


2025
National Income Tax
Workbook

Chapter 14 – New and Expiring
Legislation
PP 555 - 609



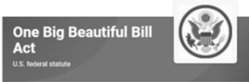
1

Bill

Chapter 14


Mary Jane

Heidi



Pam

2




To Page 561
Business Tax Issues

3

Corporate AMT

p. 561

Adjusted Financial
Statement Income
> 1 billion



Tax years beginning
after 12/31/2022

15% minimum tax

Proposed Regs
provide definitions

IRS plans to issue new proposed regulations
on corporations with investments in
partnerships.


X

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Employer-Provided Child Care Credit

p. 561

Old Law



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Employer-Provided Child Care Credit

p. 561

Credit raised from 25% to 40% (50% for small
businesses - gross receipts under 31,000,000)

Maximum Credit raised to 500,000. (600,000 for
small businesses)

OK to provide under a contract with an intermediate
entity that contracts with one or more qualified
childcare facilities.


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Qualified Child Care Expenditures

P 561

1. Facility

Acquire, construct, rehabilitate or expand



Subject to depreciation (not personal residence of taxpayer or employee)

40% or 50%

➤ Follow local laws - licenses

➤ Principal use to provide child care assistance

➤ Enrollment open to employees (30% dependents of employees)

➤ Not discriminate in favor of highly compensated employees

➤ Can be in residence of person operating the facility

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Qualified Child Care Expenditures

P 561

2. Operating costs

Includes costs related to training and scholarships

Contract to provide facility for child care services

40% or 50%

3. Resource & Referral

Contract to provide child care resources and referral services

10%

Expanded definition

8

2025

Small Businesses

50% →

600,000 →

2024

Credit for Employer-Provided Childcare Facilities and Services

OMB No. 1545-0039

Attachment Sequence No. 131

Go to www.irs.gov/Form8882 for the latest information.

Form 8882		Identifying number	
1	Qualified childcare facility expenditures paid or incurred	1	
2	Enter 25% (or 50%) of line 1	2	
3	Qualified childcare resource and referral expenditures paid or incurred	3	
4	Enter 10% (or 10%) of line 3	4	
5	Credit for employer-provided childcare facilities and services from partnerships, S corporations, estates, and trusts	5	
6	Add lines 2, 4, and 5	6	
7	Enter the smaller of line 6 or \$150,000. Estates and trusts, go to line 8. Partnerships and S corporations, also here and report amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 1k	7	
8	Amount allocated to beneficiaries of the estate or trust (see instructions)	8	
9	Estates and trusts. Subtract line 8 from line 7. Report this amount on Form 3800, Part III, line 1k	9	

General Instructions

increased compensation to employees with higher levels

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Paid Family and Medical Leave Credit

p. 562

PROBLEM WITH OLD LAW

Prior to OBBBA, the credit was temporary and difficult to qualify for. Difficult to satisfy the eligibility.




BBBA


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Paid Family and Medical Leave Credit

p. 563

OBBBA:

 IRC 45S made permanent

 If employer had a stand-alone insurance policy that covers family and medical leave, the applicable % is multiplied times the insurance premiums, regardless of whether leave is taken.

 Special rules for controlled groups


A little strange!


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Paid Family and Medical Leave Credit


p. 562

Who needs to be covered? (not discussed in book)

 Employees who are entitled to health care coverage, entitled to at least 2 weeks.

 Employed for at least a year.

 Part-time employees must be entitled to prorated amount.

 NOTE: Eligible leave does not include vacation, medical, sick, PTO, etc...

12

p. 562

50%	
-----	--

+ .25%, but not above 25%, for each percentage point above 50%
--

No credit

Max 12 weeks

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8994

Form 994
 (Rev. 12-13-14)
 Department of the Treasury
 Internal Revenue Service

OMB No. 1545-0047

Employer Credit for Paid Family and Medical Leave

▶ **Relates to your tax return.**

▶ Go to www.irs.gov/form8994 for instructions and the latest information.

OMB No. 1545-0047

Department of the Treasury
 Internal Revenue Service

Form 8994, (Rev. 1-2012)

Married (or surviving spouse) or partner (if you are a member of a registered domestic partnership) **1**

Employer identification number (EIN) **2**

Employer's name (if not the same as yours) **3**

A Do you have a written policy providing for at least 2 weeks of annual paid family and medical leave for your qualifying employees to whom wages are paid (greater for any part-time employees)? See instructions.

☐ Yes ☐ No

B Does the written policy provide paid family and medical leave of at least 50% of the wages normally paid to a qualifying employee? See instructions.

☐ Yes ☐ No

C Do not file Form 8994 (see instructions for an exception that may apply to a partnership or S corporation).

☐ Yes ☐ No

D Do you pay family and medical leave to at least one qualifying employee during the tax year? See instructions.

☐ Yes ☐ No

E Do not file Form 8994 (see instructions for an exception that may apply to a partnership or S corporation).

☐ Yes ☐ No

F If you employed at least one qualifying employee who was not covered by the Family and Medical Leave Act, did you include in your written policy and otherwise comply with "non-interference" language? See instructions.

☐ Yes ☐ No

G Do not file Form 8994 (see instructions for an exception that may apply to a partnership or S corporation).

☐ Yes ☐ No

1 Employer's family and medical leave credit figured for wages paid during your tax year to your qualifying employees for whom you have family and medical leave (if you use the Paid Family and Medical Leave Credit Worksheet) **1**

2 Employer credit for paid family and medical leave from partnerships and S corporations (see instructions) **2**

3 Add lines 1 and 2. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3900, Part I, line 4 **3**

For Paperwork Reduction Act Notice, see separate instructions. **Form 8994** (Rev. 1-2012)

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APPLICABLE PERCENTAGES TO RATES ON VARIOUS (A-F)

Applicable Percentage Worksheet


1. Enter the percentage required under your written policy for the payment of family and medical leave*	1. _____ %
2. Minimum percentage required to claim the credit	2. <u>50</u> %
3. Subtract line 2 from line 1. If the result is less than zero, stop here, skip lines 4 and 5, and enter -0- on line 6	3. _____ %
4. Multiply the number (percentage points) on line 3 by 0.25 percentage points. For example, if line 3 is 25%, then $25 \times 0.25 = 6.25$ percentage points or 6.25%	4. _____ %
5. Base applicable percentage	5. <u>12.5</u> %
6. Add lines 4 and 5. Enter this applicable percentage shown as a decimal (for example, 18.75% would be shown as 0.1875) in column (c) of the Paid Family and Medical Leave Credit Worksheet for all qualified employees to whom the rate of payment shown on line 1 applies	6. _____ %

* Complete a separate worksheet for each separate percentage required and used under your written policy for the payment of family and medical leave.

X

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Turn to
page



566

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Limitations on Business Interest deduction

p. 566


Business Interest deduction is limited to the sum of:

1. Business Interest Income

2. 30% of Adjusted Taxable Income (ATI)

3. Floor plan financing interest

Tax software will take care of this




CURRENT


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Limitations on Business Interest deduction


p. 566



Adjustable Taxable Income – add back depreciation, amortization and depletion (Reverses a change made in 2022)




Floor Plan financing exception applies to trailers and campers that are designed to provide temporary living quarters. Designed to be towed.




Applies to tax years after 12/31/24

Interest up




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Limitations on Business Interest deductionp. 566




After 12/31/25 – Interest limitation rules applied before applying interest capitalization rules



After 12/31/25 – Add back for Adjusted Taxable Income:

- 951(a) – controlled foreign corporation amounts
- 951A(a) – Global intangible low taxed income
- Portions of section 78 gross up



X

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Termination of Cost Recovery for Energy Propertyp. 566

OLD

Prior to OBBBA: Energy property had a 5 year cost recovery period. Includes: solar panels, wind turbines, combined heat and power systems, certain energy storage.

NEW


OBBBA: The energy property category for accelerated cost recovery eliminated. Applies to property for which construction begins after 12/31/24.

X

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Special depreciation allowance for qualified production propertyp. 567- 568

Placed in service after 7/4/25


Real Property

→

Qualified Production Activity:
Manufacturing
Production (agriculture, chemical only)
Refining of product


Election to claim 100% of basis

To encourage manufacturing


21

Special depreciation allowance for qualified production property p. 567- 568

Build the property for manufacturing



Purchase the property to convert to manufacturing



22

Special depreciation allowance for qualified production property p. 567- 568

Built property:

Some key points:

- Election in year property placed in service
- Non-residential real property:
 - Integral part of qualified manufacturing/production activity
 - In US or possession of US
 - Original use commences with taxpayer


23

Special depreciation allowance for qualified production property p. 567- 568

Placed in service

1/19/25 7/4/25 1/1/29 1/1/31

Construction



24

Special rule

p. 567- 568

Purchased property:

1/1/21

1/19/25

1/1/29

Property not used in a
qualified production
activity by any person

Purchase property and
convert to manufacturing
(not purchased from a
related person or in a
nonrecognition transaction)

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Definition of Qualified Production Property

p. 567- 568

Does not include portions of the property used for:
Office, administrative services, lodging, parking,
sales activities, research, software development
engineering, other functions unrelated to manufacturing.

Substantial transformation of the product

Production – only agriculture and chemicals

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Recapture

p. 567- 568

If the property is no longer used in manufacturing
prior to 10 years, the special depreciation allowance
is recaptured just like 1245 property. The amount
recaptured is added to basis for depreciation
purposes.

X

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Charitable contributions made by corporations p. 568

Old Law still in effect for 2025!

Corporations can donate up to 10% of taxable income (calculated before charitable contributions and certain other tax items.)

Excess can be carried over 5 years. (subject to 10% limit each year.)

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Charitable contributions made by corporations p. 568

After 12/31/2025!

Corporation's taxable income (before contributions)

X 1%
FLOOR
ZERO

X 10%
CEILING
Maximum

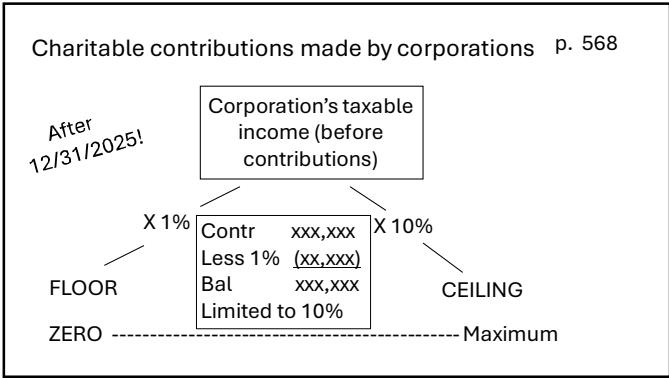
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Charitable contributions made by corporations p. 568

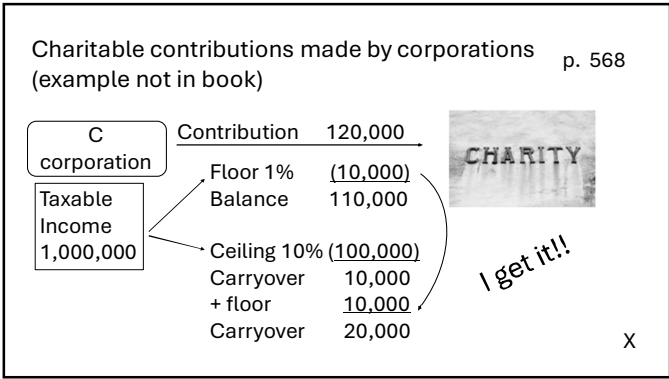
Carryover points:

- Contributions that exceed 10% can be carried over 5 years.
- "If a contribution is disallowed only because it does not exceed the 1% floor, it can be carried forward only if the 10% limit was exceeded in that year." WHAT??
- Carryovers are utilized on a FIFO basis.
- Charitable carryovers cannot increase an NOL

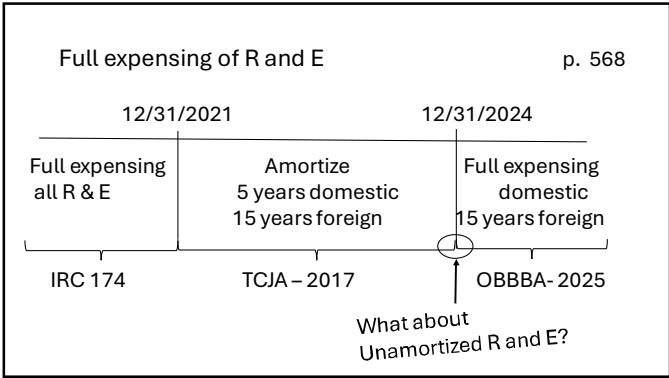
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31



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Full expensing of R and E

p. 568 - 569

- Domestic research – in connection with the taxpayer’s trade or business other than expenditures attributable to foreign research
- Cannot expense costs for acquisition or improvement of land or depreciable property, even if used in research
- Cannot expense cost to ascertain existence of minerals
- Development of software is treated as research

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p. 568 - 569

How do we deal with the unamortized R & E costs as of 12/31/2024??

At the time the book published, not a lot of guidance.

But now:

35

Rev Proc 2025-28 (not in book)

p. 569

Rev. Proc. 2025-28

August 28, 2025

SECTION 1. PURPOSE

This revenue procedure provides procedures for making certain elections under § 70302(f) of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), for domestic research or experimental expenditures.

Electing optional methods

Change of accounting procedures

61 pages!!!

36

Rev Proc 2025-28 (not in book)
p. 569


Small taxpayers

Under 31,000,000 gross receipts 3 prior years.

Piggybacks on IRC 448(c) for definition of "small"

Not Small taxpayers

Everyone else



Discussed first

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Full expensing of R and E

Average Gross Receipts over 31 million

p. 569

1. Change of Accounting – automatic, cut-off, no 481(a)

2 choices for 2025 and R & E going forward:

1. Elect to amortize over 60 months

2. Deduct in full each year

2. What about unamortized costs from 2022 – 2024?

2 choices:

1. Writeoff unamortized costs in 2025

2. Writeoff unamortized costs over 2 years

38

Over 31 million Gross Receipts (not in book)

p. 569

2022

2024

2025

2026

Capitalized 500,000

Amortized ~~(80,000)~~

Unamortized 420,000

1. Decide to amortize or expense going forward

2. Decide to take all in 2025 or ½ in 2025 and 2026

420,000

or

210,000

210,000

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Full expensing of R and E

Average Gross Receipts under 31 million

p. 569

1. Change of Accounting – automatic, cut-off, no 481(a)

2 choices for 2025 and going forward R & E:

1. Elect to amortize over 60 months

2. Deduct in full each year

Same as large

2. What about unamortized costs from 2022 – 2024?

File amended returns by 7/4/26 to apply new rules retroactively. It's a change of accounting.

Options: Can amortize or write off.

40

Under 31 million Gross Receipts

p. 569

2022

2024

2025

2026

Capitalized 500,000

Amortized (80,000)

Unamortized 420,000

1. Decide to amortize or expense going forward

2. Decide to take all in 2025 or ½ in 2025 and 2026

OR

Amend 2022, 2023 & 2024

Take the 420,000 in proper year

File by 7/5/26!

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Change of Accounting?

p. 569

All of these elections and choices are considered a change of accounting.

The good news is that the changes are all automatic consent. File a 3115, but don't have to have prior approval.

More good news. The cut-off method is used, rather than calculating a 481(a) adjustment.

Resource: Rev Proc 2025-28

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Not in book – coordination with section 41 and 280(C) research credit


- Background:
- Taxpayers claiming Section 41 research credit must reduce their domestic R & E expenditures by the amount of the credit. Or, under Section 280(c) taxpayers can claim the reduced research credit.
- The change in the amount of deductible R & E expense may impact the Section 41 Research Credit.


X

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Increase 179 limitationsp. 569

For tax years ending after 12/31/2024:

Annual limitation raised to 2,500,000 (1,220,000 in 2024) Now indexed to inflation.

Phaseout threshold raised to 4,000,000. (3,050,000 for 2024)

- 2,500,000 amount reduced dollar for dollar for the cost of 179 property placed in service above 4,000,000

44

Increase 179 limitationsp. 569

Total 179 property purchases up to

2,500,0004,000,000

(no impact)

Can take 179 deduction

2,500,000

Reduced (1)

Net 179 deduction 2,499,999

over by 1

X

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Termination of Energy Efficient Commercial Buildings Deduction

p. 569

Background:
Owners of qualified commercial buildings could deduct the lesser of:

- the cost of certain energy efficient property, such as lighting, heating, cooling, ventilation, etc...
- A calculation based on the maximum savings per square foot

NEW: Deduction terminated for property for which construction began after 6/30/26.



X

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Exceptions from limitations on business meals

p. 570

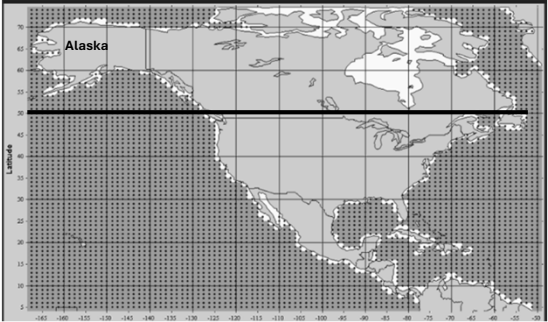
After
12/31/25



100% deduction for meals provided on certain fishing boats and fish processing facility.

- North of 50 degrees North Latitude.
- Not in metropolitan area

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X

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Limitation on Excess Business Losses

p. 570



2025: (S) 313,000
(J) 626,000

2026: indexed to inflation

2.

1. **Made permanent**

X


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Qualified Small Business Stock gain exclusion

p. 570

Qualified Small Business Stock

- Old:** Acquired before 7/4/25 – held for more than 5 years. 50% of gain excluded
- New:** Acquired after 7/4/25 – table:
 - held 3 years – 50% excluded
 - held 4 years – 75% excluded
 - held 5 years or more – 100% excluded




50

Qualified Small Business Stock gain exclusion

p. 570

Qualified Small Business Stock

- NEW:** Limit on corporation's aggregate Assets: 75,000,000 for 2025 (old law: 50,000,000)
- Limit on excluded gain – 15,000,000 for 2025 (old law: 10,000,000)



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Qualified Small Business Stock gain exclusion

p. 570

Assets: 50 million

Max 10 million gain excluded

Old

5 years

50%

Assets: 75 million

Max 15 million gain excluded

New

5 years

100%

4 years

75%


3 years

50%

X

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Worker Classification



p. 571

Section 530, Rev Act 1978

Provide relief for taxpayers involved with employee classification issues. Not liable if:

1. Employer did not treat individual as an employee for any period

2. Reasonable basis for treating the individual as independent

3. Filed all Federal returns on consistent basis

4. Taxpayer has not treated any similar individual as an employee

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Worker Classification

p. 571

Rev Proc 2025-10 (27 pages long!)

• Provides an expanded definition of *employee*

• Clarifies eligibility for relief:

• Filing of required returns

• Consistency requirement

• Reasonable basis safe harbor rules:

• Judicial precedent

• Prior audit

• Long-standing industry practice

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Rev Rul 2025-3

p. 571

Provides examples when 530 relief, or the reduced rate under IRC 3509, applies.

5 situations

IRS 3509 – 10.68%



Instead of both halves of FICA, plus 20% Federal Withholding.

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Rev Rul 2025-3 - Situation 2

p. 572

EMPLOYER

Treats worker as employee.
Withholds and pays employment taxes.
Files 941s and W-2s

However, does not treat bonuses as wages. Reports bonuses on 1099-NEC.



Taxpayer – eligible for Section 530 relief
IRS – no relief. IRS not reclassifying the individual

X

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Code
Section
order

Go to Page 605

FIGURE 14.1
Expiration Dates of Tax Provisions

IRC Section	Description	Expiration Date
1(j)	Modification of individual income tax rates	Permanent for tax years after 2025
24	Child tax credit: increased credit amount, increased threshold limit, partial credit for other children, increased refundable amount, lower earned income threshold, and modification of identification requirements	Permanent for tax years after 2025
25B	ABLE account contributions eligible for savers credit	Permanent for tax years after 2025
25B	Elective deferrals and IRA contributions for some individuals	2028
25C	Credit for energy efficient home improvements	2025
25D	Credit for residential clean energy	2025

Either:
1. permanent
2. expiration date:
2024 (gone)
2025 (in affect)
2028
Some other longer date

XX

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