

UNPACKING THE 2024 TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS ACT



The Tax Relief for American Families and Workers Act of 2024 has made its way through the House Ways and Means Committee and is headed for a full House vote on January 29th. Several of its provisions are retroactive to the 2023 tax year. Below is a breakdown of what it means for you.

Child Tax Credit

- The formula for calculating the maximum refundable Child Tax Credit is changing, benefiting those with more than one child in the 2023 tax year.
- Maximum refundable amount increases to \$1,800 from \$1,600.

R&D Expenditures Deduction

- Domestic Research & Development (R&D) Experimentation expenditures would be deducted until December 31st, 2025, instead of being capitalized and amortized over five years.
- No benefit for foreign R&D expenditures.

Business Interest Deductions Simplified

- A simplified method allows adding-back Depreciation and Amortization expenses when calculating deductible interest, making things clearer. An election will be required to use this method for 2022 and 2023 but will be automatic for 2024 and 2025.

Bonus Depreciation Extended

- Enjoy 100% Bonus Depreciation (write-off) for tax years 2023-2025, delaying the drop until 2026 for longer-lived assets.

Section 179 Expensing

- The proposed increase in the expensing limit to \$1,290,000 and a phaseout beginning at \$3,220,000 starting in tax year 2024 offers more flexibility for business asset purchases. The numbers are indexed for inflation going forward.

Forms 1099 Threshold Adjustment

- The threshold for Form 1099 is proposed to increase to \$1,000 for service providers starting in the 2024 tax year. This threshold was last increased in the 1950s.

ERC Enforcement Changes

- Stricter penalties for 'COVID-ERTC promoters' with fines increased to \$200k or more.
- 'Promoter' is defined as one who gets paid based on the amount of the credit and meets a gross receipts test. At least 20% of gross receipts from ERC related aid, assistance or advice is needed to meet the gross receipts test. This new definition and exclusions aim to focus on genuine cases and should exclude reputable CPA firms and Profession Employer Organizations

(PEO).

- The deadline for new ERC claims cut off on January 31, 2024.
- The IRS gets an extended 6-year window to challenge ERC claims.

It's crucial to note that these details might evolve as the final version of the Bill makes its way through Congress. Given the significant impact on 2023 returns, it's essential to stay informed and plan accordingly. Our [Tax Advisors](#) will keep you informed on updates as they develop.