

2024 Mid-Year Tax Update

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Your Speakers



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New Tax Legislation

- None anticipated prior to the election.
- May see something during the lame duck session .
- Need to address Tax Cuts and Jobs Act expiration:
 - In order to remain budget neutral, many aspects of this law expire after 2025.
 - Most business tax cuts were permanent.
 - Most individual tax cuts were temporary.
 - The Qualified Business Income deduction will expire at the end of 2025.



Extender Bill (January 2024)

- Dead but here are select business items that may eventually come back:
- Tax Relief for American Families and Workers Act of 2024
 - Bonus Depreciation
 - IRC 174 – Capitalization of R&D Costs
 - IRC 163(j) – Business Interest Limitations
 - ERC – still available for 2021



ERC Update

- **Audits:** The IRS has thousands of ERC claims currently under audit.
- **Promoter investigations:** The IRS is gathering information about suspected abusive tax promoters and preparers improperly promoting the ability to claim the ERC.
- **Criminal investigations:** As of February 29, 2024, IRS Criminal Investigation has initiated more than 386 criminal cases, with claims worth almost \$3 billion.
- **Processing moratorium on new claims continues into the late spring.**



Depreciation

- Section 179 Depreciation:
 - Limit for 2024 is \$1,220,000.
 - Limit for SUV / Truck / Van with GVWR >6,000 lbs. is \$30,500.
 - Capital acquisition limit is \$3,050,000.
 - Phased out completely if capital acquisitions exceed \$4,270,000.
 - Allowed for Virginia Tax.
- Bonus depreciation:
 - Limited to 60% of acquisition cost for 2024
 - Not allowed for Virginia Tax



8308 Update

Form 8308 (Rev. 10-2023) Page **2**

Part IV Partner's Share of Gain (Loss) Required by Sections 751(a) and 1(h)(5) and (6)
The amounts in column (c) should be reported to the selling partner on their Schedule K-1 in box 20 using the relevant code.

	(a) Partnership-level deemed sale gain (loss)	(b1) Percentage interest in the partnership transferred	(b2) Number of units in the partnership transferred	(c) Partner-level deemed sale gain (loss)	K-1 box 20 code
1 Section 751(a) gain (loss)					AB
2 Section 1(h)(5) gain					AC
3 Deemed section 1250 unrecaptured gain					AD

Sign here only if you Under penalties of perjury, I declare that I have examined this return, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

- Notice 2024-19 – provides some relief for
- 1) *timely and correctly furnishes to the transferor and transferee a copy of Parts I, II, and III of Form 8308, or a statement that includes the same information, by the later of (a) January 31, 2024, or (b) 30 days after the partnership is notified of the § 751(a) exchange, and (2) furnishes to the transferor and transferee a copy of the complete Form 8308, including Part IV, or a statement that includes the same information and any additional information required under § 1.6050K-1(c), by the later of (a) the due date of the partnership's Form 1065 (including extensions), or (b) 30 days after the partnership is notified of the § 751(a) exchange.*



Beneficial Ownership Filings

- The filing is generally required for all entities that register with a Secretary of State.
- Beneficial owners include actual owners as well as significant decision makers
 - Significant decision makers would generally be CEO, CFO, COO, etc....
- Filing to include a copy of the beneficial owner's passport or driver's license.
- Additional info at: https://www.fincen.gov/boi-faqs#G_1



Beneficial Ownership Due Dates

- For entities formed prior to 01/01/2024, the initial filing is due 01/01/2025.
- For entities formed between 01/01/2024 and 12/31/2024, the initial filing is due within 90 days of formation.
- For entities formed after 12/31/2024, the initial filing is due within 30 days of formation.
- If there are changes to the Beneficial Owners, an updated filing is due within 30 days of those changes.



VA Pass-Through Entity Tax (PTET)

- This was a response to the \$10K SALT limit per TCJA.
- This was enacted in 2021 and expires at the end of 2025.
- Recognize tax at entity level to avoid limitation.
- Beginning in 2022:
 - Pay VA tax at entity level;
 - Claim a credit on the owners' VA tax return;
 - Claim a tax expense deduction on the Federal return in the year the tax was paid.



2021 VA PTET

- Virginia has finally provided guidance on how to claim the credit for 2021:
 - Needs to be filed by September 15, 2024.
 - Will allow you to pay the 2021 VA PTET with your 2023 entity tax return (amended return if previously filed).
 - Owners will report the 2021 PTET credit on their individual 2023 VA return.
 - The business will claim an additional tax deduction for the credit amount on their 2024 Federal tax return.



Individual Tax
Items for 2024



Key Indexed Items for 2024

- Standard Deduction
 - Married Filing Joint - \$29,200
 - Single - \$14,600
- Maximum Child Tax Credit for children less than 17 years old - \$2,000
- Maximum Other Dependent Tax Credit - \$500
- MAGI Phase out thresholds for Dependent Tax Credits
 - Married Filing Joint - \$400,000
 - Other - \$200,000



Key Indexed Items for 2024 (cont.)

- Maximum IRA Contribution:
 - Standard - \$7,000
 - Age 50 or Older - \$8,000
- Maximum 401(k) Elective Deferral:
 - Standard - \$23,000
 - Age 50 or Older - \$30,500
- Maximum SIMPLE deferral amount:
 - Standard - \$16,000
 - Age 50 or Older - \$19,500



Key Indexed Items for 2024 (cont.)

- Maximum Contribution to a HSA:
 - Self-Only Coverage - \$4,150
 - Family Coverage - \$8,300
 - Add \$1,000 for individuals at least age 55 by the end of the year.
- Annual exclusion for gifts - \$18,000
- Value of Unified credit if used against gift tax or estate tax - \$13,610,000



Form 7202

Sch C business

- You were subject to a federal, state, or local quarantine or isolation order related to COVID-19.
- You were advised by a health care provider to self-quarantine due to concerns related to COVID-19.
- You were experiencing symptoms of COVID-19 and seeking a medical diagnosis of COVID-19.
- You were caring for an individual who was subject to a federal, state, or local quarantine or isolation order related to COVID-19.
- You were caring for an individual who had been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
- You were caring for a son or daughter because the school or place of care for that child was closed or the childcare provider for that child was unavailable due to COVID-19 precautions.



Digital Assets

- In 2025, IRS will have new 1099-DA for digital assets.
- It's very important we report all of these now.



Energy Efficient Home Improvement Credit

- Beginning in 2023, the \$500 lifetime limit is gone, replaced with an annual limit described below:

The maximum credit you can claim each year is:

- \$1,200 for energy property costs and certain energy efficient home improvements, with limits on doors (\$250 per door and \$500 total), windows (\$600) and home energy audits (\$150)
- \$2,000 per year for qualified heat pumps, biomass stoves or biomass boilers
- The credit has no lifetime dollar limit. You can claim the maximum annual credit every year that you make eligible improvements until 2033.
- Credit is nonrefundable and cannot be carried forward.
- From: <https://www.irs.gov/credits-deductions/energy-efficient-home-improvement-credit>



Residential Clean Energy Credit

- Beginning in 2023 there is a separate credit, called the Residential Clean Energy Credit.
 - This credit is for things such as solar panels, solar water heaters, and wind turbines.
 - The credit is for 30% of the cost, with no maximum limit. So, if a taxpayer spends \$30,000 on solar panels, their credit would be \$9,000.
 - This Credit is non-refundable, but can be carried forward if it exceeds your tax liability.

• From: <https://www.irs.gov/credits-deductions/residential-clean-energy-credit>



Thank you!

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