

FEDERAL TAX WEEKLY

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Wolters Kluwer Projects Annual Inflation Amounts for 2025

Annual inflation-adjusted amounts for tax year 2025 are projected by Wolters Kluwer. The projected amounts include 2025 tax brackets, the standard deduction, and alternative minimum tax amounts, among others. The projected amounts are based upon Consumer Price Index figures released by the U.S. Department of Labor on September 11, 2024.

Official amounts for 2025 should be released by the IRS later in 2024.

Individual Tax Brackets

The projected bracket ranges for individuals in 2025 are as follows.

For married taxpayers filing jointly:

- The 10% bracket applies to taxable incomes up to \$23,850
- The 12% bracket applies to taxable incomes over \$23,850 and up to \$96,950
- The 22% bracket applies to taxable incomes over \$96,950 and up to \$206,700
- The 24% bracket applies to taxable incomes over \$206,700 and up to \$394,600
- The 32% bracket applies to taxable incomes over \$394,600 and up to \$501,050
- The 35% bracket applies to taxable incomes over \$501,050 and up to \$751,600
- The 37% bracket applies to taxable incomes over \$751,600

For heads of households:

- The 10% bracket applies to taxable incomes up to \$17,000
- The 12% bracket applies to taxable incomes over \$17,000 and up to \$64,850
- The 22% bracket applies to taxable incomes over \$64,850 and up to \$103,350
- The 24% bracket applies to taxable incomes over \$103,350 and up to \$197,300
- The 32% bracket applies to taxable incomes over \$197,300 and up to \$250,525
- The 35% bracket applies to taxable incomes over \$250,525 and up to \$626,350
- The 37% bracket applies to taxable incomes over \$626,350

For unmarried taxpayers:

- The 10% bracket applies to taxable incomes up to \$11,925
- The 12% bracket applies to taxable incomes over \$11,925 and up to \$48,475
- The 22% bracket applies to taxable incomes over \$48,475 and up to \$103,350
- The 24% bracket applies to taxable incomes over \$103,350 and up to \$197,300
- The 32% bracket applies to taxable incomes over \$197,300 and up to \$250,525
- The 35% bracket applies to taxable incomes over \$250,525 and up to \$626,350
- The 37% bracket applies to taxable incomes over \$626,350

For married taxpayers filing separately:

- The 10% bracket applies to taxable incomes up to \$11,925
- The 12% bracket applies to taxable incomes over \$11,925 and up to \$48,475
- The 22% bracket applies to taxable incomes over \$48,475 and up to \$103,350
- The 24% bracket applies to taxable incomes over \$103,350 and up to \$197,300
- The 32% bracket applies to taxable incomes over \$197,300 and up to \$250,525
- The 35% bracket applies to taxable incomes over \$250,525 and up to \$375,800

- The 37% bracket applies to taxable incomes over \$375,800
For estates and trusts:
- The 10% bracket applies to taxable incomes up to \$3,150
- The 24% bracket applies to taxable incomes over \$3,150 and up to \$11,450
- The 35% bracket applies to taxable incomes over \$11,450 and up to \$15,650
- The 37% bracket applies to taxable incomes over \$15,650

Standard Deduction

For 2025, the following standard deduction amounts are projected to apply:

- For married taxpayers filing jointly, \$30,000
- For heads of households, \$22,500
- For unmarried taxpayers and well as married taxpayers filing separately, \$15,000

AMT Exemptions

For 2025, the AMT exemption amounts are projected to be:

- For married taxpayers filing jointly, \$137,000
- For unmarried individuals and heads of households, \$88,100
- For married taxpayers filing separately, \$68,500

Estate and Gift Tax

The following amounts related to transfer taxes (estate, generation-skipping, and gift taxes) are projected for 2025:

- The gift tax annual exemption is projected to be \$19,000.
- The estate and gift tax applicable exclusion is projected to be \$13,990,000 for decedents dying in 2025
- The exclusion for gifts made in 2025 to a spouse who is not a U.S. citizen is projected to be \$190,000.

Other Amounts

The following other amounts are also projected for 2025:

- The adoption credit for 2025 is projected to be \$17,280.
- For 2025, the allowed Roth IRA contribution amount is projected to phase out for married taxpayers filing jointly with income between \$236,000 and \$246,000. For heads of household and unmarried filers, the projected phaseout range is between \$150,000 to \$165,000.
- The maximum amount of deductible contributions that can be made to an IRA is projected to be \$7,000 for 2025. Beginning in 2024 pursuant to

the SECURE 2.0 Act (P.L. 117-328), the increased contribution amount for taxpayers age 50 and over is adjusted annually for inflation. However, due to rounding, this amount is projected to hold at \$1,000 for 2025.

- The above-the-line deduction for traditional IRA contributions is projected to begin to phase out for married joint filers whose income is greater than \$126,000 if both spouses are covered by a retirement plan at work. If only one spouse is covered by a retirement plan at work, the phaseout is projected to begin when modified adjusted gross income reaches \$236,000. For heads of household and unmarried filers who are covered by a retirement plan at work, the 2025 income phaseout range for deductible IRA contributions is projected to begin at \$79,000.
- For 2025, the \$2,500 student loan interest deduction is projected to begin to phase out for married joint filers with modified adjusted gross income (MAGI) above \$170,000. For single taxpayers, the 2025 deduction is projected to begin to phase out at a MAGI level of over \$85,000.
- The amount of the 2025 foreign earned income exclusion under Code Sec. 911 is projected to be \$130,000.

House Committee Passes Bill To Repeal 1099 Reporting Thresholds

The House Ways and Means Committee advanced a bill that would repeal a provision in the American Rescue Plan Act that reset 1099-K reporting thresholds to \$600.

The committee voted 22-16 in favor of passing the Saving Gig Economy Taxpayers Act (H.R. 190) and advancing it to the House floor for its consideration.

Repealing the 1099-K reporting threshold as set forth in the ARPA, would return it to the previous threshold of \$20,000/200 transactions.

Committee Chairman Jason Smith (R-Mo.) noted during the markup of the bill that the policy is “unworkable and unfair,” adding that the Internal Revenue

Service has twice delayed implementation of the ARPA provision.

“The timing of this markup could not be better as the IRS has recently said that without congressional action, by the end of this year, up to 44 million 1099-K forms will flood taxpayers’ mailboxes,” bill author Rep. Carol Miller (R-W. Va.)

REFERENCE KEY

USTC references are to **U.S. Tax Cases**
Dec references are to **Tax Court Reports**

FEDERAL TAX WEEKLY, 2024 No. 38. Published by Wolters Kluwer, 2700 Lake Cook Road, Riverwoods, IL 60015.
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said during the markup, adding that the current reporting threshold would increase taxes and paperwork burdens on workers, especially those in the gig economy.

Rep. Dan Kildee (D-Mich.) acknowledged that the \$600 threshold is, “in my view, too low.” He introduced and subsequently withdrew an amendment before

it could be voted upon that would have raised the threshold to \$5,000, which he said “would help cut unnecessary reporting burdens for small online sellers and taxpayers across the country.”

He said the \$5,000 reporting threshold “strikes the right balance between cutting unnecessary paperwork for the average taxpayer and making sure that folks can

report the income they earn through online platforms.”

“While I will be voting ‘no’ on this bill today, I do hope our colleagues on the other side of the aisle will find a way to work with us on this issue and deliver real, meaningful relief to those small online sellers and taxpayers without reopening major loopholes in the tax code,” Kildee said.

Proposed Regulations Provide Guidance on CAMT; CAMT Estimated Tax Penalty Relief Provided

Proposed Regulations, NPRM REG-112129-23; Notice 2024-66; IR-2024-235

The IRS has issued proposed regulations providing guidance on the corporate alternative minimum tax (CAMT) (NPRM REG-112129-23). The proposed regulations provide definitions and general rules for determining and identifying adjusted financial statement income (AFSI) and rules regarding various statutory and regulatory adjustments in determining AFSI. They also provide guidance on determining if a corporation is subject to the CAMT, including rules for members of a foreign parented multinational group (FPMG), the application of the CAMT to consolidated groups, and the determination of the CAMT foreign tax credit (CAMT FTC).

The proposed regulations include rules incorporating the CAMT interim guidance provided in Notice 2023-07, I.R.B. 2023-3, 390, Notice 2023-20, I.R.B. 2023-10, 523, Notice 2023-64, I.R.B. 2023-40, 974, and Notice 2024-10, I.R.B. 2024-3, 406.

The IRS has also provided a relief from the estimated tax penalty with respect to a corporation's CAMT liability for a tax year that begins after December 31, 2023, and before January 1, 2025 (Notice 2024-66).

Background - CAMT, Interim IRS Guidance, and Estimated Tax Penalty Relief

CAMT overview. The CAMT, which was created by the Inflation Reduction Act of 2022 (P.L. 117-169), imposes a 15-percent

minimum tax on the AFSI of large corporations for tax years beginning after 2022 (Code Sec. 55(a)). The CAMT applies to an applicable corporation, which is generally a corporation with a three-year average annual AFSI exceeding \$1 billion (Code Sec. 59(k)). To determine if this threshold is met, corporations under common control are generally aggregated and special rules apply in the case of FPMGs. The CAMT does not apply to S corporations, regulated investment companies (RICs), and real estate investment trusts (REITs).

A corporation's AFSI is the net income or loss reported on the corporation's applicable financial statement (AFS), subject to adjustments provided in Code Sec. 56A. Special rules apply in the case of related corporations included on a consolidated financial statement or filing a consolidated return. Applicable corporations are allowed to deduct financial statement net operating losses (FSNOLs), subject to limitation, and can reduce their minimum tax by the CAMT FTC (Code Sec. 59(l)) and the base erosion and anti-abuse tax (BEAT) (Code Sec. 59A). They can also utilize a minimum tax credit against their regular tax and the general business credit.

IRS interim guidance. The IRS has issued interim guidance on the application of the CAMT, including rules for the determination of an applicable corporation status and AFSI determination and adjustments (Notice 2023-07, Notice 2023-20, Notice 2023-64, and Notice 2024-10). Taxpayers may generally rely on the interim guidance for tax years ending on or before the date of publication of the proposed regulations, September 13, 2024.

Estimated tax penalty relief. The IRS has issued a few rounds of estimated tax penalty relief related to the CAMT. Specifically, Notice 2023-42, I.R.B. 2023-26, 1085, provides relief from the addition to tax under Code Sec. 6655 with respect to the CAMT liability for any tax year that begins after 2022 and before 2024.

Notice 2024-33, I.R.B. 2024-18, 959, provided a limited waiver of the estimated tax penalty to the extent the amount of any estimated tax underpayment is attributable to a portion of a corporation's CAMT liability. The relief applied only for the purpose of calculating the installment of estimated tax by a corporation that was due on or before April 15, 2024, or May 15, 2024 (in the case of a fiscal year taxpayer with a tax year beginning in February 2024), with respect to a tax year that began in 2024.

Notice 2024-47, I.R.B. 2024-27, 1, extends the relief provided in Notice 2024-33 to include the calculation of any installment of estimated tax by a corporation that was due on or before August 15, 2024, with respect to a tax year that began in 2024.

Proposed Rules on AFSI Determination and Adjustments

With respect to AFSI determination and adjustments, the proposed regulations provide guidance on the following:

- Definitions and General Rules for Determining AFSI - the proposed rules are consistent with section 5 of Notice

- 2023-64; they also require applicable corporations to maintain books and records and to file an annual return on Form 4626, Alternative Minimum Tax-Corporations.
- AFSI – proposed rules regarding the meaning and identification of an “applicable financial statement” and the priority of consolidated financial statements. The proposed rules are generally consistent with the guidance described in section 4 of Notice 2023-64, as modified and clarified by Notice 2024-10.
 - AFSI Adjustments for AFS Year and Tax Year Differences – proposed rules regarding appropriate adjustments that are made to AFSI if an AFS covers a period other than the tax year.
 - AFSI Adjustments and Basis Determinations with Respect to Foreign Corporations – proposed rules (i) for determining the amount of AFSI of a CAMT entity that results solely from the CAMT entity’s ownership of stock of a foreign corporation; (ii) for determining the AFSI and CAMT basis consequences of certain transactions involving foreign corporations (covered asset transactions); (iii) regarding the treatment of Code Sec. 338(g) elections for acquisitions of stock of foreign corporations; (iv) regarding the treatment of purchase accounting and push down accounting with respect to acquisitions of stock of foreign corporations; (v) for adjusting AFSI in certain circumstances when basis in foreign stock received is determined under Code Sec. 358; and (vi) for adjusting modified FSI of a partnership in certain circumstances when the partnership distributes stock of a foreign corporation.
 - AFSI Adjustments for Partner’s Distributive Share of Partnership AFSI – proposed rules regarding the applicable method (a bottom-up approach) to determine a CAMT entity’s distributive share of AFSI with respect to its partnership investment.
 - AFSI Adjustments with Respect to Controlled Foreign Corporations – proposed rules regarding an adjustment to the AFSI of a CAMT entity for any tax year in which the CAMT entity is a U.S. shareholder of one or more CFCs.
 - AFSI Adjustments with Respect to Effectively Connected Income – proposed rules for applying the principles of Code Sec. 882 to determine a foreign corporation’s AFSI.
 - AFSI Adjustments for Certain Federal and Foreign Income Taxes - proposed rules would adjust AFSI to disregard any applicable income taxes, as defined in the proposed regulations, that are taken into account in a CAMT entity’s AFS.
 - AFSI Adjustments with Respect to Certain Tax Credits – the proposed rules for AFSI adjustments for credits are consistent with section 6 of Notice 2023-7. Rules are provided for the treatment of purchasers (transferees) of an eligible credit for purposes of determining their AFSI.
 - AFSI Adjustments for Owners of Disregarded Entities or Branches, AFSI Adjustments for Cooperatives, AFSI Adjustments for Alaska Native Corporations, AFSI Adjustments for Covered Benefit Plans, AFSI Adjustments for Tax-Exempt Entities, and AFSI Adjustments for Qualified Wireless Spectrum.
 - AFSI Adjustments for Section 168 Property - the proposed rules generally mimic the regular tax treatment of all section 168 property and do not provide the CAMT entity with a better result with respect to section 168 property for AFSI purposes than for regular tax purposes. The proposed regulations define section 168 property, provide rules for the AFSI adjustments for depreciation that follow the adjustments described in section 4.03 of Notice 2023-7, as modified by Notice 2023-64, with certain modifications, and provide rules in the case of disposition of section 168 property.
 - AFSI Adjustments to Prevent Certain Duplications and Omissions – only AFSI adjustments specified in the Code Sec. 56A regulations are allowed; the proposed rules are consistent with the relevant guidance in Notice 2023-64.
 - AFSI, CAMT Basis, and CAMT Retained Earnings Resulting from Certain Corporate Transactions Involving Domestic Corporations – proposed rules regarding investments in domestic corporations that are not members of the CAMT entity’s tax consolidated group and transactions involving domestic corporations. The guidance in Notice 2023-7 regarding such transactions is clarified and expanded.
 - AFSI Adjustments to Apply Certain Subchapter K Principles – the proposed rules generally apply to contributions to or distributions from a partnership and provide operating rules for transactions between a CAMT entity and a partnership in which it holds an investment.
 - AFSI Adjustments for Troubled Companies (generally consistent with the related guidance in Notice 2023-7, with some clarifications), and AFSI Adjustments for Certain Insurance Companies and Other Specified Industries.
 - AFSI Adjustments for Financial Statement Net Operating Losses (FSNOLs) and Other Attributes – proposed rules for determining the AFSI adjustment for FSNOL carryovers, built-in losses, and other attributes. The general FSNOL rules are generally consistent with the rules described in section 12 of Notice 2023-64. Proposed rules would limit the use of FSNOLs and built-in losses acquired in successor transactions.
 - AFSI Adjustments for Hedging Transactions and Hedged Items, AFSI Adjustments for Mortgage Servicing Income, AFSI Adjustments for Certain Related-Party Transactions and CAMT Avoidance Transactions, and AFSI Adjustments for Income of Foreign Governments.

Proposed Rules on Applicable Corporation Status

With respect to determining if a corporation is subject to the CAMT, the proposed regulations provide guidance on the following:

- General Rules for Determining Applicable Corporation Status – proposed rules under Code Sec. 59(k) for determining whether a corporation is an applicable corporation, including a definition of an applicable corporation, application of the average annual AFSI

test, determining whether a corporation and another person are treated as a single employer, application of the aggregation rules, a simplified method for determining an applicable corporation status that is generally consistent with Notice 2023-7, termination of an applicable corporation status, and substantiation and reporting requirements.

- Rules for FPMGs – proposed rules for determining whether a corporation is a member of an FPMG, including rules for determining FPMG, controlling interest, which entities are included in the same applicable financial statement for that tax year, and FPMG members.

Proposed Rules on CAMT FTC

The proposed regulations provide guidance for determining the CAMT FTC. Generally, a CAMT FTC would be available only with respect to an “eligible tax” that is defined in the proposed regulations. The proposed regulations provide rules for determining the amount of the CAMT FTC an applicable corporation can claim if it chooses to claim the foreign tax credit. Proposed rules are also provided for the carryover of unused CFC taxes, the timing of the CAMT FTC, the treatment of partnership taxes, and tax consolidated groups.

Proposed Rules on CAMT Application to Consolidated Groups

The proposed regulations provide rules for the application of the CAMT to tax consolidated groups. The proposed rules apply single-entity treatment consistent with Notice 2023-7 in the computation of the AFSI and CAMT liability of a tax consolidated group.

The proposed regulations also provide rules for (i) FSNOL, CFC adjustment, and unused CFC tax carryovers, (ii) the computation of CAMT basis in member stock, (iii) tax items relating to intercompany transactions, and (iv) the allocation of CAMT liability, the consolidated minimum tax credit (consolidated MTC), and

AFSI among members of a tax consolidated group. In addition, proposed rules are provided for the determination of a tax consolidated group’s consolidated minimum tax credit.

CAMT Entities Subject to Tonnage Tax, Transition Rules, and AFSI-Only Change Procedures

The Treasury Department and the IRS are considering rules that would provide AFSI adjustments for corporations that are subject to the tonnage tax regime and requests comments in this respect. They are also considering certain transition rules and AFSI-only change procedures described in the NPRM preamble and request comments in this regard.

Proposed Applicability Dates and Reliance on Proposed Regulations

The following proposed regulations are proposed to apply to tax years ending after September 13, 2024 (together with Proposed Reg. §1.56A-5(l)(2)(ii) and (iii), these proposed regulations are referred to as the specified regulations):

- Proposed Reg. §§1.56A-1 through 1.56A-4, 1.56A-6 through 1.56A-11, 1.56A-13, 1.56A-14, 1.56A-17, 1.56A-26, 1.56A-27, and 1.59-2 through 1.59-4.

The following regulations are proposed to apply to tax years ending after the date of publication of the final regulations in the Federal Register:

- Proposed Reg. §§1.56A-5 (other than Proposed Reg. §1.56A-5(l)(2)(ii) and (iii)), 1.56A-12, 1.56A-15, 1.56A-16, and 1.56A-18 through 1.56A-25.

Proposed Reg. §1.56A-5(l)(2)(ii) and (iii) are proposed to apply to tax years ending after September 13, 2024, and on or before the date of publication of the final in order to coordinate with certain provisions of the specified regulations. The proposed regulations concerning the application of the CAMT to consolidated

groups (Proposed Reg. §§1.1502-2, 1.1502-53, and 1.1502-56A) are generally proposed to apply to consolidated return years for which the date of the income tax return (without extensions) is after the date of publication of the final regulations in the Federal Register. The IRS requests comments on whether different applicability dates should apply for purposes of specific provisions of the proposed regulations.

Taxpayers may rely on the specified regulations for any tax year ending on or before September 13, 2024, if they consistently follow all of these regulations in their entirety in that tax year and each subsequent tax year until the first tax year in which the final regulations are applicable. In the case of certain rules described in Proposed Reg. §§1.56A-4 and 1.56A-6 that apply to transfers, taxpayers may rely on such rules for a transfer occurring on or before September 13, 2024, provided they consistently follow all of these rules for all such transfers occurring on or before September 13, 2024, and if any such transfers occur in tax years ending on or before September 13, 2024, must rely on the specified regulations for such tax years.

Taxpayers may rely on any other sections of the proposed regulations for any tax year ending on or before the date of publication of the final regulations, provided that they consistently follow such section in its entirety and also follow all of the specified regulations in their entirety in that tax year and each subsequent tax year until the first tax year in which the final regulations are applicable. However, certain proposed rules are excluded from this reliance rule.

Requests for Comments and Public Hearing

Written or electronic comments on the proposed regulations must be received by the date that is 90 days after September 13, 2024. A public hearing on these proposed regulations is scheduled to be held on January 16, 2025, at 10 a.m. Eastern Time (ET). Requests to speak and outlines

of topics to be discussed at the public hearing must be received by the date that is 90 days after September 13, 2024. If no outlines are received by such date, the public hearing will be cancelled. Requests to attend the public hearing must be received by 5 p.m. ET on January 14, 2025.

CAMT Estimated Tax Penalty Relief

The IRS has provided relief from the addition to tax under Code Sec. 6655 for underpayment of estimated income tax by

a corporation to the extent the amount of any underpayment is attributable to the corporation's CAMT liability. The relief applies for the purpose of calculating any installment of estimated income tax of a corporation with respect to a tax year that begins after December 31, 2023, and before January 1, 2025 (Covered CAMT Year) and waives any addition to tax under Code Sec. 6655 with respect to a corporation's CAMT liability for any Covered CAMT Year.

The instructions to Form 2220, Underpayment of Estimated Tax by Corporations, will be modified, as

necessary, to clarify that no estimated tax penalty will be imposed based on a corporation's failure to make an estimated tax payment of its CAMT liability for any Covered CAMT Year, and that a taxpayer may exclude such amounts when calculating the amount of its required annual payment on Form 2220. Affected taxpayers must file Form 2220 with their federal income tax return, even if they owe no estimated tax penalty.

This guidance incorporates the earlier relief provided in Notice 2024-33 and Notice 2024-47 and obsoletes both Notices.

Proposed Regulations Provide Rules on the Exclusion of Tribal General Welfare Benefits

Proposed Regulations, NPRM REG-106851-21; IR-2024-237

The IRS has issued proposed regulations providing guidance on the exclusion from gross income of certain Tribal general welfare benefits. The proposed rules define terms used in Code Sec. 139E and the regulations and sets forth the requirements for a program to qualify as an Indian Tribal Government Program and for a benefit to qualify as a Tribal General Welfare Benefit. In addition, the proposed rules provide special rules related to cultural or ceremonial activities and clarifies the audit suspension program as required by the Tribal General Welfare Exclusion Act of 2014.

Definitions

Prop. Reg. §1.139E-1(b) defines words and terms used in the statute and the regulations, including Indian Tribal government, Tribe, Tribal program participant, Tribal member, spouse, and dependent.

Indian Tribal Government Program Requirements

A Tribal general welfare benefit is any payment made, or service provided, under an Indian tribal government program to,

or on behalf of, a member of an Indian tribe or his or her spouse or dependent. The Indian tribal government program must be administered under specific guidelines and must not discriminate in favor of members of the governing body of the Indian tribe. Prop. Reg. §1.139E-1(c) generally adopts the requirements set forth in Rev. Proc. 2014-35 that there must be a specific Tribal program, and that the program must identify how an individual qualifies for the benefits. The proposed regulations further explain how an Indian Tribal government program would meet those requirements. A program may be established by Tribal custom, government practice, or formal action of the Indian Tribal government under applicable Tribal law. A written document memorializing the program is not required, but the proposed rule would refer to applicable Tribal law to determine whether the Indian Tribal government requires a written document for formal actions. The specified guidelines of a program must, at a minimum, include a description of the program, the eligibility requirements, and the process for receiving benefits under the program. In addition, a program must not discriminate in favor of members of the Tribe's governing body.

There is no limitation on the source of funds that supply an Indian Tribal

government program. Benefits may be funded by any source of revenue, including net gaming revenues as permitted by the Indian Gaming Regulatory Act (IGRA). Per capita payments, as defined under IGRA, are subject to federal tax and are not excludable from the gross income under Code Sec. 139E. The treatment of per capita payments is explained in Prop. Reg. §1.139E-1(c)(5)(ii).

Tribal General Welfare Benefits

Benefits provided under an Indian Tribal government program are Tribal general welfare benefits only if the benefits are: (1) for the promotion of general welfare; (2) available to any Tribal member who meets the guidelines; (3) not lavish or extravagant; and (4) not compensation for services. Each requirement is described in Prop. Reg. §1.139E-1(d). Deference will be given to Indian tribal governments to determine whether a benefit is for the promotion of the general welfare of its members or other eligible individuals. Furthermore, Tribal general welfare benefits may be provided without regard to the financial or other needs of participants and may be provided on a pro-rata basis to participants.

The determination of whether a benefit is lavish or extravagant is based on a facts

and circumstances test. Compensation for services is defined by reference to the rules under Code Sec. 61(a).

Exceptions to Compensation for Services

Indian Tribal governments will determine what it means to participate in cultural or ceremonial activities for the transmission of Tribal culture and what items are of cultural significance. The IRS will defer to the Indian Tribal government's determinations.

Proposed Applicability Date and Comments

The regulations are proposed to apply to tax years of Tribal Program participants that begin on or after the date of publication of the final regulations.

Comments are requested on the proposed regulations, specifically on whether examples should be included in the final regulations, whether Rev. Proc. 2014-35 should be obsoleted when the final regulations are issued, whether transition relief is needed, and whether there is a need for additional guidance under Code Sec. 139E

or other Code sections to address the tax treatment of deferred benefits or benefits paid from trust arrangements.

Written or electronic comments on the proposed regulations must be received by the date that is 90 days after September 17, 2024. A public hearing on these proposed regulations is scheduled to be held on January 13, 2025, at 10 a.m. Eastern Time (ET). Requests to speak and outlines of topics to be discussed at the public hearing must be received by the date that is 90 days after September 17, 2024. If no outlines are received by such date, the public hearing will be cancelled.

Connecticut and New York Victims of Severe Storms and Flooding from Torrential Rainfalls Granted Tax Relief

IR-2024-234

The IRS has extended tax relief to the victims of severe storms and flooding from torrential rainfalls in parts of Connecticut and New York until February 3, 2025, to file various individual and business tax returns and make tax payments. The relief applies to affected taxpayers in Suffolk County New York and Fairfield, Litchfield, and New Haven counties in Connecticut.

Filing and Payment Deadlines Extended

The IRS has postponed various tax filing and payment deadlines that occurred starting on August 18, 2024. As a result, the affected taxpayers will now have until February 3, 2025, to file returns and pay any taxes that

were originally due during this period. This includes individuals who had a valid extension to file their 2023 income tax return.

The February 3, 2025 deadline does apply to estimated income tax payments due on September 16, 2024, and January 15, 2025. In addition, the quarterly payroll and excise tax returns normally due on October 31, 2024, and January 31, 2025 are also now due on February 3, 2025. Penalties on payroll and excise tax deposits due on or after August 18, 2024, and before September 3, 2024, will be abated, as long as the deposits are made by September 3, 2024.

The affected taxpayers do not need to contact the IRS to get this relief. The IRS will work with taxpayers who live outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers qualifying for relief

who live outside the disaster area need to contact the IRS at 866-562-5227.

Casualty Losses

Individuals and businesses in a federally declared disaster area who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (2024), or the return for the prior year (2023). Taxpayers claiming a disaster loss on their tax return should write the appropriate FEMA declaration number –"3612-EM"– for Connecticut and –"3613-EM"– for New York on any return claiming a loss. Finally, the IRS has requested taxpayers to see Publication 547 and visit disasterassistance.gov for information on disaster recovery.

Louisiana Victims of Tropical Storm Francine Granted Tax Relief

IR-2024-236

The IRS has extended tax relief to the victims of Tropical Storm Francine in all of Louisiana until February 3, 2025, to file various individual and business tax returns and make tax payments. The relief applies to affected taxpayers in all counties of Louisiana.

Filing and Payment Deadlines Extended

The IRS has postponed various tax filing and payment deadlines that occurred starting on September 10, 2024. As a result, the affected taxpayers will now have until February 3, 2025, to file returns and pay

any taxes that were originally due during this period. This includes individuals who had a valid extension to file their 2023 income tax return.

The February 3, 2025 deadline does apply to estimated income tax payments due on September 16, 2024, and January 15, 2025. In addition, the quarterly payroll and

excise tax returns normally due on October 31, 2024, and January 31, 2025 are also now due on February 3, 2025. Penalties on payroll and excise tax deposits due on or after September 10, 2024, and before September 25, 2024, will be abated, as long as the deposits are made by September 25, 2024.

The affected taxpayers do not need to contact the IRS to get this relief. The IRS will work with taxpayers who lives outside the disaster area but whose records

necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers qualifying for relief who live outside the disaster area need to contact the IRS at 866-562-5227.

Casualty Losses

Individuals and businesses in a federally declared disaster area who suffered

uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (2024), or the return for the prior year (2023). Taxpayers claiming a disaster loss on their tax return should write the appropriate FEMA declaration number – "3614-EM" – on any return claiming a loss. Finally, the IRS has requested taxpayers to see Publication 547 and visit disasterassistance.gov for information on disaster recovery.

Washington Round-up

Finance Committee hears testimony on closing tax loopholes for the wealthy.

Bob Lord, senior advisor on tax policy for Patriotic Millionaires, explained to member of the Senate Finance Committee during a September 12, 2024, hearing how the wealthy use the tax code to avoid paying taxes, such as buying assets, borrowing against them, and when they die, having no income consequences on the sale of their property. "Avoidance strategies like 'buy, borrow, die' result from exploitation by the ultra-rich of design flaws in the tax system," he said, adding this and other loopholes should be narrowed or closed. Also, during the hearing, Jeff Brabant, vice president of government relations at the National Federation of Independent Business, called on Congress to make permanent the qualified business income deduction, which is

among the tax provisions in the Tax Cuts and Jobs Act that are set to expire in 2025.

AICPA requests guidance on deductions related to employer-provided eating facilities. The American Institute of CPAs, in an August 21, 2024, letter to the Internal Revenue Service, asked the agency to issue guidance "specifying the types of expenses disallowed as deductions under section 274(o) related to the operation of an employer-operated eating facility. ... Alternatively, we suggest that the regulations clarify that expenses not incurred for the operation of the facility as an eating facility are deductible and provide that any reasonable method of allocation may be used for purposes of determining disallowed expenses." It also requested guidance "clarifying that depreciation is not an 'expense' potentially subject to

disallowance." This and other AICPA tax policy and advocacy comment letters can be found at <https://www.aicpa-cima.com/advocacy/article/2024-tax-policy-and-advocacy-comment-letters>.

NTA calls for legislative fix to disaster lookback trap for refund claims.

National Taxpayer Advocate Erin Collins, in a September 10, 2024, blog post, is calling on Congress to align the timing of lookback periods and deadlines for filing a refund claim, even though the Internal Revenue Service might be able to fix the concerns via regulatory action such as issuing a formal guidance. However, "the better, cleaner, and more taxpayer-favorable solution to the problem would be to amend the lookback period statute in the Internal Revenue Code for all postponements," Collins wrote in the blog.

TAX BRIEFS

Depreciation

A married couple was entitled to additional trade or business depreciation deductions and contract labor expenses.

Pak, TC, Dec. 62,504(M)

Gross Income note

An entity's income was derived from the performance of an essential governmental function. A local government created the entity to participate in a government

land revitalization program. The income also accrued to the government or a political subdivision of the government. Thus, the taxpayer's income was excludable from gross income under Code Sec. 115(1).

IRS Letter Ruling 202437001

Tax Evasion

An individual's conduct constituted evasive acts that affected assessment income for multiple tax years at issue. This was

regardless of the length of time over which his acts took place. Further, investigative actions were being conducted by the IRS and these proceedings were reasonably foreseeable by the taxpayer. The taxpayer entered into an agreement with the IRS to pay a debt but failed to pay taxes.

Carnes, DC Mo., 2024-2 USTC ¶150,193