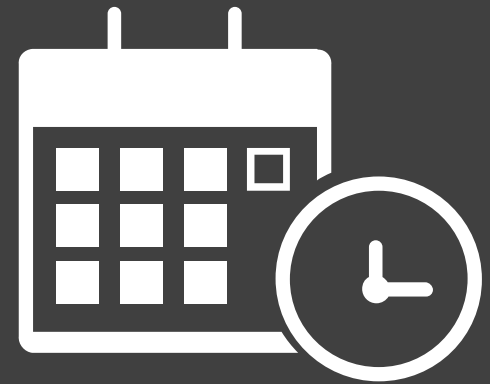


# 2024 Year-End Planning Considerations



# Accrual vs. Cash Method

- ▶ Accrual Basis - Usually Used for Financial Reporting Purposes
  - Revenue Recognized when Earned
  - Expenses are Recognized when Incurred
  
- ▶ Cash Basis - Temporary Deferral of Receivables & Payables and Related Taxes
  - Revenue is Recognized when Received
  - Expenses are Recognized when Paid
    - Credit Line can be used to pay expenses
  - Accrued Pension & Profit Sharing is Deductible if Paid by Filing Date of the Tax Return
  - Credit Card Purchases are Considered a Cash Purchase
  - What to Watch Out For:
    - Undeposited Cash Received is Income
    - Unissued Checks are not Expense

# General Planning

- ▶ PTE Tax Consideration
  - Adopted by Massachusetts with a 10% benefit claw back at individual level
  - Adopted by many additional states across the country
  - Arbitrage Can Result with Non-Resident Member / Shareholders; Example: MA / FL shareholders
  - Analysis as to benefit should be performed to determine benefit
  - Currently PTE tax is only available to cover 5% tax on ordinary income and not the additional 4% MA Millionaires tax
  - Potentially impacted by SALT Cap Sunset
- ▶ Section 179 up to \$1,220,000; \$3,050,000 cap on expendable equipment before limitation; over \$4,270,000 , no 179 Expense Available
  - Cannot be used to create a loss
- ▶ Bonus Depreciation(automatic unless opting out)
  - 60% 2024
  - 40% 2025
  - 20% 2026
- ▶ 163J Limitation of 30% on Deductible Interest Expense
  - depreciation and amortization not considered in calculating base threshold



# Potential Tax Benefits

- ▶ 179D Deduction for Energy Efficient Interior Improvements
  - Current deduction up to \$5.36 per square foot
  - Current Legislation Allows for allocations on projects for federal, state, and local government owned buildings as well as tax exempt entities
  - Requires Careful Consideration
  - Third Party Study is Highly Recommended

- ▶ R&D Credits
  - Third Party Study Recommended
  - New Detail Required to be Disclosed to IRS on form 6765 when calculating the credit.
    - New Section F regarding research expenditures by business component
    - New Section E questions regarding included compensation, business continuity, and the determination of new research expenses.

## Other Considerations

- ▶ ERC (Employee Retention Credit For 2020 and 2021)
  - Course should be about run for this benefit
  - IRS Scrutiny due to many fraudulent claims
- ▶ ERC Benefit is Taxable
  - To the year in which the benefit was derived
- ▶ 20% QBI Threshold Limitation for SSTB
  - Starts at \$191,950 / \$383,900
  - Full Phase Out \$241,950 / \$483,900
- ▶ Excess Business Losses Limitation
  - \$305,000 / \$610,000
- ▶ Meals & Entertainment
  - Business Meals are 50% Deductible
  - Business Entertainment is Not Deductible
  - Holiday Parties / Team Building are 100% Deductible
- ▶ MA Millionaire Tax
  - Applicable for 2024
  - Filing Status - MA follows Federal filing
- ▶ MA Charitable Deduction
  - Allowed on MA return for 2024, event if not itemizing federally



## Other Considerations - continued

The 2017 TCJA Tax Law Expiration at End of 2025

- ▶ 20% QBI Deduction on Pass Through Income
- ▶ 21% Corporate Tax Rate
- ▶ Bonus Depreciation
- ▶ \$5,000 / \$10,000 SALT Cap for Itemized Deductions



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