



AFairchild

# Business Health Check & One Big Beautiful Bill

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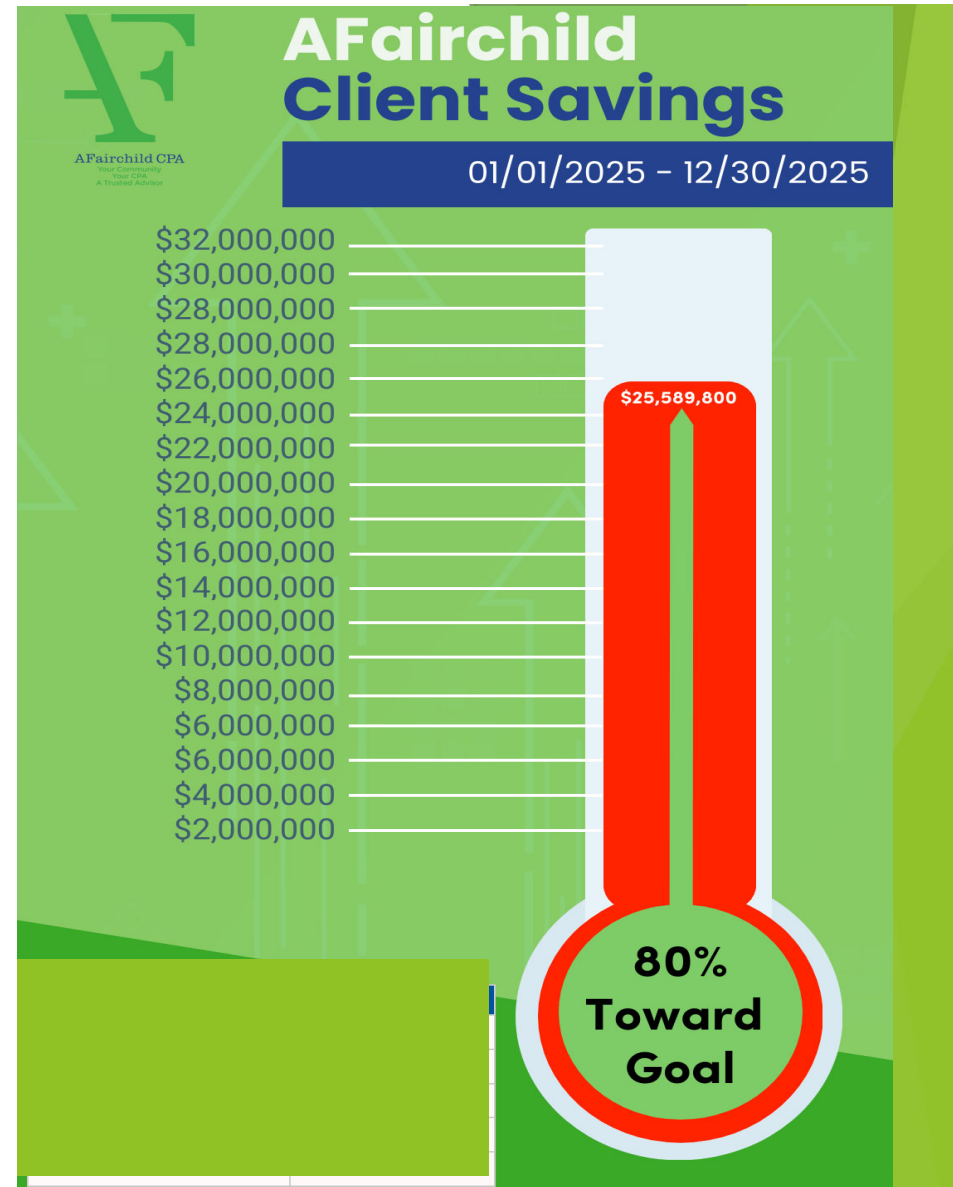
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# A Fairchild Mission Statement

- ▶ To serve businesses and individuals in a manner that will please the Lord.
- ▶ To be passionate about partnering with our clients, **helping them to meet and exceed their goals.**
- ▶ To engage with our clients in **all matters related to the financial operations of a company** and to their individual finances.



# AFairchild Client Savings Tracker



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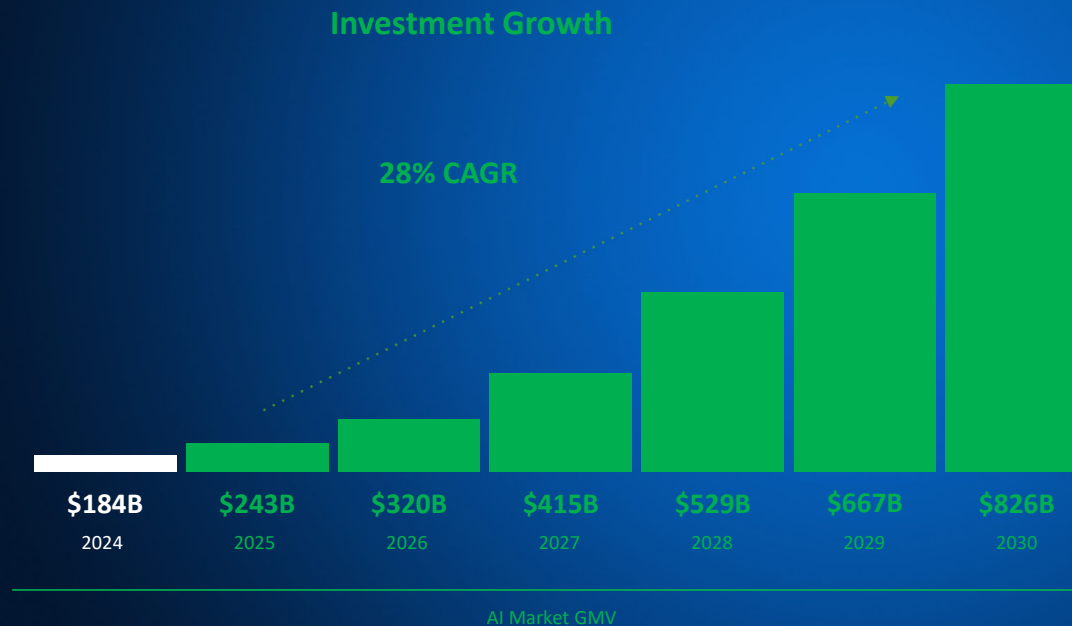
## Business Health Check



Organizations that don't have centralized visibility into their SaaS will overspend by **25% or more.**



# AI-powered tools are on the rise



## Adoption Growth

By 2028

**80%**

of humans will engage with  
AI bots daily

**15%**

of day-to-day work decisions will be  
made autonomously through agentic AI  
agents

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## Business Health Check





Chasing The Margin Podcast



# One BIG Beautiful Bill

signed into law 07/04/2025

TEXT Questions to 469-381-4661

# Individuals

- ▶ Tax Brackets - TCJA brackets remain permanent
- ▶ Tax rates: 10%, 12%, 22%, 24%, 32%, 35%, & 37% made permanent
- ▶ Standard Deduction

	<b>2025</b>	<b>2024</b>
Single	15,750	14,600
Head of Household	23,625	21,900
Married Filing Jointly	31,500	29,200

# Individuals - Income - Effective 2025

## ▶ **No tax on overtime**

- ▶ Up to \$12,500 (\$25,000 for MFJ) for qualified overtime
- ▶ Phased out for AGI over \$150K/\$300K

## ▶ **No tax on tips**

- ▶ Up to \$25,000 qualified tips in certain occupations
- ▶ Phased out for AGI over \$150K/\$300K

## ▶ **Enhanced deduction for seniors**

- ▶ Age 65+ (age as of 12/31)
- ▶ Adds \$6,000 bonus deduction per senior, \$12,000 for married jointly
- ▶ Phased out for AGI over \$75K/\$150K

# Individuals - Deductions - effective 2025

- ▶ **State and local taxes - Itemize**
  - ▶ NEW CAP - \$40,000 with phase out starting at \$500K (down to \$10,000)
- ▶ **Gambling - Itemize**
  - ▶ Losses from gambling 90% of the loss
- ▶ **Auto Car Loan Interest - Itemize or Non-Itemize**
  - ▶ Up to \$10,000
  - ▶ Phase out for AGI over \$100K/\$200K

# Individuals - Deductions

## ▶ Charitable deductions

- ▶ NON Itemizers - \$1,000 for Single and Married-separately; \$2,000 for Married-jointly - Effective 2025
- ▶ ITEMIZERS - Limitation on charitable contributions **MUST** exceed 0.5% of the taxpayer's contribution base - effective 2026

## ▶ Phase Out of Itemized Deductions

- ▶ Phase Out of itemized deductions begins for those in the 37% tax bracket
- ▶ Effective 2026

# Individuals - Educator Expenses

**WHO:** Teacher/Instructor/Counselor Coach, Aide, Principal  
Kindergarten thru 12<sup>th</sup> grade (works 900+ hours)

**WHAT:** Books, supplies, equipment “as part of an instructional activity”  
rather than “in the classroom”.

**AMOUNT:** \$\$\$ - Itemized Deduction

**DATE:** 2026

Currently (2025) - \$300 above the line (non itemizers)

# Individuals - Other

## TRUMP Accounts

- ▶ Benefit of an individual who is under 18 years old
- ▶ Born after 01/19/2025
- ▶ \$1,000 into fund - from Government
- ▶ Up to \$5,000 into fund - from Parents
- ▶ Employer can match up to \$2,500

## Estate Exemption

- ▶ \$15,000,000 per person
- ▶ Permanent, adjusted for inflation

## Individuals - Credits

### Enhancement of Adoption Credit

- ▶ 2025 maximum credit \$17,280 - Phase out starts at MAGI of \$259,190

### Enhancement of the Dependent Care Assistance Program

- ▶ Increases maximum from \$5,000 to \$7,500; Effective 2026

### Child Tax Credit - increased to \$2,200 from \$2,000

- ▶ Phase out of \$200k/\$400k MAGI

### Credit for contributions to Scholarship Granting Organizations for elementary and secondary education - up to \$1,700

- ▶ Starting after 12/31/2026
- ▶ State will list the granting organizations that qualify



## Individuals - Offsets to Gains

- ▶ 1031 Exchanges
- ▶ Qualified Opportunity Zones
- ▶ Charitable Giving (giving of Stock/Interests BEFORE a sale)

	Charitable Contribution AFTER sale	Charitable Contribution BEFORE sale	Donor Advised Fund - Other Charitable Organization	Change in Taxable Income
Value of Business	10,000,000	7,000,000	3,000,000	
Charitable Contributions	(3,000,000)	(3,000,000)		
Taxable Income	<u>7,000,000</u>	<u>4,000,000</u>		(3,000,000)

## Business - Depreciation

Bonus - 100% for purchases after 01/19/2025

- ▶ 01/01/2025 to 01/18/2025 is 40% depreciation

Sec 179 - Expensing up to \$2.5M (from \$1M)  
(effective 2025)

- ▶ 179 is LIMITED to taxable income  
(bonus depreciation is not limited)

# Business - Depreciation - Qualified Production Property

## 100% Depreciation Deduction

- ▶ Qualified Production Property:
  - ▶ Manufacturing
  - ▶ Agricultural Production
  - ▶ Chemical Production
  - ▶ Refining of Tangible Personal Property
- ▶ NEW Construction beginning construction as of 01/19/2025
- ▶ Preowned building not previously used as Qualified Production Property since 2021
- ▶ Placed in service AFTER 07/04/2025

# Business - Depreciation - Qualified Production Property

**Refining of tangible personal property – IRS to provide definitive guidance on definition**

*The process of transforming or improving the form, composition, or character of physical objects to increase their value or utility.*

*Examples of refining processes:*

- Converting wood pulp into paper
- Converting steel rods into screws and bolts
- Processing and canning raw tuna fish
- Refining crude oil - transforming it into various petroleum products such as gasoline, diesel, and jet fuel

# Business - Energy Efficient Commercial Building Deduction

## Sec. 179D, Energy Efficient Commercial Buildings Deduction

- ▶ Terminates deduction for property that begins construction after June 30, 2026

# Business - Research & Development

## Domestic R&D

- ▶ Currently - Amortize over 5 years
- ▶ OBBB - Immediate Expensing starting in 2025

## Foreign R&D -

- ▶ Currently - Amortize over 15 years
- ▶ OBBB - NO Change

## Business - R&D Domestic

For businesses with average gross receipts less than \$31M after 12/31/2021:

### CHOICE 1 -

- ▶ Retroactive expensing for years 2022 - 2024
  - ▶ Amend tax returns BEFORE 07/04/2026
  - ▶ What do we do for 2024?

### CHOICE 2 -

- ▶ Accelerate remaining amortization from 2022-2024 over one or two years starting in 2025

## Business - Research & Development

	Current Law Year 1	OBBB Year 1	Difference
Net Income (before R&D Expense:	1,000,000	1,000,000	
R&D Expenses (CASH Paid)	(400,000)	(400,000)	
Net Income (after)	600,000	600,000	
R&D Expenses Amortized	400,000		
R&D Expensed - Year 1	(40,000)		
Taxable Income	960,000	600,000	
199A Deduction	(192,000)	(120,000)	
Taxable Income	768,000	480,000	
Tax Rate	37.0%	37.0%	
Tax	284,160	177,600	106,560



## 2024 199A Pass Thru Deduction

TAXABLE Income on 1040 (Individuals - NOT C Corporations)

Year 2025					
	Min	Lower Threshold	"Phase Out"	Upper Threshold	Max
Married Separately	-	197,300	50,000	247,300	-
Married	-	394,600	100,000	494,600	-
Year 2026					
	Min	Lower Threshold	"Phase Out"	Upper Threshold	Max
Married Separately	-	197,300	75,000	272,300	-
Married	-	394,600	150,000	544,600	-

*Phase out changes in year 2026; thresholds will be increased for inflation.*

*Minimum \$400 deduction for those with at least \$1,000 of QBI.*

Business -  
199A QBI  
Deduction

## Business - Sec 1202 Qualified Small Business Stock (C Corp)

### ***Period of Stock Held***

***Gain on Sale of STOCK***

***Exclusion %***

***Exclusion Amount***

***Taxable Gain***

3 Years	4 Years	5+ Years
5,000,000	5,000,000	5,000,000
50.0%	75.0%	100.0%
(2,500,000)	(3,750,000)	(5,000,000)
2,500,000	1,250,000	-



# Energy Credits

The OBBBA terminates a large number of clean energy tax incentives

▶ **Vehicle credits:**

- ▶ Clean vehicle credit (terminates after Sept. 30, 2025);
- ▶ Qualified commercial clean vehicle credit (terminates after Sept. 30, 2025);
- ▶ Alternative fuel vehicle refueling credit (terminates after June 30, 2026);

▶ **Home Improvement Credits:**

- ▶ Energy-efficient home improvement credit (terminates after Dec. 31, 2025);
- ▶ Residential clean energy credit (Home Solar Credits) (terminates for expenditures made after Dec. 31, 2025)

# Business – Compliance reporting

## Payroll reports

- ▶ 941, 940, W2s
- ▶ New reports due to the change in TIPS and OVERTIME

## 1099-MISC and NEC reporting

- ▶ Required reporting increased to \$2,000 from \$600
- ▶ Effective 2026

## 1099-K reporting

- ▶ Required reporting increased to \$20,000 from \$600 and over 200 transactions
- ▶ Effective 2025

# IRS Update

IRS FY Proposed (President) 2026 budget of \$9.8 billion, which is a decrease of 20% from the FY 2025 enacted level of \$12.3 billion.

IRS Audits are focusing on High Net Worth and Partnerships.

## *Three challenges for the Taxpayer Experience:*

- 1 - modernizing computer systems & digital services
- 2 - complicated & changing tax laws - providing timely guidance to taxpayers
- 3 - staffing





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