

What to Expect in the Upcoming Tax Season

The Drake Software Tax Team

Objectives

Discuss the upcoming tax season, pertaining to:

- Tax law changes
- Impact of technology
- Changing Reporting requirements

Introducing...Your Presenters

Ladonna Keener, CPA

Bob Nolan, CPA

John Sapp, CPA

About Drake Software

Drake Software, a private company founded in 1977, provides software solutions to over 70,000 tax and accounting firms that file more than 36 million tax returns every year. Known for its award-winning customer service team, Drake Software is also consistently recognized for excellence in quality, value, and reliability. For more information, visit www.drakesoftware.com.



Polling Question One

POLLING QUESTION 1

Polling Question One

What is the biggest challenge your practice will face in the upcoming tax season?

1. Changes in technology
2. Dealing with misinformation on social media
3. Implementing Security Requirements
4. Getting Old
5. Other

AI in Tax

Use of AI

- Just a search engine?
- By IRS / Government
- Use of AI for Tax Research
- By Tax Firms for analysis
- Use of AI for communication with clients

Concerns with AI

- Accuracy
- Security and Ethical

Mitigation

- Know the data being used and the source
- Know where it's being sent
- Have a policy for use of AI
- Disclose or not to disclose

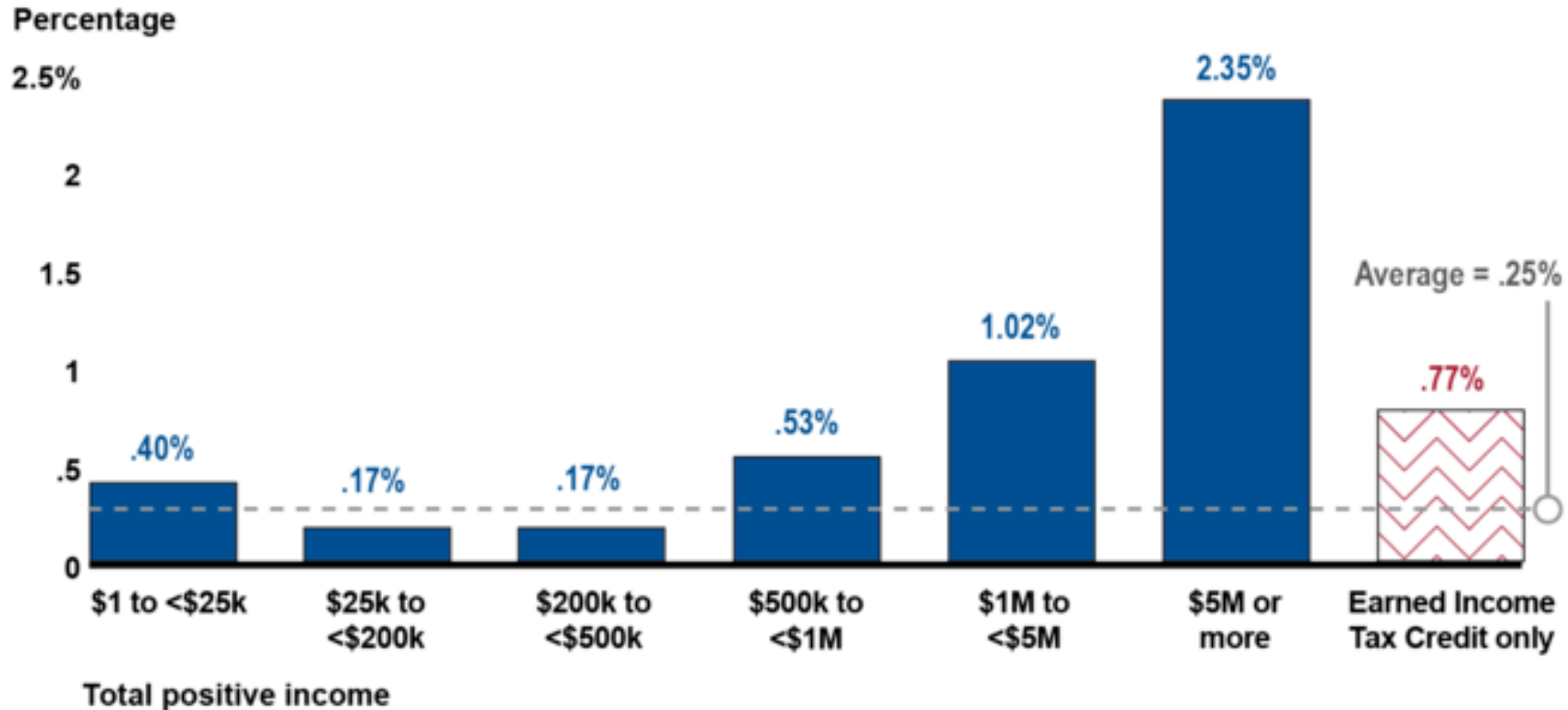
Use by IRS

- Audit Selection
- Customer Service
- May 2024 – IRM on “AI Governance and Principles”
 - Transparent
 - Understandable
 - Monitored
 - Lawful
- Must record Use Cases
- Required to share AI Code with Public
- “No AI Audits Act” (House Bill 7694)

IRS Audits

May 2022

Audit Rates by Total Positive Income, Tax Year 2019



Source: GAO analysis of Internal Revenue Service data. | GAO-22-104960

Polling Question Two

POLLING QUESTION 2

Polling Question Two

Which best describes your thoughts on the use of AI by the IRS will impact tax pros?

1. I'm optimistic it will lead to fewer selections of accurate returns
2. I'm concerned about the accuracy of audit selection
3. I'm concerned about bias toward particular groups in audit selection
4. No concerns here – bring it on!
5. Other

Legislation

Expiring Provisions Timing (after 2025 returns)

- Tax Rates
- Child Tax Credit
- Exemption for AMT
- Standard Deduction will revert to lower amounts
- PEASE limitation
- Discharge of Student Loans
- Personal Exemptions
- Moving Expense reimbursement exclusion
- Limit on mortgage interest (+home equity)
- SALT limits
- QBI
- Increase in contribution limits
- Estate and gift tax exemption

Reporting

Before 2022

Greater than \$20k AND more than 200 transactions

After ~~2021~~ ~~2022~~ ~~2023~~
For Tax year 2024

- **Greater than \$5,000**

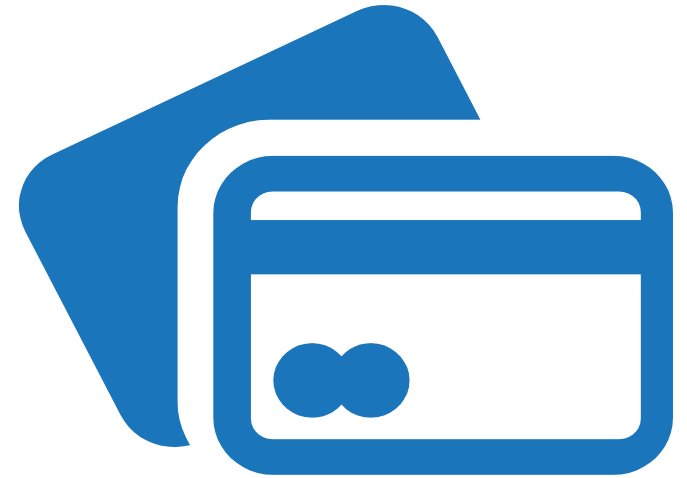
Future State:

\$600 or more in aggregate payments during year
De minimis transaction rule **eliminated**

Reportable Transactions Clarified

Third-party transactions only include transactions
for the provision of **goods and services**

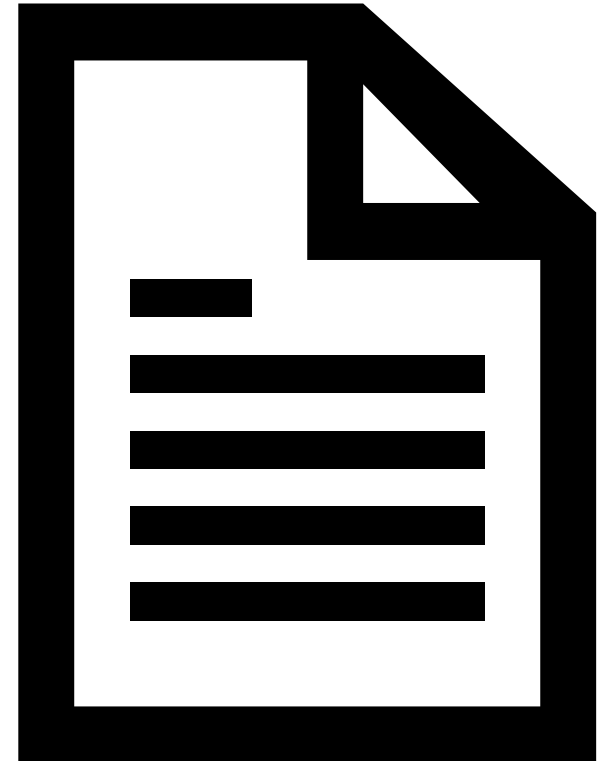
Form 1099-K



Enter the Form 1099-K gross payment **amount (Box 1a) on Part I – Line 8z – Other Income AND Any offset the Form 1099-K gross payment **amount (Box 1a) on Part II – Line 24z** – Other Adjustments

Tax Season 2025

- 1099-K
- Employee Retention Credit (hangover)
- Clean Energy Provisions
- Corporate Transparency Act
- Security
- Digital Assets
- Other – Ai



Corporate Transparency Act

- Formed at State Level (LLCs and Corps)
 - Exemptions apply
- Not an annual filing
- Must update when info changes
- What is a beneficial owner?
 - “who ultimately own or control the reporting companies.”
- **Penalties –**
 - \$591/Day Civil and \$10k Criminal (2 years in prison)

The Corporate Transparency Act (CTA) is a federal law that requires most domestic business entities to file reports with the Financial Crimes Enforcement Network (FinCEN) that identify their beneficial owners.

- Estimate 59% will have one beneficial owner
- FINCEN Est 32.6 million entities will file
- Estimates 6.6 million in year 1, 14.5 million/year thereafter

Polling Question Three

POLLING QUESTION 3

Polling Question Three

What % of your clients with a BOI reporting requirement will actually file with FINCEN?

1. Less than 10%
2. More than 10% but less than 50%
3. More than 50%
4. None of my clients will comply

Employee Retention Credit

- Recap and Background
- Evolution to “ERC” mills
- IRS Shuts down processing (October 19th)
- **2nd ERC Voluntary Disclosure Program**
 - Open through November 22, 2024 (**for 2021**)
 - Voluntarily pay back 85% of ERC
 - Sign closing Agreement

EV Credits

- EV Credits
 - New Vehicles
 - Up to \$7,500 personal
 - Used Vehicles
 - Up to \$4k
 - First year to reconcile with dealer trade-in (Form 8938)
 - Commercial Clean Vehicle
 - Up to \$40,000



Other

- **Disaster Relief**
- **Election / Political**
- **Security**



Polling Question Four

POLLING QUESTION 4

Polling Question Four

Which of the expiring tax provisions for TCJA concern you the most?

1. QBI
2. SALT limitation
3. Child Tax Credit Reduction
4. Other

Thank You!

Questions and Answers