Forvis Mazars Quarterly Tax Webinar
2nd Quarter 2026

May 28, 2026

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Agenda

1. Discussion of Current Events With the Washington National Tax Office
2. Tariff Update & Outlook
3. Self-Employment Income – Case Updates
4. Domestic Tax Update

01

Discussion of Current Events With the Washington National Tax Office

Michael Cornett

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Washington National Tax Office

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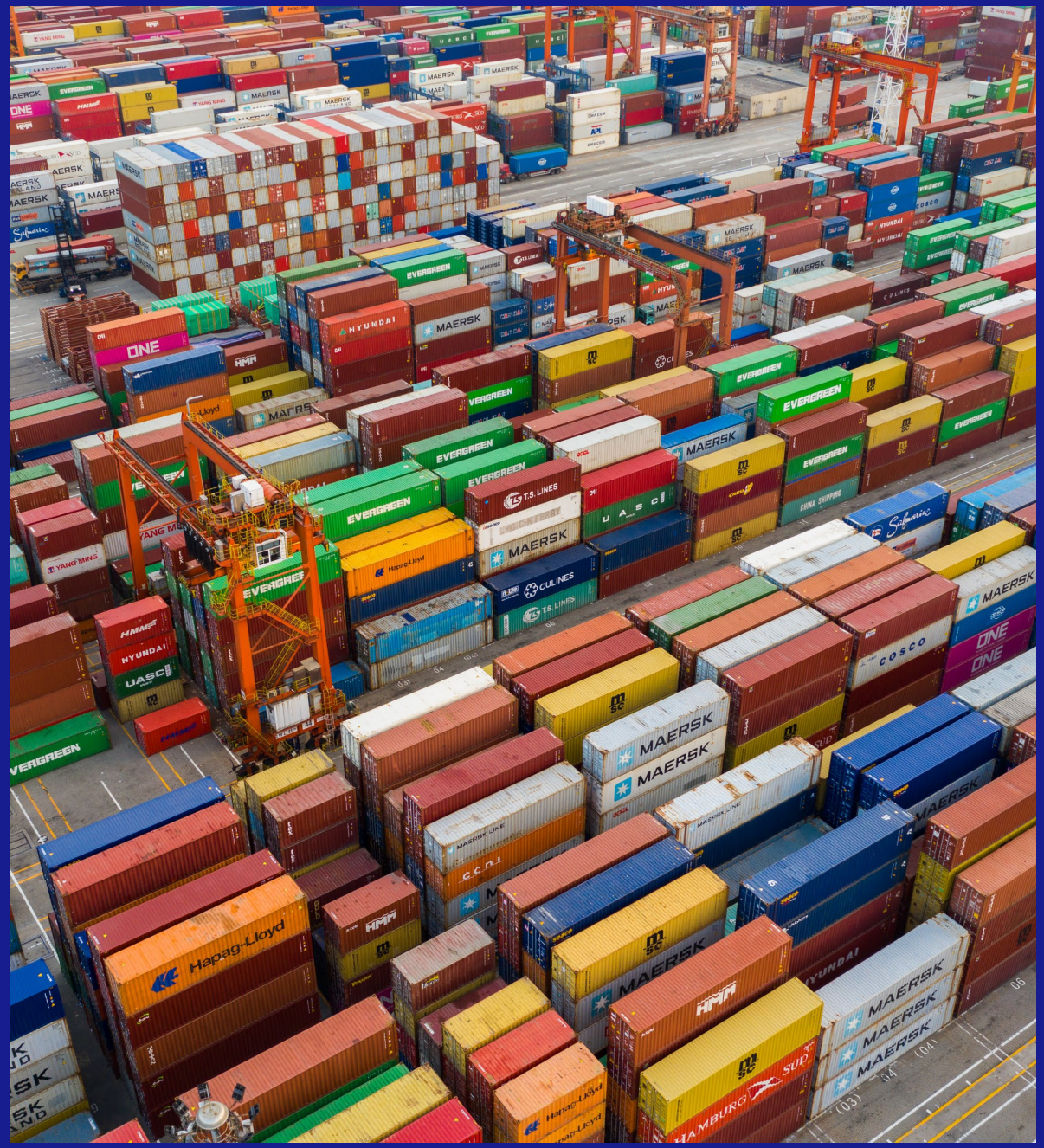
02

Tariff Update & Outlook

Michael Cornett



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
- CIT Order on March 5 (as amended): All entries subject to IEEPA duties will have IEEPA duties removed
  - Judge ordered **IEEPA duties paid would be refunded with interest**
- President Trump announcement: 10% global tariff (EO effective February 24, 2026)
  - Under Section 122, expires after 150 days (July 24, 2026)
  - On May 7, CIT rules that these tariffs were unlawful
  - Ruling only applied to the plaintiffs
- Section 301 investigations have started
  - Expected to conclude by July 2026
- International agreements and negotiation

SCOTUS Decision
IEEPA Based Tariffs Not Legal

Next Steps

- Clients should review contracts to determine if refunds to customers are 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

CBP Refunds: “Where We Are?”

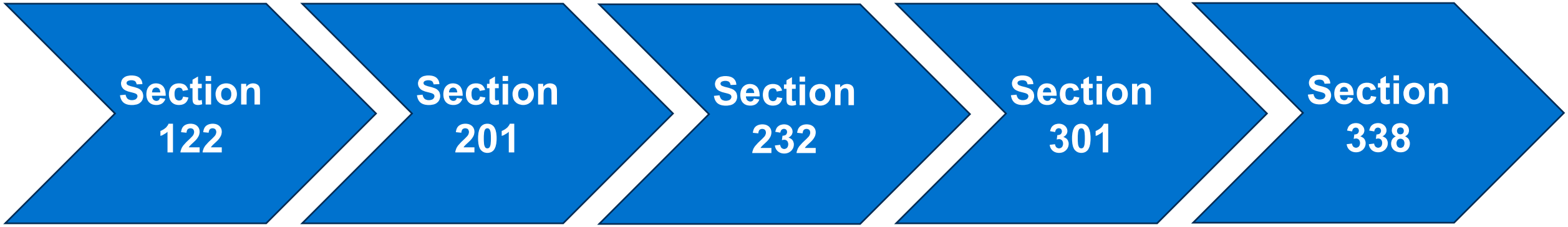
- CBP launched a new ACE capability (CAPE) on April 20 to process refund requests for IEEPA duties.
  - Claims Portal
  - Mass Processing
  - Review & Liquidation/Reliquidation
  - Refund
- Phased rollout
  - Phase 1 focused on unliquidated entries or up to 80 days past liquidation date.
- CBP estimates 60 - 90 days from acceptance of CAPE Declaration to issuance of refund.
- First refunds were issued in early May.

Possible Next Steps for an Importer of Record (IOR)

1. Ensure a Form 5106 is on file with accurate information
2. Ensure banking information is in the system
3. Obtain and review your ACE reports as of January 1, 2025, to:
    - Identify IEEPA duties
    - Entry numbers
    - Ports
    - Brokers
    - Duty amounts, and
    - Liquidation status (Unliquidated or liquidated)
4. Separate entries into three buckets
    - Unliquidated
    - Liquidated, and
    - Other (e.g., entry has been liquidated and period for a protest has closed)
5. 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
6. 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
7. Determine if tariffs were passed on to customers
    - If so, develop a strategy for passing on refunds to customers

Tariff Fallback Options

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



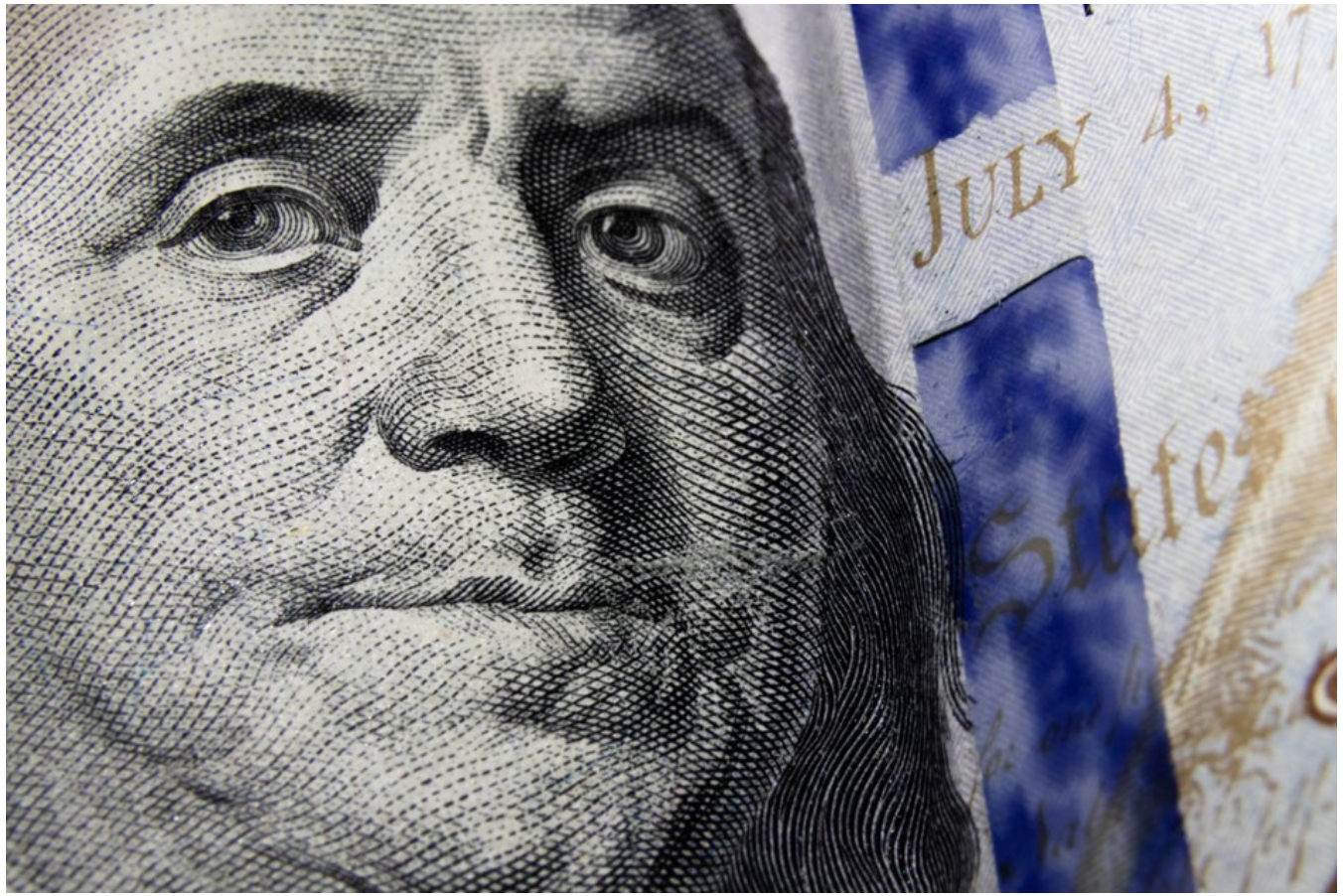
Tariff Fallback Options

Applicable Code Section	What it permits	Limitations	Current Uses
Section 122 of Trade Act of 1974	• Gives the President the ability to impose tariffs to address "fundamental international payments problems." • No investigation needed	• Conditions to remedy "large and serious" US 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	• Never been used before now • US 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	• Authorizes the President to impose tariffs if an increase in imports is causing or threatening serious injury to American manufacturers.	• Cannot be imposed instantly • US 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	• 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	• 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.	• 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.	• 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-finished and so-called derivative copper products • Multiple current investigations remain open

Tariff Fallback Options

Applicable Code Section	What it permits	Limitations	Current Uses
Section 301 of Trade Act of 1974	• Allows the Office of the US 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 US rights under international trade agreements. • No limit on tariff rate	• 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	• 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
Section 338 of Smoot-Hawley Tariff Act	• 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	• Duties are capped at 50%	• 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/Customs pricing
- Bonded warehouses/FTZ
- Unbundling of services

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Accounting for Tariff Refunds
Recognition under US GAAP

Loss Recovery Model (ASC 410-30)

- Recovery must be ***probable***
  - Probable = Likely to occur
- Collectability is reasonably assured

Gain Contingency Model (ASC 450-30)

- Resolution of all contingencies
- Gain is realized or realizable
  - Realized = cash received
  - Realizable = claim to cash

Accounting for Tariff Refunds
Recognition under US GAAP

Refunds should be accounted for consistently with the original capitalization of the tariff

- Refunds recognized **under either model** should be accounted for consistently with the original capitalization of the tariff.
- **Example:** IEEPA tariffs originally capitalized in inventory would, upon recognition of a tariff refund receivable, result in a reduction of the cost basis of the associated inventory. If the associated inventory had been sold prior to recognition of the tariff refund receivable, the resulting reduction should be recognized in cost of sales.

03

Self-Employment Income Case Updates

Craig Kuechenberg

Self-Employment Income – Case Updates
Summary

- Provide a brief overview of **self-employment income basics**
- Walk through **previous court rulings and existing appeals**
- Discuss **the Fifth Circuit of Appeals' recent January 2026 ruling** in the *Sirius Solutions, LLLP* case
- Discuss **next steps** in light of the ***Sirius* ruling**

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Self-Employment Income – Case Updates
Basics of Self-Employment Tax

- Partners are **ineligible** to be employees of a partnership
- Partners do not have withholding on their income but rather are **responsible to make estimated income tax payments**
- In addition, partners **may be subject** to Self-Employment tax on their Self-Employment Income
  - **12.4% rate** – Social Security (old-age, survivors, and disability insurance)
  - **2.9% rate** – Medicare (hospital insurance)
- Partners receive an **income tax deduction for 50%** of the self-employment tax paid

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Self-Employment Income – Case Updates
What is Self-Employment Income?

- The term **“net earnings from self-employment”** means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member…”
- **Section 1402** provides several **exclusions for certain gross income and deduction items** not considered part of self-employment income
- **Section 1402(a)(13)** exception for **limited partners**
- **Guaranteed payments to limited partners** for services are **considered self-employment income** under the statute

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Self-Employment Income – Case Updates
The Limited Partner Exception

- **Section 1402(a)(13)** – “there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in **section 707(c)** to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services”
- Much controversy exists as to **who is a limited partner** under the statute
  - How is it applied to various legal entity types (LP, LLP, LLLP, LLC, etc…)?
- Taxpayers have argued that **the exclusion applies to limited partners under state law** following a more literal reading of the statute
- The IRS’s interpretation (and Tax Court has continually agreed in case law) is that **the exception is intended to apply to “passive investors”**
  - The IRS issued proposed regulations in 1997 providing a safe harbor functional analysis test but were never finalized

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Self-Employment Income – Case Updates
Brief Case History

- ***Renkemeyer, Campbell & Weaver, LLP v. Commissioner* (2011)**
  - Partners distributive share arose from providing legal services in the partnership's business
  - The partners did not report their income as earnings from self-employment under the argument they were limited partners under their agreement and had limited liability pursuant to state law
  - The Tax Court concluded that the limited partner exception did not apply as the partners were not merely passive investors based on their level of services
    - At the time of the enactment of Section 1402(a)(13), LLPs and LLCs were not widely used
    - The Tax Court reasoned while both limited partners in an LP and LLP partners may have limited liability, LLP partners may have management powers
  - ***Soroban Capital Partners LP v. Commissioner* (2023)**
    - Partners distributive share arose from providing investment services in the partnership's business
    - Tax Court ruled that while the partners were limited partners under state law, a functional analysis was necessary to determine if the limited partner exception applied
      - The Court interpreted the language in the statute "limited partner, as such" to mean the partners are acting as limited partners (i.e., passive investors) rather than are merely limited partners under state law
    - In 2025, the Tax Court ruled that under a functional analysis, the partners did not qualify for the limited partner exception
    - Soroban filed a Notice of Appeal with the Second Circuit on August 27th, 2025

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Self-Employment Income – Case Updates
Brief Case History

- ***Denham Capital Management LP v. Commissioner* (2024)**
  - The Tax Court again applied a functional test to determine that the limited partners were "more akin to employees than passive investors"
  - The Tax Court ruled the partners did not qualify for the limited partner exclusion despite being limited partners under state law
  - Denham filed an opening brief with the First Circuit on August 8, 2025. Oral arguments occurred on February 5, 2026
- ***Sirius Solutions, L.L.L.P.* (2024)**
  - Partners distributive share arose from providing consulting services in the partnership's business
  - The partners did not report their income as earnings from self-employment under the argument they were limited partners under state law
  - Similar to *Soroban*, the Tax Court ruled a functional analysis was necessary to determine the application of the limited partner exception
  - Based on the analysis, the Tax Court ruled the partners did not qualify for the limited partner exception
  - *Sirius* filed an appeal to the Fifth Circuit (Texas, Louisiana, Mississippi)

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Self-Employment Income – Case Updates
Sirius – U.S. Court of Appeals For Fifth Circuit

- In a 2-1 decision on January 16th, 2026, **the Fifth Circuit overturned the Tax Court's ruling** and indicated that all **the limited partners' distributive share of partnership income was excluded from self-employment earnings.** The key factor was **the partners' limited liability**.
  - Fifth Circuit found that at the time of the enactment of the statute, the only commonality in the definition of "limited partner" across multiple dictionaries was the partner had limited liability
  - The Fifth Circuit also pointed to similar interpretations made by the Social Security Administration and even the IRS in its partnership return instructions
- The Court rejected the Tax Court's argument that the limited partner exception only applied to passive investors
- The Court also disagreed with the Tax Court's interpretation of "limited partner, as such"

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Self-Employment Income – Case Updates
Impact of Sirius Ruling – Fifth Circuit Taxpayers

- The ruling is **narrowly focused on state law limited partnerships (LP and LLLP)** and was noncommittal in extending the holding specifically to members of LLCs and LLPs
- The ruling is **binding precedent for only taxpayers within the Fifth Circuit** (Texas, Louisiana, and Mississippi)
- Affected taxpayers within the Fifth Circuit should consider:
  - Filing amended returns or partnership level adjustments to claim refunds where statute of limitations is open
  - Filing protective refund claims where facts are favorable, but uncertainty remains (e.g., entity type, role of partner, etc.…)
  - Perhaps converting the entity type to an LP or LLLP (discuss with legal counsel as more than just tax considerations would apply)

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Self-Employment Income – Case Updates
Impact of Sirius Ruling – Outside the Fifth Circuit

- Legal landscape remains unsettled
- **Tax Court decisions in Soroban and Denham remain precedent** in other circuits and currently are under appeal
- The IRS has expressly stated that it believes Sirius was wrongly decided and defends its passive-investor interpretation in other jurisdictions
- **Taxpayers outside of the Fifth Circuit may wish to adopt a more conservative approach**, favoring protective refund claims over affirmative amended returns
- **Consider potential structuring opportunities** that may be available to apply the limited partner exception

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04

Domestic Tax Update

Howard Wagner

Qualified Production Property (QPP)
Notice 2026-16

- Notice 2026-16 provides interim guidance on the special depreciation allowance for QPP under IRC Section 168(n).
- Temporary 100% depreciation opportunity for qualifying nonresidential real property used in qualified production activities.
- Taxpayers may rely on the notice until final regulations are published.

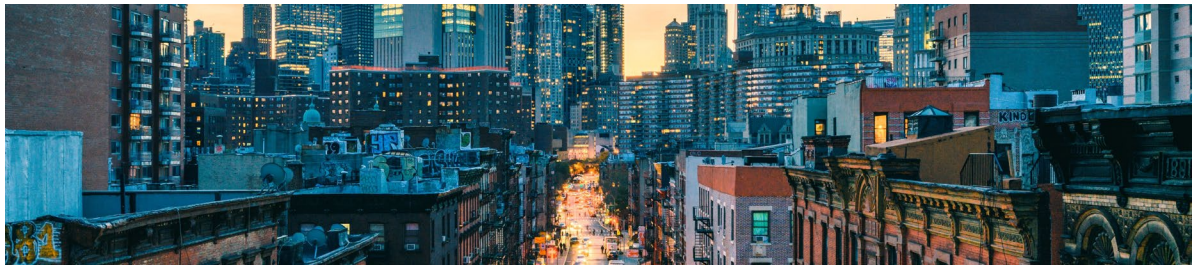
What Notice 2026-16 Clarifies

- Integral part requirement and elective 95% de minimis rule for full-building treatment
- Basis allocation in mixed-use properties using any reasonable method (e.g., square footage, cost seg, plans)
- Ability to designate a specific dollar amount of eligible basis as QPP (property-by-property)
- Leased property general disallowance and two exceptions (consolidated groups; commonly controlled leasing)
- Special rule for certain used property

Qualified production activity (QPA) and safe harbor concepts

- Notice defines manufacturing, refining, chemical production, and agricultural production
- Safe harbor for property placed in service between July 4, 2025, and December 31, 2025, based on NAICS code + substantial transformation concept
- Planning focus: substantiate substantial transformation and identify qualifying vs. nonqualifying space

Basis Allocation & Designation Mechanics



- Mixed-use: allocate basis between eligible QPP portion and ineligible portion (e.g., office/admin, finished goods storage).
- Notice permits any reasonable method (square footage, cost segregation data, engineering/architectural documentation).
- Neither employee headcount nor time spent on activities is a reasonable method.
- Designation: election statement must specify property, basis, and the amount designated as QPP; if not specified, entire eligible basis treated as QPP.

Election and Recapture

- Election made by attaching a detailed statement to a timely filed return (including extensions) for the year placed in service.
- Statement must identify property, basis, amount designated as QPP, and any special-rule declarations (e.g., de minimis rule).
- 10-year recapture applies if property ceases to meet QPP requirements (change in use).

CAMT Interim Guidance Update
Notice 2026-7

- IRS Notice 2026-7 provides additional interim guidance on CAMT and modifies prior interim guidance; some portions are intended to align with forthcoming proposed regulations
- CAMT applies a 15% minimum tax on adjusted financial statement income (AFSI) of applicable corporations; Notice 2026-7 focuses on AFSI adjustments and mechanics
- The notice targets areas where book-tax differences could create unintended CAMT exposure and offers adjustments aimed at aligning CAMT outcomes more closely with regular tax principles
  - **Domestic research amortization:** Allows deduction of current-year domestic R&E while continuing to amortize prior-year domestic R&E capitalized under TCJA to address a 2025 timing mismatch
  - **Tax repair deductions:** Addresses book/tax differences where repairs are deductible for tax but not capitalized or depreciated for AFSI
  - **Eligible intangibles:** Expands prior goodwill-focused guidance to other §197 intangibles with tax amortization vs. book treatment differences
  - **Qualified production costs (§181):** Addresses compliance burdens where costs are expensed for tax but capitalized for book (industry-specific relevance)
- Taxpayers that rely on one of the sections for a taxable year must continue to apply the adjustment in all subsequent years until final regulations are issued or the assets are disposed

CAMT & Partnerships
Current State

- IRS Notice 2025-28 provides guidance that expands how corporations calculate income from partnerships for CAMT purposes
- A Senate effort to overturn the partnership guidance (Notice 2025-28) failed (47–51), so the guidance remains the operative framework for now
- **Practical impact:** Corporate taxpayers with partnership investments may need partnership-level inputs to compute AFSI adjustments (information often provided upon request)
- Confirm which partnership framework applies (e.g., Notice 2025-28 approach) and request needed data early to avoid K-1/CAMT delays

Section 163(j) Elections & Bonus Depreciation
Rev. Proc. 2026-17

- Provides transition relief to withdraw certain §163(j)(7) “excepted trade or business elections” elections and coordinate related depreciation implications
- Allows eligible taxpayers to withdraw elections (real property trade/business, farming business, regulated utility) and supports related depreciation coordination, including a late election under §168(k)(7)
- Provides guidance and related rules:
  - **Relief window:** Withdrawal relief generally applies to certain §163(j)(7) elections made for taxable years beginning in 2022, 2023, or 2024
  - **Bonus depreciation coordination:** Allows a late election not to claim additional first-year depreciation for certain property when revisiting depreciation after an election change
  - **CFC group election:** Allows revoke or make CFC group election without the usual 60-month limitation for the first specified period of a group beginning after Dec. 31, 2024
  - **Partnership mechanics:** Notes eligible partnerships can file amended returns for applicable years
- Identify whether a §163(j)(7) election was made, evaluate the interest limitation impact of changing an election, assess international structures, and confirm filing deadlines
  - File any amended return by the earlier of October 15, 2026, or the applicable statute of limitations deadline for the tax return being amended

Digital Assets – Adequate Identification Relief
Notice 2026-20

- Notice 2026-20 extends temporary relief for adequate identification of broker-custodied digital asset units for one additional year
- **Relief period definition:** January 1, 2025, through December 31, 2026; explicitly extends the Notice 2025-7 relief through December 31, 2026
- **Scope:** Only applies to units of a digital asset held in the custody of a broker that are sold, disposed of, or transferred during the relief period; does not apply to non-custodied or self-custody units
- **Practical rule:** Taxpayers can "adequately identify" lots by:
  i. Recording specific unit IDs in taxpayer books and records by the date and time of the transaction, or;
  ii. Recording a standing order in taxpayer books and records, instead of sending lot IDs to the broker each time
- Without adequate identification, broker-custodied units default to FIFO under the regs; this relief is intended to prevent "involuntary FIFO" while brokers finish building ID systems
- Relief does not change broker reporting (digital asset info reporting rules); broker-reported data may not match the taxpayer's books-and-records lot selection or basis
- **Interactions:** If relying on Rev. Proc. 2024-28 basis transition safe harbor, taxpayers can use this relief only after satisfying those requirements

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