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# TAX TIME MACHINE: CHANGES, CHALLENGES & OPPORTUNITIES

*presented by*

**Michael Weber & Rebekah Flanders**



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## Presenters



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# Roadmap

- Federal changes
- Pennsylvania changes
- Court cases
- AI in the accounting world



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# H.R. 1 – One Year In

| Permanent | Temporary | Ended |
|---|---|---|
| TCJA rate structure and brackets | Tips deduction (2025-2028) | Sections 30D, 45W, 25E credits (after 9/30/2025) |
| TCJA standard deduction | Overtime deduction (2025-2028) | Sections 25C/25D credits (after 12/31/2025) |
| Section 199A: 20% QBI deduction | Car loan interest (2025-2028) | Sections 45L and 179D (6/30/2026 cutoffs) |
| 100% bonus depreciation | Senior deduction $6,000 (2025-2028) | Sections 45Y and 48E Wind/Solar (begin by 7/4/2026 or in service by 2027) |
| Section 174A domestic R&E expensing | SALT $40,000 cap (2025-2029), revert to $10,000 in 2030 | |
| Section 163(j) EBITDA-based ATI | Section 168(n) QPP: construction begins before 2029 | |
| $15M estate/gift exclusion (indexed) | | |
| EBL limitation (section 461(l)) | | |
| Charitable Contribution floors of .5% and 1% | | |

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# Federal Changes for Individuals



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# Four New Deductions

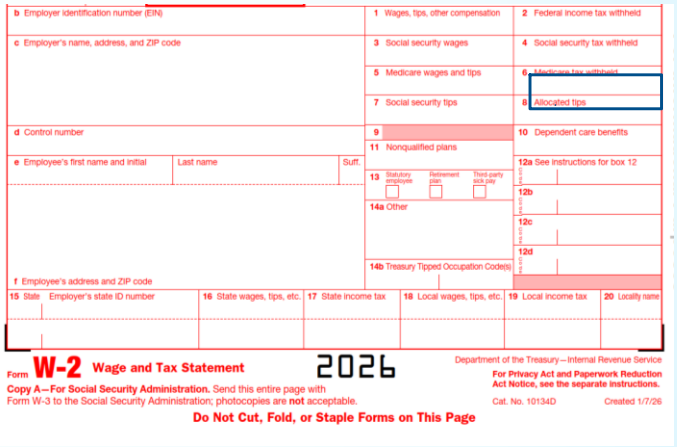
- **No Tax on Tips**
- **No Tax on Overtime**
- **No Tax on Car Loan Interest**
- **Enhanced Deduction for Seniors**

- **All deductions:**
  - Calculated on one form – Schedule 1-A
  - Tax years 2025-2028
  - Reduce taxable income (not AGI)

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# No Tax on Tips

- **Deduction of $25,000 allowed for qualified tips**
- **Qualified Tip – voluntary cash or charged tip received in an occupation that customarily and regularly received tips on or before 12/31/2024**
- **Phaseouts begin at $150,000 of MAGI ($300,000 for MFJ)**

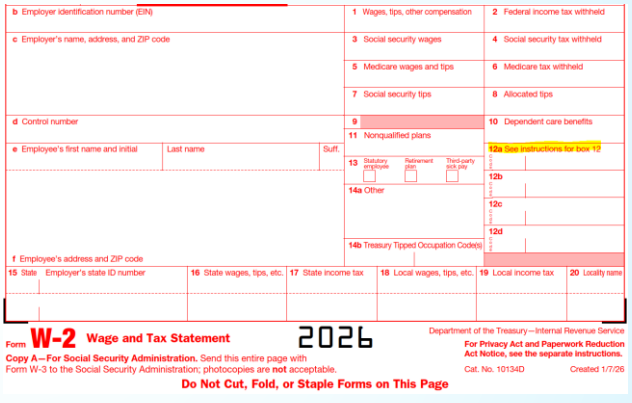





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# No Tax on Overtime

- **$12,500 single/$25,000 married filing joint**
- **Qualified overtime – the portion of overtime compensation above the regular rate that is required under the Fair Labor Standards Act (not all pay for overtime hours)**
  - Example: for qualifying time-and-a-half pay, the deductible amount is generally the *extra half* of the regular rate
- **Phaseouts begin at $150,000 MAGI ($300,000 for MFJ)**




**TT**—Total amount of qualified overtime compensation. Use this amount when determining the qualified overtime compensation deduction in Part III of Schedule 1-A (Form 1040).

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# Car Loan Interest Deduction

- **$10,000 deduction of interest paid on new car loans**
  - Maximum per year is $10,000 (not per vehicle)
- **Final assembly must occur in the United States**
- **Phaseouts begin at $100,000 MAGI ($200,000 MFJ)**
- **Qualifying vehicle VIN must be reported**
- **Consideration for personal vehicles used in a taxpayer's trade or business**



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# Senior Deduction

- **For individuals 65 years and older**
- **Up to $6,000 per individual**
  - Up to $12,000 for joint filers
- **Phaseouts begin at $75,000 MAGI ($150,000 MFJ)**
- **On top of age-based additional standard deduction**

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# Standard Deduction

- **Standard Deduction: Pre-TCJA vs. OBBBA**

| Filing Status | 2026 Standard Deduction (Pre-TCJA) | 2026 Standard Deduction OBBBA |
|---|---|---|
| Single / Married Filing Separate | $8,350 | $16,100 |
| Married Filing Jointly | $16,700 | $32,200 |
| Head of Household | $12,250 | $24,150 |



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# Itemized Deductions

- **SALT Deduction**
  - Increased to $40,000 maximum ($20,000 MFS) (2025 – 2029, indexed for inflation)
  - Phaseouts based on MAGI in excess of $500,000 ($250,000 MFS)
  - Deduction not reduced below $10,000 ($5,000 MFS)
- **Charitable Contributions**
  - 60% AGI limitation permanent (cash gifts)
  - .5% floor, generally based on AGI
  - Below-the-line deduction of $1,000 (S / MFS) or $2,000 (MFJ) for non-itemizers

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# Overall Itemized Limitation

- **Blast from the past!**
  - Pease limitation reduced itemized deductions for higher-income taxpayers by the lesser of 3% of AGI above a threshold or 80% of affected deductions
  - TCJA suspended for 2018-2025
- **Present and future (2026 onward)**
  - Itemized deductions are reduced by new Section 68 limitation:
    - *2/37 of the lesser of (1) allowable itemized deductions or (2) taxable income above the start of the taxpayer's 37% tax bracket*
  - Applies to taxpayers in the highest (37%) bracket



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# Trump Accounts

- **Savings account for children**
  - Valid SSN and under 18 at the end of the year created
- **Functions like a traditional IRA**
- **$5,000 annual contribution limit**
  - Contributions permitted after July 4, 2026
- **$1,000 Government-funded pilot program (for children born between 2025-2028)**
  - Parent or guardian must make the election to receive $1,000
- **Earnings in a Trump Account are taxable when withdrawn**
  - No distributions allowed before the age of 18

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# Digital Assets

- **Known as "cryptocurrency"**
- **Treated as property for tax purposes**
- **Taxable Events include:**
  - Selling digital assets for cash
  - Exchanging cryptocurrency for another
  - Using cryptocurrency to buy goods or services
  - Receiving digital assets as payment or reward

At any time during 2026, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? . . . . . ☐ Yes ☐ No



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# Form 1099-DA

- **In 2026, some taxpayers will receive this form as part of their annual tax documentation**
- **Will be received by a taxpayer if:**
  - Sold or exchanged cryptocurrency through a digital asset trading platform
  - Disposed of non-fungible tokens (NFT) or other qualifying digital assets
  - Used digital assets in transactions where a broker or platform is required to report proceeds
  - Paid for certain purchases, including real estate transactions, using digital assets reported by the receiving entity

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# Taxpayer Duty to Report Crypto

- **Taxpayers are responsible for determining the cost basis of the digital assets sold or exchanged and calculating any gain or loss**
- **Taxpayers should:**
  - Download and retain transaction histories supporting cost basis and transaction history
  - Confirm reported proceeds on 1099-DA align with what they have for their own records
  - Maintain acquisition dates, cost basis, proceeds, fees, and wallet transfers
  - Identify transfers between wallets owned by the same taxpayer which differ from taxable sales

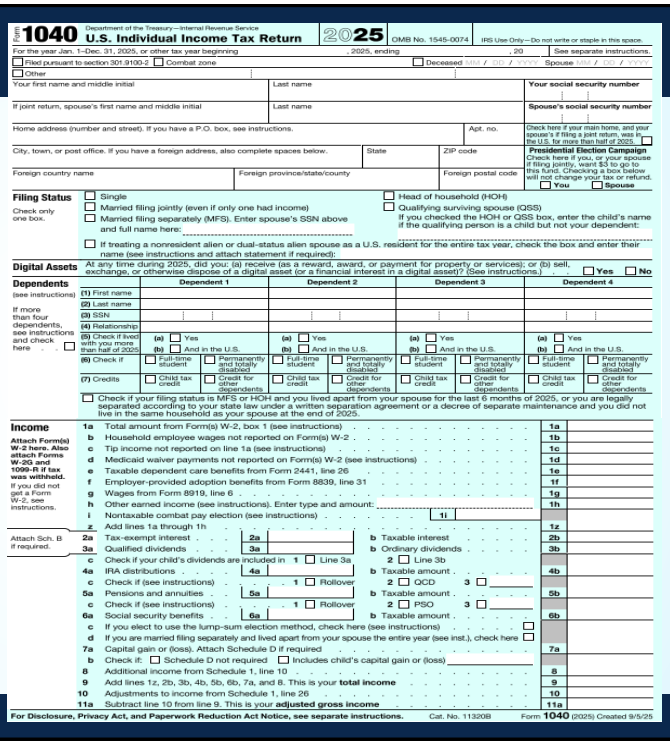


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# Key Takeaway

**Digital asset reporting is becoming more structured, but taxpayers remain responsible for accurate basis records and complete reporting.**

# 2025 1040



Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial | Last name | **Your social security number**

If joint return, spouse's first name and middle initial | Last name | **Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐

City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code | **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Foreign country name | Foreign province/state/county | Foreign postal code

**Filing Status** Check only one box.
☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

**Digital Assets** At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

**Dependents** (see instructions) If more than four dependents, see instructions and check here ☐

| | Dependent 1 | Dependent 2 | Dependent 3 | Dependent 4 |
|---|---|---|---|---|
| (1) First name | | | | |
| (2) Last name | | | | |
| (3) SSN | | | | |
| (4) Relationship | | | | |
| (5) Check if lived with you more than half of 2025 | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. |
| (6) Check if | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled |
| (7) Credits | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents |

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

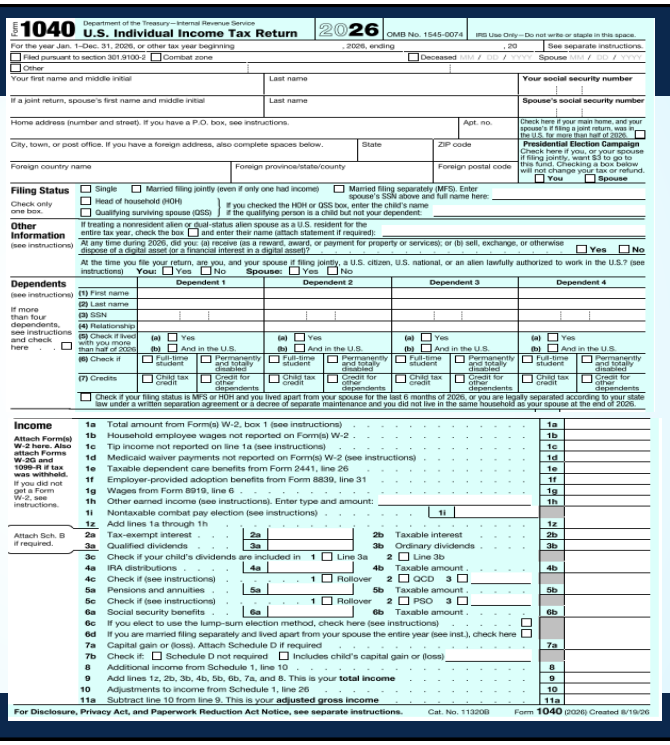
**Income** **Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.** If you did not get a Form W-2, see instructions.

| | | | |
|---|---|---|---|
| 1a | Total amount from Form(s) W-2, box 1 (see instructions) | | 1a |
| b | Household employee wages not reported on Form(s) W-2 | | 1b |
| c | Tip income not reported on line 1a (see instructions) | | 1c |
| d | Medicaid waiver payments not reported on Form(s) W-2 (see instructions) | | 1d |
| e | Taxable dependent care benefits from Form 2441, line 26 | | 1e |
| f | Employer-provided adoption benefits from Form 8839, line 31 | | 1f |
| g | Wages from Form 8919, line 6 | | 1g |
| h | Other earned income (see instructions). Enter type and amount: | | 1h |
| i | Nontaxable combat pay election (see instructions) 1i | | |
| z | Add lines 1a through 1h | | 1z |
| 2a | Tax-exempt interest 2a | b Taxable interest | 2b |
| 3a | Qualified dividends 3a | b Ordinary dividends | 3b |
| c | Check if your child's dividends are included in 1 ☐ Line 3a | 2 ☐ Line 3b | |
| 4a | IRA distributions 4a | b Taxable amount | 4b |
| c | Check if (see instructions) 1 ☐ Rollover | 2 ☐ QCD 3 ☐ | |
| 5a | Pensions and annuities 5a | b Taxable amount | 5b |
| c | Check if (see instructions) 1 ☐ Rollover | 2 ☐ PSO 3 ☐ | |
| 6a | Social security benefits 6a | b Taxable amount | 6b |
| c | If you elect to use the lump-sum election method, check here (see instructions) ☐ | | |
| d | If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐ | | |
| 7a | Capital gain or (loss). Attach Schedule D if required | | 7a |
| b | Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss) | | |
| 8 | Additional income from Schedule 1, line 10 | | 8 |
| 9 | Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your **total income** | | 9 |
| 10 | Adjustments to income from Schedule 1, line 26 | | 10 |
| 11a | Subtract line 10 from line 9. This is your **adjusted gross income** | | 11a |

Attach Sch. B if required.

**For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.** Cat. No. 11320B Form **1040** (2025) Created 9/5/25

# 2025 1040 Draft



Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2026** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2026, or other tax year beginning , 2026, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial | Last name | **Your social security number**

If a joint return, spouse's first name and middle initial | Last name | **Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2026. ☐

City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code | **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Foreign country name | Foreign province/state/county | Foreign postal code

**Filing Status** Check only one box.
☐ Single ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

**Other Information** (see instructions)
If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box ☐ and enter their name (attach statement if required):
At any time during 2026, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? ☐ Yes ☐ No
At the time you file your return, are you, and your spouse if filing jointly, a U.S. citizen, U.S. national, or an alien lawfully authorized to work in the U.S.? (see instructions) **You:** ☐ Yes ☐ No **Spouse:** ☐ Yes ☐ No

**Dependents** (see instructions) If more than four dependents, see instructions and check here ☐

| | Dependent 1 | Dependent 2 | Dependent 3 | Dependent 4 |
|---|---|---|---|---|
| (1) First name | | | | |
| (2) Last name | | | | |
| (3) SSN | | | | |
| (4) Relationship | | | | |
| (5) Check if lived with you more than half of 2026 | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. | (a) ☐ Yes (b) ☐ And in the U.S. |
| (6) Check if | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled | ☐ Full-time student ☐ Permanently and totally disabled |
| (7) Credits | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents | ☐ Child tax credit ☐ Credit for other dependents |

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2026, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2026.

**Income** **Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.** If you did not get a Form W-2, see instructions.

| | | | |
|---|---|---|---|
| 1a | Total amount from Form(s) W-2, box 1 (see instructions) | | 1a |
| 1b | Household employee wages not reported on Form(s) W-2 | | 1b |
| 1c | Tip income not reported on line 1a (see instructions) | | 1c |
| 1d | Medicaid waiver payments not reported on Form(s) W-2 (see instructions) | | 1d |
| 1e | Taxable dependent care benefits from Form 2441, line 26 | | 1e |
| 1f | Employer-provided adoption benefits from Form 8839, line 31 | | 1f |
| 1g | Wages from Form 8919, line 6 | | 1g |
| 1h | Other earned income (see instructions). Enter type and amount: | | 1h |
| 1i | Nontaxable combat pay election (see instructions) 1i | | |
| 1z | Add lines 1a through 1h | | 1z |
| 2a | Tax-exempt interest 2a | b Taxable interest | 2b |
| 3a | Qualified dividends 3a | b Ordinary dividends | 3b |
| 3c | Check if your child's dividends are included in 1 ☐ Line 3a | 2 ☐ Line 3b | |
| 4a | IRA distributions 4a | b Taxable amount | 4b |
| 4c | Check if (see instructions) 1 ☐ Rollover | 2 ☐ QCD 3 ☐ | |
| 5a | Pensions and annuities 5a | b Taxable amount | 5b |
| 5c | Check if (see instructions) 1 ☐ Rollover | 2 ☐ PSO 3 ☐ | |
| 6a | Social security benefits 6a | b Taxable amount | 6b |
| 6c | If you elect to use the lump-sum election method, check here (see instructions) ☐ | | |
| 6d | If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐ | | |
| 7a | Capital gain or (loss). Attach Schedule D if required | | 7a |
| 7b | Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss) | | |
| 8 | Additional income from Schedule 1, line 10 | | 8 |
| 9 | Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your **total income** | | 9 |
| 10 | Adjustments to income from Schedule 1, line 26 | | 10 |
| 11a | Subtract line 10 from line 9. This is your **adjusted gross income** | | 11a |

Attach Sch. B if required.

**For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.** Cat. No. 11320B Form **1040** (2026) Created 8/19/26

# 2025 Schedule 2 (page 1)

**SCHEDULE 2 (Form 1040)**
Department of the Treasury
Internal Revenue Service

## Additional Taxes

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2025
Attachment Sequence No. 02

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | Your social security number

**Part I Tax**

| | | | | |
|---|---|---|---|---|
| 1 | Additions to tax: | | | |
| a | Excess advance premium tax credit repayment. Attach Form 8962 | 1a | | |
| b | Repayment of new clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part II. Attach Form 8936 and Schedule A (Form 8936) | 1b | | |
| c | Repayment of previously owned clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part IV. Attach Form 8936 and Schedule A (Form 8936) | 1c | | |
| d | Recapture of net EPE from Form 4255, line 2a, column (l) | 1d | | |
| e | Excessive payments (EPs) on gross EPE from Form 4255. Check applicable box and enter amount. See instructions. (i) ☐ Line 1a (ii) ☐ Line 1c (iii) ☐ Line 1d (iv) ☐ Line 2a | 1e | | |
| f | 20% EP from Form 4255. Check applicable box and enter amount. See instructions. (i) ☐ Line 1a (ii) ☐ Line 1c (iii) ☐ Line 1d (iv) ☐ Line 2a | 1f | | |
| y | Other additions to tax (see instructions): _____ | 1y | | |
| z | Add lines 1a through 1y | | 1z | |
| 2 | Alternative minimum tax. Attach Form 6251 | | 2 | |
| 3 | Add lines 1z and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17 | | 3 | |

**Part II Other Taxes**

| | | | | |
|---|---|---|---|---|
| 4 | Self-employment tax. Attach Schedule SE. Check if any exemption from (see instructions): 1 ☐ 4361 2 ☐ 4029 3 ☐ _____ | | 4 | |
| 5 | Social security and Medicare tax on unreported tip income. Attach Form 4137 | 5 | | |
| 6 | Uncollected social security and Medicare tax on wages. Attach Form 8919 | 6 | | |
| 7 | Total additional social security and Medicare tax. Add lines 5 and 6 | | 7 | |
| 8 | Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here ☐ | | 8 | |
| 9 | Household employment taxes. Attach Schedule H | | 9 | |
| 10 | Reserved for future use | | 10 | |
| 11 | Additional Medicare Tax. Attach Form 8959 | | 11 | |
| 12 | Net investment income tax. Attach Form 8960 | | 12 | |
| 13 | Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12 | | 13 | |
| 14 | Interest on tax due on installment income from the sale of certain residential lots and timeshares | | 14 | |
| 15 | Interest on the deferred tax on gain from certain installment sales with a sales price over $150,000 | | 15 | |
| 16 | Recapture of low-income housing credit. Attach Form 8611 | | 16 | |

*(continued on page 2)*



# 2025 Schedule 2 (page 2)



**Part II Other Taxes** *(continued)*

| | | | | |
|---|---|---|---|---|
| 17 | Other additional taxes: | | | |
| a | Recapture of other credits. List type, form number, and amount: _____ | 17a | | |
| b | Recapture of federal mortgage subsidy. If you sold your home, see instructions | 17b | | |
| c | Additional tax on HSA distributions. Attach Form 8889 | 17c | | |
| d | Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889 | 17d | | |
| e | Additional tax on Archer MSA distributions. Attach Form 8853 | 17e | | |
| f | Additional tax on Medicare Advantage MSA distributions. Attach Form 8853 | 17f | | |
| g | Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property | 17g | | |
| h | Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A | 17h | | |
| i | Compensation you received from a nonqualified deferred compensation plan described in section 457A | 17i | | |
| j | Section 72(m)(5) excess benefits tax | 17j | | |
| k | Golden parachute payments | 17k | | |
| l | Tax on accumulation distribution of trusts | 17l | | |
| m | Excise tax on insider stock compensation from an expatriated corporation | 17m | | |
| n | Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866 | 17n | | |
| o | Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR | 17o | | |
| p | Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund | 17p | | |
| q | Any interest from Form 8621, line 24 | 17q | | |
| z | Any other taxes. List type and amount: _____ | 17z | | |
| 18 | Total additional taxes. Add lines 17a through 17z | | 18 | |
| 19 | Recapture of net EPE from Form 4255, line 1d, column (l) | | 19 | |
| 20 | Section 965 net tax liability installment from Form 965-A | 20 | | |
| 21 | Add lines 4, 7 through 16, 18, and 19. These are your **total other taxes**. Enter here and on Form 1040 or 1040-SR, line 23; or Form 1040-NR, line 23b | | 21 | |

# 2026 Schedule 2 (page 1 - Draft)

**SCHEDULE 2 (Form 1040)** — Department of the Treasury, Internal Revenue Service

## Additional Taxes

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074 | 2026 | Attachment Sequence No. 02

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | Your social security number

**Part I Tax**

| | | | | |
|---|---|---|---|---|
| 1 | Additions to tax: | | | |
| 1a | Excess advance premium tax credit repayment. Attach Form 8962 | 1a | | |
| 1b | Repayment of new clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part II. Attach Form 8936 and Schedule A (Form 8936) | 1b | | |
| 1c | Repayment of previously owned clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part IV. Attach Form 8936 and Schedule A (Form 8936) | 1c | | |
| 1d | Recapture of net EPE from Form 4255, line 2a, column (i) | 1d | | |
| 1e | Excessive payments (EPs) on gross EPE from Form 4255. Check applicable box and enter amount. See instructions. (i) ☐ Line 1a (ii) ☐ Line 1c (iii) ☐ Line 1d (iv) ☐ Line 2a | 1e | | |
| 1f | 20% EP from Form 4255. Check applicable box and enter amount. See instructions. (i) ☐ Line 1a (ii) ☐ Line 1c (iii) ☐ Line 1d (iv) ☐ Line 2a | 1f | | |
| 1y | Other additions to tax (see instructions): | 1y | | |
| 1z | Add lines 1a through 1y | | | 1z |
| 2 | Alternative minimum tax. Attach Form 6251 | | | 2 |
| 3 | Add lines 1z and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17 | | | 3 |

**Part II Additional Taxes**

**Section A—Additional Income Taxes**

| | | | | |
|---|---|---|---|---|
| 4 | Self-employment tax. Attach Schedule SE. Check if any exemption from (see instructions): 1 ☐ 4361 2 ☐ 4029 3 ☐ | | | 4 |
| 5 | Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here ☐ | | | 5 |
| 6 | Net investment income tax. Attach Form 8960 | | | 6 |
| 7 | Interest on tax due on installment income from the sale of certain residential lots and timeshares | | | 7 |
| 8 | Interest on the deferred tax on gain from certain installment sales with a sales price over $150,000 | | | 8 |
| 9 | Recapture of low-income housing credit. Attach Form 8611 | | | 9 |
| 10 | Recapture of net EPE from Form 4255, line 1d, column (i) | | | 10 |
| 11 | Additional Medicare Tax on self-employment income. Attach Form 8959 | | | 11 |
| 12 | Section 965 net tax liability installment from Form 965-A | 12 | | |
| 13 | Other additional income taxes: | | | |
| 13a | Recapture of other credits. List type, form number, and amount: | 13a | | |
| 13b | Recapture of federal mortgage subsidy. If you sold your home, see instructions | 13b | | |
| 13c | Additional tax on HSA distributions. Attach Form 8889 | 13c | | |
| 13d | Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889 | 13d | | |
| 13e | Additional tax on Archer MSA distributions. Attach Form 8853 | 13e | | |
| 13f | Additional tax on Medicare Advantage MSA distributions. Attach Form 8853 | 13f | | |
| 13g | Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property | 13g | | |
| 13h | Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A | 13h | | |
| 13i | Compensation you received from a nonqualified deferred compensation plan described in section 457A | 13i | | |
| 13j | Section 72(m)(5) excess benefits tax | 13j | | |
| 13k | Golden parachute payments | 13k | | |
| 13l | Tax on accumulation distribution of trusts | 13l | | |

(continued on page 2)



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# 2026 Schedule 2 (page 2 - Draft)



**Part II Additional Taxes** *(continued)*

**Section A—Additional Income Taxes** *(continued)*

| | | | | |
|---|---|---|---|---|
| 13m | Excise tax on insider stock compensation from an expatriated corporation | 13m | | |
| 13n | Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866 | 13n | | |
| 13o | Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR | 13o | | |
| 13z | Any other taxes. List type and amount: | 13z | | |
| 14 | Total additional income taxes. Add lines 13a through 13z | | | 14 |
| 15 | Add lines 4 through 11 and line 14 | | | 15 |

**Section B—Additional Employment and Other Taxes**

| | | | | |
|---|---|---|---|---|
| 16 | Additional social security and Medicare taxes: | | | |
| 16a | Social security and Medicare tax on unreported tip income. Attach Form 4137 | 16a | | |
| 16b | Uncollected social security and Medicare tax on wages. Attach Form 8919 | 16b | | |
| 16c | Total additional social security and Medicare tax. Add lines 16a and 16b | | | 16c |
| 17 | Other employment taxes: | | | |
| 17a | Household employment taxes. Attach Schedule H | 17a | | |
| 17b | Additional Medicare tax on Medicare wages and RRTA compensation. Attach Form 8959 | 17b | | |
| 17c | Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12 | 17c | | |
| 17d | Total other employment taxes. Add lines 17a through 17c | | | 17d |
| 18 | Additional tax on excess contributions or accumulations in IRAs or other tax-favored accounts. Attach Form 5329 | | | 18 |
| 19a | Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund | 19a | | |
| 19b | Any interest from Form 8621, line 24 | 19b | | |
| 19c | Add lines 19a and 19b | | | 19c |
| 20 | Total additional employment and other taxes. Add lines 16c, 17d, 18, and 19c | | | 20 |

**Section C—Total Additional Taxes**

| | | | |
|---|---|---|---|
| 21 | Add lines 15 and 20. These are your **total additional taxes**. Enter here and on Form 1040 or 1040-SR, line 23; or Form 1040-NR, line 23b | | 21 |



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# 2025 Schedule A

**SCHEDULE A (Form 1040)** — Department of the Treasury, Internal Revenue Service

## Itemized Deductions

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/ScheduleA* for instructions and the latest information.
**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

OMB No. 1545-0074 — 2025 — Attachment Sequence No. 07

Name(s) shown on Form 1040 or 1040-SR — Your social security number

| | | | | |
|---|---|---|---|---|
| **Medical and Dental Expenses** | | **Caution:** Do not include expenses reimbursed or paid by others. | | |
| | 1 | Medical and dental expenses (see instructions) | 1 | |
| | 2 | Enter amount from Form 1040 or 1040-SR, line 11b (2) | | |
| | 3 | Multiply line 2 by 7.5% (0.075) | 3 | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | 4 |
| **Taxes You Paid** | 5 | State and local taxes (SALT). | | |
| | a | State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐ | 5a | |
| | b | State and local real estate taxes (see instructions) | 5b | |
| | c | State and local personal property taxes | 5c | |
| | d | Add lines 5a through 5c | 5d | |
| | e | Enter the smaller of line 5d or $40,000 ($20,000 if married filing separately). If Form 1040 or 1040-SR, line 11b is more than $500,000 ($250,000 if married filing separately), or if you completed Form 2555, Form 4563, or excluded income from Puerto Rico, see instructions | 5e | |
| | 6 | Other taxes. List type and amount: | 6 | |
| | 7 | Add lines 5e and 6 | | 7 |
| **Interest You Paid** | 8 | Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐ | | |
| *Caution: Your mortgage interest deduction may be limited. See instructions.* | a | Home mortgage interest and points reported to you on Form 1098. See instructions if limited | 8a | |
| | b | Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address | 8b | |
| | c | Points not reported to you on Form 1098. See instructions for special rules | 8c | |
| | d | Reserved for future use | 8d | |
| | e | Add lines 8a through 8c | 8e | |
| | 9 | Investment interest. Attach Form 4952 if required. See instructions | 9 | |
| | 10 | Add lines 8e and 9 | | 10 |
| **Gifts to Charity** | 11 | Gifts by cash or check. If you made any gift of $250 or more, see instructions | 11 | |
| *Caution: If you made a gift and got a benefit for it, see instructions.* | 12 | Other than by cash or check. If you made any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 | 12 | |
| | 13 | Carryover from prior year | 13 | |
| | 14 | Add lines 11 through 13 | | 14 |
| **Casualty and Theft Losses** | 15 | Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions | | 15 |
| **Other Itemized Deductions** | 16 | Other—from list in instructions. List type and amount: | | 16 |
| **Total Itemized Deductions** | 17 | Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12e | | 17 |
| | 18 | If you elect to itemize deductions even though they are less than your standard deduction, check this box ☐ | | |

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# 2026 Schedule A (Draft)

**SCHEDULE A (Form 1040)** — Department of the Treasury, Internal Revenue Service

## Itemized Deductions

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/ScheduleA* for instructions and the latest information.
**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 17.

OMB No. 1545-0074 — 2026 — Attachment Sequence No. 07

Name(s) shown on Form 1040 or 1040-SR — Your social security number

| | | | | |
|---|---|---|---|---|
| **Medical and Dental Expenses** | | **Caution:** Do not include expenses reimbursed or paid by others. | | |
| | 1 | Medical and dental expenses (see instructions) | 1 | |
| | 2 | Enter amount from Form 1040 or 1040-SR, line 11b (2) | | |
| | 3 | Multiply line 2 by 7.5% (0.075) | 3 | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | 4 |
| **Taxes You Paid** | 5 | State and local taxes (SALT). | | |
| | 5a | State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐ | 5a | |
| | 5b | State and local real estate taxes (see instructions) | 5b | |
| | 5c | State and local personal property taxes | 5c | |
| | 5d | Add lines 5a through 5c | 5d | |
| | 5e | Enter the smaller of line 5d or $40,400 ($20,200 if married filing separately). If Form 1040 or 1040-SR, line 11b, is more than $505,000 ($252,500 if married filing separately), or if you completed Form 2555, Form 4563, or excluded income from Puerto Rico, see instructions | 5e | |
| | 6 | Other taxes. List type and amount: | 6 | |
| | 7 | Add lines 5e and 6 | | 7 |
| **Interest You Paid** | 8 | Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐ | | |
| *Caution: Your mortgage interest deduction may be limited. See instructions.* | 8a | Home mortgage interest and points reported to you on Form 1098. See instructions if limited | 8a | |
| | 8b | Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address | 8b | |
| | 8c | Points not reported to you on Form 1098. See instructions for special rules | 8c | |
| | 8d | Mortgage insurance premiums (see instructions) | 8d | |
| | 8e | Add lines 8a through 8d | 8e | |
| | 9 | Investment interest. Attach Form 4952 if required. See instructions | 9 | |
| | 10 | Add lines 8e and 9 | | 10 |

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Schedule A (Form 1040) 2026 — Page 2

| | | | | |
|---|---|---|---|---|
| **Gifts to Charity** | 11 | Gifts by cash or check. If you made any gift of $250 or more, see instructions | 11 | |
| *Caution: If you made a gift and got a benefit for it, see instructions.* | 12 | Other than by cash or check. If you made any gift of $250 or more, see instructions. You must attach Form 8283 if over $500 | 12 | |
| | 13 | Enter the amount from line 6 of the Charitable Contribution Limitation Worksheet | 13 | |
| | 14 | Carryover from prior year | 14 | |
| | 15 | Add lines 13 and 14 | | 15 |
| **Casualty and Theft Losses** | 16 | Casualty and theft loss(es) from a federally or state-declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions | | 16 |
| **Other Itemized Deductions** | 17 | Other itemized deductions (see instructions). | | |
| | 17a | Deductible gambling losses. If you have gambling winnings that you reported on Schedule C or Schedule E, check here ☐ | 17a | |
| | 17b | Net qualified disaster loss | 17b | |
| | 17c | Standard deduction claimed with qualified disaster loss | 17c | |
| | 17d | Casualty and theft losses of income-producing property | 17d | |
| | 17e | Federal estate tax on income in respect of a decedent | 17e | |
| | 17f | Deduction for amortizable bond premium | 17f | |
| | 17g | Ordinary loss attributable to a contingent payment debt instrument or an inflation-indexed debt instrument | 17g | |
| | 17h | Deduction for repayment of amounts under a claim of right if over $3,000 | 17h | |
| | 17i | Certain unrecovered investment in a pension | 17i | |
| | 17j | Impairment-related work expenses of a disabled person | 17j | |
| | 17k | Deductible educator expenses not reported on Schedule 1 (Form 1040) | 17k | |
| | 17z | Add lines 17a through 17k | | 17z |
| **Total Itemized Deductions** | 18 | Is the amount on Form 1040 or 1040-SR, line 11b, minus the amounts on lines 13a and 13b of that form, more than $384,350? ☐ **No.** Your deductions are not limited. Add the amounts in far-right column for lines 4 through 17z. Also enter this amount on Form 1040 or 1040-SR, line 12e. ☐ **Yes.** Your deductions may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter | 18 | |
| | 19 | If you elect to itemize deductions even though they are less than your standard deduction, check this box ☐ | | |

Schedule A (Form 1040) 2026

# 2025 Schedule C

**SCHEDULE C (Form 1040)** — Department of the Treasury, Internal Revenue Service

## Profit or Loss From Business
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074 — 2025 — Attachment Sequence No. 09

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see instructions) | B Enter code from instructions

C Business name. If no separate business name, leave blank. | D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.)
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2025? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2025, check here ☐

I Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

### Part I Income

| | | |
|---|---|---|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ | 1 |
| 2 | Returns and allowances | 2 |
| 3 | Subtract line 2 from line 1 | 3 |
| 4 | Cost of goods sold (from line 42) | 4 |
| 5 | **Gross profit.** Subtract line 4 from line 3 | 5 |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 |
| 7 | **Gross income.** Add lines 5 and 6 | 7 |

### Part II Expenses. Enter expenses for business use of your home **only** on line 30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 19 | Pension and profit-sharing plans | 19 | |
| 10 | Commissions and fees | 10 | | 20 | Rent or lease (see instructions): | | |
| 11 | Contract labor (see instructions) | 11 | | a | Vehicles, machinery, and equipment | 20a | |
| 12 | Depletion | 12 | | b | Other business property | 20b | |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | | 21 | Repairs and maintenance | 21 | |
| | | | | 22 | Supplies (not included in Part III) | 22 | |
| 14 | Employee benefit programs (other than on line 19) | 14 | | 23 | Taxes and licenses | 23 | |
| | | | | 24 | Travel and meals: | | |
| 15 | Insurance (other than health) | 15 | | a | Travel | 24a | |
| 16 | Interest (see instructions): | | | b | Deductible meals (see instructions) | 24b | |
| a | Mortgage (paid to banks, etc.) | 16a | | 25 | Utilities | 25 | |
| b | Other | 16b | | 26 | Wages (less employment credits) | 26 | |
| 17 | Legal and professional services | 17 | | 27a | Energy efficient commercial bldgs deduction (attach Form 7205) | 27a | |
| | | | | b | Other expenses (from line 48) | 27b | |

| | | |
|---|---|---|
| 28 | **Total expenses** before expenses for business use of home. Add lines 8 through 27b | 28 |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 |
| 30 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 | 30 |
| 31 | **Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32. | 31 |
| 32 | If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3.** • If you checked 32b, you **must** attach **Form 6198.** Your loss may be limited. | 32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk. |

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P **Schedule C (Form 1040) 2025** Created 4/3/25

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# 2026 Schedule C (Draft)

**SCHEDULE C (Form 1040)** — Department of the Treasury, Internal Revenue Service

## Profit or Loss From Business
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.
Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074 — 2026 — Attachment Sequence No. 09

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see instructions) | B Enter code from instructions

C Business name. If no separate business name, leave blank. | D Employer ID number (EIN) (see instr.)

E Business address. Number and street. If you have a post office box, see instructions. | Apt. no.

City, town, or post office | State | ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2026? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2026, check here ☐

I Did you make any payments in 2026 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

### Part I Income

| | | |
|---|---|---|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ | 1 |
| 2 | Returns and allowances | 2 |
| 3 | Subtract line 2 from line 1 | 3 |
| 4 | Cost of goods sold (from line 42) | 4 |
| 5 | **Gross profit.** Subtract line 4 from line 3 | 5 |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 |
| 7 | **Gross income.** Add lines 5 and 6 | 7 |

### Part II Expenses. Enter expenses for business use of your home **only** on line 30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) | 18 | |
| 9 | Car and truck expenses (see instructions) | 9 | | 19 | Pension and profit-sharing plans | 19 | |
| 10 | Commissions and fees | 10 | | 20 | Rent or lease (see instructions): | | |
| 11 | Contract labor (see instructions) | 11 | | 20a | Vehicles, machinery, and equipment | 20a | |
| 12 | Depletion | 12 | | 20b | Other business property | 20b | |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | | 21 | Repairs and maintenance | 21 | |
| | | | | 22 | Supplies (not included in Part III) | 22 | |
| 14 | Employee benefit programs (other than on line 19) | 14 | | 23 | Taxes and licenses | 23 | |
| | | | | 24 | Travel and meals: | | |
| 15 | Insurance (other than health) | 15 | | 24a | Travel | 24a | |
| 16 | Interest (see instructions): | | | 24b | Deductible meals (see instructions) | 24b | |
| 16a | Mortgage (paid to banks, etc.) | 16a | | 25 | Utilities | 25 | |
| 16b | Vehicle loan | 16b | | 26 | Wages (less employment credits) | 26 | |
| 16c | Other | 16c | | 27a | Energy efficient commercial buildings deduction (attach Form 7205) | 27a | |
| 17 | Legal and professional services | 17 | | 27b | Other expenses (from line 48) | 27b | |

| | | |
|---|---|---|
| 28 | **Total expenses** before expenses for business use of home. Add lines 8 through 27b | 28 |
| 29 | Tentative profit or (loss). Subtract line 28 from line 7 | 29 |
| 30 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 | 30 |
| 31 | **Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32. | 31 |
| 32 | If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked box 32a, enter the loss on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3.** • If you checked box 32b, you **must** attach **Form 6198.** Your loss may be limited. | 32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk. |

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P **Schedule C (Form 1040) 2026** Created 5/15/26

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# Federal Changes for Businesses



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## Section 174A

- **Domestic:** Generally deductible when paid or incurred in tax years beginning after 2024, including qualifying software development costs
- **Foreign:** Still capitalized and amortized over 15 years
- **Prior to 2025:** Unamortized 2022–2024 expenses -–deducted in the first tax year beginning after 2024 or spread over 2025-2026
- **Other**
  - Eligible small businesses had a retroactive option for 2022–2024
  - Taxpayers may instead elect to amortize new domestic costs over at least 60 months

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# Section 199A – QBI Deduction

- TCJA sunset at the end of 2025
- Made permanent with OBBBA
- $400 minimum deduction if there is at least $1,000 in QBI and materially participate in the activity or trade

| Feature | 2025 (Pre-OBBBA) | 2026+ (Post-OBBBA) |
|---|---|---|
| Status | Was expiring after 2025 | Permanent |
| Deduction Rate | 20% | 20% (unchanged) |
| Single Phase-Out Starts | $197,300 | $201,750 |
| Single Phase-Out Ends | $247,300 | $276,750 |
| MFJ Phase-Out Starts | $394,600 | $403,500 |
| MFJ Phase-Out Ends | $494,600 | $553,500 |
| Minimum Deduction | None | $400 |



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# 163(j) Limitation

- No change: Deduction limit remains as business interest income + 30% of ATI + floor-plan financing interest
- New for 2025 and forward: ATI is EBIDTA-based: add back depreciation, amortization, and depletion
- New for 2026: Exclude specified CFC inclusions from ATI; apply 163(j) before most interest-capitalization rules
- Small business exception: no change

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# Contributions

- **C Corporations**
  - Calculate the deduction at the company
  - New 1% floor based on taxable income (effective for 2026 and forward)
  - Still limited to 10% of taxable income; excess is carried forward
- **S Corporations**
  - Report the gift on Schedule K-1; owners calculate the deduction
  - Each shareholder deducts according to basis and individual rules



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# W-2 Changes

- **Cash Tips Reporting: Additional reporting fields added to capture tips received by employees**
- **Treasury Tipped Occupation Codes (TTOCs): Employers must identify applicable tipped occupations using Treasury-designed occupation codes**
- **Overtime Compensation Reporting: New reporting fields require separate disclosure of qualified overtime compensation**

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22222 VOID ☐ | a Employee's social security number | For Official Use Only OMB No. 1545-0029

| | | |
|---|---|---|
| b Employer identification number (EIN) | 1 Wages, tips, other compensation | 2 Federal income tax withheld |
| c Employer's name, address, and ZIP code | 3 Social security wages | 4 Social security tax withheld |
| | 5 Medicare wages and tips | 6 Medicare tax withheld |
| | 7 Social security tips | 8 Allocated tips |
| d Control number | 9 | 10 Dependent care benefits |
| e Employee's first name and initial / Last name / Suff. | 11 Nonqualified plans | 12a See instructions for box 12 |
| | 13 Statutory employee / Retirement plan / Third-party sick pay | 12b |
| | 14 Other | 12c |
| f Employee's address and ZIP code | | 12d |

| 15 State Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name |
|---|---|---|---|---|---|
| | | | | | |

Form **W-2** Wage and Tax Statement 2025 — Department of the Treasury—Internal Revenue Service

**Copy A—For Social Security Administration.** Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

**For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.**

Cat. No. 10134D



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22222 VOID ☐ | a Employee's social security number | For Official Use Only OMB No. 1545-0029

| | | |
|---|---|---|
| b Employer identification number (EIN) | 1 Wages, tips, other compensation | 2 Federal income tax withheld |
| c Employer's name, address, and ZIP code | 3 Social security wages | 4 Social security tax withheld |
| | 5 Medicare wages and tips | 6 Medicare tax withheld |
| | 7 Social security tips | 8 Allocated tips |
| d Control number | 9 | 10 Dependent care benefits |
| | 11 Nonqualified plans | |
| e Employee's first name and initial / Last name / Suff. | 13 Statutory employee / Retirement plan / Third-party sick pay | 12a See instructions for box 12 |
| | 14a Other | 12b |
| | | 12c |
| | | 12d |
| f Employee's address and ZIP code | 14b Treasury Tipped Occupation Code(s) | |

| 15 State Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name |
|---|---|---|---|---|---|
| | | | | | |

Form **W-2** Wage and Tax Statement 2026 — Department of the Treasury—Internal Revenue Service

**Copy A—For Social Security Administration.** Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

**For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.**

Cat. No. 10134D Created 1/7/26

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# FIRE vs IRIS Systems

- **FIRE – old system**
  - IRS current system for filing Forms 1099 electronically
- **IRIS – New System**
  - Designed to be easier and more modern
  - Replacing FIRE
- **Key Deadlines**
  - November 19, 2026: Last day IRS will accept filings through FIRE
  - January 1, 2027: IRIS becomes the IRS's electronic filing system for information returns



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# 1099 Reporting Changes

- **Reporting threshold increased from $600 to $2,000, effective for 2026**
- **What does this mean for businesses?**
  - Fewer 1099s
  - Reduced reporting burden
  - Internal systems and processes should be updated to reflect the new threshold
- **What is not changing?**
  - Royalties are still reported starting at $10
  - Attorney settlement-related gross proceeds remain reportable at $600

# 2025 Form 4562

Form **4562** — Department of the Treasury, Internal Revenue Service

**Depreciation and Amortization**
**(Including Information on Listed Property)**
Attach to your tax return.
Go to *www.irs.gov/Form4562* for instructions and the latest information.

OMB No. 1545-0172 — **2025** — Attachment Sequence No. **179**

Name(s) shown on return | Business or activity to which this form relates | Identifying number

**Part I Election To Expense Certain Property Under Section 179**
**Note:** If you have any listed property, complete Part V before you complete Part I.

| | | |
|---|---|---|
| 1 | Maximum amount (see instructions) | 1 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 |

| 6 (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
|---|---|---|
| | | |

| | | |
|---|---|---|
| 7 | Listed property. Enter the amount from line 29 — 7 | |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 |
| 9 | Tentative deduction. Enter the **smaller** of line 5 or line 8 | 9 |
| 10 | Carryover of disallowed deduction from line 13 of your 2024 Form 4562 | 10 |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions | 11 |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 | 12 |
| 13 | Carryover of disallowed deduction to 2026. Add lines 9 and 10, less line 12 — 13 | |

**Note:** Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)**

| | | |
|---|---|---|
| 14 | Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions | 14 |
| 15 | Property subject to section 168(f)(1) election | 15 |
| 16 | Other depreciation (including ACRS) | 16 |

**Part III MACRS Depreciation (Don't include listed property. See instructions.)**

**Section A**

| | | |
|---|---|---|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2025 | 17 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ☐ | |

**Section B—Assets Placed in Service During 2025 Tax Year Using the General Depreciation System**

| (a) Classification of property (see instructions) | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|---|---|---|---|---|---|---|
| 19a 3-year property | | | | | | |
| b 5-year property | | | | | | |
| c 7-year property | | | | | | |
| d 10-year property | | | | | | |
| e 15-year property | | | | | | |
| f 20-year property | | | | | | |
| g 25-year property | | | 25 yrs. | | S/L | |
| h 50-year property | | | 50 yrs. | MM | S/L | |
| i Residential rental property | | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| j Nonresidential real property | | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |

**Section C—Assets Placed in Service During 2025 Tax Year Using the Alternative Depreciation System**

| | | | | | | |
|---|---|---|---|---|---|---|
| 20a Class life | | | | | S/L | |
| b 12-year | | | 12 yrs. | | S/L | |
| c 30-year | | | 30 yrs. | MM | S/L | |
| d 40-year | | | 40 yrs. | MM | S/L | |
| e 50-year | | | 50 yrs. | MM | S/L | |

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 12906N Form **4562** (2025) Created 10/9/25

# 2026 Form 4562

**Draft**

Form **4562** — Department of the Treasury, Internal Revenue Service

**Depreciation**
**(Including Information on Listed Property)**
Attach to your tax return.
Go to *www.irs.gov/Form4562* for instructions and the latest information.

OMB No. 1545-0172 — **2026** — Attachment Sequence No. **179**

Name(s) shown on return | Business or activity to which this form relates | Identifying number

**Part I Election To Expense Certain Property Under Section 179**
**Note:** If you have any listed property, complete Part V before you complete Part I.

| | | |
|---|---|---|
| 1 | Maximum amount (see instructions) | 1 |
| 2 | Total cost of section 179 property placed in service (see instructions) | 2 |
| 3 | Threshold cost of section 179 property before reduction in limitation (see instructions) | 3 |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- | 4 |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions | 5 |

| 6 (a) Description of property | (b) Cost (business use only) | (c) Elected cost |
|---|---|---|
| | | |

| | | |
|---|---|---|
| 7 | Listed property. Enter the amount from line 29 | 7 |
| 8 | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 | 8 |
| 9 | Tentative deduction. Enter the **smaller** of line 5 or line 8 | 9 |
| 10 | Carryover of disallowed deduction from line 13 of your 2025 Form 4562 | 10 |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions | 11 |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 | 12 |
| 13 | Carryover of disallowed deduction to 2027. Add lines 9 and 10, less line 12 | 13 |

**Note:** Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)**

| | | |
|---|---|---|
| 14a | Special depreciation allowance for certain qualified property (other than listed property) under section 168(k) | 14a |
| 14b | Special depreciation allowance for certain specified plants bearing fruits and nuts under section 168(k)(5) | 14b |
| 14c | Special depreciation allowance for qualified reuse and recycle property under section 168(m) | 14c |
| 14d | Special depreciation allowance for certain qualified production property under section 168(n) (attach statement) | 14d |
| 15 | Property subject to section 168(f)(1) election | 15 |
| 16 | Other depreciation (including ACRS) | 16 |

**Part III MACRS Depreciation (Don't include listed property. See instructions.)**

**Section A**

| | | |
|---|---|---|
| 17 | MACRS deductions for assets placed in service in tax years beginning before 2026 | 17 |
| 18 | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here — 18 ☐ | |

**Section B—Assets Placed in Service During 2026 Tax Year Using the General Depreciation System**

| (a) Classification of property (see instructions) | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only—see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
|---|---|---|---|---|---|---|
| 19a 3-year property | | | | | | |
| 19b 5-year property | | | | | | |
| 19c 7-year property | | | | | | |
| 19d 10-year property | | | | | | |
| 19e 15-year property | | | | | | |
| 19f 20-year property | | | | | | |
| 19g Water utility property | | | 25 yrs. | | S/L | |
| 19h Any railroad grading or tunnel bore | | | 50 yrs. | MM | S/L | |
| 19i Residential rental property | | | 27.5 yrs. | MM | S/L | |
| | | | 27.5 yrs. | MM | S/L | |
| 19j Nonresidential real property | | | 39 yrs. | MM | S/L | |
| | | | | MM | S/L | |
| 19k Qualified production property | | | 39 yrs. | MM | S/L | |

**Section C—Assets Placed in Service During 2026 Tax Year Using the Alternative Depreciation System**

| | | | | | | |
|---|---|---|---|---|---|---|
| 20a Class life | | | | | S/L | |
| 20b 12-year | | | 12 yrs. | | S/L | |
| 20c 30-year | | | 30 yrs. | MM | S/L | |
| 20d 40-year | | | 40 yrs. | MM | S/L | |
| 20e Railroad grading, tunnel bore, or water utility property | | | 50 yrs. | MM | S/L | |

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 12906N Form **4562** (2026) Created 5/29/26

# 2026 Form 4562B

**Draft**

Form **4562-B** (December 2026)
Department of the Treasury
Internal Revenue Service

**Amortization**

Attach to your return.
Go to *www.irs.gov/Form4562B* for instructions and the latest information.

OMB No. 1545-0172
Attachment Sequence No. **179A**

Name(s) shown on return | Business or activity to which this form relates | Identification number

1 Amortization of costs that began during your current tax year (see instructions):

| (a) Description of costs (see instructions for allowed entries) | (b) Date amortization begins | (c) Amortizable amount | (d) Code section | (e) Amortization period or percentage | (f) Amortization for this year |
|---|---|---|---|---|---|
| | | | | | |

2 Amortization of costs that began before your current tax year . . . . . 2

3 Total. Add amounts from line 1, column (f), and line 2. See the instructions on where to report . . . 3

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# Pennsylvania Changes for Individuals

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# Working Pennsylvanians Tax Credit

- **Effective for 2026 tax year and forward**
- **Modeled after the Federal Earned Income Tax Credit (EITC)**
- **WPTC = 10% of Federal EITC; Max credit is $805**
- **You may qualify if you:**
  - Have earned income in Pennsylvania
  - Qualify for the federal EITC
  - File both your **federal Form 1040** and **PA-40 state tax return**
  - If you receive the Federal EITC, you automatically qualify for the WPTC



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# Student Loan Interest Deduction

- **First available for tax year 2025**
- **Follows federal treatment of $2,500 deduction allowed**
- **Shown on the PA Return Schedule O**

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# Pennsylvania Changes for Businesses



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## PA CNIT

- **2026 Rate = 7.49%**

| | |
|---|---|
| January 1, 2023 through December 31, 2023 | 8.99 percent |
| January 1, 2024 through December 31, 2024 | 8.49 percent |
| January 1, 2025 through December 31, 2025 | 7.99 percent |
| January 1, 2026 through December 31, 2026 | 7.49 percent |
| January 1, 2027 through December 31, 2027 | 6.99 percent |
| January 1, 2028 through December 31, 2028 | 6.49 percent |
| January 1, 2029 through December 31, 2029 | 5.99 percent |
| January 1, 2030 through December 31, 2030 | 5.49 percent |
| January 1, 2031 and each taxable year thereafter | 4.99 percent |

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# Net Operating Loss (NOL)

- For NOLs incurred in tax years beginning before Jan. 1, 2025, NOL deduction was limited to 40% of taxable income
- For NOLs incurred in tax years 2025 and after, the limit increases to 50%
- Necessary to track pre- and post-2025 NOLs



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# Decoupling

- Pennsylvania did not automatically follow the OBBBA changes for certain provisions:
  - 174A costs – not currently deductible; must be amortized at 20% per year
  - 163(j) disallowed interest expense – does not conform to more favorable ATI definition
  - Continues to disallow bonus depreciation

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# Sales Tax Sourcing

- For state sales tax, Pennsylvania follows destination-based sourcing rules for general interstate retail sales
- For local sales tax, Pennsylvania now follows destination-based sourcing rules for intra-state sales
  - Effective 10/1/2026



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# Court Cases and Rulings

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# Kwong v. United States

- **Main Issue:** Kwong successfully argued that IRC 7508A(d) automatically suspended certain federal tax deadlines during the COVID-19 disaster period. The court held that deadlines were postponed from January 20, 2020, through July 10, 2023, potentially extended refund claim and penalty abatement opportunities.
- **Why This Matters:** May allow taxpayers to pursue refund claims, penalty abatements, and interest adjustments that would otherwise be considered untimely.
- **Latest Update:** The court ruling is currently on appeal.



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# Soroban Capital Partners LP v Commissioner

- **Main Question:** Can active partners avoid self-employment tax by being classified as limited partners?
- **Court Answer:** Partners who actively manage and operate a business may owe self-employment tax on their distributive share, even if they are legally designated as limited partners.
- **Court Reasoning:** The Tax Court focused on the partners' actual activities, including management responsibilities, full-time involvement, and revenue generation, rather than their ownership title.
- **Latest Update:** The Second Circuit Court of Appeals affirmed the decision in 2026, reinforcing the IRS position that substance matters more than form for self-employment tax purposes.

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# Artificial Intelligence in the Tax Field



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## IRS Use of AI

- **Audit Selection**
  - Identify returns and taxpayers that merit close examination based on risk indicators
- **Fraud Detection**
  - Identify suspicious refund claims, identity theft patterns, and potentially fraudulent transactions
- **Information Matching**
  - Help compare tax returns with third-party information, historical filings, and other available data
- **Collections**
  - Help prioritize causes and identify potential compliance issues for enforcement personnel
- **Taxpayer Service**
  - Support responses to taxpayer questions and improve access to tax information

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# State Use of AI

- **Tracking Nexus and Multistate Compliance**
  - Tracking: Sales and transaction data, marketplace and payment information, filed sales tax returns, business registrations and historical findings, available info about business location and operations, etc.
- **Income, Franchise, and Gross Receipts Taxes**
  - Tracking: businesses that may have unreported income or franchise tax obligations
- **Sales and Use Tax Audits**
  - Tracking: assist auditors identify differences between sales reported for income tax purposes, sales tax returns, marketplace reporting, and other transaction records



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# Tax Professional Usage of AI

- **Extracting information from source documents, reconciling accounts, flagging inconsistencies for review, and reviewing source documents**
- **Faster navigation of the Internal Revenue Code, Treasury Regulations, IRS Guidance, State Statutes, Administrative and Court Rulings, etc.**
- **Tax planning models of scenario outcomes, identifying elections and credits clients are eligible for, and evaluate Federal and multistate implications**

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# Professional Responsibilities

- Ensure client information remains confidential
- Use professional judgment on accuracy of what the AI generates
- Document the AI and verify that the AI sources are accurate



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# Thank You!

## Please Contact the Presenters with Questions

- **Mike Weber:** weber@gyf.com
- **Rebekah Flanders:** flanders@gyf.com