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Little Chance for Lame Duck Tax Legislation, Reconciliation Bill on Table in 2025

WASHINGTON—With Congress in its lame duck session to close out the remainder of 2024 and with Republicans taking control over both chambers of Congress in the just completed election cycle, no major tax legislation is expected, although there is potential for minor legislation before the year ends.

The GOP takeover of the Senate also puts the use of the reconciliation process on the table as a means for Republicans to push through certain tax policy objectives without necessarily needing any Democratic buy-in, setting the stage for legislative activity in 2025, with a particular focus on the expiring provision of the Tax Cuts and Jobs Act.

Eric LoPresti, tax counsel for Senate Finance Committee Chairman Ron Wyden (D-Ore.) said November 13, 2024, during a legislative panel at the American Institute of CPA's Fall Tax Division Meetings that "there's interest" in moving a disaster tax relief bill.

Neither offered any specifics as to what provisions may or may not be on the table.

One thing that is not expected to be touched in the lame duck session is the tax deal brokered by House Ways and Means Committee Chairman Jason Smith (R-Mo.) and Chairman Wyden, but parts of it may survive into the coming year, particularly the provisions around the employee retention credit, which will come with $60 billion in potential budget offsets that could be used by the GOP to help cover other costs, although Don Snyder, tax counsel for Finance Committee Ranking Member Mike Crapo (R-Idaho) hinted that ERC provisions have bipartisan support and could end up included in a minor tax bill, if one is offered in the lame duck session.

Another issue that likely will be debated in 2025 is the supplemental funding for the Internal Revenue Service that was included in the Inflation Reduction Act. LoPresti explained that because of quirks in the Congressional Budget Office scoring of the funding, once enacted, it becomes part of the IRS baseline in terms of what the IRS is expected to bring in and making cuts to that baseline would actually cost the government money rather than serving as a potential offset.

NTA Calls Out IRS on Proposed Changes to Third Party Contact Regs

National Taxpayer Advocate Erin Collins is criticizing the Internal Revenue Service for proposing changes to how it contacts third parties in an effort to assess or collect a tax on a taxpayer.

Current rules call for the IRS to provide a 45-day notice when it intends to contact a third party with three exceptions, including when the taxpayer authorizes the contact; the IRS determines that notice would jeopardize tax collection or involve reprisal; or if the contact involves criminal investigations.

The agency is proposing to shorten the length of proposing to shorten the statutory 45-day notice to 10 days when the when there is a year or less remaining on the statute of limitations for collection or certain other circumstances exist.

"The IRS's proposed regulations … erode an important taxpayer protection and could punish taxpayers for IRS delays," Collins wrote in a November 7, 2024, blog post. The agency generally has three years to assess additional tax and ten years to collect unpaid tax. By shortening the timeframe, it could cause personal embarrassment, damage a business's reputation, or otherwise put unreasonable pressure on a taxpayer to extend the statute of limitations to avoid embarrassment.

"Furthermore, the ten-day timeframe is so short, it is possible that some taxpayers may not receive the notice with enough time to reply," Collins wrote. "As a result, those taxpayers may incur the embarrassment and reputational damage caused by having their sensitive tax information shared with a third party on an expedited basis without adequate time to respond."

"The statute of limitations is an important component of the right to finality because it sets forth clear and certain boundaries for the IRS to act to assess or collect taxes," she wrote, adding that the agency "should reconsider these proposed regulations and Congress should consider enacting additional taxpayer protections for third-party contacts."

Current Plan Liability Rates Set for November 2024

For pension plan years beginning in November 2024, the IRS has released:

- the 30-year Treasury bond weighted average interest rate,
- the unadjusted segment rates,
- the unadjusted segment rates, and
- the minimum present value segment rates.

Corporate Bond Rate

The three 24-month average corporate bond segment rates applicable for November 2024 (without adjustment for the 25-year average segment rate limits) are as follows:

- 5.03 for the first segment rate,
- 5.28 for the second, and
- 5.36 for the third.

November 2024 Adjustment Segment Rate

The November 2024 adjusted segment rates for plan years beginning in 2023 are:

- 5.03 for the first segment rate,
- 5.28 for the second, and
- 5.74 for the third.

The rates for plan years beginning in 2024 are:

- 5.03 for the first segment rate,
- 5.28 for the second, and
- 5.59 for the third.

The rates for plan years beginning in 2025 are:

- 5.03 for the first segment rate,
- 5.28 for the second, and
- 5.50 for the third.

30-Year Treasury Weighted Average

For plan years beginning in November 2024, the 30-year Treasury weighted average securities rate is 3.71, with a permissible range of 3.34 to 3.89 under Code Sec. 431(c)(6)(E)(ii)(l).

The rate of interest on 30-year Treasury securities for October 2024 is 4.37 percent.

The minimum present value segment rates under Code Sec. 417(e)(3)(D) for October 2024 are:

- 4.42 for the first segment rate,
- 5.04 for the second, and
- 5.46 for the third.

Notice 2024-81

REFERENCE KEY

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

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IRS Reminds Eligible IRA Owners of Increased Tax-Free Charitable Donation Limit for 2024

IR-2024-289

The IRS reminds individual retirement arrangement (IRA) owners aged 70½ and older that they can make tax-free charitable donations of up to $105,000 in 2024 ($210,000 for married couples if both meet qualifications and have separate IRAs) through qualified charitable distributions (QCDs). New this year, the QCD limit is subject to annual inflation adjustments based on inflation. The amount in previous years was $100,000. For 2025, the limit rises to $108,000.

For those aged 73 or older, QCDs also count toward the year's required minimum distribution (RMD).

2024 Year-End Tax Planning: Wolters Kluwer Tax Briefing Now Available

As we near the end of 2024, there are still opportunities to maximize tax savings for 2024 and into the future. While 2024 has been a quiet year legislatively, there are still plenty of new tax laws and guidance resulting from prior years' legislation, and a sound tax plan will be essential for financial growth and security.

Wolters Kluwer's Tax Briefing highlighting 2024 year-end tax planning opportunities is now available at: https://engagetax.wolterskluwer.com/2024YearEndBriefing. This Wolters Kluwer Tax Briefing alerts tax practitioners and their clients to possible strategies to employ before the end of the year to maximize tax savings for 2024 and beyond.

Following are the steps for reporting and documenting QCDs for 2024:

IRA trustees will issue Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., in early 2025 documenting IRA distributions. Following are the steps for reporting and documenting QCDs for 2024:

- record the full amount of any IRA distribution on Line 4a of Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors;
- enter "0" on Line 4b if the entire amount qualifies as a QCD, marking it accordingly; and
- obtain a written acknowledgment from the charity, confirming the contribution date, amount, and that no goods or services were received.

To ensure QCDs for 2024 are processed by year-end, IRA owners should contact their trustee soon.

For more details, see Publication 526, Charitable Contributions, and Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

New Mexico Victims of Severe Storms and Flooding Granted Tax Relief

New Mexico Disaster Relief Notice (NM-2024-07)

The president has declared a federal disaster area in New Mexico. The disaster is due severe storms and flooding that began on October 19, 2024. The disaster area is Chaves County.

Taxpayers who live or have a business in the disaster area may qualify for tax relief.

New Mexico Filing Deadlines Extended

The IRS extended certain deadlines falling on or after October 19, 2024, and before May 1, 2025, to May 1, 2025. This extension includes filing for most returns, including:

- individual, corporate, estate, and trust income tax returns;
- partnership and S corporation income tax returns;
- estate, gift, and generation-skipping transfer tax returns;
- the Form 5500 series returns;
- annual information returns of tax-exempt organizations; and
- employment and certain excise tax returns.

However, the extension does not include information returns in the Form W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922, or 8027.

New Mexico Payment Deadlines Extended

The relief includes extra time to make tax payments. This includes estimated tax payments due on or after January 15, 2025, and April 15, 2025, and before May 1, 2025. Further, taxpayers have until May 1, 2025, to perform other time-sensitive actions due on or after October 19, 2024, and before May 1, 2025.

The IRS has excused late penalties for employment and excise tax deposits due on or after October 19, 2024, and before November 4, 2024. But, the taxpayer must have made the deposits by May 1, 2025.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may receive relief by claiming their losses on their 2023 or 2024 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

Taxpayers claiming a disaster loss on their 2023 or 2024 return should write the assigned FEMA declaration number 4843-DR at the top of the return. This will allow the IRS to speed refund processing.

The IRS will provide affected taxpayers with copies of prior year returns without charge. To receive this expedited service, taxpayers should >add the disaster designation at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return; and submit it to the IRS.

South Dakota Victims of Severe Storms, Straight-line Winds, and Flooding Granted Tax Relief

South Dakota Relief Notice (SD-2024-14)

The president has declared a federal disaster area in South Dakota. The disaster is due to severe storms, straight-line winds and flooding that began on July 13, 2024. The disaster area includes the Cheyenne River Reservation. Taxpayers who live or have a business in the disaster area may qualify for tax relief.

South Dakota Filing Deadlines Extended

The IRS extended certain deadlines falling on or after July 13, 2024, and on or before February, 2025, have been postponed to February 3, 2025. This extension includes filing for most returns, including:

- individual, corporate, estate, and trust income tax returns;
- partnership and S corporation income tax returns;
- estate, gift, and generation-skipping transfer tax returns;
- the Form 5500 series returns;
- annual information returns of tax-exempt organizations; and
- employment and certain excise tax returns.

However, the extension does not include information returns in the Form W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922, or 8027.

South Dakota Payment Deadlines Extended

The relief includes extra time to make tax payments. This includes estimated tax payments due on September 16, 2024, and January 15, 2025. Further, taxpayers have until February 3, 2025, to perform other time-sensitive actions due on or after July 13, 2024, and on or before February 3, 2025.

The IRS excused late penalties for employment and excise tax deposits due on or after July 13, 2024, and before July 29, 2024. But, the taxpayer must have made the deposits by July 29, 2024.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may get relief by claiming their losses on their 2023 or 2024 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

Taxpayers claiming a disaster loss on their 2023 or 2024 return should write the assigned FEMA declaration number: "FEMA-4842-DR" at the top of the return. This will allow the IRS to speed refund processing.

The IRS will provide affected taxpayers with copies of prior year returns without charge. To receive this expedited service, taxpayers should add the disaster designation at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return and submit it to the IRS.

Saint Regis Mohawk Tribe Victims of Tropical Storm Debby Granted Tax Relief

New York Disaster Relief Notice (NY-2024-13)

The president has declared a federal disaster area for the Saint Regis Mohawk Tribe Reservation in Upstate New York. The disaster is due to severe storms and flooding from the remnants of Tropical Storm Debby that began on August 8, 2024. Individuals and households that reside or have a business on the reservation qualify for tax relief.

Saint Regis Mohawk Tribe Filing Deadlines Extended

The IRS extended certain deadlines falling on or after August 8, 2024, and before February 3, 2025, to February 3, 2025. This extension includes filing deadlines for most returns, including:

- individual, corporate, estate, and trust income tax returns;
- partnership and S corporation income tax returns;
- estate, gift, and generation-skipping transfer tax returns;

- the Form 5500 series returns;
- annual information returns of tax-exempt organizations; and
- employment and certain excise tax returns.

However, the extension does not include information returns in the Form W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922, or 8027.

Saint Regis Mohawk Tribe Payment Deadlines Extended

The relief includes extra time to make tax payments. This includes estimated tax payments due on or after September 16, 2024, and January 15, 2025, and before February 3, 2025. Taxpayers have until February 3, 2025, to perform other time-sensitive actions due on or after August 8, 2024, and before February 3, 2025.

The IRS excused late penalties for employment and excise tax deposits due on or after August 8, 2024, and before August 23, 2024. But, the taxpayer must have made the deposits by August 23, 2024.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may receive relief by claiming their losses on their 2023 or 2024 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

Taxpayers claiming a disaster loss on their 2023 or 2024 return should write the assigned FEMA declaration number 4818-DR at the top of the return. This will allow the IRS to speed refund processing.

The IRS will provide affected taxpayers with copies of prior year returns without charge. To get this expedited service, taxpayers should add the disaster designation at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return; and submit it to the IRS.

Charitable Contribution Deductions No Longer Allowed for Organizations

Announcement 2024-37

The IRS has announced that the following organizations no longer qualify under Code Sec. 170(c)(2) as an organization for which deductions for charitable contributions are allowed.

- Out of the Closet Foundation Inc, of New York. Effective revocation date: January 1, 2021.
- Saved in America incorporated, of California. Effective revocation date: January 1, 2019.

However, contributions made to the organizations before November 18, 2024, will generally be deductible, unless made by a person who (1) knew of the revocation, (2) was aware that the revocation was imminent or (3) was responsible, in whole or in part, for the activities or deficiencies that gave rise to the loss of qualification.

If the organization files suit, in a timely manner, for declaratory judgment under Code Sec. 7428, challenging the revocation of its status as an eligible donee of deductible charitable contributions, Code Sec. 170 contributions will continue to be deductible. Protection under Code Sec. 7428(c) would begin on November 1, 2024. The maximum amount of individual contributions protected would be $1,000, with a husband and wife treated as one taxpayer. This protection is not afforded to anyone who was responsible, in whole or in part, for the acts or omissions of the organization that resulted in revocation of qualification.

TAX BRIEFS

Exempt Organizations

Three organizations were denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In the first case, the organization was operated to benefit preselected individuals. In the second case, organization engaged in activities deemed non-charitable. In the last case, the organization's primary purpose was dog training and evaluation which were substantially non-exempt.

IRS Letter Ruling 202446012; IRS Letter Ruling 202446013; IRS Letter Ruling 202446014

Low-Income Housing Credit

The IRS has published the amounts of unused housing credit carryovers allocated to qualified states under Code Sec. 42(h)(3)(D) for calendar year 2024. The IRS allocates the national pool of unused credits each year in response to requests from qualified state housing credit agencies.

Rev. Proc. 2024-41

Unreported Income

An individual failed to report wage and rental income that he received. Additionally, the taxpayer was liable for a frivolous position penalty under Code Sec. 6673. However, the taxpayer was not liable for an accuracy-related penalty under Code Sec. 6662(a).

Swanson, TC, Dec. 62,524(M)