



2025 WICPA ACCOUNTING & AUDITING CONFERENCE

YOUR SOURCE FOR KEY UPDATES & INSIGHTS ON TIMELY ISSUES

HIGHLIGHTED TOPICS:



STAY AHEAD OF THE CURVE: FASB UPDATES THAT MATTER

Learn about the latest important FASB updates, what's coming next, and how these changes could impact your financial reporting



WHY CPAS LOSE CLIENTS TO FINANCIAL ADVISORS & HOW TO PREVENT IT

Get actionable items to help you increase collaboration with other professionals, achieve better outcomes for clients, and improve retention and business development



ECONOMIC & FINANCIAL MARKET OUTLOOK: TRENDS BENEATH CHAOS

Explore what the most reliable indicators point to about the economic and financial market, and what that means for us all in 2026 and beyond

THURSDAY, NOV. 20 | WICPA OFFICE & WICPA CPE LIVESTREAM

2025 WICPA ACCOUNTING & AUDITING CONFERENCE

MATERIALS AT A GLANCE

The following materials are from the morning sessions of the 2025 WICPA Accounting & Auditing Conference held on Thursday, Nov. 20, including:

- Economic & Financial Market Outlook:
Trends Beneath Chaos
- Planning Opportunities with the New Tax Law
- Stay Ahead of the Curve: FASB Updates That Matter

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The Economic and Market Outlook 2025 – 2028

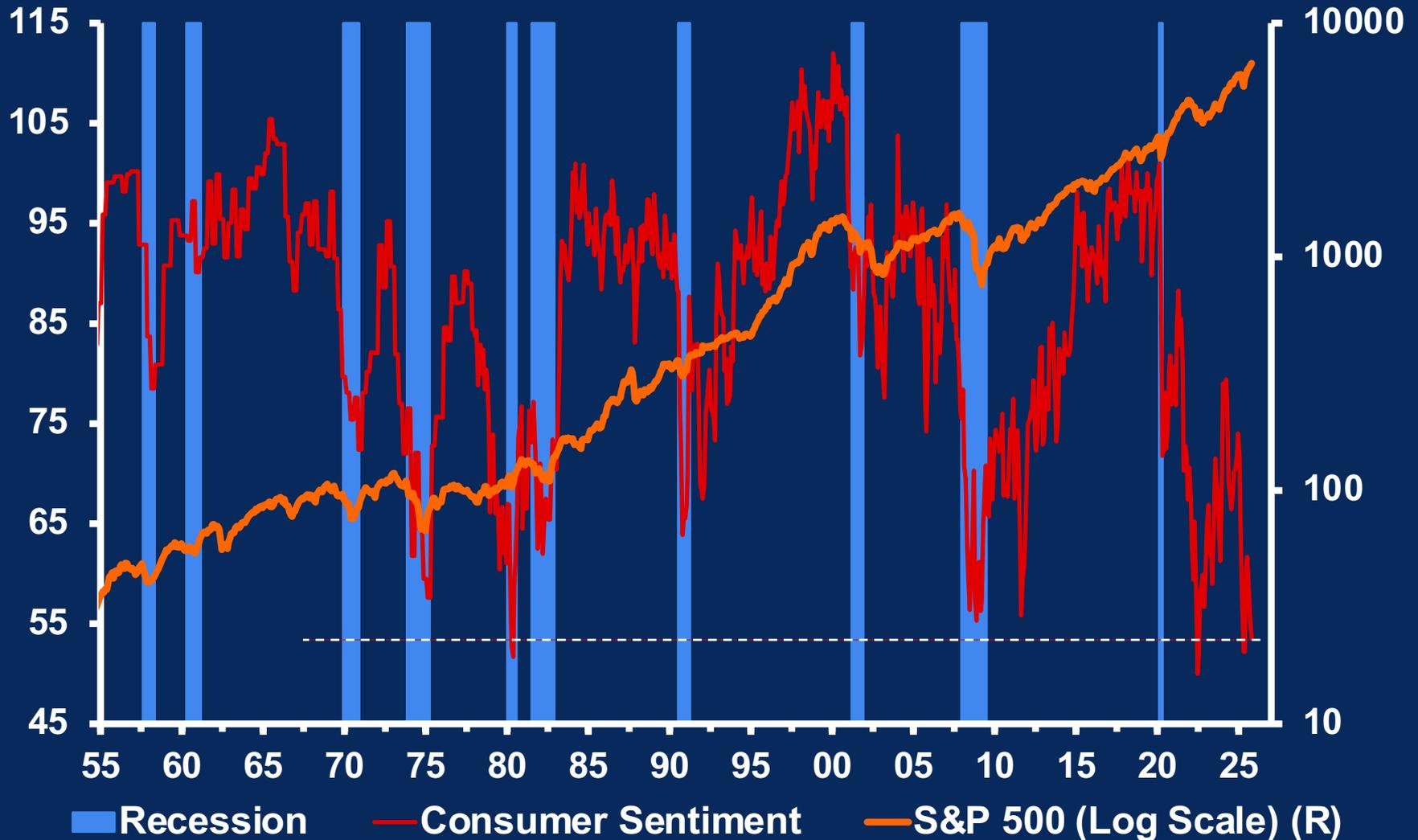
Clare Zempel, CFA, CBE
Economist and Investment Strategist

WICPA Headquarters
November 20, 2025

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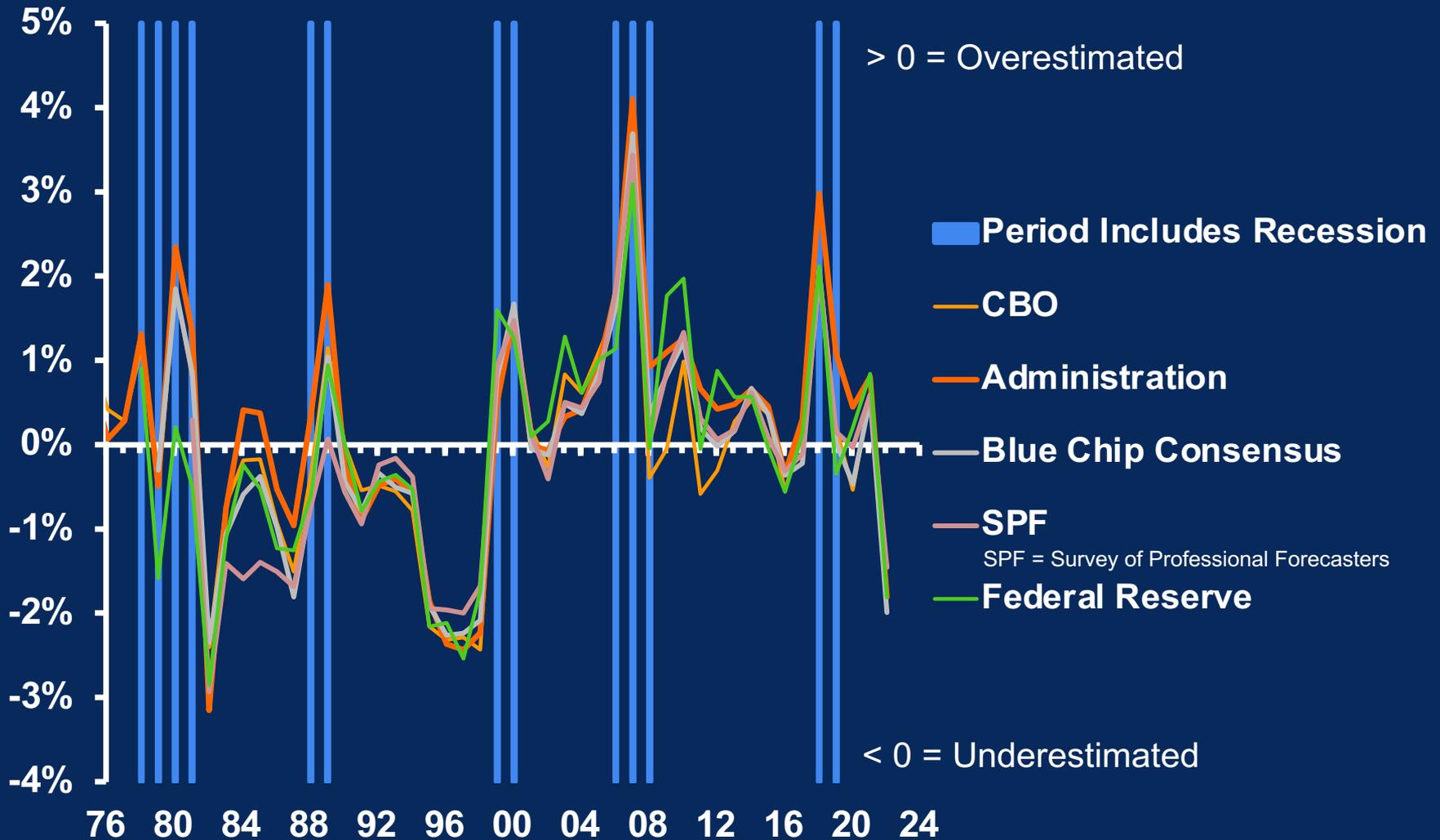
S&P 500 and Consumer Sentiment

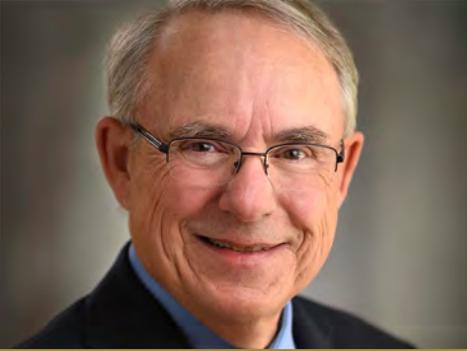
(S&P 500 Index) (University of Michigan Index of Consumer Sentiment)



Real GDP Growth Forecast Errors

CBO (Congressional Budget Office) Analysis (2-Year Forecasts) (2025 Update)





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The Economic and Market Outlook 2024 – 2028

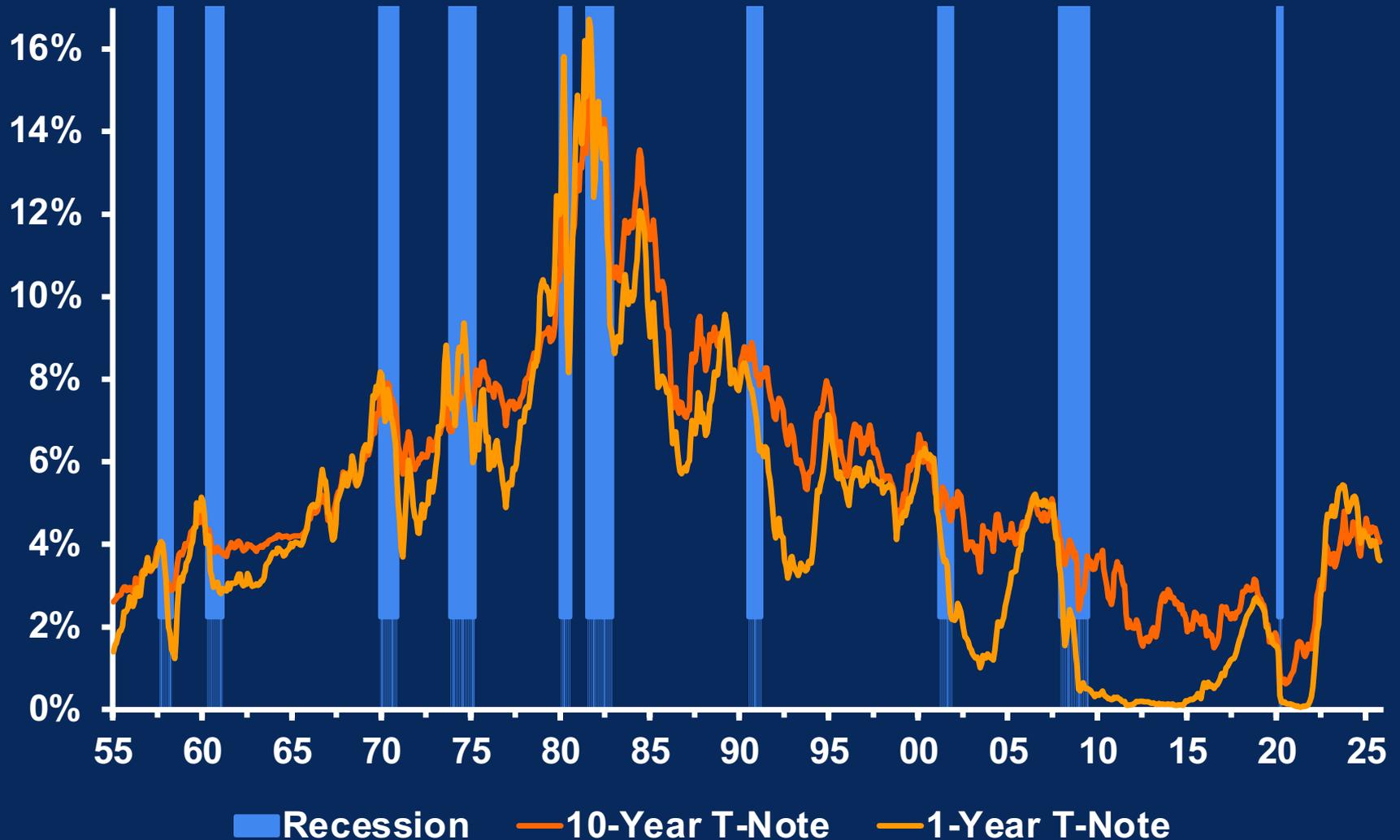
Zempel Zone Approach

Hard Data
Yield-Spread Inversion
Interest-Rate Changes
Applications

Interest Rates and Recessions

(Inversion = 1-Year > 10-Year)

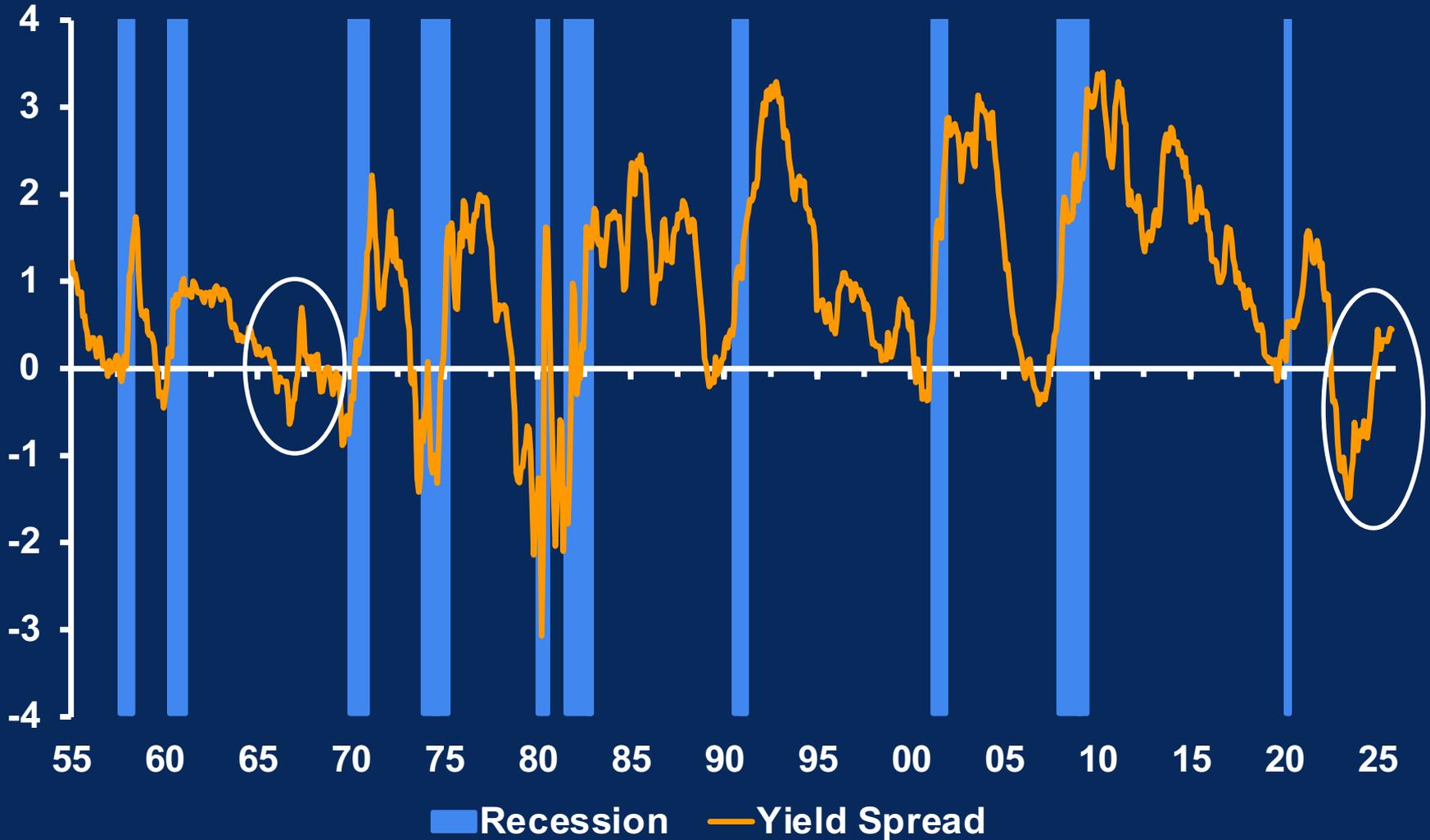
10 Recessions
Since 1955



Yield Spread and Caution Zones ©

(10-Year T-Note Yield Minus 1-Year T-Note Yield) (Percentage Points)

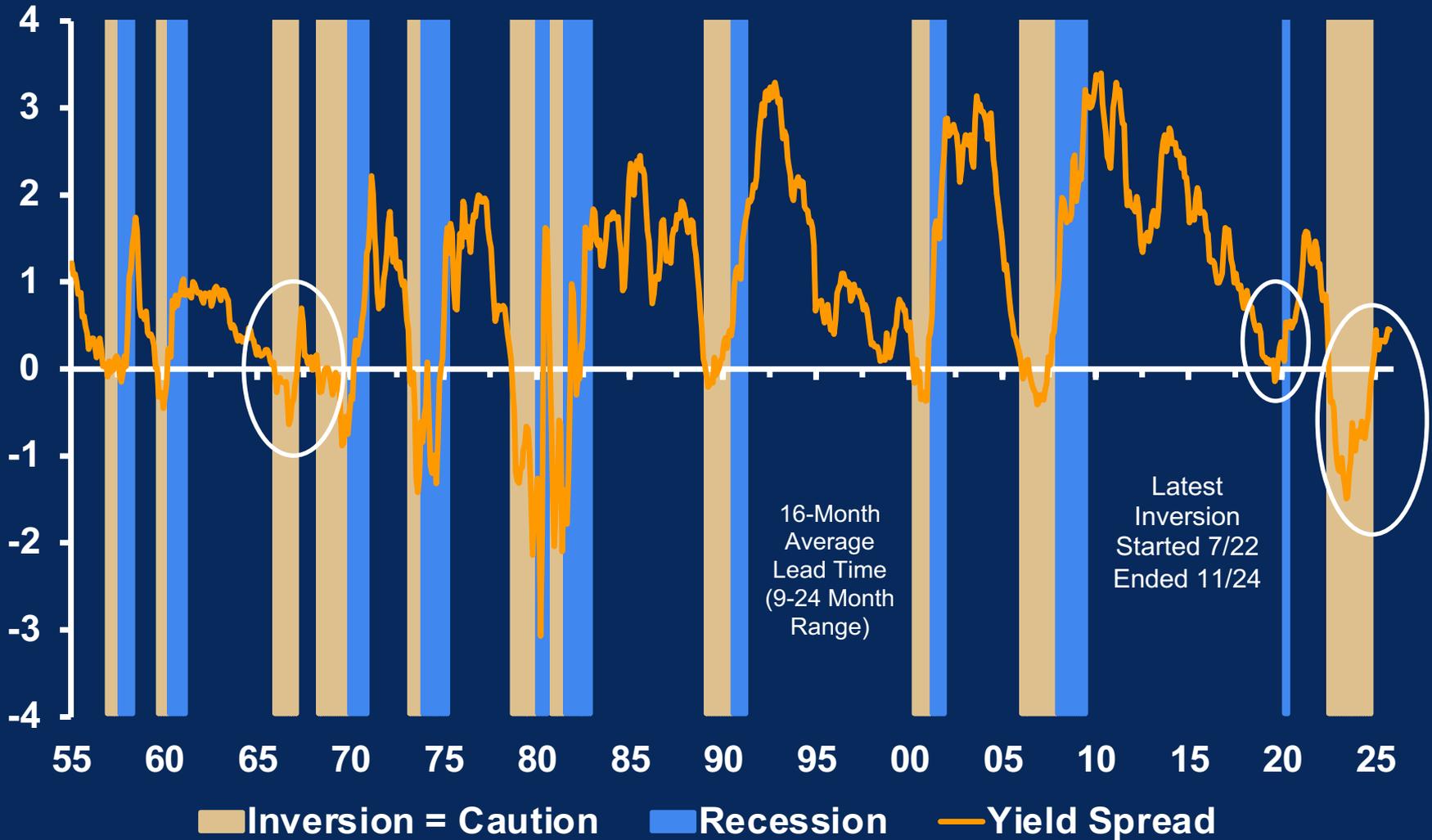
(Inversion = 1-Year > 10-Year)



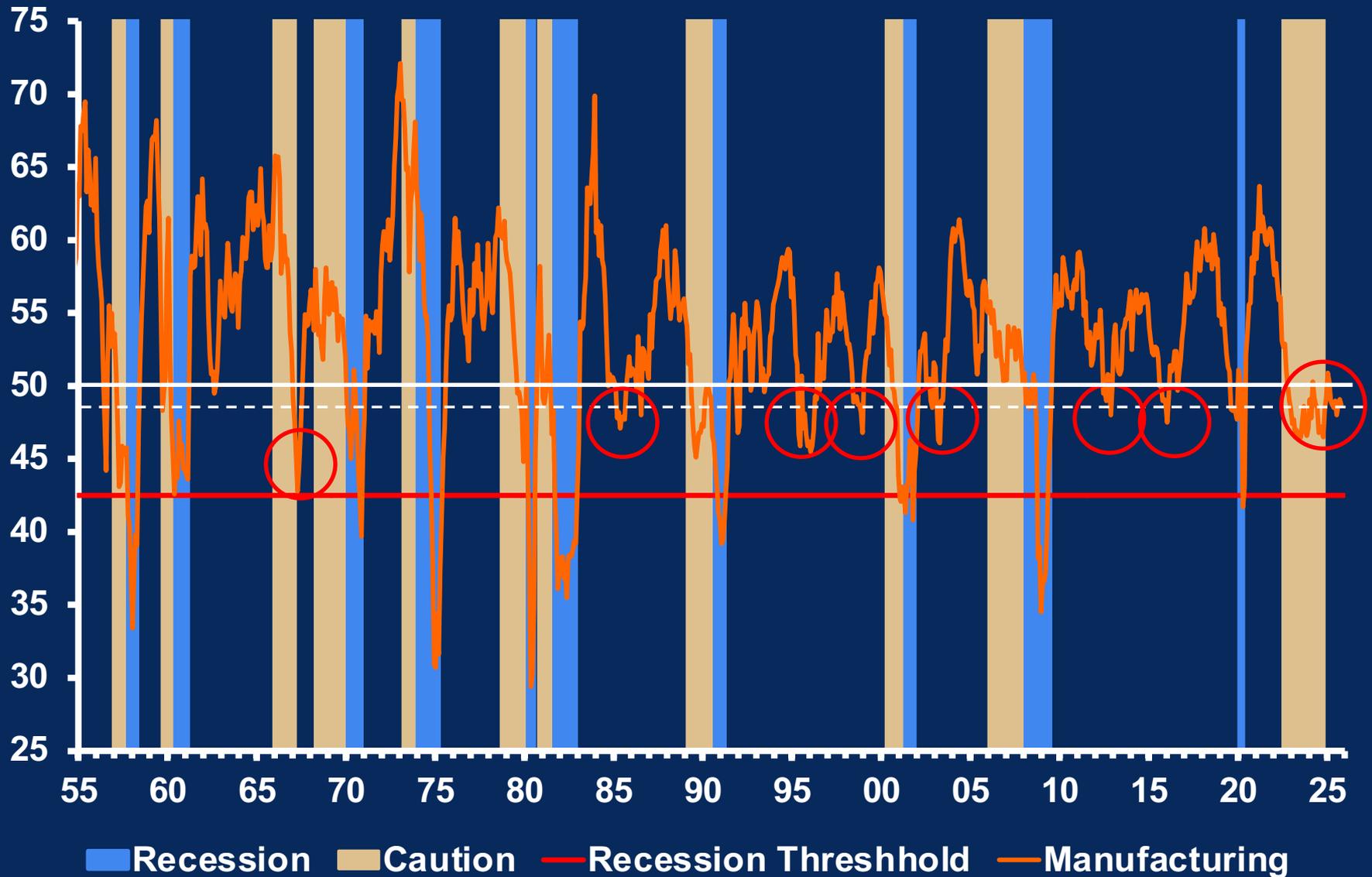
Yield Spread and Caution Zones ©

(10-Year T-Note Yield Minus 1-Year T-Note Yield) (Percentage Points)

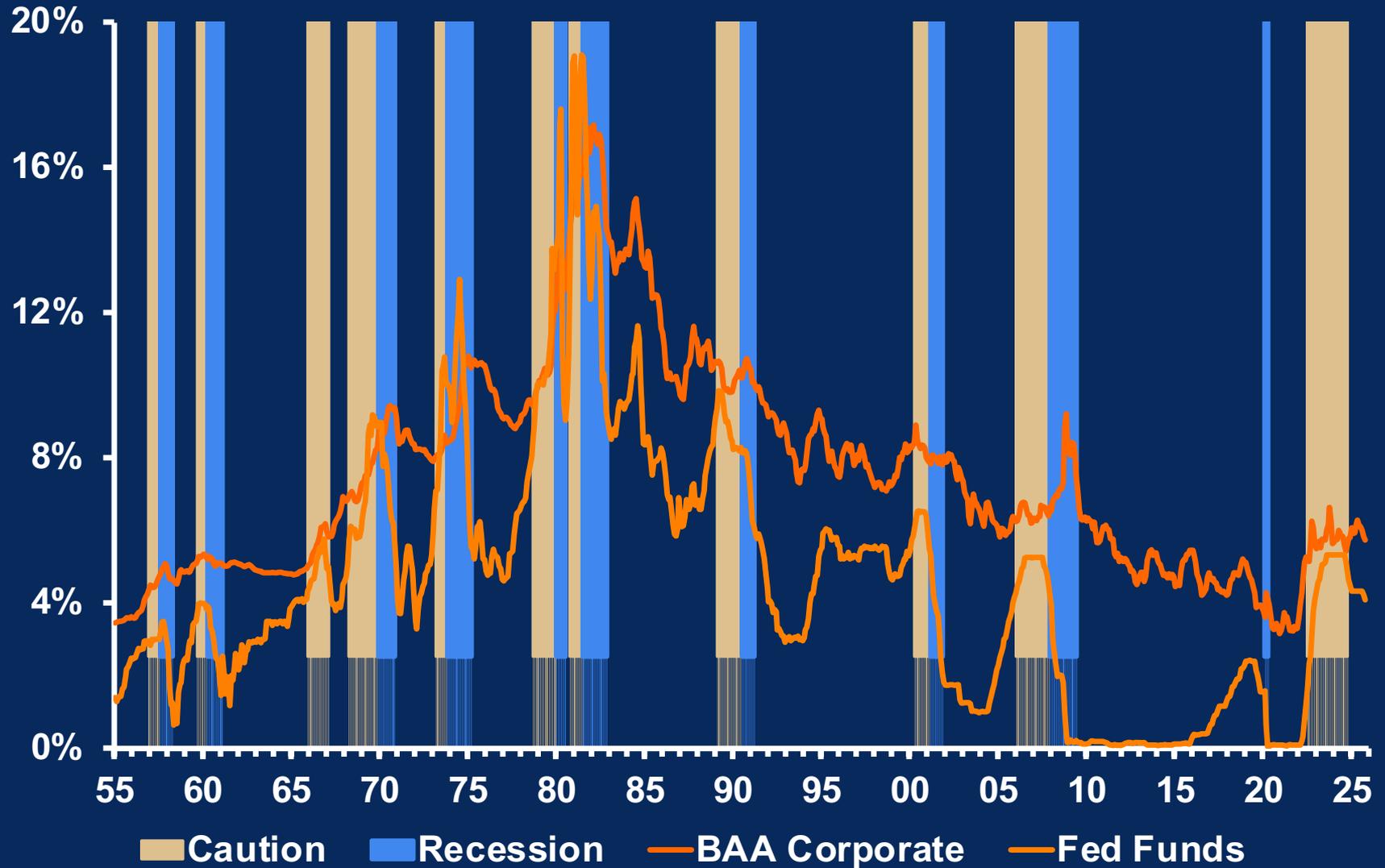
(Inversion = Caution Zone When Fed Funds Rate Is Rising)



ISM (PMI) Indexes (PMI = Purchasing Managers Indexes)



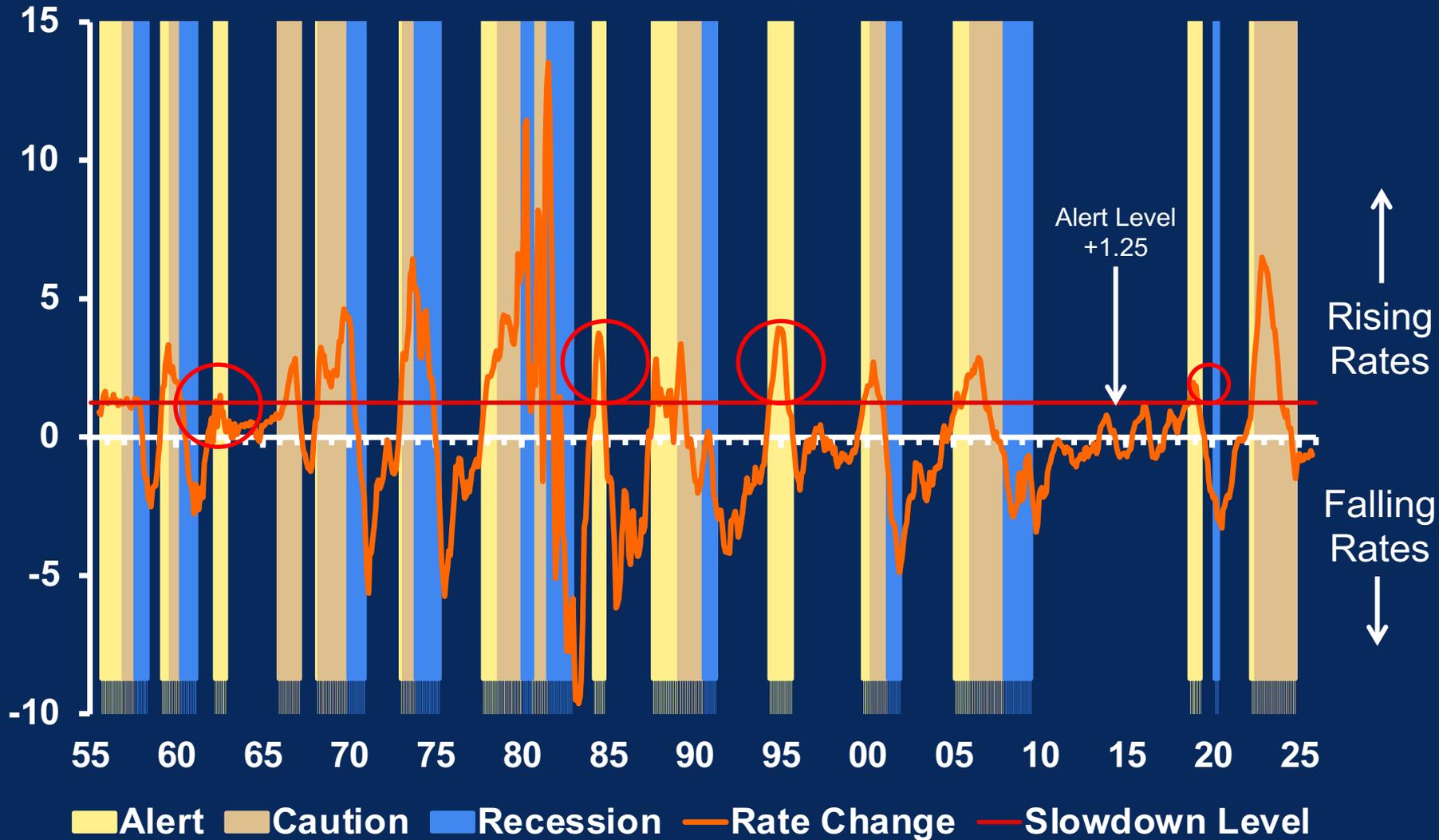
Interest Rates and Recessions



Rate Changes and Zempel Zones ©

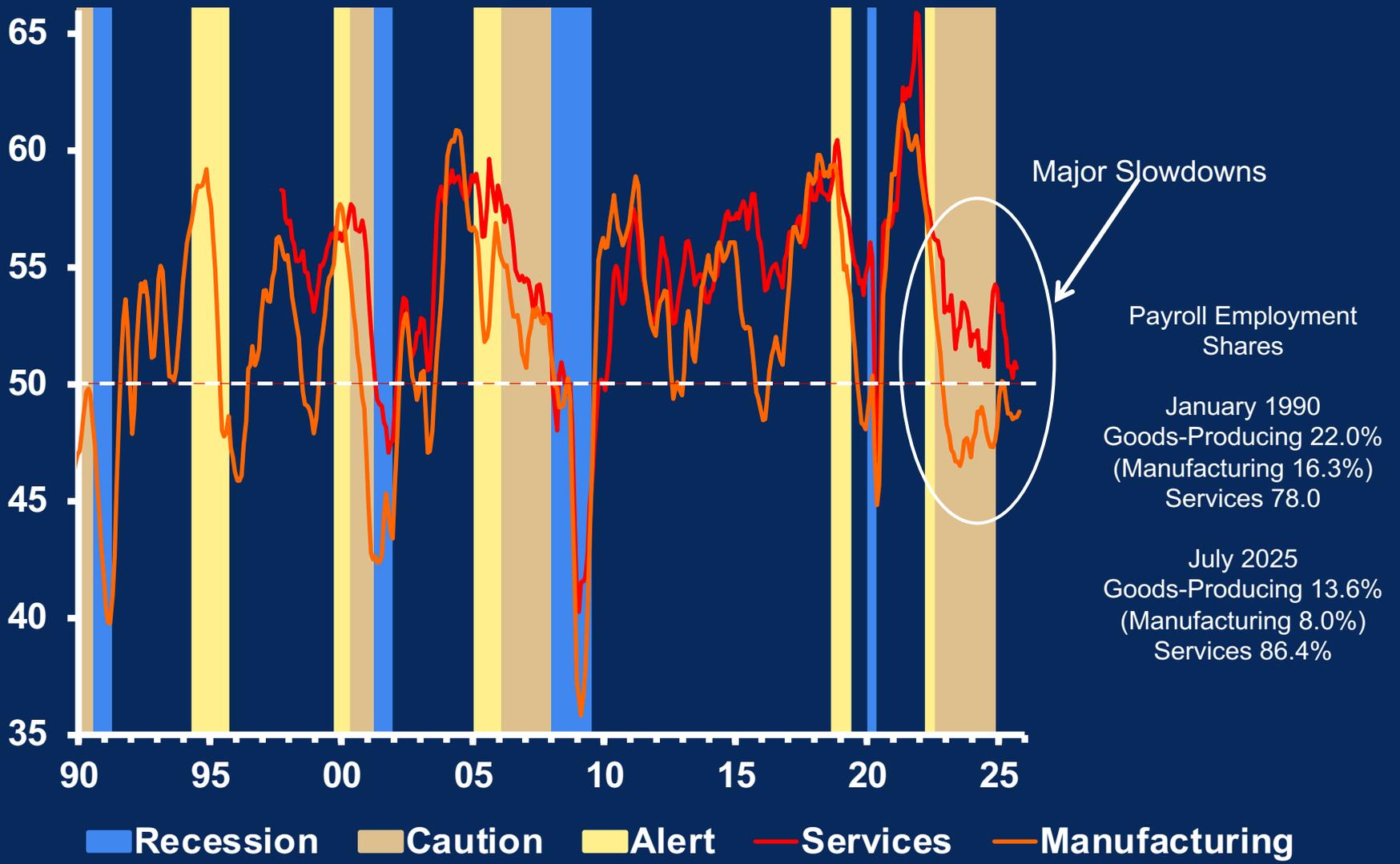
(BAA + Fed Funds) (Total 12-Month Change in Percentage Points)

(Alert Zone = When Rates Rise 1.25 Percentage Points)

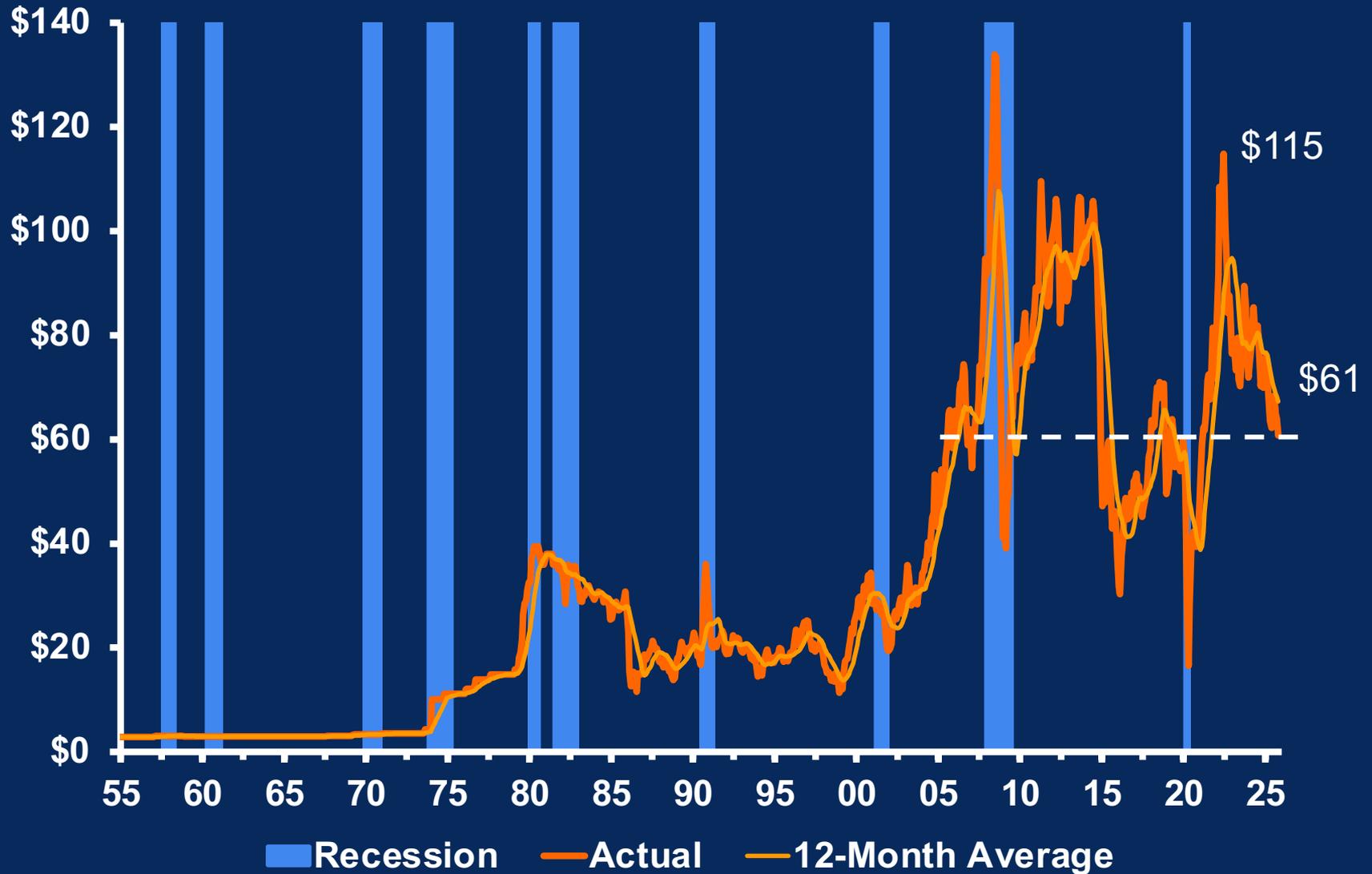


ISM (PMI) Indexes (PMI = Purchasing Managers Indexes)

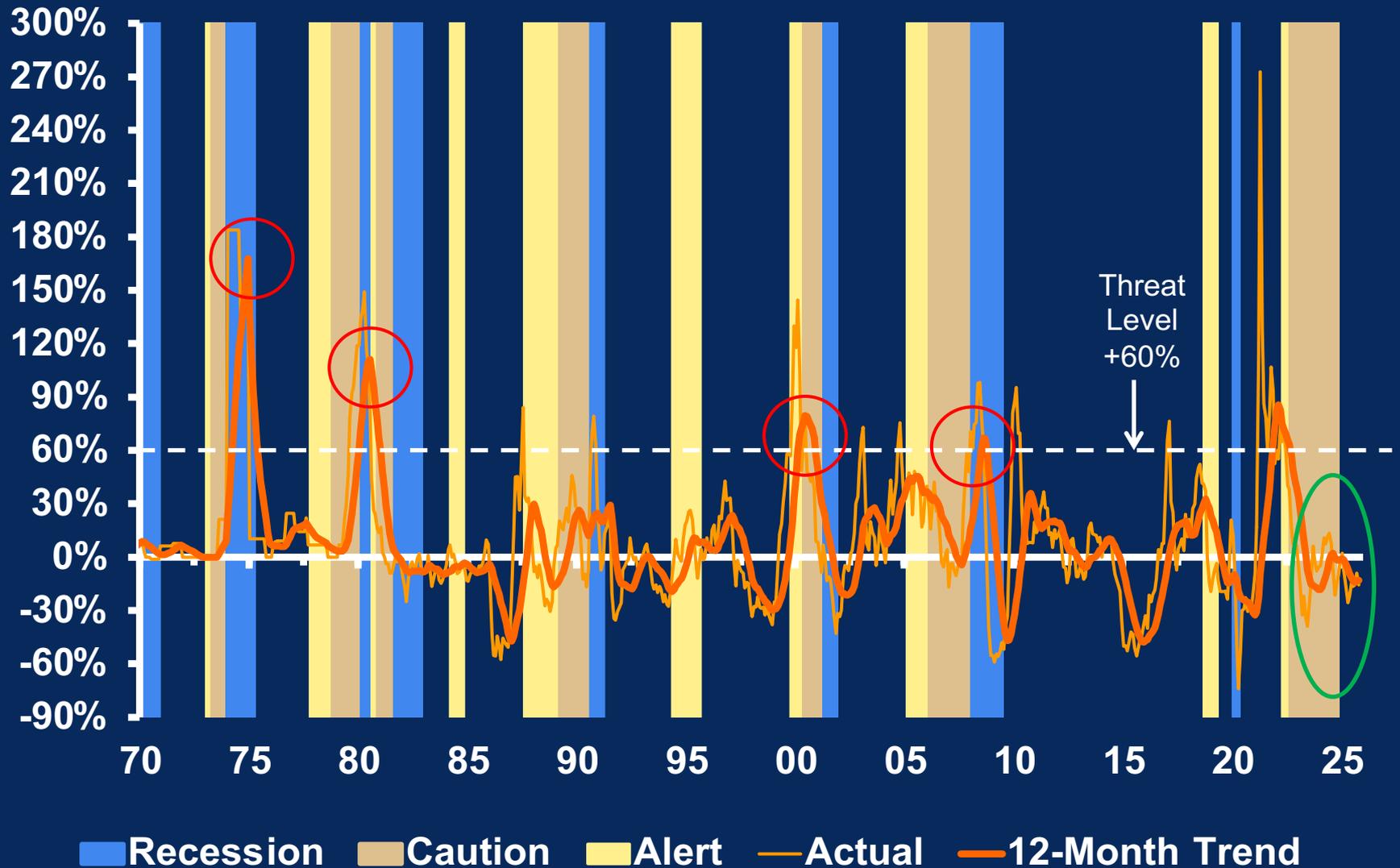
(3-Month Averages)

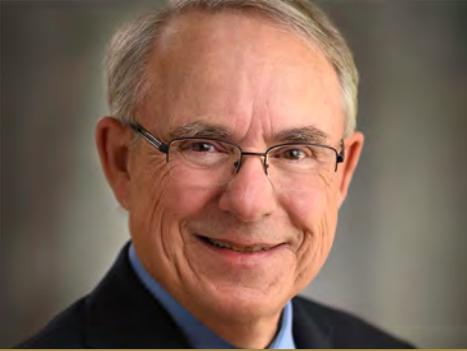


Oil Prices (WTI Spot)



Oil Prices (WTI Spot) (12-Month Changes)





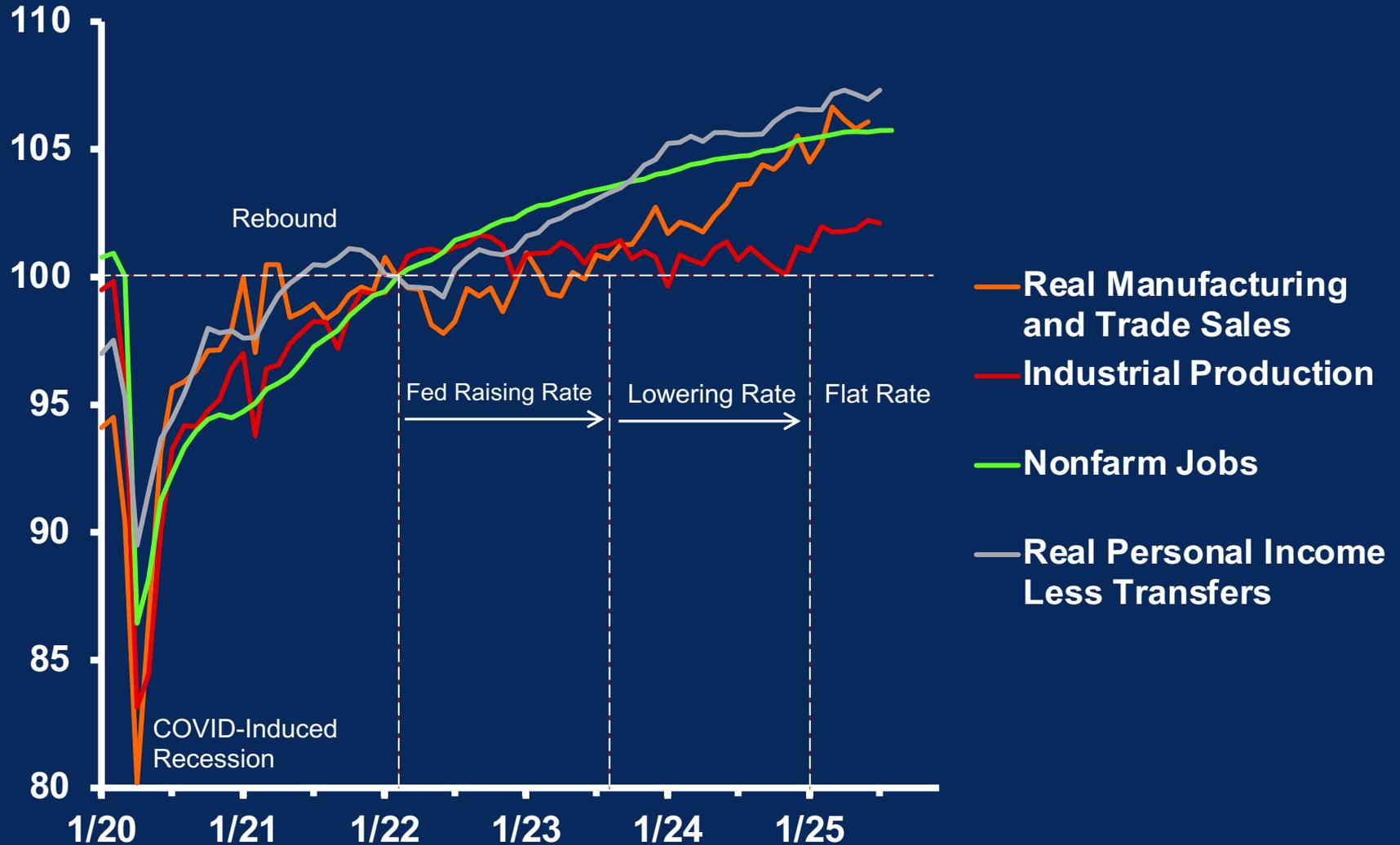
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The Economic and Market Outlook
2025 – 2028

Has Recession Commenced?
How Could We Tell?

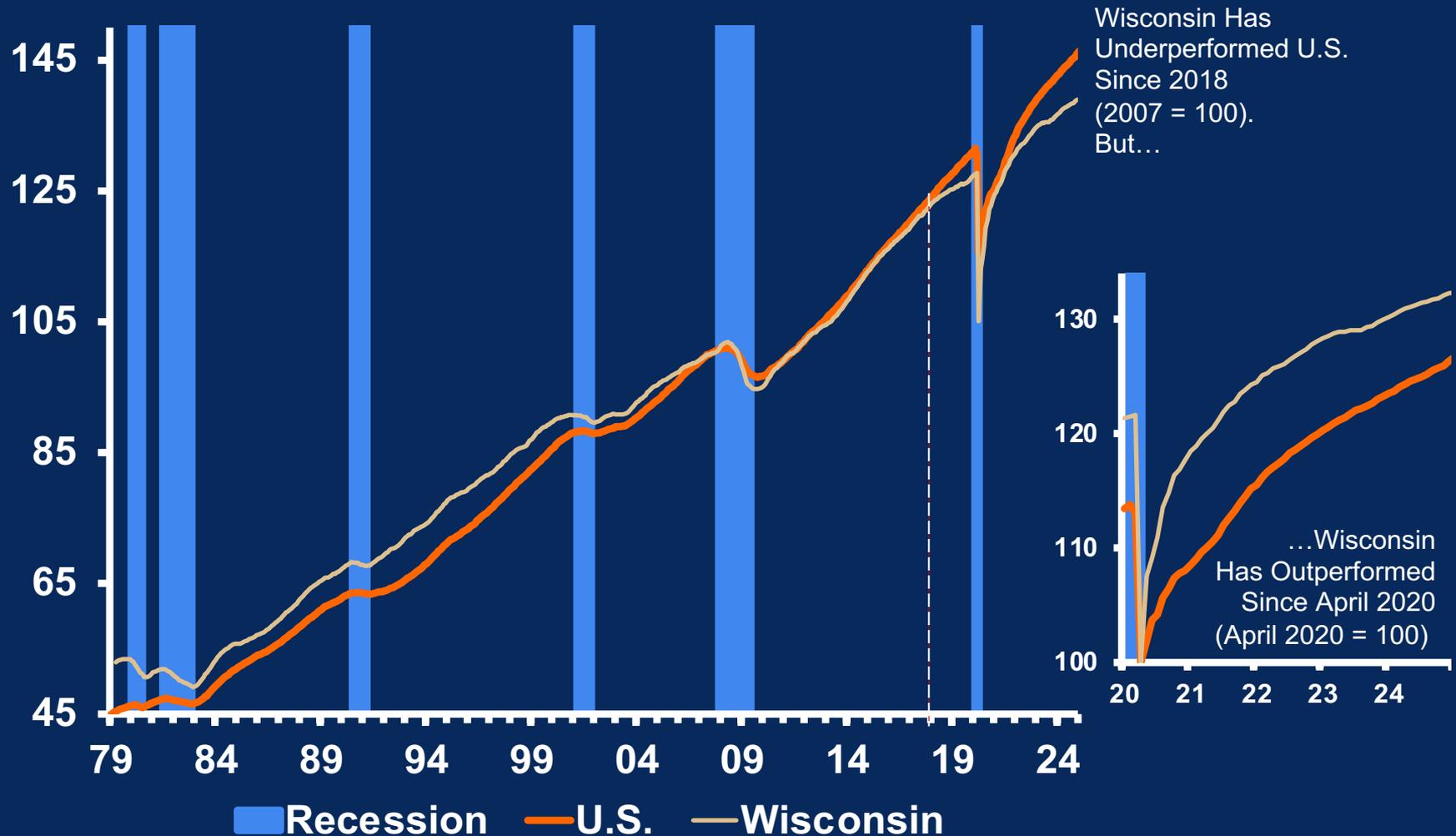
NBER Recession Watch – Four Key Numbers

(NBER = National Bureau of Economic Research) (February 2022 = 100)



Coincident Economic Indexes

(Coincident Economic Activity Index) (Philadelphia Fed)



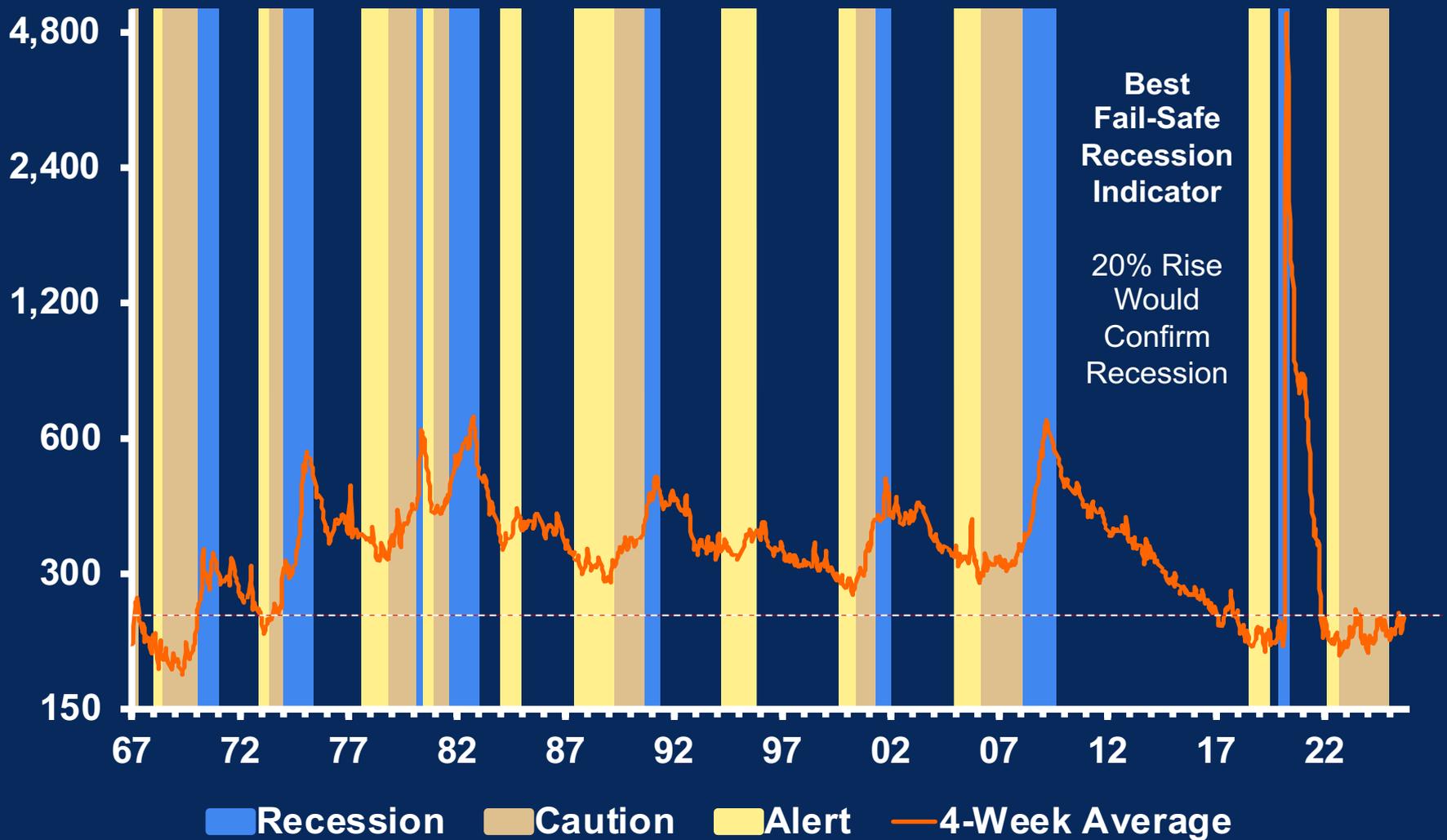
Dallas Fed's Weekly Economic Index

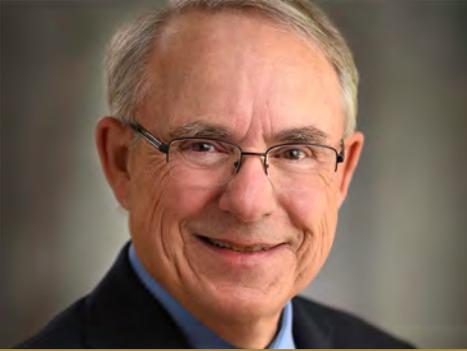
<https://www.dallasfed.org/research/wei>



Jobless Claims and Zempel Zones ©

(Initial Unemployment Insurance Claims) (Log Scale) (Weekly) (Thousands)





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The Economic and Market Outlook 2025 – 2028

Zempel Zone Approach

Interest-Rate Increases Precede Inversions

Interest-Rate Increases Precede Slowdowns

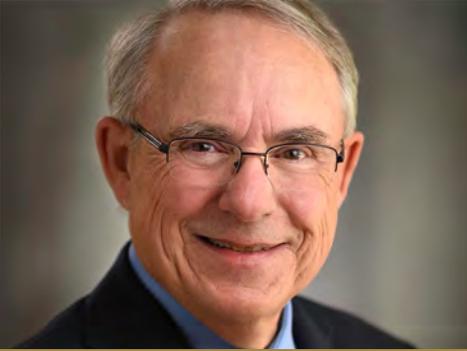
Interest-Rate Increases Trigger Alert Zone

Yield-Spread Inversions Precede Recessions

Yield-Spread Inversions Trigger Caution Zone

Jobless Claims Spike Confirms Recession

Five Numbers ~ Three Calculations



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The Economic and Market Outlook 2025 – 2028

Zempel Zone Applications

Alert Zone Actions

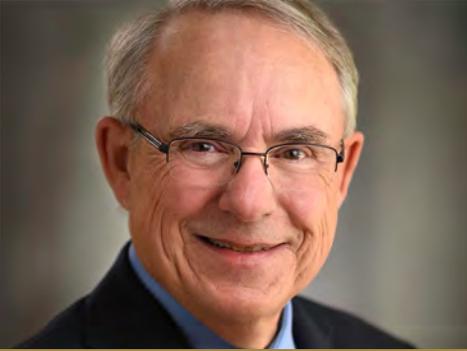
Expect Business Peaks – Monitor Yield Spread
Curb Expansion Plans

Caution Zone Actions

Prepare Recession Plans – Monitor Jobless Claims
Implement Recession Plans When (If) Claims Soar

No Zones Now

Expect Expansion



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The Economic and Market Outlook 2025 – 2028

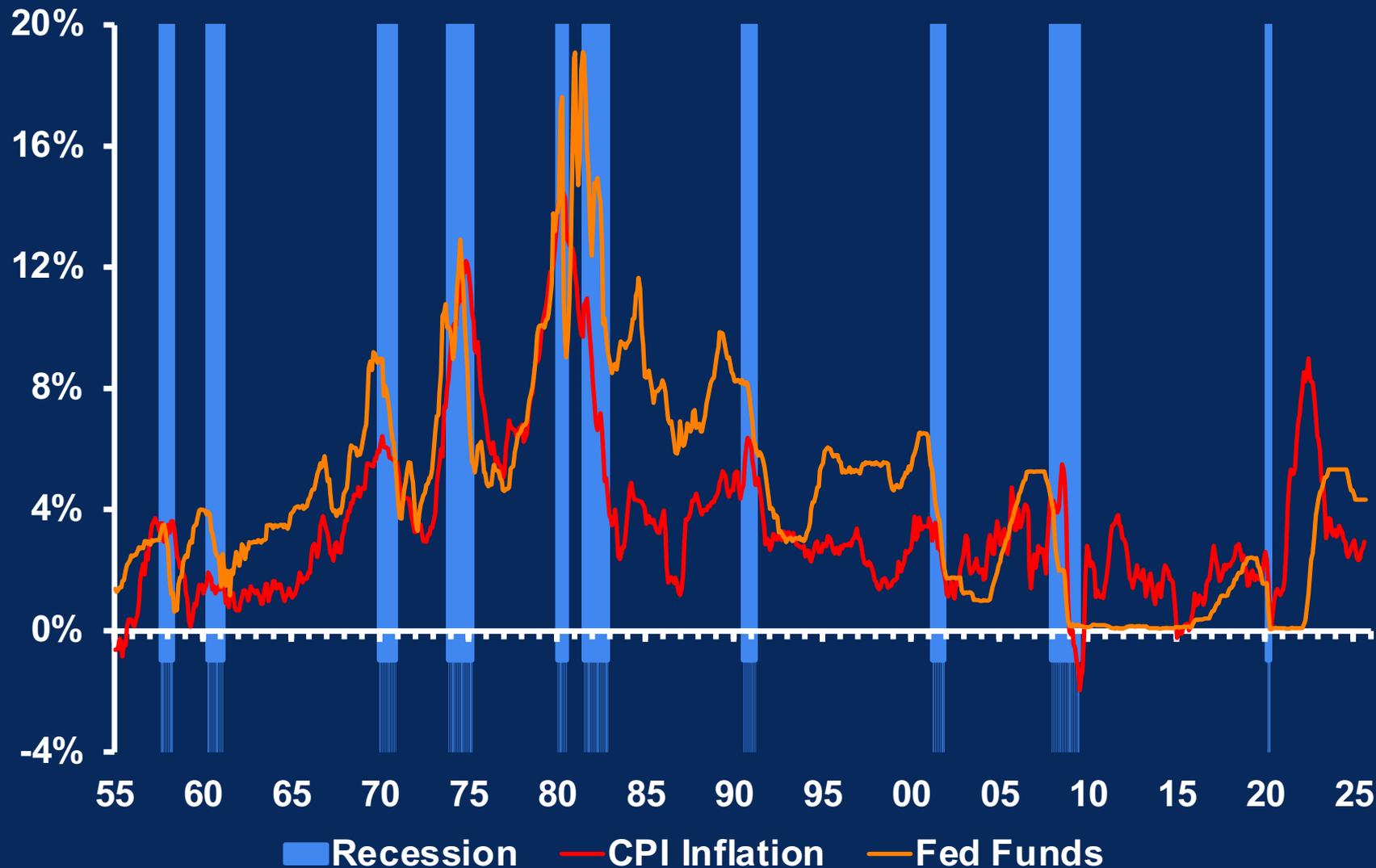
Has Recession Started? No

Why Not? Inflation Fell Much Faster Than Usual
Inflation Decline Bolstered Real Spending

Why Did Inflation Fall So Fast?
Supply Pressures Collapsed Post-2021
Fiscal-Monetary Policies Turned "Restrictive"

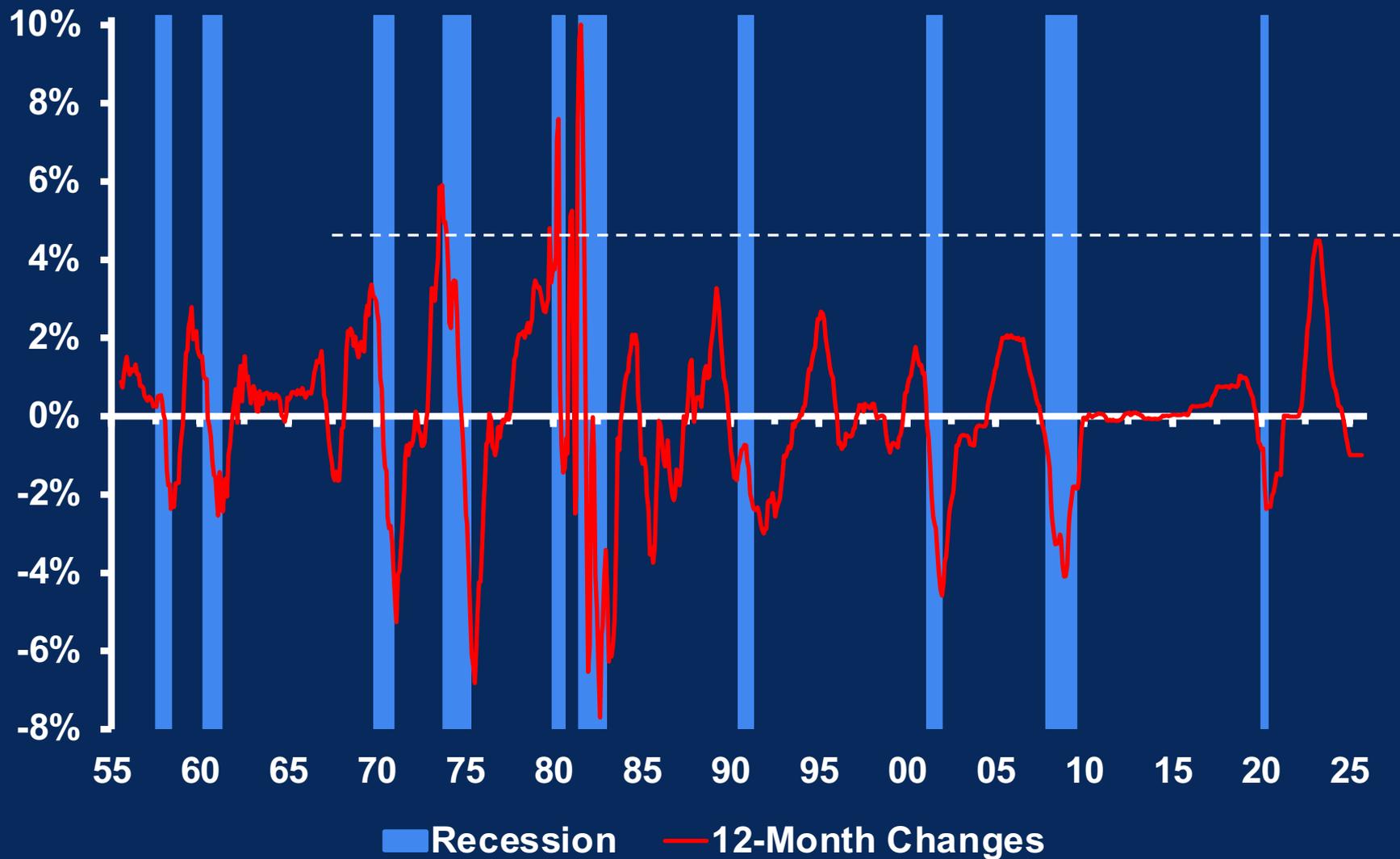
Interest Rates and Inflation

(CPI Inflation = 12-Month Change) (Fed Funds = Level)



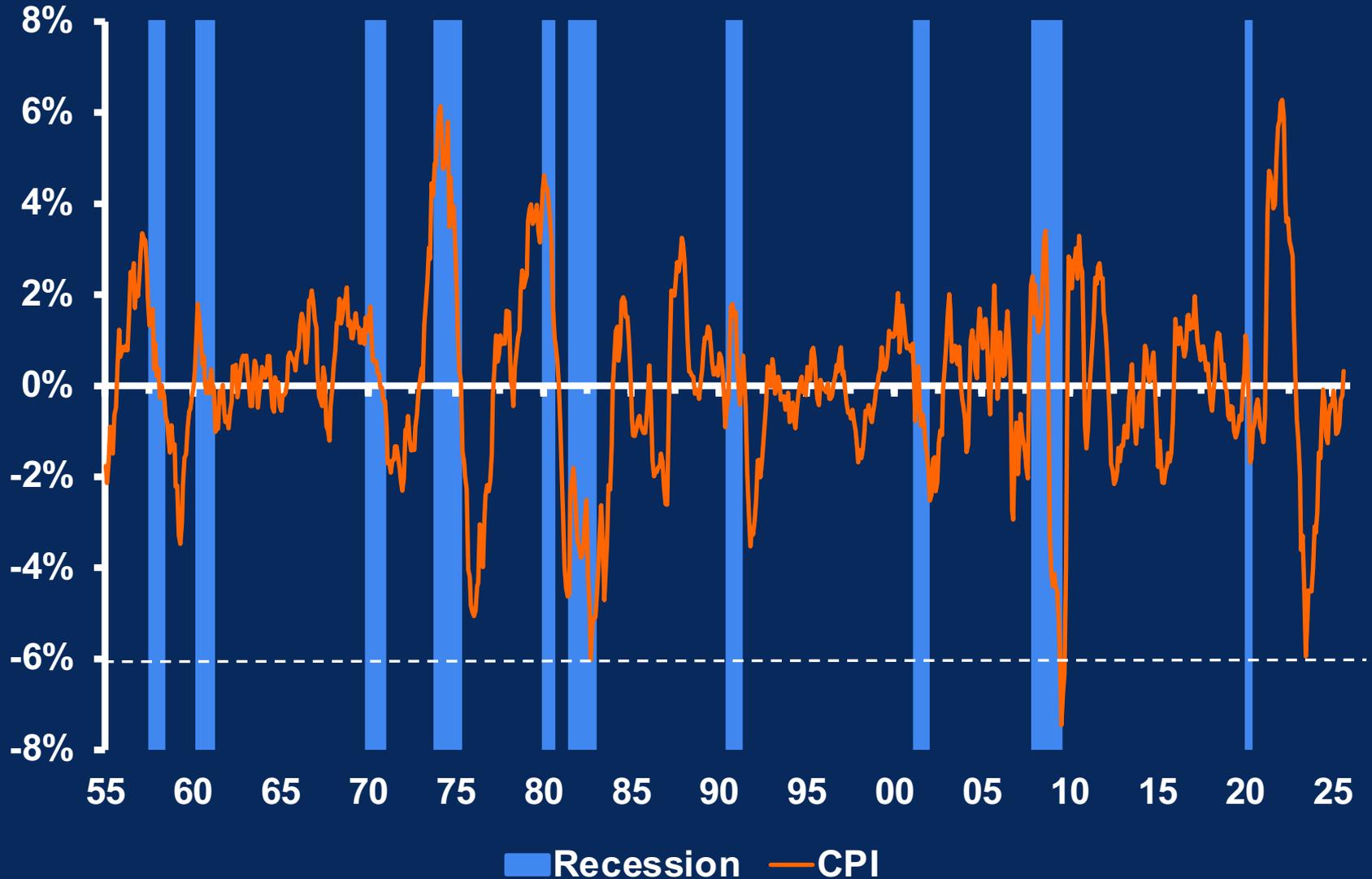
Fed Funds Changes

(12-Month Changes) (Percentage Points)



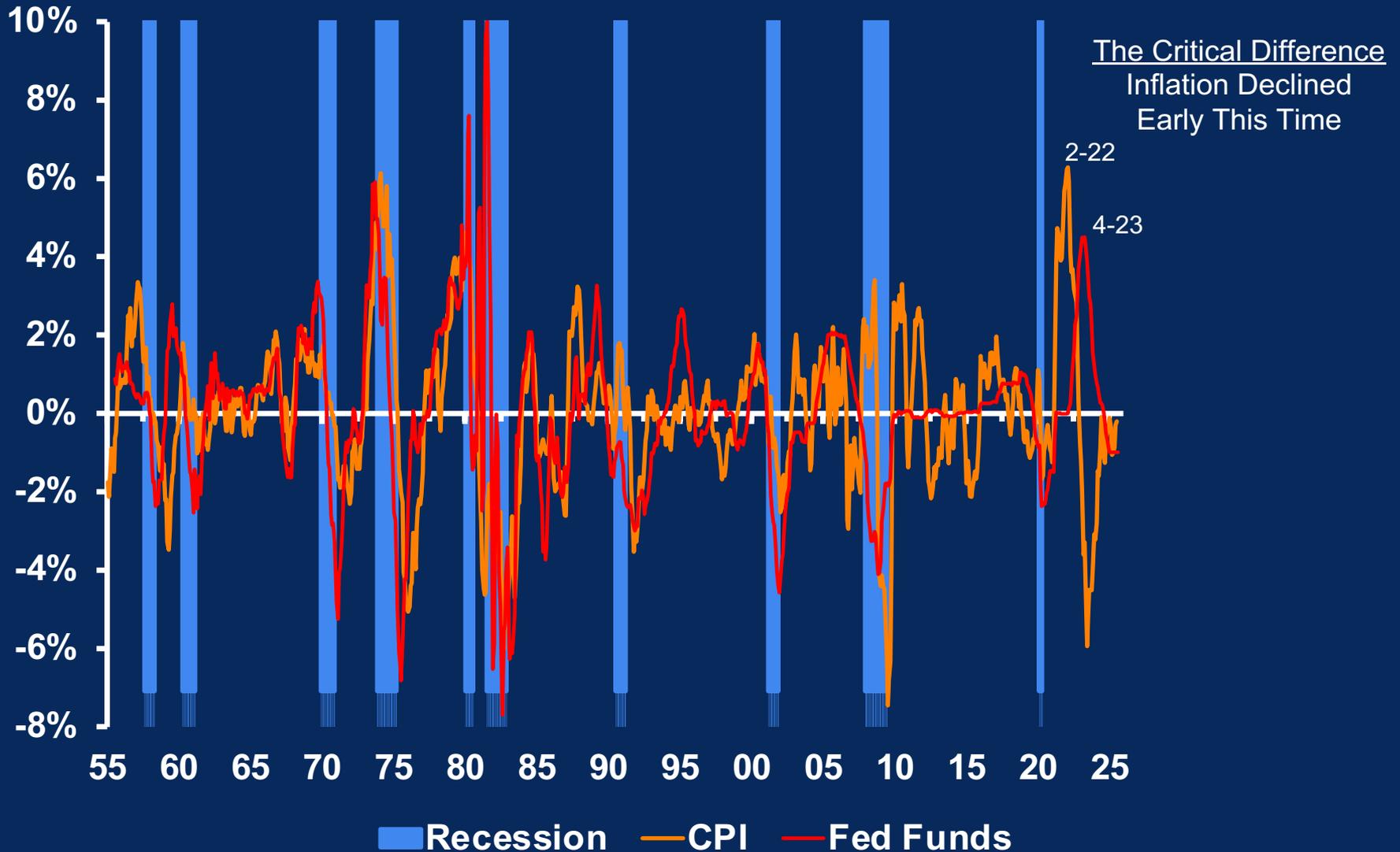
CPI Inflation Rate Changes

(12-Month Changes) (Percentage Points)



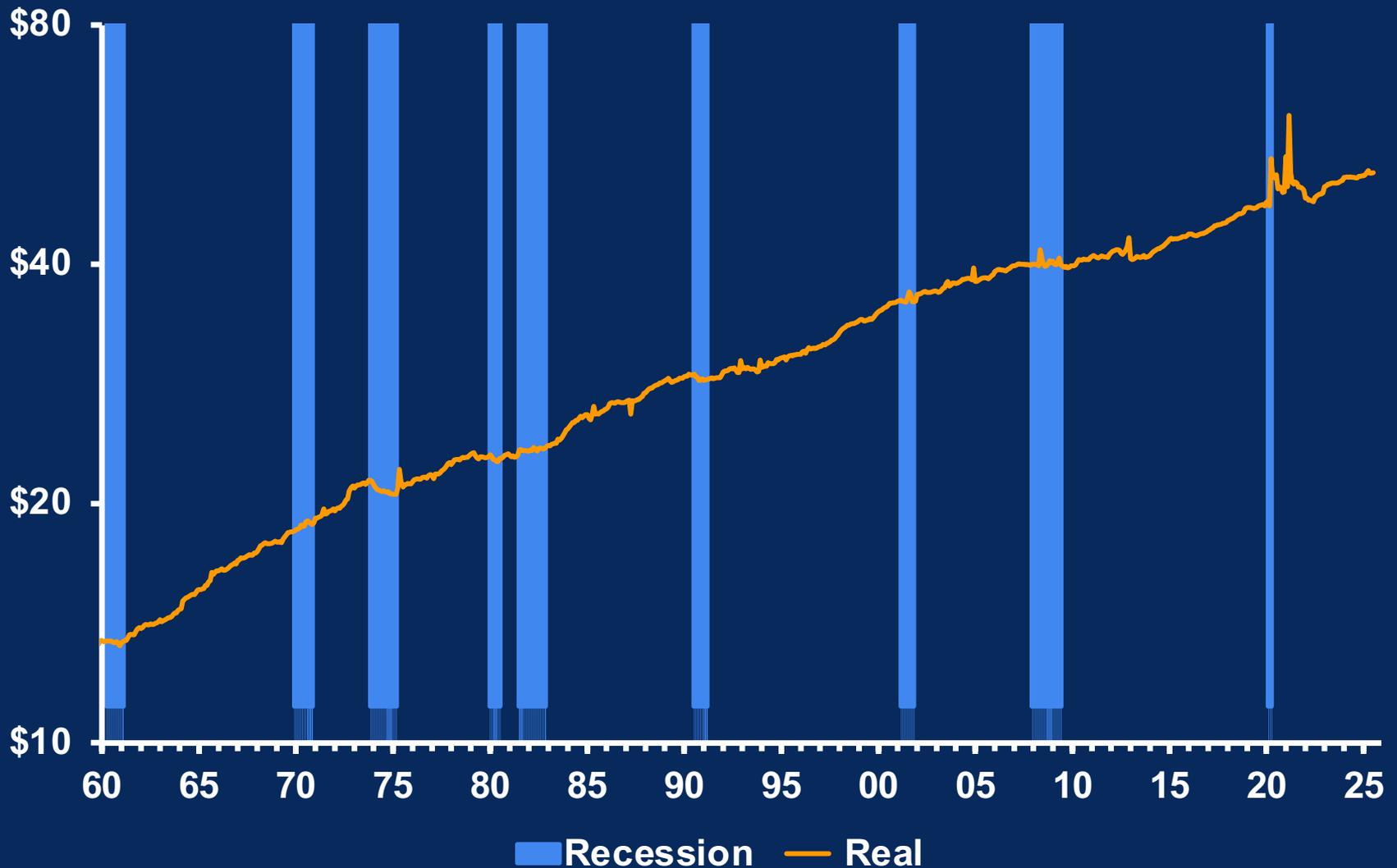
Fed Funds and CPI Changes

(12-Month Changes) (Percentage Points)

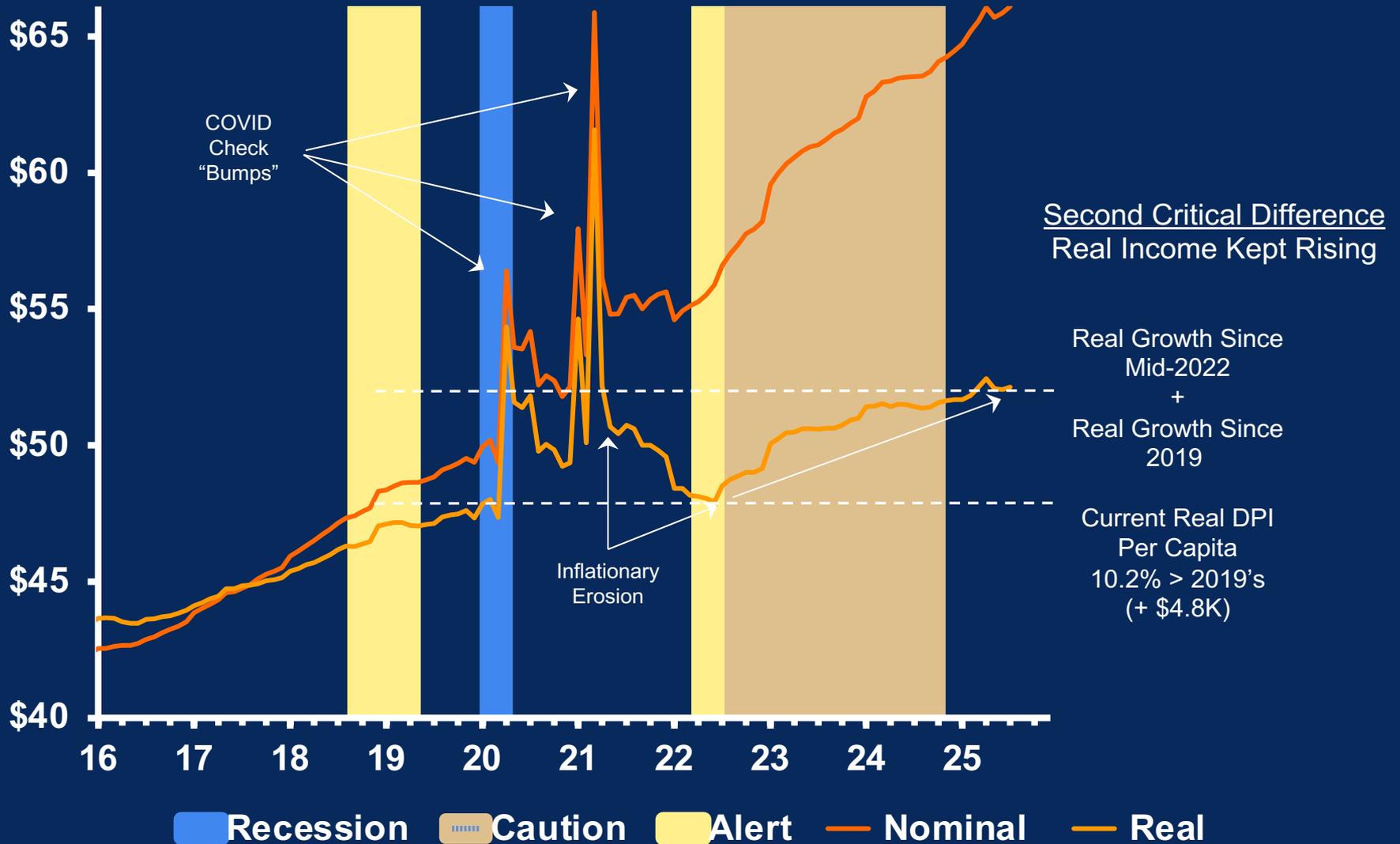


Real Disposable Personal Income

(Per Capita) (Thousand Dollars) (Log Scale)

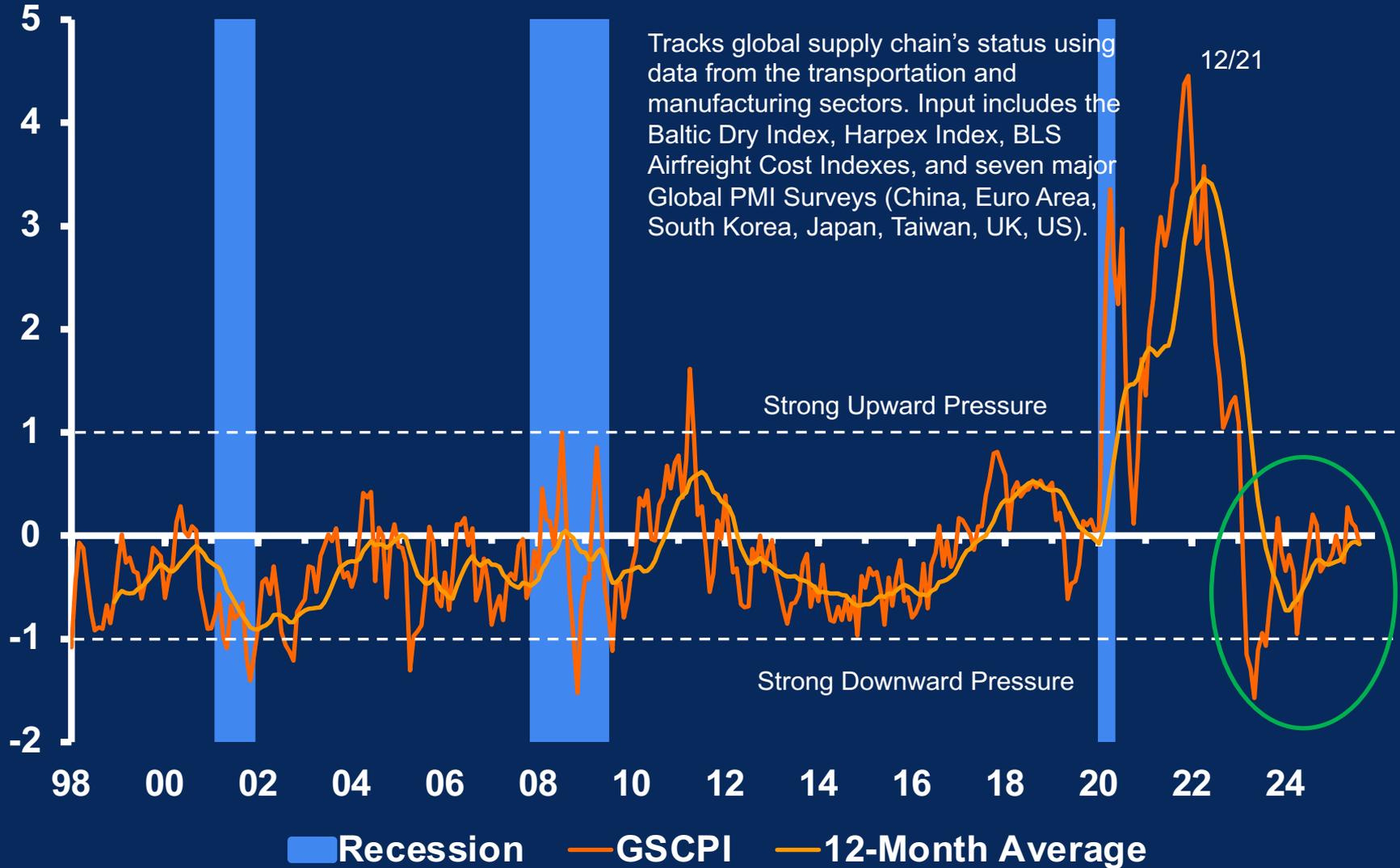


Disposable Personal Income and Zempel Zones © (Per Capita) (Thousand Dollars)



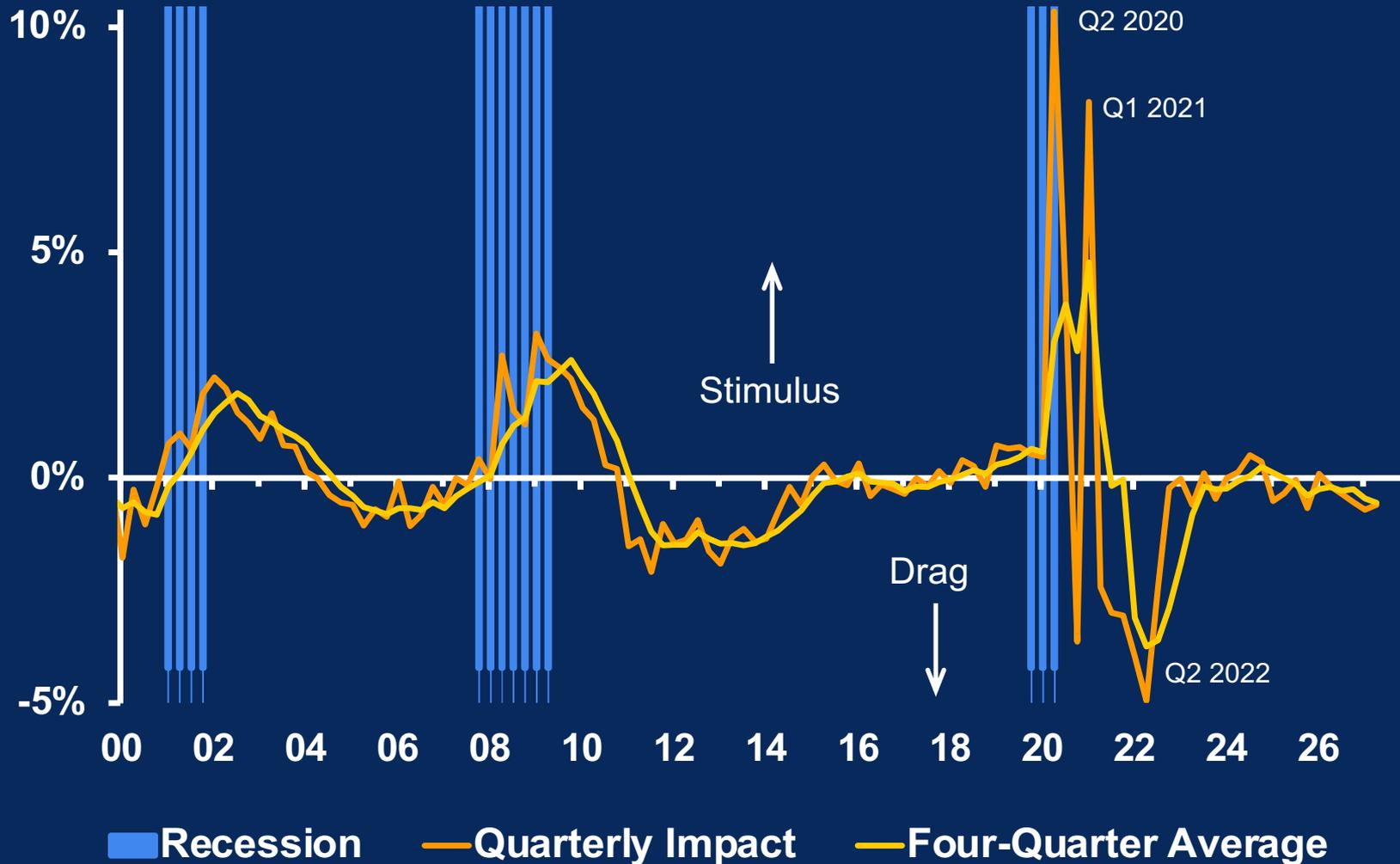
Global Supply Chain Pressure Index

(GSCPI) (Monthly) (New York Fed)



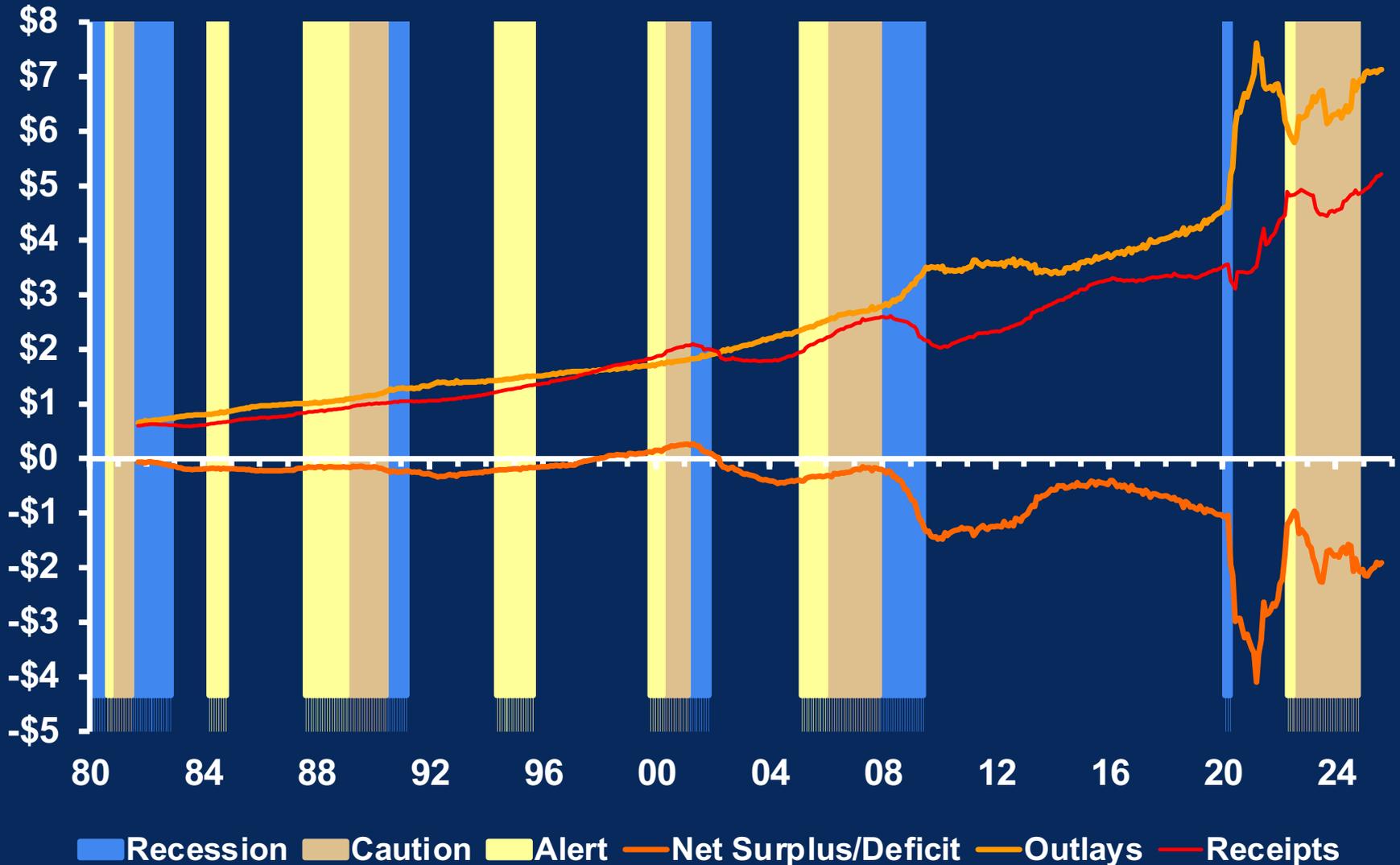
Hutchins Center Fiscal Impact Measure

(GDP Growth Contributions)



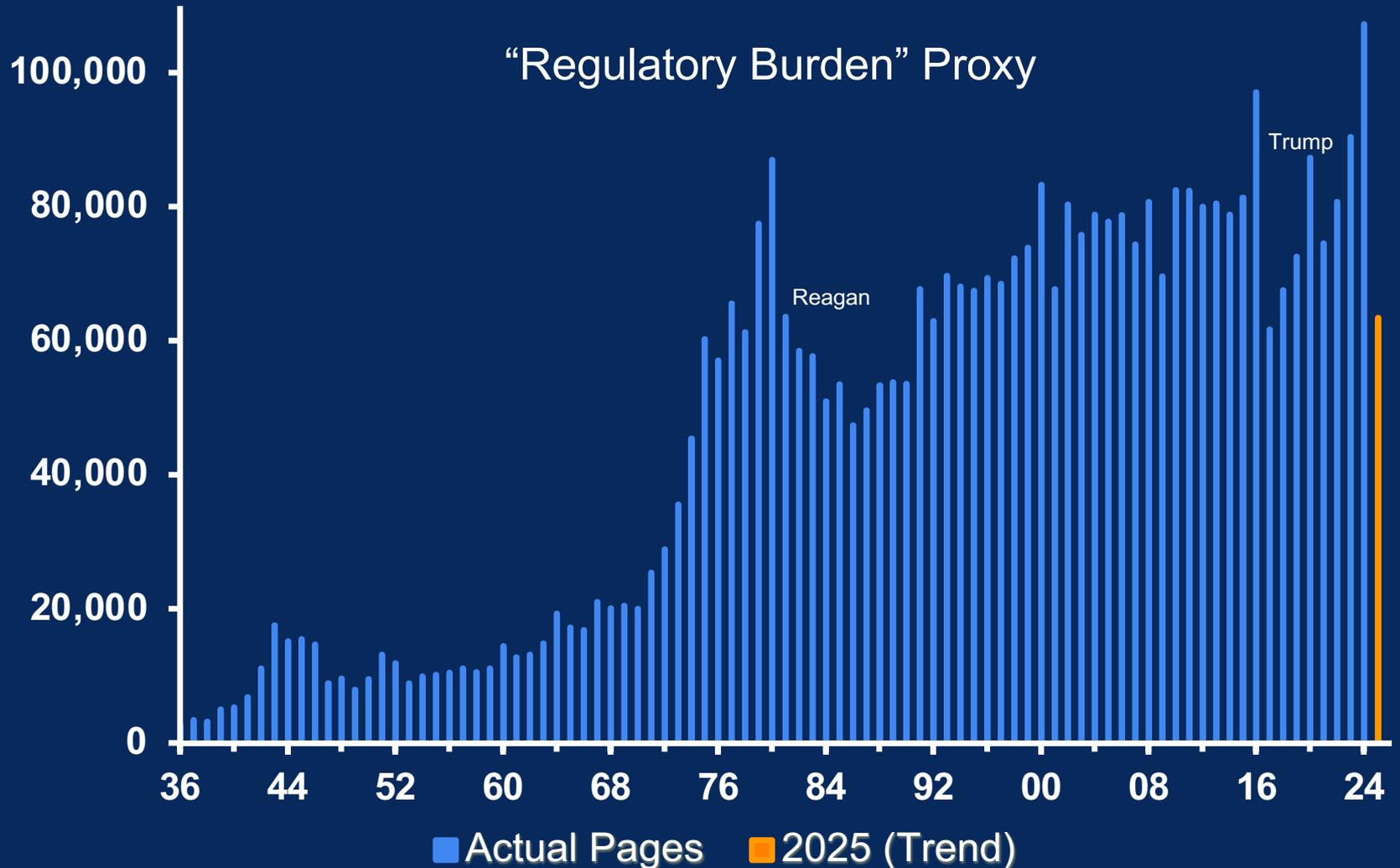
Federal Budget and Zempel Zones ©

(Trillions) (Monthly) (12-Month Totals)



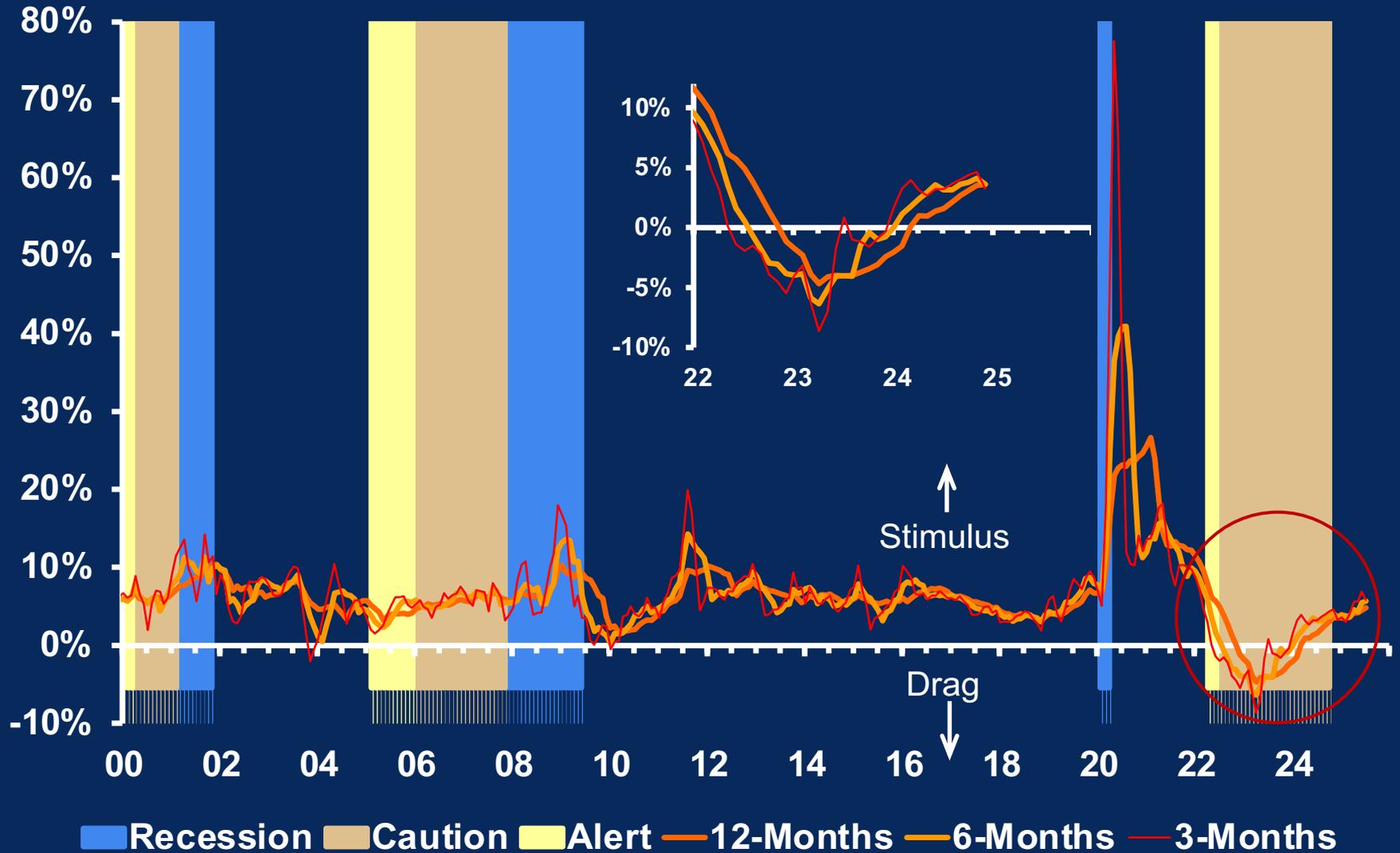
Federal Register Page Count

(Annual Totals in 1936-2025) (Competitive Enterprise Institute)



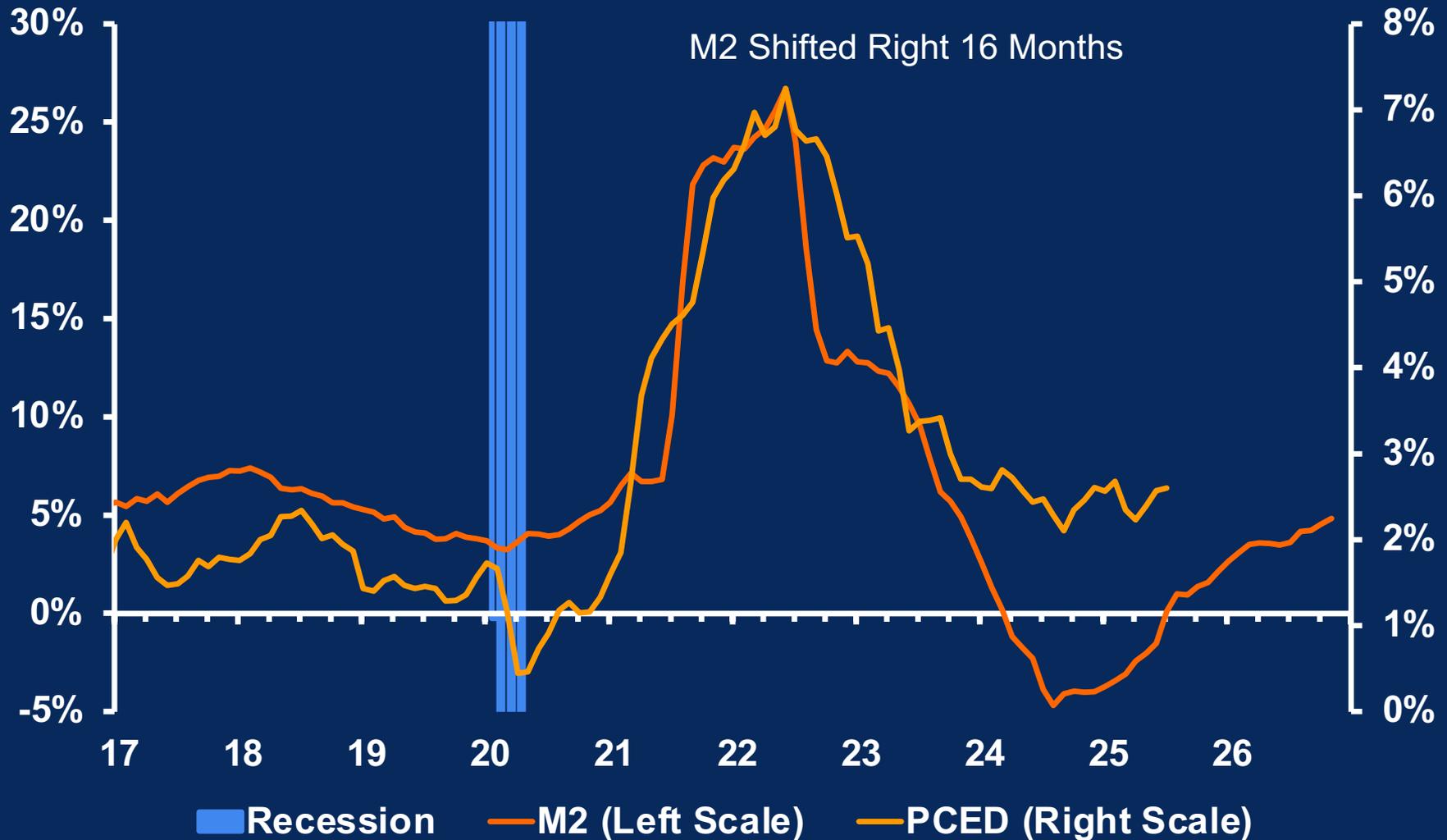
M2 Growth and Zempel Zones ©

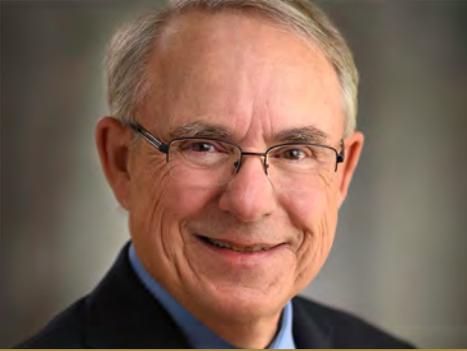
(M2 Money Stock) (Monthly)



M2 Growth and PCED Inflation

(12-Month Changes)





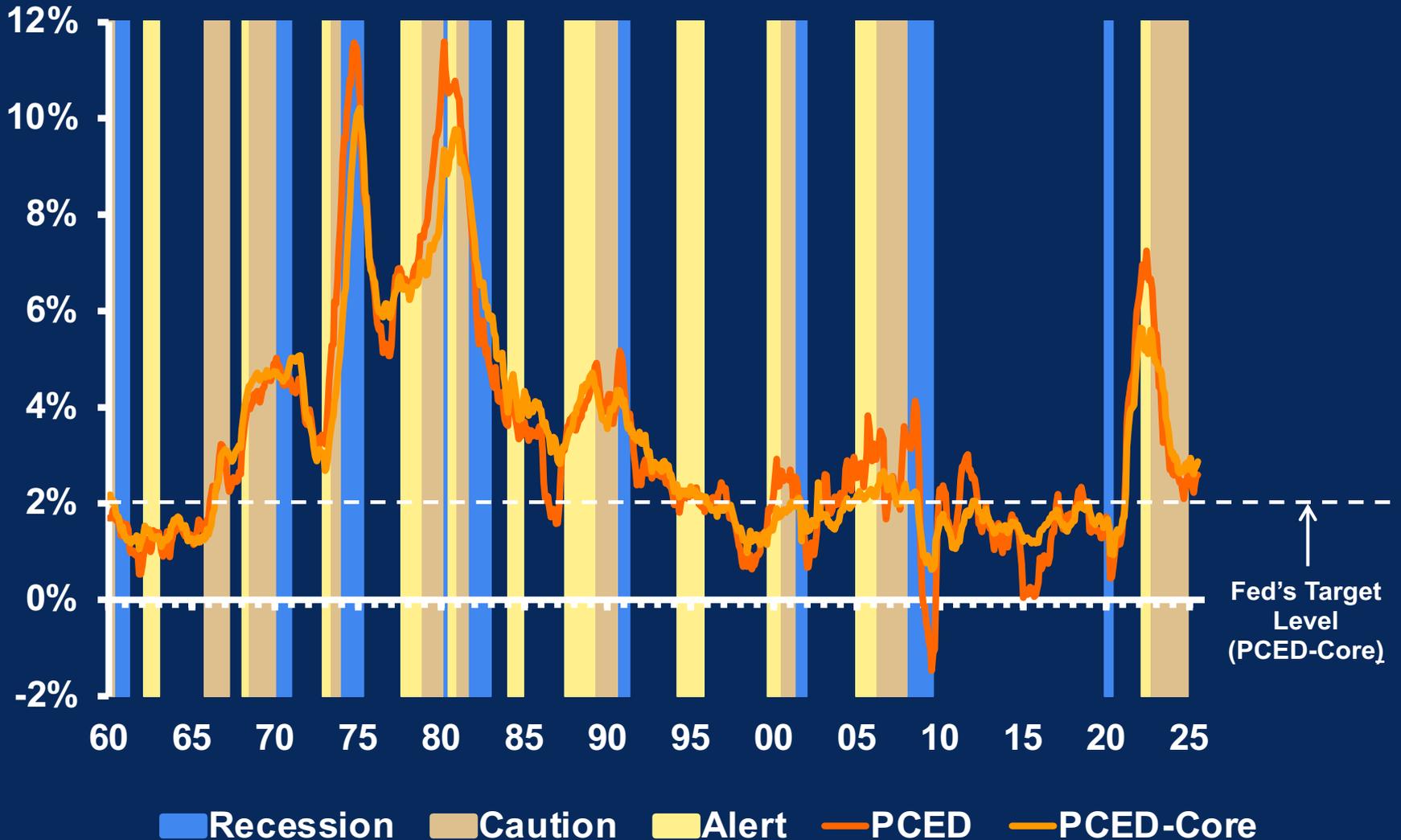
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The Economic and Market Outlook 2025 – 2028

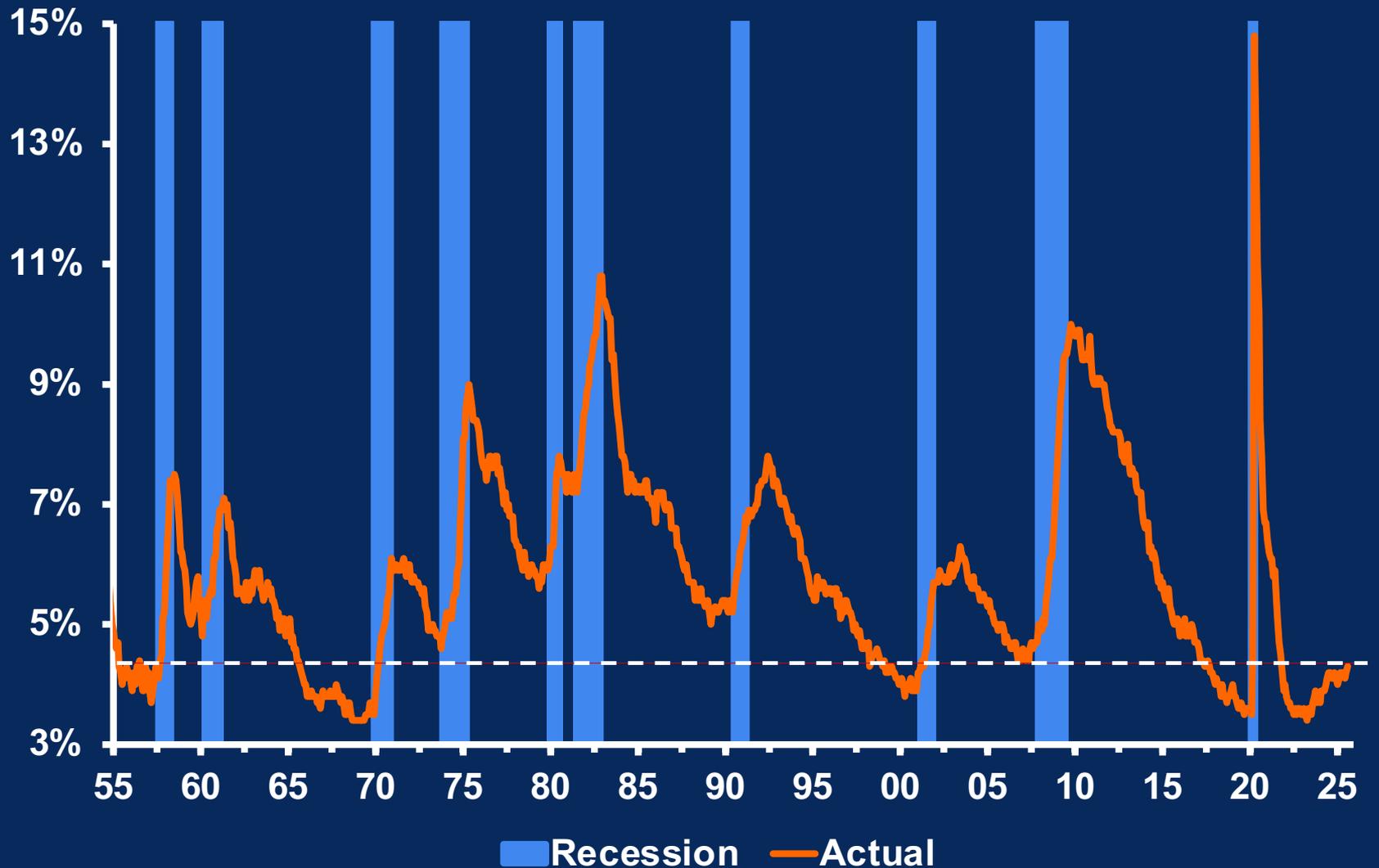
Will Inflation Remain “Low”? Yes, Excepting Tariff “Spike”
What Drives Long-Run Inflation? Spending
What Drives Spending? Macro Policies
Will Real Growth “Boom”? Not Soon
Where Are Interest Rates Headed? Lower

PCED Inflation and Zempel Zones ©

(PCED = Personal Consumption Expenditure Deflator) (12-Month Changes)

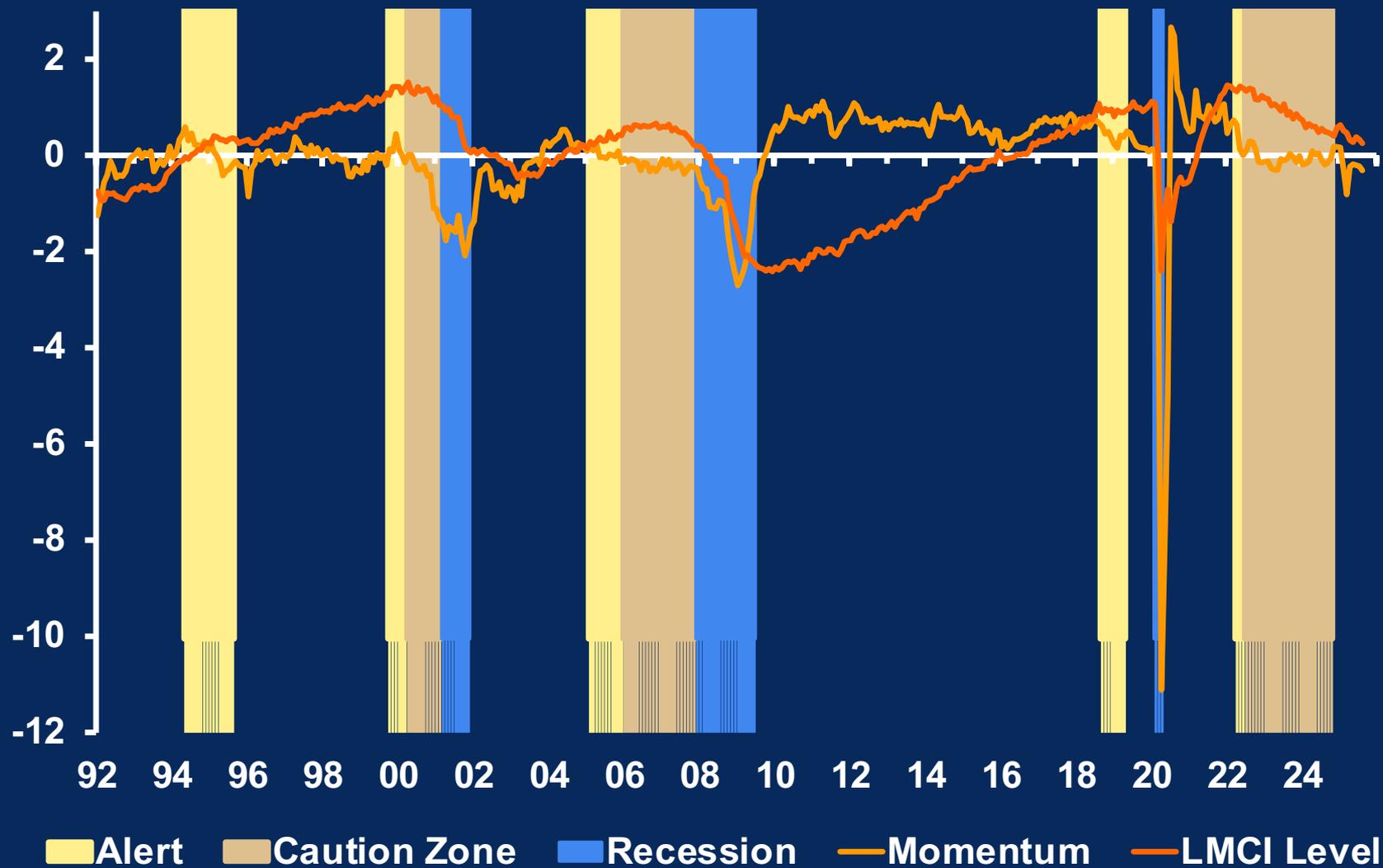


Unemployment Rate (Monthly)



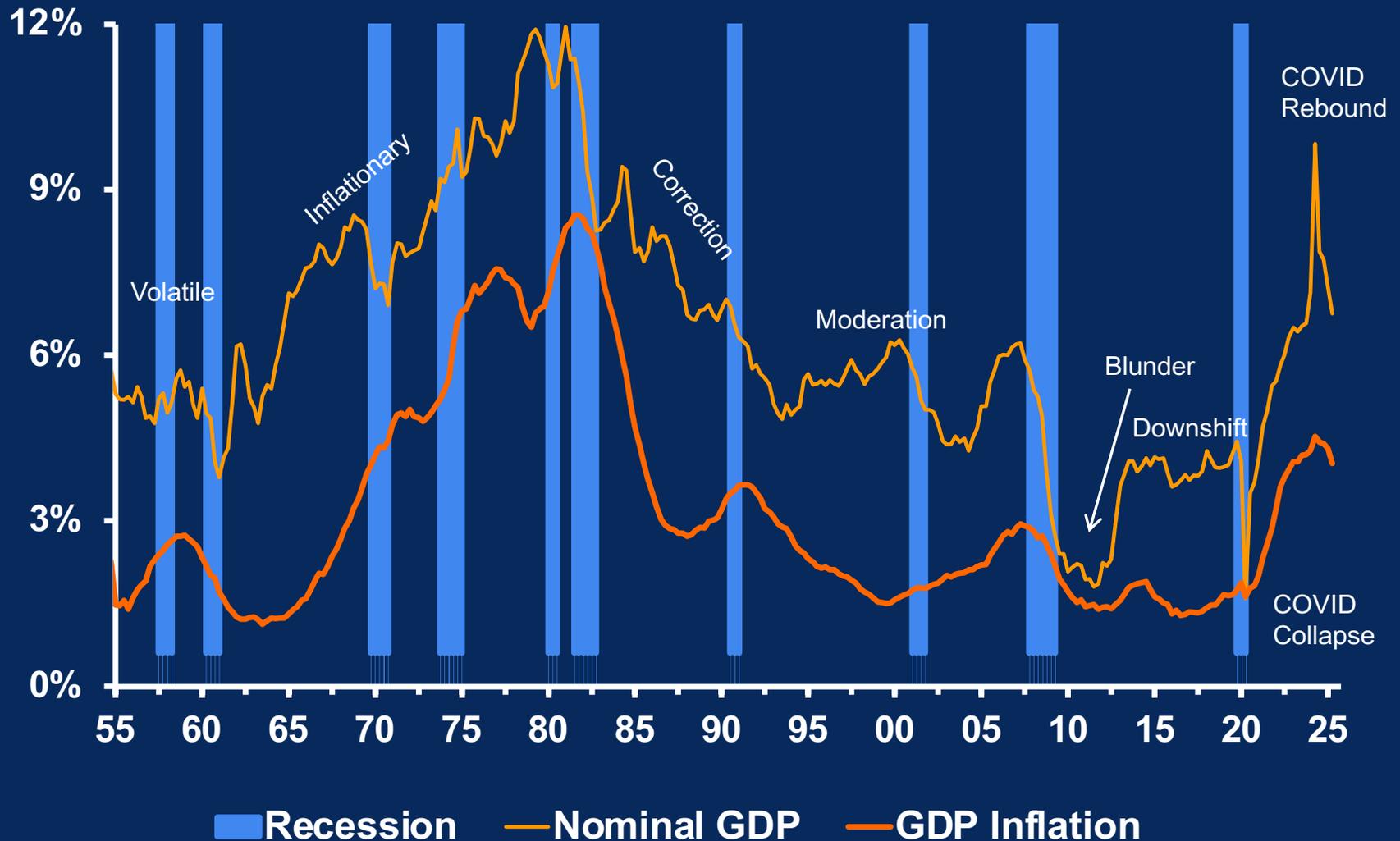
Fed Labor Market Conditions Indicators

(LMCI = Labor Market Conditions Index) (Kansas City Fed)

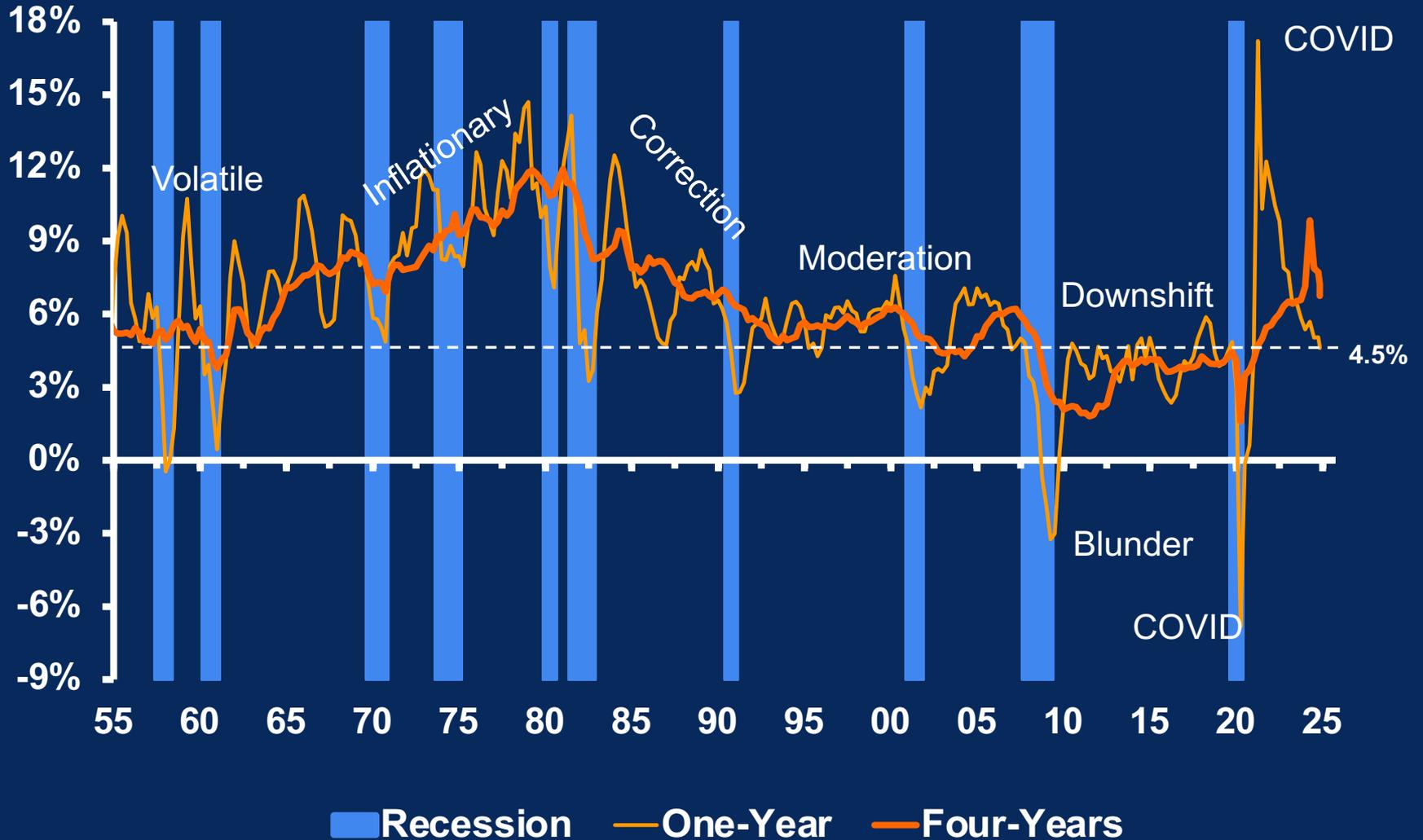


Nominal GDP Growth and Inflation

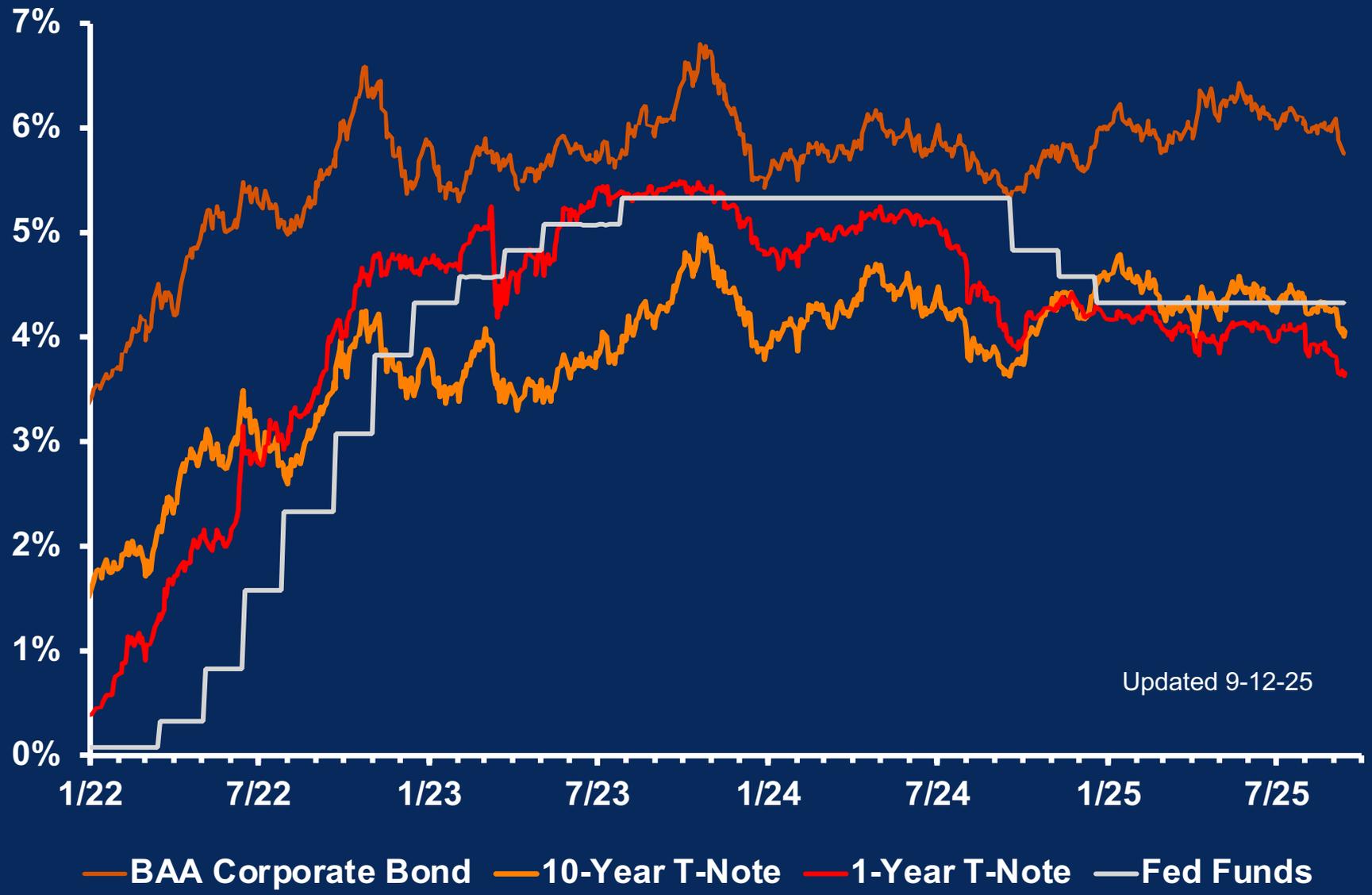
(Four-Year Growth Rates)

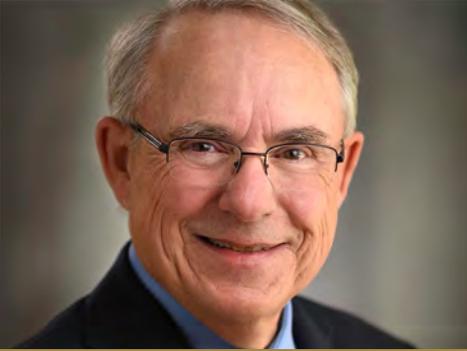


Nominal GDP Growth Rates



Selected Interest Rates (Daily)





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The Economic and Market Outlook 2025 – 2028

Fed's Inflation Target Achievable

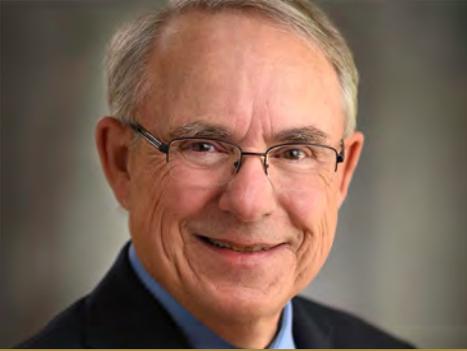
Lower Inflation Makes Recession Unlikely

Fed Should/Will Ease Further Soon

Fiscal Policy Effects Unclear

2025-26 Prospects Positive But Sluggish ($4.5 = 2.5 + 2.0$)

2027-28 Productivity-Led Boomlet Possible ($5 = 3 + 2$)



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The Economic and Market Outlook 2025 – 2028

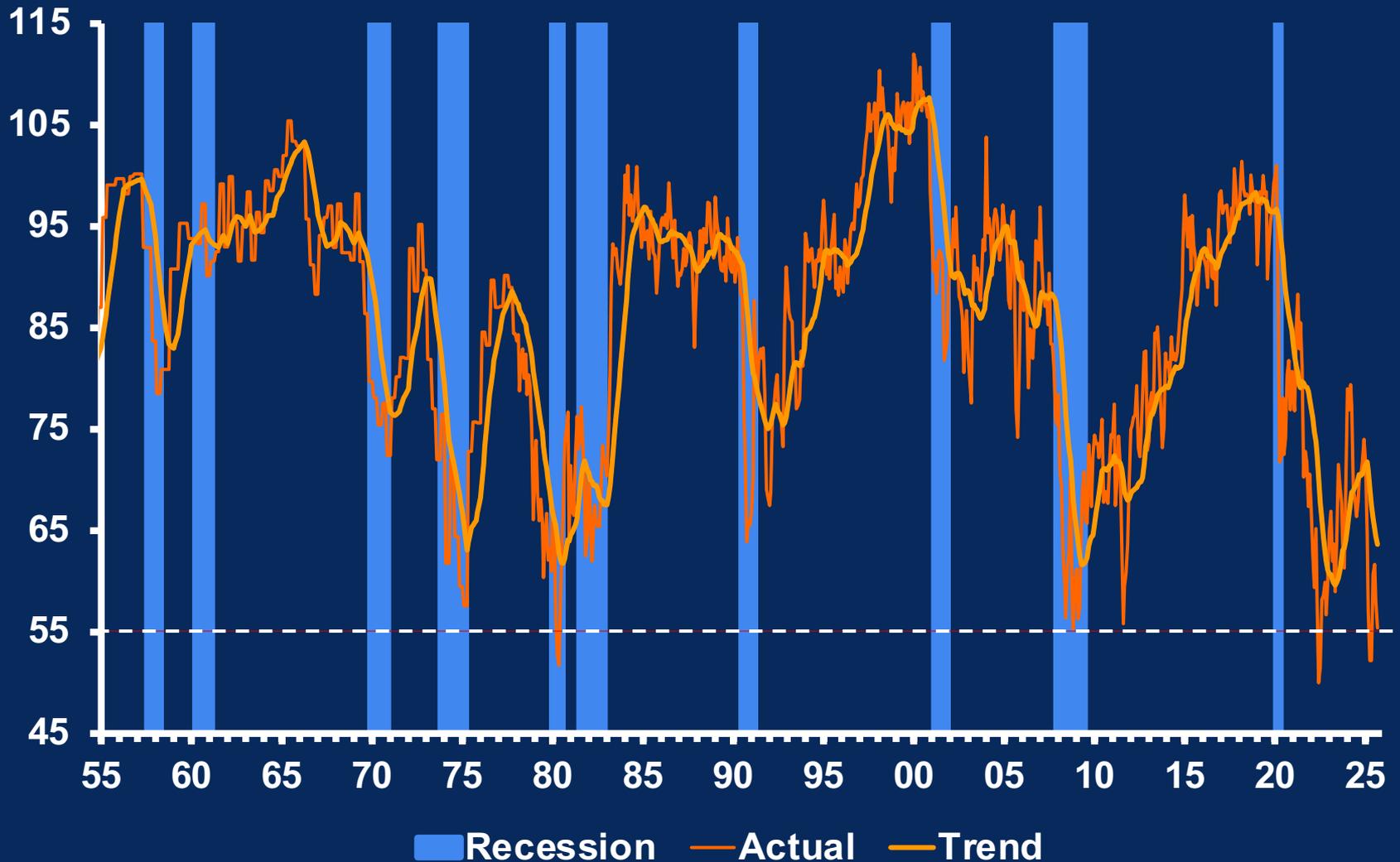
Economic Sector Performances (Top-Down View)

2025-26 Prospects Positive But Sluggish ($4.5 = 2.5 + 2.0$)

2027-28 Productivity-Led Boomlet Possible ($5 = 3 + 2$)

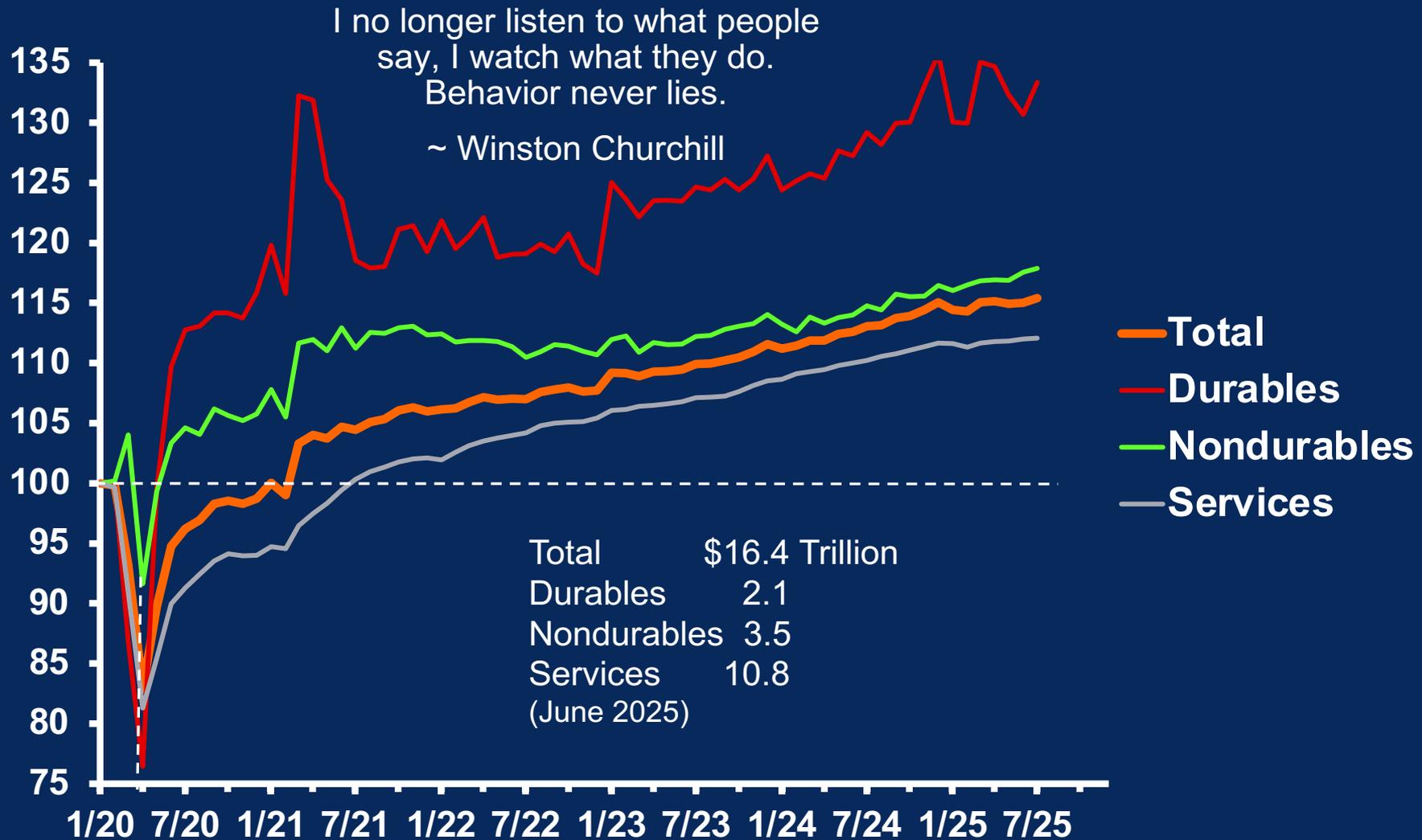
Consumer Sentiment and Zempel Zones ©

(Consumer Sentiment Index) (University of Michigan) (Monthly)

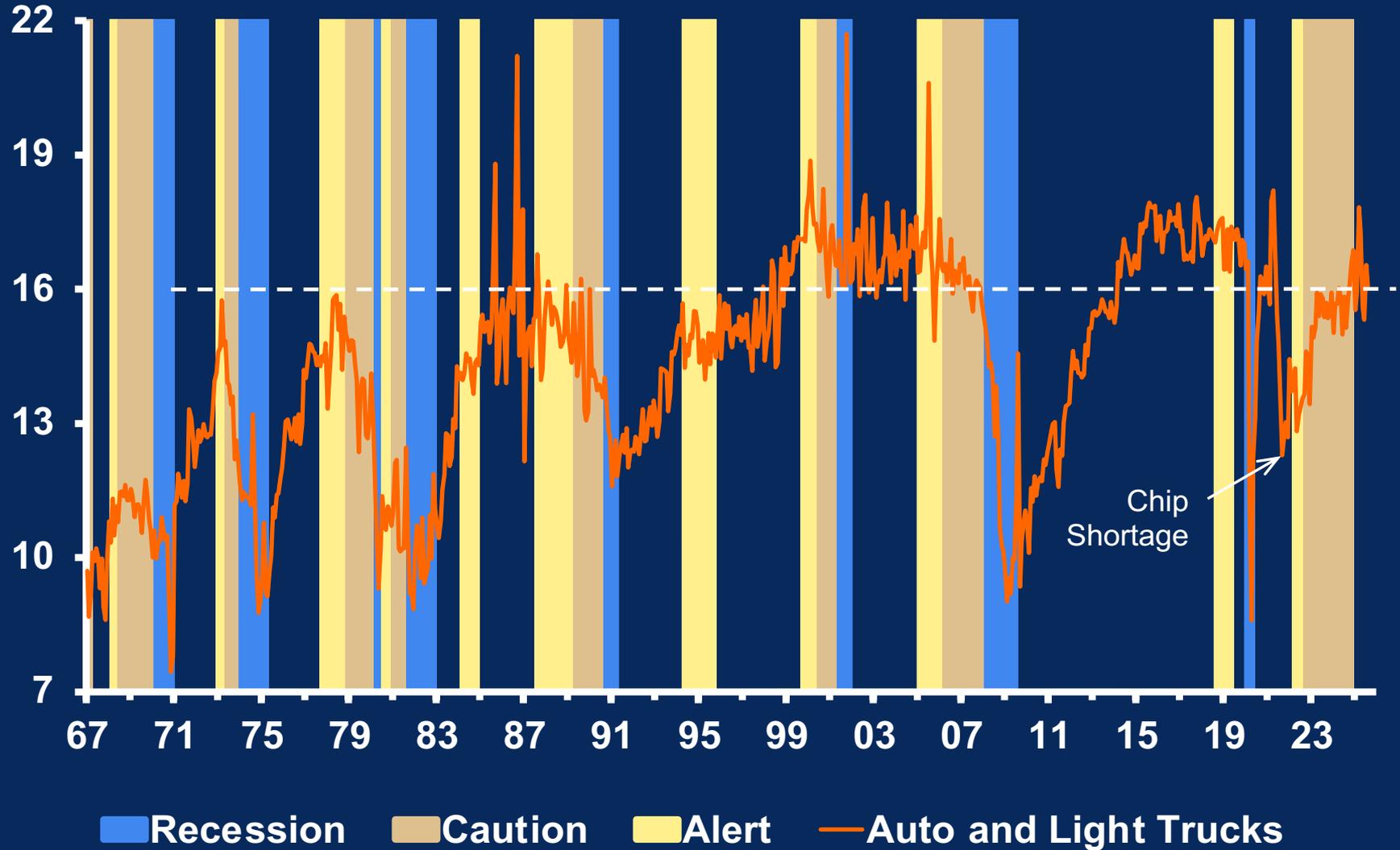


Real Personal Consumption Indexes

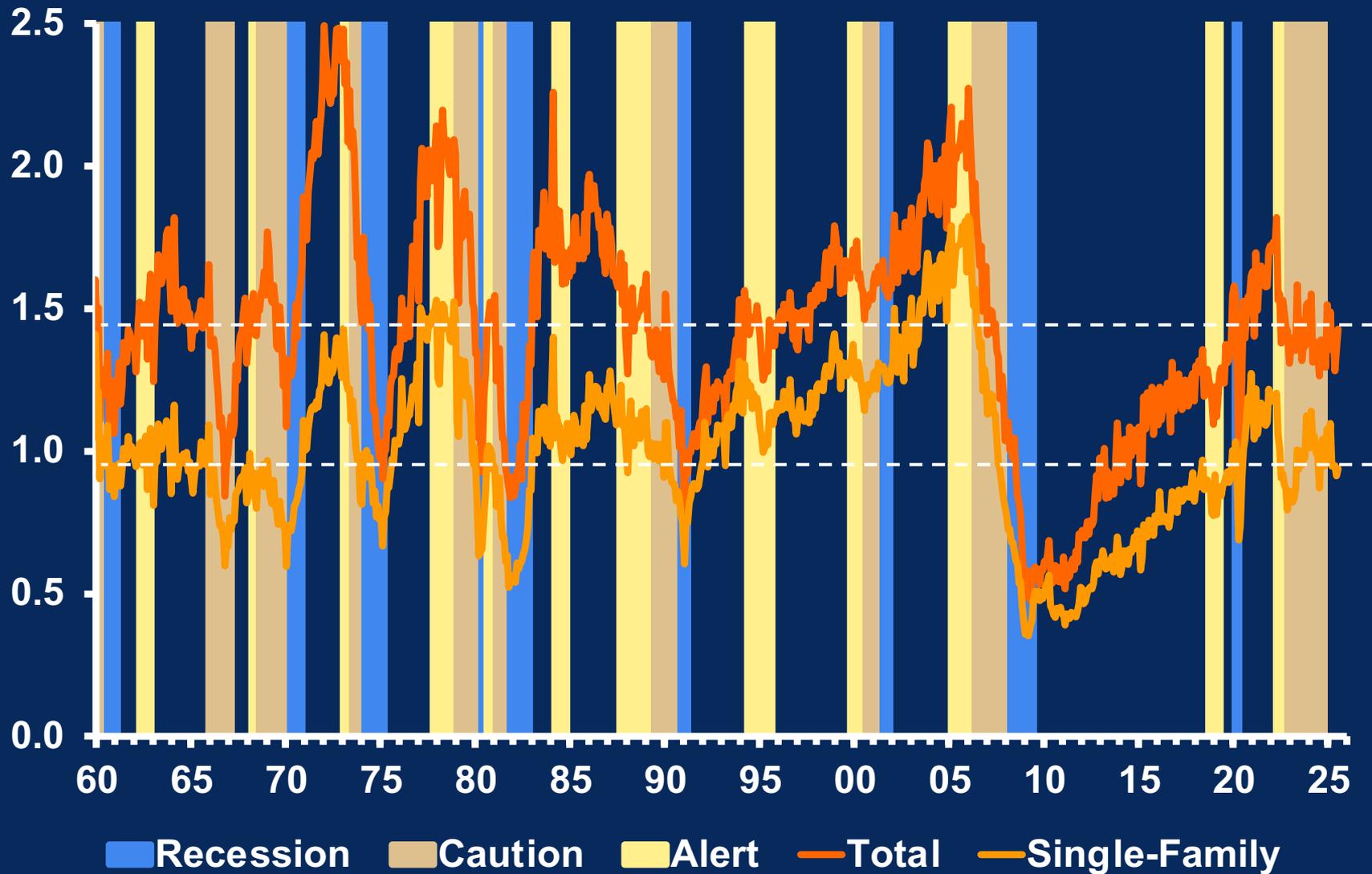
(January 2020 = 100)



Auto and Light Truck Sales (Million Units)

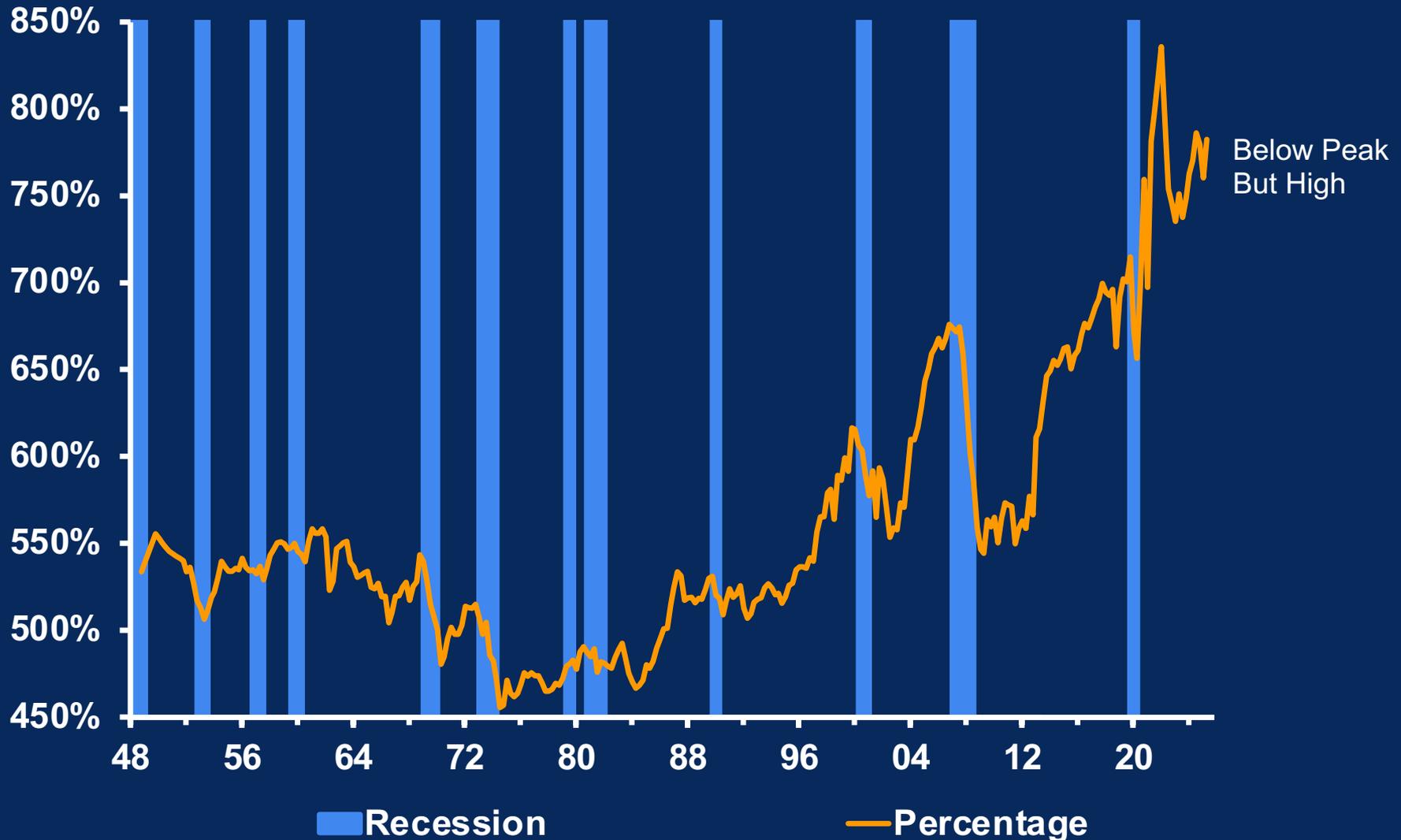


Housing Starts (Million Units)



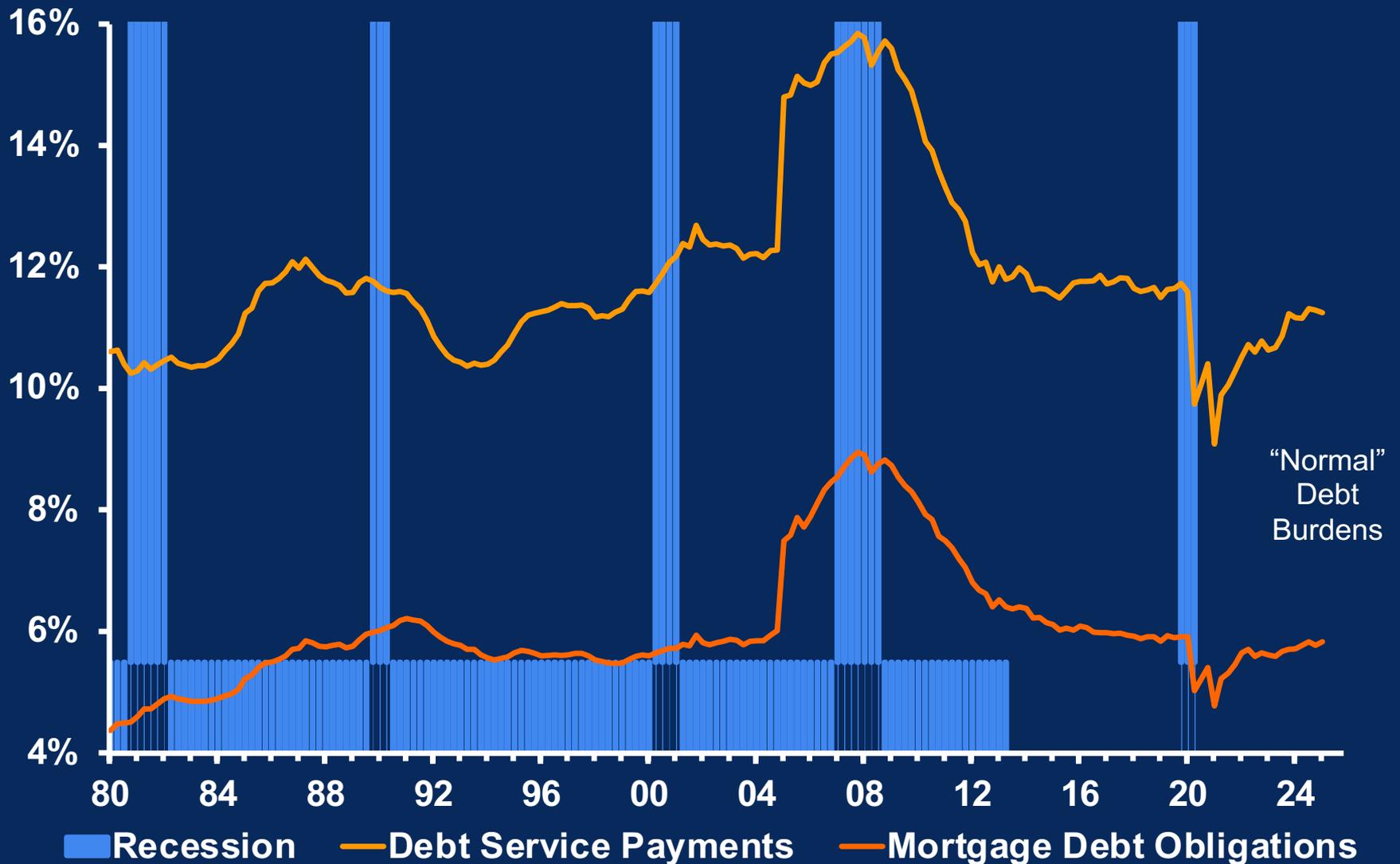
Net Worth (Percentage of DPI)

(Households and Nonprofit Organizations)



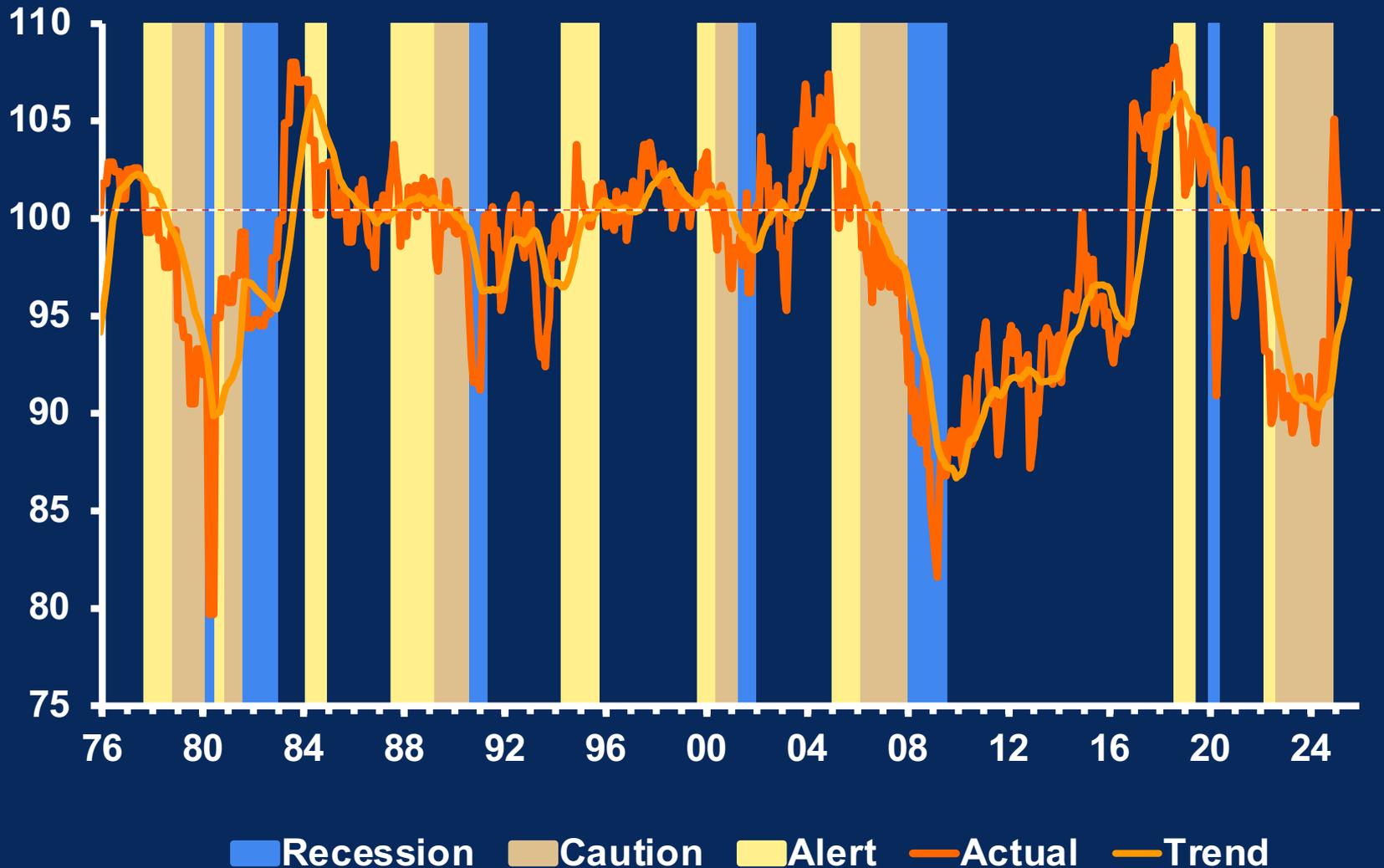
Household Debt Burdens

(Percent of Disposable Personal Income)



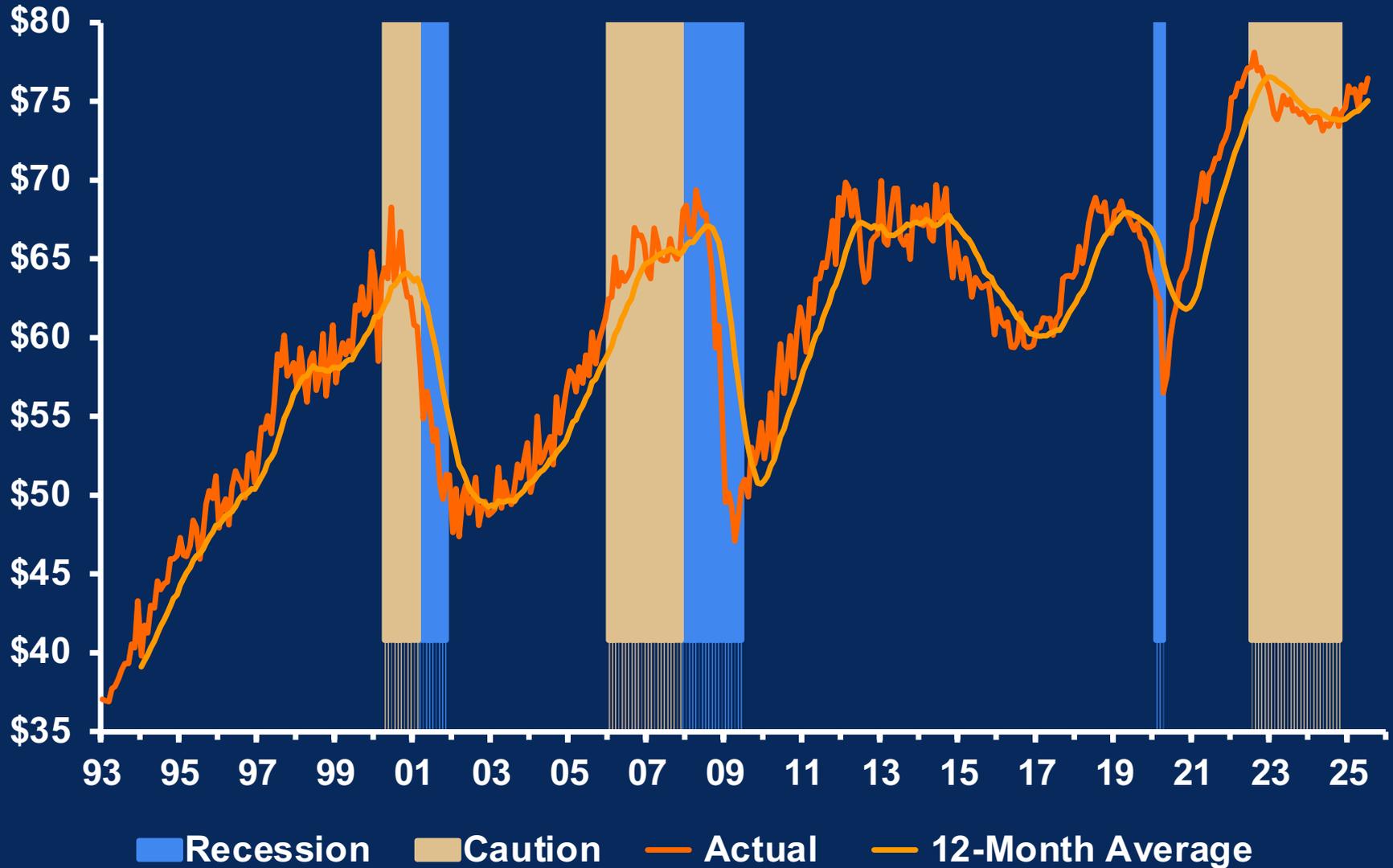
NFIB Optimism and Zempel Zones ©

(Small Business Optimism Index) (Quarterly Then Monthly Since 1986)



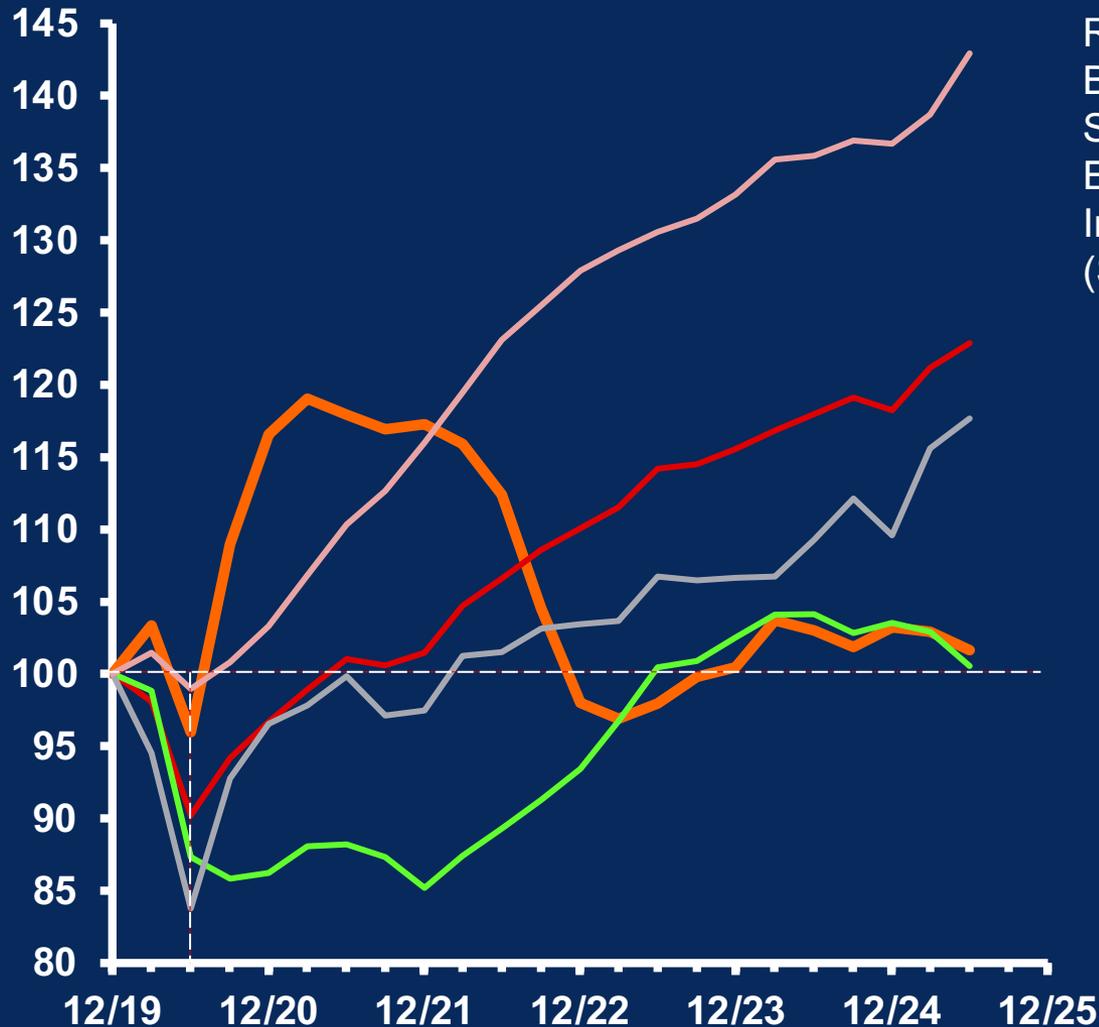
New Non-Defense Capital Goods Orders

Excluding Aircraft (Monthly) (Current Dollars) (Billions)



Real Investment Indexes

(Quarterly) (December 2019 = 100)

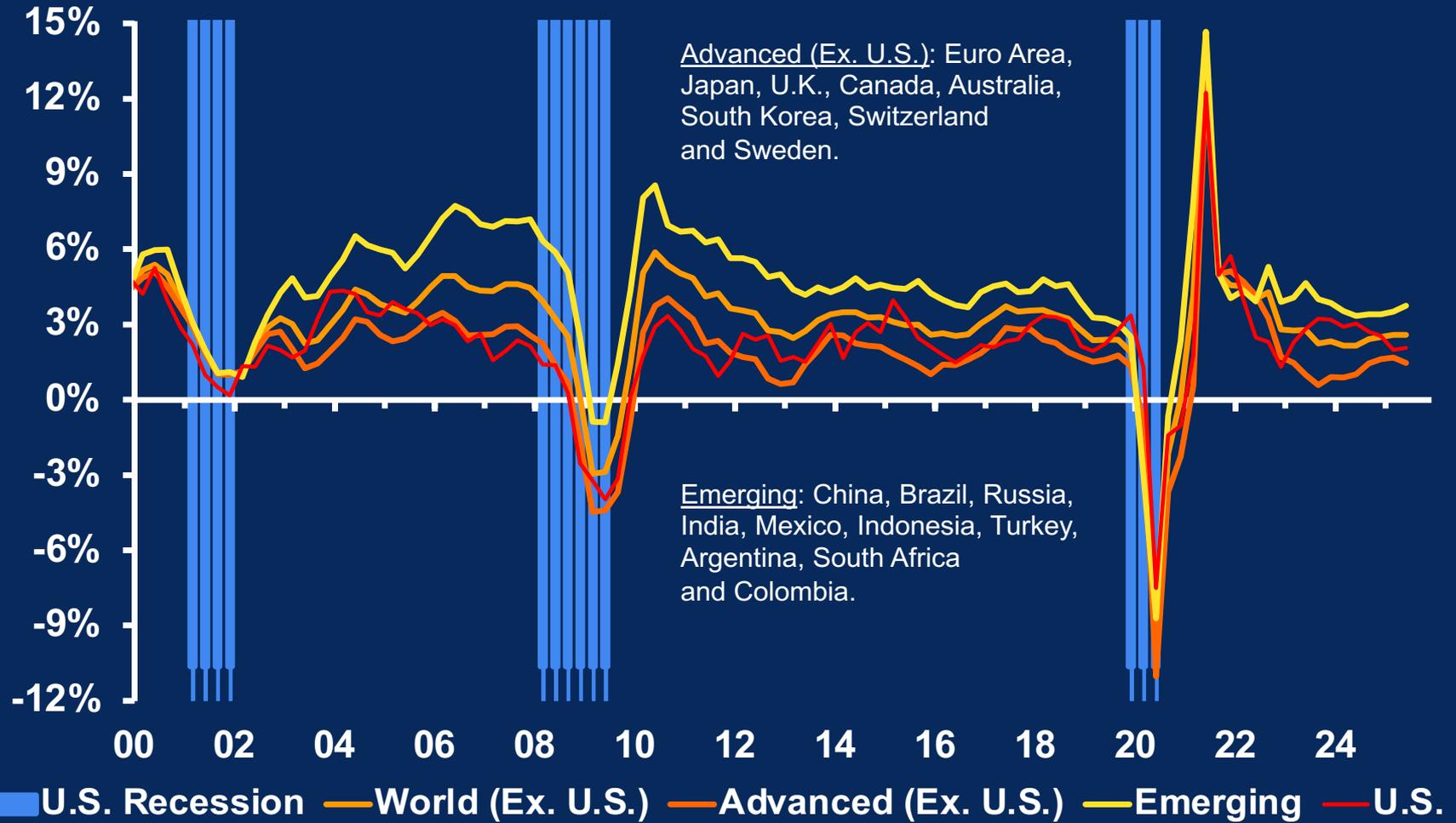


Residential \$0.8 Trillion
Business Total 3.5
Structures 0.7
Equipment 1.4
Intellectual 1.5
(Second Quarter 2025)

- Residential
- Business Total
- Business Structures
- Business Equipment
- Intellectual Property

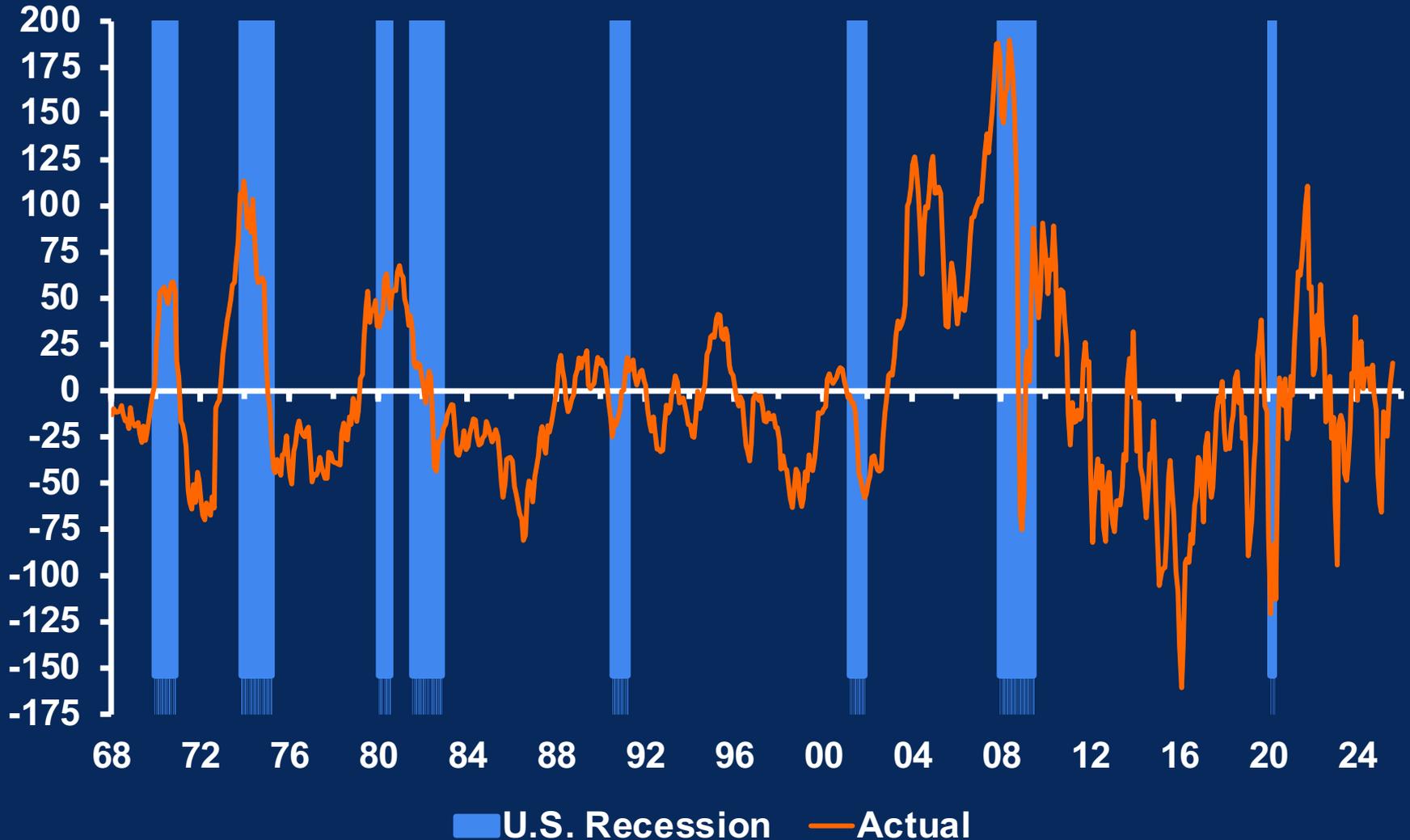
World Real GDP

Dallas Fed's Globalization & Monetary Policy Institute



Global Real Activity and Recessions

(Global Industrial Commodity Market Shipping Volume Proxy) (Deviations from Trend)
(Dallas Fed's Globalization & Monetary Policy Institute)



Dollar Exchange Rates

(Fed's New Trade-Weighted "Country" Indexes) (Monthly)

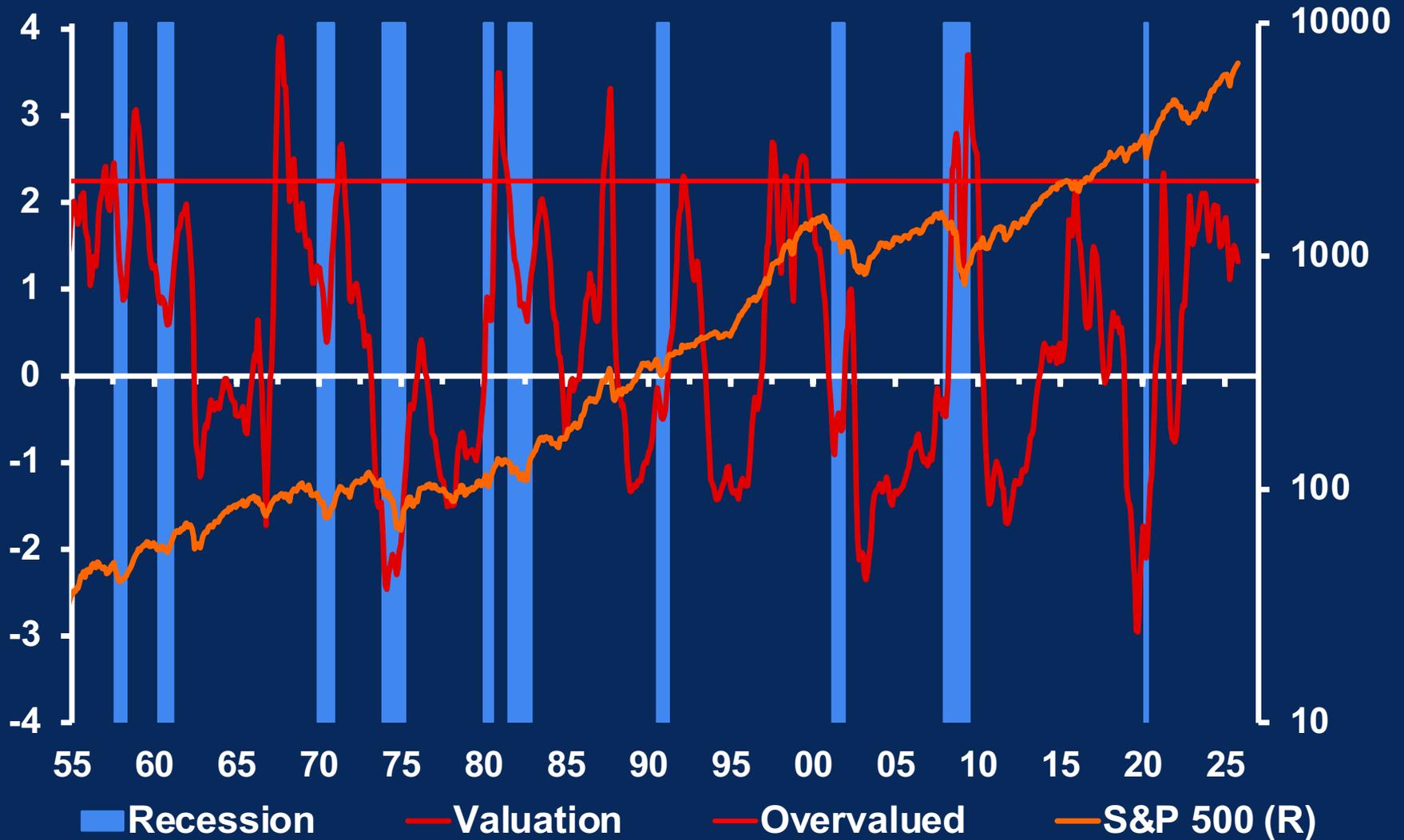


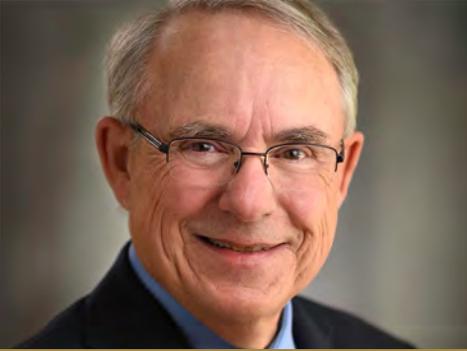
S&P 500 Common Stock Index (Days)



S&P 500 Valuation Index

(Operating Earnings) (Smoothed Valuation Index)





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Stock Market Valuation Index Concepts

Ratio = Bond Yield / Earnings Yield

Earnings Yield = E/P

Valuation Index = Normalized Ratio

Bond Yield = Moody's BAA Corporate Bond Yield

E = Trailing Year Operating Earnings

P = S&P 500 Index

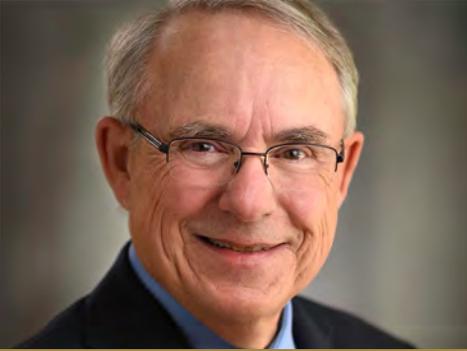
Normalization = $(\text{Actual} - \text{Mean}) / \text{Standard Deviation}$

Stock Market Model Components

Momentum

Interest-Rate Changes

Valuation Index



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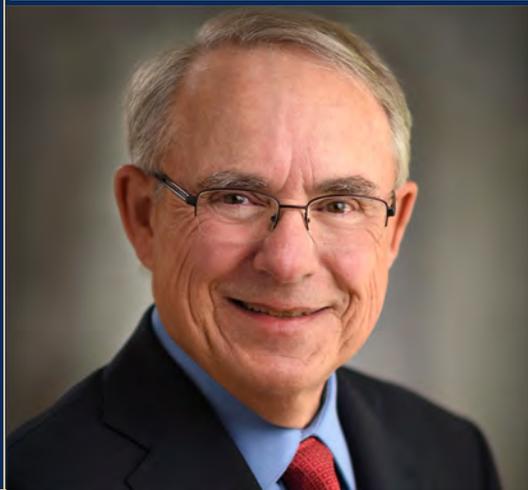
The Economic and Market Outlook 2024 – 2028

Summary

Fed's Inflation Target Achievable Post-Tariffs "Soon"
Lower Inflation Makes Recession Improbable
Fed Will Ease Further But Slowly
Future Fiscal Impact (Taxes/Tariffs/Regulations) Unclear
2025-26 Prospects Positive But Not Robust
Productivity Upturn Could Support 2027-28 "Boomlet"
Monitor Yield Spread
Track Interest Rate Changes
Watch Jobless Claims

Zempel's Best Advice





Questions...

Clare W. Zempel, CFA, CBE

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CLA Outlook: Planning Opportunities With the New Tax Law

November 20, 2025



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Speakers



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Agenda

- OBBBA overview
 - Individual provisions
 - Business provisions
 - Planning opportunities
-



Learning Objectives

1. Identify which Tax Cuts and Jobs Act (TCJA) items were extended or enhanced and how that could impact your tax planning
2. Review the changes to the state and local tax (SALT) deduction cap and the implications for taxpayers
3. Discuss the considerations for choosing the right entity structure, analyzing Sections 1202, 199A, and the 21% corporate tax rate
4. Recall key accounting methods and elections that may shape your financial strategies
5. Identify cost segregation opportunities, including bonus depreciation and Qualified Property Provisions (QPP)
6. Recognize the law's changes to energy credits enacted under the Inflation Reduction Act
7. Identify employer reporting responsibilities related to overtime and tip provisions





Key Tax Law Changes: Individuals



Key Individual Provisions

Tax rates

Lower brackets permanent and *inflation adjustment on lower brackets*



Personal exemptions

Permanently repealed



Child tax credit

\$2,200 permanent increase



AMT

Higher exemption and phaseout thresholds permanent



Premium tax credit

Repayment isn't capped starting in 2026



Other Individual Provisions

Standard deduction

Made permanent at the higher amounts



Overall itemized deduction limitation

A 35% deduction for those individuals in the 37% top tax bracket (starts 2026)



Miscellaneous Deductions

Permanently suspended



State and Local Tax Limit

\$40,000 SALT cap (<\$500k AGI) (2025- 2029)



Seniors

\$6,000 deduction for seniors 65 and older (2025 - 2028)



Charitable Deduction Provisions

Creates a new deduction for those that do not itemize - \$1,000 single and \$2,000 married filing joint

New .5% floor on charitable deductions



Financial Planning Provisions

Permanently increased and indexed for inflation

Estate and Gift Exemption



Trump Accounts

- Established for children under 18
- \$1,000 deposited for children born 1/1/25 - 12/31/2028



New Provisions: Deductions and Credits

Trump accounts

- Expansion of certain qualified expenses and HAS contribution eligibility
- Distributions of earnings are taxed as ordinary income
- Distributions under age 59 ½ are likely subject to the 10% withdrawal penalty
- No withdrawals under age 18
- Earnings portion of withdrawal taxed as ordinary income
- Up to \$5,000 non-deductible annual contribution until age 18

Seniors

- \$6,000 deduction for seniors 65 and older (2025 - 2028) - Subject to phase out based on income





Proactive management of itemized deductions



Planning Opportunity



Opportunity Zones

Provides opportunity to defer capital gains

Must hold for 5 years to receive a 10% gain reduction

Must realize gain on the fifth anniversary of the investment





Key Tax Law Changes: Business



Compensation and Benefits Provisions

New deductions allowed for qualifying tips and overtime payments

Tips and Overtime

The IRS issued a preliminary [list of occupations](#) that qualify for no tax on tips. A final list is scheduled for release on October 2, 2025.



1099 Reporting Threshold

Increased to \$2,000





Research and Development Expensing

Sec. 174 R&D Expensing

- Full expensing restored for domestic R&D
- Two options to unwind prior year capitalized expenses
 - Amended return for small businesses
 - Deduct in 2025 (or ratably over 2025 and 2026)
- On August 28, 2025, the IRS issued limited preliminary guidance via [Rev. Proc. 2025-28](#) addressing certain election statements and accounting method changes





Examine research and development costs



Planning Opportunity



Bonus Depreciation

- Permanently extends 100% expensing – property acquired and placed in service after 1/19/2025
- Qualified Production Property – new 100% expensing for qualified production non-residential real property
- Section 179 expensing increased to \$2.5 million after 12/31/2024





Look at impact of expanded bonus depreciation and cost segregation studies



Planning Opportunity



Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Introduces complex restrictions around “foreign entities of concern”
- Generally, no direct changes to transferability or direct pay
- On August 15, the IRS issued [Notice 2025-42](#) covering beginning of construction (BOC) rules for wind and solar energy credit facilities that are subject to phaseout under the OBBBA. To determine eligibility for Section 45Y and Section 48E credits, such facilities must determine BOC using the physical work test; the 5 percent safe harbor is not permitted





Other Energy Provisions

Energy Efficient
Commercial Buildings
Deduction (Sec. 179D)

Repealed for projects that
begin construction after
6/30/2026

New Energy Efficient
Home Credit (Sec. 45L)

Repealed for homes
acquired after 6/30/2026

Cost Recovery for Clean
Energy Property

Terminates special 5-yr
recovery period that applies to
certain energy credit property





Plan ahead for clean energy credit changes



Planning Opportunity



Business Interest Deductions



163(j) Interest Limitation



Reinstates and makes permanent EBITDA limitation and capitalized interest subject to 163(j)





Manage business interest deductions



Planning Opportunity



Qualified Business Income Deduction

- Permanently set at 20% and phase out range increases





Other Business Provisions

Section 1202

Enhanced benefits, expanded eligibility, and tiered exclusion



Corporate charitable contributions

New 1% floor on contributions





Reevaluate your choice of entity



Planning Opportunity





Excess Compensation Tax

Expanded definition of covered employee to expand excise tax base



Endowments Excise Tax

New 3-tier tax rate on higher ed endowments and new tax law changes

Exempt Organization Provisions





Exempt entities: Prepare for changes



Planning Opportunity





Base Erosion
Minimum Tax
(BEAT)

Global Intangible
Low-Taxed Income
(GILTI)

Foreign-Derived
Intangible Income
(FDII)

International Provisions

Aims to curb tax avoidance by multinational corporations and encourage the retention of intangible assets within the U.S.

Section 899 was dropped from the final bill



Summary of Planning Items

1. Proactive management of itemized deductions
2. Analyze impacts of tax changes to business deductions
3. Look at impact of expanded bonus depreciation
4. Manage business interest deductions
5. Examine research and development costs
6. Evaluate cost segregation scenarios
7. Reevaluate your choice of entity
8. Plan ahead for clean energy credit changes
9. Exempt entities: Prepare for changes
10. Consider changes to your income tax provision





Opportunity modeling to analyze impacts of tax changes



Planning Opportunity





Proactive management – itemized deductions

Accelerate SALT payments & charitable contributions into 2025



Reevaluate choice of entity

Impact of Sec. 1202 changes and additional items to consider



Analyze potential impacts on business deductions, methods, and credits

- ✓ Impact of expanded bonus depreciation, Section 179, and new QPP opportunity
- ✓ Domestic Section 174A
- ✓ Business interest expense calculation changes



Evaluate cost segregation studies

100% bonus depreciation and new QPP expensing makes cost segs even more powerful



Questions?





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Stay Ahead of the Curve: FASB Updates That Matter

Angie Storm

Chief Accountant, KPMG LLP

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November 20, 2025



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Introductions



Angie Storm
Chief Accountant, Department of
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Agenda

- 1 ASUs effective in 2025 and 2026
- 2 Other FASB developments
- 3 Private company council update
- 4 Closing/Q&A



ASUs effective in 2025 and 2026



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ASU 2023-09, Income tax disclosures



What

- Requires enhanced income tax disclosures, especially disaggregated rate reconciliation and taxes paid.
- Eliminates certain disclosures, such as reasonably possible changes in unrecognized tax benefits and cumulative temporary differences without recognized deferred tax liabilities.
- Adds requirements to disaggregate income/loss and tax expense by domestic vs. foreign and federal, state, and foreign jurisdictions for continuing operations.



Why

- To improve the transparency and decision usefulness of income tax disclosures.

Effective For private entities in **2026**

Early adoption permitted

Defining Issues

Hot Topic

Handbook

Webcast

ASU 2023-09 – Rate reconciliation

Qualitative disclosure

Nature and effect of:

- Specific categories
- Individual jurisdictions

that result in significant differences between the statutory rate and the effective rate.

Example

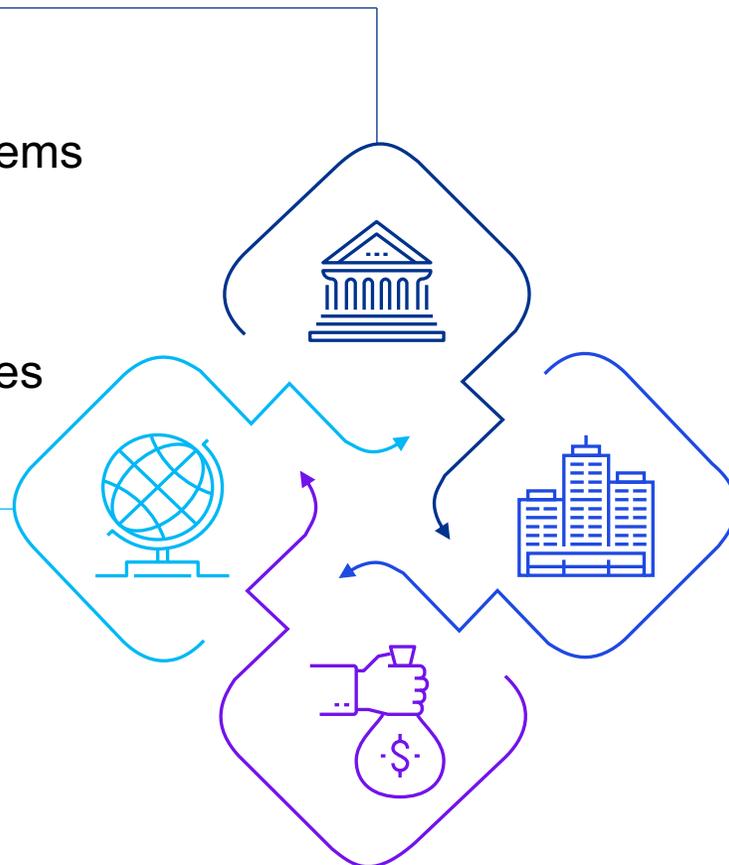
Entity's effective tax rate for the fiscal year ending December 31, Year 3 was 17%, which differs from the statutory income tax rate of 21%. This difference is primarily due to the decreasing effect of research tax credits, excess tax benefits on share-based payments and foreign tax effects due to lower tax rates in foreign countries, particularly operations in Ireland. These effects were partially offset by the increasing effect of state and local taxes, net of federal effect, and cross-border taxes in the US for global intangible low-taxed income.

ASU 2023-09 – Rate reconciliation – Specific categories

Domestic federal

- Tax credits
- Nontaxable or nondeductible items
- Cross-border tax laws
- Changes in tax laws
- Changes in valuation allowances

Worldwide changes in unrecognized tax benefits



Domestic state and local, net of federal effect

Foreign tax effects

ASU 2023-09 – Income taxes paid

Scope:

- All entities
- Each annual reporting period
- Comparative information by jurisdiction is not required (e.g. tabular presentation)

Amount of income taxes paid* –
disaggregated by jurisdiction where income
taxes paid* \geq 5% of total income taxes paid*



Amount of income taxes paid* –
disaggregated by federal, state, and foreign

**net of refunds received*

ASU 2023-09 – Income taxes paid (example)

	20X5	20X4
US federal	1,355	1,500
Domestic state and local		
California	215	250
Minnesota	180	*
New Jersey	*	180
New York State	*	200
New York City	*	220
Other	65	85
Subtotal	460	935

Note: This example is for illustrative purposes only and reflects one potential way to meet the requirements.

	20X5	20X4
US federal	1,355	1,500
Foreign		
U.K.	540	810
India	*	(200)
Ireland	155	*
Germany Federal	200	180
Berlin	210	190
Other	80	130
Subtotal	1,185	1,110
Total	3,000	3,545

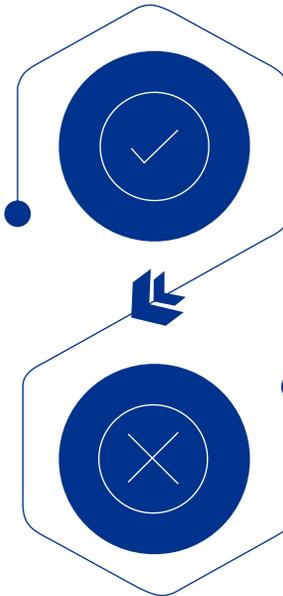
* The amount of income taxes paid during the year does not meet the five percent disaggregation threshold.

ASU 2023-09 – Other changes

Additional disclosures

◆ For continuing operations

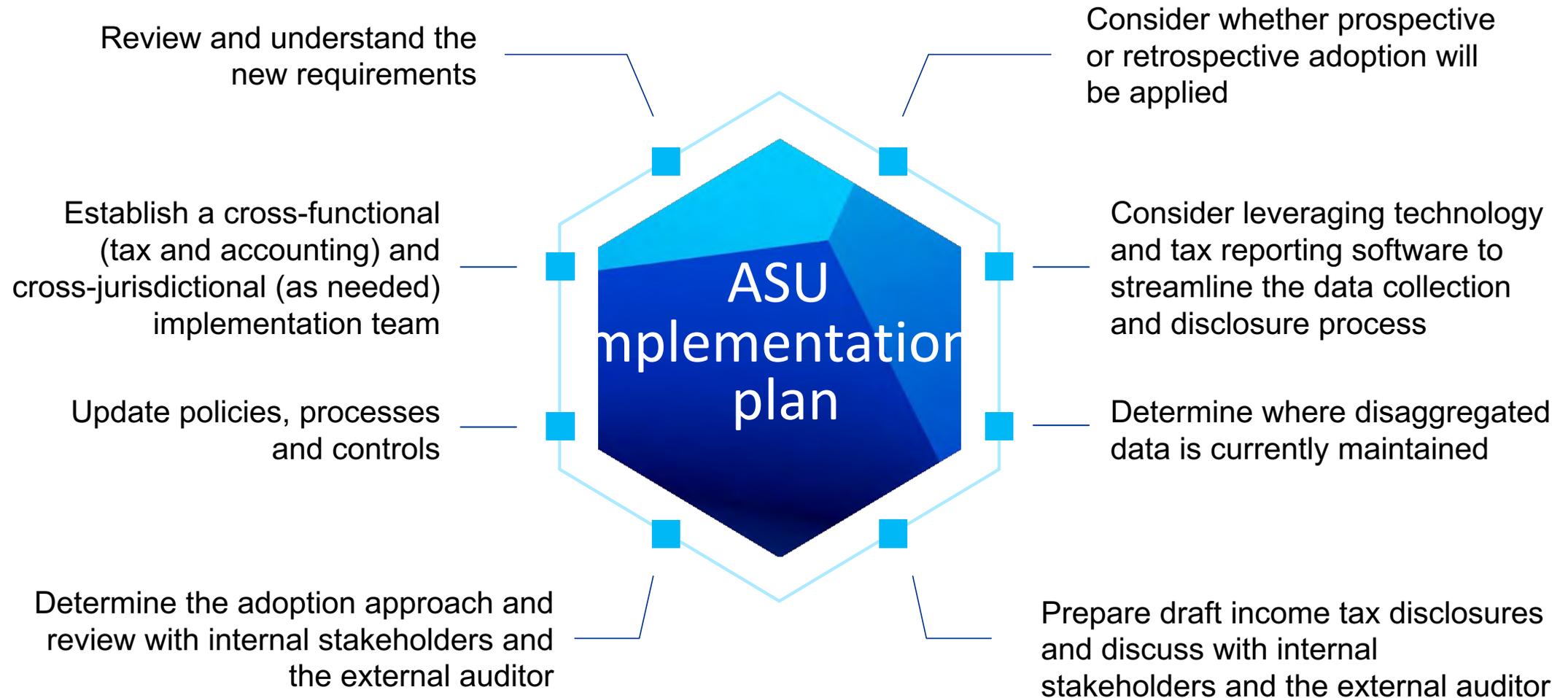
- Income/loss before income tax expense/benefit disaggregated between domestic and foreign
- Income tax expense/benefit disaggregated by federal, state and foreign



Disclosure eliminations

- ◆ Information about reasonably possible changes in unrecognized tax benefits for next 12 months
- ◆ Cumulative amount of each type of temporary difference when deferred tax liability is not recognized due to recognition exceptions

ASU 2023-09 implementation – Next steps



ASU 2025-05, Measurement of credit losses for accounts receivable and contract assets



What

- All entities may elect a practical expedient that assumes current conditions as of the balance sheet date persist through the forecast period.
- Entities other than public business entities that elect practical expedient can also make an accounting policy election to consider subsequent collections after the balance sheet date in estimating credit losses.



Why

- To reduce the time and effort for preparers to analyze and estimate credit losses on certain receivables while still providing decision useful information to investors.

Effective For all entities in **2026**

Early adoption permitted

Defining Issues

Handbook

ASU 2025-05, Measurement of credit losses for accounts receivable and contract assets



Disclose...

Entities are **required to disclose**:

- **whether they have** applied the practical expedient and/or the accounting policy election
- **the date** through which subsequent cash collections were evaluated if electing the accounting policy.



Transition

- **Prospective transition** approach
- If an entity other than a public business entity elects to apply the practical expedient and accounting policy, if applicable, after the effective date, it is not required to justify that such methods are preferable.

Simplified Approach

- **Practical expedient:** permits an entity to assume that current economic conditions as of the balance sheet date do not change for the remaining life of the current accounts receivable and current contract assets.
- **Accounting policy election:** Allows an entity to consider cash collection activity after the balance sheet date but before the date the financial statements are available to be issued (or before any alternative date selected by the entity that is after the balance sheet date but before financial statements are available to be issued) when estimating expected credit losses on current accounts receivable and contract assets.
 - Policy election is only available if practical expedient is applied
 - Election is only available for entities other than public business entities
- Both practical expedient and policy election would be applied consistently to all current accounts receivable and current contract asset balances.

Other ASUs effective for private entities in 2025 or 2026

Topic	Key Highlights	Effective in	KPMG resources in
ASU 2024-04 Debt – Debt with conversion and other options	Provides guidance on whether induced conversion or extinguishment accounting should be applied to certain settlements of convertible debt instruments that do not occur in accordance with the instruments' preexisting terms.	2026	<ul style="list-style-type: none"> • Defining Issues • Webcast • Handbook • Podcast
ASU 2024-02 Codification Improvements	Amendments to remove references to the concepts statements.	2026	----
ASU 2024-01 Compensation – Stock Compensation	Provides four cases illustrating the scope application of ASC 718 for profits interest awards.	2026	<ul style="list-style-type: none"> • Podcast • Webcast • Handbook
2023-08 Intangibles – Goodwill and Other – Crypto Assets	Introduces fair value measurement, separate presentation and new disclosures for in-scope crypto assets.	2025	<ul style="list-style-type: none"> • Defining Issues • Hot Topic

Other ASUs effective for private entities in 2025 or 2026 (continued)

Topic	Key Highlights	Effective in	KPMG resources
2023-05 Business Combinations – Joint Venture Formations	Specifies how net assets contributed to a joint venture are accounted for on the joint venture’s formation.	2025	<ul style="list-style-type: none"> • Defining Issues • Podcast • Handbook
2023-02 Investments – Equity Method and Joint Ventures	Expands use of the proportional amortization method to additional tax equity investments.	2025	<ul style="list-style-type: none"> • Defining Issues • Handbook
2022-03 Fair Value Measurement of Equity Securities subject to Contractual Sale Restrictions	Clarifies that contractual sale restrictions are not considered in fair value measurements.	2025	<ul style="list-style-type: none"> • Defining Issues • Podcast • Handbook
2018-12 Insurance – Targeted accounting improvements for long-duration contracts	Makes targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity.	Annual periods in 2025; interim periods in 2026	<ul style="list-style-type: none"> • Handbook • Podcast • Illustrative Disclosures

Other FASB developments



ASU 2025-07, ASC 815 – Derivative scope refinements

What



- Creates new scope exception for contracts with underlyings based on operations or activities specific to one of the parties to the contract.
- Clarifies that entities should apply ASC 606 (revenue) when recognizing share-based noncash consideration from a customer for the transfer of goods or services. The guidance in other ASC Topics (e.g., 815 and 321), is not applied unless and until the entity's right to receive or retain the consideration is unconditional under ASC 606.



Why



- Feedback received during 2021 FASB ITC, Agenda Consultation about challenges in applying derivatives standard to certain transactions with contingent features controlled by the entity.

Effective

For all entities in

2027

Early adoption permitted

Defining Issues

Handbook

Forthcoming ASU, ASC 815 – Hedge accounting improvements

What



- **Issue 1** – *Similar Risk Assessment for Cash Flow Hedges*: Allow more individual forecasted transactions to be hedged as a group if they have a similar risk exposure
- **Issue 2** – *Change in hedged risk for ‘Choose-Your-Rate’ Debt Instruments*: Provide specific guidance for hedging ‘chose-your-rate’ debt instruments
- **Issue 3** – *Cash Flow Hedges of Non-financial Components*: Provide new alternatives for hedging forecasted purchases and sales of nonfinancial assets
- **Issue 4** – *Net Written Options*: Permit net written options to qualify as hedging instruments
- **Issue 5** – *Foreign-currency-denominated debt instrument as hedging instrument and hedged item*: Allow a foreign-currency-denominated debt instrument to serve as both a hedging instrument and a hedged item.

Why



- Intended to more closely align the financial reporting of hedging activities with the economics of an entity’s risk management activities

ASU 2025-06, Targeted improvements – Accounting for internal-use software

Why



- Existing distinction between external-use software and internal-use software is outdated
 - Current guidance (ASC 350-40 and ASC 985-20) is not suitable for agile software development
- Modernize software cost accounting in US GAAP and enhance transparency
 - Targeted improvements to ASC 350-40 to reflect agile development and improve cost disclosures



Defining Issues

Handbook

ASU 2025-06, Targeted improvements – Accounting for internal-use software



Key decisions

- Internal-use software will be capitalized when:
 - Management has authorized and committed to fund the project, and
 - It is probable that the project will be completed and the software will be used to perform its intended function.
- Link ‘probable’ to the ASC Master Glossary definition.
- Software projects subject to significant development uncertainty will not be considered probable-to-complete until such uncertainty is resolved.
- Significant development uncertainty will exist when either the software or its core features/functions are novel, unique or unproven, or the significant performance requirements of the software (i.e. what the software is needed to do – e.g. its functions or features) remain unidentified or subject to substantial further revision.
- Significant development uncertainty stemming from novel, unique or unproven features/functions must be resolved through coding and testing that establishes the software can meet its performance requirements, similar to how ‘high-risk development issues’ are resolved for external-use software under ASC 985-20.

ASU 2025-06, Effective date and transition

01

All entities for interim *and* annual reporting periods beginning after December 15, 2027. Early adoption permitted as of beginning of the year adopted.



02

Transition method choices;

- retrospectively;
- prospectively only to software costs incurred on new and existing software projects after the adoption date; **or**
- prospectively to software costs incurred on new and existing software projects after the adoption date with a cumulative effect adjustment for existing, in-process project capitalized costs.



03

Entities would make the transition disclosures required under ASC 250 depending upon the transition method selected.



Interim reporting

Objective is to clarify interim reporting requirements by improving navigability of ASC 270 and more clearly specify what disclosures are required in an interim reporting period. Applicable to all entities that provide full sets of interim financial statements and notes in accordance with GAAP.

Objectives

- Specify the form and content choices for interim financial statements and accompanying notes.
- Include a comprehensive list of required interim disclosures in ASC 270.
- Introduce a disclosure principle that would require disclosure of events and changes since the end of the previous annual reporting period that materially affect the entity.

Non-SEC registrants may opt for either of the following related to form and content of financial statements and notes:

- Like annual financial statements and notes, subject to applicable disclosure requirements in GAAP; or
- ‘Condensed statements’ that are financial statements presented:
 - In a condensed aggregated format in accordance with Reg. S-X with notes like in annual financial statements;
 - Like annual financial statements with limited notes; or
 - In a condensed aggregated format in accordance with Reg. S-X with limited notes.

FASB Proposal

Comment Letter

Accounting for government grants

What



- Provide a framework for the recognition, measurement, and presentation of government grants received by business entities.
- The Board decided to develop an accounting model using the main principles in IAS 20 with targeted revisions, including scope and recognition threshold.



Scope



- Transfers of monetary and tangible nonmonetary assets, other than exchange transactions, from a government to a business entity.
- Scope exceptions:
 - Exchange transactions, such as those in the scope of ASC 606 on revenue from contracts with customers and ASC 610-20 on gains and losses from derecognition of nonfinancial assets
 - Items accounted for under ASC 740 on income taxes
 - The benefit of below-market interest rate loans
 - Government guarantees

FASB Proposal

Comment Letter

Accounting for government grants

Recognition and Presentation

- Grant recognized when it is **probable** that:
 - The entity will comply with the conditions attached to the grant; **and**
 - The grant will be received.
- Recognize benefit in earnings on a systematic and rational basis over the period(s) in which the entity expenses the related costs for which the grant is intended to compensate.
- **Grants related to assets:** account for as either:
 - An adjustment to the carrying amount of the asset (cost accumulation approach); or
 - Deferred income (deferred income approach)
- **Grants related to income:** present either
 - Separately as other income (gross presentation); or
 - As a deduction from the related expense (net presentation).

Accounting for environmental credit programs



Why



- Improve recognition, measurement, presentation and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for nongovernmental creators of environmental credits.
- These credits include (but are not limited to):
 - Compliance credits
 - Renewable energy credits/certificates (REC)
 - Renewable identification numbers (RIN)
 - Carbon offset credits

FASB Proposal

Comment Letter

Accounting for environmental credit programs



New ASC 818 would...

- Define attributes of environmental credits and environmental credit obligations (ECOs) and limit the scope of ASC 818 to credits and obligations meeting these definitions.
- Require environmental credits to be accounted for based on how an entity intends to use the credit.
- Environmental credits that are probable of being used to settle an ECO or transferred in an exchange transaction would be recognized as an asset.
- The cost of all other environmental credits would be expensed as incurred.
- Require environmental credits that are probable of being used to settle an ECO (compliance credits) to be recognized at cost with no subsequent remeasurement. All other environmental credits recognized as assets would also be recognized at cost but be tested for impairment at each reporting date.
- Require entities to recognize ECO liabilities based on the amount of credits needed to satisfy the obligation as if the reporting date were the end of the compliance period. A liability would be measured based on the carrying amount of compliance credits on hand (the funded portion). Any unfunded portion would generally be measured based on the fair value of credits the entity would need to purchase to satisfy the obligation.

Accounting for debt exchanges

What



- When certain requirements are met, the satisfaction of an existing debt obligation and issuance of a new debt obligation to multiple creditors is accounted for as a debt extinguishment



Why



- Stakeholders expressed concerns that accounting for the exchange of debt instruments as a modification of the existing debt obligations rather than an extinguishment and issuance of new debt does not reflect the economics of the transaction

Private company council update



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Private Company Council

September 2025 meeting



PCC agenda priorities

Requested further research on:

- Lease accounting implications
- Subjective acceleration clauses within debt arrangements
- Interest method and determining the effective interest method

Research agenda projects

Update on research conducted and feedback received for:

- Accounting for and disclosure of intangibles
- Financial key performance indicators for business entities

Other business

- Update on Digital Asset research project related to improvements to the accounting for and disclosures of certain digital asset and related transactions



What **questions**
do you have?



Thank you!



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