Brooks Tax Service

Keeping the Promise

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ClientInsights

SUMMER 2024

Everyday Advice

Tax reform means:
Don't tax you, don't tax me.
Tax that fellow behind the tree.

– Russell Long,
Former U.S. Senator from Louisiana

Lower your 2024 tax bill with this tax planning checklist

Here's a tax planning checklist with several ideas to review during the summer months to help you minimize your 2024 tax bill.

- **Review tax withholdings.** Check your tax withholdings to make sure you are not paying too much or too little for the first 6 months of 2024. Visit www.irs.gov/individuals/tax-withholding-estimator to see how your paycheck withholding will affect your refund, take-home pay or tax due.

  What you can do: *Fill out a new Form W-4 and give it to your employer if you want to change how much is withheld from your paycheck in taxes.*

- **Contribute to tax-deferred accounts.** You could potentially cut your tax liability by deferring your 2024 income to a future year via contributions to a retirement account. For 2024, the 401(k) contribution limit is $23,000 ($30,500 if 50 or older); $7,000 for both traditional and Roth IRAs ($8,000 if 50 or older); or $16,000 for a SIMPLE IRA ($19,500 if 50 or older).

  What you can do: *Consider an automatic transfer from either your paycheck or checking account to your retirement account so you won't have to think about manually making a transfer each month.*

- **Plan retirement account withdrawals to be tax efficient.** Your retirement accounts could span multiple account types, such as traditional retirement accounts, Roth accounts, and taxable accounts like brokerage or savings accounts. Because of this, consider planning your withdrawals to be as tax efficient as possible.

  What you can do: *One way to structure withdrawals is to pull from taxable accounts first, and leave Roth account withdrawals as a last resort. Another approach is to structure proportional withdrawals from all retirement accounts, which would lead to a more predictable tax bill each year.*

- **Net capital gains with capital losses.** If you have appreciated investments you're thinking about selling, take a look through the rest of your portfolio to see if you have other assets that you could sell for a loss and use to offset your gains. Using this tax strategy of tax-loss harvesting, you may be able to take advantage of stocks that have underperformed.

  What you can do: *Make an appointment with your investment advisor to look over your portfolio to see if there are any securities you may want to sell by the end of 2024.* ♦

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IRS Update

IRS: Audit rate won't increase for taxpayers and businesses earning less than $400,000

The audit rate for taxpayers and small businesses who earn less than $400,000 annually will not increase, the IRS recently announced after publishing its Strategic Operating Plan (SOP) for fiscal years 2024 and 2025. The plan also describes the IRS's intention of dramatically increasing audits on the following individuals and corporations:

- The IRS will increase audit rates by more than 50% on wealthy individual taxpayers with total positive income over $10 million, with audit rates going from an 11% coverage rate in 2019 to 16.5% in tax year 2026.
- The plan highlights the IRS will nearly triple audit rates on large corporations with assets over $250 million to 22.6% in tax year 2026, up from 8.8% in tax year 2019.
- The IRS will increase audit rates by nearly ten-fold on large, complex partnerships with assets over $10 million, going from 0.1% in 2019 to 1% in tax year 2026.

Interest rates remain the same for second quarter of 2024

Interest rates for the second quarter in 2024 remain unchanged compared to last quarter. These rates include: 8% for overpayments (7% for corporations); 5.5% for the portion of a corporate overpayment over $10,000; 8% for underpayments and 10% for large corporation underpayments. ♦

Tax Calendar

June 17th

☐ Second installment of 2024 individual estimated tax is due.

September 16th

☐ Third installment of 2024 individual estimated tax is due.

KIDS can be EXPENSIVE!

Here are some tax breaks to help

Kids can pose challenges from every direction – feeding times, car seats, sleep schedules, strollers, child care, and of course...taxes! It's important to consider that these bundles of joy can also complicate your tax situation. Here are some tax tips that may help:

Start a 529 education savings plan

529 education savings plans are a great way to kick off the baby's savings for the future. These plans offer low-cost investments that grow tax-free as long as the funds are used to pay for eligible education expenses (including elementary and secondary tuition). States administer these plans, but that doesn't mean you are stuck with the plan available in your home state. Feel free to shop around for a plan that works for you. Starting to save early, even a little bit, maximizes the amount of tax-free compound interest you can earn in the 18+ years you have before kids go to college.

Bonus tip for family and friends: *Anyone can contribute up to $18,000 to the plan in 2024 for each child! In addition, there is a special provision for 529 plans that allows five years worth of gifts to be contributed at once — a great estate-planning strategy for grandparents.*

Update Form W-4

Review your tax withholdings at least once every year. Remember, the birth of a child brings new tax breaks, including a $2,000 Child Tax Credit, along with the Child and Dependent Care Credit for childcare expenses. These credits can be leveraged now by lowering tax withholdings and increasing take-home pay to help cover the cost of diapers and other needs that come with children. On the other side of the coin, these benefits fall away as your child grows older. The Child and Dependent Care Credit is for children under the age of 13, while the Child Tax Credit is available for children under the age of 17. So plan accordingly.

Prepare for medical expenses

There are ways to be tax smart in covering the predictable medical and dental expenses of your children. The first thing to do is pay for as many out-of-pocket expenses with pre-tax money. Many employers offer tax-advantaged accounts such as Health Savings Accounts (HSA) or Flexible Spending Accounts (FSA). So check this out and fund these accounts as much as possible. And while it's more difficult to claim medical expenses as an itemized deduction, it's impossible to do so if you don't keep receipts.

Schedule a tax review today to make sure you're getting all the child tax breaks you deserve! ♦

Password madness

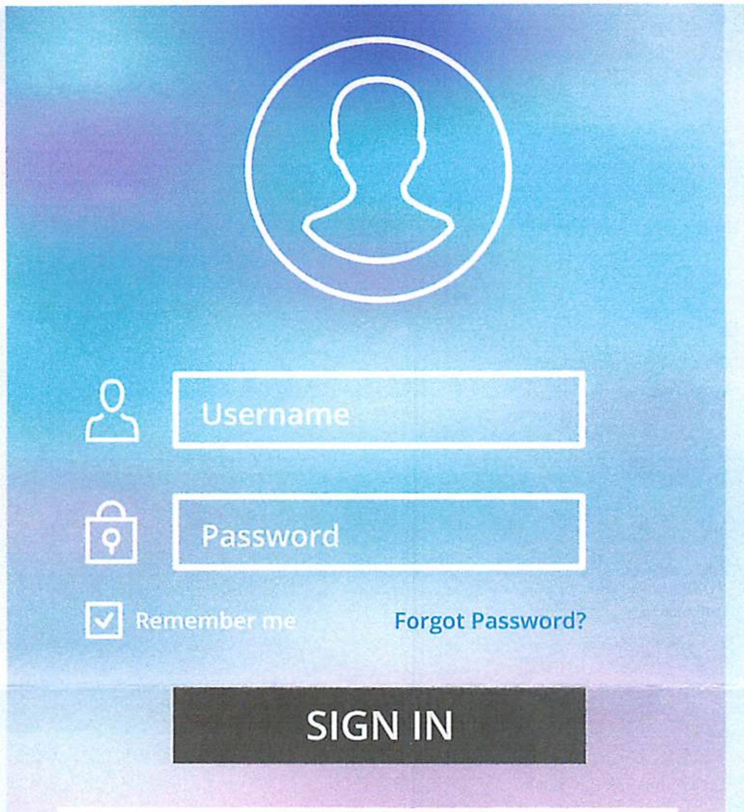
Tips to keep your growing list under control

When it comes to keeping your online accounts safe, strong passwords are an essential tool. Many struggle, though, with password fatigue because you need to have a password for… well, everything. And then you need to change these passwords every several months!

While most of us understand the need for strong passwords to protect our confidential information, it doesn't make password management any easier to handle. Here are some tips to try and make your password process a little bit less stressful.

- ✔ **Treat all credentials equally.** While the password for your child's school lunch account may not seem that important, it could be tied to your credit card or bank account. Treat all log-in credentials you have with equal care and respect, and remember that hackers frequently target seemingly unimportant passwords in order to guess other higher-value passwords.
- ✔ **Avoid oversharing on social media.** Avoid sharing financial and personal information on social media since hackers scrape public profiles to find sensitive information. Even harmless information you share (like the fact you got a new bank account) could make it easier for them to access your credentials.
- ✔ **Don't reuse passwords.** It goes without saying that you shouldn't use the easiest password that comes to mind like your birthday. But equally important, do not reuse a password so if one account is breached, it does not cascade into other accounts.
- ✔ **Set up multi-factor authentication.** Install multi-factor authentication on as many accounts as possible. This step means you'll get a text or an email in order to authenticate your identity as part of your login process, making it harder for thieves to gain access.
- ✔ **Consider a password manager.** Consider using a password manager to manage and oversee all your passwords. In addition to securing all your passwords with a single master password, password managers also help create complicated passwords for each of your accounts. The weakness using this tool is that thieves are now targeting password manager systems because they know they can get all of a person's passwords in one fell swoop.
- ✔ **Think of estate planning.** Remember, password management also includes getting access to accounts by someone in your family or an executor of a will should you pass away or become incapacitated. So be sure to include transferring passwords to them if the need arises.

Use these steps to make your password madness easier to handle and your accounts safer from online thieves. ♦



Protecting your digital footprint

- **Actively manage your security settings.** When you download a new app or register with a new site, look through the options to ensure you are comfortable with the level of privacy.
- **Protect your online image.** Pay attention to what others post about you online. If you are uncomfortable with what they are sharing, have a conversation with them and ask that it be removed.
- **Set boundaries for yourself.** Try to find the balance that allows you to enjoy connecting with others online but doesn't negatively impact other parts of your life. In addition to time spent, draw a bright line between what you consider shareable versus personal information.
- **Know your friends.** Be aware of who you are connected to on social media sites. Be cautious of accepting connection requests from people you don't know, as some of these requests could be a phishing attempt to swipe confidential information.

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Tips to help steer clear of common household accidents

Here's a look at several of the most common accidents that occur at home and several tips to prevent these scenarios before they occur.

Household Accident #1: Slips and Falls

Accidental falls are the most common type of accident for Americans at home, according to the National Library of Medicine at the National Center for Biotechnology Information. The Center also says that many falls are associated with age and overcrowding. In other words, older individuals are most likely to fall and hurt themselves, while improper housing design and accessibility also play a role.

Prevention Tip: *With many accidental falls happening during the evening and early morning hours according to the National Library of Medicine, consider the installation of lighting in and around the higher-risk areas of your home, like stairways and halls. Also consider removing tripping hazards such as area rugs and other clutter in heavy traffic areas.*

Household Accident #2: Cuts

Accidental cuts are also common in the home, with many taking place during food preparation. Improper use of knives and the use of dull knives that don't work properly are some of the biggest contributing factors.

Prevention tip: *Avoid cuts during food preparation by keeping knives sharp and storing them in a cutting block when not in use. Always use a cutting board, and never walk around with a knife in your hand. When giving a knife to someone, agree to a key word or phrase before letting go of the knife. A common phrase is saying thank you when receiving the knife. Also review kitchen prep videos for safe hints in cutting food.*

Household Accident #3: Poisoning

Poisoning is the leading cause of accidental deaths at home, according to the National Safety Council (NSC). While adults can accidentally ingest dangerous substances, children are especially at risk if they have access to unlocked cabinets and drawers.

Prevention tip: *Keep cabinets that contain harmful chemicals, and both prescription and non-prescription drugs, secure with a lock and key. Also install smoke and carbon monoxide detectors, and test them once a month. And poisons related to fire can be managed by having an escape plan. Visit* www.nsc.org *for more fire safety tips.*

Household Accident #4: Drowning

Among children under the age of 15, drowning is the second leading cause of preventable deaths, according to the NSC. The Centers for Disease Control also reports that 4,000 drowning deaths take place within American homes every year, and that more children ages 1 to 4 die from drowning than from any other cause.

Prevention tip: *Always supervise children and others who cannot swim when near bodies of water. Also consider building fences that fully enclose pools. Other preventative tips include the use of a life jacket, learning CPR, and avoiding alcohol before and during time spent in the water. Also remember that children can drown in as little as one inch of water, often happening quickly and silently. So use the buddy system when around water and never leave children in a bath tub without an adult present.* ♦