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TAX RETURN PREPARERS' DUE DILIGENCE REQUIREMENTS

Under the Internal Revenue Code, a penalty can be assessed against a paid tax preparer for not meeting due diligence requirements when preparing a return or claim for refund claiming:

- Earned Income Tax Credit (EITC),
- Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), Credit for Other Dependents (ODC),
- American Opportunity Tax Credit (AOTC), or
- Head of Household (HOH) filing status.

For a return or claim for refund filed in 2024, the penalty that can be assessed against you is \$635 per failure. Therefore, if due diligence requirements are not met on a return or claim for refund claiming the EITC, CTC/ACTC/ODC, AOTC and HOH filing status, the penalty can be up to \$2,540 per return or claim.

DUE DILIGENCE REQUIREMENTS

1. Complete and Submit Form 8867 (Treas. Reg. section 1.6695-2(b)(1))
2. Compute the Credits (Treas. Reg. section 1.6695-2(b)(2))
3. Knowledge (Treas. Reg. section 1.6695-2(b)(3))
4. Keep Records for Three Years (Treas. Reg. section 1.6695-2(b)(4))

For more information on due diligence requirements set forth by the Internal Revenue Service visit:
<https://www.eitc.irs.gov/tax-preparer-toolkit/preparer-due-diligence/due-diligence-law/eitc-due-diligence-law-and-regulation>

BASIC SECURITY PLAN CONSIDERATION FOR TAX PROFESSIONALS

Review your security plan and be sure to include security procedures in the training of your staff. Make sure your office security plan is up-to-date, review your internal security controls and be sure your staff is trained on security procedures to help ensure that your office network is secure against takeovers. Items to include in your office security plan are the following:

- Know your customer information (names, addresses, email, bank accounts, etc)
- Have employee protocols
- Protect passwords (length, upper case/lower case, numbers, special characters, phrases)
- Encrypt files and email: use anti-virus software and establish firewall protections
- Dispose properly (files, computers, printers, thumb drives)
- Know what your insurance covers and know who to contact in event of breach

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BASIC SECURITY PLAN CONSIDERATION FOR TAX PROFESSIONALS cont.

This document is not intended to be all inclusive, but as a starting point for security plan development. Security plans should be appropriate for the type and size of your business. Available security plan resources to tax professionals include:

- IRS Taxes-Security-Together Checklist (www.irs.gov/tax-professionals/tax-security-20-the-taxes-security-together-checklist)
- IRS Publication 4557, Safeguarding Taxpayer Data (www.irs.gov)
- NIST Report 7621, Small Business Information Security (www.nist.gov)
- IRS Publication 5708 - Creating a Written Information Security Plan for Your Tax & Accounting Practice (<https://www.irs.gov/pub/irs-pdf/p5708.pdf>)

2024 FILING REQUIREMENTS FOR MOST TAXPAYERS

If the taxpayer's filing status is...	AND at the end of 2024 the taxpayer was...	THEN file a return if the taxpayer's gross income was at least...
Single	Under 65 65 or older	\$14,600 \$16,550
Married Filing Jointly	Under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$29,200 \$30,750 \$32,300
Married Filing Separately	Any age	\$5
Head of Household	Under 65 65 or older	\$21,900 \$23,850
Qualifying Surviving Spouse	Under 65 65 or older	\$29,200 \$30,750

2024 STANDARD DEDUCTIONS

If the taxpayer's filing status is...	Base amounts	Additional amounts for blindness or over age 65
Single	\$14,600	\$1,950
Married Filing Jointly	\$29,200	\$1,550
Married Filing Separately	\$14,600	\$1,550
Head of Household	\$21,900	\$1,950
Qualifying Surviving Spouse	\$29,200	\$1,550
Dependent of Another	\$1,300 (or Earned income + \$450)	\$1,550 (\$1,950 if Single or HOH)



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2024 EARNED INCOME CREDIT

Single, Married Filing Separately, Head of Household, and Qualifying Surviving Spouse	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	EIC Phaseout Limit
	AT LEAST	BUT LESS THAN		
No Children	\$8,260	\$18,591	\$632	\$18,591
One Child	\$12,390	\$49,084	\$4,213	\$49,084
Two Children	\$17,400	\$55,768	\$6,960	\$55,678
Three or More Children	\$17,400	\$59,899	\$7,830	\$59,899

Married Filing Jointly	Earned Income Ranges to Receive the Maximum EIC		Maximum EIC Amount	EIC Phaseout Limit
	AT LEAST	BUT LESS THAN		
No Children	\$ 8,260	\$25,511	\$632	\$25,511
One Child	\$12,390	\$56,004	\$4,213	\$56,004
Two Children	\$17,400	\$62,680	\$6,960	\$62,680
Three or More Children	\$17,400	\$66,819	\$7,830	\$66,819

The maximum amount of investment income the taxpayer can have and still receive EIC has increased to \$11,600.

For more information on Earned Income Credit, visit: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc>

2024 CHILD TAX CREDIT

- \$2,000 for each qualifying child
- \$1,700 is eligible to be refundable (Additional Child Tax Credit)
- The age limit for a qualifying child is under the age of 17
- The taxpayer must have earned income over \$2,500 to qualify for the refundable portion of the Child Tax Credit
- Qualifying child must have a valid SSN

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2024 NON-REFUNDABLE CHILD AND DEPENDENT CARE CREDIT

Taxpayers who paid someone to care for their child or other qualifying person so that they can work or look for work during the year may be able to claim this nonrefundable credit.

Details of the child and dependent care credit:

- Maximum qualifying expenses are \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons.
- A qualifying person is a child under age 13 that the taxpayer can claim as a dependent, or a disabled spouse or other disabled person who was not physically or mentally able to care for themselves.
- Maximum percentage is 35% for taxpayers with \$15,000 or less of AGI. Percentage gradually decreases for AGI between \$15,000 and \$43,000 until it reaches 20%.
- Taxpayer (and spouse if married filing joint) must have earned income during the year to claim the credit.

2024 INDIVIDUAL TAX RATE SCHEDULES

Rate	Single Individuals	Married Individuals Filing Jointly	Heads of Households
10%	Up to \$11,600	Up to \$23,200	Up to \$16,550
12%	\$11,601 - \$47,150	\$23,201 - \$94,300	\$16,551 - \$63,100
22%	\$47,151 - \$100,525	\$94,301 - \$201,050	\$63,101 - \$100,500
24%	\$100,526 - \$191,950	\$201,351 - \$383,900	\$100,501 - \$191,950
32%	\$191,951 - \$263,725	\$383,901 - \$487,450	\$191,951 - \$243,700
35%	\$263,726 - \$609,350	\$487,451 - \$731,200	\$243,701 - \$609,350
37%	over \$609,350	over \$731,200	over \$609,350

2024 CORPORATE TAX RATES

Federal corporate income tax rate 21%

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2024 ESTATE AND TRUST TAX RATES

Rate	Limits
10%	Up to \$3,100
24%	\$3,101 – \$11,150
35%	\$11,151 – \$15,200
37%	Over \$15,200



2024 CAPITAL GAINS TAX RATES & BRACKETS (LONG-TERM CAPITAL GAINS)

Rate	Unmarried Individuals, Taxable Income over	Married Individuals Filing Jointly, Taxable Income over	Heads of Households, Taxable Income over
0%	up to \$47,025	up to \$94,050	up to \$63,000
15%	\$47,026 – \$518,900	\$94,051 – \$583,750	\$63,001 – \$551,350
20%	over \$518,900	over \$583,750	over \$551,350

2024 ALTERNATIVE MINIMUM TAX RATES

Rate	Alternative Minimum Taxable Income
26%	\$88,101 – \$232,600 (Married Filing Joint – \$137,000 – \$232,600)
28%	over \$232,600

2024 GIFT TAX ANNUAL EXCLUSION

Exclusion	\$18,000
Exclusion for gift to spouse who is not US citizen	\$185,000

2024 STANDARD MILEAGE RATES

Purpose	Rates
Business	67 cents per mile
Medical/Moving	21 cents per mile
Charitable	14 cents per mile

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2024 IRA CONTRIBUTION LIMITS

Regular Contributions

2024 Maximum Contribution \$7,000

Catch Up Contributions for Taxpayer's 50 and over

2024 Catch Up \$8,000

2024 401(K) CONTRIBUTION LIMITS

Maximum contribution..... \$23,000

Catch Up Contributions and Elective Deferrals \$30,500

2024 EDUCATION CREDIT COMPARISONS

Lifetime Learning Credit	American Opportunity Credit
Up to \$2,000 credit per return	Up to \$2,500/Up to 40% is refundable
Maximum lifetime learning credit is 20% of up to \$10,000 of qualified education expenses per return.	100% of first \$2,000 plus 25% of next \$2,000
Available for all years of post-secondary education and for courses to acquire or improve job skills	Available for four years of college and ONLY if the student had not completed the first 4 years of postsecondary education before 2024
Available for an unlimited number of years	Available ONLY for 4 tax years per eligible student (including any years the Hope Credit was claimed)
Student doesn't need to be pursuing a program leading to a degree or other recognized education credential	AGI phaseout between \$80,000 - \$90,000 (\$160K - \$180K MFJ)
Available for one or more courses	Student must be enrolled at least half time for at least one academic period beginning during 2024 (or the first 3 months of 2025 if the qualified expenses were paid in 2024)
Felony drug conviction rule does not apply	As of the end of 2024, the student had not been convicted of a felony for possession or distribution of a controlled substance

2024 EDUCATION CREDIT COMPARISONS

Lifetime Learning Credit		American Opportunity Credit
Married Filing Jointly	\$160,000 - \$180,000	\$160,000 - \$180,000
All other filing statuses	\$80,000 - \$90,000	\$80,000 - \$90,000

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