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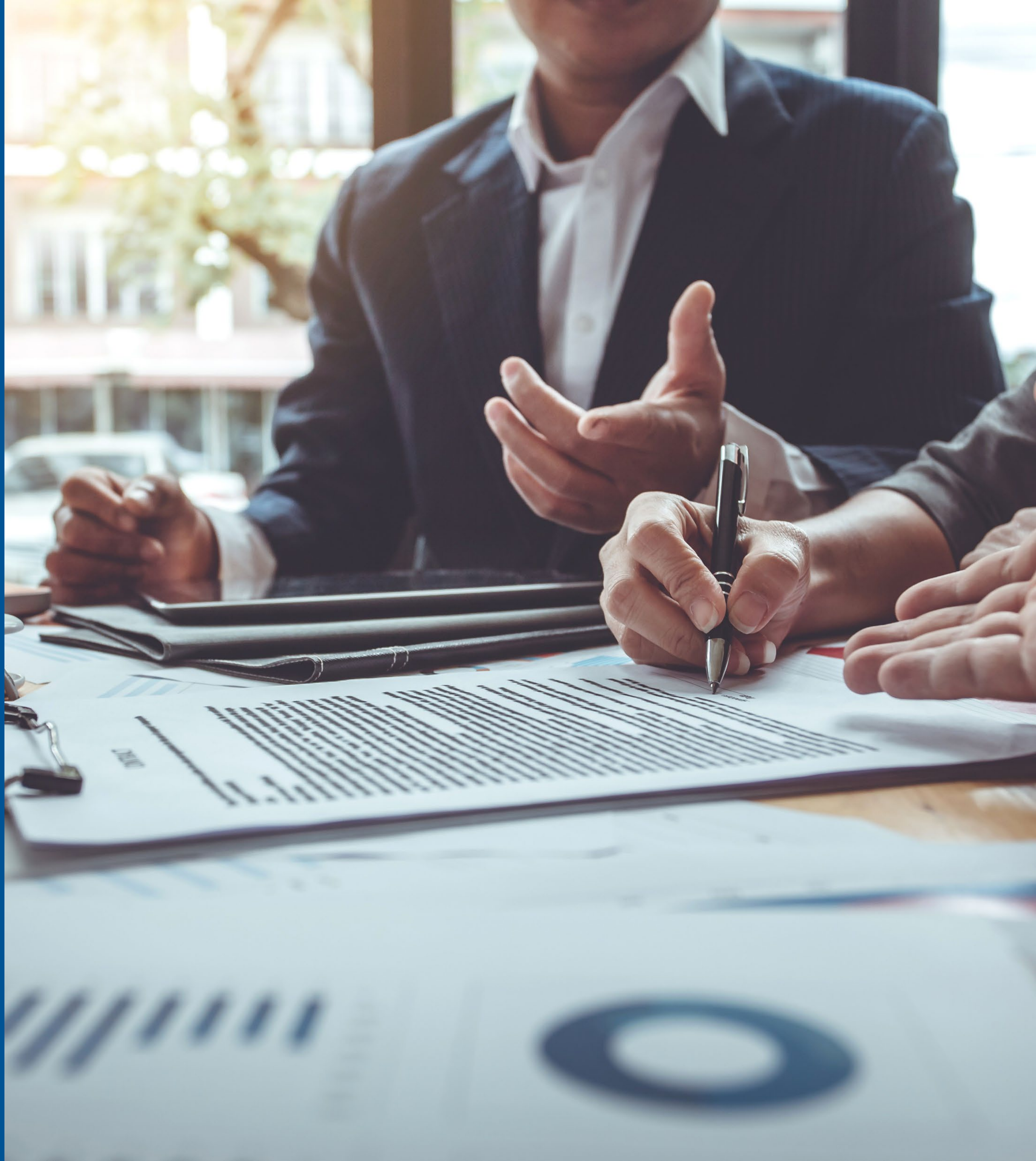
Unlocking Success: Your Key to the Evolving Tax Landscape

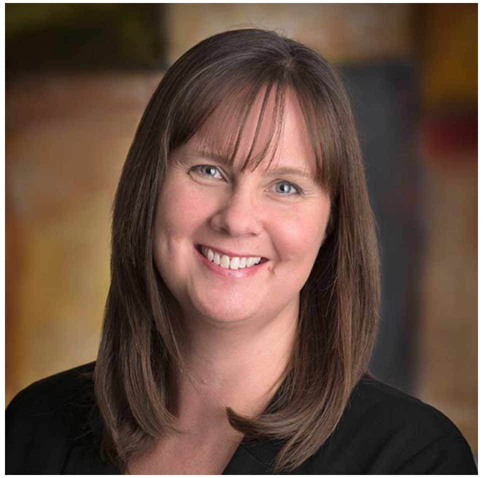


Agenda

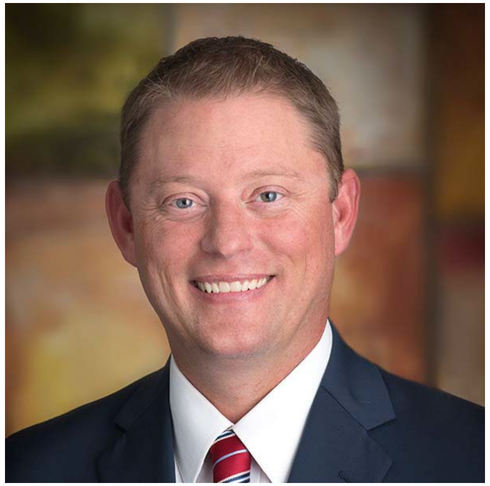
- Sunset provisions
- Valuation based planning
- Estate Tax Planning
- Sales Tax Nexus and Compliance – post Wayfair
- Pass-through entities

Today's Speakers

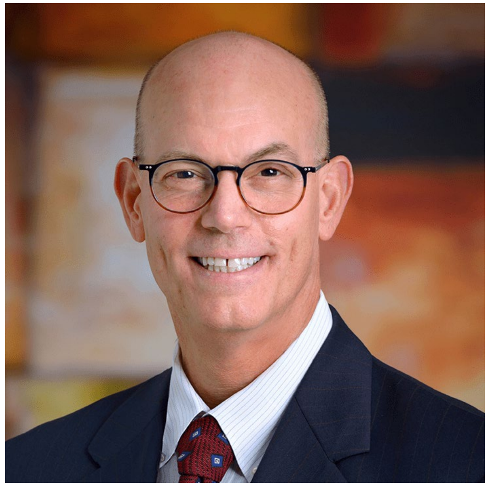
Dave Phelps, CPA



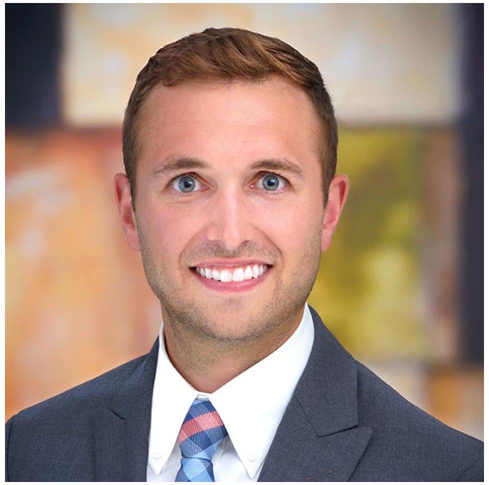
Ellen Juram, CPA



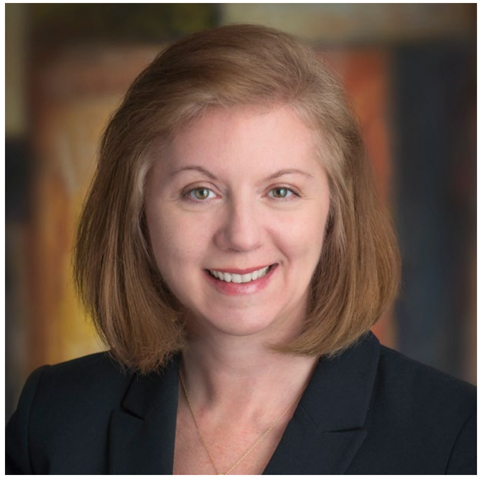
Scott Cress, CPA, CVA, CM&AA



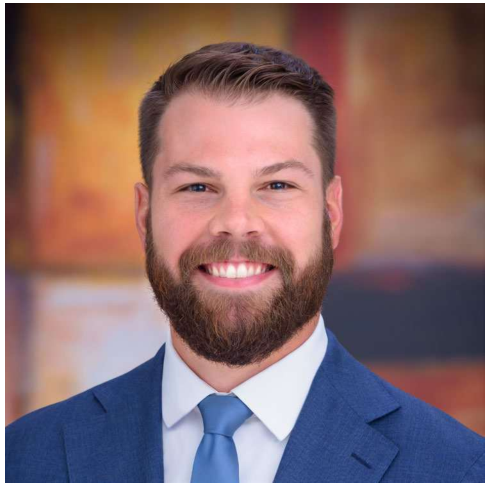
Andy J. Bertke, CPA/PFS, MBA, CFF



Mark Hamad, CPA

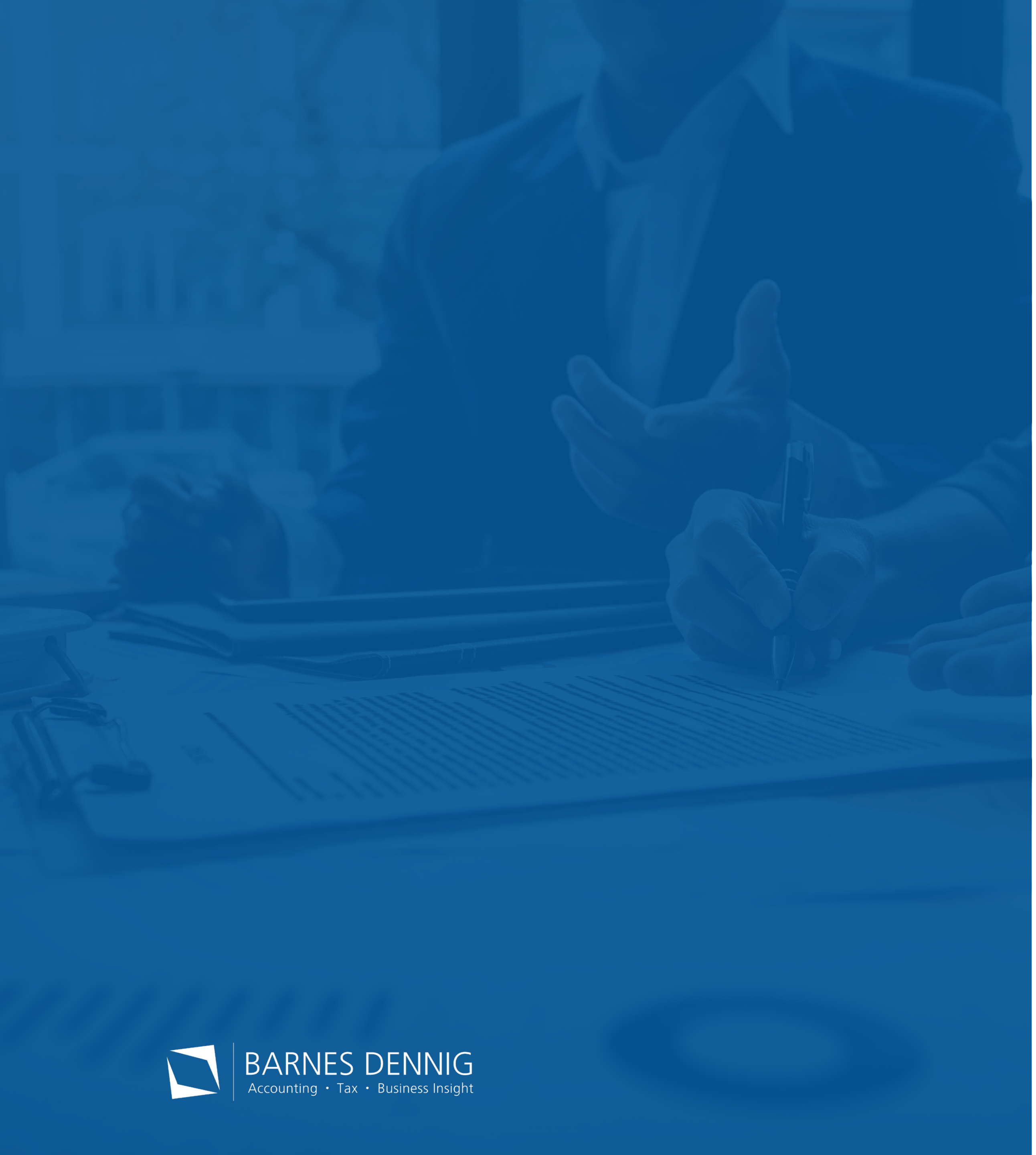


Cheryl Ganim, CPA

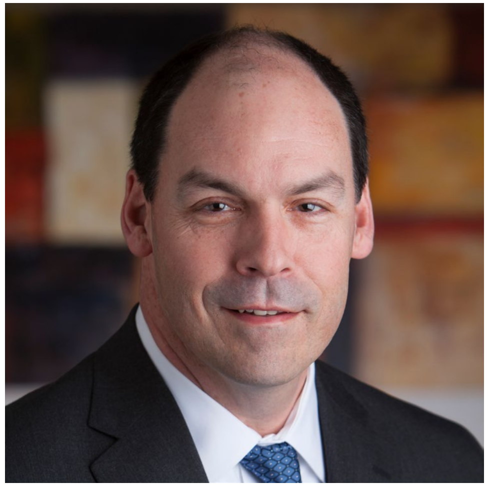


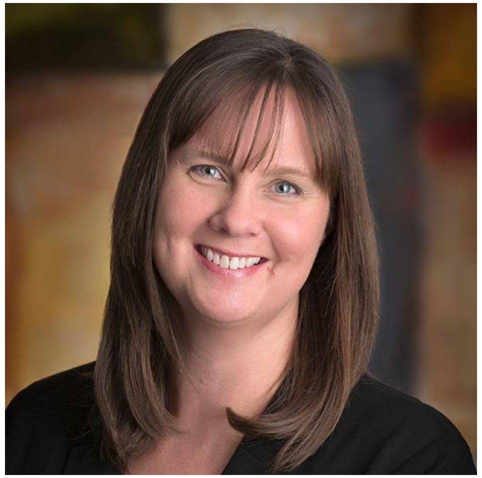
Nick Pennekamp , CPA

Poll Question



Sunsetting Tax Provisions





Tax Cut and Jobs Act

- TCJA was signed into law by President Trump on December 22, 2017.
- Arguably the most significant overhaul of the US tax code since 1986
- Enacted provisions ranged from, permanent to expiring to planned changes in rates/application.
  - Reduced the corporate tax rate from 35% to 21%
  - Significant reform on international tax provisions
  - Expanded Interest Deduction limitations
  - Bonus Depreciation
  - Provided for Qualified Business Income Deduction from pass-through entities
  - Adjusted individual income tax brackets and rates, generally lowering them
  - Increased the standard deduction and eliminated the personal exemption for individual returns
  - Several itemized deductions were limited or eliminated, including the state and local tax deduction – capped at $10,000

Congressional Budget Office Update

By the numbers….

- The projected federal budget deficit for this fiscal year is $1.9 trillion which will be 7% of GDP in 2024
- By late 2034, the federal debt will top $50 trillion, nearly twice what it was last year.
- In 2034, the government is on track to spend more than 40% of all individual income tax on interest on the debt.

(And that is ***without*** extending the 2017 Tax Cut and Jobs Act Provisions)

- According to recent CBO estimates, extending the individual tax cuts a few corporate provisions would lower revenue projections by approximately $4.4 trillion over the next decade and increase interest costs by roughly $600 billion.

For context, that would mean that in 2034 more than half of all the federal individual income taxes would be needed to pay interest on the exploding debt.

Congressional Budget Office: An Update to the Budget and Economic Outlook: 2024-2034 June 2024

CBO Budget Outlook

The Budget Outlook, by Fiscal Year

	Average, 1974–2023	Percentage of GDP: Actual, 2023	2024	2025	2034	Billions of dollars: Actual, 2023	2024	2025	2034
Revenues	**17.3**	**16.5**	**17.2**	**17.0**	**18.0**	**4,441**	**4,890**	**5,038**	**7,459**
Individual income taxes	8.0	8.1	8.6	8.6	9.7	2,176	2,447	2,550	4,021
Payroll taxes	6.0	6.0	5.9	5.8	5.9	1,614	1,678	1,737	2,455
Corporate income taxes	1.8	1.6	1.8	1.6	1.2	420	525	490	507
Other	1.5	0.9	0.8	0.9	1.2	230	239	260	476
Outlays	**21.0**	**22.7**	**24.2**	**23.5**	**24.9**	**6,123**	**6,880**	**6,975**	**10,305**
Mandatory	11.0	13.9	14.7	13.9	15.3	3,747	4,191	4,127	6,336
Social Security	4.4	5.0	5.1	5.2	6.0	1,348	1,452	1,549	2,478
Major health care programs	3.4	5.8	5.8	5.7	6.8	1,556	1,654	1,690	2,821
Medicare	2.1	3.1	3.2	3.1	4.2	832	903	935	1,735
Medicaid, CHIP, and marketplace subsidies	1.3	2.7	2.6	2.5	2.6	724	750	755	1,086
Other mandatory	3.2	3.1	3.8	3.0	2.5	843	1,086	889	1,037
Discretionary	8.0	6.4	6.3	6.2	5.5	1,719	1,797	1,832	2,259
Defense	4.2	3.0	3.0	3.0	2.8	806	849	905	1,144
Nondefense	3.7	3.4	3.3	3.1	2.7	913	948	928	1,115
Net interest	2.1	2.4	3.1	3.4	4.1	658	892	1,016	1,710
Total deficit (-)	**-3.7**	**-6.2**	**-7.0**	**-6.5**	**-6.9**	**-1,683**	**-1,990**	**-1,938**	**-2,846**
Primary deficit (-)	-1.6	-3.8	-3.9	-3.1	-2.7	-1,024	-1,098	-922	-1,136
Debt held by the public at the end of each period	48.3	97.3	99.0	101.6	122.4	26,236	28,178	30,188	50,664

Congressional Budget Office: An Update to the Budget and Economic Outlook: 2024-2034 June 2024

Poll Question

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Sunsetting TCJA Provisions

Notable Provisions affecting individuals

Provision	TCJA Provision	Scheduled Change 2026
Individual income tax rates	7 brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37%; thresholds indexed annually for inflation Bracket threshold for top rate: AGI > $500,000 (for single taxpayers) and $600,000 (for joint filers), effective for 2018 ($609,350/$731,200 apply for 2024; $626,350/$751,600 in 2025)	7 brackets: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%; thresholds indexed annually for inflation Inflation-indexed bracket threshold for top rate in 2017: AGI > $418,400 (single) and $470,700 (joint); would be adjusted for inflation in 2026 and annually thereafter
Individual AMT Exemption	Exemption amounts of $70,300 (single) and $109,400 (joint), indexed annually for inflation ($85,700/$133,300 in 2024; $88,100/$137,000 in 2025) Phase-out for alternative minimum taxable income > $500,000 (single) and $1 million (joint), indexed for inflation ($609,350/$1,218,700 for 2024; $626,350/$1,252,700 for 2025)	Inflation-indexed exemption amounts in 2017: $54,300 (single) and $84,500 (joint); would be adjusted for inflation in 2026 and annually thereafter Inflation-indexed phase-out amounts in 2017: Alternative minimum taxable income > $120,700 (single) and $160,900 (joint); would be adjusted for inflation in 2026 and annually thereafter

Sunsetting TCJA Provisions

Notable Provisions affecting individuals

Provision	TCJA Provision	Scheduled Change 2026
Standard Deduction	$12,000 (single) and $24,000 (joint), indexed for inflation ($14,600/$29,200 for 2024; $15,000/$30,000 for 2025)	Inflation-indexed deduction amounts in 2017: $6,350 (single) and $12,700 (joint filers); would be adjusted for inflation in 2026 and annually thereafter
Deduction for State & Local Taxes (SALT)	SALT deduction capped at $10,000	Unlimited SALT deduction restored
Misc itemized deductions: 2% floor	Misc itemized deductions (i.e. investment fees) repealed through 2025	Misc deductions restored, subject to pre-TCJA 2% of AGI floor
Limitation on itemized deductions	3% "Pease" limitation on itemized deductions repealed through 2025	3% Pease limitation restored. Inflation-indexed limitation thresholds in 2017: AGI > $261,500 (single) and $313,800 (joint); would be adjusted for inflation in 2026 and annually thereafter

Sunsetting TCJA Provisions

Notable Provisions affecting individuals

Provision	TCJA Provision	Scheduled Change 2026
Deduction for personal exemptions	Personal exemption repealed through 2025	Personal exemption restored Inflation-indexed exemption amount for 2017: $4,050 per household member; would be adjusted in 2026 and annually thereafter Inflation-indexed exemption phase-out thresholds for 2017: AGI > $261,500 (single) and $313,800 (joint); would be adjusted in 2026 and annually thereafter
Child Tax Credit	$2,000 credit per child under age 17 and $500 per nonchild dependent; phased out for AGI > $400,000 (joint) and $200,000 (all other filers); credit and phase-out amounts not indexed for inflation Maximum refundable credit: $1,400 per child, indexed annually for inflation ($1,700 for 2024 and 2025); credit for nonchild dependent is nonrefundable	$1,000 credit per child under age 17; phased out for AGI > $75,000 for single taxpayers and $110,000 for joint filers; credit and phase-out amounts not indexed for inflation Maximum refundable credit: $1,000 (not indexed for inflation) No credit for nonchild dependents

Sunsetting TCJA Provisions

Notable Provisions affecting individuals

Provision	Provision	Provision
Deduction for Qualified residence interest, suspension for home equity interest	Percentage on cash contributions to public charities	Estate and gift tax exemption amounts
Limitation on wagering losses	Deduction for unreimbursed employment related moving expenses	Combat zone tax benefits for members of the Armed Forces in the Sinai Peninsula
Deduction for noncompensated personal casualty losses	ABLE account changes	

Sunsetting TCJA Provisions

Notable Provisions affecting pass-through entities

Provision	TCJA Provision	Scheduled Change 2026
Qualified business income deduction	20% deduction for domestic business profits, subject to certain limitations	Deduction repealed. Pass-through income taxes at taxpayer's individual rate.

Sunsetting TCJA Provisions

Notable Provisions affecting business

Provision	TCJA Provision	Scheduled Change 2026
Base erosion and anti-abuse tax (BEAT)	10% BEAT rate applies through 2025	BEAT rate increases to 12.5%
Deduction percentage for global intangible low-taxed income (GILTI)	50% GILTI deduction, for effective tax rate of 10.5-13.125%	Deduction reduced to 37.5%, for effective tax rate of 13.125-16.4%
Deduction percentage for foreign-derived intangible income (FDII)	FDII deduction of 37.5%, for effective tax rate of 13.125%	FDII deduction reduced to 21.875%, for effective tax rate of 16.406%

Trump Tax Proposals – Campaign Trail

- Making the individual TCJA expirations permanent except for the cap on SALT (effective January 1, 2026)
    - Rates and brackets
    - Standard Deduction
    - Personal exemption
    - Child tax credit and other dependent tax credit
    - Limitations on itemized deductions (excluding SALT) and elimination of Pease limitation
    - AMT changes
    - Section 199A pass-through deduction and noncorporate loss limitation
- Making the TCJA estate tax changes permanent (effective January 1, 2026)
- Restoring the TCJA business tax provisions (effective January 1, 2026)
    - 100 percent bonus depreciation
    - R&D expensing
    - EBITDA-based interest limitation
- Reinstituting the domestic production activities deduction (DPAD) at 28.5 percent to lower the effective corporate tax rate for domestic production to 15 percent

Trump Tax Proposals – Campaign Trail

- Exempting tips from income taxes
- Exempting Social Security benefits from income taxes
- Exempting overtime pay from income taxes
- Creating an itemized deduction for auto loan interest
- Eliminating the green energy subsidies in the Inflation Reduction Act (IRA)
- Raising current Section 301 tariffs on China to 60 percent
- Imposing a universal tariff on all US imports of 20 percent
- Foreign retaliation of 10 percent on all US exports plus additional in-kind tariffs on US exports to China

Tax Foundation
https://taxfoundation.org/research/all/federal/donald-trump-tax-plan-2024/

Trump Tax Proposals – Campaign Trail

Donald Trump Tax Plan 2024: Details & Analysis											
Provision	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2025 - 2034**
Individual TCJA Permanence	0.00	(319.40)	(343.20)	(353.10)	(362.60)	(375.60)	(390.70)	(407.20)	(410.90)	(429.50)	(3,392.10)
Restore Full Deduction for SALT	0.00	(98.30)	(106.40)	(109.10)	(112.20)	(115.50)	(118.30)	(121.50)	(127.40)	(131.80)	(1,040.50)
TCJA Estate Tax	0.00	(13.70)	(19.50)	(20.80)	(21.70)	(23.00)	(24.40)	(25.70)	(27.50)	(29.20)	(205.60)
TCJA Business	0.00	(138.20)	(120.50)	(94.90)	(73.30)	(54.70)	(44.90)	(40.30)	(39.20)	(37.00)	(643.00)
Exempt Social Security Benefits from Income Tax	(95.20)	(96.00)	(105.80)	(110.70)	(116.60)	(122.80)	(128.80)	(135.10)	(135.50)	(142.60)	(1,189.10)
Exempt Overtime Pay from Income Tax	(65.10)	(64.00)	(69.20)	(70.90)	(73.50)	(76.00)	(78.40)	(80.70)	(83.20)	(86.60)	(747.60)
Exempt Tips from Income Tax	(10.20)	(10.60)	(11.00)	(11.50)	(11.90)	(11.70)	(12.10)	(12.50)	(13.00)	(13.50)	(118.00)
Create an Itemized Deduction for Auto Loan Interest	(5.30)	(5.50)	(5.60)	(5.80)	(6.00)	(6.20)	(6.40)	(6.60)	(6.80)	(7.00)	(61.00)
Lower Corporate Rate to 15% for Domestic Production Activities	(47.80)	(25.80)	(28.50)	(31.40)	(31.40)	(35.00)	(36.60)	(38.80)	(41.40)	(44.80)	(361.40)
	(223.60)	(771.50)	(809.70)	(808.20)	(809.20)	(820.50)	(840.60)	(868.40)	(884.90)	(922.00)	(7,758.30)
Repeal IRA Green Energy Tax Credits	69.10	80.90	96.90	107.80	108.60	115.00	104.60	95.10	77.20	65.80	921.10
Impose a Universal 20% Tariff on All Imports Plus Additional 50%	318.30	331.10	346.20	360.90	374.70	388.80	403.20	418.30	433.50	448.90	3,823.90
	387.40	412.00	443.10	468.70	483.30	503.80	507.80	513.40	510.70	514.70	4,745.00
Conventional Total	163.90	(359.50)	(366.70)	(339.40)	(325.90)	(316.60)	(332.70)	(354.90)	(374.20)	(407.30)	(3,013.30)
Dynamic Total	126.60	(329.60)	(326.40)	(291.70)	(273.30)	(257.20)	(266.50)	(282.30)	(294.10)	(321.50)	(2,515.90)

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Tax Foundation
https://taxfoundation.org/research/all/federal/donald-trump-tax-plan-2024/

Additional Provisions to watch

- Bonus Depreciation

  The TCJA provided for 100% expensing that began to be phased in 20% increments beginning in 2023. Bi-partisan proposals and support from Trump on restoring the 100% expensing.

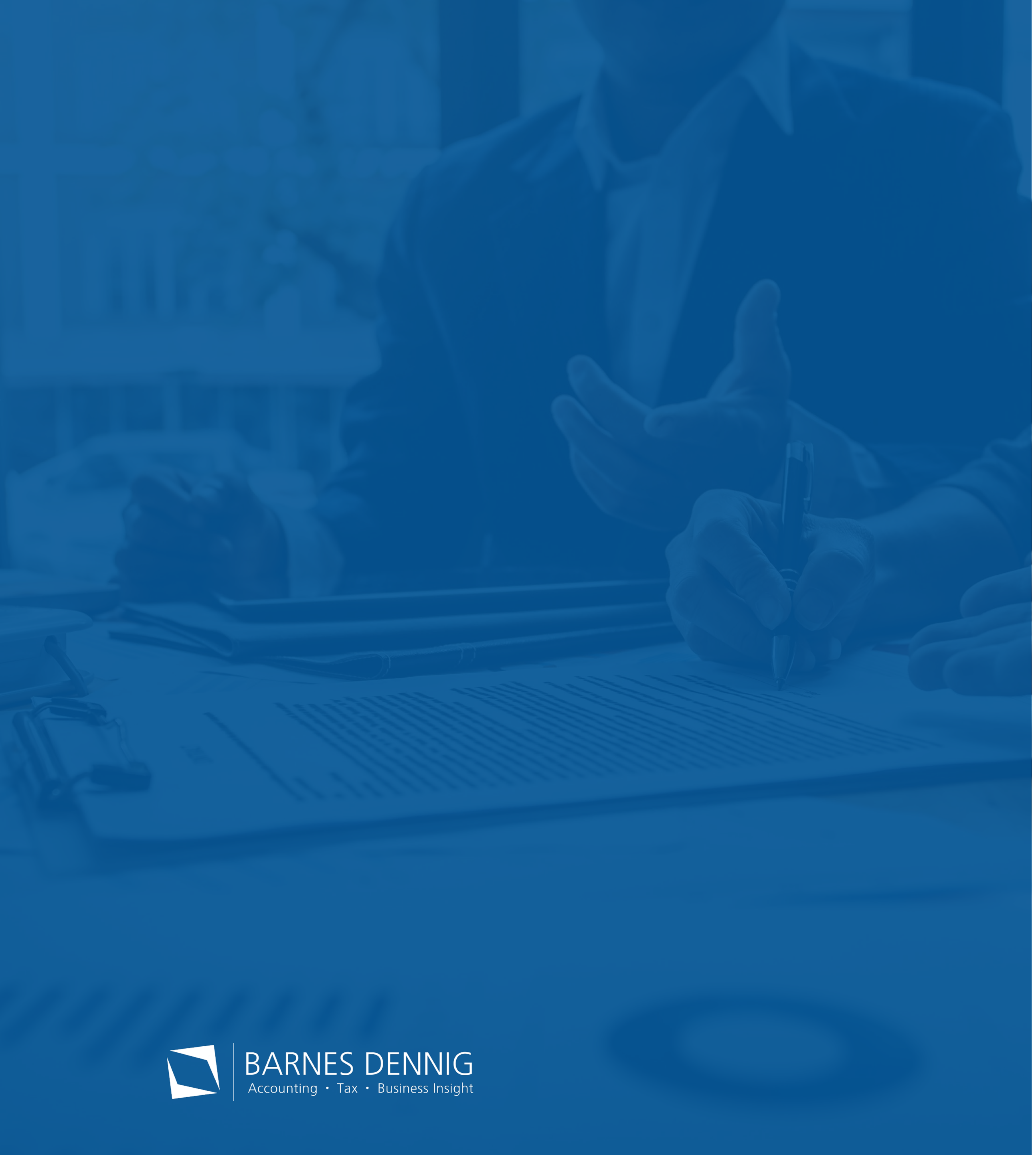
- Research Expenses

  TCJA provided for capitalization of R&D expenditures paid or incurred in taxable years beginning after December 31, 2021. US expenditures are capitalized over 5 years and 15years for non-US expenses. Bi-partisan proposals and support to eliminate this provision.

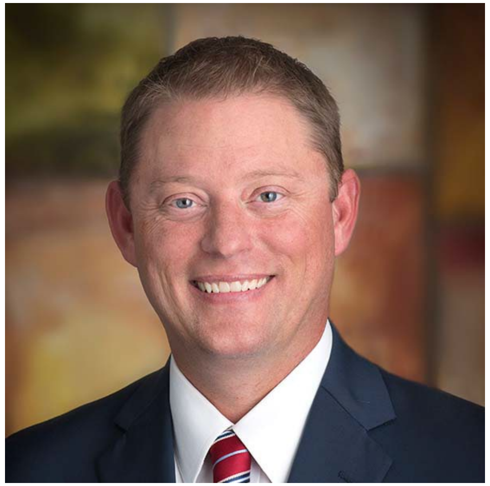
Pillar II

- The goal of Pillar II is to impose at a minimum 15% tax rate on multinational entities.
- BEPs 2.0 had support from the Biden administration
- Pillar II not widely supported by republicans

Poll Question



Valuation for Ownership Transfer and Succession Planning



Key Topics

- Private Company Value
- Transfer / Exit Channels
- M&A Market Update

Basic Value Formula

- PV (Benefit Stream @ Risk Rate) = VALUE

OR

- Benefit Stream times the Multiple

  (EBITDA times an acquisition multiple)

- What's the benefit stream?

  Different in each Transfer Channel, and with each Buyer

- What's the risk expectation (ROI)?

  Different in each Transfer Channel, and with each Buyer

Valuation Methods

- Income Approach – most often used
  - Single period methods – i.e. capitalization of earnings
  - Multi-period methods – discounted cash flow
- Market Approach
  - Guideline Public Company Method
  - Guideline Transaction Method
- Asset Approach
  - Financial Assets, Inventory, Equipment, Real Estate, Intangible Assets

Transfer / Exit Channels

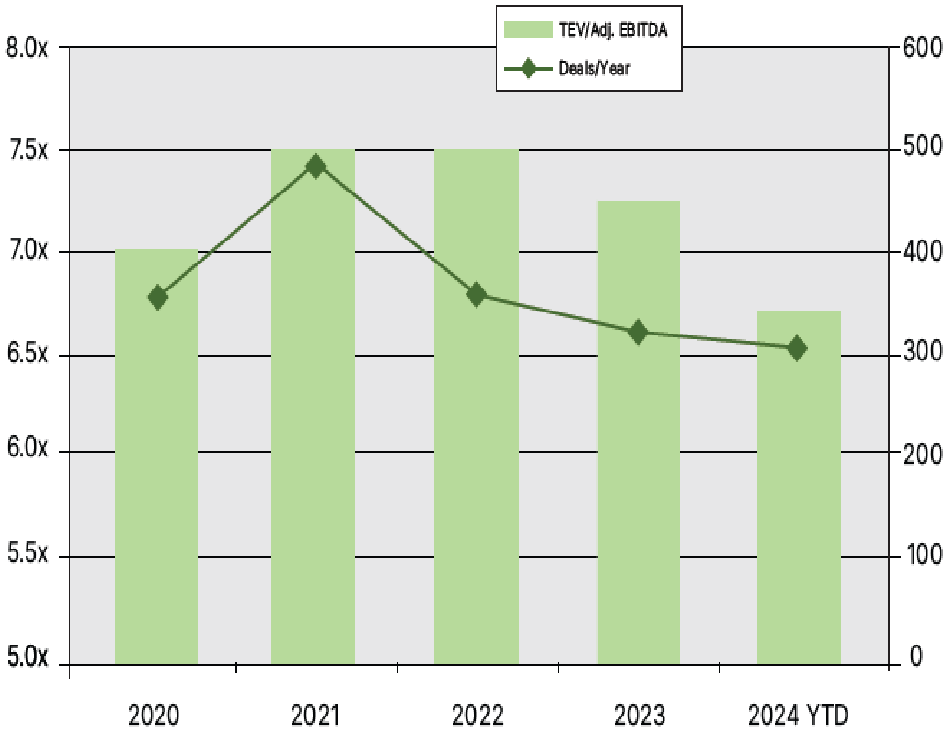
- Owner Transfer Motives:
  - Create a family legacy
  - Diversify estate
  - See their “baby” thrive
  - Change lifestyle
  - Empower employees
  - Benefit their community
  - Maximize value (Is this always #1?)

Exit (Transfer) Channels

- Defined: The possible ways or methods to transfer a private business interest
- Motive selects a channel (e.g. Strategic Buyer, Financial Buyer or Related Buyer Channel)
- Transfer Channels determine the value
- Each channel rewards different Value Drivers

GF DATA – May 2024

AVERAGE MULTIPLES AND DEAL VOLUME

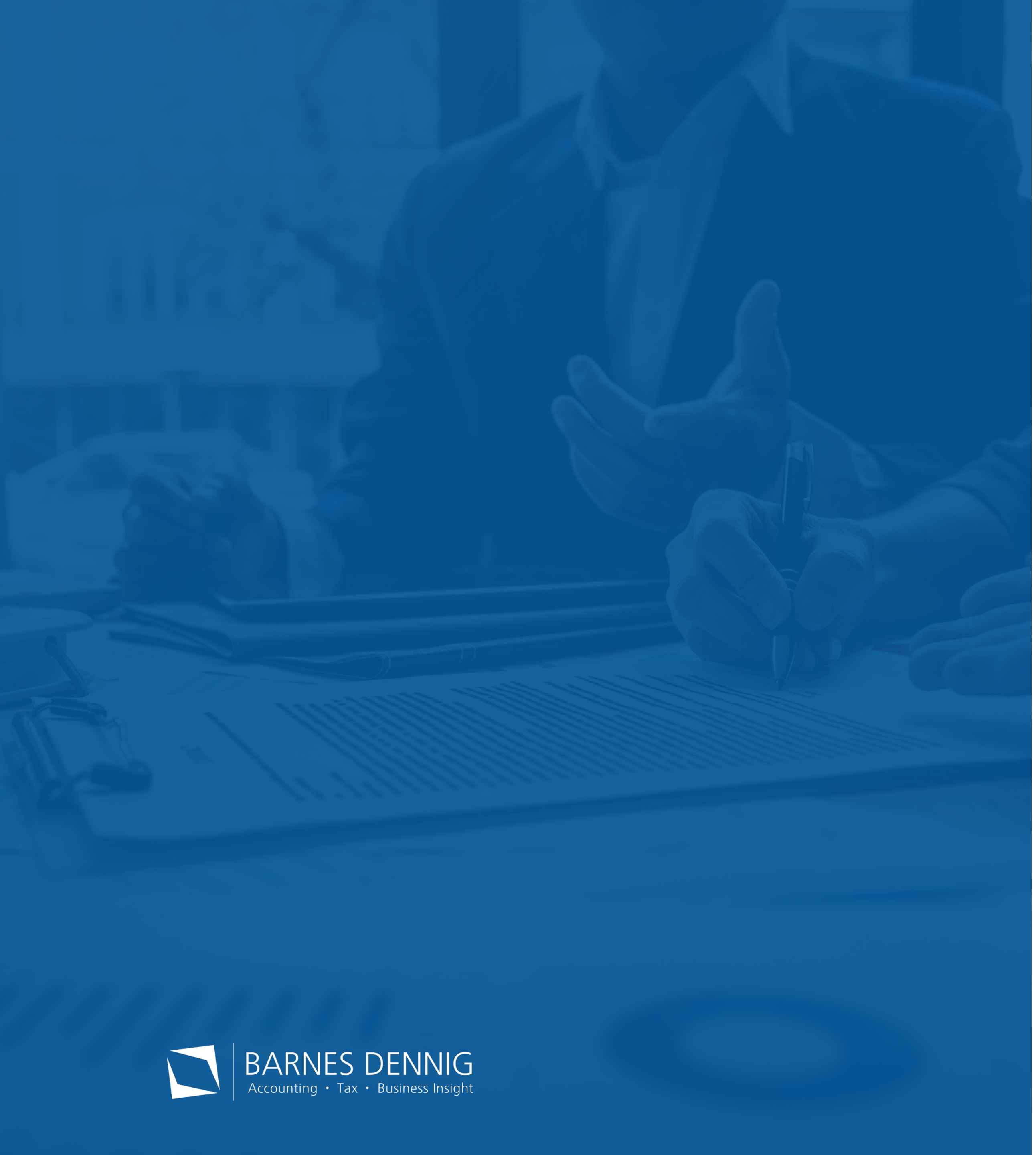


2024 is annualized.

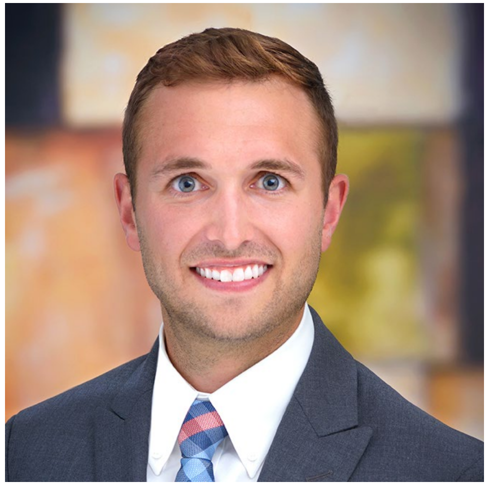
TOTAL ENTERPRISE VALUE (TEV)/EBITDA

TEV	2003 -2019	2020	2021	2022	2023	YTD 2024
10-25	5.8	5.9	6.1	6.4	6.0	6.3
25-50	6.5	6.7	7.2	7.0	7.0	6.0
50-100	7.5	8.0	8.3	8.5	8.0	8.2
100-250	8.2	8.7	9.3	9.1	9.6	8.3
250 - 500	9.0	10.4	10.9	10.1	10.7	6.8
Total	6.6	7.0	7.6	7.5	7.2	6.6
N =	3611	342	501	333	291	72

Poll Question



Estate Tax Planning



Today's Topics

- Estate Tax & Gifting Overview
- Sunsetting Provisions - Estate focused
- Where is the Estate Tax going?
- Transferring Closely Held Business Interests
- Valuation Discounts
- Estate Tax Planning Strategies
  - Trust Planning
  - Other Estate Tax Planning Ideas

Estate and Gift Tax Overview

- Annual Gift tax exclusion
  - 2024 → $18,000 per recipient ($36,000 per married couple)
  - 2025 → $19,000 per recipient ($38,000 per married couple)
- Estate and gift tax lifetime exclusion
  - 2024 → $13,610,000 per individual
  - 2025 → $13,990,000 per individual
- Currently, the highest estate tax rate is 40%

Staring Down the Sunset

- The Estate Lifetime Exclusion is scheduled to expire or "sunset" on December 31, 2025, unless Congress acts to extend or make it permanent.

- The $13.9M figure will essentially be cut in half, reverting to the 2017 amounts, adjusted for inflation
  - ~$7M or so unless Congress chooses to act

- We do not know what lawmakers will do over the next year, but let's look at some options out there:

What’s going to happen with the Estate Tax?

- **Option #1** – Do nothing. This would allow the 2017 tax law to automatically lapse, reverting to about $7 million for 2026.

- **Option #2** – Keeps things as they currently are, meaning extending the current estate tax exemption.

- **Option #3** – Coming up with some sort of middle ground between the $13.9M and the $7M.

- **Option #4** – Lowering the estate tax rate and/or raising the exemption amount.

- **Option #5** – Eliminating the estate tax altogether. A bill called the “Death Tax Repeal Act” currently floating around, calls for the repeal of the estate tax.

Transferring Closely Held Business Interests

- Gifting privately held business interests can offer significant benefits for estate tax planning
  - Reduction to your taxable estate
  - Future growth appreciates outside of your estate
  - Ability to utilize annual exclusions
  - Locking in the business value today

- Most importantly, gifting privately held business interests allows you to take advantage of valuation discounts
  - Lack of Marketability Discounts
  - Minority Interest Discounts

Valuation Discounts in Estate Tax Planning

- Valuation discounts can have a tremendous impact on business succession and facilitating the transfer of family-owned businesses
  - These discounts are applied to the value of interests in a closely held business
  - Strategic tool used to reduce the taxable value of an estate
  - Used to reduce the value of an overall gift

- Lack of Marketability
  - Referred to as a "liquidity discount"
  - Closely-held businesses are often not easily sold due to the absence of a public market
  - Discount reflects the difficulty and expense involved in selling an interest in a privately held company

- Minority Interest Discounts
  - Also known as a discount for "lack of control"
  - Discount is applied when an individual holds a non-controlling interest in a business

Revocable vs. Irrevocable: What's the Difference?

- Revocable Trusts – Most flexible, can be changed at any time by the grantor.
- Advantages of a Revocable Trust include:
  - Disregarded for income taxes
  - Avoiding Probate Court
  - Maintaining privacy for your financial matters
  - Court challenges
- Revocable Trusts, unlike a will, allows you to avoid probate. Here are three examples of why to avoid probate:
  - Probate can be very expensive
  - Probate can take a long time
  - Probate is public
- Irrevocable are trusts where the governing instrument may not be revoked or changed, even by the grantor. Irrevocable trusts offer great estate tax planning benefits.

Trust Planning Strategies

- Intentionally Defective Grantor Trust (IDGT)

  Grantor transfers assets to an Irrevocable trust. Designed to be “defective” for income tax purposes

- Spousal Lifetime Access Trust (SLAT)

  Assets, such as stocks, cash or other investments are gifted to a trust for the benefit of your spouse

- Grantor Retained Annuity Trust (GRAT)

  “Freeze” strategy on your estate. Grantor receives an annuity payment in the trust

- Qualified Personal Residence Trusts (QPRTs)

  Type of trust designed to remove a personal residence from the grantor’s estate, while continuing to use it

- Irrevocable Life Insurance Trusts (ILITs)

  Trust intended to own a life insurance policy, thereby removing the policy’s proceeds from the estate

Other Estate Tax Planning Ideas

- Make annual cash gifts to draw down your estate
  - $19,000 per recipient in 2025
  - $38,000 for MFJ couples to one recipient

- Cash gifts into a 529 account for children and grandchildren
- Pay medical or educational expenses directly to the institution
  - Not considered a gift

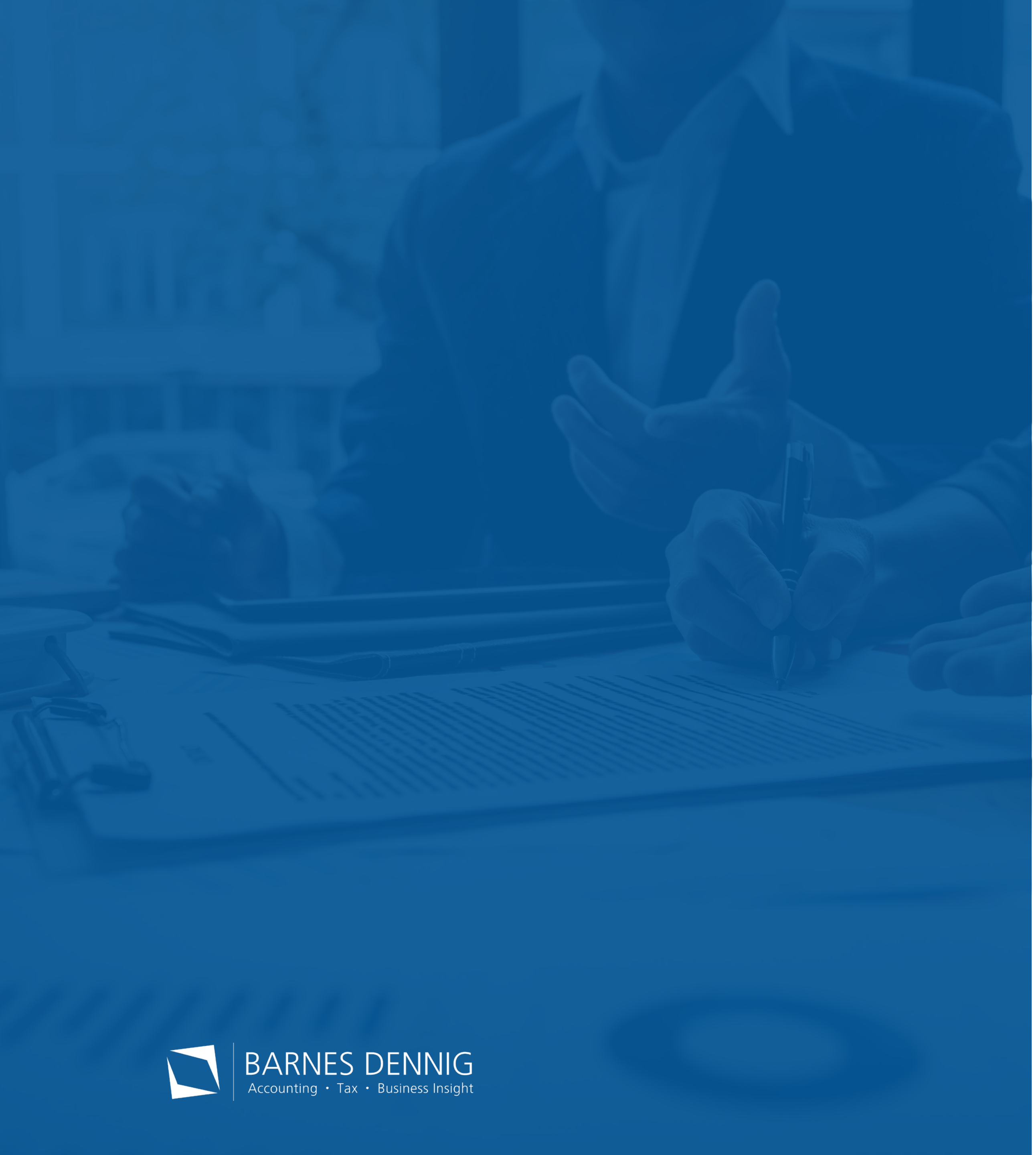
- Consider an Intra Family Loan
  - Forgiveness of debt

- Manage assets with revocable trusts
- Be sure to claim portability if one spouse passes away

Estate Tax Plans Are for Everyone

- Estate Tax Plans are for everyone!
  - Estate Tax Planning gives your loved ones a roadmap for how to handle your assets

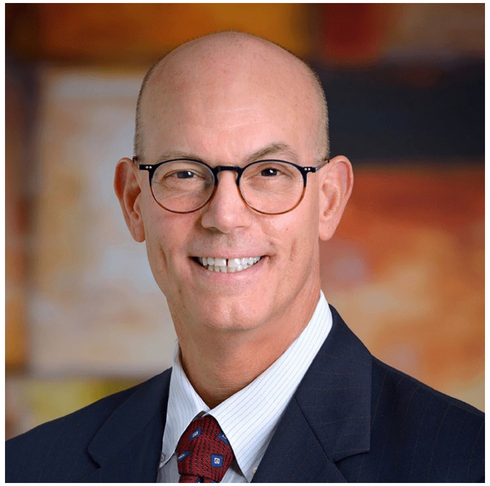
- No matter the size of the estate:
  - Creating a valid and up-to-date will
  - Detailing your wishes regarding end-of-life
  - Establishing power of attorneys
  - Protection for the people you care about most



Andrew J. Bertke, CPA/PFS, CFF, MBA

Optimizing the Sale of a Business

Strategies to Maximize Value & Minimize Tax



Buying and Selling a Business

- **What can be sold? (focus on selling, if buying do the opposite)**
  Assets in the business
  Stock of the business
- **Hybrid Transactions:**
  - **Personal Goodwill** – an asset outside the business
    Avoids double taxation where seller is a C-corp
  - **338(h)(10) and 336(e) -** seller sells assets and buyer buys stock; election to treat as an asset sale
    Used to allow buyer to acquire the legal entity for non-transferable assets
  - **F – Reorganization** - designed to be an asset sale, legal entity purchase
    Similar to 338(h)(10) but seller can defer a portion of the gain with rollover equity

Barnes Dennig Insight:

For a given asset sale there is generally a gross up in sale price in which the buyer will pay more for the for the tax benefit it receives from buying assets as opposed to buying stock. Also, the reverse may happen in a stock purchase. (0% to 15% discount is typical). State taxes also apply if the business or the owner is domiciled in a state with a corporate or individual income tax.

Buying and Selling a Business - Other Transactions

- **ESOP – sale of stock to employees (retirement plan)**
  - **Corporations**
  - **S-corporations**

Barnes Dennig Insight:

Although there are attractive tax attributes for ESOPs as well as incentivizing employees, ESOPs are t the solution for all companies. Examine the advantages and disadvantage of an ESOP and how it will work for your company.

- **Redemptions – sale of stock back to the company**
  - **Watch out for section 302(b) if family members still have ownership**

Barnes Dennig Insight:

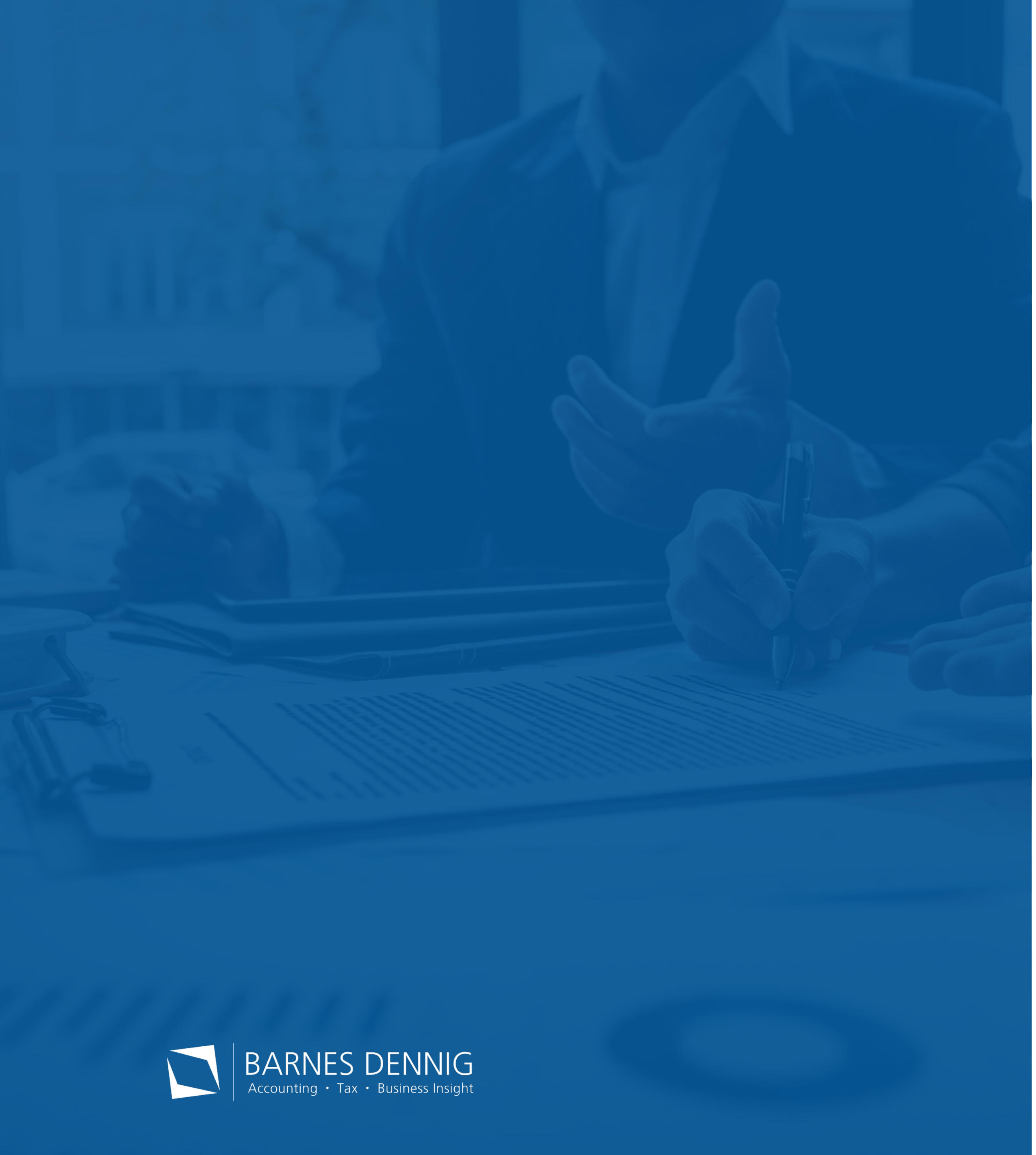
Entity selection upon formation or changing entity type is extremely important; it not only affects the tax consequences during the operating life of the company, but perhaps more importantly it may have a profound affect on the taxation of when the company is sold.

Rollovers, Exclusions, and Deferrals

- **Section 1042** – Tax-free rollover from the sale of a business (stock) to an ESOP
  - Tax deferral by rolling over sale proceeds into qualified replacement property
  - May be a permanent deferral upon the death of the owner and basis step up
- **Section 1202** – Capital gains exclusions on the sale of business (stock)
  - Avoid paying tax on 50% - 100% of gain on sale of Qualified Small Business Stock (QSBS)
- **Section 1045** – The seller can roll over taxable gains of QSBS into another QSBS
  - Defer the recognition until the newly-acquired stock is sold – or potentially use Section 1202

Barnes Dennig Insight:

To date, although changes in the capital gains rates have been discussed in Congress in the past, with the newly elected administration (Whitehouse and Senate. The House to be determined) these code sections are not threatened to be changed.



Andrew J. Bertke, CPA/PFS, CFF, MBA

Benefits of Having a CPA and Financial Advisor Under One Roof

Discussion Points:

- Cradle to Grave and Forever After – an overview
- The Complete Picture of Comprehensive Planning

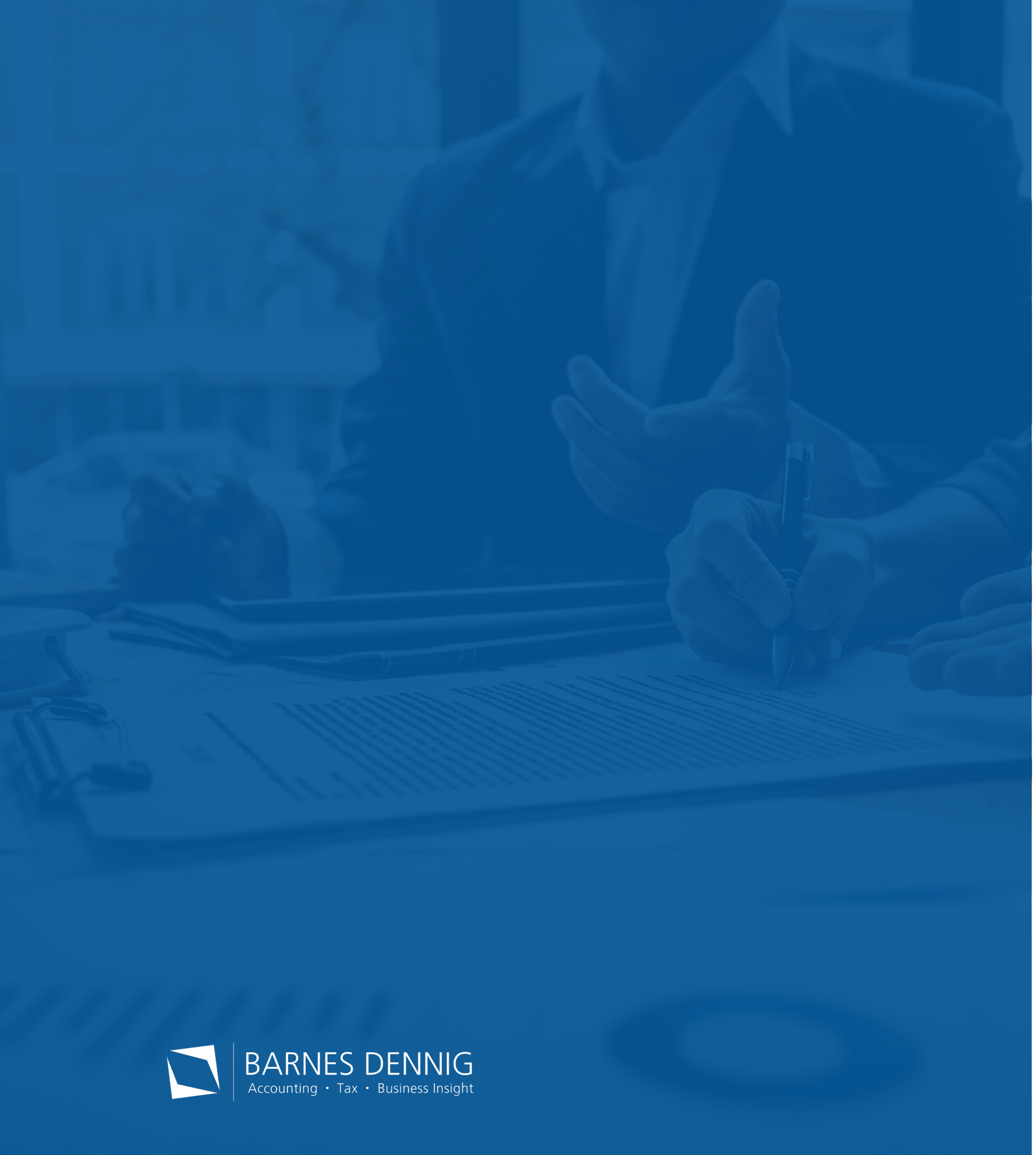
Cradle to Grave and Forever After

- Business start-up.
  - Partnerships, and S-corps, and Corporations, OH MY! Which one !?
    - Structure of business is dependent of the life cycle of the business and owners.
    - It can, and in some cased should change at various stages of the cycle.
- Sale of the business.
  - Monetizing your life's work.
- Estate, trust and gift planning.
  - Minimize Uncle Sam's second bite at the apple.
  - Using trusts to speak from the grave.
  - Fulfilling a philanthropic goal, leaving a legacy gift.
- Providing confidence in you and your loved one's financial future.
  - Reaching retirement goals.
  - Providing generational wealth and structure.

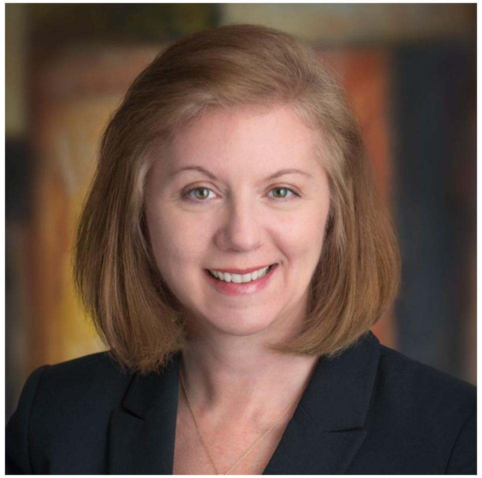
The Complete Picture of Comprehensive Planning

- CPA and Financial Advisor
  - Held to the highest fiduciary standards.
  - Integrated approach for different service offerings (tax and wealth management).
    - Is the “quarterback” for the team of advisors (attorney, banker, insurance)
- The Wealth Advisor
  - Access to a myriad of investment choices.
    - Traditional investments (stocks, bonds, ETFs, etc.)
    - Alternative investments (private equity, private credit, etc.)
  - Implementing investment strategies to meet your investment objectives.
    - Traditional allocations, Active, Tactical, Buffered, or a combination of each.
- The CPA
  - Tax planning expertise.
    - All the items discussed in this segment call for expert insight to tax.
    - Tax impact on investment portfolios affects returns.

Poll Question



Sales Tax Nexus and Compliance – post *Wayfair*



South Dakota v. Wayfair - 2018 U.S. Supreme Court

- Wayfair eliminated the requirement that sellers have physical presence in the taxing state to be able to collect and remit sales taxes to that state.
- States have expanded abilities to collect sales taxes from e-commerce and remote seller transactions.

States Enforcing Economic Nexus Rules

- States are sending “Nexus Questionnaires” to out of state businesses to identify potential sales tax filers.
- States review invoices under audit and identify remote businesses selling into their state.
- States requesting customer lists under audit.

Business Impacted by Economic Nexus

- Retailers and Wholesalers with sales into states even with no physical presence in the state.
- Foreign companies selling into the US
- Technology companies

What is Economic Nexus

- Requires sellers to collect sales tax in states where the seller's sales exceed the state's monetary or transactional threshold, e.g., $100k or 200 transactions.
- There can be some inequities in the transaction threshold.

Physical Presence Nexus

- Employees, independent contractors acting on behalf of the company (agents of the company), employees traveling into the state temporarily.
- Delivery in company owned or leased vehicle.
- Attending trade shows.

Physical Presence Nexus

- Payroll in state, telecommuting.
- Fulfillment by Amazon inventory.
- Holding property or consigned inventory withing a state.
- Installation, repairs, technical support

Nexus Activities

- Retailers or Wholesalers who may make some taxable sales to end-users
- Mergers or acquisitions that changed the company foot-print
- Remote workers, employees working from home outside the business home state

Nexus Activities

- Agents or independent contractors conducting business in states outside home state
- Consigned inventory or selling on a Marketplace
- Attending Trade Shows

Sales Tax Best Practices

- Review state income tax apportionment to identify sales tax nexus – generally sales into states >$100k (some states are different).
- When did sales exceed nexus threshold – is there a prior liability & exposure?

Sales Tax Best Practices

- Understand potential tax exposure for non-compliance so your business can make an informed decision.
- What items does your business buy/sell that are taxable – not all states rules are the same.

Poll Question

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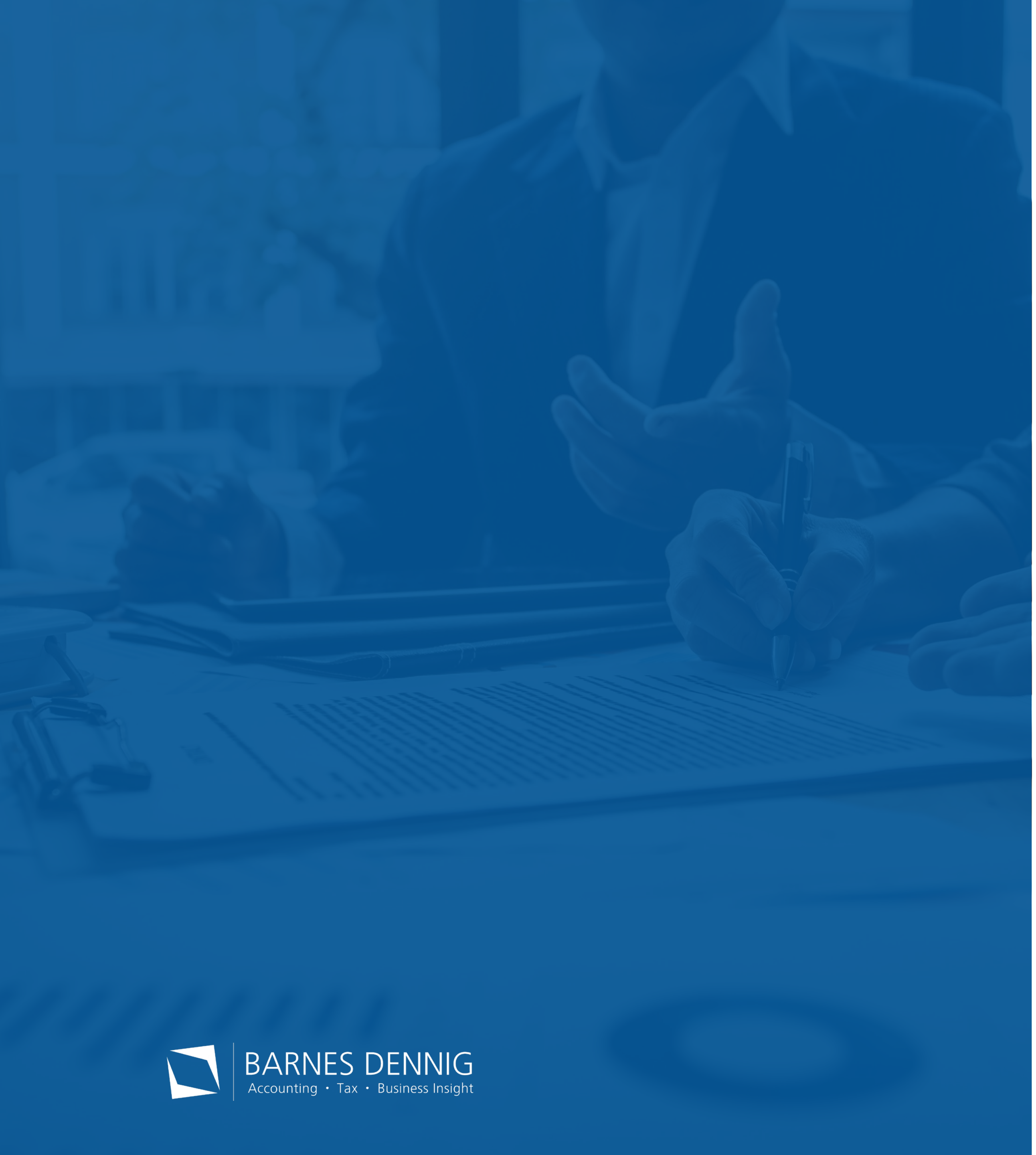
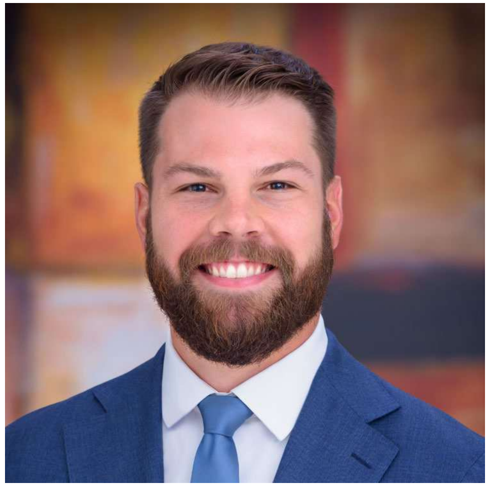


Passthrough Entities



Corporate Transparency Act (CTA)

- CTA was enacted in 2021 to provide transparency in entity structures and ownership to combat money laundering, tax fraud, and other activities.
    - ***These slides contain a general description of the requirement. Barnes Dennig is not responsible for the filing and cannot provide legal advice. We highly recommend you seek the advice of legal counsel and refer to the FinCEN website at: FinCEN.gov/boi.***
- Effective as of January 1, 2024, new and existing corporate entities in the US will be required to report their beneficial owners to the federal government.
- Ongoing litigation in appeals, reporting companies are still required to comply
- When will companies need to file?
    - Companies that have been created or registered to do business before January 1, 2024 will have from January 1, 2024 to January 1, 2025 to file its initial beneficial ownership information.
    - Companies that are created or registered to do business on or after January 1, 2024 will have 30 days to file its initial beneficial ownership information report.
    - After the initial registration, companies will have 30 days to report changes.

Corporate Transparency Act (CTA)

- Who will need to file?
  - Domestic reporting companies and foreign reporting companies will be required to report their beneficial ownership unless they qualify for an exemption.
  - A domestic reporting company is defined as:
    - A corporation,
    - A limited liability company, OR;
    - Any other entity created by filing of a document with a secretary or state or any similar office under law of a state or Indian tribe.
  - A foreign reporting company is defined as:
    - A corporation, limited liability company, or other entity formed under the law of a foreign county, AND;
    - Registered to do business in any US state or in any tribal jurisdiction

Corporate Transparency Act (CTA)

- Generally, large operating companies with at least 20 full-time employees, more than $5,000,000 in gross receipts or sales including the receipts or sales of other entities owned by the entity and through which the entity operates, and an operating presence at a physical office within the United States may not need to file. Refer to the FINCEN website at: FinCEN.gov/boi for additional information.
- What type of information will be required?

  For each individual, who is a beneficial owner or a company applicant, a reporting company will have to report:

  - The individual's name, date of birth, and address,
  - A unique identifying number from an acceptable identification document, AND;
  - The name of the state or jurisdiction that issued the identification document.

  For a beneficial owner, the address must be a residential street address.

  A copy of the identification document must be submitted to FinCEN.

Corporate Transparency Act (CTA)

- Failure to comply with the CTA could result in substantial criminal and civil penalties. Civil penalties include a fine of $500 per day, up to a maximum of $10,000. Criminal penalties include up to two years' imprisonment Refer to the FINCEN website at: FinCEN.gov.boi for additional information.

Pass-Through Entity Tax (PTET)- State Compliance

- Certain states allow passthrough entities to elect to file and pay taxes at the entity level, rather than passing through the tax burden to the shareholder.

- 36 States have enacted a PTET
- 9 States have no owner-level personal income taxes
- 3 States in proposal (PA, ME, VT)
- 2 States without an PTET enactment or proposal (DE, ND)
  - As of July 2024

- The SALT Cap is set to expire after 2025 – Will PTET still be the move?
  - Varies based on situation, analysis will be needed

Pass-Through Entity Tax (PTET)- State Compliance

- Unintended consequences
  - The tax benefit rule
  - Schedule C's cannot participate
  - Passthrough ownership can restrict eligibility
  - Generally an annual, irrevocable election

- The tax benefit rule is a principle in U.S. tax law that requires a taxpayer to include in gross income any recovery of an amount previously deducted if the deduction provided a tax benefit in a prior year.

- State Tax Refunds:
  - If a taxpayer deducted state income taxes on their federal return in a prior year and then received a refund of those state taxes, the refund is includible in gross income to the extent the deduction reduced the taxpayer's federal tax liability.

Pass-Through Entity Tax (PTET)- State Compliance

- Practical Example – Ohio Business Deduction

State A

Passthrough Level		
Passthrough Income	$	500,000
State A - PTET Rate		4%
State A - PTET	$	20,000
Individual Level		
Other Income	$	20,000
Passthrough Income	$	500,000
Total Income	$	520,000
State A - Tax Rate		4%
State A - Tax	$	20,800
PTET Credit	$	(20,000)
Tax Due	$	800

Ohio

Passthrough Level		
Passthrough Income	$	500,000
OH - PTET Rate		3%
OH - PTET	$	15,000
Individual Level		
Other Income	$	20,000
Passthrough Income	$	500,000
OH BUS Deduction	$	(250,000)
Total Income	$	270,000
OH - Tax Rate		3%
OH - Tax	$	8,100
PTET Credit	$	(15,000)
Tax Due	$	(6,900)
Effective OH Tax on PT Income	$	7,500

Poll Question

179D Deduction

- The Section 179D deduction for energy-efficient commercial building property provides a tax incentive for the installation of energy-efficient systems in commercial buildings.
- Allocation for Tax-Exempt Entities: Tax-exempt entities can allocate the deduction to the primary designer of the property
- Applicable Dollar Value
  - Base Value: The base value is $0.57 per square foot, which can increase by $0.02 for each percentage point by which energy and power costs are reduced beyond 25%, up to a maximum of $1.13 per square foot.
  - Increased Deduction: For certain properties meeting prevailing wage and apprenticeship requirements, the base value is $2.83 per square foot, increasing by $0.10 per percentage point, up to a maximum of $5.65 per square foot.
- Form 7205

Transfer of Energy Credits

Alternative Fuel Vehicle Refueling Property Credit
Renewable Electricity Production Credit
Carbon Oxide Sequestration Credit
Zero-Emission Nuclear Power Production Credit
Clean Hydrogen Production Credit
Advanced Manufacturing Production Credit
Clean Electricity Production Credit
Clean Fuel Production Credit
Energy Credit
Qualifying Advanced Energy Project Credit
Clean Electricity Investment Credit

- Certain credits can be claimed at the passthrough level under Sec. 6417
- Selling credits is tax-exempt / buying credits is non-deductible

A Deeper Dive Into Proposed Restoring TCJA Provisions

- R&E Capitalization under Sec. 174
  - State Nonconformity
- Interest Expense Limitation
  - High interest rates


Questions?