

January 16th-18th

**BACK IN THE
SADDLE
SEMINAR**



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BACK IN THE SADDLE SEMINAR

Thomas Alongi
Managing Director
UHY Advisors



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ABOUT OUR FIRM

LOCAL

- More than 50 years of experience
- Ranked 5th largest accounting firm in Southeast Michigan by Crain's Detroit Business
- Over 450 employees in Ann Arbor, Detroit, Farmington Hills, Port Huron and Sterling Heights
- Largest accounting firm presence in Macomb County
- Practice leaders with Big 4 experience and training

NATIONAL

- 23 offices across the US
- One of the top professional services firms in the country
- PCAOB registered
- Most recent peer review resulted in a *Pass* opinion, the highest possible result
- Over 1,000 professionals providing comprehensive audit, attest, tax, advisory and related services

INTERNATIONAL

- Member firms in nearly 330 business centers across more than 100 countries
- Over 8,500 professionals
- 18th largest international accounting and consultancy network
- Member of the Forum of Firms

US LOCATIONS

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Telephone: 949 623 8803

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GLOBAL NETWORK

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Nicaragua
Panama
Paraguay
Peru
Puerto Rico
Saint Lucia
United States
Uruguay
Venezuela

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Sri Lanka
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Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Georgia
Germany
Greece
Hungary
Ireland
Isle of Man
Italy
Luxembourg
Malta
Netherlands
Norway
Poland
Portugal

Romania
Russian Federation
Serbia
Slovak Republic
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom
Uzbekistan

MIDDLE EAST & AFRICA

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Ghana
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Mauritius
Morocco
Mozambique
Nigeria
Qatar
Saudi Arabia
Seychelles
South Africa
Tunisia
Uganda
United Arab Emirates
Zambia



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SELECT SERVICE OFFERINGS

TAX PLANNING & COMPLIANCE

- Strategic tax planning
- Business formation and entity structuring
- State and local taxes and incentives
- Unclaimed property
- Estate and gift tax
- Succession planning
- International tax compliance
- Transfer pricing
- Research and development credits
- Cost segregation

AUDIT & ASSURANCE

- Audits, reviews and compilations of financial statements
- Audits of financial statements of employee benefit plans and pensions
- Financial forecasts and projections
- Attestation services including agreed-upon procedures reports and service auditor reports (SSAE 19)
- Financial reporting assistance
- Due diligence
- Audit committee advice

CORPORATE FINANCE

- Sell-side and buy-side advisory
- Financial and commercial due diligence
- Financial planning and analysis
- Employee stock ownership plans (ESOPs)
- Capital raising

CONSULTING

- Business and strategy
- Organization and operations
- Finance and accounting
- Technology innovation
- Cybersecurity and privacy
- Solution partners

BUSINESS VALUATION

RESOURCE SOLUTIONS

- Interim solutions and loan staff
- Professional search and permanent placement

CLIENT ACCOUNTING ADVISORY SERVICES

- CFO and controller services
- Financial statement preparation and advisory
- Technology solution deployment
- Accounts payable and accounts receivable services
- Reconciliations (e.g., bank, credit card)
- Sales tax filing and management

OTHER ADVISORY

- Forensic accounting and expert witness
- Special purpose acquisition company (SPAC) support services
- Crisis management
- International business services

TAX LAW CHANGES AND THE NEW INFRASTRUCTURE BILL. WHAT YOU NEED TO KNOW TO MAXIMIZE YOUR RETURN.

John Gallo
National Construction Practice Leader
UHY Advisors



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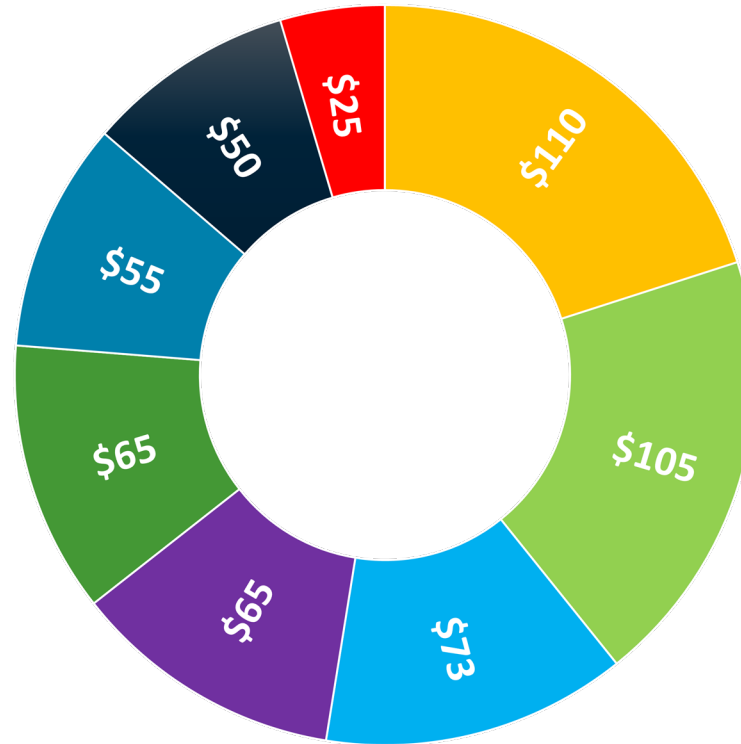
WHERE DO THINGS STAND?

- New legislation
 - Infrastructure Bill Passed
- Proposed law changes
 - Build Back Better Framework – still in the works
- Could have major effects for all tax entities
- Contact your trusted advisor ASAP
- Have a plan in place before changes come into effect



\$1.2 T - BIPARTISAN INFRASTRUCTURE DEAL

\$550 Billion in New Additional Spending



- Roads, Bridges, and Major Projects
- Power Infrastructure
- Clean Drinking Water
- Airports
- Public Transit/Passenger and Freight Rail
- High-Speed Internet
- Resilience and Western Water Infrastructure
- Additional Programs



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Employee Retention Credit

- Wages paid after 9/30/2021 are no longer eligible for this credit.
- Credit can still be claimed for 2020 and January – September 2021.
- Recovery Startup Businesses can still claim credit through December 31, 2021.
 - Began operations after February 15, 2020, and
 - Average annual gross receipts of \$1 million or less, per §448(c)(3).

Build Back Better Framework

- Initial cost of \$3.5 trillion, can't agree on a cost
- Biden offered up a “Framework” for people without actual verbiage in a bill.
- Still in negotiation within House and Senate.
- House passed a version in November.



PROPOSED LEGISLATION – BUILD BACK BETTER HOUSE VERSION INCLUDES:



\$200 billion
Expanded child tax credit



\$165 billion
Health-care coverage



\$400 billion
Universal Pre-K



\$150 billion
Affordable housing



\$555 billion
Climate investments



\$150 billion
Affordable homecare

\$200 billion
For 4 weeks paid leave



“I believe Joe [Manchin] will be there”



Manchin said it would take “quite a while” to get a deal. “I’ve said, we can get it done before Thanksgiving. We’re going to get something done.”



Democrats regrouping after Terry McAuliffe (D) loses to Glenn Youngkin (R) in the election for Virginia Governor.

INDIVIDUALS



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CURRENT RATES – INDIVIDUALS*

Individual Rates

Ordinary Tax Rates - 2021	
Tax Rate	Income
10%	\$0 - 19,900
12%	\$19,901 - \$81,050
22%	\$81,051 - \$172,750
24%	\$172,751 - \$329,850
32%	\$329,851 - \$418,850
35%	\$418,851 - \$628,300
37%	Over \$628,300

Proposed Tax Surcharge – Individuals

- 5% tax surcharge on modified adjusted gross income(MAGI) exceeding \$10 million.
- 3% additional tax surcharge on MAGI exceeding \$25 million



BUILD BACK BETTER ACT (BBBA) *PENDING LEGISLATION*

- Extend the American Rescue Plan Act (ARPA) Child Tax Credit (CTC) through 2022, and make the entire CTC fully refundable on a permanent basis
- Extend the ARPA's temporary expansion of the Earned Income Tax Credit eligibility

BUILD BACK BETTER ACT (BBBA) *PENDING LEGISLATION*

State and Local Tax (SALT) Cap

- TCJA
 - \$10,000 Cap
 - Expires 12/31/2025
- BBBA
 - \$80,000 Cap (MFJ) – Years 2021-2030
 - \$10,000 Cap - Year 2031

CHARITABLE CONTRIBUTION PLANNING

For 2021, individual taxpayers may deduct charitable contributions of up to 100% of their adjusted gross income (AGI).

- Must be cash contributions.
- Paid directly to a 50% charity
- Payments to Donor Advised Funds are not eligible
- Payments to “supporting organizations” are not eligible
 - For example: Private Foundations



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INDIVIDUAL TAX PLANNING TIP: CONVERTING 401(K) OR IRA TO A ROTH IRA



- Reasons to Consider:
 - There is no required minimum distribution (RMD) with a Roth IRA
 - Withdraw money at anytime once you reach the age of 59 ½ without suffering a penalty
 - Donate to charity tax free using a qualified charitable distribution
 - Negative – you have to pay tax on the conversion currently

Roth Conversion Limitation

- Conversions of traditional IRA or other retirement accounts into a Roth account would be prohibited for taxpayers if:
 - Taxable income exceeds:
 - \$450,000 MFJ -or- \$400,000 Single
- Effective for tax years after 12/31/2031



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Backdoor Roth Conversion

- Non-deductible contributions to Traditional IRAs (and specified retirement plans) would be prohibited from being converted to a Roth IRA.
- Effective for tax years after 12/31/2021

Retirement Accounts

- Taxpayers would be prohibited from making further contributions to their retirement accounts – IRA, Roth IRA, and certain defined contribution plans if:
 - Taxable income exceeds:
 - \$450,000 MFJ -or- \$400,000 Single
 - Aggregate value of retirement accounts exceeds \$10 million
- Significant distributions would be required for taxpayers with retirement assets exceeding \$10 million.
- Effective for tax years after 12/31/2028

Tax Surcharge – Trusts and Estates

- 5% tax surcharge on modified adjusted gross income(MAGI) exceeding \$200,000.
- 3% additional tax surcharge on MAGI, exceeding \$500,000

- Estate & gift tax lifetime exclusion:
 - 2021 - \$11,700,000
 - 2022 - \$12,060,000
 - Amount will be indexed for inflation each year through 2025
 - Estate & gift tax exemption is scheduled to revert back to 2017 amounts after December 31, 2025.
- Estate planning is still very important for administration of estate upon death.
- Annual exclusion amount for purposes of gifting
 - 2021 - \$15,000
 - 2022 - \$16,000

Transfers During Lifetime

- Valuation Discounts
 - Lack of Marketability
 - Lack of Control
- Transfer by Gift
- Transfer by Sale
- Assets Grow Outside of your Estate
- Maintain Control of your business
 - Gift non-voting stock
 - Utilize trusts to hold stock



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BUSINESSES



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Corporate Minimum Tax - Large Corporations

- A new minimum tax of 15% on financial statement profits
 - Would apply to corporations with:
 - 3-Year average annual income >\$1 Billion
- Effective Years beginning after 12/31/2022

PASS-THROUGH BUSINESS TAXES

- **Net Investment Income Tax (NIIT)**

- Currently
 - Business income is subject to 3.8% NIIT if the owner is passive in the business.
- **BBBA** *PENDING LEGISLATION*
 - Active business owners will also be subject to NIIT if their modified adjusted gross income (MAGI) exceeds:
 - \$500,000 – MFJ
 - \$400,000 - Single
 - Effective for years beginning after 12/31/2021



Excess Business Losses

- Tax Cuts and Jobs Act (TCJA)
 - Imposed limit of \$250,000 (Single)/\$500,000 (MFJ) limit on business losses by noncorporate taxpayers.
 - Excess carried forward as a Net Operating Loss (NOL)
 - Limitation was set to expire at end of 2025.
- BBBA
 - Makes Excess Business Loss rules permanent.
 - Excess is carried forward as a separate Excess Business Loss (EBL) vs. NOL. (Starting with 2021).

Business Interest Expense Limitation

- Tax Cuts and Jobs Act (TCJA)
 - Limited interest expense at the entity level for most businesses (§163(j))
- BBBA
 - Shifts business expense limitation test for Partnerships and S-corporations to the owners of these entities.
 - Effective for tax years beginning after 12/31/2022.

Research & Development Expenses

- Tax Cuts and Jobs Act (TCJA)
 - Required that R&D expenses be capitalized starting in 2022.
 - Capitalized amounts would generally be amortized over 5 years.
- BBBA
 - Delays the effective date of this requirement until 2026.

Research & Development – Payroll Tax Credit

- Current law
 - Certain small startup entities can claim up to \$250,000 of research credits on their payroll tax return.
- BBBA
 - Increases the credit that can be claimed on payroll tax returns to \$500,000.
 - Effective for tax years beginning after 12/31/2021.

International Tax

- Global Intangible Low-Taxed Income (GILTI):
 - GILTI tax rate would increase from 10.5% to 15%.
 - Calculate GILTI on country-by-country basis
 - Profits in one country can no longer be offset by losses in another.
 - Deduction for assets owned by CFC reduced from 10% to 5%, which increases GILTI.
 - Utilization of foreign tax credits will be limited

SECTION 179 AND BONUS DEPRECIATION

	Limits	Qualified Property
Section 179 Maximum expense election	2021 - \$1,050,000 2022 - \$1,080,000	<ul style="list-style-type: none"> Machines and equipment Computers Office furniture and equipment ROOFS (not for bonus depr)
Phase-out threshold	\$2,620,000	
Bonus Depreciation	100% of purchases	Generally, applies to depreciable business assets with a recovery period of 20 years or less

	2021 & 2022	2023	2024	2025	2026
Bonus Depreciation	100% of all purchases	80%	60%	40%	20%



NET OPERATING LOSS UTILIZATION

Due to various tax law changes over the past 5 years, there may be limitations on how prior year NOLS can be utilized.



NOLS GENERATED ON OR BEFORE 12/31/2017

- Two-year carryback
- 20-year carryforward
- Eligible to offset 100% of taxable income

NOLS BEGINNING AFTER 12/31/2017 AND BEFORE 1/1/2021

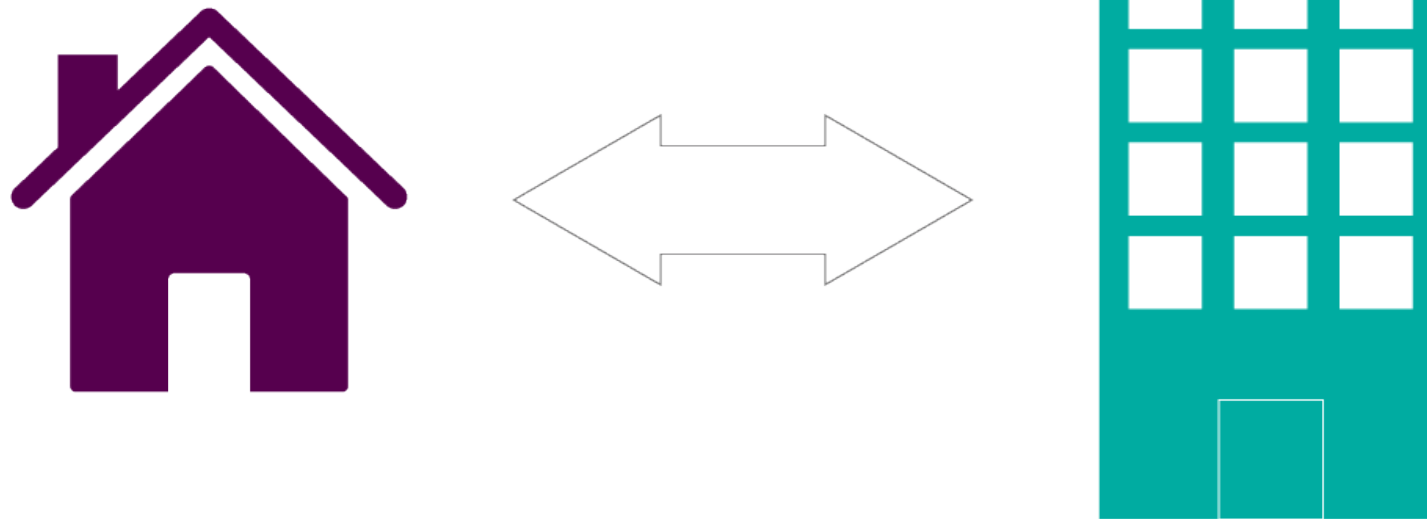
- Five-year carryback
- Indefinite carryforward
- Eligible to offset 100% of taxable income prior to 2021 and 80% of taxable income after 2020

NOLS BEGINNING ON OR AFTER 1/1/2021

- No carryback
- Indefinite carryforward
- Eligible to offset 80% of taxable income

LIKE-KIND EXCHANGES

Gain deferral for like-kind exchanges is limited to real property that is not held primarily for sale



20% QUALIFIED BUSINESS INCOME DEDUCTION

- Taxpayers may be eligible to receive a 20% deduction of **Qualified Business Income (QBI)** from a domestic business operated as a:
 - Sole-proprietorship
 - Partnership
 - S-Corporation
 - Trust
 - Estate
- QBI deduction can be taken by Individuals and by some trusts and estates.
- C corporations are not eligible to take this deduction.
- QBI is Temporary – Deduction expires 12/31/2025



What is **NOT** Currently Included in the BBBA

- Flat corporate tax rate of 28%, as initially proposed.
- Increasing top individual tax rate back to 39.6%
- Increasing long-term capital gains rates.
- Revisions to the Qualified Business Income Exclusion.
- Changes to the Like-Kind Exchange rules.
- No early reduction in Gift or Estate Tax Exemption
- Elimination of valuation discounts for nonbusiness assets
- Changes to treatment of grantor trusts rules

TAX PLANNING TIPS IN GENERAL

- The golden tax rule is “Defer, Defer, Defer” (USUALLY)
- With what is being proposed, tax rates will go up for some. May want to accelerate income to pay at a lower rate
- Discussing with your trusted business advisor is crucial



TAX PLANNING FOR CONTRACTORS

- Review your WIP schedule closely at year
 - Many project managers like to “sandbag” and are more conservative and jobs finish with gain at the end.
 - Some project managers like to get results throughout the year and at the end jobs result with “gain fade”
- Assess whether your company qualifies for the Cash Basis Method
 - The best method to defer income allowed to contractors
 - 3 year tax revenue average now \$26,000,000
- Maximize Bonus Depreciation and Section 179 to get the biggest deduction
- WIP percentage of completion planning

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