, are taxed at the client's regular income rate. Long-term gains, for assets held over a year, are taxed at reduced rates, with a maximum rate of 20%. Here are the 2024 long-term capital gains rates and income thresholds:

Tax rate	Single	Married filing jointly	Married filing separately	Head of household
0%	\$0 to \$47,025	\$0 to \$94,050	\$0 to \$47,025	\$0 to \$63,000
15%	\$47,026 to \$518,900	\$94,051 to \$583,750	\$47,026 to \$291,850	\$63,001 to \$551,350
20%	\$518,901 or more	\$583,751 or more	\$291,851 or more	\$551,351 or more

Earned Income Tax Credit (EITC) Updates

The Earned Income Tax Credit (EITC) is a valuable benefit for low- to moderate-income working clients. Eligibility and credit amounts depend on income, filing status, and the number of qualifying children.

For 2024, the maximum EITC available is \$7,830. Here are the income limits for claiming the credit this year:

Number of children	Maximum credit amount	Maximum adjusted gross income (AGI) and earned income
0	\$632	\$18,591 (\$25,511 married filing jointly)
1	\$4,213	\$49,084 (\$56,004 married filing jointly)
2	\$6,960	\$55,768 (\$62,688 married filing jointly)
3 or more	\$7,830	\$59,899 (\$66,819 married filing jointly)

Retirement Contribution Limit Increases

401(k) contributions

Individuals can contribute up to \$23,000 to 401(k) plans in 2024 (up from \$22,500 in 2023). If you are 50 or older, you can contribute up to \$30,500.

IRA Contributions

The annual contribution limit for IRAs in 2024 is \$7,000 (up from \$6,500 in 2023). If you are 50 or older, you can contribute up to \$8,000. If you have a SIMPLE IRA, you can contribute up to \$16,000 in 2024 (up from \$15,500 in 2023).

Healthcare Limit Increases

Health flexible spending accounts

In 2024, you can contribute up to \$3,200 in employee salary reductions to fund your health flexible spending arrangement.

Medical Savings Accounts (MSAs)

Deductible ranges and out-of-pocket expenses for MSAs also increased. For individuals with self-only coverage, the plan must have an annual deductible of at least \$2,800, at most \$4,150, and an out-of-pocket expense limit of \$5,550. For families, the annual deductible must be at least \$5,550 but no more than \$8,350, with an out-of-pocket expense limit of \$10,200.

Earned Income Tax Credit

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For 2024, the maximum EITC available is \$7,830. Here are the income limits for claiming the credit this year:

Number of children living with you	Maximum credit amount	Maximum adjusted gross income (AGI) and earned income
0	\$632	\$18,591 (\$25,511 married filing jointly)
1	\$4,213	\$49,084 (\$56,004 married filing jointly)
2	\$6,960	\$55,768 (\$62,688 married filing jointly)
3 or more	\$7,830	\$59,899 (\$66,819 married filing jointly)

Other 2024 tax changes

Social Security Tax Cap: For 2024, the maximum earnings subject to Social Security tax have increased to \$168,600, up from \$160,200 in 2023. This raises the maximum Social Security tax withholding for 2024 to \$10,453.20.

Alternative Minimum Tax (AMT): The AMT exemption amount for 2024 is now \$85,700 (previously \$81,300), with the phase-out beginning at \$609,350. For married couples filing jointly, the exemption is \$133,300 (up from \$126,500) and phases out at \$1,218,700.

Bonus Depreciation: In 2024, businesses can claim 60% for first-year bonus depreciation, down from 80% in 2023.

Fringe Benefits: The monthly limit for tax-free qualified transportation and parking benefits has risen to \$315, an increase from \$300 in 2023.

Gift Tax Exclusion: The annual gift tax exclusion is now \$18,000 for 2024, up from \$17,000. This allows individuals to gift up to \$18,000 per recipient without filing a gift tax return. The lifetime gift and estate tax exemption has also increased to \$13.61 million (up from \$12.92 million).

Adoption Tax Credit: The maximum credit for qualified adoption expenses is now \$16,810, up from \$15,950 in 2023.

Foreign Earned Income Exclusion (FEIE): For U.S. taxpayers living abroad, the 2024 FEIE has increased to \$126,500, up from \$120,000, allowing qualifying expats to exclude this amount of foreign income from U.S. taxes.

Final Thoughts

The 2024 tax year will bring a myriad of changes that professional tax preparers must navigate to ensure their clients' filings are accurate and optimized. From adjustments to tax brackets and deductions to updates on credits and retirement contributions, staying informed is crucial.

By thoroughly understanding these updates, tax professionals can proactively guide their clients through the evolving landscape, maximizing savings and minimizing potential pitfalls. Leveraging this knowledge, you can position your practice as a trusted advisor, providing invaluable expertise and personalized strategies tailored to each client's unique financial situation.

As you prepare for the upcoming filing season, remain vigilant, continue your professional development, and prioritize clear communication with your clients. With a comprehensive grasp of the 2024 tax changes, you'll be equipped to navigate the complexities and deliver exceptional service that sets your practice apart.



Questions and Contact Information

We've covered a wide range of important 2024 tax changes that will impact your practice and your clients.

If you have any remaining questions or would like to discuss how these updates can be leveraged to maximize your clients' savings, our team is here to assist you.

Please feel free to reach out to us at **SimpleTAX** by phone at **281-833-9300** or by email at **support@simpletax.co**.

We're dedicated to providing personalized guidance and ensuring you have the knowledge and resources needed to navigate the evolving tax landscape with confidence.

Thank you for your time today. We appreciate the opportunity to share this valuable information and look forward to continuing our partnership as we approach the 2024 filing season.