AUTO FOCUSED NEWSLETTER

Thaney & Associates, CPAs Quarterly Newsletter

Client Update Newsletter

Now that the April 15th tax filing deadline has come and gone, you could wait until January to think about taxes again – but that's a bit like waiting until the night before a major exam to start studying...you might get through it, but it probably won't yield the best results. If you want a smaller tax bill in 2025, consider starting now to come up with a strategy.

In this month's newsletter, we've included four areas to review as you begin creating your 2025 tax plan.

Also included in this newsletter, you will find information on what is driving the auto industry in the US and what the outlook of the industry looks like.

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

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THANEY & ASSOCIATES
Certified Public Accountants

UPCOMING DATES

MAY 11TH
- MOTHER'S DAY

MAY 26TH
- MEMORIAL DAY

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Starting Your Tax Planning

Lowering your tax bill next year works best as a planned event. So if you are interested in breathing a sigh of relief come next April, consider a review of these four areas as you create and implement your tax plan for 2025.

#1 - Your Home

Your home can create unexpected tax liabilities. Property value appreciation, home improvements, and refinancing your mortgage influence how much tax you pay.

When your home's value increases substantially, you might pay higher property taxes. Selling a home can also lead to capital gains taxes if you've lived in the property for less than two years or exceed the home sale exclusion amounts.

Tax Planning Tips for Your Home:

- ✓ Get a professional property assessment to ensure you're not overpaying property taxes. If so, know your location's time frame and process to amend your property's value in their formula.
- ✓ Consider timing home improvements to manage potential tax consequences by being smart about when assessments are applied in your location's property value.
- ✓ If selling, understand capital gains exclusion rules ($250,000 for single taxpayers, $500,000 for married couples)

#2 - Your Investments

Review your refinance closing disclosure to identify deductible mortgage points or fees
Investment income can impact your tax bill. Capital gains, dividend distributions, and frequent trading can all cause tax consequences.
Different investments also face different tax rates: Short-term capital gains get taxed at higher ordinary income rates and long-term gains typically receive more favorable treatment.

Tax Planning Tips for Your Investments:

- ✓ Implement tax-loss harvesting to offset capital gains
- ✓ Hold investments for more than a year to qualify for long-term capital gains rates
- ✓ Consider tax-efficient investments like index funds or ETFs
- ✓ Maximize contributions to tax-advantaged accounts like 401(k)s and IRAs

#3 - Your Retirement

Retirement accounts offer financial opportunities. But they can also cause tax pitfalls. Required minimum distributions (RMDs), early withdrawal penalties, and the tax treatment of different retirement account types influence your tax bill.

Tax Planning Tips for Your Retirement Accounts:

- ✓ Understand RMD rules and plan withdrawals strategically. Sometimes the most cost-effective plan withdrawals occur long before the RMD rules come into play!
- ✓ Consider tax-efficient Roth conversions to manage future tax liability
- ✓ Maximize health savings account (HSA) contributions as an additional retirement account
- ✓ Explore catch-up contributions if you're age 50 or older

#4 Your Life Events

Major life changes can dramatically change your tax situation. Marriage, divorce, having children, changing jobs, or experiencing significant income shifts can all reshape your tax liability.

Tax Planning Tips for Life Changes:

- ✓ Reassess your filing status as life changes may affect your tax bracket and deductions
- ✓ Track new deductions and credits as life events like adoption or education expenses may qualify for specific tax breaks
- ✓ Understand the age triggers built into the tax code and plan accordingly. This is especially important to understand as your children get older.

Sometimes your tax plan will show you an unavoidable, upcoming tax event, but you can plan for it to avoid a surprise. Other times your plan can help lower your tax liability, so it is best to begin as soon as possible.

HYBRID & ELECTRIC VEHICLE MANUFACTURING IN THE US

Plugged in: Due to continued tax incentives and rising fuel costs, industry revenue is expected to expand

Hybrid and electric vehicle manufacturers have soared through the current period as part of increased sustainability initiatives from the government and the public. Hybrid electric vehicles (HEV) and electric vehicles (EV), including plug-in electric vehicles (PEV) and plug-in hybrid electric vehicles (PHEV), have seen a dramatic rise in sales amid elevated oil and gas prices and falling vehicle prices. Automakers have prioritized cost reduction and battery lifespans to potentially attract new buyers. In particular, new government incentives and infrastructure funding have increased the domestic accessibility of electric and hybrid vehicles.

Revenue has climbed at a CAGR of 37.1% to $140.9 billion through the current period, including a 21.1% jump in 2025, when profit settled at 4.8%. Concerns over slowing EV adoption and weak, unprofitable electrification pushes from Big 3 automakers have constrained profit.

The market has faced rapid entry from innovative start-ups and massive automotive conglomerates testing the hybrid and electric vehicle markets for the first time. This competition has led to notable trade volatility as international manufacturers in Japan, South Korea and Germany have introduced new vehicles, though tax incentives will encourage manufacturers to assemble in the United States.

Similarly, tariffs have largely eliminated threats from Chinese EV manufacturers but retaliations threaten to weaken US manufacturers' positions abroad. Supply chain volatility and worker strikes have also posed major threats to profitability, though strengthening hybrid and electric vehicle acceptance has enabled companies to sustain robust returns.

Manufacturers will rely on innovation to gain market share, specifically focusing on consumer-facing cost reductions, greater battery distance and lower emissions to improve the accessibility of electric and hybrid vehicles. The government has started multiple programs to aid research and development to produce smaller, inexpensive battery packs that increase fuel efficiency, including EVs4ALL. These developments will reduce purchasing costs for manufacturers, enabling them to pass cost savings onto consumers and access lower-income buyers. Similarly, greater charging station-related infrastructure spending will indirectly stimulate demand for new EVs and PHEVs. In fact, numerous companies are working on proprietary charging technology to open up new revenue streams and make EVs more accessible. Overall, revenue will expand at an estimated CAGR of 7/8% to $205.6billion, where profit will reach 4.9%.

WHAT IS DRIVING THE AUTO INUDSTRY OUTLOOK?

Research and development will drive growth

- Manufacturers will continue to pour money into battery manufacturing to create lower-cost and longer-lasting EV and HEV batteries to meet tightening regulations and changing consumer preferences. Manufacturers hope to create less expensive electric models, enabling them to attract lower-income buyers and expand market reach. This strategy has led to increased collaboration among automakers and with tech companies. For instance, GM has a battery production partnership with LG while Nissan and BMW have a long-standing partnership to develop zero-emission vehicles, particularly hydrogen fuel cell cars.

- Companies will also experiment with lighter materials for car bodies, increasingly opting for aluminum rather than carbon steel. This switch will aid battery lifespan. Other technologies, like regenerative braking and solar glass, will also help develop more efficient hybrid and electric vehicles.

- Some manufacturers will also focus on new technologies, like autonomous driving and head-up displays (HUDs), leading to extensive partnerships with research universities and technology companies, especially semiconductor manufacturers. These advancements will create new opportunities for advanced start-ups, especially in luxury markets. Autonomous driving, HUD and similar technologies pair well with EVs, given the existing electronics and semiconductors needed. Much of this technology will focus on energy reallocation, preventing batteries from overexertion, therefore extending battery lifespan.

- EV and hybrid manufacturers will also integrate artificial intelligence and other automation techniques to cut costs, improve operational efficiency and streamline design processes. In general, all automakers are adopting these technologies, making this transition not exclusive to this specialized industry. Even so, unions have limited automation and AI implementation.

Some automakers will shy away from a full EV transition

- A relatively uncertain EV atmosphere alongside major losses from some automakers, notably Ford and Stellantis, has prevented some automakers from fully committing to an EV transition. Some foreign producers with operations in the US, like Honda and Toyota, have leaned into hybrid markets, hoping to bridge the gap for skeptical consumers and slowly introduce the market to alternative drivetrains. The lower cost of hybrids also helps attract buyers unwilling to purchase EVs.

- In general, the uncertain atmosphere has caused some companies to back off on ambitious electrification and fleet emission goals in favor of stronger returns and incremental emissions improvements. This mood shift has translated into greater investment in efficient engines, hybrid drivetrains and lighter vehicle bodies. For instance, Ford has scrapped plans for an EV SUV, instead temporarily transitioning into hybrid SUV and compact models. Volvo and GM have also announced minor cuts to 2030 EV goals, with both companies prioritizing clean hybrid and ICE vehicles.

- Similarly, Stellantis intends to dive back into ICE markets following the CEO’s removal, with plans to revive several languishing American brands and makes, like Jeep, Dodge and Ram. In particular, the company plans to revitalize the Jeep Grand Cherokee, gas-powered Dodge Charger and the V8 Ram Truck.

- This strategy will also enable automakers to reap greater returns, enabling them to more aggressively invest excess capital into electrification. In general, balancing production types must align with broader corporate sustainability targets and global regulatory pressures. Automakers can set clear goals for reducing emissions across their vehicle lineup, leveraging hybrids and EVs to achieve these objectives while managing ICE vehicle phase-out timelines in line with regulatory requirements. Even so, 2023 data from the Bureau of Transportation Statistics and IEA suggest that EV sales will continue to increase, enabling some companies to develop greater returns on investment.

Companies will need to prioritize ethical, sustainable supply chains

- Automakers have also faced a unique set of challenges regarding supply chain ethics. Most notably, the US government has banned several suppliers from the Xinjiang region in China over questions of forced labor. These issues have primarily impacted industrial inputs, namely metals, considering massive tariffs on lithium batteries. Even so, US law enforcement has reportedly intercepted numerous shipments set for BMW, Jaguar and Volkswagen facilities in the United States, leading to Senate investigations and inquiries.

- These actions suggest that the US Congress will continue to pressure EV manufacturers, auto parts suppliers and other supply chain members to properly vet supply chains for forced labor as part of the 2021 Uyghur Forced Labor Prevention Act. This practice will force companies to vet supply chains more closely, causing purchasing and compliance costs to climb.

- Public and government pressure may also encourage automakers to more heavily scrutinize other aspects of supply chains. For example, many automakers will prioritize sustainability when sourcing inputs; transparent and sustainable inputs will become increasingly prominent selling points for many domestic automakers, especially as shareholders, consumers, regulators and executives push for greater ESG compliance.

- These trends may contribute to supply chain reshoring and vertical integration, since companies have greater control over localized supply chains. Additionally, automakers can utilize digital tools like blockchain, IoT, and advanced data analytics to track materials, monitor production processes, and ensure compliance with sustainability commitments. These technologies provide real-time insights and help identify potential risks and inefficiencies, allowing for proactive management.

Government policies will support growth

- In 2021, the Biden Administration passed the EV Acceleration Challenge. This executive order strives to make zero-emissions vehicles, including battery electric, plug-in hybrid electric or fuel cell electric vehicles half of all new car sales by 2030. Despite the new administration's less aggressive EV position, many automakers continue to strive for the 50.0% sales guideline.

- Similarly, the Inflation Reduction Act, passed in 2022, provides up to $7,500 in tax credits for eligible new and used electric vehicle purchases. To qualify for this program, the final assembly must be in North America, which indirectly hinders import markets. However, this incentive has been another potential target for the new administration.

- Government programs will also extend to EV charging infrastructure. The federal government, alongside many state and local governments, has already enacted costly spending plans to add accessible, low-cost and fast charging stations across urban, suburban and rural environments.

- Some automakers, like Tesla, have also developed internal energy generation and storage verticals, assisting in charging systems; the Tesla Supercharger is the most notable example of this. On the other hand, BMW, General Motors, Honda, Hyundai, Kia, Mercedes-Benz and Stellantis NV have a joint charging station venture intended to compete with Tesla in the US. This system will be compatible with both the Combined Charging System (CCS) and North American Charging Standard (NACS) charging ports. These ventures will be crucial in ensuring the long-term success and accessibility of EVs, supporting profit for hybrid and electric vehicle manufacturers.

Estate Planning: *Tips for Every Family*

If juggling priorities were an Olympic sport, young parents would win the gold medal. Raising kids, advancing careers, paying off student loans, and saving for a home is a lot. All this makes estate planning feel like a tomorrow problem.

But estate planning puts you in charge of your family's financial future if the unexpected happens.

Here are three ways you can protect your family's future by starting your estate planning today.

Protect your current income

Your current income is the fuel that keeps your household going. Here are several ideas to protect your earnings:

- ***Minimize tax liabilities*** using tools such as trusts or family limited partnerships can shield assets from estate or capital gains taxes.
- ***Protect against lawsuits and creditors*** by structuring ownership through legal entities or trusts. These separate legal entities can make it harder for lawsuits or creditors to reach your personal income or business revenue.
- ***Ensure income continuity if incapacitated.*** With powers of attorney and living trusts in place, you can tap someone you trust to manage your income and financial affairs if you're unable to do so.

Protect your future income

Estate planning isn't just about distributing assets, it's a proactive way to secure financial stability down the road. Here are several ideas to protect your future income.

- ***Preserve wealth using tax planning strategies.*** Trusts, retirement accounts, and gift giving can minimize your future estate and income taxes, helping you retain more of your earnings over time.
- ***Safeguard business and investment income.*** Planning for succession or setting up buy-sell agreements ensures that income from businesses or investments can continue in the future, even after death or incapacity.
- ***Provide long-term control over assets.*** Set specific terms in wills or trusts to dictate how and when income-generating assets are used. This can protect them from mismanagement or being wasted in short order.

Protect your children

Estate planning isn't just about money – it's also about protecting your kids if something happens to you. Here are several ways to protect your children.

- ***Ensure guardianship.*** If you pass away or become incapacitated, a will lets you name who should raise your children. Without this, the decision goes to the courts, and a judge will choose a guardian. Naming someone in your estate plan ensures your children are raised by someone you trust, in a stable and familiar environment.
- ***Control their inheritance.*** A well-structured estate plan allows you to manage how and when your children receive their inheritance. For example, you can create a trust and decide when to distribute money and for what purposes, such as education, health care, or buying a home.
- ***Minimize conflict.*** When your wishes are clearly written in legal documents, it leaves less room for disagreements among family members. This can help prevent costly legal battles or emotional fights over who should care for the kids or how money should be used.

Many people believe estate planning is only for the very wealthy. But as you can see, managing an estate is important for everyone, regardless of income level. Consider reviewing your situation with a qualified expert and help create peace of mind for yourself and your loved ones.