Chapter 13: New Developments

Note. Corrections were made to this workbook through January of 2025. No subsequent modifications were made. For clarification about terms used throughout this chapter, see the **Acronyms and Abbreviations** section following the index.

For your convenience, in-text website links are also provided as short URLs. Anywhere you see **uofi.tax/xxx**, the link points to the address immediately following in brackets.

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FINAL REGULATIONS FOR INHERITED RETIREMENT PLANS

The Setting Every Community Up for Retirement Enhancement (SECURE) Act[1] significantly changed the distribution rules related to inherited employer plans and individual retirement arrangements (IRAs) for many beneficiaries. The Act is effective for defined contribution plans where the account owner dies after December 31, 2019.[2] For taxpayers who inherited retirement plans and IRAs on or before December 31, 2019, the rules were not changed by SECURE. The Act established three tiers of beneficiaries: designated beneficiaries (DB), eligible designated beneficiaries (EDB), and nondesignated beneficiaries. EDBs include surviving spouses and certain other protected individuals. EDBs are still able to use the prior rules relative to inherited plans during their lifetime.[3] This discussion focuses on the changes to the proposed regulations originally issued in February of 2022.[4] The final regulations[5] are generally effective on September 17, 2024.[6] However, the regulations related to determining required minimum distributions (RMDs) apply to calendar years beginning on or after January 1, 2025.[7] IRS Notice 2024-35, issued on April 16, 2024, provides relief from the excise tax due under IRC §4974 when a DB of an inherited plan fails to take an RMD for 2024.

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1. *SECURE Act of 2019*, PL 116-94.
2. Treas. Reg. §1.401(a)(9)-1(b)(2).
3. IRC §401(a)(9).
4. 87 Fed. Reg. 10504 (Feb. 24, 2022).
5. Treas. Regs. §§1.401(a)(9)-1, 1.401(a)(9)-2, and 1.401(a)(9)-5.
6. TD 10001, 2024-33 IRB 412.
7. IRS Notice 2024-35, 2024-19 IRB 1051.

SECURE ACT CHANGES

The SECURE Act sharply curtailed the use of stretch IRAs in planning for inherited IRAs. For a DB, the period for distributions is reduced from their life expectancy to 10 years. Except for surviving spouses and other EDBs, the law requires DBs of IRAs to withdraw all remaining funds within 10 calendar years from the calendar year of the account owner's death.

IRS Final Regulations[8]

In July 2024, the IRS finalized the regulations that require DBs to receive **annual** distributions from inherited plans and IRAs. Waiting until the end of the 10-year period will not be adequate for some beneficiaries.

Death After RBD.[9] In the final regulations, the IRS states that if an account owner dies **after their required beginning date (RBD),** then a DB that is not an EDB is responsible for taking distributions in the following years until the conclusion of the calendar year that includes the **9th anniversary** of the account owner's death. The remaining balance of the account owner's interest in the IRA or qualified plan must be distributed entirely in the following year.

Calculating RMD for DBs. DBs inheriting plans from an individual who dies after their RBD must consider factors such as life expectancy, the value of the retirement plan, and whether there are multiple beneficiaries when calculating their RMD. Initial RMDs are determined using the following equation.

$$\text{RMD} = \frac{\text{Account value at the end of the valuation year}}{\text{Beneficiary's life expectancy}}$$

The final regulations clarify that a DB inheriting from an individual who had reached their RBD must calculate their initial RMD by using the greater of the remaining life expectancy of the deceased account holder or the DB.[10] For this purpose, the DB's life expectancy (as determined using the single life table in Treas. Reg. §1.401(a)(9)-9(b)) is calculated based on their age in the year following the death of the account owner.[11] For calculating subsequent RMDs, the remaining life expectancy used in determining the initial RMD is subtracted by one for each year after the initial RMD.[12]

> **Example 1.** Faith, age 91, died in May 2021 after receiving her RMD from her traditional IRA for 2021. Her daughter, Hope, is the only beneficiary of her IRA. She was born in March 1956 and celebrated her 65th birthday in 2021 before her mother passed away.
>
> Because Hope had her 65th birthday in the year her mother died, she turns 66 in the year immediately after the year of her mother's death. Therefore, she determines that her life expectancy, for RMD purposes, is 22.0 years, as shown in the following table, excerpted from IRS Pub. 590-B. Presumably, 22.0 is greater than Faith's life expectancy, so Hope uses 22.0 as the denominator for computing her RMD in 2022 should she choose to take an RMD in 2022.

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8. 89 Fed. Reg. 58886 (Jul. 19, 2024).

9. Treas. Reg. §1.401(a)(9)-5.

10. Treas. Reg. §§1.401(a)(9)-5(d)(1)(ii) and (3)(i).

11. Treas. Reg. §1.401(a)(9)-5(d)(3)(iii).

12. Ibid.

For Example 1

Table I
(Single Life Expectancy)
(For Use by Beneficiaries)

Age	Life Expectancy	Age	Life Expectancy
60	27.1	91	5.3
61	26.2	92	4.9
62	25.4	93	4.6
63	24.5	94	4.3
64	23.7	95	4.0
65	22.9	96	3.7
66	22.0	97	3.4
67	21.2	98	3.2
68	20.4	99	3.0

The life expectancy is significant even after Hope receives the first RMD. The denominator she uses in 2023 is **not** the value corresponding to age 67, her age in 2023, but one less than the value in the year after her mother's death (i.e., 21.0 years.) Thus, if Hope did not receive an RMD in 2022, she cannot use her life expectancy based on her age of 67 in the year of her first RMD (21.2 years). Hope is required to continue RMDs for years 2025 through 2031 and any remaining balance must be distributed in 2031.

Death Before RBD. The final regulations provide different rules for the beneficiaries depending upon whether the original account owner died before or after their RBD. The IRS clarifies the rules related to RMDs when the **account owner dies before the RBD.**[13] The IRS also affirms that either a 5-year rule, a 10-year rule, or life expectancy payments will determine the distributions.[14] If the account owner does not have a DB, then distributions must satisfy the 5-year rule. If the account owner has a DB who is not an EDB, then distributions must satisfy the 10-year rule and for EDBs, distributions must satisfy the life expectancy rule.[15]

The Code specifies the RMD rules, which numerous Treasury Regulations amplify.[16] For a DB of an **account owner who died before the RBD,** an annual distribution is only required if the life expectancy rule applies. For most DBs, the 10-year rule will be the applicable distribution requirement and therefore no annual distribution is required.[17]

Example 2. Charity dies in May 2023 when she is 60 years old. Her son, Henry, is 40. Charity had not reached her RBD when she died, so Henry, the only DB, has until 2033 to empty the inherited retirement account and is not required to take any RMDs.

13. Treas. Reg. §1.401(a)(9)-3.

14. Treas. Reg. §1.401(a)(9)-3(c).

15. Treas. Reg. §1.401(a)(9)-3(c)(5).

16. Treas. Reg. §1.401(a)(9)-5.

17. See Treas. Reg. §1.401(a)(9)-5(a)(2)(iii).

Practitioner Planning Tip

Knowing that the money must all come out by the end of the 10th year, taxpayers may prefer to take larger distributions if they have lower tax years. Tax practitioners should consider multiple year projections for taxpayers with inherited IRA accounts.

Calculating RMDs for EDBs

The SECURE Act's changes **did not affect all beneficiaries** in the same way. Congress chose to establish a new class of beneficiaries with special rules related to inherited retirement accounts. These beneficiaries are known as EDBs, and include the following.[18]

- The surviving spouse of the retirement plan owner
- Minor children of the retirement plan owner
- Disabled individuals[19]
- A chronically ill individual provided that a doctor has certified that the illness is expected to be lengthy[20]
- Another individual who does not meet any of the previous four conditions and is not more than 10 years younger than the deceased retirement plan owner[21]

In general, these individuals are not subject to the requirement that all retirement plan funds be distributed by the end of the 10th year following the original owner's passing.[22] However, a minor child is exempt from the rules only for as long as they are minors.

Surviving Spouses. Treatment for surviving spouses has undergone changes both under the SECURE Act and the SECURE 2.0 Act.[23]

From the SECURE Act. Surviving spouses can elect to treat their deceased spouse's IRA as their own assuming that the surviving spouse is the sole beneficiary.[24] By doing so, the surviving spouse becomes the account owner, and RMDs are determined based on the surviving spouse's age. They can accomplish this by either of the following.[25]

- Retitling the account as their own rather than as a beneficiary
- **Not** receiving a distribution from the inherited IRA within the required time, generally the end of the next year, if the deceased had received their RMD prior to, but in the year of, their death
- Making a contribution of their own to the inherited IRA

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18. IRC §401(a)(9)(E)(ii).
19. IRC §72(m)(7).
20. IRC §7702B(c)(2).
21. IRC §401(a)(9)(E)(ii)(v).
22. IRC §401(a)(9)(H)(ii).
23. *SECURE 2.0 Act of 2022,* PL 117-328.
24. Treas. Reg. §1.408-8(c).
25. Treas. Reg. §1.408-8(c)(2).

They may only make this election if there are no other beneficiaries of the IRA and there are no restrictions on their ability to receive distributions from the IRA.[26]

Although they are not subject to the rule requiring total distribution of the retirement account by the end of 10 years following their spouse's passing, the amount must be distributed according to the surviving spouse's life expectancy.

From the SECURE 2.0 Act.[27] Taking effect in 2024, this legislation gives surviving spouses more flexibility to treat the inherited IRA as their own. They do not need to receive RMDs until the date the deceased spouse would have been required to receive RMDs had they lived to that age. The legislation directs the IRS to amend regulations to permit surviving spouses to use the uniform lifetime table.[28]

This limit is significant if the spouse who died was younger than the surviving spouse.

> **Example 3.** Henry, age 66, and Wendy, age 61, married, both have IRAs naming the other spouse as the sole beneficiary. Wendy was born in December 1962. Sadly, Wendy passes away suddenly in January 2024. Henry can delay receipt of his first RMD until Wendy would have reached her RBD. Because Wendy would have turned 73 in 2035, her applicable age is 74. Thus, were it not for her premature death, Wendy would have reached her applicable age in 2036. This provision allows Henry to delay the receipt of RMDs from Wendy's IRA until April 1, 2037, after he reaches the beginning date for his own RMDs.

> **Note.** Before this provision of the SECURE 2.0 Act went into effect on January 1, 2024, surviving spouses could treat IRAs inherited from their spouses as their own, using their own RBD. This provision of the SECURE 2.0 Act requires them to start using their deceased spouses' RBD, likely requiring earlier RMDs if the deceased spouse was older.

Minor Children.[29] Under the final regulations, children are minors until they attain the age of 21. At that time, the 10-year mandatory distribution rule begins. In the case of multiple minor children, the final regulations state that the 10-year mandatory distribution begins when the **youngest** of the minor children attains age 21.[30]

Disabled Individuals.[31] Provided the beneficiary was disabled when the retirement plan owner died, an individual is considered an EDB, and thereby exempt from the 10-year mandatory distribution rule. For a person who is at least 18 years old, disabled is defined as a condition preventing an individual from partaking in "substantial gainful activity" because of a physical or mental condition.[32]

An individual younger than 18 is considered disabled if they have a physical or mental impairment that results in "marked and severe functional limitations."

The final regulations provide a safe harbor indicating that a disability determination by the Social Security Administration can be used to satisfy the requirement.[33]

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26. Treas. Reg. §1.408-8(c)(1)(ii).
27. *SECURE 2.0 Act of 2022,* PL 117-328, §327.
28. IRS Pub. 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, p. 65 (2022).
29. Treas. Reg. §1.401(a)(9)-4(e)(3).
30. Treas. Reg. §1.401(a)(9)-5(f)(2)(ii)(C).
31. Treas. Reg. §1.401(a)(9)-4(e)(4).
32. IRC §72(m)(7).
33. Treas. Reg. §1.401(a)(9)-4(e)(4)(iv).

Chronically Ill Individuals.[34] Chronically ill individuals are also exempt from the 10-year distribution requirement. The designation must be supported by a certification from a licensed health care practitioner that the individual cannot perform two activities of daily living.[35] This illness should be indefinite and explicitly longer than 90 days.

Multi-Beneficiary Trusts.[36] Trusts may be established for individuals who are either disabled or chronically ill under the definitions provided by the SECURE Act. If **at least one** beneficiary of a trust is either disabled or chronically ill, then the provisions for EDBs apply to any disabled or chronically ill beneficiary.[37] This treatment is contingent on the trust containing terms that:[38]

- Provide for its immediate separation into separate trusts for each beneficiary as soon as the retirement plan owner dies,
- No beneficiary who is not disabled or chronically ill can receive a benefit under the trust until the death of the last disabled or chronically ill individual, and
- Any individual who is not disabled or chronically ill is a DB of the trust.

Individuals Younger than the Retirement Plan Owner by 10 Years or Less.[39] Unless there is impairment or chronic illness, an individual who is within 10 years of the retirement plan owner's age is also exempt from the 10-year distribution requirement.

REBATES ON ENERGY EFFICIENT PROPERTY

Enacted as part of the Inflation Reduction Act of 2022, amounts paid toward the purchase of energy efficient property and improvements under the Department of Energy Home Energy Rebate Programs allow certain taxpayers to partially offset the cost of installing high-efficiency home improvements. These two programs are the Home Owner Managing Energy Savings (HOMES) Program and the High-Efficiency Electric Home Rebate Act (HEEHRA).[40] Although funded by the Department of Energy, both programs will be **administered by individual states.**

On April 4, 2024, the IRS released Announcement 2024-19[41] to address federal tax treatment for these rebates. A rebate paid to or on behalf of a purchaser under either of the programs referenced previously is treated as a **purchase price adjustment** for the purchaser for federal income tax purposes. Any such rebate is **not includable** in the purchaser's gross income. Instead, any rebate received by the qualifying taxpayer reduces the basis in the qualifying property.

> **Note.** A taxpayer's basis in an asset generally includes the purchase cost, plus capital improvements, less casualty losses and other decreases.[42] For a detailed discussion on basis in property, see the 2023 *University of Illinois Federal Tax Workbook*, Chapter 7: Depreciation.

34. Treas. Reg. §1.401(a)(9)-4(e)(5).
35. IRC §7702B(c)(2).
36. IRC §401(a)(9)(H)(iv).
37. IRC §§401(a)(9)(H)(iv) and (v).
38. IRC §401(a)(9)(H)(iv).
39. Treas. Reg. §1.401(a)(9)-4(e)(6).
40. *Inflation Reduction Act*, PL 117-169, §§50121 and 50122.
41. IRS Ann. 2024-19, 2024-17 IRB 950.
42. *Property (basis, sale of home, etc.)*. Apr. 9, 2024. IRS. [www.irs.gov/faqs/capital-gains-losses-and-sale-of-home/property-basis-sale-of-home-etc] Accessed on May 26, 2024.

If a rebate is provided at the time of sale, the rebated amount is excluded from the purchaser's cost basis under IRC §1012. If a lag occurs between the original purchase date and receipt of the rebate, the cost basis of the improvement is adjusted at the time the rebate has been received under IRC §1016.

> **Example 4.** In 2023, Jimmy purchased a single-family home. Due to the often-clear skies in winter, Jimmy adds solar panels to the roof in 2024 to offset some heating costs. The solar panels cost $30,000 and Jimmy receives a qualifying rebate of $4,000 at the time he purchases the solar panels. Jimmy's basis in the solar panels is $26,000 ($30,000 cost − $4,000 rebate).

A rebate payment treated as a basis adjustment, made directly to a purchaser, is not subject to informational reporting.

> **Note.** Payments of $600 or more generally require informational return filings with the IRS and the person paid, such as Form 1099-MISC, *Miscellaneous Information*, and Form 1099-NEC, *Nonemployee Compensation*.[43]

Payments made to **business taxpayers,** such as a contractor, on behalf of a purchaser are includable in taxable income of that business. Further, if the rebate paid to the business equals or exceeds $600 and is not solely attributable to the business's gross receipts from the sale of goods, informational reporting requirements may apply.[44]

HOMES PROGRAM

The HOMES program provides rebates for whole-house and retrofit energy construction savings through **various state energy offices.**[45]

Rebates awarded to upgrades of **single-family homes** shall not exceed the following.[46]

- The lesser of $2,000 and 50% of the project costs for retrofits achieving at least 20% but less than 35% of energy system savings
- The lesser of $4,000 and 50% of the project costs for retrofits achieving 35% or more of energy system savings
- Rate per kilowatt hour (kWh) saved of $2,000 per 20% reduction of energy use for the average home in the state, or 50% of the project costs for measured energy savings achieving at least 15% of energy system savings

Rebates under the program awarded to upgrades of **multifamily buildings** shall not exceed the following.[47]

- $2,000 per dwelling unit (with a maximum of $200,000 per multifamily building) for retrofits achieving at least 20% but less than 35% of energy system savings
- $4,000 per dwelling unit (with a maximum of $400,000 per multifamily building) for retrofits achieving 35% or more of energy system savings
- Rate per kWh saved of $2,000 per 20% reduction of energy use per dwelling unit for the average multifamily building in the state, or 50% of the project costs for measured energy savings achieving at least 15% of energy system savings

While the rebate programs will have different rebate caps per project, the rebate may be larger for **low- or moderate-income households** whose total annual income is less than 80% of the median income of the area in which the taxpayer resides.[48]

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43. Instructions for Forms 1099-MISC and 1099-NEC.
44. See Treas. Regs. §§1.6041-1(b)(1), 1.6014-1(i), and 1.6041-3(p).
45. *Inflation Reduction Act*, PL 117-169, §50121(c)(1).
46. *Inflation Reduction Act*, PL 117-169, §50121(c)(2)(A).
47. *Inflation Reduction Act*, PL 117-169, §50121(c)(2)(B).
48. *Inflation Reduction Act*, PL 117-169, §50121(c)(2)(C).

Rebates under the program for such taxpayers shall not exceed the following.[49]

- The lesser of $4,000 per single-family home or dwelling unit and 80% of the project costs for retrofits achieving at least 20% but less than 35% of energy system savings
- The lesser of $8,000 per single-family home or dwelling unit and 80% of the project costs for retrofits achieving 35% or more of energy system savings
- Rate per kWh saved of $4,000 per 20% reduction of energy use per single-family home or dwelling unit of the average single-family home or multifamily building in the state, or 80% of the project costs for measured energy savings achieving at least 15% of energy system savings

The funds appropriated shall remain available until September 30, 2031. As of August 15, 2024:[50]

- 51 states and territories have applied for early administrative or full program funding
- 26 states have applied for full funding to launch their programs
- These states and territories have applied for a total of $3.6 billion in funding

HEEHRA PROGRAM

The HEEHRA program provides rebates for qualified electrification projects, including those with appliance and nonappliance upgrades.

Rebates under the program awarded to taxpayers for **appliance upgrades** do not exceed the following.[51]

- $1,750 for heat pump water heaters
- $8,000 for heat pumps for space heating or cooling
- $840 for electric stove, cooktop range, or oven, **or** electric heat pump clothes dryers

Rebates awarded to taxpayers for **nonappliance upgrades** do not exceed the following.[52]

- $4,000 for electric load service center upgrades
- $1,600 for insulation, air sealing, and ventilation
- $2,500 for electric wiring

Similar to the HOMES program, the HEEHRA program is applied to and directed through state energy offices.[53] This rebate may not be combined with other rebates on the same property and will only be provided to taxpayers defined as low- or moderate-income households, including an individual or entity that owns a multifamily building whose residents meet the income threshold.[54] The funds appropriated shall remain available until September 30, 2031.

Rebates will be provided at the time of sale in participating stores if taxpayers purchase directly from or through project contractors. Consequently, the total payment cost is reduced by the rebate amount upfront.

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49. Ibid.

50. *Power your home — and save money — with Home Energy Rebates*. Aug. 26, 2024. U.S. Department of Energy. [www.energy.gov/save/rebates] Accessed on Aug. 26, 2024.

51. *Inflation Reduction Act*, PL 117-169, §50122(c)(3)(A).

52. *Inflation Reduction Act*, PL 117-169, §50122(c)(3)(B).

53. *Inflation Reduction Act*, PL 117-169, §50122.

54. *Home Energy Rebates Frequently Asked Questions.* 2024. U.S. Department of Energy. [www.energy.gov/scep/home-energy-rebates-frequently-asked-questions] Accessed on Jul. 1, 2024.

For the HEEHRA program, states may choose to provide a way for taxpayers to receive an upfront discount at the time of purchase. Taxpayers should check for additional information on when rebates may become available for their state.[55]

COORDINATION OF REBATES WITH ENERGY CREDITS[56]

Taxpayers may be able to claim the energy efficient home improvement credit per IRC §25C and receive energy efficient property rebates on the same qualifying property. For purposes of calculating their energy credit, such taxpayers must reduce the amount of qualifying expenditures by the rebates received.

Example 5. In 2024, Nestor spent $4,000 on qualifying exterior windows. Nestor received a $2,000 HOMES rebate shortly after he purchased the windows. In calculating the energy efficient home improvement credit, Nestor's qualifying expenses for the credit equal $2,000 ($4,000 cost − $2,000 rebate).

Taxpayers receiving energy efficient property rebates for projects allocate the rebate pro rata to individually itemized expenses of the project for purposes of calculating energy efficient home improvement credits for such property.

Example 6. In 2024, Sally Jo spent $5,000 on a heat pump and $3,500 on new insulation. Sally Jo received a $2,500 rebate for the project. For purposes of calculating the energy efficient home improvement **credit** for the heat pump and insulation, Sally Jo allocates the rebate proportionally. The heat pump will be allocated 59% ($5,000 cost of the heat pump ÷ ($5,000 cost of the heat pump + $3,500 cost of the new insulation)) of the rebate and the new insulation will be allocated 41% ($3,500 cost of the new insulation ÷ ($5,000 cost of the heat pump + $3,500 cost of the new insulation)) of the rebate. Therefore, Sally Jo reduces the cost of the heat pump by $1,475 ($2,500 rebate × 59%), resulting in $3,525 of the cost of the heat pump qualifying for the energy credit ($5,000 total cost − $1,475 allocated rebate). Similarly, Sally Jo reduces the cost of the new insulation by $1,025 ($2,500 rebate × 41%), resulting in $2,475 of the cost of the new insulation qualifying for the energy credit ($3,500 total cost − $1,025 allocated rebate).

Note. For more detailed information about the energy efficient home improvement credit, see the 2023 *University of Illinois Federal Tax Workbook*, Chapter 11: New Developments.

55. *Home Energy Rebates Frequently Asked Questions, #13.* Sep. 14, 2023. U.S. Department of Energy. [www.energy.gov/scep/home-energy-rebates-frequently-asked-questions] Accessed on Aug. 1, 2024.

56. IRS Ann. 2024-19, 2024-17 IRB 950.

UPDATES ON DIGITAL ASSET REPORTING

The IRS is increasingly focusing on how taxpayers, both individuals and businesses, are reporting digital asset activity.[57] Digital assets refer to "any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary."[58] Examples of digital assets include cryptocurrencies, such as Ethereum and Bitcoin, stablecoins, such as USDC, and non-fungible tokens (NFTs). Taxpayers can engage in a variety of transactions with digital assets, including trading (buying or selling), paying for services, making purchases, staking (supporting the blockchain), or derivative trading (options or futures).

Digital asset users generally have two options for storing their assets. Users may use a self-custodial digital wallet such as Metamask or Rainbow, or a centralized exchange such as Coinbase or Kraken. The self-custody wallet options give the holder control and domain over their assets.[59] Conversely, third parties manage exchanges, allowing users to access and make decisions with their assets. However, the exchange generally retains ownership of the assets.[60] Other than non-custodial wallets and centralized exchanges, there are a variety of decentralized platforms available that taxpayers can use to engage in transactions with their assets.

> **Note.** For more information on digital assets, see the 2023 *University of Illinois Federal Tax Workbook,* Chapter 11: New Developments.

FINAL REGULATIONS[61]

On June 28, 2024, the IRS and the Treasury finalized regulations[62] relating to digital asset transactions that should be reported by brokers, expanded the categories of assets for which basis reporting is required to include all digital assets, and provided a definition for the term digital assets. The goal of the regulations is that by standardizing broker information reporting on digital assets, there will be an increase in taxpayer compliance because taxpayers will have the necessary information from brokers to prepare their income tax returns. These regulations are effective on September 9, 2024.

The regulations mandate custodial brokers report certain sales and exchanges of digital assets starting in **calendar year 2025 (reporting in 2026).** The sales and exchanges will be reported on Form 1099-DA, *Digital Asset Proceeds From Broker Transactions.* A draft of that form follows.

> **Note.** These regulations mostly address **custodial** broker reporting requirements. The Treasury and the IRS still plan to issue additional guidance before the end of the year addressing **noncustodial** brokers. A custodial broker generally acts as a principal or agent to effect digital asset transactions on behalf of their customers. The IRS focused on custodial brokers first because this captures the majority of brokers.

57. *Taxpayers should continue to report all cryptocurrency, digital asset income*. Jan. 22, 2024. IRS. [www.irs.gov/newsroom/taxpayers-should-continue-to-report-all-cryptocurrency-digital-asset-income] Accessed on Mar. 1, 2024.

58. *Digital Assets*. Feb. 28, 2024. IRS. [www.irs.gov/businesses/small-businesses-self-employed/digital-assets] Accessed on Mar. 1, 2024.

59. *A Guide to Crypto Custody*. 2019. Gemini Trust Company, LLC. [www.gemini.com/static/documents/guide-to-crypto-custody.pdf] Accessed on Mar. 1, 2024.

60. *What is a Centralized Cryptocurrency Exchange (CEX)?* Roy, Gaurav. Jun. 16, 2023. Ledger SAS. [www.ledger.com/academy/topics/crypto/what-is-a-centralized-cryptocurrency-exchange-cex] Accessed on Mar. 1, 2024.

61. IRS News Rel. IR-2024-178 (Jun. 28, 2024).

62. 89 CFR §56480; TD 10000 2024-31 IRB 185.

☐ CORRECTED (if checked)

Digital Asset Proceeds From Broker Transactions

OMB No. 1545-XXXX

2025

Form **1099-DA**

Copy B For Recipient

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Applicable checkbox on Form 8949

1a Code for digital asset

1b Name of digital asset

FILER'S TIN

RECIPIENT'S TIN

RECIPIENT'S name

1c Number of units

Street address (including apt. no.)

1d Date acquired

1e Date sold or disposed

City or town, state or province, country, and ZIP or foreign postal code

1f Proceeds $

1g Cost or other basis $

1h Accrued market discount $

1i Wash sales loss disallowed $

2 Check if basis reported to IRS ☐

3a Reported to IRS: ☐ Gross proceeds ☐ Net proceeds

Account number

3b Check if proceeds from: ☐ Reserved for future use ☐ QOF

4 Federal income tax withheld $

CUSIP number

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

5 Check if loss is not allowed based on amount in 1f ☐

6 Gross gain or loss: ☐ Short-term ☐ Long-term ☐ Ordinary

7 Check if 1f is only cash ☐

8 Check if broker relied on customer-provided acquisition information ☐

9 Check if digital asset is a noncovered security ☐

10 Digital asset is a noncovered security because:
☐ Broker did not provide custodial services for it
☐ Broker provided custodial services and it was transferred in to broker
☐ Broker provided custodial services and it was acquired prior to 2026

11a Check if gross proceeds reported in 1f is an aggregate amount for: ☐ Qualifying stablecoins ☐ Specified NFTs

11b If 11a checked, number of transactions

11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in 1f that are attributable to first sales by creator or minter $

12a Number of units transferred in

12b If transferred in, provide transfer-in date

13

14 State name

15 State identification no.

16 State tax withheld $ $

Form **1099-DA** (Keep for your records) www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

The brokers impacted by the final regulations are those who take possession of the digital assets their customers sell. This includes the following.

- Operators of custodial digital asset trading platforms
- Certain digital asset hosted wallet providers
- Digital asset kiosks
- Certain processors of digital asset payments (PDAPs)

Transitional Relief

Along with the final regulations, the IRS issued the following guidance to provide transitional relief as the rules are put in place over the next several years.

IRS Notice 2024-56.[63] Brokers who fail to report sales of digital assets on Form 1099-DA or fail to provide payee statements for transactions occurring in 2025 (reported in 2026), will not be subject to reporting penalties and backup withholding. However, the broker must have acted with a good faith effort to comply with the regulations.

IRS Notice 2024-57.[64] Brokers are not required to file information returns and provide payee statements regarding the following transactions and the IRS will not assess failure-to-file penalties.

1. Wrapping and unwrapping transactions
2. Liquidity provider transactions
3. Staking transactions
4. Transactions described as "lending of digital assets"
5. Transactions described as "short sales of digital assets"
6. Notional principal contract transactions

Rev. Proc. 2024-28.[65] Taxpayers can generally rely on any reasonable allocation of units of unused basis to wallets or accounts that hold the same number of remaining digital asset units based on the taxpayers' records of unused basis and remaining units in those wallets or accounts.

DIGITAL ASSET QUESTION ON ADDITIONAL FORMS

The IRS expanded digital asset questions to the 2023 versions of many tax forms to reflect the service's increased focus on reminding all taxpayers that income from digital assets is taxable.[66] In 2022, digital asset questions appeared on Form 1040, *U.S. Individual Income Tax Return,* Form 1040-SR, *U.S. Tax Return for Seniors,* and Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*. For 2023, digital asset questions appear on the following forms as well.

- Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- Form 1065, *U.S. Return of Partnership Income*
- Form 1120, *U.S. Corporation Income Tax Return*
- Form 1120-S, *U.S. Income Tax Return for an S Corporation*

For 2023, the wording for the question on these forms is a variation on the following.

> *At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)*

Taxpayers should answer "yes" if they sold, exchanged, transferred, or gifted digital assets. They may answer "no" if their activities were limited to the following.[67]

- **Held** digital assets in their own wallet or account
- **Transferred** digital assets between their own wallets or accounts
- **Purchased** digital assets using real currency
- Engaged in a combination of the aforementioned activities

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63. IRS Notice 2024-56, 2024-29 IRB 64.

64. IRS Notice 2024-57, 2024-29 IRB 67.

65. Rev. Proc. 2024-28, 2024-31 IRB 326.

66. *Digital asset question added to more forms for 2023 tax returns*. Waggoner, Martha. Jan. 26, 2024. AICPA. [www.journalofaccountancy.com/news/2024/jan/digital-asset-question-added-to-more-forms-for-2023-tax-returns.html] Accessed on Mar. 1, 2024.

67. Ibid.

Additionally, the draft version of Schedule 1 (Form 1040), *Additional Income and Adjustments to Income,* includes a new line 8v to report "digital assets received as ordinary income not reported elsewhere."

SCHEDULE 1 (Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2024
Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

For 2024, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss . . . .

Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See *www.irs.gov/1099k*.

TREASURY/IRS AND OMB USE ONLY DRAFT June 21, 2024 DO NOT FILE

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i			
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABLE account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	( )		
t	Pension or annuity from a nonqualifed deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
v	Digital assets received as ordinary income not reported elsewhere. See instructions	8v			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	
10	Combine lines 1 through 7 and 9. This is your **additional income**. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F **Schedule 1 (Form 1040) 2024**

PTIN FEES FINALIZED[68]

On May 15, 2024, the IRS published a final regulation to set the fees associated with preparer tax identification numbers (PTINs). The regulation set the fee at $11, plus the fee paid to a third-party contractor. As this fee is effective June 14, 2024, tax practitioners should expect to pay it when they renew their PTINs for the 2025 filing season.

The May regulations finalize the interim final regulations,[69] which estimated the third-party contractor fees at $8.75. Thus, tax practitioners paid $19.75 to renew their PTINs during the last several months of 2023, reflecting the $11 **renewal** charge, plus the $8.75 payment processing fee.[70] The IRS may adjust the fee for changes in payment processing costs."

Federal agencies, including the IRS, are authorized to charge user fees for services "provided by [the] agency."[71] Generally, an agency may charge a user fee that enables it to recover the full cost of providing the service, which for PTINs is the registration of tax return preparers. Agencies are authorized to review these fees every other year.[72] The purpose of the review is to enable the IRS to adjust the fee to reflect changes in costs or market values.[73] Because the next biennial review should be conducted for the renewal of PTINs in autumn 2025, practitioners may then see a different fee to renew their PTINs.

MEDICAL EXPENSE MISREPRESENTATION[74]

In response to increased misrepresentations claiming that certain medical expenses qualify for tax deductions or reimbursement, the IRS issued clarification for both taxpayers and health spending plan administrators to explain which expenses are considered medical under tax law and which are not.

MEDICAL VS. PERSONAL EXPENSES

Qualifying medical expenses exclude personal expenses for **general health and wellness.** Valid medical expenses qualify for deductions or reimbursements under health flexible spending arrangements (FSAs), health savings accounts (HSAs), health reimbursement arrangements (HRAs), or medical savings accounts (MSAs). Qualifying medical expenses must be for **medical care**, which the Code defines as payments for the following.[75]

- Diagnosing, curing, mitigating, treating, or preventing disease or for the purpose of affecting any structure or function of the body
- Transportation necessary for obtaining medical care
- Qualified long-term care services
- Insurance for medical care

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68. 89 Fed. Reg. 42,362 (May 15, 2024).

69. TD 9980, 2023-43 IRB 1087.

70. *PTIN Requirements for Tax Return Preparers*. Oct. 19, 2023. IRS. [www.irs.gov/tax-professionals/ptin-requirements-for-tax-return-preparers] Accessed on Jun. 26, 2024.

71. 31 USC §9701.

72. *Circular No. A-25 Revised*, p.8. The White House. [www.whitehouse.gov/wp-content/uploads/2017/11/Circular-025.pdf] Accessed on Jun. 26, 2024; 58 Fed. Reg. 38,142 (Jul. 15, 1993). See §8(e), page 38,146.

73. Ibid.

74. IRS News Rel. IR-2024-65 (Mar. 6, 2024).

75. IRC §213(d)(1).

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As a general rule, the IRS differentiates medical expenses from personal and general health expenses by specifying that medical expenses must be for a targeted diagnosis-specific activity or treatment.[76] Consequently, a doctor's note of recommendation alone does not convert nonmedical food, exercise, or general wellness expenses into qualifying medical expenses.

Example 7. Wilford has diabetes and tries to eat low-carbohydrate foods to manage his blood sugar levels better. He notices an ad from a company claiming they can help people use pre-tax dollars from their FSA to purchase healthy food. Interested, Wilford calls the company. The representative Wilford spoke to stated that for a fee, the company could provide Wilford with a doctor's note to provide as supporting documentation for charges against his FSA for healthy food. Before committing to the fee, Wilford asks his FSA administrator about this strategy, who, in turn, politely informs Wilford that such expenses for food do not qualify for reimbursement under the plan.[77]

IRC §6055 FILINGS AND THE NEW ELECTRONIC FILING THRESHOLD

On February 21, 2023, the IRS finalized a regulation that broadened the scope of the electronic filing requirement for information forms.[78] As a result of TD 9972, businesses must electronically file information returns if they have at least 10 of any information return to file.

Before the Taxpayer First Act went into effect, the threshold for the mandatory **electronic** filing of information returns was 250 or more returns of a specific form.[79] For example, a business that was required to file 225 Forms 1099-NEC could file them on paper, even if it also had another 50 Forms 1099-MISC to file.

Per TD 9972, a taxpayer must count all forms using the new method of determining the electronic filing requirement, regardless of their form number. Thus, a business can reach the lower threshold if it has just a few instances of different information returns to file.

Example 8. The Harrogate Mortgage Company is a small mortgage lender that started business in 2021. In its first year, it received mortgage interest from eight borrowers and, therefore, could file Forms 1098, *Mortgage Interest Statement*, on paper with the IRS.

In 2024, Harrogate worked with 10 mortgagors, but only nine paid interest over $600. Harrogate has a filing requirement associated with interest received on these nine mortgages. Additionally, two other mortgagors abandoned their property, and Harrogate issued them Forms 1099-A, *Acquisition or Abandonment of Secured Property*.

Harrogate must file these 11 information forms electronically.

Note. With the reduced threshold, virtually every business must file their information forms electronically. Fortunately, numerous private filing agencies and the IRS's Information Returns Intake System (IRIS) provide this service to file most information returns.[80]

For more information about IRIS, see the 2024 *University of Illinois Federal Tax Workbook*, Chapter 7: IRS Update.

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76. See IRS Pub. 502, *Medical and Dental Expenses*, for examples of qualifying medical expenses.
77. Modified example from IRS News Rel. IR-2024-65 (Mar. 6, 2024).
78. IRS News Rel. IR-2023-31 (Feb. 21, 2023).
79. *Taxpayer First Act*, PL 116-25, §2301.
80. Pub. 5717, *Information Returns Intake System (IRIS): Taxpayer Portal User Guide*, p.5 (2024).

If a taxpayer files their information returns on paper when required to file them electronically, the taxpayer "is deemed to have failed to file the return." If a taxpayer has less than 10 forms to file so they are eligible to file on paper, but the paper form is not machine-readable, the taxpayer is also deemed to have failed to file the form, even if it is in the IRS's physical possession.[81]

ELECTRONICALLY FILING ACA FORMS

The final regulation also affects businesses that file information returns for the Affordable Care Act (ACA), including the following.[82]

- Form 1094-B, *Transmittal of Health Coverage Information*
- Form 1095-B, *Health Coverage*
- Form 1094-C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*
- Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*

Third-Party Transmitters

Most employers must file these forms electronically if they provide their employees with health insurance.[83] Employers can meet the electronic filing requirement using a third-party transmitter, perhaps even their tax preparation firm.

IRS INITIATIVES TO CURB ABUSIVE PARTNERSHIPS

Partnerships are not new targets under IRS scrutiny. With the National Taxpayer Advocate mentioning the IRS's work to restore fairness in tax compliance with partnerships and high-income earners, it is unsurprising that the IRS has proposed regulations to address what it sees as abuses at the intersection of these two issues.[84]

In June 2024 guidance, the IRS identified partnerships that alter their assets' bases to reduce partners' tax liabilities as **potentially abusive.** The proposed regulations require the disclosure of basis-shifting transactions among related parties. In conjunction with the guidance released, they allow the IRS to deny deductions and assess penalties under IRC §6662(i).

Not all partnerships are subject to the new rules, as a proposed $5 million threshold applies. However, in light of the restrictions placed on partners and partnerships, tax practitioners must understand their underlying principles.

UNDERSTANDING BASIS SHIFTING AND BASIS STRIPPING

Basis stripping and basis shifting, two complex tax strategies, present unique challenges and opportunities for tax professionals. While partnerships may use both with tax-motivated related-party transactions, their mechanisms and implications differ significantly.

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81. Treas. Reg. §301.6011-2(f).

82. IRS Pub. 5165, *Guide for Electronically Filing Affordable Care Act (ACA) Information Returns*, p.2 (2023).

83. Treas. Reg. §1.6055-1(c)(1)(iv).

84. *National Taxpayer Advocate Annual Report to Congress: 2023,* p. xvi. Dec. 31, 2023. Taxpayer Advocate Service. [www.taxpayeradvocate.irs.gov/reports/2023-annual-report-to-congress/full-report/] Accessed on Jul. 19, 2024.

Explanation of Basis Shifting[85]

Basis shifting in partnership taxation refers to strategies employed by partnerships to reallocate the tax basis of assets among partners, often to achieve a tax advantage without a corresponding economic transaction. The IRS considers this practice abusive when it manipulates the tax rules to create **artificial** losses or **unduly defer** income recognition.

At its core, basis shifting involves altering a partnership's inside basis in assets through distributions, transfers, or liquidations. Some partners may receive tax benefits from increased depreciation deductions by shifting basis from one asset to another. In other situations, partners may be able to reduce the gain on the sale of assets that were once held by the partnership.

One common form of basis shifting occurs when a partnership distributes high-basis property to a partner with a low **outside** basis. The partnership then increases the basis of its remaining assets, while the distributee-partner reduces the basis of the distributed asset. The related partners can structure the transaction so that the asset with the lower basis does not adversely affect some related partners. The increased basis in other partnership assets produces tax advantages for the other partners.

Another form of basis shifting occurs when a partner with a significant outside basis transfers their interest in the partnership to a related person. When the partner initiating the transfer has a relatively small inside basis but a high outside basis, a tax-free basis increase may occur for the partner receiving the partnership interest.

A third form of basis shifting arises from the liquidation of a partnership where low-basis assets are distributed to a partner with a high outside basis, and high-basis assets are distributed to a partner with a low outside basis. An acceleration of tax benefits can result, as the first partner can increase the basis of the property with a shorter life or intended for sale. In contrast, the second partner decreases the basis of the long-lived or non-depreciable property.

Explanation of Basis Stripping[86]

While basis shifting reallocates basis among partnership assets without reducing their overall basis, **basis stripping** involves reducing or eliminating the tax basis in a partnership's assets. Thus, the composite basis of partnership assets is lower than their economic principles would justify. Partnerships that consist of two corporate partners may use this tactic. Because the economic substance doctrine comes into play, Rev. Rul. 2024-14 plays an important role. Although this tactic has legitimate applications, its use may become abusive if it distorts income or gain.

Partnerships may engage in basis stripping by deliberately reducing the **inside** basis of assets through distributions, sales, or contributions. Basis stripping aims to create a disparity between assets' inside basis and their fair market value (FMV). When partners sell the disposed asset, their taxable gain is reduced, possibly to the extent that it becomes a loss.

IRS RESPONSE TO ABUSIVE PARTNERSHIPS

The basis adjustment rules are not new to the IRS, and neither is the way that some partnerships use the rules to shift basis or to strip basis to the tax benefit of some wealthy partners. This activity caught the attention of the Taxpayer Advocate Service, which described it in its annual report issued at the end of 2023. As such, the IRS developed initiatives to curb tax benefits from basis-shifting transactions in partnerships, ensuring accurate tax liability representation for related parties and consolidated groups.[87]

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85. *New IRS, Treasury guidance focuses on "basis shifting" transactions used by partnerships*. Jun. 17, 2024. IRS [www.irs.gov/newsroom/new-irs-treasury-guidance-focuses-on-basis-shifting-transactions-used-by-partnerships] Accessed on Jul. 22, 2024.

86. Rev. Rul. 2024-14, 2024-28 IRB 18; *News Analysis: Partnership Basis Stripping Inside a Consolidated Return.* Sheppard, Lee. Jul. 24, 2017. Tax Notes. [www.taxnotes.com/tax-notes-today-federal/partnerships-and-other-passthrough-entities/news-analysis-partnership-basis-stripping-inside-consolidated-return/2017/07/24/1vx13] Accessed on Jul. 19, 2024.

87. *Treasury and IRS release guidance on partnership "basis shifting" transactions.* Jun. 17, 2024. KPMG. [kpmg.com/us/en/home/insights/2024/06/tnf-treasury-and-irs-release-guidance-on-partnership-basis-shifting-transactions.html] Accessed on Jul. 19, 2024.

IRS Notice 2024-54[88]

IRS Notice 2024-54 announces forthcoming regulations targeting certain basis-shifting transactions involving partnerships and related parties. These transactions, classified as "covered transactions," involve partners and their related parties attempting to increase asset bases under IRC §§732, 734(b), or 743(b) with the goal of enhancing cost recovery allowances or reducing gain upon the sale or disposition of the adjusted property.

To prevent inappropriate tax benefits, the Treasury and IRS are proposing regulations under §§732, 734(b), 743(b), and 755, as discussed later, that require a specific method for **recovering adjustments** to the bases of property held or distributed by a partnership. Additionally, proposed regulations under IRC §1502 will ensure the single-entity treatment of consolidated group members owning partnership interests, preventing basis shifting that distorts group income.

Notice 2024-54 outlines the need for these regulations, describing the covered transactions and their implications. The proposed regulations clarify the appropriate recovery method for basis adjustments and method to determine gain or loss on the disposition of adjusted property, including transactions involving tax-indifferent parties.

The anticipated regulations affect partnerships with related partners, defined by relationships described in IRC §§267(b) or 707(b)(1). The guidance also impacts certain transactions not involving related parties, such as those with tax-exempt or foreign entities or parties with tax attributes that preclude any gain recognition.

IRS News Release IR-2024-166[89]

With this communication, the IRS sharpens its focus on high-income compliance issues, announcing measures to combat abusive partnership transactions. The release announces specialized IRS teams and the development of guidance to close loopholes exploited by wealthy taxpayers through partnerships.

The IRS is forming a dedicated group within the Office of Chief Counsel and a pass-through work group in the Large Business and International division. These teams will create regulations to prevent basis-shifting transactions, where taxpayers manipulate asset bases to generate tax benefits without economic substance.

This initiative follows the Inflation Reduction Act of 2022 funding, which enables the IRS to increase audits on complex partnerships. The guidance targets transactions involving related-party partnerships, aiming to halt tax avoidance strategies that shift basis from non-beneficial assets to those yielding tax advantages.

Revenue Ruling 2024-14[90]

Revenue Ruling 2024-14 provides critical clarification on applying the economic substance doctrine to certain partnership transactions. This ruling addresses scenarios where related-party partnerships engage in transactions that create a disparity between the inside and outside bases of partnership assets. Subsequently, these transactions trigger basis adjustments under §§732(b), 734(b), or 743(b), as discussed earlier.

The ruling confirms that the economic substance doctrine applies to disallow tax benefits from such transactions, emphasizing that tax benefits must align with the economic realities of the transactions. This doctrine serves as a tool to combat tax avoidance strategies that lack a substantial purpose other than to produce tax benefits.

One of the issues raised in this revenue ruling is whether the IRS can use the economic substance doctrine in IRC §7701(o) to deny basis adjustments that otherwise would increase taxpayers' deductions for depreciation, depletion, and other forms of cost recovery. The IRS not only expects to deny these adjustments, it also plans to assess 20% penalties for nondisclosed noneconomic substance transactions.[91] The potential tax and penalties are substantial, given the $5 million threshold.

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88. IRS Notice 2024-54, 2024-28 IRB 24.

89. IRS News Rel. IR-2024-166 (Jun. 17, 2024).

90. Rev. Rul. 2024-14, 2024-18 IRB 18.

91. IRC §6662(i)

Proposed Regulations[92]

Proposed regulations would require partnerships to identify certain basis adjustment transactions as **transactions of interest.** This regulation has the effect of making them reportable transactions that carry heavy fines if not reported. Treas. Reg. §1.6011-4(c)(4) contains "catch-all" provisions that make "substantially similar" transactions reportable, as well.

If taxpayers miss disclosing a transaction, significant penalties apply under IRC §6707A. This Code section provides a **penalty equal to 75%** of the decreased tax shown on the return. The **minimum** penalty is $5,000 for a natural person and $10,000 for any other taxpayer. Taxpayers may also be liable for additional accuracy-related penalties under IRC §6662A.

Not all transactions would apply in the currently proposed version of the regulations. The proposed regulations apply to related-party transactions with a $5 million minimum threshold requirement.[93]

The reporting requirement would apply to partners or a person related to a partner. They must disclose the transaction to the IRS on Form 8886, *Reportable Transaction Disclosure Statement.* Persons who assist them as material advisors must report the transactions using Form 8918, *Material Advisor Disclosure Statement.*

TAX PLANNING CONSIDERATIONS FOR PARTNERSHIPS

Implementing these provisions adds complexity to partnership transactions that could involve related parties. Therefore, partnerships may consider operational changes that preclude or at least make it unlikely that they run afoul of the new guidance. The following steps may serve as a starting point to ensure compliance.

1. **Review of Transactions.** Partnerships should thoroughly review all transactions, especially those involving related parties, to identify any that the IRS may consider abusive under the new rules. This review should include transactions that result in basis shifting or lack economic substance.
2. **Bookkeeping Practices.** Partnerships should implement robust bookkeeping practices that document the economic purpose of each transaction. They should ensure that the partnership's books reflect the substance of its transactions.
3. **Operating Agreement Amendments.** Working with their attorneys, partnerships should consider amending their partnership operating agreement to prohibit transactions lacking economic substance or those that the IRS could construe as abusive under IRS Notice 2024-54.[94]
4. **Tax Basis Documentation.** Partnerships must maintain detailed records of the tax basis of partnership assets and any adjustments. As outlined in the notice, this step is crucial for demonstrating compliance with IRC §§732, 734, 743, 755, and 1502.[95]
5. **Consultation with Tax Professionals.** Partnerships should work with tax professionals specializing in partnership taxation to review and advise on complex transactions. Their expertise can be invaluable in navigating the new regulations and ensuring the partnership's activities remain within legal boundaries.
6. **Training and Education.** Partnerships may need to provide additional training for partners and staff on the new rules and the importance of complying with them. Because the guidance may disallow some 2024 transactions, certain partnerships may wish to undertake training on the rules very soon.[96]
7. **Regular Audits.** Schedule regular internal or external audits to assess the partnership's compliance with the new rules. Audits can uncover potential issues before they come to the attention of the IRS.

92. REG-124593-23, 2024-28 IRB 40.

93. Prop. Treas. Reg. §1.6011-18(c).

94. IRS Notice 2024-54, 2024-28 IRB 24.

95. Ibid.

96. *The IRS Takes Aim at Basis Adjustments in Partnership Transactions*. Allen, Trevor, et al. Jun. 25, 2024. Skadden, Arps, Slate, Meagher, & Flom LLP and Affiliates. [www.skadden.com/insights/publications/2024/06/the-irs-takes-aim] Accessed on Jul. 19, 2024.

IMPLICATIONS FOR TAX PROFESSIONALS

IRS Notice 2024-54, IR-2024-166, and Rev. Rul. 2024-14 introduce significant changes affecting tax practitioners in preparing partnership and individual partner returns and those representing clients in tax controversies.

Tax Practitioners Preparing Partnership Returns[97]

These professionals must now navigate complex regulations targeting basis-shifting transactions. The new rules require careful and consistent documentation of partnership transactions to ensure they reflect economic reality and not merely serve to inflate basis without justification. Practitioners must adapt their practices to incorporate the special rules for cost recovery of positive basis adjustments and the ability to take these adjustments into account when computing gain or loss on the disposition of property with an adjusted basis. This adaptation requires a deep understanding of §§732, 734(b), 743(b), 755, and 1502, as the proposed regulations under these sections significantly affect partnership taxation.

Tax Practitioners Preparing Individual Partner Returns[98]

For those preparing returns for individual partners, the focus shifts to ensuring that the partnership accurately reports the partner's share of any basis adjustments. Practitioners must ensure that individual partners' returns are consistent with the partnership's reporting and comply with the new anti-abuse provisions. This practice includes verifying that any basis increase reported by the partner aligns with "legitimate nontax economic transactions of the partnership."[99]

Tax Practitioners Representing Clients in Tax Controversies

The anti-abuse provisions mean that attorneys, enrolled agents, and CPAs representing clients before the IRS may face additional challenges in defending partnership transactions. They must prepare to demonstrate the economic substance of transactions that cause basis adjustments. Because the IRS indicates it will aggressively challenge abusive partnership transactions, representatives must prepare to argue the partnership's position by invoking the economic substance doctrine.[100]

FORM 7217

Form 7217, *Partner's Report of Property Distributed by a Partnership,* arises from arises from IRS attempts to restrain inappropriate basis shifting among related partners. Using their adjusted basis in the partnership and information from Schedule K-1, a partner files this form with their tax return if they have received a distribution of property other than money or marketable securities treated as money. Partners must file Form 7217 regardless of whether or not the property distribution triggers a basis adjustment under §§732(d), 734(b), or 743(b).

Part I of Form 7217 summarizes the aggregate basis of property distributed. Part II of the form collects details of the property distributed, such as the FMV for each property and the partner's basis in the property after applying the related Code section.

Previously, §743(b) basis adjustments have been reported on Schedule K-1 (Form 1065), *Partner's Share of Income, Deductions, Credits, etc.,* in box 11 with code F if positive, in box 13 with code V if negative, and, generally, in box 20 with code U. Before 2024, this information was not reported on any form other than Schedule K-1 (Form 1065). A draft 2024 Form 7217 follows.

97. Rev. Rul. 2024-54, 2024-28 IRB 18.

98. Ibid.

99. Ibid. See p. 22.

100. *IRS, Treasury Crack Down on Abusive Partnership Transactions in New Initiative.* Shaw, Tim. Jun. 18, 2024. Thomson Reuters Tax & Accounting. [tax.thomsonreuters.com/news/irs-treasury-crack-down-on-abusive-partnership-transactions-in-new-initiative] Accessed on Jul. 19, 2024.

Form **7217**
(December 2024)
Department of the Treasury
Internal Revenue Service

Partner's Report of Property Distributed by a Partnership

Attach to your tax return.
Go to *www.irs.gov/Form7217* for instructions and the latest information.

OMB No. 1545-0123
Attachment Sequence No. **217**

Partner's name	Partner's TIN
Distributing partnership's name	Distributing partnership's EIN
Date property was distributed to partner	

Part I **Aggregate Basis of Distributed Property on Distribution Date.** File a separate form for each date a partner received distributed property.

1	Was this distribution in complete liquidation of the partner's entire interest in the partnership?	☐ Yes ☐ No
2	Was any part of the distribution treated as a sale or exchange under section 751(b)?	☐ Yes ☐ No
3	Partnership's aggregate basis in distributed property (taking into account any basis adjustments under section 732(d), 734(b), or 743(b)) immediately before the distribution. This line should equal the total of Part II, line B, column (b)	$
4	Adjusted basis of the partner's interest in the partnership immediately before the distribution	$
5	Cash and marketable securities (as defined in section 731(c)) received in the distribution	$
6	Enter the smaller of line 4 or line 5	$
7	Gain recognized. Subtract line 6 from line 5. If zero, enter -0- and go to line 9	$
8	Is U.S. tax required to be paid on the gain entered on line 7?	☐ Yes ☐ No
9	Partner's basis in partnership interest reduced by cash and marketable securities (as defined in section 731(c)) received in the distribution. Subtract line 6 from line 4	$
10	Aggregate basis to be allocated to the distributed property. For a non-liquidating distribution, enter the smaller of line 3 or line 9. For a liquidating distribution, enter the amount from line 9. Line 10 should equal the total of Part II, line B, column (e)	$

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. Cat. No. 94479B Form **7217** (12-2024)

Part II **Allocation of Basis of Distributed Property**

	(a)	(b)	(c)					(d)	(e)
	Description of distributed property (If applicable, include property code. See Pub. 946, Appendix B.)	Partnership's basis in distributed property immediately before the distribution	Check applicable box(es) below. See instructions.					FMV of distributed property	Partner's basis in distributed property after application of section 732
			(i) 732(d)	(ii) 732(f)	(iii) 734(b)	(iv) 743(b)	(v) Reserved for future use		
1		$	☐	☐	☐	☐	☐	$	$
2		$	☐	☐	☐	☐	☐	$	$
3		$	☐	☐	☐	☐	☐	$	$
4		$	☐	☐	☐	☐	☐	$	$
5		$	☐	☐	☐	☐	☐	$	$
6		$	☐	☐	☐	☐	☐	$	$
7		$	☐	☐	☐	☐	☐	$	$
8		$	☐	☐	☐	☐	☐	$	$
9		$	☐	☐	☐	☐	☐	$	$
10		$	☐	☐	☐	☐	☐	$	$
11		$	☐	☐	☐	☐	☐	$	$
12		$	☐	☐	☐	☐	☐	$	$
13		$	☐	☐	☐	☐	☐	$	$
14		$	☐	☐	☐	☐	☐	$	$
15		$	☐	☐	☐	☐	☐	$	$
16		$	☐	☐	☐	☐	☐	$	$
17		$	☐	☐	☐	☐	☐	$	$
18		$	☐	☐	☐	☐	☐	$	$
19		$	☐	☐	☐	☐	☐	$	$
20		$	☐	☐	☐	☐	☐	$	$
21		$	☐	☐	☐	☐	☐	$	$
22		$	☐	☐	☐	☐	☐	$	$
23		$	☐	☐	☐	☐	☐	$	$
24		$	☐	☐	☐	☐	☐	$	$
25		$	☐	☐	☐	☐	☐	$	$
26		$	☐	☐	☐	☐	☐	$	$
27		$	☐	☐	☐	☐	☐	$	$
28		$	☐	☐	☐	☐	☐	$	$
29		$	☐	☐	☐	☐	☐	$	$
30		$	☐	☐	☐	☐	☐	$	$
A	If applicable, enter any totals from any attached Parts II. See instructions	$						$	$
B	Totals for all items	$						$	$

Form **7217** (12-2024)

Information about a partner's basis in the property distributed to them affects their return when they sell the property. At that time, the adjusted basis is reflected on their Form 4797, *Sales of Business Property,* or Form 8949, *Sales and Other Dispositions of Capital Assets*, depending on how they used the property after distribution to them.

RETIREMENT PLAN DISTRIBUTIONS FOR DISASTER RELIEF[101]

In passing the SECURE 2.0 Act in 2022, Congress made **permanent** the ability of retirement plan participants to use their retirement funds to recover from federally declared disasters.[102] The IRS issued frequently asked questions (FAQs) to provide guidance regarding such retirement plan distributions for disaster relief. This section summarizes and illustrates the IRS FAQs.

TAX-FAVORED WITHDRAWALS

A retirement plan participant can withdraw up to **an aggregate of $22,000** from their retirement plans without incurring a 10% additional tax on the distribution[103] if the participant meets the following criteria.

- Maintains a principal residence located in a qualified disaster area when the disaster occurred
- Incurs an **economic loss** caused by the qualified disaster, including but not limited to:
  - Losses, damages, and the destruction of real or personal property
  - Losses from the displacement from the participant's principal residence
  - Loss of livelihood attributed to temporary or permanent layoffs

For purposes of preferential tax treatment for such distributions, a qualified disaster is **any disaster the President declares as a major disaster after December 27, 2020.** The IRS advises plan participants to use the Federal Emergency Management Agency (FEMA) disaster declaration search tool[104] to verify if a specific disaster qualifies for tax-favored withdrawals. Additionally, plan participants can confirm the duration (a single day or multiple days) of the disaster using this tool.

> **Note.** FEMA may change a disaster's declaration type based on new information, such as first declaring a disaster to be an "emergency" and subsequently a "major disaster."

For a distribution to qualify as a disaster recovery distribution, the timing of the distribution must fall within a specified period. The plan participant must take the distribution on or after the first day of the disaster; a plan participant may **not** take a distribution before the disaster occurs and claim it as a qualified disaster recovery distribution. However, a plan participant must take the distribution before the date that is 180 days after the latest of the following.

- December 29, 2022
- The first day of the disaster's occurrence
- The day the disaster was declared as a qualifying disaster

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101. *Disaster relief frequently asked questions: Retirement plans and IRAs under the SECURE 2.0 Act of 2022*. May 6, 2024. IRS. [www.irs.gov/newsroom/disaster-relief-frequent-asked-questions-retirement-plans-and-iras-under-the-secure-20-act-of-2022] Accessed on Jul. 15, 2024.

102. *SECURE 2.0 Act of 2022*, PL 117-328, §331.

103. IRC §72(t)(11).

104. *Disasters and Other Declarations*. 2024. FEMA. [www.fema.gov/disaster/declarations] Accessed on Jul. 18, 2024.

Adherence to Plan Provisions

Plan participants must comply with specific provisions of their retirement plans regarding qualified disaster recovery distributions. The IRS clarifies that employers sponsoring retirement plans have the **option** of amending their plans to provide for qualified disaster recovery distributions. The SECURE 2.0 Act does not **require** plan sponsors to make such changes, including amending plan loan provisions or repayment schedules. Furthermore, the legislation does not provide additional distribution rights to participants or change the rules applying to plan distributions. Participants cannot withdraw funds as qualified disaster recovery distributions if the distributions do not satisfy the plan's provisions. The distributions must meet the criteria for distributable events.

Plan sponsors or plan administrators can generally rely on a participant's reasonable representation that they qualify for special treatment under qualifying major disaster relief for distributions and loans. However, if they know that a participant does not qualify, such reliance is invalid. Regardless of whether an employer treats a distribution as a qualified disaster recovery distribution, participants can treat the distribution as qualified on their income tax returns as long as they satisfy the applicable SECURE 2.0 Act provisions.

Income Tax Reporting and Consequences

Plan participants taking a qualified disaster recovery distribution receive a Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, from the retirement plan's trustee or custodian. Participants report the distributions on Forms 1040, and Forms 8915-F, *Qualified Disaster Retirement Plan Distributions and Repayments*. Participants must include the taxable portion of the distributions in income in equal amounts over three years, beginning with the year the participant received the distribution. Alternatively, participants may elect to include all qualified distributions as income in the year they received the distribution. Participants make this election on Form 8915-F.

Example 9. Garth's primary residence is in Montgomery, Texas, where he lived for all 2024. On July 8, Garth's residence incurs severe damage from Hurricane Beryl, a federally declared disaster. Garth takes $21,000 from his traditional IRA as a qualified disaster recovery distribution on July 16. The entire distribution is **taxable** but is not subject to the 10% **additional tax** on early distributions. Garth does not elect to claim the entire distribution as income in 2024. He prepares the Form 8915-F for 2024 shown on the following pages.

Garth reports $7,000 of income from IRA distributions on his 2024, 2025, and 2026 income tax returns.

For Example 9

Form **8915-F**
(Rev. January 2024)
Department of the Treasury
Internal Revenue Service

Qualified Disaster Retirement Plan Distributions and Repayments

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form8915F* for instructions and the latest information.

OMB No. 1545-0074
Attachment Sequence No. **915**

Name. If married, file a separate form for each spouse required to file Form 8915-F. See instructions.	Your social security number
Garth Ellis	***-**-6642

Before you begin (see instructions for details):

- Use Form 8915-F for 2021 and later disasters. Also, use it after 2020 for coronavirus-related and other 2020 disasters instead of Form 8915-E.
- Major Disaster Declarations at *www.FEMA.gov/disaster/declarations* provides the only qualified disasters and their FEMA numbers for item C.
- "This year" (as used on this form) is the year of the form you check in item A next. For example, if you check 2022, "this year" is 2022.

Complete items A and B below. Complete item C and check the box in item D for the coronavirus, as applicable.

A Tax year for which you are filing form (check only one box): ☐ 2021 ☐ 2022 ☐ 2023 ☒ 2024 ☐ Other ________

B Calendar year in which qualified disaster(s) began (check only one box): ☐ 2020 ☐ 2021 ☐ 2022 ☐ 2023 ☒ Other 2024

C FEMA number for each of your qualified disasters for the year checked in item B above. Use item D, **not** item C, for the coronavirus.

(1) DR-4798-TX (2) ________ (3) ________ (4) ________ (5) ________ (6) ________

D If your only disaster, or one of your disasters, is the coronavirus, check this box ☐ Don't list the coronavirus in item C.

Which lines on this form should I use? See CHARTS 1 and 2 below.

CHART 1: Use if you checked the box for coronavirus in item D above and you *don't* have any disaster in item C.

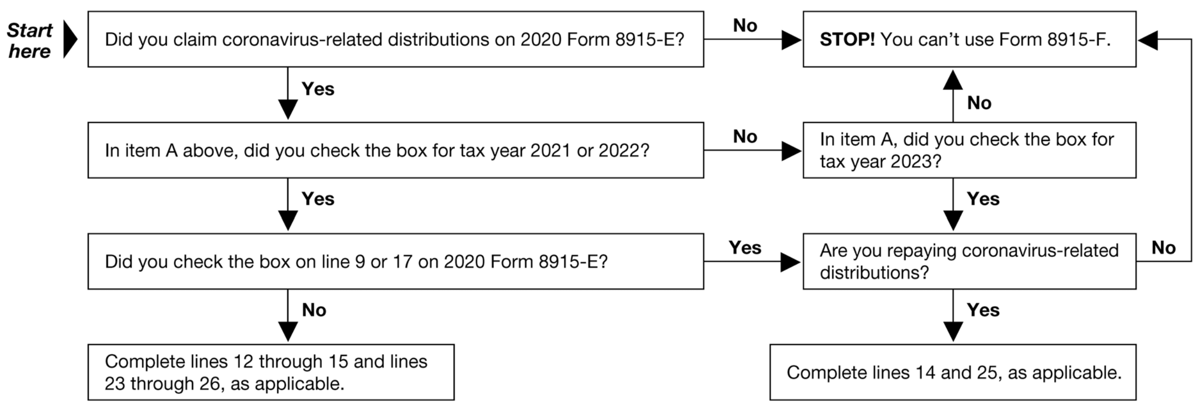
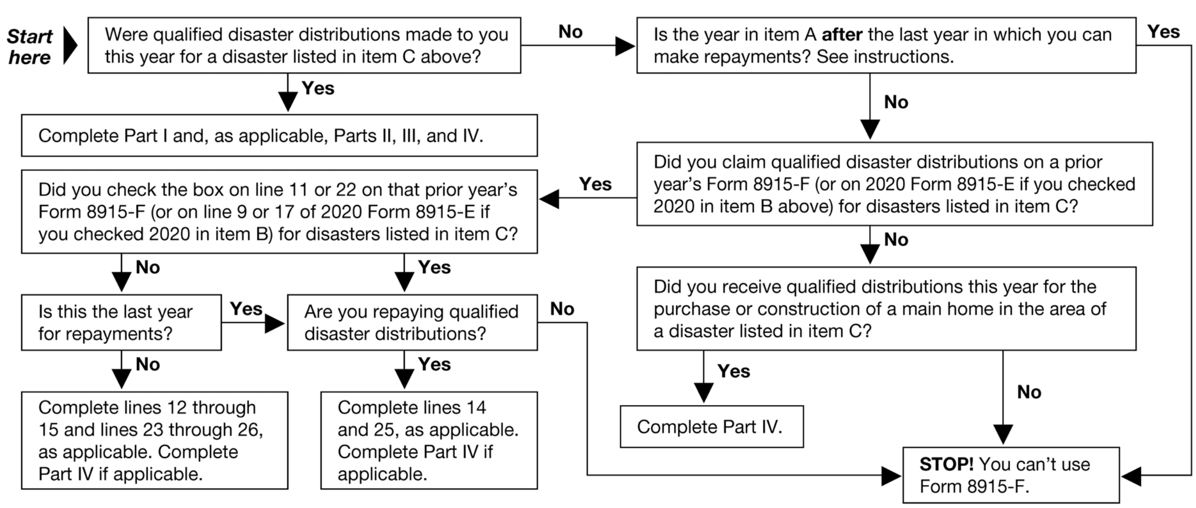


CHART 2: Use if CHART 1 doesn't apply to you. See the instructions for specific details.



For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 75585Y Form **8915-F** (Rev. 1-2024)

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For Example 9

Form 8915-F (Rev. 1-2024) Page **2**

Part I **Total Distributions From All Retirement Plans (Including IRAs)** (see instructions)

Caution: Complete Part I if, this year, you have qualified disaster distributions (see instructions) for disasters listed in item C earlier.

Part I Disaster Table. Provide the information requested below for the disaster(s) in item C earlier for which you are reporting qualified disaster distributions in this part.

Disaster FEMA number*	Disaster declaration date*	Disaster beginning date*
DR-4798-TX	7/09/2024	7/05/2024

* Major Disaster Declarations at *www.FEMA.gov/disaster/declarations* provides the FEMA number, Disaster declaration date, and Disaster beginning date for the disaster(s) listed in the Part I Disaster Table. If more than two disasters, see instructions and check this box . . . . ☐

Date(s) of distribution(s) made this year 7/16/2024

If you completed Part I of two or more Forms 8915-F on which you checked the same year in item A but different years in item B, see *Part I* in the instructions to figure the amount for lines 2, 3, and 4 in column (a).

		Line	(a) Available distributions for this year (see instructions)	(b) Qualified disaster distributions for the disasters in the Part I Disaster Table (see instructions)
1	See line 1a below to determine whether you need to complete lines 1a through 1e. You must use Worksheet 1B in the instructions **if** you are directed to do so in line 1a. However, you can always choose to use Worksheet 1B.			
a	**(i) If you checked 2021 in item A and 2020 in item B, do one of the following.** • If either you didn't file 2020 Form 8915-E or, on 2020 Form 8915-E, you only reported disasters other than those listed in the Part I Disaster Table earlier, skip lines 1a through 1d, and on line 1e enter $100,000 times the number of disasters you entered in the Part I Disaster Table. • Otherwise, complete lines 1a through 1e, entering on line 1a $100,000 times the number of disasters you entered in the Part I Disaster Table that were also reported on 2020 Form 8915-E, but do not include the coronavirus. **(ii) If you checked 2021 or later in both item A and item B, do one of the following.** (For 2021 and later disasters, the limit is $22,000, not $100,000, per disaster.) • If you listed only one disaster in the Part I Disaster Table and a prior year's Form 8915-F doesn't list that disaster in item C, skip to line 1e and enter $22,000 there. • If you listed only one disaster in the Part I Disaster Table and a prior year's Form 8915-F lists that disaster in item C, complete lines 1a through 1e, entering $22,000 on line 1a. • If all of the distributions for this year occurred within the qualified disaster distribution period (see *Qualified disaster distribution period* in instructions) for each of the disasters listed in the Part I Disaster Table, complete lines 1a through 1e, entering on line 1a $22,000 times the number of disasters you entered in the Part I Disaster Table that were also entered in item C on a prior year's Form 8915-F. • Otherwise, for lines 1a through 5, you must use Worksheet 1B in the instructions .	1a		
b	Enter the total qualified disaster distributions made to you in prior year(s) for all disasters in the Part I Disaster Table. See *Part I* in the instructions	1b		
c	Subtract line 1b from line 1a	1c		
d	Enter $22,000 ($100,000 if you checked 2020 in item B) times the number of qualified disasters that you entered in the Part I Disaster Table but didn't enter in item C on a prior year's Form 8915-F, or in Part I of 2020 Form 8915-E if you checked 2020 in item B . .	1d		
e	**Total available qualified disaster distribution amount for this year.** Enter the sum of lines 1c and 1d. **If the amount on line 1e is zero**, complete lines 2 through 4 in column (a), skip line 5, enter -0- on line 6, and do NOT include, in Part II or III later, amounts for disasters listed in the Part I Disaster Table	1e		22,000
2	Enter, in column (a), distributions from retirement plans (other than IRAs) made this year	2	0	0
3	Enter, in column (a), distributions from traditional, traditional SEP, and traditional SIMPLE IRAs made this year	3	21,000	21,000
4	Enter, in column (a), distributions from Roth, Roth SEP, and Roth SIMPLE IRAs made this year	4	0	0
5	Do (1) through (3) below in the order indicated. **(1)** Enter on line 5, column (a), the sum of lines 2 through 4 in column (a) reduced by the total distributions from lines 2 through 4 in column (a) that aren't qualified disaster distributions. **(2)** Enter on line 5, column (b), the smaller of the amount on line 5, column (a), or line 1e. **(3)** Enter on lines 2 through 4 in column (b) the amounts from lines 2 through 4, respectively, in column (a) **allocated, if needed**, by any reasonable method so that the sum of lines 2 through 4 in column (b) equals the amount on line 5, column (b)	5	21,000	21,000
6	**Total qualified disaster distributions.** Enter the amount from line 5, column (b). The additional tax for early withdrawals is waived for this amount (see instructions). See Parts II and III, later, for the tax on this amount	6		21,000
7	**Taxable amount.** Enter the excess of the sum of lines 2 through 4 in column (a) over the amount on line 6. Report this excess as IRA and/or pension and annuity distributions, as applicable, in accordance with the instructions for your tax return. All or part of the amount on line 7 may be eligible for the tax benefits in Part IV. See instructions	7		0

Form **8915-F** (Rev. 1-2024)

For Example 9

Form 8915-F (Rev. 1-2024) Page **3**

Part II **Qualified Disaster Distributions From Retirement Plans (Other Than IRAs) for the Coronavirus and Disaster(s) Listed in Item C**

8	Did you enter an amount on line 2, column (b)? ☐ **No.** Skip lines 8 through 11, and go to line 12. ☐ **Yes.** Enter the amount from line 2, column (b)	8	
9	Enter the applicable cost of distributions, if any. See instructions	9	
10	Subtract line 9 from line 8. This is the taxable amount of your other-than-IRA retirement plan qualified disaster distributions	10	
11	The entire taxable amount on line 10 will be spread over 3 years unless you elect to have it taxed in this year. **If you elect NOT to spread the taxable amount over 3 years, check this box** ☐ **and enter the amount from line 10 (see instructions). Otherwise, enter the amount from line 10 divided by 3.0.** You must check the box on this line if you check the box on line 22	11	
12	Enter the amount, if any, from Worksheet 2 in the instructions. This is your income for prior years from other-than-IRA retirement plan qualified disaster distributions	12	
13	Add lines 11 and 12. This is your total income this year from other-than-IRA retirement plan qualified disaster distributions	13	
14	**Total repayment.** Enter the amount, if any, from Worksheet 3. This is your total repayment for this year of other-than-IRA retirement plan qualified disaster distributions	14	
15	**Amount subject to tax this year.** Subtract line 14 from line 13. If zero or less, enter -0-. Include this amount in the total on line 5b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions	15	

Part III **Qualified Disaster Distributions From IRAs for the Coronavirus and Disaster(s) Listed in Item C**

Before you begin: Complete this year's Form 8606, Nondeductible IRAs, if required.

16	Did you enter an amount on line 3, column (b), or line 4, column (b)? ☒ **Yes.** Go to line 17. ☐ **No.** Skip lines 17 through 22, and go to line 23.		
17	Did you receive a qualified disaster distribution from an IRA that is required to be reported on this year's Form 8606? ☐ **Yes.** Go to line 18. ☒ **No.** Skip lines 18 and 19, and go to line 20.		
18	Enter the amount, if any, from this year's Form 8606, line 15b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 18 the amount on Form 8606, line 15b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 15b	18	
19	Enter the amount, if any, from this year's Form 8606, line 25b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 19 the amount on Form 8606, line 25b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 25b	19	
20	Enter the amount from line 3, column (b), if any. Don't include on line 20 any amounts reported on Form 8606	20	21,000
21	Add lines 18, 19, and 20. This is the taxable amount of your IRA qualified disaster distributions	21	21,000
22	The entire taxable amount on line 21 will be spread over 3 years unless you elect to have it taxed in this year. **If you elect NOT to spread the taxable amount over 3 years, check this box** ☐ **and enter the amount from line 21 (see instructions). Otherwise, enter the amount from line 21 divided by 3.0.** You must check the box on this line if you check the box on line 11	22	7,000
23	Enter the amount, if any, from Worksheet 4 in the instructions. This is your income for prior years from IRA qualified disaster distributions	23	0
24	Add lines 22 and 23. This is your total income this year from IRA qualified disaster distributions	24	7,000
25	**Total repayment.** Enter the amount, if any, from Worksheet 5. This is your total repayment for this year of IRA qualified disaster distributions	25	0
26	**Amount subject to tax.** Subtract line 25 from line 24. If zero or less, enter -0-. Include this amount in the total on line 4b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions	26	7,000

Form **8915-F** (Rev. 1-2024)

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Example 10. Use the same facts as **Example 9,** except Garth elects to include the entire distribution in 2024 income. Garth's Form 8915-F for 2024 looks identical to the prepared form in **Example 9,** except he prepares part III, *Qualified Disaster Distributions From IRAs for the Coronavirus and Disaster(s) Listed in Item C*, as follows.

	amount in the ... line 5b of this ye... m 1040, 1040-SR, or 1040-NR ... e instructions	15	
Part III	**Qualified Disaster Distributions From IRAs for the Coronavirus and Disaster(s) Listed in Item C**		
	Before you begin: Complete this year's Form 8606, Nondeductible IRAs, if required.		
16	Did you enter an amount on line 3, column (b), or line 4, column (b)? ☒ **Yes.** Go to line 17. ☐ **No.** Skip lines 17 through 22, and go to line 23.		
17	Did you receive a qualified disaster distribution from an IRA that is required to be reported on this year's Form 8606? ☐ **Yes.** Go to line 18. ☒ **No.** Skip lines 18 and 19, and go to line 20.		
18	Enter the amount, if any, from this year's Form 8606, line 15b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 18 the amount on Form 8606, line 15b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 15b	18	
19	Enter the amount, if any, from this year's Form 8606, line 25b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 19 the amount on Form 8606, line 25b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 25b	19	
20	Enter the amount from line 3, column (b), if any. Don't include on line 20 any amounts reported on Form 8606	20	21,000
21	Add lines 18, 19, and 20. This is the taxable amount of your IRA qualified disaster distributions	21	21,000
22	The entire taxable amount on line 21 will be spread over 3 years unless you elect to have it taxed in this year. **If you elect NOT to spread the taxable amount over 3 years, check this box** ☒ **and enter the amount from line 21 (see instructions). Otherwise, enter the amount from line 21 divided by 3.0.** You must check the box on this line if you check the box on line 11	22	21,000
23	Enter the amount, if any, from Worksheet 4 in the instructions. This is your income for prior years from IRA qualified disaster distributions	23	0
24	Add lines 22 and 23. This is your total income this year from IRA qualified disaster distributions	24	21,000
25	**Total repayment.** Enter the amount, if any, from Worksheet 5. This is your total repayment for this year of IRA qualified disaster distributions	25	0
26	**Amount subject to tax.** Subtract line 25 from line 24. If zero or less, enter -0-. Include this amount in the total on line 4b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions	26	21,000

Form **8915-F** (Rev. 1-2024)

Garth reports $21,000 of income from IRA distributions on his 2024 income tax return. He does not report any income from the qualified disaster recovery distribution on his 2025 and 2026 tax returns.

Note. If Garth had waited until 2026 to repay any part of the $21,000, pursuant to IRS Notice 2005-92,[105] he could choose which return(s) to amend subject to the statute of limitations.

Repayment of Qualified Disaster Recovery Distributions

For retirement plans that accept rollover contributions, plan participants may repay all or part of the qualified disaster recovery distributions they received. The plan participant must make repayment within the 3-year period beginning on the day after the participant receives the distribution. The IRS treats the repayment as a direct trustee-to-trustee transfer, making the portion of the distribution repaid not subject to income tax.

Caution. The SECURE 2.0 Act does not require retirement plans to change rollover terms or procedures to accept qualified disaster recovery distributions repayments. Plan participants must familiarize themselves with their plan provisions for rollover contributions **before** taking qualified disaster recovery distributions if they plan to repay all or a portion of the distribution to avoid incurring income tax.

Participants can amend previously filed tax returns to request refunds if they repay disaster recovery distributions after reporting them as income.

[105] IRS Notice 2005-92, 2005-51 IRB 1165.

Example 11. Use the same facts as **Example 10,** except Garth does not elect to include his entire distribution in 2024 income. Because his retirement plan allows him to repay qualified disaster recovery distributions, Garth decides to repay the $21,000 distribution evenly at the end of each year from 2024 through 2026, starting with $7,000 repaid to his retirement plan on December 31, 2024. He prepares the following Form 8915-F, part III, and associated worksheet from the Form instructions for 2024.

15	amount in the total on line 5b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions	15	
Part III	**Qualified Disaster Distributions From IRAs for the Coronavirus and Disaster(s) Listed in Item C**		
	Before you begin: Complete this year's Form 8606, Nondeductible IRAs, if required.		
16	Did you enter an amount on line 3, column (b), or line 4, column (b)? ☒ **Yes.** Go to line 17. ☐ **No.** Skip lines 17 through 22, and go to line 23.		
17	Did you receive a qualified disaster distribution from an IRA that is required to be reported on this year's Form 8606? ☐ **Yes.** Go to line 18. ☒ **No.** Skip lines 18 and 19, and go to line 20.		
18	Enter the amount, if any, from this year's Form 8606, line 15b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 18 the amount on Form 8606, line 15b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 15b	18	
19	Enter the amount, if any, from this year's Form 8606, line 25b. But if you are entering amounts here and on other Forms 8915-F for this year, only enter on line 19 the amount on Form 8606, line 25b, attributable to Form 8915-F distributions for this form. See the instructions for Form 8606, line 25b	19	
20	Enter the amount from line 3, column (b), if any. Don't include on line 20 any amounts reported on Form 8606	20	21,000
21	Add lines 18, 19, and 20. This is the taxable amount of your IRA qualified disaster distributions	21	21,000
22	The entire taxable amount on line 21 will be spread over 3 years unless you elect to have it taxed in this year. **If you elect NOT to spread the taxable amount over 3 years, check this box ☐ and enter the amount from line 21 (see instructions). Otherwise, enter the amount from line 21 divided by 3.0.** You must check the box on this line if you check the box on line 11	22	7,000
23	Enter the amount, if any, from Worksheet 4 in the instructions. This is your income for prior years from IRA qualified disaster distributions	23	0
24	Add lines 22 and 23. This is your total income this year from IRA qualified disaster distributions	24	7,000
25	**Total repayment.** Enter the amount, if any, from Worksheet 5. This is your total repayment for this year of IRA qualified disaster distributions	25	7,000
26	**Amount subject to tax.** Subtract line 25 from line 24. If zero or less, enter -0-. Include this amount in the total on line 4b of this year's Form 1040, 1040-SR, or 1040-NR. See instructions	26	0

Form **8915-F** (Rev. 1-2024)

Worksheet 5

1.	Enter the amount, if any, from last year's Form 8915-F, line 25, except as follows. If you are completing 2021 Form 8915-F (2020 disasters), enter the amount, if any, from your 2020 Form 8915-E, line 18. If you are completing 2023 Form 8915-F (2021 disasters), enter the amount, if any, from your 2022 Form 8915-F (2021 disasters), line 25, if you completed that form. If you didn't complete that form, enter the amount, if any, from your 2021 Form 8915-F (2021 disasters), line 25.	1.	
2.	Enter the amount, if any, from last year's Form 8915-F, line 24, except as follows. If you are completing 2021 Form 8915-F (2020 disasters), enter the amount, if any, from your 2020 Form 8915-E, line 17. If you are completing 2023 Form 8915-F (2021 disasters), enter the amount, if any, from your 2022 Form 8915-F (2021 disasters), line 24, if you completed that form. If you didn't complete that form, enter the amount, if any, from your 2021 Form 8915-F (2021 disasters), line 24.	2.	
3a.	Subtract line 2 from line 1. If zero or less, enter -0-	3a.	0
b.	Enter the amount from line 3a that you have already carried back to a prior year	b.	0
c.	Subtract line 3b from line 3a	c.	0
4.	Enter the total amount of any repayments you made, with respect to this year's Form 8915-F, before filing this year's tax return	4.	7,000
5.	Enter the total of lines 3c and 4 here and on line 25 of this year's Form 8915-F	5.	7,000

Because Garth made the $7,000 payment before timely filing his tax return, the $7,000 repayment can offset the $7,000 of income from IRA distributions. Consequently, Garth reports $0 of income from IRA distributions on his 2024 Form 1040. Garth follows the same practice for his 2025 and 2026 repayments.

LOAN REPAYMENTS FOR PRINCIPAL RESIDENCE PURCHASE

Taxpayers can exclude up to $10,000 of distributions from the 10% additional tax on early distributions from IRAs, provided the distribution qualifies as a qualified first-time homebuyer distribution.[106] Taxpayers may also avoid the 10% additional tax on early distributions by making **hardship withdrawals** from their IRC §§401(k) or §403(b) plans to purchase or construct their first home.[107] Taxpayers who plan to use these funds to purchase their first home, but fail to do so because the home was located in a qualified disaster area, may qualify for relief by repaying the distributions to the plan.

To qualify for relief, taxpayers must have received the distribution no earlier than 180 days before the disaster's first day and no later than 30 days after the disaster ended. Taxpayers must make such repayment during the period beginning on the day the disaster first occurred and ending 180 days after the latest of the following dates.

- December 29, 2022
- The first day of the disaster's occurrence
- The day the disaster was declared a qualifying disaster

Guidelines for Repayments

Taxpayers' repayments must not exceed the amount they received as a distribution. They must make repayments only to plans of which they are beneficiaries and accept rollover contributions. The IRS treats the repayment as a direct trustee-to-trustee transfer, making the portion of the distribution repaid not subject to income tax. Regardless of whether they made repayments during the tax year they received the distribution, taxpayers report qualified distributions on Form 8915-F, part IV, *Qualified Distributions for the Purchase or Construction of a Main Home in the Area of Disaster(s) Listed in Item C*. If they make repayments in a subsequent tax year, taxpayers may file an amended return to claim a refund for the tax they paid on the distribution.

Example 12. In 2024, Dolores planned to purchase her first home in Cherokee, Kansas. She withdrew $10,000 from her IRA as a qualified first-time homebuyer distribution on March 25. In April, the property Dolores was about to close on incurred severe damage from a federally declared disaster of severe storms and tornadoes. Due to the extensive damage, Dolores was unable to purchase the home. Consequently, Dolores repaid the $10,000 to her retirement plan on July 30. Portions of the Form 8915-F for 2024 that Dolores prepared are shown on the following page.

Because Dolores repaid the $10,000 distribution within the specified time, her contribution is treated as a direct trustee-to-trustee transfer. Consequently, Dolores does not incur any income tax or the 10% additional tax for early distributions on the $10,000 withdrawal she made in 2024.

106. IRC §72(t)(8)(F).

107. IRC §§401(k)(14), 402(c)(13), and 403(b)(11)(B).

For Example 12

Form **8915-F**
(Rev. January 2024)
Department of the Treasury
Internal Revenue Service

Qualified Disaster Retirement Plan Distributions and Repayments

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form8915F* for instructions and the latest information.

OMB No. 1545-0074

Attachment Sequence No. **915**

Name. If married, file a separate form for each spouse required to file Form 8915-F. See instructions.	**Your social security number**
Dolores Abernathy	***-**-3016

Before you begin (see instructions for details):

- Use Form 8915-F for 2021 and later disasters. Also, use it after 2020 for coronavirus-related and other 2020 disasters instead of Form 8915-E.
- Major Disaster Declarations at *www.FEMA.gov/disaster/declarations* provides the only qualified disasters and their FEMA numbers for item C.
- "This year" (as used on this form) is the year of the form you check in item A next. For example, if you check 2022, "this year" is 2022.

Complete items A and B below. Complete item C and check the box in item D for the coronavirus, as applicable.

A **Tax year for which you are filing form** (check only one box): ☐ 2021 ☐ 2022 ☐ 2023 ☒ 2024 ☐ Other ______

B **Calendar year in which qualified disaster(s) began** (check only one box): ☐ 2020 ☐ 2021 ☐ 2022 ☐ 2023 ☒ Other 2024

C **FEMA number for each of your qualified disasters for the year checked in item B above.** Use item D, **not** item C, for the coronavirus.

(1) DR-4800-KS (2) ______ (3) ______ (4) ______ (5) ______ (6) ______

D **If your only disaster, or one of your disasters, is the coronavirus, check this box** ☐ Don't list the coronavirus in item C.

Part IV **Qualified Distributions for the Purchase or Construction of a Main Home in the Area of Disaster(s) Listed in Item C**

Before you begin: Complete this year's Form 8606, Nondeductible IRAs, if required.

Caution: Complete Part IV if, this year, you received a qualified distribution (as defined in the instructions) for the purchase or construction of a main home in the area of a disaster listed in item C earlier. You can only repay the distribution during the disaster's qualified distribution repayment period (see *Qualified distribution repayment period* in the instructions). If you are allowed to repay the distribution, in whole or in part, after this year, see the instructions. For the applicability of Part IV to other years for disasters listed in item C, see the instructions.

Part IV Disaster Table. Provide the information requested below for the disaster(s) in item C earlier for which you are reporting qualified distributions in this part.

Disaster FEMA number*	Disaster declaration date*	Disaster beginning date*	Disaster ending date*
DR-4800-KS	7/15/2024	4/25/2024	4/30/2024

* Major Disaster Declarations at *www.FEMA.gov/disaster/declarations* provides the FEMA number, Disaster declaration date, Disaster beginning date, and Disaster ending date for the disaster(s) listed in the Part IV Disaster Table.

Date(s) of qualified distribution(s) received this year 3/25/2024

27	Did you receive a qualified distribution, for the purchase or construction of a main home in the area of a disaster listed in the Part IV Disaster Table earlier, that is from an IRA and that is required to be reported on this year's Form 8606? ☐ **Yes.** Complete lines 28 through 32 only if you also had qualified distributions not required to be reported on this year's Form 8606; otherwise, stop here. ☒ **No.** Go to line 28.		
28	Enter the total amount of qualified distributions you received this year for the purchase or construction of a main home in the area of disaster(s) listed in the Part IV Disaster Table. Don't include any amounts reported on this year's Form 8606. Also, don't include any distributions you reported on line 8 or 20, or on other Forms 8915 for this year, if any	28	10,000
29	Enter the applicable cost of distributions, if any. See instructions	29	0
30	Subtract line 29 from line 28	30	10,000
31	Enter the total amount of any repayments you made. See instructions for allowable repayments. Don't include any repayments treated as rollovers on this year's Form 8606. See instructions	31	10,000
32	**Taxable amount.** Subtract line 31 from line 30. If the distribution is: • From an IRA, include this amount in the total on line 4b of this year's Form 1040, 1040-SR, or 1040-NR. • From a retirement plan (other than an IRA), include this amount in the total on line 5b of this year's Form 1040, 1040-SR, or 1040-NR. **Note:** You may be subject to an additional tax on the amount on line 32. See instructions.	32	0

Form **8915-F** (Rev. 1-2024)

13

CERTAIN QUALIFIED PLAN LOANS[108]

The SECURE 2.0 Act contains certain retirement plan loan relief for taxpayers sustaining an economic loss from a federally declared major disaster in which they reside. The legislation allows employers to provide additional time, not to exceed one year, for participants to repay certain plan loans. Such loans must be outstanding on or after the latest of the following dates.

- December 29, 2022
- The first day of the disaster's occurrence
- The day the disaster was declared a qualifying disaster

A loan payment due during the period beginning on the first day of the disaster's occurrence and ending on the date 180 days after the disaster ended may be extended up to one year.[109]

Additionally, the SECURE 2.0 Act increased the maximum loan amount employers can make from a retirement plan to federally declared major disaster victims. For plan loans made during a specified period following the disaster, employers can increase the plan loan limit up to the individual's vested benefit under the plan, not to exceed $100,000 (less any outstanding plan loans).

SELECTED NEW AND MODIFIED FORMS IN 2024

The IRS released several new and modified forms for 2024. This section discusses several of these forms and shows draft examples of affected sections.

FORM 172 (NEW)

In 2024, the IRS introduced Form 172, *Net Operating Losses (NOLs),* to make reporting net operating losses (NOLs) more systemic. In the past, worksheets within IRS Pub. 536, *Net Operating Losses (NOLs) for Individuals, Trusts, and Trusts*, provided information to guide taxpayers in reporting NOLs. However, taxpayers did not include those worksheets in their tax returns.

> **Note.** For information on calculating an NOL, see the 2020 *University of Illinois Federal Tax Workbook,* Volume A, Chapter 3: Net Operating and Excess Business Losses. This can be found at **uofi.tax/arc** [taxschool.illinois.edu/taxbookarchive].

Form 172 presents the information from those worksheets in a form that accompanies an individual's, a trust's, or an estate's income tax return, starting with 2024 tax returns. An individual's NOL most commonly originates in their sole proprietorship, S corporation, or partnership.[110] A draft Form 172 follows.

108. IRC §72(p)(6).

109. IRC §72(p)(6)(B)(i).

110. IRS Pub. 536, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*.

Form **172**
(January 2025)
Department of the Treasury
Internal Revenue Service

Net Operating Losses (NOLs)

For Individuals, Estates, and Trusts.
Go to *www.irs.gov/Form172* for instructions and the latest information.

OMB No. 1545-0074

For calendar year ________ , or other tax year beginning ____________________ and ending ____________________

Name(s) shown on return			**Social security or employer identification number**
Address (number and street). If you have a P.O. box, see instructions.		Apt. or suite no.	**Spouse's social security number (SSN)**
City, town, or post office. If you have a foreign address, also complete spaces below.	State	ZIP code	Daytime phone number
Foreign country name	Foreign province/county		Foreign postal code

Part I **NOL** (see instructions)

1	For individuals, subtract your standard deduction or itemized deductions from your adjusted gross income (AGI) and enter it here. For estates and trusts, enter taxable income increased by the total of the charitable deduction, income distribution deduction, and exemption amount					1	
2	Nonbusiness capital losses before limitation. Enter as a positive number			2			
3	Nonbusiness capital gains (without regard to any section 1202 exclusion)			3			
4	If line 2 is more than line 3, enter the difference. Otherwise, enter -0-			4			
5	If line 3 is more than line 2, enter the difference. Otherwise, enter -0-	5					
6	Nonbusiness deductions (see instructions). Enter as a positive number			6			
7	Nonbusiness income other than capital gains (see instructions)	7					
8	Add lines 5 and 7			8			
9	If line 6 is more than line 8, enter the difference. Otherwise, enter -0-					9	
10	If line 8 is more than line 6, enter the difference. Otherwise, enter -0-. **But don't enter more than line 5**	10					
11	Business capital losses before limitation. Enter as a positive number			11			
12	Business capital gains (without regard to any section 1202 exclusion)	12					
13	Add lines 10 and 12			13			
14	Subtract line 13 from line 11. If zero or less, enter -0-			14			
15	Add lines 4 and 14			15			
16	Enter, if any, the combined net short-term and long-term capital loss from your Schedule D (Form 1040). Estates and trusts, enter, if any, the total net short-term and long-term loss from Schedule D (Form 1041). Enter as a positive number. If you don't have a loss on that line (and don't have a section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15			16			
17	Section 1202 exclusion. Enter as a positive number					17	
18	Subtract line 17 from line 16. If zero or less, enter -0-			18			
19	If line 16 is a loss, enter, as a positive number, the smaller of: • The loss on line 16; or • $3,000 (If filing Form 1040, $1,500 when married filing separately)			19			
20	If line 18 is more than line 19, enter the difference. Otherwise, enter -0-			20			
21	If line 19 is more than line 18, enter the difference. Otherwise, enter -0-					21	
22	Subtract line 20 from line 15. If zero or less, enter -0-					22	
23	NOL deduction for losses from other years. Enter as a positive number					23	
24	**NOL. Combine lines 1, 9, 17, and 21 through 23. If the result is less than zero, enter it here. If the result is zero or more, you don't have an NOL**					24	

For Paperwork Reduction Act Notice, see the instructions. Cat. No. 16545W Form **172** (1-2025)

13

Part II **NOL Carryover** (see instructions)

Complete one column before going to the next column. Start with the earliest carryback year.		2nd preceding tax year ended:		1st preceding tax year ended:	
1	**NOL deduction.** Enter as a positive number				
2	Taxable income before the current year NOL carryback. For estates and trusts, increase this amount by the sum of the charitable deduction (see instructions)				
3	Net capital loss deduction (see instructions)				
4	Section 1202 exclusion. Enter as a positive number (see instructions)				
5	Qualified business income deduction (see instructions)				
6	Adjustment to adjusted gross income (AGI) (see instructions)				
7	Adjustment to itemized deductions from line 33 below (see instructions)				
8	**Estates and trusts**, enter exemption amount				
9	**Modified taxable income.** Add lines 2 through 8. If zero or less, enter -0-				
10	**NOL carryover to the subsequent year.** Subtract line 9 from line 1. Enter the result from the first preceding tax year here and on the net operating loss line of Schedule 1 (Form 1040) or Form 1040-NR or the net operating loss deduction line of Form 1041. If zero or less, enter -0- (see instructions)				
	Adjustment to Itemized Deductions (Individuals Only). Complete lines 11 through 33 for the carryback year(s) for which you itemized deductions **only** if line 3, 4, or 5 above is more than zero.				
11	AGI before the current year NOL carryback				
12	Add lines 3 through 6 above				
13	**Modified AGI.** Add lines 11 and 12				
14	Medical and dental expenses after AGI limitation from Sch. A (Form 1040), or as previously adjusted				
15	Medical and dental expenses before AGI limitation from Sch. A (Form 1040), or as previously adjusted				
16	Multiply line 13 by 7.5% (0.075)				
17	Subtract line 16 from line 15. If zero or less, enter -0-				
18	Subtract line 17 from line 14				
19	Mortgage insurance premiums from Sch. A (Form 1040), for tax years before 2022, or as previously adjusted				
20	Refigured mortgage insurance premiums (see instructions)				
21	Subtract line 20 from line 19				

Part II **NOL Carryover** (see instructions) *(continued)*

	Complete one column before going to the next column. Start with the earliest carryback year.	2nd preceding tax year ended:		1st preceding tax year ended:	
22	Modified AGI from line 13				
23	Enter as a positive number any NOL carryback from a prior year that was deducted to figure line 11				
24	Add lines 22 and 23				
25	Total charitable contributions for Sch. A (Form 1040 or Form 1040-NR), or as previously adjusted (see instructions)				
26	Refigured charitable contributions (see instructions)				
27	Subtract line 26 from line 25				
28	Casualty and theft losses deduction from Form 4684				
29	Casualty and theft losses before AGI limitation from Form 4684				
30	Multiply line 22 by 10% (0.10)				
31	Subtract line 30 from line 29. If zero or less, enter -0-				
32	Subtract line 31 from line 28				
33	Combine lines 18, 21, 27, and 32; enter the result here and on line 7				

Form **172** (1-2025)

> **Observation.** Form 172 is one of the few forms where the associated Code section (IRC §172) corresponds to the form number.

Individuals report NOL carryforwards from prior years on Form 1040, Schedule 1, line 8a, *Net operating loss,* as negative numbers that reduce additional income. Estates and trusts report the NOL carryforward on line 15b, *Net operating loss deduction,* of Form 1041.

Status

The IRS posted a draft of Form 172 on August 8, 2024, and announced a tentative release date of January 2025. As of July 15, 2024, the agency has not released a draft of the proposed form's instructions.

FORM 3800 (REVISED)

Individuals, C corporations, S corporations, partnerships, trusts, and estates have used Form 3800, *General Business Credit*, to tabulate business credits since at least 1991, when it consisted of two pages. By 2023, the form had expanded to eight pages.

The draft 2024 version of the form presents taxpayers with changes in terms, new reporting requirements, and new credits they must report with it.

Part I — *Credits Not Allowed Against Tentative Minimum Tax (TMT)*

Part I contains terminology changes that generally involve passive activities.

Form **3800**

Department of the Treasury
Internal Revenue Service

General Business Credit

Go to *www.irs.gov/Form3800* for instructions and the latest information.
You must include all pages of Form 3800 with your return.

OMB No. 1545-0895
2024
Attachment Sequence No. **22**

Name(s) shown on return | **Identifying number**

A **Corporate Alternative Minimum Tax (CAMT) and Base Erosion Anti-Abuse Tax (BEAT).** Are you both (a) an "applicable corporation" within the meaning of section 59(k)(1) for the CAMT, and (b) an "applicable taxpayer" within the meaning of section 59A(e) for the BEAT? See instructions . . . . ☐ **Yes** ☐ **No**

Part I **Credits Not Allowed Against Tentative Minimum Tax (TMT)**
Complete applicable portions of Parts III and IV before Parts I and II. See instructions.

1	Credits not subject to the passive activity limit from Part III, line 2: combine column (e) with non-passive amounts from column (f)	1	
2	Credits subject to the passive activity limit. Combine Part III, line 2, column (d), and passive amounts included on line 2, column (f); and Part IV, line 6, column (d) — 2		
3	Enter the portion of line 2 allowed for 2024	3	
4	Enter the portion of Part IV, column (f), line 6, that is from carryforwards to 2024 Check this box if the carryforward was changed or revised from the original reported amount ☐	4	
5	Enter the portion of Part IV, column (f), line 6, that is from carrybacks from 2025	5	
6	Add lines 1, 3, 4, and 5	6	

Part II **Figuring Credit Allowed After Limitations**

Part II — *Figuring Credit Allowed After Limitations*

Part II is renamed *Figuring Credit Allowed After Limitations*, and is broken into four sections.

- **Section A** — *Figuring Credit Allowed After Section 38(c)(1) Limitation Based on Amount of Tax*
- **Section B** — *Figuring Section 38(c)(2) Empowerment Zone and Community Renewal Employment Credit Allowed*
- **Section C** — *Figuring the Specified Credit Amount Allowed Under Section 38(c)(4)*
- **Section D** — *Credits Allowed After Limitations*

6 Add lines 1, 3, 4, and 5 . . . 6

Part II **Figuring Credit Allowed After Limitations**

Section A—Figuring Credit Allowed After Section 38(c)(1) Limitation Based on Amount of Tax

7	Regular tax before credits: • Individuals. Enter the sum of the amounts from Form 1040, 1040-SR, or 1040-NR, line 16; and Schedule 2 (Form 1040), line 1z. • Corporations. Enter the amount from Form 1120, Schedule J, Part I, line 2 (excluding the base erosion minimum tax entered on line 1f); or the applicable line of your return. • Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a, 1b, and 1d, plus any Form 8978 amount included on line 1e; or the amount from the applicable line of your return.			7	
8	Alternative minimum tax: • Individuals. Enter the amount from Form 6251, line 11. • Corporations. Enter the amount from Form 4626, Part II, line 13. • Estates and trusts. Enter the amount from Schedule I (Form 1041), line 54.			8	
9	Add lines 7 and 8			9	
10a	Foreign tax credit	10a			
b	Certain allowable credits (see instructions)	10b			
c	Add lines 10a and 10b			10c	
11	**Net income tax.** Subtract line 10c from line 9. If zero, skip lines 12 through 15 and enter -0- on line 16			11	
12	**Net regular tax.** Subtract line 10c from line 7. If zero or less, enter -0-	12			
13	Enter 25% (0.25) of the excess, if any, of line 12 (line 11 for corporations) over $25,000. See instructions	13			
14	Tentative minimum tax: • Individuals. Enter the amount from Form 6251, line 9. • Corporations. Enter -0-. • Estates and trusts. Enter the amount from Schedule I (Form 1041), line 52.	14			
15	Enter the greater of line 13 or line 14			15	
16	Subtract line 15 from line 11. If zero or less, enter -0-			16	
17	Enter the **smaller** of line 6 or line 16. This is the amount of your credit allowed after the limitation of section 38(c)(1) **C corporations:** See the line 17 instructions if there has been an ownership change, acquisition, or reorganization.			17	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 12392F Form **3800** (2024)

Part II Figuring Credit Allowed After Limitations *(continued)*

Section B—Figuring Section 38(c)(2) Empowerment Zone and Community Renewal Employment Credit Allowed

Note: If you are not required to report any amounts on line 22 or line 24 below, skip lines 18 through 25 and enter -0- on line 26.

18	Multiply line 14 by 75% (0.75). See instructions	18	
19	Enter the greater of line 13 or line 18	19	
20	Subtract line 19 from line 11. If zero or less, enter -0-	20	
21	Subtract line 17 from line 20. If zero or less, enter -0-	21	
22	Combine the amounts from line 3 of Part III, column (e), with the amount from line 3 of Part IV, column (f)	22	
23	Passive activity credit from line 3 of Part III, column (d), plus the amount from line 3 of Part IV, column (d) — 23		
24	Enter the applicable passive activity credit allowed for 2024. See instructions	24	
25	Add lines 22 and 24	25	
26	Empowerment zone and renewal community employment credit allowed. Enter the smaller of line 21 or line 25	26	

Section C—Figuring the Specified Credit Amount Allowed Under Section 38(c)(4)

27	Subtract line 13 from line 11. If zero or less, enter -0-	27	
28	Add lines 17 and 26	28	
29	Subtract line 28 from line 27. If zero or less, enter -0-	29	
30	Enter the general business credit from line 5 of Part III: combine column (e) with non-passive amounts in column (f). See instructions	30	
31	Reserved	31	
32	Passive activity credits from line 5 of Part III: combine column (d) with passive amounts in column (f). See instructions — 32		
33	Enter the applicable passive activity credits allowed for 2024. See instructions	33	
34	Carryforward of business credit to 2024. Enter the amount of carryforwards from line 7 of Part IV, column (g). See instructions for statement to attach	34	
	Check this box if the carryforward was changed or revised from the original reported amount ☐		
35	Carryback of business credit from 2025. Enter the amount of carrybacks from line 7 of Part IV, column (g). See instructions	35	
36	Add lines 30, 33, 34, and 35	36	
37	Enter the **smaller** of line 29 or line 36. This is the amount allowed for specified credits	37	

Section D—Credits Allowed After Limitations

38	**Credit allowed for the current year.** Add lines 28 and 37. Report the amount from line 38 (if smaller than the sum of Part I, line 6, and Part II, lines 25 and 36; see instructions) as indicated below or on the applicable line of your return. • Individuals. Schedule 3 (Form 1040), line 6a. • Corporations. Form 1120, Schedule J, Part I, line 5c. • Estates and trusts. Form 1041, Schedule G, line 2b.	38	

Form **3800** (2024)

The credits allowed that are reported on line 38 then carry to the following forms.

- **Individuals.** Schedule 3 (Form 1040), *Additional Credits and Payments,* line 6a
- **Corporations.** Form 1120, Schedule J, *Tax Computation and Payment,* part I, line 5c
- **Estates and trusts.** Form 1041, Schedule G, *Tax Computation and Payment,* line 2b

Part III — *Current Year General Business Credits (GBCs)*

Part III adds the following lines for the credits introduced by the Inflation Reduction Act of 2022 and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) 2022 Act.[111]

Line Number	Action	Code Section	Form
1q	Added	§45Z	Form 7218, *Clean Fuel Production Credit,* Part II
1r	Removed	§30B	Form 8910, *Alternative Motor Vehicle Credit*
1s	Replaced	§45D(e)	Form 8911, *Alternative Fuel Vehicle Refueling Property Credit,* Part I (formerly Part II of the same form)
1gg	Added	§45Y	Form 7211, *Clean Electricity Production Credit*

Form 3800 (2024) Page 3

Part III **Current Year General Business Credits (GBCs)** (see instructions). If there is more than one number applicable for column (b) or (c) for a line in Part III, enter the number of such items in column (a), complete Part V, and see instructions for what to report on that line in Part III.

	Current year credits from:	(a) No. of items	(b) Elective payment or transferor registration number	(c) Pass-through or transferor credit entity EIN	(d) Credits subject to the passive activity limit, before application of the limit	(e) Credits not subject to the passive activity limits	(f) Credit transfer election amount (enter amounts transferred out as a negative amount)	(g) Combine columns (e) and (f) with the credit from column (d) allowed after the passive activity limit	(h) Gross elective payment election (EPE) amount	(i) Amount of column (g) applied against tax in Part II	(j) Net EPE amount. Enter the smaller of column (h) **or** column (g) minus column (i)
1a	Form 3468, Part II										
b	Form 7207										
c	Form 6765										
d	Form 3468, Part III										
e	Form 8826										
f	Form 8835, Part II										
g	Form 7210										
h	Form 8820										
i	Form 8874										
j	Form 8881, Part I										
k	Form 8882										
l	Form 8864 (diesel)										
m	Form 8896										
n	Form 8906										
o	Form 3468, Part IV										
p	Form 8908										
q	Form 7218, Part II										
r	Reserved										
s	Form 8911, Part I										
t	Form 8830										
u	Form 7213, Part II										
v	Form 3468, Part V										
w	Form 8932										
x	Form 8933										
y	Form 8936, Part II										
z	Reserved										
aa	Form 8936, Part V										
bb	Form 8904										
cc	Form 7213, Part I										
dd	Form 8881, Part II										
ee	Form 8881, Part III										
ff	Form 8864, line 8										
gg	Form 7211, Part II										
hh	Reserved										
ii	Reserved										
zz	Other credits										
2	Add lines 1a–1zz										

Form **3800** (2024)

111. *Inflation Reduction Act of 2022*, PL 117-169; *CHIPS and Science Act*, PL 117-167.

Form 3800 (2024) Page **4**

Part III **Current Year General Business Credits (GBCs)** (see instructions). If there is more than one number applicable for column (b) or (c) for a line in Part III, enter the number of such items in column (a), complete Part V, and see instructions for what to report on that line in Part III. *(continued)*

	Current year credits from:	**(a)** No. of items	**(b)** Elective payment or transferor registration number	**(c)** Pass-through or transferor credit entity EIN	**(d)** Credits subject to the passive activity limit, before application of the limit	**(e)** Credits not subject to the passive activity limits	**(f)** Credit transfer election amount (enter amounts transferred out as a negative amount)	**(g)** Combine columns (e) and (f) with the credit from column (d) allowed after the passive activity limit	**(h)** Gross elective payment election (EPE) amount	**(i)** Amount of column (g) applied against tax in Part II	**(j)** Net EPE amount. Enter the smaller of column (h) **or** column (g) minus column (i)
3	Form 8844										
4	**Specified credits:**										
a	Form 3468, Part VI										
b	Form 5884										
c	Form 6478										
d	Form 8586										
e	Form 8835, Part II										
f	Form 8846										
g	Form 8900										
h	Form 8941										
i	Form 6765 (ESB)										
j	Form 8994										
k	Form 3468, Part VII										
l	Reserved										
m	Reserved										
z	Other specified credits										
5	Add lines 4a–4z										
6	Add lines 2, 3, and 5										

Form **3800** (2024)

Part IV — *Carryovers of General Business Credits (GBCs)*

Part IV drops the reference to eligible small business credits (ESBCs) in its title. Additional changes include the following.

- The reference to Form 8910 in the 2023 version on line 1r is removed and not replaced with a reference to another form.
- New columns request a pass-through entity's employer identification number (EIN) and more detailed information about the effect of passive activity limitations.
- Taxpayers must provide the effect of the passive activity limitations on each credit based on the **form used**, not just the checkbox indicating that passive activity limitations pertained to the form and the underlying activity.

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Part IV **Carryovers of General Business Credits (GBCs)** (see instructions)

	Credits carried over to tax year 2024	(a) No. of items	(b) Originating tax year	(c) Pass-through entity EIN	Carryover — Subject to the passive activity limits: (d) **Before** the passive activity limitations	(e) **After** the passive activity limitations	(f) Not subject to passive activity limits	(g) Amount of columns (e) and (f) applied against tax in Part II	(h) Amount of columns (e) and (f) recaptured or otherwise adjusted	(i) Carryforward to 2025. Subtract the sum of columns (g) and (h) from the sum of columns (e) and (f)
1a	Form 3468, Part II									
b	Form 7207									
c	Form 6765									
d	Form 3468, Part III									
e	Form 8826									
f	Form 8835, Part II									
g	Form 7210									
h	Form 8820									
i	Form 8874									
j	Form 8881, Part I									
k	Form 8882									
l	Form 8864									
m	Form 8896									
n	Form 8906									
o	Form 3468, Part IV									
p	Form 8908									
q	Reserved									
r	Reserved									
s	Form 8911									
t	Form 8830									
u	Form 7213, Part II									
v	Form 3468, Part V									
w	Form 8932									
x	Form 8933									
y	Form 8936, Part II									
z	Reserved									
aa	Form 8936, Part V									
bb	Form 8904									
cc	Form 7213, Part I									
dd	Form 8881, Part II									
ee	Form 8881, Part III									
ff	Form 8864									
gg	Reserved									
hh	Reserved									
ii	Reserved									
jj	Reserved									
zz	Other									

Form **3800** (2024)

Part IV **Carryovers of General Business Credits (GBCs)** (see instructions) *(continued)*

Credits carried over to tax year 2024 **Note:** Credits on lines 2a through 2x are expired. Only carryforwards are allowed.	**(a)** No. of items	**(b)** Originating tax year	**(c)** Pass-through entity EIN	Carryover: Subject to the passive activity limits **(d)** **Before** the passive activity limitations	**(e)** **After** the passive activity limitations	**(f)** Not subject to passive activity limits	**(g)** Amount of columns (e) and (f) applied against tax in Part II	**(h)** Amount of columns (e) and (f) recaptured or otherwise adjusted	**(i)** Carryforward to 2025. Subtract the sum of columns (g) and (h) from the sum of columns (e) and (f)
2a Form 5884-A									
b Form 8586 (pre-2008)									
c Form 8845									
d Form 8907									
e Form 8909									
f Form 8923									
g Form 8834									
h Form 8931									
i Form 1065-B									
j Form 5884 (pre-2007)									
k Form 6478 (pre-2005)									
l Form 8846 (pre-2007)									
m Form 8900 (pre-2008)									
n Trans-Alaska pipeline liability									
o Form 5884-A, Section A									
p Form 5884-A, Section B									
q Form 5884-A, Section A									
r Form 5884-A, Section B									
s Form 5884-B									
t Form 8847									
u Form 8861									
v Form 8884									
w Form 8942									
x Form 8910									
y Reserved									
z Reserved									
zz Other credits (see inst.)									
3 Form 8844									

Part IV **Carryovers of General Business Credits (GBCs)** (see instructions) *(continued)*

Credits carried over to tax year 2024	**(a)** No. of items	**(b)** Originating tax year	**(c)** Pass-through entity EIN	Carryover: Subject to the passive activity limits **(d)** **Before** the passive activity limitations	**(e)** **After** the passive activity limitations	**(f)** Not subject to passive activity limits	**(g)** Amount of columns (e) and (f) applied against tax in Part II	**(h)** Amount of columns (e) and (f) recaptured or otherwise adjusted	**(i)** Carryforward to 2025. Subtract the sum of columns (g) and (h) from the sum of columns (e) and (f)
4 **Specified credits:**									
a Form 3468, Part VI									
b Form 5884									
c Form 6478									
d Form 8586 (post-2007)									
e Form 8835									
f Form 8846									
g Form 8900									
h Form 8941									
i Form 6765 ESB credit									
j Form 8994									
k Form 3468, Part VII (post-2007)									
l Reserved									
m Reserved									
y ESBC (see inst.)									
z Other specified credits									
5 Add lines 4a–4z									
6 Add lines 1a through 2zz									
7 Add lines 3, 5, and 6									

Part V — *Breakdown of Aggregate Amounts on Part III for Facility-by-Facility, Multiple Pass-Through Entities, etc.*

Part V requests more details than 2023 to complete for each facility or pass-through entity they identified in part III.

> **Observation.** Because part III reports business credit information based on the form used, and part V reports the information based on the **facility or pass-through entity** used, the same form number may appear multiple times in Part V if different facilities or pass-through entities generate the same credit.

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Part V Breakdown of Aggregate Amounts on Part III for Facility-by-Facility, Multiple Pass-Through Entities, etc.

					Credits subject to the passive activity limit				Not subject to the limit	
			EIN		Before applying the limit					
	(a) Part III line number	**(b)** Elective payment or transfer registration number	**(c)(1)** Pass-through entity EIN	**(c)(2)** Transferor entity EIN	**(d)(1)** Credits other than credit transfer election credits	**(d)(2)** Credit transfer election credits sold	**(d)(3)** Credit transfer election credits purchased	**(d)(4)** Credits from columns (d)(1) (less column (d)(2)) and (d)(3) allowed after limit	**(e)** Credits other than transfer election credits	**(f)(1)** Transfer election credits sold
1						( )				( )
2						( )				( )
3						( )				( )
4						( )				( )
5						( )				( )
6						( )				( )
7						( )				( )
8						( )				( )
9						( )				( )
10						( )				( )
11						( )				( )
12						( )				( )
13						( )				( )
14						( )				( )
15						( )				( )

	(f)(2) Purchased transfer election credits not subject to passive activity limit	**(g)** Combine columns (d)(4), (e), (f)(1), and (f)(2)	**(h)(1)** Gross EPE amount. Portion of column (g) eligible for the section 6417 EPE election	**(h)(2)** Subtract column (h)(1) from column (g) (credit excluding EPE)	**(i)(1)** Amount of column (h)(2) applied against tax in Part II	**(i)(2)** Amount of EPE eligible credit in column (h)(1) applied against tax in Part II	**(j)** Net EPE amount. Subtract column (i)(2) from column (h)(1)	**(k)** Carryforward to 2025. Subtract column (i)(1) from column (h)(2)
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15								

Form **3800** (2024)

Part VI — *Breakdown of Aggregate Amounts in Part IV*

Part VI has increased information reporting from 2023. While part IV provides information based on the **form used,** part VI requires entries only for the rows containing data in part IV. For each form used in part IV, the taxpayer must use part VI to apply the passive activity limits to each **credit**.

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Part VI **Breakdown of Aggregate Amounts in Part IV** (see instructions)

				Carryover					
				Subject to the passive activity limits					
	(a) Line number from Part IV	(b) Originating tax year	(c) Pass-through entity EIN	(d) **Before** the passive activity limitations	(e) **After** the passive activity limitations	(f) Not subject to passive activity limits	(g) Amount of columns (e) and (f) applied against tax in Part II	(h) Amount of columns (e) and (f) recaptured or otherwise adjusted	(i) Carryforward to 2025. Subtract the sum of columns (g) and (h) from the sum of columns (e) and (f)
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35									

Form **3800** (2024)

Status[112]

The information about the 2024 Form 3800 is based on the draft form posted by the IRS on July 2, 2024. The IRS has not indicated the release date for the final 2024 form.

[112] *Draft Tax Forms*, Aug. 14, 2023. IRS. [www.irs.gov/draft-tax-forms] Accessed on Jul. 15, 2024.

FORM 4626 (REVISED)[113]

Corporations use Form 4626, *Alternative Minimum Tax — Corporations*, to determine if they are **applicable corporations** under IRC §59(k) subject to the alternative minimum tax (AMT) under IRC §55. They also use it to calculate their AMT for the tax year.

For tax years starting after December 31, 2022, C corporations are responsible for the corporate alternative minimum tax (CAMT). Large C corporations file Form 4626 if they have adjusted financial statement income for a 3-year period exceeding $1 billion.[114]

During the IRS Nationwide Forum in Chicago during July 2024, the IRS referenced the following changes to the 2024 version of Form 4626.

- Part IV, Section I
- Part IV, Section II
- Create new Schedule A
- Incorporate Worksheet B into the form as part VI
- Part VI has two sections

Note. In addition to the changes the IRS has identified, the American Institute of Certified Public Accountants (AICPA) is requesting the IRS clarify the instructions for part V.[115] The AICPA would like the instructions to exempt organizations that already know they are applicable corporations from completing that section. It is currently unknown whether the IRS will incorporate these comments in the final version of the Form 4626.

The CAMT computation appears in part II, line 13, *Alternative Minimum Tax.* The CAMT amount is then reported on Form 1120, Schedule J, line 3.

Status

The IRS has not indicated the release date for the finalized Form 4626 or its instructions.

113. *Tax Law Changes for Tax Year 2024,* p. 5. Jun. 28, 2024. IRS. [Released for the 2024 IRS Tax Forum].

114. IRC §56A.

115. *AICPA Requests Clarification on Form 4626, Part V.* Jul. 9, 2024. AICPA. [www.aicpa-cima.com/news/article/aicpa-requests-clarification-on-form-4626-part-v] Accessed on Jul. 19, 2024.

Part II Corporate Alternative Minimum Tax (CAMT)

1	Net income or loss per AFS (see instructions):		
a	Consolidated net income or loss per the AFS of the corporation	1a	
b	Include AFS net income or loss of other includible entities (add net income and subtract net loss)	1b	
c	Exclude AFS net income or loss of excludible entities (add net loss and subtract net income)	1c	
d	Adjustment for certain consolidating entries (see instructions)	1d	
e	Specified additional net income or loss item D. Reserved for future use	1e	
f	AFS net income or loss before adjustments. Combine lines 1a through 1d	1f	
2	Adjustments (see instructions):		
a	Financial statements covering different tax years	2a	
b	Reserved for future use—Adjustment 2b	2b	
c	Corporations that are not included on the taxpayer's consolidated return (see instructions)	2c	
d	The corporation's distributive share of adjusted financial statement income of partnerships	2d	
e	Aggregate pro-rata share of adjusted net income from CFCs for which the corporation is a U.S. shareholder. Enter the amount from Part VI, Section II, line 3	2e	
f	Amounts that are not effectively connected to a U.S. trade or business	2f	
g	Certain taxes. Enter the amount from Part III, line 7	2g	
h	Patronage dividends and per-unit retain allocations (cooperatives only)	2h	
i	Alaska native corporations	2i	
j	Certain credits	2j	
k	Mortgage servicing income	2k	
l	Covered benefit plans described in section 56A(c)(11)(B)	2l	
m	Tax-exempt entities (organizations subject to tax under section 511)	2m	
n	Depreciation	2n	
o	Qualified wireless spectrum	2o	
p	Covered transactions	2p	
q	Adjustments related to bankruptcy and insolvency	2q	
r	Certain insurance company adjustments	2r	
s	AFSI adjustment S—Reserved for future use	2s	
t	AFSI adjustment T—Reserved for future use	2t	
u	AFSI adjustment U—Reserved for future use	2u	
z	Other	2z	
3	Total adjustments. Combine lines 2a through 2z	3	
4	AFSI before financial statement net operating loss carryover. Combine lines 1f and 3	4	
5	Financial statement net operating loss (FSNOL) (see instructions)	5	
6	AFSI. Subtract line 5 from line 4. If zero or less, enter -0-	6	
7	Multiply line 6 by 15% (0.15)	7	
8	Corporate alternative minimum tax foreign tax credit (CAMT FTC). Enter amount from Part IV, Section I, line 6 (see instructions)	8	
9	Tentative minimum tax. Subtract line 8 from line 7. If zero or less, enter -0-	9	
10	Regular tax liability (see instructions)	10	
11	Base erosion minimum tax (see instructions)	11	
12	Combine lines 10 and 11	12	
13	Alternative minimum tax. Subtract line 12 from line 9. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return	13	

Part III Adjustment for Certain Taxes Under Section 56A(c)(5)

1	Current income tax provision—Foreign	1	
2	Current income tax provision—Federal	2	
3	Deferred income tax provision—Foreign	3	
4	Deferred income tax provision—Federal	4	
5	Income taxes included in equity method investment income	5	
6a	Adjustment A—Reserved for future use	6a	
b	Adjustment B—Reserved for future use	6b	
c	Adjustment C—Reserved for future use	6c	
d	Adjustment D—Reserved for future use	6d	
e	Adjustment E—Reserved for future use	6e	
f	Adjustment F—Reserved for future use	6f	
g	Adjustment G—Reserved for future use	6g	
h	Adjustment H—Reserved for future use	6h	
z	Income taxes in other places	6z	
7	Total. Combine lines 1 through 6z. Enter here and on Part II, line 2g	7	

Form **4626** (2024)

Part IV Corporate Alternative Minimum Tax—Foreign Tax Credit

Section I—CAMT Foreign Tax Credit

1	Domestic corporation CAMT foreign income taxes:				
a	Total foreign taxes paid or accrued as reported on Form 1118, Schedule B, Part I, column 2(j)	1a			
b	Adjustment	1b			
c	Adjustment	1c			
d	Adjustment	1d			
e	Adjustment	1e			
f	Adjustment	1f			
g	Adjustment	1g			
2	Total domestic corporation CAMT foreign income taxes. Combine lines 1a through 1g			2	
3	Allowable CFC CAMT foreign income taxes:				
a	Pro-rata share of CFC CAMT foreign income taxes from Part IV, Section II, line 11, column (n)	3a			
b	Other	3b			
c	Carryover of excess foreign taxes (from Part IV, Section III, line 4, column (vii))	3c			
d	Total CFC CAMT foreign income taxes. Add lines 3a, 3b, and 3c			3d	
e	Percentage specified in section 55(b)(2)(A)(i)	3e	15%		
f	Aggregate pro-rata share of adjusted net income from CFCs for which the corporation is a U.S. shareholder. Enter the amount from Part VI, Section II, line 3 (see instructions)	3f			
g	CFC CAMT FTC limitation (multiply line 3e by line 3f)			3g	
h	Allowable CFC CAMT foreign income taxes (lesser of line 3d or line 3g)			3h	
4	CAMT FTC Line 4—Reserved for future use			4	
5	CAMT FTC Line 5—Reserved for future use			5	
6	Total CAMT foreign income taxes. Combine lines 2 and 3h. Enter this amount on Part II, line 8 . . .			6	

Form **4626** (2024)

Part IV Corporate Alternative Minimum Tax—Foreign Tax Credit *(continued)*

Section II—Allowable CFC CAMT Foreign Income Taxes

	(a) Name of CFC	(b) EIN or reference ID number of CFC	(c) CFC income	(d) Foreign taxes for which credit is allowed	(e) Adjustment	(f) Adjustment
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11	Total. Combine lines 1 through 10					

	(g) Adjustment	(h) Adjustment	(i) Adjustment	(j) Adjustment	(k) Adjustment	(l) Total (combine columns (d) through (k))	(m) Reserved for future use	(n) Pro-rata share of CFC CAMT foreign income taxes (see instructions)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								

Form **4626** (2024)

Part IV Corporate Alternative Minimum Tax—Foreign Tax Credit *(continued)*

Section III—CAMT Foreign Tax Credit Carryover for CFCs (Report all amounts in U.S. dollars.)

	Foreign Tax Carryover Reconciliation	**(i)** 5th Preceding Tax Year	**(ii)** 4th Preceding Tax Year	**(iii)** 3rd Preceding Tax Year	**(iv)** 2nd Preceding Tax Year	**(v)** 1st Preceding Tax Year	**(vi)** Current Tax Year	**(vii)** Total (add columns (i) through (vi))
1	Foreign tax carryover from the prior tax year (enter amounts from the appropriate columns of line 8 of the prior year Form 4626, Part IV, Section III (see instructions))							
2	Adjustments to line 1 (enter description—see instructions):							
a								
b								
c								
d								
e								
f								
g								
3	Total. Combine lines 2a through 2g . . .							
4	Adjusted foreign tax carryover from prior tax year (combine lines 1 and 3). If zero or less, enter -0-							
5	Foreign tax carryover used in current tax year (see instructions)	( )	( )	( )	( )	( )		( )
6	Foreign tax carryover expired and unused in current tax year (see instructions)	( )						( )
7	Foreign tax carryover generated in current tax year (see instructions)							
8	Foreign tax carryover to the following tax year. Combine lines 4 through 7. If zero or less, enter -0-							

Part V Members of a Controlled Group Treated as a Single Employer and FPMG Members Taken Into Account in "Applicable Corporation" Determination

	(a) Name of member	**(b)** EIN of member	**(c)** Check if the entity is a member of a 59(k)(1)(D) group	**(d)** Check if the entity is a member of a 59(k)(2)(B) group	**(e)** EIN/FTIN of the U.S. return (if any) on which the majority of the member's income is reported	**(f)** Member's financial statement income/(loss)
1			☐	☐		
2			☐	☐		
3			☐	☐		
4			☐	☐		
5			☐	☐		
6			☐	☐		
7			☐	☐		
8			☐	☐		
9			☐	☐		
10			☐	☐		
11			☐	☐		
12			☐	☐		
13			☐	☐		
14			☐	☐		
15			☐	☐		
16			☐	☐		
17			☐	☐		
18			☐	☐		
19			☐	☐		
20			☐	☐		
21			☐	☐		
22			☐	☐		
23			☐	☐		
24			☐	☐		

Part VI Aggregate Pro-Rata Share of Adjusted Net Income or Loss of CFCs Described in Section 56A(c)(3)

Section I—Pro-Rata Share of Adjusted Net Income or Loss of CFCs Described in Section 56A(c)(3)

	(a) Name of CFC	(b) EIN or reference ID number of the CFC	(c) Country of incorporation (enter country code)	(d) Pro-rata share of adjusted net income or (loss) of the CFC described in section 56A(c)(3)
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41				
42	**Total**		42	

Section II—Section 56A(c)(3)(B) Negative Adjustment

1	Aggregate pro-rata share of CFCs' adjusted net income or (loss) from the total of Part VI, Section I	1		
2	Available section 56A(c)(3)(B) negative adjustment from preceding year . . .	2		
3	Aggregate pro-rata share of adjusted net income from CFCs for which the corporation is a U.S. shareholder, taking available section 56A(c)(3)(B) negative adjustment into account. Combine line 1 and line 2. If more than zero, enter here and on Part II, line 2e, and Part IV, Section I, line 3f. If zero or less, enter -0- and go to line 4			3
4	Section 56A(c)(3)(B) negative adjustment to carry over to succeeding year. Combine line 1 and line 2. If less than zero, enter the combined total as a negative number. If zero or more, enter -0-			4

Form **4626** (2024)

SCHEDULE A
(Form 4626)
December 2024
Department of the Treasury
Internal Revenue Service

Pro-Rata Share of Adjusted Net Income or Loss of CFCs Described in Section 56A(c)(3)

Attach to Form 4626.
Go to *www.irs.gov/Form4626* for instructions and the latest information.

OMB No. 1545-0123

For tax year ended
/ /

Name of corporation | **Employer identification number (EIN)**

	(a) Name of controlled foreign corporation (CFC)	**(b)** EIN or reference ID number of the CFC	**(c)** Country of incorporation (enter country code)	**(d)** CFC current year net income or (loss) (in U.S. dollars)	**(e)** Section 56A(c)(3) adjustments (in U.S. dollars)	**(f)** Combine column (d) and column (e)	**(g)** Reserved for future use	**(h)** Reserved for future use	**(i)** Pro-rata share of adjusted net income or (loss) of the CFC, described in section 56A(c)(3) (in U.S. dollars)
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30									
31	Total								

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 4626. Cat. No. 94588N **Schedule A (Form 4626)** (12-2024)

13

FORM 6765 (REVISED)

The IRS has released a 2024 draft of Form 6765, *Credit for Increasing Research Activities.* The credit has been extended on a year-to-year basis since 2021.

The 2024 version has the following changes.

- **Section E.** Taxpayers use Section E, *Other Information,* to report officers' wages, the number of business components that generate the qualified research expenditures, whether the business disposed (or acquired) any portion of its operations, and if the current year's qualified research expenditures (QRE) included any new categories.
- **Section F.** The 2024 version consolidates lines of the prior versions of the form common to Sections A and B. Consolidating these questions in a new section shortens these two sections.
- **Section G.** A new section, Section G, *Business Component Information,* reports detailed information about the business's components that it researches. The section reports 13 attributes of the business components involved in the research. This section requires reporting detailed wage information and detailed information about the research performed and the part of the business conducting it.

> **Note.** If payroll was reported under a different EIN from the EIN electing the payroll tax credit, the form must report that EIN in Section D, *Qualified Small Business Payroll Tax Election and Payroll Tax Credit*, question 33.

that must be 36

Section E—Other Information. See instructions.

37	Enter the number of business components generating the QRE on line 5 or line 20	37	
38	Enter the amount of officers' wages included on line 42	38	
39	Did you acquire or dispose of any major portion of a trade or business in the tax year? ☐ Yes ☐ No		
40	Did you include any new categories of expenditures as current year QRE? . . . ☐ Yes ☐ No		
41	Did you determine any of the QRE on line 5 or line 20 following the ASC 730 Directive? . . . . ☐ Yes ☐ No		
	If "Yes," enter the amount from Appendix C Line 19 (you may attach your Appendices A, B, C, and D here)	41	
	This ASC 730 Directive only applies to taxpayers with assets equal to or greater than $10,000,000 who follow U.S. GAAP to prepare their Certified Audited Financial Statements showing the amount of currently expensed Financial Statement R&D. See instructions.		

Section F—Qualified Research Expenses Summary. See instructions.

A Are you required to complete Section G? See instructions to determine if you are required to complete Section G, and how to complete Section F if you are not required to complete Section G . . . . ☐ Yes ☐ No

42	Total wages for qualified services for all business components (do not include any wages used in figuring the work opportunity credit)			42	
43	Total costs of supplies for all business components			43	
44	Total rental or lease cost of computers for all business components			44	
45	Total applicable amount of contract research for all business components (do not include basic research payments).	45			
46	Enter the applicable amount of all basic research payments. See instructions .	46			
47	Add line 45 and line 46			47	
48	Add lines 42, 43, 44, and 47, then enter line 48 on either line 5 or line 20, whichever is appropriate .			48	

Form **6765** (Rev. 12-2024)

Section G—Business Component Information. Complete lines 49(a) through 49(f) for each business component you are required to report. See instructions. Attach additional sheets if necessary to capture all business components.

BC	49(a) EIN of the controlled group member conducting the research activities on this business component	49(b) Controlled group member's principal business activity code	49(c) Business component's name or unique alphanumeric identifier (see instructions)	49(d) Business component type (select one from available options)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

BC	49(e) Software (if applicable, select from the available options)	49(f) Describe the information sought to be discovered. Use the space provided.
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

Form **6765** (Rev. 12-2024)

13

Section G—Business Component Information *(continued)*. Complete lines 50 through 56 for each business component. If you have more than fifteen business components, see instructions.

BC	50 Direct research wages for qualified services	51 Direct supervision wages for qualified services	52 Direct support wages for qualified services	53 Total qualified wages (add line 50, line 51, and line 52)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
Total from attachments				
Total				

BC	54 Cost of supplies	55 Rental or lease cost of computers	56 Applicable amount of contract research expenses (see instructions for reporting basic research payments)
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
Total from attachments			
Total			

Form **6765** (Rev. 12-2024)

Individual taxpayers with sole proprietorships report the tax on Form 3800, part III, line 4i, *Form 6765 (ESB)*. Because it is nonrefundable, they must report the credit for increasing research activities on Schedule 3 (Form 1040) on line 6a, *General business credit.*

Estates and trusts do not use Form 3800 because the entire amount of the credit must be allocated to beneficiaries.[116]

Status

The IRS posted a draft of 2024 Form 6765 on June 20, 2024, and provided an anticipated final release in December 2024. The agency has not yet published draft instructions for the 2024 version of the form.

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116. IRC §41(f)(2).

FORM 7211 (NEW)

Form 7211, *Clean Electricity Production Credit,* enables taxpayers to claim a credit for producing clean electricity, usually through entities in which they own an ownership interest. The Inflation Reduction Act, §13701, which authorized IRC §45Y, provides that the credit applies only to facilities that taxpayers place in service after December 31, 2024.[117] Consequently, the form should receive little or no use during the 2025 tax return season.

When eligible facilities start producing clean energy, the business entities owning them will either report the credit themselves or pass it through to their equity owners. Thus, taxpayers claiming the credit may be individuals, partnerships, C corporations, and S corporations. Estates and trusts must pass the credit to beneficiaries.[118]

Form 7211 collects information on the facility used to generate electricity, including its latitude and longitude. The form collects information about when construction on the facility started and when its owner placed it in production. Part II of the draft form collects information about the power of clean electricity produced. Part III of the draft form calculates the credit reduction if the facility's owner used tax-exempt bonds to finance the facility.

13

117. IRC §45Y(b)(1)(A)(ii).

118. IRC §45Y(g)(5).

Form **7211**
(December 2024)
Department of the Treasury
Internal Revenue Service

Clean Electricity Production Credit

Attach to your tax return.
Go to *www.irs.gov/Form7211* for instructions and the latest information.

OMB No. 1545-XXXX
Attachment Sequence No. **211**

Name(s) shown on return | **Identifying number**

Part I Information on Qualified Facility

1 If making an elective payment election or transfer election, enter the IRS-issued registration number of the facility: ____________

2a If different than filer, enter the (i) owner's name ____________ and (ii) owner's TIN ____________.

b Address and description of the facility: ____________

c Coordinates.

(i) Latitude: ☐ ☐☐.☐☐☐☐☐☐☐ Enter a "+" (plus) or "-" (minus) sign in the first box. **(ii)** Longitude: ☐ ☐☐☐.☐☐☐☐☐☐☐ Enter a "+" (plus) or "-" (minus) sign in the first box.

3 Date construction began (MM/DD/YYYY): ____________

4 Date placed in service (MM/DD/YYYY): ____________

5 If you petitioned for a provisional emissions rate (PER), check the applicable box below:
(i) ☐ An emissions value was received from the Department of Energy (DOE).
(ii) ☐ A designated Lifecycle Analysis (LCA) model was used to recommend an emissions value.

6 Enter the DOE control number, if applicable: ____________

7 Does the facility qualify to claim the credit at the alternative amount? See instructions.
a ☐ Yes, the facility's maximum net output is less than 1 megawatt (as measured in alternating current).
b ☐ Yes, the facility's construction began before January 29, 2023.
c ☐ Yes, the facility meets the prevailing wage requirements of section 45(b)(7)(A) and the apprenticeship requirements of section 45(b)(8).
d ☐ No.

8 Does the facility qualify for an energy community bonus credit?
☐ Yes, the facility qualifies for the energy community bonus credit under section 45Y(g)(7).
☐ No.

9 Does the facility qualify for the domestic content bonus credit?
☐ Yes, the facility qualifies for the domestic content bonus credit under section 45Y(g)(11).
☐ No.

Part II Clean Electricity Production

The rate you enter in (b) will depend on how you answered Part I, question 7, and the calendar year in which you sold, consumed, or stored the kWh of qualified clean electricity. See instructions for information on calculating the rate.		**(a)** Kilowatt-hours of qualified clean electricity	**(b)** Applicable amount	**(c)** Column (a) x Column (b)
1 Calendar year: ________	**1**			
2 Calendar year: ________	**2**			

3 Enter the total amount of lines 1(c) and 2(c). See instructions	**3**	
4 Reserved for future use	**4**	
5a Energy community bonus credit. See instructions. If you qualify, multiply the amount on line 3 by 10% (0.10). Otherwise, enter -0-	**5a**	
b Add lines 3 and 5a	**5b**	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 56405V Form **7211** (12-2024)

Form 7211 (12-2024) Page **2**

Part II **Clean Electricity Production** *(continued)*

Credit Reduction for Tax-Exempt Bonds

If you used proceeds of tax-exempt bonds to finance your facility, continue to line 6a; otherwise, enter the amount from line 5b on line 7.

6a	**Divide.** Sum, for the tax year and all prior tax years, of all proceeds of tax-exempt bonds (within the meaning of section 103) used to finance the qualified facility / Aggregate amount of additions to the capital account for the qualified facility, for the tax year and all prior tax years, as of the close of the tax year =	6a	
b	Multiply line 5b by line 6a	6b	
c	Multiply line 5b by 15% (0.15)	6c	
d	Enter the smaller of line 6b or line 6c	6d	
7	Subtract line 6d from line 5b	7	
8a	Domestic content bonus credit. If you qualify, multiply the amount on line 7 by 10% (0.10). Otherwise, enter -0-. See instructions for reductions you may need to make when calculating this credit	8a	
b	Add lines 7 and 8a	8b	
9	Phase-out for elective payment. If you are making an elective payment election under section 6417, for a facility whose construction began in 2024 and the facility does not conform to section 45Y(g)(12)(B)(i) or meet the exception under section 45Y(g)(12)(B)(ii), multiply line 8b by 90% (0.90). If you are making an elective payment election, for a facility whose construction began in 2025 and the facility does not conform to section 45Y(g)(12)(B)(i) or meet the exception under section 45Y(g)(12)(B)(ii), multiply line 8b by 85% (0.85). All others, enter the amount from line 8b	9	
10	Clean electricity production credit from partnerships and S corporations, cooperatives, estates, and trusts (see instructions)	10	
11	Add lines 9 and 10. Cooperatives, estates, and trusts, go to line 12. Partnerships, and S corporations not electing transfer, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 1gg	11	
12	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)	12	
13	Cooperatives, estates, and trusts, subtract line 12 from line 11. Report this amount on Form 3800, Part III, line 1gg	13	

Form **7211** (12-2024)

Taxpayers compute the credit on Form 7211, part II, *Clean Electricity Production*, line 11, and individuals receiving the credit must carry the number from this line to Form 3800, part III from which it is carried to Schedule 3 (Form 1040).

Estates and trusts must allocate the entire amount of the credit to beneficiaries on their Schedule K-1 (Form 1041), *Beneficiary's Share of Income, Deductions, Credits, etc.*

Status

The IRS released a draft of Form 7211 on July 9, 2024, but has not released draft instructions for this form as of mid-July 2024.

FORM 7218 (NEW)

Taxpayers claim the tax credit authorized by IRC §45Z on Form 7218, *Clean Fuel Production Credit*. The form collects information about the amount of clean **transportation fuel** produced and the facility that produces it. The fuel produced may qualify for a production credit. This credit provides for the production of fuels used in transportation, in contrast to the credit authorized by §45Y, which is for clean electricity.

Generally, taxpayers who have invested in facilities and entities producing clean transportation fuels can claim this credit with Form 7218 for fuel produced after December 31, 2024, and before January 1, 2028.[119] However, estates and trusts entitled to this credit must pass it to their beneficiaries. It is currently uncertain whether the estates or trusts must file Form 7218 to pass the credit to their beneficiaries.

Form 7218 reports the following.

- Information on the facility used to generate electricity, including its latitude and longitude
- Information about when construction on the facility started and when it was placed in production
- Summary of the quantity of clean transportation fuel produced
- Calculation of the energy produced by the clean fuel

119. IRC §45Z(g).

Form **7218** (December 2024) Department of the Treasury Internal Revenue Service

Clean Fuel Production Credit

Attach to your tax return.
Go to *www.irs.gov/Form7218* for instructions and the latest information.

OMB No. 1545-XXXX

Attachment Sequence No. **218**

Name(s) shown on return | **Identifying number**

Part I **Facility and Other Information** (see instructions)

Caution: The facility must be a qualified facility under section 45Z(d)(4). Your eligibility to claim this credit is restricted if you have taken credits for this facility related to section 45V, section 46 (to the extent such credit is attributable to a section 48(a)(15) election), or section 45Q. See instructions.

1 If making an elective payment election or transfer election, enter the IRS-issued registration number for the facility:

2a Description of facility:

b If different than filer, enter (i) owner's name: and (ii) owner's TIN:

c Address of the facility (if applicable):

d Coordinates. (i) Latitude: ☐ ☐☐.☐☐☐☐☐☐ (ii) Longitude: ☐ ☐☐☐.☐☐☐☐☐☐

Enter a "+" (plus) or "-" (minus) sign in the first box. Enter a "+" (plus) or "-" (minus) sign in the first box.

3 Date construction began (MM/DD/YYYY):

4 Date placed in service (MM/DD/YYYY):

5a Enter the producer registration number:

b Date of registration approval for activity letter "CA" and/or "CN":

6 Check this box if you are using provisional emissions rate(s) (PER) to determine your amount of credit . . . . ☐

7 Does the facility satisfy IRC 45Z(f)(6) prevailing wage requirements and IRC 45Z(f)(7) apprenticeship requirements?

a ☐ Yes.

b ☐ No.

Part II **Clean Aviation and Non-Aviation Transportation Fuel Production Credit**

1	Enter the amount from Part III, line 25(h)	**1**	
2	Clean fuel production credit from partnerships, S corporations, cooperatives, estates, and trusts .	**2**	
3	Add lines 1 and 2. Cooperatives, estates, and trusts, go to line 4. Partnerships and S corporations not electing transfer, stop here and report on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 1q. See instructions	**3**	
4	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust	**4**	
5	Cooperatives, estates, and trusts, subtract line 4 from line 3. Report this amount on Form 3800, Part III, line 1q	**5**	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 94754J Form **7218** (12-2024)

13

Form 7218 (12-2024) Page **2**

Part III **Clean Aviation and Non-Aviation Transportation Fuel Produced and Sold After 2024** (see instructions)

	(a) Type of fuel	(b) Type of feedstock	(c) Calendar year sold	(d) Emissions Rate or PER Value in kg of CO_{2e} per mmBTU	(e) Subtract (d) from 50 kg of CO_{2e} per mmBTU and divide the result by 50 kg of CO_{2e} per mmBTU	(f) Gallons or gallon equivalents	(g) Inflation-adjusted applicable amount for fuel sold	(h) Multiply columns (e) x (f) x (g)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25	Total of column (h)						25	

Form **7218** (12-2024)

Form 7218 presents the computed credit in part II, line 3, and individuals receiving it must carry the credit from this line to Form 3800, part III, line 1q, *Form 7218, Part II*. From Form 3800, the credit transfers to Schedule 3 (Form 1040) for individual taxpayers.

Estates and trusts must allocate the entire amount of the credit to beneficiaries, who are notified of its availability on the Schedule K-1 (Form 1041) they receive.

Status

A draft of Form 7218 was released on July 8, 2024. The projected date of the form's release is December 2024.

FORM 8936 (REVISED)[120]

Taxpayers use Form 8936, *Clean Vehicle Credits,* to claim tax credits for vehicles they acquire for business or personal use. Beginning with 2024 vehicle purchases, the form is also used to transfer the credit to the dealer that sells the new or used clean vehicle. A clean vehicle is propelled by electricity stored in a battery or by a fuel cell. Numerous restrictions apply to the vehicles, and the form collects relevant information.

Form 8936 can be used by individuals, partnerships, and corporations, as the governing Code sections place no restrictions on the type of taxpayers eligible for the credit.[121] The form's instructions discuss its use by tax-exempt entities and government agencies to offset income tax.[122] However, the clean vehicle credit for previously owned vehicles can only be claimed by individuals.[123]

If the taxpayer transfers the credit to the dealer, they will also need to file Schedule A (Form 8936), *Clean Vehicle Credit Amount*.

120. 2024 Draft Instructions for Form 8936.

121. IRC §§25 and 30D.

122. 2023 Instructions for Form 8936.

123. IRC §25E(c)(3)(A).

Form **8936**

Department of the Treasury
Internal Revenue Service

Clean Vehicle Credits

Attach to your tax return.
Go to *www.irs.gov/Form8936* for instructions and the latest information.

OMB No. 1545-2137
2024
Attachment Sequence No. **69**

Name(s) shown on return | **Identifying number**

Notes: • Complete a separate Schedule A (Form 8936) for each clean vehicle placed in service during the tax year.
• Individuals who transferred the credit to the dealer at the time of sale must file this form and Schedule A (Form 8936).

TREASURY/IRS AND OMB USE ONLY DRAFT July 16, 2024 DO NOT FILE

Part I Modified Adjusted Gross Income (MAGI) Amount

1a	Enter the amount from line 11 of your 2024 Form 1040, 1040-SR, or 1040-NR. Estates and trusts, Form 1041, see instructions	1a	
b	Enter any income from Puerto Rico you excluded	1b	
c	Enter any amount from Form 2555, line 45	1c	
d	Enter any amount from Form 2555, line 50	1d	
e	Enter any amount from Form 4563, line 15	1e	
2	Add lines 1a through 1e	2	
3a	Enter the amount from line 11 of your 2023 Form 1040, 1040-SR, or 1040-NR. Estates and trusts, Form 1041, see instructions	3a	
b	Enter any income from Puerto Rico you excluded	3b	
c	Enter any amount from Form 2555, line 45	3c	
d	Enter any amount from Form 2555, line 50	3d	
e	Enter any amount from Form 4563, line 15	3e	
4	Add lines 3a through 3e	4	
5	Enter your 2023 filing status (S, MFS, etc., see chart below)	5	

Individuals, estates, or trusts exceeding the following MAGI limits for both 2023 and 2024 can't claim the applicable credit.

Filing Status	Part II/III Limits	Part IV Limits
Single (S)	$150,000	$75,000
Married filing separately (MFS)	$150,000	$75,000
Head of household (HOH)	$225,000	$112,500
Married filing jointly (MFJ)	$300,000	$150,000
Qualifying surviving spouse (QSS)	$300,000	$150,000
Estates and trusts	$150,000	N/A

Part II Credit for Business/Investment Use Part of New Clean Vehicles

6	Enter the total credit amount figured in Part II of Schedule(s) A (Form 8936)	6	
7	New clean vehicle credit from partnerships and S corporations (see instructions)	7	
8	**Business/investment use part of credit.** Add lines 6 and 7. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1y	8	

Part III Credit for Personal Use Part of New Clean Vehicles

9	Enter the total credit amount figured in Part III of Schedule(s) A (Form 8936)	9	
10	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 18	10	
11	Personal credits from Form 1040, 1040-SR, or 1040-NR (see instructions)	11	
12	Subtract line 11 from line 10. If zero or less, enter -0- and stop here. You can't claim the personal use part of the credit	12	
13	**Personal use part of credit.** Enter the **smaller** of line 9 or line 12 here and on Schedule 3 (Form 1040), line 6f. If line 12 is smaller than line 9, see instructions	13	

Part IV Credit for Previously Owned Clean Vehicles

14	Enter the total credit amount figured in Part IV of Schedule(s) A (Form 8936)	14	
15	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 18	15	
16	Personal credits from Form 1040, 1040-SR, or 1040-NR (see instructions)	16	
17	Subtract line 16 from line 15. If zero or less, enter -0- and stop here. You can't claim the Part IV credit	17	
18	Enter the **smaller** of line 14 or line 17 here and on Schedule 3 (Form 1040), line 6m. If line 17 is smaller than line 14, see instructions	18	

Part V Credit for Qualified Commercial Clean Vehicles

19	Enter the total credit amount figured in Part V of Schedule(s) A (Form 8936)	19	
20	Qualified commercial clean vehicle credit from partnerships and S corporations (see instructions)	20	
21	Add lines 19 and 20. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1aa	21	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 37751E Form **8936** (2024)

13

SCHEDULE A
(Form 8936)

Department of the Treasury
Internal Revenue Service

Clean Vehicle Credit Amount

Attach to your tax return.
Go to *www.irs.gov/Form8936* for instructions and the latest information.

OMB No. 1545-2137

2024

Attachment Sequence No. **69A**

Name(s) shown on return | **Identifying number**

Notes:
- Complete a separate Schedule A (Form 8936) for each clean vehicle placed in service during the tax year.
- Individuals who transferred the credit to the dealer at the time of sale must file this schedule and Form 8936.

Part I Vehicle Details

1a Year . . . . ______

b Make . . . . ______

c Model . . . . ______

2 Vehicle identification number (VIN) (see instructions) . . ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

3 Enter date vehicle was placed in service (MM/DD/YYYY) . . . . ______

4a Did you transfer the credit to the dealer at the time of sale?
☐ **Yes.** Enter the transferred amount shown on the seller's report . . . . ______
☐ **No.** Go to line 5.

b If line 4a is "Yes," complete line 8 or line 13, as applicable, and check here if directed to do so by line 8a, 8d, 13a, or 13c . ☐

5 Does the VIN entered on line 2 belong to a **new clean vehicle** placed in service during the tax year? See instructions for definitions.
☐ **Yes.** Go to Part II.
☐ **No.** Go to line 6.

6 Does the VIN entered on line 2 belong to a **previously owned clean vehicle** acquired after 2022 and placed in service during the tax year? See instructions for definitions.
☐ **Yes.** Go to Part IV.
☐ **No.** Go to line 7.

7 Does the VIN entered on line 2 belong to a **qualified commercial clean vehicle** acquired after 2022 and placed in service during the tax year? See instructions for definitions.
☐ **Yes.** Go to Part V.
☐ **No. Stop here.** You can't use this schedule to figure a credit amount for a vehicle not described on line 5, 6, or 7.

Part II Credit Amount for Business/Investment Use Part of New Clean Vehicle

8a Did you resell the vehicle within 30 days of the placed-in-service date shown on line 3?
☐ **Yes. Stop here.** You can't claim a clean vehicle credit for this vehicle. If line 4a is "Yes," check the box on line 4b and report the amount from line 4a on Schedule 2 (Form 1040), line 1b.
☐ **No.** Go to line 8b.

8b Are you filing this form with an individual income tax return?
☐ **Yes.** Go to line 8c.
☐ **No.** Skip lines 8c and 8d and go to line 8e.

8c Complete Form 8936, lines 1 and 2. Is line 2 more than the "Part II/III limits" amount shown on the chart below line 5, Form 8936 for your 2024 filing status?
☐ **Yes.** Go to line 8d.
☐ **No.** If you transferred the credit amount to the dealer at the time of sale, stop here and see instructions. Otherwise, skip line 8d and go to line 8e.

8d Complete Form 8936, lines 3, 4, and 5. Is line 4 more than the "Part II/III limits" amount shown on the chart below line 5, Form 8936 for your 2023 filing status? See instructions if your 2024 return is a joint return.
☐ **Yes. Stop here.** You can't claim a clean vehicle credit for this vehicle. If line 4a is "Yes," check the box on line 4b and report the amount from line 4a on Schedule 2 (Form 1040), line 1b.
☐ **No.** If you transferred the credit amount to the dealer at the time of sale, stop here and see instructions. Otherwise, go to line 8e.

For Paperwork Reduction Act Notice, see the Form 8936 instructions. Cat. No. 93602W **Schedule A (Form 8936) 2024**

Part II **Credit Amount for Business/Investment Use Part of New Clean Vehicle** *(continued)*

8e Did you acquire the vehicle for use or to lease to others, and not for resale? Answer "No" if you are leasing the vehicle from another person.

☐ **Yes.**

☐ **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or to lease to others, or acquired for resale.

9	Tentative credit amount (see instructions)	**9**	
10	Business/investment use percentage (see instructions)	**10**	%
11	Multiply line 9 by line 10. Include this credit amount on line 6 in Part II of Form 8936. If you entered 100% on line 10, stop here. Otherwise, go to Part III below	**11**	

Part III **Credit Amount for Personal Use Part of New Clean Vehicle**

12	Subtract line 11 from line 9 in Part II. Stop here and include this credit amount on line 9 in Part III of Form 8936	**12**	

Part IV **Credit Amount for Previously Owned Clean Vehicle**

13a Did you resell the vehicle within 30 days of the placed-in-service date shown on line 3?

☐ **Yes. Stop here.** You can't claim a clean vehicle credit for this vehicle. If line 4a is "Yes," check the box on line 4b and report the amount from line 4a on Schedule 2 (Form 1040), line 1c.

☐ **No.** Go to line 13b.

b Complete Form 8936, lines 1 and 2. Is line 2 more than the "Part IV limits" amount shown on the chart below line 5, Form 8936 for your 2024 filing status?

☐ **Yes.** Go to line 13c.

☐ **No.** If you transferred the credit amount to the dealer at the time of sale, stop here and see instructions. Otherwise, skip line 13c and go to line 13d.

c Complete Form 8936, lines 3, 4, and 5. Is line 4 more than the "Part IV limits" amount shown on the chart below line 5, Form 8936 for your 2023 filing status? See instructions if your 2024 return is a joint return.

☐ **Yes. Stop here.** You can't claim a clean vehicle credit for this vehicle. If line 4a is "Yes," check the box on line 4b and report the amount from line 4a on Schedule 2 (Form 1040), line 1c.

☐ **No.** If you transferred the credit amount to the dealer at the time of sale, stop here and see instructions. Otherwise, go to line 13d.

d Have you claimed a previously owned clean vehicle credit for another vehicle purchased in the 3-year period ending on the date you purchased the vehicle identified in Part I? See instructions if you are filing a joint return.

☐ **Yes. Stop here.** You can't claim a credit for this vehicle if you have already claimed the previously owned vehicle credit for another vehicle purchased during this 3-year period.

☐ **No.** Go to line 13e.

e Is the sales price of the vehicle more than $25,000?

☐ **Yes. Stop here.** The vehicle doesn't qualify for the Part IV credit.

☐ **No.**

f Did you acquire the vehicle for use and not for resale? Answer "No" if you are leasing the vehicle from another person.

☐ **Yes.**

☐ **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or acquired for resale.

g Can you be claimed as a dependent on another person's tax return, such as your parent's return?

☐ **Yes. Stop here.** You can't claim a credit amount if you can be claimed as a dependent.

☐ **No.**

14	Enter the sales price of the vehicle	**14**	
15	Multiply line 14 by 30% (0.30)	**15**	
16	Maximum vehicle credit amount	**16**	*$4,000*
17	Enter the smaller of line 15 or line 16. Stop here and include this credit amount on line 14 in Part IV of Form 8936	**17**	

Schedule A (Form 8936) 2024

Schedule A (Form 8936) 2024 Page **3**

Part V **Credit Amount for Qualified Commercial Clean Vehicle**

18a If making an elective payment election, enter the IRS-issued registration number for the vehicle ____________

b Is the vehicle of a character subject to the allowance for depreciation? Answer "Yes" if the exception for certain tax-exempt entities discussed in the instructions applies.

☐ **Yes.**

☐ **No. Stop here.** The vehicle is not a qualified commercial clean vehicle unless the exception applies.

c Did you acquire the vehicle for use or to lease to others, and not for resale? Answer "No" if you are leasing the vehicle from another person.

☐ **Yes.**

☐ **No. Stop here.** You can't claim a credit amount for a vehicle you didn't acquire for use or to lease to others, or acquired for resale.

d Is the vehicle also powered in part by gas or diesel? See instructions.

☐ **Yes.**

☐ **No.**

e Enter the vehicle's gross vehicle weight rating (GVWR) . . . . ____________

19	Enter the cost or other basis of the vehicle. See instructions	**19**	
20	Section 179 expense deduction (see instructions)	**20**	
21	Subtract line 20 from line 19	**21**	
22	Multiply line 21 by 15% (0.15) (30% (0.30) if the answer on line 18d above is "No")	**22**	
23	Enter the incremental cost of the vehicle. See instructions	**23**	
24	Enter the smaller of line 22 or line 23	**24**	
25	**Maximum credit.** Enter \$7,500 (\$40,000 if the vehicle's gross vehicle weight rating (see line 18e) is 14,000 pounds or more)	**25**	
26	Enter the smaller of line 24 or line 25. Include this credit amount on line 19 in Part V of Form 8936	**26**	

Schedule A (Form 8936) 2024

Status

Taxpayers have used Form 8936 for some years without provisions to accommodate credit transfers. The IRS released a draft of Form 8936 and Schedule A (Form 8936) on July 16, 2024.

EXPIRING PROVISIONS

The following are some expiring provisions for which taxpayers may want to plan.

December 31, 2024

Code Sections	Description
40(b)(6)(J)	Second generation biofuel producer credit
40A(g)	Various income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agribiodiesel producers (also renewable diesel)
40B(h)	Credit for sustainable aviation fuel
45(d), 48(a)(5)	Beginning-of-construction date for renewable power facilities eligible to claim the renewable electricity production credit or investment credit in lieu of the production credit
48(a)(2)(A)(i)(II), 48(a)(3)(A)(ii) and (vii), 48(c)(1)(E), 48(c)(2)(D), 48(c)(3)(A)(iv), 48(c)(4)(C)	Beginning-of-construction date for increased credit for business solar energy property and credit for fiber optic solar lighting system property, qualified fuel cell and stationary microturbine power plant property, combined heat and power property, small wind property, and waste energy recovery property
48(a)(3)(A), 168(e)(3)(B)	5-year recovery period for certain energy property
48(e)(4)(C)	Increase in energy credit for solar and wind facilities placed in service in connection with low-income communities
223(c)(2)(E)	Safe harbor for absence of deductible for telehealth
6426(c)(6)	Excise tax credits and outlay payments for (renewable) diesel fuel mixtures
6426(d)(5)	Excise tax credits and outlay payments for alternative fuel
6426(e)(3)	Excise tax credits for alternative fuel mixtures
6426(k)	Excise tax credits and outlay payments for sustainable aviation fuel
6427(e)(6)(B), (C), and (E)	Excise tax credits and outlay payments for (renewable) diesel fuel mixtures

December 31, 2025

Code Sections	Description
1(j)	Modification of individual income tax rates
24(h)	Child tax credit amounts
25B(d)(1)(D), 529(c)(3)(C)(i)(III), 529A(b)(2)(B)	Achieving a Better Life Experience (ABLE) accounts: Contributions eligible for saver's credit; rollovers from qualified tuition plans permitted, and increased contribution amounts
36B	Premium assistance credit enhancements
45D(f)(1)	New markets tax credit
45S(i)	Employer credit for paid family and medical leave
51(c)(4)	Work opportunity tax credit
55	Modifications of exemption amount and phaseout threshold of individual AMT
59A(b)(2)	Rate on modified taxable income and treatment of credits in the calculation of base erosion minimum tax amount
63(c)(7)	Increase in standard deduction of individuals
67(g)	Suspension of miscellaneous itemized deduction
68(f)	Suspension of limitation on itemized deductions
108(a)(1)(E)	Exclusion from gross income of discharge of indebtedness on principal residence
108(f)(5)	Certain discharges of student loans
127(c)(1)(B)	Exclusion for certain employer payments of student loans
132(f)(8)	Suspension of exclusion for reimbursement of bicycle commuting
132(g)(2)	Suspension of exclusion for moving expense reimbursement
151(d)(5)	Suspension of deduction for personal exemptions
163(h)(3)(F)	Limitation on deduction for qualified residence interest, suspension of deduction for home equity interest
164(b)(6)	Limitation on deduction for state, local, etc., taxes
165(d)	Modification of rules relating to computation of wagering losses
165(h)(5)	Personal casualty losses limited to federally declared disaster areas
168(e)(3)(C)(ii), 168(i)(15)(D)	7-year recovery period for motorsports entertainment complexes
170(b)(1)(G)	Increase in percentage limitation on cash contributions to public charities
181(g)	Special expensing rules for certain film, television, and live theatrical productions
199A(i)	QBID
217(k)	Suspension of deduction for moving expenses
250(a)(3)	Deduction percentages for foreign-derived intangible income and global intangible low-taxed income
274(o)	Deductibility of employer de minimis meals and related eating facility, and meals for the convenience of the employer
954(c)(6)(C)	Look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules

December 31, 2025 *(continued)*

Code Sections	Description
1391(d), (h), 1394, 1396	Empowerment zones: Designation of an empowerment zone, tax-exempt bonds, employment credit
2010(c)(3)(C)	Increased estate and gift tax exemption
4611(f)(2)	Oil Spill Liability Trust Fund financing rate

December 31, 2026

Code Sections	Description
25B	Elective deferrals and IRA contributions by certain individuals
48D(e)	Credit for advanced manufacturing investment
168(k) and 460(c)	Various additional first-year depreciation elections
1400Z-2(a)(2)(B)	Election to invest capital gains in an opportunity zone

December 31, 2027, unless noted

Code Sections	Description
45Z(g)	Credit for clean fuel production
263A(d)(2)(C)	Expensing of certain costs of replanting citrus (expires December 22, 2027)

September 30, 2028

Code Sections	Description
4041(a) and (m), 4051(c), 4071(d), 4081(d)(1)	Highway Trust Fund excise taxes
4041(d)(4), 4042(b)(4), 4081(d)(3)	Leaking Underground Storage Tank Trust Fund financing rate
4043(d), 4081(d)(2)(B), 4083(b), 4261(j) and (k), 4271(d)	Various Airport and Airway Trust Fund excise taxes

December 31, 2028

Code Sections	Description
461(l)	Limitation on excess business losses incurred by noncorporate taxpayers