

US Proposed Tax Relief for American Families Act of 2024

January 25, 2024



Tax Relief for American Families 2024 Status & What to Know

On January 19, 2024, the House Ways and Means Committee approved the Tax Relief for American Families and Workers Act of 2024 (the “Act”) by a 40-3 Vote. This bipartisan bill is a \$79 billion package comprised of both individual and business tax breaks. The tax break provisions of the bill are being paid for by acceleration of the termination of the period for making new employee retention tax credit claims (see more on this [here](#)). The Act may be voted on by the full House of Representatives as early as the week of January 29th, which could be problematic as it coincides with the start of the 2023 tax filing season and implementation would require changes to the IRS systems and forms. **NOTE - the bill has not been signed into law and changes can be made after input from Congress and the President.**

Below are the notable provisions that, if passed, would provide significant tax breaks.

Research and Development (R&D) Expensing

As explained in our R&D [alert](#), this Act would temporarily restore full expensing for domestic research and development costs. As of 2022, companies have been required to spread deductions for investments in domestic R&D over five years (or 15 years for foreign-sited R&D). This provision would apply retroactively for tax years 2022 and 2023 and continue through 2025.

Extension of 100% Bonus Depreciation

Qualified property acquired and placed in service after September 17, 2017, and before January 1, 2023 was eligible for 100% bonus depreciation. The 100% allowance was phased down by 20% per calendar year for qualified property acquired after September 27, 2017, and placed in service after December 31, 2022 (80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026 and eliminated after 2026).

The provision in this Act extends 100% bonus depreciation for qualified property placed in service after December 31, 2022, and before January 1, 2026 (January 1, 2027, for longer production period property and certain aircraft). This could provide additional deductions for 2023. The 20% rate would remain for 2026 and bonus depreciation would still be eliminated thereafter.

Business Interest Limitation - Extension of allowance for Depreciation, Amortization, or Depletion

For tax years beginning before 2022, the computation of adjusted taxable income (ATI) for purposes of the Section 163(j) limitation on the deduction for business interest was determined without regard to any deduction allowable for depreciation,

amortization, or depletion. For tax years beginning after 2021, depreciation, amortization, and depletion were no longer added back in determining ATI.

The provision in this Act extends the add back of depreciation, amortization, and depletion to taxable years beginning after December 31, 2023 (and, if elected, for taxable years beginning after December 31, 2021), and before January 1, 2026. This would reduce the limitation and provide additional tax deductions.

Section 179 Expensing of Depreciable Business Assets

The provision in this Act increases the maximum amount a taxpayer may expense to \$1.29 million, reduced by the amount by which the cost of qualifying property exceeds \$3.22 million. The \$1.29 million and \$3.22 million amounts are adjusted for inflation for taxable years beginning after 2024. The proposal applies to property placed in service in taxable years beginning after December 31, 2023 and would provide additional tax deductions to those who qualify.

Child Tax Credit Expansion

For tax years 2024 and 2025, this Act would adjust the maximum child tax credit for inflation, raising it from \$2,000 currently to \$2,100.

Additionally, in 2023, if the child tax credit exceeds a taxpayer's tax liability, the taxpayer may receive up to \$1,600 of the credit as a refund based on an earned income formula calculated as 15% of earned income above \$2,500. However, the proposal would increase the maximum refund to \$1,800 for tax year 2023, \$1,900 in 2024, and \$2,000 in 2025. It would also quicken the phase-in for taxpayers with multiple children and allow taxpayers an election to use their prior-year earned income to calculate their maximum child tax credit. These changes would expire after 2025.

Increased reporting thresholds for Forms 1099-MISC and 1099-NEC

The reporting threshold for payments by a business for services performed by an independent contractor or subcontractor and for certain other payments is generally \$600. The provision in this Act increases the reporting threshold from \$600 to \$1,000 for payments made after December 31, 2023 and adjusts it for inflation after 2024.

Restoration of the 12.5% increase in the Low-Income Housing Tax Credit (LIHTC) Ceiling

In calendar years 2018 through 2021, the 9 percent LIHTC ceiling was increased by 12.5%, allowing states to allocate more credits for affordable housing projects. This provision restores the 12.5% increase for calendar years 2023 through 2025 and is effective for taxable years beginning after December 31, 2022. The tax-exempt bond financing 50% threshold for bond-financed projects will be reduced to 30% for projects with an issue date before 2026.

We will continue to keep you updated on the Act as it makes its way through the review process. If you have any questions in the meantime, please reach out to your Anchin Relationship Partner.

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