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As we approach the close of another year, we want to take a moment to update you on important tax matters that may affect you in 2024 and into 2025. Specifically, the recent elections as well as the sunsetting of many provisions from the Tax Cuts and Jobs Act (TCJA) could influence tax planning and strategy in the year ahead. Given the uncertainty surrounding the repercussions of both, it's critical to review your tax situation to ensure you're making informed decisions.

UNCERTAINTY REGARDING TCJA'S PROVISIONS

The TCJA, which was enacted in 2017, significantly overhauled the U.S. tax system, cutting corporate tax rates, altering individual income tax brackets, and limiting certain deductions, among other changes.¹ While many provisions of the TCJA were designed to be permanent (such as the corporate tax rate cuts), several key tax changes are set to expire after 2025. These include:

- **Individual Tax Rate Changes:** The TCJA lowered individual income tax rates across most brackets, but these changes are scheduled to sunset after 2025, potentially causing tax rates to rise for many individuals.
- **Estate and Gift Tax Exemption:** The TCJA doubled the lifetime gift and estate tax exemption and it is currently \$13.61 million for 2024 and is indexed to inflation. The lifetime estate tax exemption will sunset after 2025 and is expected to be reduced to ~\$7 million.
- **Limitation on SALT Deductions:** The TCJA capped the state and local tax (SALT) deduction at \$10,000. While some have proposed repealing or raising this cap, this limitation is scheduled to sunset after 2025.
- **Standard Deduction and Child Tax Credit:** The TCJA significantly increased the standard deduction and expanded the child tax credit, but these too are set to expire. If they revert to pre-TCJA levels, this could mean a higher taxable income for many taxpayers in the future.

Given these looming expirations and the uncertainty around Congressional action, it's important to assess whether accelerating deductions or income into 2024, or deferring them to future years, might better align with your overall financial strategy.

The time to review your estate plan and make decisions, changes, and/or plans around the potential halving of the lifetime exemption is now; attorneys and valuation experts already have a significant backlog and getting in their queue sooner rather than later is necessary.

¹ <https://www.congress.gov/bill/115th-congress/house-bill/1/text>

PLANNING AHEAD

As you begin your year-end planning, consider the following steps, which include both typical actions and additional measures in light of election outcomes and the TCJA:

- **Tax Loss Harvesting:** You might consider harvesting losses to offset gains to reduce your tax liability for 2024.
- **Accelerating or Postponing Income and Deductions:** If you anticipate being in a higher tax bracket in 2024 than in 2025, it might make sense to postpone income and accelerate deductible expenses, such as charitable contributions or medical expenses, into 2024. Conversely, if you anticipate your rate increasing in 2025, you might consider doing the opposite.
- **Retirement Contributions:** Maximizing contributions to retirement accounts (401(k), IRA, etc.) can reduce your taxable income for the year and provide long-term tax benefits.
- **Retirement Distributions:** Remember to take required minimum distributions from inherited retirement accounts, as well as from your own retirement accounts.
- **2024 Gifting:** Be sure to complete any planned 2024 gifts, including annual exclusion gifts, before year-end.
- **Review Estate Plans:** Estate tax laws are likely to change, so it's wise to review your estate planning documents and strategies, particularly if you are close to the exemption thresholds.
- **Review Investment Strategies:** If there are potential changes to capital gains taxes, it may be prudent to review your portfolio with an eye toward tax-efficient strategies for 2024 and beyond.

For all these activities, it's best to act sooner rather than later. Financial institutions face a surge of year-end activity and have set deadlines to ensure they can process everything on time. Avoid postponing tasks until December if they can be handled in November, and certainly don't wait until late December if early December is an option.

If you are still undecided about making gifts in 2025 ahead of the 2026 estate and gift tax sunset, consider setting up the necessary legal structures now to preserve your options.

TRUE WEALTH IS WELL-BEING

With so much uncertainty around sunset of the TCJA and the impact of the 2024 election results, this is a general reminder to ignore the noise and plan for the long term with a holistic view rather than a narrow focus on the immediate dollar tax savings. We recommend keeping a long-term view of what matters most to you and your family when it comes to multigenerational tax and estate planning and working to take advantage of opportunities as they fit your family's goals and framework.

Tax and estate planning strategies can have relationship, legacy, human, and social impacts; long term these are as important if not more so than just the pure financial implications. Families are most successful when tax and estate planning are used as a tool to craft and support what matters most.

Please don't hesitate to reach out to us for a year-end tax planning session. We can review your specific situation, assess potential impacts, and provide tailored recommendations to help you position yourself as advantageously as possible for the coming year.

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