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Tax-Saving Tips

Game On: TCJA Winners and Losers—Business on the Chopping Block

Prepare for tax changes.

The Tax Cuts and Jobs Act (TCJA) has been part of our tax landscape for nearly seven years, shaping how businesses and individuals plan their finances. With an eye toward the end of 2025, when many key provisions expire, here are some critical changes that could affect you and your business.

Expiring Provisions: Mixed News for Businesses

Some of the most impactful changes, including lower individual tax rates and the qualified business income (QBI) deduction, are slated to sunset after 2025. Here are some highlights:

- **Lower individual tax rates.** Rates under the TCJA are generally lower, but thresholds for higher rates can affect upper-middle-income taxpayers. Unless extended, pre-TCJA rates will return, including a top rate of 39.6 percent.
- **QBI deduction.** This valuable 20 percent deduction for qualified pass-through business income will expire after 2025, potentially increasing your tax burden.
- **Bonus depreciation.** First-year bonus depreciation is phasing out, dropping to 40 percent in 2025 and disappearing after 2026 unless extended.

Permanent Provisions: Long-Term Opportunities

Certain TCJA changes are permanent, offering stability and planning opportunities:

- **Corporate tax rate.** The flat 21 percent federal corporate tax rate remains a game-changer for C corporations, including personal service corporations.
- **Section 179 deductions.** Enhanced deduction limits ($1.22 million for 2024) and expanded eligibility provide opportunities for capital investment.
- **Repeal of C corporation alternative minimum tax (AMT).** This permanent repeal simplifies planning for corporations.

Winners and Losers: Assessing the Impact

The TCJA introduced both benefits and limitations for taxpayers:

- **Winners.** Businesses benefit from faster depreciation rules, more generous Section 179 deductions, and liberalized vehicle depreciation.
- **Losers.** Restrictions on Section 1031 exchanges for personal property, limits on business interest deductions, and the disallowance of entertainment expense deductions have increased costs for some.

Planning for the Future

The expiring provisions and ongoing legislative uncertainty make proactive tax planning essential. Key considerations include:

- Adjusting for potential higher individual tax rates
- Maximizing the benefits of expiring deductions and credits
- Evaluating your entity structure

The TCJA was a significant overhaul of the tax code, and as its provisions evolve, so must our strategies.

2024 Year-End Tax Strategies for Crypto Investors

2024 has been a great year for investors in cryptocurrency, with Bitcoin reaching all-time highs.

With high profits, however, can come high taxes. Fortunately, there are several strategies you can employ before year-end to reduce your 2024 crypto taxes.

If you invested only in Bitcoin, you may not have any crypto losses.

But you could have losses if you invested in other forms of crypto. If so, you should consider selling your losers before the end of the year. You may fully deduct your losses from any capital gains you realize during the year, such as gains from selling other crypto or stocks at a profit.

If your losses exceed your capital gains for the year, you can use your remaining losses to offset up to $3,000 in personal income. You can carry any unused losses over to future years to offset future gains or income.

Donating appreciated crypto to charity is a great tax strategy if you're charitably inclined. You'll not only help a charity, but you'll also get two terrific tax benefits:

- You avoid long-term capital gains taxes on your appreciated crypto.
- You can get a charitable contribution deduction equal to the appreciated value.

To obtain the benefits described above, you must (a) itemize your deductions on Schedule A and (b) have held the crypto for more than a year.

You should also consider giving crypto to a child, a grandchild, or another loved one. For 2024, you may gift up to $18,000 to an unlimited number of people without triggering any tax or reporting obligation for you or the recipients. If you're married, you and your spouse may gift $36,000.

Another strategy is establishing a self-directed IRA or a self-directed solo 401(k) to purchase crypto.

You can use a self-directed regular or Roth IRA or 401(k).

Tax Credits for EVs: What's New?

If you're in the market for a new car, the federal government would like you to purchase an electric vehicle (EV) or a plug-in hybrid EV (PHEV).

In 2022, Congress enacted the Inflation Reduction Act, which revamped and expanded tax credits for EVs purchased during 2023 and later.

As a result of the new law, there are four ways you can benefit from a federal EV tax credit:

1. Purchase an EV and claim the clean vehicle credit.
2. Purchase a used EV that qualifies for the previously owned clean vehicle credit.
3. Purchase an EV for business use and claim the commercial clean vehicle credit.
4. Lease an EV and benefit from a discount from the dealer.

To the surprise of many, leasing an EV is the most popular way to benefit from an EV credit. Almost two-thirds of all EVs are being leased instead of purchased.

Why aren't more people purchasing an EV and claiming an EV credit for themselves? It's likely due to the many restrictions imposed on the credits.

The clean vehicle credit is a maximum $7,500 tax credit and was designed to be the workhorse EV credit. You can claim it for EVs used for personal or business driving and claim it at the point of sale by transferring it to the dealer. Thus, you don't have to wait until you file your tax return to get the credit.

The clean vehicle credit is subject to income caps, price caps, and domestic sourcing requirements that greatly limit availability. Currently, only 24 EV models qualify for the full $7,500 credit.

The previously owned clean vehicle credit is a maximum of $4,000 and is subject to even lower income caps than the clean vehicle credit. There is also a $25,000 vehicle price cap on the credit.

The commercial clean vehicle credit is also a maximum of $7,500 but is NOT subject to income caps, price caps, or domestic sourcing requirements. The vehicle's depreciable tax basis (price and business use percentage) can determine the credit.

That leaves leasing an EV. With a lease, the dealer claims the $7,500 commercial clean vehicle credit for the EV and passes the savings on to you, the customer, in the form of lower monthly lease payments, lower down payments, or rebates. You do not apply for any tax credit.

U.S. Supreme Court Makes It Easier to Challenge IRS Regulations

Over the years, the IRS has enacted voluminous regulations that interpret ambiguous tax code provisions or fill in administrative gaps.

Indeed, IRS regulations dwarf the tax code: the tax code is about 2,600 pages long, while all the rules written by the IRS amount to over 16,000 pages. Think an IRS regulation is unfair or overreaches? Until now, there wasn't much you could do about it.

A 40-year-old legal rule called *Chevron* deference (or the *Chevron* doctrine) required courts to defer to government regulations so long as they were reasonable. After all, the IRS and other federal agencies were the experts.

Because of the *Chevron* doctrine, courts rarely struck down IRS regulations. Taxpayers just had to live with them. IRS regulations effectively had the force and weight of law.

This is now changing.

In a landmark court decision called *Loper Bright Enterprises v. Raimondo,* the United States Supreme Court overturned the *Chevron* doctrine. Regulations enacted by the IRS and other federal agencies will no longer be given automatic deference. Courts will now make their own decisions based on their interpretations of the tax laws passed by Congress.

But don't assume that any existing regulation is now invalid. The Supreme Court held that its *Loper Bright* decision applies only prospectively—that is, it doesn't invalidate or eliminate any existing regulations. The ruling also preserves earlier court decisions that used the *Chevron* doctrine to uphold regulations.

Nevertheless, IRS regulations are now more vulnerable to legal attack. Here are some possible ramifications:

- There will doubtless be more legal challenges to IRS regulations. Many are already underway. For example, the IRS's new cryptocurrency regulations will face numerous legal challenges.

- The IRS may enact fewer regulations and rely more on subregulatory guidance such as revenue rulings and procedures, notices, and FAQs. Such guidance was never entitled to *Chevron* deference.

- With the demise of the *Chevron* doctrine, the IRS may need to be more restrained when it writes its regulations to avoid having them struck down by the courts.

- The IRS has had a long-standing internal policy that it will not administratively settle disputes with taxpayers based on challenges to the validity of IRS regulations. This could now change. The IRS may prefer to settle such disputes rather than take its chances in court.