Positioning Clients for Success Under the New Tax Law: A Capstan Roundtable

Helena Carmel (00:01.283)

Hello, I'm Helena Carmel. Welcome to another episode of Capstan Live. It's not just any episode. The one big, beautiful bill act, the OB-3, has landed. We've got a panel of all-stars here today to break it down, one incentive at a time. We're lucky enough to have regional director Sean Lichterman here to talk Cost Seg. Thanks for coming on, Sean.

Sean Lichterman (00:24.951)

Yes, thank you. Happy to be here.

Helena Carmel (00:27.095)

You know him and you love him. Director of Energy Incentives Bill Harbison is back on the pod to give us the details on changes coming to the world of energy. Thank you for joining us, Bill.

Bill Harbeson (00:36.3)

That's right. Of course. Thanks for having me.

Carmel Helena

And last but not least, making her Capstan Live debut, Business Development Manager Gina Maurino. Gina will give us some good R&D news. Thanks for coming on, Gina.

Gina Maurino (00:51.323)

So happy to be here. Thanks so much.

Helena Carmel (00:53.605)

Yay. Let's start by talking about the changes in general. Any overall thoughts on the way things kind of shook out? I felt like there were a lot of surprises.

Sean Lichterman (01:06.189)

Yeah, yeah, definitely some surprises. You know, a lot of context there kind of wrapped up into a nearly 900 page tax bill. But I'd say a lot on the forefront, I think we see there's a lot of extensions just from the Tax Cut and Jobs Act. I know we'll dive into a few of those concepts here in a second. But overall, it might be one of the largest tax legislations to kind of grace us and our industry in the last maybe call it decade, but a lot of things to unpack here and some positive ones as well.

Helena Carmel (01:39.055)

We're going to try to focus on the positive, on all the opportunity there really is in this bill for corporate taxpayers. And OK, let's start with such a great one. There have been some fantastic developments in the world of cost seg. And Sean, I feel like I'm dreaming, but I'm not. Bonus depreciation is 100% permanently.

Sean Lichterman (02:00.675)

That's correct, yeah. And I had to pinch myself too, because I thought I was dreaming when I saw that get passed. Unfortunately, tax law, to say anything's permanent, that may just be change or audits. But at least as it currently stands, the new guidelines do show that 100 % bonus is reinstated for the foreseeable future under the One Big Beautiful Bill Act, right? So we will have that permanently restored to 100% for qualifying property. So that means there's gonna be no phase out schedules, no sunset. So the future does look good. I might even frame this bill and hang it in my office.

Helena Carmel (02:42.649)

And you know what, let's call it the OB3, you guys, because One Big, Beautiful Bill Act is just so many words. So, okay, so this applies to property placed in service when, Sean.

Sean Lichterman (02:55.661)

Yeah, that's a good question. So starting January 20th and onward, right? That's really the inception date to qualify for the 100% bonus. So a building must be acquired and placed in service after that January 19th date. So it's not retroactive. So anything placed before that date is going to unfortunately fall under the existing phase-down rules under the Tax Cut and Jobs Act. But yeah, the inception date that we're looking for is that January 20th and onward.

Helena Carmel (03:22.565)

Okay, so January 20th, 2025, assets placed in service on or after are eligible for 100 % bonus under the OB-3. But what about assets placed in service between January 1st and January 19th? Those guys are stuck under the TCJA, right?

Sean Lichterman (03:46.255)

Correct, yeah, kind of looking at this time period as really the trench zone, if you will. So unless you signed your contract or you broke ground after that January 19th timeframe, yeah, you are stuck with the old phase down schedule of 40% bonus. It's kind of like, to recite this to investors who did buy during that time, it's like showing up late to the party when all the deductions are gone, but yeah, right?

Helena Carmel (04:09.601)

Aw man, that's a downer.

Sean Lichterman (04:12.279)

So I'm sure we'll see some language providing a little more guidance on that. But yeah, if you went under contract January 10th of this year let's say, you unfortunately don't qualify for the 100% bonus.

Helena Carmel (04:42.533)

The IRS might issue additional guidance on this. So I just want to clarify that this is correct as far as we know for the moment at the time of this recording. But yeah, as Sean said, if you signed your written binding contract before January 19th, or if you began substantial construction before January 19th, unfortunately TCJA rules do apply.

So let's talk about the good news, the people who are getting 100% bonus moving forward. Let's talk about the implications, Sean.

Sean Lichterman (05:14.563)

Yeah, yeah, so 100% bonus back. It's like putting kerosene on a fire, right? It means that investors and owners alike can now immediately deduct the full cost of their short life assets. you know, think of your personal property items, your land improvements and all of that can now be deducted in the first year. So this just creates a massive front loaded tax effect that, you know, could really unlock hundreds of thousands, if not millions of dollars in deductions when you properly pair this with a cost seg study. If you will, I'll hop on a quick rant here, but if we take a quick walk down the memory lane, bonus is not a new concept. Most people are thinking, *oh, is this the first time we're hearing about it?* It's actually not. A version of bonus has been around since really 2001, and it wasn't really until the Tax Cut and Jobs Act era that really created a lot of buzz for bonus because we had that 100 % bonus limit, essentially for five years.

I refer to those eras really as the honeymoon era for investors. And now that we're back in that era and it's for the foreseeable future in perpetuity, I think we're going to see a lot of happy investors, a lot of development to come as well.

Helena Carmel (06:29.125)

That is awesome. I remember, I think it was even five years of bonus with the TCJA. And I remember that everybody was like, *five years, goodness gracious*. And now they're saying permanent? Well, as permanent as things get, it's just remarkable.

Can you run me through an example, Sean? What kind of numbers are we talking about? 40 % bonus versus 100 % bonus. What kind of fiscal impact might we see?

Sean Lichterman (06:57.007)

Yeah, so on a kind of easy calculation, let's say we got a $1M basis, right? So if roughly a quarter of that qualifies for cost seg, we're able to write off $250,000 of it upfront under the 100% bonus. With the 40% provision, you're only able to right off 40% of that $250K in the first year, right? So it's gonna be a big difference.

An easier way now to understand it, especially that we have 100% bonus, essentially, for every million dollars in building costs that you have, you can be looking at anywhere between $50,000 - $80,000 in real cash savings in year one.

Helena Carmel (07:36.773)

That is tremendous. And 100 % bonus is not the only good news for real estate taxpayers. Manufacturers get another win and it's a new one and it's a big one. Let's talk about qualified production property, Sean. QPP. You down with QPP?

Sean Lichterman (07:55.363)

Yes. That's first thing I thought. Yeah, it was Naughty by Nature. You're down with QPP, right? [laughter]

But yeah, I am and I'm sure a lot of manufacturers will be down with QPP as they start figuring out this new asset category.

It is geared towards the manufacturing industry and it's really to incentivize growth and production within the U.S. And it allows business owners to deduct 100 % of the parts of the actual building structure that are involved with the production and manufacturing of that business. That's kind of a mouthful. Let's break that down. So think of activities like refining, fabricating, processing, assembling, things of that sort. So basically, if your business helps make stuff, you may be able to add additional deductions to your spreadsheet.

Now there are a few caveats right in there, right? So there are a few things to be mindful of as we go through this new QPP provision. So essentially construction has to commence between January 20th through really the end of 2029. And your property has to be placed in service by the beginning of 2031. That's for new construction, right?

So you can acquire property and in order for that to be eligible for QPP, it couldn't have had a QPP activity by anyone between 2021 and 2025 and the property can't have been used by the taxpayer before.

So there's gonna be a little bit of navigation as we go through this new provision, but essentially it's gonna be a powerful incentive for companies to invest in new production facilities. They may plan expansions or create, upgrade their infrastructures, but it could be a large benefit for a lot of these types of facilities because they do have 100% bonus applied to it as well.

Helena Carmel (09:46.979)

Listeners, that's lot of details and a lot of dates. Call Sean. He will run them through with you personally bit by bit and talk about how it might affect you. But so just to clarify, Sean, you're telling me that that moving forward, you know, if I owned a factory, I could always, you know, take bonus on my machinery and stuff like that, you know, five and seven year class items. Right. But now with QPP, I can actually take 100 % bonus on parts of the building shell that are actively used in manufacturing. Is that correct? That is mind blowing. Mind blowing.

Sean Lichterman (10:29.583)

Correct, yep, yeah. It really is, yeah, so it makes those properties a lot more tax beneficial from a deduction standpoint, but again, right, it has to be those integral parts that are integral to production process.

Helena Carmel (10:46.639)

It has to be the parts where you're actually manufacturing something. It can't be the manager's office. It can't be a retail store maybe that's in there or whatever. It has to be where you're actually manufacturing. And I think this is a good place to point out also that you're going to need a cost seg study to carve out that QPP. And you're going to need an engineer who has the know-how, who has the familiarity with manufacturing to be able to figure out exactly what is QPP and what is not. So just a caveat for the listener there.

Amazing. And Sean, I'm going to let you off the hook, I promise. But before I do, can you also comment on the boost to Section 179 expensing? I mean, this means a lot for small businesses, right?

Sean Lichterman (11:31.919)

Yeah, it really does. It was a tremendous boost. It essentially doubled the cap up to two and a half million now. think of qualifying equipment like your tangible personal property. You think of trucks, furniture, fixtures, computers. Even certain expansions can now qualify and you have a much larger cap. So it's gonna lower the cost of capital and it is also gonna give small business owners more flexibility to either reinvest that money back into their businesses, hire more workers, but just plainly stay competitive.

Helena Carmel (12:04.965)

It's a win all around, man. It really is. So Sean, what should CPAs do now to leverage all this good news? Like how should they be advising their real estate clients as we speak?

Sean Lichterman (12:17.017)

Well, besides tapping into our wonderful treasure trove of resources, our numerous CPE events, there's quite a few things you do, right? You can either be reactive or proactive. So, for CPAs that really want to drive benefits for their clients, flag those properties placed in service after January 20th, right? These are going to be a golden nest egg for cost seg and 100% bonus opportunity.

If you're working with any individuals in the manufacturing industry, have a conversation, educate them on maybe enhancements or again, improvements they may qualify for that QPP. Really tax planning should be kind of a year long thing, right? It's not gonna be, *let's just meet before the end of the year or before taxes*. It's gonna be a strategy you wanna do now, each quarter, get in touch with your CPA.

Or you know lastly just just partner with tax pros like ourselves right, give us a call. We eat bonus depreciation and all these other tax incentives for breakfast.

But the ultimate bottom line is that there's a lot of new provisions out there which can translate to real money saved in your clients' pockets. So, you know CPAs who move fast and put their clients ahead -- they're gonna look like heroes doing it.

Helena Carmel (13:30.521)

And that's what we want. Amazing. Sean, thank you. That was all such good news. Let's shift gears now to the world of energy. And while the OB3 is a little bit more nebulous here, there is definitely still opportunity to be had as long as we are thoughtful about timing. Would you agree, Bill?

Bill Harbeson (13:50.526)

Absolutely, I mean, we've got so many avenues to realize benefit -- past, current and even future work.

Helena Carmel (13:59.255)

And I do want to run down the list incentive by incentive. But before we do, I want to point out that as we said earlier, forever is not really like a hard and fast *forever* when it comes to politics, right? Like incentives expire, they come back. Just because, you know, energy incentives have been somewhat limited by the OB3, that doesn't mean that this is going to be the case forever, right?

Bill Harbeson (14:23.514)

Absolutely. So, and I'm sure we'll talk about it here, you know, on a kind of per item basis, but the quote energy efficiency incentives, especially those tied with the Inflation Reduction Act, did see a sunset or an accelerated sunset thanks to the bill here.

That said, you know, it may be easy to say *the sky is falling*, you know, especially if you're new to this space. But the fact is that these incentives that we're talking about here have been around for a long time. 179D has been around for 20 years and all but three of those years have relied on an annual extension package. So, you know, for those of us who've been in this space for a while, it's back to business as normal, honestly.

And same thing with the investment tax credit. The investment tax credit has been around since 1978.

And while it may be easy to look at these and say, *they're going away forever and we need to look for new jobs,* and things like that, the fact is that these have a sunset that are now several years in the future. And this **legislation did not eliminate any of these incentives as much as it kicks the can down to the next Congress**.

So there's a ton of opportunity for us to advocate for these incentives. If you're working with Capstan out there, you're probably going to hear from us. We got really good at writing letters to Senators. This is again, as I mentioned, it's just back to business as normal. So nothing we haven't expected before. And as you said, nothing is permanent.

Helena Carmel (16:04.815)

Thank you for that context. *Don't panic* is what I am hearing. [laughter] Yes, do not panic. I think we do need to explicitly say that because, think some people were freaking out unnecessarily. Thank you, Bill, for bringing us back down to earth.

Let's start with 179D. What does the OB-3 say about the 179D Deduction?

Bill Harbeson (16:26.778)

Sure. So 179D, the methodology, the calculation, the dollar amounts involved remain untouched. However, there is now a sunset. As we said, it used to be permanent. In fact, it was made permanent under Donald Trump in 2020. But now it is a sunset that starts on June 30th of 2026. And that is for any project that begins construction after that date.

So everything up until then, as you all listening know, construction projects have one, two, three longer than that, even years of lead time. So we're not going to see an effect on this for several years.

Helena Carmel (17:18.373)

So the key date here is that June 30th, 2026. Any project that starts construction before then can still benefit from 179D. So yeah, there is ample runway here. And as you said, who knows what's going to happen next time with the next Congress. So there is a lot of opportunity for sure.

Let's talk about 45L, the Energy Efficient Home Credit. What's the story here?

Bill Harbeson (17:47.45)

So you're going to sense this common theme here [laughter]. 45L is very similar to 179D in that it will terminate for starting June 30th, 2026. However, there's an important distinction.

For 179D it’s for projects that have begun construction before that date.

For 45L, the home or unit must have been acquired before that date. And when I mean acquired, I mean, the home builder that intends to take the 45L credit must have sold or leased that unit before June 30th of 2026.

Helena Carmel (18:28.495)

Thank you for clarifying. That's an important distinction. OK, I am nodding listeners. You can't see me, but that's very important.

Now, what about the alternative fuel vehicle refueling credit, Mouthful, the 30C electric vehicle charging station credit? I have a feeling I know what's coming.

Bill Harbeson (18:44.497)

Yeah, you're absolutely right. EVs, alternative fuel vehicles, were specifically addressed in the OB3 in several locations. The 30C credit among them, and that is the alternative fuel vehicle refueling credit, which is a mouthful, but also known as the EV charging station credit. And as you may have guessed, construction must have started by June 30th of 2026. to claim that credit for the next year.

Helena Carmel (19:20.293)

So if you or your client puts an EV charger in service before next June, you certainly can claim the credit in full.

Bill Harbeson (19:26.894)

Absolutely, yes. Again, depending on who you ask, EV is the future. And we really expect to see 30C to be readdressed here in the future as well. Think long term, but don't count on it. So start your projects now.

Helena Carmel (19:48.227)

Right, be timely, be proactive, but don't despair is what I'm hearing. And let's talk about the Investment Tax Credit or the Clean Electricity Investment Credit. So solar and wind, those kinds of renewable systems, they got so much air time during all the back and forth. And that was actually like a major sticking point for a lot of Senators. So how did things play out at the end with the ITC bill?

Bill Harbeson (20:12.858)

Yeah, holy cow. These credits. Yes. Well, you know, so as I mentioned earlier, you know, the quote energy efficiency credits and deductions, 179D, 45, all of those, if it said *energy efficiency* in there, they got addressed. And it was that simple. But there was specific animus towards things like solar and things like wind and back and forth.

That said, we did land on obviously some numbers here. And I will preface this by saying that the ITC, the CEIC has been chopped up in some ways. Some types of technologies that fall within those credits are untouched. Their original sunset date as part of the Inflation Reduction Act remains. Others have been brought up significantly.

So for things like solar, wind, and a couple of other technologies, the cutoff is now the end of 2027. That is true for things like solar and wind.

Things like geothermal, nuclear, and a few other thermal energy storage, things like that --those remain untouched and you can refer back to the Inflation Reduction Act for those sunset periods. Yeah, really they picked and chose exactly what they wanted touched and addressed, which I'm not surprised. This current Congress, Senate and House both have talked a lot about solar and wind over the past year or so. Not surprised to see these addressed.

Helena Carmel (22:03.109)

Yeah, it really did feel like they were picking on solar and wind specifically. Okay, so for solar and wind projects, we have a don't pass go date. Like we have a hard stop and that is December 31st, 2027. If your solar or wind project is in service by the end of 2027, you can claim the credit in full. If it's not, you get nothing. Right Bill? There's no phase out anymore, right?

Bill arbeson (22:31.598)

That's correct. There is no phase out. Yes, the Inflation Reduction Act was a reduction in that credit. It's now all or nothing. So 100 % and then even zero. Yeah.

Helena Carmel (22:41.381)

All right, so we have a couple of key dates. Timing is everything. We got to have an eye on the calendar. How should CPAs be approaching energy incentives now? How should they be advising their clients?

Bill Harbeson (22:54.13)

Sure. So the obvious talk track is, *start your projects now*, start your investments now. With start of construction, there's a couple of different things that we can use to establish start of construction. One, you've broken ground, you're starting to set equipment, it's in the ground or it's on the ground and you started that process. The other thing is considered the safe harbor exemption. So if you have spent at least 5 % of the total project cost before these cutoff dates on that project, then you will qualify for the start of construction period.

Helena Carmel (23:32.997)

5% Bill? I don't know why I thought it was 10%.

Bill Harbeson (23:35.35)

It is 5%. Yeah, it's it's there are provisions that say 10% in some parts of the tax code, but but it remains to be 5% here.

That said, the other thing that I would say is that there are again, ton of opportunities for advocacy here. You know, we've got several years before these things will sunset. Solar and wind - like it or not - is the future. And so if you're interested in how to advocate for it, reach out to your Senators, Congressmen, get involved in groups that are advocating for this. Let us know. We'll put you in contact with the right people. Yeah.

Helena Carmel (24:15.961)

So yeah let's end positive these guys are not going anywhere so they will be back .

Bill Harbeson (24:19.726)

I would say, Helena, the really good news about this is that when you have these sunset periods like we do now, and they're truncated in a lot of cases, they have to get addressed now every year, every couple of years, which means that in a lot of cases, they get enhanced.

179D over the years saw some of its most important growth, thanks to this kind of annual review. They said, *hey, while we're at it, while we're extending it, let's add the inflation adjustment. Let's extend this thing to include government owned buildings*, things like that. Solar and wind might be able to experience the same kind of success. So there is a lot of positives with what we're seeing.

Helena Carmel (25:08.771)

Potentially a hidden blessing in disguise if these need to be reevaluated again, Congress could look upon them favorably and enhance them in any number of ways. Wow, thanks Bill. What an awesome silver lining to finish on. Amazing. Bill, you're available if people want to talk to you, right? Like we did just say timing is key. So I feel like people will want to talk to you soon.

Bill Harbeson (25:31.082)

Yes, do talk to us soon. Obviously there are these sunset dates. We're going to fight to get them extended, but right now the law is the law. Call us right now. Let us help you kind of plan your projects, talk about the credits available to you. So we love to get involved in these projects as soon as you're thinking of them.

Helena Carmel (25:53.349)

Amazing, and we'll have your info and all the info in the show notes. Awesome. Now let's transition over to R&D, and the R&D Tax Credit is kind of a very happy place to be at the moment. Gina Maurino, thank you for coming on. Can you introduce yourself to our audience, because I think that this is your first time here at Capstan Live?

Gina Maurino (26:11.818)

Yes, thanks so much for having me. I'm so excited to be here. My name is Gina Maurino and I'm our business development manager at Capstan Tax Strategies. And I've spent over a decade helping companies across the country leverage these powerful federal incentives, including R &D, including Section 179D and cost segregation, which we've just discussed. And I work really closely with CPAs and developers and business owners across various industries, really just helping them with tax saving strategies and building long-term relationships to add real value.

Helena Carmel (26:49.637)

Tell us something fun and interesting about you, Gina. Like perhaps where you just came back from.

Gina Maurino (26:52.48)

Yeah, I love travel. So if you want to talk about any travels, exciting travel stories, I did just get back from Spain and spent nine days across four different cities there.

Helena Carmel (27:08.333)

That is efficient. Four cities in nine days. Goodness.

So the OB3 is just a whole bunch of good news for R&D taxpayers, right, Gina?

Gina Maurino (27:25.601)

Absolutely, and it's really great news across the board. Several big wins. It creates much more certainty for CPAs, much, much needed certainty, as well as for business owners who've really been in limbo during this tax planning season since, you know, 2022, 2023, 2024. It was just extend, extend, extend. Let's wait for a repeal or a fix. And it wasn't happening. So now we've really got that certainty.

Helena Carmel (27:54.979)

And boy did we wait. Boy did we wait. There were so many times that we thought it was close and we even had like a little ticker on our LinkedIn page, you know crossing off the dates, counting it down and every time I had to just take the countdown off because it didn't happen -- but now it has. Hooray. So let's talk about the repeal of mandatory amortization for Section 174 assets. Why is this such a huge fantastic big deal?

Gina Maurino (28:25.994)

Well, it is absolutely a huge deal. It corrects a major pain point that's been affecting businesses, like I said, since the 2022 tax year.

The Tax Cuts and Jobs Act in 2022 had an expiring provision there where companies were no longer allowed to immediately expense their R &D expenses or costs. So instead, they were forced to amortize those expenses over five years domestically or 15 years if the work was done internationally.

And that change really hit hard on a lot of businesses and the cashflow that they had, especially for those small and mid-sized companies. So we're definitely seeing some much needed reprieve there from this big bill.

Helena Carmel (29:14.607)

Hooray!

And so now it's really, it's a great time to revisit the credit if people have been sort of hesitant.

Gina Maurino (29:27.68)

Yes, yes. And the bill brings much needed clarity, like I said, and relief, especially around Section 174. That was one of the biggest wins in this bill for businesses, especially those in innovative type of businesses that are improving processes, improving products, things like that. So this permanent repeal of Section 174 really is taking away that pain point that's been there since 2022.

And again, I'll just reiterate that, you know, they can once again, those taxpayers can once again, fully expense qualified R &D costs in the year that they're incurred. So it's going to make that R &D credit much more accessible. It's going to allow the business to be much more cashflow friendly.

If you're investing in innovation, improving products or processes, or even just solving technical problems in-house, it's just a great time to revisit the credit or explore it for the first time.

Helena Carmel (30:43.309)

It's just a tremendous win for American innovation, high level, and I do love that. Can you give us an example of the impact of what kind of numbers we could be looking at?

Gina Maurino (30:55.648)

Absolutely. So let's say that you're a US-based manufacturer and you've spent about $500,000 on qualified R&D in 2023, maybe improving automation on your production line or refining a proprietary process.

So under the old rules with Section 174 still in place, you could only deduct one fifth of that cost -- so about $100,000 -- in the year that you spent it and the rest had to be spread over those future years. So that really limited the immediate benefit. But now with this new bill and the new tax law changes, you can fully expense that $500,000 in the year that it was incurred, which would essentially create a dollar for dollar credit of around $50,000. And essentially it improves the cash flow right away. It means that you have more flexibility to hire, invest in equipment or fund the next innovation cycle.

Helena Carmel (31:57.583)

For little guys, this is crucial, right? For startups, for smaller companies, like having that cash flow now can make all the difference, right, Gina?

Gina Maurino (32:06.782)

Absolutely. Yeah. So for startups, smaller companies, definitely also an opportunity. This could mean the difference between staying in R&D mode or pulling back. It really gives them the room to grow. So whether you're big or small, I definitely think it opens the door for much more strategic planning. And either way, it's a big win for all companies.

Helena Carmel (32:33.893)

Okay, but not to harp on the little guys, but I do love the little guys. And the OB3 set up a specific provision to help small businesses retroactively recover some of that loss that they suffered over the 2022, 2023, 2024 tax years, right? Only little guys, right? There's a special provision just for them.

Gina Maurino (32:53.447)

Yes, so this new bill OB3 does allow for businesses with less than or equal to 31 million dollars to retroactively amend. So it just previously amortized 174 expenses in tax years 2022 through 2024. And so the specifics around that is amendments must be filed for each individual tax year within one year of the new bill's enactment. So essentially before July of 2026, let's say, if you were looking at that right now.

Helena Carmel (33:35.973)

If you're a little guy and you were really hit hard in the last few tax years by mandatory amortization, you can now amend those returns and almost turn back the clock. Amazing.

Gina Maurino (33:50.12)

Correct. Yeah, so it's a real relief. Clearly that was a real issue for so many small and mid-sized businesses during those tax years. And through this new legislation and this new bill, having that opportunity to amend, to refile is a huge win.

We are still awaiting guidance from Treasury and the IRS on tax year 2024 for those who have not yet filed because the new bill says the retroactive election must be made by amending. But obviously many companies have not yet filed 2024 tax year. So we're still awaiting some guidance on that.

Helena Carmel (34:35.429)

Okay, that makes sense. Yeah, so that's sort of an up in the air kind of issue. And I do also want to highlight so the OB3 does give that specific gift to small businesses, but they also set up another exciting option for businesses of any size, right, Gina?

Gina Maurino (34:52.669)

Yes, yes. So one of the big changes is all taxpayers now have the option to accelerate any remaining unamortized expenses starting with the 2025 tax year. Essentially, before you were spreading those expenses over five years, but now you can front load that either in 2025 or split between 2025 and 2026. So that's a major cashflow advantage and a smart planning opportunity as well.

Helena Carmel (35:19.723)

And anybody could do that, large or small, right, Gina? Okay, that's an option for anyone. Okay, amazing. So how should taxpayers of any size be proceeding? What should CPAs be telling their clients now?

Gina Maurino (35:22.011)

Yes, yes, yep, absolutely. Yep.

Gina Maurino (35:35.101)

Well, for CPAs, this is a real golden opportunity to proactively reach out to clients in various industries, such as manufacturing, technology, engineering, architecture, specialty contracting, really anyone solving technical problems or improving processes. This is where we can come in and help assess whether a company qualifies, help calculate the potential benefit and really decide whether an amended return or a current or future year filing makes sense.

Helena Carmel (36:11.365)

Amazing, amazing. And I feel like I keep hearing again, let's not delay, let's not wait.

Gina Maurino (36:17.887)

Exactly. That's the key takeaway here, right? Don't wait. There's real money on the table. The window to act is for 2022 through 2024, essentially because many of those clients haven't yet filed. And there is that 2022 tax year that we can still go back and amend in this window of time that we have now that the new bill has passed.

So it really does require this collaboration between perhaps in tax strategies, know, a taxpayer, the CPA, you know, having an R &D specialist is really going to be crucial right now.

Helena Carmel (36:57.221)

And I feel like everyone just needs to have a calendar, like a big old calendar. I just feel like there's so many dates we need to keep track of.

OK, so that was a lot to take in. Let's summarize. Can we kind of go around the table here and give any final thoughts? Sean, do you have any final thoughts for us?

Sean Lichterman (37:16.001)

Yeah, so everyone's kind of said, know, the time to act is now, right? There's a lot of tax provisions. So if you have uncertainty or just need some updates on maybe how this impacts you, your portfolio, certainly reach out to us, your tax advisors. But, you know, going back to the first question you asked me, the only constant in life, right, is death and taxes. Well, here at Capstan, we'll help you defer one of those.

Helena Carmel (37:36.069)

Sean. I should have seen that coming, but I didn't [laughter]. I also wanted to point out, Sean, I don't know if we explicitly said it when we were talking earlier. I want to point out that 100% bonus on QPP is a time-limited opportunity as of right now. It is only available for five years. So another important date to put on our theoretical calendar. Thank you, Sean.

Bill, final thoughts, takeaways?

Bill Harbeson (38:16.122)

Yeah, the future is bright. But also, if you're listening and you can't tell, these things change it literally every year. Sunset dates pick up, the different amounts involved. So really, go with a trusted advisor that is in the trenches with these things every single day is going to make the difference. And so I hope we can help whoever's out there.

Helena Carmel (38:44.581)

Bill, do you have an energy related joke for me? It's fine if you don't. Sean gave me something good and just asking.

Bill Harbeson (38:51.672)

No, didn't know we were supposed to prepare jokes.

Helena Carmel (38:54.359)

No, we weren't, but it was just sort of an out there thing, you know, like *knock knock*. *I'm a light bulb*. All right, I'm not good at preparing them either, clearly. [laughter]

Gina, how about you? No joke required. Any final thoughts, takeaways?

Gina Maurino (39:02.107)

My biggest takeaway is this, R&D tax credits are back in a big way. They're back in the spotlight and this is a huge win for businesses and innovative taxpayers, whether you're a small business owner or a large company with a dedicated engineering team.

Now is the time to revisit your R&D strategy. You can combine a lot of these opportunities and incentives. you know, don't just look at one and think that that's, you know, all of the tax strategy that's available to you, you know, definitely work with us here at Capstan tax strategies, as well as with your CPAs.

And for CPAs, it's a call to action. Get in front of your clients, especially thosewho may have walked away from the credit in recent years due to Section 174 capitalization rules. We've seen that throughout this time that many of them had foregone looking at R &D tax credits. So with this retroactivity in play, there's opportunity to recover cash and plan smarter going forward.

Helena Carmel (40:18.617)

Well said, Gina. Thank you. And thank you all for joining us. I know we just scratched the surface here of the OB3. And if you would like to discuss how you or your clients can make the most of this one-on-one, I know that Sean, Bill, and Gina would be happy to help. Their info is in the show notes. And as Gina said, there's a lot of opportunity for stacking strategies here, too. So a really thoughtful and creative approach can go far right now.

I know we did cover a lot. If you go to Capstan tax.com we do have a new article covering the OB3. We also will be coming out with a White Paper soon so that should also be something helpful.

Gina Maurino (41:06.937)

Our firm is a great resource for education. I would say also that if you're interested in continuing education, whether it be at your firm or through your networking group, if you're a business taxpayer and are part of an association, we're happy to come out, present on these topics, get information out to you, get information out from a speaking engagement. Any way you'd like us to present this information, we're happy to.

Helena Carmel (41:37.785)

Yes, amazing. Thank you, Gina. Actually, go to our training page. Not to keep telling people to *go* places, but if you go to our training page, there is a lot of info. We can come to your firm, do something custom just for you. It can be in person, it can be virtual, whatever works, and we are really happy to educate on the new OB-3 and how it impacts your corporate taxpayers.

Gina, Bill, Sean, you guys were awesome. Thank you so so much for joining. I really appreciate your time and your expertise, you Subject Matter Experts you.

And thank you for joining us too listeners. If you liked what you heard, why not subscribe? Apple Podcasts, Google Podcasts, Spotify, Podbean, or just go to capstantax.com/podcasts. I'm Helena Carmel. Thanks for tuning into Capstan Live and we'll see you next time.