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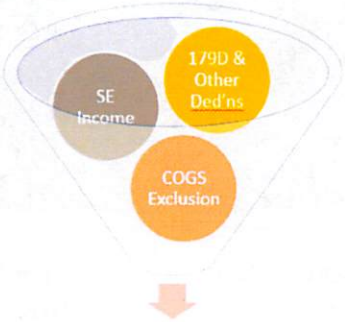
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Construction	✓		✓		
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Home Builders	✓	✓		✓	✓
Real Estate Owners/Investors		✓	✓	✓	✓
Software/Technology	✓				
Manufacturing	✓		✓	✓	
Distribution & Logistics	✓		✓	✓	
Gov. & Tax-Exempt Bldg. Owners			✓	✓	✓

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Federal Tax Update
2024 Developments

Edward K. Zollars, CPA (Arizona)
THOMAS, ZOLLARS & LYNCH, LTD.

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Late Year Tax Bills

Federal Tax Update – 2024 Developments

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President Signs Three Tax Bills into Law

- Bills were:
  - Federal Disaster Tax Relief Act of 2023 (H.R. 5863), 12/12/24
  - VSO Equal Tax Treatment (VETT) Act (H.R. 1432), 12/12/24
  - Employer Reporting Improvement Act (HR 3801) 12/23/24
- First two bills were passed in the Senate by voice vote on December 4, after having passed the House earlier in the year

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Federal Disaster Tax Relief Act of 2023 (HR 5863)

- Excludes from income payments of qualified wildfire relief payments paid to an individual (other than insurance payments) for losses, expenses or damages for any wildfire that was declared a federal disaster after 12/31/14
- Treats as an excludable §139(b) disaster relief payment amounts paid as relief to those impacted by the East Palestine, Ohio train derailment
- Allows individuals to claim an enhanced personal casualty loss under IRC §165(h) for certain disasters declared after 2/24/21 (mainly related to hurricanes)

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VSO Equal Tax Treatment (VETT) Act (H.R. 1432)

- Redefines Veteran Service Organizations that can receive deductible charitable contributions as they were a §501(c)(3) organization
  - Under prior law, a VSO must have 90% or more of its membership consist of wartime veterans
  - In addition to an organization meeting the old law test, donations are deductible if the organization
    - Is a Congressionally chartered entity and
    - 75% of its members are wartime veterans
- Scored cost of this bill over the 10 year budget window was only $1 million (so average cost per year of $100,000) - clearly not expected to have a huge impact

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Employer Reporting Improvement Act (HR 3801)

- Signed into law on December 23, 2024
- Provisions
  - **TIN Reporting Flexibility** - substitution of an individual's full name and date of birth for their Taxpayer Identification Number (TIN) on returns if the reporting entity is unable to collect the TIN
  - **Electronic Statements** - individuals are considered to have consented to receive health coverage statements electronically if they have previously consented to electronic delivery with their employer, unless they revoke consent in writing

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Employer Reporting Improvement Act (HR 3801)

- Provisions
  - **Time for Response** - allows applicable large employers at least 90 days to respond to a proposed assessment of the employer shared responsibility payment before taking further action.
  - **Statute of Limitations on Penalty Assessment** - establishes a 6-year statute of limitations for assessing penalties related to the employer shared responsibility payment, beginning from the due date of the return under section 6056 or the date the return was filed, if later.

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BOI – Have to File, Don't Have to File, Who Knows…

Federal Tax Update – 2024 Developments

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Order, *Texas Top Cop Shop, Inc. v. Garland*, CA5 Case No. 24-40792, Document 140-2, December 23, 2024

- Overturned the nationwide injunction issued by the US District Court for the Eastern District of Texas barring enforcement of the CTA and barring enforcement of deadlines
- Appellate panel found
  - Government was likely to succeed on the merits
  - Government would be irreparably damaged without a stay of the injunction
  - Minimal harm to businesses filing the form if stay is granted
  - Would damage ability of the government to push other countries to reform their anti-money laundering and counterterrorism regimes

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Order, *Texas Top Cop Shop, Inc. v. Garland*, CA5 Case No. 24-40792, Document 140-2, December 23, 2024

- All deadlines applied immediately after the ruling was issued
- But things kept changing…

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Alert, FinCEN BOI Website, December 23, 2024

- FinCEN granted short extensions of FinCEN filing dates following Fifth Circuit ruling
- The extensions are as follows:
  - Companies created or registered before January 1, 2024, now have until January 13, 2025, to file their initial beneficial ownership information reports. These companies would have originally had a deadline of January 1, 2025.
  - Companies created or registered in the United States on or after September 4, 2024, that had a filing deadline between December 3, 2024, and December 23, 2024, also have until January 13, 2025, to file their initial reports.

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Alert, FinCEN BOI Website, December 23, 2024

- The extensions are as follows:
  - Companies created or registered in the United States between December 3, 2024, and December 23, 2024, have an additional 21 days from their original filing deadline to file their initial reports.
  - Companies that qualify for disaster relief may have deadlines extended beyond January 13, 2025. These companies should follow whichever deadline is later.
  - Companies created or registered in the United States on or after January 1, 2025, have 30 days to file their initial reports after receiving notice that their creation or registration is effective.
  - The plaintiffs in the case National Small Business United v. Yellen are not currently required to report their beneficial ownership information to FinCEN. These plaintiffs include Isaac Winkles, reporting companies for which Isaac Winkles is the beneficial owner or applicant, the National Small Business Association, and members of the National

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Alert, FinCEN BOI Website, December 23, 2024

- The plaintiffs in the case *National Small Business United v. Yellen* are not currently required to report their beneficial ownership information to FinCEN. These plaintiffs include Isaac Winkles, reporting companies for which Isaac Winkles is the beneficial owner or applicant, the National Small Business Association, and members of the National Small Business Association as of March 1, 2024.

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Order Vacating Portion of Stay Order Issued on December 23, 2024, *Texas Top Cop Shop, Inc. v. Garland*, Case No. 24-40792, December 26, 2024

- The Merits Panel that was assigned the emergency appeal decided to revoke the portion of the motions panel's order that stayed the US District Court's injunction barring enforcement of the CTA
- Thus, CTA BOI reporting enforcement was put on hold pending the ultimate resolution of the emergency appeal
- If the schedule is adhered to and no delays, case would be heard in late March

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Application for a Stay of the Injunction Issued by the United States District Court for the Eastern District of Texas, US Supreme Court *Texas Top Cop Shop, Inc. v. Garland*, December 31, 2024

- DOJ has asked the US Supreme Court to step in and issue an order again removing the injunction against enforcement of the BOI/CTA
- As an alternative, only limit it to the named plaintiffs – and perhaps consider this a request to resolve the entire issue of District Court issuing nationwide stays
- Justice Alito required plaintiffs to file their answers by Friday, January 10
- So we might have an answer by the time the session starts…(or not)

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Estate Valuation – Life Insurance Funded Buy/Sell Arrangements

Federal Tax Update – 2024 Developments

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Issue involves a buy/sell at death arrangement where the corporation holds a life insurance policy intended to fund the buyout
    - Per the 11th Circuit when valuing the entity, the redemption liability fully or at least partially offsets the value of the insurance proceeds
    - The 8th Circuit had ruled in this case that that liability does not reduce the value, though the proceeds do increase the value

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

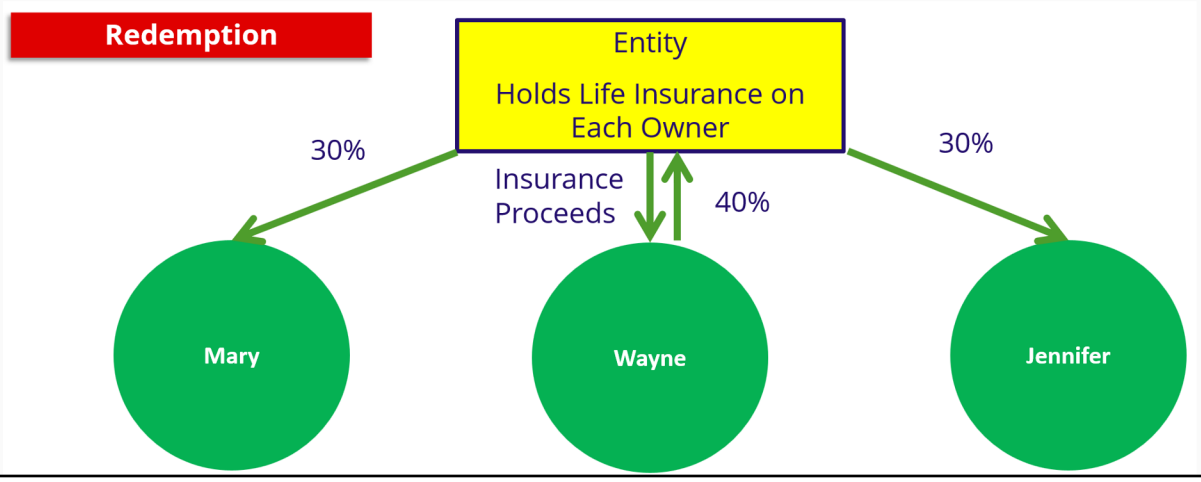
- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Closely held entities often will use life insurance to fund a buy-sell agreement to provide liquidity to allow other owners to continue the business as a whole - but there are two options to do so
    - **Cross-purchase arrangement** - each equity holder buys proportionate share of deceased's interests and holds insurance on each to fund this
    - **Redemption agreement** - the entity redeems the interest and holds the insurance policy

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

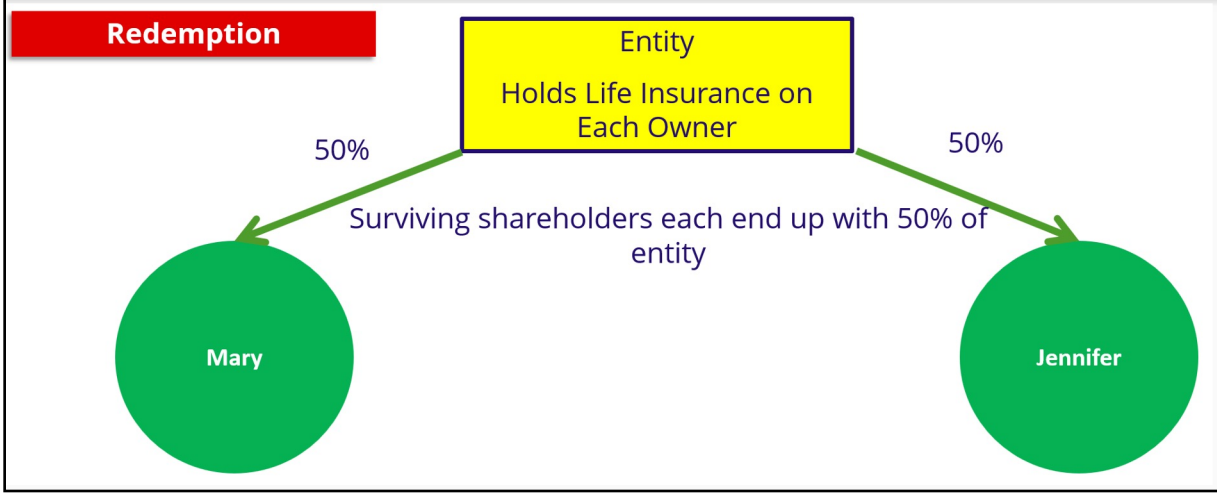


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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements



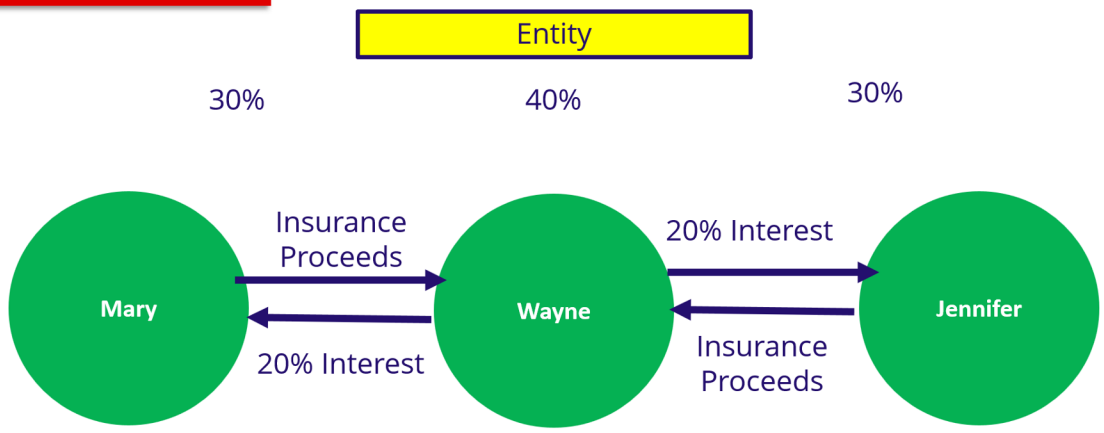
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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

Cross Purchase



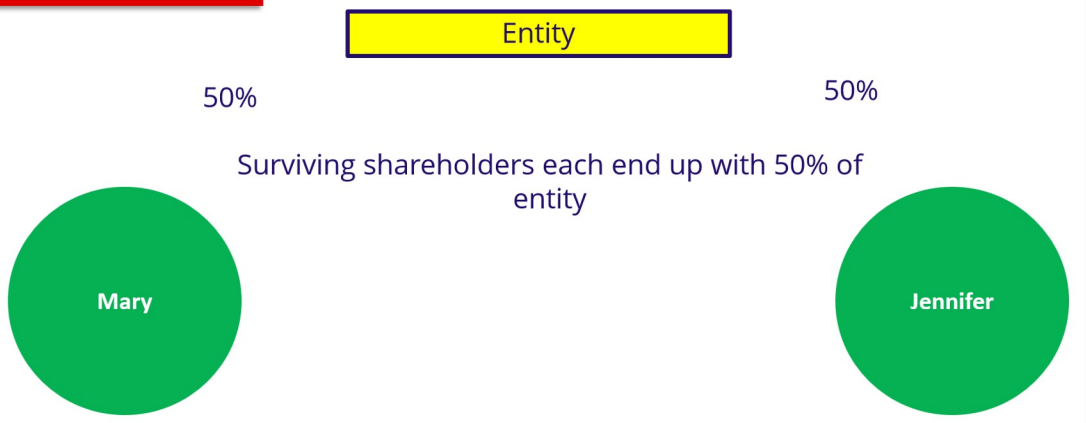
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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

Cross Purchase



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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Buy/sell agreement provided that at either brother's death an independent valuation would be undertaken
    - The other brother would first have the option to acquire the shares at fair market value
    - If the brother declined, then the company was required to redeem the shares at that price
  - Michael Connelly died in 2013 with Thomas as the executor of his estate and his son as the heir

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Thomas did not have the valuation performed, but rather he negotiated a "fair" price with Michael's son
    - The corporation had a $3.5 million life insurance policy on Michael's life
    - The corporation redeemed Michael's shares for $3 million
  - Thomas reported the value of the shares as $3 million on Michael's estate tax return

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - When the IRS examined the estate tax return, Thomas obtained a valuation
    - The firm valuing the interest took the position outlined in *Estate of Blount v. Commissioner*, 428 F. 3d 1338 (CA11 2005) that the redemption price was a liability to be considered
    - The IRS disagreed, holding that the redemption proceeds did not reduce the value of the entity, finding the value of Michael's shares with that adjustment were $5.3 million, not $3 million

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

Estate's View of the Situation – Blount Analysis

Immediately Before Michael's Death		
Shareholder	Percentage Interest	Value (ignoring discounts)
Michael	77.18%	3,000,000
Thomas	22.82%	887,017
Totals	**100.00%**	**3,887,017**

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

Estate's View of the Situation – (*Blount* analysis) *(Ignore fact that actual insurance proceeds were more than redemption amount for purposes of the illustration)*

Receipt of Insurance Proceeds	
Net Value Before Death	3,887,017
Redemption Proceeds	3,000,000
Less Liability for Redemption	(3,000,000)
Value of the Company Following Michael's Death	**3,887,017**

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

But the IRS says there's more than $3,000,000 in value being transferred – before death

Immediately Before Michael's Death	
Shareholder	**Value Held by Family**
Michael	3,000,000
Thomas	887,017
Totals	**3,887,017**

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

But the IRS says there's more than $3,000,000 in value being transferred – after death family has seen an overall increase in wealth – Thomas got $3,000,000 of stock and Michael's son got $3,000,000 cash.

After Michael's Death and Redemption		
Individuals	**Asset**	**Value**
Michael	Cash	3,000,000
Thomas	Stock (100%)	3,887,017
Total		**6,887,017**

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Who is right?
  - The Supreme Court sided with the IRS in a unanimous decision
  - A key factor was the Court's finding that when a corporation redeems shares, the value must go down - but to accept the estate's numbers we had to find that the corporation was worth the same amount the day after it wrote a $3 million check to redeem an equity interest as it was the day before

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - The Court in oral arguments noted that Thomas received value from Michael's estate in addition to Michael's son
    - Michael got $3 million in exchange for his father's interest in the company
    - But Thomas now had a 100% ownership interest in a company worth $3.86 million rather the 22.82% interest in a company worth the same amount on the day before Michael died

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - The Justices believed that the transfer of value to Thomas was going untaxed if the court followed the 11th Circuit's reasoning
  - The decision raises questions about the use of redemption agreements where the insurance policies to fund the agreement are held by the entity
  - Justice Thomas pointed out that a cross-purchase arrangement would have resulted in a lower valuation, but the brothers decided against going that route

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - What do we do now?
    - Review your entities where the estate planning goal is not to simply have the descendants inherit or be gifted the business
      - Note the potential inclusion of a portion of the life insurance proceeds in a decedent's estate
      - Is not a problem if there still won't be a taxable estate (but remember that what's a taxable estate is scheduled to change in 2026)
      - Also be sure to consider if there might be a state estate tax that follows federal valuation provisions

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Options if there is an issue
    - Could buy additional life insurance to pay the additional estate tax
      - Would need to structure it in such a way as to avoid estate inclusion of these proceeds if possible
      - This solution does require that all shareholders be insurable so that sufficient insurance can be obtained

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Options if there is an issue
    - Justice Thomas' solution – use a cross-purchase agreement
      - Insurability will still be an issue as likely multiple new policies will have to issued
      - In the case before the court it would not have been terribly more complex than the redemption structure – only two shareholders and both part of the same family

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Options if there is an issue
    - Justice Thomas' solution – use a cross-purchase agreement
      - Cross-purchase becomes much more difficult to deal with the more shareholders there are and the more often shareholders come and go

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Since it appears to arrive at the same result, why does a cross-purchase not have a similar problem?
    - Thomas would have received the funds to pay for the estate's shares
    - Under IRC §101 would almost certainly have those funds excluded from Tom's income – so the increase in value comes from tax exempt income that was held by a third party, not a corporation Michael had an interest in
    - Do want to make sure there are no incidents of ownership held by the insured – that would also yank it into his estate

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Supreme Court Determines Estate Valuation Impact of Funded Stock Redemption Agreements

- *Estate of Connelly v. United States*, USSC Case No. 23-146, June 6, 2024
  - Other issues
    - Basis
      - With a cross-purchase Tom would have $3,000,000 in basis in the shares he bought from Michael's estate
      - The court doesn't address it, but would Tom also now get an increase in the basis of his shares under IRC §1014? While he has no new, he does have additional equity.

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The End of *Chevron* Deference

Federal Tax Update – 2024 Developments

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - Not a tax issue, but deals solely with whether a court is bound by the Supreme Court's *Chevron U. S. A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U. S. 837 (referred to as *Chevron* deference)
  - The Court had been chipping away at *Chevron*, creating a number of special cases that worked around *Chevron* but had not explicitly overturned the case
  - In 2010 the Supreme Court had issued the opinion in *Mayo Foundation for Medical Ed. and Research v. United States*, 562 U.S. 44 (2010) that did cite *Chevron* but also found a delegation by Congress to the IRS at IRC §7805(a) (Justice Roberts wrote both opinions)

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - What was *Chevron* deference? Applied a two-pronged test for a court to determine a tax regulation's validity
    - First, did the IRC itself unambiguously address and provide an unambiguous answer on the matter is question – if so that is the answer & a contrary regulation is invalid
    - If there is ambiguity, is Treasury's regulation a reasonable interpretation of the law? If so, the regulation is valid even if the Court believes there exists a better reasonable interpretation using standard statutory interpretative techniques

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - Case involved cases on fishing rules where the court had decided the case based solely on reliance on *Chevron* deference
    - Found the statute was ambiguous on the issue in question (charges to certain boats to pay for observers)
    - However, courts concluded applying such charges to the boat owners was a reasonable interpretation of the statute (thus valid under *Chevron*)
    - Did not consider if that was the "best" interpretation of the law

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - Majority opinion found that the *Chevron* was in violation of the Administrative Procedures Act
  - Courts are in charge of the proper interpretation of legal issues
    - Agency's position is deserving of *respect* assuming there is a reasonable amount of evidence behind it
    - However, the Court is not *required* to accept that position, even if it is a reasonable interpretation of the law
    - Rather Court applies standard methods of statutory interpretation

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - That respect can extend to legal issues that are impacted by the agency's special expertise, but not all legal issues benefit from the agency's subject matter expertise
  - Agencies will receive more respect for their position on factual issues related to their expertise
  - Argued that *Chevron* did not provide uniformity or predictability for application of the law, one of the key arguments of the government and the dissent

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - *Stare decisis* is not adequate to save *Chevron* in the majority's view, as it was poorly decided and not useful
  - However, the mere fact a precedential case issued before this opinion was decided based on *Chevron* deference does not mean it is automatically invalid

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - Tax impacts – while it will be easier to challenge an IRS regulation in court, that only helps if you truly can afford to take the IRS to court
    - Don't expect IRS agents to accept such a challenge absent existing clear controlling precedent (you need someone else to get it to trial)
    - However, if a client has the resources and it would make economic sense to take the matter to trial, you may find the IRS decides to settle before the matter could get to court if Counsel believes your case may have merit (want to avoid a problematic decision) - *Jarrett et al v. United States* where the IRS avoided trial on staking

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The End of *Chevron* Deference

- *Loper Bright Enterprises v. Raimondo*, USSC Case Nos. 22-451 and 22-1219, June 27, 2024
  - As *Chevron* only affects regulations, may see the IRS lean harder on unofficial guidance (website, announcements, etc.)
  - Since the "correct" answer seems unclear to judges at times (see the 6-2 decision in this case), expect to see more Circuit splits (where a taxpayer lives may have an impact on the law unless the taxpayer can litigate at Court of Claims or get SCOTUS to hear the case)
  - Will also need to see how much difference the "respect" test makes vs. *Chevron* deference

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Self-Employment Taxes and Limited Partners

Federal Tax Update – 2024 Developments

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Partnership provided investment advisory and management services to affiliated private equity funds that invested in oil and gas, mining and power.
  - Had five limited partners who functioned similar to employees
  - General partner (another partnership) had all management authority, but could (and did) delegate that power to the limited partners
  - Limited partner agreement required all limited partners to devote substantially all of his/her business time and attention to the partnership
  - Only one partner had made a contribution of assets to the partnership ($8 million) with all other partners having been granted profits interests

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Only one partner had made a contribution of assets to the partnership ($8 million) with all other partners having been granted profits interests
  - Limited partners were actively involved in the partnership and investors had the right to withdraw their investments early if one or more partners died, became disabled or no longer could devote all of their time to the funds
  - Denham Capital Management GP LLC (the general partner) did not make any guaranteed payments or distributions to the partners in 2016 or 2017

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Rather, the limited partnership made guaranteed payments to the limited partners and the general partnership
  - Distributions were made based on each partner's distributive share of the LP's profits
  - Guaranteed payments were far less than 10% of the amount each partner received as their standard ordinary income distribution - and only guaranteed payments were counted as self-employment income

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Citing the Tax Court's prior decision in *Soroban Capital Partners LP v. Commissioner*, 161 T.C. 310 (2023), the found it had jurisdiction to decide if a state law limited partner qualified for the §1402(a)(13) exclusion from self-employment income
  - The court again looked to the phrase "limited partner, as such" noting that the term "as such" must be assigned a meaning under the "lack of surplusage" canon of statutory interpretation
  - Those words must have a meaning the limits the application of "limited partner"

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Relying upon *Renkeymeyer, Campbell & Weaver, LLP v. Commissioner*, 136 TC 237 (2011) the court applied a functional test to the limited partners
  - Functional test:
    - Passive investor vs. Active Participant
    - Source of Income - did income arise from active management of investments (services performed) or from passive returns on capital
    - Partner's Role in Generating Income

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Functional Test Must Be Applied to State Law Limited Partners to Determine Qualification Under §1402(a)(13)

- *Denham Capital Management LP et al. v. Commissioner*, TC Memo 2024-114, December 23, 2024
  - Functional test:
    - Capital Contributions vs. Distributive Share - most partners had contributed nothing but obtained large distributions
    - Management and Decision Making
    - Time Commitment
  - In this case, the court found the functional analysis clearly found that these partners did not qualify for the federal §1402(a)(13) exclusion despite being state law limited partners

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Post-SECURE Act RMD Regulations and Final Relief

Federal Tax Update – 2024 Developments

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IRS Finalizes Regulations on SECURE Act and SECURE Act 2.0 RMDs

- TD 10001, July 19, 2024
  - Proposed regulations were released in 2022 providing guidance for changes to required minimum distribution rules found in 2019's SECURE Act
  - Before the regulations could be finalized, Congress passed the SECURE 2.0 Act in 2022 which made additional changes to some of these provisions
  - One of the major provisions of the Act was the elimination of most "stretch IRA" programs, requiring all funds be out of defined contribution programs by 10 years after the year of death

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IRS Finalizes Regulations on SECURE Act and SECURE Act 2.0 RMDs

- TD 10001, July 19, 2024
  - General rule - so long as there is designated beneficiary the entire balance must be distributed out of the plan by the end of the 10th year following the year of death
  - The 10-year rule applies regardless of whether or not the decedent had lived beyond his/her required beginning date and thus had been receiving required minimum distributions
  - But the IRS noted that IRC §401(a)(9)(B)(i) was not repealed or overridden by either Act.

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IRS Finalizes Regulations on SECURE Act and SECURE Act 2.0 RMDs

(B) Required distribution where employee dies before entire interest is distributed.

(i) Where distributions have begun under subparagraph (A)(ii). A trust shall not constitute a qualified trust under this section unless the plan provides that if--

(I) the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii), and

(II) the employee dies before his entire interest has been distributed to him,

the remaining portion of such interest *will be distributed at least as rapidly as under the method of distributions being used under subparagraph (A)(ii) as of the date of his death*.

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IRS Finalizes Regulations on SECURE Act and SECURE Act 2.0 RMDs

- TD 10001, July 19, 2024
  - Due to many comments received by the IRS and the fact that many individuals inheriting impacted IRAs and defined contribution plan balances in pay status the IRS released a number of relief Revenue Notices that applied to distributions that would have due in years 1-9 from 2021-2024
    - Notices 2022-53, 2023-54 and 2024-35
    - Provided that no penalties would be imposed for failure to take the annual distributions in particular years
    - There would be no sanctions on plans that failed to make such distributions

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IRS Finalizes Regulations on SECURE Act and SECURE Act 2.0 RMDs

- TD 10001, July 19, 2024
  - The required distributions in years 1-9 were retained in the final regulations
  - No requirement was added in the regulations to "catch up" for any distributions skipped under the Notices in 2021-2024 (some had concerns about this)
  - Does mean those distributions will be required in 2025 and subject to penalties and plan sanctions if not made in that year or later years

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Proposed Regulations Address the Problem of Those Born in 1959

- REG-103529-23, July 19, 2024
  - Proposed regulations also issued to address items raised in the SECURE 2.0 Act that the IRS believes should be subject to comments
  - One of the key items is dealing with a drafting error in the Act that impacts only those born in 1959
  - The law provided for later required beginning date *applicable ages*. The age now is:
    - 73 for those who attain age 73 before 2033 and
    - 75 for those who attain age 74 after 2032
  - The problem is that those born in 1959 attain
    - Age 73 in 2032 and (*applicable age 73*)
    - Age 74 in 2033 (*applicable age 75*)

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Proposed Regulations Address the Problem of Those Born in 1959

- REG-103529-23, July 19, 2024
  - Regulation has decided those born in 1959 have an applicable age of 73
  - Picked the lower option – but Congress has lots of time to pass a technical correction

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Federal Tax Update 2024 Developments

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