

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Tax Saving Strategies
- Bonus Depreciation Changes
- Referrals, reads, rates, returning clients, and more...

INSIDE THIS ISSUE:

Tax Strategies for Saving Money When Filing 2024 Tax Returns 1

Changes in Additional First Year (Bonus) Depreciation 1

Looking for Someone You Can Rely On? 2

Questions to Ask Your Partner While Waiting for Your Valentine's Dinner Reservation 3

2025 Standard Mileage Rate Increases 3

60 Years and Counting 3

What I'm Reading... 4

Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

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Tax Strategies for Saving Money When Filing 2024 Tax Returns

As you get ready to file your 2024 tax return, take a quick look at the list that follows. It's a summary of lesser-known tax strategies that may save you money when you file your tax return. It pays to take a look. You may wind up owing Uncle Sam less than you thought, or get a bigger refund than you expected, if even one of these strategies applies to you.

Make a deductible traditional IRA contribution, even if you don't work. As a general rule, you can't make a deductible traditional IRA contribution unless you have wages or other earned income. However, an exception applies if your spouse is the breadwinner while you manage the home front. For 2024, you can make a deductible traditional IRA contribution of up to \$7,000 (\$8,000 if you are 50 or over), even if you have no earned income (\$7,000 and \$8,000, respectively, for 2025).

The traditional IRA deduction is yours if neither you nor your spouse is covered by an employer-provided retirement plan. If you are an active participant in a company plan, the traditional IRA deduction phases out when your modified adjusted gross income (AGI) is \$123,000-\$143,000 (for joint filers and surviving spouses) or \$77,000-\$87,000 (all other taxpayers). For 2025, those ranges will rise to \$126,000-\$146,000 and \$79,000-\$89,000, respectively.

To be deductible for the 2024 year, the IRA contribution must be made no later than the 2024 tax return filing due date (April 15, 2025).

Turn a nondeductible Roth IRA contribution into a

Continued on page 2 ↗

Changes in Additional First Year (Bonus) Depreciation

You may already be aware of bonus (additional first year) depreciation tax deductions. But, I wanted to remind you of some key points. Generally, bonus depreciation is a legislative incentive for businesses to invest capital. For a variety of qualifying property, it allows a taxpayer to accelerate depreciation tax deductions into the placed in service year. Bonus depreciation is available at 60% of the cost for most eligible property placed in service in 2024.

Under current law, the allowance is being phased out. In late 2017, bonus depreciation was increased from 50% to 100%. However, the 100% rate had a scheduled phase out in 20% steps. That phase out started at the end of 2022 and continues



through 2027. With two exceptions, the rate drops from 80% for property placed in service in 2023 to 60% for 2024, to 40% for 2025, to 20% for 2026, and finally to a 0% rate for 2027 and later years. The two exceptions are for certain aircraft (generally, company planes), and for certain property with longer production periods. The phase out for those categories is delayed by a year and will reach 0% in 2028 instead of 2027.

Continued on back cover ↗

Tax Strategies for Saving Money When Filing 2024 Tax Returns—*continued from page 1*

deductible IRA contribution. Did you make a Roth IRA contribution in 2024? That may help you years down the road when you take tax-free payouts from the account (if you're eligible). However, the contribution isn't deductible. If you realize you need the deduction that a traditional (non-Roth) IRA contribution provides, you can change your mind and turn that Roth IRA contribution into a traditional IRA contribution via the "recharacterization" mechanism if you meet the modified AGI limits discussed above.

Get tax-free gain from a home used as rental property. Say a couple of years ago you left your home in the city and moved into the condo at the beach you inherited from Mom. You've been renting the house to others, but now you get an offer you can't pass up and you sell it. Up to \$250,000 of gain (\$500,000 for joint filers) from the sale is tax-free if you owned and used the house as your principal residence for at least two of the five years preceding the sale. However, you will have to recognize gain attributable to depreciation allowable with respect to the rental of the residence after May 6, 1997, and any gain allocated to periods of nonqualified use of the condo. So, some of your gain may be tax-free, even if you held the house as rental property for the last couple of years.

Home improvements may be medical expense deductions. Home improvements generally aren't deductible. But, a medical expense deduction may be claimed if you make a medically necessary home improvement, such as a lift or elevator for a handicapped person, or a therapy spa for an arthritis sufferer. The cost of such an expense is deductible as a medical expense to the extent it exceeds any resulting increase in value of the property. For example, if a qualifying improvement costing \$5,000 increases the value of your home by \$2,000, the medical expense is \$3,000. Note, however, that medical expenses can be claimed on Schedule A, Form 1040 only to the extent they exceed 7.5% of your AGI.

Looking for Someone You Can Rely On?

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- ◆ Handyman
- ◆ Travel Agent
- ◆ Gutter Repair and Replacement
- ◆ Financial Planner
- ◆ Supplemental Benefits Insurance
- ◆ Printer
- ◆ Retirement Plans
- ◆ Graphic Artist
- ◆ Mortgage Broker
- ◆ Business Coach
- ◆ Supplemental Medicare Benefits
- ◆ Realtor
- ◆ Signs
- ◆ Payroll Processing
- ◆ Life Insurance
- ◆ HVAC Maintenance and Repair
- ◆ Home Inspector
- ◆ Bathroom Remodeler



Maximize deductions for automobiles

used in business. If, during the tax year, you purchased and placed in service an automobile used in your business, you have two choices on how to deduct expenses related to the vehicle: (1) you can use a standard mileage rate—67 cents for each business mile driven in 2024 (70 cents in 2025)—or (2) you can deduct actual expenses, including depreciation. The standard mileage deduction is relatively easy to compute. Simply multiply the number of miles the vehicle was driven for business in 2024 by the appropriate amount. Determining actual expenses requires more work. All of the expenses for the vehicle, for example, insurance, gas, repairs, garage rent, etc., must be added up. In addition, a depreciation deduction is allowable under the actual expense method (the standard mileage rate has an amount for depreciation built into it). But, dollar limits not applicable to other assets apply to depreciation deductions for business passenger autos under the so-called "luxury auto rules." Thus, for passenger autos placed in service in 2024, depreciation deductions are subject to a maximum of \$20,400 for passenger autos, smaller trucks, or vans, if the vehicles are used more than 50% for business and otherwise eligible for bonus depreciation (most vehicles are). If the vehicle is not eligible for bonus depreciation the limit is \$12,400 in 2024 for other passenger autos, smaller trucks, and vans. If the vehicle is used less than 100% for business, the portion of the expenses attributable to non-business use is not deductible.

Contribute required IRA distributions to charity. IRA distribution rules allow for the tax-free treatment of IRA distributions that are donated to charity by an IRA owner who is age 70½, or older. Specifically, a taxpayer may exclude from gross income so much of the aggregate amount of his or her "qualified charitable distributions" not exceeding \$100,000 in a tax year. By excluding the IRA distribution from income, the provision provides a tax benefit to itemizers and non-itemizers alike. The IRA qualified charitable distribution also allows for distributions to charities (up to \$50,000) through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. ※



QUESTIONS TO ASK YOUR PARTNER WHILE WAITING FOR YOUR VALENTINE'S DINNER RESERVATION

VALENTINE'S DAY HONORS LOVE IN ALL ITS FORMS. IN THE U.S., THE HOLIDAY IS CELEBRATED WITH CANDY, CARDS, FLOWERS, AND OTHER THOUGHTFUL (WE HOPE) GIFTS. BUT DEPENDING ON WHERE YOU ARE AROUND THE WORLD, IT MIGHT BE CELEBRATED A LITTLE DIFFERENTLY.

WHETHER YOU'RE GOING OUT TO DINNER, SEEING A MOVIE, OR STAYING IN, A LITTLE ROUND OF TRIVIA WITH SOMEONE YOU LOVE CAN'T HURT.

- ♥ WHEN WAS FEBRUARY 14 FIRST OFFICIALLY DECLARED A HOLIDAY? (*KING HENRY VIII DECLARED THE DATE SAINT VALENTINE'S DAY IN 1637.*)
- ♥ VALENTINE'S DAY WASN'T ALWAYS CELEBRATED ON FEBRUARY 14. ON WHICH DAY WAS THE HOLIDAY ORIGINALLY CELEBRATED IN ANCIENT ROME? (*FEBRUARY 15*)
- ♥ WHEN WAS THE OLDEST KNOWN LOVE POEM WRITTEN? (*THE POEM, WRITTEN ON A CLAY TABLET FOUND IN IRAQ, DATES BACK TO 2031 BCE, THE TIME OF THE SUMERIANS.*)
- ♥ GHANA CELEBRATES FEBRUARY 14 IN A DIFFERENT WAY, WITH THE DAY OFFICIALLY DECLARED AS WHAT? (*NATIONAL CHOCOLATE DAY*)
- ♥ IN WHICH COUNTRY DO WOMEN, NOT MEN, TRADITIONALLY BUY CHOCOLATES AND GIFTS? (*JAPAN*)
- ♥ LOVAPALOOZA, AN EVENT WHERE THOUSANDS OF COUPLES KISS SIMULTANEOUSLY, IS HELD IN WHICH COUNTRY? (*THE PHILIPPINES, WHERE THEY SET THE WORLD RECORD IN 2004, WITH 5,347 PAIRS OF LOCKING LIPS.*)
- ♥ JULIA ROBERTS WAS ONLY 21 YEARS OLD WHEN SHE PLAYED VIVIAN WARD IN WHAT MOVIE? (*"PRETTY WOMAN"*)
- ♥ WHAT SHAKESPEARE-INSPIRED FILM EARNED GWYNETH PALTROW HER FIRST ACADEMY AWARD FOR BEST ACTRESS? (*"SHAKESPEARE IN LOVE"*)
- ♥ THE SONG "I WILL ALWAYS LOVE YOU" WAS FAMOUSLY COVERED BY WHITNEY HOUSTON. WHO ORIGINALLY WROTE AND RECORDED THE SONG? (*DOLLY PARTON*)
- ♥ HOW MANY HEART-SHAPED BOXES OF CHOCOLATE ARE SOLD EACH YEAR? (*36 MILLION*)



2025 Standard Mileage Rate Increases

The optional standard mileage rate used to calculate the deductible costs of operating a vehicle for business use was increased by the IRS by 3 cents to 70 cents per mile from 2024.

The standard mileage rates for medical or moving purposes for qualified active-duty members of the armed forces were set at 21 cents per mile.

The 14 cent per mile rate for charitable miles is set by statute and remains unchanged since 2022.

The rates apply to electric and hybrid vehicles, as well as gasoline and diesel-powered vehicles.

Taxpayers can choose to calculate the actual costs of using their vehicles rather than using the standard mileage rates. ✳



60 YEARS AND COUNTING

Slightly more than a half-century ago, the Vietnam War was escalating, Ed White became the first American to conduct a space walk, "My Girl" by the Temptations reached the top of the pop charts, the Rolling Stones started touring and gas was pumped into your car by a service station attendant for 19 cents a gallon.

Lyndon B. Johnson urged Congress to pass the voting rights act in a stirring speech just eight days after Alabama troopers attacked voting rights marchers on the Edmund Pettus Bridge in Selma, the St. Louis Arch was completed, Malcolm X was assassinated, NASA's Mariner 4 flew by Mars, race riots erupted in Watts, California, Muhammad Ali clobbered Sonny Liston and six decades ago Dr. M.C. Busby first starting relying on the tax experts at Lindsey & Waldo. According to Dr. Busby: "When you find something that you trust and works, you stick with it."



"When you find something that you trust and works, you stick with it."

~ Dr. M.C. Busby, Mobile, AL



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Changes in Additional First Year (Bonus) Depreciation—*continued from page 1*

The allowance is available for new and most used property. In addition to new property, used property also can qualify for bonus depreciation unless (1) the taxpayer previously used the property, or (2) the property was acquired in certain forbidden transactions (generally acquisitions that are tax free or from a related person or entity).

Taxpayers are allowed to decline bonus depreciation. Taxpayers can elect to reject bonus depreciation for one or more classes of property (an "election-out"). Depreciation deductions are then claimed under the normal rules (i.e., over the normal MACRS recovery period). An election out can be helpful if higher tax rates are anticipated for tax years after the year eligible property is placed in service.

Passenger automobiles. Certain passenger vehicles used for business can be eligible for bonus depreciation, but they remain subject to the general per-vehicle deduction limitations (dollar caps). While the cap for the placed in-service year for a vehicle is increased when bonus depreciation is allowed, in most cases the cap still prevents full utilization of the bonus depreciation acceleration benefit.

"Section 179 expensing" has limitations, but no sched-

uled elimination. If you are a smaller business, you are probably aware of "Section 179 expensing." It is an elective benefit that allows an immediate deduction of the cost of equipment, machinery, "off-the-shelf" computer software, and some building improvements. Section 179 expensing has annual dollar limitations, and can be reduced to zero for larger businesses. However, the statutory benefit is not subject to a scheduled elimination like bonus depreciation. Thus, as bonus depreciation phases down from 100%, consideration of Section 179 expensing will regain importance. Of course, if the current law changes, we'll let you know. ✖

What I'm Reading...

NOW
The Shouting Wind
by Frank A. Mason

RECENTLY
The Pirate's Secret
by Lyndee Walker and
Bruce Robert Coffin



If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes.*