



Year-End Tax Planning 2025: Businesses

Maximizing Opportunities, Minimizing Liabilities



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| Legislative Update



- The One Big Beautiful Bill Act
- Additional Reconciliation Bills
- Government Shutdown - Funded Through January 30th
- Potential Tax Guidance & State Conformity
- Priority Guidance Plan (40+ OBBBA-Related Items)


2025 Individual & Corporate Tax Rates


 Single			
Ordinary Income		Long Term Capital Gain	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	Up to \$11,925	0%	Up to \$48,350
12%	\$11,926 - \$48,475	15%	\$48,351 - \$533,400
22%	\$48,476 - \$103,350	20%	\$533,401+
24%	\$103,351 - \$197,300		
32%	\$197,301 - \$250,525		
35%	\$250,526 - \$626,350		
37%	\$626,351+		

 Married Filing Joint			
Ordinary Income		Long Term Capital Gain	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	Up to \$23,850	0%	Up to \$96,700
12%	\$23,851 - \$96,950	15%	\$96,701 - \$600,050
22%	\$96,951 - \$206,700	20%	\$600,051+
24%	\$206,701 - \$394,600		
32%	\$394,601 - \$501,050		
35%	\$501,051 - \$751,600		
37%	\$751,601+		

Corporate Income Tax Rate (C Corporations)	
Federal Rate	Standard deduction (2025)
21% flat on taxable income	\$15,750 Single/MFS \$31,500 MFJ \$23,625 HOH

2026 Individual & Corporate Tax Rates

 Single			
Ordinary Income		Long Term Capital Gain	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	Up to \$12,400	0%	Up to \$49,450
12%	\$12,401 – \$50,400	15%	\$49,451 - \$545,500
22%	\$50,401 – \$105,700	20%	\$545,501+
24%	\$105,701 – \$201,775		
32%	\$201,776 – \$256,225		
35%	\$256,226 – \$640,600		
37%	\$640,601+		

 Married Filing Joint			
Ordinary Income		Long Term Capital Gain	
Tax Rate	Taxable Income	Tax Rate	Taxable Income
10%	Up to \$24,800	0%	Up to \$98,900
12%	\$24,801 – \$100,800	15%	\$98,901 - \$613,700
22%	\$100,801 – \$211,400	20%	\$613,701+
24%	\$211,401 – \$403,550		
32%	\$403,551 – \$512,450		
35%	\$512,451 – \$768,700		
37%	\$768,701+		

Corporate Income Tax Rate (C Corporations)	
Federal Rate	Standard deduction (2026)
21% flat on taxable income	\$16,100 Single/MFS \$32,200 MFJ \$24,150 HOH



| Top 10 Planning Considerations

1. Qualified Business Income (QBI) Deduction

- TCJA created 199A back in 2017 for pass-through entity owners
- Had been slated to expire after 2025
- Now permanent at 20% (no change to the rate)
- Also expands the deduction limit phase-in ranges for specified service trades or businesses
- Also adds a minimum QBI deduction of \$400 for taxpayers with at least \$1,000 of QBI income from active business



Qualified Business Income (QBI) Deduction

CSH Planning Tips




- ✓ Consider bonus payouts to boost QBI deduction under W-2 limitations
- ✓ SSTB owners above the phase-out should explore ways to reduce AGI/maximize deductions

2. Business Interest Expense Limitation Under 163(j)

- Under prior law the limitation was based on EBIT
- New law increases the cap by excluding depreciation, amortization and depletion from the calculation, meaning the limit is based on EBITDA, effective for 2025





Business Interest Expense Limitation Under 163(j)

CSH Planning Tips



- ✓ Review debt structure and financing strategies.
- ✓ Determine whether previously suspended interest may now be deductible.
- ✓ Update tax estimates accordingly.
- ✓ Watch required interest capitalization rules.
- ✓ If applicable, consider the 163(j)(7)(B) election for real property trades or businesses.

3. Section 1202

Gain exclusion for small business stock

- Current law allows an exclusion of 100% of gain if held more than 5 years if certain requirements are met
- New law somewhat changes the rules, permitting exclusion of 50% for stock held at least 3 years, 75% if held at least 4 years, and 100% for at least 5 years
- Small business asset qualification limit increased to \$75 million (was \$50 million)
- Lifetime limit increased to \$15 million (was \$10 million), or 10 times basis
- Applies to stock acquired after the date of enactment (July 4, 2025)



Section 1202 – QSBS Exclusion

CSH Planning Tips



- ✓ Reevaluate entity selection and exit strategy based on new tiered structure.
- ✓ Check qualifications under 1202 - does not apply to SSTB businesses.

4. Pass-Through Entity Tax (PTET)

- Individual SALT deduction raised to \$40,000 in 2025 (subject to phase out beginning at \$500,000).
- No SALT limitation for pass-through entities.



Pass-Through Entity Tax (PTET)

CSH Planning Tips



- ✓ Continued use of the PTET strategy, especially for pass-through owners with AGI above \$600k.
- ✓ Consider entity planning to take advantage of PTET (example Sch C conversion to S corp).
- ✓ Monitor interplay between QBI eligibility (W-2 wage and/or UBI) and SALT phaseouts.

5. Income Tax Nexus Expansion

- **Economic Nexus Growth:** More states are using sales-based economic nexus for income/franchise tax (e.g., \$500k), and they're enforcing it more aggressively with better data.
- **Market-Based Sourcing:** Market-based sourcing (often paired with single-sales-factor) is now the dominant trend for services/intangibles, but state rules still vary and create real allocation risk.
- **Digital Activity & P.L. 86-272:** States keep narrowing P.L. 86-272 protection for online activity, so “just selling remotely” can still trigger income tax nexus.
- **Remote/Hybrid Workforce:** Remote employees remain a straightforward physical-presence nexus and withholding trigger, especially in convenience-rule states.



Income Tax Nexus

CSH Planning Tips



- ✓ Conduct nexus studies to identify filing obligations.
- ✓ Proactively manage voluntary disclosure agreements (VDAs) for past exposure.
- ✓ Track state threshold and sourcing changes and re-evaluate your footprint annually as customer/location patterns shift.
- ✓ Build customer-location and service-delivery data into billing/CRM now, because sourcing documentation is what wins audits.

6. Research & Development (R&D)

- **OBBBA** permanently restored immediate expensing for domestic R&E costs starting in 2025 via new 174A, kept foreign R&E on 15-year amortization, and provided transition relief for 2022–2024 costs while leaving the 41 credit intact.
- The **IRS** tightened R&D credit reporting and refund-claim substantiation (including more detailed Form 6765 expectations) and increased scrutiny in exams, especially around tying QREs to specific business components.
- **States** continued to expand/modify R&D incentives, notably with Michigan launching a new R&D credit effective for 2025, making state-by-state eligibility and ROI a bigger planning lever.





Research & Development (R&D)

CSH Planning Tips



- ✓ Certain eligible small businesses can amend 2022-2024 returns to convert previously amortized R&D costs into immediate deductions (and refunds)
- ✓ Assume higher IRS scrutiny on the credit and treat contemporaneous documentation + business-component mapping as a required year-end step.
- ✓ Re-run state credit eligibility annually, especially if you have Michigan activity or expanding R&D footprint, because state law is moving faster than federal right now.
- ✓ If haven't taken R&D tax credit, consider re-evaluation of business and processes to determine qualification.

7. Capital Asset Planning

Bonus Depreciation

- **OBBBA rule:** 100% bonus depreciation for qualifying property acquired and placed in service after 1/19/2025.
- **Grandfathered TCJA phase-down:** If property was acquired in 2025 prior to 1/20/2025, then 40% bonus applies

Section 179 & Bonus Depreciation

	2025	2026
Section 179 expensing limit	\$2,500,000	Indexed for inflation (IRS to release amounts)
Section 179 investment threshold	\$4,000,000	Indexed for inflation (IRS to release amounts)
Bonus depreciation %	100%*	100%*

* = Post 1/19/25 is 100% and prior is 40%

| Cost Segregation

Accelerating real estate deductions

- **Why it matters in 2025:** Short-life components can qualify for 100% bonus depreciation if placed in service in 2025.
- **Who should consider it:** Owners of commercial or rental residential property acquired, built, or renovated — especially with a sizable cost basis.
- **Typical benefit:** Front-loads depreciation → higher deductions now, improved cash flow.
- **Timing tip:** Best results when done in the year the property or improvements are placed in service.



| Qualified Production Property (QPP)



New law introduces a **100% deduction for “qualified production property,”** including 39-year property



Generally nonresidential real property used in manufacturing, agriculture, or chemical production



Construction must begin after January 19, 2025, be placed in service after **July 4, 2025 but before 2031**

Capital Asset Planning

CSH Planning Tips



- ✓ Ensure that acquisition date is met to qualify for 100% bonus.
- ✓ Evaluate contracts for readiness definitions and talk to your tax advisor about the benefits of a cost segregation study.
- ✓ Plan multi-year strategy now that law is permanent.
- ✓ Watch for state decoupling and impact from 461(l) limitations.
- ✓ Review the details of qualified production property if you are building nonresidential real property used in manufacturing, agriculture, or chemical production.

8. Pass-Through Entity Considerations

Basis limitations and passive activity limitations

- Owners must clear several levels before writing off losses (including tax basis, at-risk, passive activity).
- First, know if you have a loss that could be subject to a limitation on the deductibility in 2025.
- Assess the impact by reviewing your basis schedules
- Take limitations into account when calculating your Q4 2025 estimated tax payment

Potential Strategies

- 1. Loan money to the entity*
- 2. Contribute money to the entity*
- 3. Trigger passive income to allow passive losses to be offset*

Excess Business Loss Limitation Under 461

- TCJA created a limit on the amount that an individual can deduct (called excess business loss limitation)
- For 2025, that threshold is \$313,000 for single taxpayers and \$626,000 for joint filers
- Disallowed losses are generally treated as net operating loss and carried over to the succeeding tax year

Pass-Through Entities

CSH Planning Tip



- ✓ Ensure you are aware of the impact of various potential limitations, and strategies to mitigate the negative impact.

9. Tax Deferrals & Income Shifting

- Multiple year strategy – traditional tax planning or reverse?
- Deduction for specific receivables for accrual basis taxpayers. Also evaluate worthless or subnormal inventory.
- Year-end bonuses – owners and non-owners
- Evaluate LIFO, can provide tax deferral if inventory costs are rising
- Accrued liabilities – accelerate payments?
- Retirement plans



Tax Deferrals & Income Shifting

CSH Planning Tip



- ✓ Take a critical look at your balance sheet and evaluate adjustments needed before year end

10. Green Energy Incentives

- **179D** - Up to \$5.81/sq. ft. deduction for energy-efficient commercial buildings
 - Owner takes the deduction on private projects
 - Architect/designer takes the deduction on public/NFP projects
 - Construction must start by 6/30/2026
- **IRC Section 48** - Credits for solar/geothermal installations up to 70% of project costs
 - Construction must start by 7/4/2026 or be placed in service by 12/31/2027



Green Energy Incentives

CSH Planning Tips



- ✓ Accelerate project timelines to meet deadlines.
- ✓ Coordinate certification early to secure eligibility.
- ✓ Model economics with and without incentives.



| Additional Considerations

| Business Succession/Transition Planning

- Never too early to start planning for the future
- Align your succession with retirement goals, liquidity needs, family wealth transfer strategies, legacy planning, etc.
- Pre-sale operational and financial diligence and optimization is critical
- Know your value



Business Transition Planning

CSH Planning Tips



- ✓ Discuss your goals and options with your advisors
- ✓ IT/Operational/Financial health checks
- ✓ Sell side Quality of Earnings

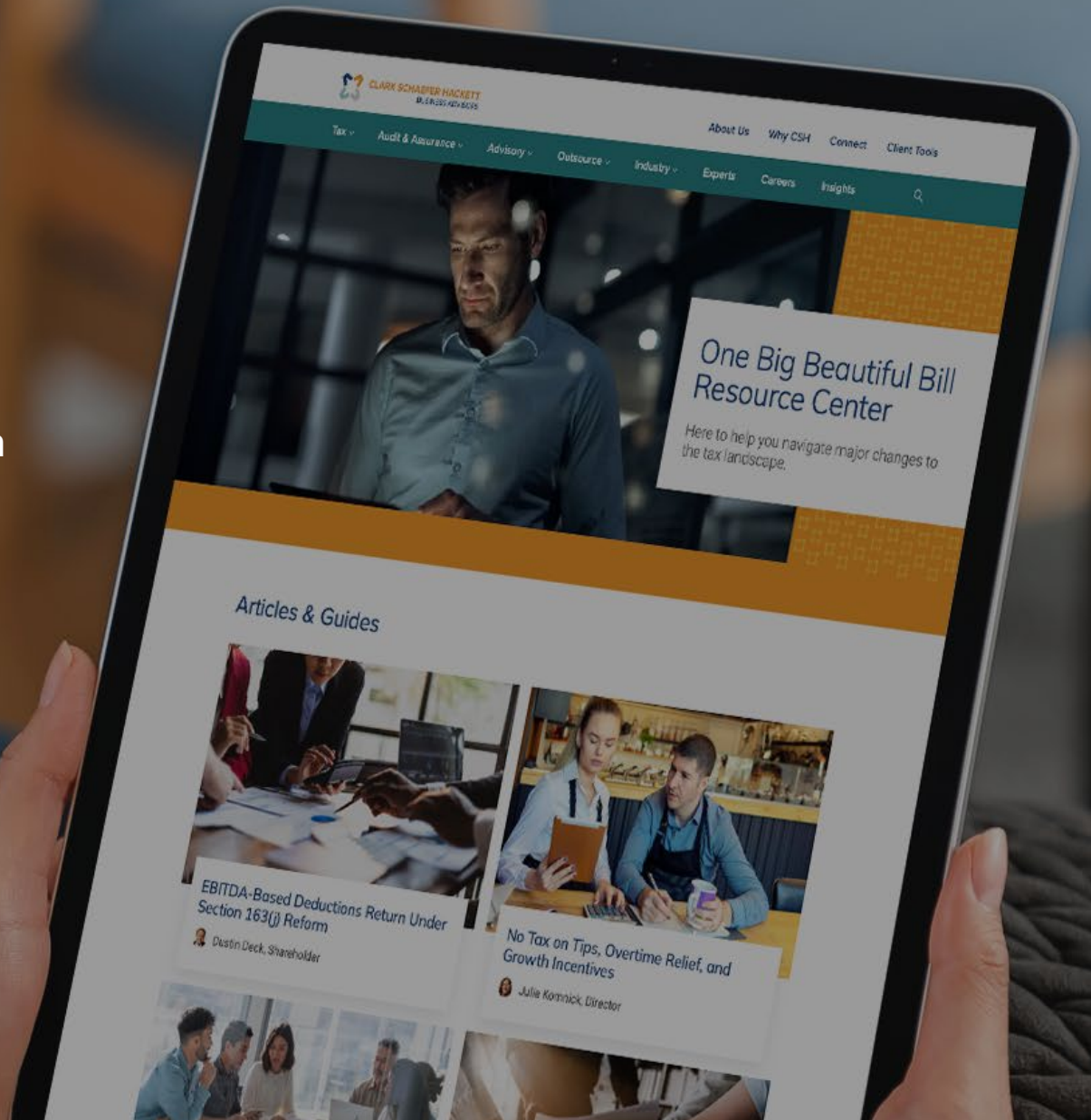
| Year-End Reporting Compliance

- **1099 Reporting**
 - Threshold change under OBBBA
 - CSH can assist
- **W-2 Reporting for 2025**
 - Tips and overtime under OBBBA



Resources & Upcoming Events

- **Register today for our Advisory Webinar on Tuesday, January 27th, 2026**
[Click Here to Register](#)
- **CSH OBBBA Resource Hub**
cshco.com/obbba-resource-hub





Questions?



Thank You!



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