

Tax Topics Impacting the 2021 Filing Season & 2022 Outlook

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This presentation is based on the current guidance that has been published as of February 28, 2022. You should not rely on information contained in this presentation to make business or tax decisions without first consulting with your tax advisor.



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Agenda

1. Review of tax impacting legislation
2. Sunset tax provisions
3. New items
4. Update on IRS operations



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Looking Back, Looking Forward

December 22, 2017 – Tax Cuts & Jobs Act

December 20, 2019 – SECURE Act

March 20, 2020 – Family First Coronavirus Act

March 30, 2020 – CARES Act

April 24, 2020 – Paycheck Protection & Health Care Enhancement Act

June 5, 2020 – Paycheck Protection Program Flexibility Act

December 18, 2020 – Consolidated Appropriations Act

March 11, 2021 – American Rescue Plan Act

May 28, 2021 – President Biden's Green Book

November 15, 2021 – Infrastructure Investment & Jobs Act

November 19, 2021 – Build Back Better Act House Version

December 12, 2021 – Build Back Better Act – Senate Finance



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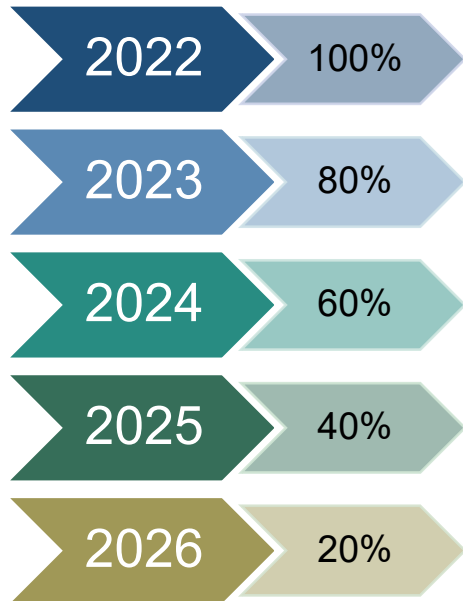
Polling Question



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TCJA Spotlight: Bonus Depreciation

- Bonus depreciation was increased to 100% for eligible property placed in service from September 27, 2017 through December 31, 2022



Consider impact of bonus if taxable loss due to excess business loss rules

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TCJA Spotlight: Research & Experimental Expenditures

- What are Section 174 Costs?
 - All costs incidental to the development or improvement of a product
 - Activities intended to discover information that would eliminate uncertainty
- Effective Date of Change
 - Under TCJA, the new rule would apply to R&E costs incurred or paid for taxable years beginning after December 31, 2021
 - House version of Build Back Better Act proposed to delay the effective date until taxable years beginning after December 31, 2025
 - Omnibus Spending Bill for Fiscal 2022 may potentially provide relief



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Research & Experimental Expenditures, *cont.*

	Before TCJA	After TCJA
R&E Expenditures	<ol style="list-style-type: none"> 1) Immediately deduct under section 174(a) 2) Capitalize and amortize over at least 60 mo under section 174(b) 3) Capitalize and amortize over 10 years under section 59(e) 	Capitalize and amortize over 5 years or 15 years (if foreign)
Software Development Costs	Rev. Proc. 2000-50 <ol style="list-style-type: none"> 1) Expense 2) Capitalize and amortize over at least 60 mo 3) Amortize Over 36 mo 	Amended Sec. 174 Capitalize and amortize over 5 years or 15 years (if foreign)

Research & Experimental Expenditures, *cont.*

- Expenditures qualifying for the R&D credit must be treated as Sec. 174 costs
- Full amortization and full credit

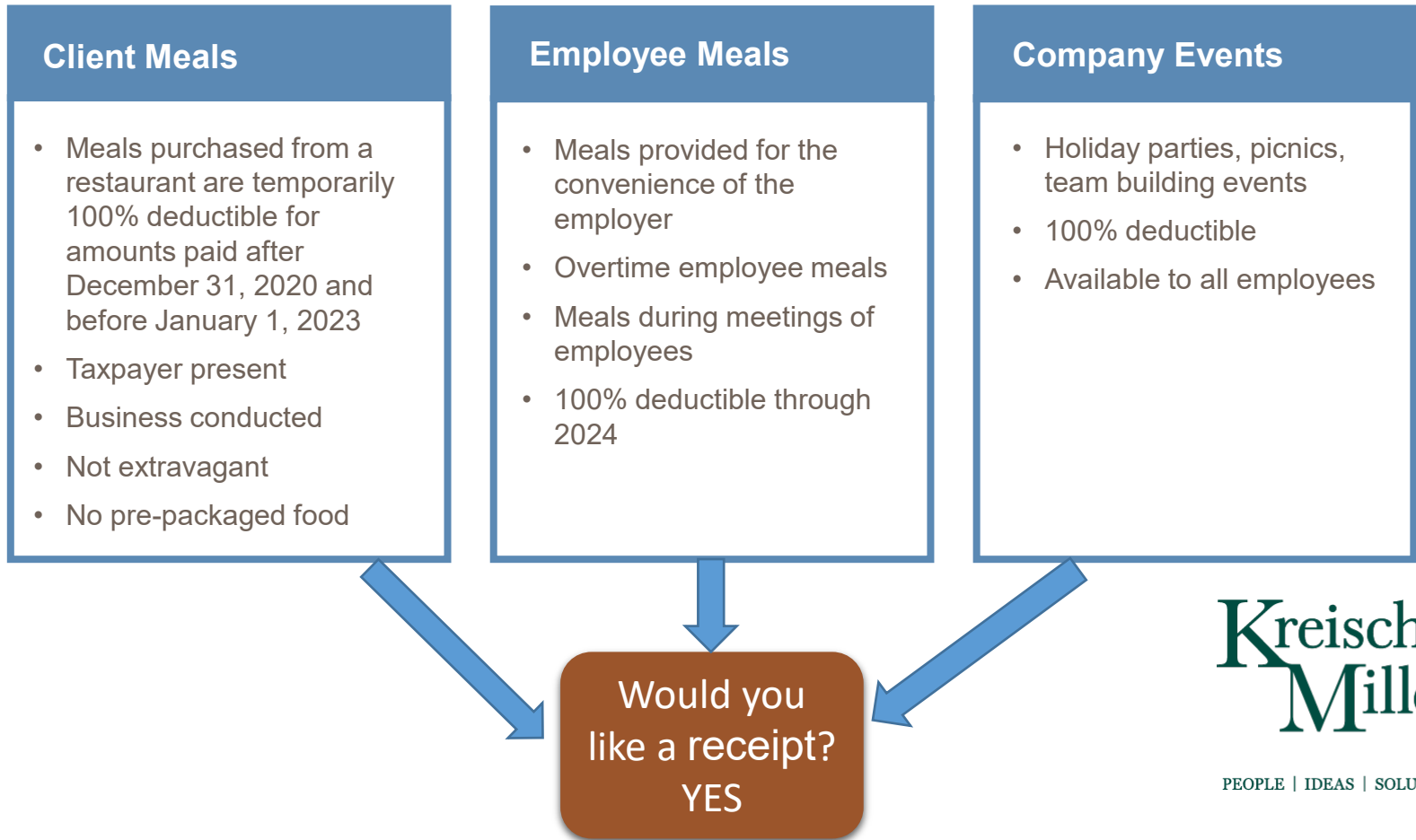
Section 174 Expenses	R&D Credit – Eligible Expenses
Direct Wages	Direct Wages
Supplies	Supplies
Contract Research	Contract Research
Overhead	
Depreciation	
Patent Fees	
Research outside of U.S.	

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TCJA Spotlight: Meals & Entertainment



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TCJA Spotlight: Meals & Entertainment

Entertainment

- TCJA eliminated ability for a partial deduction
- Amusement, recreation
- Dues and Fees
- Food & beverage provided at such events
- ***Unless*** it is separately stated on receipt or purchased separately

Would you
like a receipt?
YES

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TCJA Spotlight: Business Interest Deduction Limitation

- Limit on deductibility of business interest expense to 30% of adjusted taxable income
- Limitation increased to 50% – CARES Act
- In 2022, the limit will narrow again to exclude depreciation and amortization
- Any interest expense disallowed is carried forward



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TCJA Reminders

- Qualified Business Income Deduction
 - Pass-through deduction generally 20% of QBI
 - Scheduled to sunset 2025
 - Interplay with Other Provisions
- Excess Business Losses
 - CARES Act – 3 year suspension
- SALT Limitation
 - \$10,000



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New & Noteworthy

- Cryptocurrency
 - Property in the eyes of the IRS
 - Tax reporting depends on how it was obtained, and how it was used
 - Make sure to share the news you have Crypto!
- Schedules K-2 and K-3 Reporting
 - New forms, new info?
- Employee Retention Credit
 - 2021 impact
- Pennsylvania online payment requirement
 - \$15,000 or more
- Philadelphia Tax Center Online



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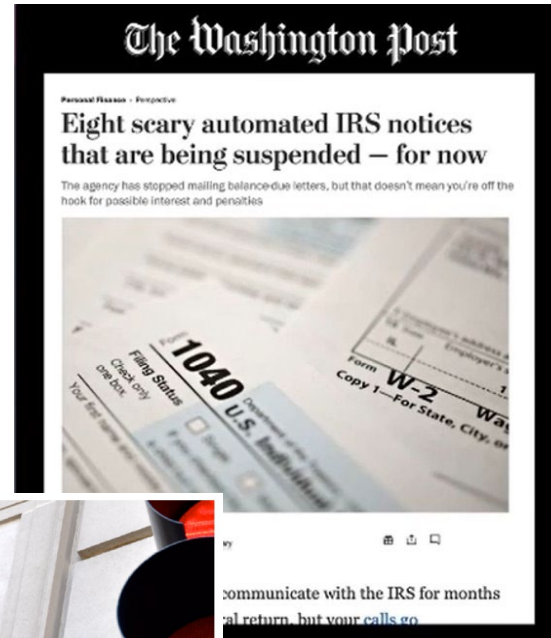
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The IRS Operations

- IRS Resources & Backlog
- Practitioner Difficulties



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Contact the Presenters

Lisa G. Pileggi
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Lisa takes a relationship-centric approach to working with her clients, Kreischer Miller's Tax Strategies group, and the firm as a whole.

She is a trusted advisor to her clients, providing tax and business advisory services for a broad range of privately-held businesses including real estate developers and investors, construction contractors, manufacturers, and distributors. Lisa specializes in educating her clients, helping them maneuver their evolving business needs and become comfortable with the unknown. She helps her clients navigate various business cycles (i.e., growth, maturity, and exit), advising them on the corporate and individual tax-related implications of M&A transactions, succession planning, and changing tax laws. She has also assisted taxpayers in audits with the Internal Revenue Service and various states.

Lisa serves as an instructor for Kreischer Miller's in-house professional and soft skills training program, and serves as a career counselor to help team members identify and navigate their career paths within the firm as well as in the accounting profession. She is also a member of the firm's Real Estate Industry Group.

As the Director-in-Charge of Kreischer Miller's Tax Strategies practice, Lisa provides strategic leadership and management of the group, including recruiting, training, team member development, and serving as a resource on technical matters.



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Contact the Presenters

Kate Stewart
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Kate works as a tax advisor, assisting clients to help them navigate the complex tax landscape. Kate serves a broad range of privately held businesses and their owners, including the industries of construction, real estate, distribution, and manufacturing.

Kate has a wide range of experience providing tax and business advisory services and enjoys working with owners and key personnel to assist with various tax matters. This includes tax planning, tax compliance, cost segregation studies, research and development tax credits, business growth and succession planning.

As a member of Kreischer Miller's Construction Industry Group, Kate assists in developing internal and external professional training along with providing up to date tax alerts related to the industry. Kate works with her construction clients to guide them throughout the year to help maximize their tax savings in addition to planning ahead for future needs.

In addition, Kate serves as a career counselor to KM team members offering guidance and advice as their career paths expand.



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