



2025 Federal Tax Reform Update

What You Need to Know... and What
You Didn't Know You Needed to Know!

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Introductions



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Firm Overview

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What Are We Going to Discuss?

Federal

- **Bonus Depreciation**
- **Qualified Production Property**
- **IRC Section 174**
- **IRC Section 163(j)**
- **IRS Notice 2025-62**
- **IRS Notice 2025-69**
- **IRS Math Act**
- **Trump Accounts**
- **Charitable Contributions**

What Are We Going to Discuss?

State

- **PTE Taxes**
 - **Why Partnerships Should Be Paying Attention**

Federal – Bonus Depreciation

It's back, and it's PERMANENT!

- **Fixed Assets with Useful Life of 20 Years or Less**
 - **Fully Deductible in Year Placed in Service**
 - **What if I don't Want to Use It?**
 - **Elect Out – By Asset Class**
 - **Section 179?**

Qualified Production Property

What Is It?

- **Nonresidential Real Property**
 - Used as an **INTEGRAL** part of “Qualified Production Activity”
 - The Manufacturing, Production, or Refining of a Tangible Personal Property
 - “Substantial Transformation”

Qualified Production Property

What is “Substantial Transformation?”

- **Such that the End Product is Substantially Different from the Component Materials**
- **Just Packaging, Labeling, or Minor Assembly WILL NOT QUALIFY**

Qualified Production Property

Do We Have Any Examples?

- **PLRs**
 - **Combining or Mixing Substances to Produce a Product With Different Characteristics**
 - **Cheese Curing**

Qualified Production Property

What Does NOT Qualify?

- **Food or Beverages Prepared In the Same Building as a Retail Establishment in Which Such Property is Sold**

Qualified Production Property

Does the Whole Building Qualify?

- **Probably Not**
 - **Must Allocate Between Production Property and Non-Production Property**
 - **Must be DIRECTLY Associated with the Qualified Production**
 - **Processing Rooms? Yes.**
 - **Parking? No.**
 - **Think Cost Segregation**

IRC Section 174

What Is It and Why Do We Care?

- **R&D Expense Capitalization and Amortization**
 - Effective in 2022 – Domestic costs had to be capitalized and amortized over 5 years – Foreign costs over 15
 - Effective in 2025 – Domestic costs – including prior unamortized costs – fully deductible
 - Foreign costs remain amortized over 15 years

IRC Section 163(j)

What's Changed?

- **IRC Section 163(j) – Limitation on Business Interest**
 - **2024 – Interest expense limited to 30% of adjusted taxable income**
 - **Permanently includes addback of depreciation and amortization (EBITDA) to adjusted taxable income**

IRC Section 163(j)

Why Is This Important?

- Bonus Depreciation?
- IRC Section 174?

IRS Notice 2025-62

Background First

- **Income Tax Exemption on Tips Income**
 - **New for 2026**
 - **Deduction of up to \$25,000 per taxpayer**
 - **Phaseout begins at \$300,000 of income for MFJ**
 - **In effect for 2025 - 2028**

IRS Notice 2025-62

Background #2

- **Income Tax Exemption on Overtime Pay**
 - **New for 2026**
 - **Deduction of up to \$12,500 (\$25,000 MJF)**
 - **Phaseout begins at \$300,000 of income for MFJ**
 - **In effect for 2025 – 2028**
 - **ONLY on increased rate (i.e., the “half” in “time and a half”)**

IRS Notice 2025-62

Relief Granted For:

- **Penalties for Failure to File Correct Information Returns and Correct Payee Statements**
- **Applies to Failure to Separately Report Qualified Tips, Overtime, and Occupation Codes**

IRS Notice 2025-62

BUT!!!

- **Only Applies IF the Statement is Otherwise Correct**
- **Still “Encouraged” to Provide Appropriate Information**

IRS Notice 2025-69

Employee Reporting

- **How Do I Take the Deduction if They Won't Tell Me the Info?**
 - **Tips**
 - **Box 7 of W-2 (SS Tips)**
 - **Total Tips Reported on 4070**
 - **Box 14 of W-2**
 - **Form 4137**
 - **Non-Employees – Logs, Receipts, Other Documentation**

IRS Notice 2025-69

Employee Reporting

- **How Do I Take the Deduction if They Won't Tell Me the Info?**
 - **Overtime**
 - **Box 14 of W-2**
 - **Earning Statements, Pay Stubs, Other Documentation**

IRS Math Act

The IRS Must Show Their Work!

- **Requires the IRS to:**
 - **Provide a Clear, Plain-Language Description of any Mathematical or Clerical Error Identified on a Return**
 - **Must Specify:**
 - **Type of Error**
 - **Where it Was on the Return**
 - **Itemized Computation of Adjustments**

Trump Accounts

What Are They?

- **Individual Retirement Account (IRA)**
 - **NOT a ROTH IRA**
 - **NOT a traditional IRA**
 - **AFTER Tax Contributions**
 - **Tax Deferred under IRA Rules**
 - **Starts in 2026**

Trump Accounts

Who Are They For?

- **Anyone Under 18**
- **Must have a SSN**

Trump Accounts

How Much?

- **\$1,000 Initial Contribution by Federal Government (for those born after 2025)**
 - Family, Friends, Employers, Charities
 - Max \$5,000 per beneficiary

Trump Accounts

Trump Account or 529?

- **\$1,000 is a no-brainer**
- **After that ...**
 - **State Deductions?**
 - **Restrictions?**
 - **529 Flexibility?**

Charitable Contributions

Starting in 2026

- **0.5% AGI Floor for Individuals**
- **1% Taxable Income Floor for C Corporations**

Charitable Contributions

What Does This Mean?

- **Everyone Will Lose Some Tax Benefit of Charitable Contributions**
- **What Should I Do?**
 - **Accelerate to 2025???**

Pennsylvania & PTE Taxes

Pennsylvania Treatment

- **Pennsylvania Does NOT Have a PTE Tax Option**
- **What About PTE Taxes Paid to Other States?**
 - **S Corp – Good to Go**
 - **Partnership – Not So Much**

Pennsylvania & PTE Taxes

Pennsylvania Treatment

- **Why the Difference?**
 - **We Don't Know – But We Know It's a Problem (and so does Pennsylvania)**
 - **What Should We Do?**



Questions???



Contact Information



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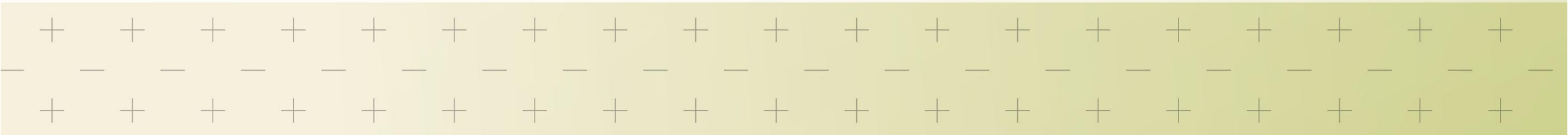


CPE Certificates to be distributed on December 15, 2025!

Will receive email with certificate from
cpe@macpas.com



Upcoming Events



January 29, 2026 Webinar



**Understanding
Health & Welfare
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SAVE THE DATE