UPDATES TO 2024 FEDERAL TAX WORKBOOK

The most current update list can be found at uofi.tax/download.

Date Posted: 10/14/2024 **Chapter 2:** Individual Taxpayer Issues **Page:** 73

Change: In the first paragraph under the heading "Grouping Activities under §469," the third sentence should read, "Such a group of activities is considered nonpassive under §469 and is therefore not considered part of the taxpayer's NII."

Date Posted: 10/30/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 180

Change: In the first paragraph of Example 3, the final sentence should read, "However, Tom and Nathan do not receive any additional basis in their ownership interest because neither of them paid Mike for his interest."

Date Posted: 10/28/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 183

Change: The last paragraph on this page should read, "In a **liquidation,** a withdrawing partner generally treats goodwill as a distribution under §736(b)(1). However, such payments for goodwill must be treated as a guaranteed payment or distributive share of income[36] if **all** of the following criteria are met.[37]

1. Capital is not a material income-producing factor in the partnership
2. The withdrawing partner was a general partner
3. The partnership agreement does not provide for a payment in exchange for an interest in partnership property with respect to goodwill

Date Posted: 10/17/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 187

Change: In Example 8, the third paragraph should read, "In January **2024,** Mallory sells her entire interest in Circle P to an oil company for $16,000. Her adjusted basis in the partnership is $8,000. Mallory's 2024 tax return reports a capital gain on the sale of her interest of $8,000 ($16,000 sale proceeds – $8,000 adjusted basis). Additionally, she deducts the $2,000 of suspended losses in her 2024 Schedule E, *Supplemental Income and Loss*, because she sold her entire interest."

Date Posted: 10/17/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 190

Change: In Example 9, the last paragraph should read, "The rental income in the first quarter of 2024 and the allocation of $300 ordinary income increase Joe's tax basis to $12,300 ($10,000 December 31, 2023, tax basis + $2,000 rental income + $300 of allocated income from the unrealized receivable). To his surprise, Joe has the following sources of income for 2024.

- $7,700 capital gain on the abandonment of the partnership interest ($20,000 money received from debt cancelation – $12,300 outside tax basis)
- $300 ordinary income from the equipment depreciation recapture, which is a §751(b) asset
- $2,000 rental income from rental operations January 1 – March 31, 2024

Therefore, Joe must recognize income of $8,000 on the abandonment of the partnership ($7,700 capital gain + $300 ordinary income from depreciation recapture) in addition to the first quarter's $2,000 rental income."

Date Posted: 10/28/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 199

Change: Ryan's basis in the fourth line of the first paragraph of Example 18 should be stated as "$3,000."

Date Posted: 10/28/2024 **Chapter 5:** Partners Terminating Their Interest in a Partnership **Page:** 205

Change: In the second paragraph of Example 21, Lydia recognizes ordinary income of $500 ($3,000 FMV – $2,500 adjusted basis).

Date Posted: 10/03/2024 **Chapter 7:** IRS Update **Page:** 309

Change: The bracketed URL address on the second line of the second paragraph under "TAS Process" should be www.taxpayeradvocate.irs.gov/contact-us/#FindlocalTAS.

Date Posted: 10/29/2024 **Chapter 7:** IRS Update **Page:** 327

Change: In the paragraph immediately after the heading "Revenue Collection and Returns Processing," the amount of individual income tax refunds for FY2023 should be stated as "totaling over $461.2 billion."

Date Posted: 11/06/2024 **Chapter 8:** Divorce **Page:** 338

Change: The first bullet under "Considerations for HoH" should read "Are unmarried or considered unmarried,".

Date Posted: 10/14/2024 **Chapter 12:** Planning for the Sunset of the TCJA **Page:** 599

Change: Example 11 should read, "Use the same facts as Example 10, except ABC does not make the purchase until 2026. ABC takes the maximum 20% bonus deduction in the first year after taking §179 expense of $80,000 on the equipment cost, resulting in a total of $4,000 bonus depreciation (($100,000 equipment cost − $80,000 §179 expense) × 20% bonus depreciation rate). ABC has income of $75,000 prior to any depreciation deduction in 2026. MACRS depreciation on the remaining $16,000 equipment cost ($100,000 total cost − $80,000 §179 expense − $4,000 bonus depreciation), using a 7-year class life, is $2,286 ($16,000 × 0.1429 depreciation rate for 7-year property using the half-year convention). The depreciation deduction in 2026 is $6,286 ($4,000 bonus + $2,286 MACRS depreciation).

Consequently, ABC has income of $68,714 after taking into account depreciation ($75,000 income − $6,286 depreciation). After applying §179 expense to its remaining income, ABC has a tax liability of $0 and a §179 expense carryover of $11,286 ($80,000 §179 expense − $68,714 income limitation)."

Date Posted: 10/10/2024 **Chapter 13:** New Developments **Page:** 631

Change: Under the heading "PTIN FEES FINALIZED," the first paragraph should read, "On May 15, 2024, the IRS published a final regulation to set the fees associated with preparer tax identification numbers (PTINs). The regulation set the fee at $11, plus the fee paid to a third-party contractor. As this fee is effective June 14, 2024, tax practitioners should expect to pay it when they renew their PTINs for the 2025 filing season."

Under the same heading, the second paragraph should read, "The May regulations finalize the interim final regulations,[69] which estimated the third-party contractor fees at $8.75. Thus, tax practitioners paid $19.75 to renew their PTINs during the last several months of 2023, reflecting the $11 **renewal** charge, plus the $8.75 payment processing fee.[70] The IRS may adjust the fee for changes in payment processing costs."

Date Posted: 11/12/2024 **Chapter 13:** New Developments **Page:** 637

Change: The first paragraph under the heading "Form 7217" should read, "Form 7217, *Partner's Report of Property Distributed by a Partnership,* arises from IRS attempts to restrain inappropriate basis shifting among related partners. Using their adjusted basis in the partnership and information from Schedule K-1, a partner files this form with their tax return if they have received a distribution of property other than money or marketable securities treated as money. Partners must file Form 7217 regardless of whether or not the property distribution triggers a basis adjustment under §§732(d), 734(b), or 743(b)."