

March 18, 2024 – Wealth Planning Commentary

Biden's New Budget Proposal

Last week, the Treasury published its Green Book for the next fiscal year, 2025. The purpose of the 'Green Book' is to explain the administration's revenue-raising proposals. President Biden's 2025 budget proposals to increase income taxes will likely not be considered by the current Republican-controlled House. However, the Green Book provides insight into Biden's tax policy priorities if he is reelected.

Congressional action on President Biden's tax proposals during his potential second term will depend on which party controls Congress next year, as well as the margin of control in the House and the Senate. Democrats will likely need to win both Chambers for Biden to accomplish any of the proposed changes to the tax code. For now, it's not productive to speculate about the Green Book's tax proposals. Congress is gridlocked this year and there are too many unknowns about the upcoming presidential and congressional elections.

Tax Season is Upon Us

Monday, April 15th is approaching fast! For most taxpayers, this is the deadline to file a personal federal tax return, pay any tax owed, or request an extension to file. Those in Maine and Massachusetts have until April 17th due to holidays. April 15th is also the last day to contribute to IRAs, Roth IRAs, and HSAs for 2023.

There are a few developments for the 2023 tax year to keep in mind. Compared to prior years, you might have more carryforward losses to utilize. Because 2022 was generally a poor year for the markets and 2023 was generally a good one, you might be able to offset realized gains from 2023 with carryforward losses from 2022. If you cannot use all the losses for 2023, they may be carried forward to future years until they are used up.

Another tax theme from this past year is income from interest-bearing investments. Investors flocked to high-yield cash products last year as interest rates rose. However, the downside of interest-bearing investments is that most of their income may be taxable at higher ordinary income rates. Only \$3,000 of capital losses may be used to offset ordinary income annually. This can lead to a rise in taxable income. The good news is that the IRS adjusted marginal brackets for inflation, which will help offset higher interest rates and hopefully avoid pushing taxpayers into higher tax brackets.

An opportunity created by the Inflation Reduction Act, but not for everyone, is electric vehicle credits. Certain taxpayers who purchased a new electric vehicle in 2023 might be able to claim a credit for up to \$7,500. There are income and vehicle restrictions, so it's a good idea to consult your CPA to determine your eligibility.

Lastly, the Inflation Reduction Act also created credits for energy efficient home improvements. Taxpayers might be able to claim up to \$1,200 per year until 2032 for improvements such as exterior doors, windows, and insulation materials. Additionally, there's another credit worth up to \$2,000 annually for various new water heaters, heat pumps and boilers. Those who renovated their home last year should send the receipts for the renovations to their CPA so they can keep the adjusted cost basis on file, as well as take advantage of the new home improvement credits.

Please reach out to your Wealth Manager with questions about income tax planning.

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