



# Top 10 Tax Planning Insights From the Washington National Tax Office

2025

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# 2025 Year-End Planning

## Your Presenters



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# “Top Ten” Planning Points Our List



While many planning points exist, here’s our selection for the “Top 10” going into 2026:

- Modeling
- Tariffs
- Section 1202 & more
- 100% Bonus Depreciation & Qualified Production Property deduction
- Charitable contribution “floor”
- State conformity considerations
- Estate planning
- Clean energy credits
- Employee benefit offerings
- The new year– trends, guidance changes, and more

# “Top Ten” Planning Points

## Modeling

*One Big Beautiful Bill Act* (OB3) provisions could create surprising results—modeling is key for today’s business decisions.

- Primary opportunities for decisions:
  - Bonus depreciation
  - Section 174A domestic R&E expensing
- OB3 changes and these decisions impact many things, including:
  - International tax
  - §163(j)
  - State and Local Tax (SALT)
  - Basis, allocations, distributions
  - Effective tax rates, current cash tax, investment decisions, forecasting
- Modeling needed to:
  - Consider elections available
  - Forecast impacts of OB3 over coming years
  - Understand interplay of OB3 provisions
  - Inform business decisions and investments



# “Top Ten” Planning Points

## Modeling – Examples

### Example – Favorable Result: No Bonus and Amortize §174A R&E

**Tax Year 2025**

**Scenario 1:**

- 100% bonus depreciation
- Deduct R&E Immediately

**Scenario 2:**

- No bonus depreciation
- Amortize R&E

	Scenario 1	Scenario 2
U.S. Income (Pre-OB3 Adjustments)	\$1,075,000	\$1,075,000
Section 280C Adjustment	\$5,250	
Tax Depreciation	(\$51,678)	(\$8,488)
<u>174A Tax Expense</u>	<u>(\$4.5 Million)</u>	<u>(\$823,016)</u>
2025 Adjusted Taxable Income	(\$3,971,428)	(\$256,504)
2025 Tax Liability (Fed and State)	\$5,013	\$4,967

# “Top Ten” Planning Points

## Modeling – Examples

### Example 1 – Favorable Result: No Bonus and Amortize 174A R&E

**Scenario 1:**

- 100% bonus depreciation
- Deduct R&E Immediately

**Scenario 2:**

- No bonus depreciation
- Amortize R&E

	2025	2026	2027	2028	2029	NPV
Scenario 1: Total Tax Liability	\$5,013	\$5,830	\$6,855	\$8,518	\$14,913	\$29,603
Scenario 2: Total Tax Liability	\$4,967	(\$18,145)	(\$20,141)	(\$6,836)	\$76,649	\$17,311

*In this example, the net present value of total tax liability may indicate that the taxpayer could benefit from not taking 100% bonus depreciation or immediately deducting their R&E domestic expenditures. The effective tax rate for Scenario 1 falls at 32.65% while Scenario 2 results in 32.55%.*

# “Top Ten” Planning Points

## Modeling – International Tax Impacts

### International Tax Concepts – Interaction With the “Big 3” OB3 Provisions

OB3 changed many things in the international tax space. Interactions to consider between provisions include:

- Bonus impacts the expense allocation related to FDDEI, which could result in lower or no FDDEI (2026 and onward)
- Bonus, Section 174, and higher interest expense (made available by Section 163(j)):
  - Impact foreign tax credit calculation limit
  - Impact overall U.S. tax liability, which could impact your base erosion minimum tax amount
  - Impact overall U.S. taxable income, could limit the ability to take full advantage of your NCTI or FDDEI deduction (Section 250(a)(2))
  - Could create an NOL, which will impact the ability to claim foreign tax credits and FDDEI

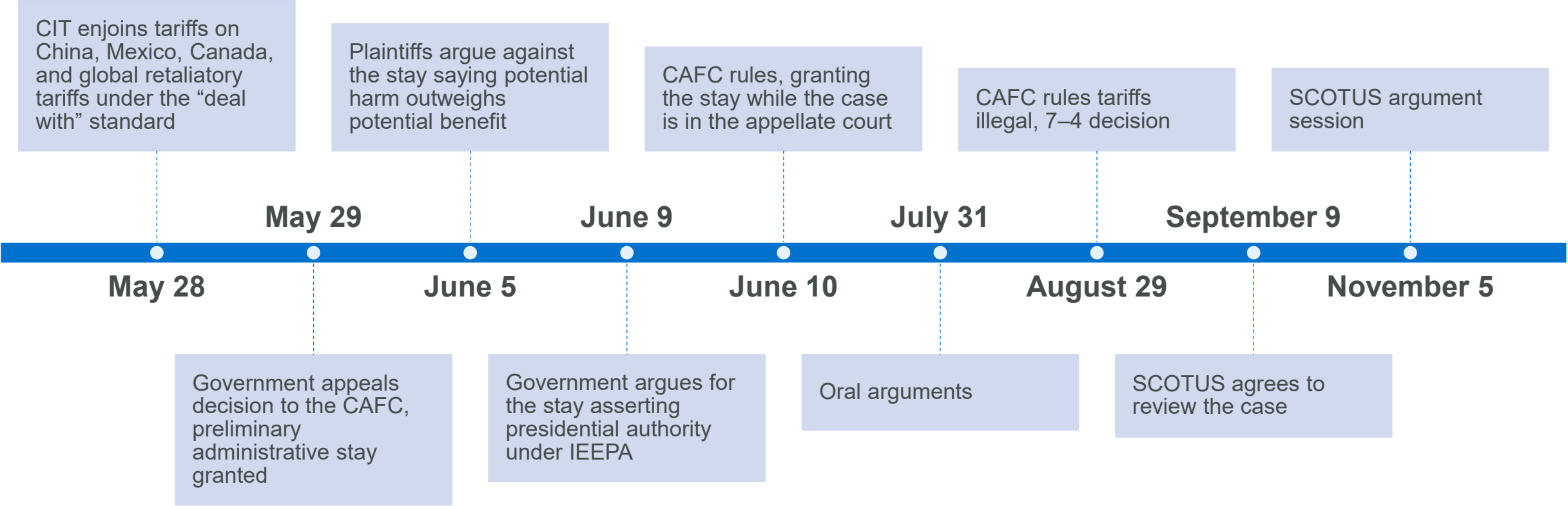
### International Tax Concepts – OB3 Changes

Examples include:

- NCTI FTC limit expense allocation changes could lead to overall domestic loss accounts—will affect the company’s ability to claim FTC
- New sourcing rule for domestic produced inventory sold by a foreign branch that allows higher foreign branch foreign tax credits
- Elimination of “last day rule” relating to CFC pro-rata share rules could lead to unanticipated NCTI and Subpart F inclusions

# “Top Ten” Planning Points Tariffs

## IEEPA Tariffs & the Supreme Court



Court of International Trade (CIT)  
Court of Appeals for the Federal Circuit (CAFC)



# “Top Ten” Planning Points Tariffs

## Uncertainty persists, but mitigation strategies remain

- Refunds possible depending on outcome of IEEPA Supreme Court Case
- Not affected:
  - Section 232 (tariffs on things like steel, copper, aluminum, certain automobile parts)
  - Section 301 tariffs (imposed on China targeting unfair trade practices)
- Possible mitigation strategies:
  - Transfer pricing
  - “Unbundling”
  - First sale rule
  - Classification
  - Bonded warehouses



# “Top Ten” Planning Points

## §1202 & More

Selling or investing a business? OB3 may impact your plans.

### §1202 Small Business Stock Enhancements

1

More companies eligible

\$75 million asset threshold

2

Higher potential benefit

Greater of \$15 million or 10 times basis of stock

3

Benefit available sooner

Tiered exclusion, some benefit after 3 years

- Significant §1202 benefits available for sales of stock in qualifying small businesses
- §1202 enhancements available for stock issued after July 4, 2025
- Other OB3 impacts on M&A transactions
  - 100% bonus depreciation generally available to buyers
  - Increased interest deductions under §163(j)
  - OB3 changes may impact decision to buy assets instead of stock

# “Top Ten” Planning Points

## 100% Bonus Depreciation & Qualified Production Property (QPP) Deduction

### 100% Bonus Depreciation

- There are three options for bonus in 2025:
  - 100% bonus starting after 1/19/25
  - 40% (or 60%) as applicable
  - Elect out of bonus
- Consider impacts on Section 754 elections (transfer of partnership interest)
- For assets placed in service after 1/19/2025, consider written binding contract rules

### QPP Deduction

- QPP—Manufacturing, production and refining facilities could receive 100% deduction
  - Applies to property if construction started after January 19, 2025, and before January 1, 2029, provided it is placed in service before January 1, 2031
- Cost segregation opportunities:
  - Bonus – more assets possibly classified as bonus eligible
  - QPP – provides ability to segregate areas used in non-qualifying activity from qualifying locations.
- Consider “substantial transformation”
- 10-year recapture possible – consider M&A implications
- Lessor/lessee rules



# “Top Ten” Planning Points Charitable Contributions “Floor”

## Floor applies to both corporations and individuals

- 1% Corporate floor:
  - If the charitable giving could be considered advertising (for example, the sponsorship of a charity golf tournament), explore what portion could accurately be deducted as advertising instead
  - Consider the interplay between NOLs and charitable deductions
- 0.5% Individual floor:
  - May accelerate donations into 2025 to avoid the floor
  - Bunching Contributions: Strategic bunching to a Donor-Advised Fund
  - “Stacking” non-grantor trusts
  - Carryforward Strategy: Use of five-year carryforward for excess contributions
  - Interaction with 35% Cap: Coordinate with overall itemized deduction limitation for high-income taxpayers starting in 2026





# “Top Ten” Planning Points

## Charitable Contributions “Floor”

Floor applies to both corporations and individuals. Example for individuals below:

YEAR	AGI	CHARITABLE GIFT	DEDUCTIBLE AMOUNT	DEDUCTION ALLOWED
			Floor = 0.5% of AGI in '26	35/37ths of \$55,000 in '26
2025	\$1,000,000	\$60,000	\$60,000	\$60,000
2026	\$1,000,000	\$60,000	\$55,000	\$52,027

# “Top Ten” Planning Points

## State Conformity Considerations

State conformity is still developing but could be one of the most impactful factors in your tax bill.

- States do not have to adopt, or “conform” to federal law
  - Rolling, fixed date, selective
- Each state is considering to what extent it will conform to OB3
- Factors for conformity include:
  - Political pressure
  - State budgets
  - Precedent/current policy
- Monitor state developments
  - Special sessions likely needed in some states
  - Could conform to some OB3 provisions but not others
  - Model scenarios if facing transaction, asset purchase, etc.



# “Top Ten” Planning Points

## Estate Planning

Estate planning still needed despite higher exclusion.

- Three “buckets” of techniques: “freeze”, “squeeze”, and “burn”
  - Freeze: Freeze asset value at transfer, growth outside of estate
  - Squeeze: Discount applied for closely held entities, or minority/non-controlling interest
    - Discounts for lack of marketability and lack of control
  - Burn: Grantor pays tax generated by transferred assets, which reduces taxable estate of grantor
- Grantor trusts: Reduces taxable estate, allows trust to grow
- Non-grantor trusts: “Stacking” – charitable limitations and SALT cap limitations
  - Example: A taxpayer with \$500,000 in AGI may have an opportunity to move assets generating \$100,000+ in income to a non-grantor trust, allowing them to maximize the SALT deductions on both 1040 and 1041.



# “Top Ten” Planning Points Clean Energy Credits

The takeaway – clean energy credits are still available!

- Credits available for:
  - Developers/investors of the property
  - Purchasers of clean energy credits
- Solar and wind property:
  - Begin construction (based on the new definition) before July 5, 2026
  - Otherwise, schedule to place your property in service by December 31, 2026
- “Bonus” credits still available: prevailing wage and apprenticeship “five times” bonus, domestic content bonus, etc.
- “Foreign entity of concern” rules apply – consider:
  - Where components of your property are sourced
  - Your ownership structure (direct and indirect)
  - Debt structure/payments





# “Top Ten” Planning Points Compensation & Benefits

## Tips

- Payroll reporting and withholding still required (still subject to FICA taxes) for tips and overtime deduction
- Proposed regulations ([REG-110032-25](#)) issued listing of qualified occupations and definition of qualified tips
  - Tips must be voluntary and made in cash
  - Consult with legal and payroll to confirm whether the company qualifies
- Tips credit expanded to include additional services—things like spas and salons
- Discuss benefit to employees—not all will qualify (MAGI limit)

## Overtime

- Overtime deduction is only eligible for the portion exceeding regular hourly pay rate
- Only eligible for “FLSA overtime”
- Max annual overtime deduction is \$12,500 or \$25,000 MFJ, with MAGI limits

## Trump Accounts

- Trump accounts: Employers can contribute \$2,500 per employee and this is excluded from the employee’s gross income. This amount does apply towards the \$5,000 annual limit.

# “Top Ten” Planning Points

## The New Year – Trends, Guidance Changes, & More

Planning for the future—second tax bill? Possible provisions could include ...

### Relief Provisions

- Enhanced ACA premium tax credit
- 23% Section 199A QBI deduction
- Additional HSA expansions
- Expanded child tax credit
- Digital asset taxation
- Capital gain exclusion for home sales
- Retirement savings incentives (Secure 3.0)

### OB3 Provisions – Revisit

- 90% limitation on deduction of wagering losses
- Individual and corporate charitable contribution deduction floors
- Extension of temporary OBBBA provisions such as No Tax on Tips
- Technical corrections

# “Top Ten” Planning Points

## The New Year – Trends, Guidance Changes, & More

### Other “hot” topics ...

- IRS turnover
- Regs and other guidance
- Paper check phaseout
- AI in tax
- Digital assets





# “Top Ten” Planning Points Resources

## Ongoing

- [WNTO Website](#)
- [Tackling Tax Podcast](#)
- [From the Hill](#)
- FORsights: articles, alerts, etc. – [subscribe to tax list](#)

## Year-End Planning Specific

- FORsights
- Webinar (recording to be posted on website)
- American City Business Journal – Article feature
- OB3 One-Pagers – ask your Forvis Mazars professional!

## Tackling Tax Podcast

Timely, actionable insights on tax policy and strategy





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