

2024 Fed/State Tax Institute

December 10, 2024

Presented By:

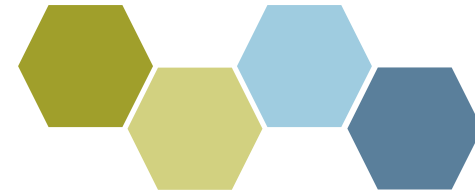
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The logo consists of the letters 'BLS' in a stylized, handwritten script font.

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Certified Public Accountants



2024 FEDERAL TAX UPDATES

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Corporate Transparency Act (CTA)

- Effective on January 1, 2024, for most companies
- The CTA requires FinCen to create a national registry of “Beneficial Owners, Company Applicants, and Reporting Companies.”
- Penalties for noncompliance can result in civil penalties up to \$500 per day and criminal penalties of up to two years imprisonment and fines up to \$10,000.
- Additional information about the reporting rules and guidance are available at www.fincen.gov/boi
- FAQs can be found at www.fincen.gov/boi-faqs

CTA - Filing Deadlines

- Initial Reports
 - Entity formed during 2024 – within 90 days of date of formation
 - Entity formed on/after January 1, 2025 – within 30 days of date of formation
 - Entity formed before January 1, 2024 – no later than January 1, 2025
- Updated Reports
 - Filed with 30 days of change to previously submitted information
- Correct Reports
 - Filed with 30 days after reporting company becomes aware or has reason to know that information contained in a report was inaccurate when filed

CTA - Updated Guidance

- Question C. 14. If reporting company created or registered in 2024 or later winds up its affairs and ceases to exist before its initial BOI report is due to FinCEN, is the company still required to submit that initial report?
 - Yes
- Question C.15. Who may file a BOI report on behalf of a reporting company created or registered in 2024 or later that ceases to exist before its initial BOI report is due to FinCEN?
 - Anyone whom a reporting company authorizes to act on its behalf – such as an employee, owner, or third-party service provider.

CTA - Updated Guidance

- Question D. 13. Who is the beneficial owner of a homeowners association?
 - Likely no individuals own or control 25% of ownership interest. Individuals who meet the following criteria are considered to exercise substantial control over the HOA:
 - Individual is a senior officer
 - Individual has authority to appoint or remove certain officers or a majority of directors of the HOA
 - Individual is an important decision-maker
 - Individual has any other form of substantial control over the HOA

CTA - Updated Guidance

- Question D. 15. Who are reporting company's beneficial owners when individuals own or control the company through a trust?
 - The following conditions indicate that an individual owns or controls ownership interest in a reporting company through a trust:
 - Trustee has authority to dispose of trust assets
 - Beneficiary is the sole permissible recipient of income and principal from the trust or has the right to demand a distribution of or withdraw substantially all of the assets of the trust
 - Grantor or settlor has the right to revoke the trust or otherwise withdraw the assets of the trust

CTA - Overview

- Reporting generally required for domestic entities and foreign entities registered to do business in any state by filing a document with the secretary of state or similar office.
- Exemptions available, including large operating entities, publicly traded companies, public accounting firms and tax-exempt entities.
- Beneficial owners are individuals who directly or indirectly either:
 - Exercise “substantial control” over a reporting company, or
 - Owns or controls at least 25% of the ownership interests of a reporting company

CTA - Reportable Items

- Reporting Company
 - Full Legal Name or DBA/Trade Name
 - Complete current U.S address or if foreign, the primary business location in the U.S.
 - State, Tribal, or Foreign Country of Formation
 - If foreign, State or Tribal Jurisdiction of First Registration
 - TIN (including EIN) or Foreign Tax ID Number (reporting company)



CTA - Reportable Items

- Beneficial Owner and Company Applicant
 - Full Legal Name or DBA/Trade Name
 - Date of birth
 - Complete current U.S address
 - Applicant can use the address of the business
 - Business Owner must use the personal address
 - Identifying number and image from passport or driver license or another form of governmental ID – can be replaced by a FinCen Identifier

Secure Act 2.0 – Provisions Overview

- Setting Every Community Up for Retirement Enhancement
 - Expanded automatic enrollment in retirement plan
 - Modified Credit for Small Employer Pension Start-Up Costs
 - Higher retirement plan catch-up contributions
 - Student Loan Payments
 - Roth Plan Distributions – eliminated RMD's for employer plans



Secure Act 2.0 – Provisions Overview

- Setting Every Community Up for Retirement Enhancement - Continued
 - Nontrade or business SEP contributions – household employees
 - Modification of age for Able Accounts – from 26 to 46
 - Improving coverage for part-time workers – reduced 3-year requirement to 2 years
 - Birth or adoption recontributions – must be made within 3 years
 - Expanded penalty free withdrawals – domestic abuse victims, terminally ill taxpayers, long-term care contracts


Increase in Age for RMD

- RMD age increases to 73 (from 72) beginning 1.1.23
- RMD age increases 75 beginning on 1.1.2033 for those individuals who obtained age 74 after 12.31.2023

Tax Year	Birth Date	RMD Age
Through 2019	Before July 1, 1949	70 ½
2022 through 2022	July 1, 1949 through 1950	72
2023 through 2032	1951 – 1959	73
2033 and beyond	1960 and beyond	75

Special Distributions from Tuition Programs into Roth IRAs

- Allowed to rollover up to \$35,000 over the course of a taxpayer's lifetime from any 529 account in their name to a Roth
- Subject to Roth IRA annual contribution limits
- 529 plan had to be open for 15 years
- Rollover cannot exceed the total amount contributed to the account more than 5 years before the rollover
- Roth AGI income limits not applicable to these types of conversions
- Effective to distributions after December 31, 2023



Today's Specials!

Reduction in Excise Tax in Qualified Retirement Plans

- Before Secure 2.0
 - Failure to take RMD results in a 50% penalty on portion of RMD which was not distributed
- After Secure 2.0
 - 50% penalty is reduced to 25%
 - If failure is corrected in a timely manner defined as within 2 years, the excise tax is reduced to 10%
 - IRS may be less forgiving for reasonable cause
 - Effective for taxable years after date of enactment

Distribution from Retirement Plan to Charities

- Allows one time \$53,000 for 2024, distribution to a charitable remainder unitrust, charitable gift annuity or charitable remainder annuity trusts
- Also indexes for inflation the QCD \$105,000 for 2024 contribution
- Effective for distributions made in taxable years ending after the date of enactment



Required After-Tax Catch-Up Contributions for High Earners

- Beginning in 2026, if you make more than \$145,000 in the prior calendar year, you can make catch-up contributions only into a Roth account
- High earners must pay taxes on catch-up contributions now, rather than deferring them until retirement
- 2025 catch-up contribution amount is \$7,500 for age 50+ and \$11,250 for ages 60-63

Finalization of RMD Regulations

- Requiring annual distributions for designated beneficiary under-ten-year rule if participant died after required beginning date
 - “At least as rapidly” rule
- Must begin the year after death, with remaining distribution required in the tenth year following death
- Any related penalties for non-distribution waived through 2024
- Provides that if employee balance is entirely in a Roth account, no distributions are required during participant lifetime

Expiring Tax Provisions

- Modification of individual tax rates – overall tax brackets reduced, highest rate 37%
- Child tax credit –maximum credit increased to \$2,000 and Phaseout thresholds increased to \$75,000 and \$110,000
- Medical premium assistance credit enhancement
- Employer credit for paid family and medical leave
- Increase in exemption amount and phaseout threshold for individual AMT
- Increase in standard deduction of individuals
- Suspension of miscellaneous itemized deductions
- Suspension of limitation of itemized deductions



Expiring Tax Provisions

- Exclusion from gross income of discharge of indebtedness on principal residence
- Exclusion for certain employer payments of student loans
- Suspension of exclusion for moving expense reimbursement
- Suspension of deduction for personal exemptions
- Limitation on deduction for qualified residence interest, suspension of deduction for home equity interest - \$750,000
- Limitation on deduction for state and local taxes - \$10,000
- Personal casualty losses limited to Federally declared disaster areas
- Increase in percentage limitations on cash contributions to public charities – 60%

Expiring Tax Provisions

- Qualified business income deduction – 20%
- Suspension of deduction for moving expenses
- Increase in estate and gift tax exemption – 2024 exemption \$13.6 million
- Bonus depreciation
- Required capitalization of R&D expenses
- Business interest deduction limitations

Draft 1040 Changes

- Schedule 1 – Form 1099-K Questions
- Planning threshold for 2024 reporting of \$5,000 and no minimum transaction requirement

For 2024, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss

Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See www.irs.gov/1099k.

Part I Additional Income

TREASURY/IRS

Draft 1040 Changes

- Schedule 1 – New Line 8V – Digital assets received as ordinary income not reported elsewhere.

v Digital assets received as ordinary income not reported elsewhere. See instructions	8v
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Form 7217 – Partner’s Report of Property Distributed by a Partnership

- Applicable for distributions made during tax year 2024
- Report basis of distributed property

Form 7217 (December 2024) Department of the Treasury Internal Revenue Service	Partner's Report of Property Distributed by a Partnership Attach to your tax return. Go to www.irs.gov/Form7217 for instructions and the latest information.	OMB No. 1545-0123 Attachment Sequence No. 217
Partner's name _____		Partner's TIN _____
Distributing partnership's name _____		Distributing partnership's EIN _____
Date property was distributed to partner _____		
Part I Aggregate Basis of Distributed Property on Distribution Date. 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 (e)	\$ _____
For Paperwork Reduction Act Notice, see the Instructions for Form 1065. Cat. No. 944798 Form 7217 (12-2024)		

Form 172 – Net Operating Loss (NOLs)

Form 172 (December 2024) Department of the Treasury Internal Revenue Service		Net Operating Losses (NOLs) For Individuals, Estates, and Trusts. Go to www.irs.gov/Form172 for instructions and the latest information.		OMB No. 1545-0074
For calendar year _____, or other tax year beginning _____ and ending _____				
Name(s) shown on return			Social security or employer identification number	
Address (number and street). If you have a P.O. box, see instructions.		Apt. or suite no.	Spouse's social security number (SSN)	
City, town, or post office. If you have a foreign address, also complete spaces below.		State	ZIP code	Daytime phone number
Foreign country name		Foreign province/county		Foreign postal code
Part I NOL (see instructions)				
1 For individuals, subtract your standard deduction or itemized deductions from your adjusted gross income (AGI) and enter it here. For estates and trusts, enter taxable income increased by the total of the charitable deduction, income distribution deduction, and exemption amount			1	
2 Nonbusiness capital losses before limitation. Enter as a positive number			2	
3 Nonbusiness capital gains (without regard to any section 1202 exclusion)			3	
4 If line 2 is more than line 3, enter the difference. Otherwise, enter -0-			4	
5 If line 3 is more than line 2, enter the difference. Otherwise, enter -0-			5	
6 Nonbusiness deductions (see instructions). Enter as a positive number			6	
7 Nonbusiness income other than capital gains (see instructions)			7	
8 Add lines 5 and 7			8	
9 If line 6 is more than line 8, enter the difference. Otherwise, enter -0-			9	
10 If line 8 is more than line 6, enter the difference.			10	

TREASURY/IRS
 AND OMB USE
 ONLY DRAFT
 November 25, 2024

Pennsylvania Update

- Beginning on January 1, 2025, PA will conform to federal tax law for irrevocable grantor trusts.
- PA grantor of a trust that qualifies as a grantor trust under IRC Sections 671 through 679 will be subject to PA personal income tax on the income of the trust, whether or not the trust is revocable or irrevocable
- This is regardless of whether income is distributed to beneficiaries or accumulated in the trust.
- Need to consider the shift of taxation from the trust to the grantor for 2025 estimated taxes

Bachchan – TC Summary Opinion 2024-14

- Death of a family member not reasonable cause for a late return
- Father died in April 2016 and extension was obtained to file until 10/15/2016
- Return was not filed until 4/10/2018
- Court held that the length of time between petitioner's father's passing and the filing of the return suggests that one was not the cause of the other.
- “a taxpayer’s selective inability to meet his or her tax obligations when he or she can carry on normal activities does not excuse late filing”



Wright, et al – TC Summary Opinion 2024-9

- Poor recordkeeping still loses in court
- Deficiencies for 2014 through 2016 about \$47,000
- 44 exhibits aggregating 1,882 pages including various receipts and calculator tapes
- Issue – are various expenses allowed on Schedule C and E – appropriate documentation
- Court held for IRS due to issues for documentation – “shoebox method” and “voluminous exhibits”
- Credibility of the taxpayer was damaged

PLR 202348007 – IRC 9100 Relief Denied for Method Change

- S Corp filed late causing its automatic method changed to be filed late and disallowed
- Numerous mistakes noted:
 - Taxpayer failed to return Form 8879
 - Software tracking failed to update dates, so CPA not aware return was not filed
 - Manager left the firm and others thought return had been completed
- Failure to file was discovered and return was filed
- About a year later taxpayer submitted a request for IRC 9100 relief for extension of time to file Form 3115
- IRS denied relief – concluded that taxpayer failed to show unusual and compelling circumstances

Soroban Capital Partners LP – 161 TC No. 12

- Limited partnership investment firm – 1 general partner and five limited partners
- Guaranteed payments and ordinary income distributions made to limited partners
- K-1's only included guaranteed payments on SE tax line for limited partners
- IRS ruled – SE tax owed on distributions of ordinary income to limited partners
- Limited partners are not automatically exempt from SE income – must apply functional analysis test

IRS – New Rules to Combat Abusive Use of Partnerships

- IR-2024-166, Notice 2024-54, Rev. Rul. 2024-14
- Stop partnership from using sophisticated tax-free transactions that lack economic substance
- High-income taxpayers and corporations strip basis from assets they own where the basis is not generating tax benefits and then move the basis to assets where it will generate tax benefits without causing any meaningful change to the economics of the business



IRS Expands Online Accounts to S Corps and Partnerships

- Second phase on new online self-service tool
- Individuals who are partners or partnerships or shareholders of S corps are now eligible to set up a business account
- Over time will allow account holders to request transcripts, add POA's, store bank account information
- New features added to online self-service tools including payroll filings and sole proprietors can receive certain notices



Things to Consider before December 31st

- Funding employee retirement plans due by 12/31
- Complete annual gifting (\$18,000 per donee in 2024; \$19,000 per donee in 2025)
- Fulfill charitable giving plans (including consideration for utilizing QCDs)
- Satisfy RMDs
- Evaluate tax-loss harvesting opportunities
- Consider Roth conversions

New Administration - What Might Be on the Table

- Individual Taxation
 - Income Tax Rates – make TCJA provisions permanent
 - Capital Gains/Qualified Dividends – no current proposals
 - Taxation on Tips – eliminate tax
 - Child Tax Incentives – make TCJA provisions permanent
 - Earned Income Credit – no current proposals
 - Social Security Benefits – eliminate tax
 - Overtime Pay – eliminate tax
 - SALT Deduction - restore



New Administration - What Might Be on the Table

- Estate, Business & International Taxation
 - Estate Tax – make TCJA provisions permanent
 - Corporate Tax Rate – no current proposal
 - International Taxation – make TCJA provisions permanent
 - Bonus Depreciation – reinstate 100% bonus

Thank You!

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