Forvis Mazars Quarterly Tax Webinar
3rd Quarter 2026

August 6, 2026

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Agenda

1. Discussion of Current Events with the Washington National Tax Office
2. Tariffs & Tax Transformation
3. Current Developments in R&D & AI Investments
4. Pillar Two Updates

01

Discussion of Current Events With the Washington National Tax Office

Spencer Heywood

Iris Laws

Howard Wagner

Washington National Tax Office
Stay connected to the latest insights & updates

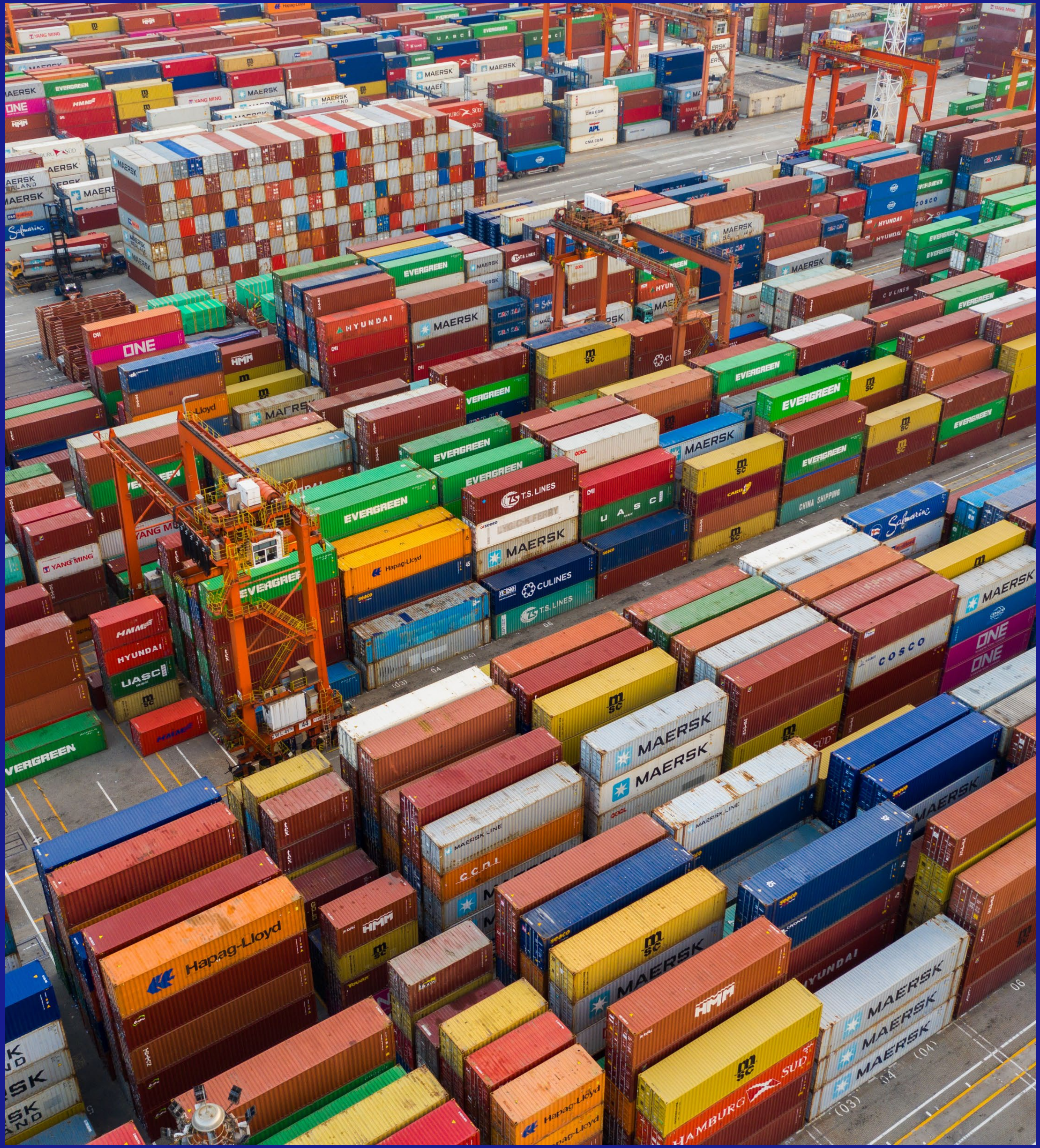
- WNTO Website
- Quarterly Webinars
- From the Hill Weekly Newsletter
- Tackling Tax Podcast
- Subscribe to our tax email list at forvismazars.us for articles, alerts, etc.

02

Tariffs & Tax Transformation

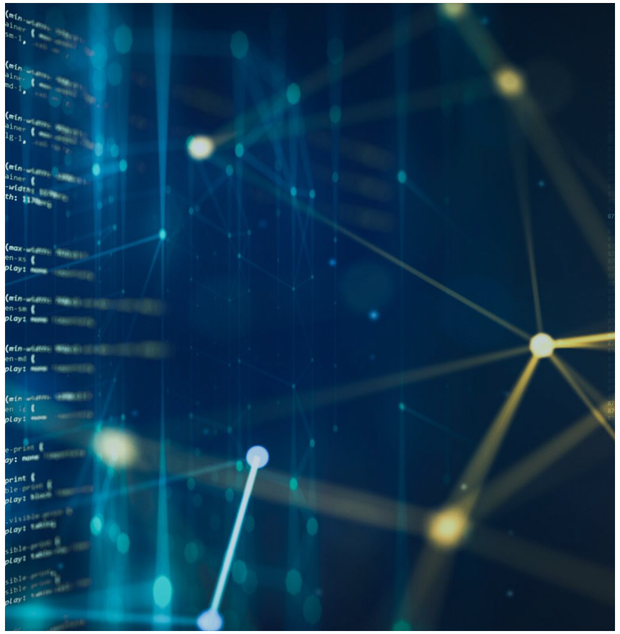
Michael Cornett

Jenna Stutz



Forvis Mazars Tax Transformation Services

Enterprise decision layer services that help tax data, automation, analytics, and AI work at scale



We work with clients to create a governed enterprise decision layer - a common business model above ERPs, subledgers, tax systems and operational platforms - so tax logic, reporting, automation and AI all operate from the same trusted context.

Tax data strategy & governance
Inventory data sources, ownership, controls and readiness for transformation.

Enterprise semantic layer
Define common tax business objects, attributes, relationships and hierarchies.

Source system integration
Connect ERP tables, subledgers, tax engines, BI, data lakes and cloud platforms.

Scalable tax logic
Move calculations, rules and adjustments into governed reusable logic.

Workflow & operating model
Redesign processes, handoffs, approvals, controls and execution roadmaps.

Analytics & AI enablement
Create trusted context for dashboards, automation, agents and decision support.

You likely do not need to replace your ERP, warehouse or tax systems to modernize decision-making. You may just need a common business layer above them.

Key client benefits

- Enable your priority tax outcomes
- Reduce manual reconciliation
- Standardize definitions and logic
- Accelerate speed to value
- Enable trusted tax AI use cases
- Preserve existing systems of record

Opportunity Identifiers

ERP modernization | tax process redesign | fragmented provision/compliance data | excessive Excel dependency | inconsistent legal entity/jurisdiction logic | AI readiness initiatives

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Tariff Fundamentals

What is a tariff?

- A tariff is a tax imposed by a government on imported goods (usually based on the landed value of the goods determined based on the price paid or payable, subject to customs valuation rules).

What key elements determine a tariff?

- Classification
- Country of Origin
- Valuation

Each of these elements presents significant risk for customs compliance, but also may present opportunities to help reduce duty liability, depending on the facts and circumstances (especially origin and valuation determinations with respect to reciprocal and other recent tariff enactments).

Tariffs In Effect

Types of Tariff/Duties

- General Rate of Duty ("MFN") Duties
- IEEPA tariffs
  - Ruled invalid by the Supreme Court
  - Refunds are being paid
  - Requires analysis of importation entries to determine if refunds are possible
- Section 122 tariffs
  - Rate of 10%
  - Expired on July 24, 2026
  - Court case to determine if tariffs were valid
- Section 232 tariffs (National security)
  - Applied to imports of steel, aluminum, and copper (including derivative products)
  - 50% rate (25% rate for certain derivative products)

Tariffs In Effect

Types of Tariff Duties

- Section 301 tariffs (targeted countries under specific trade investigations)
  - China
    - 7.5% or 25%
  - Brazil
    - 25% tariff on certain goods
  - Prohibition on importation of goods produced with forced labor
    - 60 Countries subject to either a rate of 10% or 12.5%
- Section 338 tariffs
    - 50% tariff on certain Canadian goods
    - Effective August 19, 2026
    - First time this section has been used

Steps for Managing Customs Data

Obtain and review your ACE reports to:

- **Identify types of duties paid**
- **Entry numbers**
- **Ports**
- **Brokers**
- **Duty amounts, and**
- **Liquidation status (Unliquidated or liquidated)**

Separate entries into three buckets:

- **Unliquidated**
- **Liquidated, and**
- **Other (e.g., entry has been liquidated and period for a protest has closed)**

For unliquidated entries:

- **Determine days remaining before liquidation occurs**
- **Monitor to make sure an entry is not liquidated early**
- **Consider whether a PSC should be filed**
- **Based on CIT's recent order filing may not be needed but this is a facts/circumstances determination.**

For liquidated entries determine days remaining before protest period ends.

- **For liquidated entries in which protest period is closing consider filing a Protest on Form 19.**

Determine if tariffs were passed on to customers.

- **If so, develop a strategy for passing on refunds to customers.**

Tariff Cost Mitigation

To determine tariff costs, one must do the following:

- Confirm country of origin
- Confirm HTSUS classification
- Identify applicable tariffs
- Identify exceptions, if any
- Determine which tariffs “stack” together
- Calculate total duty rate
- Ensure value declared is lowest permitted

Other Tools to Mitigate Tariffs

- First Sale
- Transfer pricing/Customs pricing
- Bonded warehouses/FTZ
- Unbundling of services

Turning Tariff Data into Actionable Insights

Our Tax Transformation team and Tariff specialists work side by side — from raw import data to decisions you can act on.

Tax Transformation Team

Builds the data engine

- Automate data extraction from ACE & other import sources
- Cleanse, standardize & structure import data
- Dashboards for key metrics, trends & exceptions
- Model tariff impacts & mitigation scenarios
- Flag errors, deadlines & action items

+

Tariff Specialists

Turn the data into decisions

- Translate dashboards into practical observations
- Surface unexpected HTS codes & inconsistent amounts
- Identify possible refund opportunities & review areas
- Connect insights to operational & tax objectives

THE RESULT **A full data & analytics solution for tariff analysis**

Designed around your data environment, business priorities, and tariff exposure

03
Current Developments in R&D & AI Investments

Mike Boenzi

Stacy Little

Has the Judicial Climate Begun to Improve?

2019 – 2025
SIGNIFICANT TAXPAYER LOSSES

- Courts frequently ruled against taxpayers
- Increased scrutiny of documentation and substantiation
  - Chief Counsel Memorandum
  - Form 6765 Updates
- Recurring themes in Court opinions:
  - Business component identification
  - Funded research
  - No process of experimentation
  - Pilot model supply expenses

2026
MIXED OUTCOMES

- **A couple of recent taxpayer favorable decisions emerge**
- **Courts continue applying rigorous standards**
- **Results suggest a potentially more balanced approach by Courts**

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George v. Commissioner, T.C. Memo. 2026-10
A Double-Edged Sword

Favorable

- Supplies in production projects can qualify
- Improved poultry product accepted
- Commercial availability irrelevant
- Technical uncertainty established
- Cost for experimental flocks—including feed—qualified
- No wage quantification required

Unfavorable

- Insufficient contemporaneous documentation
- Reconstructed narratives rejected
- Prior uncertainty already resolved
- Unsupported base period estimates
- Only 19.2% credit allowed

Smith v. Commissioner, T.C. Memo. 2026-50
A Double-Edged Sword

Favorable

- Reasonable compensation upheld
- Substantial rights retained in four of six projects
- Architectural and engineering design can qualify
- Giving customers a license to intellectual property not fatal

Unfavorable

- No financial risk for the taxpayer
- Research deemed “funded”
- Success not payment-dependent
- Funding rules broadly applied
- *Loper Bright* challenge failed

Form 6765, New Section G, effective for Tax Year 2026

Form 6765 (Rev. 12-2024) Page **3**

Section G—Business Component Information. Complete lines 49(a) through 49(f) for each business component you are required to report. See instructions. Attach additional sheets if necessary to capture all business components.

BC	49(a) EIN of the controlled group member conducting the research activities on this business component	49(b) Controlled group member's principal business activity code	49(c) Business component's name or unique alphanumeric identifier (see instructions)	49(d) Business component type (select one from available options)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

BC	49(e) Software (if applicable, select from the available options)	49(f) Describe the information sought to be discovered. Use the space provided.
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

Form **6765** (Rev. 12-2024)

Form 6765 (Rev. 12-2024) Page **4**

Section G—Business Component Information *(continued)*. Complete lines 50 through 56 for each business component. If you have more than fifteen business components, see instructions.

BC	50 Direct research wages for qualified services	51 Direct supervision wages for qualified services	52 Direct support wages for qualified services	53 Total qualified wages (add line 50, line 51, and line 52)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
Total from attachments				
Total				

BC	54 Cost of supplies	55 Rental or lease cost of computers	56 Applicable amount of contract research expenses (see instructions for reporting basic research payments)
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
Total from attachments			
Total			

Form **6765** (Rev. 12-2024)

AI Investments & the Research & Development Tax Credit

Organizations across industries are investing heavily in artificial intelligence (AI) to solve complex technical problems. In many cases, these AI-driven initiatives may qualify for the federal research and development (R&D) tax credit under Internal Revenue Code (IRC) Section 41.

Why AI Aligns With the R&D Tax Credit

Work often creates new or improved products, processes, models, architectures, and code, or optimizes workflows and customer experiences to boost performance, reliability, or cost.

AI development frequently involves technical uncertainty at the outset.

Teams engage in systematic experimentation, testing, and refinement.

Efforts are grounded in computer science, data science, and engineering.

When present, these traits may present opportunities for AI initiatives to help offset technology investment costs, subject to facts and applicable requirements..

AI Activity Spectrum for R&D Tax Credit Consideration
Overview

Increasing likelihood of qualification under IRC §41 / §174

Generally Lower Likelihood	Low Likelihood	Subjective	Moderate/High Likelihood	Generally Higher Likelihood
AI Platform Usage: **Commercial / off the shelf, with no experimentation** • Copilot / ChatGPT email drafting • AI summarization tools • HR or finance chatbots with no customization	AI Platform Usage: **"Plug-n-Play" features and functionality** • Invoice/expense processing • Workflow/helpdesk routing • Basic configuration • CRM embedded AI enablement • Marketing automation AI features	AI Platform Usage: **Leveraging AI to perform coding / development** • AI-generated draft code • Low-code app builds • Data prep/cleaning assistance • Prompt engineering • Model tuning • AI-assisted test generation/ iterative testing • Agent development	AI Platform Usage: **Development of something "net new"** • AI-enabled products • Custom models • Predictive systems • Optimization and decisioning engines • MLOps pipeline build-out • Retrieval-augmented generation (RAG) systems	AI Platform Usage: **Development & enhancement of proprietary AI platforms** • New algorithms • Novel model architectures • Real-time AI control systems • Privacy-preserving ML innovations • **AI as core R&D**
Testing is often limited to testing the effectiveness of configuration and implementation rather than features of the software.	Limited to no uncertainty and experimentation. Testing often limited to effectiveness of configuration and implementation rather than features of the software.	Qualification depends heavily on process of experimentation (data prep, testing of results, connecting to existing systems)		

04

Pillar Two Updates

Justin Metcalfe

OECD Pillar Two – Overview

- Applicable to multinational enterprise (MNE) groups with annual revenue exceeding EUR 750 million in two of the last four fiscal years
- New tax regime known as the Global anti-Base Erosion (“GloBE”) rules – which are designed to assure a minimum effective rate of taxation equal to 15% in every jurisdiction
  - Mechanics of this new regime designed to apply to any jurisdiction - **regardless of whether such jurisdiction has enacted Pillar Two in its own jurisdictional laws.**
  - Based on complex jurisdictional Top-Up Tax computations designed under a unified common approach
- Global anti-Base Erosion (“GloBE”) interlocking charging rules enforce these rules:
  - Income Inclusion Rule (“IIR”) – as early as 2024
  - Undertaxed Payment Rule (“UTPR”) – as early as 2025
  - Qualified Domestic Minimum Top-Up Tax (“QDMTT”) – as early as 2024

Transition Years & the “Side By Side (SbS) Regime” Safe Harbour Test

Transitional CbCR Safe Harbour Test

- Simplified Safe Harbour tests designed to alleviate and simplify the quantitative and compliance burdens during the Transition Year (2024 – 2027)
- If Safe Harbour met, top up tax in a tested jurisdiction is zero.

Side by Side (SbS) Safe Harbour Test

- New Side By Side Safe Harbour – exempts certain MNE Groups from the IIR and UTPR starting in 2026
  - No retroactive application – i.e. 2024 and 2025 are still in full effect
- As of the current date, the US is the first officially recognized Side By Side System published in the OECD’s Central Record

Compliance Obligations

- Every in-scope MNE Group with constituent entities in a Pillar Two jurisdiction must file GloBE Information Returns (GIRs) and potentially QDMTT returns in each jurisdiction that has adopted Pillar Two – unless central filing exception applies.

- **Pre-2026 (i.e. 2024 and 2025)**
  - Notification statements/registrations leading up to filing deadlines
  - First GIR due as soon as June 30, 2026 (for 2024)
  - Second GIR due as soon as March 2027 (for 2025)

- **2026 → Indefinitely**
  - Reliance on the Side By Side Safe Harbour potentially eligible
  - GIR obligation for Side By Side eligible MNE Group’s expected to be greatly simplified.
  - QDMTT filing obligations remain

Lessons From the First GIR Filing & Looking Forward

- Lessons/Takeaways from 1st GIR Filing
  - Client acceptance protocols in all jurisdictions
  - Data availability for GIR filings
  - MNE Group entity type validation
  - Portal readiness and troubleshooting
  - The importance of registrations/notifications

- Looking Forward - additional complexity awaits
  - APAC regions coming online
  - UTPR application
  - Penalty safe harbors for 2025?

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