



# Tax Planning for The Evolving Economy

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# Learning objectives



- ▲ Provide an overview of upcoming tax changes and planning opportunities as a result of the Inflation Reduction Act and expiring/changing tax provisions from previously enacted law.
- ▲ Discuss emerging issues with respect to remote employees and the tax compliance challenges and planning opportunities of having a remote workforce.

# Polling question #1



# Changes we knew were coming

Effective for tax years beginning January 1, 2022

- ▲ Mandatory capitalization of research and experimental costs (R&E):
  - Eliminates the ability to utilize immediate deduction as allowed through 2021
  - Amortize over 5 years; foreign sourced R&E costs over 15 years
- ▲ Sunset of bonus depreciation deduction
  - 2022 – 100% deduction for qualified property
  - 2023 – 80%
  - 2024 – 60%, continue 20% decrease until 0% deduction for qualified property in 2027



# Changes we knew were coming

- ▲ Section 163(j) business interest expense limitation
  - Change in computing alternate taxable income for taxpayers subject to 163(j) limitations
  - Removal of previous addback allowed for depreciation, amortization and depletion
  - Opportunities to plan for this
- ▲ Impact of Adopting New Lease Standards – ASC 842
  - The adoption of the new lease standards discussed earlier this morning has tax implications
  - Tax regulations with respect to operating vs. financing leases are different than the GAAP requirements
  - Temporary book/tax differences can result in deferred tax reporting



# Changes we knew were coming

- ▲ Restaurant meals deduction
  - Temporary 100% tax deduction continues for qualifying business meals through 2022
  - Returns to 50% tax deduction for applicable business meals in 2023



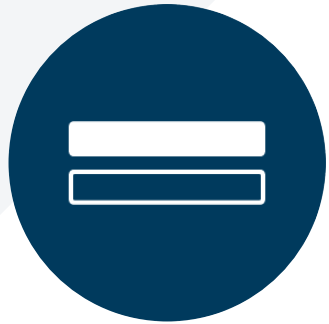


# Polling question #2



# Recent legislative updates

## Inflation Reduction Act



### Business provisions (limited scope)

- 15% corporate alternative minimum tax – applicable to corporations exceeding \$1B in adjusted financial statement income
- Excise tax on stock buybacks – 1% excise tax applies to publicly traded companies
- Credit for electricity produced from certain renewable energy sources



# Recent legislative updates

## Inflation Reduction Act



- ▲ Business provisions (larger scope)
  - Extension and modification of energy credit
  - New credit for qualified commercial clean vehicles
  - Increase to the qualified small business payroll tax credit

# Recent legislative updates

## Inflation Reduction Act



### Individual Provisions

- Extension of the premium tax credit through 2025
- Increase to the nonbusiness energy property credit
- Extension and modification of the residential clean energy credit

# Recent legislative updates

## Inflation Reduction Act

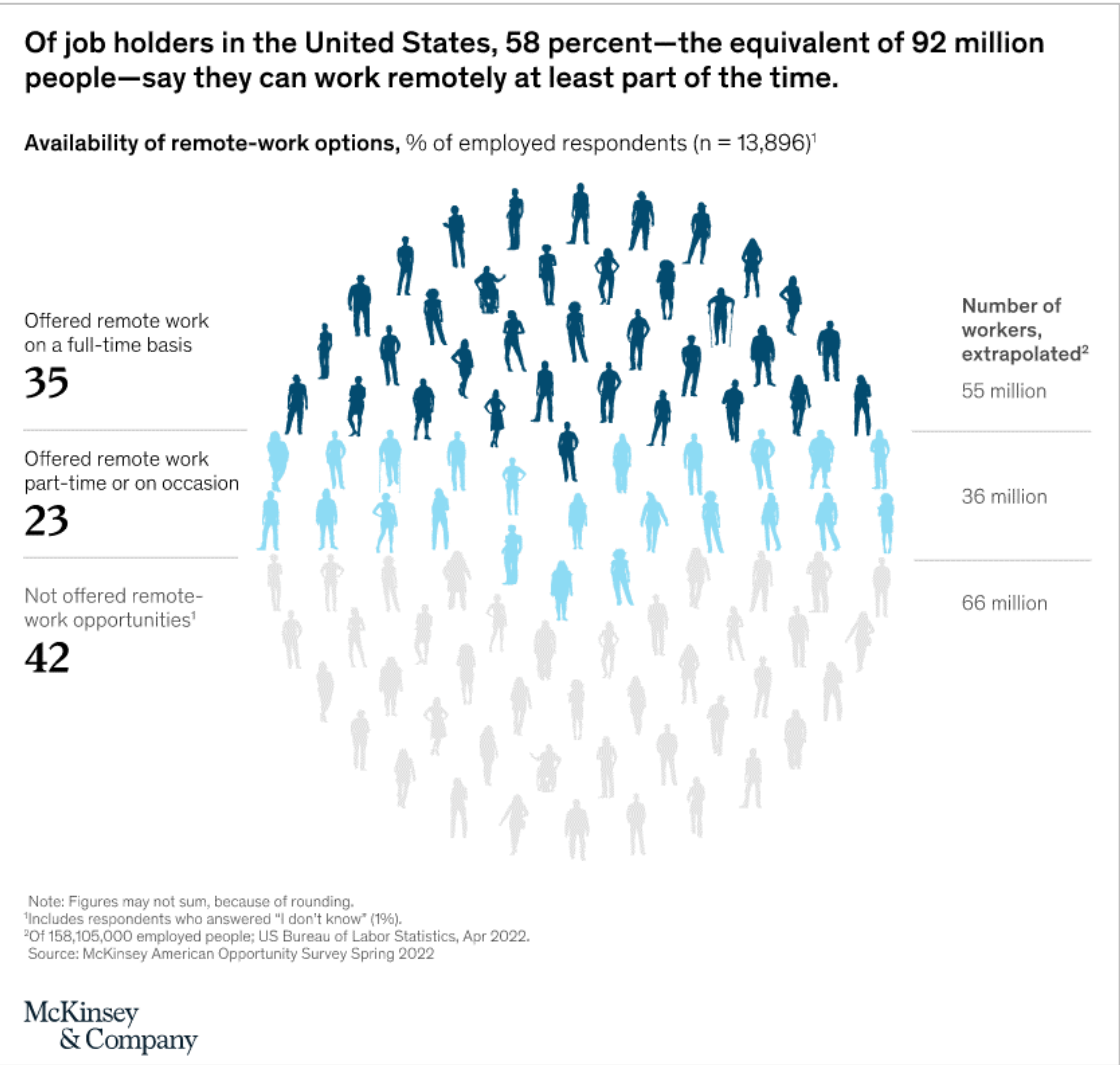
- ▲ Clean vehicle credit
  - Extension and expansion of \$7,500 tax credit for eligible new electric vehicles
  - New \$4,000 tax credit for eligible pre-owned electric vehicles
- ▲ Extension of excess business loss limitation
  - Enacted under the Tax Cuts and Jobs Act – extended through 2028



# Polling question #3



# Remote workforce and the tax implications



# Remote workforce and the tax implications

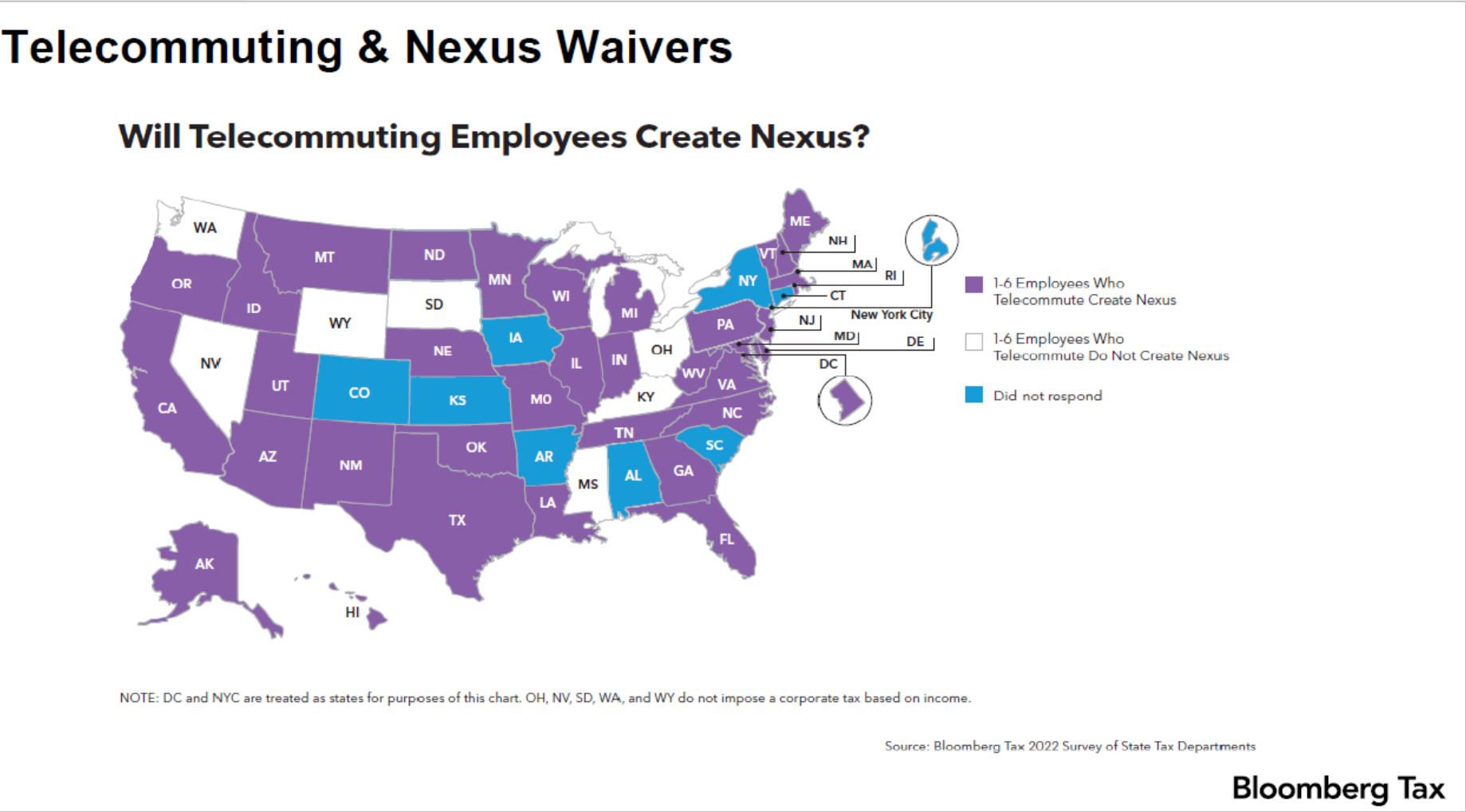
The global pandemic accelerated a pivot from traditional work arrangements

- ▲ Physical presence establishes nexus (i.e., having an employee work from within a state)
- ▲ Nexus is the relationship a business has with a state whereby the business is required to meet certain tax filing requirements
- ▲ States scrambled to issue guidance on the tax consequences of remote employees





# Remote workforce and the tax implications



A close-up, black and white photograph of a classical marble column capital, showing the fluted shaft and the ornate, tiered capital. The image is positioned on the left side of the slide.

# Remote workforce and the tax implications

## State guidance

- ▲ Experts questioned how binding the temporary guidance would be in a court of law
- ▲ Temporary guidance gave way to enacted law in some states
- ▲ Legal fights were waged over some of these regulations

# Remote workforce and the tax implications

New Hampshire v. Massachusetts

- ▲ Massachusetts passed an emergency law at the onset of the pandemic
- ▲ The temporary legislation (now expired) allowed Massachusetts to tax non-residents who had previously commuted there but were working from home during the pandemic
- ▲ The legislation taxed an estimated 103,000 New Hampshire residents that had been commuting to work in Massachusetts prior to the pandemic (no personal income tax in New Hampshire)
- ▲ This so-called “convenience rule” is law in six other states (AR, CT, DE, NE, NY, and PA)
- ▲ United States Supreme Court denied *certiorari*



# Remote workforce and the tax implications

## New Hampshire Responds

- ▲ In 2022, NH Governor signed a law prohibiting other states from taxing employees for work performed while physically located in New Hampshire
- ▲ The legislation was in direct response to the matter of New Hampshire v. Massachusetts
- ▲ The legal fights over this matter are likely to continue, particularly as more states pass laws attempting to re-establish revenues lost as a result of remote work



# Remote workforce and the tax implications

## New York Convenience of the Employer

- ▲ At the onset of the pandemic, the State of New York closed nonessential businesses for much of 2020
- ▲ In October 2020, the New York Department of Revenue issued guidance stating that if you are a non-resident whose primary office is in New York State, your days telecommuting during the pandemic are considered days worked in New York unless your employer has established a bona fide employer office at your telecommuting location
- ▲ New York's "Convenience of the Employer" law has existed for nearly two decades



# Remote workforce and the tax implications

What does this mean to you and your businesses?

- ▲ Understand having employees working remotely from other jurisdictions may create additional tax compliance obligations
- ▲ State taxation and nexus are key components of due diligence for mergers and acquisitions
- ▲ This controversial matter has created tax credit eligibility issues for multi-state taxpayers
- ▲ This is a fluid area of taxes as states continue to grapple with the changing work force environment and governments attempt to maintain revenues in the post-pandemic world





# An eye on the future

Tax Cuts and Jobs Act of 2017 provisions subject to sunset on 12/31/25

1

Qualified business  
income deduction

2

Top ordinary  
income tax rate

3

Itemized  
deduction phase  
out set to return

4

State and local tax  
deduction cap

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