



Forvis Mazars Quarterly Tax Webinar
1st Quarter 2026

February 26, 2026

**forvis
mazars**

Agenda

1. Discussion of Current Events With the Washington National Tax Office
2. Tariff Update & Outlook
3. State Conformity to Federal Legislation
4. Reflections on the Current IRS Environment



01

Discussion of Current Events With the Washington National Tax Office

Iris Laws

Lance Jacobs

Spencer Heywood



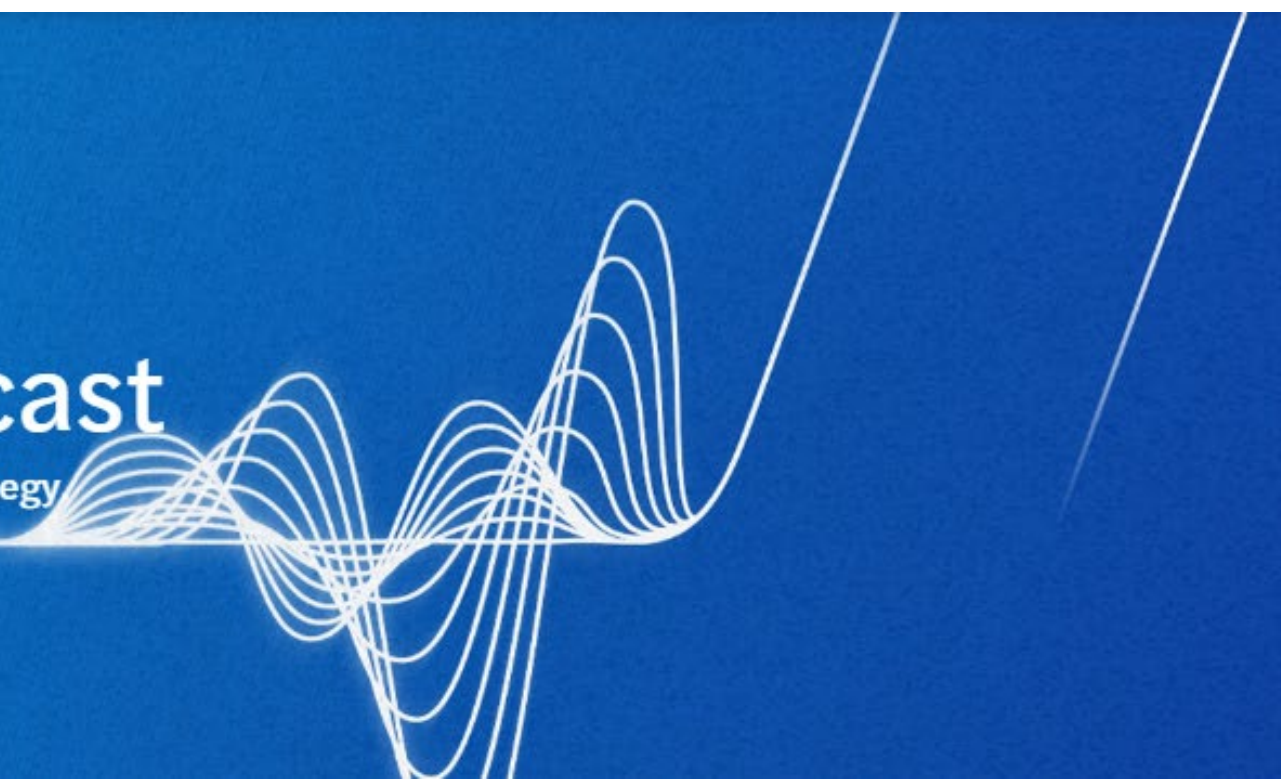
Washington National Tax Office

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 us.forvismazars.com for articles, alerts, etc.

Tackling Tax Podcast

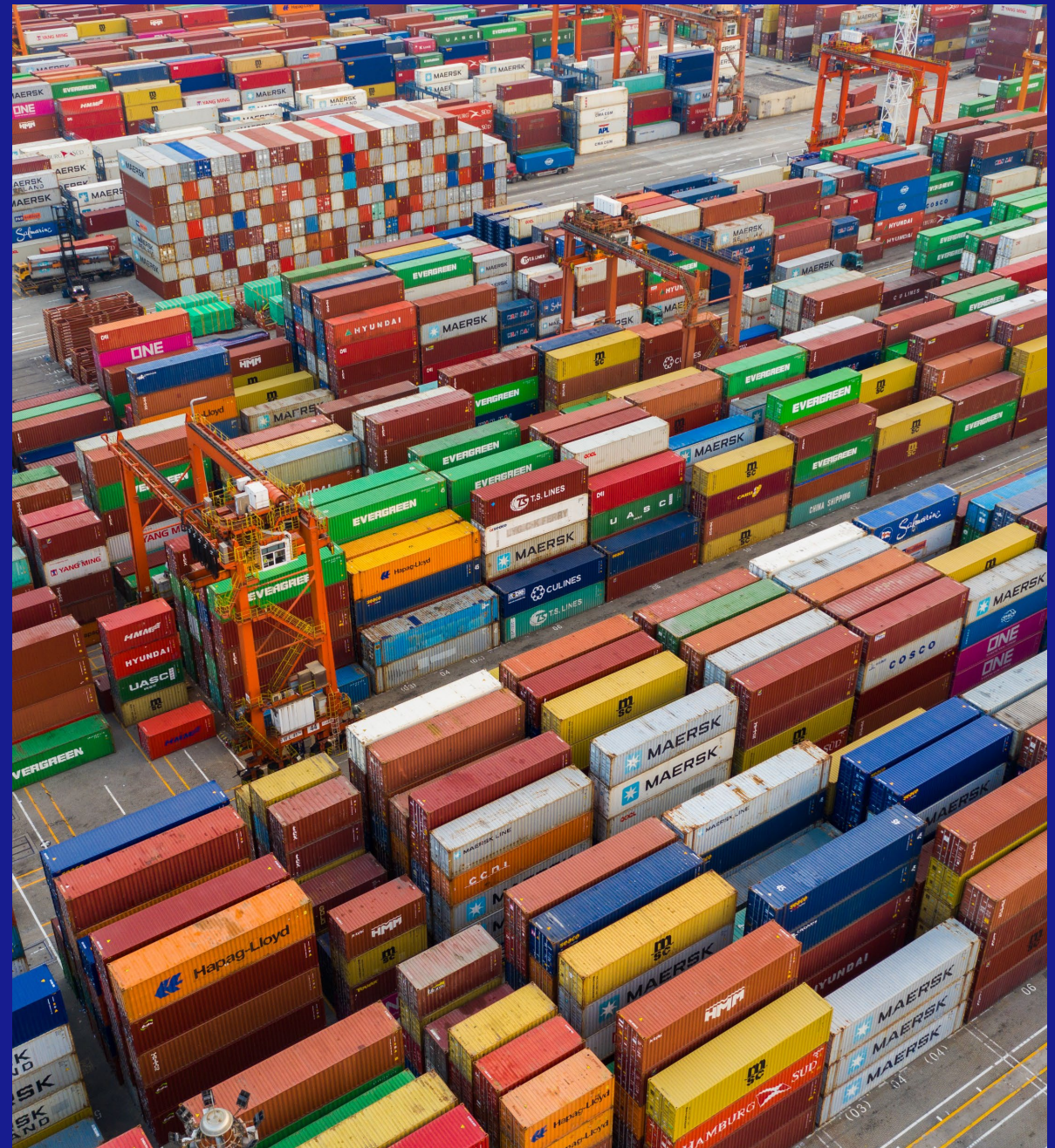
Timely, actionable insights on tax policy and strategy



02

Tariff Update & Outlook

Iris Laws



President Trump's Trade Policy Goals

Raise revenue

- For 2025, \$287 billion (\$97.5 billion in 4th quarter)
 - Approximately \$170 billion related to IEEPA

Increase investment in U.S. manufacturing

- Estimated at least \$8.8 trillion pledges/commitments

Leverage to reduce trade barriers to U.S. business including discriminatory taxes

- 18 trade deals announced
- Digital Service Taxes



Power to Levy Tariffs Background



Under the Constitution, Congress has the power to impose tariffs and regulate commerce with foreign countries.

- Congress over the years has authorized the president to address tariff & international commerce issues. For example, in 1934, the Reciprocal Tariff Act authorized the president the power to negotiate bilateral & reciprocal trade agreements.
- Through various statutes, Congress has given the president the authority to adjust tariff rates.
 - For example, the International Emergency Economic Powers Act enacted in 1977 allows the president to regulate international commerce after declaring a national emergency.
 - Section 338 of the Tariff Act of 1930, which has been rarely used, allows the president to impose “new or additional duties” of up to 50% under certain circumstances.
 - Section 301 of the Trade Act of 1974 permits the president to request that the Office of the U.S. Trade Representative (USTR) investigate whether a foreign country took unjustifiable, unreasonable, or discriminatory action that “burden[ed] or restrict[ed] U.S. commerce.”

As a result of these measures, **it has been nearly 100 years since Congress raised tariffs.**

Tariff Fundamentals

Types of Tariff Duties

General Rate of Duty (“MFN”) Duties

Section 301 Tariffs – Protect Against Unfair Trade Practices

Section 232 Tariffs – Protect National Security Interests

IEEPA – Emergency-Based Tariffs

- Reciprocal Tariffs
 - Border Security-Related Tariffs
 - Fentanyl-Related Tariffs
 - “Secondary Tariffs”
-

Remedial Duties

- Antidumping Duties
- Countervailing Duties



SCOTUS Decision

IEEPA Based Tariffs Not Legal

Summary and Implications

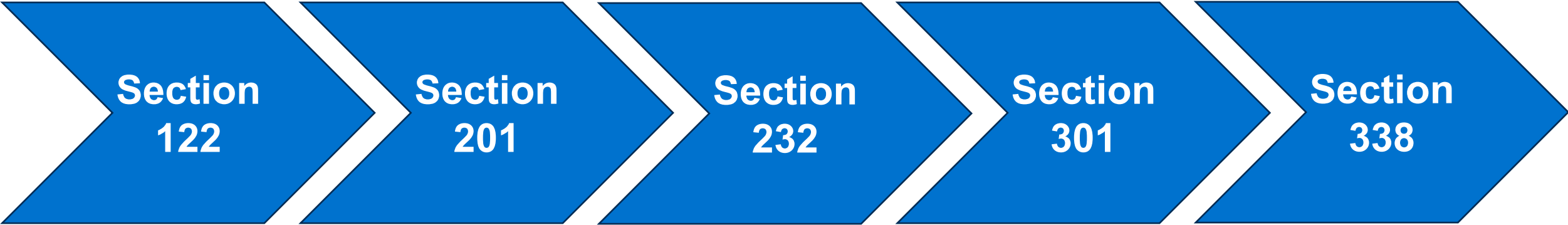
- On February 20, SCOTUS decision released: IEEPA based tariffs not legal
- Silent on refunds– current channels apply: [19 U.S.C. §1514](#)
 - File a protest: within 180 days of liquidation, [CBP Form 19](#)
 - If denied, 180 days to file suit in CIT
 - File a lawsuit: per 28 U.S.C § 1581(i), if not yet liquidated
 - CIT recently held reliquidation possible
- President Trump announcement: 15% global tariff (up from 10%)
 - Under Section 122
 - Also stated Section 301 and other investigations will ensue
- International agreements and negotiations
 - Many expected to remain, some may need adjusting

Next Steps

- Review contracts: refunds to customers required?
- Documentation: connect with broker, review your files
 - The number and dates of entries
 - The date of liquidation of the entry
 - A specific description of the merchandise
 - Type of tariff(s)– stacking?
 - Freedom of Information Act request possible
- Pursue refunds as applicable
- Understand tariffs now in place and mitigation strategies

Tariff Fallback Options

There are at least five other options if the IEEPA tariffs cannot be used.



Tariff Fallback Options

Applicable Code Section	What It Permits	Limitations	Current Uses
Section 122 of Trade Act of 1974	<ul style="list-style-type: none"> • Gives the president the ability to impose tariffs to address “fundamental international payments problems.” • No investigation needed. 	<ul style="list-style-type: none"> • Conditions to remedy “large and serious” U.S. balance-of-payments deficits, to help correct an international balance-of-payments disequilibrium, or to prevent an “imminent and significant” depreciation of the dollar. • Tariffs capped at 15% and can only be imposed for up to 150 days – congressional approval for longer 	<ul style="list-style-type: none"> • Never been used before. • U.S. Court of International Trade ruled that the IEEPA trade deficit tariffs should have been issued under Section 122.
Section 201 of Trade Act of 1974	<ul style="list-style-type: none"> • Authorizes the president to impose tariffs if an increase in imports is causing or threatening serious injury to American manufacturers. 	<ul style="list-style-type: none"> • Cannot be imposed instantly • U.S. International Trade Commission (ITC) investigation with report to president within 180 days. ITC required to hold public hearings and solicit public comments. • Tariffs capped at 50% above rate of any existing duties • Can be imposed for initial 4-year period and extended to max. of 8 years. • If in place for more than 1 year, must be phased down at regular intervals. 	<ul style="list-style-type: none"> • Imports of solar cells and modules, as well as residential washing machines in 2018. Solar tariffs were extended by President Biden and expired in 2023.
Section 232 of Trade Expansion Act of 1962	<ul style="list-style-type: none"> • Gives the president power to use tariffs to regulate the import of goods on national security grounds. • No cap on the level of the duties or their duration. 	<ul style="list-style-type: none"> • Cannot be imposed instantly. • Commerce Department investigation must determine that importing these products threatens to impair national security with report to president within 270 days. • Designed to be applied to imports in individual sectors, rather than from entire countries. 	<ul style="list-style-type: none"> • Tariffs on steel and aluminum imports in 2018, raised to 50% in 2025 using the 2018 investigation report. • Imports of automobiles and auto parts based on conclusions of 2019 investigation report. • Semi-finish and so-called derivative copper products. • Multiple current investigations remain open.

Tariff Fallback Options

Applicable Code Section	What It Permits	Limitations	Current Uses
<p>Section 301 of Trade Act of 1974</p>	<ul style="list-style-type: none"> Allows the Office of the U.S. Trade Representative (USTR), under direction of the president, to impose tariffs in response to other nations' trade measures deemed discriminatory to American businesses or violation of U.S. rights under international trade agreements. No limit on tariff rate. 	<ul style="list-style-type: none"> Cannot be imposed instantly. USTR investigation with general requirement to request consultation with foreign government whose trade practices are being probed, and solicit public comments which can result in public hearings. Duties automatically terminate after 4 years unless USTR receives request for continuation. Investigations focus on one country, but USTR can conduct parallel reviews of a common concern that relates to multiple countries. 	<ul style="list-style-type: none"> Tariffs on hundreds of billions of dollars of imports from China in 2018, following an investigation into China's policies on technology transfer, intellectual property and innovation. President Biden increased these tariffs on certain products from China, including electric vehicles. In July 2025, USTR initiated an investigation into Brazil, looking at the country's trade and IP policies, deforestation practices, and ethanol market access.
<p>Section 338 of Smoot-Hawley Tariff Act</p>	<ul style="list-style-type: none"> Empowers the president to introduce tariffs on imports from nations "whenever he shall find as a fact" that these countries impose unreasonable charges or limitations or engage in discriminatory behavior against US commerce. No investigation needed. 	<ul style="list-style-type: none"> Duties are capped at 50%. 	<ul style="list-style-type: none"> Never been used before.

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
- Bonded warehouses/FTZ
- Unbundling of services

03

State Conformity to Federal Legislation

Lance Jacobs



State Conformity Framework

Fixed-date conformity

- States adopt the Internal Revenue Code (“IRC”) as of a set date & do not automatically adopt later federal changes
- Unique case – Kentucky

Rolling conformity

- States automatically adopt the current IRC version each tax year, aligning with any federal amendments
- Unique cases – Maryland and Virginia

Selective conformity

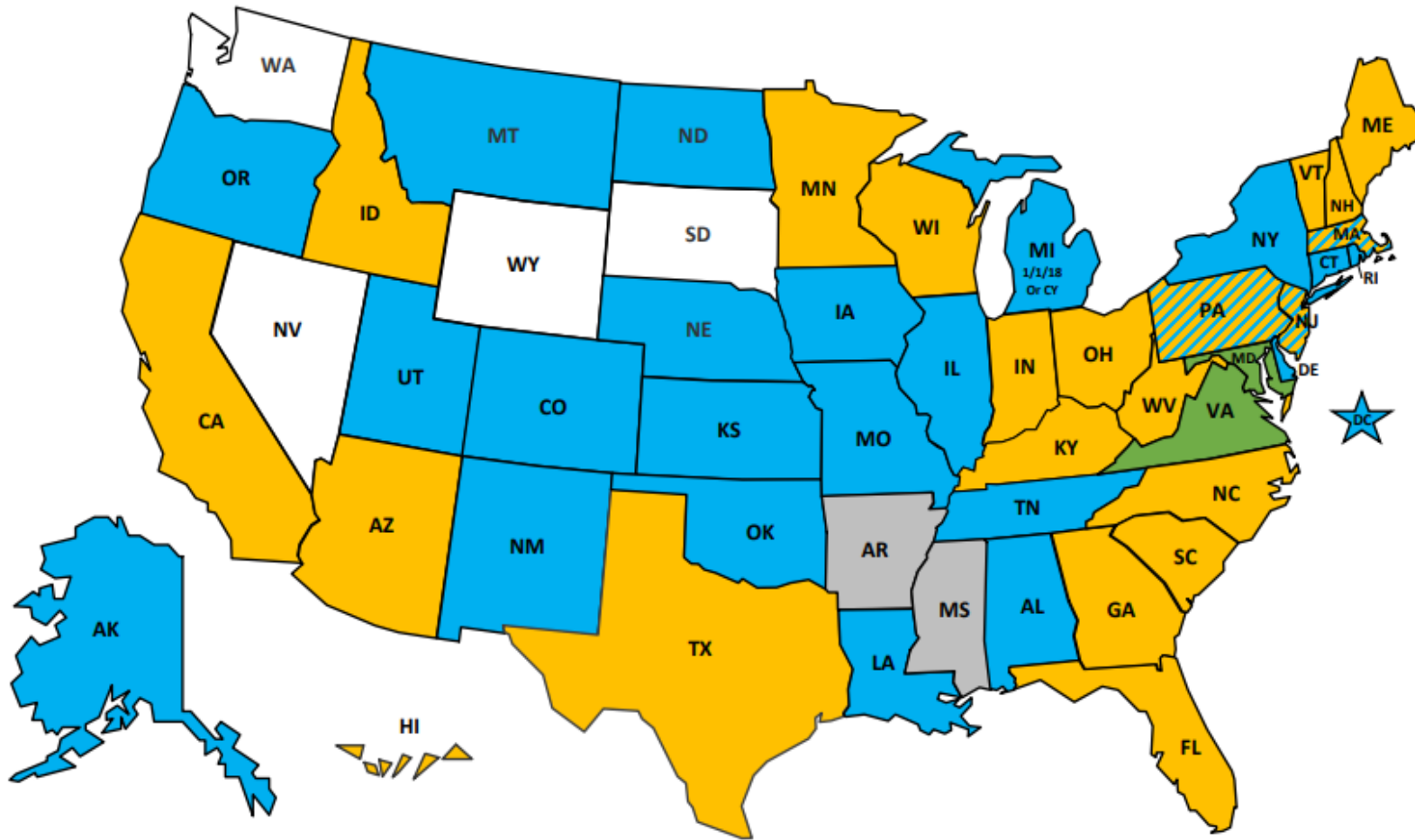
- States selectively adopt specific federal tax provisions rather than the entire tax code

Impact on state tax

- Several provisions of the *One Big Beautiful Bill Act* (“OB3” or “the Act”) with potential state nonconformity issues
- Differences in state conformity create challenges and opportunities for taxpayers in compliance & planning

State Conformity to the Internal Revenue Code

As of July 18, 2025



- 22 states (including DC) that automatically conform to the IRC as the IRC is amended. (Rolling Conformity): AK, AL, CO, CT, DC, DE, IA, IL, KS, LA, MI, MO, MT, ND, NE, NM, NY, OK, OR, RI, TN, UT
- 18 states that conform to the IRC as of a specific date (Static or Fixed Conformity): AZ, CA, FL, GA, HI, ID, IN, KY, ME, MN, NC, NH, OH, SC, TX, VT, WI, WV
- 2 states that decouple from some IRC provisions that have significant revenue effect until / unless the state legislature addresses the provisions (MD, VA)
- 3 states with rolling conformity rules for corporate and fixed conformity on some or all items for non-corporate taxpayers (MA, NJ, PA)
- 2 states lacking general conformity to the IRC (Specific Conformity) (AR, MS)
- 4 states with no personal or corporate income tax and conformity not applicable (NV, SD, WA, WY)

Source: AICPA, all rights reserved

Global Intangible Low-Tax Income (“GILTI”) & Foreign-Derived Intangible Income (“FDII”)

OB3 Changes

GILTI replaced by net CFC tested income (“NCTI”)

- Eliminates the adjustment for qualified business asset investment (“QBAI”) & removes allocation of interest & R&E deductions for foreign tax credit (“FTC”) purposes
- GILTI deduction is currently 50% & was scheduled to be reduced to 37.5% in 2026
- Makes the NCTI deduction permanent at 40% for tax years beginning after December 31, 2025

FDII is replaced by foreign-derived deduction eligible income (“FDDEI”)

- Eliminates the adjustment for QBAI & allocation of interest & R&E deductions
- FDII deduction currently 37.5% & was scheduled to be reduced to 21.875% in 2026
- Makes the FDDEI deduction permanent at 33.34% for tax years beginning after December 31, 2025

State Conformity Issues

- Fixed-date conformity states may not reflect these changes, causing nonconformity in several states
 - Taxpayers may be required to calculate pre-Act GILTI & FDII in addition to the post-Act NCTI & FDDEI

Section 163(j) – Interest Expense Limitation

OB3 Changes

- Limitation currently based on 30% of tax basis EBIT
- OB3 permanently increases the limitation to 30% of tax basis EBITD
 - Change is effective for tax years beginning after December 31, 2024
- Redefines roles of Section 163(j)'s interest limitation provisions with certain interest capitalization provisions to give the Sec. 163(j) limitation priority
 - For tax years beginning after 2025, provides that Sec. 163(j) limitation is calculated prior to the application of any interest capitalization rules, except for interest capitalized under Section 263(g) or 263A(f)

State Conformity Issues

- Fixed-date conformity states may not reflect these changes, causing nonconformity in several states
 - Taxpayers may be required to calculate pre-Act 163(j) limitation based on EBIT in addition to the post-Act 163(j) based on EBITDA

Section 168(k) – Bonus Depreciation & Section 168(n)

OB3 Changes

- The Act permanently reinstates 100% bonus depreciation under Section 168(k) for most tangible personal property acquired after January 19, 2025
 - Generally, does not apply if a written binding contract to acquire the property existed prior to January 20, 2025
 - Election to use reduced bonus depreciation percentage in first taxable year ending after January 19, 2025
- New 100% depreciation under Section 168(n) for nonresidential real property meeting certain requirements used in the manufacturing, production, or refining of tangible personal property
 - Applies to property if construction started after January 19, 2025, & before January 1, 2029, provided it is placed in service before January 1, 2031
 - Manufacturing defined by reference to “substantial transformation” test of Section 954(d)

State Conformity Issues

- Fixed-date conformity states may not reflect these changes, causing nonconformity in several states
 - Taxpayers may be required to calculate pre-Act 168(k) bonus depreciation based generally on 40% bonus in addition to the post-Act 168(k) bonus depreciation based on 100% & manufacturing real property based on 39-year MACRS

Section 174A – R&E Expense Deductions

OB3 Changes

- Immediate Expensing for Domestic R&E Costs
 - The option for immediate expensing of domestic R&E costs has been permanently restored for taxable years beginning after Dec. 31, 2024
- Capitalization for Foreign R&E Costs
 - Foreign R&E costs continue to be capitalized & amortized over a 15-year period with a mid-year convention
- Section 280C(c)(1)
 - Restores the pre-TCJA requirement to either reduce the gross R&E credit by 21% or reduce the R&E deduction

State Conformity Issues

- Fixed-date conformity states may not reflect these changes, causing nonconformity in several states
 - Taxpayers may be required to calculate pre-Act 174A limitation & amortization amounts in addition to the post-Act 174 based on immediate expensing
- Small business retroactive refunds – not actually in 174 or 174A, but is contained in the body of P.L. 199-21

04

Reflections on the Current IRS Environment

Kristin Gutting

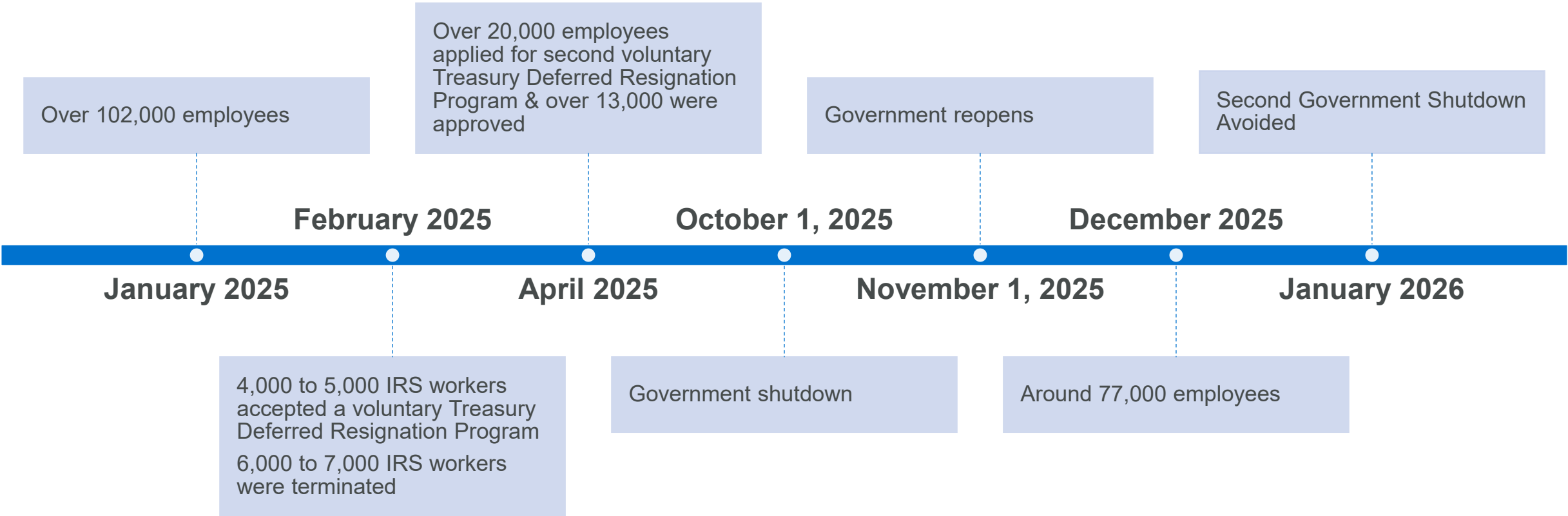
Karen Fleming

Caitlyn Meehan



Reflection on the Current IRS Environment

Uncertainty Looms



Reflection on the Current IRS Environment

IRS Exams

Less experienced Revenue Agents

More focused exams & fewer comprehensive exams

Different procedural interpretations across groups

More complex taxpayers being audited by SBSE

Continued focus:

- Partnerships (BBA exams),
- Wealthy individuals (Global Wealth),
- Complex pass-through entities, &
- Large corporation



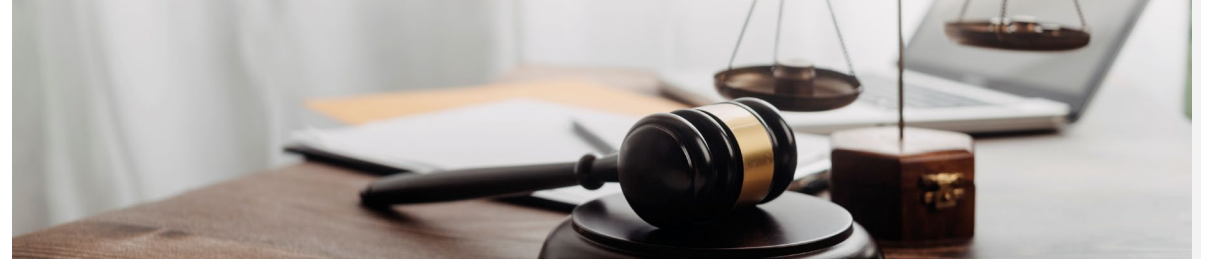
Hot Topics in IRS Exams

ERC Claim Updates



Processing Issues

- Wrong Signature Issues
- Not Timely Filed for Q3 2021
- Wrong Quarter



Enforcement

- IRS Exams – Service Center Exams & Agent Exams
- Denials – Letter 105C (Full) & Letter 106C (Partial)
- Appeals Trends

Reflection on the Current IRS Environment

IRS Penalty & Procedure

Processing Delays

Postmark Change

Modernizing Refund Issuance

Stricter Reasonable Cause Stance

Accelerated Collections Actions

Reflection on the Current IRS Environment

IRS Penalty & Procedure

IRS Timeframes & Implications

Individual returns

Electronically filed Form 1040 returns are generally processed within 21 days.

We're currently processing paper returns received during the months below.

Form 1040 series

- Original: January 2026
- Amended: September 2025

This does not include those that require error correction or other special handling. We generally process paper returns where a refund is expected before all other returns.

Business returns

Electronically filed original returns are generally processed within 21 days.

We're currently processing paper returns received during the months below.

Form 1120 series

- Original: January 2026
- Amended: April 2025

Form 941

- Original: January 2026
- Amended (excluding ERC): March 2025

Form 1041

- Original: January 2026
- Amended: April 2025

This does not include those that require error correction or other special handling. We generally process paper returns where a refund is expected before all other returns.

Contact

Forvis Mazars

Spencer Heywood

Senior Manager – Washington National Tax Office
spencer.heywood@us.forvismazars.com

Lance Jacobs

Managing Director – Washington National Tax Office
lance.jacobs@us.forvismazars.com

Karen Fleming

Director – Tax Controversy
karen.fleming@us.forvismazars.com

Iris Laws

Director – Washington National Tax Office
iris.laws@us.forvismazars.com

Kristin Gutting

Principal – Tax Controversy
kristin.gutting@us.forvismazars.com

Caitlyn Meehan

Senior Manager – Tax Controversy
caitlyn.meehan@us.forvismazars.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

© 2026 Forvis Mazars, LLP. All rights reserved.