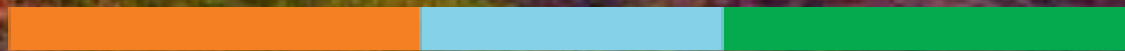


INSURANCE SUMMIT

LARSON & COMPANY



PRESENTATION WILL BEGIN SOON

Cover Page

One Big Beautiful Bill Act (OBBBA) Key Tax Changes



November 13, 2025

Presenters



Craig Swindlehurst, CPA



Jason Parker, CPA



OBBBA & Other Topics

<u>New Personal Tax Deductions</u> (Tips, Overtime, Car Interest, & Seniors)	<u>Bonus Depreciation & Section 179 Expense</u>	<u>Depreciation of Qualified Production Property</u>	<u>Business Interest Expense Limitation</u> (Section 163(j))	<u>Research and Experimental Expenditures</u> (Section 174)	<u>Qualified Business Income Deduction</u> (Section 199A)
<u>Qualified Small Business Stock Gain Exclusion</u> (Section 1202)	<u>Disallowance of Certain Employer-Provided Meals</u>	<u>State and Local Tax (SALT) Deduction & Passthrough Entity Tax Payments</u>	<u>Employer Retention Tax Credit (ERC)</u>	<u>State Conformity</u>	<u>Energy-Related Credits</u>
<u>Charitable Contribution Deductions for Individuals and Corporations</u>	<u>Other Notable Tax Provisions</u>	<u>Impact of Government Shutdown on the IRS</u>	<u>Other IRS Updates: Electronic Filing of Form 1120-PC; Electronic Refunds</u>	<u>New Guidance for Income Tax Footnote Disclosure</u>	<u>Questions?</u>

New Personal Tax Deductions: No Tax on Tips

- ❑ Max of \$25,000 income tax deduction of Qualified Tips.
- ❑ Phase out starting at MAGI of \$150,000 (\$300,000 MFJ).
- ❑ Still subject to FICA taxes and state tax (no state conformity yet).
- ❑ Deduction available to itemizers and non-itemizers.
- ❑ Deduction available to employees and self-employed individuals.
- ❑ Tax years 2025 – 2028, retroactive to January 1, 2025.
- ❑ Tips must be paid voluntarily by the customer – for example, restaurant that imposes an automatic tip % for large parties will not qualify.

New Personal Tax Deductions: No Tax on Tips

- Tips must be received in occupations that are listed by the IRS as customarily and regularly receiving tips on or before December 31, 2024.
- Per IRS Fact Sheet:
 - "Guidance: By October 2, 2025, the IRS must publish a list of occupations that 'customarily and regularly' received tips on or before December 31, 2024."
- Proposed Regulations released on September 22, 2025. Nearly 70 occupations are listed, all grouped within these eight categories:

- 100s – Beverage and Food Service
- 200s – Entertainment and Events
- 300s – Hospitality and Guest Services
- 400s – Home Services
- 500s – Personal Services
- 600s – Personal Appearance and Wellness
- 700s – Recreation and Instruction
- 800s – Transportation and Delivery

New Personal Tax Deductions: No Tax on Overtime

- Max of \$12,500 (\$25,000 MFJ) income tax deduction on overtime pay.
- Phase out starting at MAGI of \$150,000 (\$300,000 MJF).
- Still Subject to FICA taxes and state tax (no state conformity yet).
- Deduction available to itemizers and non-itemizers.
- Tax years 2025 – 2028, retroactive to January 1, 2025.
- Per IRS Fact Sheet:
 - “Individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay – such as the ‘half’ portion of ‘time-and-a-half’ compensation.”

New Personal Tax Deductions: No Tax on Tips/Overtime

- Per IRS Fact Sheet:
 - "Reporting: Employers and other payors are required to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing...
 - "...the total amount of qualified overtime compensation paid during the year."
 - "...certain cash tips received and the occupation of the tip recipient."
- Notice 2025-62 provides penalty relief from the new information reporting requirements for tax year 2025.
- Tax forms (Form W-2, 1099) will not be updated for tax year 2025.

New Personal Tax Deductions: No Tax on Tips/Overtime

- Notice 2025-62:
 - Employers are encouraged to provide employees with the occupation codes and separate accountings of cash tips.
 - Employers are encouraged to provide employees with separate accountings of overtime compensation.
 - Information can be made available through an online portal, additional written statements provided to employees, or other secure methods.
 - For qualified overtime compensation employers can use Box 14 of Form W-2.

New Personal Tax Deductions: No Tax on Tips/Overtime

- 2026 Draft W-2 — New Box 12 Codes

TP—Total amount of cash tips reported to the employer. The employer is not a specified service trade or business. Use this amount in determining the deduction for qualified tips on Sch. 1-A (Form 1040).

TS—Total amount of cash tips reported to the employer. The employer is a specified service trade or business. Do not use this amount in determining the deduction for qualified tips.

TT—Total amount of qualified overtime compensation. Use this amount in determining the deduction for qualified overtime compensation on Sch. 1-A (Form 1040).

New Personal Tax Deductions: No Tax on Car Loan Interest

- Max deduction of \$10,000 for qualified new car loans for tax years 2025 – 2028.
- Phase out starting at MAGI \$100,000 (\$200,000 MFJ).
- Various Requirements:
 - Original use starts with taxpayer (used vehicles do not qualify)
 - Final assembly in the United States
 - Applies to vehicles purchased for personal use
- Deduction available to itemizers and non-itemizers.
- Lenders required to report qualified interest – 2025 transition relief provided (Notice 2025-57).

New Personal Tax Deductions: Senior Deduction

- Effective for tax years 2025 – 2028.
- Individuals who are 65 or older before the close of the tax year may claim an additional \$6,000 deduction on their tax return.
- \$6,000 deduction is per individual (i.e., \$12,000 total for a married couple).
- Deduction phases out based on modified adjusted gross income (MAGI) as follows:
 - Single Filers: Begins to phase out at \$75,000; fully phased out at \$175,000
 - Joint Filers: Begins to phase out at \$150,000; fully phased out at \$250,000
- Deduction is in addition to the taxpayer's standard deduction / itemized deductions.

TREASURY/IRS AND OMB USE ONLY DRAFT

**SCHEDULE 1-A
(Form 1040)**Department of the Treasury
Internal Revenue Service**Additional Deductions**

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2025Attachment
Sequence No. **1A**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b	1
2a	Enter any income from Puerto Rico that you excluded	2a
b	Enter the amount from Form 2555, line 45	2b
c	Enter the amount from Form 2555, line 50	2c
d	Enter the amount from Form 4563, line 15	2d
e	Add lines 2a, 2b, 2c, and 2d	2e
3	Add lines 1 and 2e	3

Part II No Tax on Tips**Caution:** Fill out Part II only if you received qualified tips. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4	Qualified tips received as an employee.	
a	If Form W-2, box 5, is \$176,100 or less, enter qualified tips included in Form W-2, box 7. Otherwise, see instructions	4a
b	Qualified tips included on Form 4137, line 1(c). If Form 4137 is not filed, enter -0-	4b
c	If you only received qualified tips from one employer, enter the larger of line 4a or line 4b. Otherwise, see instructions	4c
5	Qualified tips received in the course of a trade or business.	
	Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business, see instructions	5
6	Add lines 4c and 5	6
7	Enter the smaller of the amount on line 6 or \$25,000	7
8	Enter the amount from line 3	8
9	Enter \$150,000 (\$300,000 if married filing jointly)	9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13	10
11	Divide line 10 by \$1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)	11
12	Multiply line 11 by \$100	12
13	Qualified tips deduction. Subtract line 12 from line 7. If zero or less, enter -0-	13

Part III No Tax on Overtime**Caution:** Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

14a	Qualified overtime compensation included on Form W-2, box 1 (see instructions)	14a
b	Qualified overtime compensation included on Form 1099-NEC, box 1 or Form 1099-MISC, box 3 (see instructions)	14b
c	Add lines 14a and 14b	14c
15	Enter the smaller of the amount on line 14c or \$12,500 (\$25,000 if married filing jointly)	15
16	Enter the amount from line 3	16
17	Enter \$150,000 (\$300,000 if married filing jointly)	17
18	Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21	18
19	Divide line 18 by \$1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)	19
20	Multiply line 19 by \$100	20
21	Qualified overtime compensation deduction. Subtract line 20 from line 15. If zero or less, enter -0-	21

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 95872Q

Schedule 1-A (Form 1040) 2025 Created 9/4/25

TREASURY/IRS AND OMB USE ONLY DRAFT

Schedule 1-A (Form 1040) (2025)

Page **2****Part IV No Tax on Car Loan Interest****Caution:** Fill out Part IV only if you paid or accrued qualified passenger vehicle loan interest. See instructions to learn more about what is an applicable passenger vehicle.

22	Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.	Interest for this loan:	
	(i) Vehicle identification number (VIN)	(ii) Deducted on Schedule C, Schedule E, or Schedule F	(iii) Schedule 1-A
a			
b			
23	Add lines 22a and 22b, column (iii)	23	
24	Enter the smaller of the amount on line 23 or \$10,000	24	
25	Enter the amount from line 3	25	
26	Enter \$100,000 (\$200,000 if married filing jointly)	26	
27	Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30	27	
28	Divide line 27 by \$1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.)	28	
29	Multiply line 28 by \$200	29	
30	Qualified car loan interest deduction. Subtract line 29 from line 24. If zero or less, enter -0-	30	

Part V Enhanced Deduction for Seniors**Caution:** You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31
32	Enter \$75,000 (\$150,000 if married filing jointly)	32
33	Subtract line 32 from line 31. If zero or less, enter \$6,000 on line 35	33
34	Multiply line 33 by 6% (0.06)	34
35	Subtract line 34 from \$6,000. If zero or less, enter -0-	35
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b
37	Enhanced deduction for seniors. Add lines 36a and 36b	37

Part VI Total Additional Deductions

38	Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38
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Schedule 1-A (Form 1040) 2025



Form 1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial Last name Your social security number

TREASURY/IRS AND OMB USE ONLY DRAFT Page **2**

Form 1040 (2025)

Tax and Credits		11b	11b
11b Amount from line 11a (adjusted gross income)			
12a Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent			
b ☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien			
d You: ☐ Were born before January 2, 1961 ☐ Are blind			
Spouse: ☐ Was born before January 2, 1961 ☐ Is blind			
e Standard deduction or itemized deductions (from Schedule A)		12e	
13a Qualified business income deduction from Form 8995 or Form 8995-A		13a	
b Additional deductions from Schedule 1-A, line 38		13b	
14 Add lines 12e, 13a, and 13b		14	
15 Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income		15	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

b Household employee wages not reported on Form(s) W-2	1b
c Tip income not reported on line 1a (see instructions)	1c
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e Taxable dependent care benefits from Form 2441, line 26	1e
f Employer-provided adoption benefits from Form 8839, line 31	1f
g Wages from Form 8919, line 6	1g
h Other earned income (see instructions). Enter type and amount:	1h
i Nontaxable combat pay election (see instructions)	1i

TREASURY/IRS AND OMB USE ONLY DRAFT Page **2**

Form 1040 (2025)

11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent		
b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien		
d	You: ☐ Were born before January 2, 1961 ☐ Are blind		
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind		
e	Standard deduction or itemized deductions (from Schedule A)	12e	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	Add lines 12e, 13a, and 13b	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income	15	
16	Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	

Bonus Depreciation & Sec. 179

- Bonus depreciation has allowed for special depreciation on certain types of property since 2002.
- With the sunset of the **TCJA** bonus depreciation was set to **continue** to be phased-down by 20% a year until 0% in 2027 (40% in 2025, 20% in 2026).
- Under the **OBBA** 100% bonus depreciation is restored permanently for all qualified property, which includes most machinery, furniture, and equipment.
- Applicable to property that is acquired and placed in service after January 19, 2025.
- Introduction of a temporary 100% bonus depreciation for qualified production property.

Bonus Depreciation & Sec. 179

- Section 179 allows businesses to deduct the cost of qualified property up to an annual limit (subject to phase out rules). Under the OBBBA, the annual deduction limit and the phase-out threshold have been increased (see table below).
- OBBBA deduction limits and phase-out thresholds will be indexed annually for inflation.
- Applicable to property that is acquired and placed in service after December 31, 2024.

Tax Year	Deduction Limit	Phase-Out Threshold
2023 (prior law)	\$1.16 million	\$2.89 million
2024 (prior law)	\$1.22 million	\$3.05 million
2025 (OBBBA)	\$2.5 million	\$4 million

Word of caution: Section 179 cannot bring you to a taxable loss from all business activity

Qualified Production Property

New to 100% Bonus Depreciation under OBBBA and applicable to production property where constructions begins after January 19, 2025, and before January 1, 2029, and property is placed in service before January 1, 2031.

Meets all the following criteria:

- It is new, nonresidential real property,
- It is constructed by the taxpayer,
- It is placed in service in the United States,
- It is directly integral to a qualified production activity (see right).

**Exclusion for production of property used for "support functions"*

Qualified Production Activity:

- Includes operations that involve substantial transformation of tangible property. Activities include:
 - Manufacturing
 - Production, limited to agricultural and chemical production.
 - Refining, with substantial transformation of qualified product*.

**Qualified production does not include food or beverages prepared in the same building as the retail establishment in which they are sold*

Depreciation Recapture

- Generally, nonresidential real property is governed by Section 1250 of IRC.
- Under **OBBBA**, qualified production property is subject to recapture instead under Section 1245.
- Recapture can be triggered by a change in use within ten years after property is placed in service.

Business Interest Expense - Sec. 163(j)

- Effective after December 31, 2024, adjusted taxable income (ATI) for purposes of the Code Sec. 163(j) business interest limitation is computed without deductions for depreciation, amortization, or depletion.
- Prior to the enactment of the OBBBA, ATI was not adjusted for depreciation and amortization, resulting in larger limitations of deductible interest expense.

	TCJA	OBBA
Taxable Income	300,000	300,000
Addback: Depreciation, Amortization, & Depletion		+ 500,000
Addback: Interest expense	+ 400,000	+ 400,000
Adjusted taxable income (ATI)	= 700,000	= 1,200,000
Allowable deduction for interest expense (30% of ATI)	210,000	360,000
Disallowed interest expense	190,000	40,000

Pre TCJA

Section 174 was enacted in 1954 to help eliminate uncertainty in tax accounting treatment of R&E expenditures. Before this, the courts upheld that all R&E expenditures were to be capitalized. With this section, taxpayers were now able to deduct the expenditures as they are paid or incurred or amortize them over a period of no less than 60 months.

TCJA

For tax years starting after December 31, 2021, new capitalization rules for Section 174 expenses were set in place.

OBBBA

With the passing of the OBBBA, we can now fully expense DOMESTIC Section 174 expenses, Foreign expenses still need to be amortized over 15 years.

Research & Experimentation – Sec. 174

Small Businesses Relief

- Small business taxpayers with average annual gross receipts of \$31 million or less
- Retroactively elect to apply this change to tax years beginning before Jan 1st, 2025
- File amended return by July 4th, 2026, with election statement

Acceleration Provision (All Taxpayers)

- May elect to accelerate the remaining deductions for unamortized section 174 expenses over a one-year period or ratably over two years
- No 3115 needed, however, election statement required with tax return
- Accelerated deduction still classified as “amortization” – impacts 163(j) calculations

Research & Experimentation – Sec. 174 - Cont.

Qualified Business Income

- Sec. 199A, enacted by the Tax Cuts & Jobs Act allows for a deduction of up to 20% of qualified business income (QBI) for non-corporate owners of pass-through entities (partnerships & S-corporations), subject to various thresholds and limitations.
- Under OBBBA, the QBI deduction has been permanently extended.
- OBBBA also introduces an inflation-adjusted minimum deduction of \$400, ensuring eligible taxpayers receive at least a baseline benefit each year.
 - For the minimum \$400, taxpayer must have at least \$1,000 of QBI.

Qualified Small Business Stock: Tiered Gain Exclusion

- Prior Tax Law:
 - 100% gain exclusion available on QSBS if (1) stock was acquired after September 27, 2010, and (2) was held more than five years.
 - No partial exclusion if stock held for less than five years.
- New Tax Law — applicable for stock acquired after July 4, 2025:
 - Tiered gain exclusion introduced:
 - Held at least three years — 50% exclusion
 - Held at least four years — 75% exclusion
 - Held at least five years — 100% exclusion
- If tiered exclusion applies, taxable portion of gain subject to 28% capital gains tax rate.

Qualified Small Business Stock: Gain Exclusion Amount

- Prior Tax Law:
 - Excludable gain limited to the greater of:
 - \$10 million, or
 - 10x basis of stock
- New Tax Law — applicable for stock acquired after July 4, 2025:
 - Excludable gain limited to the greater of:
 - \$15 million, or
 - 10x basis of stock
 - \$15 million exclusion will be indexed annually for inflation, beginning in tax year 2027.

Qualified Small Business Stock: Gross Asset Threshold

- Prior Tax Law:
 - Gross asset value of the company immediately before and after the issuance of stock must not exceed \$50 million for the stock to qualify as QSBS.
- New Tax Law — applicable for stock acquired after July 4, 2025:
 - Gross asset value threshold is increased to \$75 million.
 - \$75 million gross asset value threshold will be indexed annually for inflation, beginning in tax year 2027.

Employer Meals

- Meals provided to employees on business premises for the employer's convenience:
 - Current Tax Law (through 2025): 50% deductible
 - Effective after December 31, 2025: Nondeductible
 - Cafeteria lunches, catered meals, food meant to keep employees on-site
- De Minimis Meals & Snacks:
 - Current Tax Law (through 2025): Can be 100% deductible
 - Effective after December 31, 2025: Nondeductible
 - Breakroom coffee, snacks, etc.
- Certain meals provided on vessels, oil or gas platforms, drilling rigs, and support camps still deductible.
- Unaffected and still deductible:
 - Business travel meals (50%)
 - Client or prospect meals (50%)
 - Team-building, social outings, company events (100%)
 - Promotional or public-facing events (100%)
 - Meals included in taxable employee compensation (100%)

State & Local Tax (SALT) Deduction

SALT Cap Increase

- The **TCJA**, capped state and local taxes (SALT) deductions at \$10,000 (includes property tax) for individuals and trusts (\$5,000 for married filing separate). This cap was set to expire after December 31, 2025.
- The **OBBA** makes the \$10,000 cap permanent, however, it is increased to \$40,000 for individuals (\$20,000 for married filing separate filers) for tax years 2025 – 2029.
- Phase out on deduction begins at \$500,000 for individuals (\$250,000 for married filing separate).
- Both the temporary increased cap and phaseout thresholds increase by 1% annually through 2029.
- For tax years after 2029 the SALT deduction cap reverts to TCJA levels.

State & Local Tax (SALT) Deduction

Impact on Passthrough Entity Tax Payments (PTET)

- State response to original SALT cap were new laws that allowed passthrough entities to elect to pay state tax on their owners' behalf (PTET elections).
- Converted itemized deduction (limited by SALT cap) to business deduction (not limited).
- Currently 30+ states offer PTET elections, all with varying rules and eligibility requirements.
- With the enactment of the OBBBA and the increased SALT cap, whether PTET payments are still the best fit will depend on taxpayer's level of income and state tax obligation, phase-out calculations, and states' response to the new legislation.
 - Example: In Utah, the original PTET law was tied to the original expiration of the SALT cap (December 31, 2025). Without additional legislation, PTET availability in Utah is set to expire after 2025.

Changes to Employee Retention Tax Credit (ERTC)

- No credit for ERTC claims for 2021 Q3 and 2021 Q4 if filed after January 31, 2024 (even if taxpayer otherwise qualified).
- If refunds for above-mentioned claims have already been received, IRS will not ask for it back 😊
- Statute of limitations on 2021 Q3 and 2021 Q4 ERTC claims extended to six years.
- 20% penalty for erroneous refunds updated to encompass employment taxes as well as income taxes (now applicable to ERTC claims)
- Increased due diligence requirements for “COVID-ERTC” Promoters:
 - More than 50% of gross receipts attributable to ERTC-related activity, or
 - More than 20% of gross receipts attributable to ERTC-related activity and those receipts exceed \$500,000

State Conformity

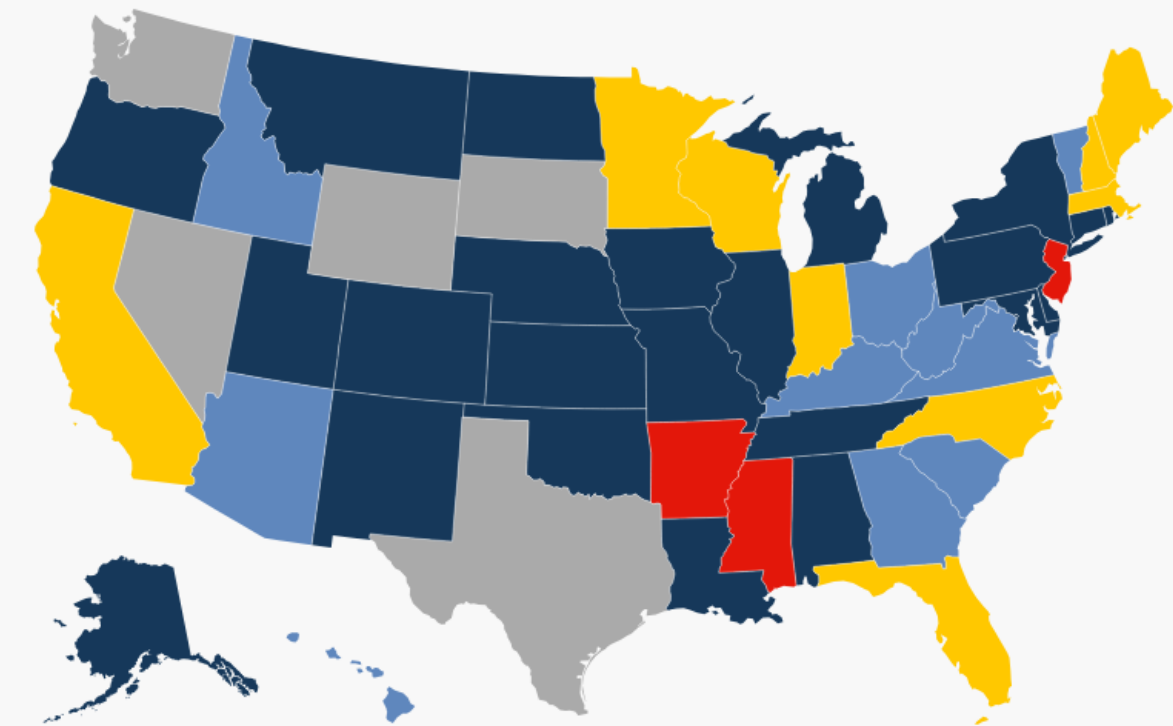
Utah Specific as of 10/01/2025

- Business Provisions:
 - Bonus Depreciation — YES
 - Section 179 — YES
 - Section 174 — YES
 - Qualified Production Property — YES
- Individual Provision:
 - No Tax on Tips — NO
 - No Tax on Overtime — NO
 - Auto Interest Deduction — NO
 - Senior Deduction — NO

State Conformity

State Conformity to the Internal Revenue Code

Individual and Corporate Income Tax Conformity Status



■ Rolling ■ Static - Current ■ Static - Lagged ■ Selective ■ No Income Tax

Note: Static conformity is considered "current" if presently aligned to 12/31/2024 or 1/1/2025. For states with CITs but not PITs, CIT conformity is indicated. Massachusetts has rolling conformity for its corporate income tax but lagged static conformity for its individual income tax. Mississippi and New Jersey have selective conformity but incorporate many corporate tax provisions on a rolling basis. Source: State statutes; Tax Foundation research.

[Download image](#) • [Get the data](#)



State Conformity

Chart current as of July 31, 2025.

Tax Foundation Guide to OBBBA State Tax Conformity Details: <http://taxfoundation.org>
See reverse for additional information

State	Conformity		Personal Deductions						Business Expensing Provisions			
	PIT	CIT	Tips	OT	Auto	Senior	Prop.	Char.	\$ 168(k)	\$ 168(n)	\$ 174	\$ 179
Alabama	Roll	Roll					✓		✓	✓	100%	✓
Alaska	n.a.	Roll							✓	✓	✓	✓
Arizona	St-C	St-C					✓			✓	✓	✓
Arkansas	Sel	Sel										✓
California	St-L	St-L										✓
Colorado	Roll	Roll	✓		✓	✓	✓	✓	✓	✓	✓	✓
Connecticut	Roll	Roll								✓	✓	
Delaware	Roll	Roll					✓		✓	✓	✓	✓
Dist. of Columbia	Roll	Roll								✓	✓	
Florida	n.a.	St-L							✓	✓	✓	✓
Georgia	St-C	St-C					✓				100%	✓
Hawaii	St-C	St-C								✓	✓	
Idaho	St-C	St-C	✓	✓	✓	✓	✓	✓		✓	✓	✓
Illinois	Roll	Roll								✓	✓	✓
Indiana	St-L	St-L								✓	100%	
Iowa	Roll	Roll	✓	✓	✓		✓	✓	✓	✓	✓	✓
Kansas	Roll	Roll							✓	✓	✓	✓
Kentucky	St-C	St-C										✓
Louisiana	Roll	Roll							100%	✓	100%	✓
Maine	St-L	St-L								✓	✓	✓
Maryland	Roll	Roll					✓			✓	✓	
Massachusetts	St-L	Roll								✓	✓	✓
Michigan	Roll	Roll								✓	✓	✓
Minnesota	St-L	St-L								✓	✓	✓
Mississippi	Sel	Roll					✓		100%	✓	100%	✓
Missouri	Roll	Roll					✓		✓	✓	✓	✓
Montana	Roll	Roll	✓	✓	✓		✓	✓	✓	✓	✓	✓
Nebraska	Roll	Roll					✓		✓	✓	100%	✓
Nevada	n.a.	n.a.							No Income Tax			
New Hampshire	n.a.	St-L								✓	✓	
New Jersey	Sel	Roll								✓	100%	
New Mexico	Roll	Roll					✓		✓	✓	✓	✓
New York	Roll	Roll								✓	✓	✓
North Carolina	St-L	St-L								✓	✓	
North Dakota	Roll	Roll	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ohio	St-C	St-C							No CIT			✓

State	Conformity		Personal Deductions						Business Expensing Provisions			
	PIT	CIT	Tips	OT	Auto	Senior	Prop.	Char.	\$ 168(k)	\$ 168(n)	\$ 174	\$ 179
Oklahoma	Roll	Roll						✓	100%	✓	✓	✓
Oregon	Roll	Roll	✓	✓	✓		✓	✓	✓	✓	✓	✓
Pennsylvania	Sel	Roll								✓	✓	
Rhode Island	Roll	Roll								✓	✓	✓
South Carolina	St-C	St-C	✓	✓	✓	✓	✓	✓		✓	✓	✓
South Dakota	n.a.	n.a.							No Income Tax			
Tennessee	n.a.	Roll							✓	✓	100%	✓
Texas	n.a.	n.a.							No Income Tax			
Utah	Roll	Roll						✓	✓	✓	✓	✓
Vermont	St-C	St-C								✓	✓	✓
Virginia	St-C	St-C								✓	✓	✓
Washington	n.a.	n.a.							No Income Tax			
West Virginia	St-C	St-C							✓	✓	✓	✓
Wisconsin	St-L	St-L								✓	100%	✓
Wyoming	n.a.	n.a.							No Income Tax			

Energy Related Credits

Credit	Expiration Date
Individual Credits	
Energy Efficient Home Improvement (Section 25C)	December 31, 2025
Residential Clean Energy (Section 25D)	December 31, 2025
Clean Vehicle (Section 30D)	September 30, 2025
Previously-Owned Clean Vehicle (Section 25E)	September 30, 2025
Alternative Fuel Vehicle Refueling Property (Section 30C)	June 30, 2026
Business Credits & Deductions	
Energy Efficient Commercial Building Deduction (Section 179D)	June 30, 2026
Clean Fuel Production (Section 45Z)	January 1, 2030
Clean Electricity Production (Section 45Y)	December 31, 2027
Clean Hydrogen Production (Section 45V)	January 1, 2028
New Energy Efficient Home (Section 45L)	July 1, 2026
Commercial Clean Vehicle (Section 45W)	October 1, 2025

Charitable Contributions For Individuals

- For tax years beginning in 2026, an individual who does not itemize deductions can deduct up to \$1,000 (\$2,000 in the case of a joint return) in charitable contributions made in cash during the tax year.
- The deduction is claimed in calculating taxable income and not as an above-the-line deduction in calculating adjusted gross income (AGI).

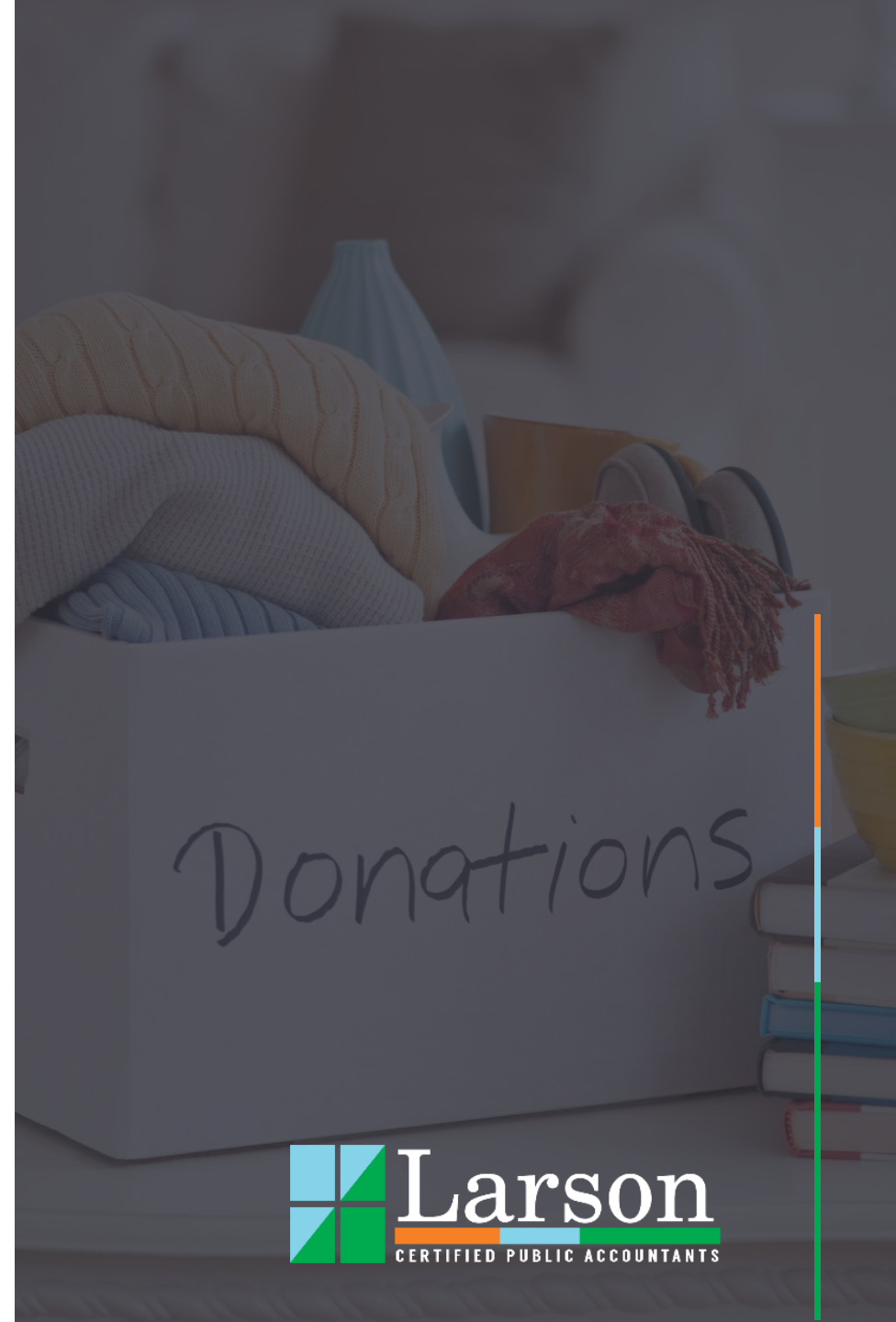
Standard Deduction for— • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under Standard Deduction, see instructions.	6a	Social security benefits	6a		b	Taxable amount	6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here					7	
	8	Other income from Schedule 1, line 10					8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income					9	
	10	Adjustments to income from Schedule 1, line 26					10	
	11	Subtract line 10 from line 9. This is your adjusted gross income					11	
	12a	Standard deduction or itemized deductions (from Schedule A)	12a					
	b	Charitable contributions if you take the standard deduction (see instructions)	12b					
	c	Add lines 12a and 12b					12c	
	13	Qualified business income deduction from Form 8995 or Form 8995-A					13	
	14	Add lines 12c and 13					14	
	15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-					15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2021)

Donations

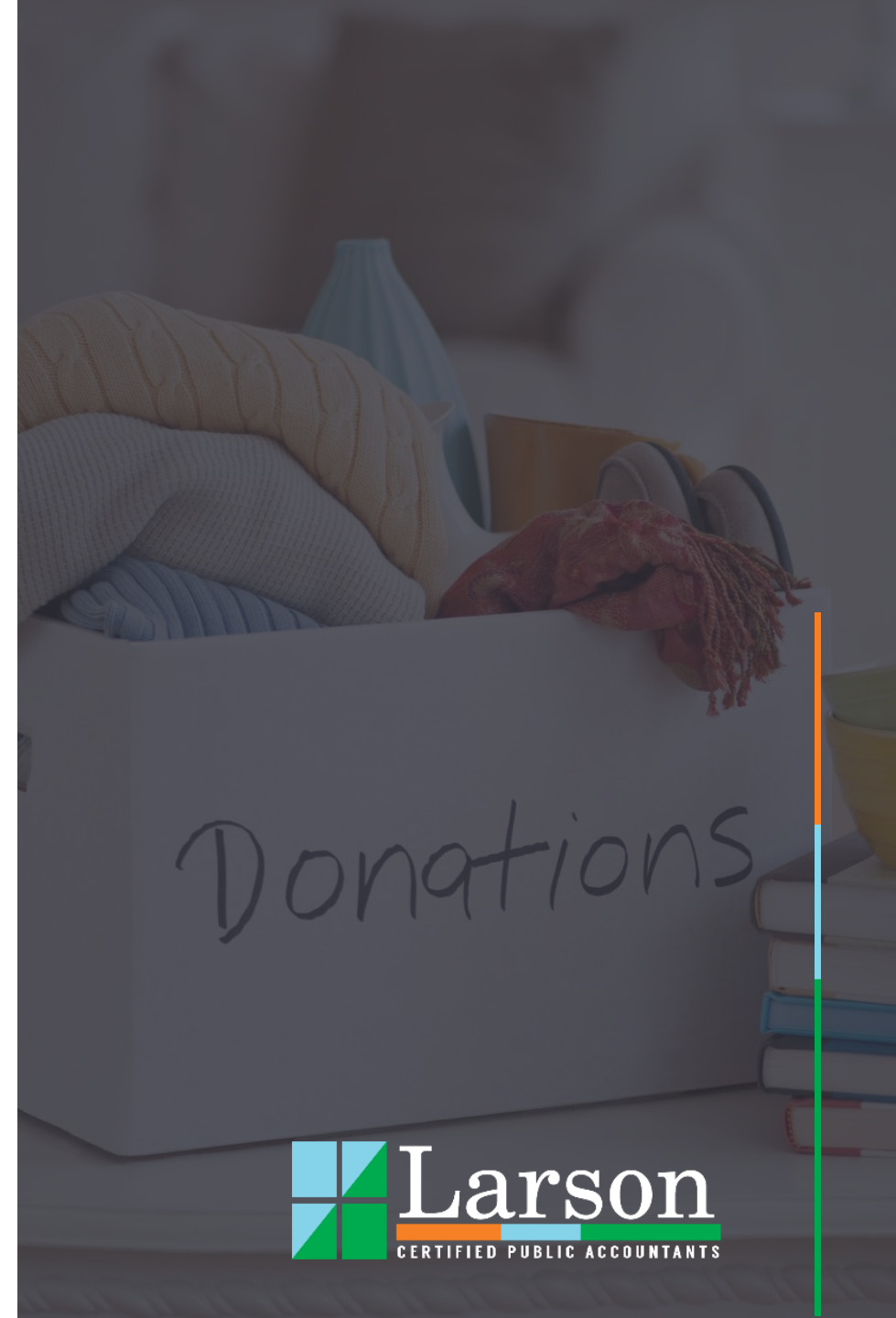
Charitable Contributions For Individuals

- New 0.5% Floor
 - Individuals that itemize can deduct only the charitable contributions in excess of 0.5% of adjusted gross income.
 - Effective for tax year 2026 and beyond.
- Example:
 - Taxpayer has AGI of \$750,000 and makes charitable donation of \$5,000.
 - 0.5% of \$750,000 is \$3,750. Thus, only \$1,250 can be taken as a charitable contribution deduction in the current year.
 - Disallowed donations can be carried forward and can be used in future years only after current-year contributions are considered first.



Charitable Contributions For Individuals

- Overall Limitation on Itemized Deductions
 - Applicable to taxpayers in the top tax bracket (for joint filers in 2025 this bracket starts at \$751,600 of taxable income)
 - Limitation caps the tax benefit of all itemized deductions, including charitable contributions, at 35%.
- Comprehensive Example: Charitable Donations
 - Taxpayer with \$2,000,000 of AGI makes charitable donation of \$150,000
 - 0.5% Floor — reduces amount available to be deducted by \$10,000 (0.5% of \$2,000,000)
 - Remaining \$140,000 can only provide a 35% tax benefit — in essence, 2/37 of the charitable donation deduction can't be used
 - Result is that only \$132,432 of the \$150,000 charitable donation





Charitable Contributions For Corporations

- Current Law: Corporations allowed deduction for charitable contributions, but deduction amount limited to 10% of the corporation's taxable income.
- New Law Under OBBA, effective starting in tax year 2026:
 - 10% limitation remains in effect
 - 1% floor introduced: charitable contributions allowed only to the extent the aggregate of such contributions exceeds 1% of the corporation's taxable income for the year.

Charitable Contributions For Corporations

- Example #1:
 - Corporation with taxable income of \$1,000,000 makes charitable donation of \$5,000.
 - 1% of \$1,000,000 = \$10,000. The \$5,000 charitable donation is not allowed because it does not exceed the 1% floor.
- Example #2:
 - Corporation with taxable income of \$1,000,000 makes charitable donation of \$120,000.
 - 1% of \$1,000,000 = \$10,000. Thus, \$10,000 of the \$120,000 total contribution is nondeductible due to the 1% floor. Contributions eligible to be deducted are \$110,000.
 - The 10% ceiling rule further limits the charitable contribution deduction to \$100,000 (10% of \$1,000,000).

Charitable Contributions For Corporations

- Carryforwards Allowed:
 - Contributions limited by 1% floor — carried forward for 5 years only if the 10% ceiling rule was also applicable in the tax year.
 - Contributions limited by 10% ceiling — carried forward for 5 years.
- Applicability to Example #1:
 - The \$5,000 donation limited by the 1% floor cannot be carried forward because the 10% ceiling rule did not come into play.
- Applicability to Example #2:
 - Both the \$10,000 donation limited by the 1% floor and the \$10,000 donation limited by the 10% ceiling can be carried forward for five years.

Other Notable Tax Provisions

Tax Provision	Current Law	Without OBBBA	Under OBBBA
Child Tax Credit (qualifying children under age 17)	Maximum credit of \$2,000 per qualifying child	Maximum credit of \$1,000 per qualifying child (not indexed for inflation).	Maximum credit of \$2,200 per qualifying child beginning in tax year 2025, indexed annually for inflation thereafter.
Non-Child Dependent Tax Credit (dependents over the age of 18)	\$500 nonrefundable tax credit	No tax credit	\$500 nonrefundable tax credit made permanent, not indexed for inflation.
Gift & Estate Tax Exemption	Exemption Amount, Tax Year 2025: Individual: \$13.99M Married Couple: \$27.98M	Exemption Amount, Tax Year 2026: Individual: \$7M Married Couple: \$14M	Exemption Amount, Tax Year 2026: Individual: \$15M Married Couple: \$30M Will be indexed for inflation
Tax Rates	2025 Graduated Tax Rates: 10%, 12%, 22%, 24%, 32%, 35%, 37% Maximum tax bracket for married filers applicable at \$751,601 of taxable income.	2026 Graduated Tax Rates: 10%, 15%, 25%, 28%, 33%, 35%, 39.6% Maximum tax bracket for married filers applicable at \$615,101 of taxable income.	Current tax rates made permanent.

Other Notable Tax Provisions

Tax Provision	Current Law	Without OBBBA	Under OBBBA
Mortgage Interest Deduction	Mortgage interest deduction allowed subject to acquisition debt limit of \$750,000.	Mortgage interest deduction allowed subject to acquisition debt limit of \$1,000,000.	Limitations under current law (\$750,000 acquisition debt limit) made permanent.
Miscellaneous Itemized Deductions, Subject to 2% AGI Floor	Disallowed	Reinstated	Disallowed permanently
Overall Limitation on Itemized Deductions	No overall limitation on itemized deductions.	The "Pease" limitation on itemized deductions, applicable before the Tax Cuts & Jobs Act, would be reinstated.	The "Pease" limitation is permanently repealed. It is replaced by new limitation that disallows 2/37 of itemized deductions for taxpayers in the highest tax bracket. Applicable in tax year 2026.
Form 1099 Filing Requirements (Form 1099-NEC, 1099-MISC)	Reporting threshold of \$600	Reporting threshold of \$600	Reporting threshold of \$2,000 in 2026, indexed annually for inflation.

Government Shutdown: Impact on IRS

IRS Statement on Operations: October 22

- Tax obligations remains unchanged: Taxpayers must continue to file and pay taxes as normal.
- All tax deadlines remain in effect.
- IRS will continue to process payments received, whether electronically or paid by check
- Refunds only being issued for individual tax filers if return was electronically filed, error-free, and via direct deposit.
- Processing of paper filed returns will be delayed.
- Limited live IRS telephone customer service assistance will be available.
- IRS not responding to paper correspondence. Expect longer delays for a response after full government operations resume due to a growing correspondence backlog.
- Automated notices are still being generated and sent.

Government Shutdown: Impact on IRS

- President Trump signed H.R. 5371 on Wednesday, ending the government shutdown.
- The bill funds the government through the end of January.
- IRS employees expected back to work today.
- Delays expected as IRS employees play catch up and prepare for the first tax filing season under the new tax law.

Other IRS Updates

- Electronic Filing of Insurance Company Tax Returns
 - Internal Revenue Manual – Part 3. Submission Processing

(22) The MeF System was modified in January 2026 to accept the following Corporate Tax returns:

- Form 1120-L, U.S. Life Insurance Company Income Tax Return
- Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return

(1) The following Corporate Tax Returns can be e-filed through the MeF System and are processed by the Ogden Submission Processing Campus (OSPC):

- Form 1120, Corporation Income Tax Return
- Form 1120-F, U.S. Income Tax Return of a Foreign Corporation
- Form 1120-H, U.S. Income Tax Return for Homeowners Associations
- Form 1120-L, U.S. Life Insurance Company Income Tax Return
- Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return

Other IRS Updates

IRS Payments Going Digital

- Beginning September 30, 2025:
 - Government will not issue paper checks as refunds to individuals.
 - Government will not accept paper checks for tax payments.
- Limited exceptions exist.
- Currently unknown whether there be a spot on the 1120 tax return to add direct deposit information for electronic refunds.
 - Insurance company tax forms were released in February last year.
- Detailed guidance for 2025 tax returns will be published before the 2026



ASU 2023-09

FASB Issued Accounting Standards Update Regarding Accounting for Income Taxes

- All entities required to disaggregate income taxes paid by federal, state, and foreign tax
- Public Business Entities (PBEs) required to disclose specific categories in the rate reconciliation
- Effective date:
 - PBEs: annual periods that begin after December 15, 2024
 - Other than PBEs: annual periods beginning after December 15, 2025
 - Early adoption is allowed
- SAPWG did not adopt the public entity only disclosures (too onerous to apply to all insurance companies)



Questions?



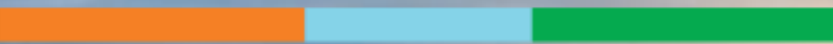
Craig Swindlehurst, CPA
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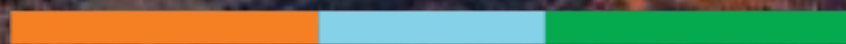
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