

Chattanooga CPA Group

TAX PLANNING FOR BUSINESSES

(2026)

Chris Picciurro, CPA, MBA, PFS, ARA

Tax Strategist • Educator • Entrepreneur • Author

- **Integrated CPA Group** Co-Founder / Executive Officer
- **Teaching Tax Flow** Founder / Educator
- **MRR Institute** Founder / Educator
- **Teaching Tax Flow Podcast** Co-Host
- **Mr. R Show** Co-Host
- **National and International Speaker**
- **“Defeating Taxes”** Author
- **Aspiring Pickleball Professional**



Objectives:

Upon completion of this course, you will be able to:

- **Explain** the tax impact of using bonus depreciation, §179 and regular MACRS depreciation
- **Outline** various employee benefit strategies such as employee fringe benefits and retirement plans
- **Summarize** tax strategies available to your clients tailored to their entity type

What's Inside:

- **Accelerated Depreciation:** Bonus, Section 179 & MACRS
- **Fringe Benefits & Accountable Plans**
- **Retirement Plans by Entity Type**
- **Reducing AGI:** SALT & PTET Planning
- **How To Monetize Tax Planning**
- **Case Studies**
- **Continue The Conversation**

Poll Question:

What area of business tax planning do you feel clients struggle to understand the most?

- A. Bonus depreciation, Section 179, and MACRS
- B. Fringe benefits and accountable plans
- C. Retirement plan options by entity type
- D. SALT and PTET planning
- E. How to price and monetize tax planning services



Accelerated Depreciation

Bonus, Section 179 & MACRS

Accelerated Depreciation Overview 2026

- Accelerated depreciation allows faster write-off of qualified business property costs, reducing taxable income in early years
- Key methods in 2025: **Bonus Depreciation, Section 179 Expensing, and MACRS**
- Applies to **tangible, depreciable property** used more than 50% in an active trade or business, including:
 - Equipment, vehicles, computers, office furniture
 - Certain real estate improvements (e.g., HVAC, roofs)
- Effective planning maximizes early-year deductions and boosts cash flow for reinvestment
- Bonus and §179 are front-loaded options; MACRS is the baseline recovery method

Bonus Depreciation: 2026 Rules Under H.R. 1 (OB3)

- **100% bonus depreciation** applies to qualifying property
- Qualifying assets include **new or used** tangible property with a recovery period of 20 years or less, such as machinery, equipment, vehicles, and **Qualified Improvement Property (QIP)**
- Bonus depreciation is **automatic** unless the taxpayer **elects out by class life** on a timely filed return (Reg. §1.168(k)-1(e))
- Election flexibility allows taxpayers to align depreciation with income planning and maximize deductions strategically
- Bonus depreciation has **no income limitation** and can generate or increase net operating losses (NOLs)

Section 179 & MACRS: 2026 and Beyond

Section 179 (2026 Rules):

- Deduction limit: **\$2,560,000**
- Phase-out starts at **\$4,100,000**; fully phased out at **\$6,660,000** in asset acquisitions
- **Requires election**; not automatic like bonus depreciation
- Covers new or used tangible personal property and **qualified real property improvements**, such as:
- Roofs, HVAC, fire/alarm/security systems (if elected under §179(f))
- Must be used **>50% in business**; deduction limited to **business income**, excess carries forward
- Reduces depreciable basis of asset before applying bonus or MACRS

Section 179 & MACRS: 2026 and Beyond (continued)

MACRS:

- **Default system** if §179 or bonus not taken
- Recovery periods: 5, 7, 15, 27.5, or 39 years
- Uses **declining balance** for most personal property, **straight-line** for real property
- Real property uses **mid-month**; personal property generally uses **half-year or mid-quarter** convention

Fringe Benefits & Accountable Plans



Health Insurance (§106, §162(l))

C Corps: Deduct premiums; employees exclude under §106

S Corps (>2% shareholders): Include premiums in W-2 Box 1 (not subject to FICA); shareholder deducts under §162(l)

Partnerships/Sole Props: Owners not eligible for exclusion; may deduct under §162(l); deductibility via **guaranteed payments (IRC §707(c))**

Health Savings Accounts (HSAs – §223)

Triple Tax Benefit:

1. **Deductible contributions** (employer or above-the-line by individual)
2. **Tax-free growth**
3. **Tax-free withdrawals** for qualified medical expenses

C Corps: Contributions deductible and excluded from wages

S Corps (>2% shareholders): Included in W-2 Box 1; deductible under §162(l)

Partnerships: Contributions are guaranteed payments; partner deducts under §162(l)

§105 Medical Reimbursement Plans

Only C Corps may offer **tax-free reimbursements** to employee-owners

- §105(b): Exclusion for medical expense reimbursement
- Must avoid discrimination under §105(h)

Not available tax-free to partners or >2% S Corp shareholders

- May be structured for **spouse-as-employee** under sole prop or S Corp

Accountable Plans: Automobiles, Home Office & Travel

What Is an Accountable Plan?

Under **Treas. Reg. §1.62-2**, a reimbursement arrangement qualifies as an **accountable plan** if it meets three tests:

1. Business connection – Expense must relate to the business
2. Substantiation – Timely documentation (receipts, logs, mileage, etc.)
3. Return of excess – Any advance not spent must be repaid

If these rules are followed:

- Employer deducts 100%
- Employee excludes from income – not reported on W-2

Accountable Plans: Automobiles, Home Office & Travel

Common Qualified Reimbursements

- **Automobile use** – Business mileage (IRS rate) or actual expense
- **Home office expenses** – Pro-rata rent, utilities, internet (if regular and exclusive use test is met)
- **Travel & lodging** – Business travel fully deductible
- **Meals** – 50% deductible if directly related to business (§274)
- **Phone, supplies, tech** – Must relate to business activity and be documented

Accountable Plans: Automobiles, Home Office & Travel

Entity-Specific Notes

C Corporations:

- Can reimburse both employees and owner-employees
- No income inclusion if substantiated

S Corporations (>2% shareholders):

- Reimbursements must be **added to W-2 wages**
- Deductible on personal return under §162

Partnerships:

- **Partners are not employees**
- Cannot be reimbursed under an accountable plan
- Must deduct unreimbursed expenses directly on **Schedule E / K-1 box 20**

Accountable Plans: Automobiles, Home Office & Travel

Best Practices for Year-End

- Formalize written accountable plan before **December 31**
- Require timely and clear documentation for all expenses
- Combine with bonus depreciation or §179 for enhanced deduction strategies

Educational Assistance & Working Condition Fringe Benefits

§127 – Employer Educational Assistance Plans

- Up to **\$5,250/year** tax-free to employees for:
 - Tuition, fees, books
 - **Student loan repayment (through Dec. 31, 2025)** – CARES Act §2206; extended by CAA 2021
- Must be offered under a written, nondiscriminatory plan
- Excludable from wages; employer may deduct under §162

Note: Combined limit applies to education + loan repayment

Educational Assistance & Working Condition Fringe Benefits

§132 – Working Condition Fringe Benefits

- Tax-free if expense would be deductible by employee under §162
- Common examples:
 - Business education & CE
 - Tools, subscriptions
 - Laptops, phone plans (used for business)

Educational Assistance & Working Condition Fringe Benefits

Entity Considerations

- **C Corps:** May fully exclude and deduct qualifying benefits
- **S Corps (>2% owners) & Partnerships:** Owners **do not qualify** for §127 or §132 exclusions — benefits are **taxable compensation**
 - Still deductible by entity as wages or guaranteed payments

Poll Question:

Which entity type creates the most confusion when advising clients on owner benefits?

- A. Sole proprietorship
- B. Partnership
- C. S corporation
- D. C corporation
- E. It depends on the client facts

Retirement by Entity Type



Retirement by Entity Type: Choosing the Right Fit

Sole Proprietors & Single-Member LLCs

- Eligible for SEP IRAs and Solo 401(k)s
- **SEP IRAs:** can be both established and funded **up to the tax return deadline (including extensions)**
- **Solo 401(k)s:** must be established and employee deferrals made by **12/31**; employer contributions can be funded later
- Deducted on **Schedule C** (Form 1040)

Retirement by Entity Type: Choosing the Right Fit

Partnerships

- Can adopt SEP IRAs, Solo 401(k)s, or Defined Benefit Plans
- Contributions for partners must be made via **guaranteed payments (IRC §707(c))**
- Plans must be adopted by **year-end**, but funded by **extended filing deadline**
- Deducted on **Form 1065** and passed through to **K-1s**

Retirement by Entity Type: Choosing the Right Fit

S Corporations

- Owner must receive **W-2 wages** to be eligible for retirement contributions
- Employee deferrals must be made **by December 31**
- Employer contributions are deductible if **paid by year-end**
- Not based on distributions, only **wage compensation** qualifies

Retirement by Entity Type: Choosing the Right Fit

C Corporations

- Eligible for all plan types: SEP, 401(k), DB, Cash Balance
- Contributions deductible when **accrued by year-end** and **funded by return deadline**
- Best option for maximizing large deductions for high-income owners

Retirement by Entity Type: Contribution Deadlines & Limits (2026)

Solo 401(k)

- **Elective deferral:** \$24,500 (under 50), \$32,500 (50+)
- **Employer contribution:** Up to 25% of comp
- **Total max:**
 - Total combined limit (employee + employer, under age 50) = \$72,000
 - Total combined limit with age 50+ catch-up = \$80,000
 - Total combined limit for ages 60–63 = \$83,250
- **Deadline:** Plan must be **established by 12/31**, employee deferrals made by 12/31, employer portion by tax deadline + extensions
- **”SECURE 2.0 “super catch-up”** (ages 60–63) additional \$11,250

Retirement by Entity Type: Contribution Deadlines & Limits (2026)

Important SECURE 2.0 Change for 2026

- Beginning in 2026, for most plans if you earned more than \$145,000 in FICA wages from the employer sponsoring the plan in the prior year, catch-up contributions generally must be made as **Roth contributions** under SECURE 2.0.

Retirement by Entity Type: Contribution Deadlines & Limits (2026)

SEP IRA

- Contribution: Up to 25% of comp or \$72,000 (2025 limit)
- **No catch-up** provision
- **Can be established and funded after year-end** (up to return deadline incl. extensions)

Defined Benefit (DB) Plans

- Max benefit: ~\$285,000/year (actuarially determined)
- Must be **established by 12/31**
- Contributions deductible if funded by **extended due date**

Retirement by Entity Type: Contribution Deadlines & Limits (2025)

Key Differences by Entity

- **Sole Props/Partners:** Can delay funding until return filing
- **S Corps:** Must make W-2 payments and fund by year-end
- **C Corps:** Most timing flexibility; accrual allowed

Strategic Retirement Planning by Entity Type

Sole Proprietors

- Use **flexible SEP or Solo 401(k)**
- Often fund at tax prep time
- Simple to administer and cost-effective

Partnerships

- Use **guaranteed payments** for partner retirement benefits
- Solo 401(k)s allowed **if no common-law employees**
- Partner contributions shown on K-1, not W-2

Strategic Retirement Planning by Entity Type

S Corporations

- Plan eligibility tied to **W-2 compensation**
- Owner distributions do **not** support retirement plan limits
- Employee deferrals must be withheld from **December payroll**

C Corporations

- Full access to **defined benefit and cash balance plans**
- Deduct large contributions (e.g., \$100k–\$300k)
- Ideal for mature owners with stable profits

A faded, light gray background image of a hand holding a pen, positioned on the right side of the slide. The hand is in a writing position, with the pen held between the thumb and index finger. The image is semi-transparent and serves as a decorative element.

Reducing AGI

SALT & PTET Planning

2026 Change to State & Local Tax (SALT) Deduction

Schedule A (Itemized Deductions)

Key Provisions

Higher Deduction Cap:

- Taxpayers may deduct up to **\$40,400** in state and local taxes if married filing jointly or single.
- For **married filing separately**, the limit is **\$20,200**.

Phaseout for High Earners:

- The \$40,400 cap begins to phase out once **Modified AGI exceeds \$505,000** for joint filers.
- The cap is reduced by **30¢ for every \$1** over the threshold, down to a floor of **\$10,000**.

What Qualifies:

- The deduction includes state and local income taxes, sales tax (if elected), real estate taxes, and personal property taxes, unchanged from prior law.

Timeframe:

- The increased deduction applies to **tax years 2025 through 2029**.
- Beginning in **2030**, the SALT cap **reverts to \$10,000** (\$5,000 for MFS), unless further legislation is enacted.

OB3 Change to State & Local Tax (SALT) Deduction

Schedule A (Itemized Deductions)

Tax Planning Takeaways

- Taxpayers in **high-tax states** (CA, NY, NJ, etc.) may benefit significantly, **if they itemize**.
- Taxpayers above the income threshold will see **limited or no benefit** from the expanded cap.
- Continued coordination with **pass-through entity tax (PTET)** elections remain essential for maximizing SALT-related deductions at high income levels.

PTET: Still the SALT Cap Workaround of Choice

Pass-Through Entity Tax (PTET): Not Changed by OB3

What PTET Does:

- Allows **partnerships and S corps** to pay state income tax at the **entity level**, bypassing SALT cap.
- Owners typically get **state credit or exclusion**.

Why It Still Works:

- PTET taxes are deductible under IRC §164(a) as a **business expense**, not subject to SALT cap.
- **OB3 does not limit, repeal, or modify PTET.**

Federal Endorsement:

- IRS Notice 2020-75 confirms deductibility of PTET at the entity level.

Planning Strategies:

- Combine **PTET elections with new SALT deduction election** for maximum benefit.
- Monitor **AGI thresholds** and **entity income shifts** to avoid disqualifying from SALT deduction.



How To Monetize Tax Planning

How to Unlock Year-Round Value with Planning Services

“How Planning”



COMPLIMENTARY



HOURLY RATE



A LA CARTE VALUE
BILLING



SUBSCRIPTION

How to Unlock Year-Round Value with Planning Services

“How Planning”

Advisory Services Fees

- **Hourly Rates:** Certified Public Accountants (CPAs) offering advisory services charge between \$150 and \$400 per hour, with rates varying based on expertise and service complexity.
- **Project-Based (a la carte) Fees:** For specific projects like business valuations or financial analyses, CPAs may charge flat fees ranging from \$1,000 to \$10,000 or more, depending on the project's scope.
- **Retainer Fees (subscription):** Firms providing ongoing advisory services often charge monthly retainers between \$2,000 and \$10,000, offering continuous support and strategic planning.

Source: globalfpo.com

How to Unlock Year-Round Value with Planning Services

Implementation Partners

Revenue
Specialty Tax Firms <ul style="list-style-type: none">• Cost segregation• R&D credits• Other tax credit and grant work
Financial Advisors / Tax-Advantaged Investment Professionals <ul style="list-style-type: none">• Requires proper licensing (e.g., life insurance, securities)
Payroll Processing Companies <ul style="list-style-type: none">• When integrated into firm offerings
Tax Mitigation Firms <ul style="list-style-type: none">• Can include advanced strategies like leveraged charitable giving, transferable tax credit, etc.
Business Transition Specialists <ul style="list-style-type: none">• Accredited valuation professionals (especially for multigenerational business exits)
Software providers for specialty tax needs <ul style="list-style-type: none">• Mileage trackers, real estate hour logs, etc.
Registered agent and entity formation firms
Outsourced bookkeeping, controllership and CFO services
Podcast, content, or event sponsorships

Non-Revenue
Attorneys – Estate, Business, Family Law
Bankers. Credit Unions, or SBA Loan Specialists
Insurance Professionals (Non-Commission-Based)
Qualified Intermediaries
Real estate agents
Mortgage brokers
Trust administrators
Third party administrators for retirement plans

Ethics related disclosures and licensing requirements apply

Poll Question:

What is the biggest barrier to offering more proactive tax planning in your practice?

- A. Not enough time
- B. Not knowing how to price it
- C. Clients do not understand the value
- D. Lack of systems or process
- E. Not enough confidence with advanced strategies



Case Studies

Taylor: Full Bonus Depreciation Strategy (2026)

Meet Taylor...

- Sole proprietor landscape designer
- **Single**, no dependents
- **Age 28**
- Lives in **Tennessee** (no state income tax)
- **Net business income (pre-depreciation): \$125,000**

Strategy Applied

- Purchased **\$110,000** of 5-year equipment on **December 1, 2026**
- Claimed **100% bonus depreciation** under **IRC §168(k)**
- No employees
- Donated **\$3,000** to charity
- Claims the **standard deduction** (estimated \$15,600 for single in 2026)



Let's Talk: What Would You Do If You Were Taylor?

Taylor just used 100% bonus depreciation to wipe out taxable income. But...

What if Taylor gets married?

→ How would that change the **standard deduction**, filing status, or tax brackets?

What if he has dependents?

→ Would child tax credits or other benefits shift the value of deductions?

What if his net profit doubles next year?

→ Did he just burn through deductions he'll wish he had later?

What if he needs to buy another \$110,000 machine in 2 years?

→ Can he afford to use bonus depreciation again?

→ Should he have **elected out** this time to spread deductions?



James: PTET, Retirement & Fringe Planning (2026)

Meet James...

- Sole proprietor running an e-commerce business
- **Married, with two teenage children**
- **Age 45**
- **Lives in California** (high state income tax)
- **Net business income: \$780,000**
- **Wife and children assist in the business** (not on payroll yet)
- Covered by a **high-deductible health insurance plan (HDHP)**
- **No retirement plan in place yet**



James: PTET, Retirement & Fringe Planning (2026)

Strategy Opportunity:

Entity Structure & PTET

- Form an **S Corporation or partnership** to qualify for California's **Pass-Through Entity Tax (PTET)**
- Estimated CA tax of ~\$80,000 becomes a **federal deduction** (IRC §164 workaround)

Retirement Plan Implementation

- Set up a **Solo 401(k)** or defined contribution plan
- Potential to defer up to **\$69,000 per spouse** (with catch-up)
- Employer contributions reduce entity income **before PTET**

James: PTET, Retirement & Fringe Planning (2026)

Strategy Opportunity:

Fringe Benefits Strategy

- Add **HSA-compatible health plan** with max family contribution (~\$8,750 for 2026)
- Pay **health insurance premiums** through the business
- Add **Section 127 education plan** – up to \$5,250 tax-free per employee
- Consider **accountable plan reimbursements** for business-use expenses (home office, mileage, etc.)

Family Employment

- Employ spouse and teenage children
- Shift income into lower tax brackets
- Children under 18 exempt from FICA if paid by a parent's sole prop or partnership

Let's Talk: What Would You Do If You Were James?

James earns **\$780,000** and pays high CA income tax.

He's got a lot of planning runway...

What if James remains a sole proprietor?

- Can he use PTET or hire family?
- Is he wasting a 6-figure deduction?

What if he forms an S Corp and elects PTET?

- Could he deduct \$70K–\$80K in state tax federally?
- Could a 401(k) plan + PTET reduce AGI by \$150K?

What if he adds his wife and kids to payroll?

- Could their wages fund **Roth IRAs, 529s, or HSAs**?

What if he layers in fringe benefits?

- Tax-free medical, education, reimbursements = **hidden wealth builder**



Continue The Conversation

Explore The Community

Defeating Taxes



Thank You!