



# AICPA WASHINGTON TAX LEGISLATIVE UPDATE

**November 21, 2024**

**KSCPA Annual Tax Conference**





Association  
of International  
Certified Professional  
Accountants®



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A photograph of the U.S. Capitol building in Washington, D.C., featuring its iconic white dome and neoclassical architecture. In the foreground, there are several cherry blossom trees in full bloom, displaying vibrant pink and white flowers. The sky is a clear, bright blue with a few wispy white clouds. An American flag is visible on a pole to the left of the building.

Topics for  
**Today**

**1.**

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**Legislative  
Update and  
Outlook**

**2.**

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**Tax Legislative  
Advocacy Issues**

**3.**

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**Other IRS Tax  
Advocacy Issues**

**4.**

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**Questions**



# Legislative Environment



# The 2025 Tax Debate: Where Do We Go From Here?



# Election Day Outcomes and Key Takeaways

# 2025 SLIM REPUBLICAN MAJORITIES IN BOTH CHAMBERS

## HOUSE



5 seats still undecided  
218 Republicans  
212 Democrats  
(+2 Dem. = prediction)  
until special elections  
and GOP seats filled

Speaker Mike Johnson, R-LA

## SENATE



52 Republicans  
47 Democrats  
1 race (PA) still  
undecided

Majority Leader John Thune, R-ND



# Legislative Developments





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## House Ways and Means Committee Passed Bills in 2024 – American Families and Jobs Act

**Tax Cuts for  
Working Families  
Act (H.R. 3936)**  
- renames and  
additional standard  
deduction

**Small Business Jobs  
Act  
(H.R. 3937)**  
- Form 1099K  
\$20,000/200, Sec.  
1202 stock changes,  
Sec. 179 expensing  
increase, op. zones

**Build it in America  
Act (H.R. 3938)**  
- Sec. 174 expensing  
'22 thru '25, interest  
expensing '23 thru '25,  
bonus depreciation '23  
thru '25, repeals 4  
energy credits

# Lame Duck Federal Tax Outlook

# Possible Vehicles for Lame Duck Tax Opportunities

- **National Defense Authorization Act (NDAA)**
- **Government Funding (Continuing Resolution or Omnibus) (12/20/24 expires)**
- **Disaster Supplemental Package**
  - Focused on victims of Hurricane Helene, Hurricane Milton, Key Bridge collapse funding, some wildfires
  - Most likely vehicle for disaster tax relief measures
- **Federal Disaster Tax Relief Measures**
  - H.R. 5863, The Federal Disaster Tax Relief Act of 2023
  - S. 1815 / H.R. 3861, The Filing Relief for Natural Disaster Act.
  - H.R. 4539 / S. 2236, The Casualty Loss Deduction Restoration Act
  - H.R. 8007, The Disaster Tax Lookback Parity Act



# Must-Pass Vehicles and Possible Passengers

- FY 2025 Appropriations (omnibus or CR into CY 2025)
- Federal Aviation Authorization Act
- National Defense Authorization Act
- Intelligence Authorization Act
- FARM Bill? (extension or compromise 5-year bill)

What could ride on the last train out of the station?

- Cryptocurrency regulation
- Marijuana banking (SAFER Act)
- Administrative tax reforms



Lame-duck session possible but not likely much besides possible disaster tax relief

# Tax Legislative Possibilities for 2025

- Wyden-Smith Tax Bill
  - Section 174 (R&E) relief
  - ERC
- Wyden-Crapo Tax Administration Bill
  - Simplify automatic filing extensions (SAFE) Act
  - Natural Disaster Tax Filing Relief
  - Preparer regulation language



# Congressional Tax Activity: Likely Waiting Until 2025



## Wyden-Smith Tax Legislation

- Bipartisan items
  - Section 174
  - Form 1099K
- Held up by Senate Republicans
- Possible marker for 2025

## 2024 Election Determining Factor in Future Tax Legislation

- Calendar year-end tax bill hinges on political appetite to compromise and likely not after November elections
- TCJA expirations 2025 creates tax cliff end of 2025
- “Deal” for grand tax bargain remains the same

# Wyden-Smith Tax Bill



Expensing R&E costs?

**Section 174 R&E  
Expense**



**Employee Retention  
Credit**



**Disaster Relief (tools)**



**Bonus Depreciation**

# 2024 Wyden-Smith Tax Deal Dead in the Senate, Signals Limited Lame Duck Tax Action

*Passed House on January 31, 2024, by 357-70  
Failed procedural vote in Senate on August 1, 2024*



## **Delays three TCJA business extenders.**

- Deduction for section 174 R&E expenditures
- Extension of 100% bonus depreciation
- Extension of section 163(j) interest expense calculation as EBITDA



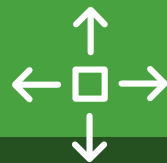
## **Increases maximum amount for section 179 expensing.**

- Slight raise in expensing limit allowance (cost of equipment and software) to \$1.29 M (from \$1.16 M)
- Limit adjusted for inflation after 2024



## **Provides “time limited and limited in scope” disaster relief.**

- Targeted disaster tax relief for some victims
- Tax relief for people impacted by the East Palestine, OH train derailment



## **Employee Retention Credit changes**

- Ends program early on January 31, 2024
- Penalties for certain COVID-ERC promoters
- Extends statute of limitations to 6 years



# Employee Retention Tax Credit Updates: Lame Duck Action Unlikely

## Congressional Activity

- ERTC Repeal Act of 2024 introduced by Sen. Romney (R-UT), Sen. Manchin (I-WV), & Sen. Tillis (R-NC).
- Same ERTC language as Wyden-Smith bill
  - Terminates ERTC claim processing by IRS retroactive to Jan. 31, 2024.
  - Defines COVID-ERTC promoters & assesses additional penalties on them.
  - Extends SOL to 6 years.
  - Outlook: unlikely to pass in 2024.

## IRS Activity

- *Slowly* processing claims.
- Sending denial letters for ERTC claims.
  - Previously 30 days appeal period
  - Extended to 2 years to dispute denial
- Voluntary Disclosure Program remains open through Nov. 22<sup>nd</sup>.
- New process for payroll companies and third-party payers to resolve incorrect claims.

# Employee Retention Credit: IRS [Announced](#) Next Phase

## Low Risk Claims 10% - 20%

- No eligibility warning signs
- IRS to focus on paying out

## Medium Risk Claims 60% - 70%

- Unacceptable level of risk
- Additional analysis and information gathering
- Speed up valid claim resolution/protect against improper claims

## High Risk Claims 10% - 20%

- Clear signs of being erroneous
- Tens of thousands to be denied in coming weeks
- If denied, letters will state why & provide instructions to appeal

# Employee Retention Credit: IRS Activity

- Moratorium
  - Processing claims filed 9/13/23 – 1/31/24
  - Current focus on 400,000 claims worth \$10B.
  - Focus on highest and lowest risk claims
- Disallowance Letters (Letter 105-C)
  - Agree with IRS: Do nothing
  - Disagree with IRS:
    - Respond with additional information to support claim
    - 30 days appeal period extended to 2 years to dispute denial
- Voluntary Disclosure Program Open Through Nov. 22<sup>nd</sup>.
- Withdraw Program Remains Open
- Resolve Incorrect Claims for Payroll Companies and Third-Party Payers
  - Allows withdraw of some clients claims while maintaining others





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# Employee retention credit

- ERC: Fact or Fiction?
- ERC FAQ
- Employee Retention Credit Client Documentation Memo Template
- Employee Retention Credit Decision Tree
- Podcast: Sifting through ERC questions
- Podcast: ERC suspended: What happens next



← Visit ERC resource library

**Employee retention credit: Fact or fiction?**

**Employee Retention Credit (ERC)**

**Decision tree for practitioners**

The Employee Retention Credit (ERC) can be claimed for qualifying quarters from 2020 and 2021 on a Form 941X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. For determining the three-year statute of limitations, Forms 941 for a calendar year are considered filed on April 15 of the succeeding year if filed before that date. Therefore, for each quarter of 2020, Form 941X will be due to be filed by April 15, 2024. For each quarter in 2021, Form 941X will be due to be filed by April 15, 2025.

The IRS has issued several warnings related to ERC claims, specifically calling out promoters of the credit who may be misleading people and businesses about their eligibility for the credit. The IRS has also noted it is actively auditing and conducting criminal investigations related to ERC false claims.

This resource is meant to assist with the different decision points while working with your clients related to ERC claims.

**After evaluating the business' eligibility and potential credit for ERC, did you/your firm prepare an ERC claim (on Form 941X) for the client?**

**YES**

Practitioner considerations may include:

- ▶ Signed engagement letter for the ERC study and preparation of amended returns.
- ▶ Discussing with client that the business returns (and underlying individual returns if applicable) should be amended for the proper period.
- ▶ Documentation of work performed to include eligibility criteria and applicable worksheets with support used to prepare Form 941X.
- ▶ Consider professional standards applicable to tax return positions (including, but not limited to the Statement on Standards for Tax Services No. 1).
- ▶ Documentation of communication to client of the following as applicable:
  - IRS may examine and dispute ERC claim.
  - If the ERC claim is disallowed, additional payroll taxes, penalties and interest will be assessed.
  - IRS statute of limitations on the examination of claim has been extended for certain quarters (and could be extended further). This could cause the claim to be disallowed after the time of the business income tax return's statute of limitations (meaning the deduction of wages due to the disallowed credit will be lost).
- ▶ Discussion with your professional liability insurance carrier. See [AON's risk alert](#) for more information.
- ▶ See [IRS Office of Professional Responsibility Issue Number 2023-02](#) for more professional responsibility considerations.

**NO**

Practitioner considerations may include:

- ▶ Maintain documentation of work prepared to determine ERC eligibility.
- ▶ Consider billings based on prior agreement with client.
- ▶ Document the discussion with client about your conclusion.

# Another Bipartisan Tax Deal Emerges: Wyden-Crapo Proposal on Tax Administration Improvements



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“Mailbox Rule” Bill

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Simplifying Tax Extension Filing  
Process

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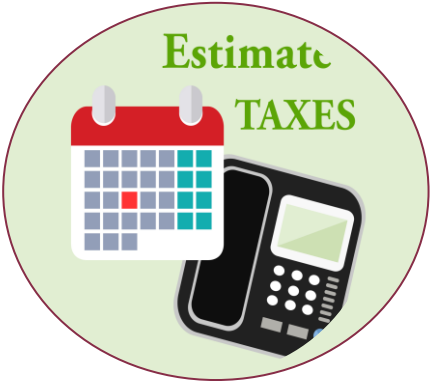
Natural Disaster Filing Relief Bill

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Tax Preparer Regulation

***Outlook: Late 2024 discussion draft, 2025 introduction***

# Wyden-Crapo Tax Administration Bill?



**SAFE Act**



**Preparer Regulations**



**Mailbox Rule**



**Disaster Relief tools**

Form <b>1099-K</b>	
Not Present sactions	2 Merchant category code
Number of payment sactions	4 Federal income tax withheld \$
	5b February \$
	5d April \$

**Form 1099-K?? (tools)**

# Bipartisan Tax Deal Forthcoming: Wyden-Crapo Proposal on Tax Administration Improvements

- Senate Finance Committee Chairman Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) **discussion draft** designed to address taxpayer and tax practitioner experiences with the IRS and the tax code
- Months of discussions amongst Senate Finance Committee staff, Treasury, National Taxpayer Advocate
- Thresholds for inclusion: **bipartisan, low-cost, non-controversial**
  - Example: American hostages should not be assessed penalties for not paying their taxes on time
  - **AICPA priorities included** (SAFE Act, efilings mailbox rule, disaster tax filing relief)
- AICPA leading a **coalition** of tax groups to expand support for bipartisan provisions in discussion draft
- **Preparer regulation** language – **supported by the AICPA and coalition** of groups

- ***Outlook:***  
*Late 2024*  
*Discussion*  
*Draft Release*



# Legislative Outlook



# Hurtling Toward Reconciliation: 2025 Tax Bill

# Key Expiring Tax Cuts & Jobs Act Tax Provisions If No Congressional Action

## Income Tax

- 37% top income tax rate will revert to 39.6%
- Highest bracket MFJ – starts at \$693,750 in 2023 back to \$470,700 in 2017
- Standard deduction amount will be reduced
- No SALT deduction limits
- Personal exemptions and miscellaneous itemized deductions back

## Estate Planning

- Sunset of the estate, gift, and GST tax exemptions
- Exemptions cut in half from the 2025 exemptions – from estimated \$14 million per person to estimated \$7 million per person

## Business Owners

- QBID (§199A) will expire
  - 29.6% to 39.6% rate
- End of phasedown of accelerated depreciation (bonus) (expire 12/31/26)
- No R&E expensing (expired 12/31/21)
- Section 163(j) deductibility of interest expense changes will expire 12/31/25
- NOL changes will expire 12/31/28

# TCJA: Key Individual Provisions Expire in 2026

## Individual Rates

- Marginal tax rates for individuals will revert to pre-TCJA levels, including maximum rate of 39.6%, from 37%.

## Child Tax Credit

- Maximum credit will drop to \$1,000 per child, from \$2,000.
- Phaseout threshold will decrease to \$75,000 for individuals and \$110,000 for married couples.

## Standard Deduction

- Standard deduction will revert back to pre-TCJA levels, adjusted for inflation.
- \$12,000 deduction for single filers in 2018; would have been \$6,500 without TCJA.

## Estate and Gift Taxes

- Exemption from estate and gift taxes will revert to pre-TCJA level of around \$5.5 million, adjusted for inflation.
- The 2024 exemption is \$13.6 million.

## SALT Deduction

- The \$10,000 cap on state and local tax deductions will no longer apply (revenue raiser, not a benefit).

## Mortgage Interest, Charitable Deductions

- Mortgage interest deduction will be limited to \$1 million in property value, from \$750,000.
- Charitable contributions will be limited to 50% of AGI, from 60%.
- Itemized deductions in general will be more relevant with lower standard deduction.

# TCJA: Key Business Provisions Expire in 2026

## Pass-Through Income Deduction

- Section 199A: Pass-through businesses will no longer be able to deduct up to 20% of qualified business income.
- Big lobbying push among S-corps, others targeting Democrats.

## Business “Trifecta”

- Temporary 100% bonus depreciation for business property
- Shorter amortization period for R&D costs
- Business interest deduction changes

## BEAT/GILTI/FDII

- Formulas modified for base erosion minimum tax (BEAT), global intangible low-taxed income (GILTI), and foreign derived intangible income (FDII).



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Explore →



## TAX CHANGES AHEAD

Plan for expiring Tax Cuts and  
Jobs Act provisions in 2025.

# TAX CHANGE

# Why This Might Be Uniquely Hard

- **High-cost policies in a tough fiscal environment (debt limit extension expires January 1, 2025 – extraordinary measures to the summer 2025)**
  - Reasonable estimates show that Trump's tax plan could increase the debt by \$7.5T against backdrop of high annual deficits
  - The Committee for a Responsible Federal Budget also estimates:
  - Trump plan would have \$10.2T deficit increasing measures, \$3.7T deficit reducing measures, \$1T interest costs
  - Trump plan would increase projected debt through FY 2035 by \$1.45T (low-cost estimate) to \$15.5T (high-cost estimate)
- **Aligning campaign pledges with reality**
  - SALT deduction cap increase, no taxes on tips, no taxes on overtime
- **Complex policies in a high-turnover Congress**
  - Many veteran tax-savvy lawmakers and staff left after TCJA, remarkably complex issues at play
- **Possibility of warring GOP factions**
  - Lack of trust among key players



# Trump Major Tax Policy “Wish List” for Individual Taxation

	Current	Trump
<b>Income Tax Rates</b>	<ul style="list-style-type: none"> <li>• Under TCJA, through 2025, brackets 10-37%</li> <li>• After TCJA, brackets 10-39.6%</li> </ul>	<ul style="list-style-type: none"> <li>• Make TCJA provisions permanent</li> </ul>
Capital Gains/Dividends	<ul style="list-style-type: none"> <li>• Capital Gains rates of 0, 15, 20% depending on individual income</li> <li>• 3.8% NIIT</li> <li>• Generally imposed on realized income</li> </ul>	<ul style="list-style-type: none"> <li>• No current proposals</li> </ul>
<b>Taxation on Tips</b>	<ul style="list-style-type: none"> <li>• Subject to SE income tax just like wages</li> </ul>	<ul style="list-style-type: none"> <li>• Has long proposed eliminating tax on tips</li> </ul>
<b>Child Tax Incentives</b>	<ul style="list-style-type: none"> <li>• Under TCJA, child tax credit = \$2,000 partially refundable and phases out for incomes over \$200,000 (or \$400,000 MFJ)</li> <li>• After TCJA, credit will lower to \$1,000 with phaseout thresholds</li> </ul>	<ul style="list-style-type: none"> <li>• Make TCJA provisions permanent</li> </ul>
Earned Income Credit	<ul style="list-style-type: none"> <li>• Subject to phaseouts, ranges from \$632 for taxpayers w/out children and \$7,830 for taxpayers with three or more children</li> <li>• In 2021, EIC was increased specifically for taxpayers w/out children to a maximum of \$1,502</li> </ul>	<ul style="list-style-type: none"> <li>• No current proposals</li> </ul>

# Trump Major Tax Policy “Wish List” for Estate, Business and International Taxation

	Current	Trump
<b>Estate Tax</b>	<ul style="list-style-type: none"> <li>• TCJA doubled exclusion amount to estate, gift and GST tax.</li> <li>• For 2024, exclusion of \$13.61M exclusion</li> <li>• Without TCJA exclusion will be half (approximately \$6.8M)</li> </ul>	<ul style="list-style-type: none"> <li>• Make TCJA provisions permanent</li> </ul>
<b>Corporate Tax Rate</b>	<ul style="list-style-type: none"> <li>• TCJA lowered tax rate to 21%</li> <li>• Prior to TCJA, progressive tax based on income with a maximum 35% rate</li> </ul>	<ul style="list-style-type: none"> <li>• No specific proposal, but has suggested lowering the rate to 15 or 20%</li> </ul>
Small Business Formation Incentives	<ul style="list-style-type: none"> <li>• \$5,000 current deduction for start-up and organizational expenses</li> </ul>	<ul style="list-style-type: none"> <li>• No current proposals</li> </ul>
<b>International Taxation</b>	<ul style="list-style-type: none"> <li>• Under TCJA, many provisions designed to make US businesses more competitive like base-erosion, anti-abuse tax, and increased deduction of foreign and global derived intangible income.</li> </ul>	<ul style="list-style-type: none"> <li>• Make TCJA provisions permanent</li> </ul>



# Republican Tax Areas of Interest in 2025

## “Task Force” Areas

Individual Rates / Individual AMT	Digital Assets / Crypto	OECD Pillar One and Two
Standard Deduction	199A Small Biz Deduction	US Manufacturing
SALT	Sec. 179 Small Biz Expensing	Capital Gains
Child Tax Credit / Childcare	Small Biz Access to Capital	Inflation Reduction Act Credits
EITC / WOTC (Work Incentives)	MLPS / REITS	Corporate Tax Rate
Education / 529s / Skilled Trades	Estate Tax	R&D Expensing
Housing / LIHTC	Opportunity Zones	Interest Deductability

# The Administration's Fiscal Year 2025 Green Book Revenue Proposals



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## General Explanations of the Administration's Fiscal Year 2025 Revenue Proposals

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Likely  
Democratic  
Revenue  
Raisers in a  
2025 Tax Bill If  
Involved

Proposal	Revenue
Raise corporate tax rate to 28%	\$1.3T
Billionaire's income tax	\$360B
Increase tax rates on long-term cap gains and dividends by 5%	\$250B
Eliminate carried interest loophole	\$10B
Return to 2009 estate and gift tax parameters	\$250B
International tax reforms	\$500B
Permanent mandatory IRS funding stream, 2031-2035	\$240B
Reverse IRS funding rescission of \$21B	\$260B
Financial Transaction Tax	\$540B

# World of Revenue Raisers is Theoretically Unlimited

SALT cap extension

Roll back Inflation Reduction Act tax credits

Roll back Inflation Reduction Act IRS funding

Corporate income tax rate

Eliminate or reduce student loan interest deduction

Entitlement reform

Consolidation of education tax credits

LIFO repeal

Cash to accrual reform

Tax exempt sector reform

Eliminate / roll back deductions

International Tax

Tax college Endowments

Partnership reform

Budget gimmicks

Tariffs

Individual Tax Changes

# Revenue Effects of Trump Key Tax Proposals

Individual TCJA  
permanence  
(-\$3.4T)

Restore full  
deduction for SALT  
(-\$1T)

Extend TCJA estate  
tax policies  
(-\$205B)

Exempt social  
security benefits from  
income tax  
(-\$1.2T)

Create itemized  
deduction for auto  
loan interest  
(-\$61B)

Exempt overtime pay  
from income tax  
(-\$748B)

Exempt tips from  
income tax  
(-\$118B)

Lower corporate rate  
to 15% for domestic  
production  
(-\$361B)

Repeal Inflation  
Reduction Act IRS  
funding  
(+\$60B)

Repeal Inflation  
Reduction Act green  
energy tax credits  
(+921B)

Impose universal  
20% tariff on imports  
+ 50% tariff on  
imports from China  
(+3.8T)

Restore TCJA  
Business Tax  
Provisions (-\$643B )

Expand Higher  
Education Excise Tax  
(+\$350M)

# Congressional Budget Math is Fun!

*We're just not going to pay for that because we always meant for that to be permanent!*

*Hmm....new Senate GOP leader is champion for eliminating estate tax...let's raise the threshold!*

*Oof – awfully pricey. Maybe just raise to \$20K for MFJ?*

*Byrd Rule prohibition, so that's out – darn!*

Individual TCJA  
permanence  
(-\$3.4T)

Restore full  
deduction for SALT  
(-\$1T)

Extend TCJA estate  
tax policies  
(-\$205B)

Exempt social  
security benefits from  
income tax  
(-\$1.2T)

Create itemized  
deduction for auto  
loan interest  
(-\$61B)

Exempt overtime pay  
from income tax  
(-\$748B)

Exempt tips from  
income tax  
(-\$118B)

Lower corporate rate  
to 15% for domestic  
production  
(-\$361B)

Repeal Inflation  
Reduction Act IRS  
funding  
(+\$60B)

Repeal Inflation  
Reduction Act green  
energy tax credits  
(+921B)

*Oh wow, wait – that's a  
lot of money. Let's focus  
on exempting tips  
instead.*

Impose universal  
20% tariff on imports  
+ 50% tariff on  
imports from China  
(+3.8T)

Restore TCJA  
Business Tax  
Provisions (-\$643B)

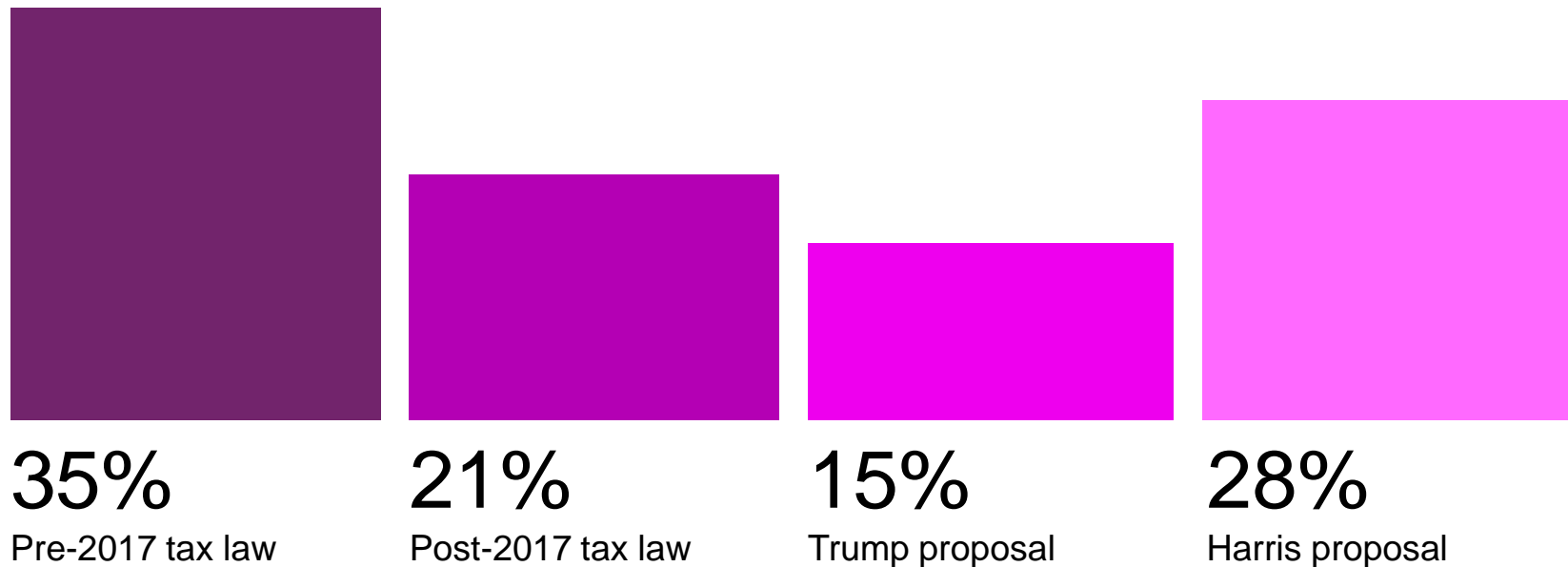
Expand Higher  
Education Excise Tax  
(+\$350M)

*Ruh-roh: 18 House  
Republicans wrote letter  
urging leadership not to take  
away credits because they  
create jobs*

*Definitely not making this retroactive, so that'll save us some \$!*

*New idea: let's "import" the tariff \$ and say that's how  
we pay for a tax bill!*

## Revenue Issue: Corporate Tax Rates Could Be on the Table, as Each Percentage has Costs



# Profession Opportunities and Challenges in 2025 Tax Bill



## Opportunities

- Mobile Workforce Tax Simplification
- TCJA business relief “fixes” (prospective)
- Expanding use of 529 accounts for would-be CPAs (exam prep, test fees, training)
- Extending Section 199A deduction (expansion unlikely)
- Lift Form 1009-K threshold
- Permanent disaster tax relief provisions

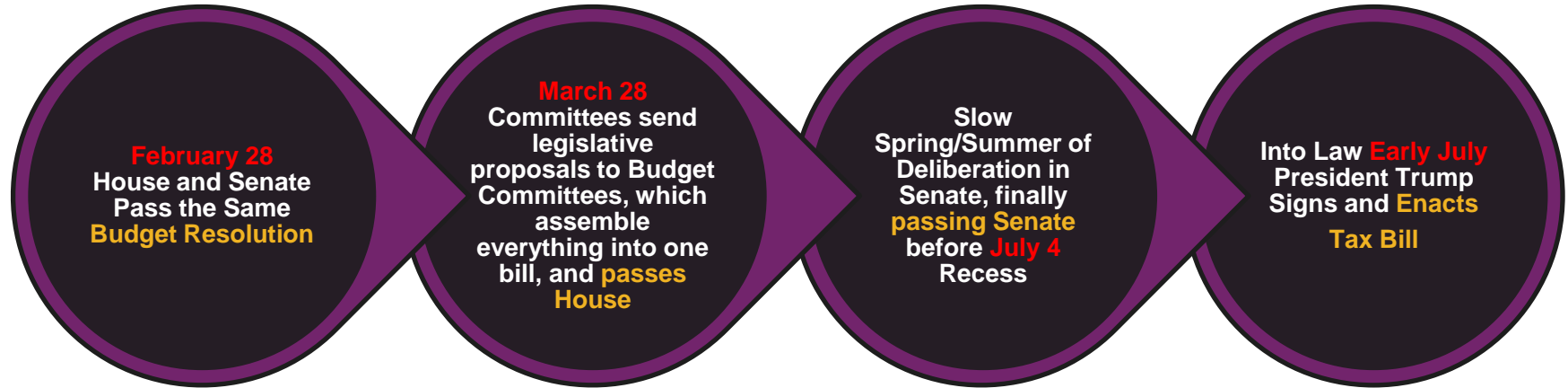
## Challenges

- Byrd Rule could prevent some profession priorities from being included in bill
- High-cost items (expanding Section 199A) may be kept out
- Revenue raisers on menu that have profession impact (changes to tax-exempt sector, cash to accrual reform, partnership reforms, IRS service funding claw back, profession workforce challenges caused by retroactivity and mid-filing season tax bills)

***Remember: large and hasty federal tax bills historically create a need for future technical corrections - opportunities for more policy changes***



# Theoretical Timeline of 2025 Reconciliation Tax Bill



**February 28**  
House and Senate  
Pass the Same  
Budget Resolution

- The budget resolution establishes the “number,” which is the amount the Majority Party is willing to spend on a reconciliation bill, and directs certain committees to produce legislation achieving numerical outcomes (ex: raise \$50B in revenue)

**March 28**  
Committees send  
legislative  
proposals to Budget  
Committees, which  
assemble  
everything into one  
bill, and **passes**  
House

- House goes first in passing bill, keeps many provisions in bill that are NOT Byrd Rule compliant, leading to....

Slow  
Spring/Summer of  
Deliberation in  
Senate, finally  
**passing Senate**  
before **July 4**  
Recess

- Intraparty GOP tensions, attempts to make provisions compliant with Byrd Rules, possible markup in Finance Committee, vote-a-rama on the Senate Floor

Into Law **Early July**  
President Trump  
Signs and **Enacts**  
Tax Bill

- Giving IRS, tax practitioners, and tax software providers enough time to take one single breath before the next tax filing season



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## Congressional Tax Oversight Focus on Treasury and IRS

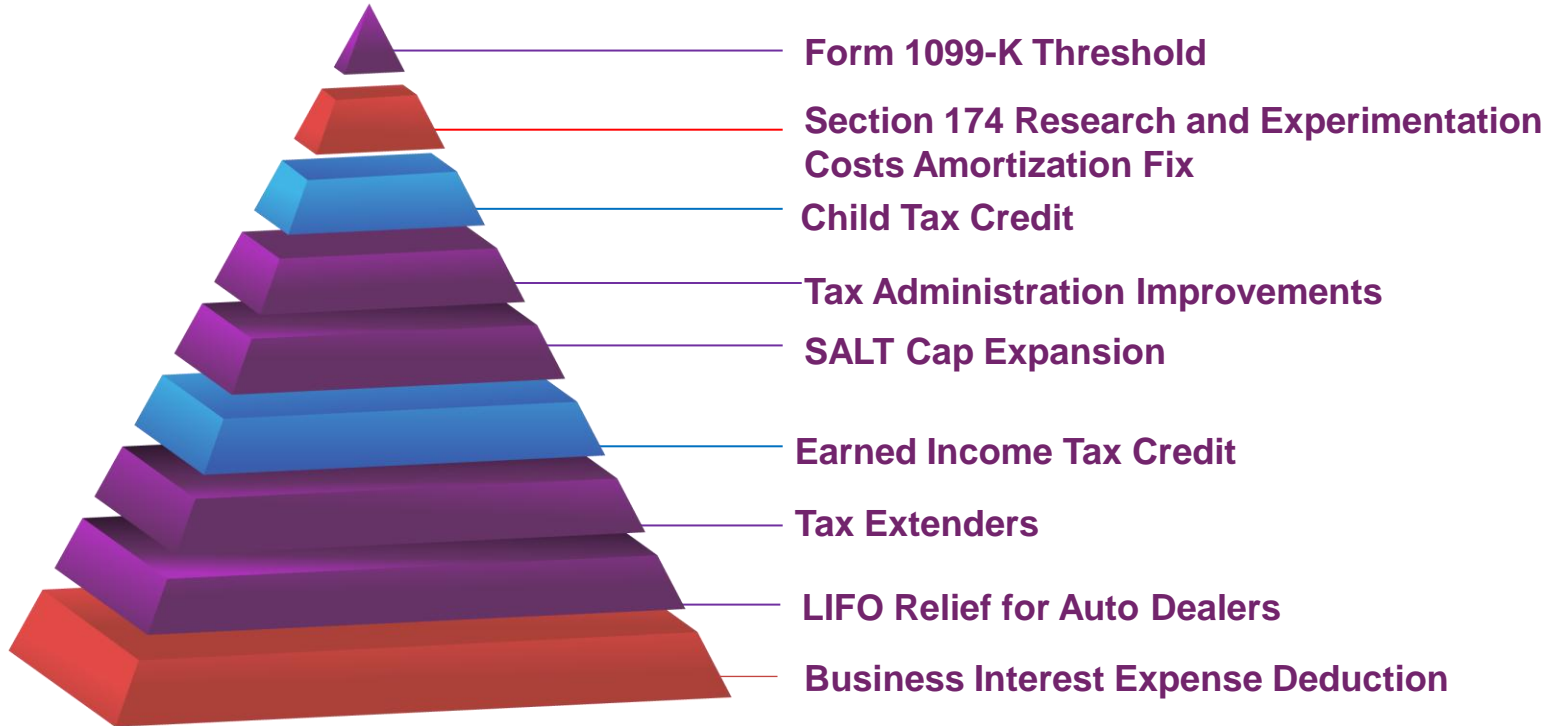
Implementation of  
the Inflation  
Reduction Act

Taxpayer Data  
Privacy

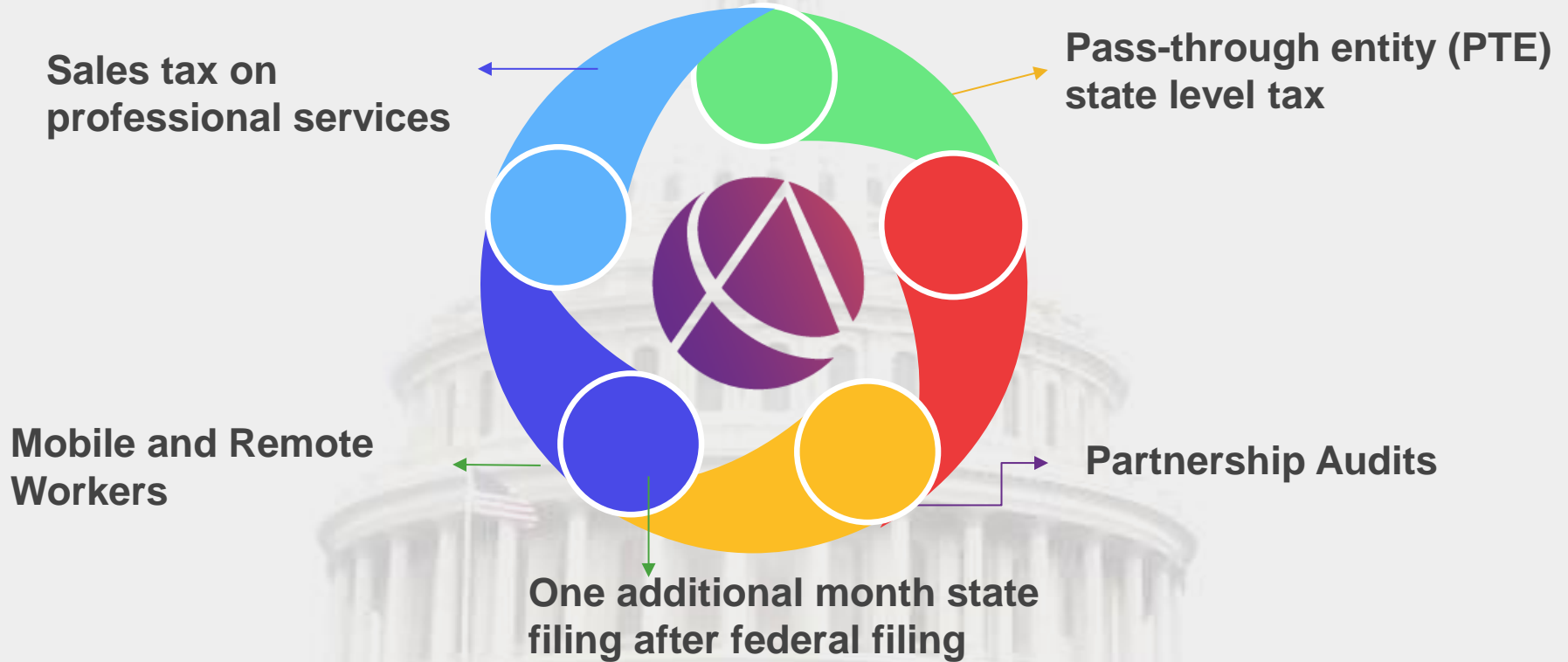
Taxpayer Services

Technology

# Possible Provisions: Piecing Together a 2025 Deal



# Multistate Tax AICPA Issues



# Key state tax issues for the profession:

Looking ahead to 2025 and beyond



- **Pass-through entity (PTE) taxes** – more states likely to enact and refine as workaround to federal SALT deduction cap
- **One additional month** state taxes after federal filing – more states likely to enact or provide administrative guidance
- **Mobile and remote workforce** – more states may enact 30-day threshold for nonresidents and may clarify rules and guidance
- **Partnership audits and RAR adjustments** – more states likely to enact the AICPA supported MTC model for BBA regime
- **Tax on professional services** – governors looking to eliminate personal and corporate taxes

# State pass-through entity-level taxes

## State pass-through entity level taxes

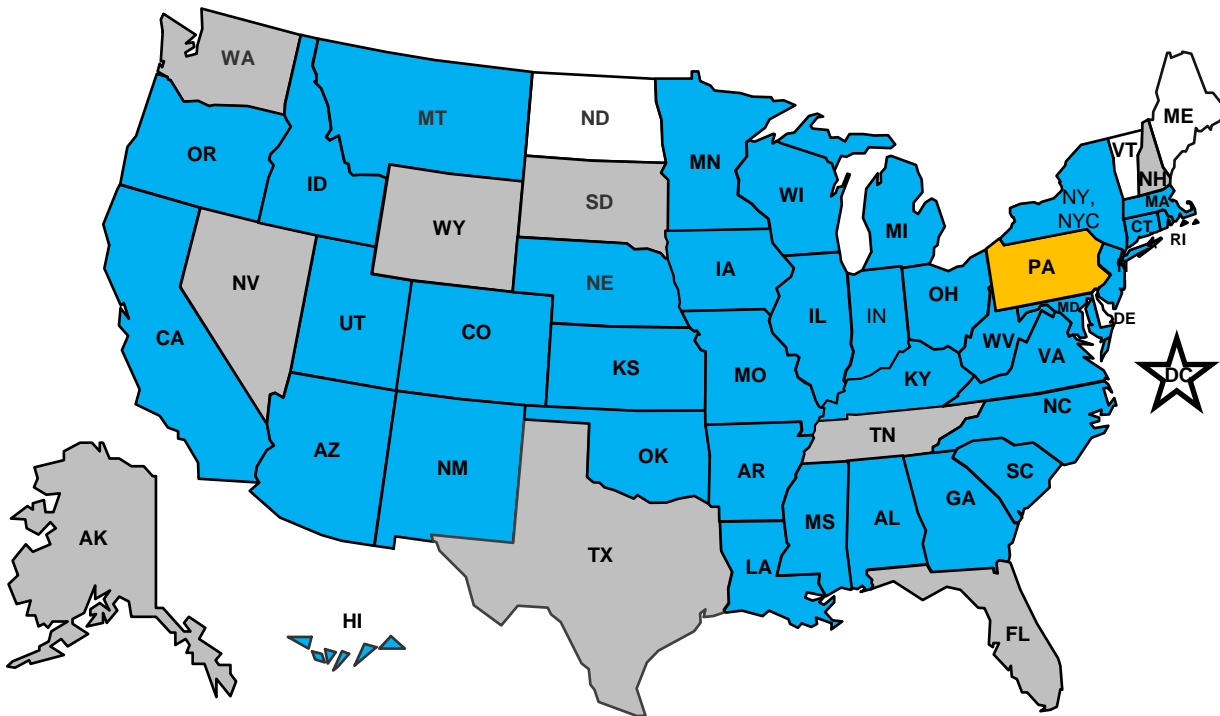
- Applies to **S corporations, partnerships, and limited liability companies** taxed federally as partnerships or S corporations
- Shifts state tax on business income from **owners to entity**
- Allows entity to federally deduct as an **expense from business income** the entity's state income taxes paid in carrying on a trade or business
  - IRS [Notice 2020-75](#)
    - [AICPA Comments on Needed Guidance on IRS Notice 2020-75 and Nonpassive vs. Passive Income and Interest Expense Tracing](#) – March 6, 2023
    - [AICPA Comments on Additional Guidance Needed on Section 461 Accrual Basis Taxpayers and Notice 2020-75](#) – timing issue - October 4, 2022
    - [AICPA Comment Letter on Notice 2020-75, Forthcoming Regulations Regarding the Deductibility of Payments by Partnerships and S Corporations for Certain State and Local Income Taxes](#) - second class of stock for S corporations – October 26, 2021
  - [AICPA FAQ on the federal taxation of state income tax refunds for PTET payments](#)
  - AICPA Joint TRP PTE task force considering additional comments and resources for members



# States with Enacted or Proposed Pass-Through Entity (PTE) Level Tax

## Level Tax

As of September 20, 2024



- 36 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2021 (or earlier) unless noted:  
[AL](#), [AR](#)<sup>1</sup>, [AZ](#)<sup>1</sup>, [CA](#), [CO](#)<sup>3</sup>, [CT](#)<sup>4</sup>, [HI](#)<sup>2</sup>, [GA](#)<sup>1</sup>, [IA](#)<sup>1</sup>, [ID](#), [IL](#), [IN](#)<sup>1</sup>, [KS](#)<sup>1</sup>, [KY](#)<sup>1</sup> (& [KY](#)), [LA](#), [MA](#), [MI](#), [MD](#), [MN](#), [MO](#)<sup>1</sup>, [MS](#)<sup>1</sup>, [MT](#)<sup>2</sup>, [NC](#)<sup>1</sup>, [NE](#)<sup>3</sup>, [NJ](#), [NM](#)<sup>1</sup>, [NY](#), [OH](#)<sup>1</sup>, [OK](#), [OR](#)<sup>1</sup>, [RI](#), [SC](#), [UT](#)<sup>1</sup>, [VA](#), [WI](#), [WV](#)<sup>1</sup>, and [NYC](#)<sup>1</sup>
  - 1 Effective in 2022
  - 2 Effective in 2023 or later
  - 3 Retroactive to 2018
  - 4 Mandatory 2018-2023, elective starting 2024
- 1 state with active proposed PTE tax bills:  
PA – [SB 659](#) in Senate committee; [HR 1584](#) in House committee
- 9 states with no owner-level personal income tax on PTE income:  
AK, FL, NH, NV, SD, TN, TX, WA, WY
- 5 states with an owner-level personal income tax on PTE income that have not yet enacted and do not have an active proposed bill on PTE taxes:  
DC, DE, ME, ND, and VT

# Current PTE tax workarounds (36 states and 1 locality)

State	Effective Year	State	Effective Year
Alabama	2021	Minnesota	2021
Arizona	2022	Mississippi	2022
Arkansas	2022	Missouri	2022
California	2021	Montana	2023
Colorado	2018 (retroactive)	Nebraska	2018 (retroactive)
Connecticut	2018 (mandatory 2018-2023, elective starting 2024)	New Jersey	2020
Georgia	2022	New Mexico	2022
Hawaii	2023	New York	2021
Idaho	2021	New York City	2022
Illinois	2021	North Carolina	2022
Indiana	2022 (retroactive)	Ohio	2022
Iowa	2022 (retroactive)	Oklahoma	2019
Kansas	2022	Oregon	2022
Kentucky	2022 (retroactive)	Rhode Island	2019
Louisiana	2019	South Carolina	2021
Maryland	2020	Utah	2022
Massachusetts	2021	Virginia	2021
Michigan	2021	West Virginia	2022
		Wisconsin	2018



# State pass-through entity-level taxes

## State pass-through entity level taxes - AICPA Resources:

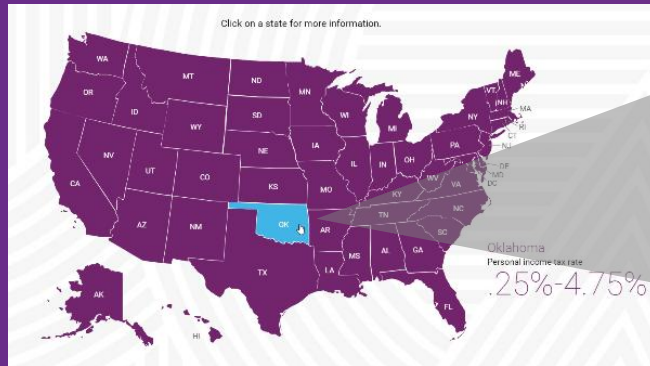
- [Map of states with adopted or proposed pass-through entity \(PTE\) level tax and effective years](#)
- [Summary information on states' elective PTE tax and tax authorities' information and guidance](#)
- [AICPA list of taxpayer and practitioner considerations for whether to elect into a state PTE tax](#)
- [AICPA list of states with partnership filing requirement if a partner is resident in the state](#)
- [AICPA chart of states' PTET credits refundability](#)
- [AICPA FAQ on the federal taxation of state income tax refunds for PTET payments](#)
- Blog - [TCJA and PTET SALT deduction cap workaround](#) (9/4/24)
- TTA article - [Recent developments in states' PTETs](#) (9/1/24)
- TTA article – [PTETs: Orchestrating ASC 740 compliance](#) (3/1/24)
- TTA article - [Update on states moving ahead with PTETs](#) (5/26/23, updated 8/8/23)
- TTA article – [Questions to consider before electing into a PTE tax](#) (9/1/22)
- TTA article – [Where individual, corporate, and passthrough entity taxation meet](#) (6/1/21)
- [AICPA issue paper on state pass-through entity-level tax implementation issues](#)
- [AICPA state pass-through entity-level tax implementation issues one pager](#)
- [AICPA State and Local Tax Advocacy Resources](#)
- [AICPA SALT Roadmap and Resource Center](#)
- [MTC project on state taxation of partnerships](#)





# SALT Roadmap and Resource Center

Interactive reference library to access state and local tax info in one central place



Oklahoma personal income tax rate  
The tax ranges from  
**.25%-4.75%**

Personal income tax	Corporate income tax	Franchise tax	Sales/use tax
Passthrough entity/general business taxes	Due dates	State tax forms	View Oklahoma's state government websites

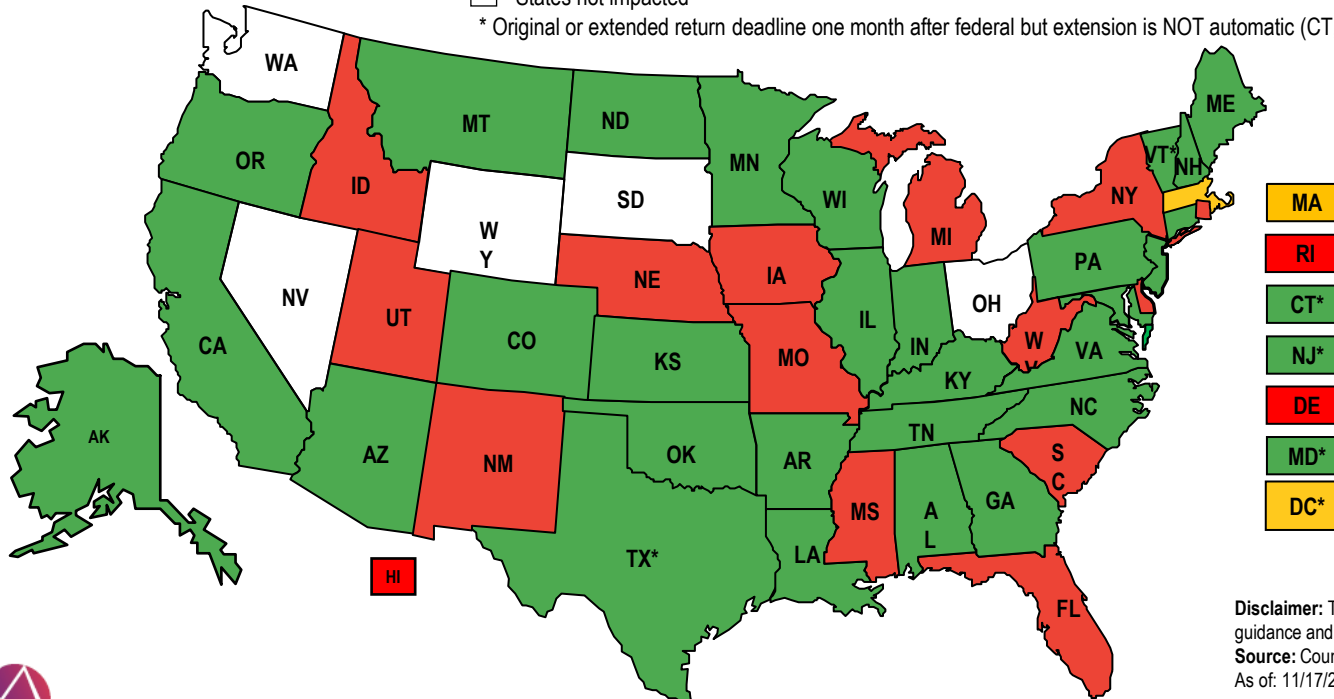
Access SALT Roadmap



# One Month State Filing After Federal Filing for Corporate Income Tax Returns

- Original or extended return deadline at least one month after federal
- Original or extended return deadline at least one month after federal for combined filers only
- Original and extended return deadline less than one month after federal
- States not impacted

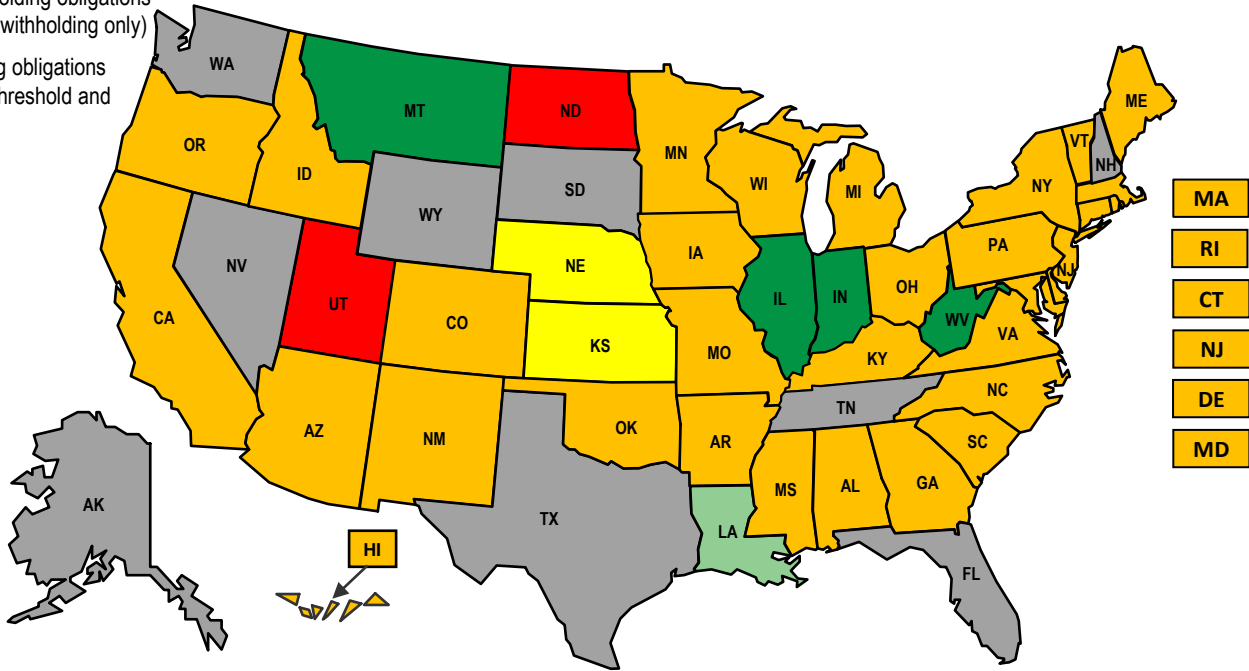
\* Original or extended return deadline one month after federal but extension is NOT automatic (CT, MD, NJ, TX, VT, DC)



**Disclaimer:** This information should be used for general guidance and not relied upon for compliance  
**Source:** Council On State Taxation (COST)  
As of: 11/17/24

# State Mobile Workforce 30-Day Safe Harbor for Nonresident Traveling Employees

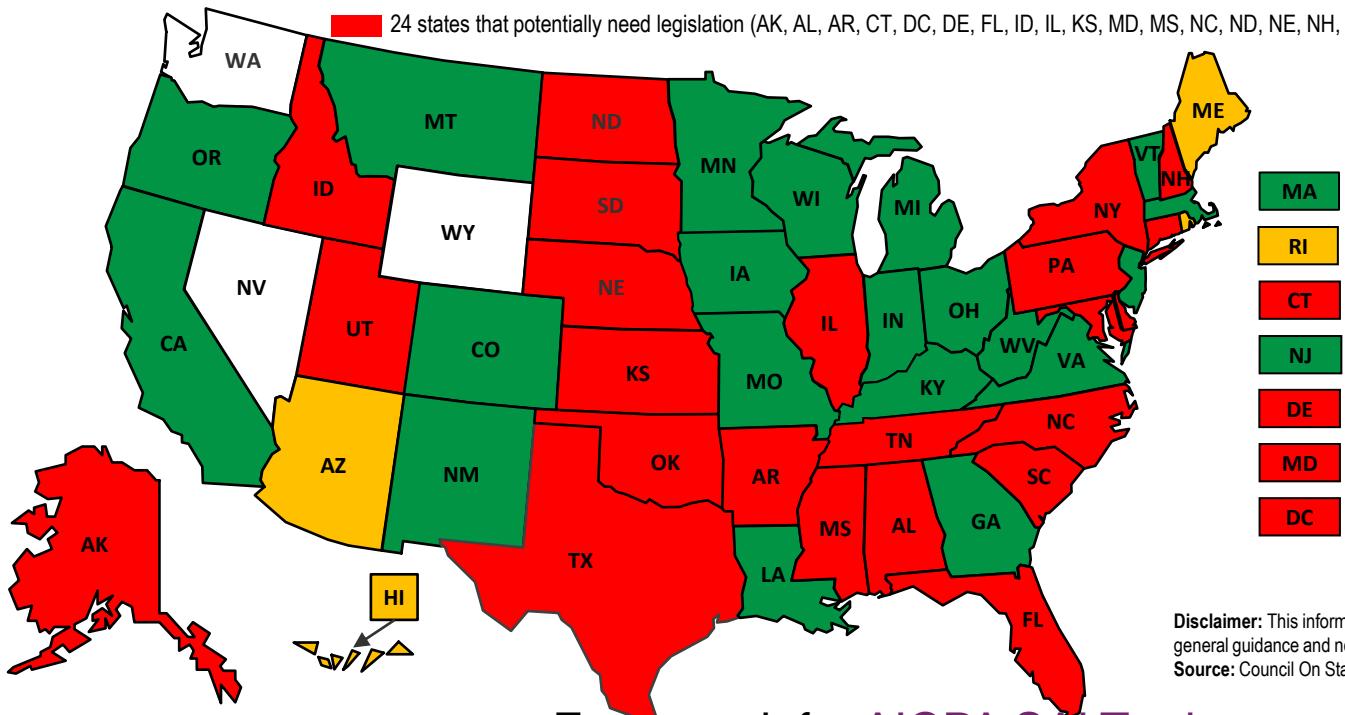
- State has enacted a 30-day threshold for both filing and withholding
- State has enacted the AICPA-COST model statute with a 25-day threshold for both filing and withholding
- States that need a 30-day safe harbor for both filing and withholding obligations (AZ and HI have a 60-day, and VT has a 30-day threshold for withholding only)
- States that need a 30-day safe harbor for filing and withholding obligations and they have enacted the MTC model statute with a 20-day threshold and additional complicated provisions based on wages earned
- No general state personal income tax
- States with legislation introduced/pending in 2024



**Disclaimer:** This information should be used for general guidance and not relied upon for compliance  
**Source:** Council On State Taxation (COST)  
As of 6/6/24

# States that Enacted or Need to Enact MTC Consensus Model for Federal Audit Change Reporting and Partnership Audits

- 20 states that have enacted legislation (CA, CO, GA, OH, IA, IN, KY, LA, MA, MI, MN, MO, MT, NJ, NM, OR, VA, VT, WI, WV)
- 4 states that have enacted legislation, but need improvement to more closely follow MTC Consensus Model (AZ, HI, ME, RI)
- 24 states that potentially need legislation (AK, AL, AR, CT, DC, DE, FL, ID, IL, KS, MD, MS, NC, ND, NE, NH, NY, OK, PA, SC, SD, TN, TX, UT)



Disclaimer: This information should be used for general guidance and not relied upon for compliance  
Source: Council On State Taxation (COST)

For more info: [AICPA SALT advocacy resources page](#)

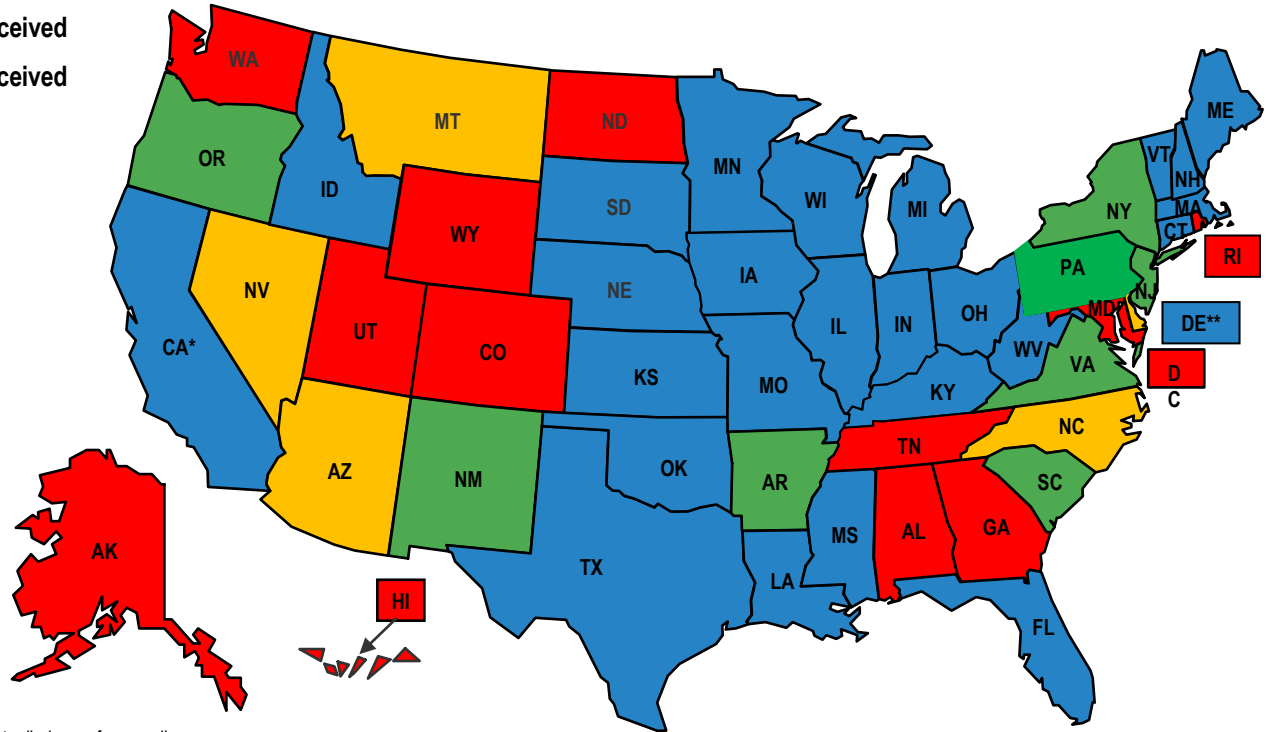


# 90-Day State Tax Protest Appeal Period

- 30 days after assessment is issued/mailed/received
- 45 days after assessment is issued/mailed/received
- 60+ days after assessment is issued/mailed/received
- 90 days after assessment is issued/mailed/received

\*CA: 60 days after mailing of notice for income/franchise tax. CRTS §§ 19041(a), 19042. Petitions for redetermination must be filed within 30 days to appeal sales/use tax assessment. CRTS §6561. 90 days for denial of a refund claim; CRTS § 19324; 30 days for denial of protest; CRTS § 19045

\*\*DE: 30 days for withholding tax appeals



Disclaimer: This information should be used for general guidance and not relied upon for compliance  
Source: Council On State Taxation's (COST) State Tax Administration Scorecard, November 2024

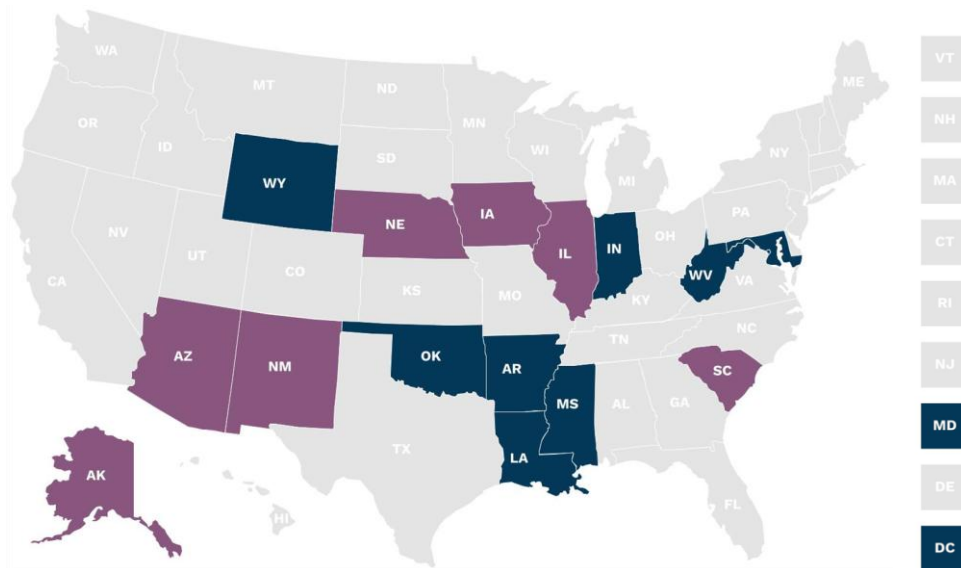
# Taxation of Professional Services

Conservatives currently seeking a pay for to cut/eliminate taxes.  
Progressives are seeking “fiscal equity.”

We were/are particularly watching:

- Illinois
- Louisiana
- Nebraska

- Introduced legislation to tax service
- Longer-term interest in taxing services





Expected to continue into 2024/2025 with states continuing to introduce legislation



Federal funding to states is ending = will have large impact on certain states



States seeking to eliminate income tax in exchange for taxing services



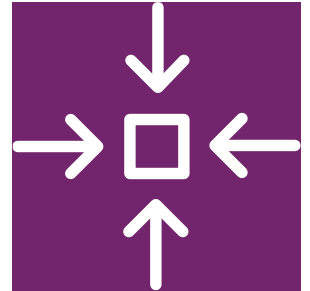
State budgets will play a key role in the future; big states like CA and NY seeing big budget issues

# Continuing Threat: **State Taxation of Professional Services**



## Lessons learned from West Virginia and Alaska

- Tax on services legislation moves incredibly fast
- Profession-led coalitions and advocacy efforts can work to defeat egregious bills
- Constant contact with legislators is key
- Monitoring budget bills and similar proposals are important – you never know what will show up in this type of legislation
- Watch for governors trying to eliminate the personal or corporate income tax – or both
- AICPA is here to help, defeating these bills is possible!
- Professional Services Alliance [resources](#)



# Why the CPA Profession Opposes Tax on Services

## 1. No Tax Pyramids

Taxing Business  
Inputs =

Pileup of taxes.  
Resulting in 2x or 3x  
taxation =

Creation of Tax  
Pyramiding

## 2. Unjustified taxation of entire profession

91% Accounting  
Services =

Purchased by  
Businesses,  
Governments,  
Nonprofits =

Majority of outputs will  
be exempt from tax

## 3. Taxing taxpayers

Remaining 9%=

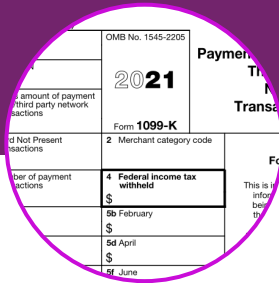
Public purchasing  
services outside of  
business context =

We're taxing people to  
do their taxes?

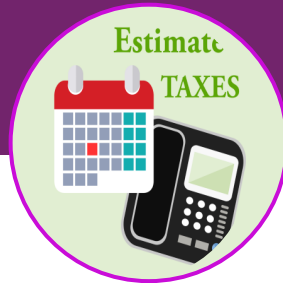
# AICPA Tax Advocacy Issues



# HOT TOPICS



**Form 1099-K**



**SAFE Act**



**Section 174**



**Filing Season**

# 119<sup>th</sup> Congress AICPA Tax Legislative Priorities and Outlook



## Form 1099K

Increase \$600  
threshold



## Extenders

R&E amortization/  
expensing



## Natural Disasters

Improve IRS  
authority to  
provide federal tax  
relief after a  
natural disaster



## SAFE Act

Increase flexibility  
and ease filing  
process



## IRS Service

Improve IRS  
taxpayer service

# AICPA Federal Priorities and Key Issues in 119<sup>th</sup> Congress

## What Moves in an Era of Slim Majorities in Government?

- **Form 1099-K Threshold**
- **Section 174 R&E Expensing ?**
- **Disaster Tax Relief Legislation**
- **Improving IRS Taxpayer Service**
  - Revitalize IRS Oversight Board
  - **Adjust Individual Estimated Tax Payment Deadlines**
  - Improve Practitioner Priority Service (PPS)
  - Provide Limited Authority to IRS to Regulate Paid Tax Return Preparers

*Major tax legislation highly unlikely in Lame Duck.*

*Changes to IRS administration and procedure are ripe for action in 2025 if taxpayer service continues to be an issue.*

*Bills and proposals with bipartisan and bicameral support may advance if intra-party factions cause turmoil*

## Form 1099-K threshold

- American Recovery Plan Act lowered threshold from \$20,000 and 200 transactions to \$600, starting 1/1/22
- AICPA with Coalition for Form 1099-K Fairness
- After AICPA and others' advocacy, 11/21/23 – IRS announced another 1-year delay of \$600 threshold – for 2023, and transition to \$5,000 for 2024
- **Comments: 6/6/23, 5/10/23, 12/22/22, and 12/16/22**
- **AICPA supports increased thresholds**
  - COLA from 1954 is \$6,500
  - S. 1761 to **\$10,000**
  - H.R. 190 to \$20,000 & 200 transactions
- **Continue to advocate**

# Form 1099-K Threshold: Working to Move the Needle

	Tax Year 2023	Tax Year 2024	ARPA Requirements (Implementation Date Undetermined)
Threshold	\$20,000	\$5,000	\$600
Minimum Transaction Requirement	At least 201 transactions	None	None



# Form 1099-K threshold guidance & resources

With the IRS delay in the new reporting requirements for Form 1099-K, tax practitioners need to help clients understand the background and upcoming changes.

- [Form 1099-K Snapshot](#)
- [Form 1099-K Q&A](#)
- IRS updated [Fact Sheet FAQs](#) on Form 1099-K

## Form 1099-K Q&A

Form 1099-K is an IRS information return used to report certain payment transactions for goods and services. It is not a new form, but legislation changes in March 2021 significantly decreased the filing threshold that was scheduled to be implemented for the tax year 2022 but was delayed until tax year 2023.

The Form 1099-K reports payments and transactions for goods and services from online platforms, apps and payment card processors (such as Venmo or PayPal).

Note that the changes to the reporting threshold are NOT intended to track personal transactions, such as sharing the cost of a meal, gifts or reimbursement for personal expenses.

---

### What is the current reporting threshold for 2023 and forward for the Form 1099-K?

Starting in 2023, taxpayers who receive payments over \$600 with any number of transactions from a third-party settlement organization for goods/services will receive a Form 1099-K.

### What happens if I received a Form 1099-K in error (such as for a personal reimbursement for an expense)?

Contact the issuer of the Form 1099-K to determine if they will issue a corrected form. If they are unable to issue a corrected form, the IRS recommends reporting the information as follows:

- ▶ Part I – Line 8z – Other Income: Form 1099-K Received in Error
- ▶ Part II – Line 24z – Other Adjustments: Form 1099-K Received in Error

The net effect of these two adjustments on adjusted gross income would be zero.

### What's the difference between a Form 1099-K, Form 1099-NEC and Form 1099-MISC?

- ▶ Form 1099-NEC reports compensation payments of \$600 or more for services provided to someone who isn't an employee.
- ▶ Form 1099-MISC reports other types of income, such as rents, royalties, prizes or awards paid to third parties.
- ▶ Form 1099-K reports payment card and third-party network transactions. This form will come from the payment settlement entity, rather than from the business or person who pays for the goods/services. Businesses and individuals must keep careful records to determine how the payments should be reported, but it is possible that transactions could be duplicated. Note that businesses should carefully consider the classification of someone as a non-employee versus an employee.

## Section 174 R&E expensing

- **Current: 5-year amortization of R&E costs instead of expensing**
- **AICPA supports retroactive repeal of TCJA amortization requirement or delay until 2026**
- AICPA comments
  - [5/9/23](#) (repeal)
    - [S. 866](#), [H.R. 2673](#)
  - [2/14/23](#) & [10/1/21](#) (4-year delay)
    - [H.R. 3938](#) section 101
- AICPA continues to advocate



# Expensing R&E costs?

## Advocacy and Resources on Section 174 Research Costs

AICPA submitted comments to Congress on section 174

May 9, 2023, February 14, 2023, and October 1, 2021

AICPA resources on section 174

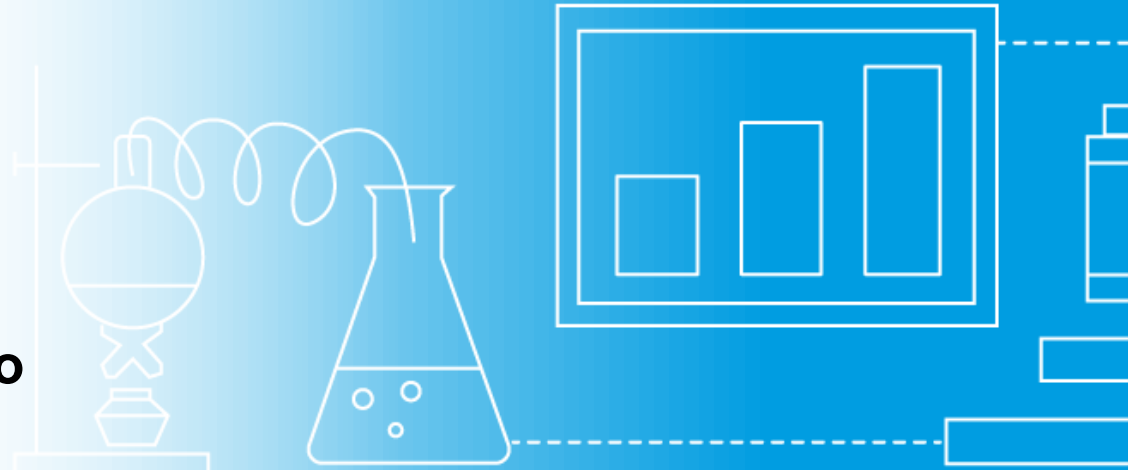
- Ask the experts — How to handle section 174 research and development costs for 2022 taxes
- JofA article on guidance on amortization of R&E costs (Sept. 2023)
- The Tax Adviser article outlining the changes (July 2022)



## Section 174 R&E guidance

### IRS Notice 2023-63

- Issued 9/8/23
- Clarifies amortization rules
- **Taxpayers still required to amortize R&E costs**
- IRS to issue proposed regs (likely by end of 2024)
- Can rely on Notice until proposed regs
- AICPA drafting comments



# Expensing R&E costs?

# Section 174 R&E Expenditures and Draft Form 6765

## IRS Notice 2024-12

- Clarifies and modifies Notice 2023-63

## Rev. Proc. 2024-9

- Modifies sections 7 & 19 of Rev. Proc. 2023-24

## IRS Notice 2023-63

- Clarifies section 174 amended by TCJA
- **The Notice is not a fix to the current law amortization treatment, taxpayers still required to amortize these costs**
- Proposed regulations possible in late 2024/2025

## Draft Form 6765

- Optional reporting of Section G (was previously Section F)
- Reduced scope of Business Component Detail and other revisions
- [AICPA comment letter submitted Oct. 2023](#)

# RESEARCH CREDIT REFUND CLAIMS

- 10/15/21 - IRS [FAA 20214101F](#) dated 9/17/21 & [IR-2021-203](#), require compliance with memo
- 11/18/21 - AICPA [letter](#) requested a delay of implementation of the new requirements
- 1/3/22 - IRS released [interim guidance](#) & [FAQs](#)
- 1/10/22 - new requirements took effect - R&D credit refund claim on amended return must contain certain specified items of information with sufficient information on grounds & facts claim is based
- 9/21/22 - AICPA [comments](#) on section 41 research credit refund claims
- 9/30/22 - IRS extended delay of transition period for another year (through 1/10/24)
- 10/30/23 – AICPA [comments](#) & proposed Schedule F on 9/15/23 [draft updated Form 6765](#), Credit for Increasing Research Activities, with proposed changes for 2024
- 6/21/24 – IRS [revised draft Form 6765](#)
- [IRS website](#) and [TTA article](#) for more information

# SECTION 473 LIFO RELIEF

- Pandemic disrupted supply chain and inventory levels reduced.
- Companies using LIFO, additional taxable income from inventory decrease.
- AICPA supports bipartisan LIFO relief:
  - **3/8/23 - support S. 443, S. 700 - Supply Chain Disruptions Relief Act**
  - 5/3/22, 4/14/22 - support S. 4105, Supply Chain Disruptions Relief Act
  - 4/28/22 - request general relief
  - 12/16/21- AICPA and National Automobile Dealer's Association (NADA) met with Treasury, which is further analyzing facts & scope
  - 11/29/21 – request AICPA & to meet with Treasury
  - 11/9/21 - AICPA endorsed bipartisan Congressional letter to Treasury
  - 8/17/21 – request safe harbor method & expedited section 473 relief

## Accounting Pipeline Initiative: Expanding Use of 529 Plan Funds (Freedom to Invest in Tomorrow's Workforce Act, H.R. 1477 / S. 722)

- Bipartisan, bicameral bills would allow 529 plan funds to be used for:
  - “Certain expenses, including fees, associated with obtaining or maintaining recognized postsecondary credentials”
  - “Fees for testing and other fees required by the organization issuing the recognized postsecondary credential as a condition of maintaining or obtaining the credential”
  - Ex: CPA exam, credentials, designation, prep materials/classes
  - House W&M Committee marked up hybrid language this summer

**Outlook: Significant House and Senate support and general interest in inclusion in 2025 tax bill**



# AICPA-Endorsed Tax Legislation

## *Investing in the Future*

- ***Freedom to Invest-in Tomorrow's Workforce Act*** – [H.R. 1477](#) / [S. 722](#), section **529** bipartisan bill **(AICPA letter)**
- ***The Tax-Free Pell Grant Act*** - [S. 2920](#), bipartisan bill to **exclude pell grants** and simplify other credits. **(AICPA letter)**

## *Disaster Relief*

- ***Filing Relief for Natural Disasters Act*** - [S. 1815](#) / [H.R. 3861](#), bipartisan bills would give IRS the authority to extend federal tax filing deadlines following **state-declared disaster** instead of waiting for a federally-declared disaster. **(AICPA letter)**
- ***Federal Disaster Responsibility Act*** - [H.R. 5343](#) / [S. 2721](#), applies **prior disaster rules to 12/20-12/23**. **(AICPA letter)**
- ***Casualty Loss Deduction Restoration Act*** - [H.R. 4539](#) / [S.2236](#), bipartisan **reinstatement of casualty loss deduction** for 2018-2025 up to \$50,000; extends period to claim a refund/credit due to a casualty loss for those years. **(AICPA letter)**
- ***Disaster Tax Lookback Parity Act*** - [H.R. 8007](#), bipartisan **extension of time for disaster victims to file a tax refund/credit**. **(AICPA letter)**

## *Business Tax Provisions*

- ***Paid Family and Medical Leave Tax Credit Extension and Enhancement Act*** – [S. 3680](#), bipartisan bill to make the paid family leave tax credit permanent and provide options for financing the leave, increase awareness. **(AICPA Press Statement)**
- ***American Innovation and Jobs Act*** - [S. 866](#) / [H.R. 2673](#), bipartisan bill reversing 2017 TCJA change limiting companies from **fully deducting R&E investments** each year. **(AICPA letter)**
- ***Book Minimum Tax Repeal Act*** – [S. 1559](#) / [H.R. 3210](#), repeals IRA enacted CAMT **(AICPA Press Statement)**
- ***Supply Chain Disruption Relief Act*** – [S. 443](#) / [H.R. 700](#), **LIFO relief for auto dealers** bipartisan bill **(AICPA letter)**

# AICPA-Endorsed Tax Legislation

## *Improving Taxpayer Compliance*

- ***Simplify Automatic Filing Extensions (SAFE) Act*** – [H.R. 3566](#), bipartisan bill that would allow individual taxpayers filing for a federal extension to rely on a safe harbor payment of 125% of prior year tax. [\(AICPA one pager\)](#)
- ***Tax Deadline Simplification Act*** – [H.R. 3708](#), bipartisan bill that would set the **estimated tax installment deadlines to 15 days after the end of each quarter**, moving the deadlines to 1/15, 4/15, 7/15, and 10/15 [\(AICPA letter\)](#)
- ***Electronic Communication Uniformity Act*** – [S. 1338](#), bipartisan bill gives IRS authority to treat e-submitted tax payments and documents as submitted on the day they are transmitted, even if the IRS processes them at a later date. [\(AICPA letter\)](#)
- ***The Tax Administration Simplification Act*** - [H.R. 8864](#), bipartisan bill would apply mailbox rule to electronically submitted tax returns and payments and revise estimated tax payments to be true quarterly intervals. [\(AICPA letter\)](#)
- ***Improving IRS Customer Service Act*** - [S.5280](#), bipartisan bill on IRS taxpayer service, wait time dashboard, access to info. and refunds, online accounts, no installment agreement fees, economic hardships alternatives [\(AICPA Press Statement\)](#)
- ***The Red Tape Reduction Act*** – [S. 1761](#), bipartisan bill increasing **Form 1099-K reporting** threshold from \$600 to \$10,000 for third-party payment platforms. [\(AICPA letter\)](#)

## AICPA Tax Legislative Compendium

On 2/7/23, AICPA suggested over 60 simplification and technical legislative proposals that were submitted to Congress, hoping some are included in the tax legislation.

AICPA proposed legislative changes to tax provisions:

- Needing attention
- Technical in nature
- Can be readily addressed
- Correcting technical problems in the Internal Revenue Code
- Simplifying existing provisions
- Promoting simplicity
- Making the tax code fairer
- Effectively promoting important policy objectives
- Improving tax administration
- That are generally noncontroversial



# IRS Priority Guidance Plan (PGP) and AICPA Comments

- IRS plan for issuing guidance in the year
- AICPA submitted comments of 189 suggestions of needed guidance
- AICPA Technical Resource Panels discussions with IRS on needed guidance

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 3, 2024  
Department of the Treasury  
2024-2025 Priority Guidance Plan

Joint Statement by:

Aviva Aron-Dine  
Deputy Assistant Secretary for Tax Policy  
US. Department of the Treasury

Danny Werfel  
Commissioner  
Internal Revenue Service

Marjorie A. Rollinson  
Chief Counsel  
Internal Revenue Service

We are pleased to announce the release of the 2024–2025 Priority Guidance Plan.

In Notice 2024-28, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (Service) solicited recommendations for items to be included in the plan from all interested parties, including taxpayers, tax practitioners, and industry groups. The Treasury

## Congressional Tax Package (H.R. 7024) Disaster Relief

- HR 7024 reinstates pre-12/27/20 disaster relief to 12/27/20 - date of enactment.
  - Eliminating the requirement that casualty losses must exceed 10 percent of adjusted gross income (AGI) to qualify for the deduction.
  - Allowing taxpayers to claim the casualty loss deduction “above the line,” i.e., without itemizing their deductions.
  - It would also require losses to exceed \$500 (vs. current \$100) per casualty in order to be deductible, which AICPA is ok with as long as the legislation also eliminates the 10% of AGI threshold.
- AICPA supports and has advocated for these provisions.
  - 10/27/23 recommendation 2.
  - 10/27/23 support H.R. 5343 / S. 2721, Federal Disaster Responsibility Act.

## AICPA Disaster Relief Efforts

Support the  
**Filing Relief for  
Natural  
Disasters Act**  
H.R. 3861,  
S. 1815  
(6/9/23 letter)

Support the  
**Casualty  
Loss  
Deduction  
Restoration  
Act** HR 4539  
(7/12/23 letter)

Support the  
**Federal  
Disaster  
Responsibility  
Act** H.R. 5343,  
S. 2721  
(10/27/23 letter)

Support the  
**Disaster  
Lookback Parity  
Act** H.R. 8007  
(4/16/24 letter)

Recommended 14 disaster relief legislative proposals (10/27/23 letter)

AICPA Disaster Relief Resource Center  
IRS Website: IRS Tax Relief in Disaster Situations

# Filing Relief for Natural Disasters Act

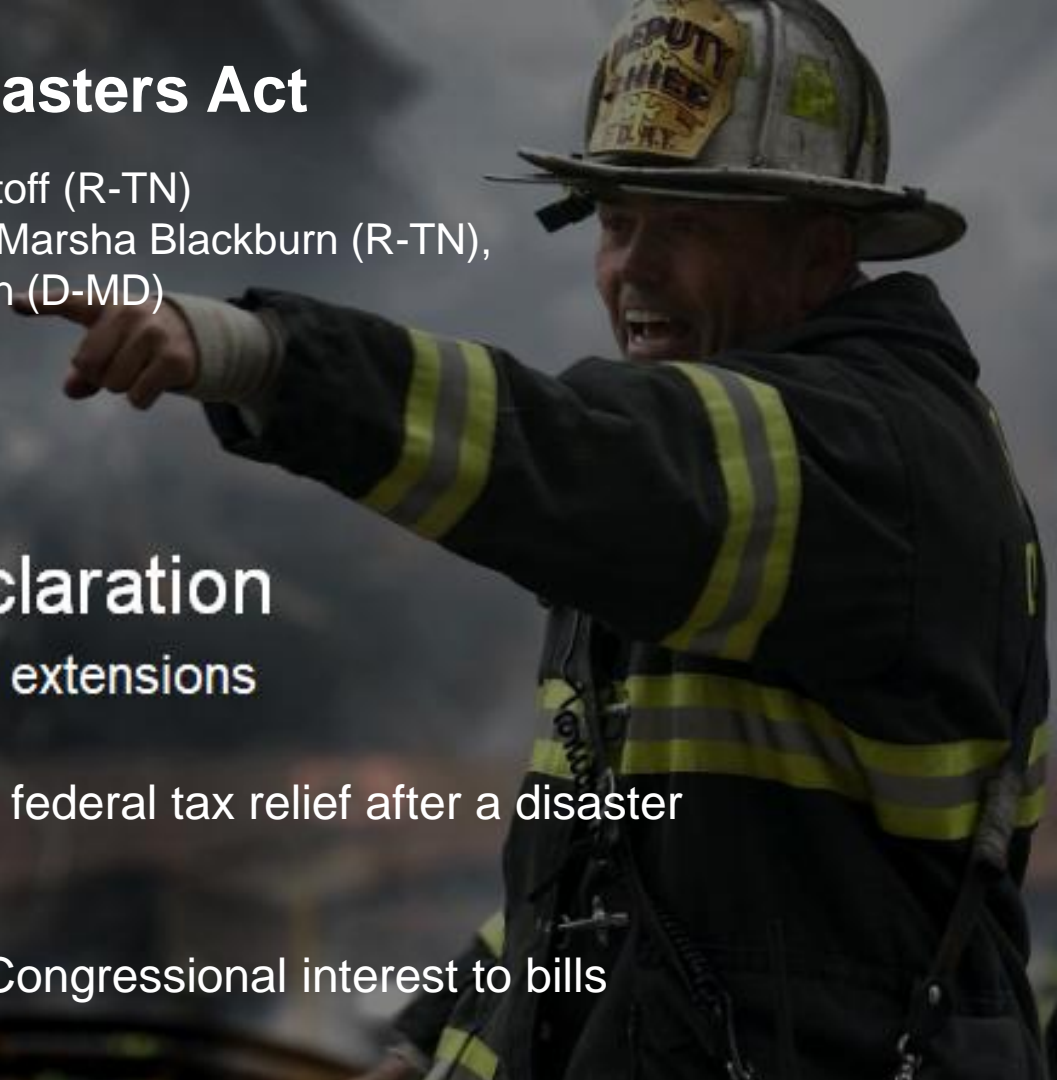
H.R. 3861 – Judy Chu (D-CA) & David Kustoff (R-TN)

S. 1815 – Catherine Cortez Masto (D-NV), Marsha Blackburn (R-TN), John Kennedy (R-LA), and Chris Van Hollen (D-MD)

Trigger: Official state  
declared disaster declaration

*Authority* to issue tax deadline extensions

- 120 days instead of 60 days
- Improves IRS authority to provide federal tax relief after a disaster
- 6/9/23 AICPA support
- Bipartisan, bicameral
- Flurry of annual disasters brings Congressional interest to bills
- Building cosponsor list



# Immediate Disaster Tax Relief

## Letter sent to IRS

- Need automatic and immediate relief
- Received filing and payment relief:
  - Helene
  - Milton before landfall

## Letter sent to FinCEN

- Received FBAR filing relief
- Received limited BOI filing relief



October 1, 2024

Ms. Lia Colbert  
Commissioner, SBSE  
Internal Revenue Service  
1111 Constitution Ave., NW  
Washington, DC 20224

Re: Request for Immediate Disaster Tax Relief Due to Hurricane Helene

Dear Commissioner Colbert:

The Internal Revenue Service (IRS) has been generous and sensitive to disasters in the past, including hurricanes, wildfires, weather events, and COVID-19. Likewise, we urge the IRS to immediately provide filing and payment tax disaster relief to those impacted by Hurricane Helene.

At the moment, millions of taxpayers have been and are being impacted by Hurricane Helene causing catastrophic destruction, covering over 400 miles in the South with a current death toll of over 130 people and over 4 million people without power. To add to the devastation, taxpayers in the path of Helene also face the tax filing and payment deadlines of September 30 and October 15. Though there has been a federal disaster declaration following Helene in certain areas (such as parts of North Carolina and Virginia), tax filing and payment disaster relief has not yet been extended to the victims of Helene.

### Background

The Consolidated Appropriations Act of 2020<sup>1</sup> (CCA 2020) added section 7508A(d) and requires the IRS to provide a minimum of 60 days of disaster tax relief for qualifying taxpayers in the event of a federally declared disaster.

When the IRS grants tax relief to taxpayers affected by a disaster, a News Release is issued to the public, outlining the relief that is being granted. However, there have been instances where there has been a notable delay from the time of issuance of a federal disaster declaration and the issuance of IRS guidance (notice or announcement) following a disaster. Retroactive relief is frequent and challenging.

### Recommendations

As we have previously stated,<sup>2</sup> we recommend that the IRS automatically provide relief for federally declared disasters (as the 60-day extension is mandatory), including the recent Hurricane Helene. Additionally, we ask that the IRS ensure that IRS personnel, including disaster hotline personnel, are familiar with section 7508A and allow the 60-day extension even if there is no official guidance or announcement from the IRS. Furthermore, the IRS should confirm that taxpayers who miss a filing deadline qualify for relief in the event that a retroactive

<sup>1</sup> Pub. L. No. 116-93.

<sup>2</sup> See prior AICPA comments, "[Recommendations for Updated Guidance and Clarifications on Disaster Tax Relief](#)," August 26, 2023, and "[2023 AICPA Disaster Relief Tax Legislative Proposals](#)," October 27, 2023.

request the IRS accelerate the issuance of notices of

and aid that the IRS provides to individual, self-employed taxpayers each year. However, the delay has resulted in a taxpayers scrambling to meet a deadline who is without power due to Hurricane Helene to a local police station, that is supported by a *Income Tax Return for Estates and Trusts*, to deal with more pressing issues. This is not true for all victims – regardless of where they reside, the type of disaster – receive immediate relief. Taxpayers know what tax relief they will receive, which is the event, recovery is impeded.

relief, appropriately train IRS employees issuance of notices regarding relief.

Association representing the accounting profession, States and worldwide, and a history of serving diverse clients on federal, state, and international returns for millions of Americans. Our members include small and medium-sized businesses,

tax relief proposals for inclusion in future tax law proposals in more depth or have any questions, please contact Lauren Pfingstag, Director, Legislative Affairs, at [lauren@aicpa-cima.com](mailto:lauren@aicpa-cima.com) or me at (833) 372-9692 or

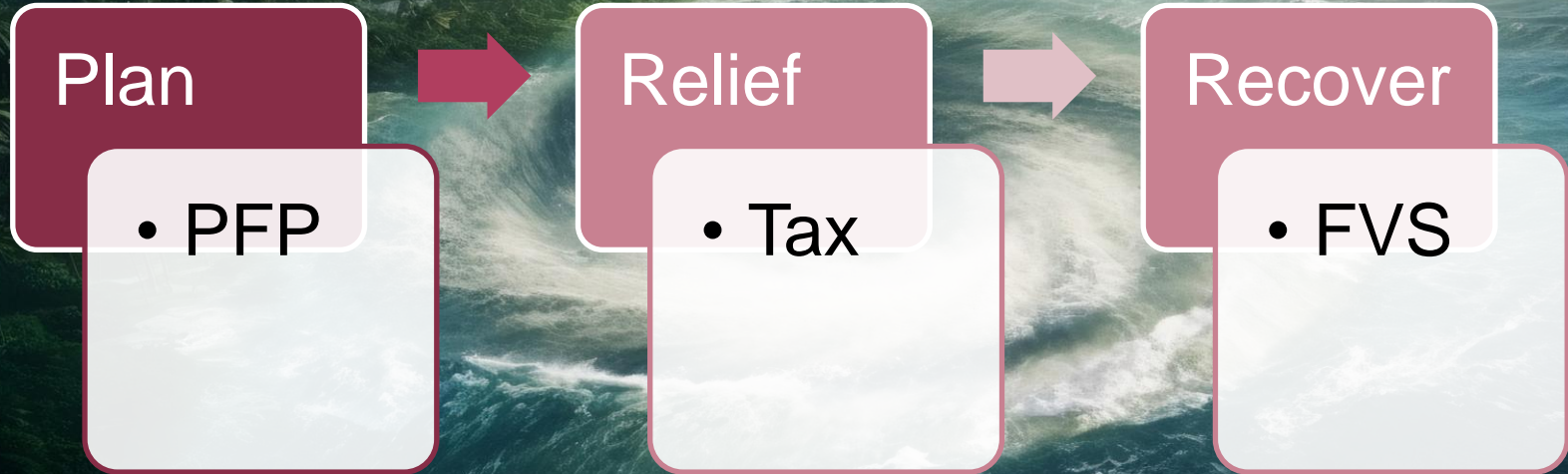
Director, Internal Revenue Service



## AICPA Disaster Relief Efforts with IRS

- Recommended extra 30 days **staggered postponements** for individuals versus businesses – 10/22/24
- Requested IRS issue **immediate relief** for Hurricane Helene – 10/1/24
- Recommended FinCEN offer **automatic relief for FBAR and BOI** – 10/1/24
- Recommended update to IRS procedures for processing **section 1033** replacement period extension requests - 12/11/23
- Recommended **updated guidance and clarifications** on disaster tax relief - 8/29/23
- Requested IRS **broadened relief under section 7508A(a)**, as done in Notice 2023-21, & make permanent & automatically provide a postpone date lookback period for all federally & state declared disasters - 5/9/23
- Requested IRS provide **lookback period** for refunds and credits for all disasters letter - 3/17/23

# 3 Phases of a Natural Disaster



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# Thank you