Navigating Tax Rule Changes in 2024

Here's the impact on healthcare professionals.

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The new year typically brings forth an ongoing panorama of significant changes in tax rules, poised to impact various sectors, including the intricate realm of healthcare professionals. For higher earning healthcare professionals navigating the conventional tax brackets, understanding and adapting to these amendments becomes paramount for optimizing long-term financial strategies and mitigating potential tax challenges.

The impact of these changes varies across healthcare sectors. From entry-level medical practitioners to established specialists, the altered marginal rate tax brackets can re-define tax liabilities and may prompt a re-evaluation of income management and investment strategies. Adhering to tax regulations is critical for healthcare professionals to avoid penalties or legal ramifications. With the evolving tax laws, ensuring compliance becomes more intricate and it is imperative for practitioners to remain updated on the latest tax guidelines, seeking guidance from qualified tax professionals to accurately interpret and adhere to these regulations.

Tax planning isn't a once-a-year affair; it's a process that benefits from continuous attention and periodic year-round review. Structuring your financial moves strategically throughout the year can lead to significant tax savings and a more efficient financial strategy. Let's break down tax planning across the 2024 annual calendar to help you navigate the fiscal landscape effectively.

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January to March: Reflect and Prepare

The beginning of the year is an excellent time for retrospective review and preparation. After the New Year, tax preparation season is not usually the time to seek additional tax deduction savings. Gather financial documents, including W-2s, 1099s, and receipts, and assess the previous year's financial performance. It is usually recommended to use online budget and bookkeeping planners throughout the year, such as Mint.com® and Quickbooks.com®. Review any life changes, such as marriage, divorce, or childbirth, which might impact your tax situation. In 2024, the standard deduction has been increased to $29,200 for those married filing jointly, and $14,600 for single filing, with head of household at $21,900. The 2024 tax year maximum Earned Income Tax Credit amount increased to $7,830 for qualifying taxpayers who have three or more qualifying children.

It is also an opportunity to start contributing to retirement accounts for the current tax year. Maximizing contributions to retirement plans like 401(k)s or IRAs early in the year allows more time for potential growth and provides immediate tax benefits. The maximum contribution for employer sponsored 401K plans increased to $23,000 per year, with an additional allowable catch-up contribution of $7,500 per year for those 50 and over. Medical Savings Accounts

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associated with self-only insurance coverage plans with deductibles not less than $2,800 have increased allowable contributions to $5,500, and correlating family plans with not less than $5,500 and deductible not greater than $8,350. Contact your human resources and benefits department, and ask your plan administrator to confirm specific plan amounts.

Business mileage deduction rates have increased in 2024 to 67¢ per mile, from 65.5¢ in 2023. Importantly, knowledge of business travel rules is paramount and includes the contemporaneous recordkeeping and the distinguishing between non-deductible commuting mileage versus deductible travel expenses.

IRS.gov excerpt: For tax year 2024, the top tax rate remains 37% for individual single taxpayers with incomes greater than $609,350 ($731,200 for married couples filing jointly).

The other rates are:

35% for incomes over $243,725 ($487,450 for married couples filing jointly)

32% for incomes over $191,950 ($383,900 for married couples filing jointly)

24% for incomes over $100,525 ($201,050 for married couples filing jointly)

22% for incomes over $47,150 ($94,300 for married couples filing jointly)

12% for incomes over $11,600 ($23,200 for married couples filing jointly)

The lowest rate is 10% for incomes of single individuals with incomes of $11,600 or less ($23,200 for married couples filing jointly). Source: IRS.gov

April: The Filing Deadline and Extensions

April signals the tax filing deadline for most individuals. Ensure your tax return is accurately prepared and, if necessary, file for an extension with the guidance of a licensed tax professional. Remember, filing for an extension gives you additional time to file your return due to pending documents but does not forestall payment of any taxes owed—the tax owed will accrue interest from the filing deadline. To avoid unnecessary penalties and interest, pay an estimate and any outstanding taxes by the deadline. Late filing costs can include 5% monthly interest, up to 25% annual interest in addition to late filing penalties.

Note, business entities may have a myriad of filing deadlines that typically precede the annual personal tax return filing deadline, including sending 1099s by January 31st, Corporate returns by March 15th, and Partnership returns by March 15th. Be sure to engage a credentialed tax professional to ensure timely filing and avoidance of steep late filing penalties.

May to June: Mid-Year Review

Mid-year is an ideal checkpoint for a financial tune-up. Review your income and deductions year-to-date and project your tax liability. The tax rule changes of 2024 hold profound implications for healthcare professionals' investment and retirement planning strategies. Adjustments in capital gains taxes or retirement account contribution limits can trigger a reassessment of investment portfolios and retirement savings plans.

Given the reliance of healthcare professionals on retirement accounts to secure their financial futures, potential shifts in contribution limits or tax treatments of retirement plans could significantly affect their ability to save and invest effectively for the future. Balancing immediate financial commitments with long-term retirement goals becomes even more crucial in light of these tax changes.

With your financial and tax planning professional, consider adjustments if you anticipate a significant change in income or if tax laws have shifted. This period is also suitable for discussing and assessing tax deferred investment portfolios, including SEP-IRA, Roth IRA, Solo 401K, and other qualified plans and annuities. Tax-loss harvesting—selling investments at a loss to offset gains—can potentially reduce taxable income. Quarterly review and adjustment of payroll withholding amounts and estimated payments may be needed to avoid underpayment penalties. Remember, the U.S. income taxation system is 'pay as you go', and late payment penalties may be incurred if one waits until tax filing to make payments from throughout the previous year.

Tax-loss harvesting—selling investments at a loss to offset gains—can potentially reduce taxable income.

July to September: Business and Education Deductions

For business practice owners, consider deductions related to your business operations. Review expenses, plan major purchases, and explore deductions such as equipment purchases or qualified business expenses. Additionally, explore tax credits related to hiring, education, or research and development. Remember to discuss 'Ordinary and Necessary' deductible expenses with your tax professional. "Ordinary and Necessary: To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary." IRS Publication 535, Business Expenses.

Many healthcare professionals operate as independent practitioners or own small practices, rendering them subject to distinct tax implications. Tax rule changes often wield particular implications for small business owners, such as adjustments in deductions for business expenses, modifications in pass-through business taxation, or alterations in qualified business income deductions. Just because an expense may be deductible, chasing deductions may not suit the needs of the healthcare professional or business. The intricate nature of small business taxation further complicates the landscape for healthcare professionals, necessitating meticulous

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consideration and, possibly, revised financial strategies to adapt to these tax changes adequately.

October to December: Year-End Strategies

Approaching the year-end, evaluate year-to-date income and assess opportunities for further tax-saving strategies. Maximize contributions to retirement accounts, including catch-up contributions for those eligible. Investing for the future is critical for healthcare professionals. Understand different investment vehicles, such as employer-sponsored retirement accounts (like 401(k)s), individual retirement accounts (IRAs), or diversified investment portfolios. New professionals can start small by contributing to employer-sponsored plans, taking advantage of employer matches if available. Seasoned practitioners should re-assess investment strategies periodically, considering diversification, risk tolerance, and retirement goals.

Another facet significantly influencing healthcare professionals pertains to deductions and tax credits. Historically, deductions for items such as student loan interest, medical expenses, or retirement contributions have been pivotal for practitioners in this field. However, revisions in tax rules could reshape the availability, limitations, or phase-out thresholds for these deductions. For families, back-to-school expenses might qualify for education-related tax breaks and credits. Take advantage of credits or deductions for eligible education expenses, including tuition fees, books, and supplies.

Additionally, consideration should be given to capital gains and losses. Selling investments strategically to manage gains and losses can impact tax liabilities. Consult with a financial advisor or tax professional to optimize these decisions based on your specific situation. High net worth and high earners may benefit from liquidity through leveraging debt, collateralization of appreciating assets, and the arbitrage of the debt interest rate compared to the potential capital gain tax burden. Additionally, charitable donations made during this period might offer tax advantages. If you are considering charitable donations, make them before year-end to qualify for deductions on your current tax return.

Conclusion

The tax rule changes in 2024 encompass both challenges and opportunities for healthcare professionals operating within conventional tax brackets. Effective tax planning is a year-round endeavor, and by structuring your financial decisions across the annual calendar, you can optimize tax advantages, minimize liabilities, and strategically manage your overall financial well-being. Remember, tax laws can and will change, so staying informed and seeking guidance from qualified tax professionals are crucial for successful tax planning.

As a healthcare professional, comprehending your income structure and benefits package is vital in the accurate prediction of your year-end taxable income. Be knowledgeable of your salary or compensation arrange-

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ment, including bonuses, overtime, or shift differentials; and familiarize yourself with retirement plans, health insurance coverage, and any additional perks offered by your employer. New professionals should review employment contracts thoroughly with legal and tax counsel to understand compensation terms and any obligations. Similarly, seasoned practitioners should periodically re-assess their benefits, considering potential changes in employment or benefit offerings.

Establishing a budget is essential for all healthcare professionals, including tax withholding and quarterly estimated payments. Track your expenses, differentiate between needs and wants, and allocate funds for savings and emergencies. Budgeting tools and apps can assist in monitoring spending habits and setting financial goals. Both new and seasoned professionals should regularly review and adjust their budgets to align with changing income, expenses, and financial goals. This habit fosters better financial discipline and allows for adaptability in different stages in life.

Adopting a proactive approach to tax planning empowers you to navigate the fiscal landscape with confidence, allowing you to make informed decisions that align with your financial goals and priorities. Ultimately, comprehending the nuances of these revisions and their potential impact on healthcare professionals' finances is pivotal in making informed decisions and optimizing their overall financial well-being in the year ahead.

This article covers tax changes for the 2024 calendar year and fundamental aspects of financial literacy tailored specifically for healthcare professionals. Individual financial situations may vary, so seeking personalized advice from financial professionals is always recommended. Financial literacy empowers healthcare professionals to make informed decisions, optimize earnings, and secure their financial future. By understanding income structures, managing debt, budgeting effectively, investing wisely, mitigating risks, and investing in professional growth, healthcare professionals can achieve financial well-being and security.

Remember, this article serves as a general overview and is not a replacement for personalized financial or tax advice. Healthcare professionals should consult with qualified tax advisors or financial planners to address their individual circumstances and make informed financial decisions tailored to their unique situations. **PM**

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