



Tax News and Industry Updates

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Inflation Adjusted Amounts

Cross References

- Rev. Proc. 2023-34
- Notice 2023-75

Each year, a number of provisions in the Internal Revenue Code (IRC) are adjusted for inflation. The IRS recently released the inflation adjusted amounts for 2024. The following chart highlights a number of these adjustments, as they compare to the 2023 and 2022 amounts.

| Tax Provision | 2024 | 2023 |
|---|--------------|--------------|
| Standard deduction – MFJ | \$29,200 | \$27,700 |
| Standard deduction – Single | \$14,600 | \$13,850 |
| Standard deduction – HOH | \$21,900 | \$20,800 |
| Qualifying relative income limit | \$5,050 | \$4,700 |
| Maximum EIC for 3 or more qualifying children | \$7,830 | \$7,430 |
| Maximum EIC for 2 qualifying children | \$6,960 | \$6,604 |
| Maximum EIC for 1 qualifying child | \$4,213 | \$3,995 |
| Maximum EIC for no qualifying children | \$632 | \$600 |
| Section 179 expense limit | \$1,220,000 | \$1,160,000 |
| Section 179 investment limit | \$3,050,000 | \$2,890,000 |
| Section 179 SUV limit | \$30,500 | \$28,900 |
| Estates basic exclusion amount | \$13,610,000 | \$12,920,000 |
| Annual exclusion for gifts | \$18,000 | \$17,000 |
| Defined contribution plan contribution limit | \$69,000 | \$66,000 |
| 401(k) elective deferral limit for under age 50 | \$23,000 | \$22,500 |
| 401(k) elective deferral limit for age 50 and older | \$30,500 | \$30,000 |

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Standard Mileage Rate

Cross References

- Rev. Proc. 2010-51
- Notice 2023-03
- Notice 2024-08

The IRS has released the 2024 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes. The following chart reflects the new 2024 standard mileage rates compared to the 2023 standard mileage rates.

| | 2024 | 2023 |
|------------------------------------|-------|-------|
| Business rate per mile* | 67.0¢ | 65.5¢ |
| Medical and moving rate per mile** | 21.0¢ | 22.0¢ |
| Charitable rate per mile | 14.0¢ | 14.0¢ |
| Depreciation rate per mile | 30.0¢ | 28.0¢ |

* A deduction for unreimbursed employee business travel is suspended for tax years 2018 through 2025, unless the deduction is allowed in determining adjusted gross income, such as members of a reserve component of the Armed Forces, state or local government officials paid on a fee basis, or certain performing artists.

** A deduction for moving expenses is suspended for tax years 2018 through 2025, unless the taxpayer is a member of the Armed Forces on active duty who moves pursuant to a military order and incident to a permanent change of station.

| <i>Tax Provision continued</i> | 2024 | 2023 |
|---|-----------|-----------|
| SIMPLE elective deferral limit for under age 50 | \$16,000 | \$15,500 |
| SIMPLE elective deferral limit for age 50 and older | \$19,500 | \$19,000 |
| IRA deduction limit for under age 50 | \$7,000 | \$6,500 |
| IRA deduction limit for age 50 and older | \$8,000 | \$7,500 |
| Key employee definition for top-heavy plans | \$220,000 | \$215,000 |
| Highly compensated employee definition | \$155,000 | \$150,000 |
| Qualified plan compensation limit | \$345,000 | \$330,000 |
| Child Tax Credit (per qualifying child) | \$2,000 | \$2,000 |
| Refundable portion of child tax credit | \$1,700 | \$1,600 |
| QBI threshold amount – MFJ | \$383,900 | \$364,200 |
| QBI threshold amount – Single & HOH | \$191,950 | \$182,100 |
| QBI threshold amount – MFS | \$191,950 | \$182,100 |
| Foreign earned income exclusion | \$126,500 | \$120,000 |
| AMT exemption – MFJ & QW | \$133,300 | \$126,500 |
| AMT exemption – Single & HOH | \$85,700 | \$81,300 |
| AMT exemption – MFS | \$66,650 | \$63,250 |

Penalty Relief for 2020 and 2021 Tax Returns

Cross References

- Notice 2024-7

IRC section 6651(a) generally imposes a penalty for failure to pay tax equal to 0.5% of the unpaid tax per month up to a maximum penalty of 25% of the unpaid tax. On March 13, 2020, the President of the United States declared a national emergency in response to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. On February 9, 2022, the IRS announced a temporary suspension of the mailing of certain automated reminder notices. The IRS did not suspend the mailing of initial balance due notices. The penalties under IRC section 6651(a) continued to accrue for taxpayers who did not fully pay their balance due. In 2024 the IRS will resume issuing automated reminder notices for tax years 2021 and earlier, thereby resuming the normal notice process for these tax years.

The IRS has determined that the penalty relief for the failure to pay income tax with respect to certain income tax returns for 2020 and 2021 is appropriate. To the extent a penalty was previously assessed or paid, it will be abated, refunded, or credited to other outstanding tax liabilities.

Taxpayers eligible for relief from the penalty under IRC section 6651(a)(2) and section 6651(a)(3) for the failure to pay during the relief period include the following:

- Taxpayers whose assessed income tax for tax year 2020 or 2021, as of December 7, 2023, is less than \$100,000, excluding any applicable additions to tax, penalties, or interest,
- Taxpayers who were issued an initial balance due notice (including, but not limited to Notice CP14 or Notice CP161) on or before December 7, 2023, for tax year 2020 or 2021, and
- Taxpayers who are otherwise liable during the relief period for accruals of additions to tax for the failure to pay under IRC section 6651(a)(2) or 6651(a)(3) with respect to an eligible return for tax years 2020 or 2021.

This relief is available only to eligible taxpayers who have filed one of the following eligible income tax returns:

- Form 1040, *U.S. Individual Income Tax Return*
- Form 1040-C, *U.S. Departing Alien Income Tax Return*
- Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*
- Form 1040-PR, *Declaracion de la Contribucion Federal sobre el Trabajo por Cuenta Propia*
- Form 1040-SR, *U.S. Tax Return for Seniors*
- Form 1040-SS, *U.S. Self-Employment Tax Return*
- Form 1120, *U.S. Corporation Income Tax Return*

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E-Filing Now Required for 10 or More Information Returns

Cross References

- <https://www.irs.gov/filing/e-file-forms-1099-with-iris>

The IRS is reminding businesses that file 10 or more information returns that they must be e-filed with the IRS starting with the 2023 tax year. In previous years, the e-file requirement threshold was 250 or more information returns. The 250-return threshold applied separately to each type of return. The new 10-return threshold applies to the combined total of all information returns that a business must file.

Information returns that fall under this requirement include Form W-2 that is e-filed with the Social Security Administration, as well as all Forms 1099 (Form 1099-MISC, *Miscellaneous Income*, Form 1099-NEC, *Nonemployee Compensation*, etc.).

Businesses can e-file any Form 1099 with the Information Returns Intake System (IRIS). This is a free, web-based filing system. To use this system, go to:

<https://www.irs.gov/filing/e-file-forms-1099-with-iris>

Businesses can also e-file information returns by using a third-party software or service.

- Form 1120-C, *U.S. Income Tax Return for Cooperative Associations*
- Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*
- Form 1120-FSC, *U.S. Income Tax Return of Foreign Sales Corporation*
- Form 1120-H, *U.S. Income Tax Return for Homeowners Associations*
- Form 1120-L, *U.S. Life Insurance Company Income Tax Return*
- Form 1120-ND, *Return for Nuclear Decommissioning Funds and Certain Related Persons*
- Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*
- Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*
- Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*
- Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*
- Form 1120-S, *U.S. Income Tax Return for an S Corporation*
- Form 1120-SF, *U.S. Income Tax Return for Settlement Funds (Under Section 468B)*
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- Form 1041-N, *U.S. Income Tax Return for Electing Alaska Native Settlement Trusts*
- Form 1041-QFT, *U.S. Income Tax Return for Qualified Funeral Trusts*
- Form 990-T, *Exempt Organization Business Income Tax Return*

The relief period is the period that begins on the date the IRS issued an initial balance due notice to the eligible taxpayer, or February 5, 2022, whichever is later, and ends on March 31, 2024. Eligible taxpayers will remain liable for any addition to tax for the failure to pay tax that accrued before or after the relief period. Eligible taxpayer will also remain liable for interest that accrues during the relief period as a result of any underpayment of tax for tax years 2020 or 2021.

The relief does not apply for any return for which the penalty for fraudulent failure to file under IRC section 6651(f) or the penalty for fraud under IRC section 6663 applies. The relief also does not apply to any addition to tax for the failure to pay in an offer in compromise that was accepted by the IRS under IRC section 7122. The relief also does not apply to any addition to tax that is settled in a closing agreement under IRC section 7121.



ERC Voluntary Disclosure Program

Cross References

- Announcement 2024-3

The IRS has announced a Voluntary Disclosure Program to resolve erroneous claims for the Employee Retention Credit (ERC). The ERC is a refundable tax credit intended for businesses and tax-exempt organizations that continued paying employees during the COVID-19 pandemic if their operations were fully or partially suspended due to a government order, they experienced the required decline in gross receipts, or they were a recovery startup business during the relevant eligibility periods.

There has been reported scams and fraudulent claims regarding ERC that gave false and misleading information to the public. Taxpayers who filed for and erroneously received the ERC face enforcement action from the IRS and are subject to assessment and collection procedures. The IRS will prevail in any litigation to recover credits or refunds of erroneous ERC claims and will impose appropriate penalties and interest against such claims.

For efficient tax administration reasons, the IRS is offering taxpayers an opportunity to resolve their civil tax liabilities under a Voluntary Disclosure Program and avoid potential civil litigation, penalties, and interest.

This Voluntary Disclosure Program includes the settlement of the ERC for purposes of a participant's employment tax obligations by eliminating their eligibility for the ERC while allowing a participant to retain 20% of the claimed ERC amount. Additionally, because the ERC reduces the income tax expense for qualified wages, this Voluntary Disclosure Program resolves the issue of the corresponding adjustment to income tax expenses for participants, which include common law employers who used a third-party payer to claim the ERC on their behalf.

Any participant that has claimed the ERC and has received a credit or refund is eligible to participate in this Voluntary Disclosure Program, provided that:

- 1) The participant is not under criminal investigation and they have not been notified that the IRS intends to commence a criminal investigation,
- 2) The IRS has not received information from a third party alerting the IRS to the participant's noncompliance, nor has the IRS acquired information directly related to the noncompliance from an enforcement action,
- 3) The participant is not under an employment tax examination by the IRS for any tax period(s) for which the taxpayer is applying for this Voluntary Disclosure Program, and

4) The participant has not previously received notice and demand for repayment of all or part of the claimed ERC.

If a taxpayer believes he or she received the ERC in error and fits the requirements listed above, see Announcement 2024-3 for details on how to participate in this Voluntary Disclosure Program.

The web address for Announcement 2024-3 is <https://www.irs.gov/pub/irs-drop/a-24-03.pdf>.



IRS Expands Use of Chatbots

Cross References

- IR-2023-178

The Internal Revenue Service has announced the availability of expanded chatbot technology to help quickly answer basic questions for people receiving notices about possibly underreporting their taxes.

The new chatbot feature will assist taxpayers who receive notices CP2000, CP2501, and CP3219A. These mailings inform taxpayers if the tax information the IRS received from third parties doesn't match the information they provided themselves to the IRS.

This technology expansion is supported through the Inflation Reduction Act funding to transform the IRS and improve services to help taxpayers.

"Through our transformation efforts, we are working to expand technologies to help taxpayers and tax professionals interact with us in the ways they prefer, including expanded digital, phone and in-person assistance options," said IRS Commissioner Danny Werfel. "We understand receiving a notice from the IRS can be concerning, and people frequently have questions. The use of chatbots in call centers has emerged as an effective practice in both the private and public sectors, making it easier for people to quickly get basic information to resolve their issues and avoid wait times on the phone. Deploying chatbots at the IRS call center helps taxpayers get their issues resolved quicker, and it helps free up valuable phone resources for other taxpayers with questions on more complex issues."

Rollout of this chatbot builds on prior IRS successes using the technology to help improve taxpayer service. Since January 2022, IRS voice and chatbots, both in English and Spanish, helped more than 13 million taxpayers avoid wait times by resolving their tax issues, including setting up roughly \$151 million in payment agreements.

The chatbot simulates human interaction with taxpayers through a web or mobile app on a computer or mobile screen by responding to questions or requests in a

chat feature. Also, at the end of the conversation, taxpayers can press the "representative" button to speak to a live assistor.

The new IRS chatbot is available to help taxpayers with questions such as:

- What to do if they received a notice.
- What to do if they need more time to respond to a notice.
- How to find out if the IRS received their response.

The IRS plans to continue additional bot technology features in the future to assist taxpayers with more complex issues.



1099-K Reporting Requirements Delayed

Cross References

- Notice 2023-74

A third party settlement organization (TPSO) is required to file an information return for each calendar year with respect to payments made in settlement of certain reportable payment transactions. Form 1099-K, *Payment Card and Third Party Network Transactions*, is the form that settlement entities file to meet the reporting requirement. A typical example is when a customer purchases goods or services from a business using a credit card. The credit card company in turn is required to issue the business a 1099-K reporting all of the credit card transactions that were processed during the year.

As originally enacted in 2008, a TPSO was not required to report third party network transactions with respect to a participating payee unless the gross amount that would otherwise be reported exceeded \$20,000 and the number of such transactions with that participating payee exceeded 200.

The American Rescue Plan Act of 2021 lowered the reporting threshold with respect to any participating payee to \$600 in aggregate payments, regardless of the aggregate number of such transactions. Notice 2023-10 delayed implementation of this new reporting threshold for calendar years beginning before January 1, 2023. Thus, the \$20,000/200 transaction threshold continued to apply for all calendar years prior to 2023.

The IRS recently issued Notice 2023-74 which delays the \$600 threshold for one more year. Thus, the \$20,000/200 transaction threshold continues to apply for the 2023 calendar year.

