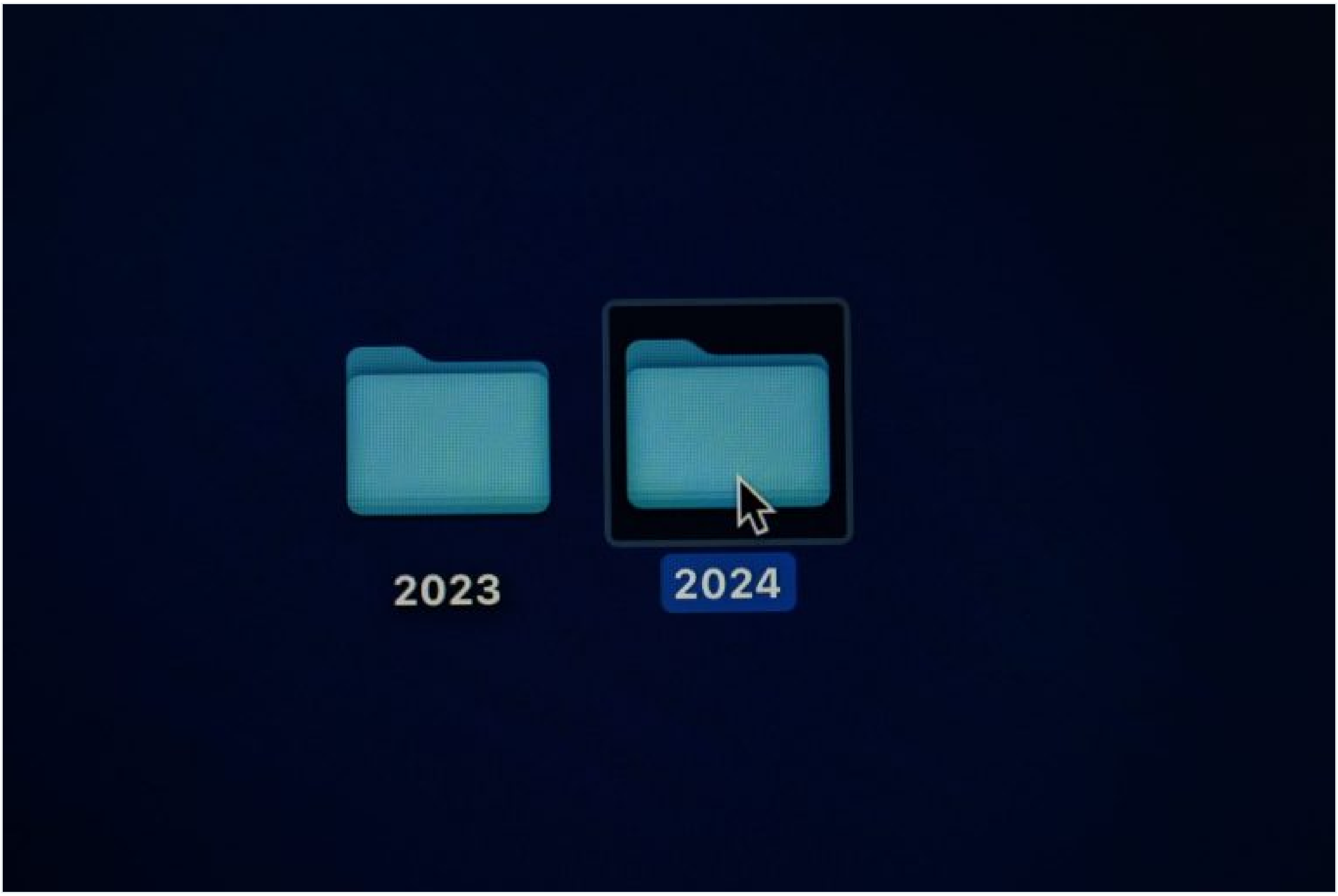
made it even more critical for companies and individuals to make smart decisions on investments and financing.

Isaac M. O'Bannon • Dec. 21, 2023



As macroeconomic trends upend long-term planning, business cycles are turning over faster than ever. Recent tax changes coupled with the potential for an economic slowdown have made it even more critical for companies and individuals to make smart decisions on investments and financing.

To help companies and individual taxpayers understand their planning options,

challenges in the upcoming year," said Dustin Stamper, managing director in Grant Thornton's Washington National Tax Office. "As 2023 comes to a close and the new year begins, it's an ideal time for companies and individuals to assess their plans and identify key tax-planning opportunities."

Here are some of the most important tax-planning considerations for businesses and individuals heading into 2024:

Tax-planning considerations for businesses

1. Document and substantiate. The Internal Revenue Service (IRS) has $60 billion in new funding, much of it earmarked for enforcement. The IRS is also already launching compliance initiatives aimed at many common taxpayer issues. Taxpayers should expect increased scrutiny, so it's critical to document and substantiate important positions, including research and development (R&D) credit claims, transfer pricing positions, partner capital accounts, M&A transaction costs and many others.

2. Energy credits. The Inflation Reduction Act's transformative new energy tax package can benefit taxpayers outside of the renewable industry and traditional energy supply chain. It has never been more economical for ordinary companies to pursue renewable energy, conservations and efficiency improvements, especially those with environmental, social and governance (ESG) goals. The energy cost savings together with the tax benefits can make a compelling case. Taxpayers can benefit even if they owe no tax thanks to the ability to sell the energy credits. Businesses that aren't looking to pursue energy projects can evaluate purchasing credits as a tax mitigation strategy, though these transactions carry risk.

3. Prepare for public stock buyback tax. Public companies should be preparing to report and pay a new 1% tax on stock buybacks. The tax became effective for redemptions in 2023, and the form and payments are expected to be due by April 30,

level, with a credit or exception that relieves owners of their own tax on any of the business income. This allows a business to fully deduct state tax against the owner's share of income, rather than having owners pay tax and take a limited SALT deduction at the individual level. Whether these elections will ultimately benefit owners can be complex, and a thorough analysis is recommended.

5. Fixed assets. Taxpayers can no longer fully deduct the cost of new equipment in the year it's placed in service. Bonus depreciation is only 80% for property placed in service in 2023 and will only be 60% in 2024 without legislation. Businesses facing increased tax because of shrinking deductions can consider a repairs analysis to identify costs that are not considered improvements and can be deducted as repairs. A cost segregation study can also identify property that can be depreciated more quickly.

Tax-planning considerations for individuals

1. Consider timing. The time value of money is becoming more important with persistent inflation and high interest rates. Taxpayers should look to accelerate deductions and defer income to shift tax into future years. There are many items for which taxpayers may be able to control timing, including consulting and self-employment income, real estate sales, gain on stock and other property sales, retirement distributions, mortgage interest and charitable gifts.

2. Charitable giving. The charitable deduction is very popular with taxpayers who itemize their deductions, but the IRS has increased its scrutiny of this activity in recent years. Taxpayers should remember that contemporaneous written acknowledgment from the charitable organization is required for cash gifts of over $250 and non-cash contributions of over $500. A qualified appraisal is required for noncash contributions of over $5,000.

3. Leverage retirement account tax savings. It's not too late to maximize

distributions from retirement accounts once they reach a certain age. The age was recently increased from 70.5 to 72 and is now increasing again to 73 for those turning 73 in 2023 or later. It will rise to 75 for those turning 75 in 2033. The rules have also changed for inherited IRAs. Taxpayers should ensure they understand the requirements and that they are making any required distributions before the end of the year, as the penalty for failures can be costly.

5. Make up a tax shortfall with increased withholding. It's important to ensure withholding and estimated taxes align with the amount that will eventually be due with the tax return. Taxpayers who find themselves in danger of being penalized for underpaying taxes can make up the shortfall through increased withholding on salary or bonuses. A larger estimated tax payment at the end of the year can still expose taxpayers to penalties for underpayments in previous quarters, but withholding is considered to have been paid ratably throughout the year, so increasing it for year-end wages can save in penalties.

Tax Planning • Taxes