

## NEWEST TAX INFORMATION

### Corporate Transparency Act

The U.S. Court of Appeals for the 5<sup>th</sup> Circuit issued an order on December 23, 2024 staying the injunction until it had a chance to address the constitutionality of the CTA.

Since the agency recognized that some reporting companies would need additional time to file based on the time the preliminary injunction was in effect, deadlines were changed. For many, the due date has changed to January 13, 2025.

Members of the National Small Business Association (NSBA) are currently not required to file with FinCEN following the Alabama federal court decision.

### LATEST BREAKING NEWS

The merits panel now has the appeal, which remains expedited, and a briefing schedule will issue forthwith. However, in order to preserve the constitutional status quo while the merits panel considers the parties' weighty substantive arguments, that part of the motions-panel order granting the Government's motion to stay the district court's preliminary injunction enjoining enforcement of the CTA and the Reporting Rule is VACATED.

United States Court of Appeals  
Fifth Circuit

**FILED**

December 26, 2024

Lyle W. Cayce  
Clerk

LYLE W. CAYCE, CLERK  
United States Court of Appeals  
for the Fifth Circuit  
/s/ Lyle W. Cayce

ENTERED AT THE DIRECTION OF THE COURT

**IRS SENDING OUT RECOVERY REBATE CREDITS**

The IRS will send out payments to a million eligible taxpayers this month. These payments will be sent automatically to individuals and couples who were eligible for the 2021 recovery credit but did not claim it on their tax returns as filed. Amounts will be sent by direct deposit or by check this month of December, 2024.

The checks will not arrive in most cases until late January 2025.

Taxpayers will receive a letter explaining how the amount was calculated.

\*\*\*I have now gotten several Emails about qualifying for my Stimulus check. Watch for SCAMS.

These rebates are only being sent to those who filed. If you have a taxpayer who has not filed, those returns will need to be filed by April 15, 2025 to qualify for the rebate.

Why were these not caught and already refunded???????????

**SOCIAL SECURITY FAIRNESS ACT PASSED**

Congress voted to eliminate 2 provisions that have kept public service workers, Government employees and foreign pensioners from receiving full Social Security benefits at retirement if they received a government pension. Spouses and widows who receive these pensions will also see an increase in their Social Security benefits.

Tax planning with these retirees will need to be dealt with:

- Increased taxable income from Social Security
- No additional tax will be taken out of this increase unless they file a W-4V
- Taxpayers will need to review their complete tax situations to take this change into account

This is retroactive to 2024. Taxpayers that qualify will get the 2024 additional amount AND the higher amount for 2025.

This is projected to cost \$196 billion over the next 10 years accelerating Social Security insolvency by 6 months.

## **TAX RELIEF FOR VICTIMS OF FEDERAL DISASTERS**

Individuals can deduct uninsured personal losses in excess of a \$500 threshold without regard to the 10%-of-adjusted-income offset that usually applies. This loss is treated as additional standard deduction for nonitemizers. This applies to disasters in 2020-21-22-23 & 24. Amended returns must be filed by December 12, 2025. Yes, this is retroactive!

## **PROPOSED UPDATES TO CIRCULAR 230**

The IRS and Treasury Department have issued proposed regulations that would update the rules in Circular 230 that apply to tax professionals who practice before the IRS. The proposed changes are:

- Duty to maintain technological competence used by a practitioner to provide services to clients or store and transmit confidential information, including tax return information.
- Classifying certain types of fees as disreputable conduct. These fees include unconscionable fees & contingent fees for preparation and representation.
- Expansion of conduct that could be sanctioned including conduct related to their overall fitness to practice.
- Update best practices to include data security, mental impairment of a practitioner and business continuity and succession plans.
- Remove rules governing registered tax return preparers that the agency stopped enforcing after the 2013 court decision on Loving v. IRS for Registered Tax Return Preparers.



A public hearing on the proposed Circular 230 amendments is scheduled for March 6, 2025. Anyone is encouraged to submit their concerns.

**MULTI-FACTOR AUTHENTICATION NOW REQUIRED for TAX PROFESSIONALS**

All tax professionals are now required under the Federal Trade Commissioner's safeguards rule to use multi-factor authentication to protect clients' sensitive information. We will need a username and a password and something like a random number sent to their cellphone to provide assurance that a tax pro is the one gaining access.

**RECENT TAX COURT CASE FOCUSES ON LACK OF SUBSTANTIATION**

Deductions on tax returns with detailed records to substantiate expenses are necessary to prove expenses.

The expenses must be ORDINARY and NECESSARY under IRC 162. There are additional requirements under IRC 274(d) for things such as meals and travel. Home office must meet the tests for regular and exclusive use.

Most of these records should be contemporaneous.

In the case of Katherine J. Kelk v. Commissioner, Katherine was unable to substantiate the business expense deductions taken for any year. However, she was able to substantiate gambling losses claimed.

When a taxpayer fails to keep records of his deductible expenses, the court has discretion to estimate those expenditures where there is evidence that the expenses were actually incurred. However, this is not allowed "if the taxpayer could have produced documentation".

In this case the taxpayer supplied 218 pages of accounting ledger for his 7 businesses but said he had all the records in storage and had no access to them. He provided no documents for evidence of payment nor any loan documents or anything else that was evidence of an obligation to pay any of the expenses.

### **DECEASED TAXPAYER REFUND DELAY**

The IRS processes Form 1310 separately from the tax return. The Form 1310 must be secured and processed before the tax return can be processed. The IRS then must manually process the tax return.

The IRS now is prioritizing processing of these Forms 1310 so that the returns can be processed and the refunds sent timelier.

### **OUR ROLE AS TAX ADVISOR**

Advisory takes TIME, focus and effort.

Advisory requires proactive action tied to what clients' value most.

Must deliver to clients the confidence to trust and be comfortable with us advising them.

We want to deliver the value they need to save tax, grow their businesses and achieve their goals.

### **ASKING for a TRUSTED CONTACT**

We often are the first to recognize when a client misses their usual reporting of information and missing appointments, etc. By asking for a trusted contact, we will have someone to contact that they have set up in advance.

### **SOCIAL SECURITY INCREASES DEATH BENEFIT**

Beginning in 2025 survivor benefits increase from \$255 to \$2,900 and will be indexed for inflation thereafter. The benefit has not been increased since 1954.

### **TIPS TO PROTECT FROM DATA BREACH**

Watch out for phishing emails; Strengthen or change passwords; Do not retain unnecessary files or data; Use multifactor authentication on devices and accounts; AND review credit reports often.

## **IRS RECOVERS BILLIONS IN TAX DUE TO INCREASED FUNDING**

The IRS continues to show dramatic progress on a wide array of the transformational efforts, producing real-world improvements to help taxpayers and businesses. Also, the IRS is taking important steps in the law-enforcement and compliance arenas to protect millions from ongoing schemes, ensure high-income individuals file returns and pay their taxes and penalties and battle everything from terrorist financing to drug trafficking.

## **NEW MICHIGAN LAWS BEGINNING IN 2025**

### **Minimum wage increase**

January 1, 2025, the minimum wage increased to \$10.56 per hour. It will increase again on February 21, 2025 to \$12.48.

Minimum wage for tipped employees increases to \$4.01 per hour. On February 21, 2025 that increases to \$5.99 per hour.

### **Automatic voter registration**

Beginning on June 30, 2025, anyone who applies for a license or state ID card who is eligible to vote will be automatically registered by Michigan Secretary of State.

### **Car safety restraints**

House Bill 4511 will now require that all children age 12 or younger must ride in the rear seat of a vehicle.

### **Michigan unemployment wage base decreased**

In 2025 the taxable wage base fell to \$9,000 per employee from \$9,500 per employee. To qualify for the taxable wage base reduction, an employer must be in good standing which means that all quarterly tax reports must be submitted and no reports are missing or estimated. Also, the employer cannot be delinquent with an unpaid balance of \$25 or more in tax, penalty or interest.