


**2024
National Income Tax
Workbook**

Chapter 15: 2024 New and Expiring Legislation
PP 551-578



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Conservation Contributions **P.552**
TD 9999 IRC 170

The Secure 2.0 Act of 2022 disallowed deduction for contributions in excess of 2.5 times partner's relevant basis

Final regulations have been issued providing guidance on this issue:

1. Definitions
2. Methods of calculating relevant basis
3. 3 Statutory exceptions

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Definitions **P.552**

- IRC 170(f)(3)(B)(iii) defines the term "qualified conservation contribution" as a contribution (1) of qualified real property interest (2) to a qualified organization (3) exclusively for conservation purposes
- *Qualified conservation contribution* – Amount claimed on the return of the contributing partnership or S corporation for the tax year in which the contribution is made.
- *Modified basis* – Adjusted basis immediately before the qualified conservation contribution without regard to IRC §752

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Amended Returns

P.552

- If amended return filed, the disallowance rules must be reapplied
- If amended return claims a lower amount, the rules will be reapplied only if it was filed before being put on notice of an IRS audit
- If amended return claims a higher amount, and that amount now exceeds the 2.5 times the sum of the relevant bases, then the entire amount is disallowed

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Exceptions to the Disallowance Rule P.553

1. The 3-year holding period exception
2. The family pass-through exception – now includes the estate of deceased family members
3. Certified historic structure exception- Records must be maintained

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Replacement of Livestock

P.554

Notice 2023-67 explains the circumstances under which the 4-year replacement period under IRC§1033(e)(2) is extended for livestock on account of drought.

The appendix to this notice contains a list of counties that experienced exceptional, extreme or severe drought conditions.



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P.554

Beneficial Ownership Information Reporting

- On September 30, 2022, FinCen published the Reporting Rule, with an effective date of January 1, 2024
- Beneficial Ownership Information (BOI) is the identifying information of the individuals who directly or indirectly own or control a reporting entity
- An initial BOI must be filed by January 1, 2025
- A company created or registered after January 1, 2024 and before January 1, 2025 has **90** days to submit their initial BOI

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FinCEN Identifier **P.555**

FinCEN will issue a unique number to companies that have provided their BOI, which may be used in place of personal information in their BOI reports

A company may report another entity's FinCEN identifier and full legal name in lieu of the other information if 3 conditions are met:

1. The entity has obtained a FinCen identifier and provided it to the reporting company
2. Individual is a beneficial owner by virtue of interest through entity
3. Beneficial owners = owners of the reporting company

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Donor Advised Funds **P.556**
Reg 142338-08
IRC § 4958

IRC §4966 imposes excise taxes on distributions made by the sponsoring organizations from a DAF and on the agreement of certain fund managers to the making of such distributions

Proposed regulations define the DAF and taxable distribution and provide for excise taxes on that distribution

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Partnerships **P.557**
REG-131756-11

- IRC §267(a)(1) No loss deduction on the sale of property amongst related parties
- IRC §237(b)(2) Matching rule for income among related parties
- IRC §707(b)(1) Sale and exchange of property between a partnership and a 50% partner
- Proposed regulations clarify that a partnership is to be viewed as an entity rather than the aggregate of its partners so the above rules should be applied at the partnership level not the partner level

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Notice 2024-54 **P.557**
Basis Shifting Transactions

- IRS intends to issue regulations to provide rules for transactions under IRC §732, 734, 743, 755, and 1502
- These address basis-shifting transactions
- Rev Rul 2024-14 notifies taxpayers that the IRS will apply the codified economic substance doctrine to challenge inappropriate basis adjustments

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REG-133850-13 **P. 558**
IRC § 263A

Proposed regulations would modify the requirement to capitalize interest for improvements to designated property.

1. Remove the associated property rule
2. Applies only to property purchased and further produced
3. Updates the definition of improvement

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Credits **P.558**
REG-100908-23

- Inflation Reduction Act of 2022 provided increased deduction or credit amounts for taxpayers who satisfy certain requirements under §§ 30C, 45, 45L, 45Q, 48,48C, and 179D
- New credits were added under §§ 45U, 45V, 45Y, 45Z, and 48E
- Proposed regulations provide guidance to taxpayers intending to claim these increased credit or deduction amounts

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Notice 2023-65 **P. 559**
IRC §45L – New Energy Efficient Home Credit

Eligible contractors who construct or substantially reconstruct and rehabilitate qualified new energy efficient homes can claim up to \$5,000 per home.

Qualifications:

1. Build an energy efficient home in the U.S.
2. Own the home during the construction
3. Sell the home to a person to use as a residence

For 2023 and later, must be able to participate in Energy Star programs



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Notice 2024-5 **P.559**
§ 45W Safe Harbor for Clean Vehicle Credit

- Credit = Lesser of 30% of basis or incremental cost
- Incremental cost = purchase price minus cost of comparable car
- Max credit for vehicle < 14,000 lbs = \$7,500, \$40,000 for all others
- Notice 2024-5 provides a **safe harbor**, the taxpayer can rely on the Department of Energy (DOE) analysis of incremental cost.

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Withdrawal Process for Employee Retention Credit Claims IRC § 3134 **P. 560**

- Small business who have not yet received their refund can withdraw their claim.
- Claims that are withdrawn will be treated as if they were never filed, however if willfully filed, a fraudulent claim it won't exempt from criminal investigation or prosecution.

Qualifications: (all must apply)

1. They made the claim on an adjusted employment return
2. They filed the adjusted return only to claim ERC
3. They want to withdraw the entire claim
4. The IRS has not paid the claim or they have not cashed check

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Employee Retention Claims **P.560**

Taxpayers who are not eligible for the withdrawal process should do the following:

1. Contact the payroll company to withdrawal request for them.
2. Taxpayers that filed the request themselves should fax a withdrawal request to the IRS.
3. Taxpayers notified of audit can send the withdrawal request to the assigned examiner

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Announcement 2024-3, 2024-30 **P.561**
IRC §3134

Voluntary Disclosure Program

- Eliminates eligibility for ERC while allowing participant to retain a % of the claimed ERC amount
- Participants are not required to reduce wage expense with respect to any of the previously claimed ERC

Eligibility

1. Not under criminal investigation
2. IRS has not received information elsewhere about the non-compliance
3. Not under employment tax examination
4. Participant has not previously received notice and demand for repayment

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Employee or Independent Contactor P.561
Information Letter 2023-0012

- IRS declined to issue a worker classification ruling for a prospective employee.
- §3121(d)(2) defines an employee as any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee
- IRS commonly issues private letter ruling regarding this status, but cannot make a ruling based on prospective employment

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Marijuana Businesses P.562
IR-2024-177

- IR2024-177 – Marijuana remains a controlled substance subject to IRC §280E
- 280E disallows all deductions or credits in carrying on any trade or business that consists of illegally trafficking in a Schedule I or II controlled substance
- This does not prohibit a participant in the marijuana business to reduce gross receipts by properly calculated COGS.

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Individual Tax Issues

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Credits **P.563**
Notice 2023-59 IRCS 25C

IRA amended IRC §25C to allow a 30% credit for the sum that individual taxpayers pay for:

1. Qualified energy improvements installed during the year
2. Residential energy property expenditures
3. Home energy audits up to \$150

IRS has announced it will publish proposed regulations on how taxpayers can claim the home energy audits

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Clean Vehicle Credits **P.563**
REG-113064-23 IRC §§25E, 30D


- Inflation Reduction Act (IRA) provides credits for new and used clean vehicles
- Beginning January 1, 2024, credits can be transferred to entities
- Proposed regulations allows credits to transfer to the dealer to give to the customer immediately

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Rev. Proc. 2023-33 **P.563**
Clean Vehicle Credits

Provides procedures for:

- Dealers register to receive credits online
- Revocation and suspension if dealer fails to comply
- Timing and manner of submission of seller reports
- Submission of written agreements by manufacturers to be considered qualified manufacturers



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Reg-132569-17 **P.564**
IRC §48 Solar and other energy property

- IRC §48 provides a federal income tax credit for a percentage of the cost of placing specified energy property into service
- Proposed regs update the types of property that are eligible for the credit
- Provide additional requirements and rules applicable to the energy property

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Legal Advice Issued by Field Attorneys P.565

- T/P deducted bargain sale of property to a nonprofit
- Property was unsuitable for building in current condition
- Taxpayer claimed a deduction for the difference between the appraised value and the sale price
- Deduction was disallowed because there was no intent of a charitable contribution and there was nothing of value to contribute

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TD 9981 IRC §509 **P.565**
Supporting Organizations

Final regulations provide guidance on the prohibition on certain gifts or contributions to Type I and Type III supporting organizations from persons who control a supported organization.

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Digital Assets **P.565**
Rev.Proc. 2024-28

- IRC § 1012(c)(1) requires that for the sale, exchange, or other disposition of a specified security, the determination of basis must be applied on an account-by-account basis
- The IRS has provided a safe harbor for taxpayers to allocate unused basis of digital assets held within each wallet or account of the taxpayer as of January 1, 2025, using any reasonable allocation

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Digital Assets **P. 566**
TD 10000

- Final regulations require information returns on digital assets
- Real estate reporting required for those who purchase real estate with digital assets
- New option for aggregate reporting instead of transactional reporting for stablecoins
- \$10,000 overall annual de minimis threshold for stablecoin sales
- Optional aggregate reporting instead of transactional reporting for nonfungible tokens (NFTs) and a \$600 de minimis rule for NFTs

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Notice 2024-56 IRC §6045 **P.566**

- Notice 2024-56 provides transitional penalty relief for brokers who fail to file Form 1099DA in 2026 for sales of digital assets in 2025
- Must have made a good faith effort to file and furnish the form accurately
- Also provides relief from the liability of back up withholding

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Notice 2024-57 **P.566**
Sales of Digital Assets

Notice 2024-57 provides brokers are not required to report the following until further notice:

1. Wrapping and unwrapping transactions
2. Liquidity provider transactions
3. Staking transactions
4. Lending of digital assets
5. Lending of short sales of digital assets
6. Notional principal contract transactions

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Notice 2023-56 **P.567**
IRC §61

- If claimed the standard deduction state refunds not taxable
- If itemize deductions, must include only if they received a benefit
- Because of the \$10,000 SALT limit on itemized deductions, only amount t/p benefited from is included in income
- General welfare payments by states are not included as income

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Collections **P.568**
Reg-137391-16


Proposed regulations allow the IRS to choose the method for grouping property to achieve the highest sale value when selling property that has been seized.



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IR 2023-199 **P.568**

- Extends the ability of the tax professionals to use digital signatures and encrypted mail
- A list of allowable signature options is in IRM Exhibit 10.10.1-2
- IRS will allow the use of encrypted mail when a tax professional is working directly with IRS personnel



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Notice 2024-18, 2024-12 IRC §6033 P.568
Exemptions and Waivers from E-filing

- Notice 2024-18 provides guidance on how certain filers obtain administrative exemptions and waivers of the e-filing requirements
- Removes the requirement to request a religious exemption from e-filing before paper filing a business return
- Business filers must include the heading "Religious Exemption" in bold letters at the top of page 1 of the paper return

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REG-120137-19 **P.569**
IRC §6311

- IRC §6311 IRS can receive payment by any commercially acceptable means
- IRS was prohibited from paying fees when receiving payment
- Currently, IRS uses third-party processors which charge either a variable % fee or flat fee paid directly by taxpayers to the processor
- Proposed regulations remove the prohibition on the IRS paying a fee and remove the prohibition of the IRS imposing a fee
- Taxpayers would be able to pay by debit card or credit card

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Tax Pro Account P.569
IR 2023-182

Expansion of the Tax Pro Account capabilities:

1. Help manage active client authorizations on file with CAF database
2. View client's tax information
3. Withdrawal from their active authorizations online in real time

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AM 2023-006 P.569

Chief Counsel identified this scheme as a tax shelter:

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graph LR
    A[Taxpayer  
Compliance overseer] -- Leg& documents --> B[Third Party Settlor]
    B -- Earns Income --> C[Trust]
  
```

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Retirement Tax Issues P.570
Notice 2024-55, Notice 2024-28

Notice 2024-55 provides guidance on the application of exceptions to the 10% additional tax for early withdrawal.

Emergency Personal Expense Distributions

1. Medical care
2. Accident or loss of property due to casualty
3. Imminent foreclosure or eviction from primary residence
4. Burial or funeral expense
5. Auto repairs
6. Any other necessary emergency personal expenses

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Notice 2023-62 **P.570**
Secure 2.0 §604

The Secure 2.0 Act requires that employees whose wages exceed \$145,000 and make catch-up contributions to their employers 401(k), 403(b), or 457(b) designate those contributions as Roth contributions.

Notice 2023-62 provides guidance on those rules and designates a 2-year administrative transition period

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T.D. 10001 RMDs **P.571**

- Designated beneficiary must take distributions over 10 years, regardless of whether the employee had commenced distributions
- An **eligible** designated beneficiary can take payments over the life or life expectancy of the designated beneficiary or the alternative 10-year rule
- A minimum distribution is required for the calendar year of death
- The plan can designate that the 10-year rule applies, life expectancy rule applies, or allow the beneficiary to choose.

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Notice 2024-35 **P.571**
IRC §§401, 403, 408, 457

- No excise tax for failing to take RMD in certain circumstances
- Employee dies after the required beginning date, the designated beneficiary must continue to take the required RMDs with the full distribution by the end of the tenth calendar year following the employee's death
- Relief is granted for failure to take RMD in 2024 if employee died in 2020-2023

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Eligible Designated Beneficiary P.572

An eligible designated beneficiary is a designated beneficiary who, as of the date of the employee's death is,

1. Surviving spouse
2. A child of the employee who has not yet reached the age of majority
3. Disabled
4. Chronically ill
5. Not more than 10 years younger than the employee

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See-through Trust Rules P.573

Certain beneficiaries of a trust are treated as beneficiaries of the employee if the trust meets the following requirements:

1. The trust is valid under state law.
2. The trust is irrevocable or become irrevocable on death.
3. The beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the employee's benefit are identifiable.
4. The specified documentation requirements are satisfied.

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Announcement 2024-4 P.573

- IRC § 6050I requires an information report on the receipt of cash of more than \$10,000
- Section 80603(b)(3) of the Infrastructure Investment and Jobs Act included digital assets in the definition of cash
- This announcement clarifies that **at this time** digital assets are not required to be included when determining when cash received meets the reporting threshold

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Notice 2023-74 **P.574**
IRC § 6050W

- IRS delayed the \$600 Form 1099K reporting threshold for third-party settlement organizations for calendar year 2023
- Reporting will not be required unless the taxpayer receives over \$20,000 and has more than 200 transactions in 2023
- IRS is planning for a \$5,000 threshold in 2024 to phase-in the \$600 reporting threshold

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Preparer Identification Number (PTIN) P.574

- Final regulations adopt a reduction in the PTIN application or renewal fee from \$21 to \$11 (plus \$8.75 for third-party contractor)
- PTINs are required for tax returns preparers to include on returns, statements and other documents
- PTINs replace the return preparer's social security number on the documents that they must file

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Tax Transcripts **P.574**
IR-2024-136

Additional security measures are being taken for the CAF program.

- Suspension of suspected compromised CAF numbers
- When ordering transcripts, practitioners now need to call the Practitioner Priority Service (PPS) line to request transcripts be deposited into their Secure Object Repository (SOR) mailbox

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IR 2024-276

- IRS announces the launch of a new pass-through compliance unit in LB&I – Pass Through Organization (PTO)
- Teams will be assembled geographically and will include both LB&I agents and SBSE, consolidating expertise
- Removing the entity size barrier will help increase audit rates and streamline workflows

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Table of Expiration Dates **P.576**

The table on pages 576-578 gives the expiration date of various code sections and provisions.

Notice that there are many expiring in 2025.

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Questions?

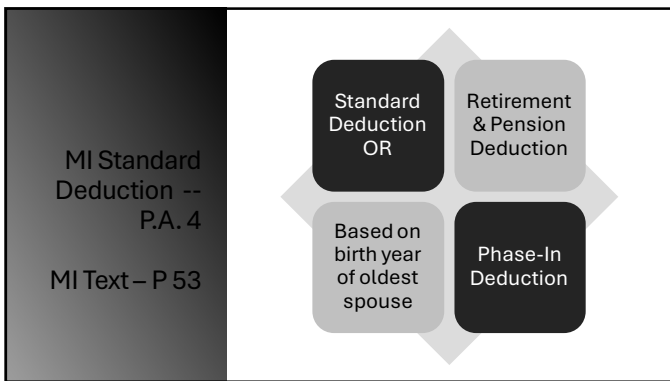
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Michigan Individual Update

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Individual Income Tax – 2024 Tax Year Updates
General
4.25% = Tax Rate
\$5,600 = Personal Exemption Amount
\$3,300 = Special Exemption
\$ 500 = Qualified Disabled Veteran Deduction
\$5,600 = Exemption for Number of Certificates of Stillbirth from MDHHS

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Michigan Standard Deduction
Taxpayers born 01/01/1946 thru 01/01/1958

| | |
|---------------------|------------------|
| \$ 20,000 Single | \$ 40,000 MFJ |
|---------------------|------------------|

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Taxpayers born before 1946

| | | |
|--------------------------------------|------------------|----------------|
| Maximum Private Retirement Deduction | \$ 64,040 Single | \$ 128,080 MFJ |
|--------------------------------------|------------------|----------------|

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Taxpayers born after 1946 & before 1963

| | | |
|--------------------------------------|------------------|---------------|
| Maximum Private Retirement Deduction | \$ 32,020 Single | \$ 64,040 MFJ |
|--------------------------------------|------------------|---------------|

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Taxpayers born in 1963 and after

Maximum Private Retirement Deduction

\$ 0 Single

\$ 0 MFJ

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Pension Deduction Summary
MI Text 54

| | |
|--|-----------|
| Single Filer | |
| (Year of Birth Deduction Limitation) | \$64,040 |
| Born before 1946: private retirement benefit limit | |
| Born in 1946-1952: Standard deduction against all income | \$20,000 |
| Born after 1952, pension not deductible* | 0 |
| (Phase-in Deduction Limitation) | |
| Born 1946 through 1958 | \$32,020 |
| Joint Filers | |
| (Year of Birth Deduction Limitation) | \$128,080 |
| Born before 1946: private retirement benefit limit | |
| Born in 1946-1952: Standard deduction against all income | \$40,000 |
| Born after 1952, pension not deductible* | 0 |
| (Phase-in Deduction Limitation) | |
| Born 1946 through 1958 | \$64,040 |
| Senior Interest, Dividend, and Capital Gains | |
| Single Filer (not available for senior born after 1945) | \$14,274 |
| Joint Filers (not available for senior born after 1945) | \$28,548 |


*Exception: Taxpayers who have reached age 62 and receive pension benefits from Social Security exempt employment with a governmental agency may be eligible for a pension deduction. See Pension and Retirement Benefits.

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Senior Interest, Dividends & Capital Gains Available for Seniors born before 1946



Single Filer = \$ 14,274



Joint Filers = \$ 28,548

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