

# SJWT 2024 Hot Topics – Part 1

By: Gregory R. Price, CPA, MST



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

39 State Route 12, Ste 2  
Flemington, NJ 08822



## Overview of Hot Topics

### Clean Energy Credits

- Residential Clean Energy Credit
- Energy-Efficient Home Improvement Credit
- Clean Vehicle Credit

### Individual tax reporting

- IRS Contribution Limits & Deduction Phaseouts for 2024
- RMDs - Secure Act 2.0
- Grab-bag

### Business Entity reporting

- Expired Tax provisions Impacting Businesses
- Grab-bag

### International reporting

- Changes to FBAR penalties
- Corporate Transparency Act
- Grab-bag



## Residential Clean Energy Credit



- The Residential Clean Energy Credit is a credit for certain qualified expenditures made by a taxpayer for residential energy efficient property. (No overall dollar limit) Qualifying expenditures include:
  - Solar panels
  - solar electric equipment
  - solar-powered water heaters
  - and wind turbines

## Residential Clean Energy Credit



- ***The Inflation Reduction Act***, extended the residential clean energy property credit through 2034, modified the applicable credit percentage rates, and added battery storage technology as an eligible expenditure.
- **Beginning in 2023**, the credit started applying to battery (energy) storage technology with a capacity of at least three kilowatt hours. The size of the credit is 30% of the cost of the equipment and installation for renewable energy systems. The full credit goes through 2032. After that, it drops to 26% in 2033 and 22% in 2034, before it expires in 2035.

## Energy-Efficient Home Improvement Credit



- ***The Inflation Reduction Act*** expanded this credit **for 2023 through 2032**. First, the credit percentage was increased to 30% of the cost of certain types of insulation, boilers, air-conditioning systems, exterior windows, exterior doors, etc. added to a residence. Second, the \$500 lifetime limit was replaced with a \$1,200 annual limit. This \$1,200 annual limit is lowered to \$500 in the aggregate for exterior doors and \$600 for exterior windows and skylights and for other items. The annual limit increases to \$2,000 for a biomass stove or hot water boiler, or an electric or natural gas heat pump put in the home.
- The credit has no lifetime dollar limit. Taxpayer can claim the maximum annual credit every year there are eligible improvements until 2033.

## Clean Vehicle Credit



- ***The Inflation Reduction Act*** totally revamped the tax credit for buying an electric vehicle, including a changing its name from the “electric vehicle tax credit” to the “Clean Vehicle Credit”.
- **For 2023 through 2032**, the maximum tax break remains \$7,500 for buying a new EV however, the factors for figuring the credit were updated. To be eligible for the full \$7,500 credit, **EVs put in use after April 17, 2023**, must meet
  - 1) a critical minerals requirement and
  - 2) a battery component rule.
  - If only one factor is met, then the credit is capped at \$3,750.

## Clean Vehicle Credit



- The critical minerals requirement states that **critical minerals contained in a battery** must be extracted or processed in the U.S., in any country with which the U.S. has a free trade agreement in effect, or recycled in North America AND the value of the critical minerals is equal or greater than the applicable %. (2022-2024: 40%, 2024: 50%, 2025: 60%, 2026: 70%)
- The battery component rule states that at least 50% of the battery components must be manufactured or assembled in North America.



## Clean Vehicle Credit - final assembly

- The final assembly of an EV must take place in North America. This rule applies to all EVs first placed in service after Aug. 16, **2022**. Dealers and consumers can follow a two-step process to check whether a vehicle's final assembly occurred in North America
  - The Department of Energy's Alternative Fuels data Center (AFDC) compiled a list of model Year **2022 and 2023** electric vehicles that likely meet the North America, final assembly requirement: <https://afdc.energy.gov/laws/inflation-reduction-act>
  - To determine whether a specific vehicle's final assembly occurred in North America, dealers and consumers should enter the 17-character Vehicle Identification Number (VIN) into the National Highway Traffic Safety Administration's VIN Decoder tool: <https://vpic.nhtsa.dot.gov/decoder/>





## Clean Vehicle Credit



- **The manufacturer sales threshold limit is gone.** Under pre-2023 rules, some popular car brands didn't qualify for the credit because it started to phase out for vehicles manufactured by a car company that sold over 200,000 EVs in the U.S. This limitation has been removed for electric vehicles purchased in **2023 and later**.
- Two new rules that could keep taxpayer from claiming the tax break if you buy a new EV:
  - 1) The manufacturer's suggested retail price can't exceed \$55,000 for sedans and \$80,000 for vans, SUVs, and pickup trucks. An EV's classification as a sedan a van, SUV, or pickup truck is based on the vehicle's fuel economy label on the window sticker and the EPA size class published at the website *Fueleconomy.gov*.
  - 2) Can't claim the credit for purchasing a new EV if your modified adjusted gross income exceeds \$300,000 for joint filers, \$225,000 for head-of-household filers, or \$150,000 for single filers.



## Clean Vehicle Credit

- The government has a list of eligible clean vehicles, including EVs and fuel cell vehicles, that qualified manufacturers have indicated to the IRS meet the requirements to claim the credit. The government will update the page on an ongoing basis. You can find the list at <https://fueleconomy.gov/feg/tax2023.shtml>.
- **Used EVs** bought from a dealer qualify for a smaller credit, equal to the lesser of \$4,000 or 30% of the sales price. The credit is available only for the first transfer of the vehicle after August 16, 2022, to a person other than the person with whom the original use of the vehicle commenced. The credit is not available for vehicles with a sales price exceeding \$25,000 and isn't available if buyer's modified AGI is more than \$150,000 for joint filers, \$112,500 for head-of-household filers, or \$75,000 for single filers.



## Clean Vehicle Credit - Transfer credit

- **Starting in 2024**, you can irrevocably elect to transfer the new and previously-owned clean vehicle tax credits to dealers who choose to participate in the program. The dealer can then receive advance payments of either credit from the IRS shortly after the sale. In return for your transferring the credit, the dealer provides a financial benefit equal to the credit to you in cash or in the form of a partial payment or down payment for the purchase of the vehicle.
- In the case of the new clean vehicle tax credit, the credit cannot be transferred to the dealer unless the vehicle will be **predominately for personal use**, and only the portion of the credit attributable to personal use can be transferred.
- You will need to attest to qualifying for the credit at the time you transfer the credit to the dealer, even though it may be uncertain whether you will meet the MAGI requirement. If your MAGI exceeds the limit for the year, you will be required to repay the amount received for transferring the credit as an addition to tax in the year the vehicle was placed in service.



## Clean Vehicle Credit - Transfer credit

- If the amount of the credit that you elect to transfer to the dealer exceeds your tax liability, the excess is not subject to recapture from the dealer or you.
- The number of transfer elections you can make in a year is limited to two (your spouse can also make two transfers). The elections can be for two new clean vehicle tax credits or one clean vehicle tax credit and one previously-owned clean vehicle tax credit.
- The credit must be reported on your federal income tax return whether you claim the credit yourself or transfer the credit to the dealer.
- You do not have to include the payment received for transferring the credit in taxable income. Your tax basis in the vehicle must be reduced by the amount of the credit whether you claim the credit yourself or transfer the credit to the dealer.



## IRA Contribution Limits and Deduction Phaseouts in 2024

- **The 2024** contribution limit for **traditional IRAs** and **Roth IRAs** is \$7,000, plus \$1,000 as an additional catch-up contribution for individuals age 50 and up. For a single person, Modified Adjusted Gross Income (MAGI) must be under \$161,000 for tax year 2024 to contribute to a Roth IRA, and for a married filing jointly taxpayer, MAGI must be under \$240,000 for tax year 2024.
- Deduction phaseouts for traditional IRAs also start at higher levels **in 2024**. For single taxpayers covered by a workplace retirement plan, the phase-out range begins at \$77,000 and ends at \$87,000. For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range increases to between \$123,000 and \$143,000.

# Required Minimum Distributions - Secure 2.0 Act



The SECURE 2.0 Act, which was signed into law in December 2022, changed the RMD rules for retirement savers **beginning in 2023**. Those new RMD rules included:

- **A Higher RMD Age**: Prior to the SECURE 2.0 Act, the age to start RMDs was 72 for retirement accounts including traditional IRAs and 401(k)s. The new law raises the RMD age in two steps. **The RMD age increases to 73 beginning in 2023**. In 2033, the RMD age will further increase to 75. Individuals who were born between 1951 and 1959 will need to start their RMDs after age 73. Those born in 1960 or later can delay RMDs until after age 75.
- **Lower Penalty for Missing a Withdrawal**: Before the SECURE 2.0 Act, the tax penalty was 50% on the required amount that was not withdrawn. If an individual failed to take a RMD of \$2,000, they would need to pay a 50% tax penalty, or \$1,000. The SECURE 2.0 Act changed this penalty to 25%. In the case of a missed RMD of \$2,000, the charge would be \$500.



# Required Minimum Distributions - Secure 2.0 Act



- **The ROTH 401(k) RMD Will be Eliminated:**

Per the SECURE 2.0 Act, Roth 401(k) account holders will no longer have to take RMDs. This aligns Roth 401(k)s with Roth IRAs, which also do not require distributions in retirement. Prior to the change, individuals with a Roth 401(k) would need to roll the account into a Roth IRA when they retired to skip the RMDs. Now the additional step is not necessary to avoid RMDs.

## Individual Tax Changes for 2024 - “Grab-bag”



- **Estate and Gift Taxes**: The lifetime estate and gift tax exemption for decedents who die in 2024 jumped from \$12,920,000 to \$13,610,000 million.
- **Flex Spending Accounts**: the limit on employee contributions to a healthcare flexible spending account (FSA) is \$3,200 in 2024, which is \$150 more than the 2023 limit.
- **Americans Working Abroad**: U.S. taxpayers working abroad have a larger foreign earned income exclusion in 2024. It jumped from \$120,000 for 2023 to \$126,500 for 2024. (Taxpayers claim the exclusion on Form 2555.) **(to be discussed in detail in Part II)**
- **Kiddie Tax**: For 2024, the first \$1,300 of a child's unearned income is tax-free if the child is 18 years old or younger, or a full-time student under 24. The next \$1,300 is taxed at the child's rate. Any excess over \$2,600 is taxed at the parent's rate.



## Expired Tax Provisions Impacting Businesses

- **Amortization Requirement for R&D:** The Tax Cuts and Jobs Act enacted in 2017 contained a provision whereby beginning January 1, 2022, costs for R&D activities will no longer be immediately deductible. Costs related to research activities performed in the U.S. will be recovered over a 5-year amortization period. Costs related to research activities performed outside the U.S. will be recovered over a 15-year amortization period. ([extenders bill repeals](#))
- **Sec 163(j): No more addbacks to Adj. Taxable Income:** Included in the TCJA in 2017, changes to IRC Section 163(j) limited annual business expense deductions based on a percentage of adjusted taxable income. As of 1/1/22, depreciation, amortization and depletion can no longer be added back when determining adjusted taxable income. This will reduce the annual interest expense deductions for many businesses. ([extenders bill repeals](#))



# Expired Tax Provisions Impacting Businesses

- **100% Bonus Depreciation Phase-Out:** The phaseout of the 100% bonus depreciation, implemented in 2017 with the TCJA, began at the beginning of 2022. Barring a change in law, bonus depreciation will decrease by 20% each year. It is 60% in 2024 and will be completely phased out by 2027.

**(NOTE: Section 179 expense remains at 100% of asset cost)**



dreamstime.com

## Business Tax Changes for 2024 - “Grab-bag”



### 1099-K Reporting from Third Party Settlement Organizations:

- The American Rescue Plan Act of 2021 modified IRC Section 6050W by lowering the threshold for Form 1099-K reporting on third-party network transactions from \$20,000 in gross payments *and* participated in more than 200 transactions to \$600.
- Third-party payment settlement networks (e.g., PayPal and Venmo) were scheduled to send Form 1099-K to individuals who were paid over \$600 during 2023 however, the new rules were pushed back to 2024.
- Now instead of a threshold of \$600, the IRS will begin to phase-in the lowered threshold starting in 2024, with a \$5,000 threshold for the 2024 tax year.



## Business Tax Changes for 2024 - “Grab-bag”



### Corporate Alternative Minimum Tax

- ***The Inflation Reduction Act*** imposes a 15% minimum tax on corporate book income for “applicable corporations” with profits over \$1 billion, effective for tax years beginning after December 31, 2022.
- For purposes of this minimum tax, book income is the adjusted financial statement income (net income or loss) that corporations report to their investors
- The minimum tax will only apply if it exceeds the taxpayer’s regular tax for the year, prior to taking into account general business credits under Section 38.
- An “**applicable corporation**” is defined as with respect to any taxable year, any corporation (other than an S corporation, a regulated investment company or a real estate investment trust) whose average annual adjusted financial statement income exceeds \$1 billion for any three consecutive tax years preceding the tax year.



## Business Tax Changes for 2024 - “Grab-bag”



### Corporate Alternative Minimum Tax - **Relief**

- The Department of Treasury and the Internal Revenue Service on 6/7/23, issued Notice 2023-42, which will grant penalty relief for corporations that did not pay estimated tax in connection with the new corporate alternative minimum tax.
- The IRS will waive the penalty for a corporation’s failure to pay estimated income tax with respect to its CAMT for a taxable year that begins after Dec. 31, 2022, and before Jan. 1, 2024. (relief not available in 2024)

## Business Tax Changes for 2024 - “Grab-bag”



### New Reporting Requirements for Cryptocurrency Transactions:

- Starting in 2024 for **2023 transactions**, businesses and individuals who receive more than \$10,000 in cryptocurrency transactions are required to report the transactions to the IRS. The IRS is requiring this information to help track cryptocurrency transactions and to identify potential tax evasion.

### Energy-Efficient Commercial Buildings Deduction: Section 179D

- Allows for up to \$1.80 deduction per square foot for taxpayers that improve the efficiency of their commercial and residential rental buildings that are four stories high or more during construction or renovation. ( heating cooling, lighting)
- **The 179D tax deduction is a permanent part of the tax code and doesn't expire.**

## Business Tax Changes for 2024 - “Grab-bag”



### Energy-Efficient Commercial Buildings Deduction: Section 179D

- Who can Qualify?
  - Architects,
  - Mechanical Engineers, Electrical Engineers, and other designers of tax-exempt buildings
  - Commercial Building Owners

### **What did the Inflation Reduction Act Change?**

- In 2022 and prior years, architects, engineers, and design-build contractors are eligible to receive allocations on projects they designed for federal, state, and local government-owned buildings. Starting in 2023, they can **ALSO** receive allocations for their design work on **tax-exempt entities**. This means many building types that were previously ineligible to participate in 179D can now do so.



## International reporting- Changes to FBAR penalties (reminder)



- On Feb. 28, 2023, the U.S. Supreme Court issued a decision in *Bittner v. United States, No. 21-1195*, where it held that the \$10,000 maximum penalty for the **nonwillful** failure to file a Report of Foreign Bank and Financial Accounts (FBAR) is determined on a per report basis, not a per account basis.
- In other words, even if a Taxpayer failed to report 22 foreign financial accounts in a single year on the FBAR, the penalty is limited to one penalty per year — because it is **based on the form being filed and not the number of accounts**. Thus, taxpayers face only a maximum aggregate \$10,000 penalty for any non-willful failure to file a report or to disclose an account, as opposed to a \$10,000 penalty for each individual omission on a single report.



## International reporting- Changes to FBAR penalties (reminder)



- The Court did not address the question of whether taxpayers who already paid penalties on a per account basis can seek refunds from the government, taxpayers with open refund requests pending with the IRS and/or acting within the statute of limitations may be entitled to request a refund from the IRS.
- Must be noted, the IRS still has the power to issue willful penalties, which can reach *50% maximum value of the highest value of the unreported accounts each year* . Consequently, the IRS may become more aggressive in its determinations of what constitutes a willful penalty. Taxpayers do not have to have acted intentionally in order to become subject to willful FBAR penalties. That is because there are two lower levels of behavior that qualify as willful: Reckless Disregard and Willful Blindness.

## Corporate Transparency Act



- Starting January 1, 2024, non-exempt domestic and foreign entities, referred to as “reporting companies,” are required to disclose the beneficial ownership information (otherwise known as “BOI”) of people who own or control a company.
- The CTA is not a part of the tax code. Instead, it is a part of the Bank Secrecy Act, a set of federal laws that require record-keeping and report filing on certain types of financial transactions. Under the CTA, BOI reports will not be filed with the IRS, but with the **Financial Crimes Enforcement Network (FinCEN)**, another agency of the Department of Treasury.

# Corporate Transparency Act



"Once again, our #1 OKR for the next quarter is to stay awake during our meetings."

- Domestic companies required to report include corporations, limited liability companies (LLCs), **including single member LLCs**, or any similar entity created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.
- Domestic entities that are not created by the filing of a document with a secretary of state or similar office are not required to report under the CTA.
- ***Sole proprietors and general partnerships, which are businesses that are not created by registering with any state, are NOT subject to the Corporate Transparency Act.***



## Corporate Transparency Act

- **Who is a beneficial owner?**

Any individual who, directly or indirectly, either:

- Exercises “substantial control” over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests of a reporting company
  
- An individual has substantial control of a reporting company if they
  - direct, determine or exercise substantial influence over important
  - decisions of the reporting company. This includes any senior
  - officers of the reporting company, regardless of formal title or if
  - they have no ownership interest in the reporting company.



# Corporate Transparency Act

## When must companies file?

- There are different filing timeframes depending on when an entity is registered/formed or if there is a change to the beneficial owner's information.
  - New entities (created/registered in 2024) - must file within 90 days
  - New entities (created/registered after 12/31/2024) - must file within 30 days
  - Existing entities (created/registered before 1/1/24) - must file by 1/1/25
  - Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports - must file within 30 days

# International Reporting - “Grab-bag”



## Delinquent FBAR Submission Procedures

- Taxpayers who: 1) have not filed a required Report of Foreign Bank and Financial Accounts (FBAR) (FinCEN Form 114), 2) are not under a civil examination or a criminal investigation by the IRS, and 3) have not already been contacted by the IRS about the delinquent FBARs **should file the delinquent FBARs according to the FBAR instructions.** This can be done by following these steps:
  - Review the instructions
  - Include a statement explaining why you are filing the FBARs late
  - File all FBARs electronically at [FinCEN](#) (Bank Secretary Act ‘s e-filing system for FBARS)
  - On the cover page of the electronic form, select a reason for filing late
  - If you are unable to file electronically, contact FinCEN's Regulatory Help line at [800-949-2732](tel:800-949-2732) or [800-949-2732](tel:800-949-2732) (if calling from outside the United States) to determine possible alternatives to electronic filing.

# International Reporting - “Grab-bag”



## Form 1040-NR reminders

- Taxpayer must have a social security number or an ITIN (individual taxpayer identification number) in order to file form 1040-NR, U.S. Nonresident Alien Income Tax Return.
- If taxpayer does not have a SS# or an ITIN, they must apply for an ITIN by completing Form W-7, Application of IRS Individual Taxpayer Identification Number and submitting it with Form 1040-NR.
- Since the IRS will only except “wet” signatures on both of these forms, they must be paper filed.
- Refunds will only be deposited into U.S. based accounts.

## What to Look Out for in 2024

- **The Relief for American Families and Workers Act  
“Extender Bill”**

- Bi-partisan bill passed by the House on January 31, 2024 but it’s fate in the Senate is uncertain
- Most provisions retroactive to 2023 and extend to 2025
- If passes Senate, President expected to sign , but don’t know WHEN!
  - Extend 100% bonus depreciation through 1/1/26
  - Extension and possible retroactive election to addback for Depreciation and Amortization in calculation on business interest limitation.
  - Increase in Child Tax Credit - the calculation of the refundable amount will be determined on a per-child basis
  - **NO expansion of SALT deduction**





Now on to PART 2 of “hot topics” .....

