



Welcome to Keiter's Fall Seminar

October 30, 2025

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Agenda

8:00 A.M. – 8:30 A.M.

Registration & Breakfast

8:30 A.M. – 9:25 A.M.

2025 Assurance Guidance – Internal Controls (1.0 CPE)

9:25 A.M. – 9:40 A.M.

Break

9:40 A.M. – 11:20 A.M.

Tax Update – OBBBA (2.0 CPE)



University of Richmond Wi-Fi Access



- › Wi-Fi Network: VisitUR
- › No Password Needed



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Not-for Profit Update

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Internal Controls

2025 Assurance Guidance

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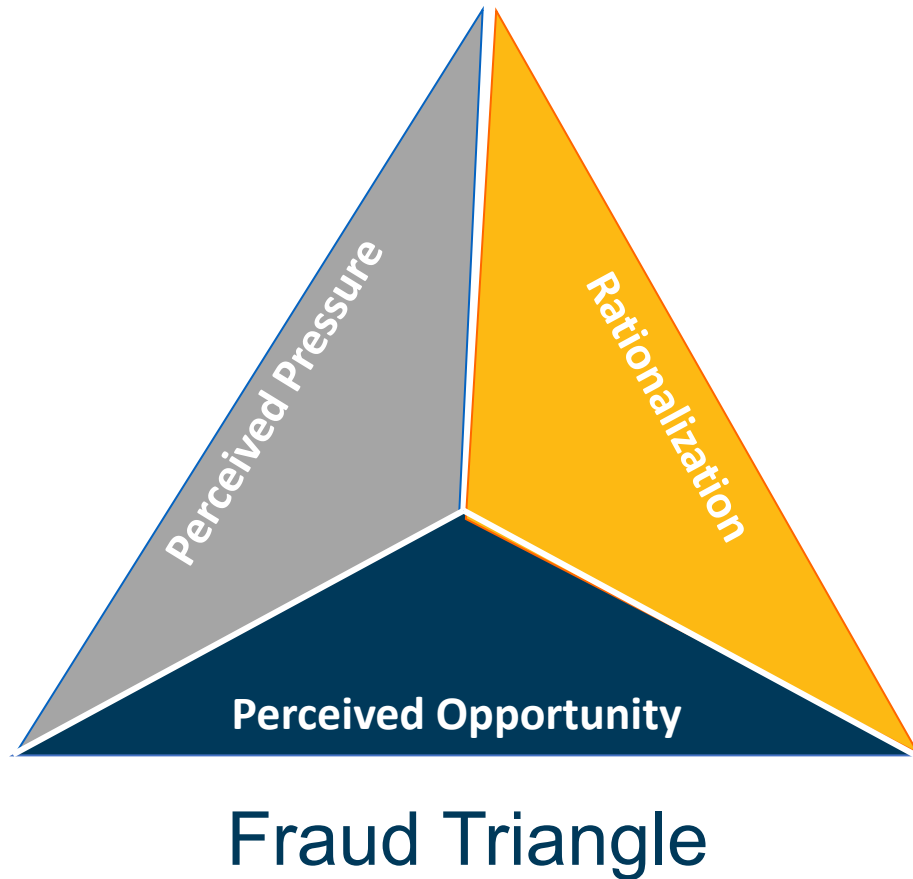
Agenda

- › Review of fraud statistics in the workplace
- › Implementing internal controls in your organization





How Does Fraud Occur?



- › Perceived Pressure
 - › Financial need
 - › Non-financial (need to report better results, frustration with work, need to beat the system)
- › Perceived Opportunity
 - › Belief that fraud can be concealed
- › Rationalization
 - › Need to convince oneself that action is acceptable



Where Does Fraud Occur?



22%
Billing



22%
Noncash



13%
Expense
Reimbursements



11%
Cash on Hand



11%
Check & Payment
Tampering



10%
Payroll



10%
Skimming

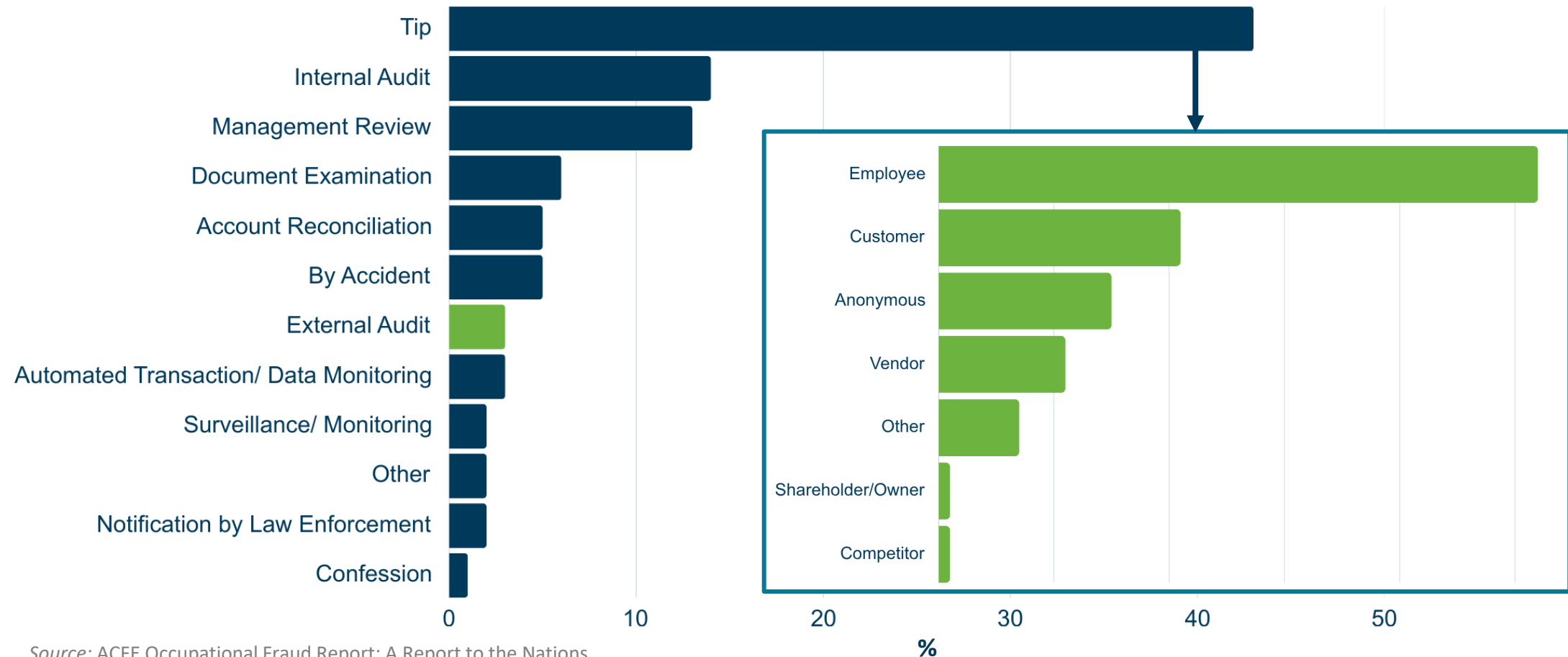


10%
Cash Larceny

Source: ACFE Occupational Fraud Report: A Report to the Nations



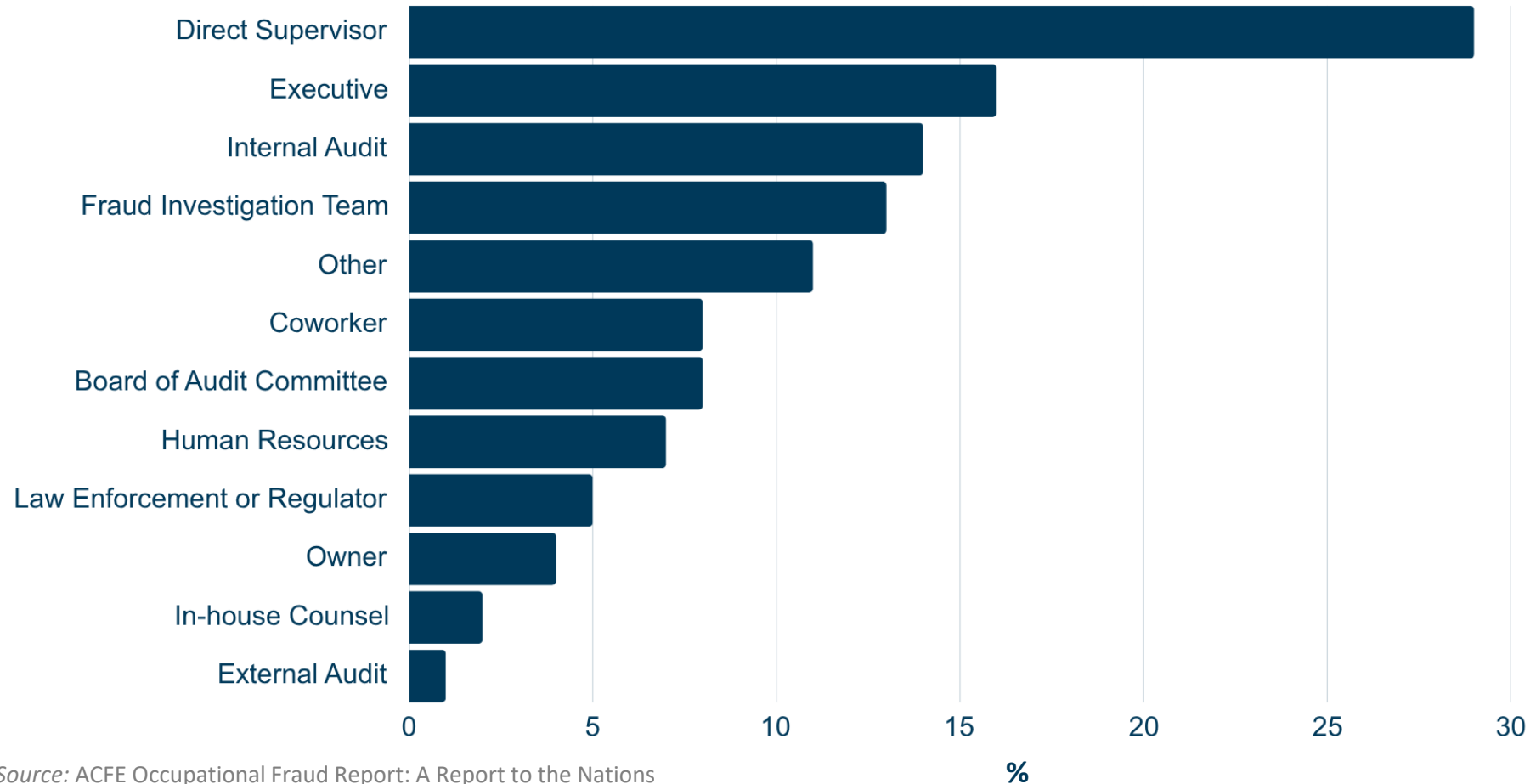
How is Fraud Detected?



Source: ACFE Occupational Fraud Report: A Report to the Nations



Who is Fraud Reported to?

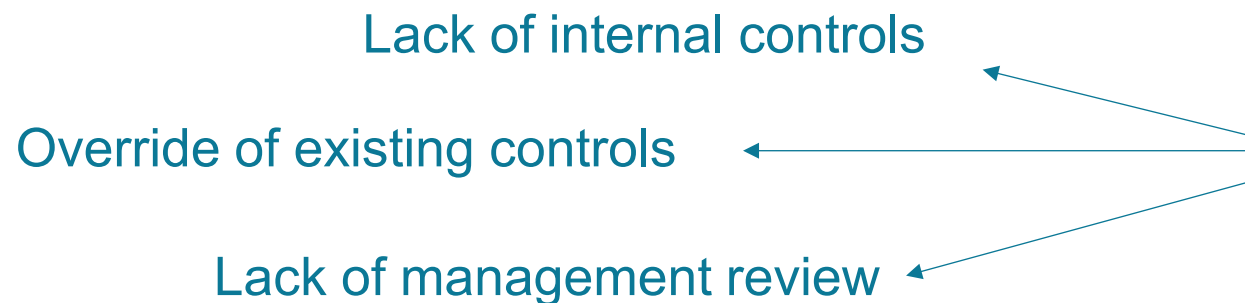


Source: ACFE Occupational Fraud Report: A Report to the Nations



Control Weaknesses Contributing to Fraud

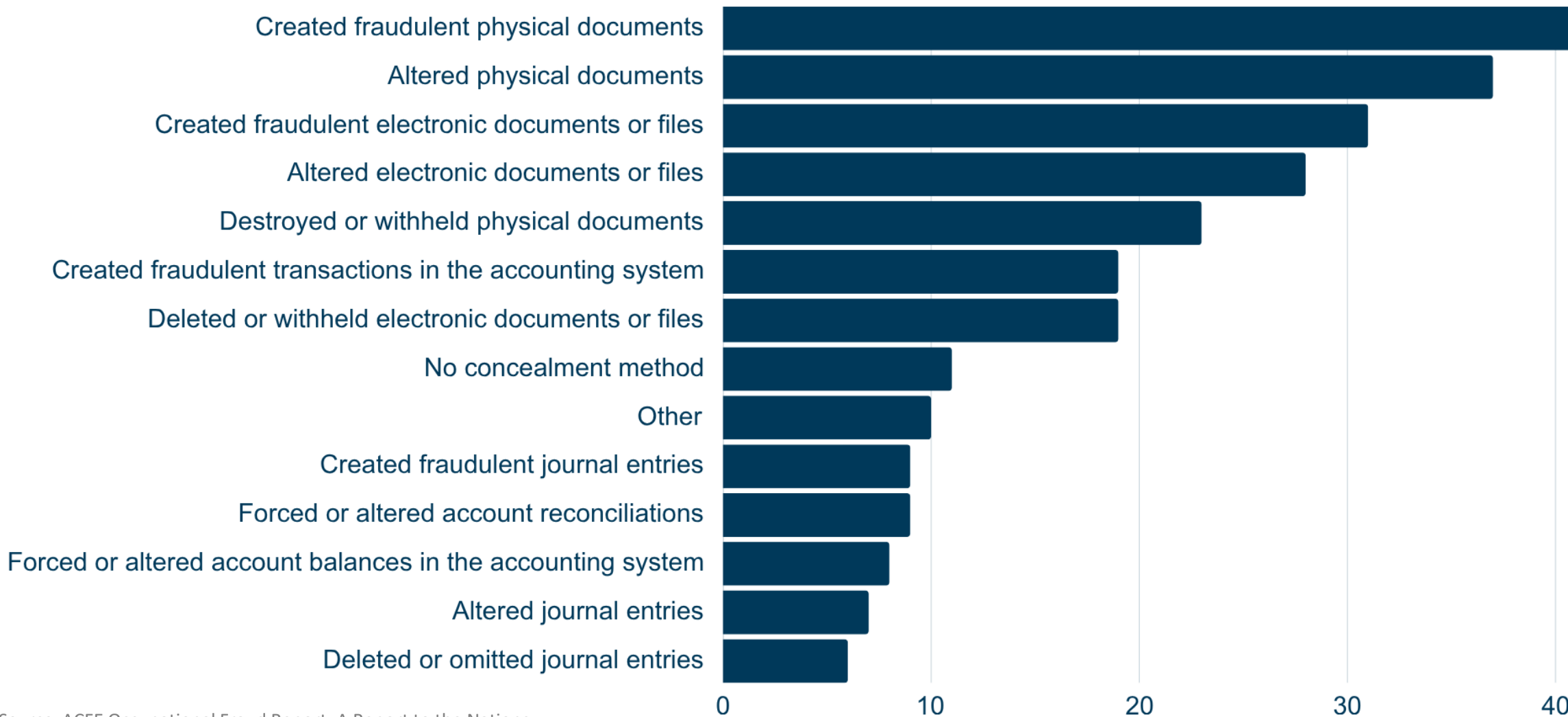
- › 69% relate to lack of, or insufficiently designed internal controls



Source: ACFE Occupational Fraud Report: A Report to the Nations



Concealing Fraud



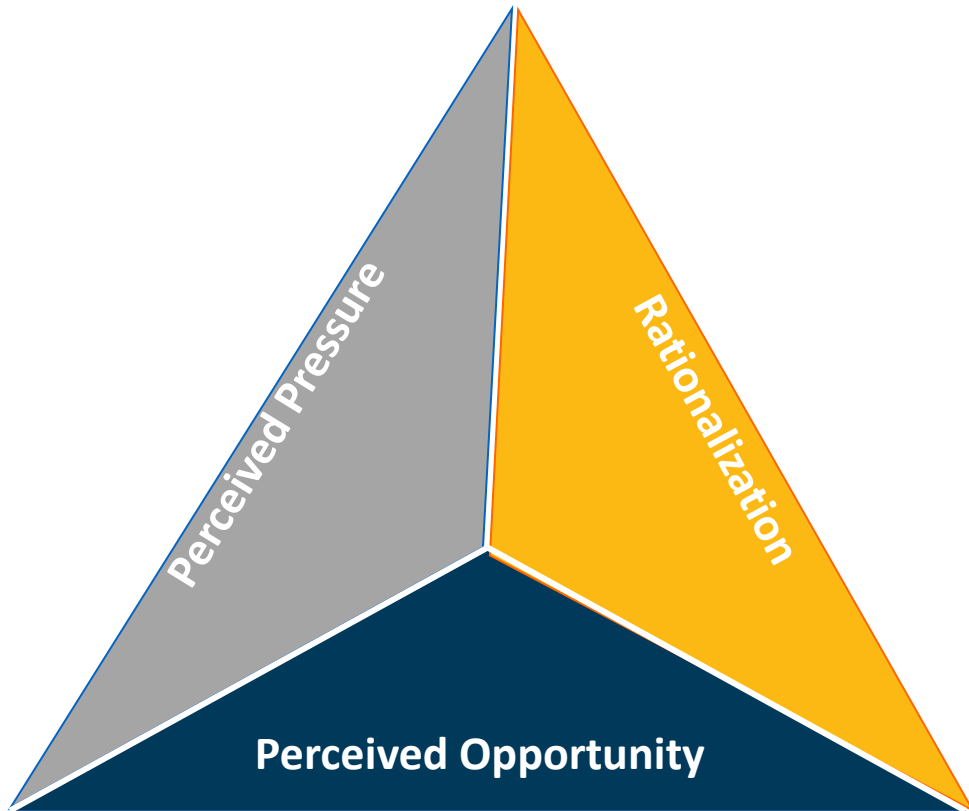


Typical Environment Fraud Occurs In

- › Trust is placed in employees
- › Employees have detailed knowledge of the accounting systems and their weaknesses
- › Management override of internal controls
- › Management adds pressure to “make the numbers”
- › Management sets a bad example
- › No code of ethics or communication of ethical responsibilities
- › Ineffective or nonexistent internal auditing staff
- › Lack of effective internal controls
- › Poor accounting records
- › Related party transactions
- › Lack of policies and procedures (operational, IT, fraud, code of ethics)
- › Management is unfamiliar with employee duties



What Does All This Mean?



- › Having effectively designed processes and controls that are followed can help your organization to significantly reduce the **opportunity** for a perpetrator to commit fraud



Internal Controls

“At any given moment, there is a certain percentage of the population that’s up to no good.”

- J. Edgar Hoover



What is Internal Control?

COSO defines internal control as:

- › “A process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.”



Why Are Internal Controls Important?

- › Protect against fraud, errors, and regulatory noncompliance
- › Result in accurate, timely data used by management to make informed decisions
- › Reduce audit risk on external audits by preventing or detecting errors timely
- › Improve employee accountability by creating a system of checks and balances



COSO Framework

- › Control Environment
- › Risk Assessment
- › Control Activities
- › Information & Communication
- › Monitoring





Evaluating Your Company's Internal Controls

- › Entity Level Controls
- › Financial/Accounting Controls
- › IT Controls



Entity Level Controls

- › Code of Ethics policy
- › Whistleblower policy
- › Approval authority matrix
- › Background checks
- › Organization charts
- › Periodic performance reviews
- › Job descriptions
- › Mandatory Vacations

Fraud Controls





Establishing Process Level Internal Controls

- › Identify the “what can go wrongs” within the process
 - › i.e. pay vendor twice, pay wrong amount, make an unauthorized payment
- › Identify controls to mitigate these risks
 - › i.e. approval of invoices, segregation of duties
- › Be mindful of exceptions to “normal” procedures
- › Document controls/processes and ensure all applicable staff are aware and understand processes
 - › i.e. what are the steps to perform to complete the bank reconciliation review



What to Consider when Designing Internal Controls

- › Segregation of duties, including user access
- › Competence / Authority level of individual performing control
- › Complexity of control
- › Independent validation when performing review controls
- › Potential for automation



Types of Controls

- › **Preventive** – proactive measures to stop errors and fraud from happening in the first place
 - › **Segregation of duties** (i.e. one person approves a purchase and another handles payment)
 - › **Restricted access** to physical assets or financial systems
 - › **Standardized procedures, documentation** for routine transactions such as invoices/purchase orders
 - › **Approval authority** on transactions above a certain amount



Types of Controls, Continued

- › **Detective** – designed to identify problems that have already occurred
 - › **Reconciliations** of different sets of records (i.e. bank reconciliation)
 - › **Physical review** of assets like inventory count
 - › **Financial close** review procedures



Examples of Poorly Designed Controls that Allowed Fraud to go Undetected

Bank Reconciliation

- › Lack of independent validation of balances
 - › Owner reviewed the bank reconciliation
 - › Controller doctored bank reconciliation information that was provided to Owner
- › Lack of review of reconciling items



Examples of Poorly Designed Controls that Allowed Fraud to go Undetected

› Vendor Masterfile Changes

- › Accounts Payable Clerk made change to banking information without independent validation
- › Change came from Operations
- › Within an email conversation that Operations was having with vendor, bad actor inserted themselves and requested a change to bank information



Segregation of Duties

One individual should not have more than one of the following duties:

- › **Authorization** of transactions
- › **Custody** (physical or logical) of assets
- › **Recording** of transactions in the system.
- › **Reconciliation/Control Activities**



Segregation of Duties Examples

- › Limit user access in systems as appropriate
- › Independent review of reconciliations (bank, receivables, revenue schedules) by someone who did not prepare reconciliation
- › Person who receives cash receipts should not also record the receipts in the accounting system or deposit the cash
- › Person who sets up vendors is not the same person who enters invoices and processes payments



Financial Review Control Examples

- › Utilize month end close checklists that detail steps, reconciliations, journal entries that need to be performed monthly and who is responsible for performing and reviewing
- › Use automation when possible (i.e. recurring journal entries)
- › Perform account reconciliations and prioritize based on risk, materiality, prior adjustments history, and volume of transactions
- › Budget versus actual analysis. Establish thresholds that require explanations



Journal Entry Control Examples

- › Limit employees that have access to prepare journal entries
- › Maintain support for all journal entries in a consistent manner and require support for each journal entry be maintained within software or other records
- › Independently review and approve entries



Examples of Poorly Designed Controls that Allowed Fraud to go Undetected

Journal Entries

- › Individual responsible for processing payroll created a fake employee
- › Individual had access to enter journal entries
- › No secondary review of payroll register or journal entries
- › Individual would create journal entries to spread the cost of the fake employee so that it would not be caught during department reviews of monthly expenses
- › Company had a large non-exempt workforce and individual understood the department manager review habits



Cash Disbursement Control Examples

- › Perform periodic reviews of the vendor master file
- › Independent validation of vendor bank account changes
- › Make payments via ACH and use bank services such as positive pay, direct debit blocking
- › Use accounts payable workflow system to route invoices through the review and approval process
- › Reconcile the accounts payable module to the G/L
- › Mail payments directly to vendor (not returned to requestor)
- › Separate the vendor maintenance function from the posting of invoices and performing check runs



Cash Receipt Control Examples

- › Deposit cash/checks in the same day as received
- › Utilize lock box or remote deposit capture
- › Limit cash transactions
- › Perform monthly bank reconciliations that are independently reviewed
- › Separate the handling of cash/checks with the posting to customer accounts



Payroll Control Examples

- › Utilize a 3rd party payroll provider – ensure provider has a SOC report
- › Review payroll changes
- › Compare/reconcile payroll to prior period payrolls
- › Utilize onboarding/offboarding checklists
- › Link automated time and attendance, HR, and payroll systems



Information Technology Control Examples

- › Formalize Information Security Policy
- › Limit access within accounting system to specific job responsibilities
- › Strong password controls to the network
 - › i.e. 15 characters, complexity
- › Perform periodic user access reviews
- › Implement multi-factor authentication (MFA)



Information Technology Control Examples

- › Conduct periodic Security Awareness Training
- › Perform periodic vulnerability scans and penetration testing
- › Up to date patching and anti-virus
- › Test restorability of data backups



Thank You!

Questions?



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Break

9:25 A.M. – 9:40 A.M

Please grab a snack and a beverage and join us back in here for our next presentation:

Key Tax Changes and Opportunities Under H.R.1



Key Tax Changes and Opportunities Under H.R.1 (OBBBA)

Signed into law on July 4, 2025 (extending key tax provisions from TCJA which was set to expire December 31, 2025)

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Agenda

- › Individual Tax Provisions
 - › Including planning strategies
- › Business Tax Provisions
 - › Including planning strategies



This icon and display box indicates a planning strategy.

Individual Tax Provisions





PERMANENT

Estate & Gift Tax Lifetime Exemption

- › Lifetime exemption increases to \$15 million per taxpayer starting in 2026
- › Indexed annually for inflation
- › Portability still applies
- › No changes for:
 - › Grantor Trusts
 - › Use of Valuation Discounts



PERMANENT

Estate & Gift Tax Lifetime Exemption



- › The permanent increase will eliminate many taxpayers from ever having to pay estate tax...while still getting the adjustment to FMV (generally a step up in basis)
- › Still consider portability of unused lifetime exemption when the first spouse passes
- › Do not abandon estate planning
 - › Need this for ease of estate administration
 - › Ensure assets pass where you intend
 - › Use of trusts for liability protection/protect heirs from themselves



PERMANENT

Individual & Trust Tax Rates

- › Ordinary Income Tax Rates from 10% to 37%
 - › Indexed for inflation
 - › An additional year of inflation adjustment is added for certain tax brackets above 12% and 22%
 - › This was the most expensive provision of OBBA
- › 37% bracket approximately:
 - › \$751K for Married Filing Jointly (MFJ)
 - › \$375K for Married Filing Single (MFS)
 - › \$626 for Single & Head of Household (HOH)



PERMANENT

Individual & Trust Tax Rates



Nice to keep the “lower” brackets (vs top rate 39.6%) AND the “broader” brackets

- › No longer a scramble to “fit in” ordinary income before the rate increase



PERMANENT

Increase in Standard Deduction

- › Single filers + MFS \$15,750
- › HOH \$23,625
- › MFJ \$31,500
 - › All will be indexed for inflation
- › Age 65+ or blind: Additional
 - › Single + HOH \$2,000
 - › MFJ or MFS \$1,600



For those without a mortgage/or larger charitable donations – the higher Standard Deduction will still provide a good tax shield

- › Consider “bunching” charity in some years
- › Consider QCD



TEMPORARY 2025 - 2028

Extra Deduction for Age 65+

- › \$6,000 each taxpayer 65+
- › Available for those claiming Standard Deduction OR Itemized Deductions
- › Phase out for Adjusted Gross Income (AGI)
 - › Single or HOH or MAGI > \$75,000
 - › MFJ MAGI > \$150,000
 - › N/A for MFS



If this applies... NICE!



PERMANENT

Changes to Itemized Deductions

- › NO Miscellaneous Itemized Deductions (formerly referred to as 2%)
 - › Tax prep fees
 - › Investment management fees
 - › Unreimbursed employee expenses
 - › Exception: Eligible educators can still claim an above the line deduction of \$300 each
- › Removal of Pease Limitation
 - › The “old 3% phaseout” based on AGI
- › New Limitation on Tax Benefit (starting 2026)
 - › Itemized deductions are now reduced by 2/37 of the lesser of total deductions or taxable income exceeding the 37% tax bracket start... effectively reducing itemized deduction benefit to a max of 35%



PERMANENT

Changes to Itemized Deductions



- › Again – Managing AGI is key to many tax benefits... planning for AGI over a multi-year period is helpful/ almost mandatory (but can be hard).
- › Several tweaks to itemized. None are “really big” but combined – they add up!



TEMPORARY 2025 - 2029

Increase & Phasedown of the SALT Cap

- › Increases to \$40,000 through 2029
 - › Indexed for inflation
- › Phase Out: Taxpayers with MAGI > \$500,000 (\$250,000 MFS)
 - › Reducing SALT deduction by 30% of excess income
 - › If MAGI \$600,000+ the SALT cap remains \$10,000 or \$350,000 for MFS
- › 2030: SALT deduction cap returns to the original \$10,000 limit (PERMANENT CHANGE)
 - › Although still pressure to increase this limit



TEMPORARY 2025 - 2029

Increase & Phasedown of the SALT Cap



- › Pass Through Entity (PTE) tax paid to various states likely still the better option
- › Managing AGI is key to many tax benefits... planning for AGI over a multi-year period helpful/ almost mandatory (but can be hard).



PERMANENT

Mortgage Interest

- › Mortgage Interest Deduction Limit to \$750,000 of home acquisition debt
- › Exclusion of Home-Equity Interest: Interest on home-equity indebtedness is permanently excluded from qualified residence interest definitions under the Act
 - › Unless used to buy or substantially improve the house
- › Mortgage Insurance Premiums: Certain mortgage insurance premiums on acquisition indebtedness qualify as deductible residence interest under the Act.



PERMANENT

Charitable Donations

- › Tax Credit for Scholarship Contributions (K-12)
 - › New Sec. 25F offers **credit** of up to \$1,700 per taxpayer (\$3,400 MFJ) for cash donations to scholarship organizations, reduced by any state credit, and no charitable donation if you claim the Federal credit, starting 2027.
- › Charitable Deduction for Nonitemizers (Standard Deduction – starting 2026)
 - › Nonitemizers can deduct up to \$1,000 (single) or \$2,000 (joint) for CASH charitable contributions without itemizing deductions.



PERMANENT

Charitable Donations

- › 0.5% Floor on Itemized Deductions (starting 2026)
 - › For itemizers, charitable contribution deductions are reduced by 0.5% of contribution base, calculated without charitable giving included.
 - › If contributions exceed the floor... then the floor is carried forward
 - › Generally 0.5% of AGI
 - › $\$1,000,000 * 0.5\% = \$5,000$
 - › Tax impact if 37% bracket = increase in tax by \$1,850
- › 60% of AGI for cash donations



PERMANENT

Charitable Donations



Coordinating charitable giving to maximize benefit/integrate Standard Deduction considering:

- › Charitable Donation Floor
- › Carryover charitable contribution – 5 years
- › AGI reduction in tax benefit of all itemized deductions
- › Donation of cash or appreciated securities
- › Use of QCD
- › Bunching of deductions



PERMANENT

Elimination of Personal Exemptions

- › Personal exemptions eliminated



Not a HUGE impact for many middle/high income taxpayers as Alternative Minimum Tax (AMT) had previously eliminated much of the tax benefit.



PERMANENT

Qualified Business Income (QBI) Deduction

- › Sec. 199A QBI deduction at a 20% rate for eligible taxpayers.
- › Phase-in Range Expansion: Phase-in ranges for wage and property limitations and determining Specified Service Trade or Business (SSTB) increased to \$75,000 for all but MFJ and \$150,000 for MFJ (starting in 2026)
 - › 2026 fully phased out
 - › MFJ \$544,600
 - › All others \$272,300
- › **NEW:** Inflation-Adjusted Minimum Deduction (starting 2026)
 - › \$400 minimum deduction (adjusted for inflation) for taxpayers with at least \$1,000 QBI actively earned.



PERMANENT

Qualified Business Income (QBI) Deduction



This is BIG – QBI has been such a benefit to many pass-through businesses (not so much for SSTB)... still need to track QBI losses, but such a helpful provision.



TEMPORARY 2025 - 2028

No Tax on Tips & Overtime

› Tip Deduction

- › Allows up to \$25,000 per taxpayer deduction for qualified tips for employees and independent contractors from 2025 to 2028.
 - › Above the line deduction (so you get whether you claim Standard Deduction or Itemize)
 - › Deductions allowed only if tip compensation is separately reported on W-2 or 1099
 - › Phase-Out Limits for Tips: MAGI exceeds \$150,000 for all but MFJ or \$300,000 for MFJ



TEMPORARY 2025 - 2028

No Tax on Tips & Overtime

› Overtime Deduction

- › Allows up to \$12,500 deduction for qualified overtime pay, \$25,000 for joint returns, from 2025 through 2028.
 - › Above the line deduction (so you get whether you claim Standard Deduction or Itemize)
 - › Deductions allowed only if overtime compensation is separately reported on W-2 or 1099
 - › Phase-Out Limits for tips: MAGI exceeds \$150,000 for all but MFJ (complete phase out at \$275K) or \$300,000 for MFJ (complete phase out at \$550K)



TEMPORARY 2025 - 2028

No Tax on Tips & Overtime



- › Again – Managing AGI is key to many tax benefits... planning for AGI over a multi-year period helpful (but can be hard).
- › This will be key for younger folks/teens who are working in a tips driven job.



TEMPORARY 2025 - 2028

Car Loan Interest Deduction

› Eligible Vehicle Criteria

- › Eligible **NEW** vehicles must be assembled in the U.S. and include cars, vans, minivans, SUVs, pickup trucks, motorcycles
 - › Less than 14,000 lbs.
- › Personal use vehicles only
- › \$10,000 annual maximum deduction, \$200,000 (MFJ), \$100,000 (single) AGI phaseout
- › Loan must originate after 12/31/24 and be secured by the vehicle
- › N/A for leased vehicles



Great new tax deduction for those who qualify!



PERMANENT

Gambling Losses

- › Gambling losses limited to 90% of gambling losses incurred during the taxable year AND limited by total gambling winnings
 - › Effective 2026
- › Reminder, gambling losses are only deductible if itemizing



You may be left with “net” gambling income... careful when you roll the dice!



PERMANENT

Alternative Minimum Tax (AMT) Exemption & Phaseout Changes

- › TCJA's increased AMT exemption amounts to maintain taxpayer relief
- › Phaseout Threshold Reversion: Exemption phaseout thresholds revert to 2018 levels (indexed for inflation) affecting taxpayers' AMT calculations.
 - › Starting 2026
- › Increased Phaseout Rate: Phaseout of exemption amounts increases from 25% to 50% based on excess AMT income.
 - › Starting 2026



PERMANENT

Alternative Minimum Tax (AMT) Exemption & Phaseout Changes



- › TCJA virtually eliminated AMT (mainly still applicable if high Qual Div/LTCG income without ordinary income... and over the phaseout of the AMT exemption). We expect more taxpayers to be in AMT starting 2026.
- › Really need to run projection to determine if AMT will be applicable



PERMANENT

Termination of Credits

- › Credit for Used Electric Car – N/A after 9/30/25
- › Credit for NEW Electric Car – N/A after 9/30/25
- › Credit for Electric Charging Station – N/A after 6/30/26
- › Credit for Energy Efficient Home Improvement Credit – N/A after 12/31/25
 - › Upgrades for windows, doors, insulation, HVAC
- › Credit for RESIDENTIAL Clean Energy – N/A after 12/31/25
 - › Solar panels, solar water heaters, geothermal
- › Energy Efficient Home – N/A after 6/30/26
 - › For builders & developers



NEW

Trump Accounts for Minors

Trump accounts are new tax-deferred savings accounts for individuals under 18, similar to traditional IRAs.

- › Government Contribution
 - › \$1,000 for children born between 2025-2028 if parents opt in on their tax return
- › Annual Contributions
 - › Can contribute up to \$5,000 yearly before the child turns 19, regardless of birth year within limits.
 - › No AGI limit for parent
 - › Mainly invested in mutual funds/ indexed ETFs
 - › Contributions are NOT tax deductible (Fed or State)
 - › Employers can contribute up to \$2,500 and is NOT taxed to the employee but is part of the \$5,000 total annual contribution limit



NEW

Trump Accounts for Minors

› Distribution Rules

- › Distributions from Trump accounts are allowed only starting the year the beneficiary turns 18.
- › Upon the beneficiary reaching age 18, the account automatically converts to a traditional IRA.



Possibly convert to ROTH IRA – would be taxed at child's tax rate

- › Plans start 7/4/26 (effective 1/1/26)



Many uncertainties... looks very promising but do not forget this \$5,000 would be part of the annual exclusion gift.



PERMANENT

Child Related Credits & 529

- › Child Tax Credit Expansion (starting 2025)
 - › The child tax credit increases to \$2,200 per child starting 2025
 - › Indexed for inflation
 - › AGI phaseout \$200K any but MFJ; \$400K MGJ
 - › Refundable credit increased to \$1,700
- › \$500 “Other Dependent” credit also permanent
- › FSA: Dependent Care Increase (starting 2026)
 - › Deferral of wages through IRC 125 plan (Flexible Spending Arrangement)
 - › Increase from \$5,000 to \$7,500 (NOT indexed for inflation)
 - › \$3,750 for MFS



PERMANENT

Child Related Credits & 529

- › Child & Dependent Care Credit (starting 2026)
 - › Increases from 35% to 50% of qualifying expenses, with phase-down based on AGI
 - › Qualifying expenses still \$3,000 for one child; \$6,000 for more than one child



PERMANENT

Child Related Credits & 529

- › Expanded Sec. 529 Plan Use (starting after 7/4/25)
 - › Now allow tax-exempt distributions for elementary, secondary education, and additional postsecondary credential expenses
 - › Curriculum and curricular materials, books, online materials, tuition for tutoring, fees for standardized tests (AP exams, college entrance exams), fees for dual enrollment, educational therapies for students with disabilities.
 - › Increased annual distribution for K-12 tuition = \$20,000 (formerly \$10,000) - starting 2026



PERMANENT

Child Related Credits & 529



- › For the credits – AGI remains key to getting the tax benefit
- › Use of the FSA for Dependent Care Expenses – not only saves FICA/ Medicare taxes but also keeps AGI lower!
- › 529 plans – expanded use AND do not forget the ability to use excess 529 for ROTH contributions (certain restrictions apply) up to \$35,000

A black scientific calculator with a digital display and various function buttons (OFF, MU, AC, ON/CCE, etc.) is positioned next to a pair of black-rimmed glasses. Below the glasses is a white document featuring a tax form, specifically the '1040 U.S. Individual Income Tax Return' form. The scene is set against a plain white background.

The image shows a close-up of a person's hands filling out a 2010 U.S. Individual Income Tax Return. A black calculator is visible in the upper right corner, and a silver pen rests on the form. The form is partially filled out, showing sections for Filing Status, Standard Deduction, and Dependents. The person has checked "Married filing jointly" under Filing Status and "Standard deduction" under the Deductions section. The name "John Doe" is written in the top left corner.



PERMANENT

Bonus Depreciation & Sec. 179 Expensing Enhancements

Bonus Depreciation Extension

- › Extends 100% of bonus depreciation for qualifying property placed in service after 1/19/2025
- › Tangible Personal Property < 20-year life + certain computer software



PERMANENT

Bonus Depreciation & Sec. 179 Expensing Enhancements

Sec. 179 Expensing Increase (starting 2025)

- › Maximum Sec. 179 expensing is increased to \$2.5 million, adjusted based on qualifying property costs exceeding \$4 million.
 - › Indexed for inflation



Immediate expensing can create HUGE tax savings... helps ROI

- › Watch EBL (excess business loss) if depreciation creates an overall loss in pass-through entities



TEMPORARY 1/19/2025 to 12/31/2030

Special Depreciation Allowance for Qualified Production Property

- › Qualified production property generally includes nonresidential real estate used in manufacturing activities.
 - › Must be manufacturing NOT minor assembly
 - › NOT office space
 - › NOT warehouse space
- › Recapture if change use within 10-year period
- › Must be in the U.S.
- › 100% first-year depreciation on the adjusted basis of qualified production property.



PERMANENT

Research & Development Expense

- › Immediate Deduction for Domestic R&D
 - › Immediately deduct domestic research expenses incurred after December 31, 2024
 - › No need to capitalize
- › NO CHANGE: Capitalization of Foreign Research
 - › Capitalize and amortize over 15 years per Sec. 174 requirements.
 - › Small businesses with gross receipts under \$31 million can apply these rules retroactively to tax years after 2021, but this gets complicated.



Expecting guidance to streamline the accelerated deduction.



PERMANENT

Research & Development Expense

- › Large businesses may opt for one- or two-year catch-up deductions for unamortized R&D expenses.



VERY helpful to US sourced research – may help to increase companies who claim R&D tax credit



PERMANENT

Business Interest Limitation (IRC 163(j))

- › Revert to “early” TCJA rules
 - › Allowed to ADD BACK depreciation, amortization, and depletion for interest deduction limits.
 - › 30% of Adjusted Taxable Income
 - › Starting 2025



This is BIG (HUGE)... many more taxpayers impacted by the IRC 163(j) limitation when the limitation was net of depreciation, amortization, etc. Allowing expenses currently vs deferred.



PERMANENT

Qualified Small Business Stock (QSBS) Exclusion Increases

- › 50% exclusion owned up to 3 years
- › 75% exclusion owned > 3 but < 5 years
- › 100% exclusion owned > 5 years
- › NOTE: Old QSBS law had to hold for 5 years to get 100% exclusion
- › Max \$15M per issuer or 10x basis of stock
 - › Indexed for inflation
- › Max assets in corporation \$75M (vs \$50M before)



PERMANENT

Qualified Small Business Stock (QSBS) Exclusion Increases



Remember this is from the sale of C Corp stock

- › N/A for sale of S Corp or LLC
- › N/A is sale of C Corp assets



PERMANENT

Excess Business Loss Limitation

- › Sec. 461(l) permanently limits excess business losses in any single year for noncorporate taxpayers
- › 2025 maximum business loss allowable - \$626,000 (MFJ), \$313,000 (single), indexed for inflation



- › Sec. 461(l) limits loss in year incurred and “turns into” an NOL in the following year which can offset 80% of taxable income and unlimited carryover
- › Be sure you are tracking losses/ limiting as part of tax planning



PERMANENT

Charitable Contribution for Businesses

› Contribution base (starting 2026)

- › Charitable contributions must exceed 1% of taxable income.

› Maximum Deduction Limit

- › Annual charitable contribution deductions are capped at a maximum of 10% of taxable income.

› Carryforward Provision

- › Disallowed deductions can be carried forward and applied for up to five years.



PERMANENT

Qualified Opportunity Zones (QOZ)

› **New rule effective AFTER 12/31/26**

- › 10-year designation period replaced with “rolling 5-year deferral schedule”
- › More restrictive definition of “low income community”
- › Stricter reporting requirements with higher penalties
- › Simplified step up to a max of 10% if held 5 years
 - › 30% step up for rural OZ funds
- › If held 10 years – basis = FMV at sale or after 30 years
- › New incentives for rural investments



PERMANENT

Qualified Opportunity Zones (QOZ)



- › Great opportunity for DEFERRAL (same as Like Kind Exchange IRC 1031)
 - › But mandatory tax due even if no cash from an actual sales
 - › Watch pricing... early QOZ deals good, later QOZ deals seemed to include the benefit of tax deferral
- › Fantastic if hold longer than 10 years – permanent savings on appreciation from original investment to final sale



PERMANENT

Disallow Meals for “Convenience of Employer”

- › Includes amounts paid or incurred for:
 - › Meals excludable from an employee’s income under §119(a) provided to employees and their spouses and dependents for their employer’s convenience and on the employer’s business premises
 - › Food, beverage, and facility expenses for meals qualifying as a de minimis fringe benefit under §132(e).
- › Starting 2026



This could be a BIG change to taxable income for certain businesses who routinely provide meals to employees.



PERMANENT

Third-party Network & Form 1099 Reporting Threshold Changes

- › The Act restores the \$20,000 and 200 transaction threshold for Form 1099-K reporting by third-party settlement organizations.
 - › Starting 2022
- › The Act raises the Form 1099 reporting threshold to \$2,000 for trade or business payments, indexed for inflation after 2026.
 - › Formerly \$600
 - › Starting 2026



BIG... helps minimize compliance/ cost to smaller businesses



PERMANENT

IRS Electronic Payment Requirement

- › Executive Order 14247 (March 25, 2025) mandates all federal payments, including to and from the IRS, be made electronically
 - › Beginning 10/1/2025
- › The executive order presumably requires all refunds to be issued via direct deposit and requires all future payments to be made electronically, no more paper checks
- › Limited exceptions may apply (emergencies, unbanked individuals)
- › Electronic payments have been recommended for several years to avoid processing issues, but appears now to be mandatory. TBD on how this will be enforced.



Thank You!

Questions?



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