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## IRS RATES | JUNE 2024<sup>1</sup>

- **Applicable Federal Rate**

| Note Term              | Annual Rate | Prior Month $\Delta$ |
|------------------------|-------------|----------------------|
| Short-Term (< 3 Years) | 5.12%       | $\Delta$ +0.15%      |
| Mid-Term (3 - 9 Years) | 4.66%       | $\Delta$ +0.24%      |
| Long-Term (> 9 Years)  | 4.79%       | $\Delta$ +0.24%      |

Applicable Federal Rate ("AFR") is the lowest interest rate allowed by the IRS without having a loan be deemed a gift. The purpose of this restriction is to prevent gifts being disguised as loans (i.e., parents "loan" kids \$1MM at 0.00% rate). When AFR rates are low, there are a lot of creative ways to manage liquidity, capitalize trusts, and handle interfamily finances using Promissory Notes. When rates are high, estate vehicles like Charitable Remainder Annuity Trusts ("CRATs") become more attractive as the up-front charitable deduction is larger.

- **§7520 Rate**

|       |                 |
|-------|-----------------|
| 5.60% | $\Delta$ +0.20% |
|-------|-----------------|

The §7520 Rate is related to the valuation of long-term or future interests. It's most commonly utilized with GRATs, annuities, and estates. The rate is based off the Mid-Term AFR rate (120%, rounded to the nearest two-tenths).

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## LEGISLATIONS, GUIDANCE, & JUDICIAL CASES

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### **GOP LAWMAKERS INTRODUCE BILL TO ELIMINATE EV TAX CREDIT<sup>ii</sup>**

Senator John Barrasso (R-WY) and 18 other Republican lawmakers introduced the *Eliminate Lavish Incentives to Electric Vehicles Act*, a bill would repeal the electric vehicle tax credit provided under §30D of the Tax Code, as well as the investment credit for EV charging stations.

- The tax credits were created and expanded as part of the *Inflation Reduction Act*, allowing Americans to take a credit of up to \$7,500 for new eligible EVs, or \$4,000 for used eligible EVs.

The bill is not expected to make any progress in either legislative chamber. However, it is still notable given the 18 co-sponsors should the party power dynamics change after November.

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### **ANOTHER BILL PROPOSED TO TAX UNIVERSITY ENDOWMENTS<sup>iii</sup>**

Congressman Max Miller (R-OH) introduced the *American Workforce Act*, a measure that would levy a 1% excise tax on large, nonreligious university endowments.

While similar bills have been introduced a number of times in the past, especially during times when higher education institutions are in the spotlight for political reasons, this iteration has a new twist in an effort to garner more support.

- The revenue collected from the proposed excise tax will be used to provide high school graduates with a \$9,000 workforce training voucher to participate in programs taught by approved trade associations, community colleges, non-profits, and labor unions.

The bill has collected some co-sponsors, however it is still not expected to pass in both legislative chambers.

**SECTION END**

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## OTHER HEADLINES

### DOMESTIC HEADLINES

- **Alabama Passes Child Care Credit at Business Level<sup>iv</sup>.** Alabama passed a bill that would provide tax breaks to businesses that help pay for their employees' child care services. The state will set aside \$15 MM in credits for 2025-2027, with the possibility of an extension for future years.
- **Alaska Advances Pot Tax Reform<sup>v</sup>.** State lawmakers are working to reform how recreational marijuana is taxed in the state. For the last 10 years, legal recreational marijuana has had a \$50 per ounce tax. Lawmakers are exploring the possibility of shifting towards a 7% sales tax, which would notably be the state's first statewide sales tax.
- **Colorado Legislators Reach Property Tax Deal<sup>vi</sup>.** A bipartisan group of state lawmakers reached a deal that would provide long-term property tax rate cuts for homeowners and businesses. The measure is projected to save the average homeowner several hundred dollars a year. Lawmakers hope the bill passes with enough support to hold off passage of November's ballot measure that could reduce local and state budgets.
- **Florida Sees More Tax Cuts<sup>vii</sup>.** Governor DeSantis signed a new legislative package that would include a summertime sales tax holiday for hurricane preparedness supplies, as well as school supplies. Government officials estimate the change will reduce state and local tax revenue by \$440 MM annually.
- **Iowa Adopts New Flat Income Tax Rate<sup>viii</sup>.** Governor Reynolds signed a bill that would eliminate the state's tiered tax system and replace it with a new 3.8% flat income tax rate. Originally, the state had three-tiered system that ranged from 4.4% to 5.7%. A proposal was initially passed in 2022 that would shift the system to a flat rate of 3.9%, effective 2026. This new bill accelerates the change to become effective 2025.
- **Kansas Tax Cuts Vetoed<sup>ix</sup>.** The state legislature passed a tax cut package that would lower the state's three income tax brackets, eliminate the sales tax on food, exempt Social Security from income taxes, raise the state standard deduction, and raise the residential property tax exemption. While Governor Kelly has been in agreement with the changes, she ultimately vetoed the package as her administration had required offsetting revenue provisions to ensure the state doesn't fall into a heavy deficit. The Kansas Senate subsequently failed to override the veto, so lawmakers have gone back to the drawing board to come up with an agreeable solution.
- **Louisiana Exploring State Tax Repeal<sup>x</sup>.** A Democratic member of the Louisiana Public Service Commission formally issued a request to Governor Landry to explore the idea of repealing the state's income tax and replacing it with a tax on foreign and offshore oil refining. Notably, this idea has previously been proposed by state legislators on both sides of the aisle but ultimately failed to gather enough support.

- **Maryland Establishes New Vacancy Tax Law<sup>xi</sup>**. Governor Wes Moore signed a new bill into law that would give local governments the authority to levy higher taxes on owners of vacant properties. The law is an effort to reduce the number of underused and vacant lots in the state, and subsequently to encourage housing construction. According to the most recent data, there are 242,361 vacant properties across the state.
- **Massachusetts' Millionaires' Tax Exceeds Expectations<sup>xii</sup>**. The commonwealth collected \$1.8 B from the voter-approved "millionaires' tax" in the first nine months of the fiscal year. The 4% surtax on income over \$1 MM was forecasted to bring in \$1 B for the entire year. The collected revenue is earmarked for education and transportation needs, and already responsible for the state's free school lunch program.
- **Oregon TurboTax Users May Have Overpaid Taxes<sup>xiii</sup>**. In late April, the Oregon Department of Revenue reported that some TurboTax users in the state may have overpaid their state taxes. Due to a software error, many users may have been led to claiming a standard deduction even in situations where itemizing would have been more beneficial. Senate Finance Committee Chairman Ron Wyden (D-OR) wrote to Intuit, the owner of TurboTax, to address the error.
- **Golfing Might Get Cheaper in South Carolina<sup>xiv</sup>**. A South Carolina House bill was proposed that exempts annual or monthly golf club dues, among other club expenses, from the state's 5% admissions tax. Currently, the state collects the admissions tax from all places of amusement where admission is charged.

## INTERNATIONAL HEADLINES

- **Canada's Digital Tax Could Cost US \$2.3 B Annually<sup>xv</sup>**. A research report suggested Canada's proposed digital services tax could cost US companies \$2.3 B on an annual basis. The tax would apply to businesses with global revenue of €750 MM and Canadian digital services revenue exceed C\$20 MM. Per the terms of the current proposal, the bill would be retroactively applied to 2022. While the measure is making its way through the Canadian Parliament, the White House and US lawmakers have repeatedly and publicly criticized the effort.

**SECTION END**

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## DISCLOSURES

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<sup>i</sup> <https://www.irs.gov/pub/irs-drop/r-24-12.pdf>

<sup>ii</sup> <https://www.taxnotes.com/research/federal/legislative-documents/proposed-legislation/s-4237-eliminate-lavish-incentives-electric-elite-vehicles-act/7jh3y>

<sup>iii</sup> <https://www.taxnotes.com/research/federal/legislative-documents/congressional-news-releases/max-miller-announces-bill-tax-university-endowments/7jhnp>

<sup>iv</sup> <https://alabamareflector.com/2024/05/08/child-care-housing-tax-credits-win-final-approval-from-the-alabama-legislature/>

<sup>v</sup> [https://www.adn.com/alaska-news/2024/05/12/alaska-house-approves-marijuana-tax-reform-advancing-bill-to-senate/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.adn.com/alaska-news/2024/05/12/alaska-house-approves-marijuana-tax-reform-advancing-bill-to-senate/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>vi</sup> [https://coloradosun.com/2024/05/06/colorado-property-tax-deal-2024-bipartisan/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://coloradosun.com/2024/05/06/colorado-property-tax-deal-2024-bipartisan/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>vii</sup> [https://www.cbsnews.com/miami/news/gov-desantis-signed-annual-tax-package/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.cbsnews.com/miami/news/gov-desantis-signed-annual-tax-package/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>viii</sup> [https://www.desmoinesregister.com/story/news/politics/2024/05/01/kim-reynolds-signs-iowa-law-lowering-state-income-tax-rate-3-8-ieda/73503143007/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.desmoinesregister.com/story/news/politics/2024/05/01/kim-reynolds-signs-iowa-law-lowering-state-income-tax-rate-3-8-ieda/73503143007/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>ix</sup> [https://kansasreflector.com/2024/04/29/kansas-senate-fails-to-override-governors-veto-of-tax-cut-package/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://kansasreflector.com/2024/04/29/kansas-senate-fails-to-override-governors-veto-of-tax-cut-package/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>x</sup> [https://lailluminator.com/2024/04/30/campbell-proposes-foreign-oil-tax-to-replace-louisiana-income-tax/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://lailluminator.com/2024/04/30/campbell-proposes-foreign-oil-tax-to-replace-louisiana-income-tax/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>xi</sup> [https://www.planetizen.com/news/2024/05/128787-maryland-passes-new-vacancy-tax-law/?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.planetizen.com/news/2024/05/128787-maryland-passes-new-vacancy-tax-law/?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>xii</sup> [https://www.wqbh.org/news/politics/2024-05-21/millionaires-tax-revenue-reaches-1-8-billion-on-pace-to-double-estimates?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.wqbh.org/news/politics/2024-05-21/millionaires-tax-revenue-reaches-1-8-billion-on-pace-to-double-estimates?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>xiii</sup> [https://www.taxnotes.com/tax-notes-today-federal/credits/wyden-seeks-answers-intuit-oregon-overpayment-errors/2024/05/03/7jh41?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.taxnotes.com/tax-notes-today-federal/credits/wyden-seeks-answers-intuit-oregon-overpayment-errors/2024/05/03/7jh41?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>xiv</sup> [https://www.taxnotes.com/tax-notes-today-state/legislation-and-lawmaking/south-carolina-bill-would-amend-admissions-tax/2024/05/08/7jhjd?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.taxnotes.com/tax-notes-today-state/legislation-and-lawmaking/south-carolina-bill-would-amend-admissions-tax/2024/05/08/7jhjd?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)

<sup>xv</sup> [https://www.taxnotes.com/featured-news/canadian-digital-tax-may-cost-u.s-firms-2-billion-annually/2024/05/02/7jh3v?utm\\_source=%20urban\\_newsletters&utm\\_medium=news-DD&utm\\_term=TPC](https://www.taxnotes.com/featured-news/canadian-digital-tax-may-cost-u.s-firms-2-billion-annually/2024/05/02/7jh3v?utm_source=%20urban_newsletters&utm_medium=news-DD&utm_term=TPC)