TaxBrief

Keeping you informed — Mid-year

FROM YOUR FRIENDS AT
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While we wrapped up filing season for the 2023 tax year just a few months ago, 2024 is well underway, and we thought it would be a good time to review the news that may impact your returns next spring. The following is a brief overview of events that could have an impact on you or your business. If you have any questions about how any of these items could affect you, please feel free to contact us.

Confusion over BOI reporting

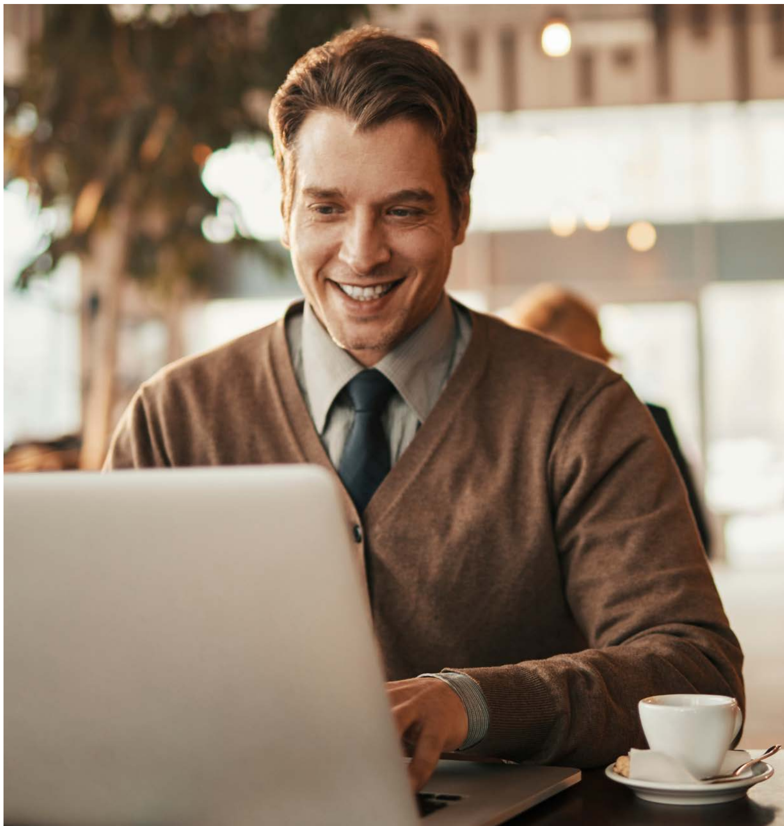
While the matter is currently the subject of high-profile litigation that has attracted a lot of headlines, most U.S. businesses are still subject to the *Corporate Transparency Act's* (CTA) beneficial ownership information (BOI) reporting requirements. The March ruling from an Alabama federal judge found the CTA to be unconstitutional, and the BOI reporting requirements unenforceable, only applies to the plaintiffs in the case he was hearing: an Ohio small business and members of the National Small Business Association (NSBA) as of the March 1 decision date.

The Justice Department appealed the Alabama decision, and the Financial Crimes Enforcement Network (FinCEN) has made it clear that all businesses not involved in the case are subject to the reporting requirements. That means, beginning in 2024, newly formed businesses must file BOI reports with FinCEN within 90 days of receiving word from the secretary of state that the business was created or registered. By the end of the year, all businesses formed prior to 2024 must file reports. Any business formed after Jan. 1, 2025, must file a BOI report with FinCEN within 30 calendar days of receiving actual or public notice that their creation or registration is effective.

IRS continues cracking down on improper ERC claims

The employee retention credit (ERC) was a credit available to employers that kept employees on their payrolls through pandemic-related shutdowns. However, unscrupulous promoters encouraged ineligible businesses to claim the credit and the short-staffed IRS was unable to properly investigate the claims. In fact, the IRS was so overwhelmed with improper claims that in fall 2023, it stopped accepting new ERC claims and has yet to begin accepting them again. The moratorium on new claims has given the IRS the breathing room it needed to send out letters denying previously filed claims and begin asking taxpayers who may not have been eligible for the credit to provide additional information.

Ineligible taxpayers whose claims have yet to be processed may still be able to withdraw their claims. Withdrawing the claim will avoid future repayment, interest and penalties.



New Form 1099-K reporting requirements postponed again

Beginning in 2022, third-party settlement organizations (TPSOs) like PayPal, eBay, Etsy and Venmo were supposed to begin issuing Forms 1099-K, *Payment Card and Third-Party Network Transactions*, if an individual received $600 or more in payments. Prior to the implementation of the rule, TPSOs were not required to issue Forms 1099-K unless a taxpayer received over $20,000 and had more than 200 transactions. However, the IRS postponed implementing the new lower threshold until the 2023 tax year. Then in late 2023, the IRS announced it was postponing implementation of the $600 threshold until the 2025 tax year and 2024 would be a transition year. For 2024 returns, the threshold for issuing Form 1099-K will be $5,000.

Despite the IRS postponing the $600 threshold until the 2025 tax year, some taxpayers are still being issued the form based on it. Remember, if you have received a Form 1099-K from a TPSO, you must include it in your income for the year, even if the TPSO was not required to issue it. Failure to do so can result in letters from the IRS.

Employers may now offer pension-linked emergency savings accounts

Employers have been able to offer pension-linked emergency savings accounts (PLESAs) to non-highly compensated employees since Jan. 1. These are short-term savings accounts that, when offered within a defined contribution plan, let employees who meet the plan's eligibility requirements to draw from their accounts without incurring tax penalties or reducing their retirement savings. PLESA contributions must be Roth contributions made on an after-tax basis and are limited to a maximum balance of $2,500, but employers can choose a lower maximum balance. If the underlying defined contribution plan has an employer match, the PLSA contribution must be eligible at the same rate. Funds may be withdrawn up to once a month at the discretion of the participant and no evidence of hardship or an emergency is necessary.

2024 RMD requirements waived for some inherited retirement accounts

The IRS has recently provided significant relief to non-spouse beneficiaries who inherited an IRA after the deceased owner began taking required minimum distributions (RMDs). In March, the IRS extended its waiver of the excise tax for failing to take an RMD to non-spouse beneficiaries of IRA account holders who died in 2023 after they were required to begin taking their RMDs. Under the SECURE Act of 2019, non-spouse beneficiaries have 10 years following the account holder's death to distribute all of the funds from the inherited IRA. The IRS has interpreted this rule as meaning the beneficiary must take annual distributions from the IRA for those 10 years. However, the IRS had previously said that it will not require RMDs for beneficiaries of account holders who died in 2020 through 2022.

Still waiting on an expanded child tax credit

Many taxpayers with dependent children were excited by the reports that the U.S. House of Representatives voted to approve a temporary three-year expansion of the child tax credit in January. But the legislation has not been passed by the Senate, and it is unclear as to whether it ever will be. As a result of the legislative inaction, it is increasingly unlikely that the expanded child tax credit will be available for the 2024 tax year.

Additional questions or concerns?

If you have any questions regarding any of the items in this newsletter or any other tax matter that could impact you or your business, please feel free to contact us. We're here to help.