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CLA Outlook: Planning Opportunities With the New Tax Law

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Agenda

- OBBBA overview
- Individual provisions
- Business provisions
- Planning opportunities





Learning Objectives

1. Identify which Tax Cuts and Jobs Act (TCJA) items were extended or enhanced and how that could impact your tax planning
2. Review the changes to the state and local tax (SALT) deduction cap and the implications for taxpayers
3. Discuss the considerations for choosing the right entity structure, analyzing Sections 1202, 199A, and the 21% corporate tax rate
4. Recall key accounting methods and elections that may shape your financial strategies
5. Identify cost segregation opportunities, including bonus depreciation and Qualified Property Provisions (QPP)
6. Recognize the law's changes to energy credits enacted under the Inflation Reduction Act
7. Identify employer reporting responsibilities related to overtime and tip provisions





Key Tax Law Changes: Individuals

Terri Lillesand



Key Individual Provisions

Tax rates

Lower brackets
permanent and
*inflation adjustment
on lower brackets*



Personal exemptions

Permanently
repealed



Child Tax Credit

\$2,200 permanent
increase



AMT

Higher exemption
and phaseout
thresholds
permanent



Premium Tax Credit

repayment isn't
capped starting in
2026



Other Individual Provisions

Standard deduction

made permanent at the higher amounts



Overall itemized deduction limitation

a 35% deduction for those individuals in the 37% top tax bracket (starts 2026)



Miscellaneous Deductions

Permanently suspended



State and Local Tax Limit

\$40,000 SALT cap (<\$500k AGI) (2025- 2029)



Seniors

\$6,000 deduction for seniors 65 and older (2025 - 2028)



Charitable Deduction Provisions

Creates a new deduction for those that do not itemize - \$1,000 single and \$2,000 married filing joint

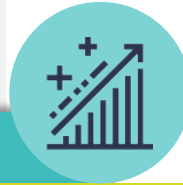
New .5% floor on charitable deductions



Financial Planning Provisions

Permanently increased and
indexed for inflation

Estate and Gift Exemption



Trump Accounts

- Established for children under 18
- \$1,000 deposited for children born 1/1/25 - 12/31/2028



Polling Question

Which individual planning opportunities are you interested in:

- a. Changes to itemized deductions and the higher SALT limit
- b. Charitable contribution changes
- c. 529 plan expansion
- d. Trump accounts
- e. n/a





Proactive management of itemized deductions



Planning Opportunity



Opportunity Zones

Provides opportunity to defer capital gains

Must hold for 5 years to receive a 10% gain reduction

Must realize gain on the fifth anniversary of the investment





Key Tax Law Changes: Business

Sarah Lofgren, Michael DePrima, Michael Smith



Compensation and Benefits Provisions

New deductions allowed for
qualifying tips and overtime
payments

Tips and Overtime



1099 Reporting Threshold

Increased to \$2,000





Research and Development Expensing

Sec. 174 R&D Expensing

- Full expensing restored for domestic R&D
- Two options to unwind prior year capitalized expenses
 - Amended return for small businesses
 - Deduct in 2025 (or ratably over 2025 and 2026)





Examine research and development costs



Planning Opportunity



Bonus Depreciation

- Permanently extends 100% expensing – property acquired and placed in service after 1/19/2025
- Qualified Production Property – new 100% expensing for qualified production non-residential real property
- Section 179 expensing increased to \$2.5 million after 12/31/2024





Look at impact of expanded bonus depreciation and cost segregation studies



Planning Opportunity



Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Introduces complex restrictions around “foreign entities of concern”
- Generally, no direct changes to transferability or direct pay





Other Energy Provisions

Energy Efficient
Commercial Buildings
Deduction (Sec. 179D)

Repealed for projects that
begin construction after
6/30/2026

New Energy Efficient
Home Credit (Sec. 45L)

Repealed for homes
acquired after 6/30/2026

Cost Recovery for Clean
Energy Property

Terminates special 5-yr
recovery period that applies to
certain energy credit property





Plan ahead for clean energy credit changes



Planning Opportunity



Polling Question

Which business credit changes are you interested in learning more about:

- a. Bonus depreciation
- b. Business interest deductions
- c. Research and development costs
- d. Energy credits
- e. n/a



Business Interest Deductions



163(j) Interest Limitation



Reinstates and makes
permanent EBITDA
limitation and capitalized
interest subject to 163(j)





Manage business interest deductions



Planning Opportunity



Qualified Business Income Deduction

- Permanently set at 20% and phase out range increases





Other Business Provisions

Section 1202

Enhanced benefits, expanded eligibility, and tiered exclusion



Corporate charitable contributions

New 1% floor on contributions





Reevaluate your choice of entity



Planning Opportunity





Excess Compensation Tax

Expanded definition
of covered employee to
expand excise tax base



Endowments Excise Tax

New 3-tier tax rate on
higher ed endowments
and new tax law changes

Exempt Organization Provisions





Exempt entities: Prepare for changes



Planning Opportunity





Base Erosion
Minimum Tax
(BEAT)

Global Intangible
Low-Taxed Income
(GILTI)

Foreign-Derived
Intangible Income
(FDII)

International provisions

Aims to curb tax avoidance by multinational corporations and encourage the retention of intangible assets within the U.S.





Planning Opportunity



Summary of Planning Items

1. Proactive management of itemized deductions
2. Analyze impacts of tax changes to business deductions
3. Look at impact of expanded bonus depreciation
4. Manage business interest deductions
5. Examine research and development costs
6. Evaluate cost segregation scenarios
7. Reevaluate your choice of entity
8. Plan ahead for clean energy credit changes
9. Exempt entities: Prepare for changes
10. Consider changes to your income tax provision



Polling Question

I'd like to talk to CLA about opportunity modeling to analyze the impact of tax changes:

- a. Yes
- b. No





Opportunity modeling to analyze impacts of tax changes



Planning Opportunity





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Other TCJA Extenders

Excess Business Loss Limitation

Permanently extends limitation, adjusts for inflation

Moving Expenses

Permanently limited to military and intelligence only – other reimbursements taxable

ABLE Accounts

Permanently allows additional contributions, extension and enhancement of Saver's credit

Wagering Losses

Limits deduction to 90% of losses

Student Loan Discharge

Permanently extends exclusion for loans discharged due to death/disability

Bike Reimbursement Exclusion

No exclusion for reimbursements for qualified bicycle commuting



Other TCJA Extenders

Limited to the first \$75K of debt and certain mortgage insurance qualifies

Qualified Residence Interest



Casualty Losses

10% floor waived for qualified disasters, extended incident period, expanded definition



Deductions and Credits

1. HSA enhancements



- Expansion of certain qualified expenses and HAS contribution eligibility

3. Adoption Credit



Up to \$5,000 refundable

2. Car Loan Interest



Up to \$10,000 deduction for "Made in America" car loan interest payments (2025 - 2028)

Subject to phase out

4. Scholarship-Granting Credits

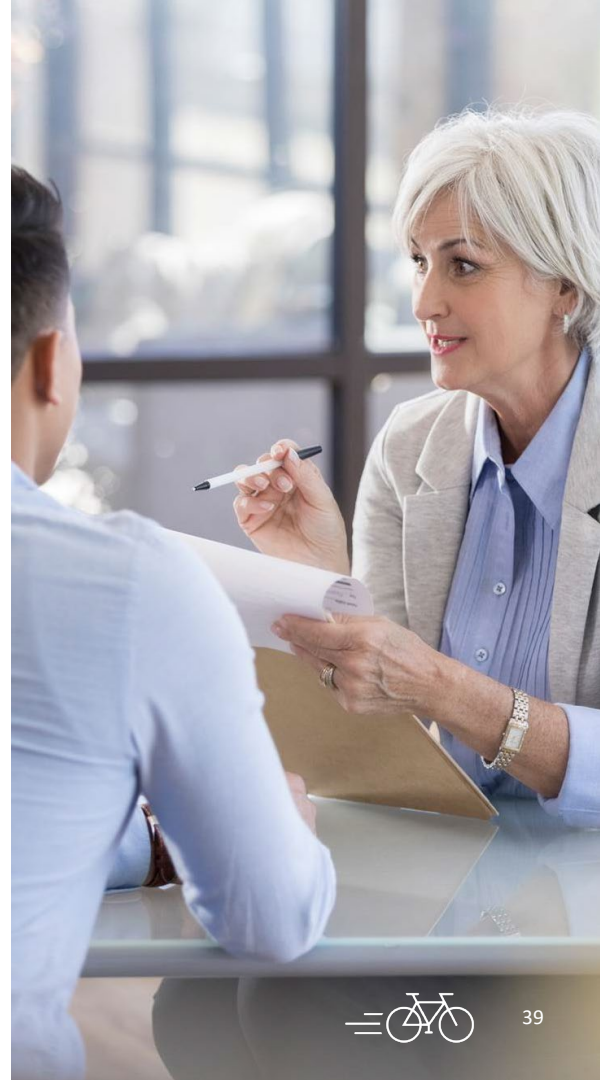


\$ credits allowed for contributions to SGOs (capped at \$1,700 per year)

5. Child and Dependent Care Tax Credit



Increased credit and expanded eligibility for lower income taxpayers



New Provisions: Deductions and Credits

Trump accounts

- Expansion of certain qualified expenses and HAS contribution eligibility
- Distributions of earnings are taxed as ordinary income
- Distributions under age 59 ½ are likely subject to the 10% withdrawal penalty
- No withdrawals under age 18
- Earnings portion of withdrawal taxed as ordinary income
- Up to \$5,000 non-deductible annual contribution until age 18

Seniors

- \$6,000 deduction for seniors 65 and older (2025 - 2028) - Subject to phase out based on income



General Business Provisions

1. Opportunity Zones
 - Reinstates 10% gain exclusion
 - Zones are designated by the states and will now be designated on a rolling 10 years
2. Corporate Contributions
 - New 1% floor on contributions
3. Employee Retention Credit
 - For 2021 Q3 and Q4 claims only: 6-year SOL, end to post-1/31/2024 claims
4. Clean Energy Credits
 - Early termination and accelerated phase outs for some credits – EV-related and solar and wind credits
 - Complex restrictions around “foreign entities of concern”: Applies to property used for manufacturing/production facilities
 - Construction must begin after 1/19/2025 and before 1/1/2029; must be PIS before 1/1/2031



General Business Provisions

Section 174

Note: foreign R&D still subject to 15-year amortization

Two options to unwind prior year capitalized expenses: amended return for small businesses (need to consider reduction of R&D credits claimed) and deduct in 2025 (or ratably over 2025 and 2026)



International Key Provisions

1.

GILTI and FDII provisions made permanent at slightly modified rates and more updates in senate version

2.

BEAT: Made permanent at slightly modified rate and more updates in Senate version

3.

De Minimis Exception: Repeals \$800 de minimis exception to U.S. tariffs

4.

Miscellaneous: Permanent CFC look-through rule, restoration of downward attribution limitation, modifications to CFC pro rata rule



Exempt Tax Key Provisions

Excess Compensation Tax

Expanded definition of covered employee to expand excise tax base

Endowments Excise Tax

New 3-tier tax rate on Higher-Ed Endowments and new tax law changes

