

August 16, 2024

Dear Friends and Colleagues,

With the elections heating up, there has been very little discussion about future tax changes by either candidate. There have been some recent tax and financial developments, however, that you should be aware of:

Employee Retention Credit Claims

The IRS recently announced that it has started processing Employee Retention Credit (ERC) claims submitted prior to February 1, 2024. There had been a deadline in place for processing only claims that had been submitted prior to September 13, 2023.

The IRS has also:

- Prioritized the outstanding “low-risk” claims and prepared them for payment. They have approved approximately 50,000 “low-risk” ERC claims submitted prior to September 14, 2023, and will begin issuing payments starting in September 2024;
- Denied 28,000 “high-risk” claims totaling over \$5 billion in refund requests;
- Begun examining the remaining claims that are considered “in between”;
- Made clear that if a claim is denied, the taxpayer can pursue their standard appeal rights – requesting an administrative appeal or appealing directly to the U.S. District Court.

Clarification on Required Minimum Distribution Rules for Inherited IRAs

The IRS has finally clarified the regulations surrounding the distribution rules for inherited IRAs. In the Secure Act of 2019, beneficiaries were told that they had to withdraw the funds from inherited accounts within 10 years. New wrinkles to this rule change have now been published:

- This does not apply to designated beneficiaries, which include spouses, minor children, and disabled or chronically ill individuals;
- Individuals who have inherited an account from a deceased individual who had been taking required minimum distributions must continue taking annual withdrawals. The inherited IRA must be fully disbursed by the end of 10 years.

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- Individuals who have inherited an account from a deceased individual who had not been required to take minimum distributions have the flexibility to take as much or as little in annual withdrawals, as long as the inherited IRA is fully disbursed by the end of the 10 years.

These inherited IRA rules apply to accounts inherited from decedents who passed away after 2019.

Tax Deadlines

After several years of turmoil, our upcoming tax deadlines have reverted back to usual form:

Form 1040 Extended Due Date: October 15, 2024

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

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

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

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

2024 Individual Quarterly Estimated Tax Due Dates:

Third Quarter – September 16, 2024

Fourth Quarter – January 15, 2025

Proposed Tax Legislation Dead

Tax leaders in Congress had agreed in principle to some changes/extensions to the current tax code, but with elections looming, the bill failed to pass in the Senate. The highlights were:

- 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);

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- 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.

No additional tax changes or proposals are expected until next year (2025).

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.

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.

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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,



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