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MN Horse and Hunt Event

October 1, 2025



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Implications of One Big Beautiful Bill

October 1, 2025



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Agenda

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





Key Tax Law Changes: Individuals



Key Individual Provisions

Tax rates

Lower brackets
permanent and
*inflation adjustment
on lower brackets*



Standard Deduction

Permanently
extended &
enhanced



Child tax credit

Increased to \$2,200



AMT

Higher exemption
and phaseout
thresholds
permanent



State and Local Tax Limit

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



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



Gambling Losses

Losses limited to 90% of winnings



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
1% floor for C-Corporations



Deductions and Credits

1. HSA enhancements



- Expansion of certain qualified expenses and HSA 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



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



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 Business Impact

New deductions allowed for
qualifying tips and overtime
payments

Tips and Overtime



Qualified Business Income Deduction



Permanently set at 20% and phase
out range increases





Sec. 174 Research and Development 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)



Capital Expenditures

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



Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Generally, no direct changes to transferability or direct pay



Other Business Provisions

Section 1202

Enhanced benefits, expanded eligibility, and tiered exclusion



Interest Deduction

Restores EBITDA limitation to interest expense limitation



Thank You



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Succession Planning: Rewarding People, Fueling Growth

October 1, 2025



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Demystifying ESOPs



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Agenda

- ESOP fast facts
- ESOP basics
- Transaction overview
- Structuring considerations
- Roles in an ESOP
- Tax advantages
- Post-closing considerations
- ESOPs in construction
- Who to bring along



ESOP Basics



Typical Options Available When Considering Selling Your Company

3rd party
(strategic/
financial)

Internal/
management
buyout

ESOP



Who We Are



200+ ESOP clients



Transaction structuring,
financing, and ERISA audits



Post transaction support



ESOP Fast Facts



ESOPs *by the Numbers*



6,500+ ESOPs across US



14.9M participants

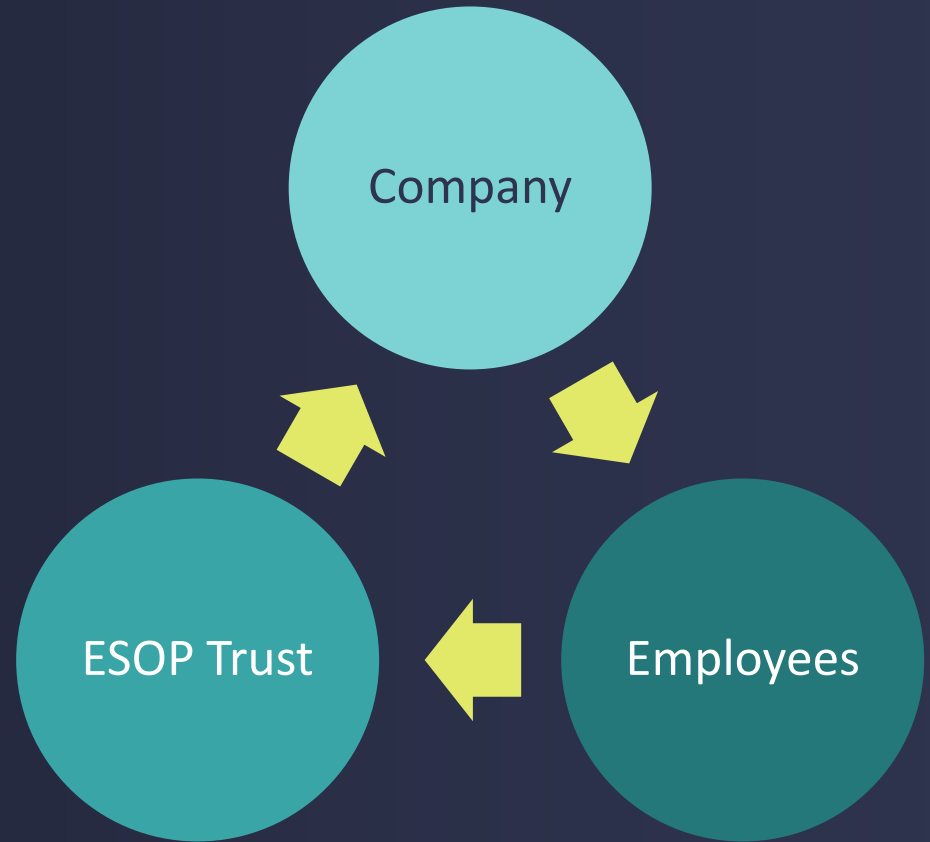


\$1.8T+ total assets



What Is an ESOP?

*Qualified retirement
plan investing primarily
in company stock*



ESOP Benefits | Candidate Fit



Why Choose an ESOP?

- Retain **management role and culture**
- Competitive **fair market value** for shares
- Opportunity to **retain upside** (warrants/synthetic equity)
- Potential **tax advantages**
- **Productivity and retention gains** tied to ownership culture



Employee Perspective: *Why Choose an ESOP?*

- Equity-linked **retirement benefit** with no employee cash required
- **Value grows** with company performance
- Contributions can **roll to an IRA**



ESOP Candidate Fit

- Desire to preserve legacy and ownership culture
- Stable cash flow; ~30+ employees
- Willingness to carry some seller financing
- Long-term growth platform
- Leadership bench
- Cultural readiness



Construction Fit Considerations

- Backlog reliability
- WIP trends
- Bonding/surety relationships
- Safety record
- Talent retention



Transaction Overview



How an ESOP Works



Key Components of an ESOP Transaction

Feasibility and planning



Valuation and structuring



Transaction execution

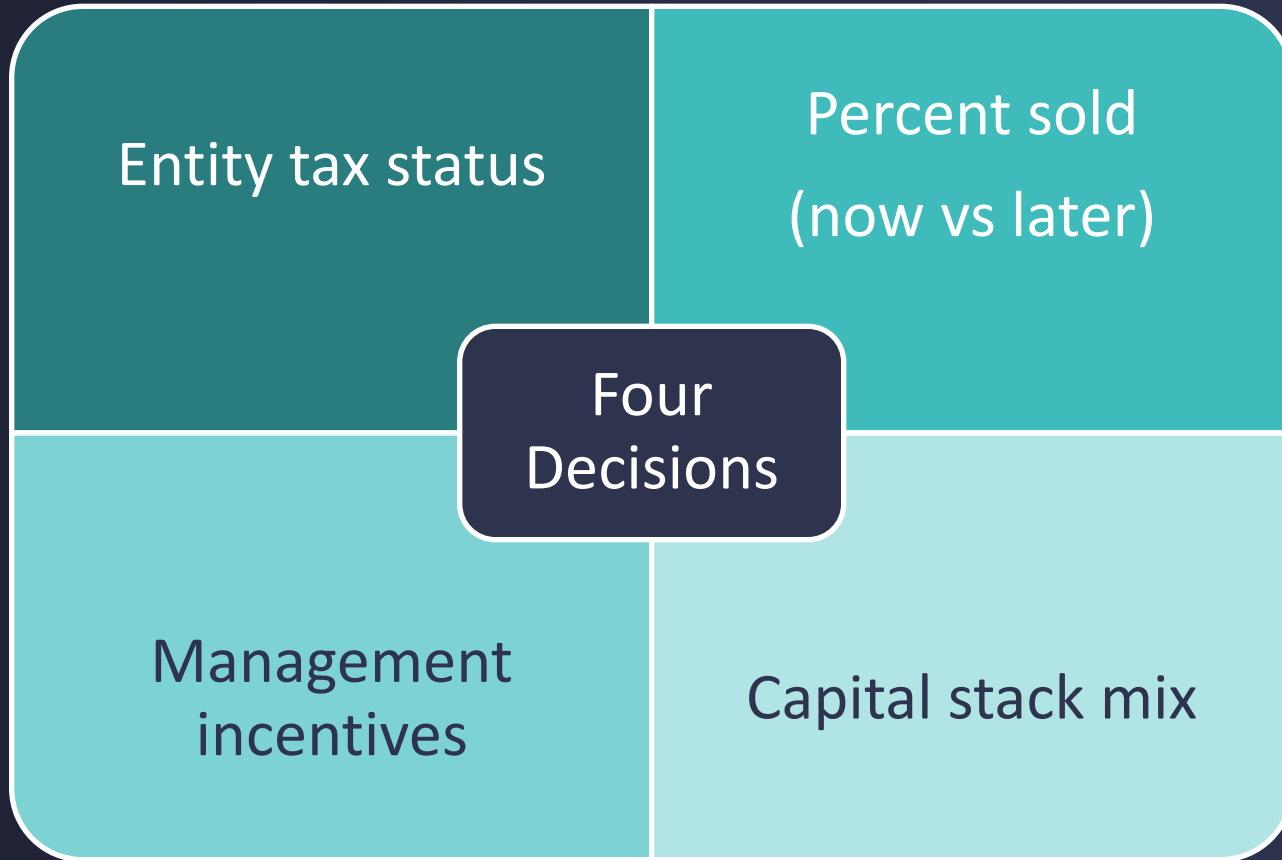


Post-transaction oversight



Structuring Considerations





Price at which
company
shares are
bought or sold
within an
ESOP



Trustee engages
independent/certified appraiser



IRS and ERISA compliant



Equitable for all parties



Valuation in ESOP Transactions



Transaction pricing

Annual share
allocations

Compliance





Key Valuation Factors

- Nature and history of business
- Company and economic outlook
- Book value and financial condition
- Earning capacity
- Comparable company market prices





Financing, Seller Notes, and Warrants

- Bank debt plus seller notes bridge to FMV
- Warrants (synthetic equity) compensates for subordinated risk
- Interest on seller notes

Roles in an ESOP



Roles and Governance



Board sets strategy



Trustee acts solely for ESOP participants



Management runs business



Participants hold beneficial interests



Tax Advantages



Tax Advantages

- 30% or greater sale
- 3-year holding
- QRP reinvest within 12 months
(lifetime planning implications)

C-Corp (1042)



100% S-Corp ESOP



- Pass-through income to tax-exempt ESOT
- Most state income taxes at entity level; generally, no federal



Post-Closing Considerations



Post Closing Requirements and Operations

Annual valuation (ERISA)



Third-party administration



Plan documents and amendments



Repurchase obligation monitoring



ESOPs and Construction



ESOPs in Construction

Advantages

- Structured exit strategy
- Legacy
- Culture continuity
- Tax-advantaged cash flow
- Employee engagement

Considerations

- Set up and administration costs
- Impact on surety bonds
- Cash flow constraints
- Repurchase liability
- FMV vs. strategic buyers



Your Team: Who To Bring Along



Who To Bring Along

Attorney

CLA

Valuation

Trustee

Transaction advisor

Lender/bank



How CLA Can Help



Business succession
planning and
transaction readiness
assessments



ESOP transaction
guidance



Employee
communication and
educational program
strategies



Assurance, tax,
transaction advisory,
consulting services



ERISA audits and
Form 5500
compliance



Internal controls and
service provider
assessments



Retirement plan
design, compliance,
and consulting



Thank you!



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