

Plan for Success

Providing Guidance for Tax and Financial Planning

October 2024

Estimated Tax Payments and Safe Harbor Rules

What is a safe harbor rule?

The term "safe harbor" means that through law, you're protected from a penalty when conditions are met. While the term applies to many areas of law, a major application of it is in taxation.

Safe harbor can be applied to estimated taxes giving you some leeway in how much you need to pay. And, if certain conditions are met, your penalty is waived or reduced.

You are able to pay in your income tax liability three ways, the first being to withhold from your W2 wages. The second, to withhold from your pension or social security and third to make estimated tax payments. These payments are made April 15, June 15, September 15, and the following January 15. The law offers two safe harbors: 100% of the previous tax year (if AGI was more than \$150,000 this percentage increases to 110%) or 90% of the current year's tax. That's why we start preparing projections in August. Please call if you think you will need to make or change your estimated tax payments.

Teenagers that Work

A lot of teenagers that work complete the W-4 incorrectly and have income taxes withheld from their wages. If a teenager is a dependent and earns less than \$13,850 in 2024, they do not need to withhold federal or state income tax. Then they would not be required to file an income tax return either. They should fill out the W-4 as exempt.

Year-End Planning

Want to maximize your tax deductions for 2024? Speak with your accountant today to decide on how to proceed with:

- contributions to IRAs
- contributions to any college funds
- contributions to any charitable organizations
- contributions to a 401(k)
- deciding if this year is the right year to sell a property
- retirement funds and required distributions
- purchasing equipment for your business



Your small business accounting and tax specialists.

P L A N N I N G



Hobbies for Tax Purposes

For tax purposes, a "hobby" is an activity you engage in primarily for a purpose other than to make a profit. The IRS commonly classifies inherently "fun" activities like creating art, photography, crafts, writing, antique or stamp collecting, or training and showing dogs or horses as hobbies.

You must also report any hobby income you receive on your federal income tax return. Hobby revenue is subject to income tax, but you won't have to pay any self-employment tax as a hobbyist. You can report hobby income on Form 1040 (Schedule 1, line 8) under a section called "Other Income." As of tax year 2023, you cannot deduct hobby expenses.

Note: If you want to deduct your expenses, you will need to claim the income from your hobby as business income. But just because you consider your activity a business rather than a hobby doesn't mean the IRS will agree. To learn more, go to: <https://www.irs.gov/newsroom/heres-how-to-tell-the-difference-between-a-hobby-and-a-business-for-tax-purposes>

2024 Mileage Rates

- .67 cents per mile for business miles driven
- .21 cents per mile driven for medical or moving purposes
- .14 cents per mile driven in service of charitable organizations

Check out our website for mileage rates for the beginning of the year.

Disclosure

Additional issues may exist that could affect the federal tax treatment of the transaction on the matter that is subject of this advice and this advice does not provide a conclusion with respect to such issues. With respect to such issues outside the limited scope of this advice, the advice was not written and cannot be used for penalty protection.

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In our Next Issue:

- * Business Travel Deductions
- * Updates
- * Reminders
- * Tax Season Planning
- * & More

Suspicious IRS Emails?

If you receive an email claiming to be from the IRS that contains a request for personal information, taxes associated with a large investment, inheritance or lottery. *Don't reply.

Don't open any attachments. They can contain malicious code that may infect your computer or mobile phone. *Don't click on any links.

Send the full email headers or forward the email as-is to phishing@irs.gov. Don't forward screenshots or scanned images of emails because this removes valuable information.

*Delete the original email.

Office Hours

Monday - Thursday

8:30am - 4:00pm

Friday

8:30am - 2pm

**If you need to stop by
please call ahead**

414-321-0555



"Plan For Success"

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«Company»

«First Name» «Last Name»

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Management Services Offered:

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Inside This Issue:

Year-End Planning
Estimated Tax Payments and Safe
Harbor Rules
Hobby for Tax Purposes
Teenagers that Work
Updates
Reminders
Suspicious IRS Emails