



# 2024 WICPA TAX CONFERENCE

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## HIGHLIGHTED TOPICS:



### WISCONSIN TAX UPDATE

Find out about the latest updates on Wisconsin case law and legislative and administrative developments that have occurred in the past year



### WISCONSIN DEPARTMENT OF REVENUE INCOME, SALES & EXCISE TAX UPDATE

Hear about the new Wisconsin tax laws, changes to 2024 Wisconsin tax returns, updates on DOR administrative and procedural initiatives affecting tax practitioners, and more



### FEDERAL TAX UPDATE

Get insights on the hottest legislative, judicial and IRS developments impacting practitioners during the upcoming filing season, including a look at "Taxmageddon"

**MONDAY, NOV. 11 & TUESDAY, NOV. 12**  
**BROOKFIELD CONFERENCE CENTER & WICPA CPE LIVESTREAM**

## MATERIALS AT A GLANCE

The following materials are from the Monday morning sessions of the 2024 WICPA Tax Conference held on Monday, Nov. 11 & Tuesday, Nov. 12, including:

- Federal Tax Update Part I
- Federal Tax Update Part II



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# WICPA Tax Conference



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Frank Vinopal  
CPA, Partner, MBE CPAs

“The reporting and dashboards in PracticeERP save me 5 hours a week. I can keep the reports and customize them to each partner’s specifications. It is a gamechanger having real time data at the click of a button.”

Kali Burmester  
Tax Manager, MBE CPAs

“In the accounting world, predicting future revenues is difficult. With PracticeERP, we have the ability to track clients through CRM, and then have a dashboard of predicted upcoming revenue based on new clients added or lost, is huge.”

Tim Moy  
CPA, CGMA, Managing Partner MBE CPAs

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Dilyana Feneva  
Assurance Services Manager, MBE CPAs

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To learn more about our Tax Section, please contact Daniel Welytok at [daniel.welytok@vonbriesen.com](mailto:daniel.welytok@vonbriesen.com).



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**The individual nominated must be a WICPA member.**



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The WICPA is seeking members to serve on its board of directors.

**Opportunities include:**

- Staying up to date on professional issues
- Providing strategic governance in accordance with the WICPA strategic plan, mission and vision
- Acquiring new leadership and training skills



To apply, visit [wicpa.org/BoardApplication](http://wicpa.org/BoardApplication) through Nov. 15, 2024.

**Questions?**  
Contact [tammy@wicpa.org](mailto:tammy@wicpa.org).

Applicants must be WICPA CPA members in good standing. A "CPA member" is defined as a WICPA member who has obtained a certificate as a CPA from the Accounting Examining Board of the State of Wisconsin, or from a similar legally constituted authority in any other state, possession or territory of the United States or the District of Columbia.



**Educational  
FOUNDATION**

# Join the WICPA Educational Foundation Board!

The WICPA Educational Foundation is seeking members to serve on its board of directors.



**Some of the opportunities include:**

- Assisting in efforts to attract students to the profession.
- Providing strategic governance in accordance with the WICPA Educational Foundation mission.
- Acquiring new leadership skills.

The WICPA Educational Foundation plays a pivotal role in supporting programs to improve awareness and perceptions by educating students and educators about the exciting opportunities available to accounting professionals.

To apply, visit [wicpa.org/EFBoardApplication](http://wicpa.org/EFBoardApplication) through March 1, 2025. ► **Questions?** Contact [tammy@wicpa.org](mailto:tammy@wicpa.org).



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Get involved at [wicpa.org/CareersMonth](https://wicpa.org/CareersMonth)



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we have the power to make a difference.

Contributions to the WICPA Political Action Committee (CPAC) and Legislative Involvement Fund (LIF) allows the WICPA to:



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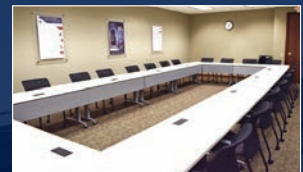
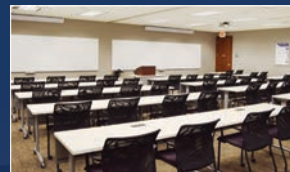
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WICPA  
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FOUNDATION



## YOU have the opportunity to impact thousands of students and educators in Wisconsin.

Through your contribution to the WICPA Educational Foundation, you can help us reach students and educators in high school and college to create awareness about the accounting profession.

As the end of 2024 draws near and you are thinking about tax planning, consider donating to the WICPA Educational Foundation.

*Questions?* Contact Tammy J. Hofstede, WICPA President and CEO at [tammy@wicpa.org](mailto:tammy@wicpa.org).

To contribute, visit [wicpa.org/EF](http://wicpa.org/EF).

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8:15 – 9:45 a.m. and 10 – 11:30 a.m.

# Federal Tax Update Part I & Part II

**Doug Van Der Aa, CPA, JD, *President, Van Der Aa Tax Education, LLC***

# 2024 Tax Season Update *with Doug Van Der Aa*



## 2024 Federal Tax Update

*Part I & II*

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Materials developed and presented by:  
**Douglas J. Van Der Aa, CPA, JD**  
Grand Rapids, Michigan

## Meet Doug Van Der Aa

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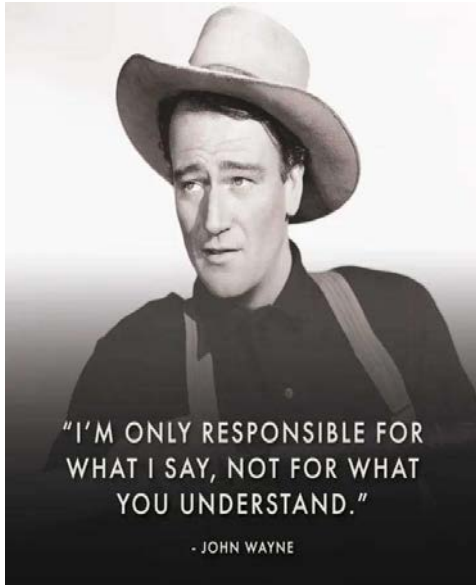


**Doug Van Der Aa** is a lively and energetic speaker – especially on the subject of taxes and ethics. He has been a highly rated speaker and seminar leader for CPA Associations and other organizations throughout the country for more than 18 years.

Doug has over 25 years of professional experience, including tax practice in CPA firms and the practice of transactional business and real estate law as an attorney. As a CPA, Doug’s practice concentrated on the tax needs of closely held businesses, with their related pass-through entities, complex individual returns, estates and trusts.

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## Course Development Resources

- ❖ The author gratefully acknowledges **RIA Checkpoint** for use of certain materials included in this presentation.
- ❖ Additional materials are adapted from various authoritative pronouncements of the IRS.
- ❖ The opinions expressed within, however, are solely the responsibility of the author.

## Learning Objectives

- ❖ Highlight significant tax changes impacting 2024, 2025 and 2026 returns, including:
  - **Inflation Reduction Act**
  - **Proposed Tax Relief for American Families and Workers Act of 2024**
  - **Impending TCJA Expiration**
- ❖ Identify the latest legislation and regulations regarding cryptocurrency, ERC claims, depreciation and capitalizing business assets, and more.
- ❖ Discuss planning and potential pitfalls.



# 2024 Tax Season Update with Doug Van Der Aa

**2024**  
**Form 1040**

*It appears that the Form 1040 has stabilized*

Federal Tax Update
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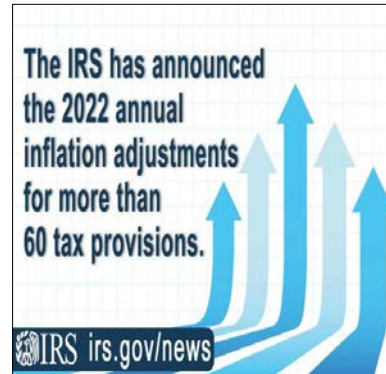
**2024**  
**Form 1040**

*It appears that the Form 1040 has stabilized*

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## Tax Cuts and Jobs Act

- ❖ The Act adopted the **“Chained CPI”** for inflation adjustments.
  - *C-CPI-U*
- ❖ 2024 Adjustments are about **5.4%**



## 2024 Standard Deduction

Filing Status	Standard Deduction Amount
Single	\$14,600
Married Filing Joint & Surviving Spouse	\$29,200
Married Filing Separately	\$14,600
Head of Household	\$21,900

## 2024 Standard Deduction

The TCJA keeps the additional standard deduction for elderly and blind taxpayers.

- \$1,900 or \$1,550 for 2024
  - Up \$50 from 2023



## 2024 Tax Brackets

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,600	\$0 to \$23,200	\$0 to \$16,550
12%	\$11,600 to \$47,150	\$23,200 to \$94,300	\$16,550 to \$63,100
22%	\$47,150 to \$100,525	\$94,300 to \$201,050	\$63,100 to \$100,500
24%	\$100,525 to \$191,950	\$201,050 to \$383,900	\$100,500 to \$191,950
32%	\$191,950 to \$243,725	\$383,900 to \$487,450	191,950 to \$243,700
35%	\$243,725 to \$609,350	\$487,450 to \$731,200	\$243,700 to \$609,350
37%	\$609,350 or more	\$731,200 or more	\$609,350 or more

Source: Internal Revenue Service Rev. Proc. 2023-34



## 2024 Tax Brackets

*The 0%, 15% & 20% rates for LTCG and Qualified Dividends were retained:*

- ❖ 0%
- ❖ 15% starts at \$47,025 / \$94,050
- ❖ 20% starts at \$518,900 / \$583,750



## 2024 Child Tax Credit

*For 2024 the child tax credit remains  
**\$2,000** per child*



**Only \$1,700 is  
refundable**

**Up \$100 from 2023**

## State and Local Taxes

The TCJA **suspends** all state and local tax deductions from 2018 to 2025 in excess of **\$10,000**



- ❖ You can still deduct **income, sales and real estate taxes** up to **\$10,000**.
  - *But foreign real property taxes are disallowed.*

## Itemizing in 2024?

- ❖ You need more than **\$14,600 / \$29,200** to itemize
- ❖ More for seniors!
  - *They need **\$16,550 / \$32,300***



## Itemizing in 2024?

---

*You need more than **\$14,600/\$29,200** to Itemize  
(more for seniors!)*

### **But...**

- ❖ State and Local Taxes capped at \$10,000
- ❖ NO home equity interest
- ❖ NO Miscellaneous Itemized deductions subject to the 2%

## 2024 Itemized Deductions

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*You need more than **\$14,600 / \$29,200** to Itemize  
(more for seniors!)*

You need at least **\$4,600 / \$19,200** of:

- ❖ Medical Expenses over **7.5% AGI**
- ❖ **Mortgage Interest** Expense (acquisition)
- ❖ ~~And PMI (extended thru 2021)~~
- ❖ Charitable Contributions

## IRA & 401K Contributions

- ❖ IRAs **\$7,000** in 2024 (up \$500)
  - **PLUS** - \$1,000 age 50 catch up (no change yet)
- ❖ 401(k) **\$23,000** in 2024 (Up \$500)
  - **PLUS** - Age 50 and older \$7,500 catch up (No change)
- ❖ SEP IRAs & Solo 401Ks **\$69,000** (+\$3,000)

## §199A Pass-Through Income

There are two limitations on the 20% deduction that apply **only** when your **taxable income** exceeds a threshold amount:

- ❖ ~~\$157,500 Single/\$315,000 MFJ~~
- ❖ **\$191,950 Single / \$383,900 MFJ for 2024**
- ❖ W2 wage/depreciable asset limit
- ❖ Exclusion of specified services

## §199A Pass-Through Income

For **Year End Planning**, you should rough out the deduction and check to make sure that there are sufficient W-2 Wages and/or depreciable basis to support the deduction.



## TCJA Excess Business Losses

*The Section 461(l) limitation on business losses returned in 2021 on Form 461:*



- **2022** \$270,000 single / \$540,000 MFJ
- **2023** \$289,000 single / \$578,000 MFJ
- **2024** **\$305,000 single / \$610,000 MFJ**

## Digital Assets?

**The IRS has not revised the language of the 1040 Digital Asset question (yet):**



<input type="checkbox"/> If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): _____	
<b>Digital Assets</b>	At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Standard Deduction</b>	Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien

## Digital Assets?

***The IRS has been fairly successful with their John Doe subpoenas to the exchanges for account information.....***



## \$1T Bipartisan Infrastructure

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### Infrastructure Investment and Jobs Act

#### **NOT (really) a Tax Act !**

- Employee Retention Credit
- **Crypto-asset Reporting**
- Disaster Relief
- Miscellaneous



## \$1T Bipartisan Infrastructure

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### **Cryptocurrency Reporting**

Currently, covered Securities Brokers must report customers names, addresses, adjusted basis and ST or LT gain or loss



## \$1T Bipartisan Infrastructure

### Cryptocurrency Reporting



The Infrastructure Act extends the definition of **broker** to “any person who (for consideration) is responsible for regularly providing any service affecting transfers of **digital assets** on behalf of another person.”

## \$1T Bipartisan Infrastructure

### Cryptocurrency Reporting

A **digital asset** is “any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the” IRS.





## \$1T Bipartisan Infrastructure

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### Cryptocurrency Reporting

- ❖ The beginning date for basis tracking was ~~January 1, 2023~~
- ❖ 1099-B reporting would start for ~~2023~~
  - Returns required to be filed after December 31, ~~2023~~
    - *Filed in 2024 for 2023 activity*

## \$1T Bipartisan Infrastructure

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### Cryptocurrency Reporting



***In Announcement 2023-2 the IRS provided transitional guidance:***

- It intends to publish regulations, accept public comments, and issue final regulations
- Brokers may report gross proceeds and basis as required under existing law and regulations as of December 23, 2022
- Brokers will not be required to report or file returns on dispositions of transfers of digital assets until final regulations are issued

## \$1T Bipartisan Infrastructure

### Proposed Regs. Issued August 25



- ❖ The IRS is working on the draft of the new **Form 1099-DA**
  - Purportedly they expect to get about 8 billion forms filed!



## Draft Form 1099-DA

The 2<sup>nd</sup> draft of the form was released on August 9

VOID		CORRECTED	
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Applicable checkbox on Form 9949	OMB No. 1545-0004 <b>2025</b> Form 1099-DA
FILER'S TIN		1a Code for digital asset	Digital Asset Proceeds From Broker Transactions
RECIPIENT'S TIN		1b Name of digital asset	Copy 1 For State Tax Department
RECIPIENT'S name		1c Number of units	
Street address (including apt. no.)		1d Date acquired	1e Date sold or disposed
City or town, state or province, country, and ZIP or foreign postal code		1f Proceeds \$	1g Cost or other basis \$
Account number		1h Accrued market discount \$	1i Wash sales loss disallowed \$
CUSIP number		2 Check if basis reported to IRS <input type="checkbox"/>	3a Reported to IRS: <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Net proceeds
		3b Check if proceeds from: <input type="checkbox"/> Reserved for future use <input type="checkbox"/> ODF	4 Federal income tax withheld \$

# 2024 Tax Season Update with Doug Van Der Aa

**Draft  
Form 1099-DA**

**Draft Instructions  
were issued  
September 9**

Account number	<input type="checkbox"/> Net proceeds	Sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
CUSIP number	3b Check if proceeds from: <input type="checkbox"/> Reserved for future use <input type="checkbox"/> OOF	
5 Check if loss is not allowed based on amount in 1f <input type="checkbox"/>	6 Gross gain or loss: <input type="checkbox"/> Short-term <input type="checkbox"/> Long-term	7 Check if TF is only cash <input type="checkbox"/>
9 Check if digital asset is a noncovered security <input type="checkbox"/>	10 Digital asset is a noncovered security because: <input type="checkbox"/> Broker did not provide custodial services for it <input type="checkbox"/> Broker provided custodial services and it was transferred in to broker <input type="checkbox"/> Broker provided custodial services and it was acquired prior to 2026	11a Check if gross proceeds reported in TF is an aggregate amount for: <input type="checkbox"/> Qualifying stablecoins <input type="checkbox"/> Specified NFTs
11b If 11a checked, number of transactions \$	11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in TF that are attributable to first sales by creator or minter \$	12a Number of units transferred in \$
14 State name	15 State identification no.	16 State tax withheld \$
Form <b>1099-DA</b> (Keep for your records) <a href="http://www.irs.gov/Form1099DA">www.irs.gov/Form1099DA</a> Department of the Treasury - Internal Revenue Service		

## \$1T Bipartisan Infrastructure

**1099-B reporting will start in 2025**

- ❖ **But only for reporting of gross proceeds!**
- ❖ Basis reporting is voluntary in 2025



## \$1T Bipartisan Infrastructure

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All reports filed for sales effected after January 1 **2026** must also include **basis information**

## \$1T Bipartisan Infrastructure

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### Cryptocurrency Reporting

**Digital assets** will now be treated as **cash** for Code Section 6050I(a) purposes

- Requiring reporting anytime you (a trade or business) receive more than \$10,000 in **cash/digital assets**
  - *Returns and statements filed after ~~December 31, 2023~~*



## Form 8300 and Reporting Cash Payments of Over \$10,000

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- “Generally, if you're in a trade or business and receive more than \$10,000 in cash in a single transaction or in related transactions, you must file Form 8300.
- The Form 8300, Report of Cash Payments Over \$10,000 in a Trade or Business, provides valuable information to the Internal Revenue Service and the Financial Crimes Enforcement Network (FinCEN) in their efforts to combat money laundering. Money is "laundered" to conceal illegal activity, including the crimes that generate the money itself, such as drug trafficking, tax evasion and terrorist financing.”

<https://www.irs.gov/businesses/small-businesses-self-employed/form-8300-and-reporting-cash-payments-of-over-10000>

## Form 8300 and Reporting Cash Payments of Over \$10,000

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### When to File

You must file Form 8300 by the 15<sup>th</sup> day after the date the cash transaction occurred.

Besides filing Form 8300, you also need to provide a written statement to each party whose name you included on the Form 8300 by January 31 of the year following the reportable transaction. This statement must include the name, address, contact person and telephone number of your business and the aggregate amount of reportable cash. The statement must also indicate that you provided this information to the IRS.

Civil and criminal penalties may apply if you fail to file Form 8300 and provide a written statement to each person named on Form 8300. Penalty amounts are adjusted annually for inflation.”

<https://www.irs.gov/businesses/small-businesses-self-employed/form-8300-and-reporting-cash-payments-of-over-10000>

# 2024 Tax Season Update *with Doug Van Der Aa*

## Form 8300 and Reporting Cash Payments of Over \$10,000

### How to File

**Electronic filing.** E-filing is a free, quick, and secure method for filing Forms 8300. You may electronically file Forms 8300 using FinCEN's [BSA E-Filing System](#). You'll receive an electronic acknowledgement of each submission. For more information about Form 8300 e-filing, see the [FinCEN news release](#) announcing electronic filing.

Effective April 8, 2019, Form 8300 filers have the option to batch file their reports as opposed to discrete filing. Batch filing is for businesses that file a high number of Forms 8300 at a time. The BSA E-Filing System includes batch processing functionality in XML format. Find more information on batch filing in hot topics and quick links on the [BSA E-Filing System](#), including:

- FinCEN's announcement of XML batch processing for FinCEN Form 8300.
- 8300 XML batch processing technical webinar and
- FinCEN 8300 XML filing requirements.

**File by mail.** You may mail Form 8300 to the IRS at: Detroit Federal Building, P.O. Box 32621, Detroit, Michigan 48232.

Regardless of whether you file electronically or on paper, you must timely file a complete and accurate form."

<https://www.irs.gov/businesses/small-businesses-self-employed/form-8300-and-reporting-cash-payments-of-over-10000>

## Form 8300 and Reporting Cash Payments of Over \$10,000

- ❖ On August 30, 2023 the IRS announced that Businesses **must e-file Form 8300** beginning in 2024
- ❖ Applies to any business required to file at least 10 information returns
  - Of any type other than 8300s
- ❖ Set up an Account with FinCen's BSA E-Filing System

<http://bsaefiling.fincen.treas.gov/main.html>

## Form 8300 and Reporting Cash Payments of Over \$10,000

<b>IRS Form 8300</b> (Rev. December 2023) Department of the Treasury Internal Revenue Service		<b>Report of Cash Payments Over \$10,000 Received in a Trade or Business</b> See instructions for definition of cash. Use this form for transactions occurring after December 31, 2023. Do not use prior versions after this date. For Privacy Act and Paperwork Reduction Act Notice, see the instructions.				<b>FinCEN Form 8300</b> (Rev. August 2014) OMB No. 1506-0018 Department of the Treasury Financial Crimes Enforcement Network	
1 Check appropriate box(es) if: a <input type="checkbox"/> Amend prior report. b <input type="checkbox"/> Suspicious transaction.							
<b>Part I Identify of Individual From Whom the Cash Was Received</b>							
2 If more than one individual is involved, check here and see instructions <input type="checkbox"/>							
3 Last name		4 First name		5 M.I.	6 Taxpayer identification number		
7 Address (number, street, and apt. or suite no.)							
9 City		10 State	11 ZIP code	12 Country (if not U.S.)	13 Occupation, profession, or business		
14 Identifying document (ID)		a Describe ID			b Issued by		
		c Number					
<b>Part II Person on Whose Behalf This Transaction Was Conducted</b>							
15 If this transaction was conducted on behalf of more than one person, check here and see instructions <input type="checkbox"/>							
16 Individual's last name or organization's name		17 First name		18 M.I.	19 Taxpayer identification number		
20 Doing business as (DBA) name (see instructions)					Employer identification number		
21 Address (number, street, and apt. or suite no.)							
23 City		24 State	25 ZIP code	26 Country (if not U.S.)			
27 Alien identification (ID)		a Describe ID			b Issued by		
		c Number					
<b>Part III Description of Transaction and Method of Payment</b>							

## Form 8300 and Reporting Cash Payments of Over \$10,000

27 Alien identification (ID)		a Describe ID			b Issued by	
		c Number				
<b>Part III Description of Transaction and Method of Payment</b>						
28 Date cash received		29 Total cash received		30 If cash was received in more than one payment, check here <input type="checkbox"/>	31 Total price if different from item 29	
M M D D Y Y Y Y		\$ .00			\$ .00	
32 Amount of cash received (in U.S. dollar equivalent) (must equal item 29) (see instructions):						
a U.S. currency		\$ .00	(Amount in \$100 bills or higher \$ .00)			
b Foreign currency		\$ .00	(Country )			
c Cashier's check(s)		\$ .00	Issuer's name(s) and serial number(s) of the monetary instrument(s)			
d Money order(s)		\$ .00				
e Bank draft(s)		\$ .00				
f Traveler's check(s)		\$ .00				
33 Type of transaction		f <input type="checkbox"/> Debt obligations paid			34 Specific description of property or service shown in 33. Give serial or registration number, address, docket number, etc.	
a <input type="checkbox"/> Personal property purchased		g <input type="checkbox"/> Exchange of cash				
b <input type="checkbox"/> Real property purchased		h <input type="checkbox"/> Escrow or trust funds				
c <input type="checkbox"/> Personal services provided		i <input type="checkbox"/> Bail received by court clerks				
d <input type="checkbox"/> Business services provided		j <input type="checkbox"/> Other (specify in item 34)				
e <input type="checkbox"/> Intangible property purchased						
<b>Part IV Business That Received Cash</b>						
35 Name of business that received cash					36 Employer identification number	
37 Address (number, street, and apt. or suite no.)					Social security number	
38 City		39 State	40 ZIP code	41 Nature of your business		
42 Under penalties of perjury, I declare that to the best of my knowledge the information I have furnished above is true, correct, and complete.						
Signature		Authorized official			Title	
43 Date of signature		44 Type or print name of contact person			45 Contact telephone number	
M M D D Y Y Y Y						
IRS Form 8300 (Rev. 12-2023) Cat. No. 621335 FinCEN Form 8300 (Rev. 8-2014)						

## Form 8300 and Reporting Cash Payments of Over \$10,000

- ❖ On Tuesday January 16, 2024 the IRS released **Announcement 2024-04 postponing** the requirement to report the receipt of digital assets under Section 6050I Until the IRS publishes *Final Regulations*
  - **Proposed Regs. were issued on August 29, 2023**

## Beware (Previously) Unreported Income!

<input type="checkbox"/> CORRECTED (if checked)		FILER'S TIN	CMB No. 1543-2020
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		PAYEE'S TIN	Form <b>1099-K</b>
			<b>Payment Card and Third Party Network Transactions</b>
		1a Gross amount of payment card/third party network transactions	1b For calendar year 20__
		\$	
Check to indicate if FILER is a (a) <input type="checkbox"/> Electronic Payment Facilitator (EPF) or (b) Other third party <input type="checkbox"/>		2a Card Not Present transactions	2b Merchant category code
Check to indicate transactions reported are: <input type="checkbox"/> Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>		3 Number of payment transactions	4 Federal income tax withheld
PAYEE'S name		5a January	5b February
Street address (including apt. no.)		5c March	5d April
City or town, state or province, country, and ZIP or foreign postal code		5e May	5f June
PAYEE'S name and telephone number		5g July	5h August
Account number (see instructions)		5i September	5j October
		5k November	5l December
		6 State	7 State identification no.
			8 State income tax withheld
			\$
			\$

Form 1099-K (Rev. 1-2022) (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

- Previously the threshold to report third party network transactions was \$20,000/200 transactions a year.
- Under the American Rescue Plan this was dropping down to **\$600** a year for 2022!
  - *Regardless of the number of transactions*



## 1099-K Reporting

**On December 23, 2022, the IRS announced a one-year delay**

- Treating 2022 as a transition period
- Notice 2023-10



## 1099-K Reporting

**On November 23, 2023 the IRS announced another one-year delay !**

- Treating 2023 as a transition period
- Notice 2023-74

**For 2024 they anticipate using a \$5,000 filing threshold**



## 1099-K Reporting

**When (if?) this takes effect, I suspect it is going to bring a lot of activity to light**

- ❖ Gig work
- ❖ Side Hustles
- ❖ Vacation homes & condo rentals
- ❖ Air BNB
- ❖ Roommates
- ❖ Non-taxable personal stuff.....



## 1099-K Reporting

### Personal items sold at a loss

A loss on the sale of a personal item can't be deducted from your taxes. But you can zero out the reported gross income so you don't pay taxes on it.

If you sold personal items at a loss, you have 2 options to report the loss:

#### Report on Schedule 1 (Form 1040)

You can report and then zero out the Form 1099-K gross payment amount on [Schedule 1 \(Form 1040\), Additional Income and Adjustments to Income PDF](#).

Example: You receive a Form 1099-K that includes the sale of your car online for \$21,000, which is less than you paid for it.

On Schedule 1 (Form 1040):

- **Enter the Form 1099-K gross payment amount (Box 1a) on Part I – Line 8z – Other Income:** "Form 1099-K Personal Item Sold at a Loss, \$21,000"
- **Offset the Form 1099-K gross payment amount (Box 1a) on Part II – Line 24z – Other Adjustments:** "Form 1099-K Personal Item Sold at a Loss \$21,000"

These 2 entries result in a \$0 net effect on your adjusted gross income (AGI).

Report on Form 8949

# 2024 Tax Season Update with Doug Van Der Aa

**SCHEDULE 1 (Form 1040) Additional Income and Adjustments to Income**

**Part I Additional Income**

**Part II Adjustments to Income**

2024

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## 1099-K Reporting

### If you get a Form 1099-K when you shouldn't have

You may get a Form 1099-K when you shouldn't have if it:

- Reports personal payments from family or friends like gifts or reimbursements
- Doesn't belong to you
- Duplicates a Form 1099-K you already received

If this happens:

- Contact the issuer immediately – see "Filer" on the top left corner of Form 1099-K to find out the name and contact information of the issuer.
- Ask for a corrected Form 1099-K that shows a zero amount.
- Keep a copy of the original form and all correspondence with the issuer for your records.
- Don't wait to file your taxes. [File even if you can't get a corrected Form 1099-K.](#)

## 1099-K Reporting

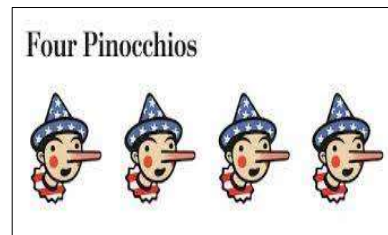
- ❖ If I pay Marcie – An Independent Contractor
- ❖ I have to send her a 1099-NEC
- ❖ So if I pay Marcie by Zelle...
  - Or Paypal, or
- ❖ Will she also get a 1099-K for the same money?
  - **Double reported to the IRS?**



## BBB - Bank Account Reporting

***The IRS was pushing (hard) to require financial institutions to report to the IRS the total amount of deposits and withdrawals over \$600/\$10,000***

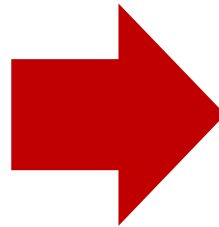
- ❖ Purportedly this would help the IRS focus on **wealthy** tax evaders
- ❖ **No**, This is all about targeting Schedule C, E and F filers



## BBB - Bank Account Reporting

*The IRS was pushing (hard) to require financial institutions to report to the IRS the total amount of deposits and withdrawals over \$600/\$10,000*

- ❖ Purportedly this will help the IRS focus on **wealthy** tax evaders
- ❖ *How in the heck do they think they're going to match up all the bank and other financial accounts of "rich" people ?*



FINANCIAL CRIMES



ENFORCEMENT NETWORK

## Corporate Transparency Act

### BENEFICIAL OWNERSHIP REPORTING

## Corporate Transparency Act

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- ❖ Enacted as part of the National Defense Authorization Act for Fiscal 2021, it amends the Bank Secrecy Act to require reporting of **Beneficial Ownership**
- ❖ The CTA requires many (most) business entities to report their “Beneficial Owners” and “Company Applicants” to the US Treasury Financial Crimes Enforcement Network (“FinCEN”)

## Beneficial Ownership Reporting

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A **“Reporting Company”** is a Corporation or limited liability company and similar entities which are:

- ❖ Created by filing a document with the Secretary or State or similar office under the law of a State or Indian Tribe; or
  - A U.S. Territory; or
- ❖ Foreign entities registered to do business in the U.S.

## Beneficial Ownership Reporting

23 types of entities are specifically excluded from the definition of reporting company, so they don't have to file, including:

- ❖ Tax-exempt organizations
- ❖ Publicly traded companies
- ❖ Banks and bank-type entities including Credit Unions
- ❖ Insurance Companies
- ❖ Certain public accounting firms
  - Registered under Section 102 of SARBOX
- ❖ Other regulated businesses

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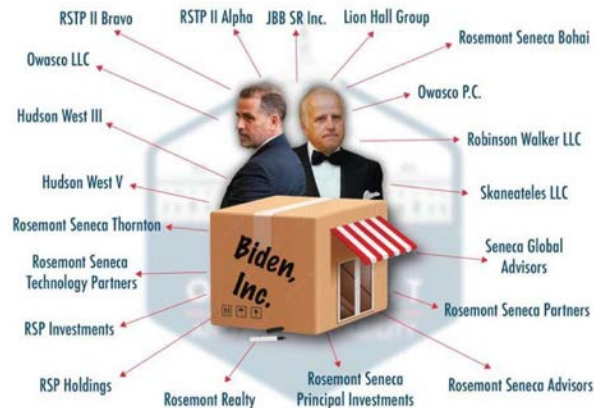
## Beneficial Ownership Reporting



I think the most important exclusion is for entities with a **physical presence** in the US with **over twenty (20) full time employees** which file a **federal income tax return** reporting **more than \$5 million in gross receipts or sales**

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## Beneficial Ownership Reporting



## Beneficial Ownership Reporting

A **“Beneficial Owner”** is an individual who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise:

- ❖ Exercises **substantial control** over the entity; or
  - ❖ Owns or controls not less than **25%** of the ownership interests of the entity.
- FinCEN published the final beneficial ownership rules at the end of September 2022 – 330 pages!



## Beneficial Ownership Reporting

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### FAQ #9: Who is a beneficial owner of a reporting company?

In general, a beneficial owner is any individual (1) who directly or indirectly exercises “substantial control” over the reporting company, *or* (2) who directly or indirectly owns or controls 25 percent or more of the “ownership interests” of the reporting company.

Whether an individual has “substantial control” over a reporting company depends on the power they may exercise over a reporting company. For example, an individual will have substantial control of a reporting company if they direct, determine, or exercise substantial influence over, important decisions the reporting company makes. **In addition, any senior officer is deemed to have substantial control over a reporting company.**<sup>xvi</sup> Other rights or responsibilities may also constitute substantial control

## Beneficial Ownership Reporting

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FinCEN expects that the majority of reporting companies will have a simple ownership and control structure. A few examples of how to identify beneficial owners are described below.

***Example 1:*** The reporting company is a limited liability company (LLC). You are the sole owner and president of the company and make important decisions for the company. No one else owns or controls ownership interests in your company or exercises substantial control over your company.

## Beneficial Ownership Reporting

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- ❖ **You** are a beneficial owner of the reporting company in two different ways, assuming no other facts. First, you exercise substantial control over the company because you are a senior officer of the company (the president) and because you make important decisions for the company. Second, you are also a beneficial owner because you own 25 percent or more of the reporting company's ownership interests.
- ❖ Because no one else owns or controls ownership interests in your LLC or exercises substantial control over it, and assuming there are no other facts to consider, you are the only beneficial owner of this reporting company, and your information must be reported to FinCEN.

## Beneficial Ownership Reporting

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A **“Company Applicant”** is anyone who files an application to form a Reporting Company with the Secretary of State or similar office.

- ***And*** the person who directs or controls the person to file the document

## Beneficial Ownership Reporting

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### 3. Does my company have to report its company applicants?

There can be up to two individuals who qualify as company applicants — (1) the individual who directly files the document that creates, or first registers, the reporting company; and (2) the individual that is primarily responsible for directing or controlling the filing of the relevant document.

Your company is only required to report its company applicants if it is created or registered on or after January 1, 2024.

## Beneficial Ownership Reporting

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***You must report specific information about the Entity, its Beneficial Owners and the Company Applicant, including:***

- ❖ Its Name and any trade names or d/b/a's
- ❖ Business street address
- ❖ Jurisdiction of formation
- ❖ IRS TIN (Including EINs)

## Beneficial Ownership Reporting

*For each Beneficial Owner and Company Applicant you must report their:*

- Legal name
- Date of birth
- Residencial street address for beneficial owners, or
- Business address for professional company applicants and residential address for other company applicants
- And...

## Beneficial Ownership Reporting

*For each Beneficial Owner and Company Applicant you must report their:*

- Identification number
  - Drivers license, passport, state ID card, etc. **and an image of the document!**



## Beneficial Ownership Reporting

The initial reports **can** be filed online beginning on January 1, 2024, and **must** be filed no later than **January 1, 2025**

- ❖ Beginning on January 1, 2024, Newly formed entities must file within 30 days of formation
  - In September, FinCen issued a proposed rule to extend this to 90 days for newly formed entities in 2024
- ❖ If there is a change in beneficial ownership, you must file within 30 days

## Beneficial Ownership Reporting

**Penalties for non-filing, or for providing false or fraudulent information are:**

- ❖ Civil penalties of ~~\$500~~-\$590 per day, not more than \$10,000,; and
- ❖ Criminal penalties of not more than \$10,000, imprisonment for not more than two years, or both



## Beneficial Ownership

**Q: Is this the Unauthorized Practice of Law (UPL) ?**

- CAMICO says yes
- AON says no



## Beneficial Ownership

*So does anybody in the room think that this "Tic Toc" tax advice will hold up?*



## Beneficial Ownership Reporting

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For more information on this fiasco  
please consider attending the

### **BOI Discussion Panel**

General Session from 2-3:00 Today !

## Employee Retention Credit

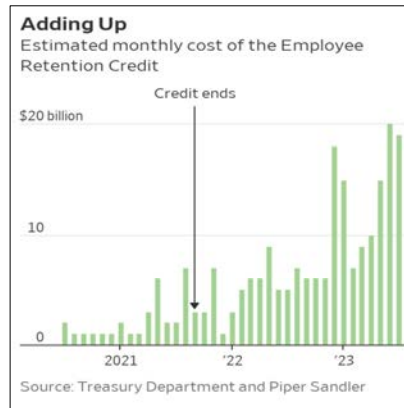
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## Employee Retention Credit

According to the Wall Street Journal, the total cost of the ERC is over 3x Congress' original estimate !

***\$230 Billion vs \$55 Billion!***



## ERC Withdrawal Option

On October 19, 2023, the IRS opened a special process for employers to withdraw ERC claims that have been filed (but not yet refunded) **as if they were never filed**





## ERC Withdrawal Option

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### *To be eligible the employer must have:*

- ❖ Made the claim on an adjusted/amended return
- ❖ Filed the adjusted return only to claim the ERC
  - And not other adjustments
- ❖ They want to withdraw their ERC claim
- ❖ The IRS has not paid the ERC claim
  - Or they have not cashed or deposited the check

## ERC Withdrawal Option

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### *To request a withdrawal:*

- ❖ Make a copy of the adjusted return with the claim you wish to withdraw
- ❖ In the left margin of the first page write “Withdrawn”
- ❖ In the right margin of the first page have an authorized person sign and date it with their name and title
- ❖ **Fax** the signed copy to the IRS at 855-738-7609

## ERC Withdrawal Option

- ❖ If you've already been assigned an IRS examiner/auditor, you can fax or mail the withdrawal directly to them.
- ❖ If you've received a notice, but haven't been assigned an examiner, you can respond to the audit notice with the withdrawal request.



## ERC Withdrawal Option

**Taxpayers will then get a letter from the IRS telling them whether their withdrawal request has been accepted or rejected**

**And you may still need to amend your income tax returns**



## ERC Withdrawal Option

- ❖ However, the IRS is warning that those who willfully filed false or fraudulent claims
- ❖ Or who assisted or conspired in the filing of such claims
- ❖ Will still be subject to possible criminal prosecution



## ERC Voluntary Disclosure Program

On December 21, 2023 the IRS announced a Voluntary Disclosure Program allowing employers to repay dubious ERC claims - **at a discount - without interest or penalties.**

- ❖ The program was open until **March 22, 2024**
- ❖ Announcement 2024-03



## ERC Voluntary Disclosure Program

This program allowed people to resolve their improper ERC claims by repaying 80% of the amount received – a 20% discount

- ❖ With no penalties or interest
- ❖ More than 2,600 applied



## 2<sup>nd</sup> ERC Voluntary Disclosure Program

On August 15, the IRS announced a **Second** Voluntary Disclosure Program allowing employers to repay dubious ERC claims - **at a discount** - **without interest or penalties**.

- ❖ The program is open until **November 22, 2024**
- ❖ Announcement 2024-30



## 2<sup>nd</sup> ERC Voluntary Disclosure Program

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The 2nd round is limited to ERC claims filed for 2021 tax periods who received payment of the credit before August 15, 2024



But it only offers a  
**15% discount**

Requires 85% repayment

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

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### Eligibility:

- ❖ Not under IRS criminal investigation
- ❖ IRS has not received third party information as to their noncompliance
- ❖ Not under IRS employment tax examination
- ❖ **No notice of ERC recapture from the IRS (Letter 6577-C)**
- ❖ Have not received IRS notice and demand for repayment of ERC



## 2<sup>nd</sup> ERC Voluntary Disclosure Program

### Program Terms:

- ❖ You are not eligible for any ERC
- ❖ You will repay **85%** of the claimed ERC
- ❖ Not required to repay any interest received
- ❖ Not required to reduce wage expense for any previously claimed ERC
- ❖ You must identify the preparers or advisors who assisted of advised you
- ❖ IRS will not assert civil penalties

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

Form <b>15434</b> (August 2024)	Department of the Treasury - Internal Revenue Service <b>Application for Second Employee Retention Credit (ERC) Voluntary Disclosure Program</b>	OMB Number 1545-2316
<p>This form is used by employers to apply for the second Employee Retention Credit (ERC) Voluntary Disclosure Program. Use the Document Upload Tool to submit completed and signed application packages at <a href="https://irs.gov/dui">irs.gov/dui</a> by November 22, 2024. Submit a payment for each period listed in Part IV via Electronic Federal Tax Payment System (EFTPS). See Form 15434 instructions "When and How to Pay" for payment guidance.</p>		
<b>Part I – Employer Information Pertaining to Employer's Federal Employment Tax Return</b>		
1. Employer name		2. Employer identification number (EIN)
3. Number and street (or P.O. box number if mail is not delivered to a street address)		4. Room/Suite
5. City, town or post office	6. State	7. ZIP code
8. If address above is different from last employment tax filing, check this box and attach Form 8822-B <input type="checkbox"/>	9. Telephone number	10. Email address (optional)
<b>Part II – Third-Party Payer Client Information (Third-party payers only. See instructions on page 5 for Part II)</b>		
11a. Are you a third-party payer filing this form on behalf of a client <input type="checkbox"/> Yes (complete 11b-11d) <input type="checkbox"/> No (skip to Part III)		
11b. Third-party payer client's name		11c. Third-party payer client's EIN
11d. Tax period(s) for which you filed an employment tax return claiming ERC on your client's behalf		
<b>Part III – Are you authorizing another individual to represent you before the IRS?</b>		
12. Attach a properly completed Form 2848, Power of Attorney and Declaration of Representative, if applicable. Check this box if you have a 2848 on file or are attaching a 2848 <input type="checkbox"/>		

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

**Part III – Are you authorizing another individual to represent you before the IRS?**

12. Attach a properly completed Form 2848, Power of Attorney and Declaration of Representative, if applicable. Check this box if you have a 2848 on file or are attaching a 2848

**Part IV – General Information**

Provide information regarding the filing and receipt of ERC for the applicable tax period ending date(s) below.

	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	Total All Periods
13a. Form	-	-	-	-	
13b. Reported Non-Refundable ERC					
13c. Reported Refundable ERC					
13d. Total Reported ERC (sum 13b + 13c)					
14. Reduction for the second ERC-VDP (15% of Line 13d)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15a. Estimate due in the second ERC-VDP (Line 13d minus Line 14). Make a separate payment for each tax period via EFTPS. (See Form 15434 instructions "When and How to Pay" for payment guidance)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15b. For the amount due in row 15a, do you plan to pay before final processing of your disclosure					
	<input type="checkbox"/> Yes <input type="checkbox"/> No (Complete Form 2750 and 433-B)				

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

Page 2 of 4

Taxpayer's name \_\_\_\_\_ Employer identification number (EIN) \_\_\_\_\_

**Part V – Preparers/Advisors**

16. Did an individual, business, and/or organization(s) advise you (or your client) to claim the ERC  
 Yes (complete lines 17-24 for each preparer/advisor)  No (move to next section)

Identify each preparer/advisor who assisted you in filing your ERC claim(s) for refund.

**Preparers/Advisors 1.**

17. Name \_\_\_\_\_ 18. Company/Firm name \_\_\_\_\_

19. Telephone number \_\_\_\_\_ 20. Number and street \_\_\_\_\_

21. City \_\_\_\_\_ 22. State \_\_\_\_\_ 23. ZIP code \_\_\_\_\_

24. Describe the services provided by the preparer/advisor

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Add Additional Preparer/Advisor  Delete Additional Preparer/Advisor

**Sign Here - Taxpayer**

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

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***Payments must be submitted separately for each tax period you claimed the ERC***

- Do not make a single lump sum payment !
- Payments must be submitted by EFTPS
- If unable to repay the full 85% you may apply for an installment agreement

## 2<sup>nd</sup> ERC Voluntary Disclosure Program

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IRS will prepare a closing agreement, which must be signed and returned within **10 days of the date of mailing** by the IRS

**Full payment is due by the date of signing**



## 2<sup>nd</sup> ERC Voluntary Disclosure Program

### NOTE:

Entering into a closing agreement under this program does **NOT** preclude the IRS from investigating any criminal conduct or recommending criminal prosecution!



## ERC Voluntary Disclosure Program

SEARCH | HELP | MENU

**Q5. What happens if I don't participate in ERC-VDP? (added December 21, 2023)**

A5. The IRS continues to identify new methods of analyzing ERC claims to identify ineligible taxpayers. If you claimed and received ERC you're not entitled to, and you don't participate in ERC-VDP to correct it, you risk detection by the IRS, which could lead to substantial interest and penalties and increase your risk of criminal investigation and prosecution.

*Civil interest and penalties that could apply to your employment tax liability depending on your particular facts and circumstances.*

Type of interest or penalty	Code section that provides authority to assess	Interest or penalty rate
Interest	IRC 6205 IRC 6413	<i>Varies quarterly.</i> 1st quarter 2024 rate is 8%-10%
Failure-to-pay penalties	IRC 6651(a)(2) IRC 6651(a)(3)	5-25% Or 1/4% or 1%
Failure-to-file penalties	IRC 6651(a)(1)	5-25%
Failure-to-deposit penalties	IRC 6656(a)	2-15%
Accuracy-related penalties	IRC 6662(a) IRC 6662(d)	20%
Civil fraud penalties	IRC 6663	75%
Fraudulent failure-to-file penalties combined with the failure-to-file penalties	IRC 6651(f)	15-75%
Trust fund recovery penalties	IRC 6672	Equal to total amount of the tax evaded, or not collected, or not accounted for and paid over.

Criminal charges related to taxes can include, but are not limited to, tax evasion (IRC 7201), filing a false return (IRC 7206(1)), false claims (18 USC 287) and false statements (18 USC 1001). A person convicted of tax evasion is subject to a prison term of up to five years and a fine of up to \$250,000. Filing a false return subjects a person to a prison term of up to three years and a fine of up to \$250,000.

Please note that if you willfully filed an employment tax return that fraudulently claimed ERC, or if you assisted or conspired in such conduct, filing for ERC-VDP will not exempt you from potential criminal investigation and prosecution.

## Employee Retention Credit

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For more on the ERC, please consider attending today's breakout session:

### ERC Update: Current Developments in Uncharted Waters

3:10 to 4:00 pm

## The First Rule of Practicing Tax Law:

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**If someone has to go to jail,  
make sure it's the client!**

Attributed to Fred Drasner

- Publisher of *New York Daily News*
- and *Newsweek*,
- former owner of Washington Redskins



# 2024 Tax Season Update with Doug Van Der Aa



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## 2022 and 2023 Extenders Bill Failed to Launch



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## Expired Tax Provisions

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### Expired at 12/31/2021:

- Refundability and enhancement of child and dependent tax credit
- Increased exclusion for employer-provided dependent care assistance



## Expired Tax Provisions

---



### Expired at 12/31/2021:

- Charitable contributions by non-itemizers
- Treatment of PMI as tax-deductible mortgage interest expense

## Expired Tax Provisions

### Expired at 12/31/2022:

- 100% deduction for food and beverages provided by a restaurant



**100% Bonus Depreciation!**

## §168(k) Bonus Depreciation

100% after Sept 27, 2017 thru  
2022 - Then phases it out:



- **80% Bonus in 2023 !**
- **60% Bonus in 2024 !**
- **40% Bonus in 2025 !**
- 20% Bonus in 2026
- -0-% in 2027



## Delayed TCJA Provisions

*In 2022 two critical changes in the TCJA finally kicked in and took effect:*

- ❖ Research and Experimentation costs
- ❖ Interest Expense



## 2022 and 2023 Extenders Bills Failed to Launch



# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024

Congressional leaders have agreed on the outline of a **retroactive** tax extenders deal

- Net cost about \$78 Billion

Largely paid for by cutting the ERC off for claims filed after **January 31, 2024**



## Tax Relief for American Families and Workers Act of 2024

- ❖ Bipartisan Bill
- ❖ Passed by the House on Wednesday January 31<sup>st</sup>
  - 357-70





## Tax Relief for American Families and Workers Act of 2024

### After 6 months of inaction in the Senate

- ❖ And no hearings in the Senate finance Committee
- ❖ The Senate voted it down on August 1<sup>st</sup>
  - 48-44 (needed 60 to pass)
    - Three Republicans voted in favor
    - Two Democrats opposed



## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

- ❖ Increasing the refundable portion of the **child tax credit** to \$1,800 in 2023, \$1,900 in 2024 and \$2,000 in 2025
- ❖ And adjusting the credit for inflation in 2024 and 2025





# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

- ❖ Changing the calculation of the refundable child tax credit on a per-child basis to be more generous to larger families
  - **2023, 2024 & 2025**
- ❖ Allowing you to use your earned income from the prior year in calculating the maximum child tax credit
  - **2024 & 2025**



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## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

- ❖ Expedited relief for US-Taiwan Double-Tax
- ❖ Extension of rules for certain disaster-related personal casualty losses



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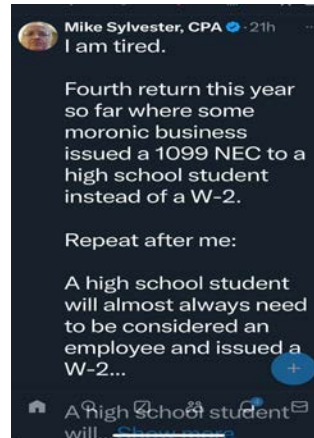
# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

- ❖ Raising the threshold for filing of Forms 1099-NEC from \$600 to **\$1,000** during the calendar year in 2024
  - And adjusting for inflation after 2024

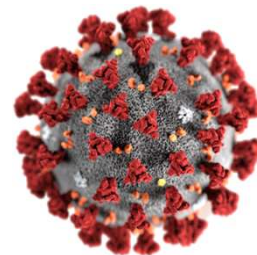


## Tax Relief for American Families and Workers Act of 2024

### Key **ERTC** provisions included:

Increasing the penalty for aiding and abetting by a COVID-ERTC promoter to the greater of:

- ❖ \$200,000 (\$10,000 for an individual); or
- ❖ 75% of the gross income of the promoter derived from ERTC claims



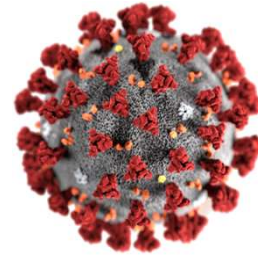
# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024

### Key ERTC provisions included:

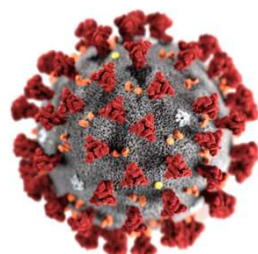
- ❖ Subjects COVID-ERTC promoters to a \$1,000 penalty for failure to comply with due diligence requirements
- ❖ Subjects COVID-ERTC promoters to Listed Transaction disclosures



## Tax Relief for American Families and Workers Act of 2024

### Key ERTC provisions included:

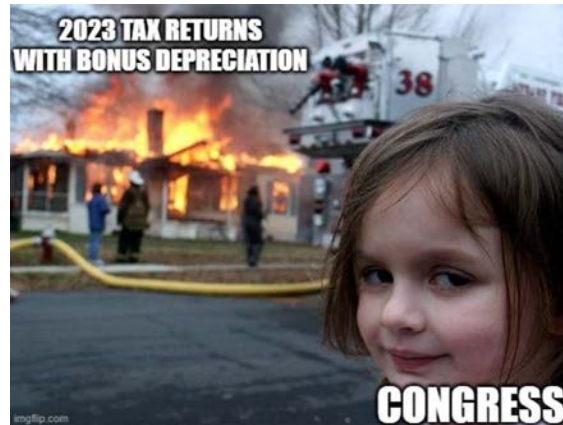
- ❖ Increasing the statute of limitations for COVID-related ERTC claims from five to six years
- ❖ Bars additional ERTC claims after **January 31, 2024**



# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024



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## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

- ❖ 100% Bonus Depreciation to be extended for 2023, 2024 and 2025



Interestingly, 20% bonus is retained for 2026

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## Tax Relief for American Families and Workers Act of 2024

### *Key provisions include:*

- ❖ Section 179 Expensing is increased to **\$1.29 million** for 2024
  - With the phase out starting at \$3.22 million
  - These amounts are adjusted for inflation after 2024

## Research & Experimentation



In 2022, the TCJA change from immediate expensing to amortization of R&D costs hit our returns...



## Research & Experimentation

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*Beginning in 2022 Specified Research and Experimental (SRE) expenses are now to be amortized over:*

- **5 years**
- 15 years for foreign research



## Research & Experimentation

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The IRS issued Rev. Proc. 2023-08 to provide a simplified method to make the change to capitalize research costs

*Using a mid-year convention*

## Research & Experimentation

---

In **Notice 2023-63** the IRS announced coming Proposed Regulations covering:

- ❖ **Capitalization and amortization of SRE Expenditures**
  - Labor, materials and supplies, depreciation or amortization, patent costs and some indirect costs must be capitalized and amortized
    - Some indirect costs such as support services, HR and Payroll do not.
- ❖ Scope of Section 174

## Research & Experimentation

---

In **Notice 2023-63** the IRS announced coming Proposed Regulations covering:

- ❖ **Software Development**
  - **Any** amount paid or incurred in connection with the **development of any software** is treated as a research or experimentation expenditure
- ❖ Research provided under contract
- ❖ Disposition, retirement or abandonment of property

# 2024 Tax Season Update with Doug Van Der Aa



## Tax Relief for American Families and Workers Act of 2024

### Key provisions included:

**Delaying** the start of the Section 174 requirement to capitalize and amortize SRE (Specified Research and Experimental expenses) to tax years beginning **after 12/31/2025**



So you could expense these costs normally in 2022, 2023, 2024 and 2025

## Green Energy Credits

### Renewable Energy Credits

- ❖ Section 45 Renewable Production Credit
- ❖ Section 48 Investment Tax Credit for Energy Property
- ❖ Both extended through 2024



*Must conform to wage and hour, apprenticeship and domestic content requirements*



## Green Energy Credits

### Clean Fuel Credits

- Credits for biodiesel, renewable diesel, biodiesel mixtures and second generation biofuels
- Retroactively extended through **2024**



## Could we see a 2024 Extenders Bill ?





## Consolidated Appropriations Act, 2023

---

The most important tax provision in the Act may be DIVISION T—

### **SECURE 2.0 ACT OF 2022**

(Pages 2,000 – 2,349)

Containing a host of changes to retirement savings, RMDs and qualified plan rules - over the next five (5) years

not a fan.

## Secure 2.0 Act

---

### Expanded auto-enrollment in retirement plans

- ❖ New Section 414A requires 401(k) and 403(b) plans adopted after the enactment date to provide for automatic enrollment of eligible employees beginning in **2025**
  - Between 3% and 10% unless employee elects out
  - Automatically increasing 1% per year to at least 10%
    - But not more than 15%
- ❖ Plans must also allow permissible withdrawals within 90 days of first elective contribution

## Secure 2.0 Act

---

### Increases RMD Age to 73 through 2032

- Then ups it to age 74

### Reduces the penalty for failure to take your RMD from 50% to 25%

- And provides a new “correction window” to reduce the penalty to 10% when the omission is corrected in a timely fashion

## Secure 2.0 Act

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- ❖ **The \$1,000 Catch-up contribution for IRAs is now indexed for inflation**
  - After 2023
    - But we didn't get a bump for 2024...
- ❖ **Higher catch-up contributions for ages 60-63**
  - Increased to the greater of \$10,000 or 50% more than the regular catch up (\$5,000 for SIMPLE Plans)
  - *Beginning in 2025*

## Secure 2.0 Act

---

### **New Pension-linked emergency savings accounts**

- ❖ Plans may establish short-term employee savings accounts
- ❖ Roth Accounts of up to \$2,500
  - No minimum contribution or account balance required
  - Must allow for withdrawals at least once a month
  - **NOT** Subject to a 10% penalty!

## Secure 2.0 Act

---

### New penalty exceptions for Qualified plan withdrawals beginning in 2024

- ❖ Personal and family emergencies
  - Up to \$1,000, option to repay within three years
- ❖ Domestic Abuse
  - Up to \$10,000 - Self-certification
- ❖ Terminal illness
- ❖ Qualified disasters

## Secure 2.0 Act

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- ❖ **Mandatory ROTH treatment of Catch-up contributions (so after-tax dollars) for upper income employees in Sec. 401(k), Sec. 403(b), or Sec. 457(b) plans**
  - Workers over \$145,000
  - On August 25, 2023 the IRS issued [Notice 2023-62](#) which delayed this from 2024 to 2026
- ❖ Employees can designate employer matching and non-elective contributions as ROTH

## Secure 2.0 Act

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Will allow sole proprietors to make a retroactive first year 401K Plan elective deferral

- Up to the due date
- Without extension!



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## Deducting Passthrough Business Losses

## Limitation of Deduction of Losses

<u>Section</u>	<u>Description</u>
704(d)	Basis in Partnership interest
1366(d)	Basis in S shares and loans
465	At-risk limitation
469	Passive loss limitation
461(l)	Excess Business Losses



*These Limitations are applied successively to amounts which are deductible at all prior levels*

## Limitation of Deduction of Losses

**It's an obstacle course!**

**Sections:**

- 704(d) or 1366(d)
- 465
- 469
- And finally, 461(l)



Limitations are applied successively to amounts which are deductible at all prior levels.

## Basis Limitation

---

Amount of losses that can be deducted limited to the sum of the shareholder's basis in S stock and direct loans **or** to basis in partnership interest (which includes your share of debt).



## Basis Limitation

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- ❖ Losses limited by Sections 704(d) and 1336(d) are carried over *indefinitely*.
- ❖ Losses carried over only with respect to that partner or shareholder.





## Limitation of Deduction of Losses

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- ❖ Losses are then limited by at-risk and passive activity rules.
- ❖ After ~~2017~~ 2020 losses are also limited by section 461(l).

## Limitation of Deduction of Losses

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Disallowed losses carry forward until partner/LLC member/ S Shareholder has sufficient basis, at-risk amount, or passive income to support deduction.

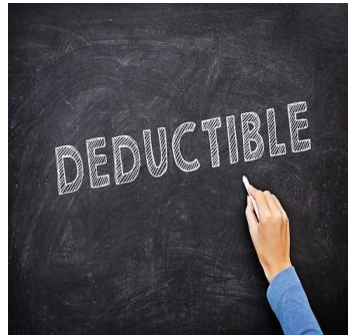


## Limitation of Deduction of Losses

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### *At disposition of interest:*

- 704(d) and 1366(d) are lost
- 465 are deductible
- 469 are deductible
  - *But may “crowd out” passive deductions from other sources*



## Basis Limitation

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- Tax Basis is **critically important** as people look to deduct losses coming thru on their K-1s.
- Partners, S Shareholders and the IRS need that critical information



## Partnership Distributions

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The IRS is trying to confront **“Basis Stripping”** when a partnership distributes assets to its partners



## Partnership Distributions

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Last year (2023) the IRS added a requirement in the K-1 Instructions that required partnerships to report the basis of distributed assets on a statement attached to the partner’s K-1



## Partnership Distributions

**Box 19. Distributions.** For 2023, partners receiving distributions of property from a partnership in a liquidating or non-liquidating distribution under certain circumstances must attach a statement to their tax return. See *Box 19. Distributions*, later.



## Partnership Distributions

**Other property (code C).** Include all distributions of property not included on line 19a that aren't section 737 property. In figuring the amount of the distribution, use the adjusted basis of the property to the partnership immediately before the distribution. In addition, attach a statement showing the adjusted basis and FMV of each property distributed.

**Schedule K-1.** Report in box 19 each partner's distributive share of the amount on line 19a using code A. If a statement is attached, enter an asterisk after the code (A\*) and "STMT" in the entry space, and attach the required statement. For line 19b, report distributions subject to section 737 in box 19 using code B with an asterisk (B\*) and "STMT" in the entry space, and attach the required statement. For distributions of other property, report each partner's distributive share of the amount in box 19 using code C with an asterisk (C\*) and "STMT" in the entry space, and attach the required statement.



## Partnership Distributions

This year (2024) the IRS is requiring the **partners** to file a new **Form 7217** any time the partner receives a distribution of property from a partnership.

Form <b>7217</b> (December 2024) Department of the Treasury Internal Revenue Service	<b>Partner's Report of Property Distributed by a Partnership</b> Attach to your tax return. Go to <a href="http://www.irs.gov/Form7217">www.irs.gov/Form7217</a> for instructions and the latest information.	OMB No. 1545-0123 Attachment Sequence No. <b>217</b>
Partner's name	Partner's TIN	
Distributing partnership's name	Distributing partnership's EIN	
Date property was distributed to partner		
<b>Part I Aggregate Basis of Distributed Property on Distribution Date.</b> File a separate form for each date a partner received distributed property.		
1 Was this distribution in complete liquidation of the partner's entire interest in the partnership? <input type="checkbox"/> Yes <input type="checkbox"/> No		
2 Was any part of the distribution treated as a sale or exchange under section 751(b)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
3 Partnership's aggregate basis in distributed property taking into account any basis adjustments under section 732(d), 734(b), or 743(b) immediately before the distribution. This line should equal the total of Part II, line B, column (b) . . . . . \$		
4 Adjusted basis of the partner's interest in the partnership immediately before the distribution . . . . . \$		
5 Cash and marketable securities (as defined in section 731(c)) received in the distribution . . . . . \$		
6 Enter the smaller of line 4 or line 5 . . . . . \$		
7 Gain recognized. Subtract line 6 from line 5. If zero, enter -0- and go to line 9 . . . . . \$		
8 Is U.S. tax required to be paid on the gain entered on line 7? <input type="checkbox"/> Yes <input type="checkbox"/> No		
9 Partner's basis in partnership interest reduced by cash and marketable securities (as defined in section 731(c)) received in the distribution. Subtract line 6 from line 4 . . . . . \$		
10 Aggregate basis to be allocated to the distributed property. For a non-liquidating distribution, enter the smaller of line 3 or line 9. For a liquidating distribution, enter the amount from line 9. Line 10 should equal the total of Part II, line B, column (a) . . . . . \$		
For Paperwork Reduction Act Notice, see the Instructions for Form 1065. Cat. No. 944796 Form <b>7217</b> (12-2024)		

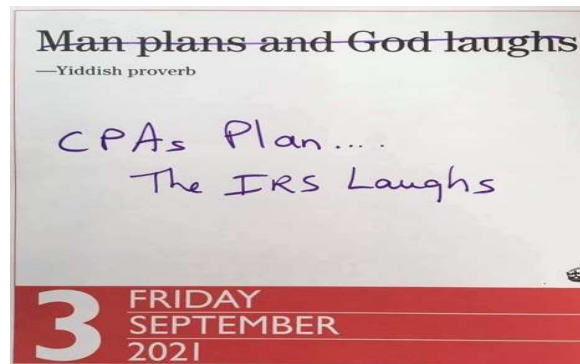
## Partnership Distributions



A separate Form 7217 is required to be filed as part of the partner's annual tax return for **each date** a partner receives distributed property subject to Code Section 732.

## 2024 & 2025 Tax Planning

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## EXPENSING OF TANGIBLE PROPERTY

## §179 Deduction

For **2023** the Section 179 limit was:

**\$1,160,000**

- Phase-out starts at \$2,800,000
  - Rev. Proc. 2022-38

**2023**



## §179 Deduction

For **2024** the Section 179 limit is:

**\$1,220,000**

- Phase-out starts at \$3,050,000
  - Rev. Proc. 2022-38

**2024**

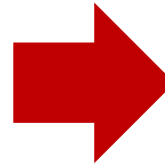


## §168(k) Bonus Depreciation

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### The TCJA retained Section 168(k) Bonus Depreciation

- Temporarily increases it to
- 100% after Sept 27 2017 **thru 2022**
  - And extends it to include used property



## §168(k) Bonus Depreciation

---

### *Then phases it out:*

- **80% Bonus in 2023 !**
- **60% Bonus in 2024 !**
- 40% Bonus in 2025
- 20% Bonus in 2026
- -0-% in 2027





## §168(k) Bonus Depreciation

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***Was it “Placed In Service” by 12/31 ?***

Property is considered placed in service in the tax year in which the property is first placed in a condition or state of readiness and availability for a specifically assigned function.




## Tax Cuts and Jobs Act

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***Section 1031 Like-kind exchanges limited to real property.***

- *No more trade-in on trucks, trailers, etc. !*





## What is MACRS Depreciation?


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*Life after 100% Bonus Depreciation ends*

## Tax Depreciation

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Under ACRS and MACRS, the allocation of the cost of the asset is referred to as "**capital cost recovery.**"



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## MACRS Classes

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The MACRS rules for tangible personal property establish six (6) classes:

- ❖ 3-year
- ❖ 5-year
- ❖ 7-year
- ❖ 10-year
- ❖ 15-year
- ❖ 20-year



## Salvage Value

---

Salvage value is treated as **zero** for all MACRS property [§168(b)(4)].

- This rule also was in effect under prior ACRS rules.



## MACRS Classes

- ❖ For the 3-year, 5-year, 7-year, and 10-year classes 200% declining balance (DB) depreciation is used.
- ❖ For the 15-year and 20-year classes 150% declining balance depreciation is used.



## MACRS

To determine property classifications within the MACRS classes, the law relies on the asset guideline classes which were part of the Asset Depreciation Range (ADR) system.



The ADR system places property into asset guideline classes delineated by **Rev. Proc. 87-56**.

Excerpted in Tables B-1 & B-2 in IRS Publication 946

## MACRS CLASS LIVES BY ADR CLASS

Asset Class	General Description of Asset Class	Class Life (in years)	Recovery Periods (in years)	
			General Depreciation System	Alternative Depreciation System
<b>3-YEAR MACRS CLASS:</b>				
00.26	Tractor Units For Use Over-The-Road	4	3	4
01.222	Any breeding or work horse that is more than 12 years old at the time it is placed in service***	10	3	10
01.223	Any race horse that is more than 2 years old at the time it is placed in service***	****	3	12
01.224	Any horse that is more than 12 years old at the time it is placed in service and that is neither a race horse nor a horse described in class 01.222***	****	3	12
01.23	Hogs, Breeding	3	3	3
20.5	Manufacture of Food and Beverages -- Special Handling Devices	4	3	4
30.11	Manufacture of Rubber Products -- Special Tools and Devices	4	3	4
30.21	Manufacture of Finished Plastic Products -- Special Tools	3.5	3	3.5
32.11	Manufacture of Glass Products -- Special Tools	2.5	3	2.5
34.01	Manufacturer of Fabricated Metal Products -- Special Tools	3	3	3
37.12	Manufacture of Motor Vehicles -- Special Tools	3	3	3

## Mid-Year Convention

For property other than **"real estate,"** a half-year convention is used to determine when the property is placed in service and disposed of [§168(d)(1)].



No matter when the property is actually acquired or disposed of during the tax year, it is deemed to be disposed of at the midpoint of the year.

## Rev. Proc. 87-57 MACRS Tables

Recovery Year	3-year (200% DB)	5-year (200% DB)	7-year (200% DB)	10-year (200% DB)	15-year (200% DB)	20-year (200% DB)
1	0.3333	0.2000	0.1429	0.1000	0.0500	0.03750
2	0.4445	0.3200	0.2449	0.1800	0.0950	0.07219
3	0.1481	0.1920	0.1749	0.1440	0.0855	0.06677
4	0.0741	0.1152***	0.1249	0.1152	0.0770	0.06177
5		0.1152	0.0893***	0.0922	0.0693	0.05714
6		0.0576	0.0892	0.0737	0.0623	0.05286
7			0.0893	0.0655***	0.0590***	0.04889
8			0.0446	0.0655	0.0590	0.04523
9				0.0656	0.0591	0.04462***
10				0.0655	0.0590	0.04461
11				0.0328	0.0591	0.04462
12					0.0590	0.04461
13					0.0591	0.04462

## Mid-Quarter Convention

*The mid-quarter convention was added by the TRA of 1986 to curtail year-end tax planning*



## Mid-Quarter Convention

If **more than 40%** of the value of property other than "real estate" is placed in service during the last three months of the taxable year, a mid-quarter convention applies.

If the convention applies, property acquisitions are grouped by the quarter they were acquired and their MACRS class and depreciated accordingly.

## Mid-Quarter Convention

- ❖ Acquisitions during the first quarter receive 10.5 months of depreciation
- ❖ Acquisitions during the second quarter, 7.5 months of depreciation
- ❖ Acquisitions during the third quarter, 4.5 months of depreciation
- ❖ Acquisitions during the fourth quarter, 1.5 months of depreciation



## Mid-Quarter Convention

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**NOTE:** The Mid-Quarter Convention 40% test is applied **after** reducing acquisition cost for the §179 expense election but **not** after the 50%/100% bonus depreciation if applicable

- *Reg. §1.168(d)-1(b)(4)*



## 2024 Year End Tax Planning

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## 2024 & 2025 Tax Planning

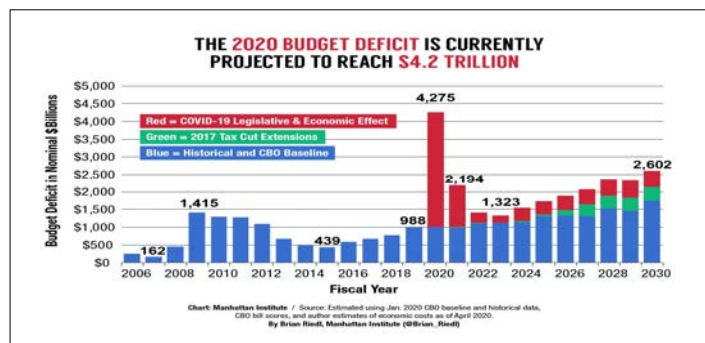
The TCJA has brought us relatively low tax rates for a **limited time** (2018-2025)



**Revert back to old law rates in 2026**

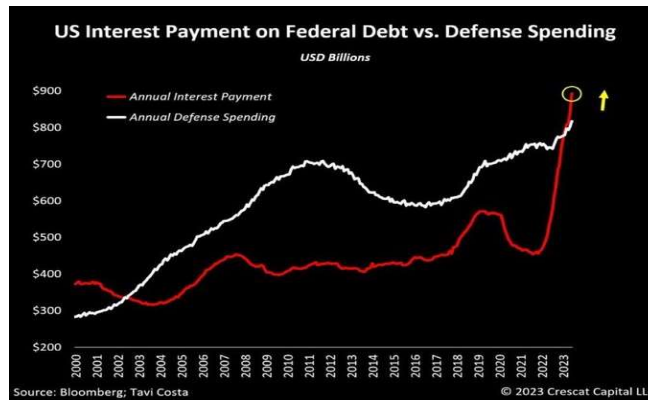
Cato Institute pegs the tax increase at about **\$400 Billion a year!**

## 2024 & 2025 Tax Planning



**We have massive federal deficits for as far as the eye can see....**

## 2024 & 2025 Tax Planning



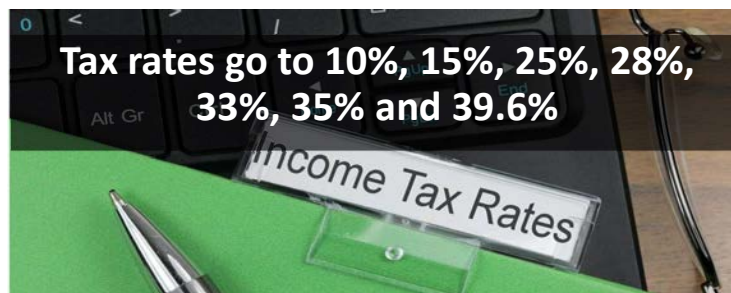
## WHAT DOES TCJA EXPIRATION LOOK LIKE?

## TCJA Expiration

- ❖ Standard deduction roughly cut in half
- ❖ Personal/Dependent exemptions return
  - @\$4,700
- ❖ Child Tax Credit reverts to **\$1,000**



## TCJA Expiration



- ✓ No more 199A 20% Deduction!
- ✓ No change to the 21% C Corporation rate

## TCJA Expiration

- ❖ \$10,000 SALT cap eliminated
- ❖ Mortgage interest deduction reverts to \$1 million + \$100,000 of debt
- ❖ Miscellaneous itemized deductions (2%AGI) will return



## TCJA Expiration



**Beware of the AMT!**

The AMT exemption reverts to pre-TCJA levels

## Estate and Gift Taxes

---

The Estate and Gift Tax exemption drops  
back to **\$5 million** in **2026!**

*Probably around \$7 million*

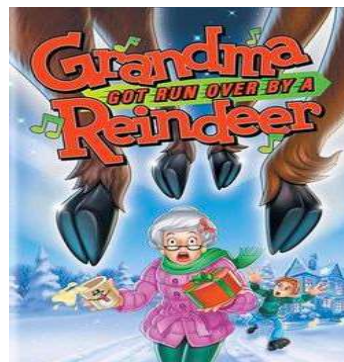


**Christmas 2025**

## Estate and Gift Taxes

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Christmas 2025...



## Estate and Gift Taxes

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The Estate and Gift Tax exemption drops back to **\$5 million in 2026!**

But no “clawback” of prior gifts

## 2024 Year End Tax Planning

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- ❖ How much exposure to rising tax rates are **you** and your clients willing to absorb?
- ❖ What discount rate are you using for your present value analysis?



## Traditional Tax Planning

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So if Traditional Tax Planning is to Defer Income...

- ❖ Postpone **BONUS**
- ❖ Traditionally a pure time value of money move.



## 2024 Year End Tax Planning

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- ❖ **Accelerate** Income into 2024 and 2025!
- ❖ Lock it in at today's tax rates



## 2024 Year End Tax Planning

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*Think of it as buying a  
"rate lock" on your taxes!*

Or a farmer locking in a price  
on the futures market



## Un-Traditional Tax Planning

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- ~~1) Defer Accelerate~~  
Income
- ~~2) Accelerate Delay o~~  
Defer Deductions





## Un-Traditional Tax Planning

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### DON'T Defer Income

- ❖ Delay invoicing & billings
  - Instead its “Bill Baby, Bill!”
- ❖ Use of “the drawer” ?
  - Maybe its time to come clean, let the mail carrier deliver the checks, and hold off on cleaning out all your AP at year end

## 2024 Year End Tax Planning

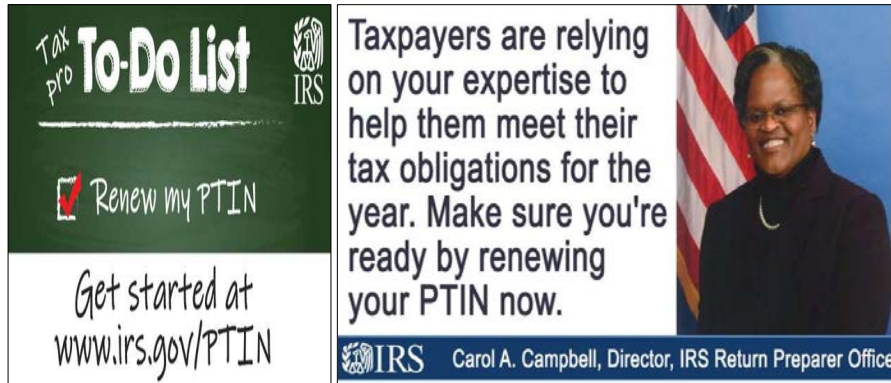
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Think twice about deferring income and installment sales reporting!



You will pay tax rate of the year of payment - not the year of sale

## PTIN Renewal



**Tax Pro To-Do List** IRS

Renew my PTIN

Get started at [www.irs.gov/PTIN](http://www.irs.gov/PTIN)

Taxpayers are relying on your expertise to help them meet their tax obligations for the year. Make sure you're ready by renewing your PTIN now.

**IRS** Carol A. Campbell, Director, IRS Return Preparer Office

Federal Tax Update

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## PTIN Renewal

In October 2023 the IRS announced it was reducing the PTIN Fees to \$19.75

- \$11 user fee to the IRS
- \$ 8.75 for the third party contractor how administers the online process
  
- The IRS was forced to reduce its fees after the US District Court in *Steele* held in February that the fees were excessive

Federal Tax Update

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## Concluding Thoughts

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*Thank You*

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