

Potential Legislation Change: Tax Relief for American Families and Workers Act of 2024 (H.R. 7024)

The U.S. House of Representatives has approved the bill for the Tax Relief for American Families and Workers Act of 2024 (TRAFWA). The bill is awaiting the U.S. Senate's approval or rejection. If the bill is passed by the Senate, a portion of tax legislation will change and may impact some 2023 tax returns.

The bill can and will likely still undergo changes between now and then if it is passed. Also note that the expiration of many provisions at the end of 2025 coincides with the expiration of TCJA provisions, which means these will all be renegotiated again in two years.

The bill text contains some noteworthy details listed below:

- The Child Tax Credit of \$2,000 per child would be increased annually for inflation for the 2024 and 2025 taxable years;
- When calculating the Child Tax Credit for taxable years 2024 and 2025, taxpayers can elect to use their earned income from the prior taxable year if that helps increase their Child Tax Credit;
- The required five-year amortization under IRC §174 for domestic research expenses is delayed until 2026 and taxpayers would be able to treat these expenses similarly to how they treated these expenses under prior law under a new IRC §174A, retroactive to the 2022 taxable year. Taxpayers who amortized these domestic research expenses in 2022 would be able to apply a modified cut-off change of accounting method in 2023, thereby foregoing the need to file an amended 2022 return. The delay does not apply to foreign research, which means that foreign research expenses incurred after 2021 would continue to be amortized over 15 years;
- The 100% bonus depreciation rate would be extended retroactively to the beginning of 2023 through 2025, then would drop to 20% for 2026 before expiring on December 31, 2026;
- Available disaster relief is expanded by:
 - Extending the personal casualty disaster loss provisions to apply to federally declared disasters during the period from January 1, 2020, through 60 days after enactment of the TRAFWA); and
 - Qualified wildfire settlements received by individuals for compensation for losses, expenses, or damages would be excludable from income, but only to the extent these items were not covered by insurance or otherwise. The exclusion would apply to settlements received during the 2020 through 2025 tax year for any post-2014 federally declared disaster.

Taxpayers may want to consider putting their returns on extension until we see whether this bill is likely to pass. Please reach out to our office if you have any questions.

Our best,



The Team at HHH

www.hhh-cpa.com

Office hours: Monday – Thursday 9-12, 1-5

Fridays by appointment only

Tax Season hours: Monday – Friday 9-5