Quickfinder®

Small Business Quickfinder® Handbook (2024 Tax Year)

Post-publication Updates

Replacement Pages for Two-Sided (Duplex) Printing

Instructions: This packet contains "marked up" changes to the pages in the *Small Business Quickfinder® Handbook* that were affected by developments after the Handbook was published.

This is a specially designed update packet for owners of the 3-ring binder version of the *Handbook* who have access to a printer that prints two-sided (duplex). Simply print the entire PDF file (make sure to select two-sided or duplex printing), three-hole punch the pages, and then replace the pages in your *Handbook*. It's that easy.

Reference Materials and Worksheets

Tab A Topics

Where to File: Business Returns Filing Addresses—2024 Returns

Note: At the time of publication, the IRS had not released the 2024 filing addresses for business returns. This information will be posted to the *Handbook Updates* section of **tax.thomsonreuters.com/quickfinder** when available.

Principal Business Activity Codes—Forms 1065, 1120, and 1120-S

Note: At the time of publication, the IRS had not released the 2024 principal business activity codes for business returns. This information will be posted to the *Handbook Updates* section of **tax.thomsonreuters.com/quickfinder** when available.

Business Quick Facts Data Sheet[1]

	2025	2024	2023	2022	2021
FICA/SE Taxes					
Maximum earnings subject to tax:					
Social Security tax	$ 176,100	$ 168,600	$ 160,200	$ 147,000	$ 142,800
Medicare tax	No Limit	No Limit	No Limit	No Limit	No Limit
Maximum tax paid by:					
Employee—Social Security	$ 10,918.20	$ 10,453.20	$ 9,932.40	$ 9,114.00	$ 8,853.60
SE—Social Security	21,836.40	20,906.40	19,864.80	18,228.00	17,707.20
Employee or SE—Medicare	No Limit	No Limit	No Limit	No Limit	No Limit
Business Deductions					
Section 179 deduction—limit	$ 1,250,000	$ 1,220,000	$ 1,160,000	$ 1,080,000	$ 1,050,000
Section 179 deduction—SUV limit (per vehicle)	31,300	30,500	28,900	27,000	26,200
Section 179 deduction—qualifying property phase-out threshold	3,130,000	3,050,000	2,890,000	2,700,000	2,620,000
Depreciation limit—autos, trucks, and vans (1st year with special depreciation)	[3]	20,400	20,200	19,200	18,200
Depreciation limit—autos, trucks, and vans (1st year with no special depreciation)	[3]	12,400	12,200	11,200	10,200
Retirement Plans					
SIMPLE IRA plan elective deferral limits:					
Under age 50 at year end	$ 16,500[4]	$ 16,000[4]	$ 15,500	$ 14,000	$ 13,500
Age 50 or older at year end	20,000[4, 5]	19,500[4]	19,000	17,000	16,500
401(k), 403(b), 457, and SARSEP elective deferral limits:					
Under age 50 at year end	$ 23,500	$ 23,000	$ 22,500	$ 20,500	$ 19,500
Age 50 or older at year end	31,000[6]	30,500	30,000	27,000	26,000
Profit-sharing plan/SEP contribution limits	70,000[4]	69,000	66,000	61,000	58,000
Compensation limit (for employer contributions to profit-sharing plans)	350,000	345,000	330,000	305,000	290,000
Defined benefit plans—annual benefit limit	280,000	275,000	265,000	245,000	230,000
***Key employee* compensation threshold**	230,000	220,000	215,000	200,000	185,000
***Highly compensated* threshold**	160,000	155,000	150,000	135,000	130,000
Estate and Gift Taxes					
Estate tax exclusion	$ 13,990,000[2]	$13,610,000[2]	$12,920,000[2]	$12,060,000[2]	$11,700,000[2]
Gift tax exclusion	13,990,000[2]	$13,610,000[2]	12,920,000[2]	12,060,000[2]	11,700,000[2]
GST tax exemption	13,990,000	13,610,000	12,920,000	12,060,000	11,700,000
Gift tax annual exclusion	19,000	18,000	17,000	16,000	15,000

[1] See Tab 3 in the *1040 Quickfinder® Handbook* for an expanded *Quick Facts Data Sheet*.

[2] Plus the amount of any deceased spousal unused exclusion and/or any restored exclusion related to lifetime gifts to a same-sex spouse—see Tab H.

[3] Amount not released by IRS at publication time; will be posted to the Handbook Updates section of **tax.thomsonreuters.com/quickfinder** when available.

[4] Beginning in 2024, this limit is increased by 10% if the employer has no more than 25 employees. For employers with 26–100 employees, higher elective deferral limits are allowed if the employer contributes either 3% of compensation or 4% of an employee's elective deferrals.

[5] $5,250 for individuals who are 60, 61, 62, or 63 in 2025.

[6] $11,250 for individuals who are 60, 61, 62, or 63 in 2025.

Types of Payments—Where to Report

Source: 2024 *General Instructions for Certain Information Returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G).*

Below is an alphabetic list of some payments and the forms to file and report them on. However, it is not a complete list of all payments, and the absence of a payment from the list does not indicate that the payment is not reportable. For instructions on a specific type of payment, see the separate instructions in the form(s) listed.

Type of Payment	Report on Form
ABLE accounts:	
—Contributions	5498-QA
—Distributions	1099-QA
Abandonment	1099-A
Accelerated death benefits	1099-LTC
Acquisition of control	1099-CAP
Agriculture payments	1099-G
Allocated tips	W-2
Alternate TAA payments	1099-G
Annuities	1099-R
Archer MSAs:	
—Contributions	5498-SA
—Distributions	1099-SA
Attorney, fees and gross proceeds	1099-MISC
Auto reimbursements—employee	W-2
Auto reimbursements—nonemployee	1099-NEC
Awards—employee	W-2
Awards—nonemployee.	1099-NEC
Barter exchange income	1099-B
Bond tax credit	1097-BTC
Bonuses—employee	W-2
Bonuses—nonemployee	1099-NEC
Broker transactions	1099-B
Cancellation of debt	1099-C
Capital gain distributions.	1099-DIV
Car expense—employee	W-2
Car expense—nonemployee	1099-NEC
Changes in capital structure	1099-CAP
Charitable gift annuities	1099-R
Commissions—employee	W-2
Commissions—nonemployee	1099-NEC
Commodities transactions	1099-B
Compensation—employee	W-2
Compensation—nonemployee	1099-NEC
Contributions of motor vehicles, boats, and airplanes	1098-C
Cost of current life insurance protection	1099-R
Coverdell ESA contributions	5498-ESA
Coverdell ESA distributions	1099-Q
Crop insurance proceeds	1099-MISC
Damages	1099-MISC
Death benefits	1099-R
Debt cancellation	1099-C
Dependent care payments	W-2
Direct rollovers	1099-Q,1099-R, 5498
Direct sales of consumer products for resale	1099-MISC, 1099-NEC
Directors' fees	1099-MISC
Discharge of indebtedness	1099-C
Dividends	1099-DIV
Donation of motor vehicle	1098-C
Education loan interest	1098-E
Employee business expense reimbursement	W-2

Type of Payment	Report on Form
Employee compensation	W-2
Excess deferrals, excess contributions-distributions	1099-R
Exercise of incentive stock option under section 422(b)	3921
Fees—employee	W-2
Fees—nonemployee	1099-NEC
Fishing boat crew members proceeds	1099-MISC
Fish purchases for cash	1099-MISC
Foreclosures	1099-A
Foreign persons' income	1042-S
401(k) contributions	W-2
404(k) dividend	1099-DIV
Gambling winnings	W-2G
Golden parachute—employee	W-2
Golden parachute—nonemployee	1099-NEC
Grants—taxable	1099-G
Health care services	1099-MISC
Health coverage tax credit (HCTC) advance payments	1099-H
Health savings accounts:	
—Contributions	5498-SA
—Distributions	1099-SA
Income attributable to domestic production activities, deduction for	1099-PATR
Income tax refunds—state and local	1099-G
Indian gaming profits paid to tribal members	1099-MISC
Interest income	1099-INT
Tax-exempt	1099-INT
Interest, mortgage	1098
IRA contributions	5498
IRA distributions	1099-R
Life insurance contract distributions	1099-R, 1099-LTC
Liquidation—distributions	1099-DIV
Loans, distribution from pension plan	1099-R
Long-term care benefits	1099-LTC
Medicare Advantage MSAs:	
—Contributions	5498-SA
—Distributions	1099-SA
Medical services	1099-MISC
Mileage—employee	W-2
Mileage—nonemployee	1099-NEC
Military retirement	1099-R
Mortgage assistance payments	1098-MA
Mortgage interest	1098
Moving expense	W-2
Nonemployee compensation	1099-NEC
Nonqualified deferred compensation:	
—Beneficiary	1099-R
—Employee	W-2
Nonemployee	1099-NEC
Original issue discount (OID)	1099-OID

Type of Payment	Report on Form
Tax-exempt OID	1099-OID
Patronage dividends	1099-PATR
Payment card transactions	1099-K
Pensions	1099-R
Points	1098
Prizes—employee	W-2
Prizes—nonemployee	1099-NEC
Profit-sharing plan	1099-R
Punitive damages	1099-MISC
Qualified longevity annuity contract	1098-Q
Qualified plan distributions	1099-R
Qualified tuition program payments	1099-Q
Real estate transactions	1099-S
Recharacterized IRA contributions	1099-R, 5498
Refund—state and local tax	1099-G
Rents	1099-MISC
Reportable policy sale	1099-LS
Retirement	1099-R
Roth conversion IRA contributions	5498
Roth conversion IRA distributions	1099-R
Roth IRA contributions	5498
Roth IRA distributions	1099-R
Royalties	1099-MISC, 1099-S
Timber—pay-as-cut contract	1099-S
Sales:	
—Real estate	1099-S
—Securities	1099-B
Section 1035 exchange	1099-R
Seller's investment in life insurance contract	1099-SB
SEP contributions	W-2, 5498
SEP distributions	1099-R
Severance pay	W-2
Sick pay	W-2
SIMPLE contributions	W-2, 5498
SIMPLE distributions	1099-R
Student loan interest	1098-E
Substitute payments in lieu of dividends or tax-exempt interest	1099-MISC
Supplemental unemployment	W-2
Tax refunds—state and local	1099-G
Third party network transactions	1099-K
Tips	W-2
Traditional IRA contributions	5498
Traditional IRA distributions	1099-R
Transfer of stock acquired through an employee stock purchase plan under section 423(c)	3922
Tuition	1098-T
Unemployment benefits	1099-G
Vacation allowance—employee	W-2
Vacation allowance—nonemployee	1099-NEC
Wages	W-2

Corporations

Tab C Topics

Basics of Corporations

Form 1120; see also IRS Pub. 542

Filing Requirements

Every corporation (except exempt—although exempt organizations that are corporations could be required to file other forms such as 990 and 990-T) must file regardless of the amount of income or loss. A corporation must continue to file until it is dissolved.

Filing deadline. For most C corporations, by the 15th day of the fourth month following the close of the tax year.

Note: For tax years beginning in 2016 or later, C corporation returns are due April 15 (or the 15th day of the fourth month following the close of a fiscal year). For corporations with a June 30 year end, the due date change will be effective for tax years beginning after 2025.

Electronic filing of Form 1120 beginning in 2024 (2023 calendar year returns) is required for C corporations that annually file 10 or more returns of any type (including information returns such as Forms 1099s, W-2s, etc.). The final regulations eliminate the e-filing exception for income tax returns of corporations that report total assets under $10 million at the end of their taxable year. However, under certain conditions, corporations can request a hardship waiver of the electronic filing requirements [Reg. 301.6011-5(b)]. Additionally, the IRS provides an administrative exemption from e-filing for taxpayers for whom using the technology required to e-file conflicts with their religious beliefs (religious exemption). Generally, taxpayers claiming the religious exemption have the option to submit Form 8508 (Application for Waiver from Electronic Filing of Information Returns). However, taxpayers filing Form 1120 claiming the religious exemption must not file Form 8508 and should instead file the tax return in paper form, printing in bold letters "Religious Exemption" at the top of page 1 (Notice 2024-18). Filers who qualify for the religious exemption are not subject to the electronic filing waiver procedure that is available to other filers. The updated electronic filing regulations are applicable to corporate income tax returns required to be filed during calendar years beginning after December 31, 2023.

Extension deadline and form number. Form 7004 extends the deadline (1) six months for calendar year C corporations, (2) seven months for June 30 year end C corporations or (3) six months for other fiscal year C corporations (Reg. 1.6081-3). An extension to file does not extend the time for paying tax.

Penalties:

- Estimated tax underpayment: see *Estimated Tax* on Page C-3.
- Failure to make tax payments utilizing authorized methods: see *Tax Payments* on Page C-3.
- Late filing penalty: 5% of the unpaid balance per month or part of a month, up to a maximum of 25% (plus any underpayment and/or late payment penalties and interest) [IRC Sec. 6651(a)(1)].
- Minimum penalty for late filing in 2025 (including 2024 tax year returns due in 2025): if a return is more than 60 days late (including extensions), lesser of $510 or 100% of the amount of tax required to be shown on the return [IRC Sec. 6651(a)].

  Note: The statutory penalty amount is indexed by a cost-of-living adjustment (COLA).
- Late payment penalty: tax not paid by due date of a return is subject to a penalty of one half of one percent per month or part of a month, up to a maximum of 25% [IRC Sec. 6651(a)(2)].

If the corporation is assessed a penalty for late payment of tax for the same period in which a late filing penalty applies, the penalty for late filing is reduced by the amount of penalty for late payment, but not below the amount of the minimum penalty for late filing discussed earlier. Penalties for late filing and late payment will not be imposed if the corporation can show the failure was due to reasonable cause. A statement explaining the reasonable cause should be attached to the tax return. For reasonable cause exceptions, see Section 20.1.1.3—Criteria for Relief From Penalties, of the Internal Revenue Manual (available at **www.irs.gov/irm**).

Beneficial ownership reporting. The Corporate Transparency Act (CTA) establishes uniform beneficial ownership information reporting requirements for certain types of corporations, limited liability companies, and other similar entities created in or registered to do business in the United States. The CTA authorizes FinCEN to collect that information and disclose it to authorized government authorities and financial institutions, subject to effective safeguards and controls. The CTA and its implementing regulations will provide essential information to law enforcement, national security agencies, and others to help prevent criminals, terrorists, proliferators, and corrupt oligarchs from hiding illicit money or other property in the United States. The CTA is part of the Anti-Money Laundering Act of 2020 (AML Act).

Note: A final rule implementing the beneficial ownership information reporting requirements of the CTA was issued in September 2022. These regulations went into effect on January 1, 2024.

Caution: Due to recent litigation, BOI reports are not currently required to be filed and are not subject to penalties for failure to file. However, reporting companies may continue to voluntarily submit BOI reports. Practitioners should continue to monitor the situation.

For more Information, See *Beneficial Ownership Information Reporting* on Page F-8.

Tax Rates on Taxable Income

The corporate tax rate is a flat 21%. This rate also applies to personal service corporations (PSCs) [see *Personal Service Corporation (PSC)* on Page F-14].

Tax rate exceptions. Personal holding companies (PHCs) are subject to a 20% tax on undistributed PHC income [see *Personal Holding Company (PHC)* on Page F-16]. C corporations may also be subject to a 20% accumulated earnings tax on accumulated taxable income (see *Accumulated Earnings Tax* on Page C-13).

Stock buyback excise tax. The Inflation Reduction Act of 2022 added IRC Sec. 4501, which imposes a nondeductible excise tax on certain repurchases of corporate stock. This includes repurchases of their own stock or having their stock acquired by certain affiliates. Final regulations, effective June 28, 2024 (TD 10002) provide guidance on the new excise tax with respect to filing and payment requirements. Generally applicable to publicly traded domestic and certain foreign C corporations, the excise tax equals 1% of the fair market value (FMV) of any stock of the corporation that's repurchased by the corporation after December 31, 2022.

Form 7208 (Excise Tax on Repurchase of Corporate Stock) will be used by affected taxpayers and attached once a year to their Form 720 (Quarterly Federal Excise Tax Return). For tax years ending after December 31, 2022 and before July 1, 2024, both forms must be filed by October 31, 2024. If a corporation has multiple tax years within this period, it should file one Form 720 with two separate Form 7208 for each tax year. For a tax year ending on or after June 28, 2024, the due date is the due date of the Form 720 for the first full quarter after that year end. The new stock buyback excise tax applies to *covered corporations* whose stock is repurchased or acquired during its taxable year by the corporation or a specified affiliate from a person who is not the covered corporation or a specified affiliate of the covered corporation. A *covered corporation* is any domestic corporation whose stock is traded on an established securities market [IRC Sec. 4501(b)]. This includes any subsidiary or partnership that's more than 50% owned, directly or indirectly, by the covered corporation [IRC Sec. 4501(c)(2)]. In some instances, the excise tax will apply to the acquisition of stock of certain foreign corporations [IRC Sec. 4501(d)].

Note: While the corporations subject to the excise tax must be publicly traded, the repurchased stock itself need not be publicly traded. So, corporations will need a means of establishing the FMV of repurchased stock that's not traded on an established market.

IRC Sec. 4501(e) provides a "de minimis" exception for stock repurchases subject to the excise tax. The excise tax does not apply where the total value of the stock repurchased during the tax year does not exceed $1 million.

Proposed regulations (REG-115710-22) clarify that the determination of whether the de minimis $1 million exception applies in a given taxable year is made before applying a reduction for a statutory exception and a reduction under the netting rule. This means a corporation may still owe tax on stock repurchases of less than $1 million if the aggregate amount of the repurchases exceeds $1 million before exceptions and netting.

The proposed regulations also provide statutory exceptions to the excise tax, namely exceptions for reorganizations under IRC Sec. 4501(e)(1). The proposed regulations also include exclusive lists of transactions both subject to and exempt from the excise tax.

Note: While TD 10002 finalized rules related to the reporting and payment requirements for the excise tax, interim guidance from proposed regulation REG-115710-22 related to the statutory netting rule and the $1 million "de minimis" exception for stock purchases has not yet been finalized.

Corporation Defined

For federal tax purposes, corporations include the following:

1) Businesses organized under a federal or state law that identifies the entity as a corporation.
2) Joint stock companies.
3) Insurance companies.
4) Certain banks.
5) Business entities wholly owned by a state or any political subdivision thereof.
6) Certain foreign business entities.

Other entities, such as publicly traded partnerships, may be treated as corporations by other Code sections.

***Check-the-box* rules.** Noncorporate entities, such as sole proprietorships and partnerships, may elect to be taxed as corporations by filing Form 8832 (Entity Classification Election).

Note: Corporations cannot elect out of corporate tax treatment. If an entity is classified as a corporation under IRS regulations, the entity must file as a corporation.

Caution: Some states have rules that classify entities for tax purposes. Not all states recognize reclassification of an entity under the check-the-box rules.

See *Check-the-Box Rules—Entity Classification Election (Form 8832)* on Page F-2 for more information.

Limited Liability

A corporation formed under state law shields owners from liability for the corporation's actions. A shareholder's risk of loss is limited to the amount invested in stock. This is in contrast to sole proprietors or general partners in partnerships, who are personally liable for debts of the business.

State laws determine an entity's liability status. A proprietor or partnership cannot receive limited liability status simply by electing to be taxed as a corporation under the check-the-box rules.

Courts have disregarded the limited liability status of corporate shareholders in the following circumstances:

- Fraud.
- Bad faith.
- Failure to observe corporate formalities.
- Need to accomplish substantial justice.

A shareholder owning 100% of the stock of a corporation is particularly susceptible to having the corporate veil pierced. Incorporating a business is not a substitute for liability insurance.

Other shareholder liability. A corporation will not protect a shareholder from liability directly linked to the individual. For example, a shareholder who personally guarantees a corporate loan is liable for repayment. Similarly, if a shareholder performs services using his own vehicle and is involved in an accident, he may be liable for damages because he owns the vehicle.

Tax Treatment of C Corporations

For federal income tax purposes, a C corporation is a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes, and distributes profits to shareholders. Income is taxed to the corporation when earned, and taxed again when distributed to the shareholders as dividends. The corporation does not receive a tax deduction for the dividends paid.

Example: Lookback Corporation is taxed at a flat 21% and its sole shareholder is in the highest individual bracket. The corporate tax on $1,000 of profits equals $210. The remaining $790 dividend will incur tax of $188 to the shareholder since he is in the highest bracket (20% individual tax rate on dividends plus 3.8% net investment income tax). This leaves $602 in after-tax profits for the shareholder and results in an effective combined tax rate of 39.8%.

Unlike S corporations and partnerships, various types of income do not retain their character as they pass from a C corporation by dividends to shareholders.

Example: The BCA Corporation received tax-exempt interest and distributed it to shareholders as taxable dividends. The fact that the money was originally tax-exempt interest is of no consequence to a shareholder. However, if the company was an S corporation or a partnership, the tax-exempt interest would retain its character as it passed through to shareholders or partners.

Schedule M-3 (Form 1120)—Reconciliation of Books With Tax Return

Domestic corporations with total assets of $10 million or more on the last day of the tax year must complete Schedule M-3 [Net Income (Loss) Reconciliation for Corporations With Total Assets of $10 Million or More]. The schedule requires detailed explanations of the transactions that create book-tax differences, and is filed in place of Schedule M-1. Schedule M-3 is filed as an attachment to Form 1120. In addition, Form 8916-A (Supplemental Attachment to Schedule M-3) is filed to reconcile cost of goods sold and interest income and expense reported on Schedule M-3. Mixed consolidated return groups (those including certain insurance companies) must also file Form 8916 (Reconciliation of Schedule M-3 Taxable Income with Tax Return Taxable Income for Mixed Groups) to reconcile Schedule M-3 with their returns (Forms 1120, 1120-L, and 1120-PC).

A corporation filing Form 1120 that is not required to file Schedule M-3 may voluntarily file Schedule M-3 in place of Schedule M-1. For these corporations, and for those that are required to file Schedule M-3 but have less than $50 million in total assets at the end of years beginning after December 31, 2017, each unrelated business activity has the potential to create an NOL that cannot be used to offset income earned in the same year from any other unrelated business activity.

NOLs [Part II, line 17 of Schedule A (Form 990-T)] created in tax years beginning after December 31, 2017 can only be deducted against the income of the same type of activity that created the NOL. While losses created in tax years beginning after December 31, 2020, generally cannot be carried back to a prior period, they can be carried forward indefinitely. These losses may only be used to offset 80% of taxable income [IRC Sec. 172(a)(2)].

Losses created after December 31, 2017 that are carried forward to 2024 are deducted on Part II, line 17 of Schedule A (Form 990-T). Enter the NOL carryover from other tax years attributable to that trade or business on line 17, but do not enter more than the amount shown on Schedule A, Part II, line 16. The IRS has published a list of frequently asked questions (FAQs) addressing the carryback of siloed net operating losses at **www.irs.gov/newsroom/faqs-carryback-of-nols-by-certain-exempt-organizations**.

Qualified Business Income (QBI) Deduction for Trusts

For tax years 2018–2025, trusts may be able to deduct up to 20% of their QBI under IRC Sec. 199A. In general, trusts compute a deductible amount for each of their trades or businesses. The deductible amount is generally 20% of the business's QBI. However, if the trust's taxable income exceeds certain threshold amounts, the deduction is limited to an amount based on the business's W-2 wages or a combination of W-2 wages and investment in qualified property (the wage/investment limit).

Calculating QBI. UBI is computed separately for each unrelated trade or business [IRC Sec. 512(a)(6)]. Consequently, QBI does not include items of income, gain, deduction, and loss from any unrelated trade or business that operated at a loss. Similarly, when computing the wage/investment limit, trusts should not include any W-2 wages or qualified property from an unrelated trade or business. Taxable income (before the QBI deduction) is the amount reported on Part I, line 7 of the Form 990-T minus the Section 512(b)(12) specific deduction reported on Part I, line 8. Unrelated trades or businesses that are not included in UBTI because they operated at a loss are not included in the QBI calculation.

Reporting the QBI deduction. The QBI deduction is reported on Part I, line 9 of the Form 990-T. Forms 8995 and 8995-A are used to compute the QBI deduction.

Observation: Tax-exempt organizations created as corporations cannot claim the QBI deduction.

Dual Use of Assets or Facilities

An asset or facility needed to conduct exempt functions may also be used in a commercial endeavor. In these cases, using the asset or facility for exempt functions does not, by itself, make the income from the commercial endeavor gross income from a related trade or business. The test is whether the activities that produce the income in question contribute importantly to the accomplishment of exempt purposes.

Example: A museum has a theater auditorium designed for showing educational films in connection with its program of public education in the arts and sciences. The theater is a principal feature of the museum and operates continuously while the museum is open to the public. Any income it generates should be related to the museum's exempt purpose and not taxable unrelated business income. However, if the organization operates the theater on a regular basis as a motion picture theater for the public when the museum is closed (and shows the same selection of first-run movies that a commercial theater would show), the income would be unrelated trade or business income.

Depreciation

For assets used in an activity that produces unrelated business income for the organization, the entity is allowed to use regular MACRS depreciation rules to claim depreciation on those assets [IRC Sec. 168(h)(1)(D)].

Allocation of Expenses

All business expenses must be allocated between UBI and exempt activities. Organizations must maintain adequate records of expenses allocated to each activity.

Elective Payment Election

The Inflation Reduction Act of 2022 allows certain tax-exempt entities to treat certain energy-related investment and production tax credit amounts for tax years beginning after December 31, 2022, as direct payments of tax ("the direct pay option") allowing exempt organizations to monetize these credits. Alternatively, these credits may be transferred to certain unrelated parties.

Note: Rev. Proc. 2024-39 grants an automatic six-month extension of time to file an original or superseding Form 990-T for a taxable year ending on any day from 12/31/23–11/30/24 in order to claim direct payments of certain energy credits.

Applicable entities may take advantage of these credits listed in IRC Sec. 6417(b), which are refundable, to reduce the tax liability arising from unrelated business activities and to claim a refund regardless of whether there is taxable income [IRC Sec. 6417(d)(1)].

The applicable credits include the following [IRC Sec. 6417(b)]:

- Section 30C Alternative Fuel Refueling Property.
- Section 45 Renewable Electricity Production Credit.
- Section 45Q Carbon Oxide Sequestration Credit.
- Section 45U Zero-Emission Nuclear Power Production Credit.
- Section 45V Clean Hydrogen Production Credit.
- Section 45W Qualified Commercial Vehicles (eligibility limited to certain exempt organizations).
- Section 45X Advanced Manufacturing Production Credit.
- Section 45Y Clean Electricity Production Credit.
- Section 45Z Clean Fuel Production Credit.
- Section 48 Energy Investment Tax Credit.
- Section 48C Qualifying Advanced Energy Project Credit.
- Section 48E Clean Electricity Investment Credit (beginning January 1, 2025).

Note: Placed-in-service date requirements apply to the credits under IRC Secs. 45, 45Q, and 45V.

Eligible entities. Generally, an applicable entity may make an elective payment election for any applicable credit determined under IRC Sec. 6417. An applicable entity includes any organization exempt from the tax imposed by subtitle A, including by reason of IRC Sec. 501(a). This includes all organizations described in Section 501(c), private foundations, social welfare organizations, labor organizations, business leagues, and others, as well as religious or apostolic organizations under IRC Sec. 501(d).

Additionally, applicable entities include states and political subdivisions such as local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, rural electric cooperatives, U.S. territories and their political subdivisions, and agencies and instrumentalities of state, local, tribal and U.S. territorial governments.

Advance registration. Electing the elective payment requires registering with the IRS through an IRS electronic portal in advance of filing the return on which the election is made. The IRS portal is available at **https://www.irs.gov/credits-deductions/register-for-elective-payment-or-transfer-of-credits**.

Observation: The pre-filing notice of the intent to claim and receive an elective payment must be submitted electronically in sufficient time to have a valid registration number (for each applicable credit property) at the time the Form 990-T is filed making the elective pay election. A valid registration number for the applicable credit property must be included on the Form 3800.

The pre-registration will include information about the organization, the applicable credits intended to earn, and each eligible project/property that will contribute to the applicable credit and other information required. Applicable entities need their own employee identification number (EIN) or tax identification number (TIN) to complete the pre-filing registration process.

Making the election. The elective payment election is made on an original annual tax return filed by the due date (including extensions) for the tax year for which the applicable credit is determined. The election cannot be made or revised on an amended return [Reg. 1.6417-2(b)(1)(ii)]. For an exempt organization, the election is made on Form 990-T. It is made by completing and attaching Form 3800, including Parts III and V (if applicable). The electing amount is then carried from Form 3800 to the appropriate line of Form 990-T. The election is generally not revocable and applies to any applicable credit for the tax year for which the election is made [Reg. 1.6417-2(b)(4)].

Determining the applicable credit. An applicable credit is determined for an applicable entity or electing taxpayer in cases where they own the underlying eligible credit property or, if ownership is not required, conduct the activities giving rise to the credit. No election may be made under IRC Sec. 6417 for any credits purchased pursuant to IRC Sec. 6418 or otherwise transferred [Reg. 1.6417-2(c)(4)].

Generally, an applicable credit is determined [Reg. 1.6417-2(c)(1)]—

- without regard to IRC Sec. 50(b)(3) and (4)(A)(i), and
- by treating any property for which that credit is determined as used in a trade or business of the applicable entity.

Note: There is no presumption that the trade or business is related or unrelated to a tax-exempt entity's exempt purpose [Reg. 1.6417-2(c)(2)(iv)].

No Double Benefit. For an applicable entity making the elective payment election for an applicable credit, this credit is reduced to zero. However, for any other tax provisions, it is deemed to have been allowed as a credit [Reg. 1.6417-2(e)].

Special Rules. Specific rules are provided in the regulations for elections related to the credit for the production of clean hydrogen and carbon oxide sequestration, as well as the advanced manufacturing production credit.

Form 990-T reporting. Form 990-T includes the following features for organizations filing to claim the Section 6417 credit:

- Item G—Organization type item includes a check box for Section "6417(d)(1)(A) applicable entity."
- Item H—Check if filing only to claim item—includes a check box for "Elective payment amount from Form 3800."
- Part III, Line 6g—Elective payment election amount from Form 3800.

Comprehensive Example

Anytown Lions Club is operated by volunteers and conducts activities meant to promote the general welfare of all citizens. Anytown also operates a charitable gaming operation (pull-tabs) using paid workers. The following Income Statement and Balance Sheet present Anytown's results for the current year.

The completed Forms 990-EZ (including pages 2 and 3 of Schedule G), 990-T, and Schedule A (Form 990-T) in the following pages illustrate the current year required annual information reporting and unrelated business income tax reporting for Anytown based on the financial results presented.

Income:

Noncash contributions – auction items	$ 4,140	Pull-tabs	$ 174,943
Interest	1,162	Fundraising events	8,921
		Total Income	**$ 189,166**

Expenses:

General:		Fundraising events:	$ 5,906
Supplies	$ 2,702	Gambling activities (pull-tabs):	
Conferences	1,294	Supplies	5,191
Dues	1,408	Rent	7,200
Federal income tax	6,335	Accounting fees	5,400
Grants	1,784	Salaries	25,999
Subtotal—General	$ 13,523	Repairs	900
		Taxes and license	22,722
		Pull-tab cash prizes	91,633
		Subtotal	$ 164,951
		Total Expenses	**$ 178,474**
		Net Excess (Deficit)	**$ 10,692**

Balance Sheet:

	Beginning of Year:	End of Year:
Cash	$ 3,513	$ 3,487
Temporary Investments	116,093	129,938
Inventory	1,813	1,487
Accounts Payable	(3,559)	(6,360)
Fund Balance	(117,860)	(128,552)

Notes

and deferred compensation paid by the qualified business during its tax year. Only include wages properly allocable to QBI. In addition, the business must file Form W-2 (and the transmittal Form W-3) reporting the wages to the Social Security Administration (SSA). For the W-2 wages to be considered for Section 199A purposes, the return must be filed on or before the 60th day after its due date (including extensions). In addition, the final QBI regulations clarify that the wages paid to officers of an S corporation and common law employees (including those paid by a third party) count for the wage/investment limit. Statutory employee compensation is not considered [Reg. 1.199A-2(b)(2)].

Methods for calculating W-2 wages. Rev. Proc. 2019-11 provides three methods for computing W-2 wages for the wage/investment limit. They are (1) the unmodified box method, (2) the modified Box 1 method, and (3) the tracking wages method.

Unmodified box method. Under this method, W-2 wages are the lesser of (1) the total entries in Box 1 of all Forms W-2 filed with the SSA or (2) the total entries in Box 5 of all Forms W-2 filed with the SSA.

Example #1: For 2024, Harbor, LLC has total Box 1 wages for all Forms W-2 filed with the SSA of $400,000 and total Box 5 wages of $450,000. Included in Harbor's total amount of wages reported in Box 1 is $10,000 of supplemental unemployment compensation benefits paid to employees during the year. Harbor also sponsors a 401(k) plan with total employee elective deferrals for the year of $25,000, which are reported in Box 12 of Forms W-2 using Code D. To keep things simple, Harbor selects the unmodified box method to calculate its W-2 wages for Section 199A purposes. Under this method, Harbor's total W-2 wages are $400,000. This is calculated as the lesser of total Box 1 entries ($400,000) or total Box 5 entries ($450,000).

Modified Box 1 method. Under this method, start with the total amounts in Box 1 of all Forms W-2 filed with the SSA. Then, subtract amounts included in Box 1 that are not wages for federal income tax withholding purposes. This would include supplemental unemployment compensation benefits under Rev. Rul. 90-72. Finally, add the total amounts reported in Box 12 of Forms W-2 that are coded D, E, F, G, and S.

Example #2: Assume the same facts as in *Example #1* on Page F-7, except that Harbor chooses the modified Box 1 method to calculate its W-2 wages for Section 199A purposes. Under this method, Harbor's total W-2 wages are $415,000. This is calculated as the total of Box 1 wages ($400,000), less the total of supplemental unemployment compensation benefits paid ($10,000), plus the total of the amounts that are reported in Box 12 using Code D ($25,000).

Tracking wages method. Under this method, W-2 wages equal all wages subject to federal income tax withholding that are reported on Forms W-2 filed with the SSA plus total amounts reported in Box 12 of Forms W-2 that are coded D, E, F, G, and S. This method must be used if the taxpayer has a short tax year. Also, include only those amounts that are paid, deferred, or contributed during the short tax year.

Example #3: Assume the same facts as in *Example #1* on Page F-7, except that Harbor selects the tracking wages method to calculate its W-2 wages for Section 199A purposes. Under this method, Harbor's total W-2 wages are $415,000. Instead of using the total of Box 1 wages reported on Forms W-2, Harbor tracks employee wages that are subject to federal income tax withholding and are reportable on Forms W-2. For 2024, this amount is $390,000. Harbor then adds the total of the amounts that are reported in Box 12 using Code D ($25,000).

The wage/investment limit doesn't apply if the taxpayer's taxable income (before the Section 199A deduction) is less than or equal to a threshold amount (for 2024, $383,900 for MFJ; $191,950 for Single, HOH, or MFS). The limit is phased in for MFJ with taxable income from $383,900–$483,900 ($191,950–$241,950 for Single, HOH, or MFS). The phase-in is computed by determining the amount by which 20% of QBI exceeds the wage/investment limit (the excess amount). The taxpayer's phased-in wage/investment limit equals the excess amount multiplied by the percentage obtained when dividing the amount of taxable income that exceeds the threshold amount by $100,000 for MFJ ($50,000 for all other filers) [IRC Sec. 199A(b)(3)(B)].

QBI Deduction—Taxable Income Thresholds (2024)

Taxable income before QBI deduction		Qualified trade or business	Specified service trade or business
MFS Single, HOH	MFJ		
$0–191,950	$0–383,900	20% deduction	20% deduction
$191,950–241,950	$383,900–483,900	Wage/ investment limit phases in	Deduction phases out
Over $241,950	Over $483,900	Subject to wage/ investment limit	No deduction

Note: The 20% deduction is limited to 20% of taxable income (excluding net capital gain).

Observation: As shown in the preceding table, no QBI deduction is allowed with regard to a SSTB if the taxpayer's taxable income before the deduction is over $483,900 for MFJ ($191,950 for Single, HOH, or MFS). For a non-SSTB, however, a deduction is allowed when taxable income exceeds the threshold amount, but is subject to the wage/investment limit.

Example: Carolyn practices law through Woodson, LLC, a disregarded single-member LLC (she reports the LLC's income on Schedule C). For 2024, she has the following:

- MFJ taxable income (before any QBI deduction) of $443,900.
- QBI from her law practice (a SSTB) of $200,000.
- W-2 wages paid to an administrative assistant of $50,000.
- No qualified property.

Because her taxable income is over $383,900 but not over $483,900, the SSTB exception is phased in. Carolyn's taxable income over the threshold ($443,900 – $383,900 = $60,000) is 60% into the phase-out range. Therefore, her applicable percentage is 40% and only $80,000 ($200,000 × 40%) of her income from Woodson, LLC is QBI. Similarly, Carolyn can only take $20,000 ($50,000 × 40%) of Woodson's W-2 wages into account to compute the deductible amount for Woodson.

Step 3—Determining the Combined QBI Amount

Once the deductible amounts for all qualified trades or businesses are calculated, those amounts are combined with 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income [IRC Sec. 199A(b)(1)]. The result is known as the combined QBI amount.

Note: If the combined REIT/PTP income amount is a loss, the QBI deduction related to such income is zero for the tax year (that is, it does not reduce a positive QBI amount from trades or businesses) [Reg. 1.199A-1(d)(3)]. Instead, the loss is carried forward and offsets combined REIT/PTP income in the succeeding tax year.

See Reg. 1.199A-3(c) for more guidance on REIT/PTP income.

Step 4—Calculating the Final Deduction

The final QBI deduction is the lesser of:

1) The combined QBI amount calculated in Step 3 or
2) 20% of the excess of taxable income before QBI deduction over the taxpayer's net capital gain [IRC Sec. 199A(a)].

This last restriction is generally referred to as the *taxable income limit*.

Note: Special rules apply when calculating the QBI deduction for patrons of agricultural or horticultural cooperatives. See *Qualified Business Income (QBI) Deduction* in Tab 6 of the 1040 Quickfinder® Handbook.

Example #1: Mike files a joint return that includes his wholly-owned LLC (Schedule C) business. His 2024 taxable income (before any QBI deduction) is $443,900. QBI from his LLC is $300,000. The business pays total wages of $100,000 and owns qualified property with an unadjusted basis of $500,000.

Since Mike's taxable income is over the $383,900 threshold amount for MFJ, but less than $483,900, his 20% QBI deduction is subject to phase-out and the wage/investment limit.

The following table shows Mike's QBI deduction, depending on whether his LLC is a qualified trade or business or SSTB.

	Qualified Trade or Business	SSTB
Filing status	MFJ	MFJ
Taxable income before QBI deduction	$ 443,900	$ 443,900
Applicable threshold amount	$ 383,900	$ 383,900
Applicable phase-out range	$ 100,000	$ 100,000
Specified service business phase-in %	N/A	40%[1]
Qualified business income (QBI)	$ 300,000	$ 120,000[2]
W-2 wages paid by business	$ 100,000	$ 40,000[2]
Qualified property	$ 500,000	$ 200,000[2]
QBI × 20% (A)	$ 60,000	$ 24,000
Wage/investment limit[3] (B)	$ 50,000	$ 20,000
Phase-in of limit % (C)	60%[4]	60%[4]
Reduction amount (D)	$ 6,000[5]	$ 2,400[5]
QBI deduction [(A) – (D)]	$ 54,000	$ 21,600
Taxable income limitation	$ 88,780	$ 88,780
Allowable QBI deduction	$ 54,000	$ 21,600

[1] 1 – [($443,900 – $383,900) ÷ $100,000].

[2] $300,000 × 40%; $100,000 × 40%; $500,000 × 40%.

[3] Greater of (a) 50% of wages or (b) 2.5% of qualified property + 25% of wages.

[4] ($443,900 – $383,900) ÷ $100,000.

[5] ($60,000 – $50,000) × 60%; ($24,000 – $20,000) × 60%.

Example #2: Assume same facts as Example #1 except that Mike's taxable income (before any QBI deduction) is $320,000. Since taxable income is less than $383,900, any business is treated as a non-SSTB, the wage/investment limit does not apply, and the QBI deduction is simply 20% of $300,000, or $60,000.

Note: The 20% of taxable income limitation could impact the allowable deduction—see *Step 4—Calculating the Final Deduction* on Page F-7.

Example #3: Assume same facts as Example #1 except that Mike's taxable income (before any QBI deduction) is $500,000. Since taxable income is more than $483,900 ($383,900 + $100,000 phase-out range), no QBI deduction is allowed for a SSTB. Therefore, Mike's QBI deduction calculations would be as follows:

	Qualified Trade or Business	SSTB
Filing status	MFJ	MFJ
Taxable income before QBI deduction	$ 500,000	$ 500,000
Applicable threshold amount	$ 383,900	$ 383,900
Applicable phase-out range	$ 100,000	$ 100,000
Specified service business phase-in %	N/A	0%[1]
Qualified business income (QBI)	$ 300,000	$ 0[2]
W-2 wages paid by business	$ 100,000	$ 0[2]
Qualified property	$ 500,000	$ 0[2]
QBI × 20% (A)	$ 60,000	$ 0
Wage/investment limit[3] (B)	$ 50,000	$ 0
Phase-in of limit % (C)	100%[4]	0%
Reduction amount (D)	$ 10,000[5]	$ 0
QBI deduction [(A) – (D)]	$ 50,000	$ 0
Taxable income limitation	$ 100,000	$ 100,000
Allowable QBI deduction	$ 50,000	$ 0

[1] 1 – [($500,000 – $383,900) ÷ $100,000] (but not less than 0).

[2] $300,000 × 0%; $100,000 × 0%; $500,000 × 0%.

[3] Greater of (a) 50% of wages or (b) 2.5% of qualified property + 25% of wages.

[4] ($500,000 – $383,900) ÷ $100,000, limited to 100%.

[5] ($60,000 – $50,000) × 100%.

Other Considerations

Keep the following in mind when calculating the QBI deduction:

- The deduction applies only for income tax purposes—it doesn't reduce self-employment tax [IRC Sec. 199A(f)(3)].
- The deduction isn't taken into account in determining adjusted gross income (AGI) [IRC Sec. 62(a)]. However, the deduction (1) can be taken by taxpayers who don't itemize deductions and (2) may be taken into account in determining withholding allowances.
- For AMT purposes, QBI is determined without regard to any adjustments under IRC Secs. 56 through 59 [IRC Sec. 199A(f)(2)].

Note: IRS FAQs are available at **www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-qualified-business-income-deduction-faqs**.

Accuracy-Related Penalty

For taxpayers claiming the Section 199A deduction, the 20% accuracy-related penalty for a substantial understatement of tax applies if the understatement is more than the greater of 5% (rather than the customary 10%) of the tax required to be shown or $5,000 [IRC Sec. 6662(d)(1)(C)].

Observation: This change to the penalty indicates that Congress is aware of the potential for gamesmanship and is attempting to discourage aggressive positions with respect to the deduction. This may be an issue particularly for taxpayers trying to claim that their SSTB is a non-SSTB.

Beneficial Ownership Reporting

The Corporate Transparency Act of 2020 (CTA), enacted January 1, 2021, created new reporting requirements relating to the beneficial owners of certain companies doing business in the U.S. The Financial Crimes Enforcement Network (FinCEN) issued final regulations on September 30, 2022 that became effective on January 1, 2024. The new rules are intended to protect U.S financial systems from criminal use by providing information to national security, intelligence, and law enforcement agencies to help prevent the use of so-called shell companies to launder money or hide assets.

According to the preamble to the regulations, shell companies are typically nonpublicly traded corporations, LLCs, or other types of entities with no physical presence and little to no economic value. They can be used to carry out financial transactions while concealing their owners' involvement. Some shell companies are used to engage in criminal activity, such as money laundering, human and drug trafficking, tax or financial fraud, terrorism financing, or other illegal activity. Currently, the data available to law enforcement about who owns and operates businesses is generally limited to what is collected when the entity is created. The majority of states do not require detailed information about ownership or control when a company is formed.

The new reporting requirements aim to increase transparency and create a centralized database with beneficial ownership information, hindering the ability for criminals to use shell companies for illegal activity.Tax professionals should be prepared by understanding which of their clients will be subject to the new reporting requirements and what information will need to be reported beginning in 2024. The report can be filed either by uploading a PDF or filling out the online report. The report and online filing platform can be accessed at **https://boiefiling.fincen.gov/fileboir**. The website has helpful guidance with includes a Quick Reference Guide and Step-by-Step Instructions on how to file the report.

Caution: Due to recent litigation, BOI reports are not currently required to be filed and are not subject to penalties for failure to file. However, reporting companies may continue to voluntarily submit BOI reports. Practitioners should continue to monitor the situation.

Filing Requirements

Both domestic and foreign reporting companies are subject to the new beneficial ownership reporting requirements. A domestic reporting company is a corporation, LLC, or any other entity created

<table>
<tr><th colspan="4">2024 Employer and Self-Employed Retirement Plan Chart</th></tr>
<tr><th>Defined-Benefit</th><th>Defined-Contribution (Profit-Sharing)</th><th>401(k)</th><th>403(b)</th></tr>
<tr><td colspan="3">Any employer.</td><td>Tax-exempt religious, charitable, or educational organizations.</td></tr>
<tr><td colspan="3">Employees at least age 21 with one year of service (1,000 hours).</td><td>Employees[7] who work 20 or more hours per week, do not participate in another 401(k), 457 or 403(b) plan, and will contribute more than $200 per year.</td></tr>
<tr><td>Actuarially determined contribution. Maximum benefit payout limited to 100% of average compensation for the three consecutive years of highest compensation (limited to $345,000), but not to exceed $275,000.[8]</td><td>Contributions per participant up to lesser of 100% of compensation or $69,000. Employer deduction limited to 25% of aggregate compensation (limited to $345,000 per employee) for all participants (20% of net SE income after SE tax deduction for self-employed).[8]</td><td>Employee elective deferrals limited to $23,000 (additional $7,500 if age 50 or older at end of the year). Employer deduction limited to 25% of combined wages of all employees (elective deferrals do not reduce wages for the 25% limit). Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or $69,000 (additional $7,500 for employees age 50 or older by year-end).[8]</td><td>Employee elective deferrals limited to $23,000 (additional $7,500 if age 50 or older at end of the year). Special formula applies to additional employer contributions based on years of service. Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or $69,000 (additional $7,500 for employees age 50 or older by year-end).[8]</td></tr>
<tr><td colspan="4">10% of distribution. (See Exceptions to 10% Additional Tax on Withdrawals Before Age 59½ on Page K-6.)</td></tr>
<tr><td colspan="4">For self-employed and >5% owners, by April 1 of the year following the year the account owner turns age 73. For all other employees, April 1 of the year following the year the account owner turns age 73 or retires, whichever is later.[9]</td></tr>
<tr><td colspan="2">Return due date, including extensions for profit-sharing plan contributions. 8½ months after year-end for defined benefit plan contributions.
Note: Qualified retirement plans adopted after the close of a tax year but before the due date (including extensions) of the tax return may be electively treated as having been adopted on the last day of the tax year.</td><td colspan="2">For employer contributions, return due date including extensions.[10]
Note: Qualified retirement plans adopted after the close of a tax year but before the due date (including extensions) of the tax return may be electively treated as having been adopted on the last day of the tax year.</td></tr>
<tr><td>Yes</td><td>No</td><td colspan="2">Generally no.</td></tr>
<tr><td colspan="4">Yes, if plan permits. Must pay back in five years (unless used to buy a principal residence). Qualified plans are prohibited from making plan loans through credit cards or similar arrangements.</td></tr>
<tr><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes</td></tr>
<tr><td colspan="2">Employers are subject to a 10% excise tax on nondeductible (excess) contributions, unless an exception applies.</td><td colspan="2">Employee's elective deferral: No excise or income tax if 2024 excess is withdrawn by April 15, 2025 (but allocable earnings are taxable in year withdrawn). If not withdrawn by April 15, 2025, excess is taxed twice—once in the year of excess contribution and again when distributed because no cost basis is allowed for excess contribution.
Employer's contribution: 10% excise tax on excess contributions (resulting from plan failing average deferral percentage test) unless distributed (with earnings) to highly compensated employee(s) within 2½ months after the close of the plan year (taxable to employee in year of deferral). Failure to distribute excess within 12 months after close of plan year results in plan failing to qualify for that plan year and all subsequent plan years for which the excess contributions remain uncorrected.</td></tr>
</table>

[7] Includes self-employed ministers.

[8] Nondiscrimination rules may affect contributions/deferrals for certain employees. For plan years beginning after 2019, the maximum default rate for automatic safe harbor enrollment increased from 10% to 15%. However, the rate remains at 10% for the initial year that the deemed election applies to a participant.

[9] SECURE 2.0 increases the age at which RMDs must begin from 72 to 75 over a phased-in period. Taxpayers who have not attained age 72 as of January 1, 2023, must begin RMDs at age 73; taxpayers who have not attained age 74 as of January 1, 2033, must begin RMDs at age 75.

[10] The Tax Code does not specify when the employer is required to deposit employee elective deferrals into the employee's account. However, under ERISA regulations, employee elective deferrals must be contributed to the employee's 401(k) plan account as soon as reasonably can be segregated from the employer's general assets, but not later than the 15th business day of the month immediately after the month in which the contributions either were withheld or received by the employer.

Advantages to Employer and Self-Employed Plans

Qualified plans, SEPs, and SIMPLEs:

- Contributions are generally tax deductible by the contributor and tax deferred for the plan participant. Earnings on contributions are tax deferred until withdrawn.
- Maximum contributions (including SEPs and SIMPLEs) are generally greater than IRAs.

SEPs and SIMPLEs:

- Easy to set up and maintain.
- Allow plan participant to choose how funds are invested as opposed to a plan administrator through employer.
- Participant is always 100% vested in the plan.

SEPs:

- No annual reporting requirements; easy to administer.
- Do not require recurring contributions.

SIMPLEs: Similar to 401(k) employee elective deferral and employer matching, without complex nondiscrimination and "top-heavy" rules.

401(k) and 403(b) plans:

- Employers allowed to match employee contributions; employee is generally fully vested sooner than with other qualified plans.
- Plan is managed by professionals.
- Easy for employees—contributions through payroll reductions.
- Certain tax-free borrowing from plan is permitted.

Exceptions to 10% Additional Tax on Withdrawals Before Age 59½

Note: Distributions treated as a return of nondeductible contributions, distributions of excess contributions or deferrals, and distributions of excess aggregate contributions to meet nondiscrimination requirements are not subject to the 10% additional tax.

Exception No. to Enter on Form 5329	Applies to distributions from:	Exception
01	Qualified plan	Distribution made to an employee after separating from service in or after the year he reaches age 55 (age 50 for qualified public safety employees).
02	Qualified plan or IRA	Distribution is part of a series of substantially equal periodic payments made over the life expectancy of the participant or joint lives of participant and their beneficiary.
03	Qualified plan or IRA	Distribution made due to total and permanent disability.
04	Qualified plan or IRA	Distribution made due to death.
05	Qualified plan or IRA	Distribution to the extent the individual's unreimbursed medical expenses exceed 7.5% of their AGI.
06	Qualified plan	Distribution made to an alternate payee pursuant to a qualified domestic relations order (QDRO).
07	IRA	Distribution to pay for health insurance premiums for certain unemployed individuals.
08	IRA	Distribution to the extent of the qualified higher education expenses for the year of the taxpayer, spouse, child, or grandchild.
09	IRA	Distribution for first-time home purchases (no home ownership in prior two years). Exception limited to $10,000 (lifetime).
10	Qualified plan or IRA	Distribution due to an IRS levy on the qualified plan or IRA. The exception will not apply if funds are withdrawn to avoid a levy or to satisfy a levy on other property.
11	Qualified plan or IRA	Distribution to reservists while serving on active duty for at least 180 days.
12	Qualified plan or IRA	Distribution incorrectly indicated as early by code 1, J, or S in box 7 of Form 1099-R.
13	457 plan	Distribution from a Section 457 plan, which isn't a rollover from a qualified plan.
14	Qualified plan	Distribution from an employer plan to an employee (1) who separated from service on or before 3/1/86; (2) who as of 3/1/86, had his entire interest in pay status under a written election providing a specific schedule for the distribution of the entire interest; and (3) whose distribution is being made under the written election.
15	Qualified plan	Distribution that is dividend paid with respect to stock described in IRC Sec. 404(k).
16	Qualified plan or IRA	Distribution from annuity contract that is allocable to investment in the contract before 8/14/82. See Pub. 575 for additional exceptions that apply to annuities.
17	Qualified plan	Distribution of phased retirement annuity payments to federal employees. See Pub. 721.
18	Qualified plan	Permissible withdrawals under IRC Sec. 414(w).
19	Qualified plan or IRA	Distribution for the birth or adoption of a child (up to $5,000 per parent, per child).
20	Qualified plan or IRAs	Distribution due to terminal illness on or after December 29, 2022.
21	IRAs	Corrective distributions made on or after December 29, 2022, excess contributions and income allocable to the excess contributions distributed before the due date of the tax return (including extensions).

Note: SECURE 2.0, a part of the Consolidated Appropriations Act, 2023, exempts from the 10% additional tax on early distributions from qualified plans and IRAs up to $22,000 for *qualified disaster recovery distributions* made within 180 days of a federally declared disaster occurring on or after January 26, 2021 [IRC Sec. 72(t)(2)(M) and (t)(11)]. Distributions are reported on Form 8915-F and included in income ratably over a three-year period, but can be repaid within three years and not included in income.

Court Case: A manufacturer processed trees at lumber and paper mills. Before the trees were fully mature and ready for harvest, they were damaged by storms, fire, and insects. Instead of selling the damaged trees as is, the taxpayer processed the trees and sold the products manufactured from the damaged trees. The taxpayer claimed involuntary conversion and deferred the portion of the gain attributable to the difference between the basis in the trees and their FMV prior to salvage of the trees began.

The IRS argued the taxpayer had processed the trees into end products in the ordinary course of business and was not entitled to involuntary conversion treatment. The Court disagreed and allowed the taxpayer to defer a portion of the gain because the conversion was involuntary and the trees were not available for their original intended business use [*Willamette*, 118 TC 126 (2002)].

Federally declared disaster. For purposes of the involuntary conversion rules, a special allowance applies to property destroyed in a federally declared disaster area [IRC Sec. 1033(h)]. If business or income-producing property is destroyed in such an area, any tangible replacement property acquired for use in a business qualifies as "similar or related in service or use." This relaxed definition for replacement property allows business owners to postpone gain when starting a new business, even if the new business is different from the one operated before the disaster.

Replacement period. To postpone the gain, the property must be replaced within a specified period of time [IRC Sec. 1033(a)].

Replacement period begins on the earlier of:

1) Date on which the condemned property was disposed of or
2) Date on which the threat of condemnation began.

Replacement period ends two years after the close of the first tax year in which any part of the gain on the conversion is realized. *Exceptions:* Three-year replacement period for real property used in a trade or business or for investment. Four-year replacement period for certain forced sales of livestock due to weather-related conditions, which may be extended further for taxpayers affected by severe drought [IRC Sec. 1033(e); Notice 2006-82].

Property acquired from related parties. Certain taxpayers must recognize gain on involuntary conversions if the replacement property is acquired from a related party, including [IRC Sec. 1033(i)]:

1) C corporations,
2) Partnerships in which C corporations own more than 50% of the capital or profits interest, and
3) Any other taxpayer, including individuals, if the realized gain is greater than $100,000.

Exception: Recognition of gain under these rules will not apply if the related party acquired the replacement property from an unrelated party during the replacement period. For definitions of related parties, see IRC Secs. 267(b) and 707(b)(1).

Electing to defer gain. A taxpayer is not required to defer recognition of gain on an involuntary conversion, but rather is allowed to elect to either defer recognizing the gain or recognize it in the current year. The election to defer the gain from income in the current year is made by excluding the deferred gain from income and attaching a statement to the return reporting all details of the conversion [Reg. 1.1033(a)-2]. Including the gain in income in the year of sale is an election to recognize the gain in that year.

See Tab 9 of the *Depreciation Quickfinder® Handbook* for more information on involuntary conversions.

Casualties

For 2018–2025, personal casualty losses in excess of personal casualty gains are deductible only if attributable to a federally declared disaster and are subject to AGI and dollar thresholds. Casualty losses on business property (other than employee property) and income-producing property are not subject to these limits. See Tab 5 in the *1040 Quickfinder® Handbook* for discussion of personal casualty losses and Tab 4 in the *Individuals—Special Tax Situations Quickfinder® Handbook* for an expanded discussion of disaster victims.

Disaster losses. A casualty loss occurring in, and attributable to, a federally declared disaster can be deducted in the year the disaster occurred or in the year preceding the loss [IRC Sec. 165(i)]. The election must be made on or before the date that is six months after the original due date for the taxpayer's federal tax return for the disaster year (without extensions). The taxpayer need not request a filing extension for the disaster year to benefit from this due date. The taxpayer makes the election to deduct the loss in the preceding tax year by deducting the loss on an original (if not yet filed) or amended return for the preceding year and attaching a specified election statement to the return. The election can be revoked within 90 days of its due date (Reg. 1.165-11; Rev. Proc. 2016-53).

See IRS Pubs. 547 (Casualties, Disasters, and Thefts) and 584-B (Business Casualty, Disaster, and Theft Loss Workbook) for additional discussion.

Condemnations

A condemnation is the process by which private property is legally taken for public use without the owner's consent. It is, in a sense, a forced sale with the owner as the seller and the condemning authority as the buyer.

To be a condemnation, one of the following must occur (Rev. Rul. 63-221):

1) *Threat of condemnation.* Official authorized to acquire property for public use informs the owner that there is a plan to acquire the property.
2) *Reports of condemnation.* Owner learns through the media that his property will be acquired for public use, and this report is confirmed by a representative of the government body or by the public official involved.

Example #1: Frank owns property along a public utility line. The utility company has the authority to condemn Frank's property. They notify Frank that they intend to acquire his property by negotiation or condemnation. Frank's property is under threat of condemnation when he receives their notice.

Example #2: Stan received a health department notice stating that his apartment building will be condemned unless repairs are made. His property is not under threat of condemnation because the notice does not relate to a condemnation of private property for public use.

Voluntary sales. If the taxpayer's property is under threat of condemnation, the taxpayer sells the property to someone other than the condemning authority, the buyer knows about the threat of condemnation and the buyer sells it to the condemning authority, such a *forced sale* also qualifies as a condemnation (Rev. Rul. 81-180).

A voluntary sale of property may be treated as a condemnation if the property had a substantial economic relationship to other property that is condemned. It must be shown that the two properties were one economic unit; suitable nearby property of a like kind to the condemned property is not available to continue doing business as before; and the sale proceeds must be used to acquire like-kind property (Rev. Rul. 59-361). The taxpayer must own both properties before the condemnation.

Easements

An easement is a legal right or privilege that one has in another's land, as the right of way. Granting or selling an easement is usually not a taxable sale of property, since legal title to the property has not changed hands. Instead, the amount received for the easement is subtracted from the basis of the property. If the amount received is more than the taxpayer's basis in the property, the excess is taxable as recognized gain. However, if a taxpayer transfers a perpetual easement for consideration and does not keep any beneficial interest in the property affected by the easement, the transaction is treated as a sale of property. If the easement affects only a specific portion of a tract of land, only the basis properly allocable to the affected portion is considered in determining gain or loss (Rev. Ruls. 59-121 and 68-291).

Example: Bruce purchases a 600-acre farm for $60,000. An easement of 20 acres is granted to an electric company for construction of a pole line. The basis of the easement for purposes of determining gain or loss is $2,000 [(20 acres ÷ 600 acres) × $60,000].

The character of a taxpayer's gain or loss from transferring a perpetual easement depends on how he used the land (trade or business, investment, etc.). The easement's holding period is measured by the land's holding period. If, for example, the property is used in a trade or business and held for more than one year, it is Section 1231 property and the easement gain is long-term.

If a taxpayer grants an easement under threat of condemnation, it is considered to be a forced sale, even though the taxpayer keeps the legal title to the property. The gain or loss is treated as a gain or loss from a condemnation.

If the taxpayer grants an easement for a finite term following which the easement would revert to the taxpayer, the transaction is a lease and not a sale [*Gilbertz*, 59 AFTR 2d 87-424 (10th Cir. 1987)].

Conservation easements. A landowner who grants a conservation easement (also known as a qualified conservation contribution) is eligible for a charitable contribution deduction [IRC Sec. 170(h)]. The allowable deduction is generally the amount by which the FMV of the property drops as a result of the easement. To qualify, easement rights must be granted in perpetuity and must be granted to a qualified organization such as a governmental unit or local land trust.

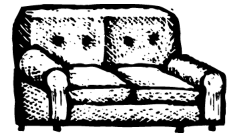
The easement must also be granted for a qualified conservation purpose, such as:

1) Preservation of land areas,
2) Protection of natural habitat,
3) Preservation of historically important areas or structures, or
4) Preservation of open space.

Under Reg. 1.170A-14, *preservation of open space* includes easements granted "for the scenic enjoyment of the general public." Physical access to the property does not necessarily need to be granted, and the entire property does not need to be visible. For these reasons, a taxpayer with a view may realize tax benefits from granting a conservation easement without sacrificing enjoyment of owning the property.

Special rules for qualified conservation contributions. Qualified conservation contributions that are not deductible because of the applicable percentage-of-income limitation on total contribution deductions have a 15-year carryover period (rather than the usual five-year carryover period). For individual taxpayers, a conservation contribution is taken into account for purposes of the 50%-of-AGI-limitation (versus only 30% under the normal rules) base (100% in the case of qualified farmers and ranchers) only after taking into account all other contributions (which are subject to the five-year carryover period), saving this contribution for deduction in later years (Notice 2007-50). The special 100% limit also applies to corporate qualified farmers and ranchers for whom it is especially beneficial, as deductibility of donations by corporations is generally limited to 10% of taxable income [IRC Sec. 170(b)(1)(E) and (b)(2)(B)].

Caution: The IRS has announced that conservation easement transactions involving syndication of interests in pass-through entities and similar transactions are listed transactions (that is, presumed tax shelters) and therefore, they must be disclosed by the participants (investors) claiming a share of the charitable contribution deduction (TD 10007, Notices 2017-10, 2017-29, 2017-58; Ann. 2022-28; Reg. 1.6011-9). IRC Sec. 170(f)(19) and (h)(7) provide specific reporting requirements for, and deduction limitations on, qualified conservation contributions made by pass-through entities after December 29, 2022.



IRC Sec. 170(h)(7) disallows the deduction for an otherwise qualified conservation easement contribution made by a partnership, S corporation, or other PTE if the amount of the contribution exceeds 2.5 times the sum of each partner/shareholder's relevant basis in the entity. Generally, *relevant basis* means the portion of the partner/shareholder's modified basis in the entity that is allocable to the portion of the real property for which the contribution is made.

There are three exceptions to which the disallowance does not apply:

1) The contribution is made at least three years after the real property holding the easement was acquired, or if later, three years after any PTE owner acquired their interest in the PTE. For tiered partnerships, the three-year time threshold begins on the latest date the lower-tier interest is acquired by an upper-tier interest, or if later, the latest date any partner acquired an interest in any upper or lower-tier partnership.
2) The contribution is made by a PTE where substantially all of the interests are held by members of a family. Family members include an individual and their spouse, child (and descendant) sibling (including stepsibling), parent (including stepparent), niece, nephew, aunt, uncle, ancestor, or in-law.
3) The contribution is made to preserve any building that is a certified historic structure. However, any such contribution that exceeds the 2.5 times rule is subject to additional reporting to the IRS.

Abandonment or Worthlessness of Investment Property—Ordinary vs. Capital Loss

Sale of investment property at a loss is generally subject to capital loss limits. However, if nondepreciable investment property is abandoned or becomes worthless, the transaction may be eligible for deduction as an ordinary loss (Reg. 1.165-2).

Under the Regulations, ordinary loss treatment for worthless or abandoned property applies to transactions that do not constitute a sale or exchange, even if the property is a capital asset.

Establishing abandonment. A taxpayer must show intent to abandon an asset and must overtly act to abandon it. Under Reg. 1.165-1(b), the loss must be evidenced by closed and completed transactions, fixed by identifiable events and actually sustained during the tax year. For example, a taxpayer who deeded property to the taxing authorities was found to have abandoned the property [*Jamison*, 8 TC 173 (1947)].

Dispositions must be carefully structured to achieve the desired tax effects. For example, a loss on investment property that is properly abandoned is treated as an ordinary loss. However, if the same property is sold for $1, the loss is subject to capital loss limits.

Prior to enactment of the TCJA, an individual's deduction for abandonment or worthlessness of investment property was taken as a Section 165(a) miscellaneous itemized deduction on Schedule A of Form 1040, subject to the 2%-of-AGI floor. These deductions are

(5) address of a reporting company with no principal place of business in the U.S.
(6) subsidiaries partially controlled by an exempt and non-exempt entity do not qualify for the subsidiary exemption.
(7) how FinCEN identifiers are used.

Litigation

On March 1, 2024, a U.S. District Court ruled that the CTA was unconstitutional because it "exceeds the Constitution's limits on the legislative branch and lacks a sufficient nexus to an enumerated power to be a necessary or proper means of achieving Congress' policy goal." In this instance, the plaintiffs, National Small Business Association (NSBA) and an NSBA member, sued the Treasury Department after FinCEN issued the final rule, alleging that the mandatory disclosure requirements exceed Congress' authority under Article I of the Constitution and violate the First, Fourth, Fifth, Ninth, and Tenth Amendments. In its conclusion, the Court ruled in favor of the plaintiffs and prohibited FinCEN from enforcing the CTA against them. Currently, FinCEN is not currently enforcing the CTA against the plaintiffs involved in the case. Specifically, FinCEN will not require the NSBA or members of the NSBA as of March 1, 2024, to provide BOI information "at this time." On March 11, 2024, Treasury filed a Notice of Appeal, confirming that FinCEN is not in agreement with the limited enforcement currently in place.

While the appeal is being determined in the Eleventh Circuit, additional cases have been brought in other jurisdictions. Most of these cases are pending the outcome of the appeal in the NSBA case. In addition to the lawsuits challenging the CTA, legislation was recently introduced by Senator Tommy Tuberville (R-AL) and Representative Warren Davidson (R-OH) to repeal the CTA, posing additional uncertainty to the fate of the CTA in the wake of the ruling in the NSBA case. There has been no legislative action on these bills since their introduction. The American Institute of Certified Public Accountants (AICPA) and many state CPA organizations have written to the Department of Treasury asking that enforcement of the CTA reporting requirements be suspended until one year after all the court cases have been resolved. The concern is that many small businesses will still potentially be caught off guard with the CTA reporting requirements based on the confusion surrounding the meaning of the court cases and the introduced legislation.

Caution: Due to recent litigation, BOI reports are not currently required to be filed and are not subject to penalties for failure to file. However, reporting companies may continue to voluntarily submit BOI reports. Practitioners should continue to monitor the situation.

A Pratitioner's Liability

Due to the impact of BOI on many small and midsize businesses as well as sole practitioners, a client's first thought might be to turn to their tax practitioner for advice on BOI reporting. Practitioners who decide not to provide BOI services could potentially face professional liability risk for a client's noncompliance in certain situations. If a client is penalized for noncompliance, they may blame the practitioner for failing to advise them about the filing requirements. To help reduce this risk, consider sending a general client notice by letter or email alerting your clients to the BOI reporting requirements. Be sure to retain copies of the letter/emails and proof of distribution. If you plan not to provide CTA services, state this in all engagement letters stating that CTA services will not be provided. A simple statement that BOI reporting is not within the scope of the engagement and that the client is responsible for compliance with the CTA including BOI reporting should suffice. Also, provide information regarding the BOI reporting requirements and a link to the FinCEN website for reference. Advise your clients to consult legal counsel regarding the applicability of the CTA to their business. If compelled to provide a high-level response of a general nature in response to a client question, be sure to follow up the advice with written documentation to the client advising them of the limitations of your advice and direct the client to retain a qualified professional for a more detailed response. Providing technical or interpretive advice on the CTA may rise to the practice of law. The "practice of law" is defined by the states, and many have an express prohibition against the unlicensed practice of law. Accountants have a limited grant to "interpret" tax law under Title 26 of the U.S. Code (the Internal Revenue Code) via Treasury Circular No. 230 and state accountancy statutes. It is unclear whether interpretation of CTA statutes, which are under Title 31 of the U.S. Code (Money and Finance) is similarly permissible. Depending on a client's fact pattern, CTA compliance may require affected entities to obtain legal advice and analysis. If a non-attorney is determined to have practiced law without a license, this act would be excluded under their professional liability policy. Also, there could be the risk of aiding and abetting if the practitioner is accused of assisting a client who is found to have intentionally falsified reports. If you decide to provide services related to CTA compliance, understanding the risks is critical in understanding how to manage them. Careful planning and consistent application of risk mitigation strategies including a separate engagement letter that narrowly defines the scope of services is essential. Consultation with your legal counsel and professional liability insurance carrier is strongly recommended to help you understand your risks.

Additional Information

FinCEN issued an updated Version 1.1 of the Small Entity Compliance Guide for Beneficial Ownership Information Reporting Requirements. The Guide includes interactive flowcharts, checklists, and other aids to help determine whether a company needs to file a BOI report with FinCEN, and if so, how to comply with the reporting requirements. The Guide will be updated periodically with new or revised information.

Additional information about the Reporting Rule and guidance materials are available at **www.fincen.gov/boi**. FinCEN has issued and will continue to issue frequently asked questions to address specific questions on the topic. They can be found at: **www.fincen.gov/boi-faqs**. In addition, questions regarding BOI reporting obligations can be addressed through FinCEN at **www.fincen.gov/contact**. FinCEN has also created several informational videos that can be accessed at **www.youtube.com/@fincentreasury**.

TCJA Provisions Expiring—2026

Item	*Current Law*	*Post-TCJA*
Individual Provisions		
Standard Deduction	For 2024, $14,600 (single and MFS), $21,900 (HOH), and $29,200 (MFJ)	$6,500 (single and MFS), $9,550 (HOH), and $13,000 (MFJ), adjusted for inflation
Personal Exemption	Suspended	Reinstated ($5,050, adjusted for inflation)
Alternative Minimum Tax (AMT)	For 2024— • MFJ: $133,300 exemption and $1,218,700 phase-out threshold • MFS: $66,650 exemption and $609,350 phase-out threshold • Others: $85,700 exemption and $609,350 phase-out threshold	• MFJ: $86,200 exemption and $164,100 phase-out threshold • MFS: $43,100 exemption and $82,050 phase-out threshold • Others: $55,400 exemption and $123,100 phase-out threshold **Will be adjusted for inflation*
Child Tax Credit	Up to $2,000 per qualifying child with modified adjusted gross income (MAGI) phase-out thresholds of $400,000 (MFJ) and $200,000 (others)	Up to $1,000 per qualifying child with MAGI phase-out thresholds of $110,000 (MFJ), $75,000 (single and HOH), and $55,000 (MFS)
Credit For Other Dependents	$500 nonrefundable credit for qualifying dependents	Eliminated
State and Local Tax Deduction	$10,000 limit ($5,000 for MFS) imposed on SALT deduction	Cap eliminated (but may be subject to Pease limitation)
Itemized Deduction Limitation	Suspended	Total itemized deductions (subject to some exceptions) reduced by 3% of the amount by which AGI exceeds a threshold amount
Miscellaneous Itemized Deductions	Suspended	Can be claimed, subject to the 2% floor
Mortgage Interest Deduction	Limited to interest on $750,000 of acquisition debt ($375,000 if MFS); no deduction for interest on home equity debt unless proceeds used to buy, build, or substantially improve the home	Debt limitation increases to $1 million; interest deductible on up to $100,000 of home equity debt (regardless of how proceeds are used)
Cash Charitable Contributions	AGI limitation is 60%	Limitation will decrease to 50%
Moving Expense Reimbursement Exclusion	Reimbursement included in taxable income (other than for U.S. Armed Forces members on active duty)	Excluded from gross income
Moving Expense Deduction	Not available; however, there are special rules for members of the U.S. Armed Forces and their families	Above-the-line deduction available if specific distance and employment status requirements are met
Personal Casualty and Theft Losses	Only available for losses incurred in a federally declared disaster	Available for any loss that is not compensated by insurance (subject to certain limitations)
Wagering Losses	Deductible to the extent of wagering gains; losses include deductible expenses incurred in carrying out wagering transactions	Losses no longer include expenses incurred in carrying out wagering transactions; professional gamblers can deduct ordinary and necessary nonwagering business expenses in excess of wagering gains
Individual Income Tax Rates and Brackets	10% $0–$23,200 12% $23,201–$94,300 22% $94,301–$201,050 24% $201,051–$383,900 32% $383,901–$487,450 35% $487,451–$731,200 37% Over $731,200	10% $0–$11,550 15% $11,551–$47,050 25% $47,051–$113,950 28% $113,951–$237,650 33% $237,651–$516,750 35% $516,751–$518,850 39.6% Over $518,850
Estate Provisions		
Basic exclusion amount	$10 million per individual, indexed for inflation ($13.61 million for 2024)	$5 million per individual, indexed for inflation (estimated to be around $7 million for 2026)
Businesses Provisions		
Qualified business income deduction	Ability to deduct up to 20% of qualified business income (QBI), subject to various limitations	Eliminated
Excess business loss limitation	Excess business losses of a taxpayer other than a C corporation are not allowed; threshold amounts for 2024 are $610,000 (MFJ) and $305,000 (others) **Was modified by the Inflation Reduction Act of 2022*	Eliminated for tax years beginning after 2028
Food and beverages provided by employers	50% deduction for food and beverages provided in an employer-operated eating facility or for the convenience of the employer	No longer deductible
Bonus depreciation	• 100% through 2022 • 80% for 2023 • 60% for 2024 • 40% for 2025 • 20% for 2026	Eliminated for property acquired and placed in service after 2026 (after 2027 for certain longer-lived and transportation property)
Amortization of research expenses	Prior to 2022, research expenses were deductible	For tax years beginning after 2021 and beyond, research expenses are capitalized and amortized over five years (15 years for foreign expenditures)
Qualified opportunity funds	A taxpayer with an eligible gain can invest that gain into a qualified opportunity fund (QOF) and elect to defer part or all the gain that is otherwise includible in income	No further gain deferral is available after 2026; no exclusion available for five or seven-year investments that have not reached that mark by 12/31/26