

WEBINAR

# Countdown to The Greatest Tax Code Sections of All Time

*December 13, 2023*



## Today's Presenter



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*Tax Partner*

# Title 26 of U.S. Code – Internal Revenue Code

## Subtitles

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**A Income Taxes**

Sections 1 - 1563

B Estate and Gift Taxes

C Employment Taxes

D Miscellaneous Excise Taxes

E Alcohol, Tobacco, and Certain Other Excise Taxes

F Procedure and Administration

G The Joint Committee on Taxation

H Financing of Presidential Election Campaigns

I Trust Fund Code

J Coal Industry Health Benefits

K Group Health Plan Requirements

Sections 9801 - 9834

# Title 26 of U.S. Code – Internal Revenue Code

## Subtitle A (Income Taxes) Chapters

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**1 – Normal Taxes and Surtaxes**

Sections 1 – 1400Z-2

2 – Tax on Self-Employment Income

3 - Withholding of Tax on Nonresident Aliens and Foreign Corporations

4 – Taxes to Enforce Reporting on Certain Foreign Accounts

5 – Repealed

6 – Consolidated Returns

Sections 1501 - 1563

# Title 26 of U.S. Code – Internal Revenue Code

## Subtitle A (Income Taxes), Chapter 1 (Normal Taxes and Surtaxes) Subchapters

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Subchapter A Determination of Tax Liability	Parts	Subparts	Sections 1 – 59A
Subchapter B Computation of Taxable Income	Parts	Subparts	Sections 61 - 291
Subchapter C Corporate Distributions and Adjustments	Parts	Subparts	Sections 301 - 385
Subchapter D Deferred Compensation	Parts	Subparts	Sections 401 - 436
Subchapter F Exempt Organizations	Parts	Subparts	Sections 501 – 530
Subchapter K Partners and Partnerships	Parts	Subparts	Sections 701 - 771
Subchapter O Gain or Loss on Disposition of Property	Parts	Subparts	Sections 1001 – 1092
Subchapter P Capital Gains and Losses	Parts	Subparts	Sections 1201 - 1298
Subchapter S S Corporations and Their Shareholders	Parts	Subparts	Sections 1361 – 1379
Subchapter Z Opportunity Zones	Parts	Subparts	Sections 1400Z-1 – 1400Z-2

What do you think  
makes a code section "great"?

# G.O.A.T. Selection Criteria

- From Subtitle A (Income Taxes), Chapter 1 (Sections 1 – 1400Z-2)
- Taxpayer-friendly
- Numbers of people who benefit
- Amount of tax savings they enjoy
- Lasting impact



## TAX CODE SECTION COUNTDOWN

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# #10

# #10

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter O - Gain or Loss on Disposition of Property

Part III - Common Nontaxable Exchanges

Subpart - N/A

## **§ 1031 - Exchange of Real Property Held for Productive Use or Investment**

# Who will benefit from § 1031?

- For Real Estate Owners
- Purchase Replacement Property within Six Months of Sale Date



## TAX CODE SECTION COUNTDOWN

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#9

# #9

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter A - Determination of Tax Liability

Part IV - Credits against Tax

Subpart A - Nonrefundable Personal Credits

## **§ 25C - Energy Efficient Home Improvement Credit**

# Energy Efficient Home Improvement Credit (25C)

## Energy Efficient Home Improvement Credit

- Includes: heat pumps, insulation, doors, windows (ex. heat pumps are more efficient than furnaces)
- For 2023:
  - The credit amount is 30% of the cost
  - The limit is \$1,200 annually



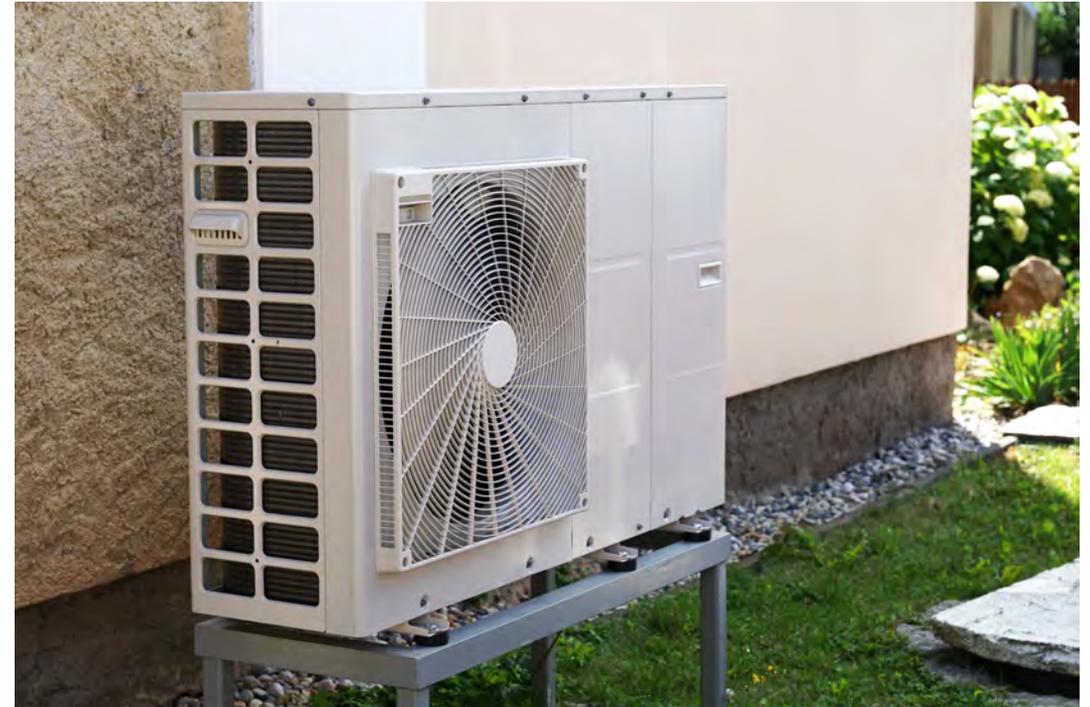
# Heat Pump and Heat Pump Water Heaters; Biomass Stoves and Boilers - 25C(b)(5)

If meeting the highest efficiency tier established by the Consortium for Energy Efficiency (CEE), then:

- 30% of cost
- Capped at \$2,000 per year

Consortium for Energy Efficiency Directory:

<https://www.ahrinet.org/certification/cee-directory>



# Residential Clean Energy Credit (25D)

Includes: solar panels that generate electricity, wind energy, geothermal energy

- Credit is 30% for 2022-2032, 26% for 2033 (previously, 26% of cost for 2022, 22% for 2023)
- For 2023:

Added eligibility: battery storage technology expenditures (battery technology stores solar energy that was gathered)



## TAX CODE SECTION COUNTDOWN

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#8

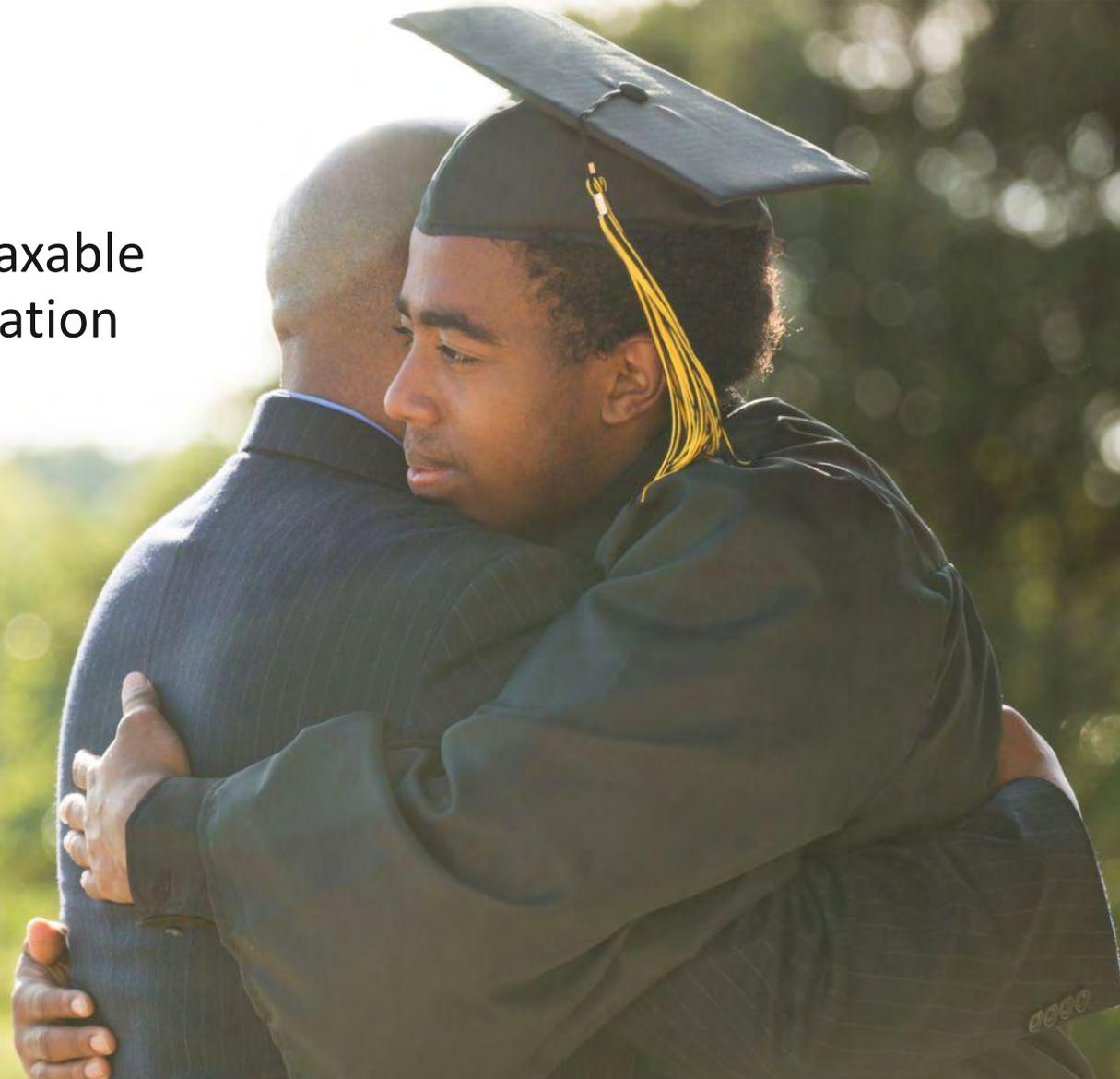
# #8

United States Code  
Title 26 U.S. Code - Internal Revenue Code (IRC)  
Subtitle A - Income Taxes  
Chapter 1 - Normal Taxes and Surtaxes  
Subchapter F - Exempt Organizations  
Part VIII - Certain Savings Entities  
Subpart - N/A

## **§ 529 – Qualified Tuition Programs**

# Qualified Tuition Programs (529)

- For Funders of Education
- Investment earnings are not taxable when funds are used for education costs



## TAX CODE SECTION COUNTDOWN

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# **7**

# #7

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

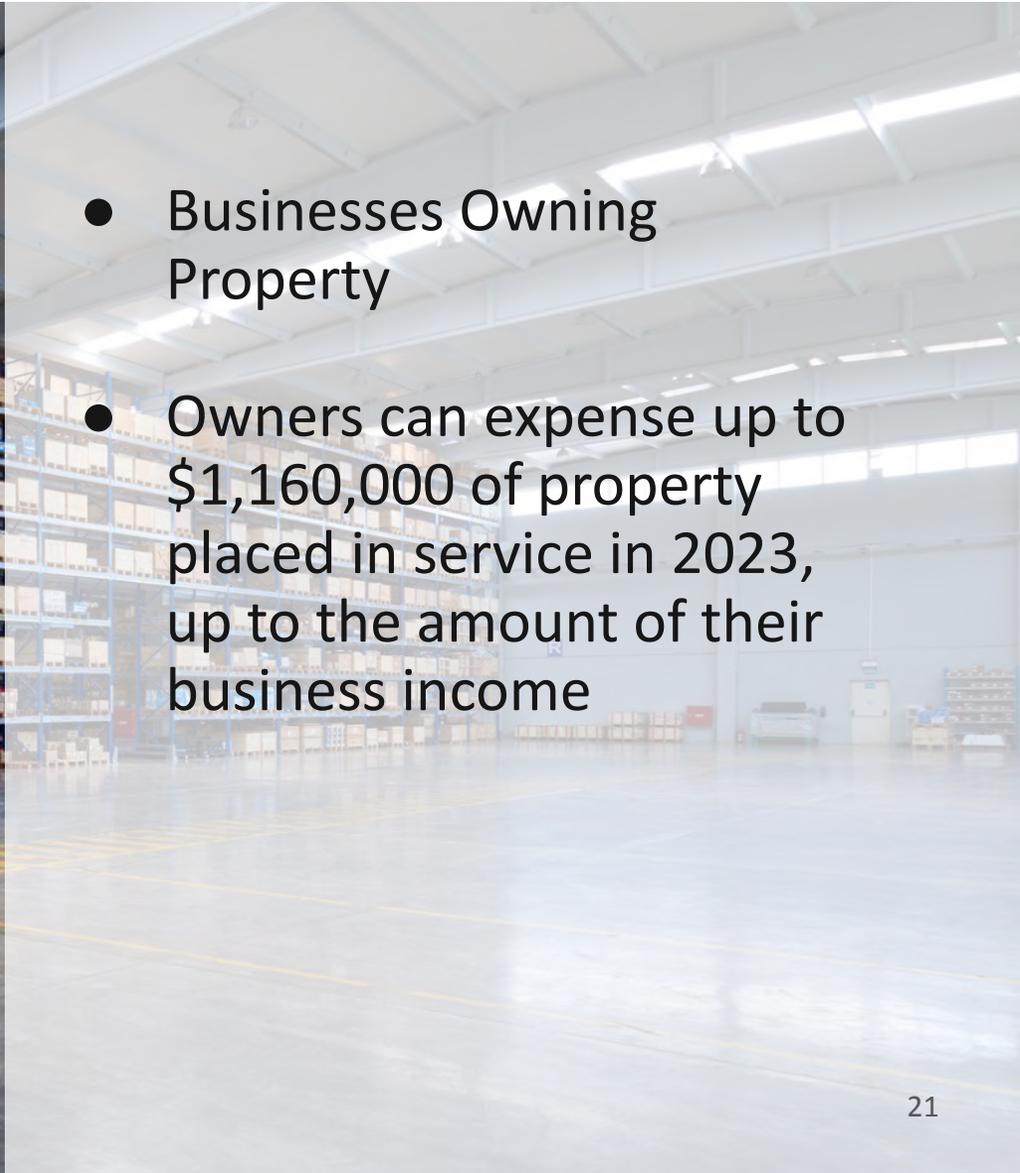
Subchapter B – Computation of Taxable Income

Part VI – Itemized Deductions for Individuals and Corporations

Subpart - N/A

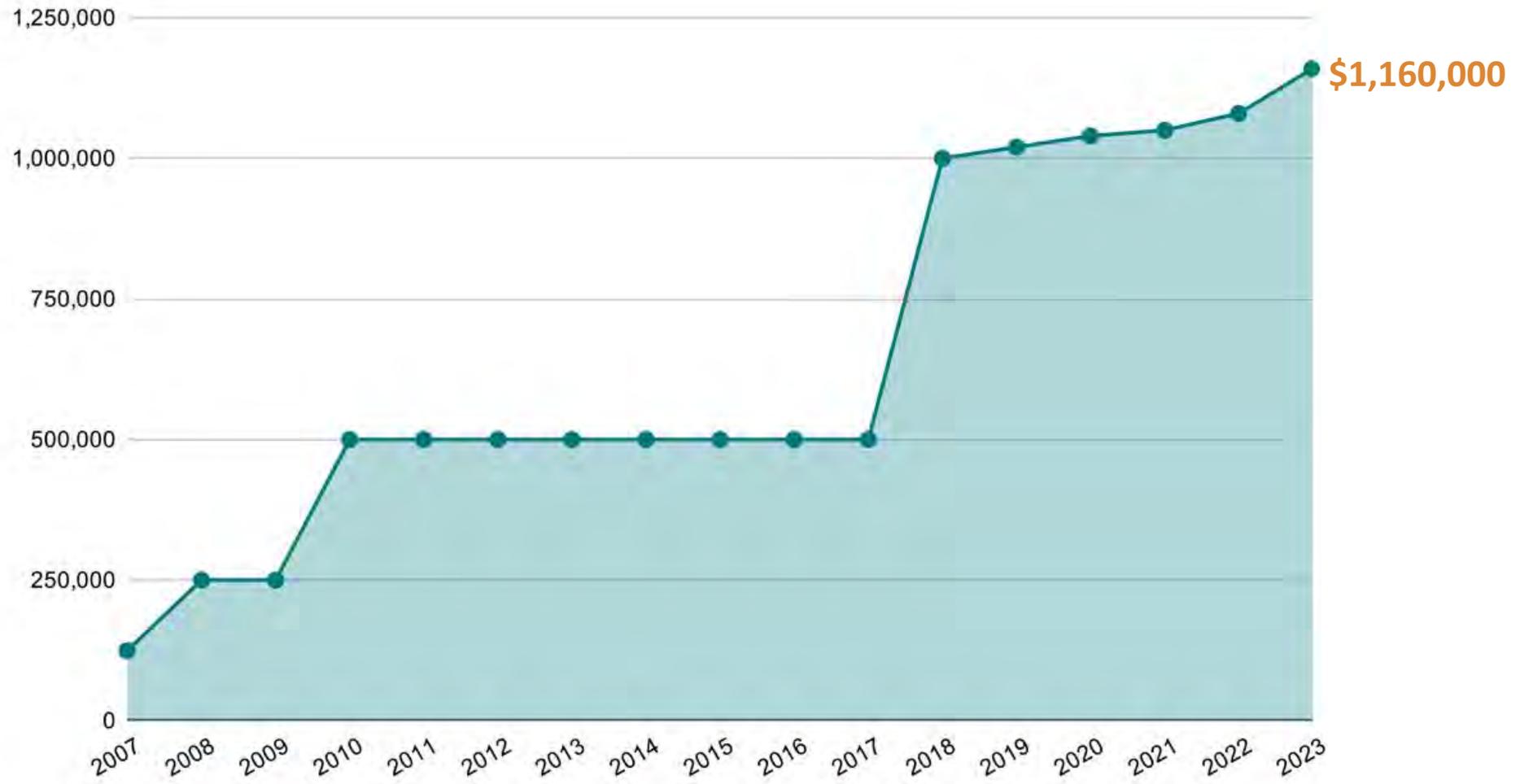
## **§ 179 – Election to Expense Certain Depreciable Business Assets**

# Election to Expense Certain Depreciable Business Assets (179)



- Businesses Owning Property
- Owners can expense up to \$1,160,000 of property placed in service in 2023, up to the amount of their business income

# Code Section 179



## TAX CODE SECTION COUNTDOWN

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#6

# #6

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter B – Computation of Taxable Income

Part VI – Itemized Deductions for Individuals and Corporations

Subpart - N/A

§ 168 - Accelerated Cost Recovery System

**§ 168(k) – Special Allowance for Certain Property**

# Timeless Strategy - Section 168(k) “Bonus” Depreciation

Tax Year	Bonus %
2008 – 9/8/10	50%
9/9/10 – 2011	100%*
2012 – 9/27/17	50%
<b>9/28/17 - 2022</b>	<b>100%*</b>
<b>2023</b>	<b>80%</b>
<b>2024</b>	<b>60%</b>
<b>2025</b>	<b>40%</b>

No “Original Use” only!

# Comparison of Section 179 to Bonus - Section 168(k)

Attribute	179	Bonus
Property	All personal	<del>If original use</del>
Limited to	\$1,160,000	No limit
Can “fine tune” by	Any amount	Asset class
Phase-out begins	\$2,890,000	N/A
Limited to Taxable Income?	Yes	NO
Rental activities	No	YES
Year 1 Limitation: Passenger vehicle	\$ 11,200	\$ 8,000
Sport Utility Vehicles (GVWR > 6,000 lbs)	\$ 27,000	LOOPHOLE
To avoid default treatment	Elect	Elect Out
Virginia	Conforms	-0-

## TAX CODE SECTION COUNTDOWN

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#5

# #5

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter B – Computation of Taxable Income

Part III – Items Specifically Excluded from Gross Income

Subpart - N/A

## **§ 121 – Exclusion of Gain from Sale of Principal Residence**

# Exclusion of Gain from Sale of Principal Residence (121)



- Taxpayer can exclude \$250,000 of gain from principal residence
- \$500,000 if married, filing jointly
- Must have owned and used home for 2 out of previous 5 years

## TAX CODE SECTION COUNTDOWN

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#4

# #4

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter F – Exempt Organizations

Part I – General Rule

Subpart - N/A

§ 501 Exemption from Tax

§ 501(c) - List of Exempt Organizations

**§ 501(c)(3) – religious, scientific, or educational purposes**

# Religious, Scientific, or Educational Purposes - 501(c)(3)

- Cash (60% of AGI)
- Appreciated property (30% of AGI)
- Tax Exempt Organization Search  
<https://apps.irs.gov/app/eos>
- Donor Advised Funds



## TAX CODE SECTION COUNTDOWN

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#3

# #3

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter D – Deferred Compensation, Etc.

Part I – Pension, Profit-Sharing, Stock Bonus Plans, Etc.

Subpart A – General Rule

§ 401 - Qualified Pension, Profit-Sharing, and Stock Bonus Plans

**§ 401(k) – Cash or Deferred Arrangements**

# Secure Act 2.0: Table of Contents

## Effective Dates:

2023	2024	2025
Pension Plan Start Up Costs Tax Credit	Catch-Up Contributions Adjusted for Cost-of-Living	Automatic Enrollment Required for New Plans
Additional Employer Contribution Credit	Catch-Up Contributions Subject to Roth Treatment	Increased Coverage of Part-Time Workers
Change in RMD age	Discretionary Contributions to SIMPLE IRAs	Higher Catch-Up Contribution Limits for Age 60-63
Incentives for Contributing	Pension-Linked Emergency Accounts	LT Care Insurance Distributions Not Subject to Penalty
SEP Contributions for Domestic Workers	Emergency IRA Withdrawals Not Subject to Penalty	
RMD Excise Tax Reduction	Matching Contributions for Student Loan Payments	
IRA Charitable Donations	Rollovers from 529 to Roth IRA	
Qualified Birth or Adoption repayments	SIMPLE Change to Safe Harbor 401(k)	
Federally Declared Disaster Distributions		
SIMPLE and SEP Roth IRAs		
Roth Tax Treatment for Employer Contributions		

## TAX CODE SECTION COUNTDOWN

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#2

# #2

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

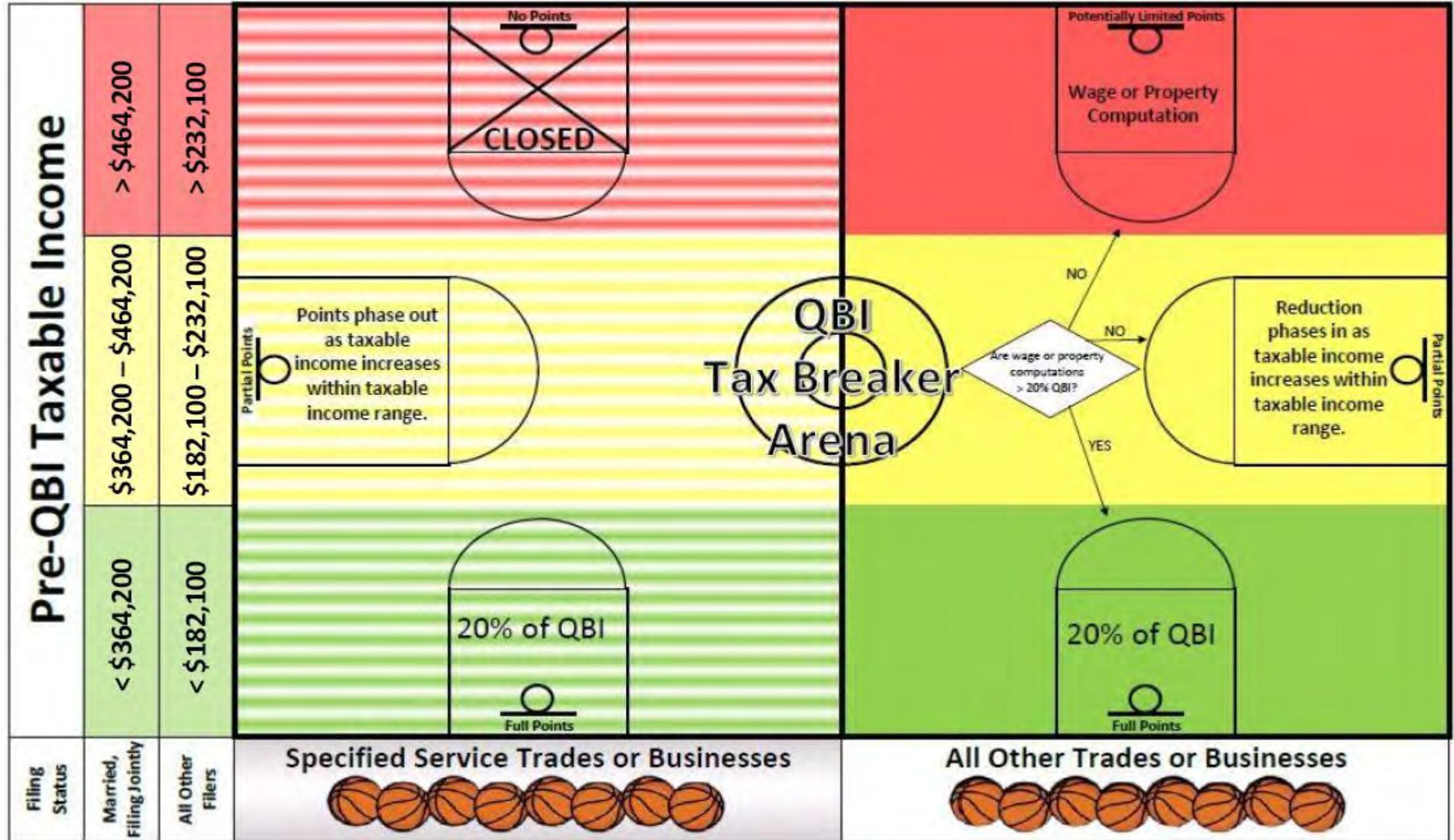
Chapter 1 - Normal Taxes and Surtaxes

Subchapter B – Computation of Taxable Income

Part VI – Itemized Deductions for Individuals and Corporations

Subpart A – N/A

## **§ 199A – Qualified Business Income**



# How can a tax advisor help you?

TAX PLANNING STRATEGY	QBI TAX BREAKER TRANSLATION
Determine all Qualified Businesses	Get all the shots you're entitled to
Maximize our pass-through income	Score more points
Avoid SSTB status	Move to the good (instead of the bad) side
Allocate wages amongst entities	Get the most out of your deduction
Identify qualified property	Increase the value of each deduction
Bifurcate pass-through entities	More than one shot per entity
Elect to aggregate activities	Combine income, wages, property
Reduce Pre-QBI taxable income	Minimize phaseout of deduction
Select the right form of entity	It's a whole new game

## TAX CODE SECTION COUNTDOWN

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#1

# #1

United States Code

Title 26 U.S. Code - Internal Revenue Code (IRC)

Subtitle A - Income Taxes

Chapter 1 - Normal Taxes and Surtaxes

Subchapter D – Deferred Compensation, Etc.

Part I – Pension, Profit-Sharing, Stock Bonus Plans, Etc.

Subpart A – General Rule

**§ 408A – Roth IRAs**

# Build Wealth Using Tax-Free Roth IRAs

- **Contribute** (subject to AGI limitations)
- **Defer** into Roth 401(K) accounts (if Plan provides)
- **Convert** (regardless of AGI), Consider depressed values as an opportunity
- **In-plan distributions** from non-Roth to designated Roth account in same plan (after September 27, 2010)



# Comparing tax efficiency

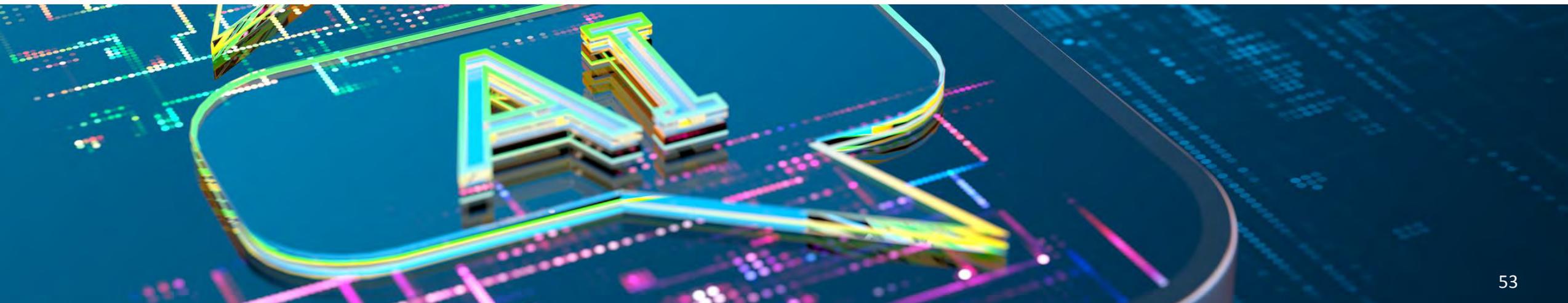


## Polling Question

What do you like best about Roth IRAs?

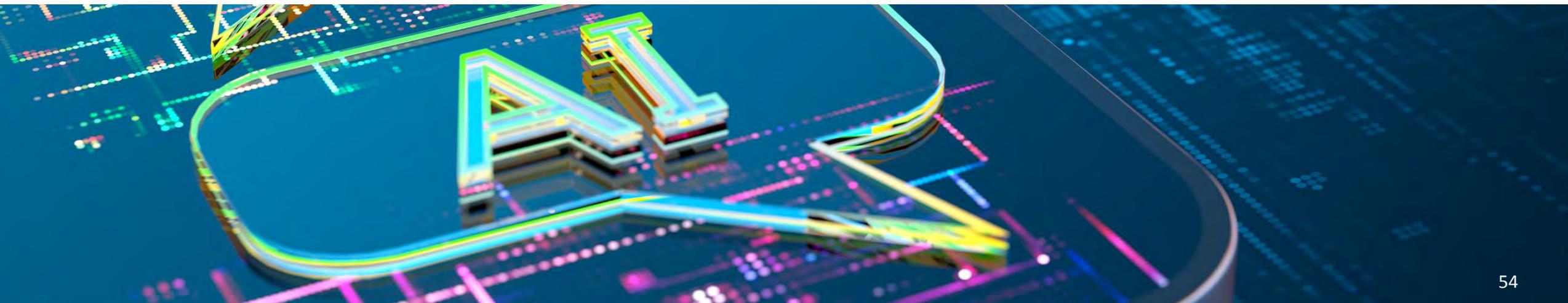
# “Most Notable” per Artificial Intelligence

AI LIKES	AI MISSED
61 – Gross Income	25C – Residential Energy
162 – Trade or Business Expenses	168(k) – Bonus Depreciation
165 – Losses – business, theft, casualty	199A – Qualified Business Income Deduction
911 – Foreign Earned Income Exclusion	408A – Roth IRAs



# “Most Taxpayer-Friendly” per Artificial Intelligence

AI LIKES	AI MISSED
529A – Able Accounts	529 – Qualified Tuition Programs
125 – Cafeteria Plans	25C – Residential Energy
132 – Fringe Benefits	168(k) – Bonus Depreciation
408 - IRAs	408A – Roth IRAs





408A



# Questions



# Contact



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For more information on these tax code sections, you can find Sean's article at:

<https://www.pbmaries.com/greatest-of-all-time-internal-revenue-code-sections>

*All registrants will receive a copy of this slide deck.*

### "Greatest of All-Time" Internal Revenue Code Section...



By Sean R. O'Connell, CPA/PFS, CGMA

The Internal Revenue Code is a comprehensive body of tax law for the United States. It is organized into different titles, subtitles, chapters, subchapters, parts, and sections, with Section 7874 as its highest numbered section.

As a tax practitioner for the past 38 years, I have served as an advisor and planner for hundreds of American taxpayers, and know the Internal Revenue Code inside and out. To save you the time of reading through over 4,000 pages, I have summarized those Code Sections that, in my opinion, are the Greatest of All Time.

What you may find especially interesting is that all of these G.O.A.T. Code sections are *all currently in effect!*

Here is my list, in order, of the ten Greatest Code Sections of All-Time:

Rank	Code Section	Topic	Who Benefits?	What Makes this Code Section "Great"?
10	1031	Like Kind Exchanges	Real estate owners	Those who sell real estate can defer taxation on the gain if they purchase "replacement property" within six months of the date of their sale. While this provision used to apply to all types of investment and business property, the Tax Cuts and Jobs Act limited its application to real estate, effective January 1, 2018.  Don't miss <a href="#">this PBMares resource on avoiding capital gains tax from Like Kind Exchanges</a> .
9	25C	Energy Credits	Homeowners	A tax credit of 30 percent of the cost of energy improvements, up to \$3,200 per year. The 30 percent credit for solar



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