



Together as the Association of International
Certified Professional Accountants

WASHINGTON TAX BRIEF

February 21, 2024





Together as the Association of International
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Meet the Team

Tax Policy & Advocacy and Congressional & Political Affairs



MELANIE
LAURIDSEN

VICE
PRESIDENT
Tax



RACHEL
DREZEN

SENIOR
DIRECTOR
Congressional &
Political Affairs



KRISTIN
ESPOSITO

DIRECTOR
Tax Policy &
Advocacy





IRS
SERVICES



HOT
TOPICS



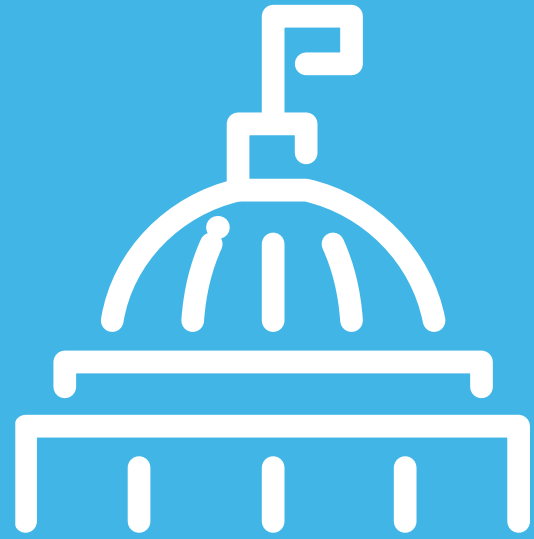
LEGISLATIVE
UPDATE



ADVOCATING
FOR MEMBER
PRIORITIES



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LEGISLATIVE UPDATE



Key Details in Wyden-Smith Tax Deal



Delays three TCJA business extenders

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



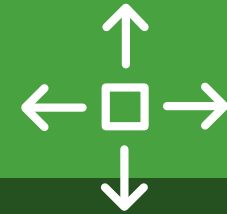
Increases maximum amount for section 179 expensing

- 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 Hurricane Ian victims
- Tax relief for some wildlife victims
- Tax relief for people impacted by the East Palestine train derailment



Employee Retention Credit changes

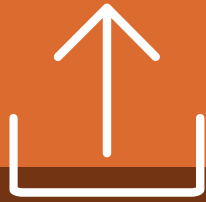
- Ends program early on January 31, 2024
- Penalties for certain COVID-ERC promoters
- Extends statute of limitations to 6 years

Employee Retention Credit Changes



Ends program early on January 31, 2024

- Current law: Can submit amended return to claim ERC for 2020 until April 15, 2024, & for 2021, until April 15, 2025
- Major revenue-raiser in the bill



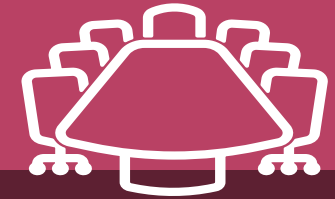
Increases penalties for COVID-ERC promoters

- Contingency fee test
- Gross receipts test
- Few, if any, CPAs or CPA firms should meet the gross receipts test
- Projecting minimal impact on profession



Extends statute of limitations to 6 years

- IRS will have 6 years to assess / recapture ERC
- Employers will have 6 years to file amended federal income tax return to take wage deduction related to invalidated ERC claims after regular statute expires



AICPA discussed with Congress and the IRS

- Reviewed penalty language with staff to assess whether well-intentioned CPAs or CPA firms could be captured

House Passes Tax Bill

- Vote 357 – 70
- Strong vote in House puts pressure on Senate to act
- Most likely path forward: tax bill attached as amendment to an appropriations agreement in early March 2024
- Limited opportunities to change the bill



AICPA Endorsed Tax Legislation in 118th Congress

- **Simplify Automatic Filing Extensions (SAFE) Act** ([H.R. 3566](#))
- **Tax Deadline Simplification Act** ([H.R. 3708](#))
- **Filing Relief for Natural Disasters Act** ([S. 1815](#) / [H.R. 3861](#))
- **The Red Tape Reduction Act** ([S.1761](#))
- **Electronic Communication Uniformity Act** ([S. 1338](#))
- **American Innovation and Jobs Act** ([S. 866](#) / [H.R. 2673](#))
- **Freedom to Invest in Tomorrow's Workforce Act** ([S. 722](#) / [H.R. 1477](#))
- **Supply Chain Disruptions Relief Act** ([S. 443](#) / [H.R. 700](#))
- **Book Minimum Tax Repeal Act** ([S. 1559](#) / [H.R. 3210](#))
- **Federal Disaster Responsibility Act** ([H.R. 5343](#) / [S. 2721](#))
- **Casualty Loss Deduction Restoration Act** ([H.R. 4539](#) / [S.2236](#))

Paid Family & Medical Leave Tax Credit & Enhancement Act

Senators Fischer & King Introduce
AICPA-Endorsed [Bipartisan Legislation](#)

- Makes credit permanent
- Credit available in states without PFML mandates and for amounts > state/local mandates
- Can take credit for portion of paid family leave insurance premiums paid
- Reduces minimum employment period requirement to 6 months





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IRS SERVICES



IRS New Leadership Structure



2 deputy commissioners to 1 deputy commissioner



4 new offices

- Taxpayer services
- Taxpayer compliance
- Information office (IT)
- Operations



Goal is transparency across divisions

News Release

Internal Revenue Service
Media Relations Office
Washington, D.C.
Media Contact: 202-317-4000
Public Contact: 800-829-1040
www.irs.gov/newsroom

IRS announces plans for new leadership structure; adjustments align with new priorities, agency transformation work

New structure features single deputy IRS commissioner, four chief executive positions to cover taxpayer service, compliance, IT, operations

IR-2023-237, Dec. 13, 2023

WASHINGTON — Internal Revenue Service Commissioner Danny Werfel today announced plans for a new leadership structure at the agency, a step designed to reflect new transformation goals and update the top of the organization chart for the first time in two decades.

The new organizational structure will feature a single deputy IRS Commissioner, instead of two. And four new IRS chief positions will oversee taxpayer service, tax compliance, information technology and operations. The changes will streamline operational efficiencies and align with major transformation work underway at the agency through the Inflation Reduction Act funding.

"With transformation work continuing to accelerate at the IRS, this is the right time to make these organizational adjustments that will support the agency's improvements for taxpayers and provide the flexibility needed to add efficiency and expand collaboration across the agency," Werfel said. "Many foundational changes in tax administration have occurred since the last major IRS organizational change, and this new alignment will help us in our ongoing transformation work to modernize the nation's tax system. This will improve our leadership model and streamline our internal processes for the benefit of taxpayers, the tax community, our employees and ultimately the nation."

The changes are anticipated to be put in place in early 2024. Werfel emphasized that the leadership changes would not immediately impact the vast majority of IRS employees or their day-to-day work, just the reporting structure for these top positions. The IRS will be working with Congress, NTEU and others as plans progress on the changes.

The current IRS leadership structure dates back to 2000, when the agency reentered operations around taxpayer segments following enactment of the IRS Restructuring and Reorganization Act of 1998. Minor organizational changes were put in place in the years that followed, including adding a second IRS deputy Commissioner in 2003 to oversee operations support.

The new organizational structure reflects years of effort at the IRS. The roots of this change date to the Taxpayer First Act Report to Congress in January 2021 and are contained in the new [IRS Strategic Operating Plan](#) released this April. Werfel noted this change is a logical step for the agency given recent history and the rapid pace of Inflation Reduction Act work.

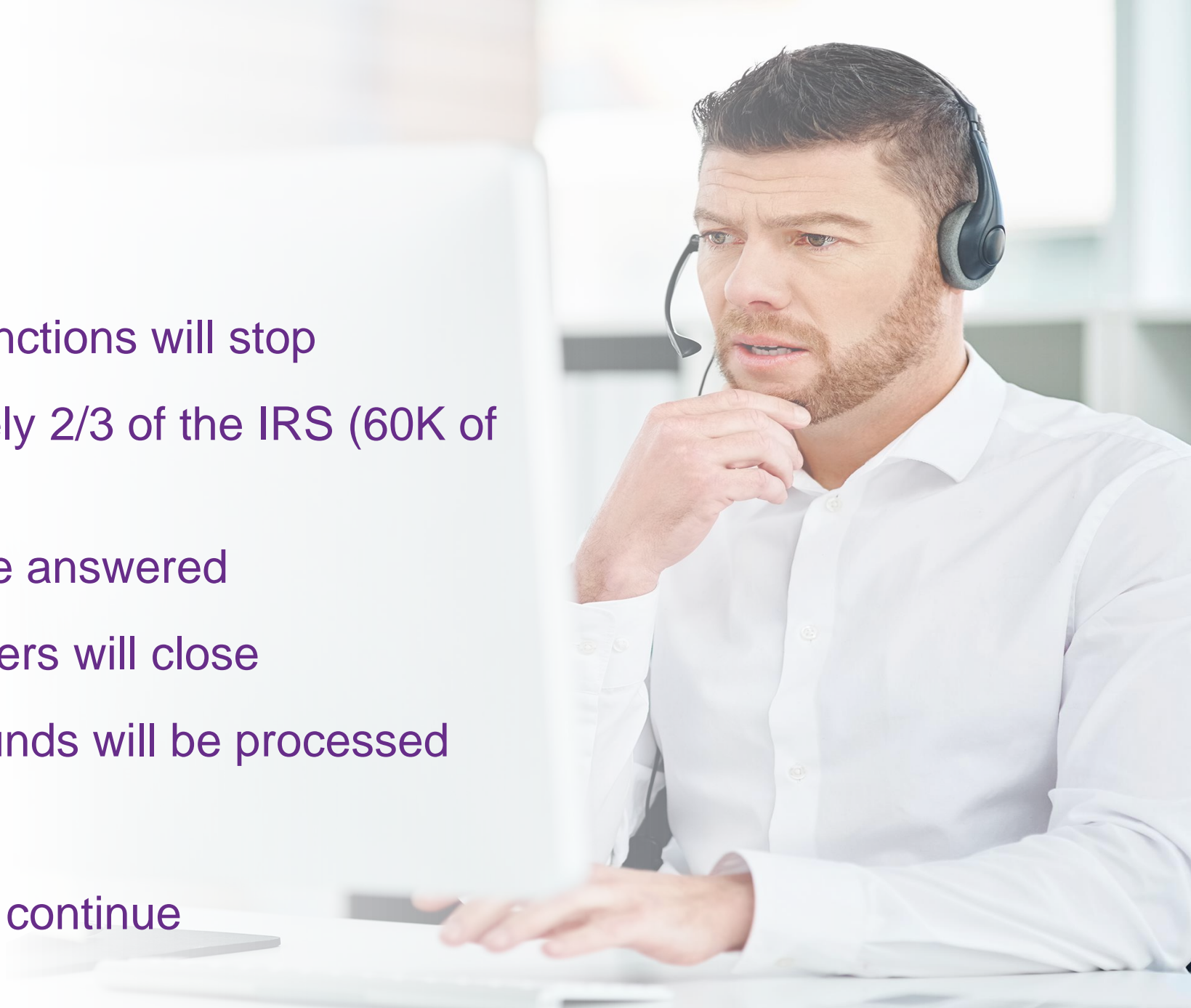
"Our transformation work and previous reviews highlight how the current structure limits our ability to operate as an integrated organization with shared goals," Werfel said. "The entire landscape around tax administration — including the economy, tax laws and technology — have undergone major changes since the last IRS reorganization. The new structure will help the top leadership to work together to drive faster and more effective progress. It's critical we deliver for taxpayers and the nation as we work to make important improvements at the IRS."

IRS moves to single Deputy IRS Commissioner model; O'Donnell to serve in role

IRS Contingency Plan

During Non-Filing Season

- Core tax administration functions will stop
- Furloughs for approximately 2/3 of the IRS (60K of 90K staff)
- Taxpayer phone calls to be answered
- Taxpayer Assistance Centers will close
- Only e-filed, error free refunds will be processed
- No paper correspondence
- Automated collections will continue



AICPA Advocacy - IRS Mitigation

- IRS funding to provide full assistance to taxpayers and practitioners
- Provide automatic extensions to notices and collections until 90 days past the end of a shutdown
- Ensure online systems and accounts operate effectively allowing ongoing taxpayer transactions with the IRS
- Retain most or all Chief Counsel attorneys to continue providing detailed guidance to taxpayers to meet their tax obligations



Preparer Mitigation

- Raise awareness with clients
- Explain to clients that incomplete tax data could result in extensive refund delays
- Help settle any back taxes clients owe or help create an installment agreement
- Have a procedural plan in place to account for extensions and workload during and immediately after a shutdown

[Client Letters & FAQs →](#)



Client Mitigation

- Gather tax data before start of filing season
- Double check to make sure sources of income aren't omitted (i.e., gambling winnings or freelance job earnings)
- Request electronic filing and direct deposit for tax refunds



IRS Reminders

- Form 1099-K FAQs updated
- AICPA Form 1099-K Snapshot
- Restart of automated collection notices and penalty relief began on Jan. 30
- AICPA asks IRS to expand penalty relief
- Recent cybersecurity scams targeting tax professionals



Simple Notice Initiative

Simplify and Clarify Notices Sent to Taxpayers

Notice Redesign Efforts by Filing Season

2024
Redesigned
31 notices

2025
Common
individual
notices

2026+
Common
business notices
and less common
individual notices





ADVOCATING FOR MEMBER PRIORITIES



Employee Retention Credit: IRS Fraud Prevention Programs

MORATORIUM

- IRS not processing claims filed After 9/14/23
- Possible April / May end date
- ERC claims can still be submitted

WITHDRAWAL PROGRAM

- Eligibility: claim not yet paid / check not cashed
- Must withdraw entire claim
- No penalties or interest

VOLUNTARY DISCLOSURE PROGRAM (12/21/23 – 3/22/24)

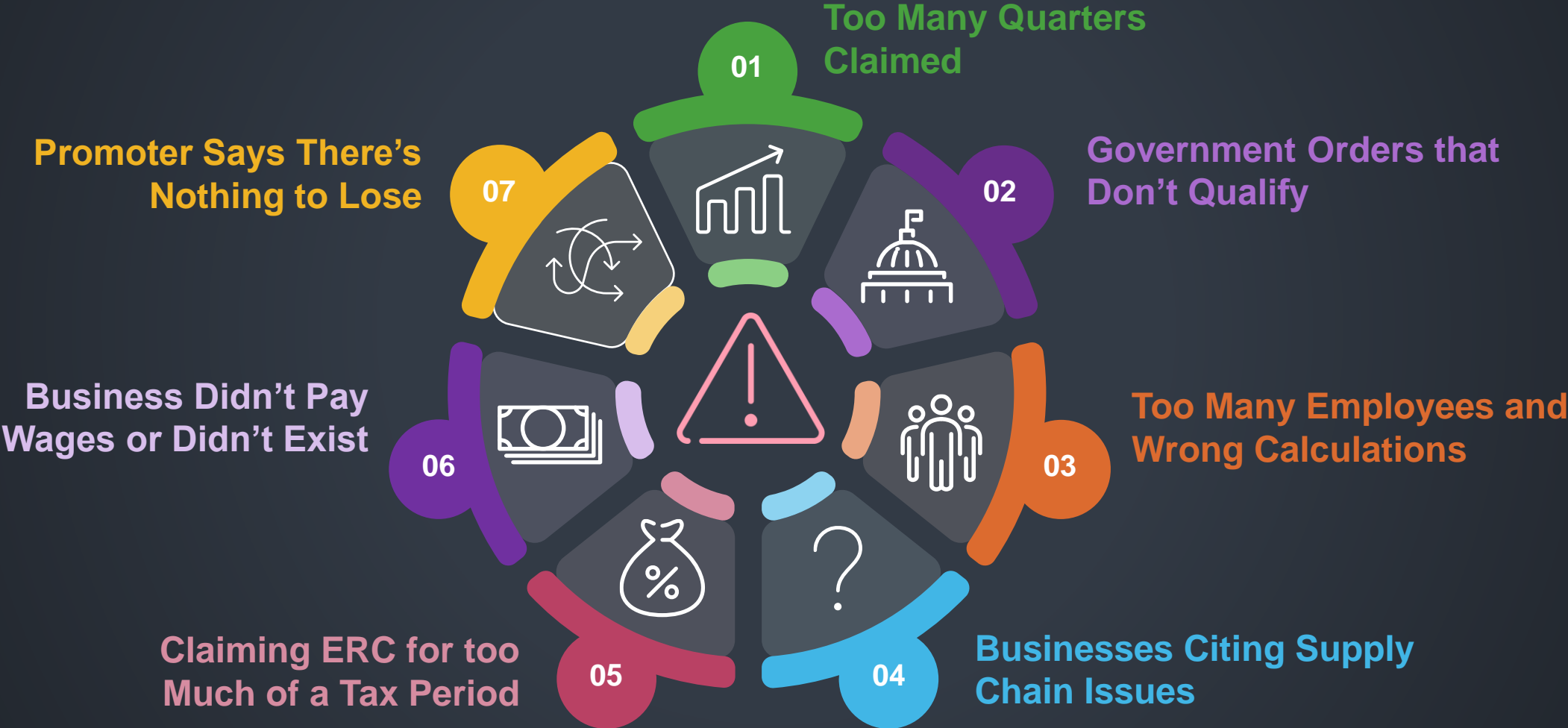
- Eligibility:
 - Return processed and refund received
 - Not under employment tax exam or criminal investigation
 - IRS has not issued letter disallowing ERC
- Payback 80%
- Cooperate with request for additional information
- Sign closing agreement
- No penalties or interest

Employee Retention Credit: IRS Fraud Prevention Initiatives

- Disallowance Letters
 - Entities not in existence
 - No paid employees
- Nationwide Education Initiative
 - IRS Criminal Investigation Division invited 200 tax return preparers to attend in-person ERC education sessions
 - Invitees not under criminal investigation
 - Not mandatory



ERC: IRS Releases 7 Warning Signs of Incorrect Claims



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 →

AICPA & CIMA Together as the Association of International Certified Professional Accountants

Employee retention credit: Fact or fiction?

Given COVID-19's w... for an employee re...

FICTION. Determin... complex. Your busin... for 2020 or a 20% o... 2019 quarters) or ex... government order. V... and circumstances... business and the ge...

My business did no... compared to 2019 (... still qualify for an E...

FACT. However, as... of operations BECA... or group meetings c... circumstances of w... would need to have... for the ERC.

All safety recomme... issues should be c... operation requirem...

FICTION. Governm... from federal, state c... operations. No fede... the ERC, so it is imp...

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 [AQN'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.

International Tax Update



- Initial guidance (Notice 2023-80) issued on FTC, dual consolidated losses related to GloBE rules, particularly Pillar Two taxes
 - Extends Notice 2023-55 indefinitely
- Proposed 987 regulations
 - Generally, retains methodology of 2016 regulations
 - Provides a transition rule replacing 2016 fresh start methodology
 - Retains Foreign Exchange Exposure Pool (FEEP) method
- AICPA to Treasury & IRS: Allow foreign-owned U.S. disregarded entities (DRE) to e-file Form 5472 with U.S. federal income tax returns

Section 174 R&E Expenditures

IRS Notice 2024-12

- IRS Notice 2024-12 issued 12/22/23 clarifies and modifies Notice 2023-63

Rev. Proc. 2024-9

- Rev. Proc. 2024-9 issued 12/22/23, modifies sections 7 & 19 of Rev. Proc. 2023-24

IRS Notice 2023-63

- Notice 2023-63 provides clarification of 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 summer 2024



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**Technical
Corrections**

**Catch-up
Contributions**

**Priority
Guidance**

A stylized illustration of a government building dome, likely the US Capitol, in dark blue. A large, flowing banner in a lighter blue color curves around the base of the dome. The text "SECURE 2.0" is written in white, bold, sans-serif font across the top of the dome.

SECURE 2.0



Form 8308 Penalty Relief

- New Reporting Requirements
 - Beneficial holder and record owner before and after transferred interest
 - Partnership and seller's share of ordinary income
 - Type of partnership interest transferred
 - Effective Jan. 31, 2024
- AICPA to IRS
 - Revert to 2018 version of form or,
 - Waive penalties and align filing date with K-1s

IRS GuideWire January 11, 2024

<ul style="list-style-type: none"> News Essentials <u>What's Hot</u> <u>News Releases</u> <u>IRS - The Basics</u> <u>IRS Guidance</u> <u>Media Contacts</u> <u>Facts & Figures</u> <u>Around The Nation</u> 	<p>Issue Number: N-2024-19</p> <p>Inside This Issue</p> <p>Notice 2024-19 provides relief from certain penalties imposed solely for failure of a partnership with unrealized receivables or inventory items to furnish Part IV of Form 8308, Report of a Sale or Exchange of Certain Partnership Interests, by January 31, 2024, to the transferor and transferee in certain transfers of partnership interests that occurred in calendar year 2023.</p> <p>Notice 2024-19 will be in IRB: 2024-5, dated 01/29/2024.</p>
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- IRS Response
 - Notice 2024-19
 - Penalty relief to partnership that issued incomplete forms by Jan. 31

AICPA Tax Policy & Advocacy Webpages



For more information about the Tax Policy and Advocacy team check out our website and comment letters page.

Website

<https://us.aicpa.org/advocacy/tax>

Comment letters

<https://us.aicpa.org/advocacy/tax/2024taxadvocacycommentletters.html>



HOT TOPICS



Beneficial Ownership Information (BOI)

- Part of Corporate Transparency Act (CTA) of 2021
- Anti-money laundering initiative
- Administered by the Financial Crimes Enforcement Network (FinCEN)



Beneficial Ownership Information Reporting

- Existing companies file between Jan. 1, 2024, and Jan. 1, 2025.
- Companies created in **2024** have **90 days** to file.
- Companies created after 2024 or have a change in ownership or need to correct information have **30 days** to file
- Penalties on business up to **\$10,000** and **2 years of jail time**



FinCEN Recent Guidance



FinCEN BOI
[Home Page](#)

- 1 Small Entity Compliance Guide
- 2 Updated FAQs
- 3 Videos
- 4 Reference Materials

Managing Liability


- Risk tolerance
- Level of service
- Steps you can take to mitigate unwanted outcomes

CONSIDERATIONS

Managing Liability

IF ACCEPTING BOI SERVICES

- Maintain thorough documentation
- Have thorough acceptance procedures
- Provide separate and concise engagement letter
- Keep up-to-date with technical developments
- Talk to legal counsel depending on nature of the work



The AICPA Member Insurance Program has stated that, “CNA’s accountants professional liability policies generally will cover Professional Services associated with the CTA by an Insured accounting firm, subject to other applicable policy terms, conditions, and exclusions.”

Accounting Firm Insurance Coverage

A woman with short grey hair, wearing a pink sweater, is smiling and talking to a man whose back is to the camera. They are sitting at a table with a laptop, a coffee cup, and a glass of water. The background shows a modern office building through a window.

FAQ: Can CPAs provide BOI services?

It is within a CPA's scope of work to:

- Walk clients through FinCEN's "Small Entity Compliance Guide" and FAQs so the client understands the process they need to undergo to identify beneficial owners and, if applicable, company applicants
- Prepare and submit the BOI report to FinCEN based on the information provided by the client

AICPA BOI Guidance & Resources

AICPA [BOI Resource Center](#)

- Updated FAQs
- Client letter
- Client facing flyer
- Engagement Letter
- CNA coverage considerations
- Comment letters

Starting Jan. 1, 2024, most companies created in or registered to do business in the U.S. will need to report information on their beneficial owners to the Financial Crimes Enforcement Network (FinCEN) under the Corporate Transparency Act (CTA).



Beneficial Ownership Information (BOI) FA...



Beneficial Ownership Information (BOI) FA...

May 11, 2023
230.5 KB



Beneficial Ownership Information (BOI) FA...

May 11, 2023
171.1 KB



Beneficial Ownership Information (BOI) Re...

May 02, 2023
170.6 KB

Digital Asset Reporting Requirement

- Must answer digital asset question with “Yes” or “No”
- Report all digital asset related income
- Have questions? Listen to AICPA Podcast [Digital Asset Playbook – Part 1 Questions and Misconceptions](#)

EXPLORE
the tax universe

Tax Section
Odyssey podcast
aicpa.org/tax



Digital assets and virtual currency tax guidance and resources

- Questionnaire for Individual Clients
- Crypto Loss Tax Reporting : Fact or Fiction?
- State guidance on taxation and reporting of digital assets

[Visit library →](#)

Q&A





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June 26, 2024, 1pm ET | Webcast | 1 CPE credit

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State tax resource center



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IRS guidance and support



Weekly e-newsletter



TAX

Section Odyssey

Follow the Tax Section Odyssey podcast for professional insights and the latest tax developments.

- ▶ Worker classification 101 and the risks of misclassification
- ▶ Traversing the beneficial ownership information reporting requirements
- ▶ All eyes on *Moore v. U.S.* plus a history lesson on tax cases
- ▶ Sifting through ERC questions
- ▶ Questions to ask clients about digital asset activities

taxodyssey.libsyn.com

Free web series

Reimagining Your Tax Practice

Q&A roundtable tackling today's top practice management issues

- BOI temperature check and what to tell clients | Feb. 21
- Practicing self-care during the chaos of tax season | March 20
- After the show — The tax season tell all | April 17
- Priorities and strategies post-tax season | May 15
- Developing an assistant for your work personality | June 19



bit.ly/reimagining-tax



A quarterly roundup of the latest tax updates

2024 Spring Tax Rewind

- Tax planning
- Legislative changes and reforms
- IRS tax practice and procedures

May 8, 1pm ET | webcast | 2 CPE credits

Discount for AICPA members
Free for Tax Section members

[Register →](#)



Disaster tax relief resources

- Casualty loss FAQ
- Disaster tax relief FAQ and latest developments
- Disaster tax relief procedures and processes

[Visit Disaster Relief Resource Center →](#)



IRS guidance and resources

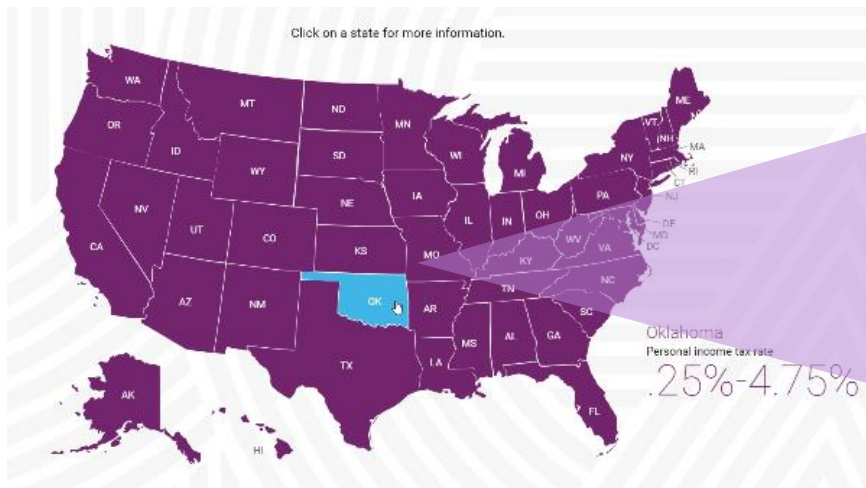
- Collection appeal options chart
- Formal written protest issue response letter
- Letter to request installment agreement
- Payment agreements guide
- Penalty abatement templates
- Third-party authorization guidance

[View resources →](#)



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
- Pass-through entity/general business taxes
- Due dates
- State tax forms
- View Oklahoma's state government websites

[Access SALT Roadmap →](#)



Month-by-month guide

Stay on top of key tax events.

Prioritize business action items.

Touch base with clients
year-round.

Recognize financial planning
opportunities.

AICPA TOWN HALL

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delivering timely and critical updates
for finance professionals

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