

January 20, 2024

Dear Friends and Colleagues,

The wheels of tax season are beginning to spin. After the recent tax chaos of COVID and California rainstorms, let's hope for an uneventful few months.

Here are some tax and financial issues you should be aware of:

Tax Deadlines

The Internal Revenue Service has announced that January 29, 2024 will be Opening Day, the day they will begin accepting and processing 2023 tax returns.

As of now, the upcoming tax deadlines have reverted back to usual form. **Here is a summary of all the tax due dates you should be familiar with:**

Form 1040 Due Date: April 15, 2024
Form 1040 Extended Due Date: October 15, 2024

Form 1120S (S Corporation) Due Date: March 15, 2024
Form 1120S (S Corporation) Extended Due Date: September 16, 2024

Form 1065 (Partnership/LLC) Due Date: March 15, 2024
Form 1065 (Partnership/LLC) Extended Due Date: September 16, 2024

Form 1041 (Estates and Trusts) Due Date: April 15, 2024
Form 1041 (Estates and Trusts) Extended Due Date: September 30, 2024

Form 1120 (C Corporation) Due Date: April 15, 2024
Form 1120 (C Corporation) Extended Due Date: October 15, 2024

2024 Individual Quarterly Estimated Tax Due Dates:

First Quarter – April 15, 2024
Second Quarter – June 16, 2024
Third Quarter – September 16, 2024
Fourth Quarter – January 15, 2025

For California business owners, the passthrough entity elective tax payments for 2024 are due on June 16, 2024 and December 31, 2024.

Possible Upcoming Tax Legislation

Tax leaders in Congress have agreed in principle to some changes/extensions to the current tax code. No bill has been produced yet, but these are the highlights:

- Increasing the maximum refundable Child Tax Credit over the next three years;
- Pushing back the reduction of the 100% bonus depreciation deduction to 2026 (originally scheduled to drop to 80% for property placed in service in 2023);
- Increasing the maximum amount of the IRC §179 (Section 179) current expense deduction to \$1.29 million;
- Barring new Employee Retention Credit (ERC) claims after January 31, 2024; and,
- Increasing the reporting threshold for filing Form 1099-NEC and 1099-MISC from \$600 to \$1,000, applicable to payments made after 2023.

Beneficial Ownership Information Report Requirements

Effective January 1, 2024, the Financial Crimes Enforcement Network (FinCEN) has issued reporting requirements for anyone who has an ownership interest in or controls a Closely Held Entity.

For the purposes of these reporting requirements, a Closely Held Entity is a corporation, a limited liability company, or any other entity created by the filing of a document with a Secretary of State. It does not include sole proprietors.

A reporting company created or registered to do business before January 1, 2024, will have until December 31, 2024 to file its initial Beneficial Ownership Information report.

A reporting company created or registered in 2024 will have 90 calendar days to file after receiving actual or public notice that its creation or registration is effective.

A beneficial owner is an individual who either directly or indirectly: (1) exercises substantial control over the reporting company, or (2) owns or controls at least 25% of the reporting company's ownership interests.

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Again, any Closely Held Entity that was in existence prior to January 1, 2024 has until December 31, 2024 to file this report.

We are waiting for the FinCEN website to work out some online kinks. Once that is done, we will then pass along filing instructions.

IRS Notices Received

Many taxpayers who took advantage of the Disaster Relief extensions received tax due and penalty notices from the IRS towards the end of 2023.

The IRS let taxpayers know that these letters were automatically generated and were unintentional. It appears that the IRS has corrected the issue. Once the returns were filed and the payments received, the penalty notices were eliminated in their system.

California “Fishing” Letters

The Franchise Tax Board has sent another wave of Education Letters to certain taxpayers, asking them to review the expenses claimed on either their Schedule A (Itemized Deductions) or Schedule C (Self-Employed Business) for 2020 and/or 2021. These letters are understandably causing stress for their recipients.

These are basically “fishing” letters, meant to beat the bushes and get certain taxpayers to step forward and amend their tax returns.

The Franchise Tax Board has said that these letters are purely educational, and they do not represent any sort of audit nor do they increase your chances of being selected for an audit.

Retirement Plans for 2023 and 2024

There were significant increases made in the contribution limits for 2023 retirement plans, and additional moderate increases made for 2024 contributions:

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IRA contributions have been increased to \$7,000 for 2024 (up from \$6,500 for 2023). The \$1,000 IRA catch-up contribution limit for those over 50 years old remains the same.

401(k) employee contribution limits have been increased to \$23,000 for 2024 (up from \$22,500 in 2023) and the catch-up contribution limit for taxpayers above age 50 remains at \$7,500.

SIMPLE IRA contribution limits have been increased to \$16,000 in 2024 (up from \$15,500 in 2023) and the catch-up contribution limit for taxpayers above age 50 remains at \$3,500.

SEP contribution limits have been increased to \$69,000 for 2024 (up from \$66,000 in 2023).

Should you have any questions about the above information, or any other tax planning issues, please feel free to reach out by phone or email.

Sincerely,



Tom A. McFerson, CPA, ABV
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