

A photograph of three business professionals in a modern office setting. An older man with grey hair is seated on the left, looking towards a woman with long dark hair who is seated at a desk and working on a laptop. A younger man in a dark blue suit is standing on the right, leaning over the desk and pointing at the laptop screen. The background shows a large window with a view of a city skyline. The image is overlaid with a dark, semi-transparent geometric shape on the right side.

2026 Small to Midsize Business Report

forv/s
mazars

Navigating Challenges to Unlock Potential

The Outsourced Accounting Services (OAS) team at Forvis Mazars helps small to midsize businesses (SMBs) unlock their full potential. We accomplish our purpose by guiding our clients through the complexities of financial management to help them grow their business and make informed decisions. We work closely with our clients and see firsthand the challenges that they face around accounting operations.

Across the SMB landscape, leaders are optimistic about growth, but that optimism comes with real pressure around talent, technology, and execution. This mirrors what Forvis Mazars is seeing globally and nationally in our **C-Suite Barometer: Executive Leadership Insights in the US**.

To continue the momentum from our inaugural SMB Report in 2025, we developed an intentional webinar series to address many of these common concerns and challenges that SMBs navigate day to day.

The insights within are drawn directly from live polling questions and real-world conversations. They address common challenges across industries and company sizes, reflecting the reality of the people doing the work.

Polling responses told a story. Responses showed increased regulatory and reporting pressure, technology adoption that is accelerating unevenly, fraud risks evolving alongside new tools, and year-end close being increasingly tied to strategic decisions. This year's findings matter because time-sensitive, accurate financial reporting is a foundation for confidence, planning and controls are true differentiators, and even lean teams should understand the value of governance and strong structure.

We are grateful to all of our webinar participants and contributors as we reinforce our commitment to listening to and supporting SMBs. This report is designed to be practical and actionable, and we hope you will use these findings as a starting point to spark conversations and bring value to your business.



Jim Ashley
Partner, Forvis Mazars

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Methodology

More than 1,185 professionals representing leaders across industries, company sizes, and geographic regions attended one or more of four educational webinars hosted by the OAS team at Forvis Mazars. Participants provided information through live polling questions asked during the webinars.

Mastering Financial Reporting: Essential Techniques for SMB Success

Safeguarding Your Business: Practical Strategies to Prevent Fraud

Year-End Accounting Essentials: Strategies for Accurate Returns

Year-End Close: Overtime, Tips, Tax, & Tech-Driven Strategies

Methodology

How the Data Was Collected

The webinars focused on common operational and financial challenges facing SMBs. Participants selected responses in real time, allowing for the immediate aggregation of results. Polling topics included risk, fraud, technology, talent, planning, and finance operations. The responses reflect participant perceptions and experiences at the time of each webinar.

Location of Participants

Participants were primarily located within the U.S. and represented across all major regions. Responses reflected a national footprint rather than concentration in a single market. A small number of participants joined from outside the U.S. and added an international perspective.

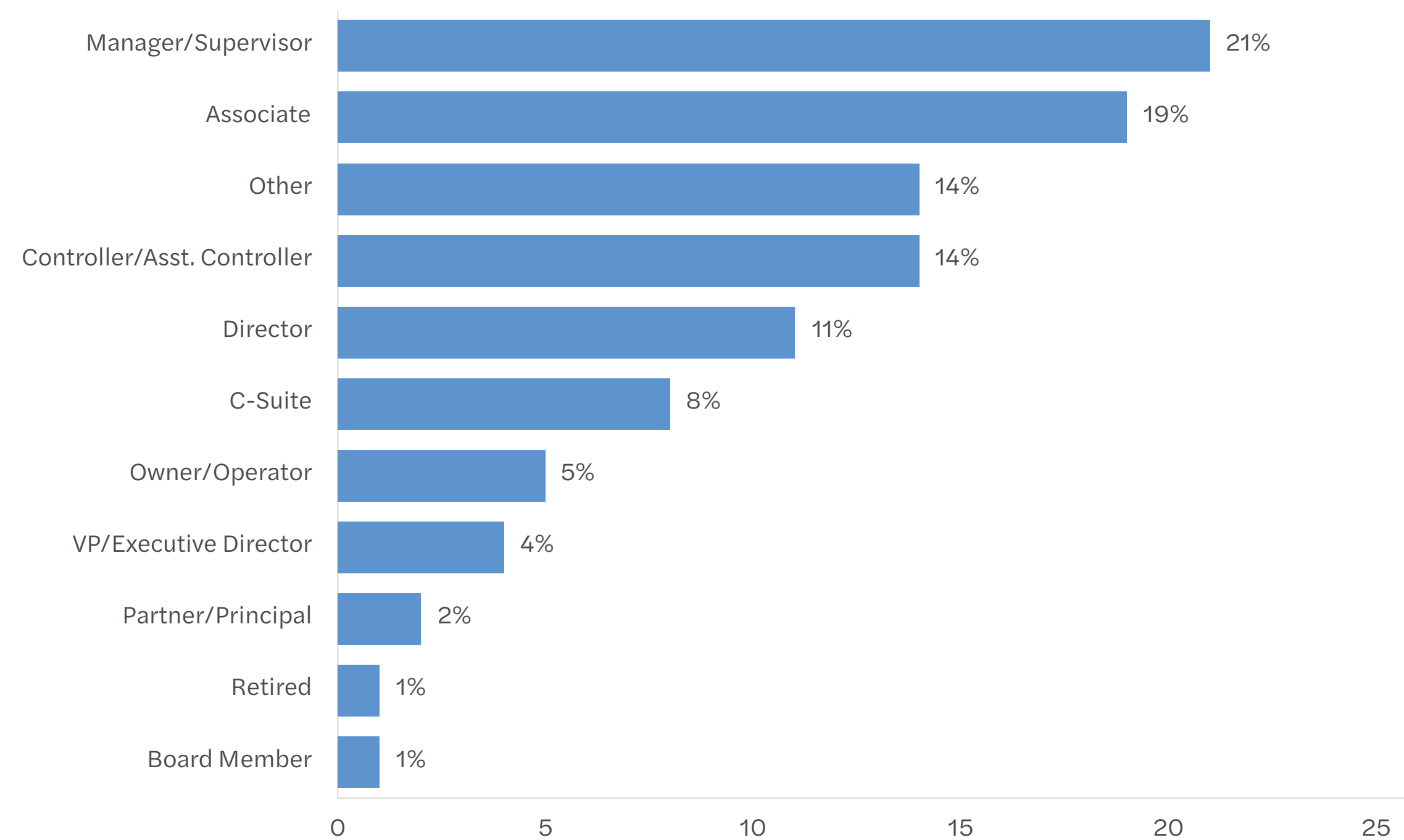


Methodology

Roles Represented

Participants represented a wide range of roles within their organizations. The largest share identified as managers or supervisors. Other roles included controllers, associates, C-suite executives, owners/operators, directors, and vice presidents. The variety of roles provided perspectives from both leadership and day-to-day operators.

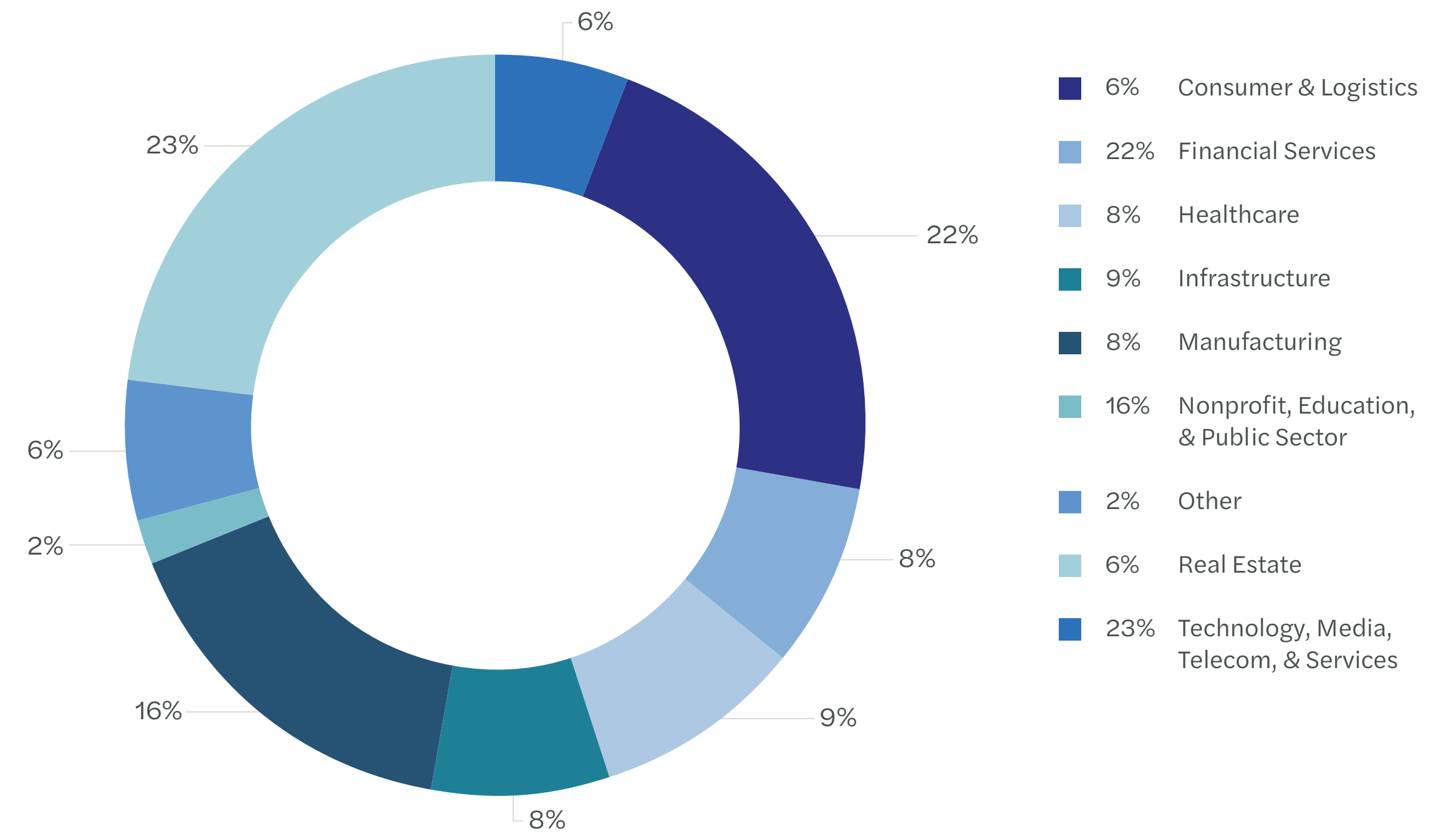
% of Job Titles



Industries Represented

Respondents represented a broad range of industries commonly served by SMB accounting and finance teams. Key groupings included technology and professional services, financial services, healthcare, commercial products, nonprofit, education, public sector, and real estate-related services. Multiple sub-industries were represented within each grouping, reinforcing the breadth of participation.

% by Industry

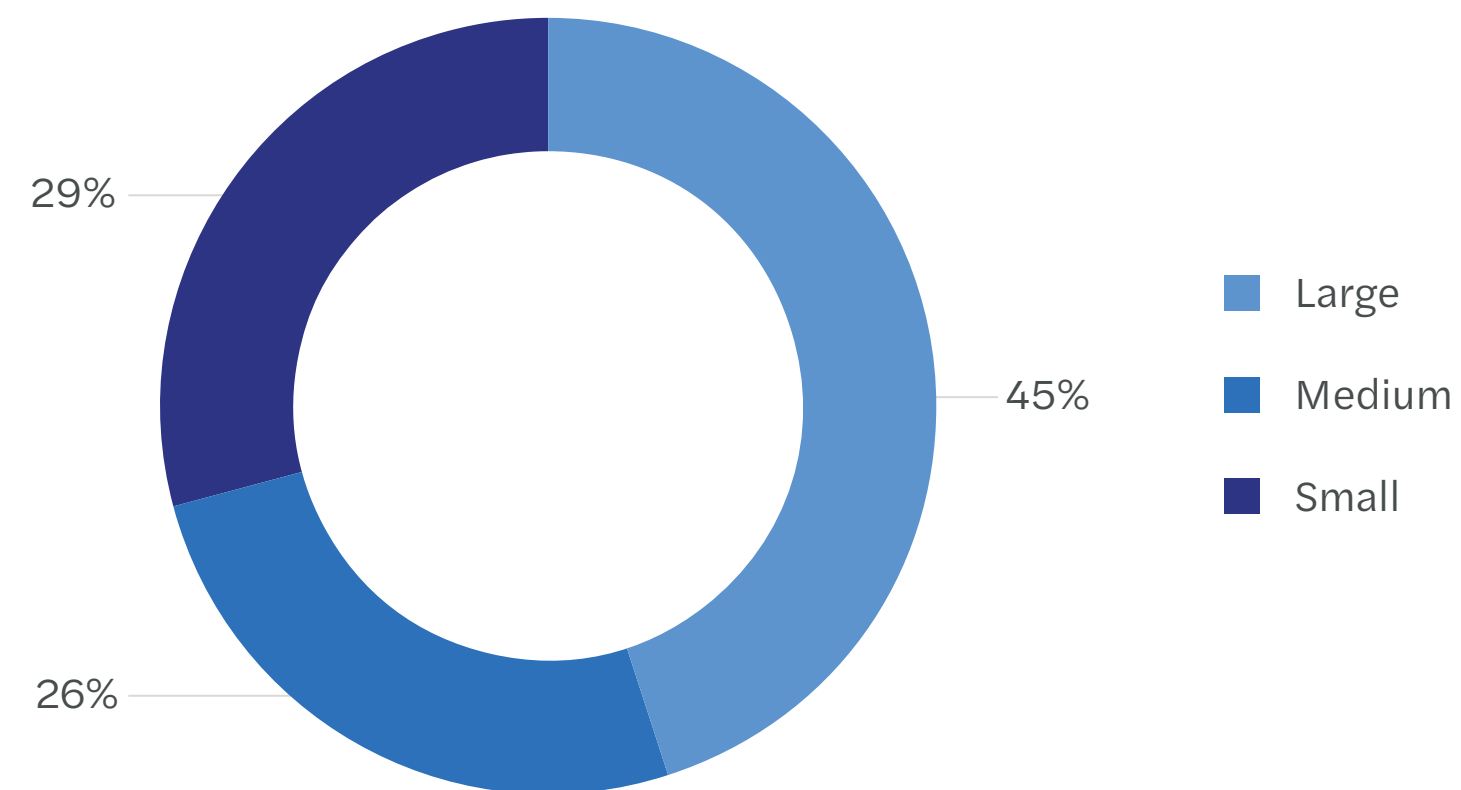


Methodology

Company Size Definitions

Participants were grouped by organization size based on the number of employees. Small is defined as 50 or fewer employees, medium is 51 to 500, and large is more than 500. The definitions are applied consistently throughout the report to support meaningful comparisons.

Company Size



How to Interpret the Results

The report's findings are based on self-reported data and participant perception. Not all participants responded to every question.

The results reflect trends and insights rather than statistically projectable conclusions.

A hand holding a tablet displaying financial charts and graphs. The background is a blurred image of a person's hands holding a tablet with various financial data visualizations, including a line graph and several donut charts. The overall color palette is blue and white, with a dark blue gradient overlay on the left side where the text is located.

Mastering Financial Reporting Essential Techniques for SMB Success

Maya Cernotova & Stephanie Whitacre

More than just a collection of data, accurate and time-sensitive financial reporting helps small business owners make effective decisions. Along with transparency and accountability, financial reporting provides insights into a company's performance and supports strategic planning and budgeting. It is also required for regulatory compliance, such as tax reporting or an audit.

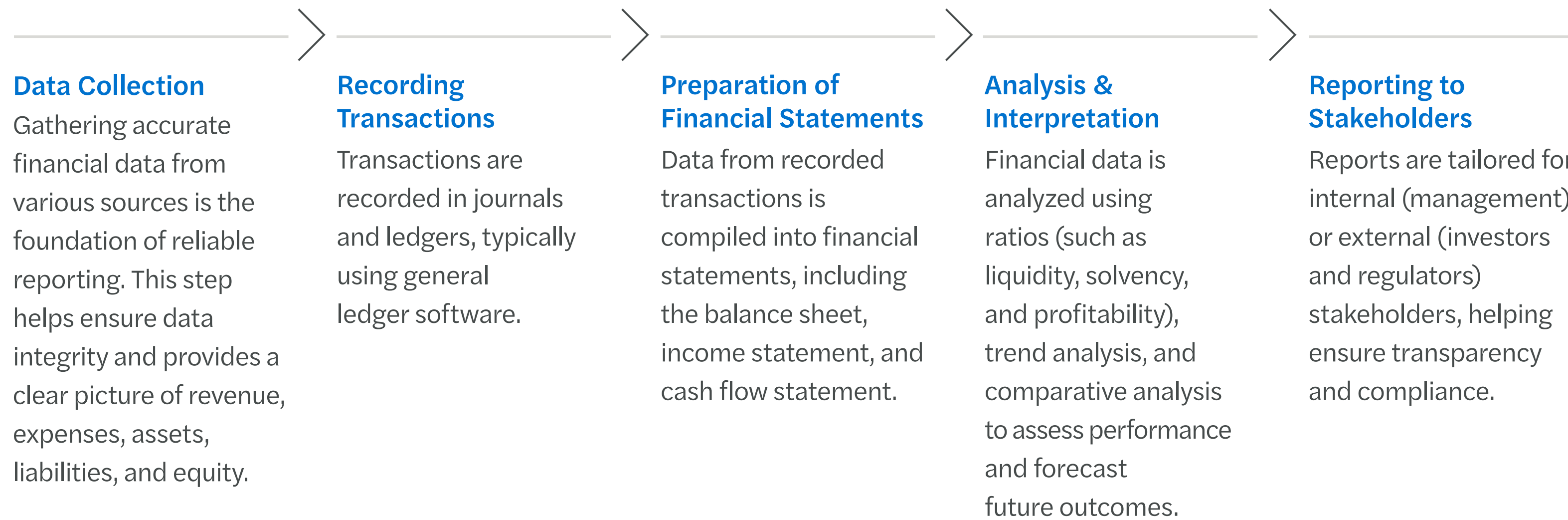
It's important that companies close financial periods promptly, ideally within the following month, to provide management with relevant historical data. Delayed financial closes, such as those lasting two to three months, can hinder the ability to analyze results and respond to variances. Timely financials can help teams assess performance and implement improvement as needed.

Mastering Financial Reporting

Essential Techniques for SMB Success

Financial Reporting Process

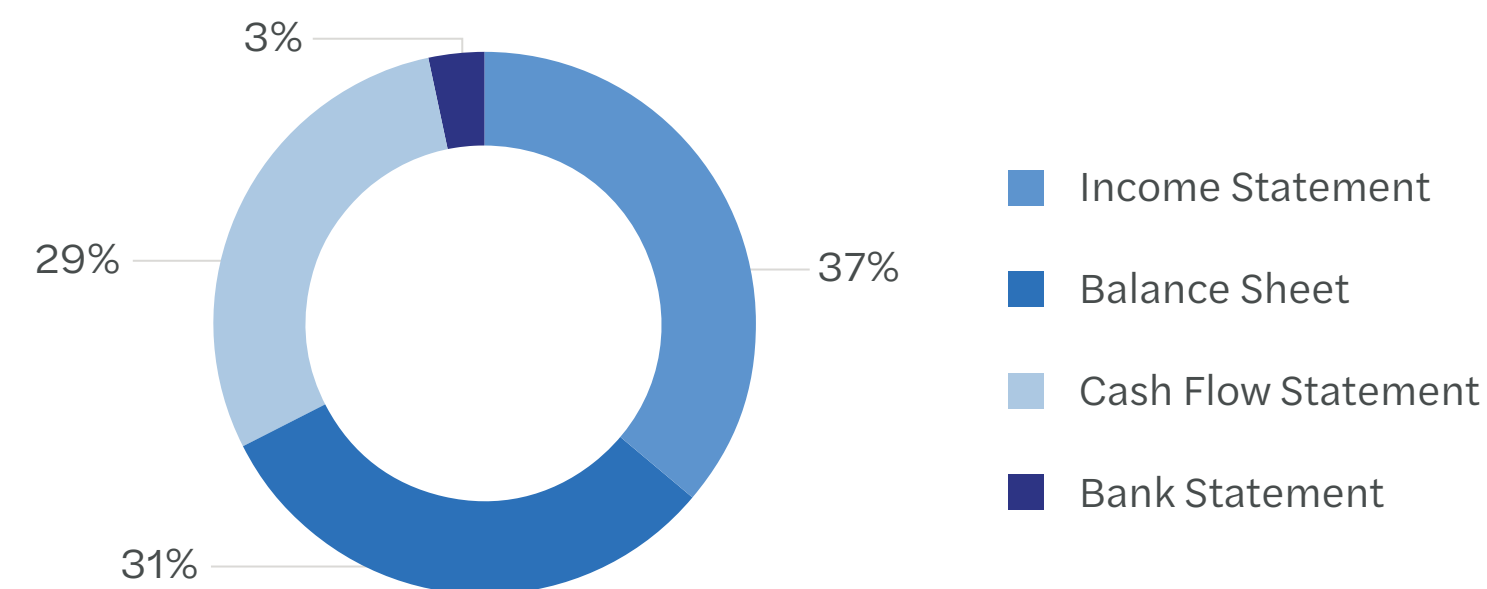
The financial reporting process involves several critical steps:



Data collection is the most crucial step because reliable data underpins the entire process. Without accurate data, subsequent steps may be compromised, leading to flawed analysis and decision making.

In our webinar, most participants considered the income statement to be the financial statement or document that provided them with the most insight.

Document With Most Insight %



“If you have good reliable data, that’s really half the battle.”

Maya Cernotova
Director, Forvis Mazars

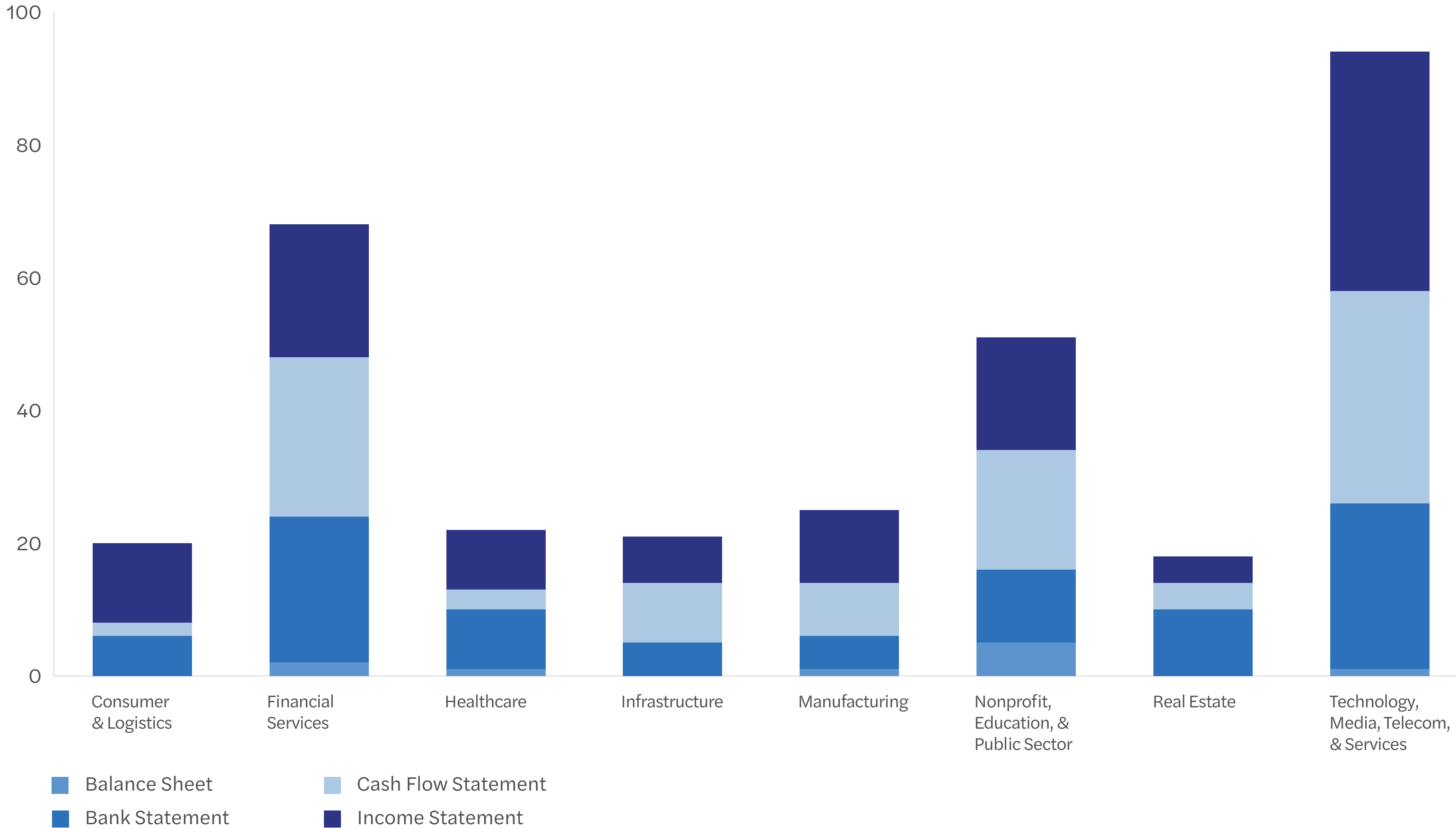


Mastering Financial Reporting

Essential Techniques for SMB Success

The response seemed especially true for the consumer and logistics sector, with respondents choosing the income statement twice as much as the next highest option, which was the cash flow statement.

Most Insightful Financial Statement or Document



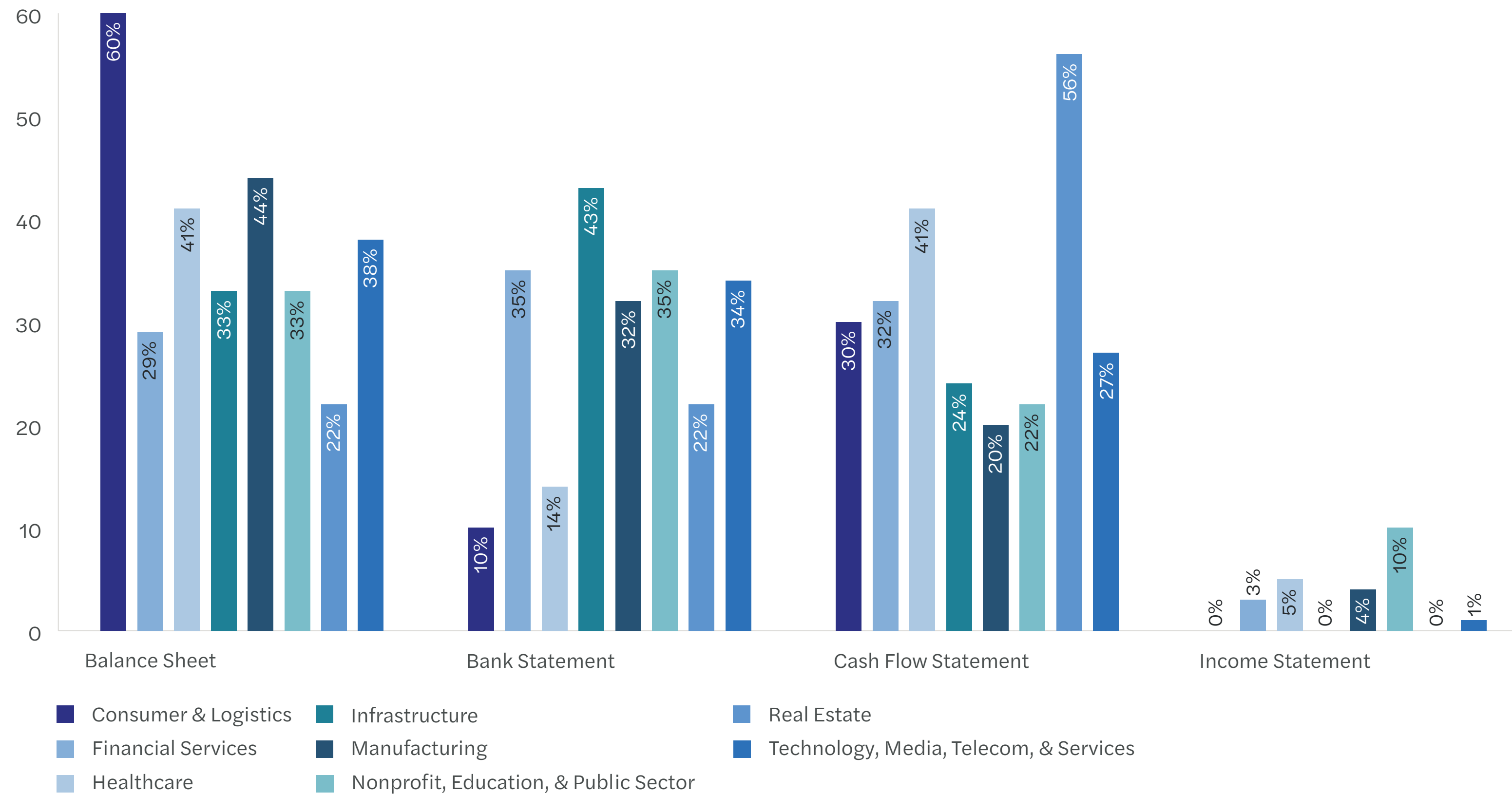
Mastering Financial Reporting

Essential Techniques for SMB Success

In the Technology, Media, Telecom, & Services sector, the income statement was considered the most insightful document by only a narrow margin over the balance sheet.

The Real Estate sector overwhelmingly chose the cash flow statement as its preferred financial document.

Document With Most Insight % by Sector



Mastering Financial Reporting

Essential Techniques for SMB Success

These key financial documents offer valuable insights into a company's financial health:

Income Statement (Profit & Loss Statement)

This document details revenues, expenses, and net income during a specific period, helping evaluate profitability and operational efficiency. It is essential for trend analysis, variance analysis, and strategic planning, helping businesses identify patterns and make informed decisions about future operations.

Balance Sheet

Otherwise known as the statement of financial position for nonprofits, the balance sheet presents a picture of a company's financial position. It outlines assets, liabilities, and equity, offering insights into stability, liquidity, and risk. Accurate data is critical for assessing cash availability, obligations, and overall financial health.

Cash Flow Statement

This statement tracks cash inflows and outflows, categorized into operating, investing, and financing activities. It is vital for understanding liquidity and cash management, helping ensure that businesses can meet their financial obligations and plan for future investments.

Bank Statement

While not a formal financial statement, the bank statement offers a quick view of cash on hand, aiding in liquidity assessment. It is utilized for day-to-day cash management and to help ensure there are sufficient funds.

Technology Tools & Integration

SMBs have a variety of tools to help them streamline financial reporting and operations. The tools span multiple areas, including data transformation, procure-to-pay cycles, payroll processing, receipts and collections, cash visibility and forecasting, and financial management.

Data transformation tools, such as Power BI and Excel, help manipulate and integrate data from various sources, while procure-to-pay solutions automate accounts payable processes, which helps companies save time and manual effort. Payroll processing tools, often provided by third-party providers, help ensure compliance, automate deductions, and streamline onboarding and timekeeping. Receipt and collection tools cater to industry-specific needs, integrating billing and accounts receivable monitoring with general ledger systems. Cash visibility and forecasting tools assist with scenario planning and strategic decision making, while financial management tools can automate workflows like month-end close and audit preparation.

Technological Solutions for SMBs

- ✓ Data Transformation
- ✓ Procure to Pay
- ✓ Payroll Processing
- ✓ Receipts & Collections
- ✓ Cash Visibility & Forecasting
- ✓ Finance Management

“The more you can include technology tools and integrations, the more time you have to really spend making critical decisions and really doing analysis versus the actual transactional work.”

Stephanie Whitacre
Director, Forvis Mazars

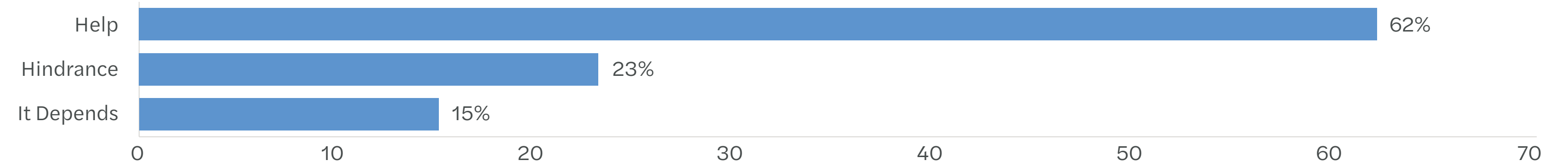
Mastering Financial Reporting

Essential Techniques for SMB Success

More and more, artificial intelligence (AI) and machine learning are integrated into these tools, automating repetitive tasks such as data entry, categorization, and reconciliation. These technologies can enhance accuracy, reduce processing time, and free up teams to focus on higher-value tasks such as analysis and strategic planning. In addition, AI-powered tools often include features such as optical character recognition (OCR) and predictive analytics, which can further improve efficiency.

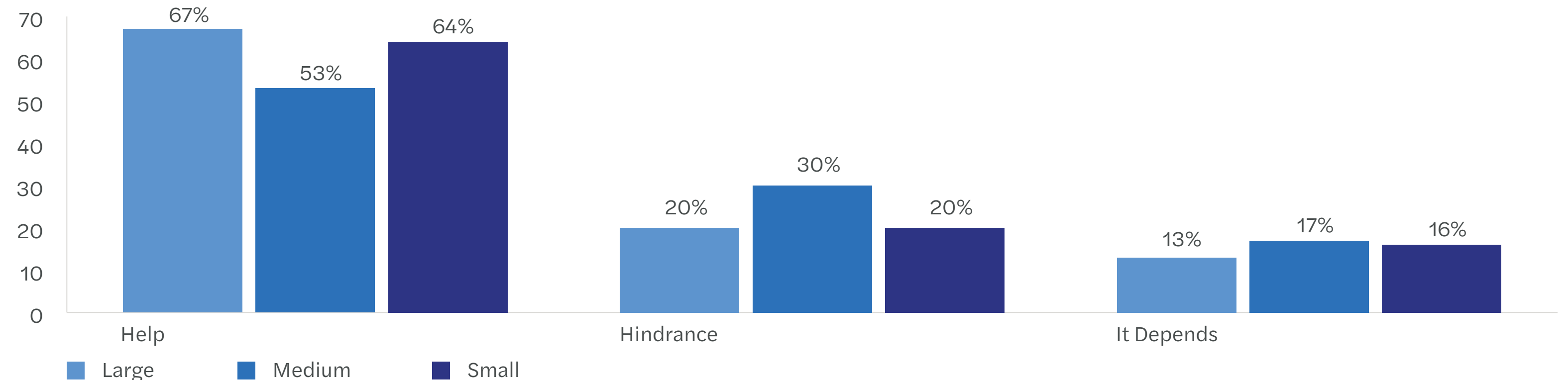
In our webinar, most attendees (61.51%) considered their current accounting technology to be a help in achieving a faster, more efficient close process. Others considered it a hindrance (23.34%) or thought it depends (15.14%).

Technology's Effect on YE Close %



Medium companies (with 51 to 500 employees) were more likely to consider the technology a hindrance (30.5%) than large companies with more than 500 employees (20.2%) or small companies with 50 or fewer employees (20.4%).

Technology Effect % by Size

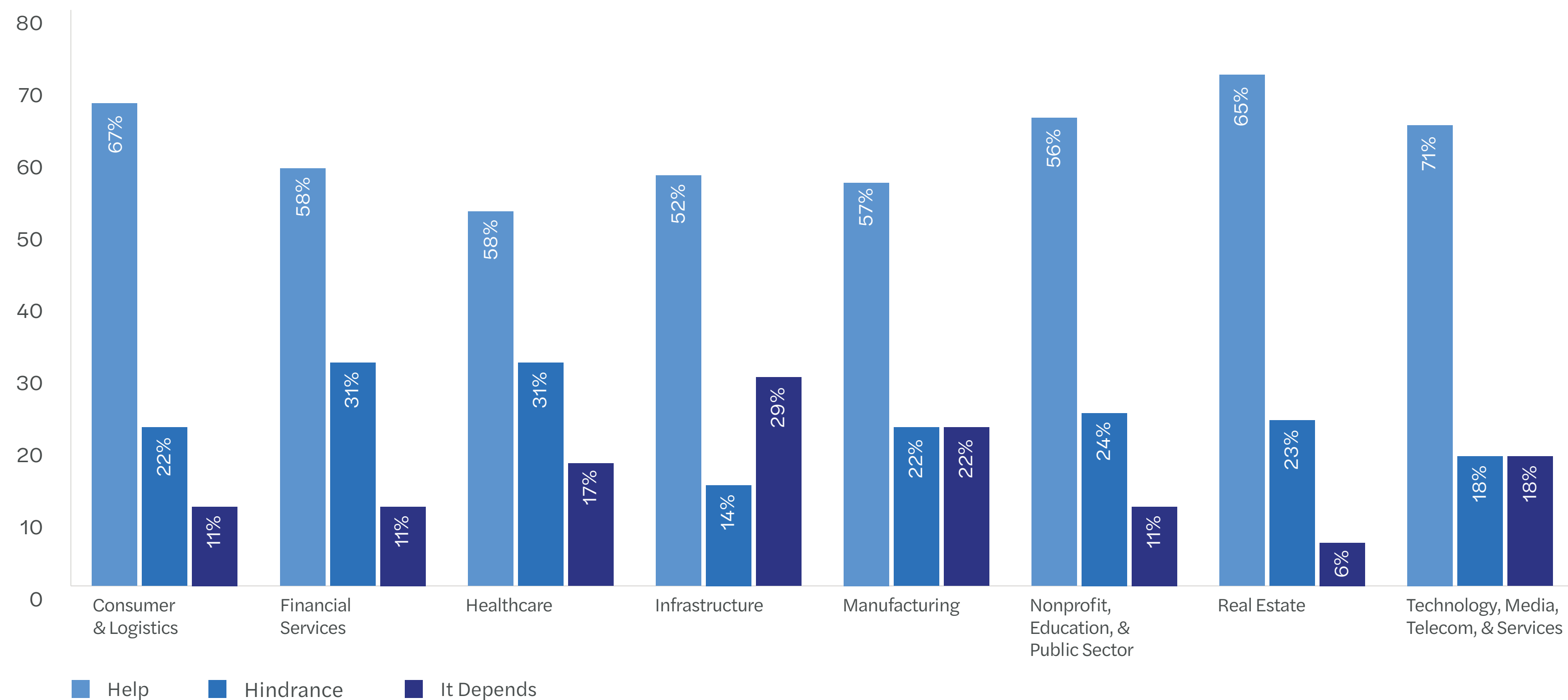


Mastering Financial Reporting

Essential Techniques for SMB Success

Two sectors stood out as most likely to say technology hinders the year-end close. Those are financial services (31.3% saying it hinders, and 58.2% saying it helps) and healthcare (30.4% hindrance and 52.2% help (lowest of all sectors)). The two sectors were the only ones where roughly three in 10 respondents say their accounting technology hinders a faster close, which is a strikingly different experience from the overall population.

Technology Effect % by Sector



The sectors most likely to consider technology a help included real estate (70.6% help and 5.9% “it depends” (lowest of all sectors)); consumer and logistics (66.7% help); and nonprofit, education, and public sector (64.8% help).



2 out of 8 sectors (financial services and healthcare) stood out as most likely to say technology hinders the year-end close



Roughly 3 in 10 respondents in those sectors say their accounting technology hinders a faster close



Mastering Financial Reporting

Financial Reporting Best Practices

SMBs should consider the following:

- ✓ Benchmark key performance indicators (KPIs) against industry standards or competitors to gain additional insights into performance and areas for growth.
- ✓ Reconcile accounts monthly and make sure obligations are recorded accurately to help maintain financial clarity.
- ✓ Make sure general ledger balances match third-party statements in reconciliations.
- ✓ Use technology tools, including AI and automation, to help streamline processes such as data entry, reconciliation, and reporting, potentially saving time, improving accuracy, and allowing teams to focus on strategic tasks.

If your business needs assistance with financial reporting, the OAS team at Forvis Mazars can help. Our core services can assist you with efficient and accurate month-end close, general ledger maintenance and postings, digital accounts payable processing and support, and payroll process consulting and general ledger integration.

Essential Techniques for SMB Success



Safeguarding Your Business Practical Strategies to Prevent Fraud

Brinn Serbanic & Neely Duncan

Fraud remains a prevalent threat for small businesses and their financial health. According to an Association of Certified Fraud Examiners (ACFE) report, “Occupational Fraud 2024: A Report to the Nations[®],” fraud costs organizations an estimated 5% of annual revenue.¹ The ACFE study analyzed 1,900 cases across 138 countries and found that more than 40% of fraud is detected through tips, often from employees or vendors.



Safeguarding Your Business

Practical Strategies to Prevent Fraud

Types of Fraud

The most common types of fraud include:

Asset Misappropriation

Billing schemes, check tampering, and payroll fraud occur most frequently but result in lower median losses.

Financial Statement Fraud

Though less common, these cases are most costly. Examples include hiding losses on balance sheets.

Corruption

This type of fraud is prevalent in small businesses and often overlaps with other fraud types.

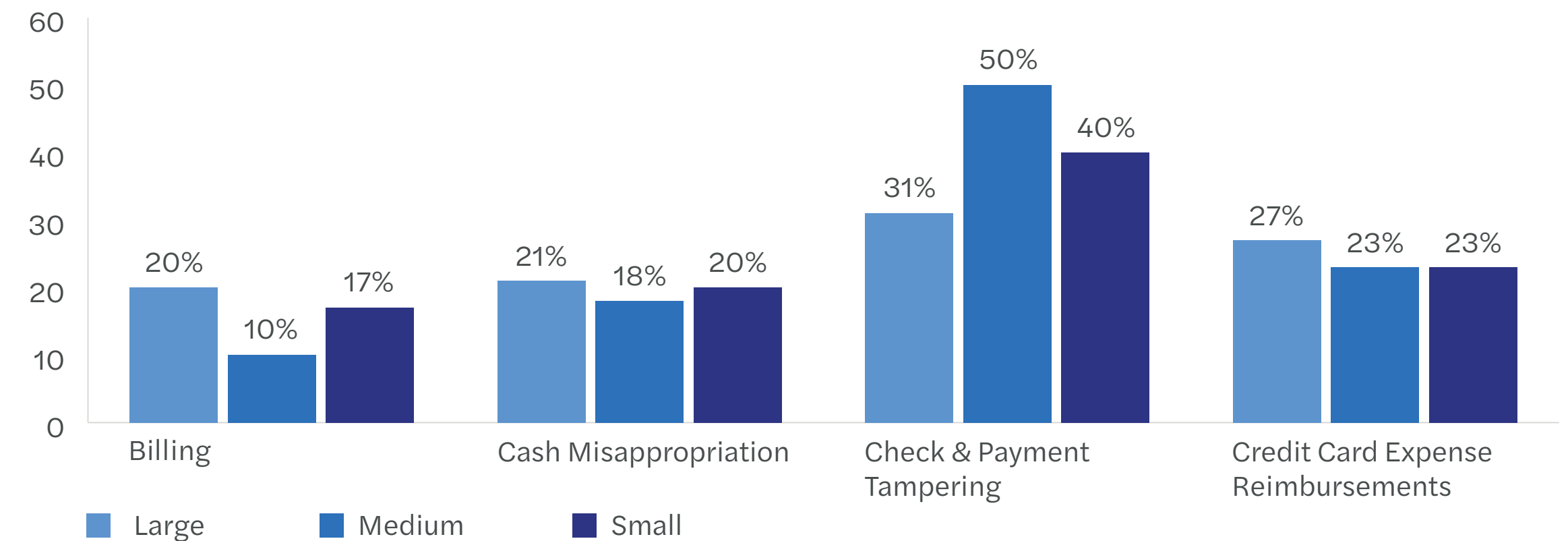
Fraud schemes often persist for more than a year before detection, including check washing, fake vendors, and expense reimbursement fraud. The deception is often concealed through altered documents or duplicate vendor entries, and many cases go unreported due to reputational concerns.

For two consecutive years, we have asked webinar attendees what types of fraud were discovered. For the second time, respondents who experienced fraud identified check and payment tampering as the top fraud.

When responses were broken down by company size, participants who experienced fraud revealed the following:

- Credit card expense reimbursements are identical for medium and small (23%).
- Medium companies selected check and payment tampering (50%) more than large (31%) and small (40%).
- Cash misappropriation is tightly clustered across all sizes (18% to 21%).
- Large companies chose billing twice as many times as medium companies (20% vs 10%).

Participants' Fraud Types by Business Size



Safeguarding Your Business

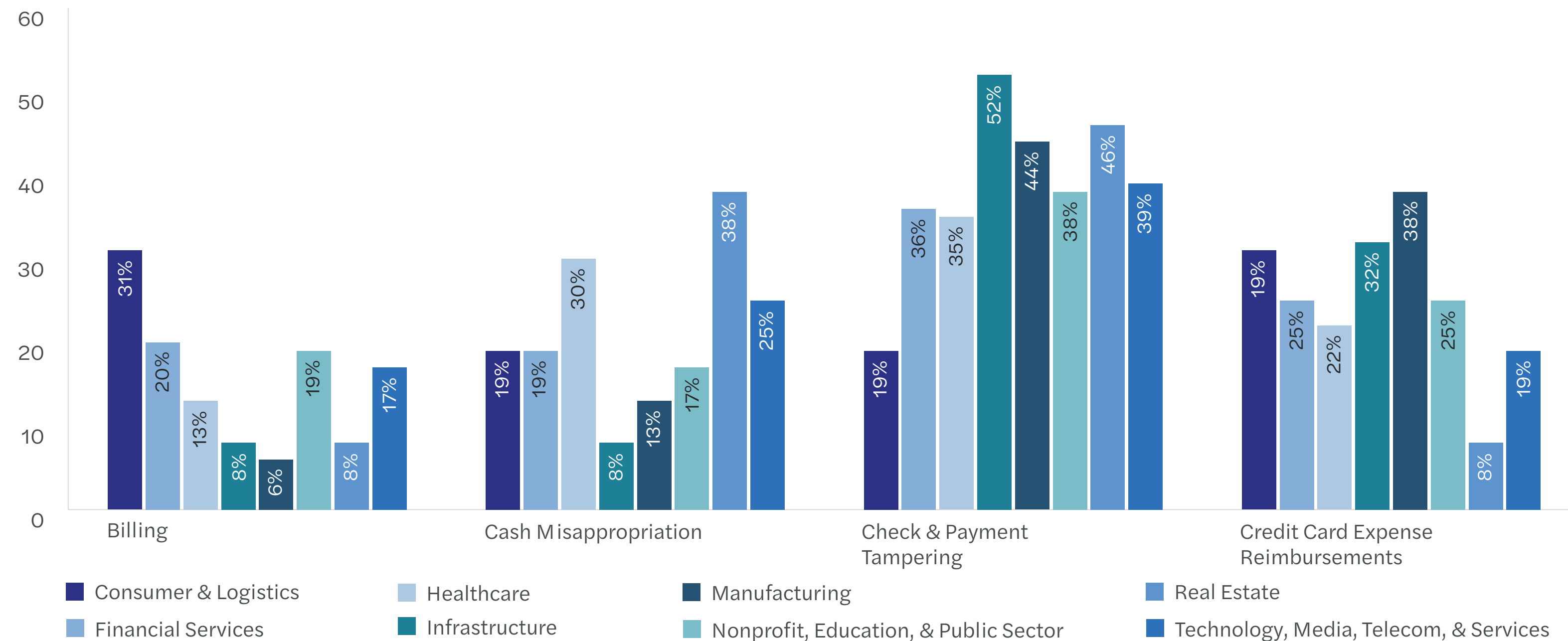
Practical Strategies to Prevent Fraud

When viewed by sector, responses showed that Technology, Media, Telecom, & Services was most likely to report no fraud was identified (46%). Others were Healthcare (31%); Financial Services (35%); Infrastructure (34%); Nonprofit, Education, & Public Sector (33%); Manufacturing (24%); Real Estate (24%); and Consumer & Logistics (20%).

Among those who did report fraud at their organizations, check and payment tampering was the top issue in seven out of eight sectors (all except Consumer & Logistics).

In Consumer & Logistics, the top fraud issues were billing (31%) and credit card reimbursements (31%), ahead of check and payment tampering (19%).

% Fraud by Sector



7 out of 8 sectors reported check and payment tampering as the top issue

“If fraud was already hard to detect, AI has made it even more convincing. Ultimately, we’re going to have to fight technology with technology.”

Brinn Serbanic
Partner, Forvis Mazars

Safeguarding Your Business

Practical Strategies to Prevent Fraud

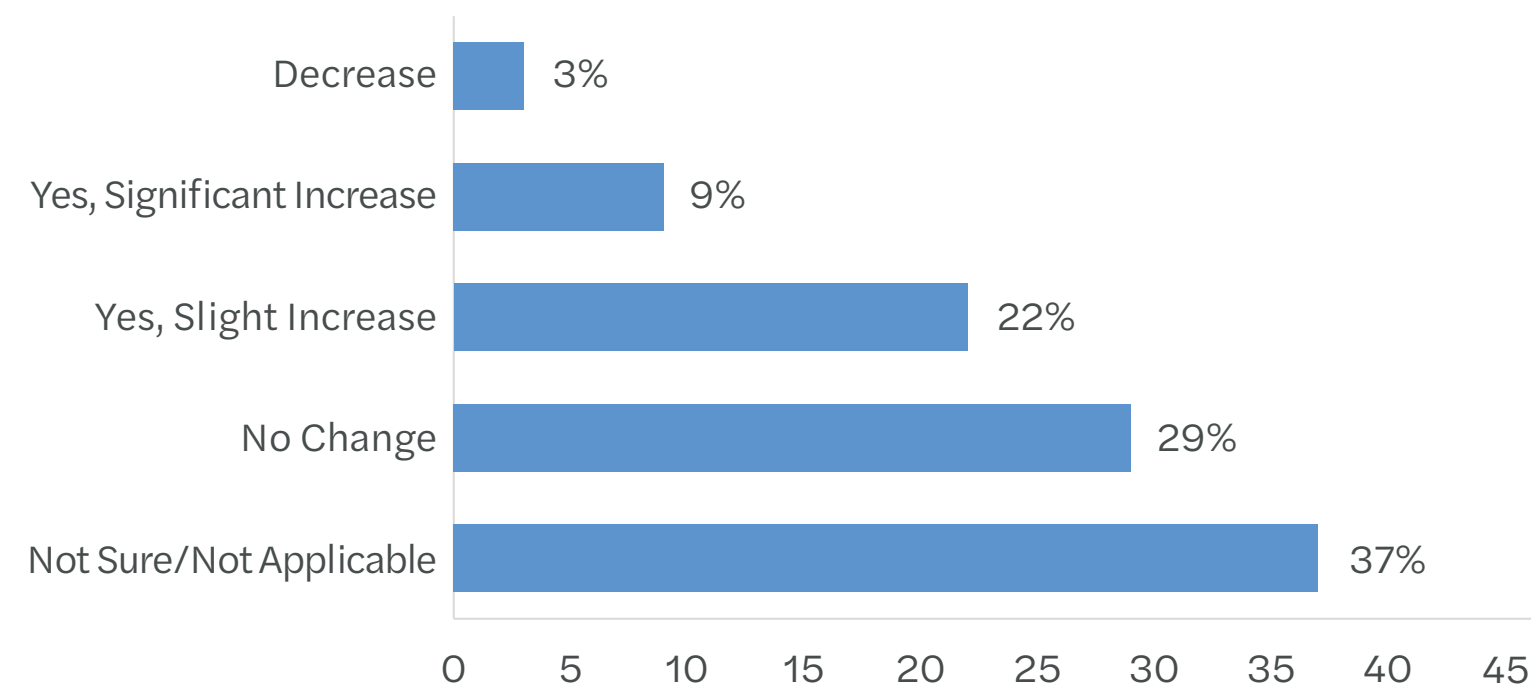
Impact of AI & Other Technology

Emerging technologies, including AI, have created new challenges with fraud detection. To combat this, companies are adopting advanced detection tools that can identify AI-generated documents.

Some examples of fraud involving AI include:

- 14% of fraudulent expense documents in September 2025 were generated by AI.
- More than \$1 million in fake invoices were flagged in the last 90 days by fintech platforms.²
- 30% of finance teams report a rise in falsified receipts post-AI adoption.³
- 70% of CFOs believe employees use AI for fake travel expenses.⁴

Fraud Increase Since Adopting New Technologies (%)

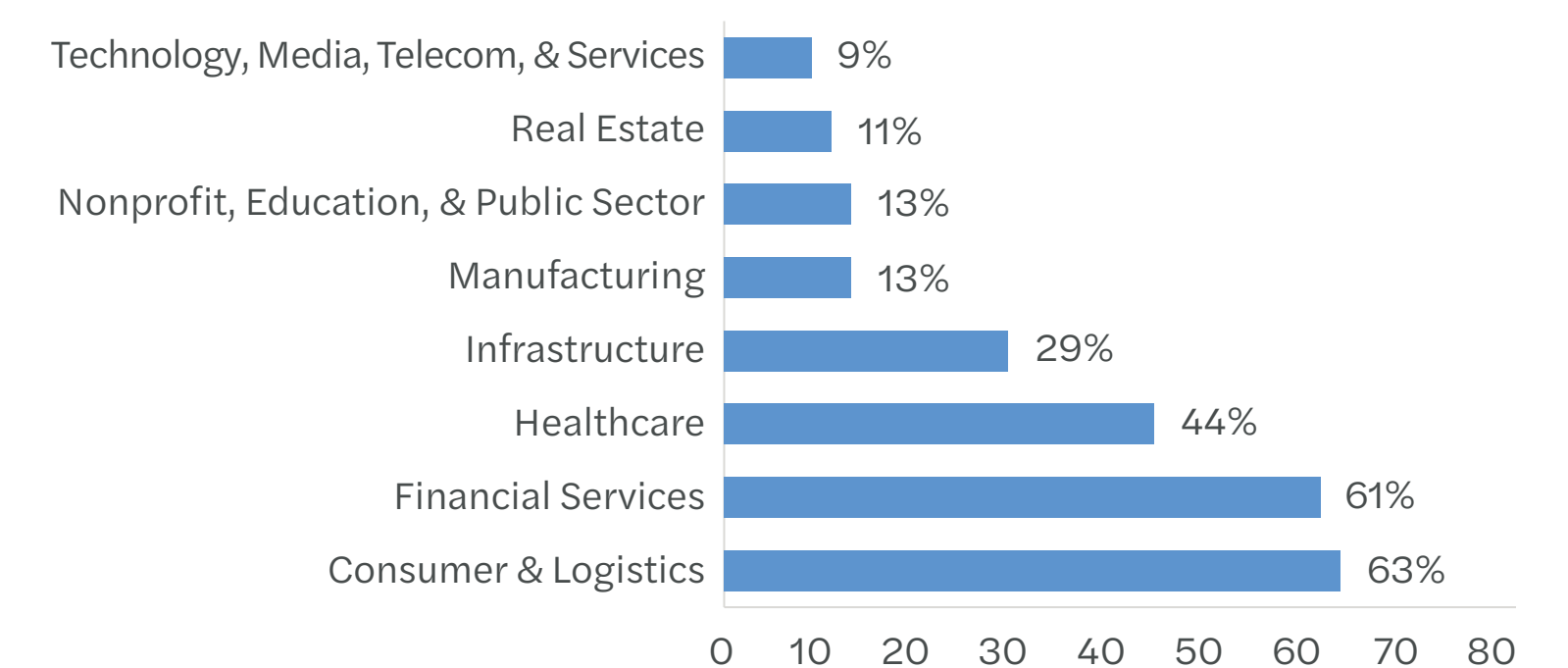


Automated systems such as positive pay services and accounts payable platforms help reduce risks associated with check tampering and other unauthorized payments. Analytics tools can flag anomalies, such as duplicate vendor addresses or unusual payment patterns, enabling further investigation.

We asked webinar attendees if their organization has experienced an increase in fraud attempts or incidents since adopting new technologies, e.g., AI tools, automation, or remote work platforms.

While some participants were unsure, when we looked at answers where the respondent had awareness of change in fraud at their company, the Consumer & Logistics sector saw the largest increase in fraud attempts or incidents since adopting new technologies (63%), which was in stark contrast to the Technology, Media, Telecom, & Services sector that only saw a slight increase at 9%.

Respondents Who Observed an Increase in Fraud Since Adopting New Technologies (%)



Safeguarding Your Business

Practical Strategies to Prevent Fraud

Preventing Fraud

Fraud can be easy to miss through minor manipulations, as some real-world examples show. One case involved an individual who altered a single letter in an invoice name, resulting in nearly 200 false invoices totaling \$3.7 million. In another example, a bookkeeper diverted funds intended for veterans by changing the payee information to herself. And in another case, an employee stole tools and equipment for personal use and sold leftover disks to scrap dealers, highlighting the need for thorough inventory controls and regular audits.

Fraud is often discovered when a single person responsible for key processes is incapacitated, e.g., hospitalized, revealing insufficient cross-coverage in organizational roles.

Small businesses should consider the following to help with fraud prevention:

Internal Controls

Segregation of duties is critical, even in small businesses. For example, the person handling cash deposits should not reconcile accounts. Automated tools can help fill gaps on smaller teams.

Vendor Management

Verifying vendor legitimacy through W-9 forms and analytics tools can help prevent fake vendor schemes.

Expense Monitoring

Detailed receipts and regular reviews of expense reports can help catch personal charges disguised as business expenses.

Detection Tools

Hotlines for anonymous tips and analytics to help identify unusual transactions can help uncover fraud.

Management Tone

A strong ethical culture, led by management, can deter fraud. Regular audits and reviews help enforce this tone.



“Segregation of duties doesn’t mean hiring more people. It means making sure the same person isn’t doing the process and the control.”

Brinn Serbanic
Partner, Forvis Mazars

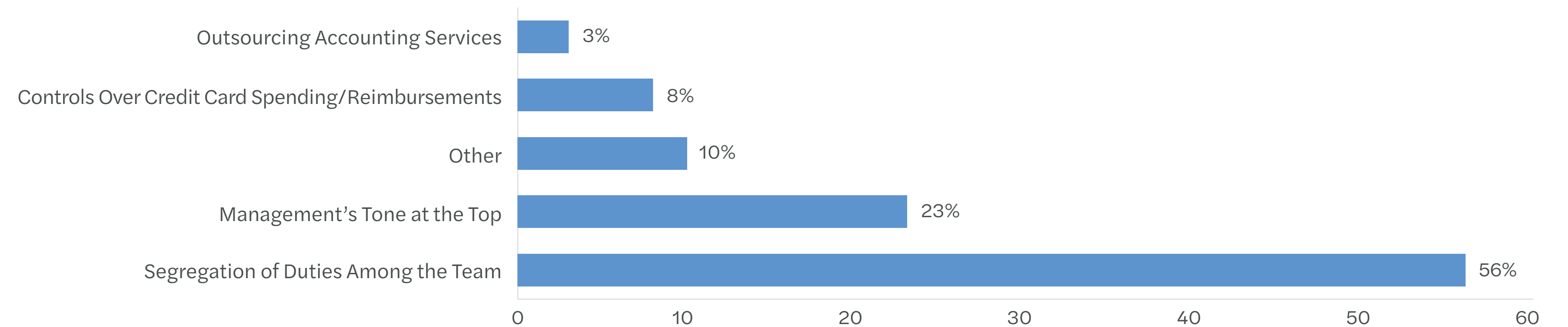


Safeguarding Your Business

Practical Strategies to Prevent Fraud

We asked participants which control they believed was most useful for preventing fraud at their organization.

Controls to Prevent Fraud



The majority (56%) cited segregation of duties among the team, followed by management’s tone at the top (23%).

Note that according to the ACFE report, more than 40% of frauds are detected by tips, either by employees, vendors, or customers. Implementing whistleblower hotlines and reporting mechanisms not only help with detection but may be less expensive and more accessible than many organizations assume.

Strong fraud prevention starts with smart processes and consistent oversight. The OAS team at Forvis Mazars helps SMBs enhance internal controls, close gaps created by lean teams, and strengthen accounting and finance functions. We bring deep accounting knowledge, so you can stay focused on running your business with confidence.

Year-End Accounting Essentials Strategies for Accurate Returns

Melissa Sharp

Year-end planning is a strategic process that can set small businesses up for success in the upcoming year. Proactive planning allows for timely and accurate tax filings, helps reduce last-minute stress, and supports audit readiness.

Preparation is particularly important for preparing returns such as Forms 1099 and W-2, which often have strict deadlines and limited flexibility. Without proper planning, businesses risk compliance issues, missed deadlines, and inaccurate reporting, which can lead to costly mistakes. Early preparation also allows businesses to align internal teams and external advisors, helping provide smoother operations and avoiding surprises during audits or compliance reviews.





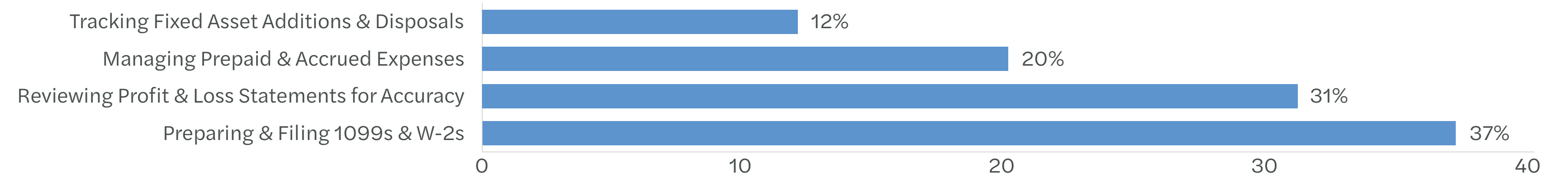
Year-End Accounting Essentials

Strategies for Accurate Returns

1099s & W2s

Company staff dread some duties more than others. Participants in our webinar chose preparing and filing Forms 1099 and W-2 as the most dreaded year-end task overall, with little variation across company size (35% small, 45% medium, and 33% large).

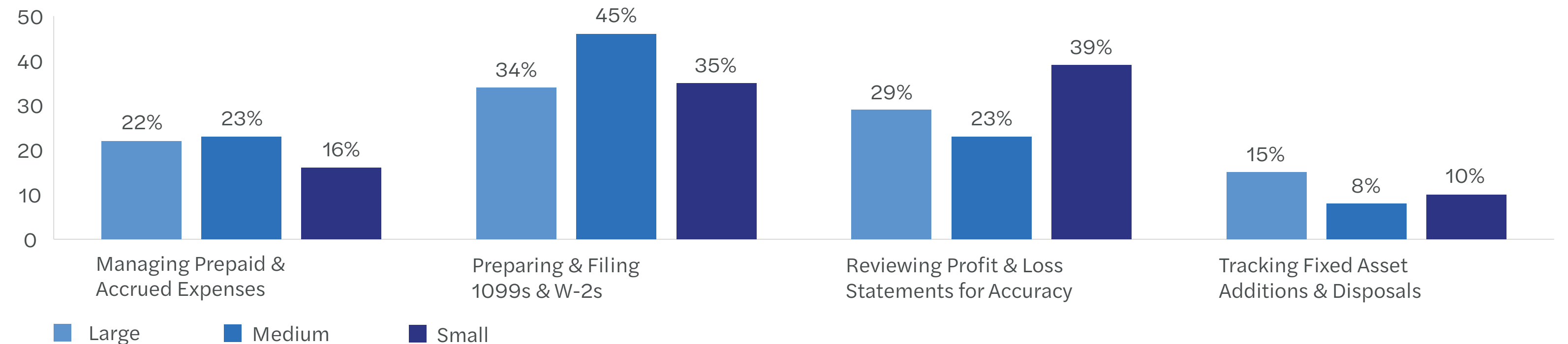
Most Dreaded Task %



Tracking fixed asset additions and disposals was the least-selected task overall, but large companies chose this task nearly twice as much as medium companies (10% small, 8% medium, and 15% large).

Responses varied for reviewing profit and loss (P&L) statements for accuracy, with higher selection among small and large companies (39% small, 23% medium, and 29% large). Managing prepaid and accrued expenses was selected more by large and medium companies (16% small, 23% medium, and 22% large). Among medium companies, preparing and filing 1099s and W-2s was well ahead of other tasks.

Most Dreaded YE Task by Company Size

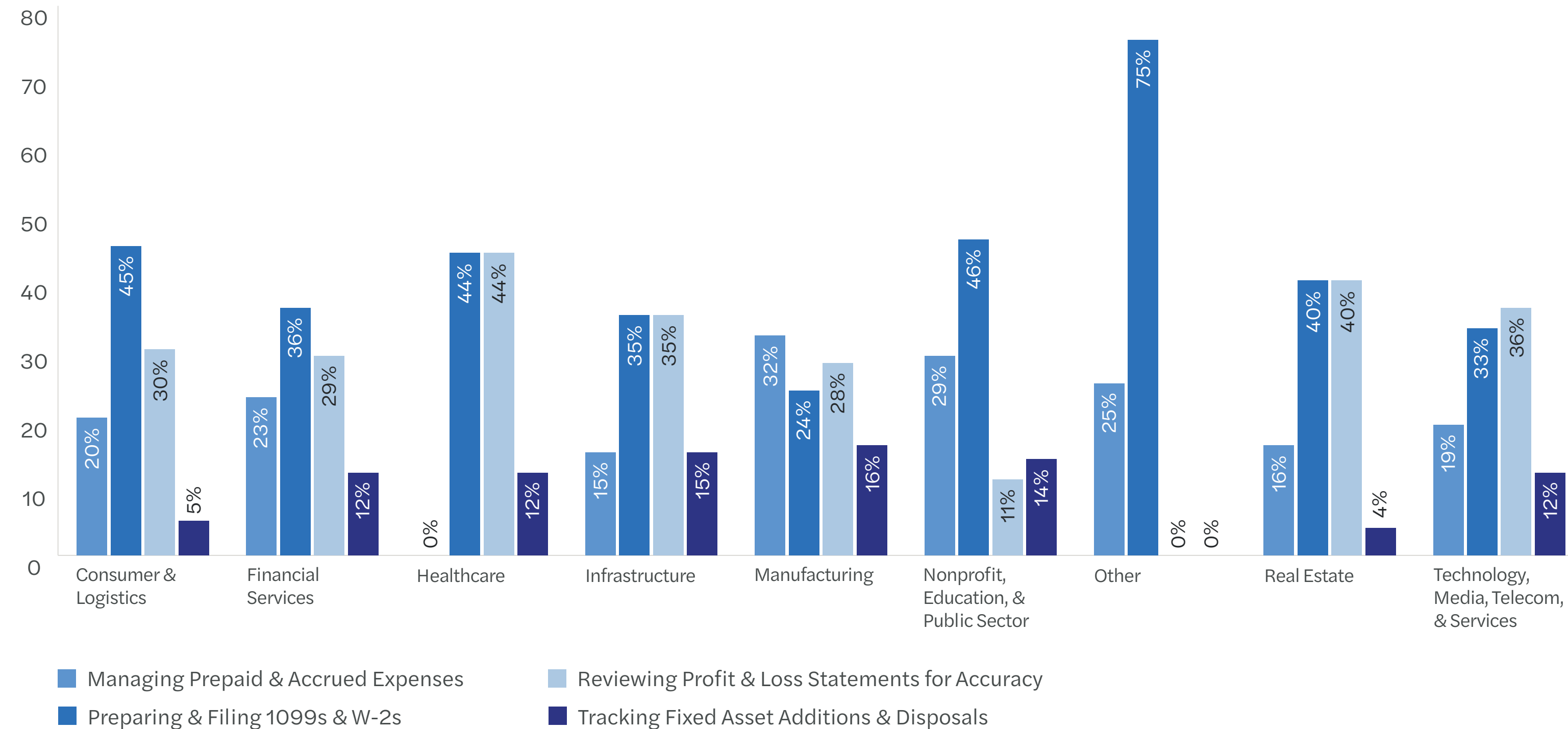


Year-End Accounting Essentials

Strategies for Accurate Returns

When reviewing responses by sector, it is noteworthy that Healthcare did not choose Managing prepaid and accrued expenses at all when selecting the most dreaded task, whereas it was Manufacturing's most dreaded task.

Most Dreaded YE Task % by Sector



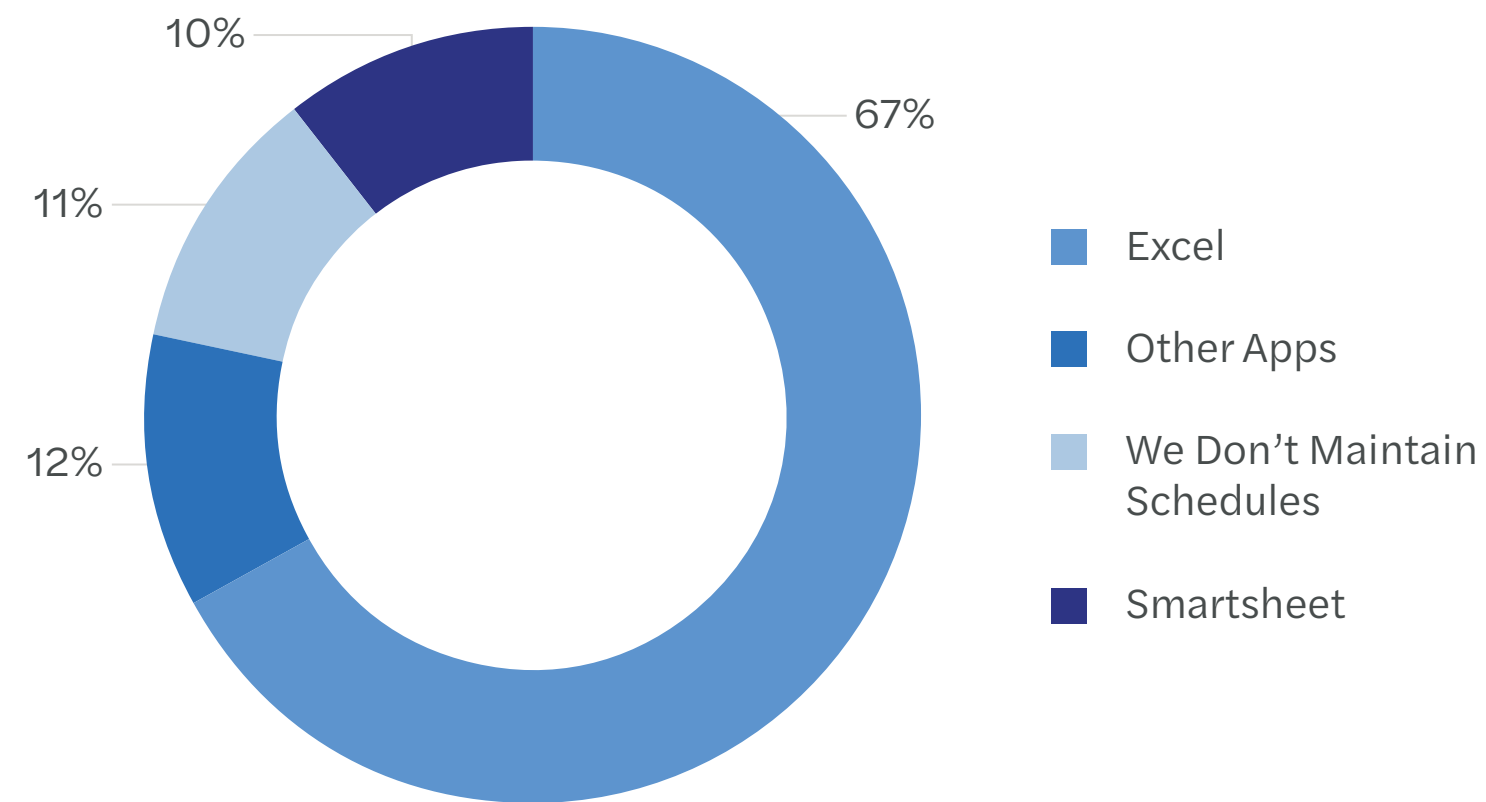
Year-End Accounting Essentials

Strategies for Accurate Returns

Closing Schedule Maintenance

Most webinar participants rely on Excel to maintain their closing schedules, accounting for about two-thirds (67%) of responses.

Closing Schedule Maintenance %



After Excel, more large companies favor Smartsheet adoption (18%) than small (6%) or medium (3%). Medium companies rely more on Excel (77%) than large (59%) or small (69%). Small companies were more likely to report that they didn't maintain schedules (14.5%) than large (10.2%) or medium (9%).

“If you’re not familiar with the month-end close process, it can be a little overwhelming, though the right tools can make it far more manageable.”

Melissa Sharp
Director, Forvis Mazars

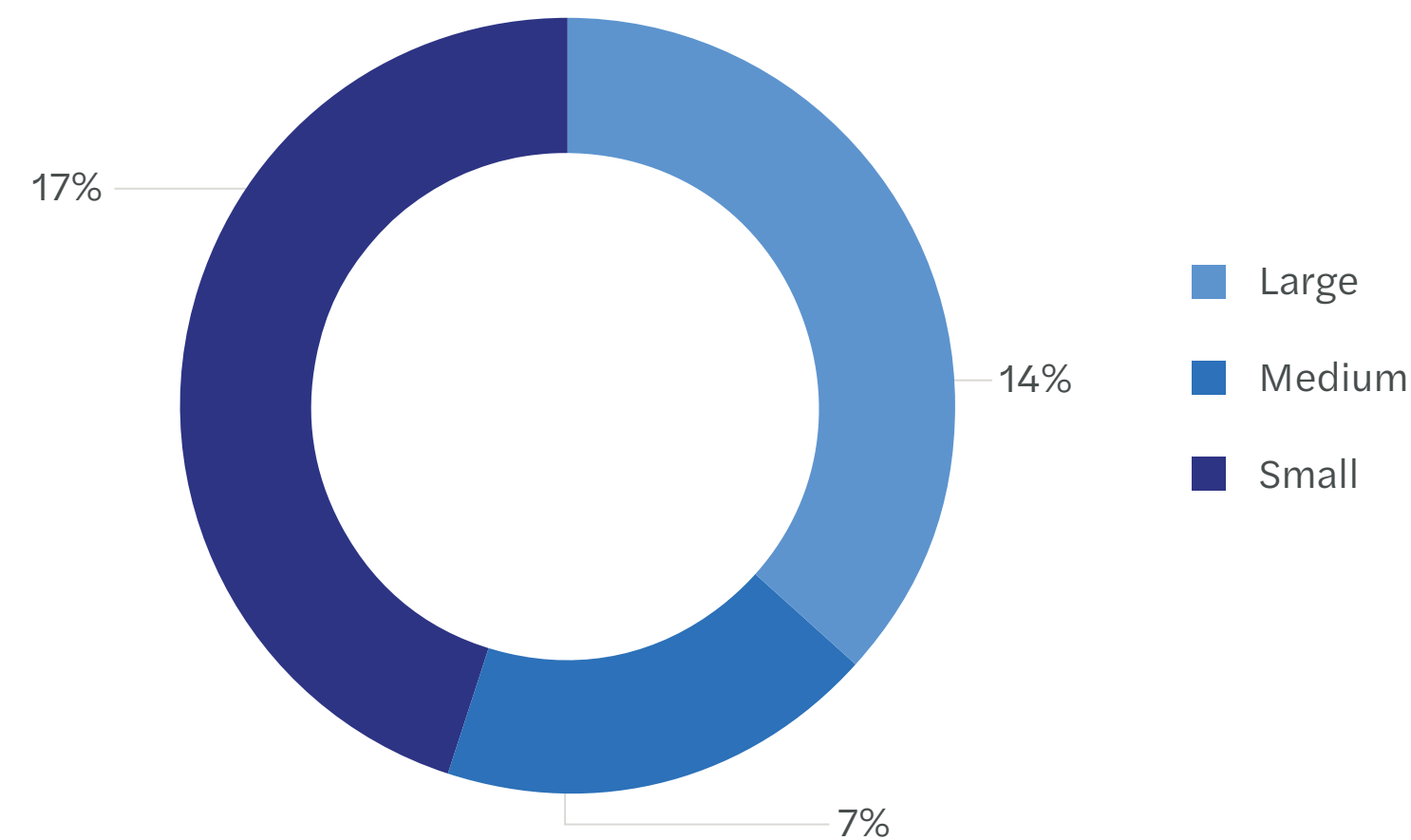
Year-End Accounting Essentials

Strategies for Accurate Returns

Gathering W-9s

For obtaining Form W-9, most webinar participants said they collect from every vendor before paying. The Nonprofit, Education, & Public Sector attendees preferred this process more than the other sectors at 84%.

We request W-9s only if a vendor exceeds the \$600 threshold*



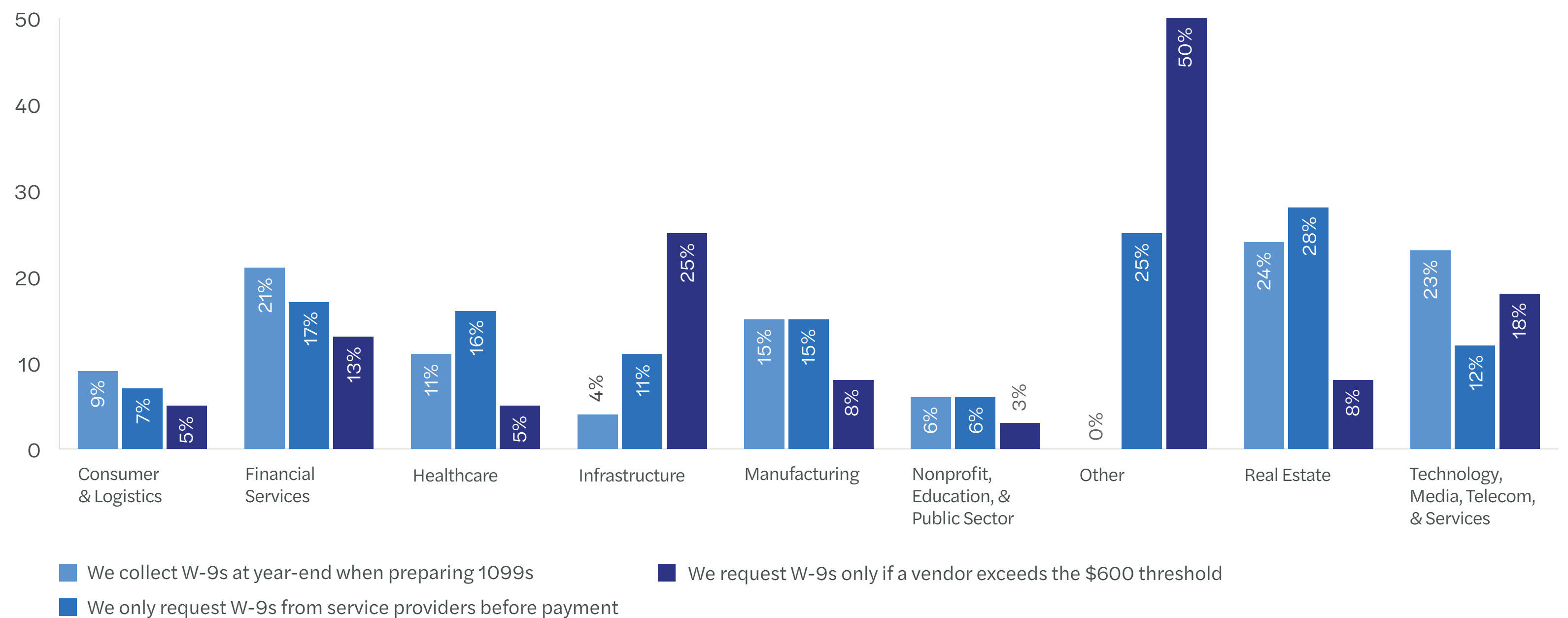
*Please note: At the time of this webinar, the threshold was \$600, which is reflected in the related polling data. However, starting January 1, 2026, the federal threshold for requiring a Form W-9 and issuing a 1099-NEC/MISC increased from \$600 to \$2000 per calendar year, as mandated by the *One Big Beautiful Bill Act*.

*Answers are a percentage of the total choices for each size.

Medium companies were the least likely to request W-9s only after a vendor exceeds the \$600 threshold, with large and small companies choosing this option twice as often (7% medium responses, 17% small responses, and 14% large responses).

For those who do not request W-9s from every vendor before issuing payment, Infrastructure and Real Estate are most likely to get W-9s only if a vendor exceeds \$600. This pattern suggests that W-9 collection in infrastructure and real estate is often reactive rather than preventive. While understandable given project complexity and vendor turnover, relying on the \$600 threshold can increase year-end friction and the risk of missing documentation—particularly when vendors are no longer active or responsive.

W-9 Collection, Excluding “Every Vendor Before Issuing Payment”



Year-End Accounting Essentials

Strategies for Accurate Returns

Completing Your Year-End Close

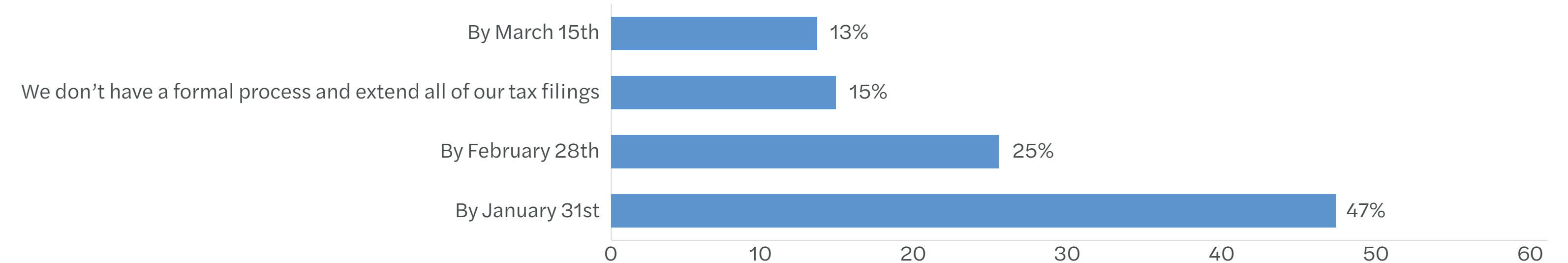
Most webinar participants close the year relatively quickly, with nearly half (47%) finishing by January and about one-quarter (25%) closing by late February.

Small companies are most likely to lack a formal close (23% small, 13 large, and 7% medium).

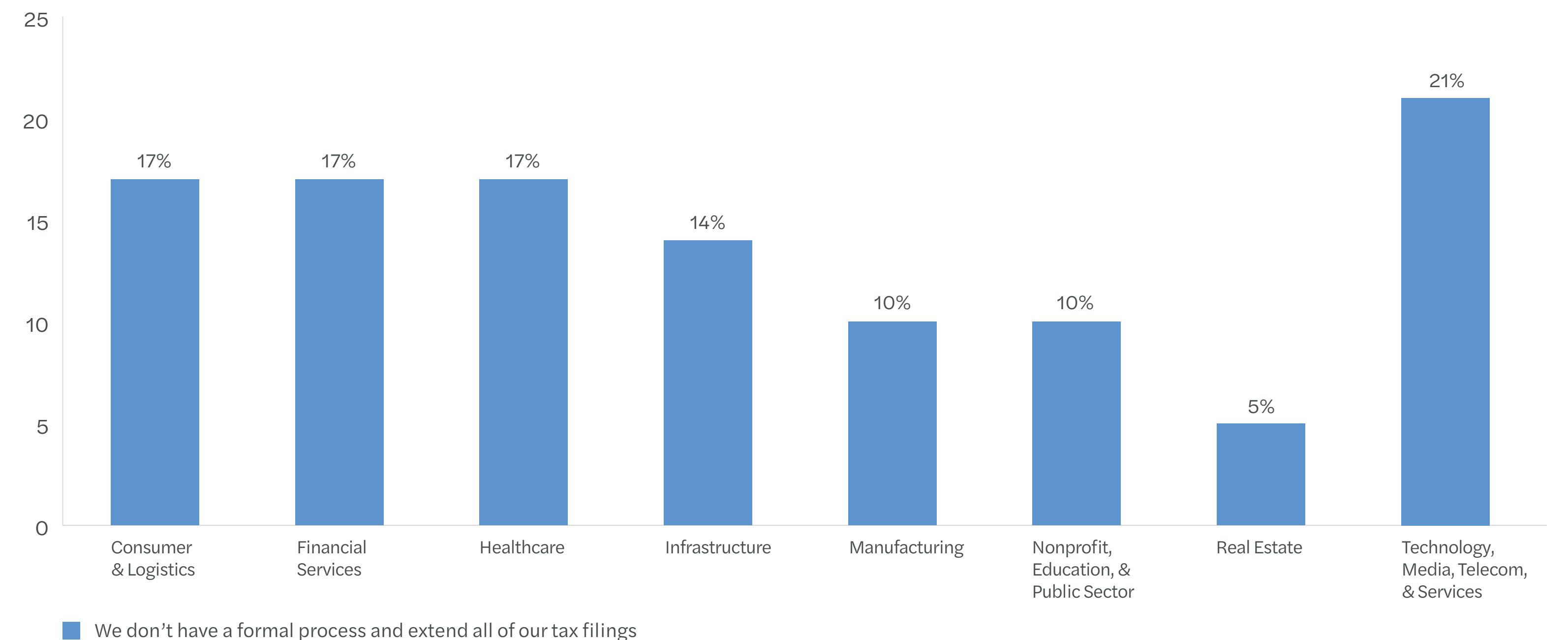
Across sectors, most responses favor a January 31 close, with February 28 selected less frequently and March 15 appearing in smaller proportions. Several sectors show responses spread across multiple close timelines rather than concentrated in a single date, while the option indicating no formal process and extended filings appears across sectors at varying levels.

It is not surprising that the Technology, Media, Telecom, & Services sector shows the highest concentration of organizations without a formal close process. These companies often manage multiple product or service lines at varying stages of development and/or operations, which requires extensive supplemental schedules to track activity and status. In addition, many are invested in other entities, creating dependencies on K 1s that can delay completion of the year end close.

YE Close Time %



YE Close by Sector %



Year-End Accounting Essentials

Strategies for Accurate Returns

Year-End Planning Strategies

There are several strategies that can help small businesses have an efficient year-end close:

Review Profit & Loss Statements

Businesses should compare actuals to budgets or prior-year figures to identify variances. Misclassifications in revenue recognition or expense categorization should be corrected to help ensure accurate reporting. Key accounts to review include revenue, repairs and maintenance, office supplies, and miscellaneous expenses.

Manage Prepaid & Accrued Expenses

Prepaid expenses, such as insurance premiums and software subscriptions, should be amortized appropriately. Accrued expenses, including salaries, interest, and utilities, should be reviewed for accuracy and completeness. Proper documentation is essential for audit readiness.

Establish a Structured Schedule

A well-organized schedule is crucial for a successful year-end close. Businesses should identify all tasks, assign clear ownership, and conduct regular check-ins.

Conduct Additional Year-End Checks

Review bank reconciliations, accounts receivable (AR), and accounts payable (AP). Stale items in bank accounts should be investigated, and unclaimed property requirements should be addressed. AR and AP items older than 90 days should be reviewed to identify potential write-offs or misclassifications.

Prepare for 1099s & W-2s

Businesses should collect and verify W-9 forms from vendors and ensure proper classification of vendors and accounts. The IRS requires electronic filing for more than 10 informational returns, and businesses must obtain a TCC code for compliance. For W-2s, fringe benefits like health insurance and auto usage should be accounted for before the final payroll of the year.

Leverage Communication & Collaboration

Effective communication with internal teams and external advisors is crucial. Establishing timelines, documenting decisions, and maintaining transparency can help prevent delays.

Utilize Tools & Templates

Tools can simplify tasks like filing 1099s and managing schedules.

Applying these strategies can help businesses reduce stress, improve accuracy, and ensure compliance. Forvis Mazars is here to help make a simpler, more streamlined year-end close process possible for your business.

“Year-end planning isn’t just about meeting deadlines. It’s about setting your business up for success in the new year.”

Melissa Sharp
Director, Forvis Mazars

Overtime, Tips, Tax, & Tech-Driven Strategies

Stacey Atchison, Jane-Ellis Griggs,
Devin Tenney, & Audrey Falcou

Businesses of all types and sizes were affected by legislative changes in the *One Big Beautiful Bill Act (OB3)* passed into law last year. In light of the updates, we chose to spend more time connecting with participants in an additional webinar focused on year-end activities.

Attendees heard from a variety of professionals with diverse skill sets, including a representative from our Washington National Tax Office, a tax managing director with more than 25 years of experience providing tax and accounting services, an outsourced accounting professional who focuses on international clients, and a certified Sage Intacct accounting specialist.

We sought to help participants prepare for reporting deadlines and regulatory requirements with confidence, including an update on the new no tax on tips and overtime deductions resulting from the OB3.



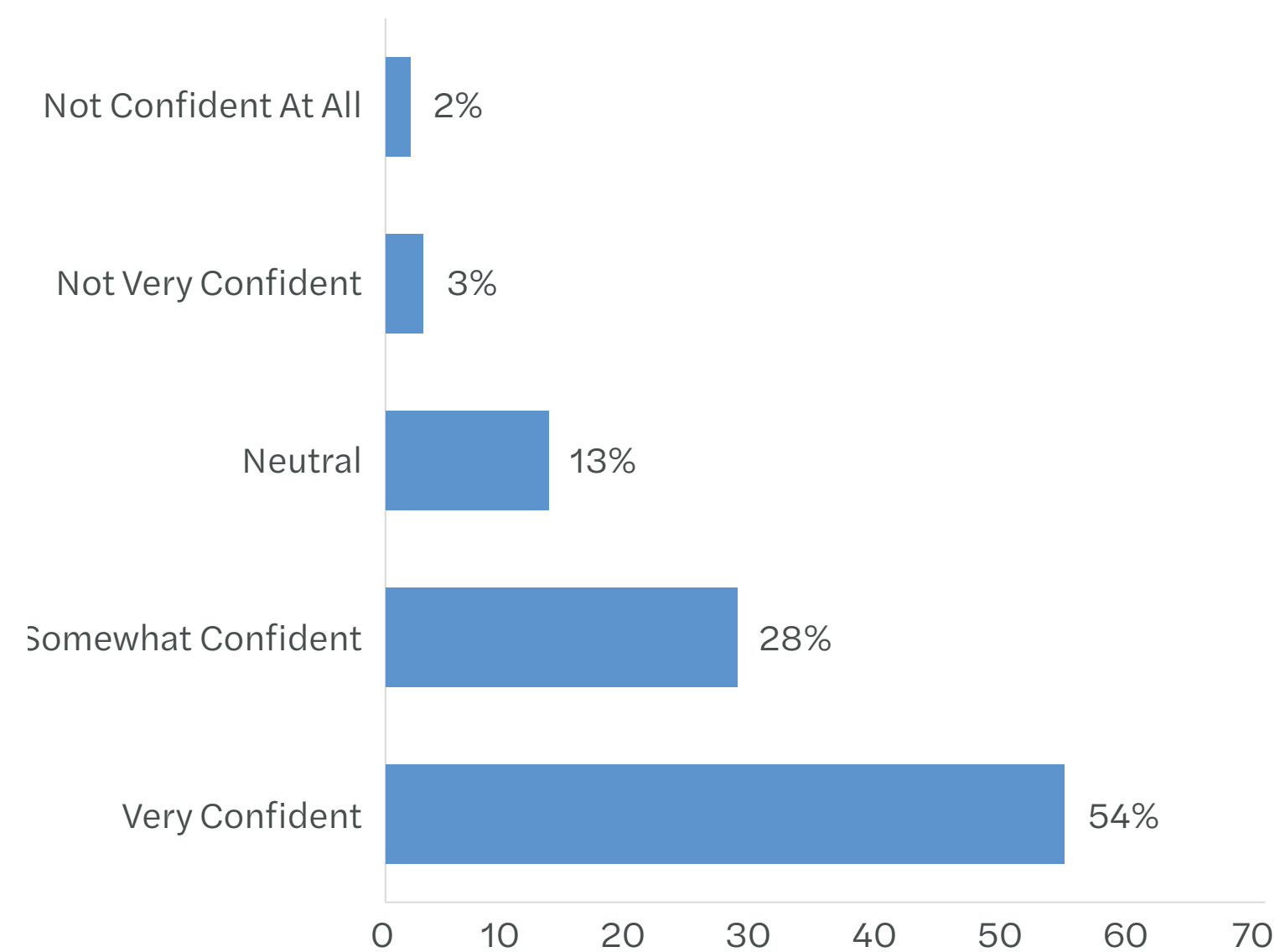
Overtime, Tips, Tax, & Tech-Driven Strategies

Year-End Reporting Confidence

In our webinar, participants were asked how confident they were in their organization’s ability to meet year-end reporting deadlines. More than half responded they were very confident they could meet the deadline.

When examined by sector, responses show Nonprofit, Education, & Public Sector has the highest “Not confident” rate at 10%, which is about double the overall average of about 4.9% and more than twice the average of other sectors (roughly 4.3%).

YE Deadline Confidence %



Many organizations in this sector operate with lean accounting teams, tight budgets, and limited access to specialized technology or advisory support, making year-end processes more strenuous. In addition, unlike for-profit entities, these organizations often face greater reporting complexity, which can add layers of reconciliation and disclosure at year-end. Also, the nonprofit landscape has been very dynamic over the past year, with governmental funding rate cuts and funding uncertainty impacting financial analysis, board communication, and disclosure at year-end.

| Sector | Not Confident | Neutral | Confident |
|--|---------------|---------|-----------|
| Consumer & Logistics | 6.25 | 12.50 | 81.25 |
| Financial Services | 3.90 | 14.29 | 81.82 |
| Healthcare | 3.03 | 9.09 | 87.88 |
| Infrastructure | 2.63 | 7.89 | 89.47 |
| Manufacturing | 3.33 | 13.33 | 83.33 |
| Nonprofit, Education, & Public Sector | 10.00 | 11.67 | 78.33 |
| Other | 5.56 | 11.11 | 83.33 |
| Real Estate | 4.55 | 18.18 | 77.27 |
| Technology, Media, Telecom, & Services | 4.88 | 14.63 | 80.49 |



Nonprofit, Education, & Public Sector’s “Not confident” rate



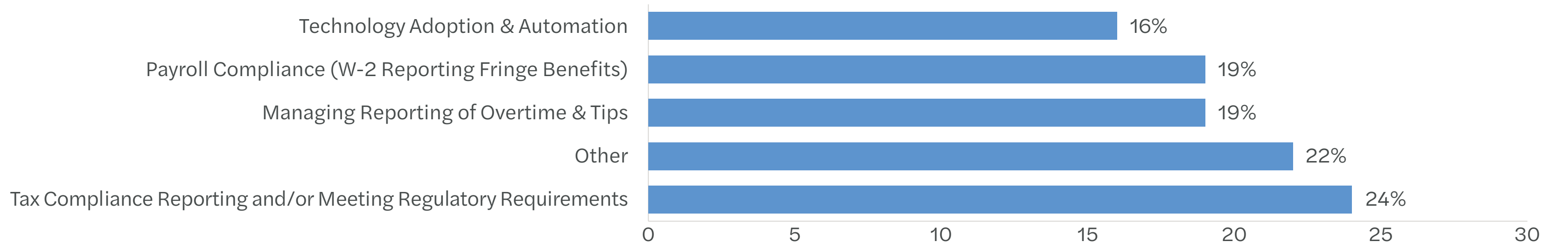
Overtime, Tips, Tax, & Tech-Driven Strategies

When considering the challenges that could impact year-end close this year, tax compliance reporting and/or meeting regulatory requirements was the top answer (24%).

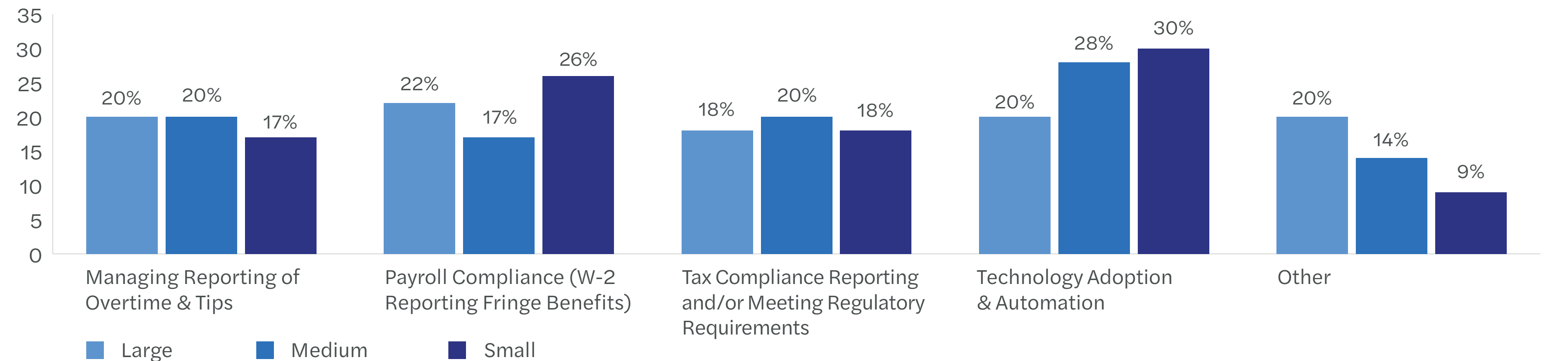
Regarding company size, medium and small companies both chose technology adoption and automation as the biggest challenge, while large companies did not appear to have a singular “biggest” challenge. Our team observed that this

contrast could point to maturity differences because smaller organizations are often in transition as they outgrow manual processes or entry-level systems. In addition, when a small team has many duties, learning a new system competes with daily operations. Challenges are not absent for large companies; they are just more evenly distributed. Large companies may have moved beyond the adoption of technology to deal with integration, governance, and scale complexity.

Year-End Close Challenges



YE Close Challenges by Company Size % of Responses



Overtime, Tips, Tax, & Tech-Driven Strategies

No Tax on Tips & Overtime

The no tax on tips or overtime provisions introduced by the OB3 have created compliance challenges for employers. Retroactive to January 1, 2025, certain tips and overtime wages may be deductible for income tax purposes but remain subject to employment taxes.

Deductible tips, known as qualified tips, must be voluntary and exclude mandatory service fees. Employers must carefully track and report qualified tips, including those from tip-sharing arrangements, and comply with U.S. Department of the Treasury occupation codes for tipped employees. Qualified tips are limited to \$25,000 for single and joint filers, regardless of filing status.

Deductible overtime, known as qualified overtime, is limited to overtime required under the *Fair Labor Standards Act* (FLSA), with state-mandated or union-negotiated overtime excluded from the deduction. Employers must separate FLSA-required overtime from other overtime payments for accurate reporting. Overtime deductions are limited to \$12,500 for single filers and \$25,000 for joint filers.

Q Do employers have reporting requirements for 2026 through 2028?

A Yes. For 2025, employers were not required to report the payment of qualified tips or overtime to employees. That relief, however, was only applicable to 2025. For 2026 through 2028, employers will be required to report an accurate amount of qualified tips and overtime on Forms W-2 or 1099, where applicable.

Q Where can I find more information on the no tax on tips and overtime rules?

A Helpful information can be found at:

[No Tax on Overtime: What Employers Need to Know Now for 2025 Reporting](#)

[No Tax on Tips: What Employers Need to Know Now for 2025 Reporting](#)



Overtime, Tips, Tax, & Tech-Driven Strategies

Fringe Benefits

The webinar highlighted key considerations for taxable and nontaxable fringe benefits. Taxable fringe benefits include S corporation health insurance premiums for shareholders owning more than 2%, which must be included in W-2 wages for federal and state income taxes but are exempt from Social Security and Medicare taxes. Employers should report these amounts in Box 1 and Box 16 of the W-2, with details in Box 14 to assist employees with tax preparation.

Another taxable benefit is the personal use of a company car, which is subject to all payroll taxes, including federal and state income tax, Social Security, Medicare, and unemployment taxes. Employers are advised to calculate and include this benefit throughout the year to avoid a large year-end adjustment.

Nontaxable fringe benefits include de minimis benefits such as coffee, donuts, occasional office parties, and event tickets. However, season tickets and all cash or cash equivalents, like gift cards, are always taxable. Employers must comply with IRS

guidelines, such as those outlined in Publication 15-B, which provides detailed examples and calculations for fringe benefits. New for 2026, the dependent care assistance exclusion increases to \$7,500 annually, and the \$5,250 educational assistance exclusion, including student loan payments, is permanently extended, provided a formal education assistance plan is in place.

For more information, view our **FORsights™** articles, “[Fringe Benefit Considerations for Small Businesses](#)” and “[Convenience Meals No More: IRC Section 274\(o\) Updates.](#)”

Overtime, Tips, Tax, & Tech-Driven Strategies

Leveraging Technology for a Smooth Year-End

The webinar offered tips or best practices for using the following technology:

QuickBooks Online (QBO)

Use the “Close the Books” feature to help secure your financial data. Navigate to the gear icon, select “Account and Settings,” and set a closing date under the “Advanced” section. Enable a password requirement to help prevent unauthorized changes to prior periods.

Xero

Leverage the fixed asset module to help streamline asset tracking and depreciation. This feature records purchase dates, calculates depreciation, and automatically books depreciation entries, helping save time and provide accurate fixed asset management. In addition, Xero allows for customized management reporting, enabling tailored P&L, balance sheet, and cash flow reports aligned with management needs. Bank and cash reconciliations can be automated through bank feeds and reconciliation rules, which can significantly reduce manual effort and improve accuracy. Finally, regular P&L reviews can be streamlined by using tracking categories, comparative periods, and budget-to-actual views to quickly identify variances and performance trends.


Sage Intacct

Create a year-end dashboard to monitor the close process. Include components such as the “Close Through Summary” for entity status, an “Unposted Journal Entry Report” to track pending entries, and a 1099 report for quick access to vendor data. This helps centralize key information for efficient year-end management.

NetSuite

Utilize the “Period Close Checklist” to assist with a guided and structured year-end close. This tool makes sure necessary steps are completed, and the automatic close option eliminates the need for manual journal entries to roll income into retained earnings, helping to simplify the process.

As reporting requirements evolve and new rules emerge, confidence comes from preparation. Leveraging the right technologies and understanding regulatory updates like no tax on tips and overtime deductions can help organizations stay compliant, meet deadlines, and focus on what’s next rather than what’s overdue.



“The vision of a continuous close is shared across cloud accounting platforms, eliminating the scramble at year-end. While we’re making progress, there are still important steps organizations need to plan for today.”

Jane-Ellis Griggs

Managing Director, Forvis Mazars

Conclusion

Thank you for reviewing our 2026 Small to Midsize Business Report.

As the business environment continues to evolve, the OAS team at Forvis Mazars stands ready to consult and collaborate with your SMB. Our experience with your size, revenue, and resources can benefit your team as you adapt your strategy for strategic growth. We can help guide clients through the complexities of financial management for SMBs, including:

Financial Reporting

Using clear data and insights to make effective decisions around planning, budgeting and regulatory compliance.

Legislative Developments

Our deep bench strength provides access to resources like our Washington National Tax Office to help your business understand complicated legislative developments, including provisions introduced by the OB3.

Leveraging Technology

Streamlining close processes with helpful features like dashboards, checklists, and customized management reporting.

Safeguarding Your Business Against Fraud

Navigating emerging technologies to help detect new threats and gauging strategies to enhance internal controls.

Accurate Year-End Accounting

Reducing last-minute stress through proactive planning and strategies to help improve efficiency.

For more information on how OAS can help your business, please reach out to a professional at Forvis Mazars.

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