

2025 Year-End Tax Seminar

November 19, 2025

50 Kreischer Miller
1975-2025



Today's Presenters



Andrew Berger
Director,
Tax Strategies



Reed Brown
Director,
State and Local Tax



Tom Frascella
Director,
State & Local Tax



Chris Meshginpoosh
Managing Director



Rich Nelson
Director,
Tax Strategies



Brad Runyen
Director,
Tax Strategies



Katrina Samarin
Director,
Tax Strategies



Mary-Ann Schaller
Director,
Tax Strategies



Brian Sharkey
Director-in-Charge,
Transaction Advisory
& Business Valuation



Larry Silver
Director,
Tax Strategies



Kate Stewart
Director,
Tax Strategies

Legal Disclaimer

The information provided in this webinar and accompanying presentation materials is for informational and educational purposes only and should not be construed as legal, accounting, or tax advice.

While we strive to present accurate and current information, the One Big Beautiful Bill Act (OBBBA) and related tax provisions are subject to ongoing interpretation and clarification. The Internal Revenue Service (IRS) is expected to issue further guidance on many of the changes discussed today.

Participants are strongly encouraged to consult with a qualified tax advisor or legal professional regarding their specific circumstances before making any decisions based on the content of this webinar.

Neither the presenters nor the organizers of this webinar assume any liability for actions taken in reliance upon the information provided.



Business Tax Update

November 19, 2025

Katrina Samarin, Director, Tax Strategies

Andrew Berger, Director, Tax Strategies

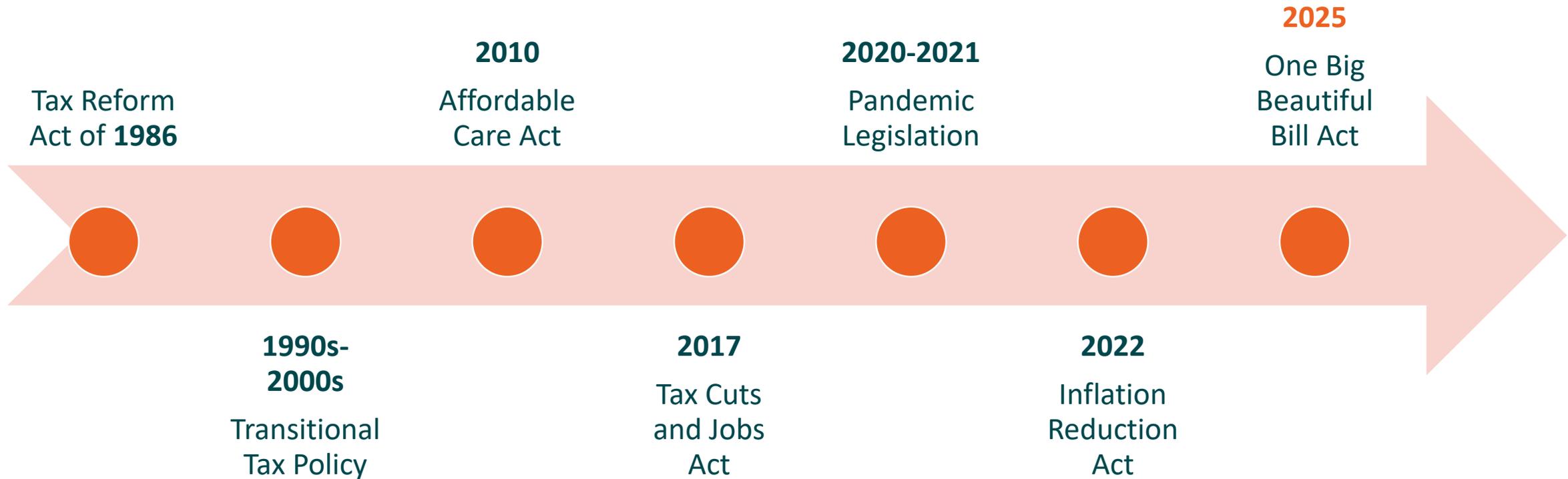


Disclaimer

This material is provided for general informational and educational purposes only and should not be construed as legal or tax advice. You should not rely on information contained in this presentation to make business or tax decisions without first consulting with your tax advisor. The information contained in this material is subject to change without notice. The presenters undertake no obligation to update this material.

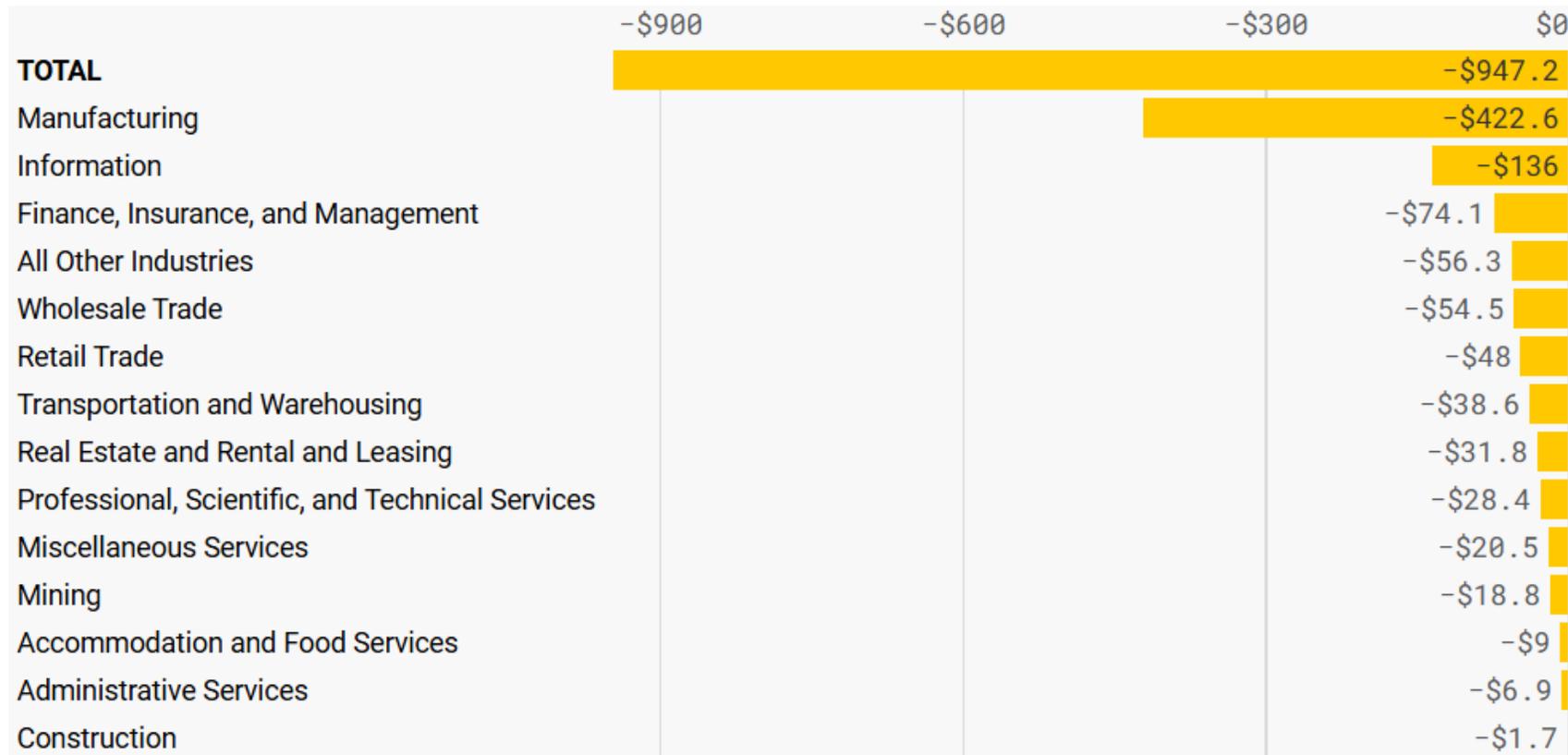


How Did We Get Here?



Top Industry Beneficiaries of OBBBA

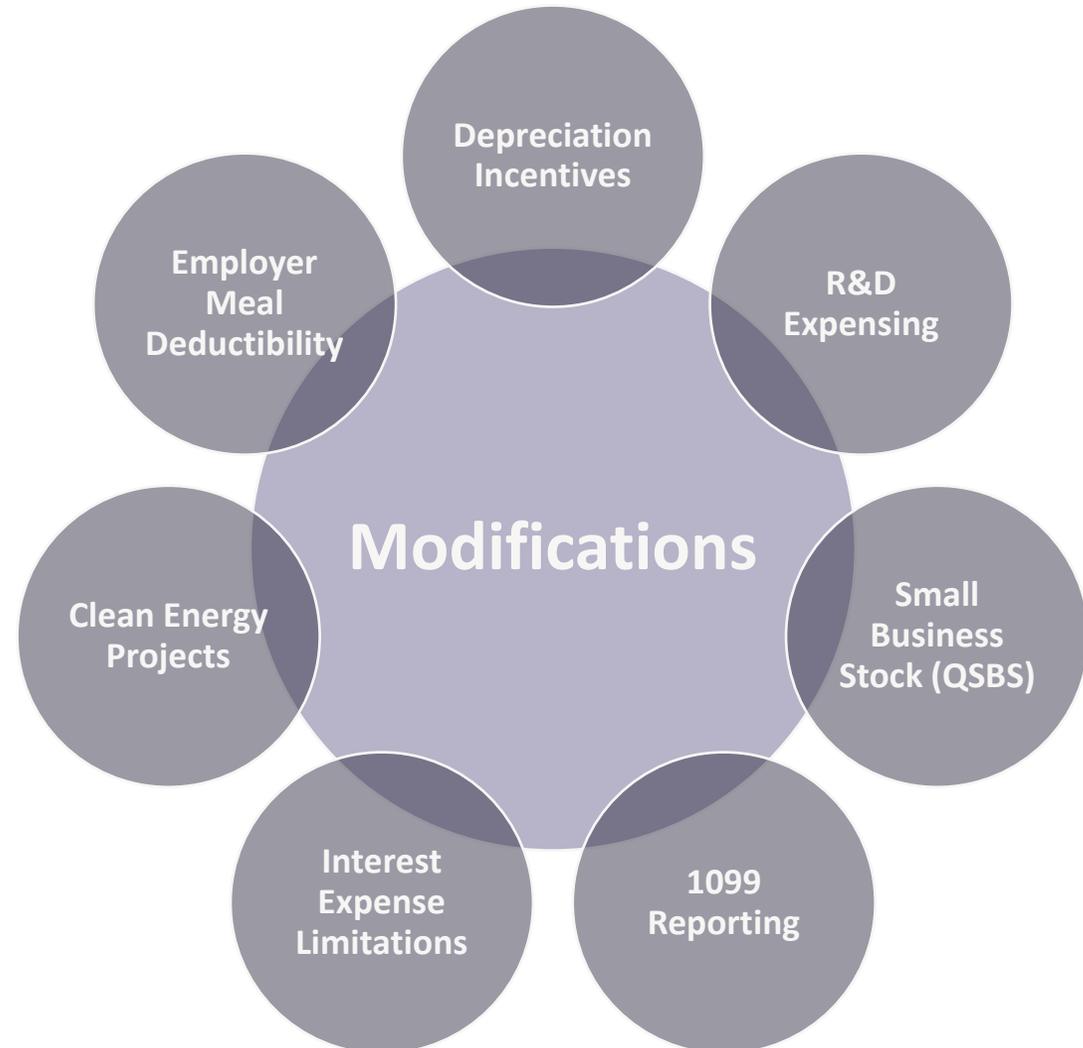
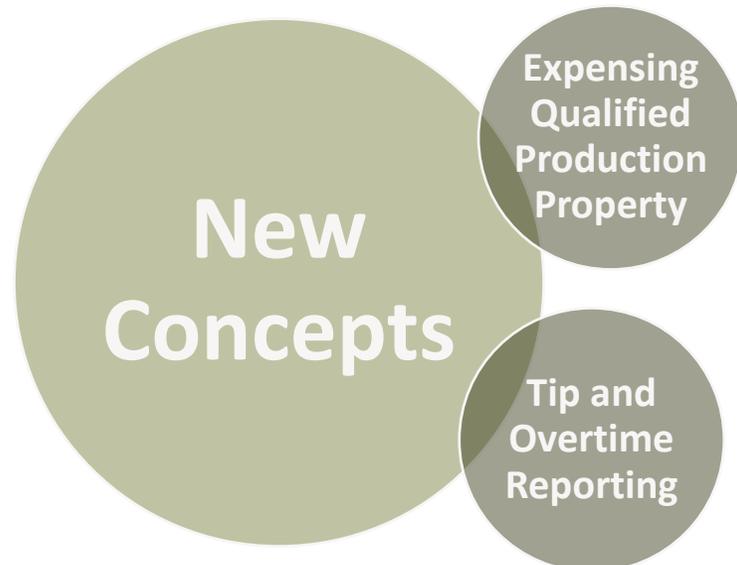
Major Corporate Tax Provision Impact by Industry from the One Big Beautiful Bill Act, 2025-2035, Billions of Dollars



Note: Tax changes include OBBBA's permanent 100 percent bonus depreciation and R&D expensing, a more generous interest limitation based on EBITDA, the new temporary 100 percent deduction for qualifying structures, and the international tax changes.

**Source: Tax Foundation
July 2025**

Key Provisions Businesses



20% Pass-Through Deduction

- The 20% deduction is for Qualified Business Income (QBI).
- Originally enacted under the Tax Cuts and Jobs Act – was previously set to expire at the end of 2025.
- Now permanent for pass-through businesses, including S corporations, partnerships, and sole proprietors.

Impact:

- This ensures continued tax relief for a broad range of businesses that operate outside the C corporation structure.
- Now permanently set at 20%, the highest effective federal tax rate for owners of these businesses is reduced from 37% to 29.6%.
- This helps maintain parity with the 21% corporate tax rate for C corporations.
- Allows business owners to plan with confidence, reinforcing the long-term viability of pass-through entities.



Planning Tip:
Optimize
reasonable
compensation
for S corps

R&D Expensing

Deducted fully under
Section 174 since 1954



Under TCJA 2017,
required to be
capitalized and
amortized beginning in
2022 tax years

*TCJA: Domestic costs
amortized over 5 years;
foreign costs amortized
over 15 years*



OBBBA reverts back to
full expensing of
domestic R&D

*OBBBA: Domestic costs
deducted fully; foreign costs
amortized over 15 years*



Research & Development **Expensing**



R&D Costs Defined

- Costs incidental to the **development** or **improvement** of a product or process
- Software development costs

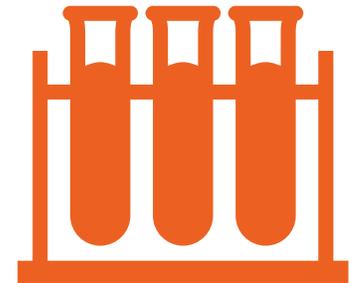
Affected Industries

- Manufacturing (Chemicals, Food/Beverage, Fabrication and more)
- Health sciences
- Architecture & Engineering
- Construction
- Software development

Research & Development **Expensing**

OBBBA **permanently** suspends the Tax Cuts and Jobs Act's (TJCA) requirement that research and experimental (R&E) expenses be capitalized and amortized over a five-year period.

- **Immediate Deduction (Domestic R&D)**
 - 100% deduction for U.S. research expenses starting after December 31, 2024
 - Foreign R&E still amortized over 15 years
- **Relief for Small Business**
 - Applies to businesses with \leq \$31M average gross receipts
 - Can retroactively deduct expenses for years after 2021 via amended returns
- **Accelerated Deductions (All Taxpayers)**
 - Taxpayers who capitalized R&D can accelerate remaining deductions
 - Election allows write-off over 1–2 years



Bonus Depreciation

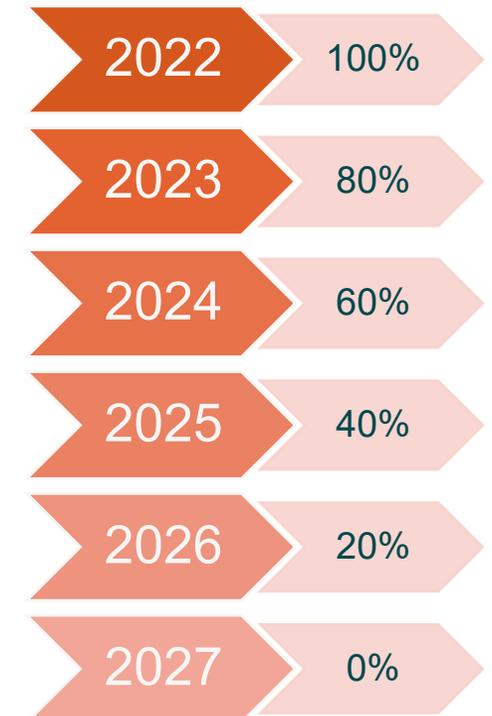
100% Bonus Depreciation — Permanently Extended

- **Effective Date:** Property placed in service on or after January 20, 2025
- **What Qualifies:** Immediate expensing for new & used qualified property
- **Phase-In Rule:** 40% bonus if placed in service January 1 – 19, 2025
- **NEW:** Binding Contract Rule now applies

Transitional Election Option

- Taxpayers may elect 40% bonus depreciation
- Applies to property placed in service during first tax year ending on or after January 20, 2025

Prior Rules



Planning Opportunity: Cost Segregation Analysis

Reshoring Super-Deduction

- New special depreciation allowance for qualified production property.
- Full and immediate expensing for certain nonresidential real estate used in manufacturing or production.

To be eligible, the property must **meet all of** the following:

- It must be nonresidential real property (e.g. factories, refineries, or production facilities),
- It must be used as an integral part of qualified production activity (QPA), such as manufacturing, production, or refining of a qualified product,
- Construction must begin between January 19, 2025 and December 31, 2028
- The property must be placed in service before January 1, 2031.

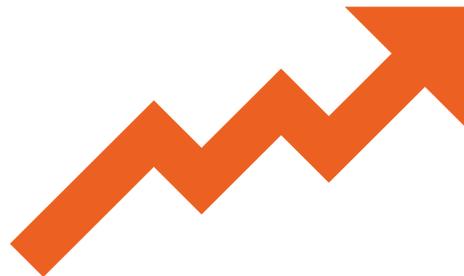


An exception applies for acquired property that was not previously used by the business and was not previously used in a QPA by another person, subject to additional restrictions.

Section 179 Expensing

Key Highlights

- ✓ Immediate expensing of qualified business assets
- ✓ Deduction limit: **\$2.5 million** (maximum expense)
- ✓ Phase-out threshold: **\$4 million** (purchase limit)
- ✓ Effective: Property placed in service **after December 31, 2024**
(No binding contract rule)
- ✓ Deduction limited to **taxable income**



Qualifying Assets include machinery & equipment, off-the-shelf software, furniture, certain vehicles, and certain building improvements (roofing, HVAC, and more).

Prior Rules



Equipment **Expensing**

Qualified Asset Purchase	\$3,000,000
First Year Sec. 179 write off	\$2,500,000
Bonus First Year Depreciation	\$500,000
Total First Year Depreciation	\$3,000,000
Tax Savings – 37%	\$1,110,000
Asset Cost After Tax Savings	\$1,890,000



Increased Limitation on Business Interest Expense

Permanent Shift to EBITDA – Earnings Before Interest Taxes Depreciation & Amortization

- Effective for tax years beginning on or after January 1, 2025
- EBIT is replaced with EBIT~~DA~~ as the basis for the limitation
- Restores **pre-2022** treatment of adjusted taxable income (ATI)

Impact:

- This change allows businesses to deduct a larger portion of their interest expense, especially those that are capital-intensive and highly leveraged, with significant equipment or real estate investments.
- Provides greater flexibility and tax relief for entities that rely on financing to grow and operate.

Applies to
Taxpayers with
average gross
receipts \geq \$31
million

Excess Business Losses

- Provisions were set to expire in 2028, have been made **permanent**.
- Losses from pass-through business income are limited:
 - **Limitation: \$626,000 MFJ / \$313,000 Single**
 - Limitation is applied at the ultimate owner's tax returns
 - Losses in excess of the threshold are disallowed, carried forward and treated as net operating losses.
 - Net operating losses are limited to 80% of taxable income.

Planning Pointer – Bonus depreciation may generate a loss that is limited by the Excess Business Loss rules

No Tax on Overtime

- OBBBA creates new above-the line deduction for “qualified overtime compensation” for 2025 through 2028.
- Deduction is capped at **\$12,500 (\$25,000 joint)** per year; **available beginning January 1, 2025 through December 31, 2028.**
- **Phase out** begins for Taxpayers with MAGI over \$150,000 (\$300,000 joint).



No Tax on Overtime_(cont.)

- **Phase out** begins for Taxpayers with MAGI over \$150,000 (\$300,000 joint)
- **Employers:**
 - Must include the total amount of qualified overtime compensation as a separate line item on the Form W-2 **(penalty relief available for 2025)**.
 - Amount is still subject to Medicare, Social Security, state and local taxes.
 - Will require additional employer tracking of overtime premium compensation. Details to follow.
 - Only applies to overtime required by the Fair Labor Standards Act ("FLSA"). Overtime pay that is required by state law or contract, such as a collective bargaining agreement, does not qualify for the deduction.
- **Example:** If your normal rate is \$20/hour and you're paid \$30/hour, only the \$10/hour EXTRA is deductible

No Tax on Tips

- OBBBA creates new above-the line deduction for “qualified tips” for individuals in an occupation that customarily and regularly received tips on or before December 31, 2024 * *
- Deduction is capped at **\$25,000 (flat)** per year; **available beginning January 1, 2025 through December 31, 2028**
- **Phase out** begins for Taxpayers with MAGI over \$150,000 (\$300,000 joint)
- **Employers:**
 - Must include the total amount of cash tips reported by the employee and the employee’s qualifying occupation on Form W-2 **(penalty relief available for 2025)**
 - Amount is still subject to Medicare, Social Security, state and local taxes
 - Specific reporting requirements not yet available

**** * Only applies to qualifying occupations***

Employer Reporting for Tips or Overtime Penalty Relief

- **Scope of relief:** For 2025, the IRS will not impose penalties on employers, payors, or payment settlement entities that fail to separately report qualified tips, qualified overtime compensation, or occupation codes on required information returns or payee statements, provided that the business otherwise files and furnishes a complete and correct return or statement.
- **Transition year:** The notice provides that 2025 will be regarded as a transition year for enforcement and administration.
- **Encouragement, but no requirement:** While not required for penalty relief, the IRS specifically encourages employers and payors to provide their employees and payees with as much information as possible, such as occupation codes and separate tip/overtime amounts, through alternative means, including Box 14 of Form W-2, supplemental statements, or online portals, to help individuals claim the new deductions.
- **Additional taxpayer guidance:** The IRS will issue additional guidance for individual taxpayers on how to claim the deductions for qualified tips and overtime compensation on their 2025 returns.

Green Energy Credits Have Accelerated Timeline for Termination



Provision	Type of Credit	Pre-OBBBA	Post-OBBBA
Sec. 48E	Investment Tax Credit for Solar and Wind	6-30% Credit, with gradual phasedown starting in 2023	Eliminated for solar and wind PIS after 2027; Removed as 5-year property
Sec. 179D	Energy Efficiency Commercial Buildings Deduction	Max. benefit of \$5.81 per sq ft	Eliminated after 6/30/2026
Sec. 45L	Energy Efficient Home Credit	Up to \$5,000 per dwelling unit	Eliminated after 6/30/2026
Sec 25C	Energy Efficient Home Improvement Credit	30% credit Phasedown beginning 2032	Eliminated after 12/31/2025
Sec. 25E/30D/45W	New & Pre-owned Clean Vehicle Credit	Up to \$7,500 (new) or \$4,000 (used) or \$40,000 (commercial use)	Eliminated after 9/30/2025

State and Local Tax Deduction (Individuals)

Tax Cuts and Jobs Act of 2017

- State and local tax deduction was limited to \$10,000 for individuals
- Taxes subject to limitation include state and local income taxes and real estate taxes



OBBBA Provisions

- Increases SALT Cap from \$10,000 to \$40,000 (beginning 2025)
- Cap increases to \$40,400 in 2026 and by an additional 1% in 2027, 2028 and 2029
- Deduction starts to phase out for households with MAGI over \$500,000 in 2025, fully phased out at \$600,000



OBBBA Phaseout

- SALT Cap reverts to \$10,000 in 2030

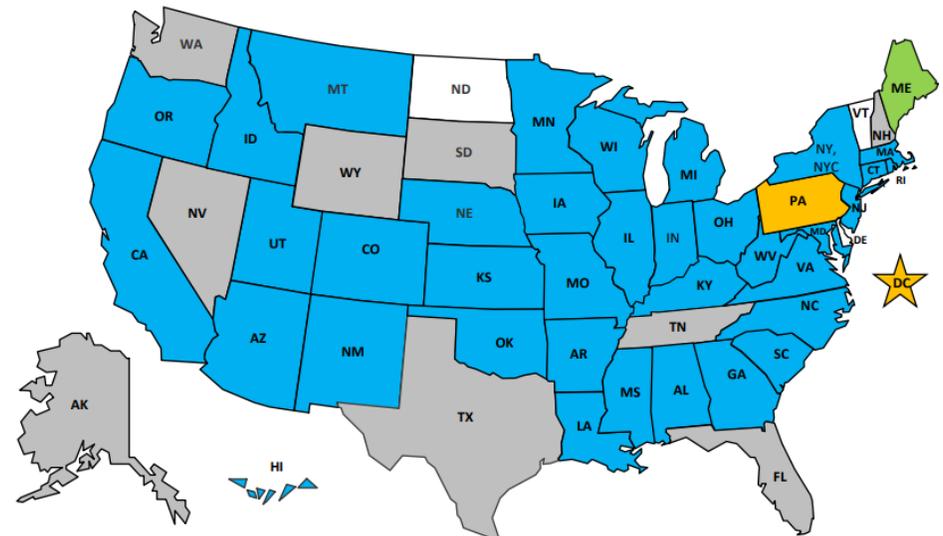
Pass-Through Entity Tax (“PTET”)

Provisions

- In response to the \$10,000 SALT cap introduced in 2017, many states enacted SALT workarounds allowing pass-through entities to pay and deduct state taxes.
- These PTETs allowed business owners to deduct state taxes fully at the entity level, therefore by-passing the individual limit.
- Under the OBBBA, PTET payments continue to be fully deductible.

Planning Pointers

- Revisit PTET elections, some are annual
- Consider making payments by 12/31



Information Reporting Changes

- Form **1099 NEC and MISC** reporting threshold, currently \$600, increases to \$2,000 in 2026, and then adjusted for inflation beginning in 2027.
- Form **1099-K** for payments over Third-Party Payment networks (i.e. Venmo, Paypal) reporting threshold reinstated to **\$20,000** and 200 transactions.
 - \$600 threshold by the American Rescue Plan Act of 2021 never took effect
- Significantly reduced administrative burden

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		Form 1099-NEC (Rev. April 2025) For calendar year	Nonemployee Compensation
PAYER'S TIN		RECIPIENT'S TIN			
RECIPIENT'S name		1 Nonemployee compensation		Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
Street address (including apt. no.)		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
City or town, state or province, country, and ZIP or foreign postal code		3 Excess golden parachute payments			
Account number (see instructions)		4 Federal income tax withheld			
		5 State tax withheld	6 State/Payer's state no.	7 State income	
		\$		\$	
		\$		\$	

Form **1099-NEC** (Rev. 4-2025) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service



Supporting Families, Rewarding Employers: Credits & Enhancements

Paid Family and Medical Leave Credit

- Eligibility expanded and made permanent by OBBA
- For tax years beginning in 2026
- **Eligibility expansion:** Eligible employers can claim a credit up to 25% of wages paid to employees on qualified paid family and medical leave
- To qualify, employer must have:
 - Written policy providing at least 2 weeks of paid leave to all full-time and part-time employees
 - Pay at least 50% of the Employee's normal wages during the leave
 - **Credit not available for employees earning above \$96,000 (annualized) in 2025**

Enhanced Dependent Care FSA

- Increased annual contribution limit from \$5,000 to \$7,500 per household
- For tax years beginning in 2026
- No change to healthcare FSA limited

Changes to Meals and Entertainment

- TCJA added IRC Section 274(o) that removes the deduction for meals:
 - Meals in on-premises cafeteria
 - Food and beverages associated with an employer-operated facility (could mean water, coffee and snacks)
 - Meals provided to employees for the convenience of the employer
 - This category of meals are 50% deductible in 2025 and 0% deductible in 2026
 - **More guidance is needed for this category**
- **Effective for expenses incurred after December 31, 2025**

Meals and Entertainment (2026)

Non-Deductible	50% Deductible	100% Deductible
<ul style="list-style-type: none"> • Sporting event tickets, including transportation to/from event • Meals incurred when no business is conducted • Club memberships • <u>Meals provided for the convenience of the employer</u> • <u>Meals in on-premise cafeterias</u> 	<ul style="list-style-type: none"> • Client business meals (if business is conducted, taxpayer is present and not lavish or extravagant) • Meals provided occasionally and overtime meals • Meals in office during meetings of employees, shareholders, agents or directors • Meals during business travel • Meals at conferences • Meals included in charitable sports package 	<ul style="list-style-type: none"> • Office Holiday Party or Picnic • Transportation to/from restaurant for client business meal • Meals included as taxable compensation to employee or contractor • Meals offered to public for free

Contact the Presenter



Katrina R. Samarin, CPA, MT

DIRECTOR, TAX STRATEGIES, MANUFACTURING & DISTRIBUTION
INDUSTRY GROUP CO-LEADER, ESOP GROUP CO-LEADER

ksamarin@kmco.com

Katrina serves as a proactive and responsive tax advisor to her clients' needs including tax compliance, tax planning, and tax research for corporations, partnerships, trusts, and high-net-worth individuals. She is forward-looking to keep her clients compliant and well informed on the changing tax landscape. Katrina works with a broad range of privately-held businesses including those in the manufacturing, distribution, construction, real estate, and service industries. She assists clients with multi-state compliance obligations and international tax planning. She also has experience in assisting her clients through federal, state, and local audits.

Katrina is an Employee Stock Ownership Plan (ESOP) specialist and co-leads the firm's ESOP group. She assists companies and shareholders with planning their ESOP transactions and is an experienced advisor in Section 1042 tax deferral. As the co-leader of Kreischer Miller's Manufacturing & Distribution Industry Group, Katrina assists in the development and instruction of in-house professional training on topics relating to the manufacturing industry. She also assists a number of manufacturing clients in maximizing tax savings through utilization of an Interest Charge Domestic International Sales Corporation (IC-DISC).

Contact the Presenter



Andrew R. Berger, CPA

DIRECTOR, TAX STRATEGIES

aberger@kmco.com

Andrew is a Director in Kreischer Miller's Tax Strategies group. Andrew provides a variety of practical tax strategies & services including tax compliance, tax planning and tax research for corporations, multi-state companies, partnerships, trusts and high-net-worth individuals. Andrew has a diversified range of experience providing tax services to a variety of real estate, distribution, manufacturing and professional services industries. He also is actively involved with the firm's Employee Stock Ownership Plan (ESOP) Group.

Unique Tax Planning Opportunity – Section 1202 Qualified Small Business Stock

November 19, 2025

Larry Silver, Director, Tax Strategies



Agenda

1. Section 1202 Overview
2. Requirements
3. What Changed with the OBBBA
4. What Has Not Changed
5. Tax Planning Opportunities



Section 1202

Section 1202 was enacted over 30 years ago to encourage investment in early-stage businesses operating as domestic C corporations.

“It provides targeted relief for investors who risk their funds in new ventures/small businesses...many of which may have difficulty in attracting equity financing...”

Pre-OBDDA

- Section 1202 provided a gain exclusion for stock issued after August 10, 1993 as follows:
 - **GREATER** of \$10M or 10 times the taxpayer's aggregate adjusted basis of the stock at the time of issuance and the stock must have been held 5 years
- Stock issued:
 - 8-11-93 and 2-18-2009 – 50% exclusion
 - 2-19-09 and 9-27-2010 – 75% exclusion
 - 9-28-10 and 7-4-2025 – 100% exclusion

Example

- X was issued stock in QSB on July 1, 2015 in exchange for \$2M in cash. On July 31, 2025, X sold the stock for \$22M, realizing a \$20M gain.
- If the stock qualifies as 1202 stock, X could exclude (for federal income tax purposes) the greater of \$10M or 10 times X's basis ($10 \times \$2M$) or \$20M of the gain, the entire gain.



Requirements to Obtain Benefit

- Stock must be held by an eligible shareholder
 - Individuals, trusts, estates
 - Partnerships and S corporations usually qualify as holders
- Holding period – 5 years (pre-OBBBA)
- Original issuance of stock
 - Must be purchased from the issuer and not another shareholder
 - Stock received as compensation is okay
 - Stock received as a gift or inheritance is okay

Requirements to Obtain Benefit_(cont.)

- Eligible corporation – C corporation
 - Partnership that “checks the box” to be a corporation should be okay
 - S corporation is not okay
- \$50 million gross asset limitation (pre-OBBBA)
 - C corporation cannot have more than \$50 million of tax basis in its assets before the issuance of stock.

Aggregate Gross Asset Test/Active Business

- 80% of the Qualified Small Business Stock (QSBS) issuer's assets must be used in the operation of a qualified trade or business during the taxpayer's QSBS holding period (active business requirement).
 - Any trade or business other than:
 - Performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees.
 - Banking, insurance, financing, leasing, investing or similar business.
 - Farming business.
 - Any business involving the production or extraction of products of a character with respect to which a deduction is allowable under 613 or 613A and any operation of a hotel, motel, restaurant or a similar business.
 - Ownership of or dealing in the renting of real property is not treated as a qualified trade or business.

What Changed with the OBBBA?

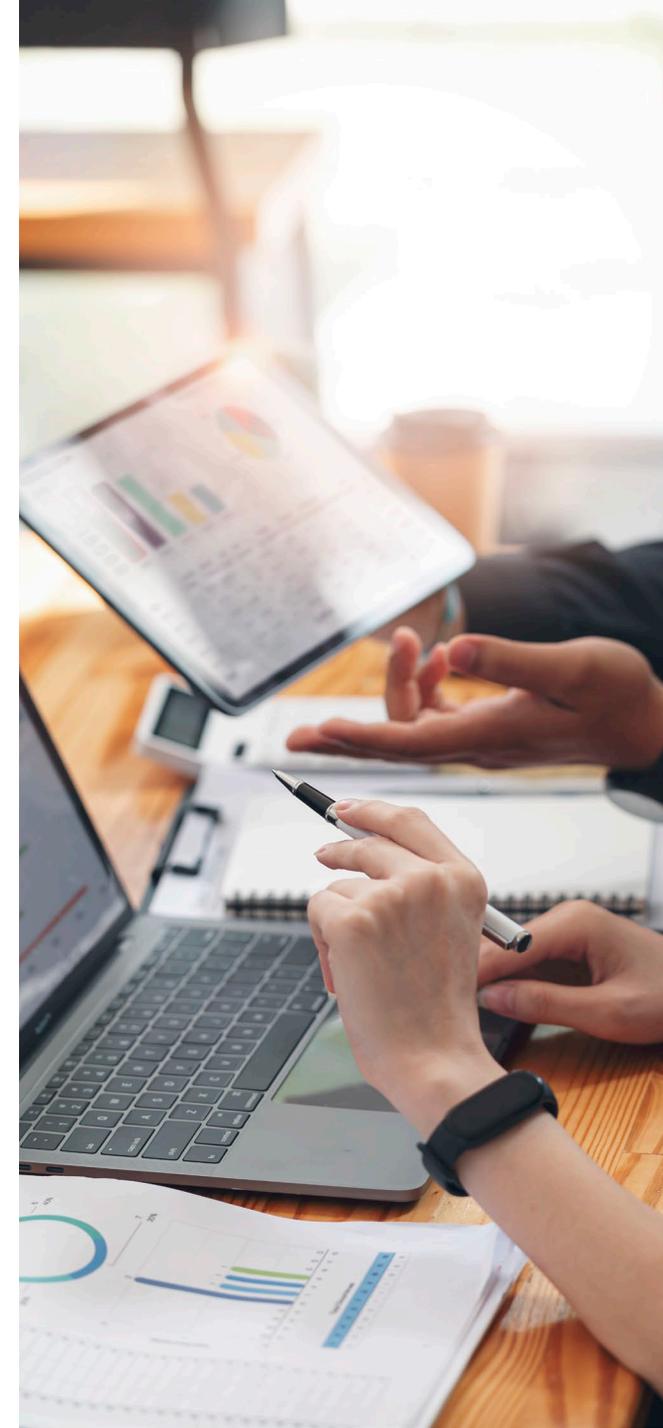
- For stock issued after July 4, 2025, there is a “tiered” exclusion.
 - Stock held at least three years – 50% exclusion
 - Stock held at least four years – 75% exclusion
 - Stock held at least five years – 100% exclusion
- Excluded piece not subject to the 20% capital gain tax or the 3.8% net investment income tax.
- Non-excluded piece is subject to the 28% capital gain rate and the 3.8% net investment income tax (was true before OBBBA, too).

What Changed with the **OBBBA?** (cont.)

- The \$10M lifetime cap for the QSBS exclusion is now \$15M (indexed for inflation).
- So now the exclusion is the greater of \$15M or 10 times the taxpayer's adjusted basis of the stock sold.
- The \$50M maximum aggregate gross asset test is now \$75M.

Example

- QSB company raises \$55M in venture capital on July 16, 2025.
- QSB spends \$42M on R&E by December 31, 2025.
- QSB's aggregate gross assets on January 1, 2026 would be \$13M.
- QSB could raise an additional \$62M in stock in 2026 or thereafter without losing QSBS status.



What Has Not Changed Under the OBBBA?

- 5 year holding period for maximum exclusion
- Qualified trade or business
- Excluded gain is not a tax preference item
- Original issuance requirement
- QSB must be a domestic C corporation engaged in an active business

Section 1202: Local State Conformity

- Pennsylvania **NO**
- Delaware **YES**
- New Jersey **YES**, beginning January 1, 2026

Tax Planning Opportunities

- Gifts to individuals or to non-grantor trusts to maximize the number of gain exclusions.
- Opportunity planning in existing C corporations, partnerships, or S corporations.
- Type of entity decisions for new businesses:
 - S corporation
 - Partnership
 - C corporation
- Documentation

Contact the Presenter



Lawrence G. Silver, CPA

DIRECTOR, TAX STRATEGIES

lsilver@kmco.com

Larry is a Director with Kreischer Miller's Tax Strategies group. Larry is a trusted advisor for a broad range of clients including mid-market and private companies. He has extensive experience with a wide range of complex tax matters relating to his clients' businesses. He has advised on many transactions and provided both tax due diligence and tax structuring advice. Larry is also a member of the firm's ESOP Group.

Individual Tax Update

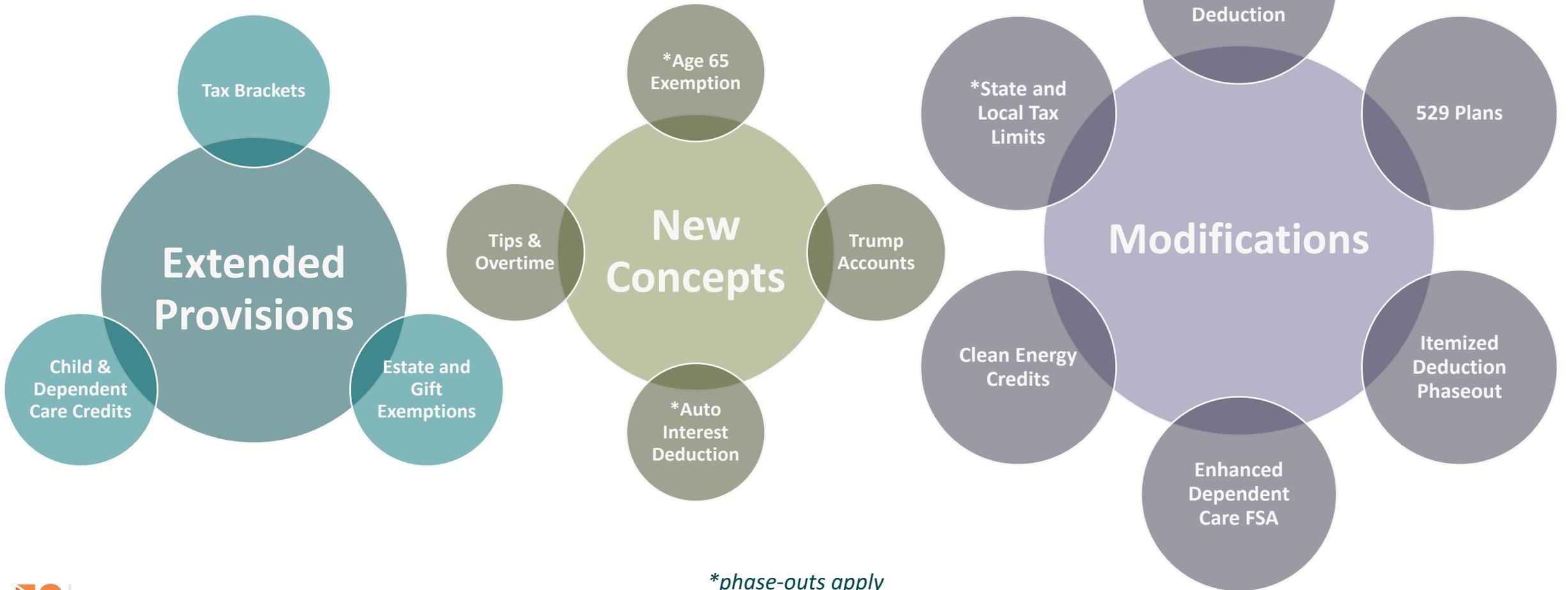
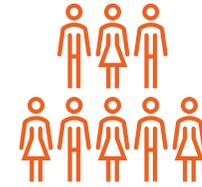
November 19, 2025

Kate Stewart, Director, Tax Strategies

Brad Runyen, Director, Tax Strategies



OBBBA - Individuals



**phase-outs apply*

Extended Provisions

Category	Summary
Federal Tax Rates	10%, 12%, 22%, 24%, 32%, 35%, 37% — unchanged from 2018 levels
Capital Gains & Dividends Tax Rates	Rates remain 0%, 15%, 20%; income ranges modified
Standard Deduction	<ul style="list-style-type: none">• Married filing jointly (\$31,500)• Heads of household (\$23,625)• Single (\$15,750)
Lifetime Estate and Gift Tax Exemption	<ul style="list-style-type: none">• \$15 million for single filers• \$30 million for married couples• 2025 & 2026 Annual gift exemption - \$19,000
Qualified Business Income Deduction	Made permanent at 20% for qualified businesses

Extended Provisions

Category	Summary
Child Tax Credit	<ul style="list-style-type: none">• \$2,200 per child beginning in 2025• \$1,400 refundable child tax credit – permanent• Phase out begins<ul style="list-style-type: none">• \$200,000 single• \$400,000 married filing joint
Enhanced Dependent Care Assistance Program	\$5,000 for 2025 \$7,500 for 2026
Enhanced Dependent Care Tax Credit	<ul style="list-style-type: none">• Credit is a Percentage 35%-20% of Qualified Expenses• Max expense - \$3,000 / \$6,000 qualifying individuals• 2025 limits – AGI over \$43,000 for all filers - \$600 / \$1,200• 2026 limits – AGI over \$150,000 MFJ / \$75,000 Single

New Concept

Senior Deduction

- Individuals age 65 and older may claim a \$6,000 deduction in 2025–2028.
- Married couples can claim \$12,000 if both qualify.
- To qualify, taxpayer must turn 65 on or before the last day of the tax year.
- **Deduction phases out for taxpayers with MAGI over:**
 - **\$75,000 for single**
 - **\$150,000 for joint filers**
- Above the line deduction – if you itemize can still deduct.
- If taking standard deduction, this is an addition to the current additional standard deduction for seniors:
 - \$1,600 / \$2,000



Tips:

Can claim if over 65 and
NOT taking Social
Security

Can't claim if age 62 -64
and taking Social
Security early

New Concept

Car Loan Interest Deduction

Timeframe	Purchased and loan originated between January 1, 2025 and December 31, 2028
Vehicle Type	<ul style="list-style-type: none">• New car, SUV, pickup, minivan, or motorcycle for personal use only (GVWR under 14,000 lbs)• Used vehicles and leases do not qualify
Assembly Location	Vehicle's final assembly must occur in the US
Deductible Amount	Up to \$10,000 of interest per tax year
Filing Method	Can be claimed with the standard or itemized deduction
Income Limits	<ul style="list-style-type: none">• Single Filers: Phaseout starts at \$100,000 MAGI and ends at \$150,000• Married Filing Jointly: Starts at \$200,000 and ends at \$250,000

New Concept

No Tax on Overtime

- Exempts up to \$12,500 in overtime wages (\$25,000 for joint filers) from taxation
- Begins January 1, 2025 and ends on December 31, 2028
- **Income phase-out thresholds:**
 - **Single/HOH filers: \$150,000 - \$275,000**
 - **Married Filing Jointly: \$300,000 - \$425,000**
- Employees will see the benefit on their income tax return in April 2026



New Concept

Reporting for Tips & Overtime

- IRS announced on August 8th no changes to:
 - Withholding tables for 2025
 - Form W-2, Forms 1099, Form 941
- Notice issued November 5, 2025:
 - No penalties for not separately reporting qualified overtime pay or cash tips on 2025 Forms W-2 and 1099
 - Relief applies only for tax year 2025; full compliance begins in 2026
 - Employers must still accurately report total wages

Employer Readiness and Implementation 2026

- In 2025, employers are encouraged to:
 - Supply separate records of overtime pay, ensuring employees and payees have the necessary information to claim the deduction for qualified overtime compensation for 2025.
 - Share this information through an online portal, written statements, other secure methods, or, for overtime pay, in Box 14 of the employee's Form W-2.

Key actions:

- Audit payroll processes for overtime and tip data capture.
- Communicate reporting changes to employees and payroll providers.
- Prepare systems for full 2026 enforcement.

New Concept

Trump Accounts

- Can be opened for children younger than age 18
- Children born 2025-2028, receive \$1,000 federal deposit
- Annual contribution limit - \$5,000
 - Including employer contributions— capped at \$2,500 starting in 2027
- Accounts can open July 4, 2026
- Money in Trump Accounts cannot be accessed until a child turns 18.
 - Grows tax deferred until 18
 - **Taxed when distributed**
 - Withdrawn contributions (after-tax individual contributions) are not taxed
 - Withdrawn earnings, and amounts attributable to employer/government contributions/seed money, are taxed as **ordinary income**

Modification

Personal Energy Credits

- **OBBBA repealed credit after December 31, 2025**
- **Energy Efficient Home Improvement Credit**
 - 30% of the total qualified expenses – doors/windows
 - Up to \$1,200 annually
 - \$2,000 for heat pumps and water heaters
- **Residential Clean Energy Credit**
 - 30% of the cost of installing new, qualified clean energy property in your home
 - Solar panels, solar water heaters, small wind turbines, geothermal heat pumps, fuel cells, and battery storage technology



Modification

AMT

- OBBBA permanently extended the TCJA's higher alternative minimum tax (AMT) exemption amounts and exemption phaseout thresholds for 2025.
- OBBBA resets the exemption phase-out threshold in 2026 and increases the exemption phase-out percentage from 25% to 50%.
- AMT exemptions for higher-income taxpayers can be phased out faster. That means more taxpayers may owe the AMT for 2026 and beyond.

Filing Status	2025 Exemption Amount	2025 Phase-Out Threshold begins at	2026 Exemption Amount	2026 Phase-Out Threshold begins at
Single	\$88,100	\$626,350	\$90,100	\$500,000
Married Filing Jointly	\$137,000	\$1,252,700	\$140,200	\$1,000,000

5 Risk Factors

1. Substantial income from capital or other sources
2. Itemized state and local tax (SALT) deductions
3. Exercise of incentive stock options (ISOs)
4. Standard deduction.
5. Private activity bond interest income.

Modification

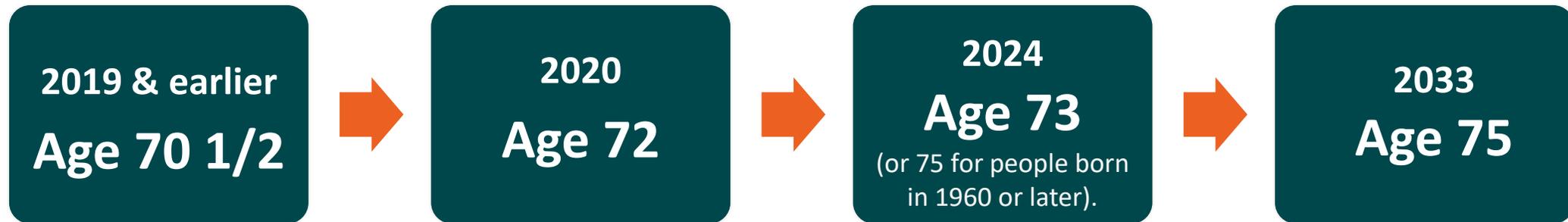
AMT Example

Married Filing Joint	<u>2025 (under TCJA rules)</u>	<u>2026 (under OBBBA rules)</u>
AMTI	\$1,100,000	\$1,100,000
Exemption (before phase-out)	\$137,000	\$140,200
Phase-out Threshold	\$1,252,700	\$1,000,000
Exemption Reduction	\$0 (income is below the threshold)	\$50,000 (50% of the \$100,000 excess)
Final Exemption	\$137,000	\$90,200 (\$140,200 - \$50,000)
Taxable AMTI	\$963,000	\$1,009,800
AMT	\$264,858	\$277,962

Required Minimum Distributions (RMDs)

Required Beginning Date

IRA owners must take their first RMD by April 1 of the year after they reach age 73



- Example: You turn 73 years old in 2025
 - First RMD will be for 2025 (the year you turn 73)
 - Take in 2025, or
 - Can be taken as late as April 1, 2026, but then the 2nd payment must be taken by December 31, 2026.

Inherited IRAs – Non-Spousal Beneficiaries

- **No more ‘stretch IRA’ strategy for many beneficiaries**
- Current regulations - 10-year distribution rule
- **Starting in 2025....**
 - If the original account holder reached the age in which RMDs were required, the beneficiary will have to continue the yearly withdrawals in a way that the account will empty in 10 years.
 - If the original account holder passed away before reaching their RMD age, beneficiaries have more leeway in timing their withdrawals within the 10-year window.
 - If you miss a required RMD or don't withdraw enough, **there will be a 25% penalty** on the amount you should have taken out.

RMD for Charity – Qualified Charitable Distributions (QCD)

- Taxpayer must be age 70½ or older
- Distribution must be direct to charity
- Limited to \$108,000
 - Spouse can make QCD from own IRA up to \$108,000
- Counts towards RMD (excludes inherited IRAs)
- Distributions to donor advised funds & private foundations – **do not qualify**
- Not included in income and not an itemized charitable deduction

Cryptocurrency – New Changes

- Estimated in excess of 10,000 cryptocurrencies currently exist, although not all active
- Uses:
 - Investing and trading
 - Business transactions
 - Technology applications and mining
- Tax Treatment:
 - Capital gains/losses on sales and exchanges
 - Year-end planning opportunity
 - Ordinary income on rewards
 - Interest income on lending transactions
 - Generally subject to NIIT (3.8%)



Cryptocurrency – New Changes

- **Form 1099-DA** will be issued by brokers and most exchanges (i.e. Coinbase)
 - For 2025 – will show the gross proceeds of sales or exchanges of digital assets, including type, amount, and date of transaction
 - Starting in 2026 – will include cost basis on the Form 1099-DA (subject to any delayed implementation)
- Backup withholding implementation delayed until 2027
 - Transition relief for 2025 and 2026 so that brokers/exchanges can update records and secure W-9s/Tax IDs from users to verify whether subject to backup withholding
- Cost Basis Allocation – **IMPORTANT**
 - Transition relief for 2025 tax year: “Global wallet” basis concept – basis methodology for assets held before January 1, 2025 can be viewed on a specific or global methodology (“Reasonable Allocation”)
 - For assets acquired January 1, 2025 and forward – “wallet by wallet” basis, specific identification, standing broker instructions or default FIFO for all assets within each wallet/account

Modification

SALT Deduction

SALT Deduction Cap Increased Through 2029 to \$40,000

Cap Phases Down Between \$500,000–\$600,000 AGI

Little To No Benefit if AGI Above \$600,000

Deduction Reverts to \$10,000 in 2030

Consideration:

Payments of
State and Local
Estimates by
Year-End

Modification

Charitable Contribution Rules: 2025 vs 2026

Provision	2025 Rule	2026 Rule
Non-Itemizer Deduction	No deduction for non-itemizers	Up to \$1,000 (single) or \$2,000 (joint) cash gifts can be deducted 'above-the-line'
Itemizer AGI Floor	No AGI floor (full deduction up to limits)	Contributions must exceed 0.5% of AGI before deductible (e.g., AGI \$200k → first \$1,000 not deductible).
Top Tax Bracket Cap	37% tax benefit for top earners	Value of itemized deductions capped at 35% rate for those in 37% bracket.

Strategic Planning in 2025 – Charitable Contributions

- **Accelerate or "Bunch" Donations:** Consider making larger charitable gifts in 2025 (or combining several years of donations into one) to take advantage of the current rules before the AGI floor and deduction caps begin.
- **Utilize Donor-Advised Funds (DAFs):** Contributing to a DAF in 2025 allows for an immediate tax deduction under the current rules, while the funds can be distributed to charities over time.
- **Donate Appreciated Assets:** Donating appreciated stock or other non-cash assets held for more than one year can help you avoid capital gains tax and potentially deduct the full fair market value.

OBBBA vs TCJA– Itemized Deductions

- **Miscellaneous Itemized Deductions**

- TCJA's suspension of 2% AGI miscellaneous itemized deductions made permanent by OBBBA
 - Unreimbursed employee expenses, investment fees, tax prep fees, hobby expenses, etc.
- Exception for unreimbursed employee expenses for eligible educators

- **Pease Limitation on Itemized Deduction**

- Overall limitation on itemized deductions (Pease Limitation) permanently eliminated by OBBBA
- New overall limitation under OBBBA will limit values of itemized deductions to 35 cents on the dollar for top bracket taxpayers (37%)
 - For those Taxpayers that enter the 37% bracket – itemized deductions benefit will cap at 35%
 - Further reasons to consider accelerating charitable contributions into 2025

OBBBA vs TCJA— Itemized Deductions (cont.)

- **Home Mortgage Interest – Permanent adoption of TCJA changes**
 - Interest deductible on first \$750,000 (\$375,000 MFS) of debt
 - \$1 million limitation for acquisition indebtedness incurred before December 15, 2017
 - No deduction for Home Equity Interest
 - Second home can be included but overall limit still applies
 - Exclusion: Interest tracing rules for rental or business activities
- **Casualty Losses**
 - TCJA suspended all personal casualty and theft loss deductions except for losses from federally declared disasters
 - Was set to expire at end of 2025
 - OBBBA permanently extended the TCJA law, however expanded to include both federal and certain state declared disasters starting in 2026

Charitable Contributions Itemized Deductions - Example

<u>CHARITABLE CONTRIBUTIONS AND OVERALL ITEMIZED DEDUCTIONS LIMIT - COMPARISON</u>			
	<u>2025</u>	<u>2026 OBBBA</u>	
ADJUSTED GROSS INCOME	2,000,000	2,000,000	
ITEMIZED DEDUCTIONS			
TAXES	10,000	10,000	100,000 CHARITABLE CONTRIBUTIONS
MORTG. INTEREST	20,000	20,000	10,000 .5% OF AGI FLOOR
CONTRIBUTIONS	100,000	90,000	90,000 2026 ALLOWABLE CONTRIBUTION
TOTAL	130,000	120,000	
CASH TAX BENEFIT OF ITEMIZED DEDUCTIONS	48,100	42,000	2025 - 37% LIMIT, 2026 - 35% LIMIT
CASH OUTLAY FOR CHARITY	100,000	100,000	
TAX BENEFIT RECEIVED	(48,100)	(42,000)	
NET CASH OUTLAY	51,900	58,000	
		(6,100)	BENEFIT PERMANENTLY LOST

Modification

Education Planning



Increase in annual 529 plan withdrawal limit for K-12 expenses from \$10,000 to \$20,000 beginning after December 31, 2025

Expanded 529 usage for additional educational expenses in connection with elementary and secondary schooling, including private and religious schools



Qualified education expenses now include postsecondary credentialing, including vocational training, community college, training centers, and occupational or professional licensing



Pennsylvania planning opportunity: Educational Improvement Tax Credit/Opportunity Scholarship Tax Credit opportunity to direct PA tax dollars towards Pre-K through 12th grade private education opportunities through businesses or special purposes entities

Multi-Generational Planning Tips:

Up front funding of 529 Plans allows for up to 5 years of annual gift exclusion in one year

Secure Act 2.0 allows for unused 529 Plan funds to be converted into ROTH IRA for beneficiary

2025 Year-End Planning - Checklist

- Itemized Deduction Bunching
 - Medical expenses
 - Charitable contributions - consider accelerating before 2026 limits
- Gain & Loss Harvesting
 - LTCG Rates/Bracket management
 - Future capital gain planning
 - Cryptocurrency included
- Retirement Planning
 - Funding IRAs, 401Ks, pension plans
 - Consider Roth conversion
 - Back-Door ROTH Conversions
 - Required Minimum Distributions
- Child & Education Planning
 - 529 Plans – updated expansion
 - 5-Year Super-funding
 - Changes to Child Tax Credit, Dependent Care Credit
- Charitable Planning
 - Qualified Charitable Distribution (QCD)
 - Donor Advised Fund (DAF)
 - Appreciated stock
- Estimated Taxes
 - Make state estimate if under SALT Threshold
 - Underpayment penalty
 - Additional W-2 withholding

Supplement

2025 Federal Income Brackets

Tax Rate	Married Filing Joint & Surviving Spouse	Single	Head of Household	Married Filing Separately
10%	\$0 — \$23,850	\$0 — \$11,925	\$0 — \$17,000	\$0 — \$11,925
12%	\$23,851 — \$96,950	\$11,926 — \$48,475	\$17,001 — \$64,850	\$11,926 — \$48,475
22%	\$96,951 — \$206,700	\$48,476 — \$103,350	\$64,851 — \$103,350	\$48,476 — \$103,350
24%	\$206,701 — \$394,600	\$103,351 — \$197,300	\$103,351 — \$197,300	\$103,351 — \$197,300
32%	\$394,601 — \$501,050	\$197,301 — \$250,525	\$197,301 — \$250,500	\$197,301 — \$250,525
35%	\$501,051 — \$751,600	\$250,526 — \$626,350	\$250,526 — \$626,350	\$250,526 — \$375,800
37%	Over \$751,600	Over \$626,350	Over \$626,350	Over \$375,800

Supplement

2025 Retirement and Medical Savings Plans

401(k) Plans

- \$23,500/year
- \$31,000/year for age 50 or older with catch-up of \$7,500 (catch-up ages 60-63: \$11,250)
- Maximum eligible compensation base of \$350,000

IRA Contributions

- Deductible contributions up to \$7,000 (\$8,000 for age > 50)
- AGI max phase-outs for deductible contributions
 - Single: \$89,000
 - MFJ: \$146,000 if covered by workplace plan
 - MFJ: \$246,000 if spouse covered by workplace plan

ROTH IRA Contributions

- \$7,000 contribution (\$8,000 for age > 50)
- AGI max phase-outs for contributions
 - Single: \$165,000
 - MFJ: \$246,000
- Back-door ROTH still available for non-deductible contributions

FSA and HSA Contributions

- FSA Max Deferral: \$3,300
- FSA Rollover to 2026: maximum of \$660
- HSA Max Deferral
 - Single: \$4,300
 - Family: \$8,550
 - HSA Catch-up contributions \$1,000
- Dependent Care FSA
 - \$5,000 per yr per household

Supplement

2026 Federal Income Brackets

Tax Rate	Married Filing Joint & Surviving Spouse	Single	Head of Household	Married Filing Separately
10%	\$0 — \$24,800	\$0 — \$12,400	\$0 — \$17,700	\$0 — \$12,400
12%	\$24,801 — \$100,800	\$12,401 — \$50,400	\$17,701 — \$67,450	\$12,401 — \$50,400
22%	\$100,801 — \$211,400	\$50,401 — \$105,700	\$67,451 — \$105,700	\$50,401 — \$105,700
24%	\$211,401 — \$403,550	\$105,701 — \$201,775	\$105,701 — \$201,775	\$105,701 — \$201,775
32%	\$403,551 — \$512,450	\$201,776 — \$256,225	\$201,776 — \$256,200	\$201,776 — \$256,200
35%	\$512,451 — \$768,700	\$256,226 — \$640,600	\$256,201 — \$640,600	\$256,226 — \$384,350
7%	\$768,701 or more	\$640,601 or more	\$640,601 or more	Over \$384,350

Supplement

2026 Retirement and Medical Savings Plans

401(k) Plans

- \$24,500/year
- \$32,500/year for age 50 or older with catch-up of \$8,000 (catch-up ages 60-63: \$11,250)
- Maximum eligible compensation base of \$360,000

IRA Contributions

- Deductible contributions up to \$7,000 (\$8,000 for age > 50)
- AGI max phase-outs for deductible contributions
 - Single: \$91,000
 - MFJ: \$149,000 if covered by workplace plan
 - MFJ: \$252,000 if spouse covered by workplace plan

ROTH IRA Contributions

- \$7,500 contribution (\$8,600 for age > 50)
- AGI max phase-outs for contributions
 - Single: \$168,000
 - MFJ: \$252,000
- Back-door ROTH still available for non-deductible contributions

FSA and HSA Contributions

- FSA Max Deferral: \$3,400
- FSA Rollover to 2027: maximum of \$680
- HSA Max Deferral
 - Single: \$4,400
 - Family: \$8,750
 - HSA Catch-up contributions \$1,000
- Dependent Care FSA
 - \$7,500 per yr per household

Contact the Presenter



Kathryn J. Stewart, CPA, MT

DIRECTOR, TAX STRATEGIES

kstewart@kmco.com

Kate is a Director in Kreischer Miller's Tax Strategies group, where she leverages her extensive expertise in tax and business advisory services to deliver tailored solutions that drive value for her clients. With a passion for empowering business owners and key personnel, Kate specializes in a wide array of tax matters, including strategic tax planning, compliance, research and development tax credits, business growth strategies, and succession planning.

Kate brings a wealth of experience working with a diverse range of industries, such as engineering, construction, real estate, distribution, and professional services. As an active member of Kreischer Miller's Construction Industry Group and Real Estate Industry group, Kate assists clients throughout the year with maximizing their tax savings and planning for future needs. She also develops internal and external professional training along with up-to-date tax alerts related to the construction industry.

Contact the Presenter



Bradley J. Runyen, CPA

DIRECTOR, TAX STRATEGIES

brunyen@kmco.com

Brad is a Director in Kreischer Miller's Tax Strategies group. Brad provides tax services including compliance, planning, and research for multi-state corporations, partnerships, trusts, and high-net-worth individuals. He has a diversified range of experience providing services to a variety of companies in the construction, manufacturing, real estate, distribution, and service industries. He has assisted companies with business transactions, including acquisitions, sales, and reorganization transactions.

Brad is a member of Kreischer Miller's Construction Industry Group, where he assists in developing and presenting professional internal and external trainings related to the construction industry. As an advisor to his clients, Brad uses his construction industry experience to assist contractors in utilizing available tax deductions and incentives and effectively managing cash flows for income tax purposes.

Are You Ready for Year-End Tax Planning and the 2026 Filing Season?

November 19, 2025

Mary-Ann Schaller, Director, Tax Strategies



2026 Busy Season – Get Ready

- Internal Revenue Service – Staffing
 - At the start of the 2025 filing season – 102,113 employees
 - At June 24, 2025 – 74,299 employees after workforce reduction
 - At October 8, 2025 – 39,870 “essential” employees
- Government shutdown – who has been working since October 1?

2026 Busy Season – Get Ready

- IRS system issues this past year:
 - Erroneous notices, then intent to levy notices when 100% of PY liability paid (1041, 1040, 1120)
 - Erroneous notices charging underpayment interest and showing different overpayment applied (1041)
 - Erroneous notices that returns were not extended
- Modernizing payments to and from America's bank account (no paper refund checks beginning September 30, 2025)
 - Also begins the transition to electronic tax payments (waiting for more guidance) – how to pay?

2026 Busy Season – Get Ready

- Scams peak during filing season – email and text scams, bad social media advice, etc.
- Tax-related identify theft – what to do:
 - Confirm identity theft occurred
 - Contact the major credit bureaus to place “fraud alert” on accounts
 - File complaint with FTC
 - Report/respond to the IRS
 - Create an Identity Protection PIN (IP PIN)
 - Address IRS related compliance issues
 - Keep records and monitor the situation

2026 Busy Season – Get Ready

- The deadline for filing federal income tax is Monday, April 15, 2026. How to prepare:
 - Get tax data to us well in advance of filing due date (including direct deposit information).
 - Make sure you are not omitting any documents.
 - Consider filing electronically if you haven't done so in the past.
 - Don't wait until the last minute to make estimated tax payments.
 - If estimates were safe harbored, make sure the withholding is the same or more than prior year.
- Year-end checklist
 - Income tax
 - Gifts (including 529 plans)
 - Retirement and other

Contact the Presenter



Mary-Ann F. Schaller, CPA, CGMA

DIRECTOR, TAX STRATEGIES

mschaller@kmco.com

Mary-Ann is a Director in Kreischer Miller's Tax Strategies group. Mary-Ann has experience providing tax planning and compliance services to a variety of privately-held businesses, including manufacturers and distributors. She also advises businesses and individuals on various transactions, represents clients undergoing federal and state audits, and consults on the design of long-term incentives.

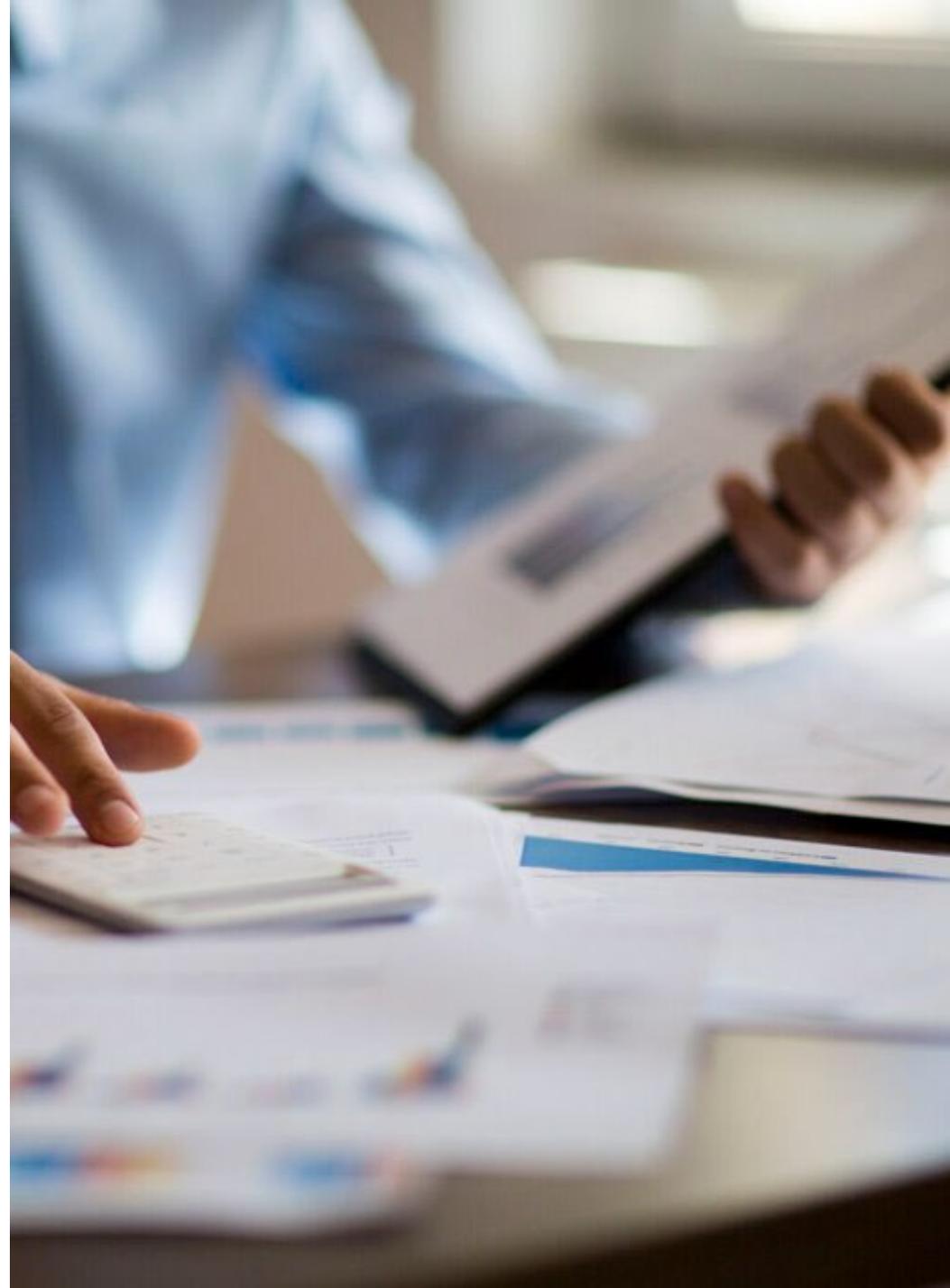
Mary-Ann assists with the development and instruction of in-house professional trainings and external presentations on various tax topics.

State and Local Tax Update

November 19, 2025

Thomas Frascella, Director, Tax Strategies, State & Local Tax
Group Leader

Reed Brown, Director, State & Local Tax



Agenda

1. Overview of OBBBA and State Adoption
2. State of the States
3. 2020-2025: Crisis Response to Continuous Compliance
 - A lookback over the past 5 years of what happened, what changed and where we are now in the state and local tax world
4. A Look Forward – What Is to Come In the SALT World
5. What Can You Do to Put Yourself in the Best Position?



OBBBA and State Adoption

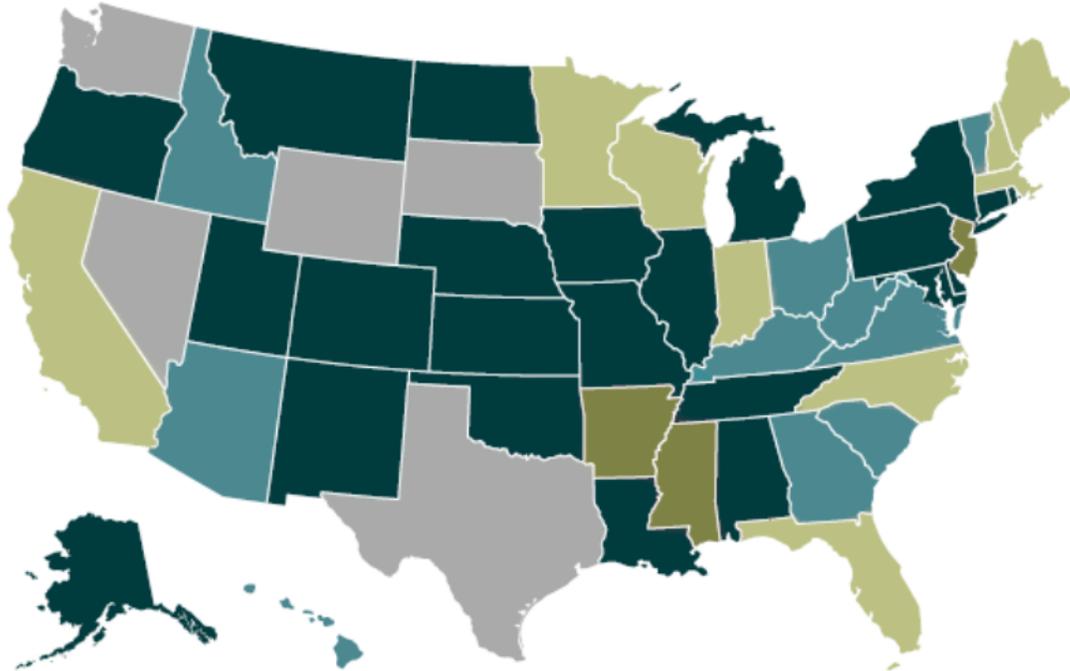
Observations and Takeaways

- **We have been here before with other federal tax legislation.**
- **State adoption is dependent upon whether the state has:**
 - Fixed date conformity like CA that adopts the IRS as of January 1, 2025
 - Rolling conformity like PA and NY for corporate income tax
 - Selective conformity like PA and NJ for personal income taxes
- **Key take aways from a state perspective:**
 - Impact to state budgets will be highly scrutinized in light of many states with budget deficits.
 - States will move to decouple or modify some of the law changes. DE recently introduced legislation to decouple from full expensing that would cost the state \$400 million in revenue.
 - PTET work arounds left intact.
 - States continue to grapple with the impact of the legislation.

OBBBA and State Adoption

State Conformity to the Internal Revenue Code

Individual and Corporate Income Tax Conformity Status



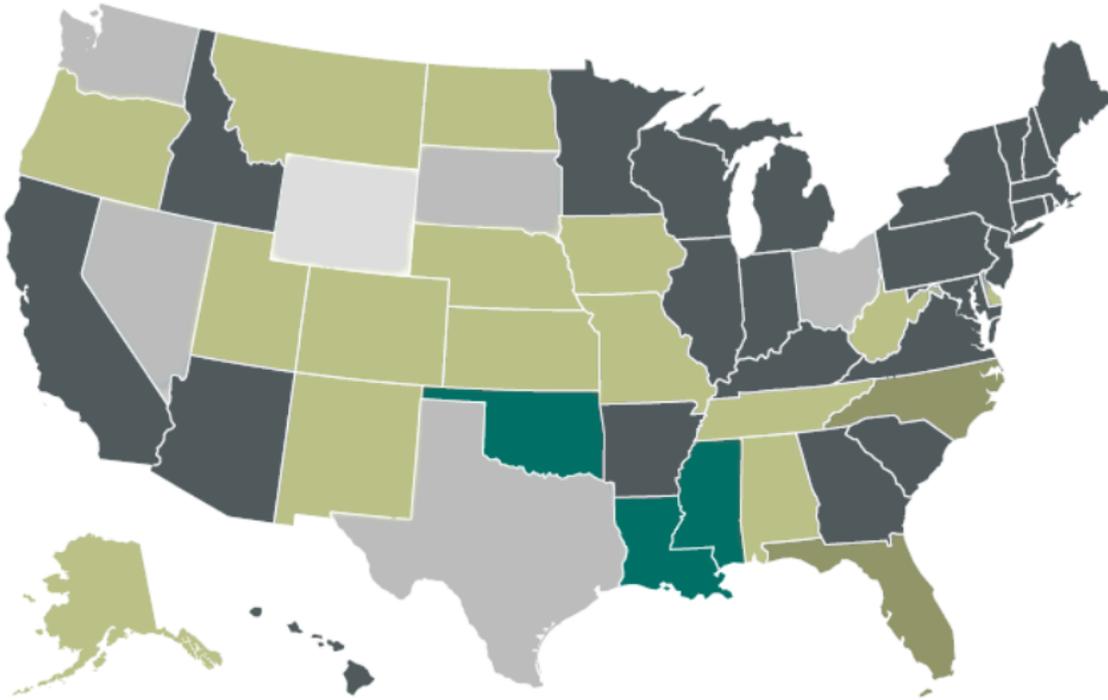
Rolling Static - Current Static - Lagged Selective No Income Tax

Note: Static conformity is considered "current" if presently aligned to 12/31/2024 or 1/1/2025. For states with CITs but not PITs, CIT conformity is indicated. Massachusetts has rolling conformity for its corporate income tax but lagged static conformity for its individual income tax. Mississippi and New Jersey have selective conformity but incorporate many corporate tax provisions on a rolling basis.

Source: State statutes; Tax Foundation research.

OBBBA and State Adoption

State Conformity to § 168(k) Bonus Depreciation



■ Permanent 100% ■ Follows Federal ■ Fractional ■ Decoupled ■ No CIT

Note: Florida provides 1/7th of the federal deduction, while North Carolina incorporates 15%.
Source: State statutes; Tax Foundation research.

State of the States

- **Many states are dealing with budget deficits.**
 - PA, NJ and NY are all experiencing deficits and facing uncertainty with how to fix it.
 - PA, MD, NY and CA have projected long term deficits.
 - We see the impact of the deficits playing out real time in PA where there had been a budget impasse for 4.5 months.
 - PA finally has a budget that decouples from full expensing for R&D expenses and provides a low earned income credit and projects a continued deficit.
 - CA has a projected budget deficit of \$12 billion with digital ad tax and millionaires tax bills on the table to close the deficit. CA has admittedly recognized that deep cuts will be needed to begin to close the deficit.

State of the States (cont.)

- **How are States responding?**

- MD has legislated targeted income tax increases on high incomes, a new 2% capital gains tax, increases to recreational cannabis and sports betting along side budget cuts.
- PA has floated the “Tax Billionaires – PA Fund” as a means to address its deficit that includes items like combined reporting, a new tax on wealth and a digital ad tax.
- MA responded by implementing a tax surcharge on high income residents.
- Do you see a trend emerging?

State of the States (cont.)

- **New leadership creates much uncertainty about future responses.**
 - State and local (think NYC) leaders are now facing the reality of funding campaign initiatives, with NYC exploring ways to amplify the executive power of that office.
 - For example, the Mayor-elect in NYC campaigned on a childcare and transportation platform. If implanted these initiatives have an estimated cost of \$4 billion.
- **Other trends that we are seeing:**
 - Increase in audits with more aggressive taxing policies
 - Expanded sales tax base focusing on recharacterizing services to shift them into a taxable category
 - Increased pressure on PL 86-272 exception
 - Broadening of nexus standards for all businesses
 - More reliance on foreign businesses to fill the gap in budgets
 - Initiatives around identifying remote businesses that should be filing in the state

How Did We Get Here?

- Not as random as you might expect and we review the progression of various policy and administrative changes that paved the way.
- States have been steadily progressing towards the pursuit of remote businesses as a solution to their financial issues.
- The goal of the states is to ensure that remote businesses cannot hide from state compliance requirements.
- States eventually recognized the opportunity in front of them and are responding appropriately.

2020: Pandemic Disruption & Emergency Response

Top 5 Developments

1. Temporary nexus and withholding relief issued for displaced remote employees.
2. Rapid shift to digital filing and online payment systems by state agencies.
3. Early exploration of pass-through entity (PTE) taxes as federal SALT cap workarounds.
4. CARES Act conformity debates over PPP forgiveness, NOLs, and bonus depreciation.
5. States began assessing revenue diversification through digital and service taxation.

Key Shift:

Temporary, pandemic-driven relief became the test case for permanent remote work tax policies.

2021: Expansion and Experimentation

Top 5 Developments

1. End of COVID nexus relief — remote and hybrid employees now create income and sales-tax nexus.
2. Digital goods, SaaS, and streaming services added to taxable bases in multiple states.
3. Marketplace facilitator laws become nearly universal.
4. IRS Notice 2020-75 validates entity-level deductions → surge in state PTE legislation.
5. MTC launches project to revise P.L. 86-272, recognizing the shift to e-commerce.

Key Shift:

From reaction to modernization — states expand their reach to match digital commerce.

2022: Enforcement & Implementation

Top 5 Developments

1. Over 30 states implement PTE elections for partnerships and S corps.
2. Wayfair enforcement expands to SaaS, remote sellers, and service providers.
3. Market-based sourcing replaces cost-of-performance in most major states.
4. Federal/state decoupling accelerates — different PPP, NOL, and interest treatments.
5. Audit programs return post-pandemic, focusing on digital transactions and remote workers.

Key Shift:

States move from legislative catch-up to active enforcement and audit resumption

2023: Reinterpretation & Realignment

Top 5 Developments

1. MTC's 2021 revised P.L. 86-272 guidance gains traction — online interaction now creates nexus.
2. California, New York, and New Jersey first to try to adopt or apply digital presence standards.
3. Early litigation emerges over web-based solicitation and state reach.
4. Continued PTE refinement — clearer owner credits, nonresident treatment, and filing rules.
5. Rise of digital advertising and data-usage tax proposals across multiple states.

Key Shift:

States reinterpret legacy statutes to claim tax authority over online activity.

2024: Integration, Automation, and Audit Focus

Top 5 Developments

1. AI & Analytics Enter SALT Enforcement
 - States began deploying AI-driven audit analytics and automated data-matching across tax types, accelerating assessments.
2. P.L. 86-272 Litigation Becomes Active
 - Taxpayer challenges moved forward in several jurisdictions.
 1. California's TAM 2022-01 remained *administrative only* and unadopted.
 2. New York and New Jersey applied the MTC logic in practice.
3. PTE Compliance Normalizes
 - With 40+ active PTE regimes, entity-level taxation became a recurring filing obligation and analysis, not an optional workaround.

State and Local Tax

2024: Integration, Automation, and Audit Focus (cont.)

4. Digital Services Form Core Tax Base

- SaaS, streaming, cloud storage, and data access were firmly established as taxable; audits targeted bundled transactions.

5. E-Invoicing & Real-Time Reporting Pilots Launch

- States explore transaction-level reporting pilots, marking the start of continuous-compliance frameworks that will expand through 2026.

Key Shift:

2024 was the year states operationalized what they redefined in 2023—integrating technology and analytics to enforce digital-era tax rules in real time.

2025: Where We Are Today

Where We Are Today: Continuous, Digital, and Data-Driven

After five years of policy acceleration, state and local tax has evolved into a continuous compliance ecosystem — driven by technology, data, and constant enforcement.

Key Highlights:

- Nexus and taxability are monitored in real time, not annually.
- Digital activity drives both sales and income tax exposure.
- States leverage AI and data analytics for faster, automated audits.
- PTE elections have become an annual compliance routine.
- P.L. 86-272 protections remain under review and litigation.

State and Local Tax

2026: Continued Attack on P.L. 86-272

- **What It Is:** A federal safe harbor shielding out-of-state sellers from state income tax if activity is limited to soliciting orders.
- **Why It's Failing:** States are redefining “solicitation” to include websites, cookies, chatbots, and remote employees.
- Is Wrigley still relevant in light of Wayfair and other developments?
- Who's at Risk:
 - E-commerce and catalog retailers
 - Manufacturers/distributors with online portals
 - SaaS and hybrid businesses
 - Companies with remote/hybrid employees doing non-sales work
- Massachusetts updated Regulations to Adopt MTC 2021 Guidance into PL 86-272 Considerations – Effective 2025.

2026: Sales & Use Tax: Expanding Exposure

- What's Changing:
 - Services like IT support, staffing, and marketing are now taxable.
 - SaaS and digital goods treated like tangible property.
 - Nexus rules now include remote employees and digital presence.
- Case Study – Washington ESSB 5814:
 - Expands “retail sale” to include many services.
 - Eliminates exclusions for Digital Automated Services.
 - Requires out-of-state providers to register and remit tax.

2026: Modern SALT Challenges Require Modern Strategies

It is becoming easier for states to identify non-compliant, remote businesses. Areas to focus on to reduce and mitigate risk:

- **Public Law 86-272:**
 - No-filing positions are no longer safe.
 - Frequent review of job descriptions and digital and remote footprints are essential.
 - No longer safe to assume that the title of salesperson will protect you from state income taxes.
 - Beyond nexus, understand what your potential exposure could look like and how shifting sourcing methodology can impact your business.
- **Sales & Use Tax:**
 - Risk lives in the details of contracts, billing/invoicing, and purchasing practices. The devil is in the details; don't wait for the state to get there first.
 - Assess if now is the time to upgrade your processes or implement software to manage your compliance needs.

Contact the Presenter



Thomas M. Frascella

DIRECTOR, TAX STRATEGIES, STATE & LOCAL TAX
GROUP LEADER

tfrascella@kmco.com

Tom has a wide range of experience providing state and local tax strategies & services in the areas of income/franchise, sales and use, realty transfer, and unclaimed property taxes to a variety of businesses, including multi-state and multi-national businesses in the light and heavy manufacturing, distribution, life sciences, not-for-profit and professional services industries. He helps businesses address their multi-state tax needs.

As an experienced multi-state tax professional, Tom has developed a solid understanding of the issues and concerns of growing middle market companies and large publicly-traded enterprises and has been proactive in anticipating their issues and developing solutions to minimize administrative burdens and tax exposures. He has also assisted clients with navigating the complex state and local tax issues associated with significant entity life events, such as acquisitions, dispositions, or liquidations. Tom is widely recognized for his expertise in Pennsylvania and Philadelphia tax matters.

Contact the Presenter



Reed Brown, CMI

DIRECTOR, STATE & LOCAL TAX

reedbrown@kmco.com

Reed is a Director in Kreischer Miller's State and Local Tax group. As an experienced multi-state tax professional, Reed has developed a solid understanding of state and local tax concerns and he assists businesses in anticipating issues and developing solutions to minimize administrative burdens and exposures. He has a wide range of experience providing services in the areas of multi-state income/franchise tax and sales and use tax, as well as audit defense, tax planning, and state tax controversies in the manufacturing, construction, distribution, and professional services industries.

Reed is committed to serving as an advisor to his clients, and particularly enjoys helping them understand and navigate the often complex, and at times daunting, state and local tax environment. Working alongside his clients, he provides them the knowledge and support to fix the issue at hand as well as apply that information to future situations.

Gifting and Estate Planning

November 19, 2025

Brian Sharkey, Director-in-Charge, Transaction Advisory &
Business Valuation

Richard Nelson, Director, Tax Strategies



Agenda

1. Review how gift and estate taxes work
2. Discuss why privately held ownership is ideal
3. Current tax laws
4. Other considerations



What Are Gift and Estate Taxes?

- Not an income tax
- **Estate Tax** – paid when you die
- **Gift Tax** – paid when you gift
- Unified lifetime exemption for gift and estate taxes
- The top Estate Tax rate is 40%
- Lifetime Gift and Estate Exemption for 2025 is \$13,990,000
- Married couples can combine their exemptions for a total of \$27,980,000 through portability

Why Private Company Equity?

Highly Appreciable

Valuation Techniques

Discounting

Example: Gift in 2025

Assumptions:

Lifetime gift tax exemption:	\$14,000,000
Gift/Estate tax marginal rate:	40%

Hypothetical Gift - 2025

2025 Value, before discounts:	25,000,000
Discount (35%)	<u>(8,750,000)</u>

2025 Discounted Value	16,250,000
Percentage gifted	<u>80%</u>
Value of gift	<u>13,000,000</u>

Lifetime gift tax exemption:	14,000,000
Value of gift	<u>(13,000,000)</u>
Remaining lifetime exemption:	1,000,000

Hypothetical: 2027 Sale

	With Gift	No Gift
Sale Proceeds, net of tax	\$30,000,000	\$30,000,000
Percentage in estate	<u>20%</u>	<u>100%</u>
Sale proceeds in estate	6,000,000	30,000,000
Remaining lifetime exemption	<u>(1,000,000)</u>	<u>(14,000,000)</u>
Sale proceeds subject to estate tax	5,000,000	16,000,000
Estate tax marginal rate:	<u>40%</u>	<u>40%</u>
Estate taxes:	2,000,000	6,400,000

Estate tax savings = \$4,400,000

Discounts

- Lack of marketability
- Lack of control
- Applicable for holding companies too!



Current State of Laws

- Under the Tax Cuts and Jobs Act (TCJA), the \$13,990,000 Lifetime Exemption was set to sunset at the end of 2025 and revert to approximately \$7,000,000.
- With the passage of the One Big Beautiful Bill Act (OBBA), the Lifetime Exemption is now permanent at \$15,000,000 for individuals and \$30,000,000 for married couples beginning in 2026.
- Portability was set to sunset at the end of 2025 but has also been made permanent.
- The top Estate Tax rate remains unchanged at 40%.

Why Not Gift Ownership

- Too expensive
- Lack of estate planning (not important)
- Do not want to give up control
- Cash flow/income considerations

Estate and Gift Planning Vehicles

- Direct gift to spouse or child
- Family Limited Partnerships
- Spousal Lifetime Access Trust – SLAT
- Grantor Retained Annuity Trust – GRAT

Contact the Presenter



Richard J. Nelson, CPA

DIRECTOR, TAX STRATEGIES

rnelson@kmco.com

Rich is a Director in Kreischer Miller's Tax Strategies group. He has extensive experience providing domestic and international tax strategies, planning and services to a variety of middle market companies and entrepreneurial businesses in a number of industries including manufacturing, distribution, real estate, financial, and professional services. He also has significant experience and expertise with high-net-worth individuals, investment companies and pass-through entities and has been involved in federal, state, and local tax audits, settlements, and appeals.

Contact the Presenter



Brian J. Sharkey, CPA, CVA, CEPA

DIRECTOR-IN-CHARGE, TRANSACTION ADVISORY &
BUSINESS VALUATION

bsharkey@kmco.com

Brian is the Director-in-Charge of Kreischer Miller's Transaction Advisory & Business Valuation group, which offers an array of services including M&A/transaction advisory, business valuation, transition/exit planning, and ESOP consulting.

Brian is experienced in business valuations, transition planning, due diligence, and merger and acquisition activities. He helps his clients by actively working with them to solve issues, provide recommendations, and offer opportunities for success. Brian's experience includes working with a variety of privately-held and family-owned businesses such as manufacturers, distributors, professional service companies, and SaaS based organizations.

In addition, Brian has a wide range of experience providing audit, review, and tax strategies & services to closely-held corporations. He also serves as a member of the firm's Manufacturing Industry group as well as in the ESOP specialty area.

Questions?



Tax Strategies Directors



Andrew Berger
Director,
Tax Strategies



Reed Brown
Director,
State & Local Tax



Jeffrey Clark
Director,
Tax Strategies



Komal Date
Director,
Tax Strategies



Brian Emerson
Director,
Tax Strategies



Carlo Ferri
Director,
Tax Strategies



Tom Frascella
Director,
State & Local Tax



Stephanie Hannigan
Director, Tax Operations
& Resource Management



Brian Kitchen
Director,
Tax Strategies



Rich Nelson
Director,
Tax Strategies



Brad Runyen
Director,
Tax Strategies



Katrina Samarin
Director,
Tax Strategies



Mary-Ann Schaller
Director,
Tax Strategies



Allison Shoemaker
Director,
Tax Strategies



Lawrence Silver
Director,
Tax Strategies



Shazia Stagliano
Director,
Tax Strategies



Kate Stewart
Director,
Tax Strategies



About Kreischer Miller

Kreischer Miller is an advisory, audit and accounting, and tax firm serving the Greater Philadelphia and Lehigh Valley areas. We take an advisory approach in everything we do, working diligently to understand what your business needs to move ahead and providing the tools and guidance to help you get there.

Learn more at www.kmco.com

50 Kreischer Miller
1975-2025