



# SCWA Legislative & Regulatory Update

**October 7, 2024**



## **IRS Relief Now Available to Storm Victims in Parts of Illinois; Multiple Deadlines Postponed to Feb. 3, 2025**

The Internal Revenue Service announced disaster tax relief for individuals and businesses in parts of Illinois affected by severe storms, tornadoes, straight-line winds and flooding that began on July 13, 2024.

Affected taxpayers now have until Feb. 3, 2025, to file various federal individual and business tax returns and make tax payments.

The IRS is offering relief to any area designated by the [\*\*Federal Emergency Management Agency \(FEMA\)\*\*](#). Currently, this includes Cook, Fulton, Henry, St. Clair, Washington, Will and Winnebago counties in Illinois.

Individuals and households that reside or have a business in any one of these localities qualify for tax relief. The same relief will be available to any other counties added later to the disaster area. The current list of eligible localities is always available on the [\*\*Tax relief in disaster situations\*\*](#) page on IRS.gov.

### **Filing and payment relief**

The tax relief postpones various tax filing and payment deadlines that occurred beginning on July 13, 2024, and ending on Feb. 3, 2025 (postponement period). As a result, affected individuals and businesses will have until Feb. 3, 2025, to file returns and pay any taxes that were originally due during this period.

**This means, for example, that the Feb. 3, 2025, deadline will now apply to:**

- Any individual, business or tax-exempt organization that has a valid extension to file their 2023 federal return. The IRS noted, however, that payments on these returns are not eligible for the extra time because they were due last spring before the storms occurred.
- Quarterly estimated income tax payments normally due on Sept. 16, 2024, and Jan. 15, 2025.
- Quarterly payroll and excise tax returns normally due on July 31, Oct. 31, 2024, and Jan. 31, 2025.

In addition, penalties for failing to make payroll and excise tax deposits due on or after July 13, 2024, and before July 29, 2024, will be abated, as long as the deposits were made by July 29, 2024.

The [\*\*Disaster assistance and emergency relief for individuals and businesses\*\*](#) page has details on other returns, payments and tax-related actions qualifying for relief during the postponement period.

The IRS automatically provides filing and penalty relief to any taxpayer with an IRS address of record located in the disaster area. These taxpayers do not need to contact the agency to get this relief.

It is possible an affected taxpayer may not have an IRS address of record located in the disaster area, for example, because they moved to the disaster area after filing

their return. In these unique circumstances, the affected taxpayer could receive a late filing or late payment penalty notice from the IRS for the postponement period. The taxpayer should call the number on the notice to have the penalty abated.

In addition, the IRS will work with any taxpayer who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area.

Taxpayers qualifying for relief who live outside the disaster area need to contact the IRS at [866-562-5227](tel:866-562-5227). This also includes workers assisting the relief activities who are affiliated with a recognized government or philanthropic organization. Disaster area tax preparers with clients located outside the disaster area can choose to use the [bulk requests from practitioners for disaster relief](#) option, described on [IRS.gov](https://www.irs.gov).

### **Additional tax relief**

Individuals and businesses in a federally declared disaster area who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (in this instance, the 2024 return normally filed next year), or the return for the prior year (the 2023 return filed this year). Taxpayers have extra time – up to six months after the due date of the taxpayer’s federal income tax return for the disaster year (without regard to any extension of time to file) – to make the election. For individual taxpayers, this means Oct. 15, 2025. Be sure to write the FEMA declaration number – 4819-DR – on any return claiming a loss. See [Publication 547, Casualties, Disasters, and Thefts](#), for details.

Qualified disaster relief payments are generally excluded from gross income. In general, this means that affected taxpayers can exclude from their gross income amounts received from a government agency for reasonable and necessary personal, family, living or funeral expenses, as well as for the repair or rehabilitation of their home, or for the repair or replacement of its contents. See [Publication 525, Taxable and Nontaxable Income](#), for details.

Additional relief may be available to affected taxpayers who participate in a retirement plan or individual retirement arrangement (IRA). For example, a taxpayer may be eligible to take a special disaster distribution that would not be subject to the additional 10% early distribution tax and allows the taxpayer to spread the income over three years. Taxpayers may also be eligible to make a hardship withdrawal. Each plan or IRA has specific rules and guidance for their participants to follow.

The IRS may provide additional disaster relief in the future.

The tax relief is part of a coordinated federal response to the damage caused by these storms and is based on local damage assessments by FEMA. For information on disaster recovery, visit [DisasterAssistance.gov](https://www.disasterassistance.gov).

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## **IRS Releases Draft Form 7217, Partners Report of Property Distributed by a Partnership, for Public Comment**

The Internal Revenue Service requested public comments on [draft Form 7217 PDF](#) and [Instructions for draft Form 7217 PDF](#).

The IRS on Aug. 28, 2024, posted revised [draft Form 7217 PDF](#), with the new title “Partner’s Report of Property Distributed by a Partnership.” This is a new tax form for tax year 2024 applicable to distributions to partners made during tax year 2024.

The purpose of Form 7217 is to report all distribution of property that a partner receives from a partnership. A partner receiving a distribution of property from a partnership in a nonliquidating or liquidating distribution will use the form to report the basis of the distributed property.

Previously, on July 2, 2024, the IRS posted an early release draft of Form 7217, Distributions from a Partnership of Property with Partner Basis Adjustments, on IRS.gov.

The IRS also posted [draft instructions PDF](#) on Sept. 3, 2024.

The instructions state that any partner receiving a property distribution from a partnership must file Form 7217, regardless of whether there is a basis adjustment in the hands of the partner as a result of the distribution.

Form 7217 is not filed for distributions that consist of only money or marketable securities treated as money.

Comments can be submitted to the IRS about drafts, instructions or publications on the [IRS Draft tax forms page](#).

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## CTA Update

### Regulatory Update

New [filing data from FinCEN is out](#) and it paints a bleak picture when it comes to nationwide compliance rates.

As the linked data shows, the vast majority of businesses required to file under the CTA have not done so – despite just three months to go before the year-end filing deadline – meaning millions of small business owners and their employees will become de facto felons come that start of 2025.

Also worth noting is that fact that Ohio, whose Senator Sherrod Brown continues to block our CTA [delay bill](#), ranks near the bottom when it comes to compliance. It's the inevitable consequence of a sweeping new reporting regime that no one has heard about. It also highlights the need to pause enforcement of the CTA for a year at the very least.

### Legal Update

The Eleventh Circuit Court of Appeals heard oral arguments recently in *NSBA v Yellen*, the ongoing suit that seeks to strike down the CTA on constitutional grounds. While the plaintiffs secured a [favorable ruling](#) from a lower court in March, FinCEN quickly appealed the decision to the 11th Circuit, which brings us to the current state of play.

For a recap of the proceedings be sure to [check out this piece](#) from Thompson Reuters. Though the DOJ attorneys landed some punches when it comes to that earlier decision, the 11<sup>th</sup> Circuit can still consider arguments that the CTA violates several constitutional protections as outlined in NSBA's original suit. Long story short, anything can happen and we expect a ruling sometime in December, right before the year-end deadline.

You can listen to a [recording of the full oral arguments here](#).

As a reminder, there are now eight pending cases in various courts across the country. S-Corp's focus remains on the NSBA suit, but there's still hope in other potentially friendly jurisdictions such as Texas. Here are the links:

- [Utah](#): Taylor v Yellen (7/29/2024)
- [Oregon](#): Firestone v Yellen (6/27/2024)
- [Massachusetts](#): BECMA et al v Yellen (5/29/2024)
- [Texas](#): NFIB et al v Yellen (5/28/2024)
- [Maine](#): William Boyle v. Yellen (3/15/2024)
- [Michigan](#): Small Business Association of Michigan et al v. Yellen (3/1/2024)
- [Ohio](#): Robert J. Gargas Co., L.P.A. et al v. Yellen (12/29/2023)
- [Alabama](#) (appealed): NSBA et al v. Yellen (11/15/2022)



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