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2026 Signature Tax Event

Ahead of the Curve: Tax, Wealth & Business Strategies for 2027

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Meet the Experts

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Kevin helps businesses navigate complex sales and use tax regulations, improve compliance processes, and leverage technology to minimize risk.

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Scott leads our real estate and cost segregation practices and is a certified mergers and acquisitions advisor and a certified valuation analyst.

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Selling a Business

Brandon brings more than 20 years of experience helping businesses navigate the tax landscape.

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Sales Tax Audit Readiness, Nexus, and 2026-2027 Changes

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The Real Cost of a Sales Tax Audit Is Bigger Than the Assessment

- Proposed assessments create cash-flow pressure, but larger impacts often include escrow holds, purchase-price adjustments, delayed closings, and management distraction.
- Buyers and lenders treat unresolved exposure as a governance signal.
- Composite pattern: mid-market companies with $300k–$500k proposed assessments have seen multi-month deal delays and material price haircuts once the buyer's advisors quantified the open risk.
- Strategic point: the cheapest defense is avoiding the open-ended lookback that comes with never having filed.

What Actually Triggers Audits in 2026

- Rapid growth in remote or e-commerce sales, marketplace activity, high exemption volumes, digital/SaaS offerings, and remote employees.
- States increasingly use data analytics, information sharing, and marketplace data to identify non-filers.
- Companies that crossed economic nexus thresholds in recent years without registering remain high on many lists.
- Growth itself has become an audit risk factor.

Open Statutes of Limitation — The Biggest Hidden Liability

- In most states, the statute never starts if you never registered and filed. Exposure can theoretically reach back to the first-year nexus existed.
- Interest continues to accrue; penalties are often the negotiable piece.
- Voluntary disclosure usually caps the audit lookback years to 3-4 years vs. 7+ years.

Most Assessments Come from Documentation, Not Legal Disputes

- Missing or outdated exemption certificates, incomplete contracts, and unsupported taxability positions drive the majority of dollars.
- Auditors default to taxable when documentation is weak; the burden is on the taxpayer.
- Companies that treat certificates as a one-time onboarding task rather than an ongoing process see the highest exposure.
- A clean certificate archive and documented positions are high-ROI risk controls.

Building a Defensible Position Before Anyone Calls

- Annual or semi-annual nexus refresh tied to actual sales data.
- Written taxability matrix by product/service and major state.
- Centralized, searchable exemption-certificate process with expiration alerts.
- Exception reporting that flags unusual taxable/exempt patterns.
- These artifacts become transferable diligence materials and reduce both audit risk and buyer skepticism.

First 30 Days After an Audit Notice — Scope and Rights

- Acknowledge promptly and request a reasonable production timeline.
- Clarify years, tax types, and entities in scope; push back on overly broad requests early.
- Preserve protest and appeal deadlines (most states give 30–90 days once a formal assessment is issued).
- Engage outside support early if potential dollars are material—sampling methodology and workpaper review are where the largest reductions usually occur.

Sampling and Projection Are Where Dollars Are Created

- Auditors often sample a short period and project the error rate across the entire audit period.
- Unrepresentative samples (seasonal peaks, one-time projects, system-conversion months) can inflate assessments by multiples.
- Defense lever: document normal vs. abnormal periods in advance and challenge the statistical basis of the sample.
- Well-supported challenges frequently produce 40–60% reductions in the proposed number.

Voluntary Disclosure as the Strongest Preemptive Defense

- Coming forward before state contact typically locks in a shorter lookback and penalty waiver.
- Individual state VDAs remain available; the SST multistate program (detailed later) offers a coordinated option for 2027.
- Once a state contacts you or issues an audit notice, VDA eligibility is usually lost.
- Quantified, reserved exposure is far more palatable to buyers and lenders than unknown open-ended risk.

Exit Conference and Negotiation Levers

- Review auditor workpapers before the conference; identify sampling flaws, taxability arguments, and available offsets.
- Present documented positions with citations rather than “we always did it this way.”
- Request penalty relief based on reasonable cause and cooperation.
- Companies that prepare for the exit conference routinely leave with a materially lower final number than the initial proposal.

Practical Next Step — Audit-Readiness Diagnostic

- Short review of current documentation quality, systems configuration, and highest-risk states or product lines.
- Output: prioritized list of gaps with estimated exposure ranges and recommended remediation sequence (including VDA eligibility where applicable).
- Positions the company to either reduce historical risk or demonstrate control to buyers and lenders.

Nexus Is Now a Growth and Margin Decision

- Economic nexus means selling into a state can create collection obligations even with zero physical presence.
- This affects pricing, delivered margins, systems cost, and where leadership chooses to expand.
- Companies that treat nexus as a back-office compliance item often discover the cost after growth has already occurred.
- A current nexus map is a planning tool, not just a filing list.

Physical and Economic Nexus Both Still Matter

- Physical: employees (including remote), inventory, offices, contractors, or trade-show activity can create immediate nexus with no dollar threshold.
- Economic: most states use a $100,000 sales threshold (California, Texas, and New York are higher); a shrinking number still have a 200-transaction alternative.
- Ohio retains both tests in many situations.
- One remote employee hired in recent years can still be creating ongoing exposure.

Practical Threshold and Lookback Tracking

- Most states measure current or prior calendar year, or a rolling 12-month period.
- A simple executive dashboard of top 12–15 states by revenue, with registration status and estimated threshold proximity, is high-value.
- Marketplace sales count toward thresholds in most states.
- Quarterly or semi-annual refresh using actual sales data is more reliable than annual estimates.

What's Taxable Varies More Than Most Leaders Realize

- Tangible goods are typically taxable across states; services, installation, digital goods, SaaS, and mixed transactions can be taxed differently on a state-by-state basis.
- The same software subscription or professional service can be taxable in one state and exempt in another.
- Pricing models and contract language that worked in the home state often create friction or margin leakage elsewhere.
- A short taxability matrix for core offerings helps prevent both under-collection and customer disputes.

Marketplace, Drop-Ship, and Third-Party Inventory

- Marketplace facilitator laws shifted collection responsibility in most states, but edge cases (certain services, platform fees, mixed transactions) remain.
- Inventory sitting in a 3PL warehouse can still create physical nexus or affect sourcing.
- Review contracts and data flows if you sell through platforms or use third-party logistics.
- Confirm who is the “seller” for tax purposes on each channel.

Remote Employees and Hybrid Work Models

- A single remote employee creates physical nexus immediately in that state for sales tax (and often income/franchise tax).
- No dollar threshold and no grace period in most jurisdictions.
- Companies that expanded headcount nationally after 2020 frequently have unaddressed exposure.
- Mapping employee locations against sales activity is a high-ROI, low-cost exercise.

Building a Usable Nexus Map

- Start with top states by revenue plus any known physical presence.
- Overlay registration status, last filing date, estimated start of nexus, and taxability of primary products/services.
- Identify states where you are close to or over threshold but not registered.
- This single artifact supports compliance decisions, systems configuration, and future diligence.

Taxability Matrix as a Pricing and Systems Control

- Document the position for each major product or service line by state (taxable, exempt, or conditional).
- Supports consistent invoicing, reduces customer pushback, and creates a defensible record for auditors or buyers.
- Update when new offerings launch or when states change rules (especially digital).
- Low ongoing effort once the initial matrix exists.

Exemption Certificate Process That Actually Works

- Collect at customer onboarding, not after the fact.
- Store centrally with expiration or renewal alerts.
- System flags for sales to exempt customers missing valid certificates.
- Missing certificates are one of the most common and largest audit findings—and one of the easiest to fix proactively.

Use Tax on Purchases — The Quiet Exposure

- Equipment, software, supplies, and out-of-state purchases can create use-tax liability even when sales-tax collection is clean.
- Many companies have no systematic self-assessment process.
- Tie a periodic review to accounts payable or capital-expenditure processes.
- Often smaller than sales-tax exposure but still material and fully controllable.

When to Register vs. When to Keep Monitoring

- Crossing the economic or physical nexus threshold creates the legal sales tax compliance obligation.
- Voluntary disclosure agreements and start the audit statute of limitations.
- Business decision: cost of systems and filings versus open-ended historical risk and potential buyer friction.
- For growing companies, targeted registration in the highest-exposure states first is the path to limit exposure to underpaid sales tax liabilities.

Economic Nexus Simplification Continues

- Illinois: 200-transaction test eliminated January 1, 2026 (now $100k gross receipts only, quarterly lookback).
- Kentucky: eliminated August 1, 2026.
- Earlier: Utah (July 2025), Alaska remote-seller commission (2025), South Dakota (2023).
- Roughly 14–15 states plus D.C. still maintain a transaction alternative.
- Pure high-volume, low-dollar sellers benefit; most mid-market companies remain driven by the revenue threshold.

Streamlined Sales Tax Multistate VDA Opens January 1, 2027

- SST Governing Board unanimously approved a remote-seller voluntary disclosure program running January 1–December 31, 2027.
- Key terms: up to 24-month lookback, penalties and late fees generally waived (to the extent state law allows), registration through the SST system.
- Available only in participating member states and only for “qualified remote sellers” (sellers whose nexus is economic).
- A limited, coordinated window to address multi-state exposure on more favorable terms than many individual state programs.

Who Is Most Likely to Benefit from the SST VDA

- Companies with economic nexus in several SST member states that have not yet been contacted or audited.
- Sellers already registered in those states, under audit, contacted by the state on or after 6/21/2018, under investigation, no prior participation in SST VDA (except initial registrants 10/14/26 - 12/31/26), no collected but unremitted tax, or sellers with significant physical presence are ineligible.
- SST VDA replaces previous registration-amnesty rules and provides remote sellers with a centralized path to resolve past sales tax exposure with a capped 24-month lookback period (Lookback cannot go earlier than the date the economic threshold was first crossed).
- Planning window is now—applications accepted throughout 2027; states must opt in.

California Expands Tax to Software and SaaS — January 1, 2027

- SB 122 treats prewritten computer software (delivered on media, electronically, or accessed remotely, including SaaS) as taxable tangible personal property starting January 1, 2027.
- Many other digital goods (ebooks, music, streamed video, video games, digital assets) remain exempt.
- $5 million annual threshold shifts collection responsibility to the purchaser via direct-payment permit in some cases.
- Action for affected companies: model impact, update systems and contracts, and communicate to customers before year-end 2026.

Other Digital and Cloud Taxability Changes

- Louisiana, Washington, Utah, and Colorado have already expanded or clarified taxability of certain digital products, SaaS, or related services.
- Trend is toward broader taxation of electronically delivered and remotely accessed software.
- Companies selling subscriptions, cloud tools, or digital content should map current positions against 2026–2027 rules.
- Pricing and margin models may need adjustment where taxability flips.

Sales Tax Software Is Necessary but Not Sufficient

- Platforms (Avalara, Vertex, and others) handle rate lookup, calculation, filing, and certificate storage at scale.
- They reduce manual error and free internal time.
- They do not automatically know your products, contracts, or edge-case positions—someone still has to map taxability, review exceptions, and update for new offerings or rule changes.
- “Set it and forget it” creates silent exposure; the software is an infrastructure tool that still requires ongoing ownership.

How AI Is Changing Sales Tax — Positive Developments

- Agentic tools (e.g., Avalara Aviator and similar platforms) can automate product classification, certificate review, exception flagging, and certain data validation steps.
- Finance teams report widespread AI use; agentic AI is a top technology priority for many.
- Practical gains: faster classification of large SKU catalogs, identification of address or shipping discrepancies, and draft analysis for audit prep.
- When grounded in solid tax content and reviewed by humans, these tools reclaim significant hours and improve consistency.

How AI Is Changing Sales Tax — Limitations and Risks

- AI still struggles with ambiguous legal interpretations, new digital-product rules, mixed transactions, and fact-specific nexus questions.
- Over-reliance without human review can propagate configuration errors or outdated positions.
- “Automation” does not eliminate the need for taxability mapping, contract review, or specialist judgment—especially as states expand the tax base.
- Best results come from AI handling volume and routine work while specialists own positions, exceptions, and strategy.
- Pure software-only approaches have led some companies back toward managed or co-sourced models when audits or complexity increase.

Benefits of Outsourcing Sales Tax Work to an Accountant or Specialist Firm

- Access to specialists who track rule changes, nexus thresholds, and taxability developments across states.
- Reduced internal time on data gathering, return preparation, certificate management, and notice responses.
- Lower risk of missed filings, rate errors, and unsupported positions; better documentation for audits.
- Scalability: handle growth or seasonal volume without adding headcount.
- Frees internal finance team for higher-value work (pricing strategy, expansion planning, diligence readiness).

Sales Tax Due Diligence

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The Risk

Why sales tax belongs in every deal

- **Sales tax is a trust-fund tax.** The seller collects it on the state's behalf, so unpaid amounts carry tax, penalty and interest, and are not limited to a share of profit.
- **Economic nexus has widened the footprint.** Since *South Dakota v. Wayfair* (2018), every sales-tax state has enacted remote-seller thresholds, usually $100,000 of sales or in some states, 200 transactions.
- **Stock deals inherit everything.** After a stock acquisition the target keeps all pre-acquisition liabilities, known or unknown, fixed or contingent.
- **Asset deals do not avoid it.** State bulk-sale and successor-liability statutes can make the buyer personally liable for the seller's unpaid sales tax.
- **No statute of limitations runs on unfiled returns.** Exposure in a state where the target never registered can reach back to the date nexus first arose.

When Diligence Fails

Reported decisions in which buyers became liable for a seller's unpaid sales tax, and what each one teaches.

When Diligence Fails: Reported Decisions – Indiana

Indiana: personal exposure for those responsible

- *Van Orman v. State*, 416 N.E.2d 1301.
- Once the business was timely assessed, no separate assessment was needed to hold officers or other responsible persons liable.
- Retail merchants and officers with a duty to remit are personally liable for the tax, penalties and interest (Ind. Code §6-2.5-9-3).
- **The lesson:** unremitted sales tax can follow the seller's principals, which shapes how indemnities and escrows should be negotiated.

When Diligence Fails: Reported Decisions – Indiana

Indiana

- Indiana had no successor-liability rule until 2024.
- Transfers in bulk on or after February 14, 2024 require notice to the Department at least 45 days before closing or payment (Ind. Code §6-8.1-10-9.5).
- Deal timelines built on older Indiana practice can miss this step.

When Diligence Fails: Reported Decisions – Ohio

Ohio: taxability decided charge by charge

- *CheckFree Services Corp. v. Harris*, Ohio S. Ct., 2026-Ohio-3555 (Sept. 16, 2026).
- In a sales tax refund case, the Court sent a bill-payment provider's case back to the Board of Tax Appeals because the taxability analysis was too unclear to review.
- Each ancillary service must be tested on its own under the true-object test.
- **The lesson:** bundled service and technology offerings need a line-by-line taxability review, not one classification for the whole contract.

When Diligence Fails: Reported Decisions – Ohio

Ohio – sales tax due when business sold

- When a business is sold, the seller's sales and use taxes become due immediately, and a final return is due within 15 days.
- The buyer must hold back enough of the purchase price to cover them, or become personally liable, unless the seller produces a paid receipt or no-tax-due certificate (Ohio Rev. Code §5739.14).
- A parallel holdback rule applies to the commercial activity tax.

When Diligence Fails: Reported Decisions – Kentucky

Kentucky – sale of business assets is taxable

- A buyer that fails to hold back is personally liable for the seller's sales and use tax, up to the purchase price (KRS 139.670, 139.680).
- **Exposure can include sales tax on the business assets being sold.**
- A tax clearance letter, requested through the seller, removes the holdback requirement.
- The Department has 60 to 90 days to respond, so the request belongs early in the deal timeline.

When Diligence Fails: Reported Decisions – Kentucky

Kentucky – sale of business assets is taxable

- **Department position (Sales Tax Facts, Jan. 20, 2026).**
- A buyer's successor liability can include tax on the sales price of the seller's **selling activity assets**.
- The buyer must hold back enough to cover tax on the sale of the business and the seller's unpaid tax, penalties and interest (KRS 139.670, 139.680).
- The holdback is not required if a tax clearance letter is obtained before closing.
- Exceptions: assignments for the benefit of creditors, foreclosures and bankruptcy trustee sales.

When Diligence Fails: Reported Decisions – Kentucky

Kentucky – sale of business assets is NOT an exempt occasional sale

- **Occasional sale exemption.**
- Occasional sales are exempt (KRS 139.470(3)).
- The exemption covers only property **not** held or used in a seller's-permit activity (KRS 139.010(27)).
- In a sale of all or a substantial part of the business, prior sales of similar assets are disregarded.
- It does not apply when ownership stays substantially the same after the transfer, or when the seller makes more than two retail sales in 12 months.

When Diligence Fails: Reported Decisions – Georgia

Georgia: no recorded lien is no defense

- *JD Design Group, Inc. v. Graham*, Ga. S. Ct. (2007), 646 S.E.2d 227.
- The buyer of a business was held liable for the prior owner's unpaid sales tax, even though the Department of Revenue had never recorded a lien.
- The court denied innocent-purchaser status. The statute put the buyer on notice and imposed a duty to inquire.
- **The lesson:** a clean lien search is not diligence. Withhold from the price or obtain a no-tax-due certificate (Ga. Code Ann. §48-8-46).

When Diligence Fails: Reported Decisions – Missouri

Missouri: withholding without remitting

- *Surrey's on the Plaza, Inc. v. Director of Revenue*, Mo. S. Ct. (2004).
- The successor was liable even though it had withheld part of the purchase money, because it did not remit the withheld amount at the time of purchase.
- The Director needed to prove only that the buyer did not remit.
- **The lesson:** the closing mechanics must follow the statute exactly (Mo. Rev. Stat. §144.150).

When Diligence Fails: Reported Decisions – New Jersey

New Jersey: no inventory, still a bulk sale

- *Bunting v. Director, Div. of Taxation* (1980), 1 N.J. Tax 189.
- The Bulk Sale Law covers sales of business assets even where no inventory is sold.
- **The lesson:** service, software and IP-heavy targets are not outside the notice regime.

When Diligence Fails: Reported Decisions – New Jersey

New Jersey: distressed deals included

- *New Jersey Hotel Holdings v. Director*, N.J. Tax Ct. (1996), 15 N.J. Tax 428.
- The Bulk Sale Law was applied to a sale in foreclosure.
- **The lesson:** compressed timelines in distressed acquisitions do not suspend notice obligations (Form C-9600, at least 10 days before closing).

When Diligence Fails: Reported Decisions

Common thread

- Each buyer relied on something short of the statutory protection: a lien search, partial withholding, or the assumption that a deal fell outside the statute.
- In each case, the cost of the shortcut was the predecessor's full sales tax liability.

Sales Tax Due Diligence Approach

1 Nexus mapping

Physical and economic footprint by state and year of all entities included in Target.

2 Taxability review and Best Practices

Revenue streams mapped to each state's rules. Sales Tax Best Practices.

3 Exemption certificates

Testing of the documentation behind exempt sales.

4 Exposure quantification

Tax, interest and penalty by state and period.

5 VDA and remediation

Pre- or post-close cleanup to reduce outstanding sales tax liabilities and penalties.

6 Post-close implementation

Registration, systems and ongoing compliance.

1. Nexus Mapping

- **Economic nexus:** state-by-state sales and transaction thresholds tested by year. Measurement periods and included sales vary widely by state.
- **Physical presence:** *Quill*-era contacts remain good law. These include property, inventory, employees or agents soliciting, delivering, installing or repairing in the state.
- **Remote employees:** employees working from home can create nexus in many states, a frequent blind spot after 2020.
- **Marketplace sales:** sales made through marketplace facilitators are separated from direct sales, and facilitator collection is confirmed.
- **Deliverable:** a state-by-state nexus matrix showing the nexus start date, registration status and the gap periods.

2. Taxability Review and Sales Tax Best Practices

- Each product and service SKU and each billing code is classified against the rules of every nexus state.
- High-risk categories include SaaS and digital products, bundled transactions, installation and maintenance services, shipping charges, and taxable information services.
- The target's collection practice is compared with the correct treatment, which surfaces both under-collection (exposure) and over-collection (refund liability and customer risk).
- **Deliverable:** a taxability matrix with the authority for each position and a ranking of the riskiest categories.

2. Taxability Review and Sales Tax Best Practices

Invoice Best Practices – Rules the invoice must follow – Indiana

(Form over Function)

- **Fabrication labor:** taxable even when separately stated, if done before transfer (Ind. Code §6-2.5-1-5(d)).
- **Installation:** excluded only if separately stated (Ind. Code §6-2.5-1-5(b)(6)).
- **Real property work:** contractor pays tax on construction materials such as cabinets, doors, fencing and bolted signs.

2. Taxability Review and Sales Tax Best Practices

Invoice Best Practices – Rules the invoice must follow – Kentucky

(Form over Function)

- **Fabrication labor:** taxable, with no deduction for labor or service cost (KRS 139.010).
- **Installation:** taxable since July 1, 2018, even when separately stated.
- **Real property work:** contractor treatment; tax is paid on materials. Cabinet and steel work are typical contracting services.

2. Taxability Review and Sales Tax Best Practices

Invoice Best Practices – Rules the invoice must follow – Ohio

(Form over Function)

- **Fabrication labor:** taxable. The price includes services needed to complete the sale, even if separately billed. (R.C. 5739.01(H)(1)(a)(iii)).
- **Installation:** taxable, included in price. (R.C. 5739.01(H)(1)(a)(v)).
  - Installation services in Ohio are tax-free only under specific, defined circumstances:
    - Real Property Construction Contracts, Manufacturing Exemption, Exempt Entities/Purposes
- **Real property work:** construction contract, so the installer pays tax on its materials. Business fixtures stay taxable to the customer.

2. Taxability Review and Sales Tax Best Practices

- Ohio usually does not tax a seller's business assets (furniture, fixtures, equipment) sold with the business, because the sale qualifies as an exempt casual sale.
- Two things change that: the asset is a titled vehicle or watercraft, or the asset was never subject to sales or use tax when the seller acquired it.
- Inventory the seller bought tax-free is not taxed when the business is sold, as long as the buyer will resell it. The buyer gives the seller a resale certificate and the transfer is an exempt sale for resale.
- The occasional (casual) sale exemption doesn't cover it in Ohio, Kentucky or Indiana, because that exemption excludes property held for sale in the business.

2. Taxability Review and Sales Tax Best Practices

- **Kentucky:** the occasional sale exemption covers only property not held or used in a seller's-permit activity.

2. Taxability Review and Sales Tax Best Practices

Invoicing labor: best practices

- **Define the deliverable in the line description:** fabricated item, delivered item, installed item, or real property improvement.
- **Keep fabrication labor inside the product price.** IN, KY, and OH do not exclude it, and a separate "labor" line invites audit questions.
- **Show installation as its own line with its own price,** supported by a work order or time record. This is required to exclude installation in Indiana.
- **Tag each job by delivery state and transaction type** so the tax engine applies the right rule. Delivery follows the item's taxability in all three states.
- **Use separate contracts, not after-the-fact breakdowns,** when splitting materials from real property labor.
- **Get exemption documentation before invoicing,** for example for Ohio manufacturing equipment and its installation.

3: Exemption Certificate Due Diligence

- Auditors treat sales as taxable unless the seller holds valid exemption documentation. The burden of proof is on the seller.
- Certificate relief generally requires **good-faith acceptance** of a properly completed certificate. Kentucky, for example, requires acceptance within 90 days of the sale (KRS 139.270).
- Good-faith protection is lost where the seller fraudulently fails to collect tax or solicits improper exemption claims.
- **Testing:** a sample of exempt and resale customers is checked for missing, expired, incomplete or wrong-state certificates, and the error rate is projected across all exempt sales.
- **Deliverable:** certificate compliance rates and the dollar exposure from documentation gaps.

4: Exposure Quantification

Inputs

- Nexus start dates
- Taxable sales base
- Certificate gaps
- Customer self-assessment and recoverability

Calculation

- Tax by state and period
- Statutory interest to the expected settlement date
- Penalties at statutory rates
- Scenarios with/without a voluntary disclosure

Deal outcomes

- Purchase-price adjustment
- Specific indemnity and escrow sizing
- Tax representations and warranties
- Bulk-sale notices and tax clearance certificates as closing conditions

5: Voluntary Disclosure and Remediation

- **Typical voluntary disclosure agreement (VDA) terms:** a limited lookback period (commonly 3 years), waiver of penalties, and the option to stay anonymous while terms are negotiated.
- **Eligibility:** the taxpayer generally must come forward before the state contacts it, so timing relative to signing and closing matters.
- **Amnesty windows:** state amnesty programs, when available, may offer better terms than a standard VDA.
- **Who files:** pre-close filing by the seller, post-close filing by the buyer, or a combination, coordinated with the escrow and indemnity terms.
- **Customer recovery:** where feasible, tax is collected from customers or self-assessment is documented to reduce the net cost.

6: Post-Close Implementation

First 30 days

- Register in gap states
- Begin collecting on taxable streams
- File bulk-sale notices and clearance requests where required

30 to 90 days

- Configure or align tax engine taxability codes
- Set up a certificate management process
- Integrate filings into the buyer's compliance calendar

Ongoing

- Quarterly monitoring of economic nexus thresholds
- Review of new products and markets
- Audit defense and escrow release support

Buyer Checklist: Before Signing

Deal structure and successor exposure

- Stock or asset deal? A stock deal inherits all liabilities.
- Bulk-sale and clearance steps listed for each state. IN: 45-day notice. KY: clearance letter, up to 90 days. Withheld funds actually remitted. A lien search alone is not enough. OH: holdback or certificate. Sales tax on the asset sale itself tested (occasional sale exemption).
- Withheld funds actually remitted. A lien search alone is not enough.
- Sales tax on the asset sale itself tested (occasional sale exemption).

Buyer Checklist: Before Signing

Nexus mapping

- Sales by state and year tested against economic thresholds.
- Physical presence: property, inventory, remote employees, installers.
- Marketplace sales separated from direct sales.
- Registration dates compared with nexus start dates.

Buyer Checklist: Before Signing

Taxability and certificates

- Every SKU and billing code mapped by state, charge by charge.
- Labor, installation, and delivery lines tested; contractor jobs identified.
- Over-collection and use tax on the target's purchases reviewed.
- Exempt sales sampled for valid, timely certificates, and the error rate projected.

Buyer Checklist: Signing Through Post-Close

Exposure quantification

- Tax by state and period.
- Interest to the expected settlement date.
- Statutory penalties, with and without a voluntary disclosure.
- Open audits and officer-level exposure.

Buyer Checklist: Signing Through Post-Close

Purchase agreement

- Specific indemnity, escrow or price adjustment.
- Sales and use tax representations.
- Bulk-sale notices and clearance certificates as closing conditions.

Buyer Checklist: Signing Through Post-Close

Remediation and voluntary disclosure

- Decide who files, when, and in which states.
- Confirm eligibility before any state contact.
- Check for amnesty windows.

Buyer Checklist: Signing Through Post-Close

Post-close

- Register in gap states and start collecting.
- Align tax-engine codes and invoice templates.
- Set up certificate management and nexus monitoring.
- Track escrow release dates against audit periods.



Tax Changes and Year-End Planning

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Today's Topics

- The New Baseline: What's Now Permanent
- 2026 Changes
  - SALT and Charitable Giving
  - Business Owners, Estates and Trusts
  - Families, Seniors, and Workers
- Year-End 2026 Planning
- What's New for 2027

The Headline: Permanent

- TCJA rate structure and 37% top rate made permanent.
  - 37% bracket starts at $768,700 MFJ / $640,600 single for 2026.
- Estate, gift, and GST exemption: $15 million per person.
  - $30 million per married couple, indexed for inflation, no sunset.
- Also made permanent:
  - Higher standard deduction ($32,200 MFJ / $16,100 single for 2026).
  - No personal exemptions.
  - No miscellaneous itemized deductions subject to the 2% floor.
- For business owners: 20% QBI deduction and 100% bonus depreciation made permanent.

SALT Relief Is Real, but It Phases Out

- **S**tate **A**nd **L**ocal **T**ax cap rises to $40,400 for 2026.
  - $20,200 for married filing separately.
  - Cap and threshold rise 1% per year through 2029; cap returns to $10,000 in 2030.

- The phaseout: cap is reduced by 30% of MAGI over $505,000 but never below $10,000.
  - Same $505,000 threshold for single and joint filers ($252,500 MFS).
  - The extra $30,400 benefit is fully gone at about $606,333 of MAGI.
  - Effective federal rate inside that band can approach 45%.

- PTET elections survived the final law.
  - State tax paid at the entity level is deducted outside the cap.
  - It also lowers the owner's AGI, which can pull them back under $505,000.

Charitable Rule #1: The 0.5% Floor

- Starting in 2026, itemized charitable deductions count only above 0.5% of AGI.

- **Example:** $1,000,000 of AGI
  - The first $5,000 ($1M x .005) of gifts produces no deduction.
  - A taxpayer giving $100,000, only $95K is deductible.
  - A $2,000 annual donor with $400,000 of AGI loses the deduction entirely.

- The floor applies every year, which rewards concentrating gifts into fewer years.

- The 60%-of-AGI limit for cash gifts to public charities is now permanent.

Charitable Rule #2: The 2/37 Limitation

- Applies starting in 2026 to taxpayers in the 37% bracket.
- Itemized deductions are reduced by 2/37 of the lesser of:
  - Total itemized deductions, or
  - The portion of income (before itemized deductions) that falls in the 37% bracket.
- **Result:** each $1 of itemized deductions saves 35 cents instead of 37 cents.
  - $100,000 of deductions in the 37% bracket: tax value of $35,000 instead of $37,000.
- Applies to all itemized deductions, not just gifts.
  - SALT, mortgage interest, and charitable contributions.
  - Replaces the old Pease limitation, which was suspended from 2018 through 2025.

Putting It Together: A $100,000 Gift Example

- **Assumptions:** married filing jointly, $1,000,000 AGI, well into the 37% bracket, $100,000 cash gift.

- **2025:** $100,000 deduction x 37% = $37,000 of tax savings.
- **2026:** $100,000 deduction less $5,000 charitable floor = $95,000, less 2/37 ($5,135) = $89,865 x 37% = $33,250 of tax savings.
  - Same gift, about $3,750 (10%) less tax benefit.

- What still works:
  - Bunching gifts or using a donor-advised fund.
  - Gifting appreciated stock instead of cash.
  - QCDs at age 70½ and older (outside both rules).
  - New $1,000 / $2,000 deduction for nonitemizers (cash gifts only).

Business Owners: Tailwinds and Guardrails

- 20% QBI deduction, with a wider phase-in range and a $400 minimum deduction.
- 100% bonus depreciation; Section 179 limit of $2.56 million, indexed.
  - Section 179 phaseout begins at $4.09 million; bonus has no cap or phaseout.
- Business interest limit back to an EBITDA basis (Section 163(j)).
- Excess business loss limit (Section 461(l)) made permanent.
- QSBS expanded for stock issued after July 4, 2025.
  - $15 million cap; 50% / 75% / 100% exclusion at 3 / 4 / 5 years.

Estate and Trust Planning at $15 Million

- $15 million per person ($30 million per couple), indexed, no sunset.
  - GST exemption matches.
- For most families, the focus shifts from “use it or lose it” to basis step-up and income tax planning.
- Families above $30M Net Worth:
  - Lifetime gifts, grantor trusts, and valuation discounts still matter.
  - Annual exclusion: $19,000 per recipient ($38,000 per married couple) for 2026.
  - Portability still requires a filed Form 706.

Families, Seniors, and Workers

- Temporary deductions for 2025-2028, all income-limited:
  - Seniors 65 and older: up to $6,000 per person.
  - Qualified tips: up to $25,000 per tax return.
  - Qualified overtime: up to $12,500 per person ($25,000 MFJ).
  - Car loan interest: up to $10,000.
- Child tax credit: $2,200 per child, indexed.
- Trump Accounts: contributions opened July 4, 2026 ($5,000 per year).
- 529 plans: K-12 limit doubles to $20,000.
- Dependent care FSA limit rises to $7,500.

Year-End 2026 Planning Checklist

- SALT and PTET
  - Manage AGI around $505,000; make PTET payments by 12/31.
- Charitable Contributions
  - Model charitable bunching and/or a donor-advised fund; use QCDs if 70½ or older.
  - Ohio and Indiana residents: SGO state credit available for 2026 gifts.
- Business owners and families
  - Place assets in service by 12/31; make $19,000 annual exclusion gifts; fund 529s and Trump Accounts.
- Income timing and Roth conversions
  - Model the SALT phaseout and NIIT.
- Opportunity Zone investors
  - OZ Deferred gain is recognized 12/31/2026; plan for cash and estimated taxes now.

What's New for 2027

- Federal scholarship tax credit
  - Up to $1,700 credit per taxpayer; for MFJ each spouse must make their own contribution for gifts to Scholarship Granting Organizations (SGOs).
- Saver's "Match" replaces the Saver's Credit
  - Government match of up to $1,000 per person.
- IRS FIRE System Retirement
  - IRS will retire FIRE on November 19, 2026.
  - Being replaced by IRIS (Information Returns Intake System).

The Federal Scholarship Tax Credit

- Starting January 1, 2027: dollar-for-dollar federal credit.
  - Up to $1,700 per taxpayer; each spouse needs their own contribution.
  - No federal credit for gifts made in 2026.

- Ohio, Indiana, and Kentucky have all opted in to the federal credit.
  - Ohio: also has a state credit, up to $750 per taxpayer, available in 2026.
  - Indiana: also has a state credit, 50% of the gift, available in 2026.
  - Kentucky: federal credit only, no state credit.
  - Confirm the SGO is on the state's approved federal list.

- Starting in 2027, a state credit reduces the federal credit; no double charitable deduction.

- Nonrefundable with a 5-year carryforward; claimed on Form 8525.



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2026 401(k) Employee Contribution Limits

	Standard Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
Under 50	$24,500	N/A	$24,500
Age 50 – 59, 64+	$24,500	$8,000	$32,500
Age 60 – 63	$24,500	$11,250	$35,750

2026 IRA Contribution Limits

	Standard Contribution Limit	Catch-up Contribution Limit	Total Contribution Limit
Under 50	$7,500	N/A	$7,500
Age 50 and older	$7,500	$1,100	$8,600

- Be mindful: There are limitations on who can contribute to an IRA, both Traditional and Roth.
- Spouse B may be able to use Spouse A's wages for an IRA contribution in the current year.

Roth Catch-Up Requirement

- Beginning in 2026, workers who are age 50 or older who earned more than $150,000 in FICA wages in the prior year will need to make any catch-up contributions on a Roth basis.
- Individuals making $150,000 or less in the prior year can continue making catch-up contributions to their regular pre-tax and/or Roth 401(k)s.
- Only impacts employer-sponsored retirement plans. IRAs are not impacted by this rule (but IRAs have their own set of rules and limitations).
- Retirement plan needs to have the Roth option available to allow high-income earners to make catch-ups via Roth.
- Partners in a partnership are not required to make Roth catch-ups and can use regular catch-ups.

Medicare Premiums (IRMAA Surcharges) – 2026

YOU PAY	YOU PAY	2024 MAGI	2024 MAGI
Premium- Part B	Part D Surcharge	Single	Married Joint Filing
$202.90	Plan premium +	$109,000 or less	$218,000 or less
$284.10	$14.50	$109,001 - $137,000	$218,001 to $274,000
$405.80	$37.50	$137,001 to $171,000	$274,001 to $342,000
$527.50	$60.40	$171,001 to $205,000	$342,001 to $410,000
$649.20	$83.30	$205,001 to $499,999	$410,001 to $749,999
$689.90	$91.00	$500,000 or more	$750,000 or more

Required Minimum Distributions (RMDs)

- Required to annually pull a minimum amount out of retirement accounts upon reaching your RMD age.
- Birth Year Rule: Age 73 for those born in 1951-1959.
- Birth Year Rule: Age 75 for those born in 1960 or later.
- Missed RMD excuse tax is now 25%, reduced to 10% for timely correction, with reasonable error waiver relief potentially available.
  - Promptly correct any missed RMDs to limit penalties.
- No lifetime RMDs for the original Roth IRA owner.

Where to Place Investments

- Pre-tax Accounts (Traditional 401K / Traditional IRA)
  - Investments that earn interest and non-qualified dividends.
  - Defers any tax due (not taxable in the current year).
  - Distributions taxed at Ordinary Income Rates.

- Taxable Accounts (Individual or Joint Investment Account)
  - Investments focused on capital appreciation.
  - Gains are taxed at Long-Term Capital Gains Rates.
  - Qualified property acquired from a decedent generally receives a fair-market-value basis adjustment.
    - Step-up in basis.

2026 Federal Long-Term Capital Gain and Qualified Dividend Tax Rates

Filing Status	0% Rate	15% Rate	20% Rate
Single	Up to $49,450	$49,451 - $545,500	Over $545,500
Head of Household	Up to $66,200	$66,201 - $579,600	Over $579,600
Married Filing Jointly	Up to $98,900	$98,901 - $613,700	Over $613,700
Married Filing Separately	Up to $49,450	$49,451 - $306,850	Over $306,850
Estates and Trusts	Up to $3,300	$3,301 - $16,250	Over $16,250

Roth Conversions

- Choosing to pay tax now on pre-tax/IRA dollars.
- When could it make sense?
  - Heirs in a higher tax bracket.
  - In-between working years and starting Social Security.
  - In-between working years and Required Minimum Distribution (RMD) Beginning Date.
  - Expecting a large RMD once required.
- There are several critical assumptions with a Roth Conversion analysis.
  - Beware of online calculators.

Roth IRAs – 5 Year Rule

- Qualified earnings distributions require five taxable years plus age 59 and 1/2, death, disability, or the qualifying first-time exception.
- A Roth 401K 5-year period does not carry over to the Roth IRA.
- Opening and funding a Roth IRA pre-retirement will start the 5-year clock.

Qualified Charitable Distribution (QCD)

- A Charitable Contribution directly from your Traditional IRA to a non-profit.
- Must be age 70.5.
- Avoids income tax altogether.
- Does not get picked up as income or a deduction on the tax return.
- Still realize a tax savings even if you take the standard deduction.
- If you have clients that are age 70+ and are charitably inclined, this can be a BIG win.
- Exclusion amount is $111,000 for 2026.

Cash Balance Plans

Illustrative 2026 maximum annual contributions by age (rows) and plan compensation (columns).

Age	$360,000+	$200,000	$150,000	$100,000	$75,000	$50,000
50	$204,594	$204,594	$204,594	$153,808	$115,356	$76,904
55	$262,428	$262,428	$216,763	$144,508	$108,381	$72,254
60	$336,736	$266,600	$199,950	$133,300	$99,975	$66,650
65	$349,015	$240,700	$180,525	$120,350	$90,263	$60,175
70	$380,400	$211,333	$158,500	$105,667	$79,250	$52,833

How it works

- Defined benefit plan with a hypothetical account for each participant.
- Credited each year with a pay credit and an interest credit.
- Employer-funded and deductible; contributions required every year.
- Vested balance can roll to an IRA as a lump sum.

Rules to know

- Pairs with a 401(k) ($24,500 deferral + catch-up) and profit sharing.
- When combined, deductible profit sharing may be capped at 6% of pay (IRC §404(a)(7)).
- Must cover eligible staff and pass testing (§401(a)(4), §401(a)(26)).
- Best fit: owners 50+ with high, steady income.

Illustrative only; actual maximums depend on the plan's actuarial assumptions, interest crediting rate, service and testing. Confirm with the plan actuary. Pay counted is capped at $360,000 (IRC §401(a)(17)); annual benefit is limited to the lesser of $290,000 or 100% of high-3-year average pay (§415(b)), so lower earners' maximums fall at older ages.



Selling Your Business – Income Tax Considerations

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General Planning Timeline of a Business Sale

- Preparation for Sale: (12-24 months pre-closing).
- Potential Buyer identification / LOI / Transaction Modeling (6-18 months pre-closing).
- Due Diligence / General Negotiation / Legal Document Drafting (3-6 months).
- Post Transaction Items (1-5 years post-closing).

Preparation for Sale / Seller Readiness

- Financial housekeeping
  - Cleaning up old debt.
  - Reconciliation of old/dormant balance sheet accounts.
  - Review of old A/R and A/P.
  - Scrubbing fixed asset list for obsolete items.
  - Review expenditures running through the business that may be more “personal” in nature.

- Internal due diligence (income/sales/withholding tax focus)
  - Identify historical tax exposure.
  - Income tax nexus and registration in states you are doing business in.
  - Review remote worker status, especially those who may be in a different state from your home office.
  - Review worker classification status (employee vs. independent contractor).
  - Understand your book (GAAP) vs. tax differences.

Buyer Identification / LOI / Transaction Modeling

- How will you identify a list of potential buyers?
- Defining clear internal expectations with yourself
  - Are you comfortable giving up majority control?
  - Will you be able to work for someone else?
  - Would you prefer to keep skin in the game with either rollover units or retaining some ownership?
- Transaction Modeling
  - Engaging your team of professionals (attorney, CPA, business broker/investment banker, etc.)
  - Getting an idea what your business may be worth.
  - How much cash is desirable at closing and overall for the deal.
  - Factor in debt payoffs and related transaction costs at closing.
  - Understanding the generalities of how the deal will be taxed including:
    - Character of gain (ordinary vs. capital).
    - Timing of when tax would be due.

Three Types of Deal Structures

- Asset Sale – Buyer purchases company assets and assumes some/all liabilities of the seller.

- Stock/Equity Sales – Buyer acquires the Seller's company shares/LLC units directly from the Seller's individual shareholders / partners.

- Merger – the companies merge together into one single legal entity. This can be achieved numerous ways via a surviving entity, a subsidiary entity, or a brand new entity. Can sometimes qualify as a tax-free reorganizations.

Asset Sale vs. Stock Sale Comparison

Issue	Asset Sale	Stock Sale
Tax Impact – Buyer	More Favorable – acquires the assets with a new tax basis, which can lead to immediate/future depreciation benefits.	Less Favorable – no basis step-up. Inherit old “issues” of the target along with all liabilities. Sales of LLC units will could have elements of an asset sale for the Buyer.
Tax Impact - Seller	Less Favorable – normally has elements of ordinary income gain treatment.	More Favorable – typically capital gains treatment for majority/all of deal.
Basis step-up (Buyer)	Buyer typically will receive a FMV basis step-up in the acquired assets.	For S or C-Corps, Buyer receives basis in the stock only. Sales of LLC units will have elements of an asset sale treatment for both the Buyer and Seller.
Goodwill / Intangibles	Buyer typically will get to amortize a portion of the purchase price.	No additional amortization for buyer.

Asset Deal – Tax Attributes

- Generally speaking, most deals that we see within our client base that involve two neutral third parties are going to be structured, or at least taxed, as an Asset Sale.

- Seller impact on an Asset Deal
  - Expect to have some level of depreciation recapture (i.e. Ordinary Income) on the deal.
    - There are tax benefits to this related to Section 199A.
  - If you are a cash basis taxpayer, your A/R that exists at the time of the sale will also be taxed as Ordinary Income.
  - The remainder of the sale (Goodwill) will normally be taxed at long-term capital gains rates.
  - Earnouts and escrow payments could push some tax into future years – generally you will only pay tax as you receive cash payments.
    - Earnouts need to be structured carefully to ensure potential capital gain treatment, if applicable.
    - Exception: depreciation recapture and hot assets are taxed in year of sale.
  - If rollover units are involved, a portion of the sale may be able to be structured as a tax deferral to the seller.

Financial and Tax Due Diligence Expectations

- If you are working with a sophisticated Buyer, expect any and all financial skeletons to be uncovered.
- Most transactions of medium / large scope will undergo a Quality of Earnings and related financial statement due diligence.
  - 12-36 months of activity in all balance sheet accounts will be examined.
  - Variances will need to be explained.
  - Support documentation for extraordinary items will be requested.
  - Customer contracts and the corresponding relationships will be vetted.
- While you are not expected to be “perfect”, identifying potential issues in the pre-planning stage will help you and your advisors be able to address the inevitable questions to help the Buyer become comfortable with the presumed risks.

Rollover Equity – How Does It Work?

- Can be used as a tool to sell a portion of your company now but hold onto some ownership to participate in perceived future upside.
- A portion of the consideration in the sale of your company could be ownership units in the Buyer.
- Generally, rollover units received will not have any immediate tax impact as long as the deal is structured properly. Rollover units tied to LLC/partnership sales are more nuanced and could push ordinary income to the seller in the current or future years due to 704(c) allocations.
- Understand what rights and privileges your rollover units entitle you to post-closing including when/how you will potentially be able to sell them.

Section 1202 – Qualified Small Business Stock

- Applicable to original issuance stock of US C-Corporations.
- Can provide a gain exclusion on the sale of eligible C-Corp stock up to $15 million ($10M for stock acquired prior to 7/4/25).
- There are numerous general eligibility and holding period requirements in order for the stock to qualify as Section 1202 Qualified Small Business Stock.
  - $75M gross assets limitation at time of issuance ($50M pre 7/4/25).
  - Active businesses only. Professional service businesses are ineligible.
  - Five year holding period required for full eligibility. Smaller exclusions may be available if held for less than five years.
- Planning Note – An S-Corp's existing shares generally do not become QSBS merely because the company converts to a C-Corporation.
  - The old S-Corp shares are not "original issuance C-Corp shares".
  - Newly issued C-Corp stock would still need to meet the normal 1202 eligibility requirements.

What We're Seeing and How We Help

- Exit Planning is critical!
  - Determine your exit channel(s)
    - 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.**

What We're Seeing and How We Help

- Exit Planning is critical!
  - Control working capital (peg); 18-24 months out.
    - Working Capital = Current Assets – Current Liabilities.
      - Adjusted: Transactions go off "Cash free / Debt free".
    - Emphasis on A/R, Inventory, Prepaids – stay lean.
    - Emphasis on A/P, Accruals – book accurately on monthly basis.

What We're Seeing and How We Help

- Exit Planning is critical!
  - Control closing date – *(to extent possible)* – closing late in year could save big $$$$.
    - Maximize QBI/199A/Small Business Deduction.
      - Review Form 8995 in your 1040 for possible opportunities.
      - Deduction is lesser of:
        - 20% of QBI.
        - 50% of W-2 wages.
        - 2.5% of qualified property.

What We're Seeing and How We Help

- Exit Planning is critical!
  - Work to eliminate / reduce Net Investment Income Tax (NIIT) - 3.8% surtax.
    - Material Participation – 7 Tests.
      - More than 500 hours during year - "easiest out".
      - Substantially all (participation exceeds all others).
      - More than 100 (participation exceeds all others).
      - Significant participation activities – allows you to group.
      - Five of ten preceding years test.
      - Three-year personal service activity test.
      - Facts-and-circumstance test.

What We're Seeing and How We Help

- Exit Planning is critical!
  - Don't neglect state/local tax considerations.
    - State income tax rates can range from 13.3% – 0%.
    - Understand bright line tests for your state.
  - Have a plan post-retirement.
    - Retirement is not the end of the road. It is the beginning of the open highway." – Unknown.
    - Create a disciplined investment strategy.

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Thanks for joining us for the 2026 Signature Tax Event!

Ahead of the Curve: Tax, Wealth & Business Strategies for 2027

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