

LAWRENCE TAX SERVICE

A division of Lawrence & Associates, Inc.

Important message regarding changes in tax laws

Dear Clients,

As we approach the 2024 tax year, we want to bring your attention to the potential impact of the Tax Cuts and Jobs Act (TCJA) sunset at the end of 2025. This legislation currently offers lower tax rates compared to those before 2018. However, once the TCJA expires, tax rates are expected to increase across all income brackets.

If you have been considering converting your traditional 401(k) or traditional IRA to a Roth IRA, 2024 may be a good time to do so to take advantage of the lower tax rates before the TCJA sunset. While you will owe taxes on the converted amount, you could potentially save thousands of dollars in taxes now. Additionally, the converted funds will grow tax-free, and you will owe no further taxes when you withdraw them in retirement.

We also wanted to share the latest development in the clean vehicle credit under the Inflation Reduction Act (IRA). Starting January 1, 2024, the IRS is expanding access to the credit by allowing consumers to claim it directly at the time of purchase at the dealerships, reducing the upfront cost by up to \$7,500 for new vehicles and up to \$4,000 for used ones. You do not have to wait to claim the credit until the tax returns in the next year.

To find eligible electric and plug-in hybrid vehicles for the credit, please visit <https://fueleconomy.gov/feg/tax2023.shtml> for the most up-to-date information.

The eligible vehicles must have an MSRP below \$80,000 for vans and SUVs, \$55,000 for sedans and passenger cars, and \$25,000 for used vehicles. The credit also sets limits on modified adjusted gross income for taxpayers to qualify. You can use the lesser of your modified adjusted gross income for the year that you purchased a vehicle or that for the preceding year. Although you can claim your credit at the time of the purchase, you might need to repay some of the credit if your income exceeds the threshold when you file taxes next year.

Tax filing status	Modified adjusted gross income	
	New Vehicle	Used Vehicle
Single	\$ 150,000	\$ 75,000
Head of Household	\$ 225,000	\$ 112,500
Married, filing jointly	\$ 300,000	\$ 150,000
Married, filing separately	\$ 150,000	\$ 75,000

In addition to clean vehicle credit, Inflation Reduction Act also provides tax credits for energy improvements to your home, for more information about this, please click the following link, <https://lecprofgroup.com/resources/tax-updates/>.

If you have any questions, please feel free to reach out to one of our tax preparers.

Best,

Lawrence Tax Service