

Business Entities

Important Notes & Changes for 2024 Tax Filing

OFFICE SUCCESS MODEL

- It is important to make security a primary mission of a firm. Awareness of the cybersecurity threats that a firm is likely to confront and being aware of the available resources to successfully solve security threats/breaches is key.

EMPLOYEE RETENTION CREDIT

- The IRS is still reviewing ERC claims, and no additional actions are needed by taxpayers currently. The IRS has stated that the ERC is one of the most complex credits that the IRS has administered, and they request patience from the taxpayers who submitted claims as the IRS continues to process them.

INFORMATION RETURN COMPLIANCE

- The electronic filing threshold for information returns continues to be set at 10 returns. If you have more than 10 information returns to be filed, you are required to e-file those returns. Examples of these forms are W-2 forms and any 1099 forms. Payroll forms, like the 940 form and 941 form do not currently share the e-file requirement.

CAPITALIZATION AND DEPRECIATION

- Bonus Depreciation phase-out: Bonus depreciation is a calendar year election that entered a reduction phase starting in 2023. Under current law, as of January 1, 2024, bonus depreciation has been reduced to 60% bonus depreciation.
- Section 179 Deduction Dollar Limits: For tax years beginning in 2024, the maximum Section 179 expense deduction is \$1.22 million. This limit is reduced by the amount by which the cost of Section 179 property placed in service during the tax year exceeds \$3.05 million
- Section 179 Deduction Limit on SUVs: The SUV limitation for 2024 has increased to \$30,500 from the 2023 amount of \$28,900.

CORPORATE TRANSPARENCY ACT

- The Corporate Transparency Act (CTA) requires the reporting of beneficial ownership information (BOI) by a business. The CTA is currently under ongoing litigation as potentially unconstitutional and at this time there is not a requirement for reporting companies to file aside from voluntary submission of the reports, per [Fincen.gov](https://www.fincen.gov).

RETIREMENT PLAN REVISIONS

- Per Section 110 of the SECURE 2.0 Act, employers can now make matching contributions on account of employees' qualified student loan payments (QSLPs) under section 401(k) plans, section 403(b) plans, SIMPLE IRA plans, and governmental section 457(b) plans (QSLP matches).

RELATED PARTIES-CONTROLLED GROUPS AND CONTROLLED EMPLOYERS

- The SECURE 2.0 Act changed family attribution rules for community property states and attribution between parents and their minor children effective January 1, 2024. Prior to the SECURE 2.0 Act, if two married individuals wholly owned entirely separate businesses, they were deemed to own a direct interest in the other's business, resulting in a controlled group. This resulted in otherwise separate businesses being considered one business for retirement plan purposes. With the implementation of the SECURE 2.0 Act, taxpayers who are not involved with their spouse's business will now be able to maintain their own separate retirement plans. In addition, ownership attribution through a minor, in and of itself, will not result in a controlled group or affiliated group.
- Common ownership of trades or businesses can subject entities to numerous restrictions that treat a business as a single enterprise for the purposes of the accumulated earnings tax credit, Section 179 expenses, loss disallowance and for benefit nondiscrimination testing. Failing to recognize commonly controlled enterprises can result in the disqualification of retirement plans and other benefits. These standards are also used to determine employers who are subject to the Affordable Care Mandates.

IRS AND PAYROLL ISSUES

- IRS Document Upload Tool: In January 2024, in what is commonly termed a "soft product launch," the IRS expanded its Document Upload Tool, which is available at www.irs.gov/help/irs-document-upload-tool. The tool allows taxpayers to upload documents in response to IRS notices, phone conversations, or in-person visits, or to apply to the Employee Retention Credit Voluntary Disclosure Program.

INDEPENDENT CONTRACTOR VS. EMPLOYEE

- Backup Withholding: Backup withholding (BWH) requires a payor to withhold 24% tax from payments not otherwise subject to withholding (IRC Sec. 3406). A payee recipient or worker can be subject to backup withholding when they fail to certify a correct taxpayer identification number (TIN). Form W-9 is generally used for certification of the required information.
- Taxpayers who are required to do BWH at the time a reportable payment is made but fail to do so become secondarily liable for the unwithheld tax. Any taxpayer who fails to comply with the certification and/or withholding requirements may be faced with a significant liability to the IRS that may be difficult or impossible to recover.