

34th Annual
Tax Symposium

**ROUNDUP OF RECENT TAX DEVELOPMENTS –
INCLUDING OBBBA!**

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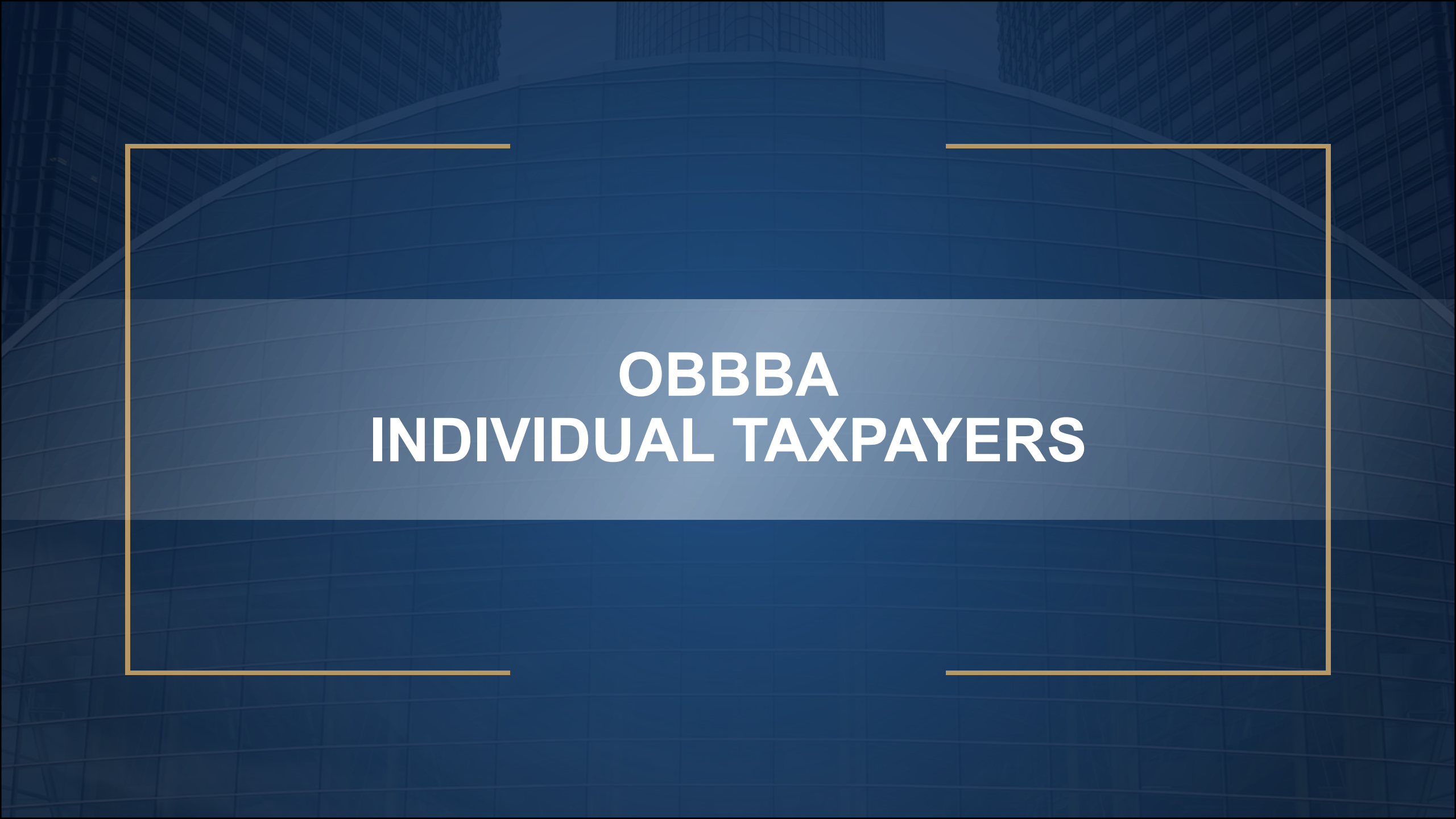
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OBBBA AND OTHER RECENT TAX DEVELOPMENTS

- One Big Beautiful Bill Act
 - ❑ Individuals
 - ❑ Estate Tax
 - ❑ Business
 - ❑ Employers
 - ❑ Energy & Clean Vehicle Credits
- Selected other Tax Developments
 - ❑ Individuals
 - ❑ Business
 - ❑ Estate Tax
 - ❑ Michigan





OBBBA INDIVIDUAL TAXPAYERS

CURRENT RATES PERMANENTLY EXTENDED

□ Individuals:

- 10%, 12%, 22%, 24%, 32%, 35%, and 37%

□ Estates and Trusts:

- 10%, 24%, 35%, and 37%



STANDARD DEDUCTION

The standard deduction is increased as follows effective for tax years beginning in 2025, and adjusted annually for inflation beginning in tax years after 2025:

Filing Status	Standard Deduction for 2025
Married Filing Joint	\$31,500
Single	\$15,750
Head of Household	\$23,625
Married Filing Separate	\$15,750

PERSONAL EXEMPTION

- ❑ **Personal exemption deduction is permanently ended**
- ❑ **Temporary \$6,000 deduction for seniors:**
 - Tax years 2025 through 2028
 - Reduced by 6% of MAGI over \$75,000 (single) or \$150,000 (joint)
 - Taxpayer (and spouse if filing jointly) must have attained age 65 before the close of the tax year
 - Must have an SSN to claim

MISCELLANEOUS ITEMIZED DEDUCTIONS

- ❑ **Permanently disallows the deduction for the miscellaneous expenses that were subject to the 2% of AGI limitation**
- ❑ **Effective for tax years beginning after 2025, an itemized deduction for educator expenses is allowed**
 - Educator expenses are the same type of expenses that are allowed under IRC Section 62(a)(2)(D) as an above the line deduction subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit, except that as an itemized deduction, they are not subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit
 - The new law expands the list of expenses allowed as educator expenses

PEASE LIMITATION REPEALED & REPLACED

- ❑ **Effective for tax years beginning after 2025, itemized deductions begin to phase-out when taxable income exceeds the dollar amount at which the 37% tax bracket begins (the highest tax bracket)**
- ❑ **The phase-out amount equals $\frac{2}{37}$ (5.40540541%) of the lesser of:**
 - Itemized deductions otherwise allowable, or
 - The amount of taxable income (determined without reducing itemized deductions under this rule) that exceeds the dollar amount at which the 37% tax bracket begins with respect to the taxpayer
- ❑ **The phase-out does not apply when calculating the deduction for qualified business income (QBI)**

ALTERNATIVE MINIMUM TAX

- ❑ 2018 through 2025 AMT exemption amounts made permanent, adjusted annually for inflation, but resets the MFJ and surviving spouse exemption phaseout thresholds back to their 2018 amounts
- ❑ Exemption amounts:

FILING STATUS	2025 EXEMPTION	2026
Single; Head of Household	\$88,100	t/b/d
MFJ; surviving spouse	\$137,000	t/b/d
MFS	\$68,500	t/b/d
Estate & Trusts	\$30,700	t/b/d

ALTERNATIVE MINIMUM TAX

❑ Exemption phase-out threshold:

FILING STATUS	2025 PHASEOUT	2026
Single; Head of Household	\$626,350	t/b/d
MFJ; surviving spouse	\$1,252,700	t/b/d
MFS	\$626,350	t/b/d
Estate & Trusts	\$102,500	t/b/d

- ❑ The phaseout rate for higher-income taxpayers doubles from 25% to 50%
- ❑ Likely result is more taxpayers being subject to the AMT

HOME MORTGAGE INTEREST DEDUCTION

- ❑ **Permanently capped at \$750,000 (\$375,000 if married filing separately)**
- ❑ **previously scheduled to increase to \$1 million in 2026**
- ❑ **Reinstates the provision to treat mortgage insurance premiums as interest, which had expired for tax years after 2021**
 - The deduction begins to phase out when the taxpayer's adjusted gross income for the tax year exceeds \$100,000 (\$50,000 MFS)

SALT DEDUCTION

❑ Limit on deduction for state & local taxes:

TAX YEAR BEGINNING:	DEDUCTION LIMITATION:
2025	\$40,000
2026	\$40,400
2027	\$40,804
2028	\$41,212
2029	\$41,624
After 2029	\$10,000

Note: MFS limitations are half the above amounts

SALT DEDUCTION

- ❑ Deduction limit is reduced by 30% of the excess of modified adjusted gross income over the following thresholds (but, not below \$10,000):

TAX YEAR BEGINNING:	THRESHOLD AMOUNT:
2025	\$500,000
2026	\$505,000
2027	\$510,050
2028	\$515,151
2029	\$520,303
After 2029	\$10,000

Note: MFS limitations are half the above amounts

CHARITABLE CONTRIBUTIONS

- ❑ Beginning in 2026, taxpayers can deduct up to \$1,000 (\$2,000 MFJ) without itemizing
- ❑ OBBBA also places a new 0.5% floor on charitable contribution deductions for both itemizers and non-itemizers
- ❑ Deductions are allowed to the extent contributions exceed 0.5% of AGI
- ❑ Disallowed deductions may be carried forward
- ❑ OBBBA also makes permanent the 60% AGI limitation for cash contributions to public charities

DEDUCTION FOR TIPS

❑ For tax years beginning after 2024 and before 2029

❑ Amount:

- Qualified tips received
- Reported on statement furnished by employer*
- Reported by taxpayer on Form 4137

*or payee if recipient is not an employee

DEDUCTION FOR TIPS

□ Limits:

- \$25,000 per tax year
- Reduced by \$100 for each \$1,000 (10%) by which an employee's MAGI exceeds \$150,000 (\$300,000 for MFJ)
- If self-employed, deduction is limited to net profit from the taxpayer's trade or business that received the tips



DEDUCTION FOR TIPS

❏ Miscellaneous:

- Qualified tips means cash tips (including credit card transactions) received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024
- Qualified tips do not include amounts received in a specified service trade or business (same definition as used for the qualified business income deduction)
- Taxpayers do not have to itemize to claim the deduction
- Payors subject to the information return reporting requirements must separately account for the amount of qualified tips paid to the payee
- Tips are still subject to Social Security and Medicare taxes

DEDUCTION FOR QUALIFIED OVERTIME PAY

- ❑ For tax years beginning after 2024 and before 2029
- ❑ Amount:
 - Qualified overtime compensation
 - Included in statements furnished to taxpayer by payee
- ❑ “Qualified overtime compensation” means overtime pay required under section 7 of the Fair Labor Standards Act

DEDUCTION FOR QUALIFIED OVERTIME PAY

❑ Limits:

- \$12,500 (\$25,000 for MFJ)
- Begins to phases out by \$100 for each \$1,000 by which MAGI exceeds \$150,000 (\$300,000 for MFJ)

❑ Miscellaneous:

- Not necessary to itemize to claim the deduction
- Overtime must be separately reported on employee's Form W-2 or a 1099
- Employee must have an SSN on their return

DEDUCTION FOR CAR LOAN INTEREST

- ❑ For tax years beginning after 2024 and before 2029
- ❑ Amount:
 - Qualified passenger vehicle loan interest
- ❑ Limits:
 - \$10,000
 - Begins to phase out when MAGI exceeds \$100,000 (\$200,000 MFJ)
- ❑ Do not have to itemize to claim the deduction

DEDUCTION FOR CAR LOAN INTEREST

❑ “Qualified passenger vehicle loan interest”

- Interest paid or accrued
- On indebtedness incurred after 2024
- For purchase of, or secured by first lien on,
- “Applicable passenger vehicle”
- For personal use

DEDUCTION FOR CAR LOAN INTEREST

❑ “Applicable passenger vehicle”

- New vehicles only
- Manufactured primarily for use on public streets, roads, and highways
- At least 2 wheels
- Car, minivan, van, sport utility vehicle, pickup truck, or motorcycle
- Treated as a motor vehicle for purposes of Title II of the Clean Air Act
- Gross vehicle weight rating of less than 14,000 pounds
- Final assembly occurs within the U.S.

NEW DRAFT SCHEDULE 1-A

Schedule 1-A, “Additional Deductions”

❑ Used to allow taxpayers to claim deductions for:

- Qualified tips
- Overtime pay
- Car loan interest
- The new deduction for seniors

❑ Draft released September 8

❑ Instructions were not included



MOVING EXPENSES

- ❑ The deduction for moving expenses is permanently repealed
- ❑ Any employer reimbursement for moving costs is fully taxed as income
- ❑ Exceptions:
 - Active-duty military members moving under orders
 - Certain intelligence community members moving pursuant to a change in assignment

CHILD TAX CREDIT

Effective for 2025:

- Increased to \$2,200 per qualifying child under age 17
- After 2025, adjusted annually for inflation
- Increased phase-outs under TCJA also made permanent
- Child and at least one parent must have an SSN
- Omission of a correct SSN treated as a mathematical or clerical error that the IRS can assess

CHILD & DEPENDENT CARE TAX CREDIT

- ❑ **Generally, daycare expenses that allow the taxpayer to work or look for work**
 - Credit rate X qualifying expenses up to \$3,000 for 1 dependent or \$6,000 for 2 or more
 - Credit rate
 - 35% if AGI is \$15,000 or less
 - Gradually reduced until it reaches 20% when AGI exceeds \$43,000

CHILD & DEPENDENT CARE TAX CREDIT

❏ OBBBA changes beginning in 2026:

- Increases credit rate:
 - 50% if AGI is \$15,000 or less
 - Gradually reduced until it reaches 35% when AGI exceeds 75,000 (\$150,000 MFJ)
 - Gradually reduced further until it reaches 20% when AGI exceeds 103,000 (\$206,000 MFJ)
- Increases maximum credit:
 - From \$1,050 to \$1,500 for 1 dependent
 - From \$2,100 to \$3,000 for more than 1 dependent
- Increases the exclusion for employer-sponsored childcare from \$5,000 to \$7,500 per taxpayer (\$3,750 for married filing separate)

ADOPTION CREDIT

❑ 2025:

- 100% of adoption expenses up to \$17,280
- Full credit available regardless of expenses for special needs children
- Phases out between AGI of \$259,190 and \$299,190

❑ OBBBA:

- Enhanced to include a refundable portion of up to \$5,000 per child
- Indexed for inflation
- Unused amount is non-refundable, but 5-year carryforward

529 PLANS

- ❑ After July 4, 2025, expands the definition of qualified education expenses for K-12 beyond only tuition to also include books, materials, testing fees, dual enrollment fees, educational therapies and tutoring costs
- ❑ Applies to K-12 attendance or enrollment at a public, private or religious elementary or secondary school
- ❑ 529 funds can now also be used on qualified postsecondary credentialing expenses if the beneficiary is enrolled in a recognized postsecondary credential program
- ❑ Beginning January 1, 2026, the total limit for all K-12 expenses will rise to \$20,000 per year (from \$10,000)
- ❑ Ability to make rollovers from 529 accounts to ABLE accounts made permanent

TRUMP ACCOUNTS

- ❑ **Effective January 1, 2026**
- ❑ **What is it?**
 - Tax-advantaged savings account similar to an IRA
 - Administered by a bank or similar financial institution
 - Overseen by the Dept. of Treasury



TRUMP ACCOUNTS

❑ Opening an account:

- By a person (e.g., a parent or guardian) for a beneficiary under age 18
- Contributions may be made by parents, relatives, taxable entities, non-profits, and government entities
- Must be invested in a diversified fund that tracks an established index of U.S. equities
- Beneficiary must have an SSN

TRUMP ACCOUNTS

❑ **Contribution amounts:**

- \$5,000 annually
- Indexed for inflation
- Not deductible

❑ **Special rules for employers:**

- Can contribute up to \$2,500 annually
- Not includable in employee's income

❑ **Special rules for non-profits and governmental entities:**

- Not subject to \$5,000 limit
- Must be provided to all children with a qualified group (e.g., all children within a state, school district, educational institution, etc.)

❑ **No further contributions after beneficiary attains age 18**

TRUMP ACCOUNTS

❏ Distributions:

- Not allowed before age 18
- Contributions and earnings grow tax-deferred
- Funds can be accessed at age 18
- Taxpayer contributions are after-tax, so the “investment in the contract” is not subject to tax when distributed
- Contributions by employers, non-profits, and governmental entities will be taxed when withdrawn

TRUMP ACCOUNTS

□ Distributions – con't.

- Withdrawals in excess of taxpayer contributions are taxed as ordinary income if used for qualified expenses
- Otherwise may be subject to an additional 10% early withdrawal penalty
- Details on early withdrawal penalties and qualified expenses (e.g., higher education expenses, first-time home purchase, or small business expenses) are pending further regulatory guidance

TRUMP ACCOUNTS

❏ Pilot program:

- IRC § 6434 – taxpayers can elect on behalf of an eligible child to have the IRS make a \$1,000 contribution to a Trump account
- “Eligible child” means born after December 31, 2024 and before January 1, 2029
- Must be “qualifying child” under IRC § 152(c) dependency test
- No prior election may have been made
- SSN is required for the child

REMITTANCE TRANSFERS

- ❑ New 1% excise tax on remittance transfers from U.S. senders to recipients in foreign countries
- ❑ Effective for transfers made after December 31, 2025
- ❑ Notice 2025-55, issued October 7, 2025, provides relief for the first three calendar quarters of 2026 regarding the failure to deposit penalties imposed by section 6656
 - ❑ To be eligible for that safe harbor, the remittance transfer provider must satisfy the reasonable cause standard for those quarters



OBBBA ESTATE TAX

ESTATE AND GIFT TAX EXCLUSION

- ❑ Increased to \$15 million for estates of decedents dying and gifts made after December 31, 2025
- ❑ Adjusted annually for inflation after 2026





OBBBA BUSINESSES

QUALIFIED BUSINESS INCOME DEDUCTION

- ❑ **20% deduction for QBI under Section 199A made permanent**
 - House bill would have increased it to 23%
- ❑ **Effective 2026, phase-out range is increased from \$50,000 (\$100,000 MFS) to \$75,000 (\$150,000 MFS):**

FILING STATUS	2025 THRESHOLD AMOUNT	2025 PHASEOUT AMOUNT
Married filing jointly	\$394,600	\$494,600
All other taxpayers	\$197,300	\$247,300

QUALIFIED BUSINESS INCOME DEDUCTION

- ❑ **The Section 199A deduction is 20% of the lesser of:**
 - Net qualified business income; or
 - Taxable income before the 199A deduction and after reduction for any net capital gains
- ❑ **OBBBA revises the computation of taxable income by excluding the Section 68 itemized deduction limitation**
- ❑ **Thus, any disallowed itemized deductions must be added back into taxable income in computing the Section 199A deduction**

QUALIFIED BUSINESS INCOME DEDUCTION

❑ Effective for 2026, there is a new \$400 minimum deduction:

- For “applicable taxpayers” meaning those whose aggregate QBI from all “active qualified trades or businesses” is at least \$1,000
- “Active qualified trades or businesses” means any trade or business in which the taxpayer materially participates

SECTION 179 EXPENSING

- ❑ Starting in 2025, the Section 179 deduction limit is \$2.5 million, adjusted annual for inflation
- ❑ The Section 179 investment limit is \$4 million, adjusted annually for inflation

Assets Placed in Service in Tax Years Beginning After:	Current Law Expensing Limitation	Current Law Phaseout Threshold	OBBBA Expensing Limitation	OBBBA Phaseout Threshold
December 31, 2024 (2025 Tax Year) (Rev. Proc. 2024-40; OBBBA §70306)	\$1,250,000	\$3,130,000	\$2,500,000	\$4,000,000

BONUS DEPRECIATION

- ❑ **Permanently extends 100% expensing for property acquired after January 19, 2025**
- ❑ **May elect the lower current percentage for property placed in service during the first tax year ending after January 19, 2025**
 - 40% (prior law limit)
 - 60% for longer production property

NEW CLASS OF BONUS DEPRECIATION ELIGIBLE PROPERTY

- ❑ **“Qualified production property”**
- ❑ **Placed in service after July 4, 2025**
- ❑ **Eligible for 100% expensing of its adjusted basis**
- ❑ **Prior law: depreciate over 39 years**

NEW CLASS OF BONUS DEPRECIATION ELIGIBLE PROPERTY

□ “Qualified production property”

- A portion of nonresidential real property
- Used as an integral part of a qualified production activity placed in service in the U.S. or any possession of the U.S.
- Original use of the property must commence with the taxpayer
- Construction of the property must begin after January 19, 2025, and before January 1, 2029.
- Taxpayer must elect to expense the property under this provision
- Property must be placed in service before January 1, 2031

NEW CLASS OF BONUS DEPRECIATION ELIGIBLE PROPERTY

- ❑ **“Qualified production activity” means the manufacturing, production, or refining of a qualified product**
 - Must result in a substantial transformation of the property comprising the product
 - Does not include nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software development or engineering activities, or similar functions
- ❑ **“Qualified product” means any tangible personal property**
 - Does not include food or beverages prepared in the same building as a retail establishment in which the property is sold (which excludes restaurants)
- ❑ **Depreciation recapture applies if taxpayer ceases to use the property as an integral part of a qualified production activity within 10 years of placing the property in service**

DOMESTIC RESEARCH EXPENDITURES

□ Two Incentives to invest in research:

- The ability to capitalize and amortize specified research or experimental expenditures (SREs) over five years (15 years if the research is performed outside the United States). (**I.R.C. §174**)
- The ability to claim an immediate credit for qualified research expenses. (**I.R.C. §41**)

Note: In the past, Section 174 permitted the immediate deduction of R&E expenditures. However, TCJA required taxpayers to amortize them for tax years beginning on or after January 1, 2022.

DOMESTIC RESEARCH EXPENDITURES

□ New IRC §174A:

- Permanently reinstates full expensing of domestic IRC §174 expenditures beginning in 2025
- Allows taxpayers to choose the period over which they may amortize domestic research expenditures
 - Must be at least 60 mos.
 - Must elect by extended due date of return

DOMESTIC RESEARCH EXPENDITURES

□ Transition relief:

- Taxpayers with gross receipts of \$31 million or less in 2025 can elect to fully deduct research expenditures retroactively for tax years beginning after July 4, 2025
- Other taxpayers can elect to accelerate the remaining deductions for research expenditures incurred during the 2022 through 2024 tax years over a one to two year period

DOMESTIC RESEARCH EXPENDITURES

❑ IRC §280C(c) Election:

- Prior to mandatory amortization under TCJA, taxpayers had to reduce their IRC §174 deduction by the amount of research credits claimed under IRC §41
- Now that taxpayers can go back and amend prior-year returns to deduct research expenditures, they have to again reduce those deductions by the amount of any research credits claimed
- IRC §280C(c) permits a special election to reduce the research credits by 21% (i.e., the C corporation tax rate) instead of reducing their IRC §174 deductions

DOMESTIC RESEARCH EXPENDITURES

❑ IRC §280C(c) Election – con't:

- Election must be made by July 4, 2026
- Must also be treated as a change in accounting method:
 - Initiated by the taxpayer
 - With the (automatic) consent of the IRS
 - Applying on a cut-off basis, i.e., no IRC §481(a) adjustments permitted

Note: The IRC §280C(c) election will generally be more valuable to taxpayers whose tax rate is greater than 21%, such as owners of pass-through entities.

DOMESTIC RESEARCH EXPENDITURES

□ Rev. Proc. 2025-28

- Allows a statement to be filed in lieu of a Form 3115 in the year of a change in expensing R&E, amortizing R&E, or recovering previously amortized amounts
- Describes the requirements for a statement that must be filed with return to continue to capitalize and amortize R&E expenses
- Taxpayers with 2024 taxable years ending before September 15, 2025, who filed timely returns WITHOUT using an extension, are granted six more months to file superseding 2024 returns or K-1s to make the new elections or accounting method changes.

BUSINESS INTEREST EXPENSE LIMITATION

- ❑ Under IRC §163(j), the deduction for business interest is limited to the sum of the following:
 - Business interest income;
 - 30% of adjusted taxable income (ATI); and
 - Floorplan financing interest
- ❑ Prior to January 1, 2022, ATI was calculated without regard to deductions for depreciation, amortization and depletion
- ❑ For tax years beginning after December 31, 2021, TCJA included depreciation, amortization and depletion in calculating ATI

BUSINESS INTEREST EXPENSE LIMITATION

- ❑ In years when depreciation, amortization and depletion were excluded, ATI was higher, and therefore more business interest was deductible
- ❑ OBBBA reinstates the exclusion of depreciation, amortization and depletion for post-2024 tax years

LIMITATION ON EXCESS BUSINESS LOSSES

- ❑ Under IRC §461(l), losses from trades or businesses of noncorporate taxpayers are limited if:**
 - Deductions exceed gross income and gains from the business, plus
 - A threshold amount (\$313,000 for 2025, or \$626,000 if MFJ)
- ❑ Any excess can be carried forward under the NOL carryover rules**
- ❑ OBBBA permanently extends this limitation**

INFORMATION REPORTING

- ❑ **OBBBA retroactively increases the Form 1099-K reporting threshold back to the pre-ARPA levels:**
 - \$20,000
 - 200 transactions
- ❑ **For payments made after 2025, the reporting thresholds for Forms 1099-NEC and 1099-MISC are increased from \$600 to \$2,000 (adjusted for inflation after 2026)**
- ❑ **Forms W-2, 1099, 941, etc. will not be changed for the 2025 tax year to reflect the deductions for tips and overtime (News Release IR-2025-82)**

CHARITABLE CONTRIBUTIONS BY C CORPORATIONS

- ❑ **Beginning in 2026, C corporations are subject to a 1% floor on deductions for charitable contributions**
- ❑ **Additional limitations:**
 - Allowed only to the extent contributions exceed 1% of the corporation's taxable income
 - Limited to 10% of the corporation's taxable income



OBBBA EMPLOYERS

BUSINESS MEALS

❑ TCJA created IRC §274(o)

- Eliminates the deduction for employer provided meals
- 50% deductible through 2025
- 100% disallowance beginning in 2026
- OBBBA did not defer the disallowance

BUSINESS MEALS

❑ OBBBA did create two exceptions:

- The meals are provided at a facility in which goods or services (including the use of facilities) are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth
 - *e.g., meals provided to restaurant workers during their shifts*
- The meals are required by federal law to be provided to crew members of a commercial vessel
 - *Includes fishing vessels, certain fish processing facilities, and offshore oil rigs and gas platforms*

BUSINESS MEALS

Expense	Amount Deductible
Client entertainment (sports tickets, golf outings, etc.) Client meals not purchased separately from the entertainment	-0-%
Client meals directly related to a business meeting	50%
Meals for employees while traveling for business	50%
Meals provided for the convenience of the employer (employee meals in the office; office coffee, water & snacks)	50% through 2025; -0-% after 2025*
Holiday parties, company picnics & employee appreciation events	100%

*Subject to the exceptions for restaurants and commercial fishing vessels

EMPLOYER CREDIT FOR PAID FAMILY & MEDICAL LEAVE

❑ IRC §45S paid family & medical leave credit is permanently extended

- The birth or care of a child
- Adoption or foster care of a child
- Caring for a spouse, child, or parent with a serious health condition
- An employee's serious health condition that makes the employee unable to perform the functions of the position
- A qualifying exigency arising out of the fact that a spouse, child, or parent is a member of the U.S. Armed Services and is on covered active duty
- Caring for a service member with a serious injury or illness if the employee is the spouse, child, parent, or next of kin of the service member

EMPLOYER-PROVIDED CHILD CARE CREDIT

- ❑ **Employer credit for qualified childcare facility and resource and referral expenditures**
- ❑ **Credit is increased:**
 - From 25% to 40%
 - 50% for “eligible small businesses”
- ❑ **Credit limit is increased:**
 - From \$150,000 to \$500,000
 - \$600,000 for “eligible small businesses”
 - Adjusted annually for inflation

EMPLOYER-PROVIDED CHILD CARE CREDIT

❑ “Eligible small business”

- Average gross receipts do not exceed:
 - \$25 million
 - Over the previous 5-year period

❑ Effective for amounts paid or incurred after 2025

EMPLOYER PROVIDED DEPENDENT CARE

- ❑ Beginning with 2026, the exclusion for employer provided dependent care assistance is increased to \$3,750 (\$7,500 MFJ)

EMPLOYER PROVIDED EDUCATIONAL ASSISTANCE

- ❑ The expansion of the \$5,250 education assistance program to include an employer's payment on an employee's student loan is made permanent
 - *The \$5,250 limit is increased for inflation beginning in 2027*





OBBBA ENERGY & CLEAN VEHICLE CREDITS

ENERGY & CLEAN VEHICLE CREDITS

Credit	Code Section	Expiration
Previously-Owned Clean Vehicle Credit	25E	Vehicles acquired after September 30, 2025
New Clean Vehicle Credit	30D	Vehicles acquired after September 30, 2025
Qualified Commercial Clean Vehicle Credit	45W	Vehicles acquired after September 30, 2025
Alternative Fuel Vehicle Refueling Property Credit	30C	Property placed in service after June 30, 2026
Energy Efficient Home Improvement Credit	25C	Property placed in service after December 31, 2025
Residential Clean Energy Credit	25D	Expenditures made after December 31, 2025
Energy Efficient Commercial Buildings Deduction	179D	Property construction that begins after June 30, 2026
Energy Efficient Home Credit	45L	Homes acquired after June 30, 2026



INDIVIDUALS

DIGITAL ASSETS

Form 1099-DA, *Digital Asset Proceeds from Broker Transactions*:

- Beginning in 2025, brokers are required to report proceeds of digital asset sales
- Beginning in 2026, brokers are required to provide adjusted basis details
- IRS has released a fact sheet (FS-2025-6) on the new Form 1099-DA, which brokers use to report transactions in digital assets
 - ❑ Reminds tax professionals that for 2025 these statements do not include the basis of a taxpayer's digital asset transactions
 - ❑ Basis must be calculated before a 2025 tax return can be filed
 - ❑ Taxpayers may be required to recognize gain

DIGITAL ASSETS

Form 1099-DA (con't.)

- Notice 2024-56 waived the reporting and back-up withholding penalties for 2025
- Notice 2025-33 extends the relief for an additional year



Form 1099-DA (con't.)

- Front-end service DeFi platforms, custodial wallet providers, and decentralized exchanges involved in digital asset transactions, along with digital asset middlemen, would have been defined as brokers and made subject to the reporting requirements
- However, on April 10, 2025, the President signed H.J. Res. 25 repealing the rules as they relate to decentralized finance brokers and platforms
 - ❑ Repeal based on the Congressional Review Act (CRA) regulations
 - ❑ Allows Congress to strike down regulations issued by federal agencies for up to 60 days after issuance



BUSINESS

SIGNATURE MISMATCH INVALIDATES EXTENSIONS

ILM 202505027 (1/31/2025)

Background:

- Designated individual of an entity partnership representative who was named on the 2018 and 2019 partnership returns was different from the individual who signed the forms for extending the time to make partnership adjustments

IRS:

- The extensions are invalid

Result:

- The limitations period for the 2018 tax year expired September 13, 2022
- The period of limitations for the 2019 tax year expired September 14, 2023

CANCELED DEBT MAY NOT BE WORTHLESS

Kelly v. Commissioner, No. 23-70040 (9th Cir. 2025)

Facts:

- Between 2007 and 2010, taxpayer transferred millions of dollars between his business entities, characterizing them as loans
- On December 31, 2010, he cancelled many of these purported loans
- On his 2010 income tax return, he reported \$145 million of COD income but excluded it due to his personal insolvency
- He also reported a short-term capital loss of nearly \$87 million due to a nonbusiness bad debt write off, claiming that the discharged debt automatically or presumptively rendered it worthless

CANCELED DEBT MAY NOT BE WORTHLESS

To claim a nonbusiness bad-debt deduction under Section 166, the taxpayer must establish:

- (1) The debt is bona fide, 26 C.F.R. §1.166-1(c);
- (2) The taxpayer has an adjusted-tax basis in the debt sufficient to claim the deduction, 26 U.S.C. §166(b); and
- (3) The debt became “wholly worthless within the taxable year,” 26 C.F.R. §1.166-5(a)(2)

CANCELED DEBT MAY NOT BE WORTHLESS

Ninth Circuit Holding:

- Tax Court did not err in finding TP's debt was not worthless

Rationale:

- TP conceded the debts were not “wholly worthless,” referring to them instead as “near[ly] wholly worthless.”
- failed to show the debts were uncollectible
- Cannot presume worthlessness because COD income arose from the discharge

SALE OF LLC DUE TO TAX OBLIGATION OF ONE MEMBER

United States v. Driscoll, No. 3:18-cv-11762 (D.N.J. 2024)

Facts:

- Two-person dental practice owned 50-50 by the same two people who owned the building
- The real estate was owned as tenants in common
- One member failed to pay his taxes
- IRS sought to foreclose upon and sell both the real property and the dental practice in order to satisfy the tax debt

SALE OF LLC DUE TO TAX OBLIGATION OF ONE MEMBER

Law:

- *United States v. Rodgers*, 461 U.S. 677 (1983)

Factors to consider when weighing:

- Court's duty to balance the power to foreclose on a taxpayer's property when unpaid taxes exist
- How a judicial sale could negatively impact an innocent third party with an interest in the property and no outstanding tax liability

SALE OF LLC DUE TO TAX OBLIGATION OF ONE MEMBER

Court:

- Determined that the IRS could foreclose

Rationale:

- Real estate was owned as tenants in common, so either party could sell their interest



ESTATE TAX

PORTABILITY ELECTION

Estate of Rowland v. Commissioner, T.C. Memo. 2025-76

Court Found Estate Didn't Make Portability Election:

- Late filing of decedent Billy Rowland's late wife's estate tax return
- Lack of required specificity and support for the values claimed in the return

Result:

- Unused portion of her personal exclusion could not be used by Rowland's estate

The image features a dark blue background with a faint, low-angle photograph of a modern skyscraper's glass facade. A horizontal, semi-transparent white band is centered across the image. The word "MICHIGAN" is written in a bold, white, sans-serif font within this band. A thin, light-colored rectangular frame is positioned around the central text, with its top and bottom lines being slightly shorter than its left and right lines.

MICHIGAN

NEW RESEARCH & DEVELOPMENT CREDIT IN 2025

Starting with R&D expenses incurred during the 2025 calendar year:

- P.A. 186 – provides a credit under the CIT
- P.A. 187 – provides a credit against withholding by flow-through entity employers not subject to the CIT or MBT
- Uses federal definition of “qualified research expenses” under IRC § 41(b)

NEW RESEARCH & DEVELOPMENT CREDIT IN 2025

Miscellaneous:

- Must incur Michigan R&D expenses in excess of a base amount
- Generally, a 3-year rolling average of annual Michigan R&D expenses
- Per taxpayer & per year limitations apply
- Total credits may not exceed \$100,000,000 annually
- Claimants are required to file a tentative claim (“credit application”) with Treasury
 - ❑ Must report actual (not estimated) expenses
 - ❑ Treasury will publish a notice on its website
- First statutory reporting deadline is April 1, 2026

34th Annual
Tax Symposium

THANK YOU



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