

Tax Update & new IRS Developments.

2024

by Raul O. Serrano, Jr. CPA

TAX BRACKETS

- Tax Brackets;
- 2024 tax brackets will see a roughly 5.4% shift upward from 2023, **which means taxpayers will be able to shelter more income from higher tax rates in 24 than 23.**
- The 2024 tax rates , which range from 10% to 37%, remain the same as in previous years.

2024 tax brackets and federal income tax rates

Tax brackets 2024 (taxes due April 2025)

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,600.	\$0 to \$23,200.	\$0 to \$11,600.	\$0 to \$16,550.
12%	\$11,601 to \$47,150.	\$23,201 to \$94,300.	\$11,601 to \$47,150.	\$16,551 to \$63,100.
22%	\$47,151 to \$100,525.	\$94,301 to \$201,050.	\$47,151 to \$100,525.	\$63,101 to \$100,500.
24%	\$100,526 to \$191,950.	\$201,051 to \$383,900.	\$100,526 to \$191,950.	\$100,501 to \$191,950.
32%	\$191,951 to \$243,725.	\$383,901 to \$487,450.	\$191,951 to \$243,725.	\$191,951 to \$243,700.
35%	\$243,726 to \$609,350.	\$487,451 to \$731,200.	\$243,726 to \$365,600.	\$243,701 to \$609,350.
37%	\$609,351 or more.	\$731,201 or more.	\$365,601 or more.	\$609,350 or more.

Source: IRS^[3].

The IRS recently released updated 2024 tax brackets that can help you plan ahead for 2025.

Each 2024 tax bracket will see a roughly 5.4% shift upward from 2023, which means taxpayers whose salaries haven't kept up with inflation might be able to shelter more income from higher tax rates next year. The 2024 tax rates, which range from 10% to 37%, remain the same as in previous years.

» **MORE:** IRS announces 2024 tax changes, updated standard deduction

2023 tax brackets and federal income tax rates

Tax brackets 2023 (taxes due April 15, 2024)

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,000.	\$0 to \$22,000.	\$0 to \$11,000.	\$0 to \$15,700.
12%	\$11,001 to \$44,725.	\$22,001 to \$89,450.	\$11,001 to \$44,725.	\$15,701 to \$59,850.
22%	\$44,726 to \$95,375.	\$89,451 to \$190,750.	\$44,726 to \$95,375.	\$59,851 to \$95,350.
24%	\$95,376 to \$182,100.	\$190,751 to \$364,200.	\$95,376 to \$182,100.	\$95,351 to \$182,100.
32%	\$182,101 to \$231,250.	\$364,201 to \$462,500.	\$182,101 to \$231,250.	\$182,101 to \$231,250.
35%	\$231,251 to \$578,125.	\$462,501 to \$693,750.	\$231,251 to \$346,875.	\$231,251 to \$578,100.
37%	\$578,126 or more.	\$693,751 or more.	\$346,876 or more.	\$578,101 or more.

Source: IRS^[2].

Federal income tax returns for 2023 are due by April 15, 2024, or October 15, 2024, with a tax extension. There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

The income thresholds for the 2023 tax brackets were adjusted significantly — up about 7% — from 2022 due to record-high inflation. This means that some people might be in a lower tax bracket than they were previously. Learn more about the 2023 tax rates and taxes owed for each status across taxable income brackets below:

Long Term Capital Gains 2024 & 2023

Capital gains tax rates 2024

2024 capital gains tax rates apply to assets sold for a profit in 2024. Capital gains are reported on Schedule D, which will be due with your federal tax return (Form 1040) by the April 2025 tax filing deadline, or by October 2025 with an extension.

The table below provides an overview of the long-term capital gains tax rates based on taxable income.

2024 long-term capital gains tax rates and brackets

Tax-filing status	0% tax rate	15% tax rate	20% tax rate
Single	\$0 to \$47,025.	\$47,026 to \$518,900.	\$518,901 or more
Married, filing jointly	\$0 to \$94,050.	\$94,051 to \$583,750.	\$583,751 or more
Married, filing separately	\$0 to \$47,025.	\$47,026 to \$291,850.	\$291,851 or more
Head of household	\$0 to \$63,000.	\$63,001 to \$551,350.	\$551,351 or more

Long-term capital gains tax rates for the 2023 tax year

FILING STATUS	0% RATE	20% RATE
Single	Up to \$44,625	Over \$492,300
Married filing jointly	Up to \$89,250	Over \$553,850
Married filing separately	Up to \$44,625	Over \$276,900
Head of household	Up to \$59,750	Over \$523,050

Estate and Gift Taxes

Filing Threshold for Year of Death

Year of Death	If Amount Described Above Exceeds:
2011	\$5,000,000
2012	\$5,120,000
2013	\$5,250,000
2014	\$5,340,000
2015	\$5,430,000
2016	\$5,450,000
2017	\$5,490,000
2018	\$11,180,000
2019	\$11,400,000
2020	\$11,580,000
2021	\$11,700,000
2022	\$12,060,000
2023	\$12,920,000
2024	\$13,610,000

The 2024 gift tax limit is \$18,000. For married couples, the limit is \$18,000 each, for a total of \$36,000. If you gift more than this sum, you must file a federal gift tax return in 2025. The lifetime gift limit rises to \$13.61 million in 2024.

After 2025, tax law changes that are scheduled to expire.

- 1. BONUS DEPRECIATION;
- For 2023 businesses can take advantage of 80% bonus depreciation.
- In 2024, the bonus depreciation rate will drop to 60%, falling by 20% per year thereafter until it is completely phased out in 2027.

- BONUS DEPRECIATION TAX PLANNING;
- If your company is planning on investing in equipment in the next few years, you might be able to reduce your tax liability by moving the timeline up and accelerating purchases while bonus depreciation still exists.

Phaseout of QBI deduction

- The TCJA allowed a 20% tax deduction on business income for S corporation. If the provision expires as scheduled on Dec 31, 2025, this deduction will no longer be available.
- Shareholders of an S Corp may want to consider an election to a C Corp during the 2025 calendar year, as C corporation benefit from an existing tax rate of 21%. That may be more favorable than what would be the applicable tax rate for an S corporation should the current tax deduction expire.

Corporate Transparency Act

- Under new federal legislation, the Corporate Transparency Act (CTA), most domestic and foreign businesses operating in the U.S. will be required to file specific owner and business information with the U.S. government. **The intent of the new requirement is to detect, prevent, and punish money laundering, terrorism, and business misconduct.** The new rules apply to:
- Any domestic reporting company that is a corporation, Limited liability Company (LLC) or entity **created by filing a document with a secretary of state or any similar office under the law of an state or American Indian tribe.**

Corporate Transparency Act

- Any foreign reporting company that is a corporation, formed under the law of a foreign country and registered to do business with a secretary of state or any similar office under the law of a state or American Indian Tribe.
- Additional rules apply and certain corporations are exempt from the reporting requirement. Failure to report as required can lead to civil and criminal penalties. All existing entities must complete their initial filing with the Financial Crimes Enforcement Network (FinCEN) by Jan 1, 2025. Newly created/registered entities established in 2024 must file their reports within 90 days of registration. These filings can be completed online through the FinCEN website, but it may be beneficial for entities with complex ownership structures to seek the assistance of a tax professional or attorney.

Key elements of the BOI reporting rules

- Beneficial owners;
- Reporting Companies;
- Company Applicants;
- Exemptions
- Reporting Timing requirements
- Penalties, Fines, and Imprisonment

Beneficial Owners

- Under the rule, a **beneficial owner** includes any individual who, directly or indirectly, either (1) exercises substantial control over a reporting company, or (2) owns or controls at least 25 percent of the ownership interests of a reporting company. The rule defines the terms “substantial control” and “ownership interest.” In keeping with the CTA, the rule exempts five types of individuals from the definition of “beneficial owner.”
- In defining the contours of who has **substantial control**, the rule sets forth a range of activities that could constitute substantial control of a reporting company. This list captures anyone who is able to make important decisions on behalf of the entity. FinCEN’s approach is designed to close loopholes that allow corporate structuring that obscures owners or decision-makers. This is crucial to unmasking anonymous shell companies.
- The rule provides standards and mechanisms for determining whether an individual owns or controls 25 percent of the **ownership interests** of a reporting company. Among other things, these standards and mechanisms address how a reporting company should handle a situation in which ownership interests are held in trust.
- These definitions have been drafted to account for the various ownership or control structures reporting companies may adopt. However, for reporting companies that have simple organizational structures it should be a straightforward process to identify and report their beneficial owners. FinCEN expects the majority of reporting companies will have simple ownership structures.

Exclusions

The BOI Rule excludes from the definition of “beneficial owner” **(i) a minor child, (ii) an individual acting as a nominee, intermediary, custodian, or agent on behalf of another individual, (iii) an employee of a reporting company, whose substantial control over or economic benefits from such entity are derived solely from the employment status of the employee, provided that such person is not a senior officer of the reporting company, (iv) an individual whose only interest in a reporting company is a future interest through a right of inheritance, and (v) a creditor of a reporting company.**

Reporting Companies

- The rule identifies two types of **reporting companies**: domestic and foreign. 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 any similar office under the law of a state or Indian tribe. 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 the filing of a document with a secretary of state or any similar office. Under the rule, and in keeping with the CTA, twenty-three types of entities are exempt from the definition of “reporting company.”
- FinCEN expects that these definitions mean that reporting companies will include (subject to the applicability of specific exemptions) limited liability partnerships, limited liability limited partnerships, business trusts, and most limited partnerships, in addition to corporations and LLCs, because such entities are generally created by a filing with a secretary of state or similar office.
- Other types of legal entities, including certain trusts, are excluded from the definitions to the extent that they are not created by the filing of a document with a secretary of state or similar office. FinCEN recognizes that in many states the creation of most trusts typically does not involve the filing of such a formation document.

Company Applicants

- The rule defines a **company applicant** to be only two persons:
 - the individual who directly files the document that creates the entity, or in the case of a foreign reporting company, the document that first registers the entity to do business in the United States.
 - the individual who is primarily responsible for directing or controlling the filing of the relevant document by another.
- The rule, however, does not require reporting companies existing or registered at the time of the effective date of the rule to identify and report on their company applicants. In addition, reporting companies formed or registered after the effective date of the rule also do not need to update company applicant information.

Numerous Exemptions May Apply—23 In All

- SEC reporting issuers
- Governmental authorities
- Banks
- Credit unions
- Depository institution holding companies
- Money services businesses (money transmitters)
- Securities exchanges or clearing agencies
- Other Exchange Act registered entities
- Investment companies or investment advisers
- Venture capital fund advisers
- State-licensed insurance producers
- Commodity Exchange Act registered entities
- Accounting firms
- Public utilities
- Designated financial market utilities
- Financial market utilities
- Pooled investment vehicles
- Tax-exempt entities
- Entities providing services to tax-exempt entities
- Large operating companies
- Subsidiaries of certain exempt entities, and
- Inactive entities

Entity Type	Reporting Timing Requirement
<p>Domestic Reporting Company created prior to January 1, 2024</p> <p>Foreign Reporting Company registered to do business in a U.S. state prior to January 1, 2024</p>	<p>Must file an initial report by January 1, 2025.</p>
<p>Domestic Reporting Company created on or after January 1, 2024, and before January 1, 2025</p> <p>Foreign Reporting Company registered to do business in a U.S. state on or after January 1, 2024, and before January 1, 2025</p>	<p>Must file an initial report within 90 calendar days of creation/registration.</p>
<p>Domestic Reporting Company created on or after January 1, 2025</p> <p>Foreign Reporting Company registered to do business in a U.S. state on or after January 1, 2025</p>	<p>Must file an initial report within 30 calendar days of creation/registration.</p>

Penalties, Fines, and Imprisonment

Failure to comply with these new requirements invites steep penalties. Reporting violations by any person may result in civil penalties up to \$500 per day, fines up to \$10,000, and two years imprisonment. Unauthorized disclosure or use of reported information may result in even more draconian penalties, fines, and incarceration. Compliance with the CTA is mandatory.

Unauthorized Practice of Law?

The FICPA has already been in contact with the director of the Unlicensed Practice of (UPL) section of the Florida Bar, requesting guidance on whether a CPA's filing of a BOI report on behalf of a client may be considered an unauthorized practice of law. At this time , it is unlikely that an official position will be issued on the matter for at least one year-if not longer. As we continue to work through what is a fluid situation, the AICPA is advising that CPA firms" consider updating their engagement letters, organizers and checklists to clearly state whether services related to the CTA are included.

There is also a petition to congress to delay the beneficial ownership information (BOI) reporting requirements in order for a better understanding and guidance. The FICPA and the AICPA are part of the petition.

CTA

- The Corporate Transparency Act(CTA) requires certain business entities (each defined as a “reporting company”) to file, in the absence of an exemption, information on their “beneficial owners” with the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Department of Treasury (“Treasury”).
- If your company is a reporting co., your next step is to identify its beneficial owners. A beneficial owner is any individual who directly or indirectly :
 - 1. Owns or controls at least 25% of the ownership interest of a reporting company, or
 - 2. exercises substantial control over a reporting company.

- Substantial control-reporting companies are required to identify all individuals who exercise substantial control over the company.
- An individual exercises substantial control over a reporting company if the individual meets any of four general criteria:
 - 1. The individual is a senior officer;
 - 2. the individual has authority to appoint or remove certain officers or a majority of directors of the reporting company;
 - 3. the individual is an important decision-maker; or
 - 4. the individual has any other form of substantial control over the reporting company.

A **senior officer** of a CTA reporting company is defined to include the president, chief executive officer, chief financial officer, chief operating officer, general counsel/chief legal officer, as well as “any other person, regardless of title, who performs similar functions.” Individuals who perform ministerial functions like a secretary or treasurer do not typically have the requisite control to be considered a senior officer.

The Final Rule—Reporting Companies

- The Final Rule establishes two categories of reporting companies that must file reports with FinCEN—“Domestic Reporting Companies” and “Foreign Reporting Companies”
- A “Domestic Reporting Company” is any entity that is *created* under State or federal law by the filing of a document with a Secretary of State, a tribal jurisdiction or similar office of a jurisdiction within the United States
- A “Foreign Reporting Company” is any entity formed under the law of a foreign (*i.e.*, non-U.S. jurisdiction) that is required to be registered to do business within the United States

The Final Rule—Reporting Companies

- **The range of a legal entity that is a covered reporting company that is a Domestic Reporting Company is extremely broad, and includes any corporate form of an entity created by the filing of a document with a Secretary of State's office or comparable office operated by an Indian Tribe, and includes—**
 - Corporations
 - Limited liability companies, and
 - Statutory trusts
- **Depending upon a State's corporate formation requirements, this would not include**
 - Sole proprietorships
 - Partnerships, and
 - Many trusts
- **A filing with a Secretary of State's office to obtain a license or permit (*i.e.*, which is not a chartering or “creation” filing) does not subject a legal entity to coverage under the Final Rule**

Numerous Exemptions May Apply

- A “large operating company” is any entity that:
 - Employs more than 20 full-time employees in the United States
 - Has an operating presence at a physical office within the United States, and
 - Has more than \$5 million in sales or operating revenue
 - For a company that is part of an affiliated group of companies, the consolidated sales or revenues of the affiliated group may be used to make this calculation
- A noteworthy omission from the list of exempted entities are law firms, whose members and employees will frequently constitute “company applicants”

Latest Updates

- IRS ends unannounced revenue officer visits to taxpayer;
- Farhy v. Commissioner the U.S. Tax Court determined the IRS's efforts to collect assessments for failure to file Form 5471 were unlawful;
- CPA failed to substantiate deductions, liable for penalty.

Farhy v. Commissioner

- Farhy is a case about a taxpayer who simply refused to comply with his foreign information return filing obligations. From 2003 through 2010, he owned 100% of two Belize corporations.
- Farhy was required to file Form 5471 yearly. (IRC section 6038(a))
- Initial penalty under 6038(b)(1) of \$10,000.00 for each year he owned the corporation.
- Continuation penalty under IRC section 6038(b)(2) of \$50,000.00 per year in addition to 6038(b)(1).

II. Certification of Beneficial Owners



Business/Legal Entity Name:				EIN:	
Entity Type: <input type="checkbox"/> Corporation (Including Nonprofit) <input type="checkbox"/> General Partnership <input type="checkbox"/> LLC (Limited Liability Company) <input type="checkbox"/> LP (Limited Partnership) or LLP (Limited Liability Partnership)					
Business/Legal Entity Address:					
Account Number(s):					
Persons opening an account on behalf of a Legal Entity must provide the following information:					
Natural Person Opening (or Superseding) Account					
Name:			Title (in relation to Entity):		
Residential Address:					
Re-Certification: (BANK USE ONLY)					
<input type="checkbox"/> By checking this box, you agree that the Beneficial Owner(s) and Control Person have been fully documented within the past 12 months on BSA-001 form dated _____, the customer has verified the Beneficial Owner(s) and Control Person have not changed, and the ID Information documented on the referenced BSA-001 is still current and not expired. Skip to the Certification signature box.					
Control Person: Provide the following information for one individual with significant responsibility for managing the entity, such as: an executive officer or senior manager (i.e. CEO, CFO, COO, President, Vice-President, Treasurer or Corporate Secretary, General Partner or Manager or Managing Member, or, any other individual who regularly performs similar functions). If appropriate, an individual listed under the Ownership section above may also be listed in this section.					
Name	Date of Birth	Address (Residential or Business Street Address) (City, State and Zip Code)	SSN, ITIN or Passport Number for Non-US Person*	(BANK USE ONLY) ID Type ID Number Place of Issuance	(BANK USE ONLY) Issue & Expiration Dates Day/Month/Year

**In lieu of a passport number, non U.S. Persons may also provide a SSN, and alien identification card number or number and country of issuance of any other government issued document evidencing nationality or residence and bearing a photograph or similar safeguard.*

Ownership - Beneficial Owner: Provide the following information for each individual, if any, who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, owns 25% or more of the entity.					
BENEFICIAL OWNER NOT APPLICABLE because (select one): <input type="checkbox"/> No Individual owns 25% or more <input type="checkbox"/> This is a Nonprofit Entity					
Name	Date of Birth	Address (Residential or Business Street Address) (City, State and Zip Code)	SSN, ITIN or Passport Number for Non-US Person*	(BANK USE ONLY) ID Type ID Number Place of Issuance	(BANK USE ONLY) Issue & Expiration Dates Day/Month/Year

Certification:	
I, _____ (name of natural person opening/superseding account) hereby certify, to the best of my knowledge, that the information provided above is complete and correct. I further agree to notify the financial institution of any change in ownership or control information during the period in which the account is open.	
Signed: _____	Date: _____
(BANK USE ONLY) Notes:	
Branch Name:	Banker Name: