



2024 COLA ADJUSTMENTS

▶ HOW WILL THEY AFFECT YOUR TAX SITUATION?

The 2024 cost-of-living adjustments (COLA) from the IRS are here, and they affect everything from your tax bracket to your eligibility for certain tax credits to how much you can put into tax-advantaged retirement plans. Many of the amounts (though not all) have increased to account for inflation. Be sure to take these 2024 adjustments into account in your 2024 tax planning.

Bear in mind that, under the Tax Cuts and Jobs Act (TCJA), annual inflation adjustments are now calculated using the chained consumer price index (also known as the C-CPI-U). This change increases tax bracket thresholds, the standard deduction, certain exemptions, and other figures at a slower rate than with the consumer price index previously used, potentially pushing taxpayers into higher tax brackets and making various breaks worth less over time. The law adopts the C-CPI-U on a permanent basis.

Impact on Individual Income Tax Brackets

Tax-bracket thresholds increase for each filing status, but because they're based on percentages, they increase more significantly for the higher brackets. For example, the top of the 10% bracket will increase by \$600–\$1,200, depending on filing status, but the top of the 35% bracket will increase by \$18,725–\$37,450, depending on filing status.

2024 Ordinary-Income Tax Brackets

TAX RATE	SINGLE	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY OR SURVIVING SPOUSE	MARRIED FILING SEPARATELY
10%	\$0-\$11,600	\$0-\$16,550	\$0-\$23,200	\$0-\$11,600
12%	\$11,601-\$47,150	\$16,551-\$63,100	\$23,201-\$94,300	\$11,601-\$47,150
22%	\$47,151-\$100,525	\$63,101-\$100,500	\$94,301-\$201,050	\$47,151-\$100,525
24%	\$100,526-\$191,950	\$100,501-\$191,950	\$201,051-\$383,900	\$100,526-\$191,950
32%	\$191,951-\$243,725	\$191,951-\$243,700	\$383,901-\$487,450	\$191,951-\$243,725
35%	\$243,726-\$609,350	\$243,701-\$609,350	\$487,451-\$731,200	\$243,726-\$365,600
37%	Over \$609,350	Over \$609,350	Over \$731,200	Over \$365,600

Now, thanks to the TCJA, personal exemptions are suspended through 2025. Increases to the standard deduction help some taxpayers make up for the loss of personal exemptions, although it might not be as beneficial to taxpayers who usually itemize deductions.



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For 2024, the standard deduction will be \$29,200 (for married couples filing jointly), \$21,900 (for heads of households), and \$14,600 (for singles and married couples filing separately). After 2025, the standard deduction amounts are scheduled to drop back to the amounts under pre-TCJA law.

How Is the Alternative Minimum Tax (AMT) Affected?

The alternative minimum tax (AMT) is a separate tax system that limits some deductions, bans others, and treats certain income items differently. Taxpayers whose AMT liability exceeds normal tax liability must pay the AMT.

Like the regular tax brackets, the AMT brackets are annually indexed for inflation. In 2024, the threshold for the 28% bracket will increase by \$11,900 for all filing statuses except married filing separately, which will increase by half that amount.

2024 AMT Brackets

TAX RATE	SINGLE	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY OR SURVIVING SPOUSE	MARRIED FILING SEPARATELY
26%	\$0 - \$232,600	\$0 - \$232,600	\$0 - \$232,600	\$0 - \$116,300
28%	Over \$232,600	Over \$232,600	Over \$232,600	Over \$116,300

Both the AMT exemptions and exemption phaseouts are also indexed. The exemption amounts in 2024 will be \$85,700 for singles and \$133,300 for joint filers, increasing by \$4,400 and \$6,800, respectively, over 2023 amounts. The inflation-adjusted phaseout ranges in 2024 will be \$609,350–\$952,150 (for singles) and \$1,218,700–\$1,751,900 (for joint filers). Amounts for married couples filing separately are half the amount for joint filers.

Education and Child-Related Tax Breaks

For the most part, the cost-of-living adjustments did little to affect the maximum benefits of various education- and child-related breaks. Most of these breaks are limited based on a taxpayer’s modified adjusted gross income (MAGI). Taxpayers whose MAGIs are within the applicable phaseout range are eligible for a partial break — and breaks are eliminated for those whose MAGIs exceed the top of the range.

The MAGI phaseout ranges for eligible taxpayers adopting a child increase by \$12,920 to \$252,150–\$292,150 for joint, head-of-household and single filers. The adoption credit increases by \$860 to a maximum \$16,810.

The MAGI phaseout ranges for the Lifetime Learning credit and other education-related tax breaks generally remain the same or increase modestly for 2023. For example, the MAGI phaseout range for the Lifetime Learning credit (maximum \$2,500 per tax return) remains \$160,000 for joint filers and \$80,000 for other filers.

Reminder: If your MAGI is too high for you to qualify for a break for your child’s education, your child might be eligible to claim one on his or her tax return.

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Will Gift and Estate Taxes Change?

The basic exclusion amount for an estate of a person who dies in 2024 has increased to \$13.61 million (up from \$12.92 million for 2023).

The annual gift tax exclusion will jump \$1,000 to \$18,000 in 2024. Since it is only adjusted in \$1,000 increments, it typically will only increase every few years.

Understanding Changes for Retirement Plans

Not all the limits related to retirement plans increase for 2024, so you may have limited opportunities to increase your retirement savings if you've already been contributing the maximum amount allowed.

TYPE OF LIMITATION	2023 LIMIT	2024 LIMIT
Elective deferrals to 401(k), 403(b), 457(b)(2), and 457(c)(1) plans	\$22,500	\$23,000
Annual benefit for defined benefit plans	\$265,000	\$275,000
Contributions to defined contribution plans	\$66,000	\$69,000
Contributions to SIMPLEs	\$15,500	\$16,000
Contributions to traditional and Roth IRAs	\$6,500	\$7,000
"Catch-up" contributions to 401(k), 403(b), 457(b)(2), and 457(c)(1) plans for those age 50 and older	\$7,500	\$7,500
Catch-up contributions to SIMPLEs	\$3,500	\$3,500
Catch-up contributions to IRAs	\$1,000	\$1,000
Compensation for benefit purposes for qualified plans and SEPs	\$330,000	\$345,000
Minimum compensation for SEP coverage	\$750	\$750
Highly compensated employee threshold	\$150,000	\$155,000

Depending on your MAGI, your ability to take advantage of IRAs may be reduced or even eliminated. Fortunately, 2024 brings an increase to IRA-related MAGI phaseout range limits:

- **Traditional IRAs:** If a taxpayer (or his or her spouse) chooses to participate in an employer-sponsored retirement plan, MAGI phaseout ranges will apply to the deductibility of contributions as follows.

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For taxpayers who are married and filing jointly, the phaseout range is specific to each spouse and will take into account whether he or she is a participant in an employer-sponsored plan:

- ▶ For a spouse who participates, the 2024 phaseout range limits increase by \$7,000, to \$123,000-\$143,000.
- ▶ For a spouse who doesn't participate, the 2024 phaseout range limits increase by \$12,000, to \$230,000-\$240,000.
- ▶ For both single and head-of-household taxpayers who participate in an employer-sponsored plan, the 2024 phaseout range limits increase by \$4,000, to \$77,000-\$87,000.

Taxpayers with MAGIs within the applicable range can deduct a partial contribution; those with MAGIs exceeding the applicable range can't deduct any IRA contribution.

But a taxpayer whose deduction is reduced or eliminated can make nondeductible traditional IRA contributions. The \$7,000 contribution limit (plus \$1,000 catch-up if applicable and reduced by any Roth IRA contributions) still applies. If your MAGI is too high for you to make any sort of contribution (or to fully contribute) to a Roth IRA, contributions to a nondeductible traditional IRA may be advantageous.

— **Roth IRAs:** Whether you participate in an employer-sponsored plan doesn't affect your ability to contribute to a Roth IRA, but MAGI limits may reduce or eliminate your ability to contribute:

- ▶ For married taxpayers filing jointly, the phaseout range limits increase by \$12,000 for 2024, to \$230,000-\$240,000.
- ▶ For single and head-of-household taxpayers, the phaseout range limits increase by \$8,000 for 2024, to \$146,000-\$161,000.

If your MAGI falls within the applicable range, you can make a partial contribution. But be aware, should your MAGI exceed the top of the range, you will not be permitted to make a contribution. Keep in mind that if you are a married taxpayer filing separately, you are subject to much lower phaseout ranges for both traditional and Roth IRAs.

Planning for Impact

It's crucial to understand the effect that cost-of-living adjustments may have on your tax and financial situations. [A CRI advisor](#) is ready to help you understand the numbers and assist in developing a tax-saving strategy tailored to your unique situation.