2024 YEAR-END INCOME TAX PLANNING FOR BUSINESSES

INTRODUCTION

It's hard to believe we are nearing the end of another year. Before we say goodbye to 2024, we believe it's important to take a moment and review year-end tax planning opportunities. Examining your 2024 tax situation before year-end could lead to tax savings when you file your tax return in 2025. As a result, we have included our 2024 year-end income tax planning letter to assist you with this process. We've included selected traditional as well as some new planning ideas for your consideration. If you have questions or want to discuss planning ideas not included in our letter, please call our firm.

Caution! The IRS continues releasing guidance on various important tax provisions. We closely monitor new tax legislation and IRS releases. Please call our firm if you would like an update on the latest tax legislation, IRS notifications, announcements, and guidance or **if you need additional information concerning any item discussed in this letter.**

Be careful! Although this letter contains planning ideas, you cannot properly evaluate a particular planning strategy without calculating the overall tax liability for the business and its owners (including the alternative minimum tax) with and without the strategy. In addition, this letter contains ideas for Federal income tax planning only. **State income tax issues are not addressed.** However, you should consider the state income tax impact of a particular planning strategy. We recommend that **you call our firm before implementing any tax planning technique** discussed in this letter.

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POSSIBLE LEGISLATION BEFORE YEAR-END

Each year we work to provide you with our year-end planning letter in time to implement possible tax saving strategies before December 31st. As a result, it's possible Congress could pass new legislation between your receipt of this letter and year-end. Congress has not acted concerning several expiring provisions and extenders, including those introduced by the Tax Cuts and Jobs Act. At this point, it is uncertain whether there will be new legislation after the election and before 2025. Therefore, please contact our firm if you would like an update on possible legislation and how it could affect you.

HIGHLIGHTS OF PROVISIONS INCLUDED IN SECURE 2.0 ACT FIRST EFFECTIVE IN 2024

On December 29, 2022, President Biden signed the "Consolidated Appropriations Act, 2023." The Act includes a segment called SECURE 2.0 dealing with retirement plans. The following is a brief summary of selected provisions of SECURE 2.0 first effective for 2024. **Caution!** A business wishing to implement any of these provisions should consult with the attorney handling the business's qualified plan since these provisions may require plan amendments.

Employers May Amend A Plan To Increase Benefits On Or Before The Due Date Of Their Return

- SECURE 2.0 provides that an employer may amend a profit-sharing, pension, stock bonus, or annuity plan to increase benefits accrued under the plan effective as of any date during the immediately preceding plan year (other than increasing the amount of matching contributions) if **1)** the amendment would not otherwise cause the plan to fail to meet any of the qualified plan requirements, and **2)** the amendment is adopted prior to the due date (including extensions) of the employer's return for the taxable year for which the amendment is effective.

Treatment Of Student Loan Payments As Elective Deferrals For Purposes of Matching Contributions

- This provision allows employers to make matching contributions under a 401(k) plan, 403(b) plan, 457(b) plan, or SIMPLE IRA with respect to "qualified student loan payments" (QSLPs) made by an employee participating in the plan. A **"Qualified Student Loan Payment"** is a payment made by an employee on a qualified education loan incurred by the employee for the payment of qualified higher education expenses.

Starter 401(k) Deferral Only Plans For Employers With No Retirement Plan

- SECURE 2.0 allows employers to establish a starter 401(k) deferral only plan. The following requirements apply to a starter 401(k) deferral only plan: **1)** The employee is deemed to have elected to make elective contributions of a percentage of compensation as provided under the plan unless the employee elects to make a lesser contribution or no contribution; **2)** The elective deferral percentage provided under the plan is not less than 3% or more than 15%; **3)** The only contributions allowed to be made to the plan are these employee elective deferral contributions. Employers may not make matching or other contributions to the plan; **4)** The maximum elective deferral contributions for any employee for a calendar year may not exceed $6,000 (as indexed for inflation after 2024); **5)** Additional catch up contributions are permitted (for an employee who attains age 50 by the end of the tax year) up to $1,000, as indexed for inflation; **6)** An employee eligible to participate in the plan includes an employee at least age 21 who has completed a year of service; **7)** The employer may not maintain another qualified plan during the year except for a plan where the only participants are employees covered by a collective bargaining agreement. **Note!** A starter 401(k) deferral only plan is not treated as a top-heavy plan.

Safe Harbor Deferral Only 403(b) Plans For Employers With No Retirement Plan

- SECURE 2.0 also allows public schools and certain tax-exempt employers to establish a safe harbor deferral only 403(b) plan. A safe harbor deferral only 403(b) plan generally has the same characteristics as a starter deferral only 401(k) plan as outlined above.

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Selected Other Changes Made To Retirement Plans By SECURE 2.0

Employer Allowed To Replace SIMPLE IRA With Safe Harbor 401(k) Plan During A Plan Year. The Act allows an employer to replace a SIMPLE IRA with a SIMPLE 401(k) plan or other 401(k) plan meeting certain requirements during a plan year.

Employers May Establish Emergency Savings Accounts Linked To Individual Retirement Plans. The Act provides employers the **option** to offer non-highly compensated employees emergency savings accounts linked to the employee's account in the employer's individual account plan (e.g., 401(k), profit-sharing). These accounts are called **Pension-Linked Emergency Savings Accounts** (PLESAs).

Hardship Withdrawal Provisions Of 403(b) Plans Broadened To Conform With Hardship Withdrawals From 401(k) Plans. Before 2024, hardship withdrawals were only allowed from 403(b) plans to the extent of employee salary reduction contributions. **Beginning in 2024,** hardship distributions to a participant in a 403(b) plan may be made from salary reduction contributions, nonelective contributions, matching contributions, and earnings on any contributions. This conforms the hardship provisions for 403(b) plans to those for 401(k) plans.

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OTHER SELECTED RECENT DEVELOPMENTS

Beneficial Ownership Reporting With FINCEN Due In 2024. As a part of the Corporate Transparency Act (CTA), a new rule went into effect on January 1, 2024, requiring certain entities ("reporting companies") to report beneficial ownership information (BOI) to the US Department of the Treasury through its FinCEN website. The point of the new law is to provide transparency on the individuals who utilize certain entities to conduct criminal activities, including money laundering. **Caution!** CTA provides that those willfully providing, or attempting to provide, false or fraudulent beneficial owner information or willfully failing to report complete or updated beneficial ownership information to FinCEN as required by CTA *"(i) shall be liable for a civil penalty of not more than $500 for each day that the violation continues or has not been remedied; and (ii) may be fined not more than $10,000, imprisoned for not more than 2 years, or both."* Therefore, those required to file these BOI reports should do so unless exempt from filing. **Reporting companies created or registered before 2024 must file a BOI report with FinCEN by January 1, 2025. Reporting companies created or registered on or after January 1, 2024, and during 2024 have 90 days to file an initial BOI report. Update!** On Tuesday, October 29, the Financial Crimes Enforcement Network (FinCEN) issued notices announcing that *certain* businesses affected by hurricanes **Beryl**, **Debby**, **Francine**, **Helene**, and **Milton** will have an additional six months to submit beneficial ownership information (BOI) reports. This additional time includes updates or corrections to previous reports. In the notices, FinCEN generally extended the filing deadlines for reporting companies that have an original reporting deadline beginning one day before the date the specified disaster began and ending 90 days after that date and are located in an area designated by the Federal Emergency Management Agency as qualifying for individual or public assistance and by the IRS as eligible for tax filing relief. **Note!** If you are not familiar with these BOI reporting rules, or want additional information, **please call our office.**

IRS Moves Forward With Employee Retention Credit Claims. During the moratorium on processing ERC claims, which began September 14, 2023, the IRS reviewed claims filed before September 14, 2023, and determined that approximately 50,000 were valid, low risk claims which the IRS said will be processed and paid during 2024. The IRS began processing claims submitted between September 14, 2023, and January 1, 2024 in August. In addition, the IRS sent out 28,000 letters disallowing as much as $5 billion in ERC claims. Letter 105-C, "Claim Disallowed," was sent to "businesses whose claims showed a high risk of being incorrect." The first batch of letters were sent in mid-July. The IRS said it believes "more than 90%" of the notices were valid. The IRS also said in limited cases where a claim can be proven to have been improperly denied, the IRS will work with taxpayers to correct it. Going forward, the IRS notes that it will "adjust its processes and filters for determining invalid claims" after each wave of disallowances, based on

feedback from the tax community. The IRS says taxpayers who do not agree with the Letter 105-C disallowance should provide additional documentation supporting the credit claimed. If the IRS continues to disallow the credit, those wishing to appeal the Letter 105-C disallowance have two years from the date of Letter 105-C to appeal the disallowance to the IRS Office of Appeals and/or to file suit, according to the IRS website. Normally, a taxpayer has only 30 days to appeal an IRS assessment with the IRS Office of Appeals. **Note!** The fact that the IRS pays an employer's claim for the employee retention credit does not mean the IRS agrees the employer is entitled to the credit. Only after the relevant statutes of limitations have expired can the employer be certain its refund claim will not be challenged by the IRS.

Businesses Located In And Individuals Living In A Hurricane Helene Disaster Zone Have Until May 1, 2025, To File Returns And Make Certain Tax Payments. The IRS has announced that individuals living in, and businesses located in **Alabama, Georgia, North Carolina, South Carolina and certain counties in Florida, Tennessee and Virginia** now have until May 1, 2025, to file various returns and make certain payments. **Note! See https://www.irs.gov/newsroom/tax-relief-in-disaster-situations concerning disaster filing and payment relief details concerning these and other areas provided disaster relief during 2024. Also, please call our firm if you are located in one of these disaster areas and have questions concerning which returns and payments have been delayed or the tax treatment of any losses you have incurred because of a qualified disaster.**

Qualified Commercial Clean Vehicles Credit. The **Inflation Reduction Act Of 2022** introduced a credit for depreciable commercial electric and fuel cell vehicles acquired and placed in service after 2022 and before 2033. **Planning Alert!** A Qualified Commercial Clean Vehicle means the electric or fuel cell vehicle is used in a trade or business or for the production of income. According to the IRS, *"business use means any use in a trade or business of the taxpayer*." The credit is the **lesser of: 1)** 30% of the vehicle's basis or **2)** the incremental cost of the vehicle if the vehicle is 100% electric. The 30% credit amount is reduced to 15% if the vehicle has a gasoline or diesel component (i.e., if a hybrid). The IRS says the **incremental cost** of vehicles with a GVWR of less than 14,000 pounds is deemed to be $7,500 except for small hybrid vehicles where the incremental cost is deemed to be $7,000. The **maximum credit allowed** is **$7,500** where the vehicle has a **GVWR of less than 14,000 pounds** and **$40,000** for a vehicle with a **GVWR of 14,000 pounds or more. Note!** The credit for a Qualified Commercial Clean Vehicle is not allowed if the taxpayer is allowed a Clean Vehicle Credit. A **Clean Vehicle Credit** of up to **$7,500** is available for electric vehicles and fuel cell vehicles placed in service after 2022 and before 2033. This credit applies to vehicles used in a business (i.e., depreciable vehicles) and for vehicles acquired for personal use. However, more businesses should qualify for the Qualified Commercial Clean Vehicle credit. **Planning Alert!** A business that acquires a new vehicle qualifying for either the regular clean vehicle credit or this commercial clean vehicle credit may choose to take the larger of the two credits, but not both.

TRADITIONAL YEAR-END TAX PLANNING TECHNIQUES

Planning With Timing Of Income And Expenses. One traditional year-end tax planning strategy for business owners includes reducing current year taxable income by deferring income into later tax years and accelerating deductions into the current tax year. This strategy is beneficial where the income tax rate on the business's income in the following year is expected to be the same or lower than the current year. **Caution!** In the following discussions we include "timing" suggestions as they relate to traditional year-end tax planning strategies that would cause you to accelerate deductions into 2024, while deferring income into 2025. However, for businesses that expect their taxable income to be significantly lower in 2024 than in 2025, the opposite strategy might be more advisable. In other words, for struggling businesses, a better year-end planning strategy could include accelerating revenues into 2024 (to be taxed at lower rates), while deferring deductions to 2025 (to be taken against income that is expected to be taxed at higher rates). **Planning Alert!** The 20% 199A deduction that was first available in 2018 adds another wrinkle to deciding whether to defer or accelerate revenues, and/or to defer or accelerate deductions. Your ability to take maximum advantage of the 20% 199A deduction for 2024 and/or 2025 may, in certain situations, be enhanced significantly if you are able to keep your taxable income below certain thresholds. Consequently, please keep that in mind as you read through the following timing strategies for income and deductions.

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First-Year 168(k) Bonus Depreciation Deduction. Traditionally, a popular way for businesses to maximize current-year deductions has been to take advantage of the **First-Year 168(k) Bonus Depreciation deduction.** Before the *"Tax Cuts and Jobs Act"* (TCJA) was enacted in late 2017, the 168(k) Bonus Depreciation deduction was equal to 50% of the cost of qualifying depreciable assets placed in service. The *"Tax Cuts and Jobs Act"* temporarily increased the 168(k) Bonus Depreciation deduction to 100% for qualifying property acquired and placed in service **after September 27, 2017,** and **before January 1, 2023.** Beginning **with 2024,** the 100% §168(k) deduction is reduced as follows for property placed in service: **1)** During **2024 - 60%, 2)** During **2025 - 40%, 3)** During **2026 - 20%,** and **4) After 2026 - 0%** (with an additional year for long-production-period property and noncommercial aircraft). **Note!** The U.S. House of Representatives passed a bill during 2024 that would restore the 168(k) deduction to 100%. However, the bill died in the Senate. **Planning Alert!** Businesses should consider purchasing and placing in service in 2024 any qualifying property needed in early 2025 since the deduction will drop to 40% in 2025.

Section 179 Deduction. Another popular and frequently used way to accelerate deductions is by taking maximum advantage of the up-front Section 179 Deduction ("179 Deduction"). The Tax Cuts and Jobs Act (TCJA) also made several taxpayer-friendly enhancements to the 179 Deduction which include: **1)** Substantially increasing the 179 Deduction limitation (up to **$1,220,000 for 2024); 2)** Increasing the phase-out threshold for total purchases of 179 property **($3,050,000 for 2024);** and **3)** Expanding the types of business property qualifying for the 179 Deduction. **Observation!** To maximize your 179 Deductions for 2024, it is important for your business to determine which depreciable property acquired during the year qualifies as 179 Property. Generally, "depreciable" property qualifies for the **179 Deduction** if: **1)** It is purchased **new or used; 2)** It is "tangible personal" property; **and 3)** It is used primarily for business purposes (e.g., machinery and equipment, furniture and fixtures, business computers, etc.). Off-the-shelf business software also qualifies. **Planning Alert!** The 179 Deduction **is now allowed** for otherwise qualifying property used in connection with lodging (e.g., 179 property in a home the owner is renting to others should qualify).

- **Business Vehicles.** New or used business vehicles generally qualify for the 179 Deduction, provided the vehicle is **used more-than-50% in your business. Planning Alert!** There is a dollar cap imposed on business cars and trucks that have a **vehicle weight of 6,000 lbs. or less.** If applicable, this dollar cap applies to both the 168(k) Bonus Depreciation and the 179 Deduction taken with respect to the vehicle. **Note!** Trucks, vans, and SUVs that have a loaded **weight (GVWR) of more than 6,000 lbs.** are exempt from these annual depreciation caps. In addition, these vehicles, if used more-than-50% in business, will also generally qualify for a **179 Deduction of up to $30,500** if placed in service in 2024 **($31,300** if placed in service in 2025). **Tax Tip!** Pickup trucks with loaded vehicle weights over 6,000 lbs. are exempt from the $30,500 limit to the 179 Deduction if the truck bed is at least six feet long. **Planning Alert!** The $30,500 cap applies only for purposes of the 179 Deduction. This $30,500 cap **does not apply** with respect to the 168(k) Bonus Depreciation deduction taken on vehicles weighing over 6,000 lbs. **Tax Tip!** Neither the 179 Deduction nor the 168(k) Bonus Depreciation deduction requires any proration based on the length of time that an asset is in service during the tax year. Therefore, your calendar-year business would get the benefit of the **entire 179 or 168(k) Deduction** for 2024 purchases, even if the qualifying property **was placed in service as late as December 31, 2024!** However, you would claim the 168(k) and 179 deductions in 2025 if the qualifying property was placed in service on January 1, 2025, or after. Therefore, **if you want the deduction for 2024, make sure the vehicle or other qualifying property is placed in service in 2024. Planning Alert!** There is **no "taxable income limitation" or $30,500 cap** with respect to the 168(k) Bonus Depreciation deduction. Therefore, for example, a taxpayer could deduct **60% of the full cost** of an SUV weighing over 6,000 lbs. purchased in 2024 and used entirely for business as a **168(k) Bonus Depreciation deduction** without being limited by the $30,500 cap, and regardless of the amount of the taxpayer's taxable income. However, combining the $30,500 179 deduction, the 168(k) deduction, and regular MACRS depreciation on the remaining basis of an SUV weighing over 6,000 lbs. can produce advantageous results. For example, if in 2024, a taxpayer purchases an SUV for $100,000 weighing

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over 6000 lbs., places the SUV in service during the last quarter of 2024, uses the SUV 100% for business from the date of purchase until the end of 2024, the taxpayer should be able to deduct **$73,590** of the cost during 2024 by combining the 179 deduction, the 168(k) deduction and the regular MACRS depreciation deduction.

Planning Alert! With the 168(k)-deduction scheduled to drop to **40% in 2025**, it may be possible to create a larger deduction by pushing asset purchases into 2024 instead of waiting until 2025.

Salaries For S Corporation Shareholder/Employees. For 2024, an employer generally must pay FICA taxes of 7.65% on an employee's wages up to **$168,600 ($176,100 for 2025)** and FICA taxes of 1.45% on wages in excess of **$168,600 ($176,100 for 2025)**. In addition, an employer must withhold FICA taxes from an employee's wages of 7.65% on wages up to $168,600 ($176,100 for 2025) and 1.45% of wages in excess of $168,600 ($176,100 for 2025). Generally, the employer must also withhold an additional Medicare tax of **0.9% for wages paid to an employee in excess of $200,000.** If you are a shareholder/employee of an S corporation, this FICA tax generally applies only to your W-2 income from your S corporation. Other income that passes through to you or is distributed with respect to your stock is generally not subject to FICA taxes or to self-employment taxes. **Note!** If the IRS determines that you have taken unreasonably "low" compensation from your S corporation, it will generally argue that other amounts you have received from your S corporation (e.g., distributions) are disguised "compensation" and should be subject to FICA taxes. **Caution!** Determining "reasonable" compensation for an S corporation shareholder is a case-by-case determination. However, Court decisions make it clear that the compensation of S corporation shareholders should be supported by independent data (e.g., comparable industry compensation studies), and should be properly documented and approved by the corporation. **Planning Alert!** Keeping wages low and minimizing your FICA tax could also reduce your Social Security benefits when you retire. Furthermore, if your S corporation has a qualified retirement plan, reducing your wages may reduce contributions that can be made to the plan on your behalf since contributions to the plan are based on your "wages."

S Corporation Shareholders Should Check Stock And Debt Basis Before Year-End. If you own S corporation stock and you think your S corporation will have a tax loss this year, you should **contact us as soon as possible.** These losses will not be deductible on your personal return unless and until you have adequate "basis" in your S corporation. **Planning Alert!** If an S corporation anticipates financing losses through borrowing from an outside lender, the best way to ensure the shareholder gets **debt basis** is to: **1)** Have the shareholder personally borrow the funds from the outside lender; and **2)** Then have the shareholder formally (with proper and timely documentation) loan the borrowed funds to the S corporation. **Caution!** A shareholder cannot get debt basis by merely guaranteeing a third-party loan to the S corporation. **Please do not attempt to restructure your loans without contacting us first.**

MAXIMIZE YOUR 20% 199A DEDUCTION FOR QUALIFIED BUSINESS INCOME (QBI)

The 20% 199A Deduction For Qualified Business Income. Don't overlook the **20% Deduction** under **Section 199A** with respect to **"Qualified Business Income," "Qualified REIT Dividends,"** and **"Publicly-Traded Partnership Income."** The 20% 199A deduction does not reduce your adjusted gross income or impact your calculation of self-employment tax. Instead, the deduction simply reduces your taxable income (regardless of whether you itemized deductions or claim the standard deduction). In other words, the 20% 199A Deduction is allowed ***in addition to*** your itemized deductions or your standard deduction. **Note!** The 20% 199A Deduction is set to **expire after 2025!** It is not feasible to provide a thorough discussion of the 20% 199A Deduction with respect to **Qualified Business Income (QBI)** in this letter. However, if you own an interest in a business as a sole proprietor, an S corporation shareholder, or a partner in a partnership, you are a very good candidate for the 20% 199A Deduction. If you want more information on the 20% 199A Deduction, **please call our firm** and we will be glad to provide more details.

CAREFUL WITH EMPLOYEE BUSINESS EXPENSES

For 2018 through 2025, **"un-reimbursed"** employee business expenses are not deductible at all by an employee. For example, an employee **may not deduct** on the employee's income tax return any of the following business expenses **incurred as an "employee", even if the expenses are necessary for the**

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employee's work - Automobile expenses (including auto mileage, vehicle depreciation); **Costs of travel, transportation, lodging and meals; Union dues** and expenses; **Work clothes and uniforms;** Otherwise qualifying **home office expenses; Dues** to a chamber of commerce; **Professional dues; Work-Related education expenses; Job search expenses; Licenses and regulatory fees; Malpractice insurance premiums; Subscriptions** to professional journals and trade magazines; and **Tools and supplies** used in your work. **Note!** Generally, employee business expenses reimbursed under an employer's qualified **"Accountable Reimbursement Arrangement" are deductible by the employer** (subject to the 50% limit on business meals), and the reimbursements are **not taxable to the employee. Planning Alert!** Generally, for a reimbursement arrangement to qualify as an **"Accountable Reimbursement Arrangement": 1)** The employer must maintain a reimbursement arrangement that requires the employee to substantiate covered expenses; **2)** The reimbursement arrangement must require the return of amounts paid to the employee in excess of the amounts substantiated; and **3)** There must be a business connection between the reimbursement (or advance) and the business expenses. **Caution!** If an employer reimburses an employee's deductible **business food and beverage** expense under an Accountable Reimbursement Arrangement, the employer could deduct 50% of the reimbursement. However, as discussed previously, an employee who is not reimbursed by the employer for the business meal would get no deduction because un-reimbursed employee business expenses are not deductible by employees (from 2018 through 2025).

OTHER SELECTED YEAR-END PLANNING CONSIDERATIONS FOR BUSINESSES

IRS Increases Standard Mileage Rates Effective January 1, 2024. The standard mileage deduction rate for deductible **business miles** was increased from 65.5 cents per mile to **67.0 cents per mile** effective January 1, 2024. The **charitable mileage rate is still 14.0 cents per mile** and the rate for **medical and moving mileage dropped to 21.0** cents per mile for 2024. **Planning Alert!** Be sure to keep proper records for mileage for use as a possible deduction for 2024. **Note!** Moving expenses are not deductible for 2018 through 2025 except for certain military personnel.

Partnerships And S Corporations In Applicable States Should Consider Election To Allow Business To Pay State And Local Income Taxes. From 2018 through 2025, the aggregate itemized deduction for state and local real property taxes, state and local personal property taxes, and state and local income taxes (or sales taxes if elected) is **limited to $10,000** for individuals ($5,000 for married individuals filing separately). As a result, most states have enacted legislation allowing partnerships and S corporations to elect to pay state and local income taxes on the partnership's or S Corporation's income. States either give the partners or S corporation shareholders a state credit or deduction on their personal returns for the state and local tax paid on income reported by the entity. **Please give us a call** if you would like to know more about your state's law allowing state and local taxes to be paid by the partnership or S corporation.

Consider Simplified Accounting Methods For Certain Small Businesses. The Tax Cuts And Jobs Act (enacted in late 2017) provides the following accounting method relief provisions for businesses with **Average Gross Receipts (AGRs)** for the **Preceding Three Tax Years of $30 Million or Less (for 2024): 1)** Generally allows businesses to use the cash method of accounting even if the business has inventories; **2)** Allows simplified methods for accounting for inventories; **3)** Exempts businesses from applying UNICAP, and; **4)** Liberalizes the availability of the completed-contract method. **Planning Alert!** The IRS has released detailed regulations and procedures to follow for taxpayers who qualify and wish to change their accounting methods in light of these relief provisions. **Please call our firm** if you want us to help determine whether any of these simplified accounting methods might be available to your business.

Lower Form 1099-K Threshold. The American Rescue Plan Act lowered the exception from filing Form 1099-K by Payment Settlement Entities to gross payments of **$600 or less, with no minimum number of transactions. The new $600 reporting threshold was to apply beginning with 2023 transactions. Note!** In Information Release 2023-221, the IRS announced that 2023 would be treated as a transition period and penalties will not apply where a third-party settlement organization applies the prior law $20,000/200 transaction exemption for 2023 transactions. **Update!** In Information Release 2023-221, the IRS announced *"Given the complexity of the new provision, the large number of individual taxpayers affected and the need for stakeholders to have certainty with enough lead time,* ***the IRS is planning for a***

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threshold of $5,000 for tax year 2024 as part of a phase-in to implement the $600 reporting threshold enacted under the American Rescue Plan"

<u>Don't Forget De Minimis Safe Harbor Election To Expense Certain Assets.</u> Making the de minimis safe harbor election on your company's 2024 return will allow it to expense certain costs paid for assets, materials and supplies purchased through your company. The safe harbor **threshold is $5,000** if your company has a certified, audited financial statement and **$2,500 if it doesn't**. **<u>Note!</u>** The $5,000/$2,500 thresholds are applied to each invoice.

FINAL COMMENTS

Please contact us if you are interested in a tax topic that we did not discuss. Tax law is constantly changing due to new legislation, cases, regulations, and IRS rulings. Our Firm closely monitors these changes. In addition, **please call us before implementing any planning idea discussed in this letter, or if you need additional information concerning any item mentioned in this letter.** We will gladly assist you. **<u>Note!</u>** The information contained in this material should not be relied upon without an independent, professional analysis of how any of the items discussed may apply to a specific situation.

Disclaimer: Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of promoting, marketing, or recommending to another party any transaction or matter addressed herein. The preceding information is intended as a general discussion of the subject addressed and is not intended as a formal tax opinion. The recipient should not rely on any information contained herein without performing his or her own research verifying the conclusions reached. The conclusions reached should not be relied upon without an independent, professional analysis of the facts and law applicable to the situation.

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