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**A. TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS ACT OF 2024 (H.R. 7024)**

On Jan. 31, 2024, with a bipartisan vote of 357-70, the House passed the Tax Relief for American Families and Workers Act of 2024 ([H.R.7024 - 118th Congress \(2023-2024\): Tax Relief for American Families and Workers Act of 2024 | Congress.gov | Library of Congress](#)). However, thus far the bill has not moved in the Senate even though it had overwhelming bipartisan support in the House. At this time, it is unclear whether H.R. 7024 will become law. However, since the bill has many retroactive effective dates, I have outlined below a summary of the major provisions in the bill. If the Senate passes the bill, I will provide a more detailed analysis of the provisions included in the final legislation.

**1. Modification to Refundable Child Tax Credit.**

- Calculation of Refundable Credit on a Per-Child Basis.** Under current law, the maximum refundable child tax credit for a taxpayer is computed by multiplying that taxpayer's earned income in excess of \$2,500 by 15%. This provision modifies the calculation of the maximum refundable credit amount by providing that taxpayers first multiply their earned income (in excess of \$2,500) by 15%, and then multiply that amount by the number of qualifying children. This provisions would be effective for tax years 2023, 2024 and 2025.
- Modification in Overall Limit on Refundable Child Tax Credit.** The proposal would temporarily increase the maximum amount of the refundable child tax credit per qualifying child from \$1,600 in 2023 to \$1,800 in 2023, \$1,900 in 2024, and the full amount of the child tax credit for qualifying children (\$2,000, adjusted for inflation) in 2025. This temporary increase of the maximum amount of the additional child tax credit expires for taxable years beginning after 2025.
- Rule for Determining Earned Income.** For tax years 2024 and 2025, taxpayers may, at their election, use their earned income from the prior taxable year in calculating their maximum child tax credit if the taxpayer's earned income in the current taxable year was less than the taxpayer's earned income in the prior taxable year.



IRS Commissioner Werfel has stated that if these proposed retroactive changes in the child tax credit become law, the IRS will automatically issue refunds to individuals who have filed returns claiming the child tax credit prior to the passage of the provision.

- Deduction for Domestic Research and Experimental Expenditures.** For taxable years beginning after Dec. 31, 2021, §174 requires specified research or experimental expenditures to be capitalized and amortized ratably over a 5-year period (or, in the case of expenditures attributable to research conducted

outside of the United States, over a 15-year period). Specified research or experimental expenditures required to be capitalized include expenditures for software development.

The proposal suspends the capitalization and amortization provision for **domestic** research or experimental expenditures **paid or incurred in taxable years beginning after Dec. 31, 2021, and before Jan. 1, 2026.**

Research or experimental expenditures attributable to research conducted outside the United States (“foreign research or experimental expenditures”) must continue to be capitalized and amortized over 15 years. Therefore, the proposal would allow a taxpayer to 1) deduct domestic research or experimental expenditures; 2) elect to capitalize certain domestic research or experimental expenditures and recover them ratably over a period of no less than 60 months; or 3) capitalize certain domestic research or experimental expenditures.


- 3. Extension of 100% §168(k) Bonus Depreciation.** An additional first-year depreciation deduction of 100% of the adjusted basis of qualified property is allowed for property acquired and placed in service after Sept. 27, 2017, and before Jan. 1, 2023 (Jan. 1, 2024, for long-production-period property and noncommercial aircraft). Under current law for property placed in service after 2022, the 100% §168(k) deduction is reduced as follows for property placed in service: **1) During 2023 — 80%, 2) During 2024 — 60%, 3) During 2025 — 40%, 4) During 2026 — 20%, and 5) After 2026 — 0%** (with an additional year for long-production-period property and noncommercial aircraft).

**The proposal would provide a 100% §168(k) bonus depreciation deduction for property acquired after Sept. 27, 2017, and placed in service before Jan. 1, 2026** (Jan. 1, 2027, for long-production-period property and noncommercial aircraft). The 100% §168(k) deduction would be reduced as follows for property placed in service: **1) During 2026 — 20%, 2) After 2026 — 0%** (with an additional year for long-production-period property and noncommercial aircraft).

- 4. Increase in §179 Deduction.** For taxable years beginning in 2024, the maximum §179 deduction is scheduled to be \$1,220,000. The deduction is scheduled to be reduced for each dollar of qualified §179 property placed in service during the taxable year in excess of the phaseout threshold which is scheduled to be \$3,050,000.

The proposal would increase the maximum §179 deduction **for the taxable year beginning in 2024** to \$1,290,000 and would increase the phaseout threshold to \$3,220,000. The \$1,290,000 and \$3,220,000 amounts would be indexed for inflation for taxable years beginning after 2024.

- 5. Extension of Addback for Depreciation, Amortization, and Depletion in Determining the Limitation on the Business Interest Expense Deduction (§163(j)).** The deduction for business interest expense is generally limited to the sum of 1) business interest income of the taxpayer for the taxable year; 2) 30% of the adjusted taxable income of the taxpayer for the taxable year (not less than zero); and 3) the floor plan financing interest of the taxpayer for the taxable year. Thus, other than floor plan financing interest, business interest expense in excess of business interest income is generally deductible only to the extent of 30% of adjusted taxable income.

 The business interest limitation does not apply to any taxpayer (other than a tax shelter prohibited from using the cash method under section 448(a)(3)) that meets the \$25 million (as adjusted for inflation) gross receipts test of section 448(c). In addition, at a taxpayer's election, 1) any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing or brokerage trade or business (referred to as an “electing real property trade or business”) or 2) any farming business or any business engaged in the trade or business of a specified agricultural or horticultural cooperative (referred to as an “electing farming

business”) is not treated as a trade or business for purposes of the limitation. Also, the limitation does not apply to certain regulated public utilities.

For taxable years beginning after Dec. 31, 2021, “adjusted taxable income” means the taxable income of the taxpayer computed without regard to: 1) any item of income, gain, deduction or loss that is not properly allocable to a trade or business; 2) any business interest or business interest income; 3) the amount of any net operating loss deduction; or 4) the amount of any deduction allowed under section 199A. **For taxable years beginning before Jan. 1, 2022**, any deduction allowable for depreciation, amortization or depletion is also added back in calculating adjusted taxable income.

The proposal provides that for taxable years beginning after 2023 and before 2026, adjusted taxable income is computed without regard to the deduction for depreciation, amortization or depletion. The proposal also provides that a taxpayer **may elect** to apply this provision to taxable years beginning after Dec. 31, 2021, and before 2026.

## **6. Enforcement Provisions for Employee Retention Credit (ERC).**

- a. **No ERC Refunds Where Claim Filed After 1/31/24.** The proposal provides that no credit or refund of the ERC shall be allowed or made after Jan. 31, 2024, unless the claim for the refund or credit is filed on or before that date.
- b. **Extension of Statute of Limitations on IRS Assessments to 6 Years.** The proposal extends the statute of limitations on assessment for the ERC to six years after the latest of: 1) the date on which the original return for the relevant calendar quarter is filed; 2) the date on which the return is treated as filed under present-law statute of limitations rules in §6501; or 3) the date on which the credit or refund with respect to the ERC is made. In addition, the proposal extends the statute of limitation for claiming a refund for the restoration of any wage deduction allowed because of the disallowance of the ERC to match the above extension of the statute for assessments.
- c. **Penalties for ERC Promoters.** Under current law, a \$1,000 penalty may apply to a person who knows or has reason to know that an understatement of the tax liability of another person would result from the use of his aid, assistance or advice. H.R. 7024 would increase the penalty for aiding and abetting the understatement of a tax liability by a COVID-ERC promoter to the greater of \$200,000 (\$10,000 in the case of a natural person) or 75% of the gross income of the ERC promoter derived (or to be derived) from providing aid, assistance or advice with respect to a return or claim for ERC refund or a document relating to the return or claim.

Under current law, certain material advisors are required to disclose information to the IRS for designated types of transactions (i.e., “listed transactions”) and to make lists of advice recipients with respect to such transactions available to the IRS upon request. Under H.R. 7024, a COVID-ERC promoter would similarly be **required to file return disclosures and provide lists of clients to the IRS upon request. This provision is effective 90 days after enactment for any aid, assistance or advice provided by a COVID-ERC promoter with respect to an ERC document before the date of enactment.**

**A COVID-ERC promoter** is defined as any person who provides aid, assistance or advice with respect to an affidavit, refund, claim or other ERC document and 1) the person charges fees based on the amount of the refund or credit and the aggregate gross receipts for aid, assistance and advice for all ERC documents for the year of the aid, assistance or advice or for the preceding year exceeds 20% of the person’s gross receipts for the relevant year; or 2) with respect to such person’s taxable year in which such person provided such assistance or the preceding taxable year — a) the aggregate gross receipts of

such person for aid, assistance and advice with respect to all ERC documents exceeds 50% of the gross receipts of such person for such taxable year, or b) both — i) such aggregate gross receipts exceeds 20% of the gross receipts of such person for such taxable year, and ii) the aggregate gross receipts of such person for aid, assistance and advice with respect to all ERC documents (determined after applying the related party aggregation rules under §52) exceeds \$500,000.



Certified professional employer organizations (PEOs) described in §7705 are not treated as COVID-ERC promoters.

An "ERC Document" means any return, affidavit, claim or other document related to any COVID-related employee retention tax credit, including any document related to eligibility for, or the calculation or determination of any amount directly related to any COVID-related employee retention tax credit.

**7. Increased Threshold for Requiring Information Reporting With Respect to Certain Payees. Effective for payments made after 2023,** the proposal changes the information reporting threshold under §6041(a) for certain payments made by persons engaged in a trade or business (e.g., 1099-MISC and 1099-NEC payments) and payments of remuneration for services and direct sales under §6041A(a) and (b) from \$600 to \$1,000 in a calendar year. The \$1,000 threshold amount is to be indexed annually for inflation after 2024. The proposal also makes a conforming change to the backup withholding dollar threshold to align with the new \$1,000 reporting threshold.

**8. Other Provisions Included in H.R. 7024.** The following is a listing of several other provisions contained in H.R. 7024. For details concerning these provisions as well as the provisions discussed above, please see the legislative text of H.R. 7024 available here – [Text - H.R.7024 - 118th Congress \(2023-2024\): Tax Relief for American Families and Workers Act of 2024 | Congress.gov | Library of Congress](#).

**a. TITLE III — Increasing Global Competitiveness**

Subtitle A — United States-Taiwan Expedited Double-Tax Relief Act

Subtitle B — United States-Taiwan Tax Agreement Authorization Act

**b. TITLE IV — Assistance For Disaster-Impacted Communities**

Sec. 401. Short title.

Sec. 402. Extension of rules for treatment of certain disaster-related personal casualty losses.

Sec. 403. Exclusion from gross income for compensation for losses or damages resulting from certain wildfires.

Sec. 404. East Palestine disaster relief payments.

**c. TITLE V — More Affordable Housing**

Sec. 501. State housing credit ceiling increase for low-income housing credit.

Sec. 502. Tax-exempt bond financing requirement.

**B. IRS WARNS OF SCAMS TARGETING TAX PROFESSIONALS**

**1. EFIN Scam.** The IRS is warning tax professionals about a scam email that tries to steal electronic filing identification numbers (EFINs) to gain access to client data and a tax preparers' identities. IRS says the scheme creates the potential for scammers to file fraudulent tax returns for refunds. The scammers impersonate software companies and say in the email that they need EFIN documents for a required verification to transmit tax returns.

The IRS says it has received dozens of reports of the scam targeting tax professionals and says professionals should be alert for a scam email that includes a U.S.-based area code for faxing EFIN documents and provides instructions on obtaining EFIN documentation from the IRS e-Services site. Scam variations seen by the IRS use different fax numbers for software vendors. Other warning signs of a scam include inconsistencies in the email wording and a German footer in the email. The IRS says tax professionals who receive these emails should not respond to the email and should not proceed with any of the steps displayed in the email. IRS says the body of the fraudulent email states:

*Dear [recipient\_email\_address],  
Help us protect you.*

*Because many Electronic Filing Identification Numbers (EFINs) are stolen each year and used to file fraudulent tax returns, the IRS has asked software vendors, such as Software A, to verify who the EFIN owner is by getting a copy of the IRS issued EFIN document(s). Our records show that we do not have a document for one or more of the EFINs that you transmit with.*

*What this means for you: Until your EFIN is verified, you will be unable to transmit returns. Please provide a copy of your EFIN Account Summary from IRS e-Services, with a status of 'Completed', to Software B for verification.*

*To send us your EFIN Summary document:*

- 1. Fax to Software B at 631-995-5984*

*PLEASE NOTE THAT YOUR PREPARER TAX IDENTIFICATION NUMBER (PTIN) APPLICATION CANNOT BE USED AS DOCUMENTATION FOR YOUR EFIN.*

*If you do not have the above documentation you can get a copy of your IRS Application Summary from IRS e-Services by following the below steps or call the IRS e-Services helpline at 866-255-0654.*

- 1. Sign in to your IRS e-Services account*
- 2. Choose your organization from the list provided and click Submit*
- 3. Click the Application link to access your existing application*
- 4. Click the e-File Application link*
- 5. Select the existing application link that applies to your organization*
- 6. Click the Application Summary link for the area of the application you wish to enter*
- 7. Click the Print Summary link at the bottom of the summary presented on the screen*

*If you have any questions please contact the Compliance Department at xxx-xx-xxxx for assistance.*

*Thank you for your business. We look forward to serving you this coming season. Software B (edited) for verification."*

IRS Commissioner Danny Werfel said in a statement, "This scam serves as a powerful reminder that tax professionals should ensure strong security at their practices, including reminding employees to be careful with any emails coming in that could be posing as an official communication."

IRS says that tax professionals who receive the scam email should report it to the [Treasury Inspector General for Tax Administration](#). The professional should also send the email as an attachment to [phishing@irs.gov](mailto:phishing@irs.gov). The IRS says that tax professionals who suspect data theft has occurred should report it to their local [IRS stakeholder liaison](#).

- 2. New Client Scam.** As part of its “Dirty Dozen” tax scams, the IRS warns tax professionals about a “New Client Scam.” In this scam, the tax preparer receives an email that seems to be from a new potential client. The preparer responds to the email and the scammer sends a malicious attachment or URL usually pretending to be the potential client’s tax information that, if opened, enables the scammer to gain access to sensitive client information on the preparer’s computer systems. IRS says to never click suspicious links, double check the requests with the original sender, and be vigilant year-round — not just during filing season.

## **DISCLAIMER**

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