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2025 Year-End Tax Planning Seminar

December 3, 2025

Housekeeping Items

All Attendees Will Be Muted During the Webinar

Webinar Will Be Recorded and Shared With Attendees

Questions Should Be Submitted via the Questions Tab

Agenda

1. Welcome & Introductions
2. Financial & Individual Tax Planning
3. Business Tax Planning
4. HR Compliance
5. Corporate Tax Planning
6. Q&A and Wrap-Up

Our Speakers

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Personal Tax & Financial Planning

Presented by Angelo Romano, CFP®

What Should You Do with Excess Cash?

- Max Contribution – Employer Retirement Plan
- Roth IRA or Indirect Roth IRA Contribution
- Max Contribution – HSA Account
- Fund a 529 Plan for Child Education
- Charitable Donation
- Taxable Investment Account

Tax Efficient Investing Considerations

- Asset Location: Holding the right investments in the right accounts
- Mutual Funds: Year-end capital gains distributions
- Beware of "trendy" investments

Inherited IRAs

10-Year Rule for Non-Spouse Beneficiaries

> 10-year liquidation period

- Have until December 31 of the 10th year after the original owner's death.

> Annual RMDs Required (if owner had already started RMDs at death):

- Yearly withdrawals using IRS life-expectancy tables, from 2025 onward.

> Proper tax planning for distributions

- How much should I distribute each year?
- What to do with the proceeds?

Charitable Giving Strategies

Ways To Maximize Your Giving

- Cash donations
- Donor Advised Fund (DAF)- Donation of highly appreciated securities
  - Used to "bunch" multiple years of giving
- Qualified Charitable Donations (QCD)
  - Sent directly from your Traditional IRA- Over age 70 ½

Retirement Plan Contribution Limits

Looking Ahead to 2026

- Increased retirement plan contribution limits- 401(k), 403(b), TSP, etc.
  - Regular contribution = $24,500
  - Catch up for those age 50+= $8,000
  - "Super" catch up for those ages 60-63= $11,250
- IRA / Roth IRA = $7,500 + $1,100 catch for those age 50+
  - Income limits & other rules apply.

Polling Question #1

Why is Proper Asset Location Important?

A. It really doesn't matter at all

B. To minimize taxes

C. To make your portfolio allocation more complicated than it needs to be

Individual Tax Planning

Presented by Lauren Cooper

Benefits of Year-End Tax Projections

1. Analyze current tax position and implement tax planning strategies before year-end
2. Accomplish multi-year planning by considering future tax rates and filling low-rate income buckets
3. Review withholding and estimated payment needs
4. Visibility, cash-flow planning, avoiding surprises

Retirement Accounts

- Max out pre-tax retirement accounts
- Defer initial year RMD
- Roth Conversions
- Qualified Charitable Distributions (QCD's)

	2025	2024
IRA Contribution Limits (Age at Year-End):		
Under Age 50	$7,000	$7.000
Age 50+	$8,000	$8,000
Simple Retirement Accounts Elective Deferral Limits (Age at Year-End):		
Under Age 50	$16,500	$16,000
Age 50+	$20,000	$19,500
401(k), 403(b), 457 & SARSEP Elective Deferral Limits (Age at Year-End):		
Under Age 50	$23,500	$23,000
Age 50+	$31,000	$30,500
Profit-Sharing Plan / SEP Contribution Limit	$70,000	$69,000

Itemized Deductions

- One Big Beautiful Bill Act (OBBBA) Changes
  - State and Local Tax (SALT) Deduction – 2025 Change
  - Charitable Contributions – 2026 Change
    - New floor of .5% of AGI
  - Cap on Itemized Deductions for those in the 37% bracket - 2026 Change
- Bunching deductions

State and Local Tax (SALT) Deduction

Planning Opportunities

- Pay state estimates by 12/31 to take advantage of increased SALT cap
- Consider impact of phase out range ($500K-$600K)
  - Every dollar of income received above $500K simultaneously reduces a taxpayer's SALT deduction by 30%, so each dollar earned adds $1.30 to a taxpayer's taxable income. This could make it so there are increased marginal tax rates on income earned within the phaseout range.
  - Avoid incurring additional income while in the phaseout range
  - Find ways to take additional above-the-line deductions – lowers taxable income and magnifies the increase in the allowable SALT deduction
  - Consider bunching deductions together in a single year to reduce income under the phaseout threshold – can take standard deduction in other years where income would phase them out of the higher SALT deduction
- Consider interplay with Maryland tax law changes (Fed AGI > $200K ($100K MFS), MD itemized deductions reduced by 7.5% of the excess
  - May be a wash
  - Having higher real estate taxes will be better (SALT addback)

Additional Deductions

OBBBA

- Senior Deduction
  - Individuals 65 and older will be eligible for a $6,000 additional deduction per person. However, this benefit begins to phase out once a taxpayer's modified adjusted gross income (MAGI) exceeds $75,000—or $150,000 for those filing jointly.
- Deduction for cash charitable contributions for non-itemizers starting in 2026
  - $1,000 for single taxpayers
  - $2,000 for joint taxpayers
- Qualified Tips Deduction
- Qualified Overtime Compensation

Standard Deduction	2025	2024
Joint or Surviving Spouse	$31,500	$29,200
Single	$15,750	$14,600
Head of Household	$23,625	$21,900
Married Filing Separately	$15,750	$14,600

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Miscellaneous

- HSA contributions
- Accelerate installment sales payments
- Arrange with employer to defer bonus payments to next year
- Business/SE Income – defer income/accelerate deductions

	2025	2024
Health Savings Accounts (HSAs):		
Self-Only Contribution Limit	$4,300	$4,150
Family Contribution Limit	$8,550	$8,300
Age 55+ (at Year-End) – *Additional Contribution Limit*	$1,000	$1,000
Sources:	Rev Proc 2024-25	Rev Proc 2023-23

Other Considerations

- IRMAA and taxability of SS benefits
- 83(b) Elections
- SMLLC vs. S-Corp status
- MFJ vs. MFS
- Dispose of passive activity to release suspended losses

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Gifting & Estate Planning

- Take advantage of current annual exclusion and lifetime exemption by making outright gifts.
- Elect to treat 529 contributions as paid over 5-years
- Gift from joint account to avoid 709 filing requirements
- Effective ways to give

Gift Tax Annual Exclusion

	2025	2024
Gift Tax Annual Exclusion	$19,000	$18,000
Source:	Rev Proc 2024-40	Rev Proc 2023-34

Estate & Gift Tax Applicable Exclusion Amount

	2025	2024
Estate and Gift Tax Exclusion	$13,990,000	$13,610,000
Source:	Rev Proc 2024-40	Rev Proc 2023-34

The exemption is set to increase to $15,000,000 per individual in 2026.

Section 1202

Exclusions for Small Business Stock

- Prior to OBBBA
  - 100% exclusion of gain on the sale of qualified small business stock (QSBS) held more than 5 years
  - 75% or 50% exclusions if QSBS was originally issued on or before certain dates before 2011
- New with OBBBA
  - Adds partial exclusion for gain on stock held for 5 years or more
    - 50% if held for more than 3 years
    - 75% if held for more than 4 years
    - The remainder is taxed at 28%
  - Increases the per shareholder exclusion from $10M to $15M
  - Increases the corporate-level gross assets ceiling from $50M to $75M
  - Effective for stock issued after July 4, 2025

Section 1202

Planning Considerations

- Think about your choice of entity and future plans for your business
  - Do you plan to sell the business after five years?
  - Are gross assets less than $75M?
- Consider gifting QSBS to family members
- Benefits of non-grantor trusts
  - Separate taxpayer for income tax purposes and would get its own exclusion
- Not all states provide special tax treatment for QSBS

Maryland Tax Law Changes

- Capital Gains Surcharge
  - 2% surcharge for filers earning over $350,000 (AGI)
- New Tax Brackets Impacting Higher Earners
  - 6.25% on income over $500,000
  - 6.5% on income above $1,000,000
- Phase Out of Itemized Deductions
  - Applies to filers earning over $200,000 (AGI)
  - Phase-out factor of 7.5% of the excess over the $200,000 Federal AGI applied
- Increased Limits for Local Tax Rates
  - The maximum local income tax rate that may be imposed will increase from 3.2% to 3.3% for some localities

Polling Question #2

What is the Annual Gift Tax Exclusion for 2025?

A. $17,000

B. $19,000

C. $20,000

Business Tax Planning

Presented by Zach Landon

Bonus Depreciation and Section 179

OBBBA

- Bonus Depreciation:
  - 100% for certain property acquired beginning 01/20/2025 and has been made permanent
  - Bonus depreciation can only be taken on qualified property
  - Prior law, was 40% in 2025, 20% in 2026, and 0% in 2027
    - Property placed in service between January 1, 2025 and January 19, 2025 are subject to prior law.
- Section 179:
  - Similar to bonus, allows for accelerated depreciation on qualified property placed in service during the year
  - Section 179 deduction cannot cause an overall business tax loss (major difference from bonus depreciation)
  - Increased from $1M to $2.5M
    - Phaseout threshold of $4M, which was increased from $2.5M
    - Unlike bonus, effective for property placed in service after December 31, 2024

Qualified Production Property (QPP)

OBBBA

- Allows 100% expensing for certain non-residential real property, used in a qualified production activity.
- QPP must meet certain criteria
  - Qualified production activity for simple terms is manufacturing and transforming materials into a product
    - Goal is to incentivize manufacturing in the U.S.
  - Construction beginning after 01/19/25 and before 01/01/29
    - Must be placed in service before January 1, 2030
  - Original use for property must begin with the taxpayer
  - Integral part of a qualified production activity

Research and Development (R&D)

OBBBA

- Permanently reinstates full expensing for domestic R&D incurred in taxable years beginning after December 31, 2024.
- Alternatively, taxpayers can elect to capitalize and amortize domestic R&D over a period of at least 60 months.
- Foreign R&D must continue to be capitalized and amortized.

Research and Development (R&D)

OBBBA

- Small businesses may elect to retroactively apply this change for taxable years beginning after December 31, 2021.
  - Small businesses = average annual gross receipts for the three preceding years not > $31M
  - Election must be made within one-year of OBBBA enactment = July 3, 2026
- All taxpayers regardless of size can elect to accelerate the deduction for remaining unamortized domestic R&D costs either in the first taxable year beginning after 12/31/24 or spread over two years

Qualified Business Income (QBI) Deduction

OBBBA

- Permanently retains 20% deduction for qualifying pass-through business income (deduction previously set to expire after 2025).
- Minimum QBI deduction of $400 for an active qualified trade or business. (Must have minimum of $1,000 active QBI to claim)
- Increased taxable income threshold for applying limit based on W-2 wages/unadjusted basis of assets and the exception for Specified Service Trade or Businesses (SSTBs)
  - Single filers increased from $50,000 to $75,000 for 2026
  - MFJ filers increased from $100,000 to $150,000 for 2026

Business Interest Deduction Limitation

OBBBA

- Permanently reinstates the addback of amortization and depreciation in the calculation of adjusted taxable income (ATI)for the Section 163(j) business interest limitation for tax years beginning after December 31, 2024.
  - (Previous threshold was reduced to an “EBIT” calculation in years 2022-2024 and is now returning to an “EBITDA” calculation).
- New ordering rule – Section 163(j) limitation applies before all interest capitalization provisions (other than the mandatory provisions in 263(g) and 263A(f)).

Meals

OBBBA

- Under the TCJA, meals provided on business premises for the convenience of the employer were set to become non-deductible starting in 2026
  - OBBBA only provided a very exception to this for meals provided on fishing vessels/fish processing facility
  - Meaning – the non-deductible provision under the TCJA will go into effect in 2026
  - This includes meals provided at the business for employees to work late (i.e., busy season dinners, office snacks, coffee, donuts, etc.)

Year-End Bonuses

- If cash basis, bonuses needed to be paid by year-end to take advantage of the deduction.
  - In high income tax years, bonuses can be paid by year-end to take advantage of the deduction in current year.
  - If business income is low in 2025, but expected to increase in 2026, does it make sense to pay the bonuses in early 2026?
- Accrual basis
  - Deduct bonuses in the year the all events related to the bonuses are established and paid out within 2.5 months after year-end
    - Special rules for officer compensation
    - Timing of when bonuses are paid for tax planning

Other Common Business Deductions

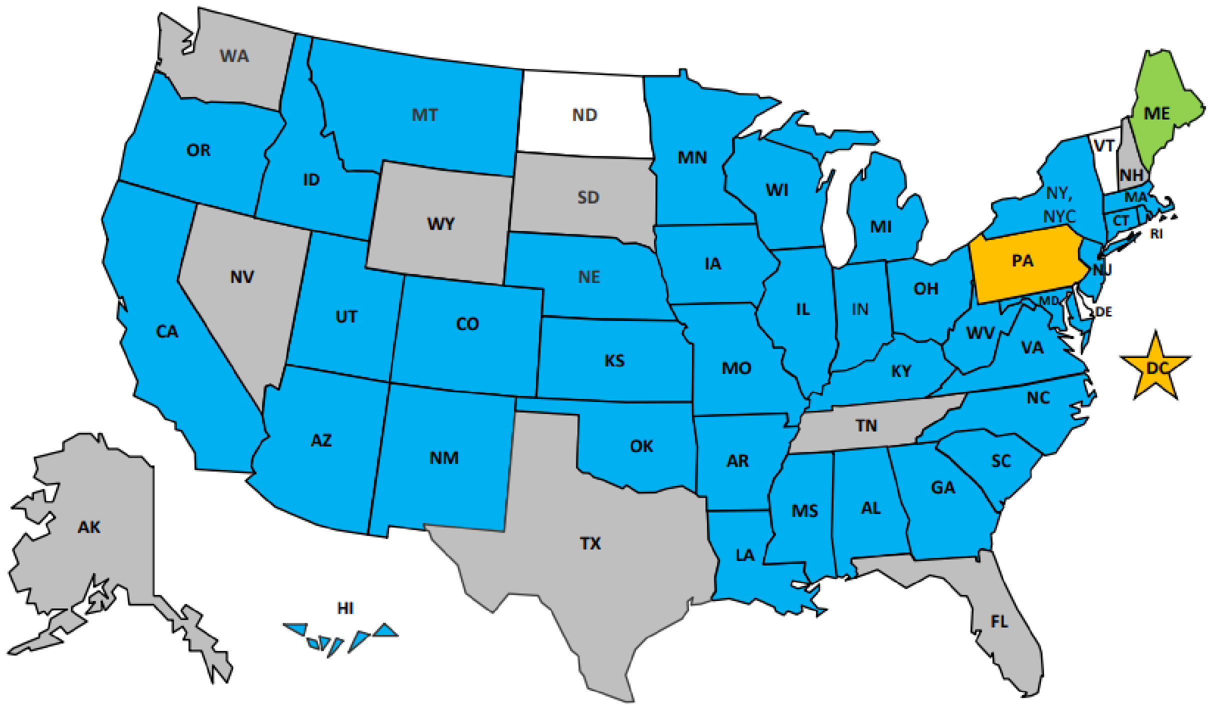
Areas of Concern

- 12-month prepaid expense rule for accrual basis taxpayers
  - Allows for the deduction of a prepaid expense in the current year if the right or benefit paid for does not extend beyond the earlier of: 12 months after the right of the benefit begins, or the end of the tax year following the tax year in which the payment is made
- Cash basis
  - Prepayment of expenses such as health insurance, software subscriptions, etc.
  - Paydown of accounts payable and vendors
    - Paydown of debt, payment of distributions, and credit card payments will not lower cash basis income
- Flow-through losses
  - Be careful with 461 losses as losses from all trade and businesses are limited
  - If flow-though entity is in a loss position, look into areas for accelerating income at either the entity level or individual to optimize tax benefits.

Pass-Through Entity (PTE) Map

States with Enacted or Proposed Pass-Through Entity (PTE) Level Tax

As of July 29, 2025



- 36 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2024 (or earlier) unless noted: AL, AR, AZ, CA[5], CO[3], CT[1], HI, GA, IA[3], ID, IL[2], IN, KS, KY (& KY) ,LA, MA[3], MI[3], MD, MN[3], MO, MS, MT, NC, NE, NJ, NM, NY, OH, OK, OR[2], RI, SC, UT[2], VA[4], WI, WV, and NYC
- 2 states with active proposed PTE tax bills (PA - SB 396, HB 1610, DC - B26-0324)
- 1 state with pending proposed PTE tax bill for 2026 (ME – LD 191, HP 124)
- 9 states with no owner-level personal income tax on PTE income: AK, FL, NH, NV, SD, TN, TX, WA, WY
- 3 states with an owner-level personal income tax on PTE income that have not yet enacted or & do not have an active proposed bill on PTE taxes: DE, ND, and VT

[1] Mandatory 2018-2023, elective starting 2024
[2] State PTET expires on Dec. 31, 2025 and no longer in session, and likely will reintroduce PTET extension bills in 2026 (IL, OR, UT)
[3] State PTET expires when the federal cap expires or is otherwise not in effect (CO, IA, MA, MI, MN)
[4] State PTET expires Dec. 31, 2026
[5] State PTET expires Dec. 31, 2030

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Pass-Through Entity (PTE)

- The Pass-Through Entity Tax (PTET) election allows pass-throughs to elect to pay state income tax at their business' level
  - The entity elects to pay the state income tax due before it flows to the owner's taxable income and be subject to state income tax at the owner level
  - The federal itemized deduction cap for SALT that applies to individuals doesn't apply to the pass-through entity
  - The state income taxes reduce the business income that flows to the entity's owner
- Larger benefit for flow-through owners who can elect PTE and are also below the income thresholds for the increased $40,000 SALT cap at the individual level.

Polling Question #3

What State Has Enacted the Pass-Through Entity Level Tax?

A. Pennsylvania

B. Delaware

C. Maryland

HR Compliance

Presented by Michelle Childers

Year-End Preparation

W2s, 1099s, Form 1095C

- Ensure accurate employee and contractor data for W-2 and 1099 filings.
- Confirm electronic filing readiness—required if submitting 10+ forms.
- Distribute W-2s and 1099-NEC
  - January 31, 2026
- Prepare ACA Reporting – Benefits reporting for Applicable Large Employers (50+ FTE) or Self-Funded Plans
  - Form 1095C to employees by March 2, 2026
  - Employer not required to send forms if clear notice is provided; employee may request a copy of their statement
  - Form 1094C & Form 1095C filed electronically by March 31, 2026

2026 Contribution Limits Overview

401(k) Plans

- Employee Contribution Limit: $24,500
- Catch-Up Contribution (Age 50+): $8,000
- Higher Catch-Up Contribution (Age 60-63): $11,250
- High Earners ($150,000+ W2 wages in 2025): Must make catch up contributions as Roth *if the current plan permits Roth*
- Roth contribution feature must be in place by end of year 2026

Health Savings Account (HSA)

- Self-Only Coverage: $4,400, Family Coverage: $8,750
  Catch-Up Contribution (Age 55+): $1,000

Flexible Spending Account (FSA)

- Health FSA Contribution Limit: $3,400
- Dependent Care FSA Contribution Limit: $7,500 (up from $5,000!)
- Subject to non-discrimination testing

Bi-Weekly Payrolls

Do You Have 27 Pay Periods in 2026?

- 2026 may include 27 biweekly pay periods due to calendar alignment.
  - A biweekly payroll schedule will have 27 pay periods in 2026 if the first payday is on Friday, January 2, 2026.
- Decide whether to:
  - Divide annual salary by 27 (reduces each paycheck slightly), or
  - Keep pay consistent and issue an extra paycheck (increases total annual pay).
  - Adjust benefit deductions and accruals accordingly—some employers skip deductions on the 27th paycheck.
- Communicate changes to employees early to manage expectations.

Maryland FAMLI Update

- Maryland's Paid Family and Medical Leave Insurance (FAMLI) program
  - All Maryland employers, regardless of size
- Delayed:
  - Payroll deductions begin January 1, 2027
  - First employer remittance expected in April 2027
  - Benefits available January 3, 2028.
- Prepare for future compliance:

  https://paidleave.maryland.gov/employers/Pages/home.aspx
- Not just Maryland: CA, CO, CT, DE, ME, MA, NJ, NY, DC and more

Compliance Reminders

> Carryover Requirements for Time Off Policies

- Review state-specific PTO rollover laws—some states mandate carryover or payout of unused time.
- Even if carryover is not legally required, ensure policies are clear

> Pay Transparency Requirements

- Multiple states and cities now require salary ranges in job postings.
- Maryland, DC, NY, NJ, CT and others
- Ensure job postings include reasonable pay ranges, benefits, compensation details
- Remote roles may trigger compliance if candidates reside in regulated states

> S-Corporations

- IRS rules require owners to separately state their health insurance premiums in box 14 of their W-2

Polling Question #4

If a company with biweekly payroll has its first pay date of 2026 on Friday, January 2nd, how many pay periods will there be in 2026?

A. 25

B. 26

C. 27

Corporate Tax Planning

Presented by Michael Bondi

Changes to International Tax Provisions

Key Corporate Income Tax Considerations

- From GILTI to NCTI - for tax years beginning after Dec. 31, 2025:
  - Increases the effective corporate tax rate on GILTI from 10.5% to approximately 12.6%
    - Reduction in the Section 250 deduction from 50% to 40%
    - Foreign tax credit haircut, down from 20% to 10%
      - Percentage of deemed-paid foreign taxes under NCTI that can be claimed as a credit increases from 80% to 90%
    - Removal of net deemed tangible income return (NDTIR), which had allowed for a 10% exclusion of qualified business asset investment (QBAI)
  - Combined effective rate to eliminate U.S. residual tax rises to ≈ 14% (previously 13.125%)
    - New 12.6% ÷ 90% ≈ 14%
    - Old 10.5% ÷ 80% = 13.125%

Changes to International Tax Provisions

Key Corporate Income Tax Considerations

- FDII now becomes FDDEI
- Changes for tax years beginning after Dec. 31, 2025:
  - Section 250 deduction from 37.5% to 33.34% increases the effective U.S. tax rate on FDDEI from 13.125% to 14%.
  - Similar to GILTI/NCTI removal of 10%exclusion of qualified business asset investment (QBAI)
  - Income or gain from transfers of IP to a foreign corporation under Section 367(d) excluded
  - No longer required to allocate interest or R&E expenses against eligible income
- Deduction rate is lower but more valuable for those with significant interest and / or R&E expenses

OBBBA Impact on Accounting for Income Taxes

- Reassess the Realizability of Deferred Tax Assets
  - Valuation allowance on DTA for Section 163(j)
  - adjusted taxable income (made permanent) = earnings before income, taxes, depreciation, and amortization which is effective for tax years beginning after Dec. 31, 2024
    - Interplay with Section 174
      - Rev. Proc. 2025-28 one- or two-year catch-up transitional adjustments are amortization
      - Model out cost segregation and electing in or out of bonus depreciation to maximize ATI
- Remeasure GILTI / NCTI deferred tax balances at enactment date if expected to reverse after the new law becomes effective
  - Accounting policy election to either treat GILTI as a period cost (almost all taxpayers), or to record deferred taxes for basis differences that are expected to reverse as GILTI in future years

Polling Question #5

Under the OBBBA – is the Effective Tax Rate on GILTI (now known as NCTI) Increasing Or Decreasing?

A. Decreasing

B. Increasing

C. Just a sec, what was guilty again?

Answering Your Questions

Thank You For Joining!

Feedback

We'd love to hear from you! This week, you'll receive an email with a recording of the webinar and a brief survey to share your thoughts and feedback to help us improve future webinars.

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