

# 2024 Nonprofit Tax Year-End Review

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## Polling Question

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### **NEW process for CPE:**

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## Agenda

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- Recent Court Cases
- Future of Tax Cut and Jobs Act (TCJA) Provisions
- Clean Energy Credits
- Beneficial Ownership Reporting
- Department of Labor Salary Basis Update
- Foreign Grant Reporting
- Employee Retention Credit Updates
- Supporting Organization Technical Guides Release
- Year-End Tax Filings
- IRS Audit Compliance Strategies
- 2025 Key Tax Figures

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## Recent Court Cases

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- *Loper Bright Enterprises v. Raimondo*
  - Overturning of *Chevron*
- *Catholic Charities v. Wisconsin*
  - Religious freedom implications
- *Mira Vista Homeowner's Ass'n v. Comm'r of Internal Revenue*
  - Denied recognition of exempt status

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## Future of TCJA Provisions

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- Provisions affecting charitable giving expected to sunset at the end of 2025:
  - Increased standard deduction
  - Cap on home mortgage deduction
  - Cap on state and local tax deduction
  - 60% AGI limit for individuals for cash contributions to public charities
  - Doubling of lifetime estate and gift tax exemption

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## Future of TCJA Provisions (continued)

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- Other items of interest:
  - Corporate tax flat rate of 21% will not expire
  - 20% qualified business income (section 199A) set to expire end of 2025
  - Bonus depreciation 60% for 2024 and set to drop to 40% in 2025

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## Clean Energy Credits

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- Final regulations related to domestic content
- Claims and timeline
- Potential political ramifications

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## Beneficial Ownership Reporting

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- Congress enacted the Corporate Transparency Act (CTA) in 2021 to combat money laundering, tax fraud, and terrorism financing
- Starting January 1, 2024, entities that meet specific criteria are required to file the beneficial ownership information (BOI) report to FinCEN
- Importantly, **all nonprofit entities are exempt from this requirement**

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## Beneficial Ownership Reporting (continued)

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- Must meet **one** of the following criteria:
  - Be described in section 501(c)
  - Be described in section 501(c), was exempt under section 501(a) of the Code, and lost tax exempt status less than 180 days ago
  - Be an exempt political organization (527(e))
  - Be a trust under paragraph (1) or (2) of section 4947(a)

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## Beneficial Ownership Reporting (continued)

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### *Breaking News!*

- On December 3, 2024, the U.S. District Court for the Eastern District of Texas entered a preliminary injunction against enforcement of the BOI reporting requirements altogether
- The January 1, 2025, deadline has been stayed
- The injunction could be lifted on appeal, but the overall exemption for nonprofits would still remain in place

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## Department of Labor Salary Basis Update

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- On November 15, 2024, the U.S. District Court for the Eastern District of Texas overturned the recent changes to the salary basis made by the DOL
- The DOL's changes would have increased the salary threshold for exempt employees from \$35,568 to \$43,888 (on July 1, 2024) and then to \$58,656 (on January 1, 2025)

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## Department of Labor Salary Basis Update

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(continued)

- This sets the salary basis back to pre-July 1, 2024, levels (\$35,568/year; \$684/week)
- Next steps: the DOL could appeal to the Fifth Circuit Court of Appeals, but the Eastern District decision would likely be upheld there
- Will the incoming administration continue to push for this?
- Implications for you and your staff?

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## Foreign Grant Reporting

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- House Ways & Means Committee proposed legislation:
  - H.R. 8290, “Foreign Grant Reporting Act,” passed by a vote of 38-0
  - H.R. 8293, “American Donor Privacy and Foreign Funding Transparency Act,” passed by a vote of 23-16
- House of Representatives passed legislation:
  - H.R. 9495, “Stop Terror-Financing and Tax Penalties on American Hostages Act,” passed by a vote of 219-184

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## Foreign Grant Reporting Best Practices

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- Review [U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities](#)
- Review Office of Foreign Assets Control (OFAC) economic and trade sanctions
- Establish predetermined selection criteria
- Document grantee’s eligibility for grants or assistance, including basic research on organization, section 501(c)(3) equivalency determination, and documentation of how grantee’s activities are consistent with the organization’s section 501(c)(3) purpose

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## Foreign Grant Reporting Best Practices (continued)

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- Substantiate the amount of grants and assistance in the organization's records
- Require periodic reporting and accounting as to how funds were used

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## Employee Retention Credit Updates

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- Claims are taking very long to fulfill (1 – 3 years)
- Disallowance letters are becoming more common
- IRS is using crude measurements when deciding whether to amend or disallow an ERC claim

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## Employee Retention Credit Updates (continued)

- Final deadline to claim the ERC is April 15, 2025 (only 2021 quarters available)
- Voluntary Disclosure Program available for third-party payers until December 31, 2024, using the [consolidated claim process](#)
- The [ERC Withdrawal Program](#) remains open to organizations

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## Supporting Organization Technical Guide

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- Exempt Organizations and Government Entities recently published three new Technical Guides that address Section 509(a)(3) supporting organizations:
  - [TG 3-31: Foundation Classification – Type I Supporting Organizations – IRC Section 509\(a\)\(3\), Publication 6015](#)
  - [TG 3-32: Foundation Classification – Type II Supporting Organizations – IRC Section 509\(a\)\(3\), Publication 6016](#)
  - [TG 3-33: Foundation Classification – Type III Supporting Organizations – IRC Section 509\(a\)\(3\), Publication 6017](#)

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## Year-End Tax Reporting

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- *W-2 Forms*
  - If you have historically paper-filed your W-2 Forms with the Social Security Administration (SSA), know that **the threshold for mandatory electronic filing is 10 forms (includes Forms 1099)**
  - The deadline for filing and for sending to the employee remains January 31

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## Year-End Tax Reporting (continued)

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- *1099-NEC*
  - Due date for filing *and* furnishing a copy to recipient is January 31
- *1099-MISC*
  - Due date for furnishing a copy to the recipient is January 31
  - Due date for filing is February 28, 2025 (if paper-filing) or March 31, 2025 (if filing electronically)

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## Year-end Tax Reporting (continued)

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- 1099-K reporting threshold relief extended:
  - 2024 – \$5,000
  - 2025 – \$2,500
  - 2026 and beyond – \$600

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## Year-End Tax Reporting (continued)

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- *IRS E-file Shutdown Date for Filing of Business returns – 11:59 a.m. (noon) Eastern time, Thursday, December 26, 2024*

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## IRS Compliance Strategies

- Strategies related to:
  - Compliance strategies
  - Data-driven approaches
  - Referrals, claims, and other casework
- Audit rate of less than 1% for exempt organizations

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## Key Federal Tax Figures in 2025 and Returns for 2025

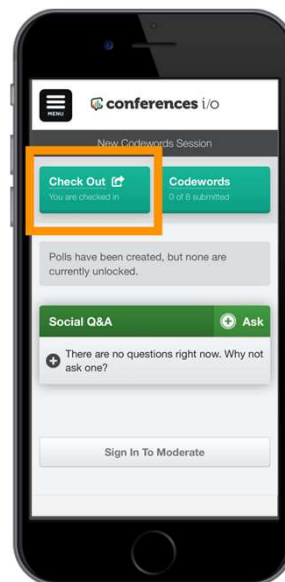
Standard Deduction	
Joint Returns and Surviving Spouses	\$30,000
Heads of Households	\$22,500
Single	\$15,000
Married Filing Separately	\$15,000
OASDI maximum wage base	\$176,100
Maximum elective deferral amount to HSA spending account	\$3,300
Maximum annual contribution to defined contribution plan	\$70,000
Maximum salary deduction for 401(k)/403(b)	\$23,500
401(k)/403(b) over 50 “catch-up” limit	\$11,250

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# Questions?



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# Thank you!

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