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Federal Tax Updates…so far

By David Peters, CPA, MST, CLU, CPCU

About your instructor

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What is on our mind?

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- Disaster Relief (what does the new deadline apply to?)
- Upcoming Tax Legislation
- IRS Staff Cuts (might mean more automated notices!)
- Worker Classification & Information Reporting (what happened to BOI?)

I. Disaster Relief

Jan 1, 2025 to Apr 30, 2025 - Disaster Relief (IRS.gov)

- NC-2025-01, IRS further postpones various tax deadlines to Sept. 25 for North Carolina storm victims
- TN-2025-02, IRS announces tax relief for Tennessee storm victims; various deadlines postponed to Nov. 3
- AR-2025-03, IRS announces tax relief for Arkansas storm victims; various deadlines postponed to Nov. 3
- IR-2025-49, IRS: All of Arkansas qualifies for disaster tax relief; various deadlines postponed to Nov. 3
- IR-2025-47, IRS: All of Tennessee qualifies for disaster tax relief; various deadlines postponed to Nov. 3

Jan 1, 2025 to Apr 30, 2025 - Disaster Relief (IRS.gov)

- IR-2025-34, IRS: West Virginia storm victims qualify for tax relief; various deadlines postponed to Nov. 3
- KY-2025-02 — IRS announces tax relief for taxpayers impacted by severe storms, straight-line winds, flooding, and landslides in Kentucky; various deadlines postponed to Nov. 3
- IR-2025-10, IRS: California wildfire victims qualify for tax relief; various deadlines postponed to Oct. 15
- IR-2025-01, IRS reminder to disaster area taxpayers with extensions: All or parts of 14 states, 2 territories need to file 2023 returns by Feb. 3; others have until May 1

IRS NC-2025-01: IRS further postpones various tax deadlines to Sept. 25 for NC storm victims

- On 4/17/25 (updated 4/24/25), the IRS further extended several federal tax deadlines for residents and businesses throughout the **entire state of North Carolina** due to the lingering effects of Hurricane Helene.

- The deadline for these items was previously May 1, 2025. The new deadline is now September 25, 2025.

- On 4/23/25, NCDOR offered similar relief at the state level.

IRS NC-2025-01: IRS further postpones various tax deadlines to Sept. 25 for NC storm victims

- The tax relief postpones various tax filing and payment deadlines that occurred from Sept. 25, 2024, through Sept. 25, 2025 (postponement period).

- As a result, affected individuals and businesses will have until Sept. 25, 2025, to file returns and pay any taxes that were originally due during this period.

- The Sept. 25, 2025 deadline will now apply to....

IRS NC-2025-01: IRS further postpones various tax deadlines to Sept. 25 for NC storm victims

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- Individual income tax returns and payments normally due on April 15, 2025.
- 2024 contributions to IRAs and health savings accounts for eligible taxpayers.
- 2024 quarterly estimated tax payments normally due on Jan. 15, 2025, and 2025 estimated tax payments normally due on April 15, June 16 and Sept. 15, 2025.
- Quarterly payroll and excise tax returns normally due on Oct. 31, 2024, and Jan. 31, April 30 and July 31, 2025.

IRS NC-2025-01: IRS further postpones various tax deadlines to Sept. 25 for NC storm victims

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- Calendar-year corporation and fiduciary returns and payments normally due on April 15, 2025.
- Calendar-year tax-exempt organization returns normally due on May 15, 2025.
- **990, 1040, 1041 and 1120 filers with a valid extension for tax year 2023. Please note, the payments on these returns are not eligible because they were due last spring before the hurricane.**
- Other time-sensitive actions described in Rev. Proc. 2018-58, 2018-50 IRB 990 (Dec. 10, 2018), that are due to be performed on or after Sept. 25, 2024, and before Sept. 25, 2025.

What are "OTHER ACTIONS" extended? - Reg 301.7508A-1(c)(1) & Rev Proc 2018-58

If during the deferral period:

1. IRA contributions
2. Retirement plan contributions (including return of excess contributions, like 401k plans) normally required to be made by the extended due date of the tax return
3. Time-sensitive actions **listed in Rev Proc 2018-58** (not comprehensive):
   - 60-day Rollover Period for IRA Distributions
   - Making HSA And Archer MSA Contributions
   - 45-day Identification/180-day Exchange Period for Sec 1031 exchanges
   - Adoption, Election, or Retention of Accounting Methods and Periods
   - Amending Returns Or Petitioning Tax Court Where Statute Ran During Deferral Period
   - Election To Relinquish Carryback of NOL

Federal Level – Other Items

- The IRS automatically provides filing and penalty relief to any taxpayer with an IRS address of record located in the disaster area. These taxpayers do not need to contact the agency to get this relief.
- The IRS will work with any taxpayer who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area.
- Taxpayers qualifying for relief who live outside the disaster area need to call 866-562-5227.

Claiming Casualty Losses

- Since these areas are considered a federally declared disaster area, they are normally also eligible for a casualty loss deduction using Form 4684.
- Losses may be claimed in the disaster year or the prior year return. (Claiming in the prior year may allow for a faster refund.)
- To identify the loss as a federally declared disaster area, a FEMA disaster declaration number (in this case, 3617-EM)

NCDOR: State-Level Relief

The penalties that qualify for relief (collectively, "Late Action Penalties") are as follows:

- Failure to Obtain a License (G.S. 105-236(a)(2))
- Failure to File a Return (G.S. 105-236(a)(3))
- Failure to Pay Tax When Due (G.S. 105-236(a)(4))
- Failure to File an Informational Return (G.S. 105-236(a)(10))

In addition, Affected Taxpayers that previously received State Penalty Relief through February 3, 2025, due to Tropical Storm Debby generally qualify for State Penalty Relief through September 25, 2025.

What happens if I get an NC notice in error?

- **Penalty Relief:** Submit Form NC-5500, Request to Waive Penalties, or Form NC-5501, Request for Waiver of an Informational Return Penalty and write "Hurricane Helene" at the top of the form.

- **Interest Waiver:** Submit Form NC-5502 online

- As an alternative to the above, you may also just call the Department at 1-877-252-3052 (7:00 am until 4:30 pm Eastern Time, Monday through Friday)

II. Upcoming Tax Legislation

Timeline

- While initially it looked like tax legislation would be coming early in the year, now it looks like it may be later in 2025.
- Current estimate for new bill: July 2025
- TCJA provisions expire at the end of 2025.

What will be the priorities?

Treasury Secretary Scott Bessent (April 2025) said:

- Eliminating taxes on tips, Social Security benefits, and overtime pay
- Deductibility for auto loans for American-made cars
- 100% immediate depreciation (bonus)
- Repeal the clean energy credits from the Inflation Reduction Act
- Lift the SALT Cap

Placeholder for Further Details on New Legislation

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TCJA - Expiring after 2025

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- New markets tax credit (sec. 45D(f)(1)).
- Employer credit for paid family and medical leave (sec. 45S(i)).
- Work opportunity credit (sec. 51(c)(4)).
- Rate on modified taxable income and treatment of credits in the calculation of base erosion minimum tax amount (sec. 59A(b)(2)).
- $5,250 exclusion for certain employer payments of student loans (sec. 127(c)(1)(B)).
- Suspension of exclusion for reimbursement of bicycle commuting (sec. 132(f)(8)).

TCJA - Expiring after 2025

- Suspension of exclusion for moving expense reimbursement (sec. 132(g)(2)).
- Limitation on deduction for State, local, etc., taxes (sec. 164(b)(6)).
- Seven-year recovery period for motorsports entertainment complexes (§ 168(e)(3)(C)(ii) & §(i)(15)(D)).
- Special expensing rules for certain film, television, and live theatrical productions (sec. 181(g)).
- Qualified business income deduction (sec. 199A(i)).

TCJA - Expiring after 2025

- Suspension of deduction for moving expenses (sec. 217(k)).
- Deduction percentages for foreign-derived intangible income and global intangible low-taxed income (sec. 250(a)(3)).
- Deductibility of employer de minimis meals and related eating facility, and meals for the convenience of the employer (sec. 274(o)).
- Look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules (sec. 954(c)(6)(C)).

Bonus Depreciation is going away…

- **We had bonus depreciation of 100% for several years, but now bonus depreciation is going away….**
  - 2023 = 80%
  - 2024 = 60%
  - 2025 = 40%
  - 2026 = 20%
  - After 2026, there is no bonus depreciation

- **House passed a bill in early 2024 to go back to 100% bonus depreciation. The bill failed to pass the Senate though in August 2024.**

III. Beneficial Ownership

Where are we at?

- On March 21, 2025, FINCEN issued an Interim Final Rule that exempts all domestic reporting companies from reporting.
- Foreign reporting companies are still required to report either within 30 days of when the rule is published or the effective date of their US registration.
- US persons associated with foreign entities are also exempt from reporting.

Two Types of Reporting Companies

1) "Domestic Reporting Companies" **(NOT REQUIRED TO REPORT)** which include:
   - Corporations
   - Limited Liability Companies
   - Any other 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.

2) "Foreign Reporting Companies" **(MUST REPORT)** which include:
   - Corporation, limited liability company, or other entity formed under the law of a foreign country, which are "registered to do business in any U.S. state or in any Tribal jurisdiction, by the filing of a document with a secretary of state or any similar office under the law of a U.S. state or Indian tribe."

It should be noted that only foreign companies which are registered to do business in the US are subject to the reporting requirement.

Beneficial Owners

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- Reporting companies will be required to disclose "beneficial owners" which are any individual:

  (1) who directly or indirectly exercises "substantial control" over the reporting company, or

  (2) who directly or indirectly owns or controls 25 percent or more of the ownership interests of the reporting company. The term "ownership interests" appears to be all-encompassing, including stock ownership, ownership through more complex arrangements, and indirect ownership.

- "Substantial control" is based on the power that an individual has over the reporting entity. However, the FinCen website says that a senior officer of an entity will always be deemed to have substantial control. Also, anyone who directs, determines, or exercises substantial influence over, important decisions of the reporting entity is deemed to have substantial control.

Company Applicants

- In addition to providing information about beneficial owners, reporting companies that are created or registered on or after January 1, 2024 must also report the same information for "company applicants", which include individuals who directly file the document that creates, or first registers, the reporting company; as well as individuals that are primarily responsible for directing or controlling the filing of the relevant document.

- If a company engages a business to file the formation papers (like a law firm), then a business address may be used (rather than the residential address of the paralegal or attorney).

IV. Worker Issues

Sec 530 Relief under the Revenue Act of 1978

- **Allows for a worker to be treated as an independent contractor, if 3 requirements are met:**
  - **Reporting consistency** – Must have previously filed all required federal tax returns and information returns consistent with the worker being treated as an independent contractor.
  - **Substantive consistency** - Treated all workers holding substantially similar roles with similar responsibilities the same way.
  - **Reasonable basis** - The taxpayer had a reasonable basis for treating workers as independent contractors based on judicial precedent, prior audit results, industry practice, or other reasonable basis.

Voluntary Classification Settlement Program (VCSP)

- A taxpayer participating in the VCSP will agree to prospectively treat the class or classes of workers as employees for future tax periods. In exchange, the taxpayer will:
    - Pay 10% of the employment tax liability that would have been due on compensation paid to the workers for the most recent tax year, determined under the reduced rates of section 3509(a) of the Internal Revenue Code.
    - Not be liable for any interest and penalties on the amount; and
    - Not be subject to an employment tax audit with respect to the worker classification of the workers being reclassified under the VCSP for prior years.

Voluntary Classification Settlement Program (VCSP)

- A taxpayer must file Form 8952 and be eligible to participate in the VCSP:
    1. A taxpayer must have consistently treated the workers to be reclassified as independent contractors or other nonemployees, including having filed all required Forms 1099 for the workers to be reclassified under the VCSP for the previous three years to participate.
    2. Additionally, the taxpayer cannot currently be under employment tax audit by the IRS and the taxpayer cannot be currently under audit concerning the classification of the workers by the Department of Labor or by a state government agency.
    3. If the IRS or the Department of Labor has previously audited a taxpayer concerning the classification of the workers, the taxpayer will be eligible only if the taxpayer has complied with the results of that audit and is not currently contesting the classification in court.

Rev Rul 2025-3

- **Scenario 2** – Taxpayer pays workers wages (and reports on an employment tax return). Also, pays bonuses – but reports these payments on a 1099. **No relief available.** Workers are not being reclassified.

- **Scenario 3** – Same as 2, except no information return is filed on the bonuses. **No relief available.**

- Scenario 5 – Same as 3, but a third-party payroll provider is used. **No relief available.**

Takeaways

- How you pay and report payments to workers matters. Paying a contractor in any way other than by the project risks the worker being reclassified as an employee.
- Relief is generally available if you have misclassified workers, but only if you are consistent in how you pay people.
- Workers and Employers both have an interest in getting classification correct.

V. Misc Items

New Section 83(b) election form – Nov 7, 2024

- The IRS has created a new form for taxpayers to claim an IRC Section 83(b) election, which allows taxpayers receiving unvested property in connection with the performance of services to elect taxation upon transfer rather than vesting - Form 15620, Section 83(b) Election.
- It is available for immediate use, although taxpayers are **not required to use it.** Like taxpayer-created elections, it can be signed electronically.
- An IRC Section 83(b) election, which is generally irrevocable, must be made no later than 30 days following the transfer date.
- Historically, there was no IRS form for making this election — tax professionals typically drafted the election themselves using the relevant text from Treas. Reg. Section 1.83-2 or Revenue Procedure 2012-29 and submitted it by mail.
- Electronic filing is expected to be available in the future if taxpayers use Form 15620. In the meantime, Form 15620 must be filed by mail, consistent with existing IRC Section 83(b) filing procedures.

Form **15620** (October 2024)	Department of the Treasury - Internal Revenue Service **Section 83(b) Election**	OMB Number 1545-0074

The undersigned taxpayer hereby elects, pursuant to § 83(b) of the Internal Revenue Code of 1986, as amended, to include in gross income as compensation for services the excess (if any) of the fair market value of the property described below over the amount paid for the property.

1. The taxpayer's name, taxpayer identification number (TIN), and address:

Taxpayer's name	Taxpayer's TIN

Address *(number and street)*

City	State or province	ZIP or postal code	Country

2. The property which is the subject of this election is *(describe property and quantity below)*

3. The date the property was transferred

4. Taxable year for which the election is being made *(taxable year that includes the date the property was transferred as reported in Box 3)*

5. The property is subject to the following restrictions *(describe applicable restrictions below)*

6. The total fair market value of the property at the time of transfer is

a. Value per item		b. Quantity		c. Total fair market value
	x		=	

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7. For the property transferred, the taxpayer paid a total of

a. Price paid per item		b. Quantity		c. Total price paid
	x		=	

8. The amount to include in gross income for the taxable year is *(the result of the amount reported in Box 6(c) minus the amount reported in Box 7(c))*

9. Name, TIN, and address of the person for whom the taxpayer is providing services in connection with the transfer of property:

Name	TIN

Address *(number and street)*

City	State or province	ZIP or postal code	Country

The undersigned taxpayer is the person performing the services in connection with which the property was transferred. The taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to (i) the person for whom the services were performed and (ii) the transferee of the property if the taxpayer and the transferee of the property are not the same person. Under penalty of perjury, the undersigned taxpayer declares that, to the best of undersigned taxpayer's knowledge and belief, the information entered on this Form 15620 is true, correct, complete, and made in good faith.

Taxpayer signature	Date signed

Catalog Number 95376D www.irs.gov Form **15620** (10-2024)

Form 7217 – Who Must File

File with your annual tax return a separate Form 7217 for each date during the tax year that you actually (and not constructively) received distributed property subject to section 732. If you received distributed properties subject to section 732 on different days during the tax year, even if part of the same transaction, file a separate Form 7217 for each date that you received the properties. **Do not file Form 7217 if the distribution consisted only of money or marketable securities treated as money.** Also, do not file Form 7217 for payments to you for services other than in your capacity as a partner under section 707(a)(1) or for transfers that are treated as disguised sales under section 707(a)(2)(B).

Form **7217** (December 2024) Department of the Treasury Internal Revenue Service

Partner's Report of Property Distributed by a Partnership

Attach to your tax return.
Go to *www.irs.gov/Form7217* for instructions and the latest information.

OMB No. 1545-0123
Attachment Sequence No. **217**

Partner's name	Partner's TIN
Distributing partnership's name	Distributing partnership's EIN
Date property was distributed to partner	

Part I **Aggregate Basis of Distributed Property on Distribution Date.** File a separate form for each date a partner received distributed property.

1	Was this distribution in complete liquidation of the partner's interest in the partnership?		☐ Yes ☐ No
2	Was any part of the distribution treated as a sale or exchange under section 751(b)?		☐ Yes ☐ No
3	Partnership's aggregate basis in distributed property (taking into account any basis adjustments under section 732(d), 734(b), or 743(b)) immediately before the distribution. This line should equal the total of Part II, line B, column (b)		$
4	Adjusted basis of the partner's interest in the partnership immediately before the distribution		$
5a	Cash received in the distribution	$	
b	Fair market value of marketable securities (as defined in section 731(c)) received in the distribution	$	
c	Add lines 5a and 5b		$
6	Enter the smaller of line 4 or line 5c		$
7	Gain recognized. Subtract line 6 from line 5c. If zero, enter -0- and go to line 9		$
8	Is U.S. tax required to be paid on the gain entered on line 7?		☐ Yes ☐ No
9	Partner's basis in partnership interest reduced by cash received in the distribution. Subtract line 5a from line 4. If zero or less, enter -0-. See instructions if you recognized gain under section 737 as a result of the distribution		$
10	Aggregate basis to be allocated to the distributed property. For a non-liquidating distribution, enter the smaller of line 3 or line 9. For a liquidating distribution, enter the amount from line 9. Line 10 should equal the total of Part II, line B, column (e)		$

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. Cat. No. 94479B Form **7217** (12-2024)

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Part II Allocation of Basis of Distributed Property

	(a)	(b)	(c)					(d)	(e)
	Description of distributed property (If applicable, include property code. See Pub. 946, Appendix B.)	Partnership's basis in distributed property immediately before the distribution	Check applicable box(es) below. See instructions.					FMV of distributed property	Partner's basis in distributed property after application of section 732
			(i) 732(d)	(ii) 732(f)	(iii) 734(b)	(iv) 743(b)	(v) Reserved for future use		
1		$	☐	☐	☐	☐	☐	$	$
2		$	☐	☐	☐	☐	☐	$	$
3		$	☐	☐	☐	☐	☐	$	$
4		$	☐	☐	☐	☐	☐	$	$
5		$	☐	☐	☐	☐	☐	$	$
6		$	☐	☐	☐	☐	☐	$	$
7		$	☐	☐	☐	☐	☐	$	$
8		$	☐	☐	☐	☐	☐	$	$
9		$	☐	☐	☐	☐	☐	$	$
10		$	☐	☐	☐	☐	☐	$	$
11		$	☐	☐	☐	☐	☐	$	$
12		$	☐	☐	☐	☐	☐	$	$
13		$	☐	☐	☐	☐	☐	$	$
14		$	☐	☐	☐	☐	☐	$	$
15		$	☐	☐	☐	☐	☐	$	$
16		$	☐	☐	☐	☐	☐	$	$
17		$	☐	☐	☐	☐	☐	$	$
18		$	☐	☐	☐	☐	☐	$	$
19		$	☐	☐	☐	☐	☐	$	$
20		$	☐	☐	☐	☐	☐	$	$
21		$	☐	☐	☐	☐	☐	$	$
22		$	☐	☐	☐	☐	☐	$	$
23		$	☐	☐	☐	☐	☐	$	$
24		$	☐	☐	☐	☐	☐	$	$
25		$	☐	☐	☐	☐	☐	$	$
26		$	☐	☐	☐	☐	☐	$	$
27		$	☐	☐	☐	☐	☐	$	$
28		$	☐	☐	☐	☐	☐	$	$
29		$	☐	☐	☐	☐	☐	$	$
30		$	☐	☐	☐	☐	☐	$	$
A	If applicable, enter any totals from any attached Parts II. See instructions	$						$	$
B	Totals for all items	$						$	$

Form 7217 (12-2024)

Use of Technology

- AICPA Statements on Standards for Tax Services (SSTS) 1.4 says that tools (like software) may be used by a professional to enhance his/her understanding of an issue or increase efficiency – but it may NOT replace the practitioner's professional judgement.

- Similarly, technology may not be used to excuse non-compliance with the tax law as demonstrated in a recent court case.

Dealers Auto Auction of Southwest LLC v. Commissioner, TC 2025-38

- Taxpayer was assessed penalties for noncompliance with Form 8300 reporting (reporting of cash receipts over $10,000).
- Taxpayer argued that the software did not work as intended, therefore, they should be entitled to reasonable cause.
- Surprisingly, according to the memo, software malfunctions “can qualify as a failure beyond the filer’s control when it is shown the filer used the software correctly.”

Dealers Auto Auction of Southwest LLC v. Commissioner, TC 2025-38

- Memo: "The instructions for the software suggest that the software prepared Forms 8300 for printing, but Dealers Auto asserts that the software files the forms on the user's behalf.... It is unclear whether the supposed failure was a failure to create the required forms or a failure to file them."

- Taxpayer was not shown to have acted reasonably in the circumstances. No reasonable cause was given.

Summing It Up

- Disaster relief has pushed off many deadlines until 9/25/2025.
- We are expecting a massive tax bill at some point. Reconciliation timeline is difficult to predict.
- BOI has largely gone away, but worker reporting continues to be a focal point.

Thank you!

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