

# Tax Update: What to watch for



VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

1

## Agenda

- Legislative Outlook
- R&E Expenditures
- Bonus depreciation
- Retirement issues
- BOI
- Miscellaneous
- Inflation adjustments



2

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

2

## Legislative outlook

- Pending legislation on numerous tax issues
- November elections for President, House of Representatives, and 33 (of 100) Senators
- Lame duck session after the elections



VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

VJP

3

## Pending legislation: H.R. 7024

**§ 174:** Would retroactively eliminate the capitalization requirement for domestic R&E expenditures paid or incurred in taxable years beginning after 12/31/21 and before 1/1/26.

**Bonus depreciation:** Would restore 100% deduction through 2025, 20% in 2026, and 0% after 2026.

**1099 reporting:** Raises 1099-MISC and 1099-NEC reporting threshold from \$600 to \$1,000, indexed for inflation after 2024. No mention of 1099-K threshold.

**ERC:** Extend statute of limitations to 6 years, increases penalties for promoters, no claims allowed after 1/1/24

**§ 179 expensing:** Immediately expense \$1.29 million for property placed in service up to \$3.22 million, indexed for inflation after 2024.

Passed House 357-70 (1/31/24), failed in Senate 48-44 (needed 60 votes) (8/1/24)

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

4

4

## But there's hope!

### Federal Tax Policy: Action Outlook

Potential Action	Democratic President		Republican President	
	DEM HOUSE DEM SENATE	DEM HOUSE GOP SENATE	GOP HOUSE DEM SENATE	GOP HOUSE GOP SENATE
Major Year End 2025 Tax Bill	Very Likely	Possible	Possible	Very Likely
Small Year End 2025 Tax Bill	Unlikely	Likely	Possible	Very Unlikely
Tax Preparer Regulation	Very Likely	Likely	Unlikely	Very Unlikely
SALT Reform (Small / Large)	Likely (Large)	Possible (Small)	Possible (Small)	Possible (Small)
Major Tax Administrative 2025 Improvement Bill	Very Likely	Very Likely	Possible	Possible
Year End 2024 Tax Bill (Wyden-Smith) (Lame Duck Consideration??)	Very Likely	Possible	Possible	Very Unlikely

H.R. 7024



AICPA

#AICPATownHall



CPA.com

5

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

5

## Research and Experimental Expenditures

For tax years beginning after 12/31/21, capitalize and amortize over 5 years (15 for foreign) beginning at the midpoint of the year paid or incurred.



6

## R&E: Implementation guidance

### Notice 2023-63

Addressed several issues for compliance including short taxable years; definition of "midpoint"; research performed under contract; allocation methods; disposition, retirement, or abandonment of property; software development; interaction with §460

Taxpayers can choose to rely on the guidance for years beginning after 12/31/21 until proposed regulations are issued (except rules for disposition of property that is contributed to, distributed from, or transferred from a partnership)

- Required to implement **all** rules in Notice if choose to rely on it

Rev. Proc. 2023-24 provides guidance for change in accounting method to comply with the new §174 rules

7

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

7

## R&E: Implementation guidance

### Notice 2024-12: modified Notice 2023-63

Provides clarification for research providers

Simplification for those who wish to rely on the Notice 2023-63 – no longer required to implement all the rules of Notice 2023-63

### Rev. Proc. 2024-9: modified Rev. Proc. 2023-24

Procedural guidance for automatic accounting method change

### Rev. Proc. 2024-34: short year returns

Some taxpayers may have more than one short taxable year during 2022 or 2023 requiring a change in accounting method

Permits automatic §174 accounting method changes in any taxable year beginning in 2022 or 2023

8

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

8

## R&E: Implementation guidance summary

Notice 2023-63 as modified by Notice 2024-12

Provides interim guidance for amortization

Adoption **not** required

Proposed regs will be based on this

Accounting method automatic change – 1<sup>st</sup> taxable year after 12/31/21

If Notice 2023-63 not adopted: File form 3115 (including required statement)

If Notice 2023-63 is adopted: Include a statement in lieu of Form 3115

Accounting method change in year after 1<sup>st</sup> taxable year

Required to file form 3115

9

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

9

## Bonus depreciation

Mandatory to use unless company elects out

Starting in 2023, bonus depreciation is reduced 20% per year over 5 years and is scheduled to disappear after 2026



10

## Retirement issues

The SECURE 2.0 Act made some significant changes to retirement plans.



VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

11

## Retirement issues

### Employer matching/nonelective contributions

- Plans under 401(a), 403(b) or 457(b) may permit a participant to designate some or all matching contributions and nonelective contributions as designated Roth contributions (to the extent that participant is fully vested in the contributions)
- Effective for contributions made after 12/29/22



12

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

12

## Retirement issues

### Elective deferrals: employees

#### High earner catch-up contributions

Roth tax treatment applies if prior year earnings > \$145,000

Effective for tax years beginning after 12/31/25

#### Increased catch-up contributions for those aged 60-63

Greater of \$10,000 (\$5,000 for SIMPLE plans) or 150% of the catch-up amount for 2024 (2025 for SIMPLE plans)

Effective for tax years beginning after 12/31/24

2024 amount \$7,500 x 150% = \$11,250 for 2025

13

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

13

## Retirement issues

### Elective deferrals: part-time workers

401(k) plans must allow employees who have worked at least 500 hours in three consecutive years beginning 1/1/21 to make elective deferrals to the plan (SECURE Act of 2019)

SECURE 2.0 added 403(b) plans to this and reduced the service requirement to two years, effective for plan years beginning after 12/31/24

Employee must be at least 21 by the end of the service requirement.  
NOTE: Employers are not required to contribute

14

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

14

## Retirement issues

### Elective deferrals: student loan payments

Employers may use these for purposes of making matching contributions (amend plan to allow). Effective for plan years beginning after 12/31/23.

Guidance provided in [Notice 2024-63](#) in a Q&A format, including examples. For plan years beginning after 12/31/24.

### Emergency savings accounts

Employers may offer non-highly compensated employees pension-linked emergency savings accounts (PLESA)

Contributions limited to \$2,500, are made on Roth-like basis, with annual matching cap of maximum account balance

Effective for plan years beginning after 12/31/23. See [DOL FAQs](#)

15

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

15

## Beneficial Ownership Information (BOI) Report

A new, non-tax reporting requirement under the Corporate Transparency Act (CTA) began January 1, 2024.



<https://www.fincen.gov/boi>

[FinCEN Small Business Resources](#)

[AICPA BOI Resource Center](#)

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

16

# BOI reporting

Enacted by the Department of Treasury's Financial Crimes Enforcement Network (FinCEN) to:

- Combat money laundering
- Make it harder for criminals to hide behind anonymous shell companies

Report identifying information "beneficial owner"

- "Beneficial owner" – someone who owns or controls at least 25% of ownership interest in or exercises *substantial control* over a reporting company
- Senior officer role; authority to appoint or remove other officers or directors; important decision maker in company finances, business, and/or structure; or any other form of substantial control not otherwise indicated in traditional corporate structure
- Full name, date of birth, current residential street address, identifying number from driver's license, passport, or state ID, and an image to provide identity

Report due:

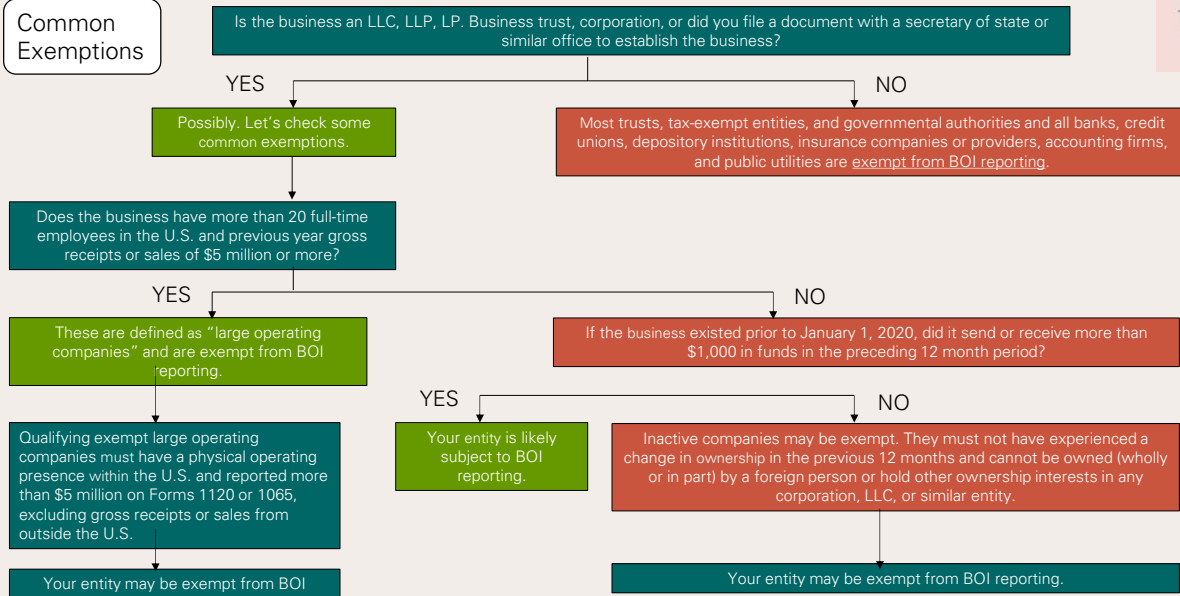
- For entities created **before** 1/1/24: by 1/1/25
- For entities created **after** 1/1/24: within 90 days of formation
- Update or correct reports within 30 days

17

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

17

## Common Exemptions



18

Source: PBMares

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

18

## Latest BOI news

### Alabama district court rules BOI reporting unconstitutional (3/1/24)

- U.S. Department of Justice has appealed to 11<sup>th</sup> Circuit Court of Appeals. Oral arguments scheduled for 9/27/24
- FinCEN will comply with district court ruling plaintiffs, but all others will have to comply

### State opinions on Unauthorized practice of law (UPL)

- MD (5/8/24): Determination of UPL is fact specific.
- NJ (7/9/24): Not UPL for straightforward entities; complex filings require lawyer's judgment
- IA (9/9/24): Not UPL to prepare and file BOI reports or to determine whether to file BOI Report

### Other court challenges pending

- AICPA has requested all enforcement actions to be suspended until one year after conclusion of all court cases

19

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

19

## Miscellaneous



VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

20



## 1099-K

Form 1099-K is used to report transactions that taxpayers execute via third-party payment systems

Original threshold (from 2008): aggregate payments exceeding \$20,000 and 200 transactions

ARP (2021): lowered threshold to \$600 (to match 1099-MISC and 1099-NEC); IRS delayed implementation for calendar years beginning before 1/1/24

For 2024: IRS plans a threshold of \$5,000 as a part of the plan to phase in the \$600 threshold

21

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

21



## Employee Retention Credit

A refundable tax credit for certain businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic (3/12/20 – 12/31/21)

- For 2020 tax periods, could file claims through 4/15/24
- For 2021 tax periods, can file claims through 4/15/25

IRS stopped processing new claims on 9/14/23. 8/8/24: Started payment processing for claims submitted before 9/14/23 and started processing claims filed 9/14/23 – 1/31/24.

**NEW** Voluntary Disclosure Program for 2021 tax periods only. Allows taxpayers to pay back incorrect ERC at a 15% discount. Open 08/15/24 – 11/22/24 ([IR-2024-213](#))

Claims can be withdrawn

22

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

22

## Overtime pay

Salaried employees earning less than the minimum compensation set by DOL are entitled to overtime pay for all time worked over 40 hours each workweek

Minimum compensation:

- Effective 1/1/20: \$35,568
- **Effective 7/1/24: \$43,888**
- **Effective 1/1/25: \$58,656**

- Effective 1/1/20: \$107,432
- **Effective 7/1/24: \$132,964**
- **Effective 1/1/25: \$151,164**

23

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

23

## Inflation adjustments

Numerous items are adjusted for inflation each year based on the average Chained Consumer Price Index for All-Urban Customers (C-CPI-U) for the 12-month period ending at certain points in the previous year (most are August 31). Expect 2025 inflation adjustment numbers in October/November.



VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

VJP

24

## Inflation adjustments (2024)

Business mileage  
rate

- 67 cents (up from 65.5 cents)

Gross receipts test

- \$30 million (up from \$29 million)

"Highly compensated  
employee"

- \$155,000 (up from \$150,000)

25

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

25

## Inflation adjustments (2024)

Passenger auto 1<sup>st</sup>  
year depreciation

- \$12,400 (up from \$12,200)

§ 179 expensing

- Immediately expense \$1.22 million (up from \$1.16 million) for property placed in service up to \$3.05 million (up from \$2.89 million)

SUV § 179  
expense

- \$30,500 (up from \$28,900)

26

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

26

## Inflation adjustments (2024)

401(k) contributions  
(under 50)

• \$23,000 (up from \$22,500)

401(k) contributions  
(50 or older)

• \$30,500 (up from \$30,000)

SIMPLE IRA  
contributions

• \$16,000 (up from \$15,500)

27

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

27

## Inflation adjustments (2024)

Transportation/parking  
(monthly)

• \$315 (up from \$300)

Contributions to health  
FSA

• \$3,200 (up from \$3,050)


Penalties – failure to file  
returns

• Partnership (per month per ptr) or S Corp  
(per month per sh) \$245 (up from \$235)

28

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

28



Questions

VJP

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

29



Thank  
you!

VJP

VIVIAN J. PAIGE, CPA, CGMA, MBA, MS

30