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2026 Federal and Louisiana Tax Update

From legislation to implementation: what changed, what it means, and what to do before December 31

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WHY THIS SESSION

Twelve Months Later, Three Things Changed

1 The IRS filled in the blanks

- Notices, revenue procedures, and final and temporary regulations implementing P.L. 119-21
- Treasury reports 136 guidance items released through September 30, 2026

2 The courts moved

- Fifth Circuit withdrew its January Sirius opinion on August 12, 2026
- Second Circuit decided Soroban on September 17, 2026

3 Washington shifted

- Divided government projected from January 3, 2027
- Current funding runs through December 11, 2026

Today's question is not "what does the law say?" It is "what do we do for clients before December 31?"

Sources: Treasury/IRS 2025-2026 Priority Guidance Plan, year-end update (Oct. 30, 2026); K Alain, L.L.L.P. v. Comm'r, No. 24-60240 (5th Cir. Aug. 12, 2026); H.R. 6500 (continuing resolution)

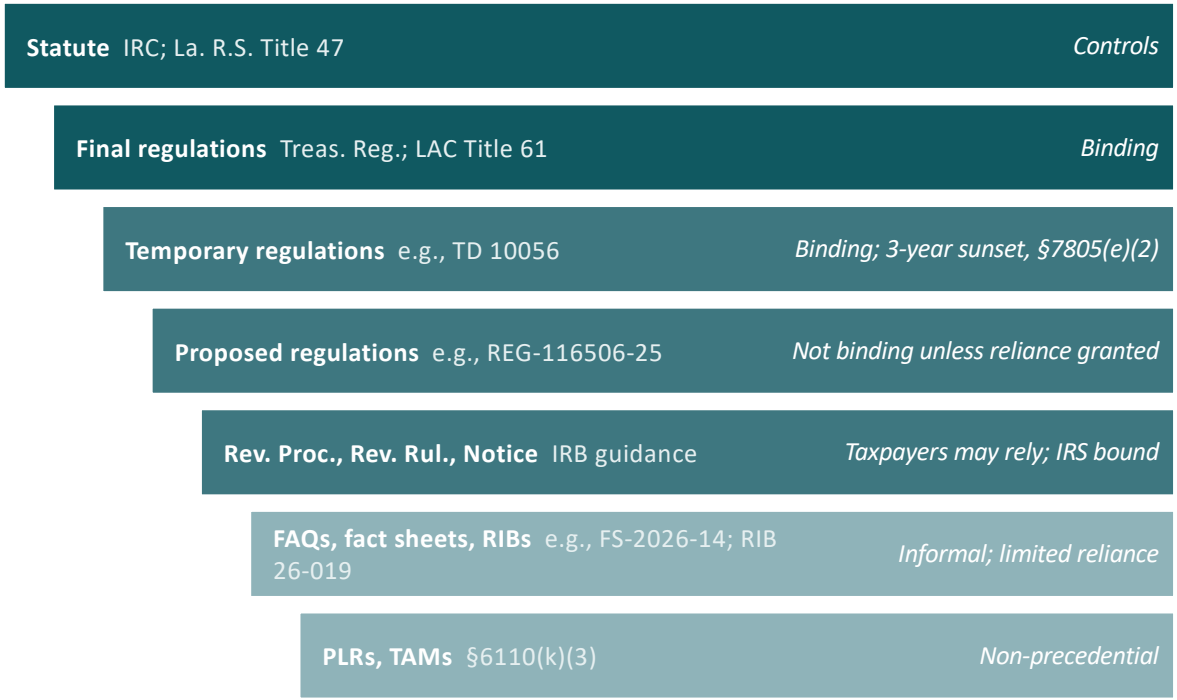
COURSE MAP

Today’s Roadmap: 100 Minutes

01	Washington: plan to current law	3 min
02	Partnerships and SE tax: Sirius, round two	15 min
03	Business tax implementation and §199A	25 min
04	Individuals, payroll, and compliance	18 min
05	Succession and wealth transfer	13 min
06	Louisiana developments	12 min
	Opening, close, and questions	14 min

SOURCE DISCIPLINE

Read the Citation Before You Rely on It



Courts: the Golsen rule

- The Tax Court follows the circuit to which an appeal lies
- Golsen v. Comm'r, 54 T.C. 742 (1970)

Louisiana: RIBs are not law

- LDR states a RIB "does not have the force and effect of law" and binds neither taxpayers nor LDR
- LAC 61:III.101.D

IRS, "General overview of taxpayer reliance on guidance published in the Internal Revenue Bulletin and FAQs"; LDR RIB 26-019 legend

01 WASHINGTON, 3 MINUTES

Washington: Plan to Current Law

What is known

- Post-election reporting projects Democratic control of both chambers from January 3, 2027; some races were uncalled in early November
- A Republican president retains the veto
- Current funding runs through December 11, 2026

What it means

- OBBBA provisions stay in force unless a repeal is signed into law
- Expect hearings and IRS funding debates
- Narrow, bipartisan changes are the realistic path

What to do

- Lock in 2026 decisions under enacted law
- Do not defer elections waiting for legislation
- **Watch the real cliffs:** temporary deductions end after 2028; SALT ceiling reverts in 2030

Authority: IRC §§164(b)(6)-(7), 224, 225, 151(d), 163(h)(4) as amended by P.L. 119-21. Political status per Nov. 2026 reporting; reconfirm on presentation day.

02

Partnerships and SE Tax: Sirius, Round Two

The Fifth Circuit withdrew its January opinion. Louisiana partnerships now face a management test.

15 minutes

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THE QUESTION

The Statute Never Defined “Limited Partner”

What the Code says

- §1401 imposes SECA tax on net earnings from self-employment (NESE)
- §1402(a) includes a partner’s distributive share of trade or business income
- §1402(a)(13) excludes the distributive share of “a limited partner, as such,” other than §707(c) guaranteed payments for services
- No final regulation defines “limited partner”; the 1997 proposal, Prop. Reg. §1.1402(a)-2(h), was never finalized

15.3%

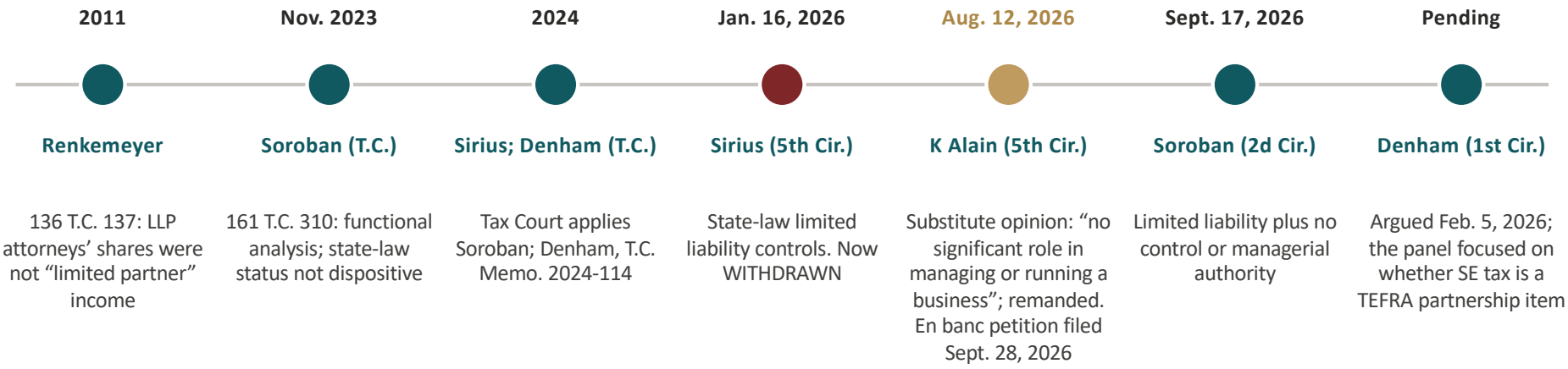
combined SECA rate up to the 2026 wage base of $184,500; 2.9% Medicare above it, plus 0.9% Additional Medicare over thresholds

Who is affected: professional firms, investment managers, and family partnerships with working owners

Authority: IRC §§1401, 1402(a), 1402(a)(13), 707(c), 3101(b)(2); Prop. Reg. §1.1402(a)-2(h), 62 Fed. Reg. 1702 (Jan. 13, 1997); SSA 2026 contribution and benefit base ($184,500)

CASE TIMELINE

How We Got Here: 2011 to Today



The January opinion is still widely summarized online. It is no longer authority.

Sources: K Alain, L.L.L.P. v. Comm'r, No. 24-60240 (5th Cir. Aug. 12, 2026) (per curiam); Soroban Capital Partners LP v. Comm'r, No. 25-2079 (2d Cir. Sept. 17, 2026)

COMPARE THE STANDARDS

Four Tests for One Phrase

Test	Source	Status	Who qualifies
State-law limited liability	5th Cir., Jan. 2026	Withdrawn Aug. 12, 2026	Any LP/LLLP limited partner, regardless of role
Functional analysis (passive investor)	Tax Court: Soroban, Sirius, Denham	Applies where no circuit rule controls	Essentially passive investors only
No significant role in managing or running the business	5th Cir. substitute opinion (K Alain)	Binding in LA, MS, TX; remanded; en banc petition filed Sept. 28, 2026	May provide some services; may not manage or control
Limited liability plus no control or managerial authority	2d Cir. (Soroban)	Binding in NY, CT, VT	Similar in practice; the 2d Cir. saw little daylight between the tests

Common thread: limited liability alone no longer gets you there. Management and control is the battleground.

GOLSEN IN PRACTICE

Where Your Client Sits Determines the Rule

Fifth Circuit

Louisiana, Mississippi, Texas

K Alain management test

Second Circuit

New York, Connecticut, Vermont

Soroban: liability plus no control

First Circuit

Pending: Denham

Watch for a third circuit view

Everywhere else

No circuit ruling yet

Tax Court functional analysis

Gray area: multistate partnerships

Venue for review generally follows the partner's residence for individual cases and the partnership's principal place of business for partnership-level proceedings (IRC §7482(b)). A firm with partners in several circuits may face more than one standard.

CIVIL-LAW FLAG

Louisiana Lens: The Partnership in Commendam

What the Civil Code says

- **Art. 2837:** a partnership in commendam has general partners and partners in commendam
- **Art. 2840:** a partner in commendam is liable only to the extent of the agreed contribution
- **Art. 2844:** a partner in commendam who participates in the control of the business can become liable to certain third persons; the article lists activities that are not “control”
- Arts. 2843 and 2844 were amended in 2025; read the current text

Why it matters after K Alain

- The vocabulary sounds like the Fifth Circuit test, but the federal meaning is a federal question
- Commendam status and Art. 2844 safe harbors are evidence, not the answer
- **Unsettled:** whether Art. 2844 safe-harbor activities can still be a “significant role”
- **Unsettled:** application to LLC members (K Alain involved an LLLP)
- **§1402(a)(5):** community property rules do not split a partner’s distributive share

Authority: La. Civ. Code arts. 2837, 2840, 2843, 2844; IRC §§1402(a)(5), 1402(a)(13); K Alain (5th Cir. 2026)

SE TAX MATH

What Is at Stake: 2026 Illustration

Step (married filing jointly, no wages, tax year 2026)	Amount
Distributive share of trade or business income	$400,000
NESE: 92.35% of distributive share	$369,400
Social Security: 12.4% × $184,500 wage base	$22,878
Medicare: 2.9% × $369,400	$10,713
Additional Medicare: 0.9% × ($369,400 − $250,000)	$1,075
Total SE-related tax	$34,666

≈ $34,700

annual exposure for one working partner if the exclusion fails

Do not stop at SECA

- **§164(f):** half of SECA (not Additional Medicare) is deductible
- **§1411:** a passive partner's share excluded from NESE may be net investment income at 3.8%

Illustrative only. Assumes no wages and no spouse self-employment income. Line items rounded to whole dollars; unrounded total $34,665.20. Authority: IRC §§1401, 1402(a)(12), 164(f), 1411.

ACTION PLAN

What to Do Now

1	**Inventory partner roles**	Titles, voting and veto rights, hours, signing authority, client and staff management
2	**Map facts to the circuit standard**	Fifth Circuit clients: “significant role in managing or running”
3	**Revisit 2025 positions**	Withdrawn opinion is no authority; test substantial authority (§6662(d)(2)(B)) and preparer standards (§6694); consider Form 8275 disclosure
4	**Protect open years**	Evaluate protective refund claims where SE tax was paid and the standard may yet favor the client
5	**Restructure prospectively**	Separate capital and service interests; use guaranteed payments deliberately; compare an S corporation alternative

Authority: IRC §§6662(d)(2)(B), 6694(a), 6511, 707(c), 1402(a)(13); Treas. Reg. §1.6662-4(d)

03

Business Tax Implementation

Depreciation, §199A, interest, research, and construction, modeled through the owner

25 minutes

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§168(K)

Bonus Depreciation: Notice 2026-11 Made It Familiar

100%

permanent allowance for qualified property acquired after January 19, 2025

Timing

- Acquisition date, not placed-in-service date, decides
- Written binding contract date controls
- No 2027 placed-in-service cutoff

Rules

- Apply the substance of Treas. Reg. §1.168(k)-2
- Rely on the Notice until proposed regs are published

Elections

- **§168(k)(7):** elect out by class
- **§168(k)(10):** elect 40% (60% for certain property) for first year ending after Jan. 19, 2025

Authority: IRC §168(k) as amended by P.L. 119-21; Notice 2026-11, 2026-6 I.R.B. (interim guidance); Treas. Reg. §1.168(k)-2

PRACTICE POINT

Acquisition-Date Trap: A Worked Example

Fact	Date or amount
Written binding contract signed	December 1, 2024
Equipment delivered and placed in service	March 1, 2025
Cost	$1,000,000
Acquired after January 19, 2025?	No; contract predates
Bonus rate under prior-law phase-down (2025)	40%
Bonus deduction	$400,000, not $1,000,000

Client file checklist

- Purchase agreements and amendments
- Deposit and cancellation terms
- **Self-constructed property:** when construction began
- Invoices and delivery records
- Placed-in-service evidence

Authority: IRC §168(k)(6) (pre-OBBBA phase-down); Notice 2026-11; Treas. Reg. §1.168(k)-2(b)(5)

§168(N)

Qualified Production Property: Who Qualifies

Requirements

- Nonresidential real property used by the taxpayer as an integral part of manufacturing, production, or refining (substantial transformation)
- Construction begins after Jan. 19, 2025 and before Jan. 1, 2029
- Placed in service after July 4, 2025 and before Jan. 1, 2031
- Original use with the taxpayer, or qualifying used property (next point)
- Elected on a timely filed return; 95% de minimis rule available

Used property can qualify

- Acquired after Jan. 19, 2025 and before 2029; not used in a production activity from Jan. 1, 2021 to May 12, 2025; not previously used by the buyer; unrelated purchase

Excluded space

- Offices, administration, lodging, parking, sales, research, engineering, software, finished-goods storage

Authority: IRC §168(n)(2) as added by P.L. 119-21 §70307; Notice 2026-16, 2026-11 I.R.B., §§4.01, 4.02(2), 4.06, 4.07 (interim guidance)

FAMILY BUSINESS STRUCTURES

QPP and Related-Party Leases: Exceptions Matter

1 General rule

- A lessor does not count a lessee's production activity
- Real estate entity leasing to an unrelated operator does not qualify

2 Consolidated groups

- A member leasing to another member of the same consolidated group is not treated as a lessor
- The group is treated as one taxpayer for the integral-part test

3 Commonly controlled lessors

- Partnership, S corporation, or individual lessor leasing to a person 50% or more commonly owned (with §267(b) or §707(b) attribution)
- **Ownership test:** majority of the placed-in-service year and its last day

Recapture risk: if common control ends or the lessee stops production within 10 years, the lessor has a change in use

Authority: IRC §168(n)(2)(A); Notice 2026-16 §§4.02(3)(a)-(c), 8.01(1)(b)-(c) (interim guidance)

MODELING

A Deduction Is Not the Same as Tax Savings

Deduction	→	Entity loss	→	Owner limits	→	§461(l)	→	NOL
Bonus, QPP, §174A		Partnership or S corp		Basis, at-risk, passive		Excess business loss, permanent		80% limit, carryforward

Also model

- **§163(j):** depreciation now increases ATI
- **§199A:** lower QBI and lower taxable income (next slide)
- State conformity and addbacks

Then ask

- What is the tax rate on the deduction now versus later?
- Will a sale trigger §1245 recapture at ordinary rates?
- Does the client need cash or book earnings for lenders?

Authority: IRC §§704(d), 1366(d), 465, 469, 461(l), 172(a), 163(j), 199A, 1245

QUALIFIED BUSINESS INCOME

§199A Is Permanent: What Changed for 2026

2026 item (taxable income before the QBI deduction)	Single and HOH	Married filing jointly
Threshold: no SSTB or wage limits below	$201,750	$403,500
Phase-in range (widened by P.L. 119-21)	$75,000	$150,000
Limits fully apply at	$276,750	$553,500

New minimum deduction (§199A(i))

- $400 if QBI from active trades or businesses (material participation under §469(h)) totals at least $1,000; both amounts indexed after 2026
- Tax years beginning after December 31, 2025

Who is eligible

- Individuals, trusts, and estates with QBI from a domestic trade or business
- Not C corporations; not wage income
- SSTB owners phase out above the threshold
- **Overall cap:** 20% of taxable income less net capital gain

Authority: IRC §199A(b)(3), (d), (e)(2), (i) as amended by P.L. 119-21 §70105; 2026 thresholds per Rev. Proc. 2025-32 (as reported; confirm against the revenue procedure)

WORKED EXAMPLE

§199A: More Deductions Can Raise the Deduction

SSTB owner, married filing jointly, 2026	Before	After $50,000 more entity deductions
Taxable income before QBI deduction	$478,500	$428,500
QBI from the SSTB	$300,000	$250,000
Applicable percentage (phase-in)	50.0%	83.3%
QBI taken into account	$150,000	$208,333
Tentative deduction at 20%	$30,000	$41,667

Why

- Lower taxable income moves the owner back down the SSTB phase-in
- PTET payments and depreciation generally reduce both QBI and taxable income
- W-2 wage limit assumed not binding

Illustrative only. Assumes $200,000 of allocable W-2 wages, no UBIA, no net capital gain, and that the added deductions reduce QBI dollar for dollar.

BUSINESS INTEREST

§163(j): EBITDA Is Back, With a New Ordering Rule

Illustration (tax year 2026)	EBIT basis	EBITDA basis
ATI before depreciation adjustment	$500,000	$500,000
Add back depreciation and amortization	None	$300,000
Adjusted taxable income	$500,000	$800,000
30% limitation	$150,000	$240,000

The $32M exemption has conditions

- Average gross receipts of $32 million or less (2026)
- Aggregate related entities under §448(c)(2)
- Tax shelters, including syndicates, cannot use the exemption (§448(a)(3))
- Capitalized interest now runs through §163(j), except §§263(g) and 263A(f)

Authority: IRC §§163(j)(3), (8); 448(a)(3), (c); FS-2026-14 (Aug. 19, 2026); Rev. Proc. 2025-32 (2026 gross receipts amount)

RESEARCH EXPENDITURES

§174A and Rev. Proc. 2026-32: Procedure Is the Product

Settled since 2025

- Domestic R&E deductible for tax years beginning after 2024 (§174A(a)), or elect 60-month amortization (§174A(c))
- **Foreign R&E:** 15-year amortization (§174)
- **2022-2024 unamortized domestic balance:** deduct in 2025 or ratably over 2025-2026
- **Small business retroactive election:** deadline passed in 2026

New in Rev. Proc. 2026-32

- Modifies section 7 of Rev. Proc. 2025-23
- Waives eligibility rules for tax years beginning before Jan. 1, 2028
- Automatic change available even if the impermissible method was used only one year
- Foreign R&E automatic change no longer limited to pre-2026 years
- Effective for Forms 3115 filed after Sept. 4, 2026

Authority: IRC §§174, 174A; Rev. Proc. 2025-28; Rev. Proc. 2026-32, 2026-39 I.R.B., §§3, 6; Rev. Proc. 2015-13

WORKFLOW

R&E: A Five-Step Procedural Workflow

1

Classify

Domestic versus foreign; software development included

2

Reconcile

2022-2024 unamortized domestic balances by year

3

Confirm 2025

What was elected or changed on the filed 2025 return?

4

Choose 2026

Deduct or amortize; method change needed?

5

Coordinate

§41 credit and §280C election; document scope differences

Reconcile §174A and §41 workpapers; Form 6765 Section G detail is required for 2026 returns

Authority: IRC §§41, 174, 174A, 280C(c); Rev. Procs. 2025-28 and 2026-32; Form 6765 and 2026 draft instructions (Feb. 2026)

§460(E)

Residential Construction Contracts: Two Separate Questions

1. Percentage-of-completion exception

- Expanded from “home” to all “residential” construction contracts
- No completion-period test for this exception

Effective date in plain English

- Contracts entered into in tax years beginning after July 4, 2025: generally 2026 contracts for calendar-year contractors

2. §263A capitalization

- Residential contracts not on percentage of completion must capitalize under §263A unless the small-contractor test is met
- **Small-contractor test:** gross receipts test plus expected completion within 2 years (home construction) or 3 years (other residential)
- **Rev. Proc. 2026-32:** automatic changes (DCNs 236 and 275); first-year adoption is not a method change

Authority: IRC §§460(e)(1), 460(e)(4), 263A as amended by P.L. 119-21 §70430; Rev. Proc. 2026-32 §§2.03, 4

§1202

QSBS: Acquisition and Issuance Dates Differ

Rule	Stock acquired or issued after July 4, 2025	Earlier stock
Exclusion tiers (keyed to acquisition)	50% at 3 years, 75% at 4, 100% at 5	More than 5 years required
Per-issuer cap (keyed to acquisition)	Greater of $15M (indexed after 2026) or 10× basis	Greater of $10M or 10× basis
Gross assets test (keyed to issuance)	$75M (indexed after 2026)	$50M
Non-excluded gain	Taxed as 28% rate gain	Same

Exit checks

- Original issuance and active-business tests still apply
- Redemptions and conversions can disqualify
- No regulations yet

Authority: IRC §§1202(a), (b)(1), (d), 1(h)(4) as amended by P.L. 119-21; 2025-2026 PGP item 26 (pending). Confirm transition rules in the enacted text.

INTEGRATED DECISION

Case Study: Louisiana Family Manufacturer

Facts

- S corporation, calendar year, Baton Rouge
- $1.5 million of equipment under 2026 binding contracts
- $1.0 million production-floor addition; construction began 2026
- Expansion financed with bank debt
- Founder and two adult children own the stock

Lever	Question to model
§168(k)	Full bonus or elect out by class?
§168(n)	Elect QPP on the production portion?
§163(j)	Exempt, or does EBITDA ATI absorb new interest?
§199A	Effect on QBI, taxable income, and wage limit?
Louisiana	Pass-through treatment; inventory credit flow-through

Discussion case; facts are hypothetical. Answer on the next slide.

ASSUMPTIONS AND LIKELY TREATMENT

Case Study Answer: Manufacturer

Assumptions

- Addition owned by the S corporation and placed in service in 2026
- Manufacturing with substantial transformation
- All shareholders materially participate
- Gross receipts under $32 million; no related entities

Likely treatment

- **Equipment:** 100% bonus unless a class election out serves QBI or loss limits
- **Addition:** separate unit of property; QPP election on production space by the return due date
- **§163(j):** likely exempt
- **Louisiana:** items flow to shareholders at 3%

Facts that change the answer

- **Addition not in service by year-end:** no 2026 QPP deduction
- **Building owned by a related LLC:** lessor rules apply
- **Passive shareholders:** possible syndicate, losing the §163(j) exemption
- Contracts signed before Jan. 20, 2025

Authority: IRC §§168(k), 168(n), 163(j)(3), 448(a)(3), 199A; Notice 2026-16 §§4.03, 4.02(3), 7; La. Act 382 (2025)

04

Individuals, Payroll, and Compliance

The first full implementation year, not another statutory overview

18 minutes

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INFLATION ADJUSTMENTS

The Numbers: 2026 Versus 2027

Item	2026	2027	Authority
Standard deduction, married filing jointly	$32,200	$33,200	Rev. Procs. 2025-32, 2026-35
Standard deduction, single	$16,100	$16,600	Same
Child tax credit (maximum)	$2,200	$2,300	Same
SALT ceiling / MAGI phase-down start	$40,400 / $505,000	$40,804 / $510,050	§164(b)(7) (statutory 1% step)
Estate and gift basic exclusion	$15,000,000	$15,480,000	Rev. Proc. 2026-35
Gift annual exclusion	$19,000	$20,000	Same
§179 expensing limit	$2,560,000	$2,640,000	Same

Sources: IR-2026-133 (Nov. 5, 2026) and Rev. Proc. 2026-35 (2027 items); Rev. Proc. 2025-32 (2026 items); IRC §164(b)(7)

PLANNING

SALT and PTET: The Phase-Down Makes PTET Worth More

2026 illustration, married filing jointly	Amount
Modified AGI	$600,000
Excess over $505,000	$95,000
Reduction: 30% of excess	$28,500
SALT ceiling: $40,400 − $28,500 (not below $10,000)	$11,900

≈ $606,333

2026 MAGI at which the ceiling reaches the $10,000 floor

Louisiana PTET

- Entity-level tax is deducted by the entity, outside the individual SALT ceiling (Notice 2020-75)
- PTET also lowers owners' AGI, MAGI, and generally QBI
- **Election:** La. R.S. 47:287.732.2
- **2026:** S corporations are pass-throughs and may still elect, but not alongside a composite return (RIB 25-032)

Authority: IRC §164(b)(6)-(7); Notice 2020-75; La. R.S. 47:287.732, 287.732.2; LDR RIB 25-032

INDIVIDUALS AND CORPORATIONS

Charitable Giving: Three New Rules Start in 2026

1 0.5% floor for itemizers

- Contributions count only to the extent they exceed 0.5% of the contribution base

2 Non-itemizer deduction

- Up to $1,000 ($2,000 joint) of cash gifts to public charities; not donor-advised funds

3 37% bracket cap

- Itemized deductions reduced by 2/37 of the lesser amount, capping benefit near 35%

Example: 2026 itemizer, AGI $200,000	Amount
Cash gift to public charity	$10,000
Less 0.5% floor	($1,000)
Deductible before any §68 cap	$9,000

Corporations

- 1% of taxable income floor; 10% ceiling remains
- JCT Bluebook: intended effective cap is 9%; technical correction may follow

Authority: IRC §§68, 170 as amended by P.L. 119-21 (tax years beginning after Dec. 31, 2025); JCT General Explanation of P.L. 119-21 (May 28, 2026). Confirm carryforward treatment of floor-disallowed amounts before advising.

2025-2028

Temporary Deductions: Who Qualifies

Deduction	Maximum	Phase-out begins (MAGI)	Phase-out rate
Qualified tips (§224)	$25,000	$150,000 ($300,000 joint)	$100 per $1,000 over
Qualified overtime (§225)	$12,500 ($25,000 joint)	$150,000 ($300,000 joint)	$100 per $1,000 over
Senior deduction (§151(d))	$6,000 per eligible person 65+	$75,000 ($150,000 joint)	6% of excess
Car-loan interest (§163(h)(4))	$10,000	$100,000 ($200,000 joint)	$200 per $1,000 over

Married filing separately cannot claim tips, overtime, or the senior deduction. These deductions reduce taxable income, not AGI, so they do not help other AGI-based limits.

Authority: IRC §§224, 225, 151(d), 163(h)(4) as added by P.L. 119-21. Confirm amounts against the 2026 Schedule 1-A instructions.

SUBSTANTIATION

Temporary Deductions: What to Document

Deduction	Key eligibility facts	Guidance status
Qualified tips	Listed tipped occupation; voluntary cash tips; reported on W-2, 1099, or Form 4137; SSN; self-employed: limited to the business's net income (§224(c)); SSTB employer exclusion: Notice 2025-69 relief while regs are reserved	Final regs, TD 10044 (effective June 12, 2026; applies to 2025 returns)
Qualified overtime	Only the FLSA-required premium portion; separate employer reporting required 2026-2028; SSN	Notice 2025-62; Notice 2025-69; FS-2026-13 FAQs (Aug. 2026)
Senior deduction	Age 65 by year-end; SSN; joint return if married	Statute
Car-loan interest	New vehicle; U.S. final assembly; personal use; loan after 2024 secured by the vehicle; VIN on return; lender statement	Final regs, TD 10054 (Sept. 2026)

Authority: IRC §§224, 225, 151(d), 163(h)(4), 6050AA; Reg. §1.224-1; cited guidance (see Priority Guidance Plan update)

OVERTIME

Overtime: The Regular Rate Drives the Deduction

A 50-hour week, 2026	Amount
Base pay: 50 hours × $12.00	$600.00
Non-discretionary bonus: 50 hours × $9.50	$475.00
Straight-time pay for the week	$1,075.00
Regular rate: $1,075 ÷ 50 hours	$21.50
Qualified overtime: ½ × $21.50 × 10 overtime hours	**$107.50**
Overstated if the $12 base rate were the regular rate: ($32.25 – $12.00) × 10	$202.50

What to tell payroll and clients

- Non-discretionary bonuses raise the regular rate, so they raise both the FLSA premium and the deduction
- **Only overtime required by FLSA §7 counts.** An employee exempt from FLSA overtime gets no deduction, even if a union contract or other law pays overtime
- **Reporting:** 2025, no separate W-2 reporting; 2026-2028, employer must report qualified overtime separately (W-2 Box 12)
- **Ask:** can payroll separate the premium from straight-time pay?

Authority: IRC §225(c); 29 U.S.C. §207(a), (e); DOL Wage and Hour Opinion Letter FLSA2026-2 (Jan. 5, 2026) (facts); Notices 2025-62, 2025-69; FS-2026-13 (Aug. 6, 2026). Illustration only: IRS guidance does not work this example. Deduction is capped ($12,500; $25,000 joint) and phases out by MAGI.

EMPLOYERS AND PAYROLL

Payroll and Retirement: 2026 Implementation

Roth catch-up starts in 2026

- Participants age 50+ whose 2025 FICA wages (W-2 box 3) from the employer sponsoring the plan exceeded $150,000 must make catch-ups as Roth
- Employer-wage test, not household AGI; self-employment income alone does not count
- Plans without a Roth option cannot allow catch-ups for those participants
- Final regs (TD 10033) apply in 2027; good-faith compliance required in 2026

2026 plan limit	Amount
Elective deferral	$24,500
Catch-up, age 50+	$8,000
Catch-up, ages 60-63	$11,250
Social Security wage base	$184,500

Also on the payroll list

- Tips and overtime reporting; Trump account §128 programs

Authority: IRC §414(v)(7) (SECURE 2.0 §603); TD 10033; Notice 2025-67, 2025-49 I.R.B.; SSA 2026 wage base

§530A

Trump Accounts: Temporary Regulations Arrived

The basics

- IRA-type account for a child under 18; no deduction for contributions
- Contributions permitted beginning July 4, 2026
- $5,000 annual limit (indexed after 2027) covers family and employer §128 contributions
- **Outside the limit:** $1,000 federal pilot contribution, qualified general contributions, rollovers
- **Pilot contribution:** eligible children born 2025-2028; requires an election

New in TD 10056

- Temporary regs effective Sept. 30, 2026; expire Sept. 30, 2029
- Treasury may establish “auto accounts” for eligible children without one
- Until claimed, an auto account accepts only qualified general contributions and the pilot contribution
- **Employer §128 programs:** up to $2,500 per employee excludable

Authority: IRC §§530A, 128, 6434; TD 10056, 91 Fed. Reg. 61705 (Sept. 30, 2026) (temporary and proposed regulations); Notice 2025-68

EMPLOYERS AND DONORS

Trump Accounts: Employer Plans and Gift Tax

Employer §128 programs (proposed regs)

- **Separate written plan** for the exclusive benefit of employees; §129(d) nondiscrimination rules apply
- **Per employee, not per child:** up to $2,500 (indexed after 2027); excluded from income tax but still subject to FICA and FUTA
- **Employees only:** sole proprietors, partners, and 2% S corporation shareholders cannot receive it, but their entities can sponsor a plan
- **Two working parents:** each employer may contribute $2,500; the $5,000 per-child limit still applies
- **Reporting:** the employer identifies each §128 transfer in writing to the trustee

Gift tax: Rev. Proc. 2026-25

- **Gifts by others** to a Trump account are future-interest gifts, normally reported on Form 709
- **Safe harbor:** treated as present-interest gifts; no return needed if all five conditions are met
- **Key conditions:** only gifts that year are cash Trump contributions made before age 18; total gifts to each beneficiary within the annual exclusion ($19,000 in 2026); no return otherwise required or filed
- **Cliff:** if you file Form 709 for any reason, report these contributions as future-interest gifts
- **Louisiana:** confirm how community funds are allocated between spouses before applying the per-beneficiary test; the sources reviewed do not address it

Authority: IRC §§128, 129(d), 530A, 2503(b); Rev. Proc. 2026-25, §4 (June 29, 2026); IR-2026-80; proposed §128 regulations (IR-2026-90, Aug. 11, 2026)

COMPLIANCE

Information Reporting: Thresholds Are Not Taxability

Payment type (payments made in 2026)	Reporting threshold
Nonemployee compensation, rents, prizes, medical payments (§§6041, 6041A)	$2,000
Royalties (Form 1099-MISC)	$10, unchanged
Third-party network transactions (Form 1099-K)	More than $20,000 and more than 200 transactions
Payment card transactions (Form 1099-K)	No de minimis threshold

Client and practice points

- Income is taxable whether or not a Form 1099 is issued
- Check each Form 1099-MISC box; not every category moved
- $2,000 is indexed after 2026
- **Practitioners:** last day to file through FIRE was Nov. 19, 2026; use IRIS after that

Authority: IRC §§6041, 6041A, 6050W as amended by P.L. 119-21; TD 10048 (May 2026); REG-113229-25 (proposed); 2026 Instructions for Forms 1099-MISC and 1099-NEC; IR-2026-99 (Aug. 24, 2026)

§1400Z-2

Opportunity Zones: The December 31, 2026 Bill Comes Due

Illustration: investment made in 2021	Amount
Original deferred gain	$600,000
Less 10% basis step-up (5-year hold by 12/31/2026)	($60,000)
Gain included in 2026 income	$540,000
Federal tax at 20% plus 3.8% NIIT	$128,520
Louisiana tax at 3%	$16,200

Cash planning

- **Inclusion with no distribution:** plan the funding
- Fourth-quarter estimate due Jan. 15, 2027; 110% prior-year safe harbor for higher-AGI taxpayers
- Harvest losses; consider charitable offsets
- **New program for post-2026 investments:** Notice 2026-40; REG-116506-25 (proposed)

Illustrative only. Assumes FMV exceeds basis plus gain, the full inclusion is long-term gain taxed at 20%, and the 3.8% NIIT applies to all of it. Authority: IRC §§1400Z-2(b), 1411, 6654(d)(1)(C); La. R.S. 47:32(A)

PENALTY RELIEF

First-Time Abate Is Giving Way to Automatic Relief

1. **AEP:** the IRS applies relief during processing and sends a confirming notice. No request needed
2. **Scope:** late-filing, late-payment and late-deposit penalties on Forms 1040, 1065, 1120, 1120-S and employment returns, starting with 2025 returns and 2026 quarterly returns
3. **Eligibility:** timely filing and payment of tax due in the three prior years (12 consecutive quarters for quarterly returns)
4. **Cutover:** replaces FTA for original due dates on or after Jan. 1, 2027. Information returns and transaction-driven filings (Forms 706, 709) generally excluded

TIMELINE

Summer 2026
AEP phase-in begins; FTA begins phasing out

During transition
Some qualifying taxpayers still get notices; FTA available by request

Jan. 1, 2027
AEP replaces FTA for original due dates on or after this date

Sources: IR-2026-83 (July 8, 2026); FS-2026-12 (July 2026); IRS, Administrative penalty relief; IRC §§6651(a), 6656, 6698(a)(1), 6699(a)(1)

PRACTICE POINT

Penalty Notice in Hand? Check for AEP First

1. **Notice does not mean ineligible:** during the transition, qualifying taxpayers still receive penalty notices. Look for the AEP confirmation notice first

2. **FTA still works for:** 2024 and earlier years, 2025 quarterly returns, and 2025 or 2026 returns processed before AEP started. Call the number on the notice, or send a written statement or Form 843

3. **No AEP and no FTA:** reasonable cause. Build the file now (IRC §6651(a); Treas. Reg. §301.6651-1(c))

4. **Not covered:** estimated tax penalties. Tax and interest remain due

Sources: IR-2026-83; FS-2026-12; IRC §§6651(a), 6656; Treas. Reg. §301.6651-1(c)

PRACTICE POINT

Paper Refund Checks Are Ending

1. **Executive order, not statute:** EO 14247 directs Treasury to stop paper checks “to the extent permitted by law.” The IRS generally stopped individual paper refund checks after Sept. 30, 2025

2. **No bank details:** the refund could take longer. Limited exceptions and alternatives (prepaid cards, certain mobile apps) exist

3. **Business returns:** the IRS is adding a direct deposit option to most return types; business paper refunds phase out over time

4. **Action:** collect routing and account numbers in the organizer, confirm the account is in the taxpayer’s name, set refund-timing expectations

Sources: Executive Order 14247 (Mar. 25, 2025); IRS Q&A on EO 14247 (irs.gov)

05

Succession and Wealth Transfer

A permanent exemption shifts the work toward income tax basis, and Louisiana law changes the playbook

13 minutes

EisnerAmper

ESTATE AND GIFT

The Estate Tax Problem Shrank; the Basis Problem Grew

$15.48M

basic exclusion per person for 2027 deaths and gifts ($15M for 2026); GST exemption matches

$20,000

2027 gift annual exclusion ($19,000 in 2026)

Most families

- Estate tax is not the binding constraint
- **Priority:** step-up in basis at death under §1014
- Revisit credit-shelter formulas that forfeit a second step-up

Ultra-high-net-worth

- Transfer planning continues
- “Permanent” means until Congress changes it
- Any repeal or reform needs a presidential signature

Authority: IRC §§2010(c), 2631(c), 2503(b), 1014; Rev. Proc. 2026-35; IR-2026-133

CIVIL-LAW FLAGS

Louisiana Civil Law Changes the Federal Playbook

1 Community property

- Both halves of community property receive a §1014(b)(6) step-up at the first death
- Classification (community versus separate) drives basis
- La. Civ. Code art. 2338

2 Usufruct and naked ownership

- A surviving spouse commonly takes a usufruct over the decedent's community share (art. 890)
- Split interests are valued actuarially for gift and estate purposes
- Marital deduction treatment needs care

3 Forced heirship

- Children 23 or younger, or permanently incapable, are forced heirs (art. 1493)
- Grandchildren qualify only in limited cases by representation
- The legitime limits freedom to redesign bequests

Authority: IRC §§1014(b)(6), 7520, 2056; La. Civ. Code arts. 890, 1493, 2338

FAMILY PARTNERSHIPS

Where Succession Planning Meets Sirius and QPP

Exposure points

- Rising-generation owners who hold commendam or LP interests and help run the business
- Senior generation keeping control while gifting limited interests (§2036 risk)
- Guaranteed payments versus distributive shares not documented
- Transfers that break 50% common control can trigger QPP recapture

Planning responses

- Separate operating company from real estate and investment entities
- Pay working family members for services
- Write management roles into the partnership agreement deliberately
- Model ownership changes against the 10-year QPP window

Authority: IRC §§1402(a)(1), 1402(a)(13), 707(c), 2036, 2704; K Alain (5th Cir. 2026); Notice 2026-16 §8.01(1)(c)

DISCUSSION

Case Study: Second-Generation Transition

Facts

- **Lafayette family:** parents married under the community regime
- Partnership owns real estate leased to an S corporation operating company
- Two adult children, 30 and 27, work in the operating company; youngest child is 19 and in college
- Parents want to transfer control by 2028

Issue	Where to look
SECA on commendam income	Rent: §1402(a)(1); services: K Alain
Wages for working children	Reasonable compensation
Basis at first death	§1014(b)(6) community step-up
Spouse's usufruct and heirs	La. Civ. Code arts. 890, 1493
Gifts of limited interests	§§2036, 2704; valuation
New production building	QPP lessor rules; common control

Discussion case; facts are hypothetical. Answer on the next slide.

ASSUMPTIONS AND LIKELY TREATMENT

Case Study Answer: Second-Generation Transition

Assumptions

- Partnership only leases real estate; provides no services
- Assets are community property
- Youngest child remains 23 or younger at the first death; older children are not incapacitated

Likely treatment

- Rent generally outside NESE; Sirius exposure low
- Children's service income belongs in S corporation wages
- **Community assets:** full step-up at first death
- Youngest child is a forced heir; plan around the legitime

Facts that change the answer

- Partnership earns management fees
- Separate property or a matrimonial agreement
- Parents keep control of gifted interests

Authority: IRC §§1402(a)(1), 1014(b)(6), 2036; Notice 2026-16 §§4.02(3)(c), 8.01(1)(c); La. Civ. Code arts. 890, 1493

06

Louisiana Developments

S corporations become pass-throughs, estimates change, and C corporations stop earning inventory credits

12 minutes

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RATES AND AMOUNTS

Louisiana 2026 at a Glance

Item	Tax year 2026	Authority
Individual rate	3% flat	La. R.S. 47:32(A)
Standard deduction	$12,838 single and MFS; $25,676 MFJ, HOH, QSS	La. R.S. 47:294; RIB 26-019
Retirement income exemption (65+)	$12,324	La. R.S. 47:44.1; RIB 26-019
Corporate rate	5.5% flat	Act 5, 2024 3rd Ex. Sess.
Corporation franchise tax	Repealed for periods beginning on or after Jan. 1, 2026	Act 6, 2024 3rd Ex. Sess.
S corporations	Pass-through for periods beginning on or after Jan. 1, 2026	Act 382 (2025); RIB 25-032

Note: 2026 withholding tables assumed $12,875 / $25,750. RIB 26-019 (Sept. 28, 2026) sets $12,838 / $25,676. The 2026 Regular Session did not change the 3% rate.

Sources: LDR RIB 26-019 (non-binding); LAC 61:I.1501; LDR 2026 Regular Session Legislative Summaries

ACT 382 (2025)

S Corporations Are Pass-Throughs Starting in 2026

Before 2026

- Taxed as C corporations on Form CIT-620
- Resident-shareholder exclusion election
- 5.5% corporate tax on the remainder
- Credits generally stayed at the entity

2026 and after

- Informational return; items flow to shareholders
- Credits, including inventory credits, flow to shareholders
- Composite return for nonresident shareholders allowed
- PTET election still available, but not together with composite
- LDR may collect unpaid shareholder tax from the S corporation

Authority: La. R.S. 47:287.732, 287.732.2 as amended by Act 382 (2025 Reg. Sess.); LDR RIB 25-032; RIB 26-011

ESTIMATES AND PROCEDURE

Act 307: New Estimated Tax Rules for 2026

70%

individual current-year safe harbor, down from 90%

80%

corporate safe harbor based on income earned in each installment period

Act 307 (HB 633)

- Updates individual safe harbor computations for the flat rate and standard deduction
- Repeals the annualized income installment method
- Moves certain deadlines to the 15th day of the fifth month after year-end
- Applies to periods beginning on or after Jan. 1, 2026

Other 2026 acts

- **Act 97:** appeal period for assessments and refund denials extends from 60 to 90 days for notices mailed on or after Jan. 1, 2028
- **Act 624:** limited disclosure of return information to the legislative auditor

Authority: La. R.S. 47:118, 287.655, 287.656 as amended by Act 307 (2026); Act 97 (2026); Act 624 (2026); LDR 2026 Legislative Summaries

LA. R.S. 47:6006

Inventory Tax Credit: C Corporations Stop Earning

Taxpayer	Earning new credits	Using existing credits
C corporations; estates and trusts taxed under R.S. 47:300.1	No credit for ad valorem taxes paid on or after July 1, 2026	Additional 10-year carryforward for qualifying existing credits.
Cooperatives with a patronage dividend deduction	Exception: may continue to earn (attach Forms 1099-PATR)	Normal rules
S corporations and partnerships, with or without PTET election	Continue to earn; S corporation credits flow to shareholders	Claimed on the applicable return
C corporation credits for taxes paid Jan. 1, 2025 to June 30, 2026	Nonrefundable	Carry forward

The test is when the ad valorem tax is paid, not when the taxable period begins. Track payment dates around July 1, 2026.

Authority: La. R.S. 47:6006 as amended by Act 412 (2025 Reg. Sess., eff. June 20, 2025) and Act 11 (2024 3rd Ex. Sess.); LDR RIB 26-011 (Mar. 27, 2026) (non-binding)

PRACTICE POINT

Six Questions for Louisiana Clients

1. S corporation owners: are 2026 estimates now made at the shareholder level?
2. Composite or PTET: which fits the shareholder mix?
3. Commendam or LLLP owners: who has a significant management role?
4. C corporations: when were ad valorem taxes paid, and how will carryforwards be used?
5. Individuals: do 2026 estimates reflect Act 307 safe harbors?
6. Married couples: does titling preserve the community step-up?

Louisiana starts from federal AGI (individuals) and federal taxable income (corporations); confirm state modifications for bonus, QPP, and §174A for each client.

BEFORE DECEMBER 31

Year-End Action List

Organizations

- Pull binding contracts; decide §168(k)(7) and QPP elections
- **Test §163(j) exemption:** aggregation and syndicate status
- Model §199A with PTET and depreciation
- **Partnerships:** inventory partner roles under K Alain
- **Louisiana:** S corporation estimates; composite or PTET; inventory credit payment dates
- Update 1099 thresholds box by box; Roth catch-up payroll setup
- **Information returns:** FIRE closed Nov. 19; file 2027-season returns through IRIS
- **Meals:** §274(o) disallowance of employer-provided meals began Jan. 1, 2026; regulations pending

Individuals and families

- **Opportunity zone inclusion:** fund the tax and the Jan. 15 estimate
- SALT phase-down and PTET coordination
- **Charitable:** 0.5% floor, bunching, appreciated assets, QCDs; written acknowledgments in hand before filing
- **Temporary deductions:** eligibility and documentation
- **Trump accounts:** claim auto accounts; pilot election
- **Estate plans:** formula clauses, community titling, usufruct
- **Disaster losses:** qualified-disaster casualty rules (P.L. 119-108) cover federally declared disasters with incident periods before Jan. 1, 2027

PROFESSIONAL RESPONSIBILITY

Using AI for Tax Research: Verify Every Citation

Why it matters

- AI tools can produce authority that looks real and is not, or that has been withdrawn
- **The January Sirius opinion is a live example:** widely summarized, no longer law
- **Tax Court:** counsel cited cases that do not exist (Clinco, T.C. Memo. 2026-16)
- Practitioners remain responsible for accuracy (Circular 230 §§10.22, 10.36, 10.37; IRS OPR Issue 2026-19)
- Client return information has use and disclosure limits (IRC §7216)

A verification routine

- **Pull the primary source:** IRB, Federal Register, court site, legis.la.gov, LDR
- **Check status:** final, temporary, proposed, withdrawn, superseded
- Confirm the tax year for every figure
- Use only firm-approved tools; keep confidential client data out of public tools
- A human reviews before anything reaches a client

Authority: 31 C.F.R. §§10.22, 10.36, 10.37 (Circular 230); IRC §7216; AICPA Statements on Standards for Tax Services; Clinco v. Comm'r, T.C. Memo. 2026-16 (Feb. 9, 2026); IRS OPR Issue No. 2026-19 (June 24, 2026)

TAKEAWAYS

Five Messages to Take Back to the Office

1. Plan to current law; divided government makes repeal unlikely
2. Louisiana partnerships: limited liability no longer settles SECA
3. Read the notice before electing; QPP leasing exceptions are narrow
4. Model deductions through §199A, §163(j), and the owner's limits
5. Louisiana: S corporations, estimates, and inventory credits changed

SOURCES

Primary Source Library

- Internal Revenue Code; P.L. 119-21
- Notice 2026-11 (2026-6 I.R.B.); Notice 2026-16 (2026-11 I.R.B.)
- Rev. Proc. 2026-17; FS-2026-14 (Aug. 19, 2026); FS-2026-12 (AEP); FS-2026-13 (overtime)
- Rev. Proc. 2026-32 (2026-39 I.R.B.); Rev. Procs. 2025-23, 2025-28
- TD 10044 (tips); TD 10054 (car-loan interest); TD 10048 (Form 1099-K); TD 10033 (catch-up)
- TD 10056, 91 Fed. Reg. 61705 (Trump accounts); Notice 2025-68; Rev. Proc. 2026-25 (gift tax); Notice 2025-67
- Notice 2026-40; REG-116506-25 (opportunity zones)
- Rev. Proc. 2025-32 (2026 amounts); Rev. Proc. 2026-35 and IR-2026-133 (2027 amounts)
- Treasury/IRS 2025-2026 Priority Guidance Plan, year-end update (Oct. 30, 2026)

SOURCES

Primary Source Library, Continued

- K Alain, L.L.L.P. (formerly Sirius Solutions) v. Comm’r, No. 24-60240 (5th Cir. Aug. 12, 2026)
- Soroban Capital Partners LP v. Comm’r, No. 25-2079 (2d Cir. Sept. 17, 2026); 161 T.C. 310 (2023)
- Renkemeyer, 136 T.C. 137 (2011); Denham, T.C. Memo. 2024-114; Golsen, 54 T.C. 742 (1970)
- La. R.S. 47:32, 44.1, 294, 287.732, 287.732.2, 6006; La. Civ. Code arts. 890, 1493, 2338, 2837-2844
- Act 412 (2025); Act 382 (2025); Acts 307, 97, 624 (2026); Acts 5, 6, 11 (2024 3rd Ex. Sess.)
- LDR RIB 26-019; RIB 26-011; RIB 25-032; LDR 2026 Legislative Summaries
- EisnerAmper insights: Sirius ambiguity (Oct. 2026); midterm election analysis (Nov. 2026)

EISNERAMPER

Questions

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LCPA Winter Cluster | November 20, 2026

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REFERENCE

Appendix: The 2026 Guidance Scorecard

Provision	Guidance	Type and status	Released
§168(k) bonus depreciation	Notice 2026-11	Interim; reliance until proposed regs	Jan. 2026
§168(n) qualified production property	Notice 2026-16	Interim; reliance	Feb. 20, 2026
§163(j)(7) election withdrawals	Rev. Proc. 2026-17	Procedure; window closed Oct. 15, 2026	Mar. 18, 2026
§163(j) limitation	FS-2026-14	Fact sheet (FAQs)	Aug. 19, 2026
§§174, 174A, 460(e) method changes	Rev. Proc. 2026-32	Automatic consent procedures	Sept. 4, 2026
§224 qualified tips	TD 10044	Final regulations	Apr. 2026
§163(h)(4) car-loan interest	TD 10054	Final regulations	Sept. 2026
§530A Trump accounts	TD 10056	Temporary regs (plus proposed)	Sept. 30, 2026
§1400Z-2 opportunity zones	Notice 2026-40; REG-116506-25	Notice; proposed regulations	June-Sept. 2026

Still waiting: §199A regulations, §1202 guidance, §274(o) meals regulations, and §529 enhancements

Source: Treasury/IRS 2025-2026 Priority Guidance Plan, year-end update through Sept. 30, 2026 (Oct. 30, 2026)