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What's New

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2024 Inflation Adjusted Amounts

See page 1-2 through page 1-6 for more 2024 inflation adjusted amounts.

2024 Standard Deduction

The basic standard deduction for 2024 is:

Single or MFS $14,600
MFJ or QSS........ $29,200
HOH........ $21,900

Age 65 and/or blind. The additional amounts for age 65 or older and/or blind, per person, per event in 2024 are:

MFJ, QSS, or MFS $1,550
Single or HOH $1,950

Dependent. The standard deduction in 2024 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of $1,300, or earned income plus $450.

2024 Personal Exemptions

The personal exemption deduction per person is........ $0
The qualifying relative income limit is........ $5,050

The phaseout of the personal exemption deduction is suspended for tax years 2018 through 2025.

2024 Qualified Business Income Deduction Thresholds

MFJ	*MFS*	*Single, HOH, QSS*
$383,900	$191,950	$191,950

2024 Federal Tax Rate Schedules

Single Taxable Income

$ 0	to	11,600	×	10.0%	minus	$ 0.00	=	Tax
11,601	to	47,150	×	12.0%	minus	232.00	=	Tax
47,151	to	100,525	×	22.0%	minus	4,947.00	=	Tax
100,526	to	191,950	×	24.0%	minus	6,957.50	=	Tax
191,951	to	243,725	×	32.0%	minus	22,313.50	=	Tax
243,726	to	609,350	×	35.0%	minus	29,625.25	=	Tax
609,351	and over		×	37.0%	minus	41,812.25	=	Tax

MFJ or QSS Taxable Income

$ 0	to	23,200	×	10.0%	minus	$ 0.00	=	Tax
23,201	to	94,300	×	12.0%	minus	464.00	=	Tax
94,301	to	201,050	×	22.0%	minus	9,894.00	=	Tax
201,051	to	383,900	×	24.0%	minus	13,915.00	=	Tax
383,901	to	487,450	×	32.0%	minus	44,627.00	=	Tax
487,451	to	731,200	×	35.0%	minus	59,250.50	=	Tax
731,201	and over		×	37.0%	minus	73,874.50	=	Tax

MFS Taxable Income

$ 0	to	11,600	×	10.0%	minus	$ 0.00	=	Tax
11,601	to	47,150	×	12.0%	minus	232.00	=	Tax
47,151	to	100,525	×	22.0%	minus	4,947.00	=	Tax
100,526	to	191,950	×	24.0%	minus	6,957.50	=	Tax
191,951	to	243,725	×	32.0%	minus	22,313.50	=	Tax
243,726	to	365,600	×	35.0%	minus	29,625.25	=	Tax
365,601	and over		×	37.0%	minus	36,937.25	=	Tax

HOH Taxable Income

$ 0	to	16,550	×	10.0%	minus	$ 0.00	=	Tax
16,551	to	63,100	×	12.0%	minus	331.00	=	Tax
63,101	to	100,500	×	22.0%	minus	6,641.00	=	Tax
100,501	to	191,950	×	24.0%	minus	8,651.00	=	Tax
191,951	to	243,700	×	32.0%	minus	24,007.00	=	Tax
243,701	to	609,350	×	35.0%	minus	31,318.00	=	Tax
609,351	and over		×	37.0%	minus	43,505.00	=	Tax

2024 Long-Term Capital Gain and Qualified Dividends Maximum Tax Rates

	0%	15%	20%
	For taxpayers with taxable income of:		
Single	$0 – $47,025	$47,026 – $518,900	$518,901 and above
MFJ/QSS	$0 – $94,050	$94,051 – $583,750	$583,751 and above
MFS	$0 – $47,025	$47,026 – $291,850	$291,851 and above
HOH	$0 – $63,000	$63,001 – $551,350	$551,351 and above
Estates/Trusts	$0 – $3,150	$3,151 – $15,450	$15,451 and above

Social Security Highlights

Employee's portion of FICA	**2024**	**2023**	**2022**
Maximum earnings subject to Social Security tax (Medicare no limit)	$168,600	$160,200	$147,000
Social Security tax rate	6.20%	6.20%	6.20%
Medicare tax rate*	1.45%	1.45%	1.45%
Maximum Social Security tax	$10,453.20	$9,932.40	$9,114.00

See *Social Security and Medicare,* page 1-6, for more information.

* Plus 0.9% on wages above threshold amount, plus 3.8% on unearned income above threshold amount.

Inflation Adjusted Amounts — *Real Answers. Real Fast!*

(Rev. Proc. 2023-34 and Notice 2023-75)

	Tax Year	2024	2023	2022	2021	2020	2019
FILING REQUIREMENTS	**Filing Requirements**						
	Single, under age 65	$ 14,600	$ 13,850	$ 12,950	$ 12,550	$ 12,400	$ 12,200
	Single, age 65 and over	$ 16,550	$ 15,700	$ 14,700	$ 14,250	$ 14,050	$ 13,850
	HOH, under age 65	$ 21,900	$ 20,800	$ 19,400	$ 18,800	$ 18,650	$ 18,350
	HOH, age 65 and over	$ 23,850	$ 22,650	$ 21,150	$ 20,500	$ 20,300	$ 20,000
	MFJ, both spouses under 65	$ 29,200	$ 27,700	$ 25,900	$ 25,100	$ 24,800	$ 24,400
	MFJ, one spouse 65 and over	$ 30,750	$ 29,200	$ 27,300	$ 26,450	$ 26,100	$ 25,700
	MFJ, both spouses 65 and over	$ 32,300	$ 30,700	$ 28,700	$ 27,800	$ 27,400	$ 27,000
	MFS, any age	$ 5	$ 5	$ 5	$ 5	$ 5	$ 5
	QSS, under age 65	$ 29,200	$ 27,700	$ 25,900	$ 25,100	$ 24,800	$ 24,400
	QSS, age 65 and over	$ 30,750	$ 29,200	$ 27,300	$ 26,450	$ 26,100	$ 25,700
DEDUCTIONS	**Standard Deduction**						
	MFJ, QSS	$ 29,200	$ 27,700	$ 25,900	$ 25,100	$ 24,800	$ 24,400
	Single	$ 14,600	$ 13,850	$ 12,950	$ 12,550	$ 12,400	$ 12,200
	HOH	$ 21,900	$ 20,800	$ 19,400	$ 18,800	$ 18,650	$ 18,350
	MFS	$ 14,600	$ 13,850	$ 12,950	$ 12,550	$ 12,400	$ 12,200
	Additional Standard Deduction for Age 65 and Over and/or Blind (Each)						
	MFJ, QSS, MFS	$ 1,550	$ 1,500	$ 1,400	$ 1,350	$ 1,300	$ 1,300
	Single, HOH	$ 1,950	$ 1,850	$ 1,750	$ 1,700	$ 1,650	$ 1,650
	Dependent Standard Deduction						
	The greater of:	$ 1,300	$ 1,250	$ 1,150	$ 1,100	$ 1,100	$ 1,100
	Or earned income plus:	$ 450	$ 400	$ 400	$ 350	$ 350	$ 350
	Itemized Deduction Phaseout Begins						
	MFJ	n/a	n/a	n/a	n/a	n/a	n/a
	Single	n/a	n/a	n/a	n/a	n/a	n/a
	HOH	n/a	n/a	n/a	n/a	n/a	n/a
	MFS	n/a	n/a	n/a	n/a	n/a	n/a
EXEMPTIONS	**Personal Exemption Deduction**	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Qualifying relative income limit	$ 5,050	$ 4,700	$ 4,400	$ 4,300	$ 4,300	$ 4,200
	Personal Exemption Deduction Phaseout Range						
	MFJ, QSS	n/a	n/a	n/a	n/a	n/a	n/a
	Single	n/a	n/a	n/a	n/a	n/a	n/a
	HOH	n/a	n/a	n/a	n/a	n/a	n/a
	MFS	n/a	n/a	n/a	n/a	n/a	n/a
CAPITAL GAINS & QUAL. DIV.	**Maximum Capital Gains/Qualified Dividends Tax Rate Breakpoints***						
	MFJ or QSS: Maximum rate = 0%	$ 94,050	$ 89,250	$ 83,350	$ 80,800	$ 80,000	$ 78,750
	MFJ or QSS: Maximum rate = 15%	$ 583,750	$ 553,850	$ 517,200	$ 501,600	$ 496,600	$ 488,850
	Single: Maximum rate = 0%	$ 47,025	$ 44,625	$ 41,675	$ 40,400	$ 40,000	$ 39,375
	Single: Maximum rate = 15%	$ 518,900	$ 492,300	$ 459,750	$ 445,850	$ 441,450	$ 434,550
	HOH: Maximum rate = 0%	$ 63,000	$ 59,750	$ 55,800	$ 54,100	$ 53,600	$ 52,750
	HOH: Maximum rate = 15%	$ 551,350	$ 523,050	$ 488,500	$ 473,750	$ 469,050	$ 461,700
	MFS: Maximum rate = 0%	$ 47,025	$ 44,625	$ 41,675	$ 40,400	$ 40,000	$ 39,375
	MFS: Maximum rate = 15%	$ 291,850	$ 276,900	$ 258,600	$ 250,800	$ 248,300	$ 244,425

* Capital gains/qualified dividends above the 15% breakpoints are taxed at 20%, unless the 25% or 28% rate gain applies.

	Standard Mileage Rate Per Mile	2024	2023	2022 After 6/30	2022 Before 7/1	2021	2020	2019
BUSINESS	Business [1]		65.5¢	62.5¢	58.5¢	56.0¢	57.5¢	58.0¢
	Medical and moving [2]		22.0¢	22.0¢	18.0¢	16.0¢	17.0¢	20.0¢
	Charitable		14.0¢	14.0¢	14.0¢	14.0¢	14.0¢	14.0¢
	Depreciation		28.0¢	26.0¢	26.0¢	26.0¢	27.0¢	26.0¢

[1] Miscellaneous itemized deductions subject to the 2% AGI limit are no longer deductible beginning in 2018. Thus, the business standard mileage rate cannot be used to claim an itemized deduction for unreimbursed employee travel expenses. (Notice 2018-42)

[2] Beginning in 2018, the standard mileage rate for moving can only be used by members of the Armed Forces who move pursuant to a military order and incident to a permanent change of station. (Notice 2018-42)

BUSINESS continued on next page

Inflation Adjusted Amounts — *Real Answers. Real Fast!* (Rev. Proc. 2023-34 and Notice 2023-75)

	Tax Year	2024	2023	2022	2021	2020	2019
BUSINESS (cont.)	**Section 179 Expense Limits**						
	Regular 179 limits	$ 1,220,000	$ 1,160,000	$ 1,080,000	$ 1,050,000	$ 1,040,000	$ 1,020,000
	SUV limits	$ 30,500	$ 28,900	$ 27,000	$ 26,200	$ 25,900	$ 25,500
	Investment phaseout begins	$ 3,050,000	$ 2,890,000	$ 2,700,000	$ 2,620,000	$ 2,590,000	$ 2,550,000
	Educator Expenses	$ 300	$ 300	$ 300	$ 250	$ 250	$ 250
	Daycare Providers Standard Meal and Snack Rates						
	Breakfast – Continental U.S.	$ 1.65	$ 1.66	$ 1.40	$ 1.39	$ 1.33	$ 1.31
	Lunch and Dinner (each) – Continental U.S.	$ 3.12	$ 3.04	$ 2.63	$ 2.61	$ 2.49	$ 2.46
	Snacks (each/up to three) – Continental U.S.	$ 0.93	$ 0.97	$ 0.78	$ 0.78	$ 0.74	$ 0.73
	Breakfast – Alaska	$ 2.63	$ 2.59	$ 2.23	$ 2.22	$ 2.12	$ 2.09
	Lunch and Dinner (each) – Alaska	$ 5.05	$ 4.87	$ 4.26	$ 4.24	$ 4.04	$ 3.99
	Snacks (each/up to three) – Alaska	$ 1.50	$ 1.52	$ 1.27	$ 1.26	$ 1.20	$ 1.19
	Breakfast – Hawaii	$ 2.12	$ 1.91	$ 1.63	$ 1.62	$ 1.54	$ 1.53
	Lunch and Dinner (each) – Hawaii	$ 4.05	$ 3.55	$ 3.08	$ 3.06	$ 2.92	$ 2.88
	Snacks (each/up to three) – Hawaii	$ 1.20	$ 1.12	$ 0.91	$ 0.91	$ 0.87	$ 0.86
	Standard Deduction for Meals – High Low Method (Per Day) (New rate for a year begins October 1 of the previous year)						
	High cost localities	$ 74	$ 74	$ 74	$ 71	$ 71	$ 71
	All other localities	$ 64	$ 64	$ 64	$ 60	$ 60	$ 60
	Transportation workers	$ 69	$ 69	$ 69	$ 66	$ 66	$ 66
	Qualified Transportation Benefits						
	Commuter benefits (per month)[3]	$ 315[3]	$ 300[3]	$ 280[3]	$ 270[3]	$ 270[3]	$ 265[3]
	Parking benefits (per month)[3]	$ 315[3]	$ 300[3]	$ 280[3]	$ 270[3]	$ 270[3]	$ 265[3]
	[3] The exclusion from W-2 wages still applies, but the employer is no longer allowed a deduction for the expense beginning in 2018.						
	Qualified Business Income (QBI) Threshold Amounts						
	MFJ	$ 383,900	$ 364,200	$ 340,100	$ 329,800	$ 326,600	$ 321,400
	MFS	$ 191,950	$ 182,100	$ 170,050	$ 164,925	$ 163,300	$ 160,725
	Single, HOH	$ 191,950	$ 182,100	$ 170,050	$ 164,900	$ 163,300	$ 160,700
	Excess Business Loss Limitation						
	MFJ/All other taxpayers	$610,000/$305,000	$578,000/$289,000	$540,000/$270,000	$524,000/$262,000	n/a	n/a
	Gross Receipts Threshold to Use the Cash Method of Accounting						
	Average receipts do not exceed:	$30,000,000	$29,000,000	$ 27,000,000	$ 26,000,000	$ 26,000,000	$ 26,000,000
RETIREMENT PLAN LIMITS	**401(k)/403(b) Elective Deferral Limits**						
	Under age 50	$ 23,000	$ 22,500	$ 20,500	$ 19,500	$ 19,500	$ 19,000
	Age 50 and over	$ 30,500	$ 30,000	$ 27,000	$ 26,000	$ 26,000	$ 25,000
	IRA Contribution Limits						
	Under age 50	$ 7,000	$ 6,500	$ 6,000	$ 6,000	$ 6,000	$ 6,000
	Age 50 and over	$ 8,000	$ 7,500	$ 7,000	$ 7,000	$ 7,000	$ 7,000
	IRA Deduction Phaseout Range for Active Participation in an Employer Plan						
	MFJ	123,000 – 143,000	116,000 – 136,000	109,000 – 129,000	105,000 – 125,000	104,000 – 124,000	103,000 – 123,000
	Single, HOH	77,000 – 87,000	73,000 – 83,000	68,000 – 78,000	66,000 – 76,000	65,000 – 75,000	64,000 – 74,000
	MFS	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000
	Spouse not active participant	230,000 – 240,000	218,000 – 228,000	204,000 – 214,000	198,000 – 208,000	196,000 – 206,000	193,000 – 203,000
	Roth IRA Phaseout Range						
	MFJ	230,000 – 240,000	218,000 – 228,000	204,000 – 214,000	198,000 – 208,000	196,000 – 206,000	193,000 – 203,000
	Single, HOH	146,000 – 161,000	138,000 – 153,000	129,000 – 144,000	125,000 – 140,000	124,000 – 139,000	122,000 – 137,000
	MFS	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000
	SIMPLE Elective Deferral Limits						
	Under age 50	$ 16,000	$ 15,500	$ 14,000	$ 13,500	$ 13,500	$ 13,000
	Age 50 and over	$ 19,500	$ 19,000	$ 17,000	$ 16,500	$ 16,500	$ 16,000

RETIREMENT PLAN LIMITS continued on next page

Inflation Adjusted Amounts — *Real Answers. Real Fast!* (Rev. Proc. 2023-34 and Notice 2023-75)

RETIREMENT (cont.)

Tax Year	2024	2023	2022	2021	2020	2019
Qualified Retirement Plans						
Profit sharing/SEP limited to 25% of compensation up to:	$ 69,000	$ 66,000	$ 61,000	$ 58,000	$ 57,000	$ 56,000
Defined benefit plan limits	$ 275,000	$ 265,000	$ 245,000	$ 230,000	$ 230,000	$ 225,000
Compensation limits	$ 345,000	$ 330,000	$ 305,000	$ 290,000	$ 285,000	$ 280,000
Nondiscrimination Rules for Fringe Benefits						
Key employee threshold	$ 220,000	$ 215,000	$ 200,000	$ 185,000	$ 185,000	$ 180,000
Highly compensated	$ 155,000	$ 150,000	$ 135,000	$ 130,000	$ 130,000	$ 125,000
Qualified Charitable Distributions						
Per taxpayer	$ 105,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Split-interest entity one-time election	$ 53,000	$ 50,000	n/a	n/a	n/a	n/a

EDUCATION TAX BENEFITS

Tax Year	2024	2023	2022	2021	2020	2019
American Opportunity Credit						
MFJ phaseout range	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000
Single and HOH phaseout range	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000
Credit – 100% of the first:	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Credit – 25% of the next:	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Lifetime Learning Credit						
MFJ phaseout range	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	118,000 – 138,000	116,000 – 136,000
Single and HOH phaseout range	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	59,000 – 69,000	58,000 – 68,000
Credit – 20% of first:	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Student Loan Interest Deduction						
MFJ phaseout range	165,000 – 195,000	155,000 – 185,000	145,000 – 175,000	140,000 – 170,000	140,000 – 170,000	140,000 – 170,000
Single and HOH phaseout range	80,000 – 95,000	75,000 – 90,000	70,000 – 85,000	70,000 – 85,000	70,000 – 85,000	70,000 – 85,000
Maximum deduction is:	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
U.S. Savings Bonds Interest Exclusion Phaseout Range						
MFJ phaseout range	145,200 – 175,200	137,800 – 167,800	128,650 – 158,650	124,800 – 154,800	123,550 – 153,550	121,600 – 151,600
Single and HOH phaseout range	96,800 – 111,800	91,850 – 106,850	85,800 – 100,800	83,200 – 98,200	82,350 – 97,350	81,100 – 96,100
Education Savings Accounts Phaseout Range						
MFJ	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000
Single, HOH, QSS, MFS	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000

CREDITS

Tax Year	2024	2023	2022	2021	2020	2019
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$3,000 / $3,600 [1]	$ 2,000	$ 2,000
Maximum refundable portion	$ 1,700	$ 1,600	$ 1,500	$3,000 / $3,600 [1]	$ 1,400	$ 1,400
Child Tax Credit Phaseout Begins						
MFJ	$ 400,000	$ 400,000	$ 400,000	$ 150,000 [2]	$ 400,000	$ 400,000
Single, HOH	$ 200,000	$ 200,000	$ 200,000	$75,000/$112,500 [2]	$ 200,000	$ 200,000
MFS	$ 200,000	$ 200,000	$ 200,000	$ 75,000 [2]	$ 200,000	$ 200,000
Credit for Other Dependents	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500

[1] $3,600 applies for child who has not yet attained age 6.
[2] The $400,000/$200,000 phaseouts apply after the increased credit is phased out.

Tax Year	2024	2023	2022	2021	2020	2019
Earned Income Credit						
Maximum credit – 0 children	$ 632	$ 600	$ 560	$ 1,502	$ 538	$ 529
Maximum credit – 1 child	$ 4,213	$ 3,995	$ 3,733	$ 3,618	$ 3,584	$ 3,526
Maximum credit – 2 children	$ 6,960	$ 6,604	$ 6,164	$ 5,980	$ 5,920	$ 5,828
Maximum credit – 3 children	$ 7,830	$ 7,430	$ 6,935	$ 6,728	$ 6,660	$ 6,557
Income limit – 0 children	$ 18,591	$ 17,640	$ 16,480	$ 21,430	$ 15,820	$ 15,570
Income limit MFJ – 0 children	$ 25,511	$ 24,210	$ 22,610	$ 27,380	$ 21,710	$ 21,370
Income limit – 1 child	$ 49,084	$ 46,560	$ 43,492	$ 42,158	$ 41,756	$ 41,094
Income limit MFJ – 1 child	$ 56,004	$ 53,120	$ 49,622	$ 48,108	$ 47,646	$ 46,884
Income limit – 2 children	$ 55,768	$ 52,918	$ 49,399	$ 47,915	$ 47,440	$ 46,703
Income limit MFJ – 2 children	$ 62,688	$ 59,478	$ 55,529	$ 53,865	$ 53,330	$ 52,493
Income limit – 3 children	$ 59,899	$ 56,838	$ 53,057	$ 51,464	$ 50,954	$ 50,162
Income limit MFJ – 3 children	$ 66,819	$ 63,398	$ 59,187	$ 57,414	$ 56,844	$ 55,952
Investment income limit	$ 11,600	$ 11,000	$ 10,300	$ 10,000	$ 3,650	$ 3,600

CREDITS continued on next page

Inflation Adjusted Amounts — *Real Answers. Real Fast!* (Rev. Proc. 2023-34 and Notice 2023-75)

	Tax Year	2024	2023	2022	2021	2020	2019
CREDITS (cont.)	**Adoption Expense Credit or Exclusion**						
	Expense limit/special needs	$ 16,810	$ 15,950	$ 14,890	$ 14,440	$ 14,300	$ 14,080
	AGI phaseout range	252,150 – 292,150	239,230 – 279,230	223,410 – 263,410	216,660 – 256,660	214,520 – 254,520	211,160 – 251,160
	Retirement Savings Contribution Credit – Maximum AGI						
	MFJ	$ 76,500	$ 73,000	$ 68,000	$ 66,000	$ 65,000	$ 64,000
	HOH	$ 57,375	$ 54,750	$ 51,000	$ 49,500	$ 48,750	$ 48,000
	Single	$ 38,250	$ 36,500	$ 34,000	$ 33,000	$ 32,500	$ 32,000
	Small Employer Health Insurance Credit						
	Wage phaseout range	32,400 – 64,800	30,700 – 61,400	28,700 – 57,400	27,800 – 55,600	27,600 – 55,200	27,100 – 54,200
HEALTH CARE	**Health Savings Account Limitations**						
	Self-only, under age 55	$ 4,150	$ 3,850	$ 3,650	$ 3,600	$ 3,550	$ 3,500
	Self-only, age 55 and older	$ 5,150	$ 4,850	$ 4,650	$ 4,600	$ 4,550	$ 4,500
	Family, under age 55	$ 8,300	$ 7,750	$ 7,300	$ 7,200	$ 7,100	$ 7,000
	Family, age 55 and older (assumes only one spouse has an HSA)	$ 9,300	$ 8,750	$ 8,300	$ 8,200	$ 8,100	$ 8,000
	The minimum annual deductible allowed is:						
	Self-only coverage	$ 1,600	$ 1,500	$ 1,400	$ 1,400	$ 1,400	$ 1,350
	Family coverage	$ 3,200	$ 3,000	$ 2,800	$ 2,800	$ 2,800	$ 2,700
	The maximum annual deductible and out-of-pocket expense limit is:						
	Self-only coverage	$ 8,050	$ 7,500	$ 7,050	$ 7,000	$ 6,900	$ 6,750
	Family coverage	$ 16,100	$ 15,000	$ 14,100	$ 14,000	$ 13,800	$ 13,500
	Archer MSA Limitations						
	Self-only annual deductibles	2,800 – 4,150	2,650 – 3,950	2,450 – 3,700	2,400 – 3,600	2,350 – 3,550	2,350 – 3,500
	Family annual deductibles	5,550 – 8,350	5,300 – 7,900	4,950 – 7,400	4,800 – 7,150	4,750 – 7,100	4,650 – 7,000
	Annual out-of-pocket expense limits:						
	Self-only coverage	$ 5,550	$ 5,300	$ 4,950	$ 4,800	$ 4,750	$ 4,650
	Family coverage	$ 10,200	$ 9,650	$ 9,050	$ 8,750	$ 8,650	$ 8,550
	Cafeteria Plan Health FSA Limits	$ 3,200	$ 3,050	$ 2,850	$ 2,750	$ 2,750	$ 2,700
	Long-Term Care Insurance Deduction Limits for Annual Premiums						
	Age 40 or less	$ 470	$ 480	$ 450	$ 450	$ 430	$ 420
	Age 41 – 50	$ 880	$ 890	$ 850	$ 850	$ 810	$ 790
	Age 51 – 60	$ 1,760	$ 1,790	$ 1,690	$ 1,690	$ 1,630	$ 1,580
	Age 61 – 70	$ 4,710	$ 4,770	$ 4,510	$ 4,520	$ 4,350	$ 4,220
	Age 71 and over	$ 5,880	$ 5,960	$ 5,640	$ 5,640	$ 5,430	$ 5,270
	Per diem limit per day	$ 410	$ 420	$ 390	$ 400	$ 380	$ 370
	Qualified Small Employer HRA Limits (QSEHRA)	$6,150/ $12,450 family	$5,850/ $11,800 family	$5,450/ $11,050 family	$5,300/ $10,700 family	$5,250/ $10,600 family	$5,150/ $10,450 family
MISCELLANEOUS	**Estate and Gift Tax**						
	Estate and gift tax unified credit	$13,610,000	$12,920,000	$12,060,000	$11,700,000	$11,580,000	$11,400,000
	Gift tax annual exclusion	$ 18,000	$ 17,000	$ 16,000	$ 15,000	$ 15,000	$ 15,000
	Gifts to non-citizen spouse	$ 185,000	$ 175,000	$ 164,000	$ 159,000	$ 157,000	$ 155,000
	Household Employee						
	Amount FICA begins (per year)	$ 2,700	$ 2,600	$ 2,400	$ 2,300	$ 2,200	$ 2,100
	Amount FUTA begins (per quarter)	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
	Kiddie Tax (net unearned income not subject to kiddie tax)	$ 1,300	$ 1,250	$ 1,150	$ 1,100	$ 1,100	$ 1,100
	Parent's return limit	$ 13,000	$ 12,500	$ 11,500	$ 11,000	$ 11,000	$ 11,000
	Foreign Earned Income Exclusion	$ 126,500	$ 120,000	$ 112,000	$ 108,700	$ 107,600	$ 105,900
	Alternative Minimum Tax Exemptions						
	MFJ, QSS	$ 133,300	$ 126,500	$ 118,100	$ 114,600	$ 113,400	$ 111,700
	Single, HOH	$ 85,700	$ 81,300	$ 75,900	$ 73,600	$ 72,900	$ 71,700
	MFS	$ 66,650	$ 63,250	$ 59,050	$ 57,300	$ 56,700	$ 55,850

Social Security (SS) and Medicare Inflation Adjusted Amounts

Tax Year	2024	2023	2022	2021	2020	2019
COLA increase for SS benefits	3.2%	8.7%	5.9%	1.3%	1.6%	2.8%
Maximum earnings subject to:						
Social Security tax	$ 168,600	$ 160,200	$ 147,000	$ 142,800	$ 137,700	$ 132,900
Medicare tax	No limit	No limit	No limit	No limit	No limit	No limit
Maximum Social Security Tax						
Employee	$ 10,453.20	$ 9,932.40	$ 9,114.00	$ 8,853.60	$ 8,537.40	$ 8,239.80
Self-employed	$ 20,906.40	$ 19,864.80	$ 18,228.00	$ 17,707.20	$ 17,074.80	$ 16,479.60
Maximum Medicare Tax	No limit	No limit	No limit	No limit	No limit	No limit
Social Security Tax Rate						
Employee	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Self-employed	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Medicare Tax Rate						
Employee	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Self-employed	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Additional Medicare Tax on:						
Earned income above threshold	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Unearned income above threshold	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Earnings for one quarter of coverage	$ 1,730	$ 1,640	$ 1,510	$ 1,470	$ 1,410	$ 1,360
Earnings limit to receive full Social Security benefits:						
Under full retirement age [1]	$ 22,320	$ 21,240	$ 19,560	$ 18,960	$ 18,240	$ 17,640
Year of full retirement age [2]	$ 59,520	$ 56,520	$ 51,960	$ 50,520	$ 48,600	$ 46,920
Full retirement age [3]	No limit	No limit	No limit	No limit	No limit	No limit
Maximum Social Security monthly benefits at full retirement age.	$ 3,822	$ 3,627	$ 3,345	$ 3,148	$ 3,011	$ 2,861
Medicare premiums						
Part A per month	$ 505.00	$ 506.00	$ 499.00	$ 471.00	$ 458.00	$ 437.00
Part B per month (high income recipients pay a higher amount)	$ 174.70	$ 164.90	$ 170.10	$ 148.50	$ 144.60	$ 135.50
Hospital deductible	$ 1,632.00	$ 1,600.00	$ 1,556.00	$ 1,484.00	$ 1,408.00	$ 1,364.00

SOCIAL SECURITY & MEDICARE

[1] $1 in benefits is withheld for every $2 in earnings above the limit.
[2] Applies only to earnings for months prior to attaining full retirement age. $1 in benefits is withheld for every $3 in earnings above this limit.
[3] A person attains full retirement age at:

- Age 65 if born before 1938
- Age 65 and 2 months if born in 1938
- Age 65 and 4 months if born in 1939
- Age 65 and 6 months if born in 1940
- Age 65 and 8 months if born in 1941
- Age 65 and 10 months if born in 1942
- Age 66 if born in 1943 through 1954
- Age 66 and 2 months if born in 1955
- Age 66 and 4 months if born in 1956
- Age 66 and 6 months if born in 1957
- Age 66 and 8 months if born in 1958
- Age 66 and 10 months if born in 1959
- Age 67 if born after 1959

Expiring Tax Provisions

Tax Provision	IRC §	Provision expires after
ABLE accounts – allowed to accept rollovers from 529 plans.	529A	2025
ABLE accounts – designated beneficiary can contribute additional amounts to the account and claim the saver's credit.	25B	2025
Alternative fuel excise tax credit.	6426(d)	2024
Alternative fuel vehicle refueling property credit.	30C	2032
AMT increased exemption amounts and phase-out ranges.	55(d)	2025
Bicycle commuting reimbursement exclusion repeal.	132(f)	2025
Biodiesel and renewable diesel fuels credit.	40A	2024
Bonus depreciation, other than long production period property and certain aircraft.	168(k)	2026
Bonus depreciation for long production period property and certain aircraft.	168(k)	2027
Cancellation of qualified principal residence indebtedness exclusion from gross income.	108	2025

continued on next page

Expiring Tax Provisions continued

Tax Provision	IRC §	Provision expires after
Casualty and theft loss deductible as an itemized deduction only if loss is attributable to a federally declared disaster area.	165	2025
Charitable contribution AGI limit increase from 50% to 60%.	170	2025
Child Tax Credit increase to $2,000 and new $500 Credit for Other Dependents.	24	2025
Credit for qualified commercial clean vehicles	45W	2032
De minimis meals, related eating facilities, and meals for the convenience of employer limit decreased from 100% to 50% (no deduction is allowed after December 31, 2025).	274(o)	2025
Educational assistance program to include student loan interest paid.	127	2025
Electric vehicle credit.	30D & 25E	2032
Employer credit for paid family and medical leave.	45S	2025
Empowerment zone tax incentives.	1391(d)	2025
Energy efficient home credit.	45L	2032
Estate and gift tax exemption amount increased to $10 million.	2010	2025
Gambling loss limitation for professional gamblers includes all IRC section 162 business expenses.	165(d)	2025
Heavy vehicle excise tax.	4051	9/30/2028
Home mortgage interest deduction — acquisition debt limit reduced to $750,000 and home equity debt interest not deductible.	163(h)	2025
Itemized deduction overall limitation suspended.	68	2025
Limitation on excess business loss.	461(l)	2028
Miscellaneous itemized deductions subject to the 2% AGI limit no longer deductible.	67	2025
Moving expenses deduction and moving expense reimbursement exclusion is only allowed for military members who move pursuant to a military order.	217 & 132(g)	2025
New markets tax credit.	45D	2025
Nonbusiness energy property credit. Renamed: Energy efficient home improvement credit.	25C	2032
Personal exemption suspension.	151	2025
Premium Tax Credit reduction of percentages of income used to calculate the credit.	36B	2025
Qualified business income 20% deduction.	199A	2025
Residential energy efficient property credit. Renamed: Residential Clean Energy Credit.	25D	2034
Second generation biofuel producer credit.	40(b)(6)	2024
Standard deduction increase.	63	2025
State and local property taxes plus income taxes (or sales taxes) limited to $10,000 as itemized deductions.	164	2025
Student loan debt discharge excluded from gross income due to death or disability.	108	2025
Tax rate reduction for individuals, estates, and trusts.	1	2025
Work opportunity credit.	51	2025

What's New — Individuals

Tax Provision	*New Law*	*Prior Law*
	Credits	
Premium Tax Credit See page 11-13	Effective for 2021 through 2025, the percentages used to calculate the PTC are reduced to zero for taxpayers below 200% of the federal poverty line, and up to 8.5% for those above 400% of the federal poverty line. A taxpayer with an applicable percentage of zero means the taxpayer qualifies for 100% of his/her health insurance premiums to be subsidized.	The Premium Tax Credit (PTC) is a refundable credit designed to subsidize the cost of health insurance. The PTC amount is determined based on the percentage of income the cost of premiums represents, ranging from 2% of income for those below 133% of the federal poverty line to 9.5% of income for those at 400% of the federal poverty line. Taxpayers with income above 400% of the federal poverty line do not qualify for the PTC.

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What's New — Individuals

Tax Provision	New Law	Prior Law
Credits—continued		
Energy Efficient Home Improvement Credit See page 11-15	Effective for 2023, the nonbusiness energy property credit is renamed the Energy Efficient Home Improvement Credit. The credit is increased to 30% of the cost of improvements made, and replaces the lifetime limitations to the following annual limitations. 1) In general, the combined credit for all energy efficient home improvements is limited to $1,200 per year, except for (5) below. 2) The credit for residential energy property expenditures is limited to $600 per year. 3) The credit for windows is limited to $600 in the aggregate for all exterior windows and skylights. 4) The credit for doors is limited to $250 per year for any exterior door, and $500 in the aggregate for all exterior doors. 5) Notwithstanding paragraphs (1) and (2) above, the credit allowed for heat pumps and heat pump water heaters, biomass stoves and boilers is limited to $2,000 per year. 6) The credit for energy audits is limited to $150 per year. Qualified energy efficiency improvements include energy efficient insulation, exterior windows, skylights, and exterior doors that meet various energy standard requirements. The new law removes roofs from the definition of building envelope components, but adds air sealing insulation to the definition of insulation material or system which reduces the heat loss or heat gain of a dwelling unit.	The nonbusiness energy property credit is for energy efficient improvements made to the principal residence of the taxpayer. The credit does not apply for new construction. The credit equals: • 10% of the cost of exterior windows, including skylights, up to a credit limit of $200, • 10% of the cost of exterior doors, insulation and/or systems which reduce heat gain or loss, • Up to $300 of the cost of heat pumps, central air conditioners, and water heaters, • Up to $150 of the cost of natural gas, propane, or oil furnaces or hot water boilers, and • Up to $50 of the cost for qualified advanced main air-circulating fans. A total lifetime combined credit limit of $500 (including a $200 lifetime limit for windows) applies for all tax years after 2005. The nonbusiness energy property credit was set to expire for tax years after 2021.
Residential Clean Energy Credit See page 11-16	The Residential Energy Efficient Property Credit is renamed the Residential Clean Energy Credit, with the applicable percentages being modified as follows. 1) In the case of property placed in service after December 31, 2016, and before January 1, 2020, 30%, 2) In the case of property placed in service after December 31, 2019, and before January 1, 2022, 26%, 3) In the case of property placed in service after December 31, 2021, and before January 1, 2033, 30%, 4) In the case of property placed in service after December 31, 2032, and before January 1, 2034, 26%, and 5) In the case of property placed in service after December 31, 2033, and before January 1, 2035, 22%. The new law replaces qualified biomass fuel property expenditures with qualified battery storage technology expenditures.	The Residential Energy Efficient Property Credit equals the sum of the applicable percentages of: 1) The qualified solar electric property expenditures, 2) The qualified solar water heating property expenditures, 3) The qualified fuel cell property expenditures, 4) The qualified small wind energy property expenditures, 5) The qualified geothermal heat pump property expenditures, and 6) The qualified biomass fuel property expenditures, that are made by the taxpayer during the year. Applicable percentages mean: 1) In the case of property placed in service after December 31, 2016, and before January 1, 2020, 30%, 2) In the case of property placed in service after December 31, 2019, and before January 1, 2023, 26%, and 3) In the case of property placed in service after December 31, 2022, and before January 1, 2024, 22%.
Clean Vehicle Credit See page 11-18	The new law eliminates the phase-out rules when a manufacturer reaches its 200,000th sale and replaces it with an expiration of the credit for all vehicles placed in service after 2032. Final assembly of the vehicle must occur within North America. In addition to qualified electric vehicles, the credit also applies to qualified fuel cell motor vehicles. No credit is allowed if the taxpayer's modified AGI for the tax year or the preceding tax year exceeds: • $300,000 for MFJ or QSS. • $225,000 for HOH. • $150,000 for Single or MFS. No credit is allowed if the manufacturer's suggested retail price exceeds: • $80,000 in the case of a van, • $80,000 in the case of a sport utility vehicle, • $80,000 in the case of a pickup truck, and • $55,000 in the case of any other vehicle. The new law also provides for a reduced credit for the purchase of a previously-owned clean vehicle.	A taxpayer is allowed a nonrefundable tax credit for the purchase of a new qualified plug-in electric drive motor vehicle placed in service during the year. The base amount of the credit is $2,500. This amount is increased by $417 for each kilowatt hour of battery capacity that exceeds 5 kilowatt hours, not to exceed $5,000. Thus the maximum credit allowed is $7,500. The credit phases out when the manufacturer sells at least 200,000 qualifying vehicles.

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What's New — Individuals

Tax Provision	*New Law*	*Prior Law*
Credits—continued		
Alternative Fuel Refueling Property Credit See page 11-17	The new law extends the credit through the end of 2032, and increases the credit limitation for business use property to $100,000. The new law also allows the credit for bidirectional charging equipment, such as an electric vehicle charging station that converts the DC electricity stored in the car batteries back to AC electricity to power the house in case of a power outage.	A tax credit equal to 30% of the cost of qualified property is allowed for placing in service property used to store or dispense an alternative fuel into the fuel tank of a motor vehicle propelled by the fuel, or used to recharge an electric vehicle. The credit is limited to $30,000 for business use property or $1,000 for personal use property (such as an electric charging station installed in the taxpayer's garage to charge the batteries of a personal use electric car). The credit was set to expire for property placed in service after 2021.

What's New — Business

Tax Provision	*New Law*	*Prior Law*
Deductions		
Energy Efficient Commercial Building Deduction See page 8-6	Effective for tax years beginning after December 31, 2022, the new law modifies the maximum amount of the deduction as follows. 1) The deduction under IRC section 179D(a) with respect to any building for any tax year shall not exceed the excess (if any) of: A) The product of the applicable dollar value and the square footage of the building, over B) The aggregate amount of the deductions with respect to the building for the three tax years immediately preceding such tax year. 2) The applicable dollar value shall be an amount equal to $0.50 increased (but not above $1.00) by $0.02 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25%. 3) Increased deduction amount for certain property: A) In the case of any property which satisfies the requirements of (B) below, the applicable dollar value is $2.50 increased (but not above $5.00) by $0.10 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25%, B) To qualify for the increased applicable dollar value in (A) above: i) Installation must begin prior to the date that is 60 days after the IRS publishes guidance with respect to the prevailing wage requirements and apprenticeship requirements, or ii) Installation of such property satisfies the prevailing wage requirements and apprenticeship requirements.	Taxpayers are allowed a deduction under IRC section 179D for the cost of energy efficient commercial building property placed in service during the year. The deduction is limited to the product of $1.80 times the square footage of the building, over the aggregate amount of the energy efficient commercial building deductions with respect to the building for all prior tax years. Energy efficient commercial building property means property: A) With respect to which depreciation (or amortization in lieu of depreciation) is allowable, B) Which is installed on or in any building which is located in the United States that meets certain energy efficient standards, C) Which is installed as part of the interior lighting systems, the heating, cooling, ventilation, and hot water systems, or the building envelope, and D) Which is certified as being installed as part of a plan designed to reduce the total annual energy and power costs with respect to the interior lighting systems, heating, cooling, ventilation, and hot water systems of the building by 50% or more in comparison to a reference building which meets certain minimum standards. The deduction is similar to the Section 179 deduction that allows a business to write off the entire cost of the property placed in service in one year rather than depreciate the cost over a number of years.
Taxes		
Corporate Alternative Minimum Tax (AMT) See page 18-13, *Deluxe Edition/ Small Business Edition*	Effective for tax years beginning in 2023, the tentative minimum tax for applicable corporations is the excess of 15% of the adjusted financial statement income for the tax year over the corporate AMT foreign tax credit for the tax year. An applicable corporation is any corporation (other than an S corporation, a regulated investment company, or a real estate investment trust) with average annual adjusted financial statement income that exceeds $1 billion per year.	For tax years prior to 2018, C corporations were not subject to AMT unless average gross receipts were $7.5 million or more for the prior three tax years. Under the Tax Cuts and Jobs Act (TCJA), the AMT for C corporations was repealed effective for 2018.

continued

What's New — Business

Tax Provision	*New Law*	*Prior Law*
Credits		
Energy Efficient Home Credit See page 31-9, *Small Business Edition/Deluxe Supplement*	The new law extends the credit to apply to energy efficient homes acquired through the end of 2032. Effective for homes acquired after December 31, 2022, the new law modifies the credit amounts and energy efficiency requirements. The new credit amounts are $500, $1,000, $2,500, and $5,000, depending on the level of energy savings and efficiency requirements the home meets. The credit amount is based on whether or not the taxpayer meets the prevailing wage requirements.	A general business credit is allowed under IRC section 45L for an eligible contractor that constructs a new energy efficient home that is acquired by a person from such eligible contractor for use as a residence during the tax year. The credit is equal to $2,000 if the home has a level of annual heating and cooling energy consumption at least 50% below that of comparable homes, and $1,000 if such consumption is at least 30% below that of comparable homes. Certain certification requirements apply in determining the level of the home's energy consumption savings. This credit was set to expire for homes acquired after December 31, 2021.
Commercial Clean Vehicle Credit See page 31-13, *Small Business Edition/Deluxe Supplement*	Effective for vehicles acquired after December 31, 2022, the new law creates a new code section under IRC section 45W called "Credit for Qualified Commercial Clean Vehicles," which is a general business credit for each qualified commercial clean vehicle placed in service by the taxpayer during the tax year. The credit can be up to 30% of the cost of the vehicle if it is not powered by an internal combustion engine, limited to $40,000 for vehicles weighing more than 14,000 pounds.	Taxpayers could claim the electric vehicle credit under IRC section 30D, but there was no special credit for commercial electric vehicles.
Research Credit See page 23-4, *Deluxe Edition/ Small Business Edition,* and page 31-7, *Small Business Edition/Deluxe Supplement*	Effective for tax years beginning after December 31, 2022, the new law increases the amount of the research credit that small businesses can use against their payroll tax liability to $500,000.	The research credit under IRC section 41 is allowed to offset the alternative minimum tax (AMT). It also allows qualified small businesses to elect to claim a certain amount of the credit as a payroll tax credit. Qualified small businesses may elect to apply up to $250,000 of the credit against the employer's portion of Social Security taxes. The credit against payroll taxes is an annual election made by a qualified small business. The credit is the smaller of: • The current year research credit, • An elected amount not to exceed $250,000, or • The general business credit carryforward for the tax year (before application of the payroll tax credit election for the tax year).

What's New — Retirement Plans

Tax Provision	*New Law*	*Prior Law*
Credit for Small Employer Pension Plan Startup Costs See page 1-12	Effective for 2023, the 50% credit is increased to 100% for certain small employers with no more than 50 employees. Certain small employers are also allowed an additional credit for employer contributions equal to the applicable percentage of employer contributions, limited to $1,000 per employee. The applicable percentage is 100% for year 1 and 2, 75% for year 3, 50% for year 4, 25% for year 5, and zero % for year 6 and after.	A general business credit is allowed that is equal to 50% of the qualified pension plan startup costs paid during the tax year. The credit is generally limited to the greater of (1) $500, or (2) the lesser of (a) $250 for each employee of the eligible employer who is not a highly compensated employee and who is eligible to participate in the plan, or (b) $5,000.
Saver's Match See page 1-13	Effective for 2027, the credit is repealed with respect to IRA and retirement plan contributions, and replaced with a tax credit paid by the IRS as a contribution to the eligible individual's applicable retirement savings vehicle when he or she makes a qualified retirement savings contribution for the tax year. The matching contribution equals 50% of the qualified retirement savings contribution when AGI does not exceed $41,000 for MFJ and QSS, $30,750 for HOH, and $20,500 for single and MFS. The credit begins to phase-out when AGI exceeds these limits, and is completely phased-out when AGI reaches $71,000 for MFJ and QSS, $53,250 for HOH, and $35,500 for single and MFS. These phase-out amounts are adjusted for inflation beginning in 2028.	Effective for 2023, low income taxpayers are allowed a nonrefundable tax credit for contributions to an IRA or employer-sponsored retirement plan. Contributions to an ABLE account by the designated beneficiary also qualify for the credit. The credit rate is 50% for AGI up to $43,500 for MFJ, $32,625 for HOH, and $21,750 for all others. The credit rate is reduced to 20% when AGI is $43,501 to $47,500 for MFJ, $32,626 to $35,625 for HOH, and $21,751 to $23,750 for all others. The credit rate is reduced to 10% when AGI is $47,501 to $73,000 for MFJ, $35,626 to $54,750 for HOH, and $23,751 to $36,500 for all others. The credit is zero when AGI exceeds these limits. These limits increase each year for inflation. See page 1-5 for 2024 inflation adjusted amounts.

continued

What's New — Retirement Plans

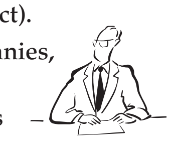
Tax Provision	New Law	Prior Law
Retirement Plans—continued		
Age for Required Beginning Date for RMDs See page 13-21	Effective for 2023, taxpayers are required to start taking RMDs by April 1 of the calendar year following the year in which the individual reaches age 73. Effective for 2033, taxpayers are required to start taking RMDs by April 1 of the calendar year following the year in which the individual reaches age 75. Thus, individuals who attain age 74 in 2033 do not need to start taking RMDs until April 1, 2035, the year after they attain age 75.	Prior to 2020, taxpayers were required to start taking required minimum distributions (RMDs) from qualified retirement plans and IRAs by April 1 of the calendar year following the year in which the individual reached age 70½. Effective for 2020, no RMDs were required. Effective for 2021, taxpayers were required to start taking RMDs by April 1 of the calendar year following the year in which the individual reached age 72.
IRA Catch-Up Limit See page 1-14	Effective for 2024, the $1,000 catch-up amount will be adjusted for inflation. The 2024 inflation adjusted amounts remains the same at $1,000.	For 2023, the inflation adjusted IRA contribution limit is $6,500. For individuals age 50 and over, an additional $1,000 catch-up contribution is allowed for a combined 2023 limit of $7,500. Although the IRA contribution limit is adjusted each year for inflation, the $1,000 catch-up contribution is not.
401(k) / 403(b) / SIMPLE Catch-Up Limits See page 1-14	Effective for 2025, the catch-up elective deferral limits are increased for eligible participants who attain ages 60, 61, 62, and 63 before the close of the tax year. The increased catch-up limits for 401(k) / 403(b) plans is the greater of $10,000, or 50% more than the regular catch-up limit. The increased catch-up limits for SIMPLE plans is the greater of $5,000, or 50% more than the regular catch-up limit.	For 2023, the inflation adjusted 401(k) / 403(b) elective deferral limit is $22,500. For individuals age 50 and over, an additional $7,500 catch-up contributions is allowed. For 2023, the inflation adjusted SIMPLE elective deferral limit is $15,500. For individuals age 50 and over, an additional $3,500 catch-up contribution is allowed. These amounts are adjusted each year for inflation.
Elective Deferral Limits and Employer Matching Contributions to SIMPLE Plans See page 1-15	Effective for 2024, an employer can choose to make non-elective contributions of a uniform percentage (for all employees) at a rate up to 10% of compensation for each employee who is eligible to participate, and who has at least $5,000 of compensation for the year. These non-elective contributions cannot exceed $5,000 for the year (adjusted annually for inflation). The elective deferral limit is also increased to 110% of the otherwise applicable elective deferral limit if the employer has no more than 25 employees who have at least $5,000 in compensation for the year. Larger employers can elect to have this 110% limit apply. If they make this election, the employer's 3% match is increased to 4%, and the employer's 2% non-elective match is increased to 3%.	For 2023, the inflation adjusted SIMPLE elective deferral limit is $15,500. Unless the employer chooses to make non-elective contributions, the employer must match employee elective deferrals dollar-for-dollar up to 3% of the employee's compensation for the year. If the employer chooses to make non-elective contributions on behalf of all eligible employees (including those who choose not to make elective deferrals), the employer must make contributions on behalf of each employee equal to 2% of employee compensation.
401(k)/403(b) Catch-Up Elective Deferrals Must Be Designated Roth Contributions See page 1-20	Effective for 2026, participants whose wages for the preceding year exceed $145,000 can only make catch-up elective deferrals as designated Roth contributions. If the plan does not provide for a designated Roth option, then participants with wages exceeding $145,000 cannot make additional catch-up elective deferrals. This rule does not apply to SEPs or SIMPLE plans. The $145,000 threshold is indexed for inflation after 2024. ***Note:*** This rule was originally set to apply for tax year 2024, but was extended to 2026 by Notice 2023-62.	Catch-up contributions to a qualified retirement plan for participants age 50 or older can be made on a pre-tax or Roth basis (if a Roth option is permitted by the plan sponsor).

New Beneficial Ownership Reporting Rules

Cross References

• https://www.fincen.gov/boi

The Corporate Transparency Act (CTA) establishes uniform beneficial ownership information reporting requirements for certain types of corporations, limited liability companies, and other similar entities created in or registered to do business in the United States. The CTA authorizes the Financial Crimes Enforcement Network (FinCEN) to collect that information and disclose it to authorized government authorities and financial institutions, subject to effective safeguards and controls. The CTA and its implementing regulations will provide essential information to law enforcement, national security agencies, and others to help prevent criminals, terrorists, proliferators, and corrupt oligarchs from hiding illicit money or other property in the United States. The CTA is part of the Anti-Money Laundering Act of 2020 (AML Act).



Summarized information on reporting companies, beneficial owners, and reporting dates include:

Reporting company. The rule defines two types of reporting companies.

Domestic reporting company. A domestic reporting company is a corporation, limited liability company (LLC) or any entity created by the filing of a document with a secretary of state or similar office.

Foreign reporting company. A foreign reporting company is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do business in any state or tribal jurisdiction by filing a document with a secretary of state or similar office.

Beneficial owner. A beneficial owner includes any individual who, directly or indirectly, either:
- Exercises substantial control over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests of a reporting company.

Reporting timeline. The effective date for the rule is January 1, 2024.
- Reporting companies created or registered before January 1, 2024 will have one year (until January 1, 2025) to file their initial reports.
- Reporting companies created or registered in 2024 will have 90 days to file their initial reports.
- Reporting companies created on or after January 1, 2025 will have 30 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies have 30 days to report changes to the information in previous reports and 30 days to correct inaccurate information after becoming aware of the errors or having reason to know of the inaccuracies.

For more information on the Corporate Transparency Act, see *Corporate Transparency Act (CTA),* page 27-5, *Small Business Edition/Deluxe Supplement.* For answers to frequently asked questions as reported on the FinCEN website see *Beneficial Ownership Reporting Rules,* page 26-1, *Deluxe Edition/Small Business Edition.*

What's New Effective for 2023

Cross References
- Public Law 117-169, *Inflation Reduction Act of 2022*
- Public Law 117-328, *Consolidated Appropriations Act, 2023 (which includes the "SECURE 2.0 Act of 2022")*

New tax provisions effective for the 2023 tax year that are covered in other tab sections include the following.
- See *Energy Efficient Commercial Buildings Deduction,* page 8-6.
- See *Energy Efficient Home Improvement Credit,* page 11-15.
- See *Clean Vehicle Credit,* page 11-18.
- See *Previously-Owned Clean Vehicle Credit,* page 11-18.
- See *Required Minimum Distribution Rules,* page 13-21.
- See *Qualified Small Business Payroll Tax Credit for Increasing Research Activities,* page 23-4, *Deluxe Edition/Small Business Edition.*
- See *Clean Hydrogen Production Credit,* page 31-6, *Small Business Edition/Deluxe Supplement.*
- See *Energy Efficient Home Credit,* page 31-9, *Small Business Edition/Deluxe Supplement.*
- See *Qualified Commercial Clean Vehicle Credit,* page 31-13, *Small Business Edition/Deluxe Supplement.*

SECURE 2.0 Act of 2022

Cross References
- Public Law 117-328, *Consolidated Appropriations Act, 2023*

Signed into law on December 29, 2022, Division T of the Consolidated Appropriations Act, 2023, includes the "SECURE 2.0 Act of 2022," which is a continuation of the "Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act of 2019)."

Automatic Enrollment in Retirement Plans
- IRC §414A, *Requirements related to automatic enrollment*

Effective for plan years beginning after December 31, 2024, a 401(k) plan and a 403(b) annuity plan is required to contain automatic enrollment provisions that meet all of the following.
1) The plan is an eligible automatic contribution arrangement:
   a) Under which a participant may elect to have the employer make payments as contributions under the plan on behalf of the participant, or to the participant directly in cash, and
   b) Under which the participant is treated as having elected to have the employer make such contributions (automatic contributions) unless the participant specifically elects not to have such contributions made, or specifically elects to have contributions made at a different percentage.
2) The plan allows employees to elect to withdraw the automatic contributions (and the earnings attributable to such contributions) if the election is made within 90 days of the date of the first automatic contribution. If this election is made, the distribution must equal the total of all automatic contributions beginning with the first payroll period up to the effective date of the election (including earnings).
3) The uniform percentage of compensation contributed by the participant under the automatic enrollment provision during the first year of participation must be at least 3% and not more than 10%, unless the participant specifically elects not to have contributions made, or specifically elects to have contributions made at a different percentage. The contribution percentage is increased by 1% each year after the first year (to at least 10%, but not more than 15%) unless the participant specifically elects not to have contributions made, or specifically elects to have contributions made at a different percentage.
4) The plan must meet certain investment requirements.

The automatic enrollment provisions do not apply to any of the following.
- SIMPLE plans.
- 401(k) or 403(b) plans that were established before December 29, 2022.
- Any governmental plan or church plan.
- An employer that has been in existence for less than three years.
- A small business that normally employs 10 or fewer employees.

Credit for Small Employer Pension Plan Startup Costs
- IRC §45E, *Small employer pension plan startup costs*

IRC section 45E allows for a general business credit equal to 50% of the qualified pension plan startup costs paid or incurred by a taxpayer during the year. The credit is generally limited to the greater of:
1) $500, or
2) The lesser of:
   a) $250 for each employee of the eligible employer who is not a highly compensated employee and who is eligible to participate in the plan, or
   b) $5,000

Pension plan startup costs are the ordinary and necessary expenses which are paid in connection with the establishment or administration of an eligible employer plan, or the retirement-related education of employees with respect to such plan. The plan must have at least one employee participate in the plan.

Eligible employers are generally those with no more than 100 employees who received at least $5,000 of compensation for the preceding year.

New law. Effective for tax years beginning after December 31, 2022, the new law increases the credit from 50% to 100% for certain small employers with no more than 50 employees.

The new law also provides for an additional credit for employer contributions by certain small employers equal to the applicable percentage of employer contributions (other than employee elective deferrals) (does not apply to defined benefit plans). This additional credit is limited to $1,000 per employee. This credit begins to phase out for employers with more than 50 employees. The credit is fully phase-out for employers with 100 or more employees.

The additional credit does not apply with respect to any employee who receives wages in excess of $100,000. This $100,000 threshold is indexed for inflation after the 2023 calendar year.

The applicable percentage is 100% for the first year the employer plan is established. For tax years thereafter, the applicable percentage is determined as follows.

Year 2	100%
Year 3	75%
Year 4	50%
Year 5	25%
Year 6 and after	0%

No deduction is allowed for the portion of the qualified start-up costs which is equal to the start-up cost credit, and no deduction is allowed for the portion of the employer contributions which is equal to the additional credit for employer contributions.

Saver's Match

• IRC §6433, *Saver's match*

Current law provides for a nonrefundable income tax credit for certain low-income individuals who make contributions to individual retirement accounts ("IRAs"), employer retirement plans (such as 401(k) plans), and ABLE accounts.

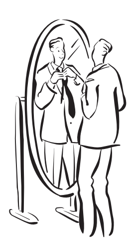
New law. Effective for tax years beginning after December 31, 2026, the new law creates new IRC section 6433 called the "Saver's Match," which repeals the credit with respect to IRA and retirement plan contributions, and replaces it with a tax credit that is paid by the IRS as a contribution to the eligible individual's applicable retirement savings vehicle when he or she makes a qualified retirement savings contribution for the tax year. The matching contribution equals the applicable percentage of the qualified retirement savings contribution that is made by the eligible individual, not to exceed $2,000.

The saver's match is treated as an elective deferral made by the individual, or as an individual retirement plan contribution made by the individual. The saver's match is not taken into account with respect to any applicable limitations that otherwise apply to elective deferrals or retirement plan contributions.

Match less than $100. If the matching contribution is greater than zero but less than $100 for the tax year, the taxpayer can elect to have the match treated as a tax credit on the tax return rather than as a contribution to the taxpayer's applicable retirement savings vehicle.

Applicable percentage. The applicable percentage is 50%. This percentage begins to phase out when the taxpayer's modified adjusted gross income (AGI) exceeds:

- $41,000 for MFJ and QSS.
- $30,750 for HOH.
- $20,500 for Single and MFS.



The saver's match is completely phase-out when the taxpayer's modified AGI reaches:

- $71,000 for MFJ and QSS.
- $53,250 for HOH.
- $35,500 for Single and MFS.

These phase-out amounts are adjusted for inflation beginning in 2028.

Modified AGI is AGI determined without regard to:

- Foreign earned income,
- Income excluded from sources within Guam, American Samoa, or the Northern Mariana Islands,
- Income excluded from sources within Puerto Rico, and
- Any exclusion or deduction allowed for any qualified retirement savings contribution made during the year.

Eligible individual. An eligible individual is an individual who is at least age 18, and:

- Is not a dependent of another taxpayer (as defined under IRC section 151),
- Is not a full time student for at least five calendar months during the year [as defined under IRC section 152(f)(2)], and
- Is not a nonresident alien unless such individual elects to be treated as a resident for tax purposes.

Qualified retirement savings contributions. Qualified retirement savings contributions include the following.

- IRA contributions,
- Elective deferrals to a 401(k) plan,
- Elective deferrals to a 403(b) plan,
- Elective deferrals to a SIMPLE plan,
- Elective deferrals to a 457(b) plan, and
- Voluntary employee contributions to any qualified retirement plan.

Reduction for certain distributions. Qualified retirement savings contributions for the year are reduced by the aggregate distributions received by the individual during a testing period, which generally includes the current tax year, the two preceding tax years, and the period after the current tax year and before the due date (including extensions) for filing the current tax year return.

Exceptions to this reduction rule apply for various reasons, such as when excess contributions are distributed by a 401(k) or when the distribution is a transfer or rollover. See IRC section 6433(d)(2)(C) for a complete list of excepted distributions.

Distributions received by a spouse will also reduce the amount of qualified retirement savings contributions if the taxpayer files a joint return with his or her spouse.

Applicable retirement savings vehicle. An applicable retirement savings vehicle is generally any retirement plan listed above under "qualified retirement savings contributions." However, it does not include elective deferrals as Roth contributions under IRC section 402A, or a Roth IRA. The IRS is directed to issue guidance as to how a taxpayer designates his or her retirement plan as an applicable retirement savings vehicle.

Author's Comment: For example, the IRS could include a section on the tax return to enter account information that identifies a specific retirement account in which the IRS is directed to make a direct payment of the saver's match on behalf of the taxpayer. Similar as to how the IRS currently issues direct deposits of the taxpayer's refund into the taxpayer's bank account.

Erroneous matching. Any amount paid by the IRS into the taxpayer's retirement savings vehicle that is erroneously paid is treated as an underpayment of tax for the tax year in which the IRS determines the payment is erroneous. To avoid the increase in tax, such amount can be distributed without penalty if it is distributed no later than the filing deadline (including extensions) for filing the return for such tax year.

Saver's match recovery payments. The new law includes rules on how to recover all or a portion of the saver's match if the taxpayer takes an early distribution, and the aggregate amount of the saver's match exceeds the account balance of such savings vehicle at the end of the tax year. Any excess amount is recovered in the form of an additional tax equal to such excess, reduced by the early withdrawal penalty under IRC section 72(t). The taxpayer can avoid the additional tax by electing to contribute such excess back into the applicable retirement savings vehicle by the due date (including extensions) for filing the tax return.

The IRS is directed to issue guidance in cases where the excess is allocable to investment losses in the retirement savings vehicle.

Promotion of saver's match. The IRS is directed to increase public awareness of the saver's match, including the adverse consequences of early withdrawal from an applicable retirement savings vehicle.

Increase in Age for Required Beginning Date for Mandatory Distributions

• IRC §401(a), *Requirements for qualification*

See *Required Minimum Distribution Rules,* page 13-21.

Indexing IRA Catch-Up Limit

• IRC §219(b), *Maximum amount of deduction*

The inflation adjusted IRA contribution amount for 2023 is $6,500. For individuals age 50 and over, an additional $1,000 catch-up contribution is allowed for a combined 2023 limit of $7,500.

Each year, the regular contribution amount is indexed for inflation. However, the $1,000 catch-up amount is not indexed for inflation, which has been $1,000 since the 2006 tax year.

New law. Beginning with the 2024 calendar year, the $1,000 catch-up amount is indexed for inflation.

Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63

• IRC §414(v), *Catch-up contributions for individuals age 50 and over*

The inflation adjusted 401(k)/403(b) elective deferral limit for 2023 is $22,500. For individuals age 50 and over, an additional $7,500 catch-up contribution is allowed for a combined 2023 limit of $30,000. Both the elective deferral limit and the catch-up limit are indexed each year for inflation.

The inflation adjusted SIMPLE elective deferral limit for 2023 is $15,500. For individuals age 50 and over, an additional $3,500 catch-up contribution is allowed for a combined 2023 limit of $19,000. Both the elective deferral limit and the catch-up limit are indexed each year for inflation.

New law. Effective for tax years beginning after December 31, 2024, the catch-up elective deferral limits are increased for eligible participants who attain ages 60, 61, 62, and 63 before the close of the tax year.

For purposes of the 401(k)/403(b) increased catch-up limits, the adjusted dollar amount is the greater of $10,000, or 50% more than the regular catch-up amount (150% of the regular catch-up amount).

For purposes of the SIMPLE increased catch-up limits, the adjusted dollar amount is the greater of $5,000, or 50% more than the regular catch-up amount (150% of the regular catch-up amount).

The new law also adjusts the indexing calculations for the age 60 through 63 catch-up limits for tax years beginning after 2025.

Student Loan Payments Treated as Elective Deferrals for Purposes of Matching Contributions

• IRC §401(m), *Nondiscrimination test for matching contributions and employee contributions*

Effective for plan years beginning after December 31, 2023, the new law allows employers to make matching contributions into a participant's retirement account when the employee makes a qualified student loan payment.

Qualified student loan payment. A qualified student loan payment is a payment made by an employee in repayment of a qualified education loan incurred by the employee to pay qualified higher education expenses, but only:

1) To the extent the payments in the aggregate for the year do not exceed an amount equal to:
   a) The elective deferral limitation for the year, or if lesser, the employee's compensation for the year, reduced by
   b) The elective deferrals made by the employee for the year, and
2) If the employee certifies annually to the employer that such payment had been made on the student loan.

Matching contributions. The matching contribution on account of a qualified student loan payment will be treated as a matching contribution to a defined contribution plan if:

1) The plan provides matching contributions on account of elective deferrals at the same rate as contributions on account of qualified student loan payments,
2) The plan provides matching contributions on account of qualified student loan payments only on behalf of employees otherwise eligible to receiving matching contributions on account of elective deferrals,
3) All employees eligible to receive matching contributions on account of elective deferrals are eligible to receive matching contributions on account of qualified student loan payments, and
4) The plan provides that matching contributions on account of qualified student loan payments vest in the same manner as matching contributions on account of elective deferrals.

Nondiscrimination rules. A plan that allows for matching contributions on account of qualified student loan payments will not fail the nondiscrimination rules solely because an employee does not have student loan debt. Plans are permitted to test separately the employees who receive matching contributions on student loan repayments.

Student loan payments. A student loan payment is not a contribution to a retirement plan. However, it may be treated as a contribution for purposes of meeting the matching contribution rules. An employer may rely on the employee's certification that the employee made a qualified student loan payment when making a matching contribution into the employee's retirement plan.

Types of elective deferrals. The following types of elective deferral plans can adopt of policy to match qualified student loan payments.

• 401(k) elective deferrals,
• 403(b) elective deferrals,
• Simple elective deferrals, and
• 457(b) plans.

Military Spouse Retirement Plan Eligibility Credit for Small Employers

• IRC §45AA, *Military spouse retirement plan eligibility credit for small employers*

Effective for tax years beginning after 2022, the new law provides small employers a tax credit with respect to their defined contribution plans if they:

1) Make military spouses immediately eligible for plan participation within two months of hire,
2) Upon plan eligibility, make the military spouse eligible for any matching or non-elective contribution that they would have been eligible for otherwise at two years of service, and
3) Make the military spouse 100% immediately vested in all employer contributions.

The credit equals the sum of:

1) $200 for each military spouse employed by the small business who participates in an eligible defined contribution plan of the employer, plus
2) 100% of the contributions made by the employer (other than elective deferrals) to the retirement plans of all employees during the tax year, not to exceed $300.

The credit applies to the first three tax years an individual is taken into account as a military spouse.

An eligible small employer is one with no more than 100 employees who received at least $5,000 of compensation from the employer for the preceding year.

A military spouse is an individual married to an individual who is a member of the uniformed services serving on active duty. An employer may rely on the employee's certification that the employee's spouse is a member of the uniformed services. A military spouse does not include an employee that is a highly compensated employee under IRC section 414(q).

Small Immediate Financial Incentives for Contributing to a Plan

• IRC §401(k), *Cash or deferred arrangements*

Effective for plan years beginning after December 29, 2022, the new law allows for a de minimis financial incentive (not paid for with plan assets) provided to employees who elect to have the employer make contributions under the arrangement in lieu of receiving cash.

The de minimis exception applies to 401(k) and 403(b) plans.

Author's Comment: The text of the new law does not define the term "de minimis financial incentive." However, the Congressional summary of the new law mentions low-dollar gift cards as an example of a de minimis financial incentive.

Withdrawals for Certain Emergency Expenses

• IRC §72(t)(2)(I), *10-percent additional tax on early distributions from qualified retirement plans*

Effective for distributions made after December 31, 2023, a new exception to the penalty applies to withdrawals for certain emergency personal expenses.

Not more than one distribution per calendar year may be treated as an emergency personal expense distribution. The distribution is limited to the lesser of $1,000 or an amount equal to the excess of:

1) The individual's total non-forfeitable accrued benefit under the plan (the individual's total interest in the plan in the case of an individual retirement plan), determined as of the date of each such distribution, over
2) $1,000.

Emergency personal expense distribution. The term "emergency personal expense distribution" means any distribution from an applicable eligible retirement plan to an individual for purposes of meeting unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses.

Repayment. An individual may repay the distribution back into the plan within three years of the distribution, which in turn treats the distribution as either a trustee to trustee transfer, or as rollover, and thus avoid paying regular tax on the distribution.

Limit on subsequent distributions. If a taxpayer takes an emergency personal expense distribution during a tax year, no amount may be treated as an emergency personal expense distribution during the immediately following three calendar years, unless the previous distribution is fully repaid, or the aggregate of the elective deferrals and employee contributions to the plan subsequent to the previous distribution is at least equal to the amount of the previous distribution.

Elective Deferral Limits and Employer Matching Contributions to SIMPLE Plans

• IRC §408(p), *Simple retirement accounts*

Employees who participate in a SIMPLE plan are allowed to make elective deferrals of up to $15,500 for tax year 2023. This amount is adjusted each year for inflation.

In general, unless the employer chooses to make non-elective contributions to a SIMPLE plan, the employer must match employee elective deferrals dollar-for-dollar up to 3% of the employee's compensation for the year. A special rule allows the employer to reduce the 3% limit to not less than 1% for not more than 2 out of 5 years. No matching is required for employees who do not elect to defer wages into the plan.

Rather than being subject to the 3% of compensation matching rule, an employer can choose to make non-elective contributions on behalf of all eligible employees, including those employees who choose not to make elective deferrals into the plan. The non-elective contributions must equal 2% of employee compensation.

Employee compensation for purposes of the employer match is limited to $330,000 for tax year 2023 (adjusted each year for inflation). Thus, the maximum employer matching contribution allowed per employee in 2023 is $9,900 ($330,000 × 3%).

New law. For tax years beginning after December 31, 2023, an employer can choose to make non-elective contributions of a uniform percentage (for all employees) at a rate up to 10% of compensation for each employee who is eligible to participate, and who has at least $5,000 of compensation from the employer for the year. However, the non-elective contribution by the employer for each employee cannot exceed $5,000 for the year. The $5,000 limit is adjusted each year for inflation.

The new law also increases the elective deferral limit to 110% of the otherwise applicable elective deferral limit if the employer has no more than 25 employees (who have at least $5,000 in compensation for the year), or a large employer with more than 25 employees elects to have the higher 110% limit apply. This 110% limit also applies to the catch-up elective deferrals allowed for employees age 50 and older.

If a large employer with more than 25 employees elects to have the higher 110% limit apply for employee elective deferrals, then the employer's 3% match for participating employees is increased to 4%.

If a large employer with more than 25 employees elects to have the higher 110% limit apply for employee elective deferrals and the employer chooses to make non-elective contributions for all employees, the 2% match for all eligible employees is increased to 3%.

There is a 2-year grace period for small employers with no more than 25 employees who have at least $5,000 of compensation for the year. If the employer has more than 25 employees for any subsequent year, the employer will be treated as having no more than 25 employees for the two years following the last year the employer has no more than 25 employees.

These increased limit rules do not apply if the employer had another qualified plan within the three years immediately preceding the first year the employer maintains a SIMPLE plan.

Non-Trade SEP Contributions

Under prior law, only trades or businesses were allowed to set up SEP plans for their employees.

New law. Effective for tax years beginning after December 29, 2022, any employer can set up a SEP plan for a domestic employee. For example, a household employer who sets up a SEP plan for a nanny.

Starter 401(k) Plans for Employers With No Retirement Plan

• IRC §401(k), *Cash or deferred arrangements*

In order to meet the non-discrimination rules that apply to all defined contribution plans, a qualified plan that permits employee elective deferrals (such as a 401(k) plan) must meet the actual deferral percentage (ADP) test [IRC §401(k)(3)]. This test prevents a highly-compensated employee from deferring a greater percentage of his or her compensation than a non-highly-compensated employee.

New law. Effective for plan years beginning after December 31, 2023, a starter 401(k) deferral-only arrangement maintained by an eligible employer is treated as meeting the ADP test under IRC §401(k)(3)(A)(ii).

A starter 401(k) deferral-only arrangement must meet all of the following.

• The automatic deferral requirements,
• The contribution limitations, and
• The notice requirements under IRC section 401(k)(13)(E).

Automatic deferral. Each eligible employee is treated as having elected to have the employer make elective contributions in an amount equal to a qualified percentage of compensation. An employee can make an affirmative election to not have the employer make elective deferrals, or to make elective deferrals at a level specified in the affirmative election.

Qualified percentage. A qualified percentage of compensation for purposes of automatic deferrals is any percentage determined under the arrangement if it is applied uniformly and is not less than 3% or more than 15%.

Contribution limitations. Under a starter 401(k) deferral-only arrangement:

• The only contributions which may be made are elective contributions of employees, and
• The aggregate amount of elective contributions with respect to each employee for the calendar year is limited to $6,000.

The $6,000 contribution limit is adjusted annually for inflation.

Catch-up contributions. For employees who have attained the age of 50 or more, the $6,000 limitation is increased by the IRA catch-up amount (currently set at $1,000 for tax year 2023, which will be indexed for inflation beginning with the 2024 calendar year).

Eligible employer. An eligible employer is any employer that does not maintain any other qualified plan.

403(b) plans. The new law also creates a safe harbor deferral-only plan for employers with no retirement plan under the IRC section 403(b) annuity contract provisions. These rules generally mirror the same provisions that apply to starter 401(k) deferral-only arrangements.

Top-heavy plans. Both starter 401(k) deferral-only arrangements and safe harbor deferral-only plans are not treated as top-heavy plans under IRC section 416(g)(4).

Coverage for Part-Time Workers

IRC section 410(a) provides minimum participation standards for all qualified retirement plans. In general, a plan cannot require as a condition of participation that an employee complete a period of service with the employer beyond the later of:

1) The date on which the employee attains the age of 21, or
2) The date on which the employee completes one year of service.

One year of service is defined as a 12-month period in which the employee has not less than 1,000 hours of service.

These are minimum standards. An employer, for example, can choose a lower number of hours of service requirement for employees eligible to participate in the plan.

New law. For plan years beginning after December 31, 2024, a pension plan that allows for elective deferrals [401(k) and 403(b) plans] cannot require as a condition of participation that an employee complete a period of service with the employer beyond the close of the earlier of:

1) The requirement that the employee be at least age 21 with one year of service (1,000 hours), or
2) The first 24-month period:
   a) Consisting of two consecutive 12-month periods during each of which the employee has at least 500 hours of service, and
   b) By the close of which the employee attains age 21.

An exception applies for certain union employees and nonresident aliens who receive no earned income from sources within the United States. 403(b) plans are not required to make nonelective or matching contributions on behalf of such employees even if such contributions are made on behalf of other employees eligible to participate in the plan.

Under the SECURE Act of 2019, this part-time provision was included under IRC section 401(k)(2)(D)(ii) [for 401(k) plans] except that it was for three consecutive 12-month periods during each of which the employee has at least 500 hours of service. The SECURE 2.0 Act of 2022 reduces this to two consecutive 12-month periods, effective as if it was included in the SECURE Act of 2019.

Distributions From Long-Term Qualified Tuition Programs to Roth IRAs

• IRC §529(c), *Tax treatment of designated beneficiaries and contributors*

In general, contributions to a qualified tuition program (QTP) are not deductible. Earnings accumulate tax free. Distributions are not taxable (including accumulated earnings) if the distributions are used for qualified higher education expenses.

New law. Effective for distributions after December 31, 2023, the new law allows for a special tax-free rollover to a Roth IRA from a long-term qualified tuition program. A long-term QTP is one that has been maintained for the 15-year period ending on the date of the distribution. The rollover distribution is tax free if:

1) It does not exceed the aggregate amount contributed to the program (and earnings attributable to the contributions) before the 5-year period ending on the date of the distribution, and
2) It is paid in a direct trustee-to-trustee transfer to a Roth IRA maintained for the benefit of the QTP designated beneficiary.

Limitations. The annual contribution limits to Roth IRAs applies to the QTP rollover distribution for that year. There is also a $35,000 lifetime aggregate limit for all QTP to Roth IRA rollover distributions.

Treatment under Roth IRA rules. Once the QTP is rolled over into a Roth IRA, it is treated as a qualified rollover contribution inside the Roth IRA under IRC section 408A(e).

Author's Comment: Thus, subsequent distributions from the Roth IRA are subject to the Roth IRA distribution rules and not the QTP distribution rules. For example, a designated beneficiary of a QTP who does not attend college or use all of the QTP funds for college can instead use the money to save for retirement in a Roth IRA.

Emergency Savings Accounts Linked to Individual Account Plans

Employer defined contribution plans have restrictions as to when a participant is allowed to withdraw money from the plan. For example, a participant may not be allowed to withdraw money until separation from service, attaining a certain age, or death.

Qualified plans are allowed to let participants borrow from the plan for various hardship reasons. According to a report by the Federal Reserve, almost half of Americans would struggle to cover an unexpected $400 expense. The Congressional summary for the new law said a recent study found that in the past year, almost 60% of retirement account participants who lack emergency savings borrowed from their long-term retirement savings, compared to only 9% of those who had at least a month of emergency savings on hand.

Congress believes that separating emergency savings from one's retirement savings would provide participants with a better understanding that one account is for short-term emergency needs and the other is for long-term retirement savings.

New law. Effective for plan years beginning after December 31, 2023, the new law allows employers to set up emergency savings accounts that are designated Roth accounts linked to the employer's defined contribution plan. A pension-linked emergency savings account cannot have a minimum contribution or account balance requirement, and must allow participants to withdraw amounts at the discretion of the participant at least once per calendar month. The first four withdrawals from the account each plan year may not be subject to any fees or charges solely on the basis of such withdrawals.

The plan must separately account for contributions to the pension-linked emergency savings account of the individual account plan and any earnings allocable to such contributions. Withdrawals are subject to the rules that apply to elective deferrals as Roth contributions under IRC section 402A(e).

Contributions are limited so that the account balance of the pension-linked emergency savings account cannot exceed the lesser of $2,500, or the amount determined by the plan sponsor. The $2,500 amount is adjusted for inflation beginning after 2024. If the account balance exceeds the $2,500 limit (or the plan sponsor's limit), the participant can elect to have the excess contributed to another designated Roth account (subject to the designated Roth account rules).

The new law also has provisions to allow for automatic contributions to a pension-linked emergency savings account at a rate that is not more than 3% of compensation (up to the above account balance limits).

The new law also allows for employer matching contributions to a pension-linked emergency savings account at the same rate as any other matching contributions on account of an elective contribution by the participant. The employer matching contributions are also subject to the above account balance limits.

Upon termination of employment of the participant, or termination by the plan sponsor of the pension-linked emergency savings account, the participant must be allowed to transfer in whole or in part the account balance into another designated Roth account.

Distributions to Firefighters

- IRC §72(t), *10-percent additional tax on early distributions from qualified retirement plans*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

One exception is for employees who separate from service after attainment of age 55. If the employee is a qualified public safety employee in a governmental plan, the 10% penalty does not apply if such employee separates from service after attainment of age 50. The age 50 exception applies to public sector employees (such as public sector firefighters), but not private sector employees.

New law. Effective for distributions made after December 29, 2022, the 10% early withdrawal penalty does not apply to distributions to private sector firefighters who have separated from service after attainment of age 50.

Exclusion of Certain Disability-Related First Responder Retirement Payments

- IRC §139C, *Certain disability-related first responder retirement payments*

Effective for tax years beginning after December 31, 2026, a new exclusion from gross income applies for qualified first responders who receive retirement payments. The amount of the retirement payment that does not exceed the annualized excludable disability amount is excluded from gross income. Qualified first responder service means service as a law enforcement officer, firefighter, paramedic, or emergency medical technician.

Penalty-Free Withdrawal From Retirement Plans for Individual in Case of Domestic Abuse

- IRC §72(t)(2)(K), *10-percent additional tax on early distributions from qualified retirement plans.*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

New law. Effective for distributions made after December 31, 2023, the new law allows for a penalty-free withdrawal from a retirement plan to a domestic abuse victim. The aggregate amount which may be treated as an eligible distribution to a domestic abuse victim cannot exceed an amount equal to the lesser of:

- $10,000, or
- 50% of the present value of the non-forfeitable accrued benefit of the employee under the plan.

The $10,000 amount is indexed for inflation after calendar year 2024.

A distribution is treated as an eligible distribution to a domestic abuse victim if such distribution is from an applicable eligible retirement plan and is made during the 1-year period beginning on the date the individual is a victim of domestic abuse by a spouse or domestic partner.

Domestic abuse means physical, psychological, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate, or intimidate the victim, or to undermine the victim's ability to reason independently, including by means of abuse of the victim's child or another family member living in the household.

The distribution can be repaid within three years of the distribution. The repayment then turns the distribution into a tax-free rollover distribution (in which case the taxpayer can file an amended return to claim a refund on taxes that were paid on the distribution).

An applicable eligible retirement plan is any of the following.

- IRA.
- Individual retirement annuity.
- Qualified trust.
- 403(a) annuity plan.

- Qualified annuity plan.
- 457(b) deferred compensation plan.
- 403(b) annuity contract.

An applicable eligible retirement plan does not include a defined benefit plan or a joint and survivor annuity.

The withholding rules for distributions from qualified retirement plans do not apply to domestic abuse victim eligible distributions.

The plan administrator can rely on the self-certification of the domestic abuse victim that the distribution qualifies as an eligible distribution.

Retroactive First Year Elective Deferrals for Sole Proprietors

- IRC §401(b), *Certain plan amendments*

An employer may establish a new 401(k) plan after the end of the tax year, but before the employer's tax filing date and treat the plan as having been established on the last day of the tax year. Such plans may be funded by employer contributions up to the employer's tax filing date.

New law. Effective for plan years beginning after December 29, 2022, the new law allows these plans, when they are sponsored by sole proprietors or single-member LLCs (with no other employees of the business), to receive employee contributions up to the due date (without extension) for filing of the individual's tax return for the initial year.

Roth Plan Distribution Rules

- IRC §402A, *Optional treatment of elective deferrals as Roth contributions*

Required minimum distributions are not required to begin prior to the death of the owner of a Roth IRA. However, pre-death distributions are required in the case of the owner of a Roth designated account in an employer retirement plan [for example, a Roth 401(k) plan].

New law. Effective for tax years beginning after December 31, 2023, the mandatory distribution rules do not apply before death of a participant in a designated Roth account in an employer plan. A transition rule says that the new law does not apply to distributions which are required for years beginning before January 1, 2024, but are permitted to be paid on or after that date.

Exception to Penalty on Early Distributions From Qualified Plans for Individuals With a Terminal Illness

- IRC §72(t)(L), *10-percent additional tax on early distributions from qualified retirement plans*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

New law. Effective for distributions made after December 29, 2022, the 10% penalty does not apply to distributions which are made to the employee who is a terminally ill individual on or after the date on which such employee has been certified by a physician as having a terminal illness.

A terminally ill individual means an individual who has an illness or physical condition which can reasonably expect to result in death in 84 months or less after the date of the physician's certification.

The individual can repay the distribution within three years and treat the distribution as a tax-free rollover distribution.

Surviving Spouse Election to be Treated as Employee

- IRC §401(a)(9)(B)(iv), *Requirements for qualification*

Effective for calendar years beginning after December 31, 2023, if a designated beneficiary of a retirement plan is the surviving spouse of the employee, the surviving spouse can elect to be treated as the employee. Under such an election, the date on which the requirement minimum distributions (RMDs) must begin is no earlier than the date on which the employee would have attained the applicable age to begin receiving RMDs. If the surviving spouse dies before such distributions begin, these rules apply as if the surviving spouse is the employee.

Author's Comment: This rule basically applied before the new law, except the new law adds the election provision. Prior law did not provide for a surviving spouse to elect to be treated as the employee. The new law also replaces the age 72 RMD beginning date with "applicable age," since the age 72 RMD beginning date goes up to age 73 starting in 2023 and age 75 starting in 2033.

Qualified Public Safety Employee Exemption From Early Withdrawal Penalty

- IRC §72(t), *10-percent additional tax on early distributions from qualified retirement plans*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

One exception is for employees who separate from service after attainment of age 55. If the employee is a qualified public safety employee, the 10% penalty does not apply if such employee separates from service after attainment of age 50.

A qualified public safety employee is defined as any employee of a state or political subdivision of a state who provides police protection, firefighting services, or emergency medical services, or any federal law enforcement officer, federal customs and border protection officer, federal firefighter, air traffic controller, nuclear materials courier, member of the U.S. Capital Police, member of the Supreme Court Police, or any diplomatic security special agent of the Department of State.

New law. Effective for distributions made after December 29, 2022, the "age 50" rule for qualified public safety employees is replaced with "age 50 or 25 years of service under the plan, whichever is earlier."

The new law also adds services as a corrections officer or as a forensic security employee providing for the care, custody, and control of forensic patients to the list of qualified public safety employees.

Use of Retirement Funds in Connection With Qualified Federally Declared Disasters

- IRC §72(t), *10-percent additional tax on early distributions from qualified retirement plans*

Over the years, a number of disaster tax relief provisions applied to specific disasters from hurricanes, storms, floods, and wildfires. Most recently, they applied to the COVID-19 disaster. The Consolidated Appropriations Act, 2021 extended these provisions to apply to all federally-declared disasters that occurred during the period that began on December 28, 2019 and ended on December 27, 2020.

New law. The new law permanently extends the disaster tax relief provisions for retirement plans to apply to all federally-declared disasters that occur after December 27, 2020. The disaster tax relief provisions for retirement plans include the following.

10% early withdrawal penalty exception. The 10% early withdrawal penalty under IRC section 72(t) does not apply to a qualified disaster recovery distribution, which is defined as any distribution made:

- On or after the first day of the incident period of a qualified disaster and before the date that is 180 days after the applicable date with respect to such disaster, and
- To an individual whose principal place of abode at any time during the incident period of the qualified disaster is located in the qualified disaster area and who has sustained an economic loss by reason of the disaster.

A qualified disaster recovery distribution is limited to $22,000. The $22,000 amount is not indexed for inflation. However, the new law directs the Comptroller General of the U.S. to submit a report to Congress that addresses whether the $22,000 threshold on distributions provides adequate relief for taxpayers who suffer from a disaster.

Repayment of distribution. A qualified disaster recovery distribution may be repaid within the 3-year period beginning on the day after the date the distribution was received. Any amount repaid (up to the amount of the distribution) is treated as a tax-free rollover contribution (or tax free direct trustee to trustee transfer).

The qualified disaster recovery distribution rules apply to both IRAs and eligible employer retirement plans.

3-year inclusion of distribution. If the taxpayer does not repay the qualified disaster recovery distribution, the income inclusion is spread over the 3-tax year period beginning with the year of distribution. A taxpayer can elect not to have this provision apply and instead include the entire distribution in income in the year of distribution.

✎ **Author's Comment:** This election may be applicable in cases where the taxpayer's income is otherwise low in the year of the disaster in comparison to subsequent years.

A qualified disaster recovery distribution is not subject to the mandatory withholding rules that apply to distributions from qualified employer plans.

Recontributions of withdrawals for home purchases. Any individual who received a qualified distribution may, during the applicable period, make one or more contributions in an aggregate amount not to exceed the amount of the qualified distribution to an eligible retirement plan and treat the distribution as a tax-free rollover distribution.

A qualified distribution means any distribution:

- Which is a qualified first-time homebuyer distribution,
- Which was to be used to purchase or construct a principal residence in a qualified disaster area, but which was not so used on account of the qualified disaster, and
- Which was received during the period beginning on the date which is 180 days before the first day of the incident period of the qualified disaster and ending on the date which is 30 days after the last day of the incident period.

The applicable period for recontribution of the withdrawal begins on the first day of the incident period of the qualified disaster and ends on the date which is 180 days after the applicable date of the disaster.

A similar set of rules applies to distributions for the purchase or construction of a principal residence in a qualified disaster area, but which was not so used on account of the qualified disaster. This set of rules is the same as the above rules for qualified first-time homebuyer distributions, except that it does not say the distribution has to be a qualified first-time homebuyer distribution.

Loans from qualified plans. Loans from qualified retirement plans are generally limited to the lesser of $50,000 or 50% of the present value (but not less than $10,000) of the taxpayer's vested benefit under the plan. Loans generally must be repaid within five years.

For individuals whose principal place of abode during the incident period of a qualified disaster is located in the qualified disaster area, and who has sustained an economic loss by reason of the disaster, then the $50,000 loan limit is increased to $100,000, and the 50% present value limit is increased to 100%.

Any loan repayment is delayed for one year for any payment with a due date beginning on the first day of the incident period of the qualified disaster and ending on the date which is 180 days after the last day of the incident period. Any subsequent repayments may be appropriately adjusted to reflect the delay in the due date. Also, the 5-year repayment of the loan period may be disregarded when these delay provisions apply.

Employers Allowed to Replace SIMPLE Retirement Accounts With Safe Harbor 401(k) Plans

- IRC §408(p)(11), *Simple retirement accounts*

Effective for plan years beginning after December 31, 2023, an employer may elect at any time during a plan year to terminate a SIMPLE retirement plan and replace it with a safe harbor 401(k) plan. The aggregate elective contributions of the employee under the terminated SIMPLE plan during its last plan year and under the safe harbor 401(k) plan during its transition year cannot exceed the sum of:

1) The SIMPLE elective deferral limit determined on a full-year basis multiplied by a fraction equal to the number of days in the plan year divided by 365, and
2) The 401(k) elective deferral limit determined on a full-year basis multiplied by a fraction equal to the number of days in the transition year divided by 365.

Funds in a SIMPLE plan must generally remain in the SIMPLE plan for at least two years from the date the employee first participated in the plan before they can be rolled over into any other type of retirement plan. This 2-year rule is waived in the case of an employer who elects to replace the SIMPLE plan with a Safe Harbor 401(k) plan.

Elimination of Additional Tax on Corrective Distributions of Excess Contributions

- IRC §72(t), *10-percent additional tax on early distributions from qualified retirement plans*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

The law requires a distribution if too much is contributed to an IRA. The corrective distribution includes the excessive contribution and any earnings allocable to that contribution.

New law. The new law exempts the excess contribution and earnings allocable to the excess contribution from the 10% penalty tax on early distributions, and is effective for any determination of, or affecting liability for taxes, interest, or penalties which is made on or after December 29, 2022, without regard to whether the act (or failure to act) upon which the determination is based occurred before December 29, 2022.

Long-Term Care Contracts Purchased With Retirement Plan Distributions

- IRC §401(a)(39), *Requirements for qualification*

IRC section 72(t) imposes a 10% penalty tax (in addition to the regular tax) on the early distribution from a qualified retirement plan. An early distribution is generally a distribution made before the participant attains the age of 59½. IRC section 72(t) includes a number of exceptions to the 10% early withdrawal penalty.

New law. Effective for distributions made after December 29, 2025 (three years after the date of enactment), the new law permits retirement plans to distribute up to $2,500 per year for the payment of premiums for certain specified long term care insurance contracts. Distributions from plans to pay such premiums are exempt from the 10% penalty tax on early distributions. Only a policy that provides for high quality coverage is eligible for early distribution and waiver of the 10% penalty tax.

Qualified long-term care distribution. A qualified long-term care distribution means the aggregate distributions during the year equal to the lesser of:

1) The amount paid during the year for certified long-term care insurance for the employee, spouse, or other family members.
2) The amount equal to 10% of the present value of the nonforfeitable accrued benefit of the employee under the plan.
3) $2,5000.

The $2,500 amount is indexed annually for inflation.

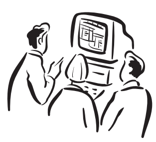
The law requires that the employee receives a long-term care premium statement provided by the issuer of the long-term care coverage upon the request of the owner of the coverage.

If the long-term care distribution relates to the spouse of the employee, the 10% penalty exception only applies if the employee and the spouse file a joint return.

A qualified long-term care distribution is not subject to the mandatory withholding rules for eligible rollover distributions.

The new law creates new IRC section 6050Z which describes the reporting requirements for issuers of certified long-term care insurance.

SIMPLE and SEP Roth IRAs



- IRC §408A, *Roth IRAs*

Under prior law, SIMPLE IRAs and SEPs cannot contain a Roth contribution option.

New law. Effective for tax years beginning after December 31, 2022, SIMPLE IRAs can also accept Roth contributions. SEP plans which previously only accepted employer money can allow employees the ability to treat employee and employer SEP contributions as Roth contributions (in whole or in part). Grandfathered salaried reduction SEPs cannot accept Roth contributions.

A plan which is designated as a Roth IRA cannot be treated as a SEP or a SIMPLE plan unless the employee elects for the plan to be so treated.

Hardship Withdrawal Rules for 403(b) Plans

- IRC §403(b), *Taxability of beneficiary under annuity purchased by section 501(c)(3) organization or public school*

Employer plans generally do not allow for withdrawals unless the employee separates from service, reaches a specified age, or due to death of the employee. A plan can also allow for withdrawals in the case of certain hardships.

The hardship distribution rules for 401(k) and 403(b) plans are different in certain ways. For example, for 401(k) plans, all amounts are available for a hardship distribution. For 403(b) plans, in some cases, only employee contributions (without earnings) are available for hardship distributions.

New law. Effective for plan years beginning after December 31, 2023, the new law conforms the 403(b) rules to the 401(k) rules.

Catch-Up Elective Deferrals Required to be Designated Roth Contributions for High Income Employees

- IRC §414(v)(7), *Catch-up contributions for individuals age 50 and over*

Under prior law, catch-up contributions to a qualified retirement plan [for example, a 401(k) or 403(b) plan] for participants age 50 or older can be made on a pre-tax or Roth basis (if a Roth option is permitted by the plan sponsor).

New law. Effective for tax years beginning after December 31, 2025, participants whose wages for the preceding calendar year exceed $145,000 can only make catch-up elective deferrals as designated Roth contributions. If the plan does not provide for a designated Roth option, then participants with wages exceeding $145,000 cannot make additional catch-up elective deferrals.

This rule does not apply to SEPs or SIMPLE plans.

The $145,000 threshold is indexed for inflation after 2024.

Optional Treatment of Employer Matching or Non-Elective Contributions as Roth Contributions

- IRC §402A(a), *Optional treatment of elective deferrals as Roth contributions*

Plan sponsors are not permitted to provide employer matching contributions in their 401(k), 403(b), and governmental 457(b) plans on a Roth basis. Matching contributions must be on a pretax basis only.

New law. Effective December 29, 2022, the new law allows defined contribution plans to provide participants with the option of receiving employer matching contributions on the employee's behalf as a Roth contributions. Any designated Roth contribution made by the employer on the employee's behalf must be non-forfeitable. Roth contributions are not excludable from gross income.

The term matching contribution means:

- Any employer contribution made to a defined contribution plan on behalf of an employee on account of an employee contribution made by the employee or on account of an employee's elective deferral, and
- Any contribution to an eligible deferred compensation plan under IRC section 457(b) by an eligible employer on behalf of an employee and on account of the employee's elective deferral.

Charitable Conservation Easements

- IRC §170(h), *Qualified conservation contribution*

The tax deduction for charitable contributions of conservation easements has long played a crucial role in incentivizing the preservation of critical habitat, open spaces, and historically important areas and structures. However, since 2016, the IRS has identified certain syndicated conservation easement transactions involving pass-through entities as"listed transactions"carrying a high potential for abusive tax avoidance.

New law. Effective for contributions made after December 29, 2022, the new law disallows a charitable deduction for a qualified conservation contribution if the deduction claimed exceeds two and one half times the sum of each partner's relevant basis in the contributing partnership, unless the contribution meets a 3-year holding period test, substantially all of the contributing partnership is owned by members of a family, or the contribution relates to the preservation of a certified historic structure. In the case of a contribution for the preservation of a certified historic structure, a new reporting requirement applies. The new law also provides taxpayers the opportunity to correct certain defects in an easement deed (excluding easements involved in abusive transactions) and makes certain changes to statute of limitations and penalty provisions.

~ End ~