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TAX & FINANCIAL PLANNING CONFERENCE

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Key Provisions of the OBBBA and Their Impact

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Section 174 Expenditures – OBBBA Changes

	Pre-OBBBA (2022-2024)	OBBBA (2025 and after)
Domestic R&D	5-year amortization	Immediate Expense
Foreign R&D	15-year amortization	15-year amortization
R&D Tax Credit	Permanent	Permanent
Small Business Relief	N/A	Retroactive Expensing

Section 174 Expenditures – OBBBA Changes

- Small Taxpayer Retroactive Options
  - Early Application Back to 2022 – Amended Returns
  - Expense All Unamortized Costs in 2025
  - Expense ½ Unamortized Costs in 2025 and ½ in 2026

Section 174 Expenditures – Tax Planning Considerations

- Tax Rates
- Section 280(C) Election
- Cost of Amending
- IRS Considerations – Timing of Refund & Audit Exposure

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IRC Section 168(k) & Section 179 ("Bonus & Section 179")

	Bonus Depreciation	Section 179
Deduction Limit	No Dollar Limit	$2.5 million (2025)
Phase-Out	None	Starting at $4 million
Income Limitation	No	Yes (cannot exceed taxable income)
Property Eligibility	Tangible Property with 20-year life or less	Broad (includes some real property)
Elective Use	Automatic, unless opted out	Yes (choose assets)
New or Used	Both	Both

IRC Sections 168(k) Bonus & 179 Expensing

Planning Considerations:

1. Maximize federal depreciation while still generating state-level credits.

2. Not all states conform to federal rules. For example, NYS & most states conform to Section 179 but not bonus depreciation.

3. Taxable income limitation on Section 179, whereas no taxable income limitation on bonus depreciation. Forecast the future to determine proper depreciation methods today.

4. Ability to elect out of bonus depreciation and not claim Section 179 expense (NOL strategies, minimal taxable income anticipated in future years, 174 deductions).

5. New rules regarding the expensing of real property for manufacturers (must segregate out administrative and non-production related areas).

IRC Section 163(j) – Business Interest Limitation Example

FACTS: S Corporation taxpayer with $125,000 total taxable income.

Included in this is $150,000 of depreciation expense, and $75,000 of interest expense related to equipment purchases & building financing.

	2024 Tax Year	2025 Tax Year
Current Year Business Interest Expense	**75,000**	**75,000**
Tentative Adjusted Taxable Income (ATI)	**200,000**	**200,000**
Addback: Depreciation	**-**	**150,000**
Adjusted Taxable Income (ATI)	**200,000**	**350,000**
Multiply ATI by 30%	**30%**	**30%**
Allowable Business Interest Deduction	**60,000**	**75,000**
Carryover to Future Years	**15,000**	**-**

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Permanent TCJA Individual Tax Rates

Bracket	Pre-OBBBA (2026)		OBBBA (2026 and after)	
	Tax Rate	Tax Bracket (MFJ)	Tax Rate	Tax Bracket (MFJ)
1	10.00%	$0 - $24,400	10.00%	$0 - $24,800
2	15.00%	$24,401 - $99,200	12.00%	$24,801 - $100,800
3	25.00%	$99,201 - $200,100	22.00%	$100,801 - $211,400
4	28.00%	$200,101 - $304,950	24.00%	$211,401 - $403,550
5	33.00%	$304,951 - $544,550	32.00%	$403,551 - $512,450
6	35.00%	$544,551 - $615,100	35.00%	$512,451 - $768,700
7	39.60%	Over $615,101	37.00%	Over $768,701

Permanent TCJA Increased Standard Deduction

Filing Status	Pre-OBBBA (2026)	OBBBA (2026 and after)
Single	$8,350	$16,100
MFJ	$16,700	$32,200
HOH	$12,250	$24,150
MFS	$8,350	$16,100

Permanent IRC Section 199A - QBI Deduction

	Pre-OBBBA (2026)	OBBBA (2026 and after)
Effective Date	Expires 12/31/25	Made Permanent
Minimum Deduction	N/A	\$400 (QBI ≤ \$1,000)
Income Thresholds	\$50,000/\$100,000 S/MFJ	\$75,000/\$150,000 S/MFJ
Phase-in Range	\$197,300/\$394,600 S/MFJ	\$276,775/\$553,500 S/MFJ

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Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
State and Local Tax (SALT) Deduction	
• SALT Deduction Limited to $10,000 Expires after 2025	• SALT Deduction Limitation Increases • $40,000 in 2025 • $40,400 in 2026 • 1% Increases (2027 - 2029) • $10,000 in 2030 • SALT Deduction Phases Out Range • $500,000 in 2025 • $505,000 in 2026 • 1% Increases (2027 - 2029) • Never Below $10,000 • Effective for Taxable Years Beginning After 12/31/2024

Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
Mortgage Interest Deductions	
• Home Equity Interest Deduction Suspended (Except when used to Buy, Improve or Expand the Home) • $750,000 Acquisition Indebtedness Limit Expires after 2025	• Permanent Suspension of Home Equity Interest Deduction (Except when used to Buy, Improve or Expand the Home) • Extension of $750,000 Acquisition Indebtedness Limit • Mortgage Insurance Premimums Deduction Returns • Effective for Taxable Years Beginning After 12/31/2025

Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
Charitable Donations	
• Charitable Deductions Allowed for Taxpayers Itemizing their Deductions	• Imposes 0.5% Floor on Charitable Contributions for Itemizers • Above-the-Line Deduction up to $1,000 / $2,000 for Non-Itemizers • Permanent Extension of 60% AGI Contribution Limit for Cash Gifts Made to Qualified Charities • Effective for Taxable Years Beginning After 12/31/2025

Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
Miscellaneous Itemized Deductions	
• Temporarily Suspended for 2018 - 2025 • Reinstated in 2026 Subject to 2% Floor Limitation	• Permanent Suspension of Miscellaneous Itemized Deductions • Allows for Deduction for Educator Expenses • Effective for Taxable Years Beginning After 12/31/2025

Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
Casualty and Theft Loss Deductions	
• Casualty or Theft Loss Suspended Until After 2025, Except for Losses from Federally Declared Disasters	• Permanent Extension of Casualty or Theft Loss Suspension, Except for Federally Declared or State Declared Disasters • Effective for Taxable Years Beginning After 12/31/2025

Itemized Deduction Changes - OBBBA

Prior to OBBBA	Post OBBBA
Overall Itemized Deduction Limitation	
• Itemized Deductions are Not Limited	• Modification to IRC Sec. 68 Institutes New Limitation on Overall Itemized • Itemized Deductions Reduced by 2/37ths of the Lesser of (A) Amount of the Itemized Deductions; (B) The Tentative Taxable Income Exceeding the Dollar Amount at Which the 37% Rate Bracket Begins • Effective for Taxable Years Beginning After 12/31/2025

OBBBA Itemized Deduction Example #1

- Single Filer (Age 40)
- Federal Adjusted Gross Income = $300,000
- Tentative Itemized Deductions = $15,500
- Tentative Taxable Income = $285,500
- Standard Deduction Available
  - **2024 - $14,600**
  - **2025 - $15,750**
  - **2026 - $16,100**

Pre-OBBBA Itemized Deductions Example #1

Medical Expenses	$ -
7.5% Floor	$ 22,500.00
Deductible Medical	$ -
State Income Taxes	$ 21,000.00
Real Estate Taxes	$ 10,000.00
Total State Taxes	$ 10,000.00
Mortgage Interest	$ 3,000.00
Cash Donations (60% Organizations):	$ 2,000.00
Non-Cash Donations	$ 500.00
Total Charitable Donations	$ 2,500.00
Total Allowed Itemized Deductions	**$ 15,500.00**
Standard Deduction Utilized	**$ 15,750.00**

Pre-OBBBA Itemized Deductions Example #1

Medical Expenses	$	-
7.5% Floor	$	22,500.00
Deductible Medical	$	-
State Income Taxes	$	21,000.00
Real Estate Taxes	$	10,000.00
Total State Taxes	$	31,000.00
Mortgage Interest	$	3,000.00
Cash Donations (60% Organizations):	$	2,000.00
Non-Cash Donations	$	500.00
Total Charitable Donations	$	2,500.00
Total Allowed Itemized Deductions	**$**	**36,500.00**
Net Benefit Received	**$**	**20,750.00**

OBBBA Itemized Deduction Example #2

- Married Filing Jointly Couple (Both 35 Years Old)
- Federal Adjusted Gross Income = $3,000,000
- Tentative Itemized Deductions = $520,500
- Tentative Taxable Income Before Itemized = $2,850,000 (QBI Deduction $150,000)
- Standard Deduction Available
  - **2024 - $29,200**
  - **2025 - $31,500**
  - **2026 - $32,200**

Pre-OBBBA Itemized Deductions Example #2

Other Itemized Deductions	$	20,000.00
Cash Donations (60% Organizations):	$	500,000.00
Non-Cash Donations	$	500.00
Total Charitable Donations	$	500,500.00
Total Allowed Itemized Deductions	**$**	**520,500.00**

Post-OBBBA Itemized Deductions Example #2

Other Itemized Deductions	$	20,000.00	
Cash Donations (60% Organizations):	$	500,000.00	
Non-Cash Donations	$	500.00	
0.5% Charitable Deduction Floor	$	(15,000.00)	
Total Charitable Donations	$	485,500.00	
Total Allowed Itemized Deductions Prior to IRC Sec. 68 Limitation	$	515,500.00	
IRC Sec. 68 Limitation			
37% Bracket Income Threshold	$	768,700.00	
Amount Over 37% Bracket Income Threshold	$	2,081,300.00	**(A)**
Itemized Deductions Prior to IRC Sec. 68 Limitation	$	515,500.00	**(B)**
Lesser of (A) or (B)	$	515,500.00	
2/37ths Reduction	$	27,865.00	
Deductible Itemized Deductions	**$**	**487,635.00**	
Net Increase/(Decrease) to Itemized Deductions:	**$**	**(32,865.00)**	

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Financial Reporting Impacts of the OBBBA

- C-Corps, PTET and state taxes
- Recognize tax effects of OBBB for period of enactment (July 4, 2025)
- Possible subsequent events disclosures
- Deferred tax asset valuation allowance considerations
    - NOL carryforwards, other credit carryforwards
- Impact on financial covenants
- Uncertain tax positions

New Accounting Standards

- **ASU 2023-08 (ASC 350): Accounting for and Disclosure of Crypto Assets**

  Effective date: Years beginning after **December 15, 2024 (2025)**

- **ASU 2023-09 (Topic 740): Improvements to Income Tax Disclosures**

  Public Effective date: Years beginning after **December 15, 2024 (2025)**

  Private Effective date: Years beginning after **December 15, 2025 (2026)**

- **ASU 2024-03: Disaggregation of Income Statement Expenses**

  Applicable to **PUBLIC COMPANIES ONLY**

  Effective dates: Years beginning after **December 15, 2026 (2027)** and interim periods beginning after December 15, 2027 (2028)

New Accounting Standards

- **ASU 2025-08 (ASC 350): Targeted Improvements to the Accounting for Internal-Use Software**

  Effective date: Years beginning after **December 15, 2027 (2028)**

  Only applies to software for internal use and website development.

  Removes the "project phase" descriptions (discovery, development, feasibility, implementation, etc.…)

  Requires internally developed software cost **capitalization** when the following occur:

  1. Management has authorized and committed to funding the software project; and
  2. It is probable that the project will be completed, and the software will be used to perform the function intended (referred to as the "probable-to-complete recognition threshold")

Credit Losses (CECL) – ASC 326

- **ASU 2025-05 Financial Instruments - Credit Losses**

  Practical expedient: An entity that elects the practical expedient would not be required to adjust historical loss information to reflect changes related to economic data. Rather, an entity would assume that current economic conditions as of the balance sheet date will persist throughout the forecast period.

  Accounting policy election: An entity that elects the practical expedient would also be permitted to make an accounting policy election to consider subsequent cash collection after the balance sheet date but before the date the financial statements are available to be issued as part of the estimate of expected credit losses.

Rev Rec Update - Retainage

- **FASB Educational Paper Clarifying Treatment of Conditional Retainage for Contractors – April 1, 2025**

  Clarifies that a single contract cannot have both a contract asset and a contract liability.

  Retainage subject to conditions (other than passage of time) is a contract asset.

  Retainage should be presented net of contract liabilities (overbillings) on a contract-by-contract basis.

  The educational paper provides new examples of suggested presentation for retainage receivable within financials.

Rev Rec Update - Retainage

Sample Disclosure

	December 31,		
	2025	2024	2023
Contract receivables	$ 1,775,126	$ 2,180,356	$ 2,938,633
Contract assets:			
Retainage on contracts	$ 500,548	$ 400,880	$ -
Cost and estimated earnings in excess of billings on contracts in progress	212,224	435,337	827,249
	$ 712,772	$ 836,217	$ 827,249
Contract liabilities:			
Billings in excess of costs and estimated earnings on contracts in progress	$ 5,354,573	$ 4,761,618	$ 900,751
Contra - retainage on contracts	(27,476)	-	-
	$ 5,327,097	$ 4,761,618	$ 900,751

Retainage Example

Schedule of Contract Receivables, Contract Assets and Contract Liabilities

			Contract Assets			Contract Liabilities		
		Contract Receivables	Retainage on Contracts	Costs & Est. Earnings in Excess of Billings	Total Contract Assets	Billings in Excess of Costs & Est. Earnings	Contra - Retainage on Contracts	Total Contract Liabilities
	Contracts in process							
25-1	Syracuse 1	$ 1,101,235	$ -	$ -	$ -	$ 4,020,770	$ -	$ 4,020,770
25-2	Syracuse 2	53,500	-	-	-	895,698	-	895,698
25-3	Syracuse 3	-	-	-	-	49,521	-	49,521
25-4	Syracuse 4	24,787	-	-	-	38,441	-	38,441
25-5	Syracuse 5	112,053	-	-	-	308,031	-	308,031
25-6	Syracuse 6	11,650	-	31,281	31,281	-	-	-
25-7	Syracuse 7	-	97,425	-	97,425	19,697	(19,697)	-
25-8	Syracuse 8	132,300	16,959	51,687	68,646	-	-	-
25-9	Syracuse 9	47,700	10,700	43,843	54,543	-	-	-
25-10	Syracuse 10	84,420	32,800	8,584	41,384	-	-	-
25-11	Syracuse 11	23,625	-	-	-	2,808	(2,625)	183
25-12	Syracuse 12	-	6,368	58,503	64,871	-	-	-
25-13	Syracuse 13	142,610	18,730	-	18,730	1,516	(1,516)	-
25-14	Syracuse 14	32,738	-	-	-	18,091	(3,638)	14,453
25-15	Syracuse 15	-	-	15,966	15,966	-	-	-
25-16	Syracuse 16	900	52,557	-	52,557	-	-	-
25-17	Syracuse 17	-	36,367	-	36,367	-	-	-
25-18	Syracuse 18	-	32,079	-	32,079	-	-	-
25-19	Syracuse 19	-	24,088	2,360	26,448	-	-	-
25-20	Syracuse 20	-	22,897	-	22,897	-	-	-
25-21	Syracuse 21	-	16,287	-	16,287	-	-	-
25-22	Syracuse 22	900	13,920	-	13,920	-	-	-
	Misc. contracts <$100,000	6,708	119,371	-	119,371	-	-	-
		1,775,126	500,548	212,224	712,772	5,354,573	(27,476)	5,327,097

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Pension Limits

	Est. 2026	2025	2024
401(k) Elective Deferrals (Section 402g)	$ 24,500	$ 23,500	$ 23,000
Catch-Up Contribution Limit (Section 414v): For all other employees	$ 8,000	$ 7,500	$ 7,500
Super Catch-Up Contribution Limit (Section 414v): For employees ages 60-63*	$ 11,250	$ 11,250	$ 7,500
Annual Defined Contribution Limit (Section 415)	$ 72,000	$ 70,000	$ 69,000
Annual Compensation Limit (Sections 401, 404, 408)	$ 360,000	$ 350,000	$ 345,000
FICA Wage Limit	$ 184,500	$ 176,100	$ 168,600
SIMPLE Employee Deferrals	$ 17,000	$ 16,500	$ 16,000
SIMPLE Catch-Up Deferrals: For all other individuals	$ 4,000	$ 3,500	$ 3,500
SIMPLE Super Catch-Up Deferrals: For individuals ages 60-63*	$ 5,250	$ 5,250	$ 3,500

SECURE ACT 2.0

Provisions Effective January 1, 2025

- Required - Auto-enrollment and auto-escalation for all **<u>NEW</u>** 401(k) and 403(b) plans
  - Certain exceptions for:
    - Collective bargaining plans
    - Church plans
    - Governmental plans
    - As well as plans established on or before December 29, 2022
  - The initial automatic enrollment amount is at least 3% but not more than 10%
  - Each year thereafter, that amount is increased by 1% until it reaches at least 10%, but not more than 15%

SECURE ACT 2.0

Provisions Effective January 1, 2025

- Required - Higher catch-up limit to apply at ages 60, 61, 62 and 63 (See previous table)
  - The increased amounts are indexed for inflation after 2025
- Required - Improving coverage for part-time workers
  - Reduces to 2 years (from 3 years) the requirement to allow long-term, part-time workers to participate in employers’ 401(k) plans
- Required - Retirement savings lost and found. Requires DOL to create and administer a national online searchable lost and found database for Americans’ retirement plans; requires plan administrators to provide annual reporting of disposition of balances for vested terminated participants

SECURE ACT 2.0

Provisions Effective January 1, 2026

- Required - All catch-up contributions for workers with wages over $145,000 during the previous year to be deposited into a Roth (i.e., after tax) account.
  - The wage threshold will be adjusted annually for inflation beginning in 2027 (rounded down to the lowest multiple of $5,000)
- Required - Requirement to provide paper statements in certain cases. Amends ERISA to generally provide that, with respect to defined contribution plans, unless a participant elects otherwise, the plan is required to provide a paper benefit statement at least once annually.

Common Pension Pitfalls

Mistakes

- You didn’t use the plan definition of compensation correctly for all deferrals and allocations.
- Employer matching contributions weren’t made to all appropriate employees.
- You haven’t timely deposited employee elective deferrals.
- You haven’t filed a Form 5500-series return this year.

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Universal Best Practices For Any Size or Industry

- Separate Personal from Business
- Timely Records & Reconciliations
- Implement Internal Controls
  - Policies & Procedures
  - Separation of Duties
  - Not Sharing Login Credentials

Tools & Processes to Improve Efficiency & Accuracy

- Utilize Cloud-Based Software's
  - QuickBooks or Sage for record keeping
  - Ramp or BILL for expense management
- Linking Bank & Credit Card Accounts
  - Real-Time Updates
  - Regularly Refreshes Activity
- Reduces manual work!
- Improves reporting accuracy and speeds up the month-end process!

Common Errors When Classifying Expenses

- Misclassifying
  - Fixed Asset vs. Repairs
  - Payroll Expenses
- Overcomplicated Chart of Accounts
- Utilizing Miscellaneous or Uncategorized
- Cut-Off Issues
  - Prepaid & Accrued

How to Stay Compliant & Accurate With Limited Resources

- Consider Outsourced Bookkeeping/CFO Services
  - Potential Full or Part-Time Office Clerk for daily tasks
  - Outsource tasks such as:
    - Reconciliations
    - Review of General Ledger
    - Assistance with Budget

- Often creates cost savings & eliminates turnover

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