



2026 WICPA BUSINESS & INDUSTRY FALL CONFERENCE

YOUR SOURCE FOR KEY UPDATES & INSIGHTS ON TIMELY ISSUES

HIGHLIGHTED TOPICS:



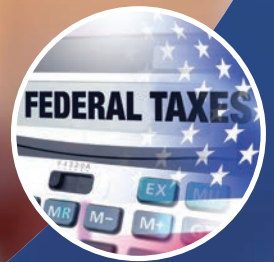
AI INTEGRATION: GOVERNANCE, RISK, CONTROLS & ACCOUNTABILITY

Learn practical strategies to implement AI responsibly while strengthening governance, controls and organizational oversight



SIGNALS & SHIFTS: UNDERSTANDING TODAY'S ECONOMY FROM GLOBAL TRENDS TO WISCONSIN REALITY

Gain a clearer understanding of the global, national and Wisconsin trends shaping today's business environment



FEDERAL TAX UPDATE & REVIEW OF THE ONE BIG BEAUTIFUL BILL ACT

Stay current on the latest federal tax developments and discover planning opportunities for 2026 and beyond

THURSDAY, SEPT. 24 | BROOKFIELD CONFERENCE CENTER & WICPA CPE LIVESTREAM

2026 WICPA BUSINESS & INDUSTRY FALL CONFERENCE

MATERIALS AT A GLANCE

The following materials are from the morning sessions of the 2026 WICPA Business & Industry Fall Conference held on Thursday, Sept. 24, including:

- Signals & Shifts: Understanding Today's Economy from Global Trends to Wisconsin Reality
- Cybersecurity: A Guide to Protecting Yourself & Your Business
- Federal Tax Update & Review of the One Big Beautiful Bill Act

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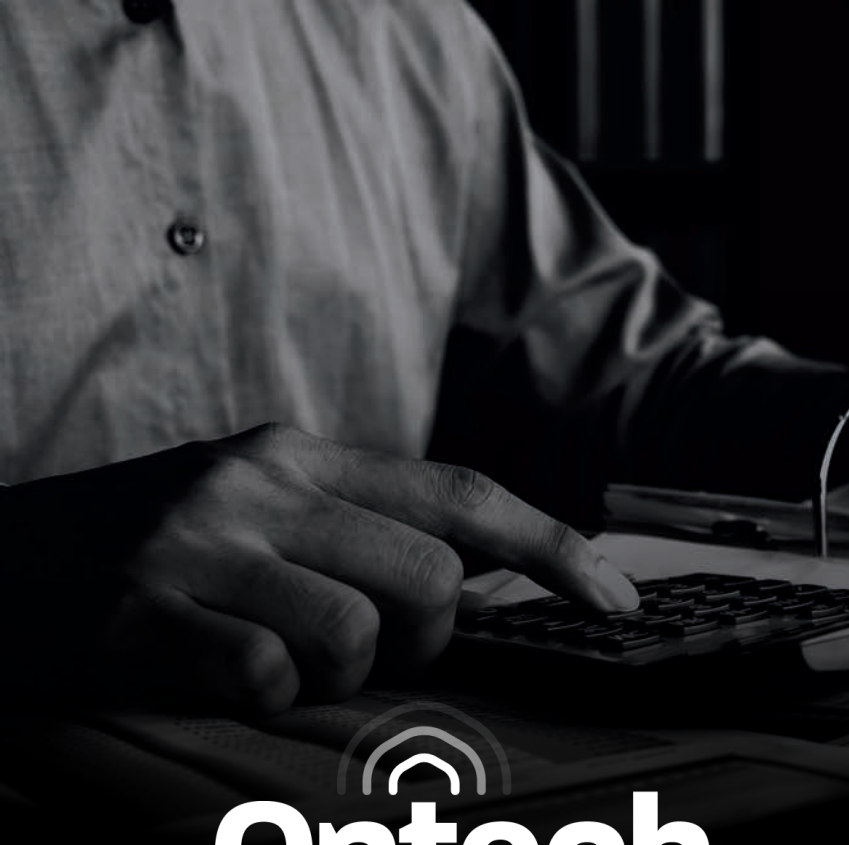


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A photograph of three people in an office environment. On the left, a woman with blonde hair and glasses, wearing a black t-shirt, is high-fiving a man in the center. The man is wearing a dark blue button-down shirt and is also high-fiving a woman on the right. The woman on the right has long blonde hair and is wearing a white long-sleeved shirt. They are all smiling and appear to be celebrating. In the background, there are large windows and some office equipment. A dashed white line with a solid white circle at the end is drawn around the woman on the left.

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*based on 2020 Client Retention Rates

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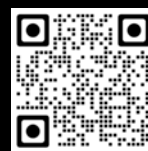


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2027
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★ ★ A W A R D S



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- ★ Accounting Educator
- ★ Accounting Student
- ★ Business & Management
- ★ CPA in Public Practice
- ★ Community Service
- ★ Distinguished Career
- ★ Diversity & Inclusion
- ★ Woman to Watch
- ★ Young Professional

Submit your nomination at wicpa.org/awards by Nov. 20, 2026.

Recipients will be announced in January and honored at the
Member Recognition Banquet & Annual Business Meeting on May 7, 2027.

The individual nominated must be a WICPA member.



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- ⌚ Exclusive networking
- ⌚ Leadership skill development
- ⌚ Recognition for your WICPA involvement
- ⌚ Informal CPE credit

* To receive free conference registration:

- attend one planning meeting ~ 2 hours
- select topics
- contact speakers
- introduce speakers at conferences

2027 CONFERENCES Accepting Volunteers

MARCH
23

BUSINESS & INDUSTRY
SPRING CONFERENCE

MAY
13

FINANCIAL INSTITUTIONS
CONFERENCE

MAY
20

SCHOOL DISTRICT AUDIT
CONFERENCE

SEPT.
14

NOT-FOR-PROFIT
ACCOUNTING CONFERENCE

SEPT.
TBD

BUSINESS & INDUSTRY
FALL CONFERENCE

NOV.
9

ACCOUNTING & AUDITING
CONFERENCE

NOV.
15-16

TAX
CONFERENCE



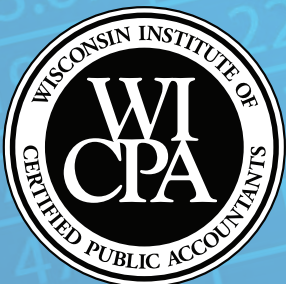
For more information or to join a committee, visit
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TRACK YOUR CPE WITH THE WICPA'S CPE TRACKER

The CPE Tracker is an easy to use tool created to keep track of all your CPE in one convenient location.

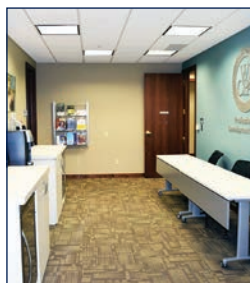
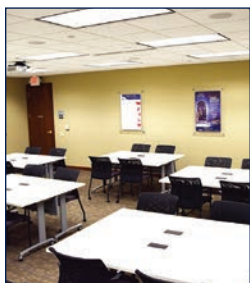
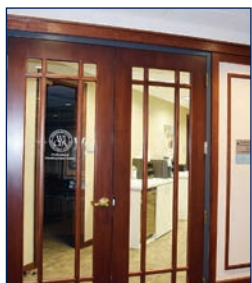
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Training Center

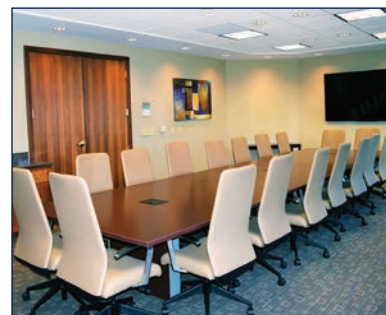
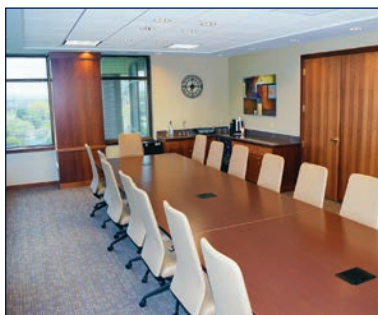
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- Can be split to accommodate smaller groups
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- Large whiteboards and Blu-ray/DVD player
- Electrical outlets in each table
- Private entrance and registration area
- Catering and refreshment area

	Full Room	Half Room
Member	\$500/day	\$350/day
Nonmember	\$600/day	\$450/day

Executive Boardroom

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- Equipped for video conferencing
- Granite countertop with sink and refrigerator

Member	\$300/day
Nonmember	\$400/day



For more information, visit wicpa.org/MeetingSpaces, or to schedule a tour or reserve space, contact the WICPA CPE Department at 262-785-0445.



SAVE THE DATE!

UPCOMING WICPA CONFERENCES & SPECIAL EVENTS

CONFERENCES

WICPA conferences are your source for key updates and insights on timely issues. As a WICPA member, you can save up to \$150 on registration!

Accounting & Auditing Conference

Tuesday, Nov. 10

WICPA Office & WICPA CPE Livestream

Tax Conference

Monday, Nov. 16 - Tuesday, Nov. 17

Brookfield Conference Center & WICPA CPE Livestream

Accounting Technology Conference

Thursday, Dec. 17

WICPA Office & WICPA CPE Livestream

Business & Industry Spring Conference

Tuesday, March 23, 2027

Brookfield Conference Center & WICPA CPE Livestream

Financial Institutions Conference

Thursday, May 13, 2027

WICPA CPE Livestream

School District Audit Conference

Thursday, May 20, 2027

WICPA CPE Livestream

SPECIAL EVENTS

WICPA special events are unique opportunities to connect with fellow members and provide a great way to socialize and have fun!

Bowling Night

Thursday, April 29, 2027

New Berlin Ale House

Member Recognition Banquet & Annual Business Meeting

Friday, May 7, 2027

Brookfield Conference Center

New CPA Banquet

Friday, June 11, 2027

Brookfield Conference Center

Golf Outing

Friday, Sept. 17, 2027

Ironwood Golf Course

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» **Visit wicpa.org/cpe for a complete list of Livestream & On-Demand options**



Registration opens approximately eight weeks prior. For more details about each and to register, visit wicpa.org/conferences and wicpa.org/events.

8:15 – 9:15 a.m.

Signals & Shifts: Understanding Today's Economy From Global Trends to Wisconsin Reality

Rebecca Greis, *Executive Director, Milwaukee 7*



Signals & Shifts

Understanding today's economy,
from global trends to Wisconsin reality

Rebecca Gries | Executive Director
Milwaukee 7 Regional Partnership

MILWAUKEE 7 REGIONAL PARTNERSHIP

1



Rebecca Gries

Executive Director,
Milwaukee 7

2



3



4



5

THREE LEVELS OF THE SAME STORY

The economy looks different depending on whether you are looking globally, nationally, or here at home.

01
GLOBAL SIGNALS
Reshaping supply chains, energy, and investment.

02
U.S. ECONOMY
Slower growth, lasting cost pressure, softer labor.

03
WISCONSIN REALITY
Tight labor, deep manufacturing, new investor attention.

WHAT THIS MEANS FOR BUSINESS DECISIONS
One economy. Three lenses. Different business implications.

6

THE ONLY CONSTANT IS CHANGE

The conditions that shaped the last five years are not necessarily the conditions that will shape the next five.

A few broader signals first, then back to Wisconsin.

01 GROWTH

Still positive

Expansion continues, but at a slower pace.



02 INFLATION

Cooler, not cool

Price growth has moderated; cost pressure remains.



03 LABOR

Softer nationally

Hiring has slowed, while Wisconsin stays tight.



04 INVESTMENT

More selective

Decisions are being made in a more complicated environment.



7

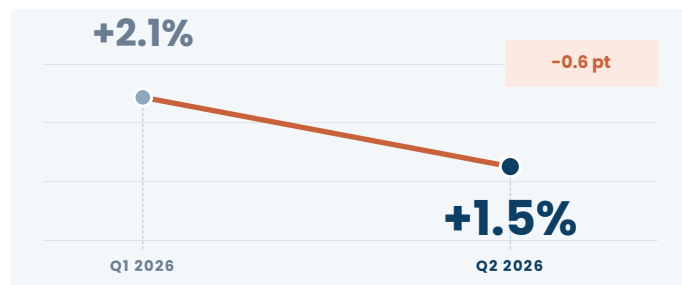
NATIONAL SIGNAL 01

GROWTH IS CONTINUING, BUT COOLER

The national economy is still growing, but the environment is less forgiving.

Source: U.S. Bureau of Economic Analysis, Q2 2026.

U.S. REAL GDP / ANNUAL RATE



Growth continues, but momentum is slower.

BEA attributes the Q2 increase to consumer spending, investment, and exports, partly offset by a decrease in government spending.

Still growing, but with less margin for error.

8

NATIONAL SIGNAL 02

INFLATION HAS EASED, BUT NOT DISAPPEARED

No longer at the 2022 peak, but cost pressure remains part of business planning.

Source: U.S. Bureau of Labor Statistics, July 2026.

CONSUMER PRICE INDEX / JULY 2026

ALL ITEMS, YEAR OVER YEAR

+3.4%

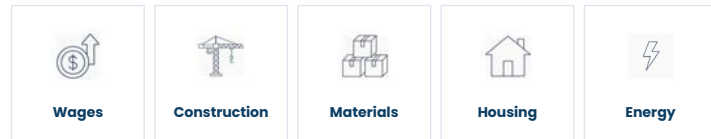
+0.1% in July alone

CORE CPI, YEAR OVER YEAR

+2.5%

+0.2% in July alone

WHERE IT SHOWS UP IN PLANNING



Cost pressure remains part of the operating environment.

9

NATIONAL SIGNAL 03

THE LABOR MARKET IS SOFTER NATIONALLY, BUT STILL UNEVEN

A softer national labor market does not mean every region or industry has available talent.

Source: U.S. Bureau of Labor Statistics, July 2026.

LABOR MARKET SNAPSHOT / JULY 2026

NATIONAL LABOR MARKET

SOFTENING

-23,000

JULY PAYROLL CHANGE

4.1%

U.S. unemployment rate

Labor conditions are softening, but not evenly.



WISCONSIN LABOR DIVERGES FROM THE NATIONAL STORY

10

STATE LENS

WISCONSIN IS OPERATING FROM A **STRONG LABOR POSITION**

Wisconsin's labor market is a strength — and a capacity constraint.

3.3%

WISCONSIN
UNEMPLOYMENT
June 2026

64.5%

LABOR FORCE
PARTICIPATION
3.0 pts above the U.S. rate

3.041M

TOTAL
NONFARM JOBS
3,030,100 employed



Strength and constraint can be the same signal.

Source: Wisconsin Department of Workforce Development, June 2026.

11

WHAT THIS MEANS FOR THE REGION

**Wisconsin's opportunity is not
a demand problem.
It is a capacity question.**

Do we have the people, places and capabilities to support the
next wave of growth?

12



13



14



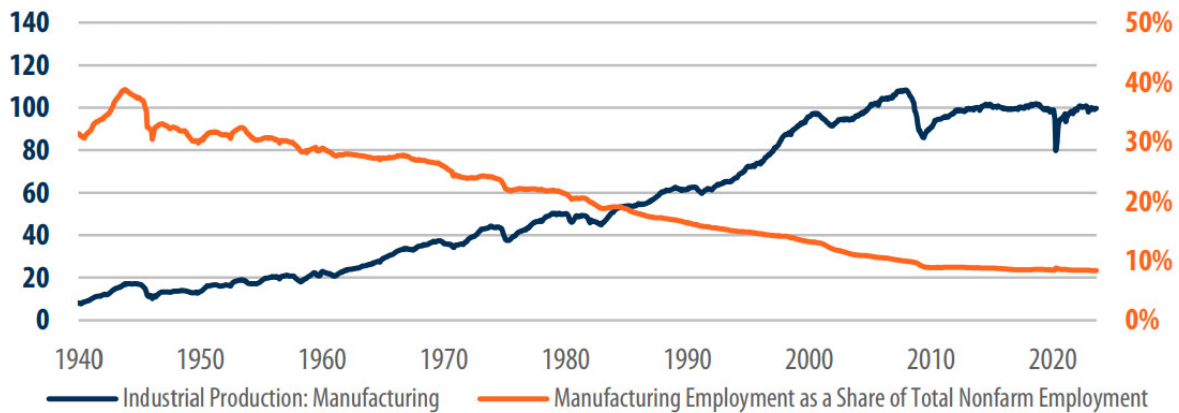
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16

U.S. MANUFACTURING: 85-YEAR SUMMATION

Manufacturing vs. Jobs



17

U.S. Manufacturing Base

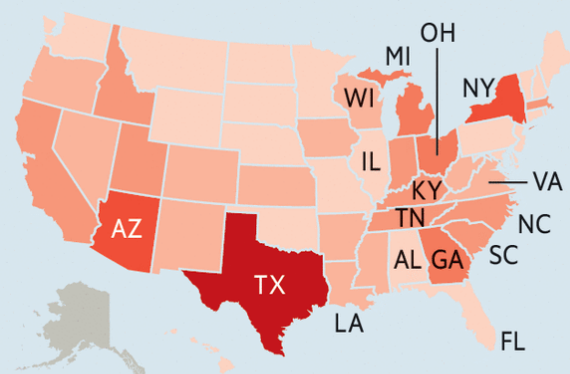
TILTING SOUTH

The Economist

June 2023

Made in America

Investments in 21st-century manufacturing*, \$bn
January 2021-June 2023



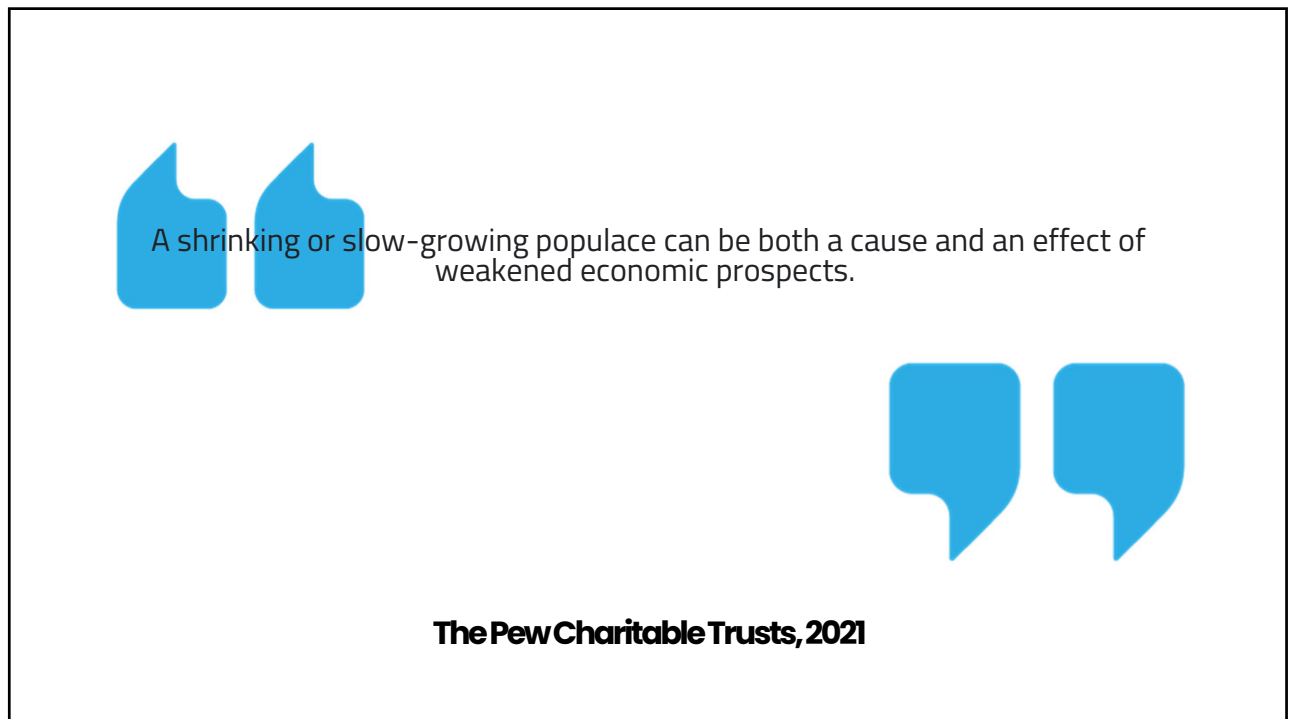
*Semiconductors, electric vehicles and batteries, clean energy, biomanufacturing

Source: The White House

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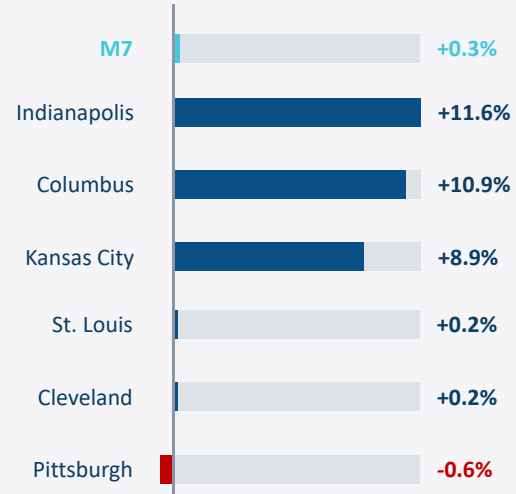


20

M7 Regional Population

MIDWEST PEER COMPARISON

Population Change: 2010 - 2023



21

3 Income

THOUGHTS ON REGIONAL ECONOMIC COMPETITIVENESS

22

M7 Regional Income

INCOME AND OPPORTUNITY

The region generates income, but the gains are not evenly experienced.

PER CAPITA PERSONAL INCOME, 2024

\$72,792

PER CAPITA INCOME BY COUNTY



\$42K gap between the region's highest and lowest county

\$76,404

REGIONAL MEDIAN HOUSEHOLD INCOME

17.8%

SHARE OF JOBS PAYING \$90,000 OR MORE

Source: U.S. Bureau of Economic Analysis and Milwaukee 7 regional data, 2024.

23

4 Education Attainment

THOUGHTS ON REGIONAL ECONOMIC COMPETITIVENESS

24

Resident Population 25+ with a Bachelor's Degree

U.S.	34.1%
Milwaukee	36.1%
Columbus	39.0%
Kansas City	38.5%
Indianapolis	37.2%

+31,124
Residents

If Milwaukee
increased to 39%

25



26

13 FORTUNE 1,000 HEADQUARTERS

27

U.S. Metros
Population >1 million

**YOUNG FIRM
EMPLOYMENT
SHARE**



MILWAUKEE

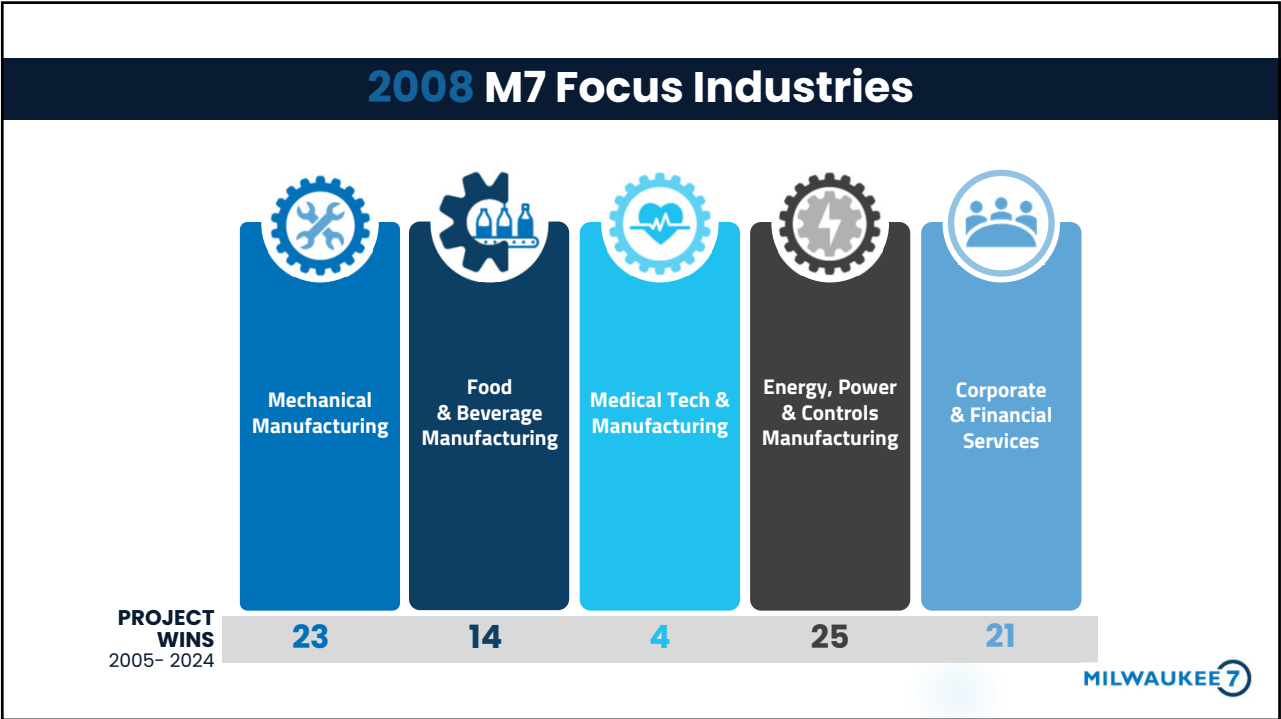
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Rank among 55 U.S. metros
with 1 million population

28



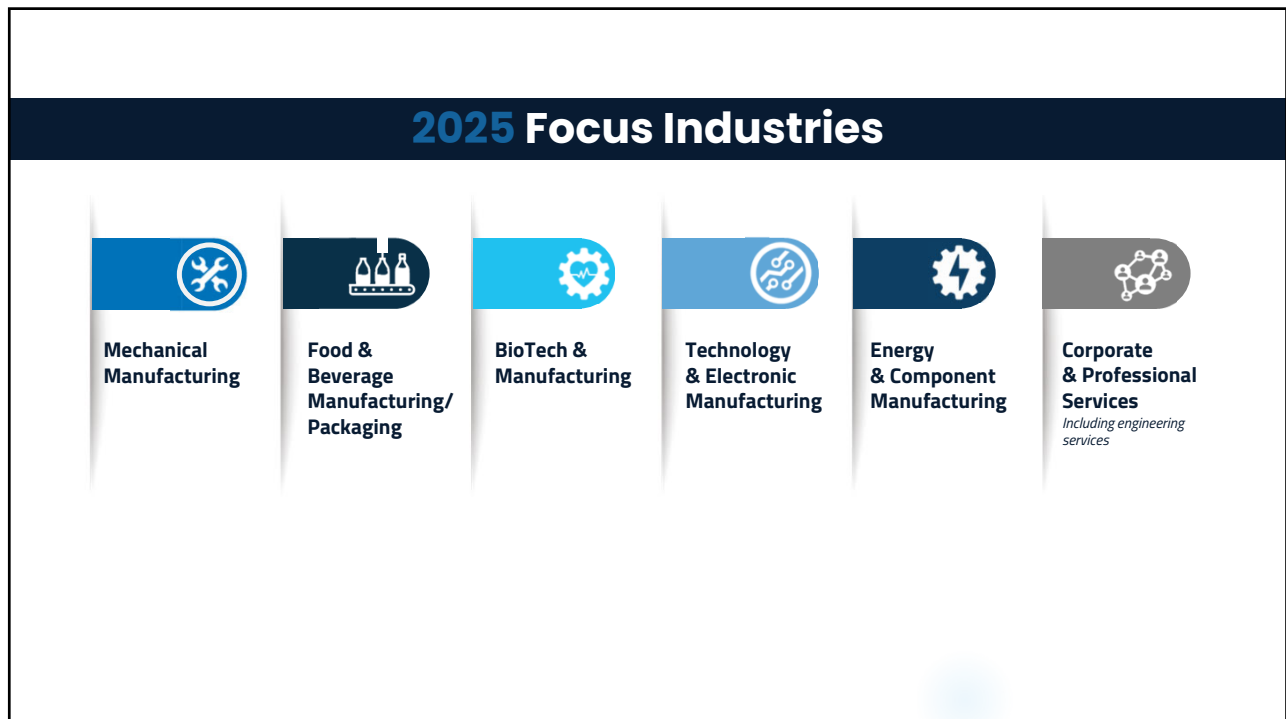
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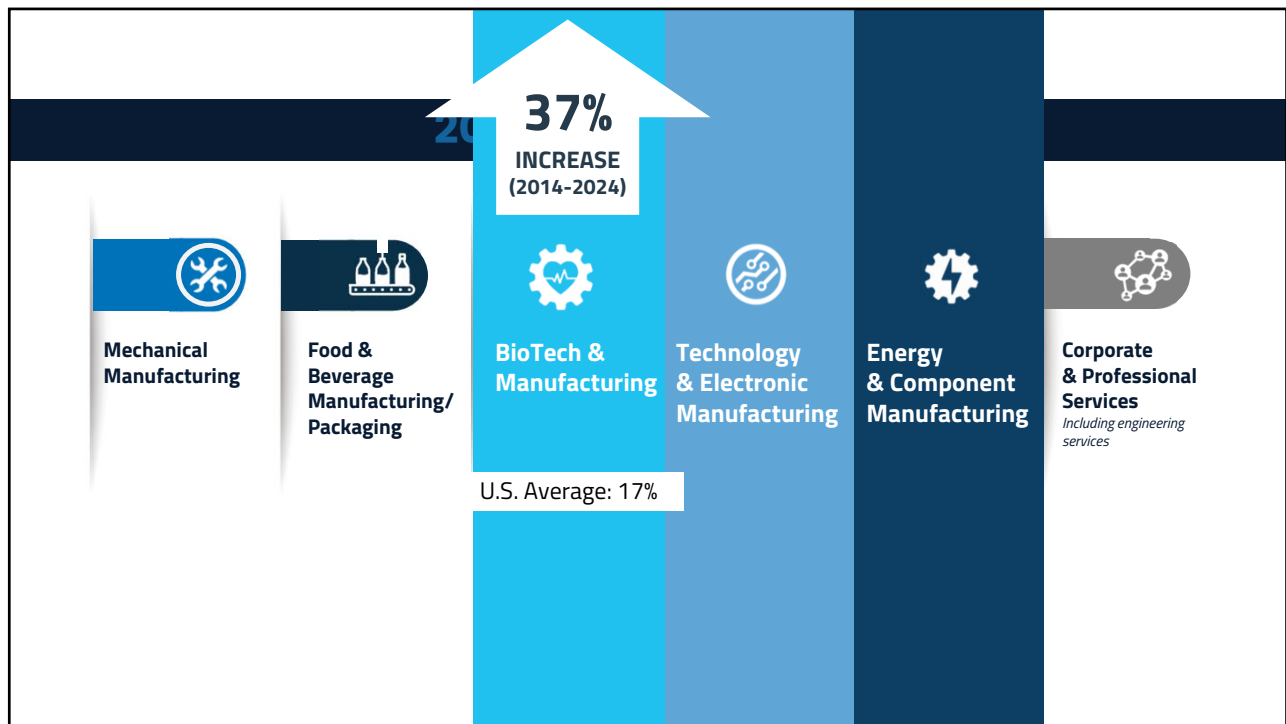
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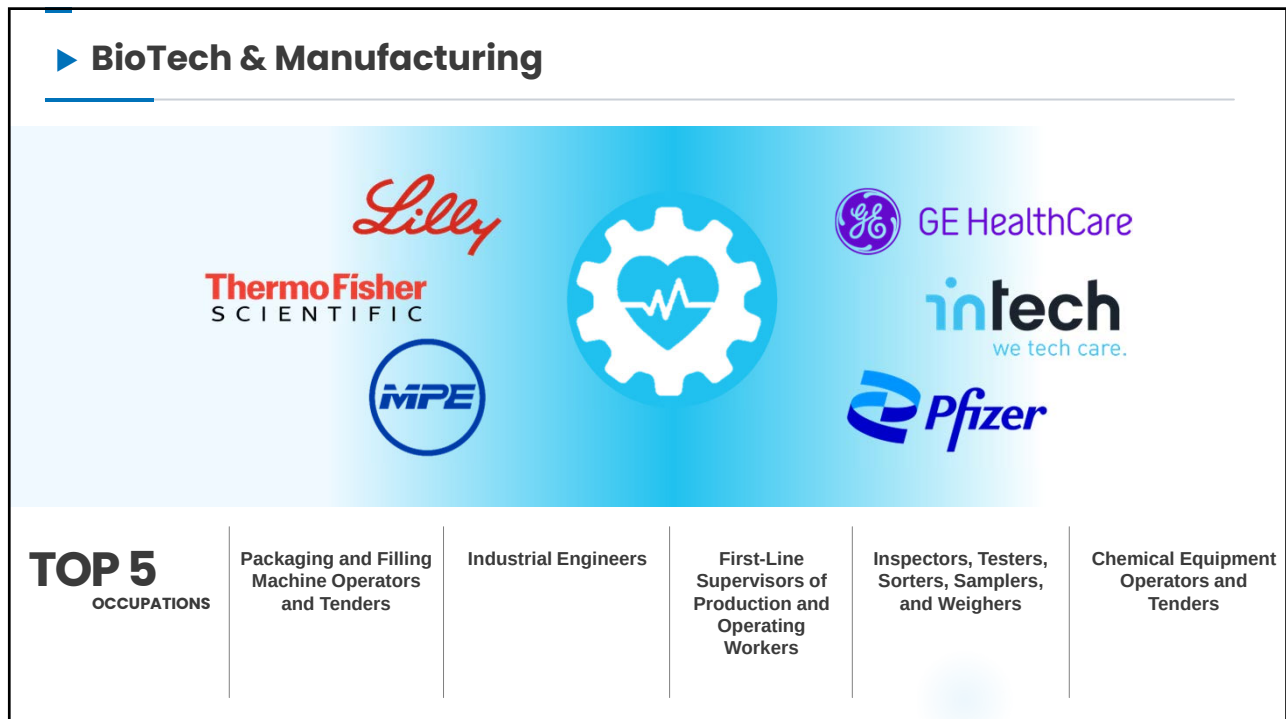
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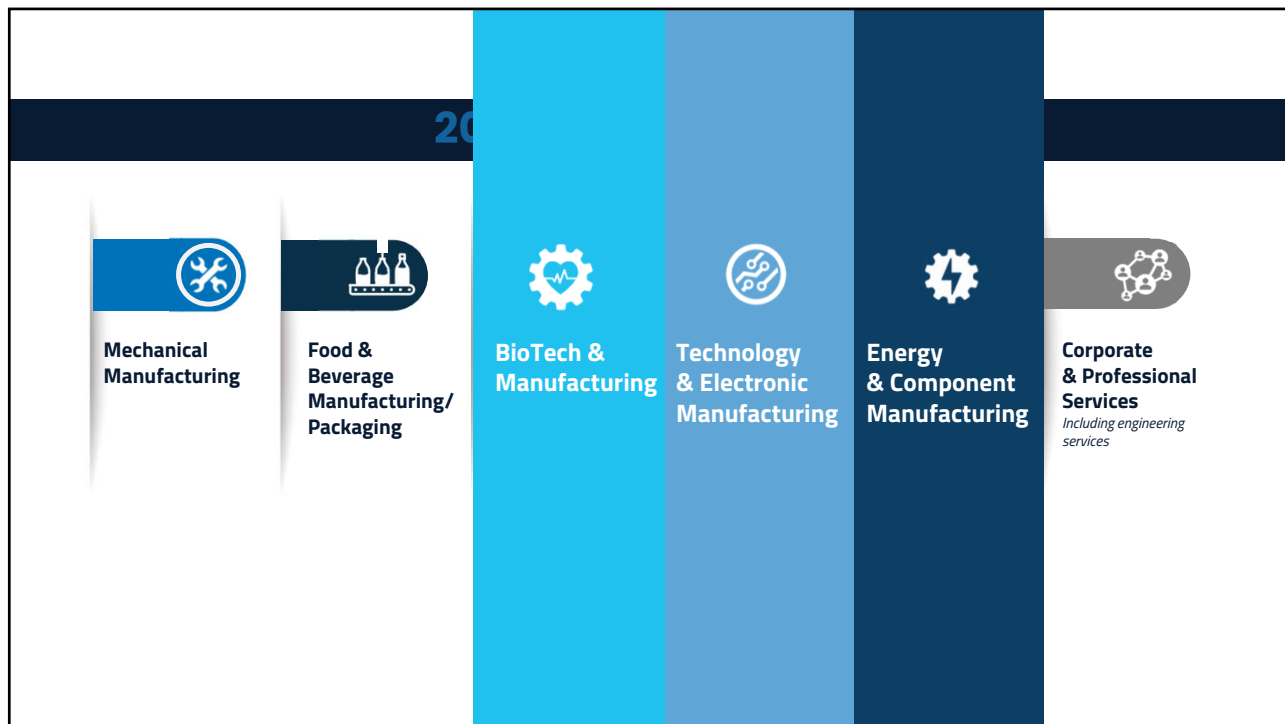
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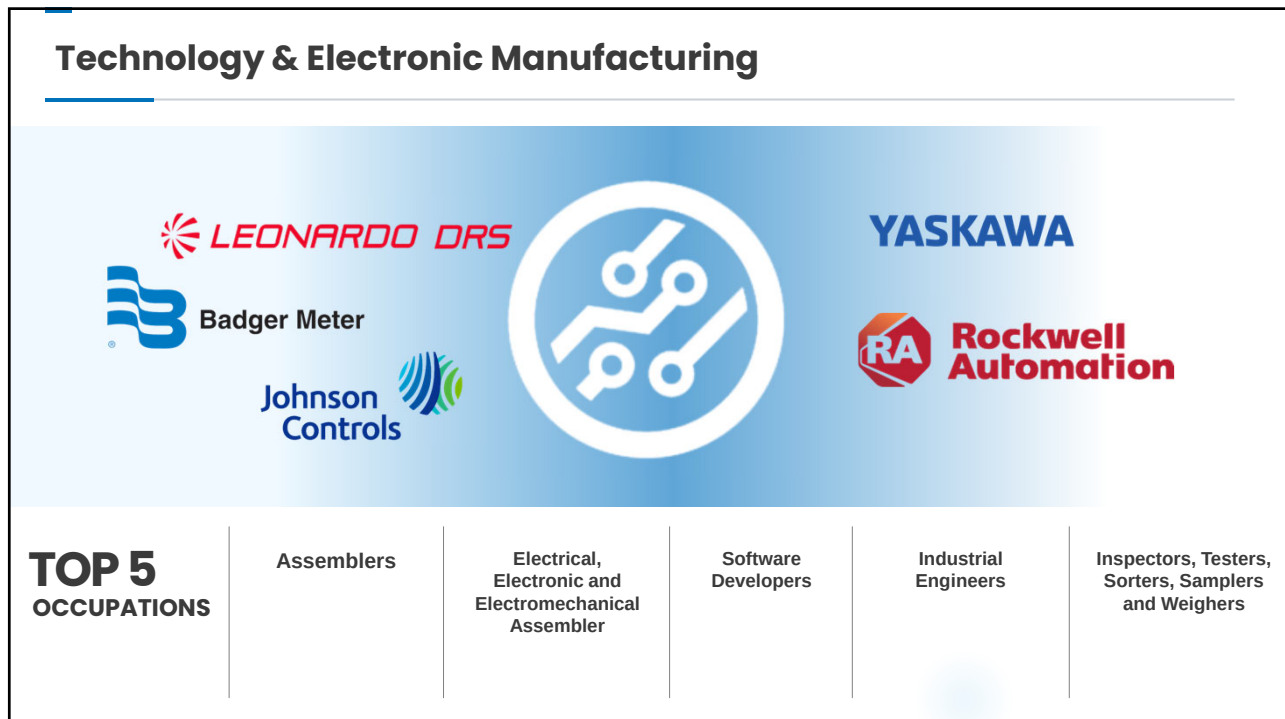
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36

► Energy & Component Manufacturing

Ingeteam

GENERAC

ABB



EATON

ERMCO

TOSHIBA

Regal Rexnord

TOP 5 OCCUPATIONS

Electrical,
Electronic, and
Electromechanical
Assemblers

First-Line
Supervisors of
Production and
Operating Workers

Electrical
Engineers

Laborers and Freight,
Stock, and Material
Movers, Hand

Industrial
Engineers

37

2025 Focus Industries



38



39



40



41



42

9:30 – 10:20 a.m.

Red Flags in Buying & Selling a Business

Daniel Welytok, JD, *Shareholder, von Briesen & Roper, s.c.*

Steve Szymanski, JD, MBA, *Shareholder, von Briesen & Roper, s.c.*

Red Flags of Buying & Selling a Business

Daniel S. Welytok | Steven M. Szymanski

von Briesen & Roper, s.c.

1



Dan Welytok

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Dan is a Shareholder and Chair of von Briesen's Tax Section. His practice focuses on helping management achieve practical results in all aspects of business. He assists clients nationally and internationally with business development, tax issues, acquisitions and divestments, capital structuring, financing, corporate governance, information technology, licensing and distribution, regulatory and compliance issues, labor and employee benefits matters, and dispute resolution. Dan represents clients before the Internal Revenue Service, the Department of Labor, Federal and state courts and regulatory agencies on audits, controversies, compliance issues, white collar tax defense, and business disputes.

2



Steve Szymanski

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Steve Szymanski is a Shareholder in the Business Practice Group where he Co-Chairs the Business and Corporate Law and the Mergers and Acquisitions Sections. Steve is a trusted advisor to his clients. He draws upon his background in tax, finance and the law to help his clients identify legal and business issues, and work with his clients and their advisors to provide practical and effective solutions. Steve represents privately and publicly held clients in all aspects of their corporate and business needs

Sale Process

- Confidentiality/Non-Disclosure Agreement
- Term Sheet (*maybe*) – structure and tax planning
- Letter of Intent ("LOI") – skeleton terms of transaction
- Due Diligence checklist
- Negotiations on LOI terms
- Agreement Drafting – purchase agreement, escrow, lease, FIRPTA, assignments, resolutions, resignations, NWC calcs, name change, employment/consulting, stay bonus agreement, etc. – scope depends on form of transaction.

Sale Process

- Rounds of review (leverage, reasonableness)
- Agreement issues
 - reps and warranties (scope of fundamental reps)
 - escrow/holdback
- Schedules and Exhibits
- Closing – Target date, document release
- Post-Closing (tax filing, NWC adjustment, escrow release)

5

Special Issues

- **Business brokers**
 - Buy or sell side
 - Knowledge of industry
 - Payment contingent on sale
 - Deal inventory
 - “Free” evaluation of business
 - Basis of fee and restrictions on sale if no closing

6

Red Flags – Initial Assessment

- Who is the client?
- What is the purpose of the acquisition/sale?
- What is the form of entity being acquired or sold?
- What is the preferred form of transaction (equity vs. asset sale)?

7

Red Flags – Initial Assessment

- What is the form of consideration?
- How is the purchase price/valuation determined?
 - Appraisal?
 - Buyer driven?
 - EBITDA multiple?

8

Red Flags – Initial Assessment

- How will purchase price be paid?
 - Escrowed amounts/characteristics/installment sale treatment?
 - Company performance & milestones
- Other Issues
 - Sign and walk or NWC adjustment?
 - Earn outs?

Factors Impacting Valuation

- Diversified and diluted customer base
- Marketing/Sales Methods and Prospects
- Proprietary product or service (barriers to entry)
- Management Team – depth and strength
- Strength of balance sheet/access to capital
- Eye of the beholder (buyer's desire)

EBITDA Valuation Example

Profit before Taxes	\$400,000
Depreciation	150,000
Owners Compensation	100,000
Interest	<u>50,000</u>
EBITDA	\$700,000
Industry Multiple	6
	\$4,200,000
Interest Bearing Debt	<u>(1,000,000)</u>
Net Valuation	\$3,200,000

11

Red Flags – Seller's Perspective

- Walk-away cash and character of income
- Buyer's financial strength
- Seller financing?
- Buyer's motives/plans in acquisition
- Transferability of contracts, licenses, IP

12

Red Flags – Seller’s Perspective

- Confidentiality (employees, industry, customers, vendors)
- Staffing for due diligence response process
- Extent of Seller’s reps & warranties
- Extent of Buyer Indemnification
- Other concerns (e.g., fundamental reps)

13

Red Flags – Seller’s Perspective

- §1202 Eligibility? – §1202 Corporation-Level Requirements
- **Domestic C Corporation:** issuer must be a domestic C-corp for substantially all of the holding period.
- **Gross Asset Limit:** Must not exceed \$50MM (or \$75MM, inflation adjusted, for stock issued after 07/04/25) at any time before and immediately after the stock issuance.
- **Qualified Trade or Business:** Excluded industries include health, law, engineering, architecture, financial services, or hospitality.
- **Active Business Test:** At least 80% of the FMV of the C-corp’s assets must be used in the active conduct of a qualified trade or business during substantially all of the holding period.

14

Red Flags – Seller’s Perspective

- §1202 Shareholder-Level Requirements (Non-Corporate Taxpayer)
- The seller must be an individual, trust, or estate.
- **Original Issuance:** The stock must be acquired directly from the corporation in exchange for money, property, or services.
- **Holding Period:** The stock must generally be held for more than five years for the maximum 100% gain exclusion (but partial phase-ins or rollovers may apply under recent rules for post-mid-2025 issuances).
- **Gain Limitation Cap:** The exclusion is capped per issuer at the greater of \$10 million (\$15 million for post-mid-2025 stock) or 10 times the aggregate adjusted basis of the qualified stock.

15

Red Flags – Buyer’s Perspective

- Undisclosed liabilities
- Employee retention/stay bonuses?
- Asset basis/allocation of purchase price to minimize amortization of Class VI and VII assets
- Due diligence thoroughness in responses and review
- Rep survival period(s)/R&W insurance?

16

Red Flags – Buyer’s Perspective

- S-corporation concerns – inadvertent terminations:
- **Exceeding the Shareholder Limit (100)**
- **Adding an Ineligible Shareholder** – partnership, C-corp, multi-member LLC, or nonresident alien
- **Using an Ineligible Type of Trust**
- **Creating a Second Class of Stock** – different financial or distribution rights to different shares

17

Red Flags – Buyer’s Perspective

- S-corporation concerns – inadvertent terminations:
 - **Moving the Incorporation Overseas** – S-corps must be domestic
 - **Making Disproportionate Distributions** – distributions that don’t exactly match ownership create a second class of stock

18

Red Flags – Due Diligence

- Corporate and Organizational (records availability)
- Securities issued (lost certificates)
- Financing Docs/UCC searches (releases)
- Tax Matters (audits, prior IRS interaction, returns, etc.)
- Real Property – Owned/Leased
- Personal Property – Owned/Leased

19

Red Flags – Due Diligence

- Accounts Receivable aging
- Inventory (impaired, obsolete, discontinued)
- Contracts, Agreements and Arrangements
- Intellectual Property (ownership issues)
- Pending or Threatened Litigation
- Insurance (current coverage, prior claims)

20

Red Flags – Due Diligence

- Legal and Administrative Compliance
- Third Party Consents and Notifications
- Federal and State Environmental Matters
- Officers, Directors, Employees
- Quality of Earnings
- Benefit Plans (type, status, funding)

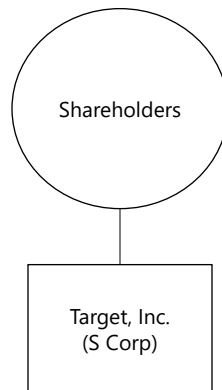
21

Red Flags – Due Diligence

- Labor Disputes (EEOC, ERD, NLRB)
- Transactions with Directors, Officers, Shareholders, etc.(loans to/from entity, distributions, mixed used property, etc.)
- Seller's largest customers/contracts

22

Red Flags F-Reorg Sequence



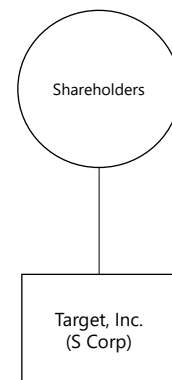
23

Red Flags F-Reorg Sequence

Step 1 - Form Holdco

- Incorporate Holdco as a new corporation.
- Apply for EIN for Holdco (Form SS-4).
- Holdco will have no assets or liabilities.

Holding
Company
(Holdco)

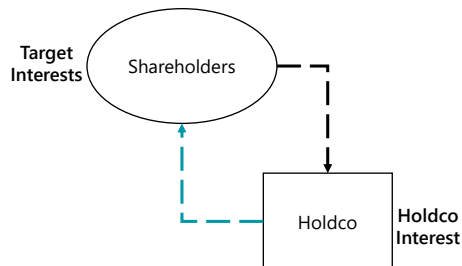


24

Red Flags F-Reorg Sequence

Step 2 - The Share Exchange

- The shareholders exchange their interests in Target for the exact same interest in Holdco. To complete the exchange, the shareholders must execute:
 - Reorganization Consent
 - Plan of Reorganization
 - Subscription Agreement
 - Stock Powers

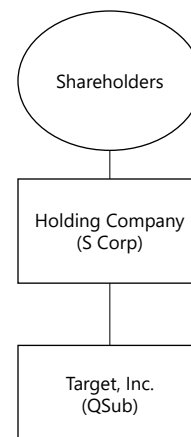


25

Red Flags F-Reorg Sequence

Step 3 – The Q-Sub Election

- Holdco assumes the tax attributes of Target for tax purposes (shareholders retain pass-through treatment).
- Holdco files IRS Form 8869 (via certified mail) to obtain treatment of Target as a Q-Sub.
- The intent is for the reorg to be recognized as a non-taxable "F" reorganization pursuant to Code §368(a)(1)(F) and Rev. Rul. 2008-18.

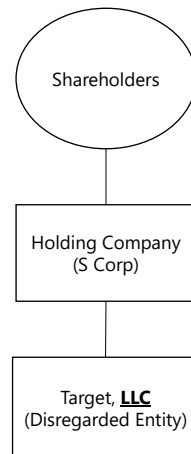


26

Red Flags F-Reorg Sequence

Step 4 – The Conversion

- Following a minimum of one day after the mailing of IRS Form 8869, Target converts from a Wisconsin corporation to a Wisconsin limited liability company.
- The actions required to convert to an LLC and be treated as a disregarded entity for income tax purposes are to:
 1. formally adopt a Plan of Conversion;
 2. file Articles of Conversion with the WDFI; and
 3. send the IRS Form 8832 and letter regarding the entity name change.

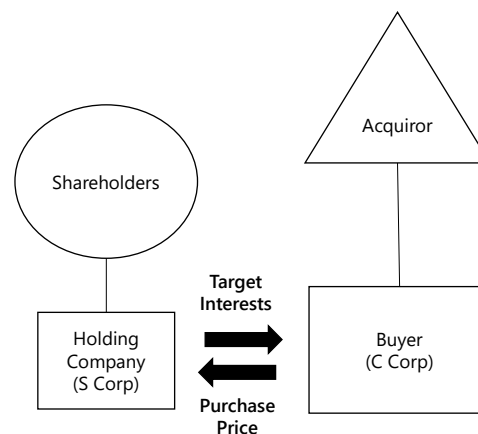


27

Red Flags F-Reorg Sequence

Step 5 - The Acquisition

- At Closing, Buyer acquires 100% interest in Target in exchange for the purchase price.
- Transaction treated as the sale by Holdco of 100% of the assets of Target in exchange for the purchase price plus any deemed assumption of outstanding liabilities by Buyer.



28

Net Working Capital Adjustments

- Businesses are typically sold on a cash-free, debt-free basis, with a customary post-closing working-capital adjustment. The purchase agreement ultimately controls which accounts are included.
- There is no universal net working capital ("NWC") formula for business acquisitions. The parties define the included accounts and apply consistent accounting principles.

Common formulas include:

1. Balance-sheet net working capital

- $NWC = \text{Total Current Assets} - \text{Total Current Liabilities}$. The formula may include cash, short-term debt, and other accounts that are usually excluded in an acquisition.

29

Net Working Capital Adjustments

2. Cash-free, debt-free transaction NWC

- $\text{Transaction NWC} = (\text{Current Assets} - \text{Cash and Cash Equivalents}) - (\text{Current Liabilities} + \text{Indebtedness})$

This is the most common starting point in a business sale.

3. Operating net working capital

- $\text{Operating NWC} = (\text{Accounts Receivable} + \text{Inventory} + \text{Other Operating Current Assets}) - (\text{Accounts Payable} + \text{Accrued Operating Liabilities})$

This formula focuses on the operating capital delivered to the buyer.

Many others.....

30

Net Working Capital Adjustments

- Typical purchase agreement provision points:
 - Within X days after the Closing, Purchaser shall deliver to Seller Purchaser's calculation of the Net Working Capital.
 - In the event that Seller does not object to Purchaser's NWC calculation within 30 calendar days following delivery of the calculation, then Seller is deemed to have accepted the calculation, which is then considered to be final.

31

Net Working Capital Adjustments

- If Seller timely objects, then any amount that is specifically disputed shall be resolved as follows:
 - o The Parties shall use reasonable efforts to timely resolve any such disagreement(s).
 - o In the event that any disputed amounts are not resolved, then Purchaser and Seller shall engage a third-party CPA firm (the "Arbitrator") to resolve any disagreements on such disputed amounts. All modifications made by the Arbitrator shall be final and binding on the Parties.

32

Net Working Capital Adjustments

- A recent study of 1,500 NWC purchase price adjustments between 2020 and 2025 shows:
- 98% of deals include a purchase price adjustment ("PPA"); 88% of those deals use NWC as a metric.
- The median escrow size for a PPA is .97% of the purchase price.
- 89% of all PPA claims result in an adjustment; 51% are buyer favorable; 38% are seller favorable.

33

Net Working Capital Adjustments

- The Deferred Revenue Issue – how is cash received before revenue to be recognized?
 - Equity deal – simply carries over to new owner who continues to recognize the revenue as performance obligations are fulfilled under ASC 606.
 - Asset deal – 2 approaches: the "assumption" approach and the "*Pierce*" approach, named for *James M. Pierce Corp.*, 326 F.2d 67 (8th Cir. 1964).

34

Net Working Capital Adjustments

- Assumption approach – the seller recognizes the deferred revenue and is treated as having additional proceeds and a deduction for the cost of performance assumed by the buyer.
- Pierce Approach – Instead of treating the buyer as assuming the contingent liability, *Pierce* treats the assumption of the balance as a payment from *the seller to the buyer*. This “*Pierce payment*” results in the buyer realizing ordinary income, allowing buyer to deduct the cost of performance going forward (vs. amortizing the cost as a part of the purchase price). The seller recognizes deferred revenue and recognizes an offsetting deduction for the *Pierce payment* but also realizes more gain on the regular asset sale.

35

Net Working Capital Adjustments

- Which approach is preferred? It depends...
- The effect is that the seller may recognize more gain on the asset sale under *Pierce* and more ordinary income under the assumption approach, but both methods should yield the same net taxable income.

36

Net Working Capital Adjustments

Working Capital (parts division) (US\$ in 000's)	12-Month Average	Estimate At Close
Accounts Receivable, Net	\$ 809	\$ 809
Other Receivables	35	35
Inventory	331	331
Prepaid Expenses	55	55
Work in Process	352	500
Other Current Assets	2	2
Total Current Assets	1,584	1,732
Accounts Payable	\$ 191	\$ 191
Accrued Liabilities	154	154
Deferred Revenue	73	73
Short-Term Debt	-	-
Other Current Liabilities	(3)	(3)
Total Current Liabilities	414	414
Net Working Capital, as reported	\$ 1,170	\$ 1,318
Net Working Capital Target in APA		\$ 1,170
Estimate at Close		\$ 1,318
Increase / (Decrease) to Transaction Proceeds		\$ 148

Choice of Entity Summary

	C Corporation	S Corporation	Partnership / LLC	Sole Proprietor
Entity-Level Tax & Rate	21% flat corporate rate + add'l tax on distributions (23% on dividends); losses trapped at entity level	No entity tax; income/loss and character determined at entity level and flows through (37% / 23%); allocations pro rata; self-employment-tax savings	No entity tax; income/loss and character determined at entity level and flows through (37% / 23%); allocations pro rata; SE tax on all distributable share other than "limited partner"	No entity tax; all income on owner's 1040 (37% / 23%); full SE tax on net income
§199A QBI Deduction	Not available — C-corp dividends excluded from the 20% deduction	Up to 20%; only certain businesses; W-2 wage limits apply	Up to 20%; flows to partners/members; W-2 wage limits apply	Up to 20%; non-specified trade or businesses only; W-2 wage limits apply
§1202 QSBS Gain Exclusion	Only C corps qualify; up to 100% exclusion (cap: greater of \$15M or 10x basis); stacking & packing	Not direct; pass-thru rule may apply; C-corp conversion more complex; basis packing	Not direct; easy to convert to C corp; pass-thru rule may apply; basis packing	Not applicable — no equity structure to issue QSBS
Capitalization (Debt v. Equity)	Common & preferred stock; §163 interest deductible; §351 tax-deferred w/ 80% control	One class of stock only; §351 tax-deferred w/ 80% control; no basis for debt	Flexible interests; income/liquidation preferences; profits interests; debt gives partner basis	No equity structure; owner funds / personal loans; personal liability on all debt
Investor & Exit	VC & institutional preferred; multiple classes; clean exit via stock sale or §368 reorg	Limited; no preferred stock; VC investment losses S-election; may need C-corp conversion	PE & family-office friendly; flexible waterfalls; basis step-up on exit	Unattractive; no transferable equity; asset sale only
Cross-Border Considerations	Foreign SHs OK; FIRPTA; CFC, etc.; treaty rules may apply	Foreign SH disqualifies — auto-convert to C corp; no international flexibility	Foreign partners OK; complex withholding regimes	Unattractive for cross-border; no liability shield; foreign filing complexity

Thank you.



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9:30 – 10:20 a.m.

Cybersecurity: A Guide to Protecting Yourself & Your Business

Brad Otto, *Owner & IT Consultant, P3C Technologies LLC*



Cybersecurity

A Guide to Protecting Yourself and Your Business

Why your habits — not your firewall — are the front line, and what changes now that both sides have AI.

Brad Otto — Owner & IT Consultant, P3C Technologies LLC

WICPA Business & Industry Conference • September 24, 2026 • 9:30 – 10:20 a.m.

1

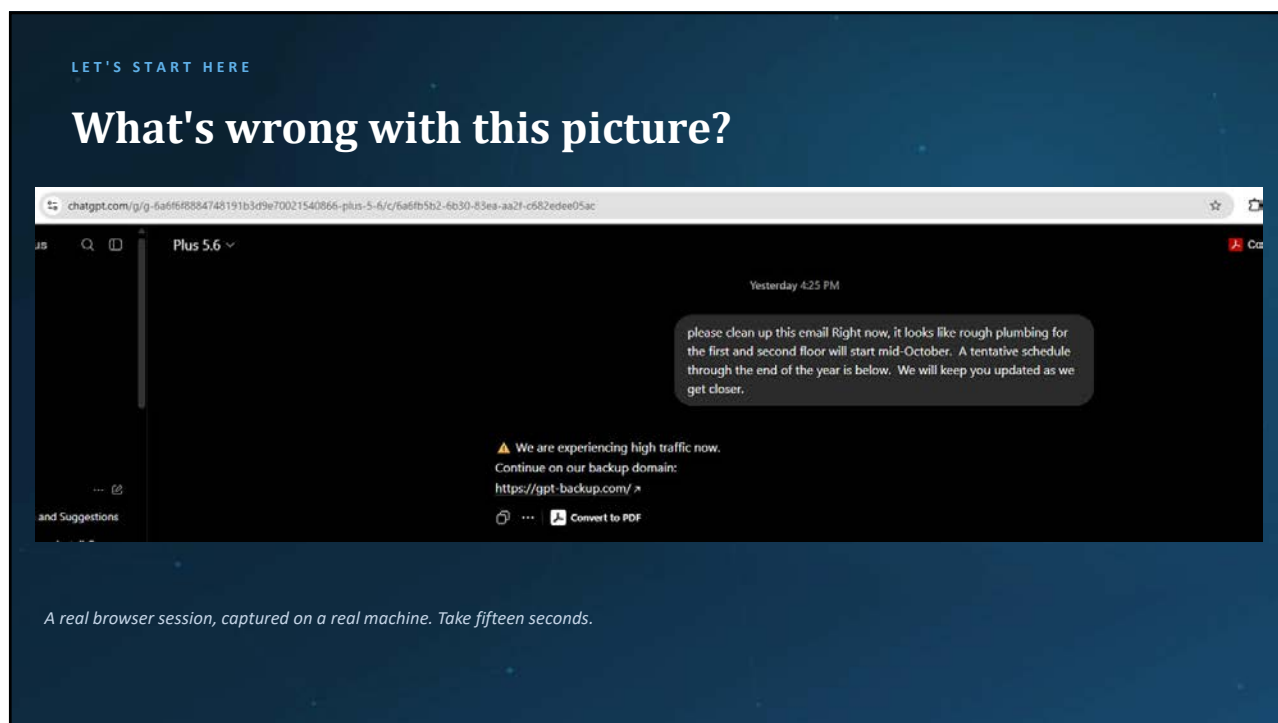
WHAT YOU'LL WALK OUT WITH

Learning objectives

By the end of this session, participants will be able to:

- 1 **Identify** the everyday habits and personal/professional overlaps that create the most business risk.
- 2 **Recognize** how AI has changed classic attacks — phishing, payroll fraud, wire fraud, and impersonation.
- 3 **Evaluate** the exposure created when AI tools enter an organization without governance.
- 4 **Apply** a practical set of guardrails: acceptable use policy, data classification, company-owned tools, monitoring.
- 5 **Build** an AI adoption approach that can be measured and defended.

2



3

SO WHAT'S WRONG?

Nothing. That is the real ChatGPT.

The domain in the address bar is genuine. The session is genuine. The attacker published a custom GPT on the platform and waited for someone to use it.

The domain checks out

chatgpt.com is exactly what it appears to be. Domain-reputation filtering had nothing to flag, because nothing was wrong with the domain.

The attacker was inside

A malicious custom GPT, hosted on the legitimate platform, running in a legitimate signed-in session.

The ask looked routine

"High traffic — continue on our backup domain." One click off-platform and the payload lands.

The rule to teach: no real service has a backup domain. Not ChatGPT, not Claude, not Microsoft, not your bank. If a site offers you one, that is the attack.

P3C Technologies | Cybersecurity: A Guide to Protecting Yourself and Your Business

p3ctech.com

4

WHERE THE RISK ACTUALLY IS

The human element

Cyberattacks are widely imagined as code flaws or technical mastery. Most of them are not. The majority come in from people's mistakes.

68%

of breaches involve the human element

Verizon Data Breach Investigations Report

Personal life on a work device

A personal inbox, a personal Facebook link, a personal shopping site — opened on the laptop that holds client financials.

One password, everywhere

Reused credentials mean a breach at a retailer you forgot about becomes a breach of your email or other business system.

A request that felt normal

Nobody clicks because they are careless. They click because the message looked exactly like the fifty legitimate ones before it.

5

WHAT AI CHANGED

The old advice has expired

For twenty years we taught people to spot bad writing. That signal is gone — and teaching it now is worse than useless, because it tells people that a clean message is a safe message.

THEN — written by a person, badly

- Misspellings and broken grammar
- Generic "Dear Valued Customer"
- Wrong logo, stretched, off-brand
- Odd hours, odd phrasing, odd formatting
- One template, blasted to thousands

NOW — drafted by an agent, well

- Flawless grammar, every single time
- Your name, your role, your open projects
- Brand assets generated pixel-perfect on demand
- Tone of voice set to match your CFO
- Every message written fresh, one per target

6

Payroll and direct deposit fraud

The lowest-effort attack in the catalog. No malware, no link, no attachment. Just a polite request to change where the money goes.

From: James Olsen <Jimmy.Olsen@dc-studios.com>
To: HR / Payroll

Hello —

I want my banking information to be changed before the next pay date. What details do you need?

Regards,
Jimmy

Read the domain again: **dc-studios.com** — a numeral 1 where the letter i belongs.

815%

increase in direct deposit change requests over 18 months
(FBI)

\$262M

account-takeover losses, 5,100+ complaints since Jan 2025
(IC3)

The control: no banking change is ever accepted by email. Call the employee back on the number already in the HR file — never the number in the message.

7

The bookkeeper wire

Two messages, minutes apart. The first one asks for nothing at all, posing as “Kim the Owner” — that is the point.

1

2:05 p.m. — the probe

“Hi Gina. Are you at the office?” Sent from my iPhone

2

Minutes later — the ask

“Can you get an international wire out to the United Kingdom today? We concluded an acquisition this morning — \$93,400 as a 25% down payment. This has been private and discussed only within the board, and I expect it to remain so. Please keep all communication on this by email.”

Four levers, one message

Authority

It's the owner asking. The attacker fakes the identity, domain name is one letter off

Urgency

Today. Not tomorrow.

Secrecy

Board-only. Don't discuss it.

Channel control

Email only — so you can't call.

8

It came from the real mailbox

A trusted contact's Microsoft 365 account was compromised. The attacker read months of thread history, learned the relationship, and sent an email with a bid invite.

Every technical control passed

- SPF, DKIM and DMARC all pass — it is the real domain
- The sender is already in your address book
- It is a bid invite from someone you get invites from all the time, someone trusted
- No attachment. No malware to detect.
- The writing matches how that person has always written to you
- The link goes to a legit tool that is being used for nefarious purposes

So what is left?

A phone call.

Not a reply. Not a new email thread. Not a text to the number in the signature block. A call to the number you already had on file, before this email existed.

For money movement, that call is not bureaucracy. It is the control.

A Bid Invite From a Trusted Contact

From: Scott [redacted] <[redacted]@gov>
Date: March 4, 2025 at 9:15:00AM CST
To: Scott [redacted] <[redacted]@gov>
Subject: TBZ Ville Project #612
Reply-To: Scott [redacted] <[redacted]@gov>

Hello, trust you are well.

Town of [redacted] Building Inspector/Zoning Administrator is inviting you to participate in the bidding for project **(TBZ Ville Project #612)**.

All submissions must be received on or before the **11th of March 2025**

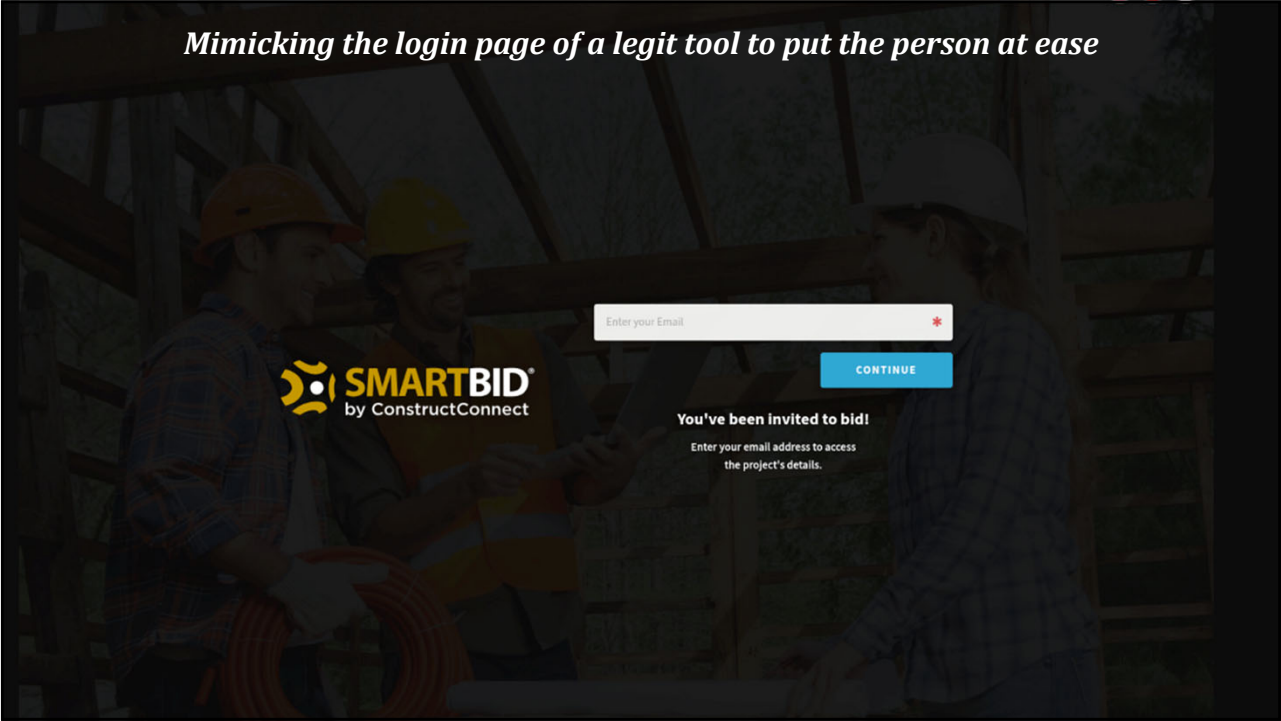
To Submit your bid or view project details, simply browse to specification documents below.

Bidding Portal: [\[View Project Details\]](#)

For any questions, Simply reply to this email.

Best of luck!

Scott [redacted]
Building Inspector/Zoning Administrator
[redacted]
[\[redacted\]](#)



11

HOW THEY STAY IN

Hiding in plain sight

Once inside a mailbox, the first move is almost always the same: a rule that quietly files away the messages that would expose them.

App Registration

2/4/2025, 4:08:05 PM

App Name: em client

App ID: e9a7fe1-1cc8-4cd9-a31b-9137ca5deedd

Service Principal ID: 6891ea7e-6992-4ad5-ab8d-fdc9ca3e0f54

New Inbox Rule

✓ SOC Analyst, Feb 5, 10:32 PM

2/4/2025, 3:54:21 PM

Display Name: Disabled

Conditions: Sender contains: @vendor-domain.com

Actions: Move to folder: Deleted Items

Exceptions: No exceptions

Edited Inbox Rule

✓ SOC Analyst, Feb 5, 10:32 PM

2/4/2025, 7:31:05 PM

Display Name: Disabled

Conditions: Sender contains: @vendor-domain.com

Actions: Move to folder: Conversation History

Exceptions: No exceptions

Read what it does

- A rule named "." — a single period, so it is easy to overlook
- Anything from the vendor's domain is moved straight to Deleted Items
- The victim never sees the replies, so the fraud runs uninterrupted
- A new app registration grants persistence even after the password changes

P3C Technologies | Cybersecurity: A Guide to Protecting Yourself and Your Business

p3ctech.com

12

THE SUPPORTING CAST

Four more that still land

None of these are clever. All of them are still in active use, because they still work.

rnicrosoft.com

Look closely: r-n, not m. At normal reading speed and normal font size, your brain supplies the letter it expects.

Perfect fake login pages

Pixel-identical Microsoft 365 and third party vendor sign-in screens. The page is real HTML; only the destination of your password is different.

QR codes in email

The link never touches your monitored, filtered work laptop. It goes straight to a personal phone with no protection on it.

MFA fatigue

Push after push after push at 2 a.m. until someone taps Approve to make it stop.

WHAT AI ADDED

The sound of their voice and a video image is no longer proof

\$25,000,000

paid out by one finance worker after a video conference call with his “CFO” and several “colleagues” — every participant on the call was a deepfake.

Multinational firm, Hong Kong, reported February 2024
<https://www.cnn.com/2024/02/04/asia/deepfake-cfo-scam-hong-kong-intl-hnk>

Where the voice comes from

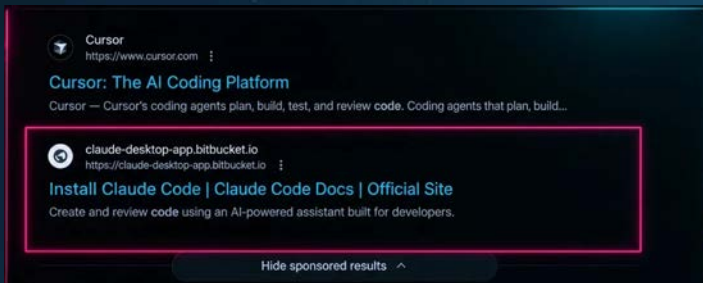
- A conference talk posted on YouTube
- A podcast appearance
- Your outgoing voicemail greeting
- Thirty seconds of you answering a spam call

A few seconds of clean audio is now enough.

BACK TO WHERE WE STARTED

Nobody types addresses anymore

People search for the tool they want and click the first result that looks right. Attackers buy that spot.



A sponsored result for "Claude Code." The destination is not Anthropic.

Same pattern, everywhere

It is not just AI tools. Sponsored results have been used to impersonate banks, tax software, accounting packages, printer drivers and remote-support tools.

And it is not carelessness — it is simply how people use the web now. The habit is the vulnerability.

15

THE DELIVERY MECHANISM

"Please verify you are human"

The fastest-growing technique we are seeing on client machines. It does not exploit software. It asks the user to run the attack themselves.

1

Something breaks

A page shows a CAPTCHA, a failed video, or a document that will not open. Frustration is the first ingredient.

2

You are given instructions

Press Windows + R. Press Ctrl + V. Press Enter. The malicious command was already copied to your clipboard by the page.

3

The payload lands

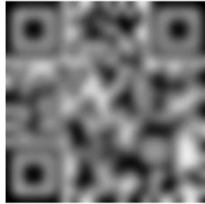
PowerShell launches, reaches out over a legitimate protocol, and pulls down the real malware. No download prompt, no warning.

Teach this one sentence: no legitimate verification has ever asked you to open the Run box, a terminal, or PowerShell. If a website tells you to, close the tab and call IT.

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"Please verify you are human"

Attention
Prove you are not a robot.
To play this video, scan this QR code using your mobile phone's camera and open a link.



☐ I'm not a robot

reCAPTCHA

Select text

+ and then + then press

☐ Verify you are human

CLOUDFLARE

Complete these Verification Steps

To better prove you are not, a robot please:

1. Press & hold the, **Command Key + Space** and input **"Terminal"**.
2. In the **"Terminal"** window press **Command Key + V**.
3. Press **Enter** on your keyboard to finish.

You will observe and agree:

```
echo
base64 -D | bash
```

Perform the steps above to finish verification.

VERIFY

Roughly a coffee refill

3 minutes

from a user being talked into an install, to an attacker holding SYSTEM-level control of that machine. A recent, real case.

The detail that matters

The tool installed was a legitimate, commercially licensed, digitally signed remote-support product. It was simply pointed at the attacker's server instead of ours.

The antivirus did not flag it, and was right not to — there was nothing malicious about the file. A managed detection service caught the behavior instead, isolating the machine, and our zero trust software blocked the command.

Signed ≠ safe.

Five things that actually stop all of the above

Two of them are procedural and cost nothing, and all of them survive whatever the attacker's tooling looks like next year.



Verify out of band

Any money movement, any banking change, any credential request — confirm by voice on a number you already had. Not the one in the message. (No Cost)



Two sets of eyes on money

Dual authorization above a threshold you set. It removes the possibility of one person being socially engineered into a wire alone. (No Cost)



Passphrases, a manager, and MFA

Long passphrases, unique per site, stored in a company password manager. MFA everywhere it will turn on.



Train, simulate, and keep the report

Ongoing education plus simulated phishing. Keep the results — your insurer will ask you to prove this, not just claim it.



Layered Protections

Antivirus is not enough. Internet security, hacker breach detection, and zero trust with whitelisting should be the standard.

Security — and how attackers use AI

The same tools that boost your productivity supercharge attackers. AI has lowered the skill and cost of convincing attacks.



Flawless phishing

No more broken English. AI writes perfect, personalized lures at scale.



Deepfake voice & video

Cloned voices of executives authorizing fraudulent wire transfers.



Faster malware

Attackers generate and adapt malicious code more quickly than ever.



Identity attacks & Data Poisoning

Convincing impersonation of staff and vendors to bypass help desks or training public models to provide incorrect or false information.

SO WHAT DO WE DO ABOUT ALL THIS?

Ban AI outright and go back to doing the books on green sheets?

Bring back the ten-key. Nice satisfying pull on the handle. Pencil behind the ear.

You can't ban it, because it is already in the building. The only real question is whether it is happening with your guidance or without it.

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PART TWO — INSIDE THE BUILDING

Your staff are already using it

Whether or not it has ever been discussed, people are pasting work into consumer AI tools to save time. Not to be reckless — to get home on time.

What it looks like in practice

- A trial balance pasted into a personal account
- A browser extension nobody approved
- A notetaker bot that joined the client call
- An agent someone wired up with an API key

No visibility — You cannot see what left the firm, so you cannot answer a client who asks.

No survival — The prompts, the context, the tuned workflow — all of it leaves with the employee.

No audit trail — Nothing to show a regulator, an insurer, or a client who asks how their data was handled.

No off switch — You cannot revoke an account you do not own and never knew existed.

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THE RISK NOBODY EXPECTS

AI sees everything your staff can see

78,549

sensitive files reachable by AI search in one real readiness audit — before a single Copilot licence was switched on.

Why this happens

Microsoft 365 Copilot indexes everything an individual user already has permission to open. Years of over-shared folders, forgotten “anyone with the link” files, and generous permissions were never a problem, because nobody went looking.

AI goes looking. Instantly, and on request.

Audit access before you enable AI.

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A REAL REQUEST WE RECEIVED

The notetaker that asked for the keys

A staff member wanted to read the meeting notes a colleague had shared. To do it, the tool asked an administrator to approve tenant-wide access.

What was requested

- Organisation-wide permissions across the Microsoft 365 tenant
- Read access scoped to all users, not just the requester
- Consent granted once, by an admin, on behalf of everyone
- Justification on the request: “to see meeting notes”

What was actually needed

Nothing.

Viewing notes someone shares with you is a link and a sign-in on the vendor's own platform. It grants no access into your tenant at all.

The permission request and the stated task had no relationship to each other — and the person submitting it had no way to know that.

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An acceptable use policy is the floor

Short, plain language, four areas. It turns invisible risk into a managed practice — and it is the document you will be asked for.

Data & access

- Classify before you type
- An approved-tools list — anything not on it is prohibited
- A route to request and vet new tools

Oversight & accuracy

- A human reviews and owns every AI-assisted output
- Fact-check before it ships
- Company AI accounts are monitored, not private

Devices & automation

- No company data in AI apps on personal devices
- Extensions and meeting bots need approval
- Vendors and contractors use approved tools only

Risk & accountability

- Secondary verification on financial requests
- No voice cloning or deepfakes without sign-off
- Signed acknowledgment, reviewed every six months

Classify before you type

If your team remembers nothing else from this hour, make it this. Every piece of information falls in one of three buckets, and the bucket decides what is allowed.

PUBLIC

No restrictions

Already in the public domain.

- Marketing copy
- General industry research
- Brainstorming and ideation

INTERNAL

Anonymise first

Internal, but not confidential.

- Internal memos
- Process documentation
- Draft correspondence

RESTRICTED

Never input into AI

Would cause harm if it leaked.

- Client names, SSNs, addresses
- Bank and card details
- Passwords and API keys

Not sure which bucket? Treat it as Restricted and ask before it goes anywhere near an AI tool.

Own the accounts. Watch the usage.

The single highest-leverage policy decision you can make: AI runs on accounts the company controls, never on personal logins.

Personal AI accounts

- No visibility into what data leaves the firm
- Data may train public models
- Nothing survives an employee's departure
- No audit trail for clients or regulators
- Impossible to enforce or revoke

Company-owned tools

- Central control, logging and oversight
- Enterprise data handling and no-training terms
- Access tied to role — revoked at offboarding
- An audit trail that satisfies compliance
- One vetted, secured set of tools for everyone

And then monitor it — you cannot govern what you cannot see. Know which tools are in use, by whom, and what data they touch.

Antivirus is the floor, not the ceiling

Every attack in part one walked straight past a domain filter, a signature scan, or both.

Zero Trust app control

If it is not on the approved list, it does not run. This stops the pasted command and the rogue remote-access tool before either executes — no detection required.

Managed detection & response

A human team watching behaviour around the clock. This is what caught the signed, legitimate remote tool that antivirus correctly ignored.

Internet & DNS filtering

Blocks the destination even when the lure arrived through a trusted, reputable domain.

Identity monitoring

Impossible travel, new inbox rules, unexpected app consents — everything that happens after the password is already gone.

Regular patching is critical — the pace has changed

- 800%** enterprise exploitation across ERP, CRM and collaboration platforms
- 1,000%** macOS flaws — including a 5,600% jump in privilege escalation
- 235%** critical network infrastructure vulnerabilities
- 183%** browser privilege-escalation vulnerabilities

And when IT blocks things to verify — don't be too upset

Three requests we received in a single week, from three different companies:

- "Please unblock openai-backup.one — I need to use ChatGPT."
- "Unblock this link. I'm resetting my email password and it won't load."
- "Release this quarantined message" — twice in 90 minutes. It was reply-thread phishing.

All of these turned out to be legit threats being blocked by our security controls.

Got the guard rails? Run the adoption loop

Foundation set? Now prove value in a tight, repeatable cycle — start small, measure honestly, and only then expand.



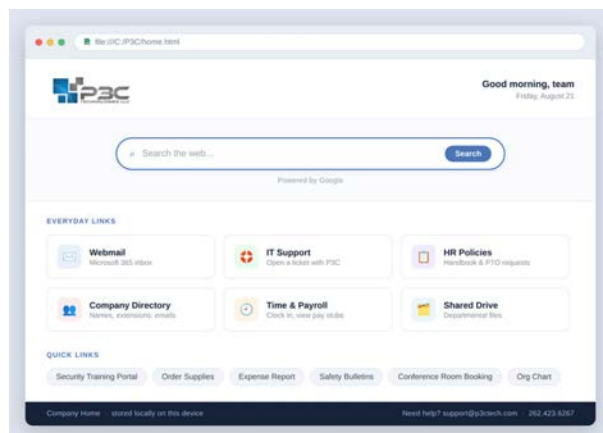
Repeat the loop for the next workflow — each cycle compounds.

Build Your Company a Browser Homepage in Five Minutes

Here's something you can build with the AI tool of your choice in about the time it takes to pour a cup of coffee: a branded homepage for your staff that lives locally on every computer.

Tell your AI engine you want a single HTML page with your company logo (upload it right in the prompt), plus the sections your people use —

- a search bar that runs a Google search
- links to HR policies
- a button to reach IT support
- the websites the whole company touches daily
- Webmail
- a company directory
- ...and more



The Bonus? You are encouraging your staff to use bookmarks instead of searching for the websites they need which can potentially link them to impersonator websites.

PROOF, NOT THEORY

What a governed AI and Automation program returns

We put the guardrails in first, then pointed an AI agent at the most repetitive workflow we had — triaging inbound support tickets.

- 1 **Ticket arrives** — A new request lands and is routed automatically to the agent.
- 2 **Agent interprets** — It reads, classifies, sets priority, and pulls the relevant documentation and past fixes.
- 3 **Automation acts** — Findings are written back into the system, ready for the technician.
- 4 **Human resolves** — A person makes the call and owns the outcome. Always.

RECORDED SAVINGS

\$817

in one week

488 runs • 71 seconds each

Over \$42,000 a year of recovered staff time — redirected from manual entry to work that is actually worth billing.

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TAKE A PHOTO OF THIS SLIDE

The checklist

Ten things to walk back to the office with. Most of them cost nothing but a decision.

- | | |
|---|---|
| ✓ Write the AUP — Even one page. Get it signed. | ✓ Audit access before AI — Find the over-shared files first. |
| ✓ Own the AI accounts — Company logins, not personal ones. | ✓ Name one approved mtg recorder — Decide it once, in writing. |
| ✓ Callback on every money change — Known number. Not the one in the email. | ✓ Dual authorization on wires — Above a threshold you set. |
| ✓ Password manager + MFA — Long passphrases, unique per site. | ✓ Check your inbox rules — Tonight. It takes ninety seconds. |
| ✓ Bookmark your tools — Stop launching from search results. | ✓ Train, simulate, keep the proof — Your insurer will ask to see it. |

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ON US



Use AI deliberately, not accidentally.

Three free resources — no charge, no obligation.

Beyond the Prompt

A plain-English guide to using AI safely in your business.

AI Risk Assessment

Gauge your readiness and uncover existing exposure in five minutes.

AUP Template

A ready-to-adapt acceptable use policy you can sign this month.

ai.p3ctech.com

Questions or need a full IT Risk Assessment? Brad Otto • P3C Technologies LLC • 262.423.6267 • help@p3ctech.com • p3ctech.com

10:35 – 11:35 a.m.

Federal Tax Update & Review of the "One Big Beautiful Bill Act"

Jim Brandenburg, CPA, MST, *Director of Taxation, Sikich*



WICPA

Annual Business & Industry Fall Conference

Thursday, September 24, 2026

Brookfield Conference Center – Brookfield, WI



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WICPA

Annual Accounting & Business Conference

Federal Tax Update

James D. Brandenburg, CPA, MST – Sikich LLC



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WICPA Annual Accounting & Business Conference

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5

A close-up photograph of several yellow coins with numbers (80, 60, 40, 25, 30) on them, set against a dark blue background with a light blue circle.

I. Federal Tax Legislation Update 2025/2026 (Selected Topics)

- ▶ The “One Big, Beautiful Bill Act (OBBA)”
- ▶ Other 2025 Legislation
- ▶ Other 2026 Legislation
- ▶ Other Possible 2026 Tax Legislation

6

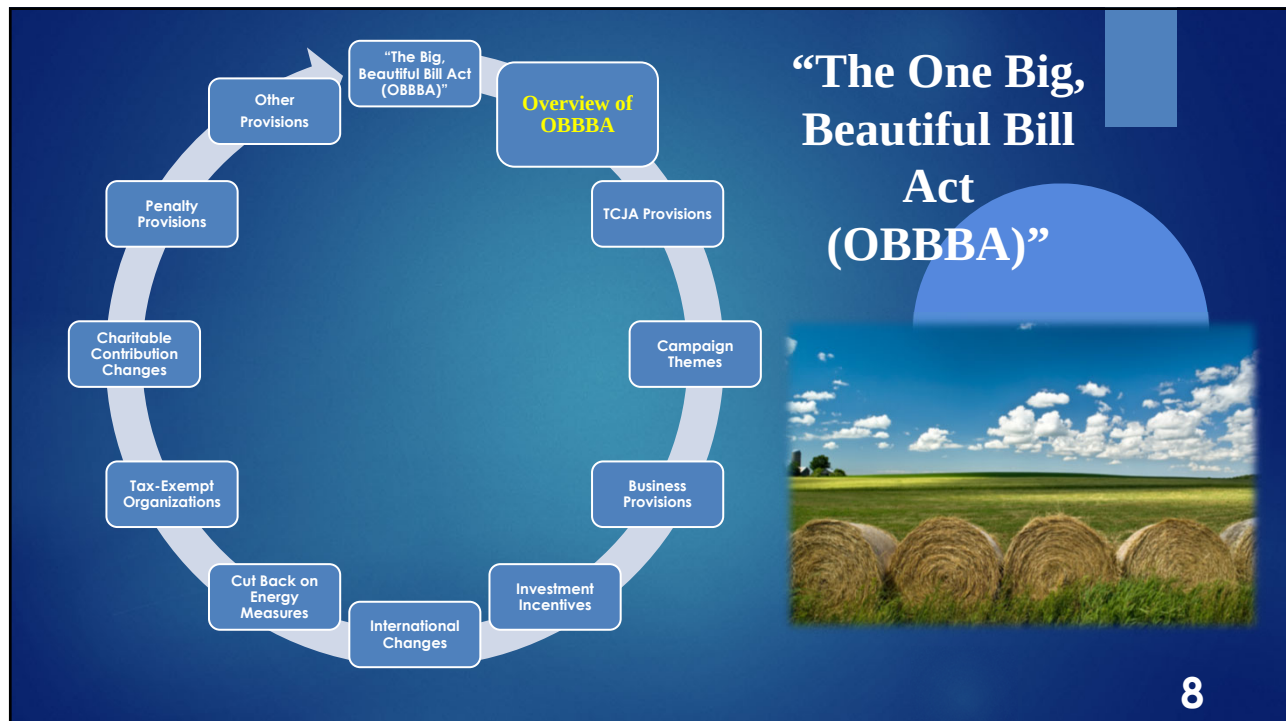
Federal Tax Legislation Update 2025/2026

Background on TCJA, and Impact on OBBBA

- **“Tax Cuts and Jobs Act” (“TCJA”)** was one of most significant tax bills in a generation.
- TCJA was signed into law by President Trump on **December 22, 2017**.
- **Comprehensive** piece of tax legislation - brought about **across-the-board tax cuts** for businesses and individuals. Included some tax **simplification**, but also many **complications**.
- Unfortunately for taxpayers, **many of the TCJA changes were not permanent**. These were scheduled to unwind in 2026 and would revert to the tax law in effect prior to the TCJA.
- TCJA ushered in \$1.5 trillion in tax relief for individuals and businesses.
- Bill passed by Republicans using special “reconciliation” rules in Congress, and closed Democrats out of legislative process with this bill. Certain budget requirements must be followed when using reconciliation.
- With all the various tax items Republicans wanted in the bill, some of these were not permanent, but instead were scheduled to last only a few years (5-10 years in most cases). The TCJA was the best the GOP believed it could produce at the time under the reconciliation rules. They hoped down the road they could enact further tax legislation to keep these TCJA provisions. **Leads us to 2025 and OBBBA.**

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“The One Big, Beautiful Bill Act (OBBBA)”



Overview of OBBBA

- Following 2024 elections, Republicans took control of White House and Congress.
- Administration and congressional leaders announced goal of extending TCJA in 2025 using reconciliation process.
- Much debate and drama as tax bill moved through Congress this year.
- Under **reconciliation**, the legislation essentially must go through Congress two times. Call it “**The Taxes Two Step.**”
- First, Congress must adopt a budget resolution that sets the parameters for the budget impact of the bill and specific instructions. This needs to be adopted by Congress, but does not go to the President.
- Then, the second step is to draft the actual legislation with input from each of the various congressional committees. The bill needs to be passed by both the House and Senate (simple majority votes) before moving to the President for signature.

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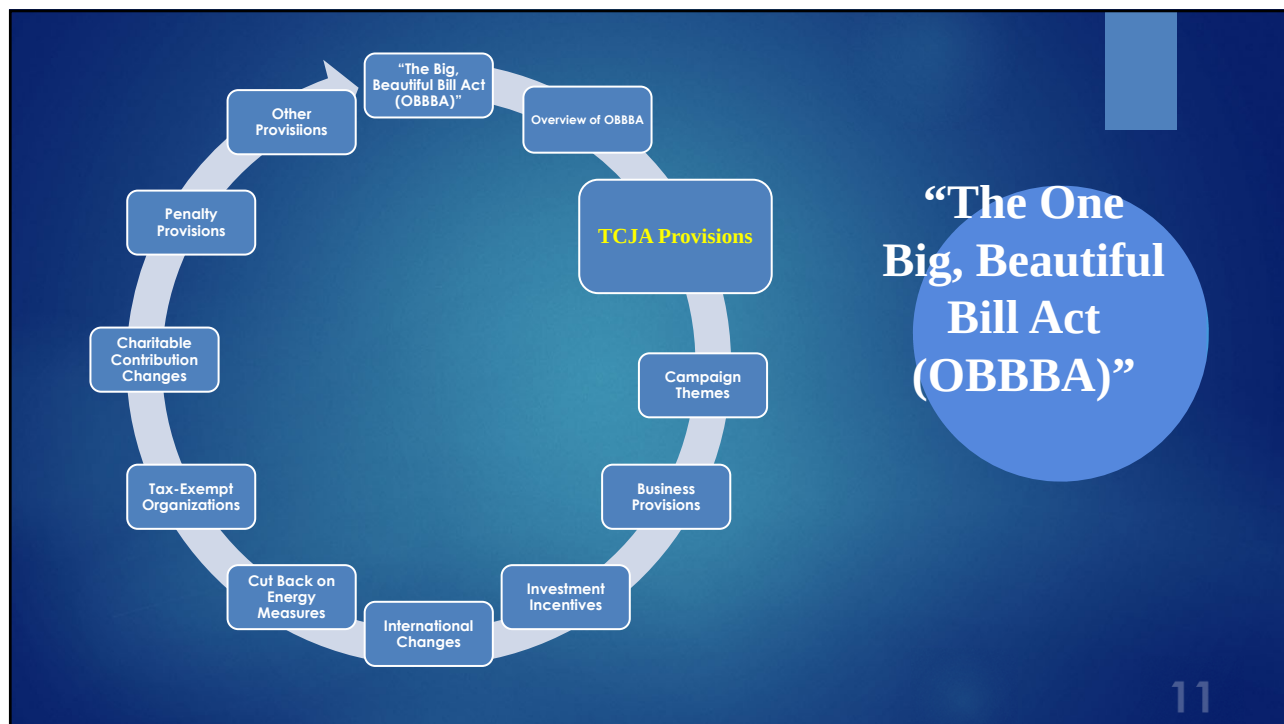
“The One Big, Beautiful Bill Act (OBBBA)”

Overview of OBBBA

- The Senate first adopted the Budget Resolution on April 5, 2025. The House followed up with its approval on April 10, 2025.
- The 21 congressional committees (11 in the House and 10 in the Senate) then worked to craft their section of the reconciliation bill each following the amounts and instructions spelled out in the Budget Resolution.
- The Senate first took up the bill and after many contentious amendments and delays approved the bill on July 1, 2025, with Vice President JD Vance casting tie-breaking vote.
- **Bill then moved to the House for an up or down vote on the bill passed in the Senate. Any changes in bill would force it back to Senate. OBBBA passed in House on July 3, 2025, following several lengthy votes, and was signed into law by President Trump on July 4, 2025.**
- OBBBA introduced significant tax changes affecting individuals, businesses, foreign entities, and tax-exempt organizations. It made many TCJA provisions permanent, and avoided the “tax cliff” in 2026 that many taxpayers/practitioners were concerned with.

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions (Selected Items)

- A. Individual Tax Rates
- B. Standard Deduction
- C. Child Tax Credit
- D. Qualified Business Income (QBI) Deduction
- E. Excess Business Loss Limitation
- F. AMT Exemption
- G. Limitation on Qualified Resident Interest Deduction
- H. Casualty Loss Deduction
- I. Educator Expenses
- J. Limit Benefit of Itemized Deduction for Top Tax Bracket
- K. Gambling (Wagering) Losses
- L. State (SALT) Tax Deduction
- M. Estate and Gift Tax Exemption

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

- ▶ **A. Individual Tax Rates** (*Act Section 70101*)
 - OBBBA made **permanent** the reduction in individual income tax rates made by TCJA in 2017.
 - These were scheduled to expire at end of 2025, and in 2026 revert to the pre-TCJA rates of 2017.
 - These tax rates are indexed for inflation. There is a double inflation adjustment for the bottom two brackets (10% and 12%) for the 2026 year.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”

OBBBA Observation on “Permanent”

Many of the TJCA provisions were made **permanent** by OBBBA. These items are permanent in a sense they are not scheduled to expire. A future Congress or President could always pass a tax bill to change any tax provision, but tax changes are not easy to come by. So, the items labeled as “permanent” are permanent for the foreseeable future, and are not scheduled to sunset or expire.

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

- ▶ **B. Standard Deduction** *(Act Section 70102)*
 - OBBBA made **permanent** the higher standard deduction ushered in by TCJA.
 - The standard deduction was also enhanced for 2025 year. The standard deduction **for 2025 was \$31,500 (and is \$32,200 in 2026)** for MFJ (up from \$30,000 in 2024); and was **\$15,750 (and is \$16,100 in 2026)** for Single (up from \$15,000 in 2024). These amounts are indexed for inflation.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **C. Child Tax Credit** *(Act Section 70104)*
 - OBBBA made **permanent** the higher child tax credit adopted by the TCJA.
 - The credit was also increased to **\$2,200** per child.
 - Maximum **refundable portion** of the child tax credit is **\$1,700 in 2026.**
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

- ▶ **D. Qualified Business Income (QBI) Deduction** (Act Section 70105 and Code Section 199A)
 - OBBBA made **permanent** the 20% QBI deduction under Section 199A.
 - Further, OBBBA increased the taxable income limitation by **\$50,000** for MFJ and by \$25,000 for others.
 - There is also a new minimum deduction of **\$400** for an active qualified business income. Need to have a total of \$1,000 of aggregate qualified business income. Taxpayer needs to “materially participate” in the business (§469).
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

- ▶ **E. Excess Business Loss Limitation** (Act Section 70601 – Section 461(l))
 - TCJA disallowed a deduction in current year for “excess business losses” and treated such losses as an NOL carryover to following year.
 - An excess business loss is the amount a taxpayer's aggregate deductions attributable to trades and businesses exceed sum of aggregate gross income or gain attributable to such activities, and threshold amount indexed to inflation.
 - In 2025, the threshold amounts are **\$313,000** (single) and **\$626,000** (MFJ).
 - OBBBA resets threshold for 2026 at their 2018 levels (\$500,000 for MFJ a married filing and \$250,000 for others), and adjust for inflation starting in 2026, and also makes limitation permanent. **The threshold amounts are \$292,000 (single) and \$584,000 (MFJ) in 2026.**
 - OBBA also treats excess loss an NOL in next year (earlier proposals would keep as business loss, not an NOL).
- ▶ **Effective Date: Effective for 2026.**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **F. AMT Exemption** (*Act Section 70107 and Code Section 55*)
 - OBBBA made **permanent** the higher AMT adopted by TCJA. The higher exemption and higher exemption phase-out point have resulted in far fewer taxpayers being subject to AMT since 2018. The AMT exemption in 2026 is \$140,200 (MFJ) and \$90,100 (Single).
 - The point where AMT exemption begins being phased out was reset to **\$1,000,000 for MFJ in 2026 (and \$500,000 for Single)**. Also, AMT phase-out % is increased from 25% **to 50%**. Creates a **42% AMT marginal tax rate** for taxpayers in AMT exemption phase-out range.
 - These AMT changes, along with higher SALT deduction of \$40,000 could result in more taxpayers being subject to AMT starting in 2026.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **G. Limitation on Qualified Resident Interest Deduction** (*Act Section 70108*)
 - OBBBA made **permanent** the TCJA changes to mortgage interest deduction.
 - Thus, the \$750,000 cap on the mortgage for a primary residence will continue. **Note - this amount is NOT indexed for inflation.**
 - Further, home equity loan (“HELOC”) interest deductibility will be limited.
 - A favorable change was added that treats mortgage insurance premiums as interest for purposes of this mortgage interest deduction.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **H. Casualty Loss Deduction** (*Act Section 70109 and Code Section 165(h)*)
 - OBBBA made **permanent** the limitation on deduction of personal casualty losses.
 - **Qualified Disaster Losses still deductible** and obtain favorable tax treatment.
 - A new provision was added by OBBBA to Section 165(h)(5) for “**State Declared Disasters.**” Relates to natural catastrophe. Governor of State and Secretary (IRS or Treasury Department) make the determination that the catastrophe caused damage of “sufficient severity and magnitude to warrant” this new provision.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions (*Actually this item not part of TCJA changes in OBBBA, but located later in bill*)

- ▶ **H. Casualty Loss Deduction** (*Act Section 70438*) (*Continued*)
 - A **separate OBBBA change on Casualty Losses.** Relates to date for “qualified disaster losses.”
 - On December 12, 2024, the “*Federal Disaster Tax Relief Act of 2023*” was enacted and major disaster losses declared by the President by February 10, 2025, would be treated as “qualified disaster losses. The disaster must have an incident period began before December 12, 2024, and must have ended no later than January 11, 2025.
 - **OBBBA further extended this date** for qualified disaster losses **to July 4, 2025.**
 - Form 4684 Draft Instructions for 2025 state a **qualified disaster loss** as: “*A major disaster that was declared by the President during the period between January 1, 2020, and September 2, 2025. Also, this disaster must have an incident period that began on or after December 28, 2019, and on or before July 4, 2025, and must have ended no later than August 3, 2025.*”
- ▶ **Effective Date: See above dates in 2025.**
- ▶ **Expiration Date: See above dates in 2025.**

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

- ▶ **I. Educator Expenses** *(Act Section 70110 and IRC Sections 67 and 62)*
 - OBBBA made **permanent** the disallowance of **miscellaneous itemized deductions**.
 - **Educator Expenses, however, remain deductible.** In addition, under OBBBA, **coaches and sports administrators** are included as an educators and eligible for this deduction. Expense must be directly related to your work as eligible educator, and not reimbursed by your school, district, or other employer. > 900 hours per year.
 - **OBBBA also enhanced this deduction.** Before OBBBA, educators could deduct up to \$300 as an “above the line” deduction (\$600 for MFJ if both spouses qualify). Now, same \$300/\$600 limits apply, and any excess is treated as an itemized deduction. There is no cap on amount of itemized deduction.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”

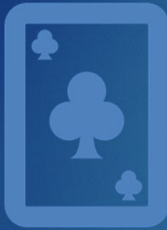
TCJA Provisions

- ▶ **J. Limit Benefit of Itemized Deduction for Top Tax Bracket** *(Act Section 70111 – Section 68)*
 - OBBBA made **permanent** a new limitation on itemized deductions.
 - This provision limits the tax benefit **to tax taxpayers in the top 37% tax bracket** to a **35% tax benefit**. Reduces tax benefit of impacted deductions by 5.4%.
 - Adjustment determined by reducing by **2/37th** of the **lesser of:**
 - (1) taxpayer’s total itemized deduction; or
 - (2) taxpayer’s taxable income in the 37% tax bracket.
 - This limitation does not apply in the determination of QBI deduction.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **K. Gambling (Wagering) Losses** *(Act Section 70114)*
 - OBBBA made **two changes** with the deduction of gambling (or wagering) losses.
 - First, the deduction for wagering losses is **limited to 90% of the losses incurred in the year**, and further, the losses are limited to the amount of wagering gains incurred in the year.
 - No overall tax impact if wagering losses are > 111% of gains.
 - Second, the amount of losses from wagering includes any deduction otherwise deductible that is “incurred in carrying on any wagering transaction.”
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **L. State (SALT) Tax Deduction** *(Act Section 70120 and Code Section 164)*
 - One of the most publicized and controversial provisions in this year’s OBBBA was the provision dealing with the **State and Local Tax (SALT) tax deduction**.
 - The TCJA instituted a **\$10,000 cap** on the deduction for states and local taxes that took effect in 2018. Ever since its adoption in TCJA, this SALT cap has been an item of fierce debate.
 - Politicians in high tax states have sought to boost this \$10,000 limit, while those in lower tax states do not want to feel they are subsidizing these in the higher taxed states. Thus, the drama has played out for nearly eight years.
 - Political leaders struggled this year in the OBBBA negotiations to produce a strategy that would satisfy both sides of this issue.
- ▶ **Effective Date: Effective for 2025.**
- ▶ **Expiration Date: Change applies for tax years 2025 through 2029.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **L. State (SALT) Tax Deduction** (Act Section 70120) (Continued)
 - What was ultimately decided on by Congress was an increase in the SALT deduction limit from \$10,000 up to **\$40,000**.
 - What Congressional leaders produced, however, was a **phase-down of this \$40,000 deduction** once a taxpayer's income exceeded \$500,000. This \$40,000 deduction is **phased down at a 30% rate** for a taxpayer with AGI between \$500,000 and \$600,000.
 - Once a taxpayer is above \$600,000, they are capped at a \$10,000 SALT deduction.
- ▶ **Effective Date: Effective for 2025.**
- ▶ **Expiration Date: Change applies for tax years 2025 through 2029.**

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“The One Big, Beautiful Bill Act (OBBBA)”



TCJA Provisions

- ▶ **L. State (SALT) Tax Deduction** (Act Section 70120) (Continued)
 - **Pass-through Entity (PTE) Tax Election.** Since the adoption of the SALT limit in 2017, many states have adopted pass-through entity tax election as a workaround to this SALT Cap.
 - States allowed the business to pay and deduct the pass-through entity's owners state tax at the entity level. This approach side-stepped the \$10,000 SALT limit. Nearly every state with an income tax has adopted such a PTE tax regime.
 - The OBBBA bill was considering several changes that would have severely limited the PTE state tax workarounds.
 - **At the end, Congressional leaders pulled the restrictions on the PTE election and did not adopt any changes. Thus, there were no OBBBA changes that impacted the PTE state tax workarounds.**
- ▶ **Effective Date: Effective for 2025.**
- ▶ **Expiration Date: Change applies for tax years 2025 through 2029.**

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“The One Big, Beautiful Bill Act (OBBBA)”

TCJA Provisions

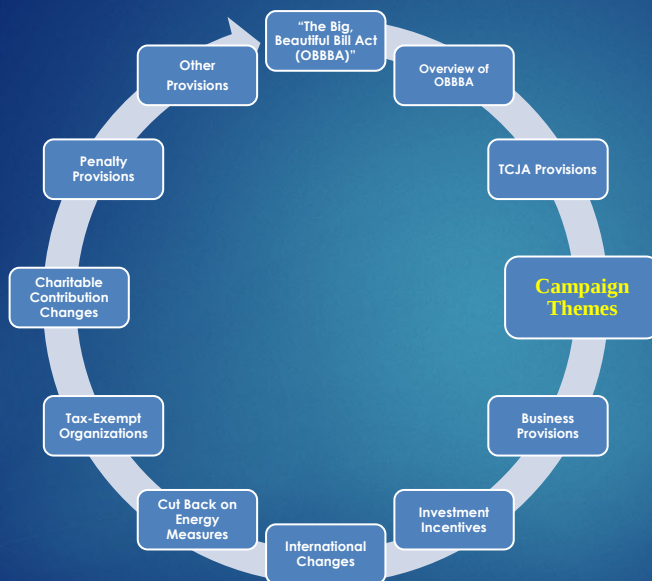
- ▶ **M. Estate and Gift Tax Exemption** (Act Section 70106)
 - TCJA doubled the estate and gift tax exemption. The exemption was then indexed for inflation.
 - The estate and gift tax exemption was set at **\$13.99 million for 2025** (and \$27.98 million for married couples). These rates were set to nearly be cut in half in 2026 without any new law.
 - OBBBA increased the exemption to **\$15,000,000** for the 2026 year, and indexed it for inflation after that.
 - Further, the higher exemption was made **permanent**. This higher level and permanency will afford taxpayers some comfort that the exemption is set for the foreseeable future and they can plan accordingly.
- ▶ **Effective Date: Effective for 2026 (TYBA 12/31/2025).**
- ▶ **Expiration Date: Change is permanent.**



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“The One Big, Beautiful Bill Act (OBBBA)”



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“The One Big, Beautiful Bill Act (OBBBA)”

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Campaign Themes (Selected Provisions)



A. “No Tax on Tips.”



B. “No Tax on Overtime.”



C. “No Tax on Car Loan Interest.”



D. “Trump Accounts.”



E. Senior Deduction.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (*Act Section 70201 – New Code Section 224*)

- Campaign theme of both parties. Popular among voters.
- Logistically, difficult to implement.
- Deduction allowed for individual income tax return for qualified tip income
- Tip income first reported, then later deducted with limitations. Tips not excluded outright.
- Tip deduction limited for self-employed individuals operating a trade or business.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- Tip deduction limited to \$25,000.
- Tip deduction subject to **phase-out based on AGI** (MAGI):
 - **\$300,000 for MFJ**
 - **\$150,000 for other filers**
 - Subject to phase-out \$100 reduction for every \$1,000 of income over threshold

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- Tip must be received by worker in **occupation customarily received tips** on or before December 31, 2024.
- IRS provided list of occupations eligible for tip deduction. Initial draft of listing released August 27, 2025. Updated listing included in Proposed Regulations for Deduction for Tip Income on September 19, 2025. Final listing required by October 2, 2025 (90 days after OBBBA enactment).
- **Tip must be voluntary.** Determined by payor. Service charges won't apply. 18%-22% fixed gratuity, likely won't qualify. Some effort to try to expand tip definition – possible changes by IRS; or by Congress.
- Tip not available for an SSTB business (under Section 199A).

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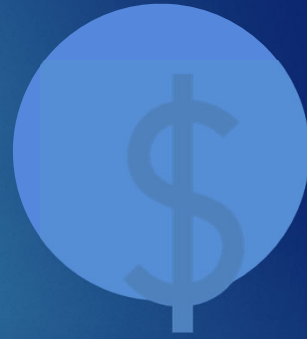
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- **Proposed Regulations** issued for Deduction for Tip Income on September 19, 2025.
- Key parts of proposed regulations:
 - Detailed listing (**Table I**) in proposed regs of occupations eligible for tip income deduction. Preamble to regs addresses methodology IRS used to identify these occupations.
 - IRS developed codes for eligible occupations. “**Taxpayer Tipped Occupation Code,**” or **TTOC.**
 - Table I with TTOCs also offers brief descriptions of occupations and example jobs.
 - *General Categories:* **Beverage and Food Service** (100s); **Entertainment and Events** (200s); **Hospitality and Guest Services** (300s); **Home Services** (400s); **Personal Services** (500s); **Personal Appearance and Wellness** (600s); **Recreation and Instruction** (700s); and **Transportation and Delivery** (800).



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- **Proposed Regulations** also addressed definition of **qualified tips**. **The payment must be voluntary by the payor** – payor determines tip amount, if any. Paid without compulsion.
- With restaurants this creates many unusual situations. The IRS offered several **useful examples** addressing when a payment qualifies as a tip, and when it does not. A few are covered below.
- **Example 1.** *Restaurant W’s menu specifies that an automatic 18% charge will be added to all bills for parties of six or more customers. Customer D’s bill for food and beverages for her party of six includes the 18% charge on the “tip line” and the total bill includes this amount. Restaurant W distributes this amount to the waitstaff and bussers. Customer D did not determine the amount of the additional charge, nor was Customer D expressly provided an option to disregard or modify the amount. Customer D did not make the payment free from compulsion. Under these circumstances, the 18% charge is not a qualified tip for purposes of the deduction under Section 224.*



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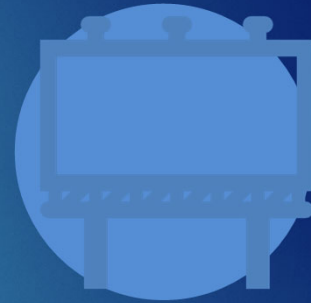
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- ▶ **Example 2.** Example 2. The facts are the same as in Example 1 except the bill has a line labeled “additional tip amount.” In this case, Customer D adds on the “additional tip line” an amount equal to 2% of the price for food and beverages. As in Example 1, the 18% charge is not a qualified tip for the purposes of the deduction under Section 224. **However, the 2% additional amount is a qualified tip for the purposes of the deduction under Section 224, because Customer D voluntarily paid the 2% additional amount without compulsion.**



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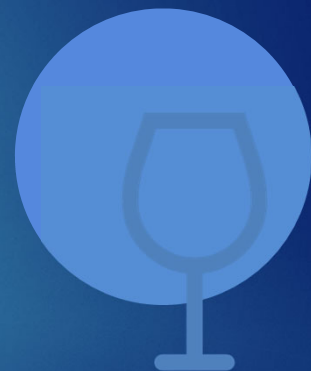
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

▶ A. “No Tax on Tips.” (Act Section 70201) (Continued)

- ▶ **Example 3.** Example 3. Customer E dines at Restaurant X with a party of eight people. E’s bill for food and beverages for the party of eight includes a “recommended tip” equal to 18% of the price for food and beverages. However, there is a line for the customer to subtract (including to zero) or add to the recommended tip amount before paying the bill. Customer E subtracts 3% from the recommended tip amount resulting in a tip of 15% of the price for food and beverages. Customer E had a right to determine the additional amount, and he was expressly provided the option to disregard or modify the “recommended tip” amount. **Under these circumstances, the recommended 18% amount is not a service charge. Rather, the 15% amount that the customer voluntarily paid without compulsion is a qualified tip for purposes of the deduction under Section 224.**



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- **Example 4.** Example 4. Customer F has a meal at Restaurant Y. The server presents the bill for the meal to Customer F on an electronic handheld point of sale (POS) device. The POS device includes the charges for each food and beverage item and the applicable tax. **The POS device also prompts Customer F to leave a tip and provides the following options for Customer F: 15%, 18%, 20%, other, and no tip.** Customer F selects 18% and pays the total balance via credit card through the POS device. **Customer F had a right to determine the additional amount, and Customer F was expressly provided the option to leave no tip. Under these circumstances, the 18% amount is a qualified tip.**

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- ▶ **Example 5.** Example 5. The facts are the same as in Example 4, but **the choices on the POS device are 15%, 18%, and 20%.** Customer F must select a “tip amount” before paying the bill. Customer F selects 15% and pays the total balance via credit card through the POS device. Customer F did not voluntarily determine the amount of the additional charge because Customer F was forced to select an amount greater than zero. Customer D was not expressly provided an option to disregard or modify the amounts presented. **Customer D did not make the payment free from compulsion. Under these circumstances, the 15% charge is not a qualified tip for purposes of the deduction under Section 224.**



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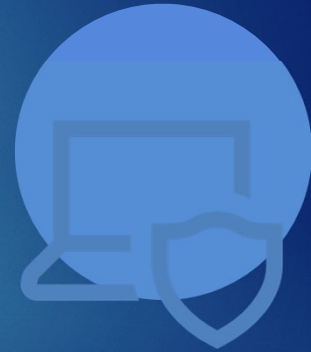
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- **Tip must be a “cash tip.”** Includes cash tips and credit card tips (language clarified before final enactment).
- Also, “tip-sharing arrangements” allowed as a cash tip.
- Employer needs to report worker’s Social Security number.
- **Married taxpayers must file a joint tax return** to claim tip deduction.
- Deduction **allowed for non-itemizers.**
- **More IRS guidance expected.** Also, Notice 2025-62 released by IRS on November 5, 2025 – no penalties for employers for 2025.



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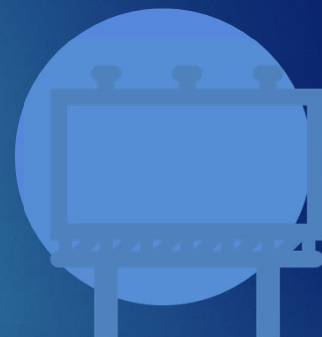
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

- **Form W-2 Reporting:**
 - Tip must be reported on a Form W-2. Included in Box 1 total wage income
 - Then, in Form W-2, **Box 12**, use **Code TP**, and report amount of tip income for year.
 - **Box 14** indicates type of occupation.
 - Use “reasonable method” to determine tip income for 2025.
- Worker then takes income tax deduction for tips (up to \$25,000) on individual tax return.
- **Note: worker is subject to Social Security Tax (FICA) on tip income. Only save on income tax.**
- Withholding tax tables will be modified to reflect tip deduction. Not in 2025.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

A. “No Tax on Tips.” (Act Section 70201) (Continued)

Selected Changes in Final Regulations Released by the IRS (April 10, 2026):

- Final regs clarify that digital assets are not defined as “cash tips.” But, tips paid in foreign currency are treated as cash tips.
- Final regs also retained designations of various employees in the IRS “TTOC” (“Treasury Tip Occupation Code”). Three new employee categories were added for (1) gas pump attendants; (2) floral designers; and (3) visual artists. Several other TTOC descriptions were modified or renamed.
- The IRS stated in the final regs that the categories of all TTOC employee codes is set, however, the specific types of employee within each TTOC is not all encompassing.
- Final regs also provide that no tip deduction allowed if the employee receiving the tip has a direct ownership interest in the business of at least 5%. Further, no deduction permitted if the employer pays the tip (must be from the customer).
- Note - *IRS Notice 2025-69* continues to apply for employees receiving tips are on the IRS TTOC listing of occupations, but who work in an SSTB.

Effective Date: Effective for tip deduction is 2025 (back to January 1, 2025). Use reasonable method for 2025.

Expiration Date: Change applies for tax years 2025 through 2028.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

B. “No Tax on Overtime.” (Act Section 70202 – New Code Section 225)

- Campaign theme that also became part of OBBBA.
- As with **No Tax on Tips**, this proposal of **No Tax on Overtime** sounds good, but difficult to implement and administer.
- Key term is “**qualified overtime compensation**” in Section 225. Note - this overtime cannot include any qualified tips.
- This is defined as overtime compensation paid to a worker required under **Section 7 of the FLSA of 1938** that is in excess of regular pay rate.
- **Note** - the new OT deduction only applies for the excess compensation paid in working overtime; not the total compensation paid. **Thus, if paid “time and a half” for overtime, it is only the extra half payment that is entitled to the OT deduction.**



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

B. “No Tax on Overtime.” (Act Section 70202 – New Code Section 225) (Continued)

- OT deduction is **\$12,500**, and **\$25,000** for a joint tax return.
- Similar to the deduction for tip income, the OT deduction is subject to an AGI (MAGI) phase-out:
 - **\$300,000** for married filing joint return
 - **\$150,000** for other filers
 - Phase out rate: lose \$100 of OT deduction for each \$1,000 of income above these AGI thresholds.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

B. “No Tax on Overtime.” (Act Section 70202 – New Code Section 225) (Continued)

- OT deduction is available for **non-itemizers**. Again, similar to tip deduction.
- If Married, taxpayers must file a **joint tax return**.
- Social Security number required by employer (payor) for employee to claim OT deduction.
- Overtime amount must be reported on Form W-2 by employer.
- New code to report qualified overtime compensation in **Form W-2 in Box 12, with Code TT**. This Form W-2, Box 12 change begins in 2026.



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“The Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

B. “No Tax on Overtime.” (Act Section 70202 – New Code Section 225) (Continued)

- Deduction also available for payments to workers not treated as employees under tax laws. Statement provided to IRS.
- No listing by occupations for OT deduction as there is with deduction for tip income. Deduction based on hours worked and rules under *FLSA of 1938*. **Unsure how overtime hours will be calculated in various situations.** Watch for IRS guidance.
- Could see some employees try changing from salaried personnel to hourly format.
- **IRS guidance** on OT deduction will be vital to employees and employers. *Notice 2025-62* released by IRS on November 5, 2025 – no penalties for employers for 2025.
- ▶ **Effective Date:** Effective for 2025 (back to January 1, 2025). Statute indicates a **reasonable method** to be used for 2025 year due to retroactive impact.
- ▶ **Expiration Date:** Change applies for tax years 2025 through 2028.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h))

- New deduction for interest paid on car loans. Personal Interest shall not include **“qualified passenger vehicle loan interest.”** Thus, personal interest is not deductible, but qualified passenger vehicle loan interest is deductible.
- Qualified passenger vehicle loan interest is defined as *“any interest which is paid or accrued during the taxable year on indebtedness incurred by the taxpayer after December 31, 2024, for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use.”*



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- ▶ **Applicable Passenger Vehicle** (noted above) defined as follows:
 - the **original use** of which commences with the taxpayer;
 - which is **manufactured primarily for use on public streets, roads, and highways** (not including a vehicle operated exclusively on a rail or rails);
 - which has **at least 2 wheels**;
 - which is a **car, minivan, van, sport utility vehicle, pickup truck, or motorcycle**;
 - which is treated as a motor vehicle for purposes of title II of the Clean Air Act; **and**
 - which has a gross vehicle weight rating of **less than 14,000 pounds**.
- **Made in the USA.** Finally, an Applicable Passenger Vehicle “**shall not include any vehicle the final assembly of which did not occur within the United States.**”



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- ▶ **Applicable Passenger Vehicle.** As noted above, the vehicle must have final assembly in the USA. This is defined as follows:
 - *“the term ‘final assembly’ means the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.”*
- ▶ This definition will need to be further addressed and expanded upon in expected IRS guidance. It is unclear if car dealers will soon be able to market certain vehicles as qualifying for this deductions, and also by omission, those that do not qualify.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- **Exclusions.** The following shall **not** be part of *qualified passenger vehicle loan interest*:
 1. A loan to finance fleet sales.
 2. A loan incurred for the purchase of a commercial vehicle that is not used for personal purposes.
 3. Any lease financing.
 4. A loan to finance the purchase of a vehicle with a salvage title.
 5. A loan to finance the purchase of a vehicle intended to be used for scrap or parts.
- Each of these terms will need to be further explained. IRS guidance is expected that will expand on these exclusions, as well as the other provisions in this deduction.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- **VIN Requirement.** VIN must be reported on tax return. “Interest shall not be treated as qualified passenger vehicle loan interest unless the taxpayer includes the vehicle identification number (VIN) of the applicable passenger vehicle on the return of tax for the taxable year.”
- Car loan cannot be with a related party (determined under §267(b) or §707(b)).



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“The One Big, Beautiful Bill Act (OBBBA)”



Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- **Limitation** on Car Loan Interest Deduction:
 - The amount of annual interest deduction shall not exceed **\$10,000**.
 - **Deduction subject to a phase-out** based on AGI (MAGI): \$200,000 AGI limit for married filing jointly, and \$100,000 for other filers.
 - Deduction reduced (phased-out) by \$200 for each \$1,000 of AGI above these thresholds.

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“The One Big, Beautiful Bill Act (OBBBA)”



Campaign Themes (Selected Items)

C. “No Tax on Car Loan Interest.” (Act Section 70203 – Code Section 163(h)) (Continued)

- ▶ **Deduction available to non-itemizers.** In some respects, more beneficial than home mortgage interest deduction.
- ▶ New reporting for Car Loan interest deduction. **New Section 6050AA.**
- ▶ **Similar reporting for car loan interest deduction as Form 1098 for home mortgage interest.** Taxpayers will need to have this tax form (likely similar to a Form 1098/1099) to be entitled to deduct this interest. Lenders will be charged with this reporting. **Form 1098-VLI.**
- ▶ **Final Regulations Issued September 4, 2026. Here is link to Federal Register for Final Regs:** <https://www.federalregister.gov/documents/2026/09/08/2026-18219/car-loan-interest-deduction>
- ▶ **Effective Date:** Effective for 2025 (back to January 1, 2025).
- ▶ **Expiration Date:** Change applies for tax years 2025 through 2028.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A)

- A **Trump Account** is a new universal savings type account for children. Different from other existing savings accounts that are restricted to saving/paying for college education.
- A Trump Account shall be treated in the **same manner as an IRA** (Individual Retirement Account) under §408(a). General requirements of Trump Account include the following:
 - an IRA, but not a Roth IRA;
 - created by Treasury/IRS for exclusive benefit of eligible individual or individual’s beneficiaries;
 - **for an individual who has not reached Age 18** before end of the calendar year;
 - **designated as a Trump Account when established.**
 - The **governing instrument for Trump Account must provide:** (1) no contributions before July 4, 2026 (one year after OBBBA enacted); (2) not allow contributions above annual limit; (3) generally no distributions before Age 18; and (4) proper investment accounts before Age 18.



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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)



- **Eligible Individual.** Eligible individual for a Trump Account means any individual:
 - **Under age 18** before close of calendar year which election (see below) is made.
 - **With a Social Security Number** issued before election (see below) is made.
 - **Election is made** to establish a Trump Account. Done by Secretary, or by Taxpayer (as prescribed by Secretary) if can show no prior election to establish a Trump Account. Not sure how this election will be handled/made.
- **Account Beneficiary.** Account Beneficiary means the individual who the Trump Account was established for.

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“The One Big, Beautiful Bill Act (OBBBA)”



Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- **Eligible Investments.** Eligible Investment means any **mutual fund** or **exchange traded fund** (ETF) as follows:
 1. tracks the returns of a **qualified index**;
 2. does not use leverage;
 3. does not have annual fees/expenses of **> 0.10%** of the balance of the investment in the fund; **and**
 4. meets such other criteria as the Secretary determines appropriate for these investments.

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“The One Big, Beautiful Bill Act (OBBBA)”



Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- **Eligible Investments.**
- **Qualified Index** means:
 - i. The **S&P 500 stock market index**; **or**
 - ii. Any other index comprised of equity investments in primarily US companies; **and** for which regulated futures contracts are traded on a qualified board or exchange.
 - iii. Does not include any industry or sector-specific index, but may include an index based on market capitalization.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- **Contributions to Trump Account.** No deduction allowed under §219 for any contribution to a Trump Account made before first day of year in which the account beneficiary attains age 18. **No compensation required of beneficiary (like an IRA)** for contribution to a Trump Account.
>>> Once beneficiary reaches age 18, is deduction allowed to Trump Account, like an IRA?
- **Contribution Limit.** Any year prior to beneficiary reaching age 18, **aggregate contributions** to Trump Account limited to \$5,000. Does **not** include “**exempt contributions.**” The \$5,000 is indexed for inflation beginning in 2028.
- **Timing of Contributions.** Contribution to Trump Accounts must be **made by December 31st** of year; no ability to fund these up to unextended due date of tax return for beneficiary (under age 18).
- **Exempt Contributions.** Includes: (1) a “qualified rollover contribution;” (2) a “qualified general contribution;” and (3) a contribution under “Trump Account Contribution Pilot Program.”

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- **Qualified Rollover Contribution.**
 - “The term “qualified rollover contribution” means an amount which is paid in a **direct trustee-to-trustee transfer** from a Trump Account maintained for the benefit of the account beneficiary to a Trump Account maintained for such beneficiary, but **only if the amount of such payment is equal to the entire balance of the Trump Account from which the payment is made.**”
- **Qualified General Contribution.** Can be made by charitable organizations to certain individuals, as prescribed by Secretary. IRS guidance needed for how these amounts are determined.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- **Employer Contributions to Trump Account.** Gross income of an employee does not include amounts paid by the employer as a contribution to the Trump Account of **such employee** or of **any dependent of such employee**.
- New **Section 128** covers income exclusion employer contributions to Trump Accounts.
- Amounts must be paid/incurred **pursuant to a program** described in §128(c):
*“a Trump Account contribution program is **a separate written plan** of an employer for the exclusive benefit of his employees to provide contributions to the Trump Accounts of such employees or dependents of such employees.”*
- Also, employee exclusion under **Section 139J** for other contributions to Trump Account.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

D. “Trump Accounts.” (Act Section 70204 – New Code Section 530A) (Continued)

- “Trump Accounts Contribution Pilot Program” (“TACPP”).
- New **Section 6434**. (Also, New **Section 6659** for *Improper Claims to Pilot Program*)
- “An individual makes an **election** under with respect to an **eligible child** of the individual, such eligible child shall be treated as making a payment against the tax for the year which election was made equal to **\$1,000**. Amount is then treated as a payment and **shall be paid by the Secretary to the Trump Account** with respect to which such eligible child is the account beneficiary.” **Thus, Government funds initial \$1,000 in Trump Account for eligible child.**
- **Eligible Child.** (1) A child born **after 12/31/2024 and before 1/1/2029; and** (2) a US Citizen.
- Eligible child needs a **Social Security Number**.
- **Election** for pilot program made in manner prescribed by Secretary.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

- ▶ **D. “Trump Accounts.”** (Act Section 70204 – New Code Section 530A) (Continued)
 - **Distributions.** General Rule - **no distributions from Trump Account** before beneficiary reaches **age 18**.
 - Contributions to Trump Accounts for General Contributions; Pilot Amounts; and Employer Amounts are not treated as an investment under Section 72 (taxation of an annuity). Thus, will trigger ordinary income to beneficiary upon eventual distribution.
 - Regular contribution to the \$5,000 annual limit are treated as an investment in the Trump Account under the annuity rules of Section 72. Thus, not taxed upon distribution, although earnings on contributions are taxable. Treated like a non-deductible IRA.
 - “Qualified Rollover Contributions” permitted before Age 18. Beneficiary not taxed on a qualified rollover contribution.

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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

- ▶ **D. “Trump Accounts.”** (Act Section 70204 – New Code Section 530A) (Continued)
 - **Qualified ABLE Rollover Contribution.** Can rollover amount from Trump Account to an ABLE Account (under Section 529A).
 - “Trustee-to-trustee transfer” of **full amount in Trump Account** to an ABLE Account.
 - Transfer in calendar year in which beneficiary reaches Age 17.
- ▶ **Effective Date:** Trump Accounts are effective for 2026, but \$1,000 Pilot Program for contributions to Trump Accounts applies for children born in 2025 through 2028.
- ▶ **Expiration Date:** Change applies for tax years 2026 and is permanent after that. Thus, there is no expiration with the Trump Accounts. The \$1,000 Pilot Program, however, only applies for children born in 2025-2028.

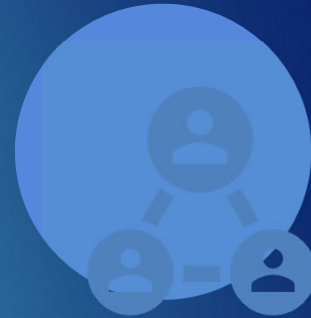
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“The One Big, Beautiful Bill Act (OBBBA)”

Campaign Themes (Selected Items)

- ▶ **E. “Senior Deduction” Social Security Benefit Relief.”** (Act Section 70103 – Code Section 151(d)(5))
 - Senior Deduction. Due to reconciliation rules, unable to exempt Social Security benefits from being taxed. Not fully explained by Congress.
 - Established enhanced deduction for Senior taxpayers. Senior is age 65 or older as of end of year.
 - **\$6,000 deduction per person.**
 - Phase-out of Senior Deduction with AGI over \$150,000 (for MFJ). 6% phase-out rate.
 - Not an itemized deduction.
- ▶ **Effective Date: Effective for 2025 year.**
- ▶ **Expiration Date: Senior Deduction applies for tax years 2025-2028.**



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Business Provisions (Selected Items)

- A. Bonus Depreciation.
- B. Section 179 Expensing.
- C. Research Expenditures.
- D. Limitation on Interest Deduction.
- E. Qualified Production Property (QPP)
- F. Residential Long-Term Contracts
- G. Advanced Manufacturing Investment Credit

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

A. Bonus Depreciation. *(Act Section 70301 – Code Section 168(k))*

- **Bonus Depreciation:** The **100% bonus depreciation** deduction is restored. It had been 100% from TCJA in 2017, but began a phase down in 2023 to 80%; 60% in 2024; and was scheduled for 40% in 2025.
- Higher 100% threshold applies for **property acquired after January 19, 2025** (*thus, began on Inauguration Day*).
- **Note:** A taxpayer may not be entitled to 100% bonus depreciation for property placed in service after January 19, 2025, if it had a **binding contract** to acquire that property as of January 19, 2025. IRS guidance may be needed in this area with binding contracts and the date acquired for purposes of 100% bonus depreciation.
- **This change to 100% bonus depreciation is permanent.**



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Business Provisions (Selected Items)

A. Bonus Depreciation. (Act Section 70301 – Code Section 168(k))

- ▶ **Bonus Depreciation: 100% bonus depreciation restored. More on “Binding Contract.”**
 - If “placed in-service” after January 19, 2025, IRS focuses on the property’s “acquisition date.”
 - **If you had a “binding contract” to purchase property prior to 1/19/25**, it would fall back to the 40% bonus depreciation rules.
 - **If there was no “binding contract” to acquire the property prior to 1/19/2025**, the acquisition date is the date you incurred more than 10% of the property’s total cost.
 - Written binding contract is contract enforceable against taxpayer under state law and not subject to termination by either party without substantial penalty. IRS considers a “substantial penalty” to be $\geq 5\%$ of total contract price.



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Business Provisions (Selected Items)

A. Bonus Depreciation. (Act Section 70301 – Code Section 168(k))

- **Bonus Depreciation: 100% bonus depreciation restored. More on “Binding Contract.” (Continued)**
 - Under current written binding contract rules, property is acquired on later of:
 1. Date contract entered into;
 2. Date contract becomes **enforceable** under State Law;
 3. If contract has one or more cancellation periods, **date on which all cancellation periods end**; or
 4. If contract has one or more contingency clauses, date on which **all conditions subject to such clauses are satisfied**



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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

A. Bonus Depreciation. (Act Section 70301 – Code Section 168(k)) (Continued)

- The 100% Bonus Depreciation applies to new or used property.
- The ability to use 100% bonus depreciation on used property is a **key factor with M&A deals**, as the buyer can write-off 100% of the purchase price allocated to Machinery & Equipment, fixtures, and other qualifying property.
- The same depreciation recapture rules apply, thus disposals of property using 100% bonus depreciation should trigger more gain on disposals.



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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

A. Bonus Depreciation. (Act Section 70301 – Code Section 168(k)) (Continued)

IRS Notice 2026-11 on OBBBA changes for 100% bonus depreciation issued by the IRS on January 14, 2026. Some selected highlights in Notice 2026-11:

- Notice 2026-11 directs taxpayers to Reg. §1.168(k)-2 to find interim guidance on applying changes made to 100% bonus depreciation in OBBBA.
- Taxpayers and tax practitioners should follow the rules in Reg. §1.168(k)-2 relating to the establishment of 100% bonus depreciation as part of TCJA enacted in 2017, and apply these rules to determine how to implement 100% bonus depreciation from OBBBA.
- For example, taxpayers can apply these Section 168 regulations to assist them with self-construction provisions; non-binding contract rules; and written binding contract provisions. Then substitute the January 19, 2025, effective date for OBBBA bonus depreciation for the September 27, 2017, date for TCJA bonus depreciation.
- There are also certain tax elections in these regulations from TCJA that could apply with OBBBA.
- Taxpayers and tax practitioners can use the guidance in Notice 2026-11 until further IRS guidance is issued (likely in form of new Section 168 regulations).
- **Effective Date: Effective for 2025 – Property acquired after January 19, 2025.** This is “date specific,” and not impacted by a company’s fiscal year.
- **Expiration Date: The 100% bonus depreciation change is permanent.** The permanency of 100% bonus depreciation, should allow businesses now to plan better.



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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

B. Section 179 Expensing. (Act Section 70306 – Code Section 179)

- **Section 179 Expensing:** Section 179 deduction limit increased from \$1,250,000 to **\$2,500,000**.
- Phase-out threshold raised to **\$4,000,000**. Section 179 deduction is reduced dollar-for-dollar for additions above \$4,000,000. Thus, fully phased-out when qualifying additions reach \$6,500,000.
- Same Section 179 recapture rules still apply. See also Section 280F.
- ▶ **Effective Date:** Applies to property placed in service in tax years beginning after **December 31, 2024**, and is **permanent**.
- ▶ **Expiration Date:** The Section 179 changes with higher limitations are **permanent**. The permanency of higher Section 179 limits allows businesses more certainty with which to plan.



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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

C. Research Expenditures (Section 174/174A). (Act Section 70302 – Code Section 174A/174)

- Starting with tax years beginning after December 31, 2024, businesses allowed to fully deduct their research and development expenses in year costs are incurred. **This change would be permanent.**
- Applies to **all domestic businesses** in every industry, but **not to foreign** research expenses, which continues to be amortized over 15 years.
- **New Section 174A** for domestic research expenditures, and Section 174 for foreign research expenditures.
- **Effective Date:** Changes with Section 174/174A are generally effective for tax years beginning in 2025. Some retroactive application for small businesses. See following discussion on IRS Rev Proc 2025-28.
- **Expiration Date:** Changes with Section 174/174A are permanent.

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“The One Big, Beautiful Bill Act (OBBBA)”



Business Provisions (Selected Items)

C. Research Expenditures (Section 174/174A). (Act Section 70302 – Code Section 174A/174)

- Additionally, OBBBA allows businesses to deduct unamortized portion of research expenses - capitalized and amortized over five years since 2022.
- Either deduct unamortized portion: **(1)** entirely in 2025; or **(2)** spread to 2025 and 2026.
- Further, **retroactive relief** is available for **small businesses** with less than \$31 million in revenue.
- Businesses looking to obtain retroactive relief as a small business for research costs must not assume they automatically qualify if their receipts are < \$31 million. Must verify they qualify: **(1)** analyze **if any related companies need to be aggregated** in performing \$31 million receipts calculation; and **(2)** determine if they are a “**tax shelter.**” **Review Section 448 and regulations.**

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“The One Big, Beautiful Bill Act (OBBBA)”



Business Provisions (Selected Items)

C. Research Expenditures (Section 174/174A). (Act Section 70302 – Code Section 174A/174)

Rev Proc 2025-28

- ▶ IRS guidance on OBBBA changes with Section 174A/174 in **Rev Proc 2025-28**, released by the IRS on August 27, 2025.
- ▶ **Rev Proc 2025-28** provides procedures for making certain elections for research expenditures under Act §70302 of OBBBA.
- ▶ **Rev Proc 2025-28** modifies procedures under §446 and Reg. §1.446-1(e) for making automatic changes in method of accounting with the IRS. Among the changes listed in this Rev Proc are changes in method of accounting to comply with Section 174/174A (made by OBBBA). There were also other items spelled out in *Rev Proc 2025-28*.

Rev Proc 2026-32

- ▶ IRS issued Rev Proc 2026-32 on September 4, 2026. Provides some guidance on change of accounting method for Section 174/174A and Section 460. Link to this Rev Proc: <https://www.irs.gov/pub/irs-drop/rp-26-32.pdf>

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

C. Research Expenditures (Section 174/174A). (Act Section 70302 – Code Section 174A/174)

Rev Proc 2025-28 (Continued)

- Rev Proc 2025-28 is broken down into the following ten main sections, with the highlighted sections of key importance:
 1. Purpose (page 1)
 2. Background (page 2)
 3. **Small Business Election to Retroactively Apply Section 174A (page 20)**
 4. **Small Business Taxpayer Election under Section 280C(c)(2) (page 27)**
 5. **Small Business Taxpayer Revocation of Section 280C(c)(2) Election (page 30)**
 6. Election to Capitalize and Amortize Domestic Research or Experimental Expenditure Under Section 174A(c) (Page 33)
 7. **Modification of Section 7 of Rev Proc 2025-23 (page 34)**
 8. **Relief Provided to an Eligible Entity (page 57)**
 9. Effect on Other Documents (page 58)
 10. Effective Dates (page 59). [Link to PDF copy of Rev Proc 2025-28: https://www.irs.gov/pub/irs-drop/rp-25-28.pdf](https://www.irs.gov/pub/irs-drop/rp-25-28.pdf)

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Business Provisions (Selected Items)

D. Limitation on Interest Expense Deduction. (Act Section 70303 – Code Section 163(j))

- ▶ **Interest Deduction Limitation.** Since 2022, “ATI” was determined after depreciation and amortization deductions (“**EBIT**” approach). Thus, ATI was a lower amount and resulted in less interest expense being deducted.
- ▶ **Permanent Extension.** Makes permanent the determination of “Adjusted Taxable Income” (ATI). After OBBBA, ATI is now measured on taxable income **before** interest, depreciation, and amortization deductions (“**EBITDA**” approach).
- ▶ ATI **excludes** GILTI and Subpart F income amounts now. This change will push ATI lower, and could present a Section 163(j) limitation.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

D. Limitation on Interest Expense Deduction. (Act Section 70303 – Code Section 163(j))

Impact of OBBBA change

- Taxpayers will likely be able to deduct more interest now under the EBITDA approach to ATI, compared with the previous EBIT approach.
- Businesses that are less profitable, highly leveraged, and/or capital intensive should benefit from OBBBA change to interest expense limitation.
- Still, a major “business unfriendly” change from TCJA/OBBBA is the Section 163(j) limitation. Less interest deductible and complicated.
 - ▶ **Effective Date:** Interest change applies tax years beginning after December 31, 2024. Change is permanent.
 - ▶ **Expiration Date:** Interest change to ATI for Section 163(j) is **permanent**. This higher threshold allows businesses more certainty with which to plan.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

- **QPP introduced under the new §168(n).** Allows certain non-residential real estate to qualify for 100% bonus depreciation. **Instead of depreciating eligible facilities over 39 years, businesses can immediately write them off when placed in service.**
- Available for manufacturers, chemical producers, and agricultural production.
- QPP could reshape how certain businesses plan expansions, structure real estate ownership, and finance growth. However, must deal with strict rules, unanswered questions, and potential recapture issues.
- **QPP facility must be built in the US.** Follows theme of administration to make additional investment in the US by both domestic companies, and foreign businesses investing here.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

- What Counts as a Qualified Production Activity (QPA)?
 - For property to qualify for QPP benefit, businesses must use it in a **Qualified Production Activity (QPA)**, defined “as the manufacturing, production, or refining of tangible personal property that results in a substantial transformation.”

Examples of QPA - from existing IRS guidance in other tax areas (Section 954) include:

- Converting wood pulp into paper
- Machining steel rods into bolts and screws
- Processing fish into canned fish

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

Limitations with QPP

- Application narrowed to manufacturing, and agriculture and chemical production.
- Restaurants are explicitly **excluded**.
- The IRS may narrowly apply the “**substantial transformation**” standard (noted above in QPA definition).
- Without further IRS guidance, it is unclear whether activities such as general assembly, distribution, storage, or packaging will qualify for QPP. IRS guidance is critical in this area as this is a new provision in the tax law and could have significant consequences.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

Dates, Dates, Dates

- ▶ Unlike 100% bonus depreciation (now permanent), QPP is temporary. Available as follows:
 - Facilities must be **placed in service** after July 4, 2025, and before January 1, 2031.
 - **Construction must begin** after January 19, 2025, and before January 1, 2029.
 - Property must be “original use,” with a limited exception for facilities not used in production between January 1, 2021, and May 12, 2025 (“tainted period”).
 - Significant renovation of an existing production facility within these timeframes may qualify it as QPP, if the renovation is integral to the production activity. Further guidance from the IRS needed - to define what does and does not qualify.
 - Manufacturers/Developers considering expansion should analyze QPP soon. Narrow window of opportunity for immediate write-off, instead of a 39-year straight-line recovery period.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

Real Estate Ownership and Leasing Complications

- The new law states taxpayer must use property in a QPA. A tenant engaging in a QPA does not qualify the landlord to claim the property as QPP.
- Questions arise for common arrangements in which operating companies lease from related real estate entities (“self-rentals”).
 - Do existing §469 grouping elections (for passive activities) allow real estate to qualify as QPP?
 - The IRS has not announced anything yet, but the answer could determine whether QPP is available for many privately held businesses.
- Until IRS releases guidance, businesses should model both outcomes. Tread cautiously until/if IRS permits related party leases to qualify for QPP.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))



- *What is Non-Production Space for QPP Purposes?*
- Not all space within a facility qualifies. QPP excludes areas used for:
 - Offices or administrative functions
 - Lodging, sales, research, or software development
 - Parking
 - Engineering
- **Storage space** for raw materials or finished goods is a gray area awaiting IRS clarification.
- **Expect significant allocation challenges.** Businesses will need to justify a carve out QPP vs. non-QPP square footage, which may require engineering analysis or cost-seg studies.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))



Recapture Rules

- If a business ceases to use a QPP facility in a QPA within **10 years of placing the facility in service, recapture applies.** In that case, the tax law treats property as disposed under §1245, triggering ordinary income on the excess depreciation claimed.
- **Recapture would result in a significant tax obligation** for the business and its owners. So, businesses should continually monitor these rules when making decisions.
- The recapture provisions are likely to be interpreted and applied strictly by IRS. Businesses should evaluate long-term operational stability before pursuing QPP.
- IRS guidance needed on treatment for possible tax-free transfers involving QPP facilities (*e.g.*, like-kind exchanges).

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). *(Act Section 70307 – New Code Section 168(n))*

State Conformity: Another Layer of Complexity

- Most states already decouple from §168(k) bonus depreciation. QPP falls under the new §168(n), and only a handful of states currently conform to this. Legislative updates are expected from many states over the next year.
- Businesses should monitor the status of any new legislation at the state level. Multi-state operators must model both layers.
- Eligible businesses might need to obtain two cost segregation studies for new facilities: one at the federal level supporting QPP-eligible property; and another for state purposes that covers regular depreciation (not eligible for QPP at the state level).

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). *(Act Section 70307 – New Code Section 168(n))*

QPP Summary

- QPP provision provides a significant tax incentive for real estate development for manufacturers by allowing businesses to depreciate a building in one year, instead of SL over 39 years.
- This new QPP tax depreciation provision can significantly reduce the present value after-tax cost of a building.

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“The One Big, Beautiful Bill Act (OBBBA)”

Business Provisions (Selected Items)

E. Qualified Production Property (QPP). (Act Section 70307 – New Code Section 168(n))

- ▶ **IRS Notice 2026-16** issued by the IRS for QPP on February 20, 2026. (Link to PDF copy of Notice 2026-16: <https://www.irs.gov/pub/irs-drop/n-26-16.pdf>). Here are some selected highlights from Notice 2026-16:
 - QPP definitions were provided for: (1) “qualified production property;” and (2) “qualified production activity.”
 - Notice also addressed how to determine the special QPP depreciation allowance; and how/when a QPP election for property is made.
 - Further, the Notice explains how the QPP depreciation **recapture** rules apply to property that ceases to meet the requirements to be QPP.
 - Notice 2026-16 addressed many unsettled questions, including some with related party leasing. It also relies on concepts with bonus depreciation in establishing rules for QPP.
- ▶ **Effective Date:** Applies for property placed in service **after July 4, 2025**, for which construction commenced **after January 19, 2025**.
- ▶ **Expiration Date:** QPP construction must begin **before January 1, 2029**, and it must be placed in service **before January 1, 2031**.



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Business Provisions (Selected Items)

F. Residential Long-Term Contracts. (Act Section 70430 – New Code Section 460)

- Income from long-term contracts is reported as earnings accrue, rather than at completion of contract, based on share of costs estimated to be incurred each year and total estimated costs of contract. See Section 460.
- **Exception provided** for “home construction contracts” (for buildings with four or fewer dwelling units); and for small contractors (< \$31 million in receipts, for jobs < two-year).
- OBBBA expands exemption to **all residential contracts**; as well as extending the small builder exemption to contracts completed within two years. See also *Rev Proc 2026-32* released by IRS on 9/4/2026.
- ▶ **Effective Date:** OBBBA provision is effective for contracts entered into **after December 31, 2025**.
- ▶ **Expiration Date:** The provision is **permanent**.



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Business Provisions (Selected Items)

G. Advanced Manufacturing Investment Credit (AMIC), (Act Section 70308 - Code Section 48D)

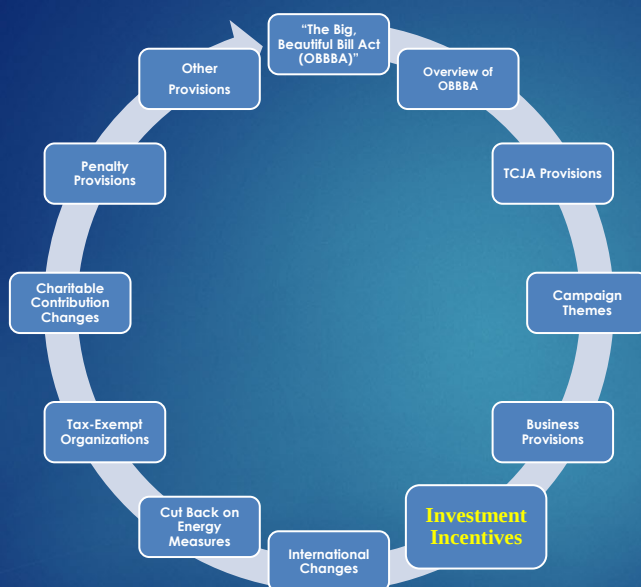
- AMIC is a tax credit for 25% of qualifying investments in advanced manufacturing facilities for property beginning construction **by December 31, 2026**.
- For this credit, advanced manufacturing facilities are facilities that primarily manufacture semiconductors or semiconductor manufacturing equipment.
- This provision permanently **increases the credit to 35%**.
- ▶ **Effective Date:** OBBBA provision applies to property **placed in service after December 31, 2025**.
- ▶ **Expiration Date:** The provision is **permanent**.

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Investment Incentives (Selected Items)

A. Section 1202 for QSBS (Qualified Small Business Stock) Enhancements

B. Opportunity Zones

C. Sale of Farmland

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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

A. Section 1202 for QSBS (Qualified Small Business Stock) Enhancements. (Act Section 70431 – Code Section 1202)

- OBBBA changes and enhancements to Section 1202 represent **significant expansion of QSBS exclusion** – most since 2010.
- Incentives to invest in small businesses offer tax benefits to eligible investors.
- **Key modifications to QSBS exclusion**, include:
 - Reduced holding periods;
 - Increased exclusion percentages;
 - Higher per-issuer limitations; and
 - Expanded gross asset thresholds.

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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

**A. Section 1202 for QSBS
(Qualified Small Business
Stock) Enhancements.**
(Act Section 70431 – Code
Section 1202)

Holding Period Changes.
Stock acquired **on or before**
OBBBA enactment date
(7/4/2025) requires a **5-year**
holding period to qualify for a
100% gain exclusion. 2010-
present.

Stock acquired **after July 4, 2025**,
benefit from new exclusion
structure based on a modified
holding period:

- 3 years: **50%** exclusion
- 4 years: **75%** exclusion
- 5+ years: **100%** exclusion

Again, maintain original 5-year
requirement for **stock acquired**
on or before July 4, 2025.

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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

**A. Section 1202 for QSBS
(Qualified Small Business
Stock) Enhancements.**
(Act Section 70431 – Code
Section 1202)

**Increased QSBS "Per-Issuer
Limitations."** Maximum eligible
gain exclusion for QSBS stock
acquired on, or before, or **after July
4, 2025**, (reduced by prior exclusions
from same issuer) as follows:

Pre-OBBBA:
\$10 million

**Post-OBBBA: \$15
million (\$15 million
amount inflation
indexed after 2026)**

*Half these amounts
for married filing
separately (MFS)*

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“The One Big, Beautiful Bill Act (OBBBA)”



Investment Incentives (Selected Items)

A. Section 1202 for QSBS (Qualified Small Business Stock) Enhancements. (Act Section 70431 - Code Section 1202)

- **Gross Asset Threshold for QSBS.** Increases the maximum aggregate gross assets threshold from \$50 million to \$75 million for qualifying corporations. Inflation indexed after 2026.
 - **Observations:** QSBS changes significantly expand eligibility for QSBS exclusion, making it available to investors in larger startups and providing more tax benefits.
 - These changes also create planning opportunities for timing investments and dispositions to maximize tax savings.
- ▶ **Effective Date:** OBBBA provision has several effective dates. Generally, applies to taxable years starting after the date of enactment, with the asset amount change applying to stock issued after the date of enactment.
- ▶ **Expiration Date:** The provision is permanent.

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Investment Incentives (Selected Items)

B. Opportunity Zones. (Act Section 70421 – Code Sections 1400-Z1 and 1400-Z2)

- ▶ Several key changes in OBBBA with Opportunity Zones (OZ):
 - **Opportunity Zones Extended Permanently.**
 - **New Designation Periods.** 10-year rolling periods to designate OZ areas starting January 1, 2027. New Rural OZs defined as cities with less than 50,000 inhabitants. Rural OZ's have a lesser substantial renovation requirement for existing facilities.
 - Governors still allowed to select 25% of low-income census tracts in their states, but requirements have changed. Under new rules, median family income in a tract $\leq$ 70% of **greater of:** (1) the metro area median family income; or (2) statewide median family income. This is a more difficult standard than 80% allowed under original Opportunity Zones.
 - **Rural Areas with Opportunity Zones.** Further, under OBBBA, a set of Opportunity Zone tracts must be in rural areas.

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“The One Big, Beautiful Bill Act (OBBBA)”



Investment Incentives (Selected Items)

B. Opportunity Zones. (Act Section 70421 – Code Sections 1400-Z1 and 1400-Z2)

► Several key changes in OBBBA with Opportunity Zones (OZ): (Continued)

- **Rural Areas with Opportunity Zones.**
- OBBBA created “Qualified Rural Opportunity Funds” (“QROFs”). Focused on revamping rural areas. Some highlights for QROFs:
 1. **QROFs are more tax favorable** than QOFs.
 2. Rural Area for QROF purposes is one not adjacent to a town with a population of at least 50,000.
 3. **Instead of 10% basis step-up in basis at five-year period; a 30% basis step-up is allowed for QROF investments.**
 4. Further, substantial improvement of property has more generous limit - requirement only for an **increase in the property’s adjusted basis of > 50% within 30 months**. For QOFs, this improvement requirement is 100% of property’s adjusted basis.

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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

B. Opportunity Zones. (Act Section 70421 – Code Sections 1400-Z1 and 1400-Z2)

Several key changes in OBBBA with Opportunity Zones (OZ): (Continued)

Rural Areas w/ Opportunity Zones

IRS Notice 2025-50 released on September 30, 2025, for **Rural Opportunity Zones (QROFs)**.

- Notice 2025-50 provides guidance to taxpayers applying substantial improvement provision of §1400Z-2(d)(2)(D)(ii), as amended by §70421(c)(4)(C) of OBBBA.
- Applies for certain improvements to property located in a qualified opportunity zone (QOZ) listed in Notice 2018-48, or Notice 2019-42, that is **comprised entirely of a “rural area.”**
- Notice 2025-50 includes **75-page Appendix of Rural Areas in US.** Broken down by State; County; Census Tract Number; & Tract Type.

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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

B. Opportunity Zones. (Act Section 70421 – Code Sections 1400-Z1 and 1400-Z2)

- ▶ Several key changes in OBBBA with Opportunity Zones (OZ): (Continued)
 - Extended by OBBBA - currently designated OZ tracts **remain eligible through 2028.**
 - Designation of **new tracts go into effect on January 1, 2027**, and continue through December 31, 2036. **Thus, there will be a two-year overlap between the first set of OZ provisions from TCJA, and the second set of OZ provisions in OBBBA.**
 - **Uncertainty**, invest now vs. wait until January 1, 2027, to invest.
 - **Enhanced Benefits.** **5-year deferral on anniversary** - 10% basis step-up on deferral and tax recognition (30% basis step up for rural investments). 10-year hold for complete step-up in basis equal to fair value of property. Cap of gain eligible for step-up at 30 years.
- ▶ **Effective Date:** OBBBA provision applies to property placed in service after **December 31, 2026 (now OZ provisions).** Capital gains deferred under Opportunity Zone provisions enacted under TCJA are still recognized as of **December 31, 2026.**
- ▶ **Expiration Date:** The provision is permanent.



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“The One Big, Beautiful Bill Act (OBBBA)”

Investment Incentives (Selected Items)

C. Sale of Farmland. (Act Section 70437 - New Code Section 1062)

- Gains realized from the sale of land (including farmland) are generally taxable in the year of the sale.
- OBBBA allows taxpayers who sell qualified farmland to qualified farmer to **pay any income tax due on gain in four equal installments over four years**, starting in year of the sale. To qualify:
 - **Farmland property** sold must be in US and have been used for farming for 10 years before sale, and must be subject to a covenant that it will continue to be used for farming for 10 years after sale. **This covenant must be attached to the tax return for the year the farmland is sold and election made.**
 - **Qualified Farmer** is a person or entity actively engaged in farming, usually demonstrated by active participation in business of farm by contributing capital or labor and by having a risk of loss.
 - **Eligible farming activities** are defined broadly and include crops, livestock, dairy, poultry, plantations, ranches, nurseries, ranges, greenhouses, orchards, and woodlands.



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Investment Incentives (Selected Items)

C. Sale of Farmland. (Act Section 70437 - New Code Section 1062) (Continued)

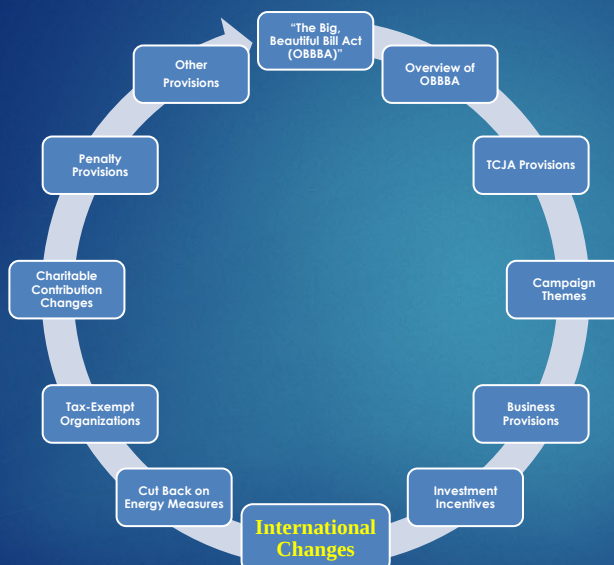
- The provision provides special rules in cases where taxpayer dies, declares bankruptcy, or (for business entities) is sold during installment payment period.
- **Elective Provision.** Taxpayer makes election to pay tax over four annual installments. If a Partnership or S Corporation sells the farmland, the partner or S Corporation shareholder make the election for installment payments on their individual tax return – the election is not made by the entity. The IRS will need to provide guidance with how election is to be made.
- ▶ **Effective Date:** OBBBA provision applies to sales or exchanges in taxable years beginning after the date of enactment.
- ▶ **Expiration Date:** The provision is permanent.



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“The One Big, Beautiful Bill Act (OBBBA)”

International Changes (Selected Items)

- ▶ A. GILTI (Now “Net CFC Tested Income,” or NCFCTI)
- ▶ B. FDII (Now “Foreign-Derived Deduction Eligible Income,” or FDDEI)
- ▶ C. Permanent CFC Look-Through
- ▶ D. Limitation on Downward Attribution
- ▶ E. Sourcing Rule for US-Produced Inventory
- ▶ F. BEAT
- ▶ G. Interest Expense Limitation under Section 163(j)



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Cut Back on Energy Measures (Selected Items)

- A. Previously-Owned Clean Vehicle Credit
- B. Clean Vehicle Credit
- C. Qualified Commercial Clean Vehicles Credit
- D. Alternative Fuel Vehicle Refueling Property Credit
- E. Energy Efficient Home Improvement Credit
- F. Residential Clean Energy Credit
- G. Energy Efficient Commercial Buildings Deduction
- H. New Energy Efficient Home Credit
- I. Advanced Manufacturing Production Credit

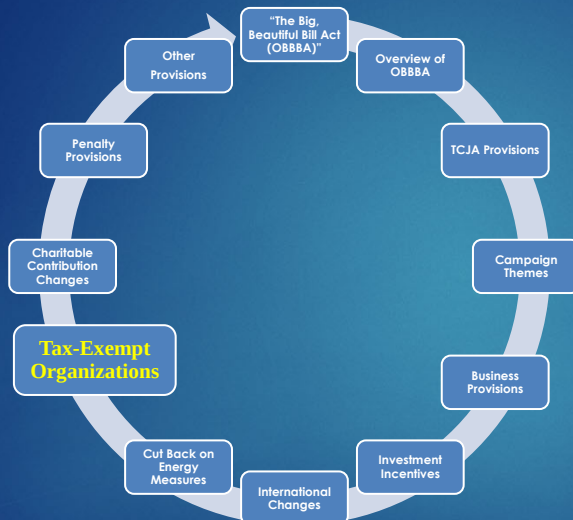


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Tax-Exempt Organizations (Selected Items)

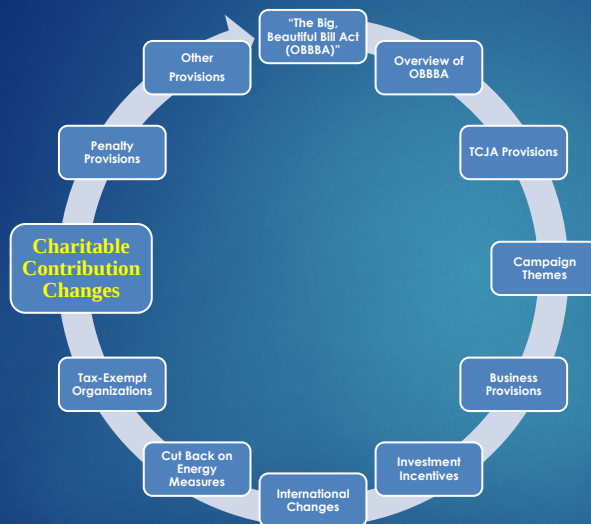
- ▶ A. Excise Tax on Investment Income of Certain Colleges
- ▶ B. Tax on Excess Compensation Within Tax-Exempt Organizations
- ▶ C. Additional Expenses Treated as Qualified Higher Education Expenses for Section 529 Accounts
- ▶ D. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Section 529 Accounts



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Charitable Contribution Changes (Selected Items)

- ▶ A. Charitable Contribution Deduction for Non-Itemizers
- ▶ B. Floor on Charitable Contribution Deduction for Individuals
- ▶ C. Floor on Charitable Contribution Deduction for Corporations
- ▶ D. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations (SGOs)
- ▶ E. Reminder of New Overall Limited on Itemized Deductions for Those in Top 37% Tax Bracket
- ▶ F. Other Charitable Items – Possibly the Most Significant Insignificant OBBBA Provision

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“The One Big, Beautiful Bill Act (OBBBA)”



Charitable Contribution Changes (Selected Items)

A. Charitable Contribution Deduction for Non-Itemizers. (Act Sections 70424 - IRC Section 170)

- OBBBA creates a **permanent** deduction for charitable contributions for non-itemizers. MFJ taxpayers can deduct charitable contributions up to **\$2,000**. For all other filers, maximum deduction is **\$1,000**. **See also §170(p)**.
- Non-itemizer charitable deduction previously available in 2020 and 2021 during COVID.
- **Only cash allowed** for non-itemizer deduction. Also, cannot contribute to Donor Advised Fund (DAF) for non-itemizer deduction.
- **Consider bunching charitable contributions** (and other itemized deductions) to take advantage of higher standard deduction. Then use non-itemizer deduction in “off years.”
- ▶ **Effective Date:** This OBBBA provision applies for **tax years beginning after December 31, 2025**.
- ▶ **Expiration Date:** This provision is **permanent**.

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“The One Big, Beautiful Bill Act (OBBBA)”

Charitable Contribution Changes (Selected Items)

B. Floor on Charitable Contribution Deduction for Individuals. (Act Sections 70425 - IRC Section 170)

- OBBBA creates a **floor on charitable contributions for individuals of 0.5%** of taxpayer’s AGI (without applying any NOL carryback – which are limited now to farming losses).
- Taxpayers will need to subtract 0.5% of their AGI from their charitable contributions to calculate their allowable deduction. *For example, taxpayer with AGI of \$100,000 will subtract \$500 from their charitable contributions and can deduct the remainder.*
- Floor **does not apply** to the deduction available for those who do not itemize.

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“The One Big, Beautiful Bill Act (OBBBA)”

Charitable Contribution Changes (Selected Items)

B. Floor on Charitable Contribution Deduction for Individuals. (Act Sections 70425 - IRC Section 170) (Continued)

- **Six-Step ordering process with new floor.** New provision also provides rules on how contribution floor applies in cases where charitable contributions are carried forward to/from current tax year.
- Further, if charitable contributions are subject to a limitation and carried forward, the disallowed 0.5% floor contribution may be carried over.
- New charitable limitation floor is **more complicated than you might think.**
- ▶ **Effective Date:** This OBBBA provision applies for **tax years beginning after December 31, 2025.**
- ▶ **Expiration Date:** This provision is **permanent.**

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Charitable Contribution Changes (Selected Items)

C. Floor on Charitable Contribution Deduction for Corporations. (Act Sections 70426 - IRC Section 170)

- OBBBA creates a **floor on charitable contributions for corporations of 1.0% of corporation's taxable income.**
- Taxpayers will need to subtract 1.0% of their taxable income from their charitable contributions to calculate their allowable deduction.
- New provision provides rules on how contribution floor applies in cases where charitable contributions are carried forward to/from current tax year. **Disallowed amount due to 1.0% floor, can be carried over in some cases. Complicated.**
- ▶ **Effective Date:** This OBBBA provision applies for tax years beginning after December 31, 2025.
- ▶ **Expiration Date:** This provision is **permanent.**

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Charitable Contribution Changes (Selected Items)

C. Floor on Charitable Contribution Deduction for Corporations. (Act Sections 70426 - IRC Section 170)

- OBBBA creates a floor on charitable contributions for corporations of 1.0% of corporation's taxable income. **The following should be noted:**
 - **If a corporation's charitable contributions in a year do not exceed 10% limitation,** then there is no charitable contribution carryover, and charitable contribution deductions disallowed by the 1% floor are lost (permanent disallowance).
 - **If a corporation's charitable contributions in a year, however, exceed 10% limitation,** the new law (with OBBBA changes) states the corporation may carry over **both** (1) the amount exceeding the 10% limitation; and (2) the amount disallowed by 1% floor.

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Charitable Contribution Changes (Selected Items)

C. Floor on Charitable Contribution Deduction for Corporations. (Act Sections 70426 - IRC Section 170)

OBBBA creates a floor on charitable contributions for corporations of 1.0% of corporation's taxable income. **Example:**

- Assume ABC Corporation generated \$1,000,000 in taxable income in 2026. Further, if ABC made more than \$100,000 in charitable contributions in 2026, ABC would generate a charitable contribution carryover that would include not only the excess over \$100,000 (10% of taxable income), but also \$10,000 disallowed by the 1% floor. **Thus, if ABC made \$101,000 in charitable contributions for 2026, it would generate a \$100,000 deduction and a charitable contribution carryover of \$11,000 (\$1,000 for excess over 10% ceiling + \$10,000 for 1% floor). But, if ABC, had \$100,000 or less in charitable contributions in 2026, it would have no charitable contribution carryover, and the \$10,000 disallowed by 1% floor would not carryover (permanent disallowance).**

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“The One Big, Beautiful Bill Act (OBBBA)”

Charitable Contribution Changes (Selected Items)

D. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations (SGOs). (Act Sections 70411 - IRC Sections 25F, 139, 170, and 4969)

- OBBBA provision creates **nonrefundable tax credit for charitable contributions** made by a taxpayer to scholarship-granting organizations (SGO). Each state can voluntary be part of the SGO program.
- Among other requirements, **SGOs must be tax-exempt**, may not be private foundations, and must devote substantially all their activities to providing scholarships for elementary and secondary education expenses for eligible students.
- *Eligible Student:* individual part of household with annual income < 300% of area median gross income and are eligible to enroll in a public elementary or secondary school.

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Charitable Contribution Changes (Selected Items)

D. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations (SGOs). (Act Sections 70411 - IRC Sections 25F, 139, 170, and 4969)

- Any contribution that receives SGO tax credit may not also be claimed as a charitable contribution, and credit must be reduced by any state credits provided for contribution.
- Credit may not exceed **\$1,700 per year**.
- Contribution must be in cash.
- IRS Rev Proc 2026-06 on SGOs - issued December 12, 2025.
- ▶ **Effective Date:** This OBBBA provision applies starting after December 31, 2026.
- ▶ **Expiration Date:** This provision is **permanent**.

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Charitable Contribution Changes (Selected Items)

E. Reminder of New Overall Limited on Itemized Deductions for Those in Top 37% Tax Bracket. (Act Sections 70426 - IRC Section 170)

- See also discussion (addressed earlier) on Act Section 70111 and IRC Section 68.
- Charitable contribution benefit for those in top 37% tax bracket, instead becomes a 35% tax benefit. Results in a **net 5.4% tax cost**.
- **Some taxpayers accelerated charitable contributions into 2025** to avoid: (1) the 2/37 adjustment; and (2) new 0.5% floor adjustment for contributions, that both apply in beginning in 2026.
- ▶ **Effective Date:** This OBBBA provision applies for **tax years beginning after December 31, 2025**.
- ▶ **Expiration Date:** This provision is **permanent**.

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Charitable Contribution Changes (Selected Items)

F. Other Charitable Items – Possibly the Most Significant Insignificant OBBBA Provision. (Act Sections 70429 and 70428 - IRC Section 170 and Others)

- Increase in Charitable Deduction **from \$10,000 to \$50,000** for certain expenses incurred in support of Native Alaska Subsistence Whaling.
 - Likely never heard of this item, nor will ever deal with it.
 - Perhaps key to passage of OBBBA. Possibly secured vote of Senator Lisa Murkowski of Alaska. She was undecided in her support of OBBBA. This provision was added late in process. She eventually supported the bill, and it received 50 votes (50/50), with VP Vance casting tie-breaking vote.
 - Also, change in Act Section 70428 for *Nonprofit Community Development Activities in Remote Native Villages* - also for Alaska.
- ▶ **Effective Date:** This OBBBA provision applies for **tax years beginning after December 31, 2025.**
- ▶ **Expiration Date:** This provision is **permanent.**

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Penalty Provisions (Selected Items)

- ▶ A. Employee Retention Credit (ERC)

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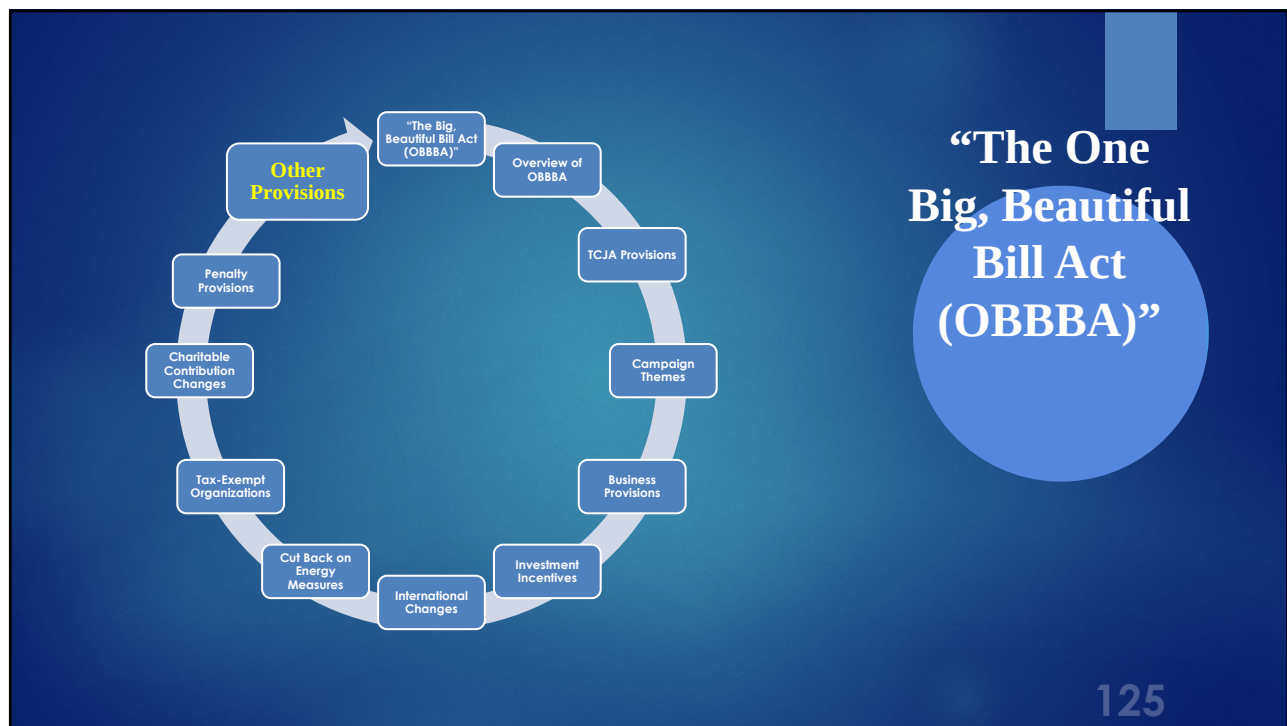
Penalty Provisions (Selected Items)

A. Employee Retention Credit (ERC). (Act Sections 70605 - IRC Section 3134 and 6676)

- ▶ OBBBA provisions make several changes to ERC processing and enforcement:
 - **Period for IRS to issue assessments related to ERC claims and** Disallows ERC for **any claims filed after January 31, 2024** (otherwise, deadline is April 15, 2025);
 - Increases **penalties on ERC promoters;**
 - Increases **due diligence requirements for ERC claims preparers;** and
 - **Extends** related amendments to tax returns.
- ▶ **Effective Date:** These OBBBA provisions **generally apply after date of enactment (July 4, 2025).**
- ▶ **Expiration Date:** This provision is **permanent.**

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Other Provisions (Selected Items)

- A. Enhancement of Employer-Provided Child Care Credit
- B. Enhancement of Adoption Credit**
- C. Enhancement of the Dependent Care Assistance Program
- D. Enhancement of Child and Dependent Care Tax Credit
- E. Exclusion for Employer Payments of Student Loans**
- F. Repeal of Revision to De Minimis Rules for Third Party Network Transactions**
- G. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees

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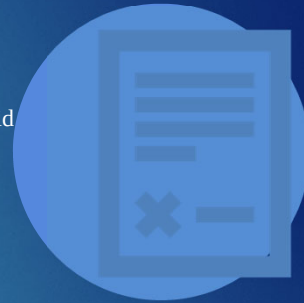
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“The One Big, Beautiful Bill Act (OBBBA)”

Other Provisions (Selected Items)

G. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees. (Act Sections 70433 - IRC Sections 3406, 6041, and 6041A)

- Under prior law, businesses generally had to file information returns (from Form 1099 series) with IRS for **business payments of \$600 or more**. Taxpayers who did not provide payer with their tax ID number **might be subject to backup withholding**.
 - OBBBA provision permanently increases the reportable payments threshold to **\$2,000**.
 - Further, OBBBA provides for annual inflation adjustments **starting in 2027**.
- ▶ **Effective Date:** This OBBBA provision applies to payments made after **December 31, 2025**.
- ▶ **Expiration Date:** This provision is **permanent**.



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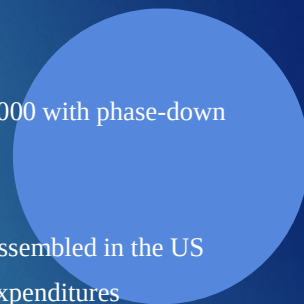
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“The One Big, Beautiful Bill Act (OBBBA)”

Timeline of Selected OBBBA Provisions

Effective for 2025 (Tax Years Beginning After 12/31/2024)

- Increased standard deduction
- Senior deduction
- SALT deduction enhancement to \$40,000 with phase-down
- “No Tax on Tips” deduction
- “No Tax on Overtime” deduction
- Deduction for Interest on New Cars Assembled in the US
- Full expensing of domestic research expenditures
- Modification of business interest deduction limitation (Section 163(j))
- Increased dollar limits for Section 179 expensing of certain business assets



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“The One Big, Beautiful Bill Act (OBBBA)”

Timeline of Selected OBBBA Provisions

Effective in 2025 (continued)

- 100% bonus depreciation for certain business property - Effective for property acquired after 1/19/2025. Date specific; not tied to fiscal year.
- 100% deduction for “Qualified Production Property” (QPP) placed in service after July 4, 2025.
- Enhancement and permanent extension of Opportunity Zones (tax years beginning after July 4, 2025).
- Termination of new and used clean vehicle credit and commercial clean vehicle credit (vehicles acquired after 9/30/2025).
- Section 1202 (QSBS) enhancements (1) for stock acquired after July 4, 2025; and (2) for tax years beginning after July 4, 2025.
- Increased threshold for certain information reporting on certain payments.



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“The One Big, Beautiful Bill Act (OBBBA)”

Timeline of Selected OBBBA Provisions

Effective for 2026 (Tax Years Beginning After 12/31/2025)

- Permanent extension of individual income tax rates.
- Permanent extension and enhancement of child tax credit.
- Permanent extension and enhancement of 20% Qualified Business Income (QBI) deduction.
- Permanent extension and enhancement of estate/gift exemption.
- Permanent extension and modification of AMT exemption.
- Permanent extension of limitation on loan amount for qualified mortgage interest.
- Limitation on tax benefit of itemized deduction for taxpayers in top rate (2/37th adjustment)
- Trump Accounts and Pilot Program
- Enhancement of Advanced Manufacturing Credit



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“The One Big, Beautiful Bill Act (OBBBA)”

Timeline of Selected OBBBA Provisions

Effective for 2026 (Tax Years Beginning After 12/31/2025) (continued)

- Permanent modification of deduction for foreign-derived deduction eligible income and net CFC tested income.
- Enhancement of child and dependent care tax credit.
- Modification of excise tax on investment income of certain college and universities.
- Permanent establishment of charitable deduction for non-itemizers.
- New floor limiting charitable contributions (0.5% for individuals and 1.0% for corporations).
- Exception from Percentage-of-Completion Method for residential contracts (contracts entered in tax years beginning after 12/31/2025).



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“The One Big, Beautiful Bill Act (OBBBA)”

Timeline of Selected OBBBA Provisions

Effective for 2027 (Tax Years Beginning After 12/31/2026)

- 1) Tax credits for contributions to scholarship granting organizations (SGOs).

Effective in 2029 (Tax Years Beginning After 12/31/2028)

- 1) Sunset of “No Tax On Tips” Deduction.
- 2) Sunset of “No Tax on Overtime” Deduction.

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IRS Guidance Released to Date on OBBBA (Selected)

- *Rev Proc 2025-28* on Research Expenditures <https://www.irs.gov/pub/irs-drop/rp-25-28.pdf>
- *Notice 2025-50* on Qualified Opportunity Zones for Rural Areas <https://www.irs.gov/pub/irs-drop/n-25-50.pdf>
- *Proposed Regulations* on No Tax on Tips (New Section 224) <https://www.govinfo.gov/content/pkg/ER-2025-09-22/pdf/2025-18278.pdf>
- *IRS FAQs* on Employee Retention Credit (ERC) <https://www.irs.gov/newsroom/irs-frequently-asked-questions-faqs-address-employee-retention-credits-under-erc-compliance-provisions-of-the-one-big-beautiful-bill>
- *IRS Fact Sheet* on Repeal of Various Energy Incentives <https://www.irs.gov/newsroom/faqs-for-modification-of-sections-25c-25d-25e-30c-30d-45l-45w-and-179d-under-public-law-119-21-139-stat-72-july-4-2025-commonly-known-as-the-one-big-beautiful-bill-obbb>
- *IRS Fact Sheet* on FAQs for Form 1099-K <https://www.irs.gov/pub/taxpros/fs-2025-08.pdf>
- *IRS Notice 2025-62* on Relief for Employers from Penalties in Reporting of Tip Income and Overtime Income for 2025 (Issued by the IRS November 5, 2025) <https://www.irs.gov/pub/irs-drop/n-25-62.pdf>

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“The One Big, Beautiful Bill Act (OBBBA)”

IRS Guidance Released to date on OBBBA (Selected) (Continued)

- ▶ *IRS Notice 2025-69* issued by IRS on Nov 21, 2025, for tips and OT deductions.
- ▶ <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>
- Provides updated IRS guidance on 2025 reporting for new OBBBA deduction for “No Tax on Tips,” and “No Tax on Overtime.”
- **OBBBA and IRS indicate a “reasonable method” is to be used for 2025.** Set rules for employers will apply for 2026.
- **Tips.** Relief provided for 2025 (and perhaps beyond) for eligible workers employed at an SSTB until year after final regs issued.
- **OT.** First IRS guidance for new deduction on overtime deduction. Deduction only available for FLSA non-exempt employees.
- **OT deduction limited to “half” pay for “time and a half” worked for OT, even if employee receives double pay.** See IRS guidance in *IRS Notice 2025-69* and helpful examples.

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“The One Big, Beautiful Bill Act (OBBBA)”

IRS Guidance Released to Date on OBBBA (Selected) (Continued)

- *IRS Notice 2026-11.* IRS guidance on 100% bonus depreciation under Section 168(k) for qualified additions after January 19, 2025. <https://www.irs.gov/pub/irs-drop/n-26-11.pdf>
- *IRS Notice 2026-16.* IRS guidance on new Qualified Production Property (QPP) under Section 168(n). <https://www.irs.gov/pub/irs-drop/n-26-16.pdf>
- *Final Regulations under Section 224 for new deduction for No Tax on Tips.* Released April 10, 2026. <https://www.federalregister.gov/documents/2026/04/13/2026-07104/occupations-that-customarily-and-regularly-received-tips-definition-of-qualified-tips>
- *New Deduction for Overtime under Section 225.* IRS FAQs (FS-2026-01) on Overtime Deduction. Issued in January 2026. <https://www.irs.gov/newsroom/questions-and-answers-about-the-new-deduction-for-qualified-overtime-compensation>

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IRS Guidance Released to Date on OBBBA (Selected) (Continued)

- *IRS Fact Sheet with FAQs on Section 127 Educational Assistance Programs.* FS-2026-10 Issued by IRS on April 10, 2026. Some OBBBA changes to Section 127 plans. <https://www.irs.gov/newsroom/updates-to-frequently-asked-questions-about-educational-assistance-programs>
- *More on Opportunity Zones.* Rev Proc 2026-14 on Nomination Process for OP Zones. <https://www.irs.gov/pub/irs-drop/rp-26-14.pdf>
- *Proposed Regulations issued March 6, 2026, for Trump Accounts.* <https://www.govinfo.gov/content/pkg/FR-2026-03-09/pdf/2026-04533.pdf> See also IRS Notice 2025-68 on Trump Accounts. <https://www.irs.gov/pub/irs-drop/n-25-68.pdf> Also, on May 28, 2026, the Treasury Department announced further updates on Trump Accounts, including a new App. Here is link to this announcement: <https://home.treasury.gov/news/press-releases/sb0508>
- *Final Regulations for Interest Deduction on US Made Cars* Issued September 4, 2026. Here is link to Federal Register for Final Regs: <https://www.federalregister.gov/documents/2026/09/08/2026-18219/car-loan-interest-deduction>

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IRS Guidance Released to Date on OBBBA (Selected) (Continued)

- IRS Notice 2026-5 for HSA Changes made in OBBBA. Some OBBBA changes to Section 223. <https://www.irs.gov/pub/irs-drop/n-26-05.pdf>
- Section 163(j) interest expense deduction limitation. See IRS Fact Sheet FS-2026-14. Issued by IRS on its website on August 19, 2026. <https://www.irs.gov/newsroom/questions-and-answers-about-the-limitation-on-the-deduction-for-business-interest-expense>
- Section 163(j) interest expense limitation. See IRS Rev Proc 2026-17 (released by IRS March 18, 2026 <https://www.irs.gov/pub/irs-drop/rp-26-17.pdf>). Permits withdrawal of election under §163(j)(7) for real estate trade or business election or electing farming business. Allows certain taxpayers to withdraw election for tax year in which election was made. Due to OBBBA changes in §168(k) and §163(j), consider withdrawal of election under this Rev Proc 2026-17. Limited relief – withdrawal must be **filed by October 15, 2026**; or perhaps sooner.
- IRS issued Rev Proc 2026-32 on September 4, 2026. Provides some guidance on change of accounting method for Section 174/174A and Section 460. **Link to this Rev Proc:** <https://www.irs.gov/pub/irs-drop/rp-26-32.pdf>

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IRS Guidance Released to Date on OBBBA (Selected) (Continued)

- Not IRS Guidance on OBBBA, but detailed guidance from the Staff on the Joint Committee on Taxation (JCT) in Congress. **Released by Staff of JCT on May 28, 2026.**
- “General Explanation of the Tax Provisions in Public Law 119-21” (a/k/a “OBBBA”). Also, referred to as “*the Blue Book*.” Here is link: <https://www.jct.gov/publications/2026/jcs-1-26/>
- This publication goes through each section of the bill and presents details of the following:
 - 1) an explanation of the current law (before change);
 - 2) an explanation of the change in the tax law made by the bill;
 - 3) the effective date of the change; *and more*.
- The publication is useful, as the JCT staff is the same group that helped draft the actual legislation last year. It can thus be helpful in reviewing certain aspects of OBBBA that were unclear when it was enacted. While lengthy, it is mostly written in an understandable format. *Some of the footnotes indicate where technical corrections in tax law may be needed.*

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“The One Big, Beautiful Bill Act (OBBBA)”

Preliminary 2025 Tax Impact of Selected OBBBA Items

From House Ways & Means Committee [from (1) Ways & Means Committee 6/5/26 press release <https://waysandmeans.house.gov/2026/06/05/big-beautiful-success-story-new-analysis-confirms-working-families-tax-cuts-are-delivering-for-americans-earning-less-than-100000/> and (2) per Treasury Department Announcement <https://home.treasury.gov/news/press-releases/sb0517>]:

- 70% of taxpayers with tax cut earned < \$100,000; and 96% of taxpayers with tax cut earned < \$200,000.
 - 7.5 million taxpayers claimed “No Tax on Tips;” with average deduction of > \$7,000.
 - 29 million taxpayers claimed “No Tax on Overtime;” with an average deduction of > \$7,500.
 - 35 million Seniors claimed the Social Security (Senior) deduction, with average deduction of > \$7,500.
 - 1.4 million taxpayers claimed “No Tax on Auto Loan Interest” on new US cars, with an average deduction of > \$1,800.
 - 5.5 million “Trump Accounts” opened; 1.4 million eligible for \$1,000 pilot contribution.
- 40 million families claimed the larger Child Tax Credit; expanded to \$2,200.
 - 127 million taxpayers (90% of all filers) claimed the higher Standard Deduction.

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Internal Revenue Service

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form 1040-SS (12-31-25) Sequence No. 1A

Name(s) shown on Form 1040, 1040-SR, or 1040-NR Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b	1
2a	Enter any income from Puerto Rico that you excluded	2a
b	Enter the amount from Form 2555, line 45	2b
c	Enter the amount from Form 2555, line 50	2c
d	Enter the amount from Form 4563, line 15	2d
e	Add lines 2a, 2b, 2c, and 2d	2e
3	Add lines 1 and 2e	3

Part II No Tax on Tips

Caution: Fill out Part II only if you received qualified tips. These tips must have been received in an occupation listed at [IRS.gov/TippedOccupations](https://www.irs.gov/TippedOccupations). You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4	Qualified tips received as an employee. If you received tips as an employee with respect to employment with more than one employer, enter -0- on lines 4a and 4b and see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions.	
a	Enter qualified tips included on Form W-2, box 7, but see the instructions if Form W-2, box 5 is more than \$176,100 or you received tips that are not subject to social security and Medicare taxes	4a
b	Qualified tips included on Form 4137, line 1, row A, column (c). If Form 4137 is not filed, enter -0-	4b
c	If you only received qualified tips as an employee with respect to employment with one employer, enter the larger of line 4a or line 4b. Otherwise, see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions.	4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business or in more than one occupation, see instructions.	5
6	Add lines 4c and 5	6
7	Enter the smaller of the amount on line 6 or \$25,000	7
8	Enter the amount from line 3	8
9	Enter \$150,000 (\$300,000 if married filing jointly)	9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 10	10
11	Divide line 10 by \$1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)	11
12	Multiply line 11 by \$100	12
13	Qualified tips deduction. Subtract line 12 from line 7. If zero or less, enter -0-	13

Part III No Tax on Overtime

Caution: Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

14a	Qualified overtime compensation included in Form W-2, box 1. If you received	
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“The One Big, Beautiful Bill Act (OBBBA)”

IRS Forms Issued from
OBBBA Changes
(Selected). New Schedule
1-A Form 1040 for 2025
(pg.1).

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Schedule 1-A (Form 1040) (2025) Page **2**

Part IV No Tax on Car Loan Interest

Caution: Fill out Part IV only if you, or your spouse if married filing jointly, paid or accrued qualified passenger vehicle loan interest (QPVL). Column (ii) is the total QPVL paid in 2025 less the amounts reported in column (i). See instructions.

22 Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.

(i) Vehicle identification number (VIN)	Interest for this loan:	(ii) Schedule 1-A
a	(i) Deducted on Schedule C, Schedule E, or Schedule F	
b		
23 Add lines 22a and 22b, column (ii)		23
24 Enter the smaller of the amount on line 23 or \$10,000		24
25 Enter the amount from line 3		25
26 Enter \$100,000 (\$200,000 if married filing jointly)		26
27 Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30		27
28 Divide line 27 by \$1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.06 to 1.)		28
29 Multiply line 28 by \$200		29
30 Qualified passenger vehicle loan interest deduction. Subtract line 29 from line 24. If zero or less, enter -0-		30

Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31 Enter the amount from line 3	31
32 Enter \$75,000 (\$150,000 if married filing jointly)	32
33 Subtract line 32 from line 31. If zero or less, enter \$6,000 on line 35	33
34 Multiply line 33 by 6% (0.06)	34
35 Subtract line 34 from \$6,000. If zero or less, enter -0-	35
36a If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a
b If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b
37 Enhanced deduction for seniors. Add lines 36a and 36b	37

Part VI Total Additional Deductions

38 Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38
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Schedule 1-A (Form 1040) 2025

“The One Big,
Beautiful Bill Act
(OBBBA)”

IRS Forms Issued from
OBBBA Changes
(Selected). New
Schedule 1-A Form 1040
for 2025 (pg.2).

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Other 2025 Tax Legislation

The “Filing Relief for Natural Disaster Act.” H .R. 517 signed into law July 24, 2025. Became Public Law 119-29.

- The bill authorizes IRS to postpone federal tax deadlines for taxpayers affected by a “**qualified state declared disaster**,” upon written request by state governor.
- The bill also increases automatic extension of federal tax deadlines for certain taxpayers.
- The bill defines **qualified state declared disaster** as: “any natural catastrophe, fire, flood, or explosion that causes damage of sufficient severity and magnitude to warrant a request to postpone such federal tax deadlines.”
- Further, **the bill increases to 120 days (from 60 days)** the automatic extension of federal tax deadlines for impacted taxpayers.

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Other 2025 Tax Legislation

“The Internal Revenue Service Math and Taxpayer Help Act” (“IRS MATH”)

- Directs IRS to improve notices of math or clerical errors, requiring that notices:
 1. Identify the line item the IRS is changing.
 2. Explain the reason for change, **and**
 3. Clearly list the taxpayer’s required response date.
- Requires the IRS notify the taxpayer of abatement determinations.
- Requires Treasury Secretary to provide additional procedures for requesting an abatement of a math or clerical error adjustment, including by telephone or in person.
- Creates a pilot program coordinated by the IRS and National Taxpayer Advocate to determine the benefit of sending math or clerical error notices by certified or registered mail.



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Other 2025 Tax Legislation

“The Internal Revenue Service Math and Taxpayer Help Act” (“IRS MATH”) (Continued)

- The bill also indicates the IRS Notice sent to the taxpayer must be in **bold type** using a **14 Font Size**.
- Bill Passed the Senate by unanimous vote on **October 20, 2025. H.R. 998**. Passed the House earlier (**March 31, 2025**).
- **President Trump signed bill on November 25, 2025, and bill became P.L. 119-39.**
- Changes made to IRC **Section 6213**.
- **Effective Date - Changes made by this bill generally apply to notices “sent after the date which is 12 months after the date of enactment of this Act.” 12 months after billed signed into law by the President.**



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Other 2026 Tax Legislation

“Doug LaMalfa Federal Disaster Tax Relief Certainty Act” (H.R. 5366).

- ▶ Bipartisan bill. Passed Senate by unanimous consent August 7, 2026, and sent to President Trump on September 3, 2026, for signature. Should be signed by President soon.
- ▶ Bill extends tax treatment for two disaster-related provisions - personal casualty losses and wildfire relief payments through end of 2026.
- ▶ Passed House in April, 2026. Named in honor of late Rep. Doug LaMalfa (of California), who died in January.
- ▶ Taxpayers generally can deduct personal casualty losses from federally declared disasters only if the losses exceed 10 percent of their AGI. However, individuals allowed to deduct those losses without AGI limitation for disasters between December 28, 2019, and July 4, 2025.
- ▶ Other legislation also made qualified wildfire relief payments excludable from taxable income for disaster declarations after December 31, 2014, when the qualified payments received on or before December 31, 2025.
- ▶ **New bill extends treatment of personal casualty losses to disasters declared before January 1, 2027, and extends exclusion of wildfire relief payments from income - regardless of when received - for disasters declared up to same date. Disasters now covered under new bill would include various Wisconsin disasters in 2025 and 2026. Also, would cover 2025 LA wildfires.**

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Other Possible 2026 Tax Legislation

“Taxpayer Assistance and Service Act.” (“TASA”) S. 3931.

- ▶ Bi-partisan support for bill. Little overall budget impact.
- ▶ Passed in Senate Finance Committee (SFC) by wide bi-partisan margin of 26-1 on July 30, 2026.
- ▶ Changes to 60 provisions designed to improve taxpayer administration and customer service by the IRS.
- ▶ Staff of the JCT issued description of the provisions in the bill (S. 3931): <https://www.jct.gov/publications/2026/jcx-43-26/> and there were also some revisions to the bill by the Chairman and addressed in this JCT publication: <https://www.jct.gov/publications/2026/jcx-45-26/>
- ▶ Unsure of prospects and timing in full Senate and House, but with wide bipartisan support and little budget impact, good chance it will be adopted later this year.

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Thank You!

Questions ? ? ? ? ?

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