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# THE KATZ GROUP

*comprehensive financial services for individuals, families and businesses*

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**The Katz Group Newsletter** **Edition: Q1 2024**

## Leaping into 2024

We'd like to begin this edition of our quarterly newsletter by wishing all of our clients and readers good health and happiness in 2024. In last year's Q1 publication, we channeled the excitement and enthusiasm of Seinfeld's Uncle Leo to say "Hello!" to 2023 after enduring a dismal year for the broad financial markets in 2022. Before we leap into 2024 (which just so happens to be a leap year), we thought it would be worthwhile to check in with good ol' Uncle Sam for a timely update on important tax figures. Here, we seek to highlight a few of the more relevant changes that may impact your strategies for the upcoming tax year. Feel free to refer to Prudential's 2023 and 2024 Easy Reference Tax Guides for a more comprehensive summation of the various changes. And please note, as Financial Advisors, we are not accountants and do not render specific tax advice. Please consult with your own tax advisors regarding your particular tax situation.

Statutory tax brackets remain unchanged in 2024. The marginal tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% remain intact, although the income levels associated with each bracket have increased slightly relative to last year. For example, the 24% marginal bracket for married taxpayers who file jointly has increased to $201,050 - $383,900 (from $190,750 - $364,200 in 2023). For unmarried taxpayers, taxable income between $100,525 and $191,950 falls into the 24% marginal tax bracket (up from $95,375 - $182,100 in 2023). In other words, statutory tax brackets haven't changed but taxpayers can now earn more taxable income to fill up their current tax bracket before getting bumped into the next one and being subject to a higher marginal tax rate on each dollar of additional taxable income. Keep this in mind, particularly if you seek to fill up your current bracket with strategies such as Roth conversions or IRA distributions.

For many investors, employer-sponsored qualified plans serve as the primary vehicles through which they accumulate retirement assets for future income replacement. In 2024, the maximum annual contribution limits have been raised as follows for some of the more common plan structures. Participants in defined contribution plans, such as 401Ks, 403Bs, and 457 plans, may now contribute elective salary deferrals up to $23,000 (from $22,500 in 2023), plus additional catch-up contributions of up to $7,500 (unchanged from 2023) for those who are age 50 and older. Employees of small businesses who participate in SIMPLE IRA plans may now generally contribute elective salary deferrals up to $16,000 (from $15,500 in 2023), plus additional catch-up contributions up to $3,500 (unchanged from 2023) for those who are age 50 and older.[1] Small business owners and self-employed individuals leveraging SEP IRA plans may now make annual contributions up to $69,000 (from $66,000 in 2023). Those of you who intend to maximize your annual contributions might want to review your contribution rates and adjust them accordingly.

[1] Under SECURE 2.0, the limit is increased to 110% of the amount listed for an employer with 25 or fewer employees, or an employer with 26 to 100 employees if the employer either provides a 4% matching contribution or a 3% employer contribution.

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For those individuals who utilize IRAs and/or Roth IRAs instead of, or in conjunction with, employer-sponsored qualified plans, the maximum contribution limits for these vehicles have also been increased compared to last year. The maximum annual contribution amount to Traditional and Roth IRAs (combined) is now $7,500 (previously $7,000 in 2023), plus catch-up contributions up to an additional $1,000 (unchanged from 2023) for those who have attained age 50 and older. Furthermore, there have also been some modifications to the eligibility and deductibility rules. Eligibility to contribute to a Roth IRA in 2024 is still subject to phaseouts based on modified adjusted gross income (MAGI), but these thresholds have been lifted slightly compared to last year. Now, a single taxpayer's eligibility to make Roth IRA contributions is phased out between $146,000 and $161,000 of MAGI (up from $138,000 - $153,000 in 2023) and a married taxpayer filing jointly is phased out between $230,000 and $240,000 of MAGI (up from $218,000 - $228,000 in 2023). In other words, an unmarried individual with $161,000 or more of MAGI, and a married couple with $240,000 or more of MAGI, will be fully ineligible to make Roth IRA contributions in 2024. It is important to note that these eligibility rules apply only to contributions to Roth IRAs, and not to Roth contributions within employer-sponsored qualified plans or Roth conversions.

Unlike their Roth counterparts, Traditional IRA contributions are not subject to income-based eligibility rules. As long as one has earned income, he/she may make Traditional IRA contributions, but the deductibility of those contributions is subject to both MAGI phase outs *and* whether or not he/she (and his/her spouse) is covered by an employer-sponsored plan. These deductibility rules have also undergone a some modifications in 2024. Unchanged is the fact that IRA contributions are fully deductible if the taxpayer is not covered by an employer plan, regardless of his/her income (for married filing joint, this requires that neither spouse is covered by an employer plan). For single taxpayers who are covered by an employer plan, the deductibility of IRA contributions phases out between $77,000 and $87,000 of MAGI (up from $73,000 - $83,000 in 2023), with no deduction available for those whose earnings exceed the upper end of the range. For a married taxpayer who files jointly and both spouses are covered by an employer plan, the deductibility of IRA contributions phases out between $123,000 and $143,000 of MAGI (up from $116,000 - $136,000 in 2023), with no deduction available for those whose earnings exceed the upper end of the range. And for those married taxpayers who file jointly and one spouse is covered by an employer plan, the income-based deductibility rules continue to depend on which spouse is covered. If the covered spouse is the one seeking to make the IRA contribution, the deductibility is governed by the same limits that are used when both spouses are covered (see above). If the IRA contribution is being made for the non-covered spouse, the deductibility is phased out between $230,000 and $240,000 of MAGI (up from $218,000 - $228,000 in 2023), with no deduction available for those whose earnings exceed the upper end of this range.

Finally, for more legacy-minded individuals, it is worth mentioning that the annual gift tax exclusion was raised to $18,000 (from $17,000 in 2022), while the lifetime gift and estate tax exemption was increased to $13,320,000 (up from $12,920,000 in 2023).

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Leap years, like 2024, exist because it takes the earth slightly more than 365 days to completely orbit the sun. By adding an extra day to the calendar, leap years are needed to ensure that the seasons remain consistent and don't shift over time. Uncle Sam's complex tax code, on the other hand, is consistently inconsistent and always evolving. Now that we have a better handle on some of the important changes taking place in 2024, let's leap in! As always, we'd like to thank our clients for the leap of faith (pun intended) by placing their trust and confidence in us. We strive to continue helping you understand changing tax rules and adapting your investment, retirement and legacy strategies as necessary. We are excited to work with all of you in the year ahead and beyond. Please do not hesitate to reach out to us with any specific questions, comments or concerns. We look forward to hearing from you.

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