

The Rudolph Report

www.rudolphcpa.com Winter meetings 2024

To all our clients:

I apologize for the absence of the Rudolph Report for a few years. I was waiting for a Cubs' winning streak to inspire me.

Karen, Arturo, Charlie, and Rumpelstiltskin are looking forward to serving you again this season. We are also excited to welcome a new batch of ~~victims~~ interns from the accounting departments at CLC and Bovine University. Please know how grateful we are to serve as your CPA.

In this newsletter, we'll be addressing changes to the tax code with an emphasis on Secure Act 2.0. We will also address the Social Security Fairness Act, BOI (not b.o.) reporting, gifting, and all that jazz. We're also putting a sizeable fee increase in this year. Hold onto your britches.

You may want to reach out for a free review of withholding if you change jobs, houses, or spouses. Like a husband with a socket wrench in the dark, some folks find us surprisingly useful.

Many of you successfully adapted to our drop off service or portal. We hope this saved you as much time as it saved us.

The winter is bleak but soon pitchers and catchers will report. Then all will be good in the world again. Our northside ball club may be cursed, but at least we're not burdened with the worst curse of all--high expectations.

Chris Rudolph CPA

FEES INCREASE \$125

Tax preparation fees are increasing \$125 per tax return. This increase does not pertain to discounted children's returns. If you have a particular hardship, privately let me know, and I will work with you. If you want to holler, please ask for Karen's personal cell phone. The fee increase will help retain and support our staff. They are valuable and often work past midnight plus weekends to serve you. The tax planning and candy are still free, although free is getting to be a funny word these days. Thank you for understanding.

SECURE ACT TWO POINT OH NO

Congress originally passed the SECURE Act in 2019, but in 2022 they realized that they made mistakes. This made them feel insecure. Out came SECURE ACT 2.0 to fix the mistakes. In 2024, they fixed their prior fixes—all of this in the spirit of making your life easier. Here are the impacts:

In 2025 mammals who are between 60-63 years old can fund up to \$5,000 more into their 401(k) plans. This is reparation pay for bearing witness to the Cubs collapse of 1969 and Richard Simmons on TV.

Required minimum distributions (RMDs) now commence at age 73. This means that at age 73, you must withdraw roughly 4% of the account value from retirement plans. You can spend the money on used cheesecloth from eBay.

RMDs are no longer required from a Roth 401(k) or Roth 403(b).

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Starting in 2025 you must take an annual RMD from inherited IRAs. Previously, an RMD was not required. These accounts must be liquidated within ten years.

Employers can now offer Roth versions of SIMPLE and SEP IRAs.

In 2025 newly eligible participants are automatically enrolled in 401(k)s whereas in prior years, workers had to opt in.

Employers can now make matching payments towards an employee's student loan rather than towards a 401(k).

Victims of domestic abuse may withdraw from retirement accounts without incurring a penalty. This amount must be lesser than either \$10,000 or 50% of the account.

No penalties for certain distributions (up to \$1,000) used for unforeseeable financial needs relating to personal or family emergency expenses (think waging on the Australian Olympic break dancer).

Terminally ill individuals already eligible for in-service distribution (e.g. hardship or disability) are exempt from the 10% early distribution penalty tax.

WINDFALL ELIMINATION ELIMINATED

This was a stunner. Teachers, take notes. Congress passed legislation to eliminate the Social Security Windfall Elimination Provision. Retired teachers or public service officers in IL typically receive a pittance from Social Security because they participate in a larger pension. Effectively,

the SSA never recognized your contributions from any of your other jobs like moonlighting in internal affairs at Dave's Garden Gnome Emporium. This bill changes that. It looks like you will now receive full credit for any contributions you made into Social Security. Just like Lindsay Lohan after her 6th arrest-- you're back in the system.

BOI REPORTING

In 2024 the courts ruled that entities are required to file a report at FINCEN.gov to report ownership in LLCs, S corps, and C corps etc. This ruling has since been challenged. While we do not assist you with these reports, we can attest that they are free and relatively simple. If your entity is registered with the Secretary of State, you may have to report your B.O.

529 PLAN OVERFUNDED?

529 plans offer tax free saving for your child's college education. What happens to those funds if they go unused and he's on your couch eating Cracker Jack? Now up to \$35,000 of 529 funds can be transferred to a Roth IRA with no penalty. Here are some of the many rules: Transfers are limited to \$7,000 per year. The account must have been opened for fifteen years. Contributions or earnings made in the last five years cannot be rolled over.

GIFTING

The 2019 gift tax exclusion is \$19,000. If you give more than that to a person, you may have to file a gift tax return. Recipients of gifts don't have to declare it as income but need to say "thank you."