



Current Federal Tax Developments

January 29, 2024

Kaplan Financial Education



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This Week We Look At:

Proposed tax bill that has advanced out of the House Ways & Means Committee

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<https://www.currentfederaltaxdevelopments.com>



Talks continue on proposed tax bill

IRS provides guidance on Pension-Linked
Emergency Savings Account anti-abuse provisions

Relief granted for filing information found in Part
IV of Form 8308 for 2023 returns

IRS updates Notice describing how to obtain
certain exemptions from the required electronic
filing of certain entity information and tax returns

Talks Continue on Proposed Tax Bill



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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - The bill was advanced out of the House Ways & Means Committee on a 40-3 vote (3 Democrats voting no)
 - May move to the House floor on the week of January 29
 - There are still many challenges to passage, even just to clear the House of Representatives (SALT issues, Rules Committee members not thrilled with the Child Tax Credit provisions)

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<https://www.eidebailly.com/insights/blogs/2024/1/roundup20240105c>



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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - If changes begin to be made, it is very possible that will kill any chances of any of the bill becoming law, as only a bipartisan bill could become law
 - We will look at some of the key provisions of the law here, primarily the key compromise extenders and the final Title providing for funding a special 1099 change

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Titles we won’t cover
 - Increasing Global Competitiveness (US-Taiwan double taxation relief)
 - Assistance for Disaster-Impacted Communities (waiver of the 10% AGI limit on certain disaster deduction, plus additional relief)
 - More Affordable Housing (low income housing tax provisions)

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Tax Relief for Working Families (Child Tax Credit liberalized, especially the refundable portion)
 - Is not the full restoration of the ARPA refundable child tax credit many Democrats had sought
 - Liberalizes the calculation of the maximum refundable child tax credit by adding per child multipliers

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
- Tax Relief for Working Families (Child Tax Credit liberalized, especially the refundable portion)
 - Will add an inflation adjustment to the credit for 2024 and 2025
 - Election to use prior year’s earned income for 2024 and 2025
 - IRS will attempt to automatically calculate increased refunds for early filed 2023 returns

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - American Innovation and Growth - business tax extenders Republicans wanted, but only through 2025
 - Section 174 amortization of research & experimental expenses - delayed until after 2025
 - Interim years covered by new IRC §174A which allows for full expensing of such costs

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Section 174 amortization of research & experimental expenses - delayed until after 2025
 - Will be retroactive to years beginning after December 31, 2021
 - Gives amortization and capitalization elections, with special one year period to elect for 2022 returns

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Section 174 amortization of research & experimental expenses - delayed until after 2025
 - Also will add one year from enactment for taxpayers make or revoke, via an amended return, the election to claim the reduced research credit as provided in IRC §280C(c)(2) for 2022.

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- HR 7024, "Tax Relief for American Families and Workers Act of 2024," advanced by the House Ways & Means Committee, January 19, 2024
 - American Innovation and Growth - business tax extenders Republicans wanted, but only through 2025
 - Restore pre-2023 calculation of ATI for §163(j) business interest
 - Default effective date is for years beginning after December 31, 2023
 - However, can elect to apply to 2022 and 2023

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
- American Innovation and Growth - business tax extenders Republicans wanted, but only through 2025
 - 100% Bonus Depreciation
 - Extended through end of 2025
 - However, in 2026 would still have a 20% bonus depreciation amount, with 0% in 2027

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
- American Innovation and Growth - business tax extenders Republicans wanted, but only through 2025
 - §179 Expensing Amounts
 - Raise maximum expensing to \$1.29 million for 2024
 - Phase-out would be raised to begin at \$3.22 million

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Tax Administration and Eliminating Fraud
 - Increasing the dollar amount limit for issuing Forms 1099-MISC and 1099-NEC
 - For payments made in 2024 the threshold would increase to \$1,000 from \$600
 - Will also be inflation adjusted in the future

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - Tax Administration and Eliminating Fraud
 - ERTC Changes to Address Fraud
 - Generally applies to aid, assistance, and advice provided after March 12, 2020 (though there are exceptions)
 - Key issue - last day to file ERTC claims is January 31, 2024 if this passes

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- HR 7024, "Tax Relief for American Families and Workers Act of 2024," advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - *COVID-ERTC Promoter* - meets one of two tests
 - **Test 1** - charges or receives a fee for such aid, assistance, or advice which is
 - Based on the amount of the refund or credit (contingency fee)
 - More than 20% of gross receipts for the person was for COVID-ERTC documents

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 - ERTC Changes to Address Fraud
 - *COVID-ERTC Promoter* - meets one of two tests
 - **Test 2** - With respect to year advice was given
 - COVID-ERTC document receipts exceed 50% or
 - COVID-ERTC Receipts exceed 20% and total more than \$500,000 (includes aggregation)

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - COVID-ERTC Promoter Penalty
 - Penalty for aiding and abetting underpayment of tax under IRC §6701 increased from \$1,000 to a much higher amount for COVID-ERTC documents

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - COVID-ERTC Promoter Penalty
 - Penalty is the *greater* of
 - \$200,000 (\$10,000 for a natural person) or
 - 75% of the income derived (or to be derived) by the promoter related to COVID-ERTC document advice

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - COVID-ERTC Promoter Penalty
 - Knowledge test for §6701 deemed met if the promoter does not follow the required due diligence requirements added by this bill

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - Due Diligence Requirements
 - Similar to those required for EITC, HoH status, Child Tax Credit, AOTC
 - \$1,000 penalty (bigger issue is deemed meeting of the knowledge requirement for the much larger aid penalty)

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - Due Diligence Requirements
 - Only applies to advice given after the date of enactment
 - Note that this would appear to include any assistance given in an exam

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- HR 7024, “Tax Relief for American Families and Workers Act of 2024,” advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - Disclosure, client lists, etc.
 - Makes COVID assistance a listed transaction for promoter’s purposes (does not mean what they did before enactment wasn’t already a listed/reportable transaction)
 - Promoter shall be treated as a material adviser

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 - ERTC Changes to Address Fraud
 - Disclosure, client lists, etc.
 - Will need to maintain a list of clients and make it available to the IRS upon request

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- HR 7024, "Tax Relief for American Families and Workers Act of 2024," advanced by the House Ways & Means Committee, January 19, 2024
 - ERTC Changes to Address Fraud
 - 6 year statute of limitations for refund beginning on the latest of
 - Date on which original return was filed
 - The standard statutory 941 deemed filed date (April 15 of year following year quarter is in) or
 - Date on which the claim for refund or credit is made

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 - ERTC Changes to Address Fraud
 - Statute to claim the income tax refund for increased wage deduction for disallowed ERTC credit
 - Extended in same manner as the assessment
 - But likely will need to remember to separately cover this statute (likely with a protective claim when an exam starts)

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