



2024 Year-End Tax Update: Income Taxes – So Where Do We Go From Here?

macpas.com



Introductions



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Firm Overview

McKonly & Asbury

M&A is a team of CPAs and Business Advisors serving clients from our offices in Camp Hill, Lancaster, Bloomsburg, and Philadelphia.

Services Provided

- Advisory & Business Consulting
- Audit & Assurance
- Entrepreneurial Support & Outsourced Accounting
- Internal Audit
- Professional Placement
- Tax
- Technology

Industries Served

- Affordable Housing
- Architecture, Engineering, and Construction (AEC)
- Employee Benefit Plans
- Family-Owned Business
- Healthcare
- Manufacturing & Distribution
- Nonprofit

What Are We Going To Talk About Today?

- Current Tax Law and How We Got Here
- What's Coming in 2026 (and what may happen in 2025)?
- Federal Corporate Transparency Act
- PA Annual Reporting Requirement
- PA, Grantor Trusts, and PTE
- S Corp Issue with LLC Agreements



Current Tax Law and How We Got Here



Current Tax Law and How We Got Here

Tax Cuts and Jobs Act

- **C Corporation Provisions**

- Lowered rate to a flat 21% - **PERMANENT** (meaning we'd need legislation to change it)

- **Individuals – Expire after 2025**

- Lowered the Top Individual Tax Rate to 37%
 - Increased Rate Bracket Spread
 - Allows for a 20% Deduction Against Flow-Through Income (QBI Deduction)
 - Increased the Standard Deduction
 - But Eliminated Personal Exemptions
 - Capped the State and Local Tax Deduction at \$10k
 - Increased the AMT Exemptions
 - Increased the Child Tax Credit
 - Suspended Miscellaneous Itemized Deductions
 - Dramatically Increased the Estate Tax Exemption

Current Tax Law and How We Got Here

Tax Cuts and Jobs Act

- Other
 - Bonus Depreciation – CALENDAR YEAR
 - Phase Out Began in 2023 – 80%
 - 2024 – 60% ... 2026 – 20%
 - IRC Section 174 – R&D Capitalization
- How did we get here and where are we going?



What's Coming in 2026?



What About 2026?

- C Corporations – rate stays at 21%
- Individuals
 - Top Rate Back to 39.6%
 - Brackets Get Compressed
 - Standard Deduction Reduced
 - Personal Exemptions Come Back
 - QBI Deduction – GONE
 - SALT Cap – GONE
 - AMT Exemptions Reduced
 - Estate Tax Exemption Back to \$5m

So, What May Happen in 2025?

- **Extend... Extend... Extend (or try to)**
 - What's standing in the way?
 - 60 votes
 - Budget Reconciliation
 - Economics
 - Tax Revenue
 - Spending
 - Budget Deficit
- **Other Tax Considerations**
 - No Tax on Tips?
 - No Tax on Overtime?
 - IRC Section 174
 - Bonus Depreciation?
 - Tariffs?



Federal Transparency Act and PA Changes



Federal and PA Reporting

Federal Corporate Transparency Act

- **Who Must File?**

- Corporations, LLCs, and Partnerships
- Beneficial Owners
 - Exercise “Substantial Control” over a reporting entity; or
 - Owns/Controls 25% of More of a Reporting Entity

- **What Must Be Filed?**

- Name/Address
- State of Formation
- EIN
- Beneficial Owners
 - Date of Birth
 - Identification (e.g. Driver’s License, Passport)

Federal and PA Reporting

Federal Corporate Transparency Act

- **When to File?**
 - Existing Companies – on or before January 1, 2025
 - Newly Formed Companies (after 1/1/2024) – within 30 Days of Formation
 - Within 30 Days of Any Changes
- **How to File?**
 - <https://boiefiling.fincen.gov/>
- **What Happens if I Don't File?**
 - Big Penalties
- **Court Injunction?**

Federal and PA Reporting

Federal Corporate Transparency Act

- **Large Company Exemption**
 - Employs MORE THAN 20 FTEs; and
 - More than 20 FTEs are Employed in the United States; and
 - Operating Presence at a Physical Office in the United States; and
 - MORE THAN \$5,000,000 in Gross Receipts (Excluding Foreign)
- **Most Tax-Exempt Entities Exempt**
- **Resources**
 - <https://www.fincen.gov/boi>
 - <https://www.fincen.gov/boi-faqs>
 - https://www.fincen.gov/boi-faqs#C_1
 - https://www.fincen.gov/sites/default/files/shared/BOI_Small_Compliance_Guide.v1.1-FINAL.pdf

Federal and PA Reporting

Federal Corporate Transparency Act

- **So What, Now What?**

- **There is a solution!**

- **Harbor Compliance**

- **Set up to Pull Public Record Data**

- **You Securely Provide Beneficial Ownership Info**

- **They Prepare and File on Your Behalf**

- **Tracking and Filing Done by Harbor**

- **[https://www.harborcompliance.com/beneficial-ownership-](https://www.harborcompliance.com/beneficial-ownership-information-reporting-service)**

- information-reporting-service**



Federal Transparency Act and PA Annual Report



Federal and PA Reporting

Pennsylvania Annual Reporting

- **Effective for 2025**
- **Who?**
 - **ALL Entities Registered To Do Business in Pennsylvania**
- **When?**
 - Corporations (For-Profit and Exempt) – June 30th
 - LLCs – September 30th
 - LPs, GPs, and anyone else – December 30th
- <https://www.dos.pa.gov/BusinessCharities/Business/Resources/Pages/Annual-Reports.aspx>



PA, Grantor Trusts, and PTE



PA, Grantor Trusts, and PTE

- **Pennsylvania & Grantor Trusts**
 - Change in Tax Treatment
 - Conforms with Federal (and every other state)
 - Starts in 2025
 - Impact on Estimated Payments
- **Pennsylvania & PTE**
 - What is PTE?
 - Treating S Corporations and Partnerships Differently
 - What Will the Outcome Be?



S Corp Issues with LLC Agreements



The LLC/S Corp Trap

PLR 202247004

- Tells us how the IRS will view S Corporations that are also LLCs that have operating agreements that are inconsistent with S Corp rules
- How does this happen?
- Good news – they'll forgive you
- Bad news – it's expensive (like \$50k +)
- So, how do we avoid this?

Contact Information



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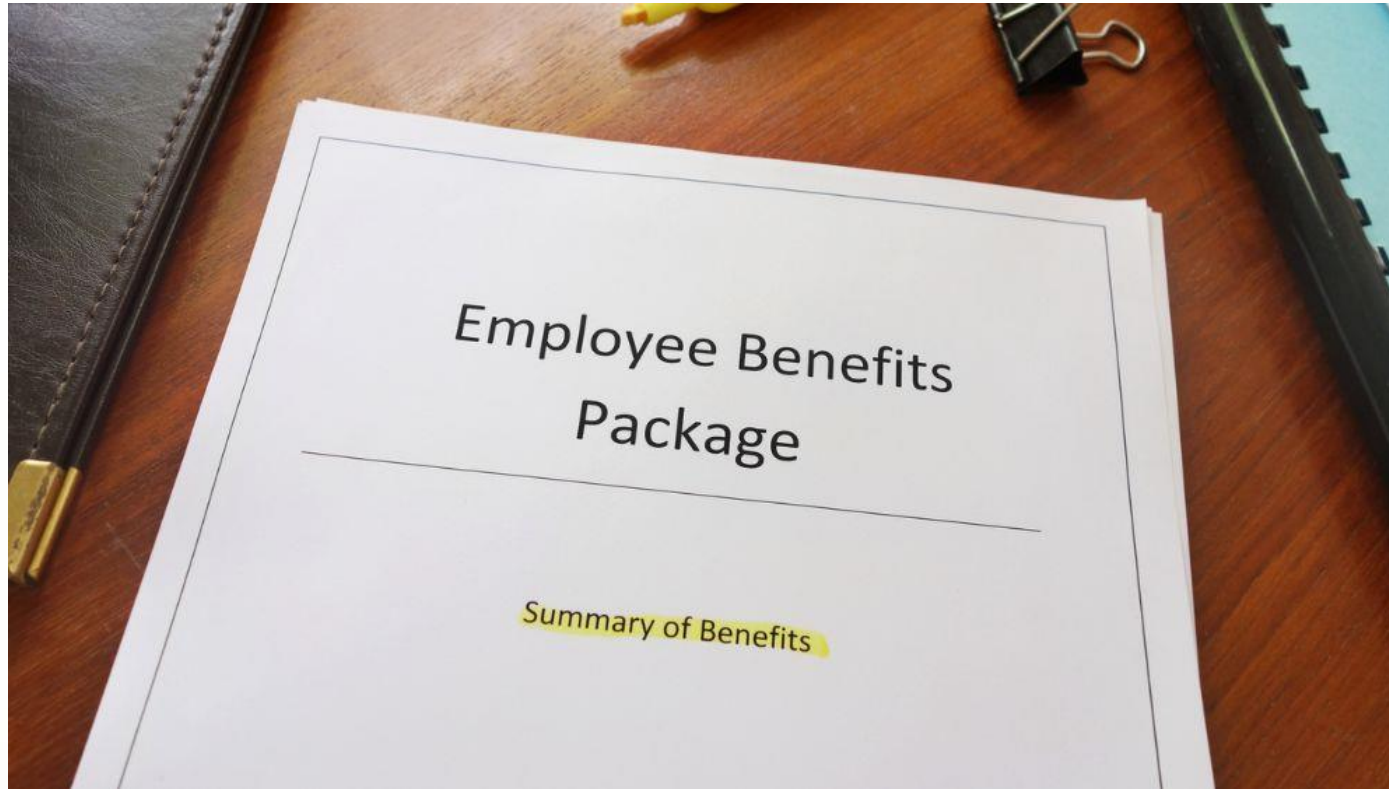
717.972.5755



Upcoming Events



January 30 Webinar



**Employee Benefit
Plans Industry
Update**

SAVE THE DATE!