

SMALL BUSINESS DIGEST

Industry Insider – Navigating the 2024 Tax Season

Industry Insider Navigating the 2024 Tax Season

TAX SEASON IS FAST APPROACHING, AND WITH IT COMES AN ARRAY OF CHANGES AND POTENTIAL CHALLENGES FOR BOTH INDIVIDUALS AND BUSINESSES. STAYING INFORMED ABOUT CHANGES, AVOIDING COMMON MISTAKES, AND PREPARING STRATEGICALLY, ENSURES A SMOOTHER PROCESS AND THE ABILITY TO TAKE FULL ADVANTAGE OF TAX-SAVING OPPORTUNITIES. THE FOLLOWING INFORMATION ON WHAT YOU NEED TO KNOW TO TACKLE THE UPCOMING TAX SEASON WITH CONFIDENCE IS PROVIDED BY BETH MCFALLS, CPA OF MCFALLS, BERGE, & ASSOCIATES PLLC.

Major Tax Law Changes & Updates

The Tax Cuts and Jobs Act, enacted in 2018, is set to expire at the end of 2025, bringing potential shifts for the 2026 tax year. However, for now, there are significant updates to be aware of as you prepare for 2024 and beyond.

For individuals, the standard deduction continues to rise incrementally. In 2024, single taxpayers can claim a \$14,600 deduction, while married couples filing jointly will see a deduction of \$29,200. These amounts will increase slightly in 2025, reflecting adjustments for inflation. Additionally, taxable income limits for capital gains tax brackets have shifted, even though the rates themselves remain the same. For example, single filers with taxable income up to \$48,349 will be in the 0% bracket for long-term capital gains, while those earning over \$533,400 will fall into the 20% bracket.



Other changes for individuals include increased limits for health and retirement-related contributions. Health Savings Account (HSA) contributions will rise to \$4,300 for individuals and \$8,550 for families in 2024, and the maximum contribution for Flexible Spending Accounts (FSAs) will increase to \$3,300. The federal estate tax exclusion amount has also been adjusted to \$13.99 million, and the gift tax exemption has climbed to \$19,000 per individual recipient. Businesses, too, face changes in tax benefits and deductions. Employers starting a retirement plan, such as a SEP or 401(k), may qualify for a startup tax credit of up to \$5,000 per year for three years. Additionally, the Section 179 deduction for equipment purchases has been set at \$1,220,000 for 2024, though bonus depreciation will drop from 60% to 40% by 2025.

Avoiding Common Tax Filing Mistakes

Tax filing mistakes can lead to costly penalties or delays. A common pitfall for retirees is failing to take required minimum distributions (RMDs) from retirement accounts. Missing this critical step can result in hefty fines. Similarly, individuals with marketplace insurance must reconcile their health premium credits on Form 8962 when filing their returns. For those contributing to retirement accounts like Traditional or Roth IRAs, it's essential to verify eligibility and income limits, particularly if an employer-sponsored plan is already in place. These seemingly small missteps can significantly impact your tax return, so double-checking all requirements and documents is a must.

Special Considerations for Freelancers and the Self-Employed

Self-employed individuals and freelancers face unique tax challenges, but careful planning can ease the burden. For instance, tracking business mileage allows for a standard mileage deduction, which can be a significant cost saver. Additionally, those using part of their home exclusively for business purposes may qualify for the home office deduction, which can offset expenses like utilities and rent.



Planning Ahead for 2025

While it's critical to focus on this year's taxes, planning ahead can yield benefits down the line. Maximize contributions to retirement plans, such as 401(k)s and IRAs, to reduce taxable income while building savings. Health-related accounts like HSAs and FSAs also offer tax advantages but require careful calculation to avoid losing unused funds. For those required to take RMDs, consider donating these distributions directly to a qualified charity through a Qualified Charitable Distribution (QCD). This strategy not only fulfills your RMD requirement but also reduces taxable income.

Avoiding IRS Audits

IRS audits are often triggered by significant deviations from expected income or deduction ranges. To reduce your risk, maintain accurate and detailed records of income and expenses. Additionally, reconcile all income forms, such as W-2s and 1099s, to ensure they align with what the IRS has on file. If you notice an error, contact the issuing party immediately to correct it.



SAUK VALLEY FOODBANK FIGHTING HUNGER, FEEDING HOPE

What began humbly with two pallets of food and a card table in response to the closure of Northwestern Steel and Wire has become a beacon of hope and support for our community. Addressing the growing issue of hunger across seven counties, Sauk Valley Foodbank (SVF) serves as the backbone of food distribution in the Sauk Valley Area. From October 1st, 2023 to September 30th, 2024, through partnerships with 50 pantries and seven mobile units, SVF has served an astounding 92,405 individuals, including 35,734 children under 18. Every Saturday, 600-700 families are supported by the foodbank, with peak turnout reaching 760 families this year.

SVF's impact is driven by a dedicated team of 7 part-time staff, one full-time director, Pam Martinez, and 20-25 volunteers who contribute their time every weekend. Pam, who joined in 2021, brings over seven years of nonprofit experience and describes her role as a calling. She is passionate about expanding the foodbank's reach and eradicating hunger in the region.

SVF's work is amplified by partnerships with organizations such as Walmart, River Bend Foodbank, and local farms and grocers. These collaborations, along with support from sports teams, churches, and civic groups, ensure a steady flow of resources to meet increasing demands.

SVF's services has increased by 300% since 2021, presenting significant challenges. Restocking and storage remain hurdles, especially as they aim to purchase long-shelf-life items and expand programs like "Feed the Children" and "Summer Eats." Sustainability relies on having enough product to support the need of the community.

SVF recently added a cooler capable of storing 20 pallets of cold items to improve operations. SVF relies on community support to continue its mission. Food drives and monetary donations are the most impactful ways to contribute; every pound donated equals 1.2 meals. They also welcome volunteers to assist with distribution and operations on Saturdays.

Together, we can help SVF fulfill its vision of a hunger-free Sauk Valley. Whether through donations, volunteering, or spreading awareness, every effort makes a difference in the lives of those in our community. Community members can donate online using the QR code available below and on SVF's website, which also provides up-to-date information about services, needs, and upcoming events.



Pam Martinez and SVF staff



DIXON COMMUNITY FOOD PANTRY SUPPORTING OUR NEIGHBORS WITH CARE AND DIGNITY

For over four decades, the Dixon Community Food Pantry has been a vital resource for families in need, and much of its success is thanks to the dedication of Josie Whaley. With 45 years of experience in nonprofit social services, Josie has become an integral part of this mission to combat hunger in the Dixon community.

The Dixon Community Food Pantry provides essential food assistance to families three days a week—Monday, Wednesday, and Friday—from 1:00 to 3:00 PM. Families can visit once a month, and in October alone, the pantry served 396 families, equating to 1,182 individuals.

Their efforts are supported by 40 volunteers who handle tasks like unloading trucks, stocking shelves, shopping for items, and delivering to homebound residents. This diverse group includes older community members, sports teams, church groups, and participants in the Impact Program. Despite their dedication, the pantry faces challenges as many volunteers age out of the physical demands of the work.

Thanks to partnerships with programs like Feeding America and generous contributions from organizations such as Walmart, Aldi, and County Market—who recently donated \$13,000—the pantry remains stocked with fresh produce and essential items. Civic groups like Rotary have also stepped in, funding a new freezer to enhance food storage. Additionally, Oliver's 24 Days of Giving campaign provides invaluable support each year.

Demand for the pantry's services has surged, increasing by 200% in the past year. What was once 20 families a week has grown to 30-40 families weekly, largely due to rising grocery costs. While donations of food, hygiene products, and other essentials are valued, monetary contributions are the most impactful way to support their efforts, as they maximize purchasing power.

Josie's dream is to create a more dignified experience for those they serve by adding enough space to allow families to shop for items themselves, just as they would in a grocery store. Additionally, she hopes to expand their capacity with a new walk-in freezer and more refrigeration units to store perishable items.

The Dixon Community Food Pantry thrives on the generosity of its community. Whether through monetary donations, volunteering your time, or advocating for their cause, every effort helps them continue their critical work. Together, we can support Josie's vision of providing not just food but dignity to families in need.

For more information or to donate, contact the Dixon Community Food Pantry directly and join their mission to eliminate hunger in our community



Josie Whaley stands with items donated from a local food drive



FUNDING FINDS

For students in the Sauk Valley area, pursuing higher education or trade programs is more attainable thanks to a variety of local scholarships. Whether you're a graduating senior, seeking to further your career in a specific industry, or looking to fund specialized training, don't miss out on the chance to secure funding for your educational goals!

SAUK VALLEY AREA CHAMBER SCHOLARSHIPS

The Sauk Valley Area Chamber provides five annual scholarships to support local students in diverse fields.

These include:

- **Hispanic Business Leaders Scholarship**
- **Agricultural Scholarship**
- **Charles A. Farnham Business Scholarship**
- **Manufacturing Scholarship**
- **CDL Scholarship**
- **Applications and further details are available on the Chamber's website.**



Applications and further details are available on the Chamber's website. www.saukvalleyareachamber.com

DIXON CHAMBER SCHOLARSHIPS

Every year, the Dixon Chamber awards 2–4 scholarships of \$1,000 each to graduating seniors. Funded by the popular Best of Dixon Gala in April, these scholarships are open to students planning to attend college or a trade program. Applications open in February and are shared with Dixon High School, Newman, and Faith Christian, or can be submitted directly through the Chamber's website until April. www.discoverdixon.com

NICHOLAS R. RIZZI SCHOLARSHIP

This foundation offers scholarships ranging from \$500 to \$1,000, aimed at individuals enrolling in high school diploma or equivalency programs, trade schools, or college.

PRETTY PRESETS FOR LIGHTROOM SCHOLARSHIP

High school graduates transitioning to college, as well as current college students, can apply for this \$500 scholarship to help offset their educational expenses.

LOCAL CIVIC ORGANIZATION SCHOLARSHIPS

Groups like Rotary, Kiwanis Club, and the CGH Auxiliary also offer scholarships for local students. These opportunities vary, so be sure to connect with your school guidance counselor to learn more.

