Quickfinder®

Small Business Quickfinder® Handbook (2024 Tax Year)

Post-publication Updates

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. To update your *Handbook*, you can make the same changes in your *Handbook* or print the revised page and paste over the original page.

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.

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.

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.

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

2024 Employer and Self-Employed Retirement Plan Chart

<table>
<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.

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**.