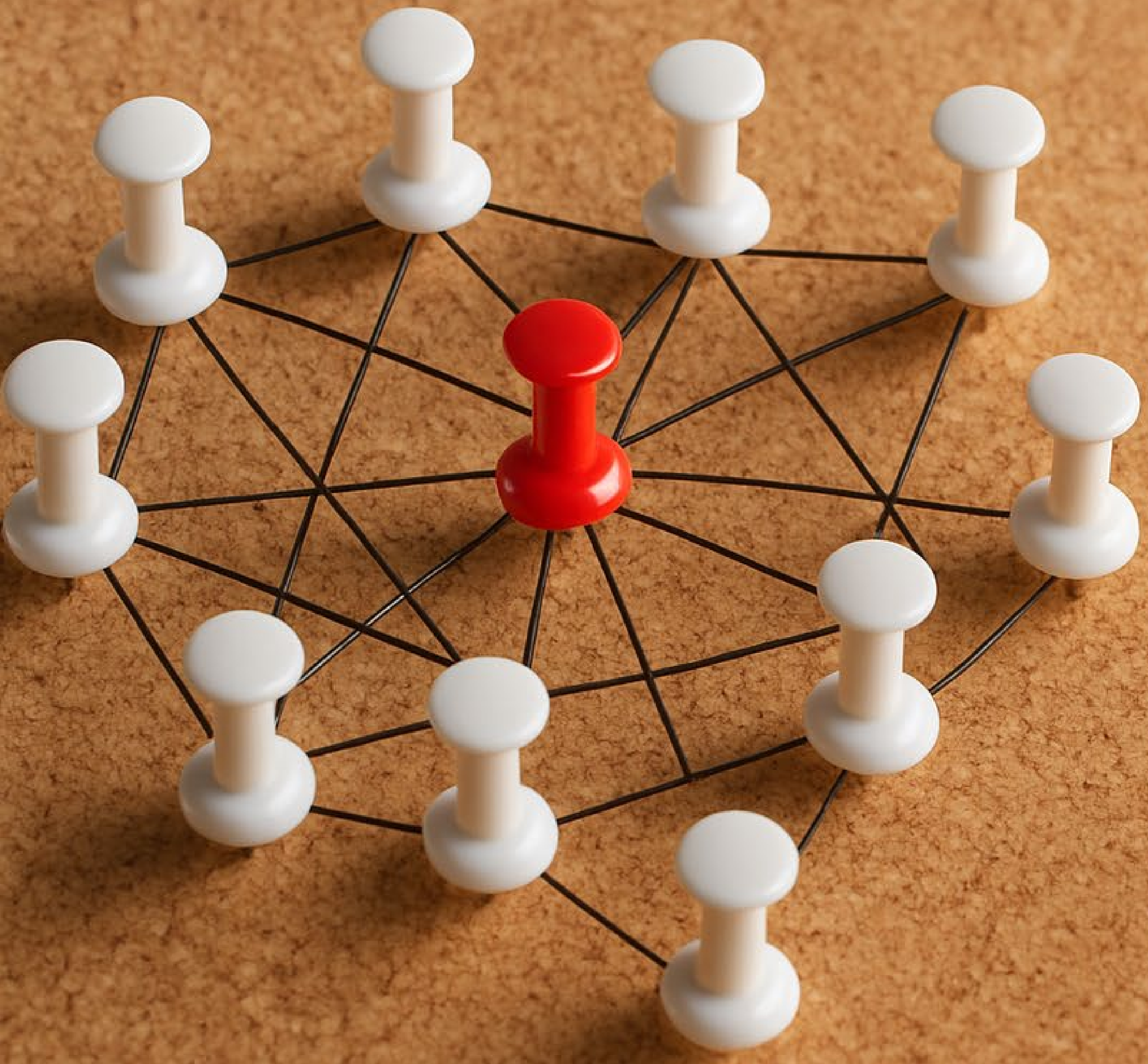
Business & Industry FALL CONFERENCE

Industry & Legislative Hot Topics

Mark Soticheck, CPA, CGMA
Chief Executive Officer

Kelly Puryear, CPA
Board Chair

Robert Broome, CAE
VP of Advocacy & Outreach



Advocacy & Outreach
Tax Changes & Challenges
Deregulation Threats

Major Trends in the Profession
AI & Technology
Private Equity & APS
Workforce & Talent

NCACPA's Strategy & Solutions

OBBBA Wins for Businesses

- SALT deduction for Pass-Through Entities
- Section 174 R&E Expenditures
- Section 163(j) Business Interest Deduction
- 100% Bonus Depreciation
- Reporting forms 1099-K, misc, and NEC
- 529 Plans Expanded for Postsecondary Credentials

- Section 199A Qualified Business Income Deduction
- Controlled Foreign Corporation (CFC) Look-Thru Rule & Downward Attribution Rule
- Paid Family Medical Leave Tax Credit Extension
- Section 461(l) Excess Business Loss Deduction
- Contingent Fees Legislation Dropped

PICK YOUR PATH TO TAX EDUCATION

DON FARMER
TAX EDUCATION

DON FARMER TAX EDUCATION

Choose from the signature 8-hour updates or dive into brand-new 2- and 4-hour hot topic sessions released throughout the year. Always relevant, always popular.

LEARN MORE >

NEW: TAX TRACK AT THE 86TH ANNUAL SYMPOSIUM

We're bringing a dedicated tax track to Symposium for the first time ever! Join us November 15-17 to explore current issues, expert insights, and future-focused tax trends.

LEARN MORE >

ONE BIG BEAUTIFUL BILL ACT

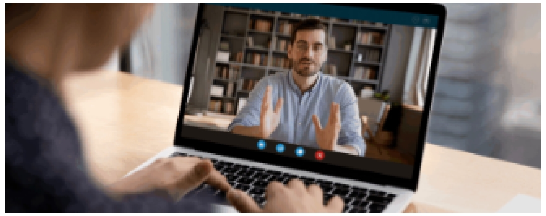
NCACPA is offering multiple dates of online education on the OBBBA designed to help you confidently advise clients, stay ahead of compliance requirements, and understand the law's far-reaching implications.

LEARN MORE >

STATE & LOCAL TAX HIGHLIGHTS

On December 3, enjoy a special virtual rebroadcast featuring a curated selection of SALT-focused sessions from Symposium—details coming soon!

LEARN MORE >



NC STATE TAX UPDATE

Catch the replay of Keith Wood, JD, CPA's Symposium update, offering an in-depth review of recent North Carolina tax developments—from notable court cases and administrative decisions to legislative, regulatory, and tax administration changes.

LEARN MORE >

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State Budget Stalemate (SB 257)

Senate

- More aggressive personal income tax rate reduction:
  - 3.49% in 2027
  - 2.99% in 2028
  - Could drop to 1.99% by 2036
- Franchise tax cap on first $5M of tax base
- Doubles tax on sports wagering from 18% to 36%

House

- Adjusts revenue triggers for inflation, potentially slowing future rate cuts
- Increases standard deduction by $500 for individuals & $1,000 for MFJ
- Reinstates back-to-school sales tax holiday in 2026
- Exempts first $5,000 in tips from state income tax

Mini Budget (HB 125)

- $2.3 billion spend over two years
- Funding for enrollment growth (K-12 & community colleges)
- $20M for more DMV offices and workers
- Construction projects
- Step raises for teachers & state employees
- Signed into law by Gov. Stein

SB 595, *Various Revenue Laws Changes*

Provisions Championed by NCACPA

- Extends interest relief through Sept. 25, 2025, for taxpayers in the counties affected by Hurricane Helene
- Conforms to BBA Centralized Partnership Audit Regime
- Eliminates income taxation of the undistributed income of estates and trusts based on the presence of a beneficiary in the State

IRC Conformity and Other Provisions

- Updates IRC reference to Jan. 1, 2025
- Various technical, clarifying, and administrative changes from NCDOR
- Creates a timber loss casualty deduction for PIT as the result of Hurricane Helene losses
- Increases penalty for filing a frivolous return

Key Sticking Point

- House version adds language from HB 187
- Expands powers of credit unions to offer additional financial services, expand fields of membership, and expand investment authorities
- Conference committee appointed

What challenges are you facing?


CPA LICENSE DEREGULATION
MOBILITY & RECIPROCITY
CONSUMER PROTECTION
INVESTOR CONFIDENCE
FINANCIAL MARKETS

What are proponents of deregulation saying?

"Licensing creates unnecessary barriers to employment."

"Licensing stifles competition and drives up costs for consumers."

"Licensing laws disproportionately hurt disadvantaged groups and violate the right to economic liberty."

"Licensing laws make it more difficult for professionals to move to a new state."

"Licensing boards are protectionist, have antitrust issues, and are mired in red tape."

"CPE is unnecessary and only serves to generate revenue for boards or professional associations."

"Boards are comprised of market participants who won't effectively discipline their colleagues."

"Markets can serve as regulators. If a business provides poor quality service, the market will discipline the provider."

"Yelp can provide better assessments of quality than licensing laws."

Threats to Professional Licensure

Sunrise/Sunset Review Requirements — Requires stringent justification for creating or continuing licensing boards

CPE Reduction/Elimination — Rolls back or abolishes continuing education requirements for license renewal

Universal License Recognition — Allows licensees in one state to practice in another without redundant requirements

Right to Earn a Living Act — Licensing becomes regulation of last resort; limits licensing to professions necessary to protect public health, safety, or welfare; places burden on the state to justify license necessity

Occupational Licensing Consumer Choice Act — Allows individuals to practice a profession without a license, provided they disclose that fact to consumers


AI
Total Spending € 4,923.87
Savings € 407.52
Foregone Savings € 167.75

AI in Accounting & Finance – Ethics & Trust

- Governance
- Assurance Opportunities
- Ethics

AI in Accounting & Finance – Use Cases

Audit	Tax	CAS	Corporate Finance
• Test 100% of transactions instead of samples • **Identify anomalies** • Enhance risk assessment and documentation	• Accelerate **tax planning**, analyze large datasets • AI agents to assist in workflow • Research/source federal and statutory tax code, letters, rulings	• "Digital worker" reconciling investments, flag anomalies • Forecast cash flow **scenarios and model pricing impacts**	• Automated forecasting & Budgeting • **Scenario modeling** • Cash flow & working capital optimization • Risk Management & Fraud Detection • M&A Due Diligence Acceleration


I DONT CARE WHO YOU ARE, OR
HOW BAD YOUR VENDOR RISK ASSESMENT IS
I WILL FIND YOU
AND I WILL AUDIT YOU.
imgflip.com

Cybersecurity

- IRS Cybersecurity Policies
- Rising threat in CAS and outsourced CFO services
- Real Life Story

Outsourced Accounting Firm Breach (2023/2024)

- **What Happened:** Ransomware attack of mid-sized outsourcing firm (CAS, payroll, bill pay)
- **Cause:** Employee email account compromised → access to credentials
- **Impact:**
  - 200+ small business clients lost access to accounting records
  - Payroll delays triggered penalties and employee dissatisfaction
  - Massive notification of affected parties across state lines
- **Outcome:**
  - $350K in remediation costs
  - Loss of several long-term clients
  - Intensive post-incident training and protocols implemented

CAS providers are attractive targets…

1 breach → access to multiple client financial systems


CHANGE
AHEAD

CPA/OCFO Firm Transformations:
Private Equity, ESOPs, Wealth Management, & Global Firms

TRANSFORMATION ARCHETYPE		
"The Mother Ship"	• *Private Equity:* A Top 25 CPA firm sells a majority stake (~50-70%) of the business to PE • *Private Capital:* A Top 25 CPA firm sells a minority stake and retains decision-making	bakertilly H&F SIKICH. BainCapital armani
"The Roll-Up"	• Acquisitions by a platform (often PE-owned) of smaller, typically regional, players (~$10-100M) • Bolt-on assets are consolidated into the platform to achieve multiple arbitrage at exit	ALPINE HARRIS springline TRINITY HUNT COUNT
"Wealth Management"	• The sale of a CPA firm's Wealth Management business to PE to raise capital to drive growth while preserving firm independence	Choreo RSM BDO CREATIVE PLANNING SEQUOIA
"Ownership Transition"	• *ESOP:* Ownership transfer to employees to retain independence and create tax advantages • *International Networks:* A multi-firm structure to pool resources to expand coverage	BDO forvis mazars
"Megamergers"	• The merger of multiple Top 25 CPA firms of similar sizes, enabling instant scale	CBIZ MARCUM
"The Carve Out"	• The sale of divisions or subsidiaries to reward shareholders and invest profits back in growth	Crowe TPG RSM
"Non-PE-Owned CPA"	• A less frequent option used by CPA firms, the sale of CPA firms to wealth managers or other buyers to reduce downside risk in the buyers' core business	CREATIVE PLANNING

PA/OCFO Firm Transformations:

ivate Equity, ESOPs, Wealth Management, & Global Firms

/OCFO FIRM PLATFORMS

Grant Thornton	NMC
bakertilly	H&F
EisnerAmper	TowerBrook
CitrinCooperman	NMC
armanino	Further Global
Cherry Bekaert	Parthenon Capital
Aprio	Charlesbank
SIKICH	BainCapital
schellman	LIGHTYEAR CAPITAL
SMITH+HOWARD	BROAD SKY PARTNERS
Prosperity	UNITY
Cohen & Co	LOVELL MINNICK PARTNERS
illiamsMarston	KELSO
CRI	Centerbridge
O'Connor Davies	INVESTCORP
STOUT	Audax Private Equity
pwc	
AlixPartners	INVESTCORP
KROLL	Stone Point Capital
CFGI	CVC Capital Partners
ACCORDION	Charlesbank
DoerenMayhew	Audax Private Equity
ATA	Copley | Equity | Partners
Ryan	Ares, ONEX

PE ROLL-UP OF CPA FIRM DEALS

Ascend	ALPINE
Aistr	
Crete Professionals Alliance	
DFW Capital Partners	HARRIS
Trinity Hunt Partners	springline
F3 Families for Families	
TPG	
COUNT	
Platform	Seneca Financial Partners
Archer Lewis	STOICLANE

CPA-OWNED WEALTH MGM

RSM	Chore
BDO	Chore
Cherry Bekaert	Chore
SEQUOIA	EideBa
Warren Averett	Wealth
WIPFLI	Cre Pla
ML&R	Cre Pla

CPA FIRM OWNERSHIP/STR CHANGES

BDO	Adopts ESOP Model
GRASSI	Adopts ESOP Model

WEALTH MGMT-OWNED

bergankdv	Creative Planning

CPA DIVISION/SUBSIDIARY SALES

Crowe	TPG
Consulting	Investcorp, Renovus

CPA FIRM MEGAMERGERS

CBIZ	MARCUM
BKD	

Private Equity in North Carolina…

NC Firm	PE Involvement / Platform Deal	Effective/ Announcement Date
BGW	Joined **Ascend**, a PE-backed platform led by Alpine Investors	July 2025
Williams Overman Pierce	Joined **Sorren**, a PE-supported network backed by DFW Capital Partners	July 2025
Elliott Davis	Received PE investment from **Flexpoint Ford** and adopted alternative practice structure	June 2025
Hughes Pittman & Gupton	Combined with **EisnerAmper** (strategic combination, adding NC presence)	May 2024
Blackman & Sloop	Joined **Ascend**, a PE-backed platform led by Alpine Investors	May 2024
Coleman Huntoon & Brown	Acquired by **Citrin Cooperman** (PE-backed), expanding their presence in NC	January 2024
Cherry Bekaert LLP	**Parthenon Capital** invested in its advisory arm, forming a separate non-attest LLC	June 2022

Traditional M&A in North Carolina…

NC Firm	PE Involvement / Platform Deal	Effective/ Announcement Date
DMJPS PLLC + Potter & Company	Merger expanding firm's NC footprint	July 2025
Prager Metis + Goldsmith Molis & Gray	Merger expanding presence in Asheville/Hendersonville	January 2024
McConnell Jones (Houston) + Thomas & Gibbs (Durham)	Acquisition of Durham firm into larger national firm	June 2023
Smith Leonard PLLC + Whisnant & Company LLP (Hickory)	Acquisition expanding regional footprint	January 2023
PBMares LLP + RSM US LLP (Wilmington office)	Acquisition of RSM's Wilmington location	December 2022
DMJ & Co., PLLC + Johnson Price Sprinkle PA → DMJPS PLLC	Merger creating statewide presence (mountains to coast)	June 2022


TALENT

Accounting Workforce Development Act

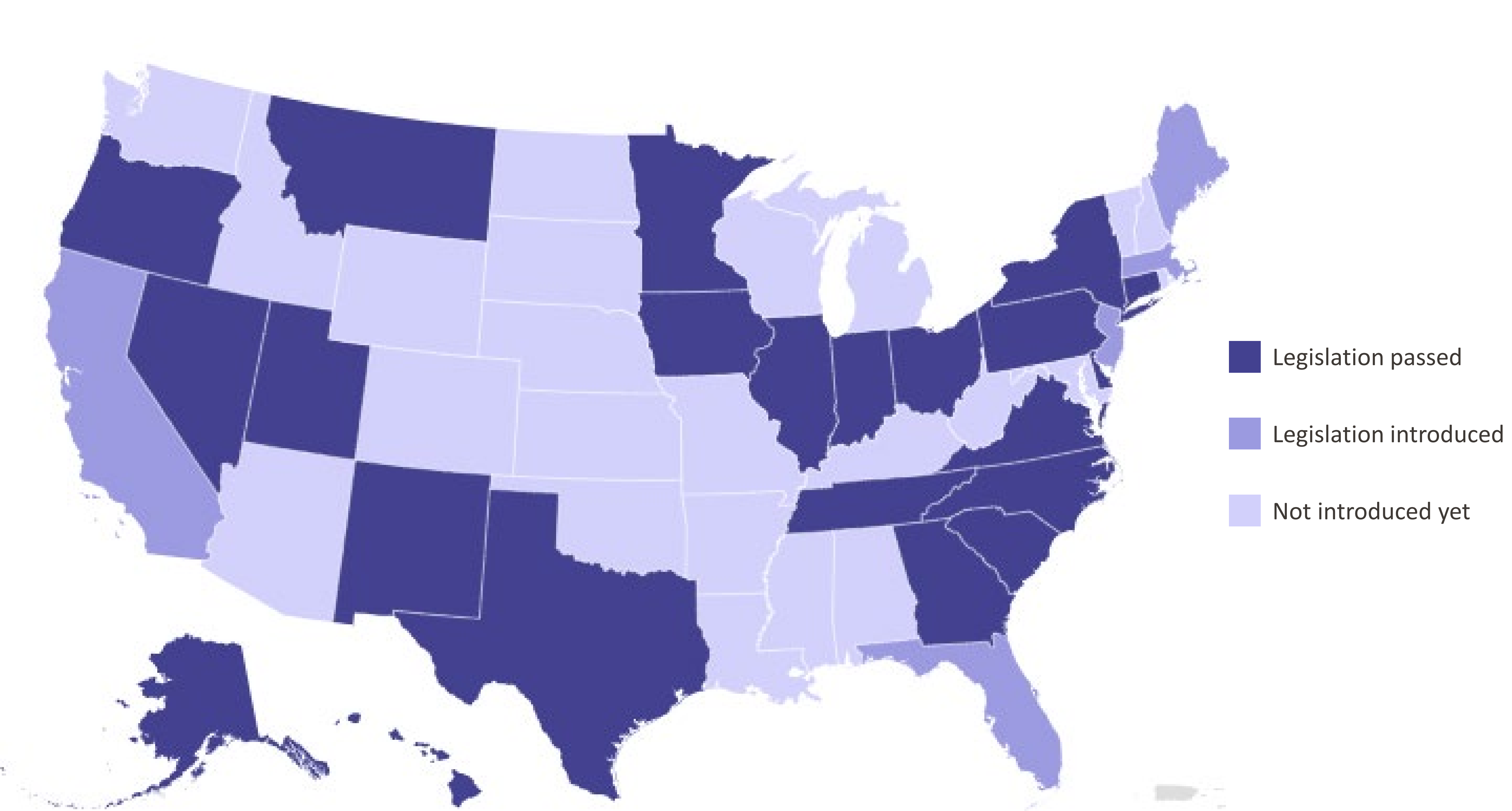
FILED ✓

PASSED BY SENATE ✓

PASSED BY HOUSE ✓

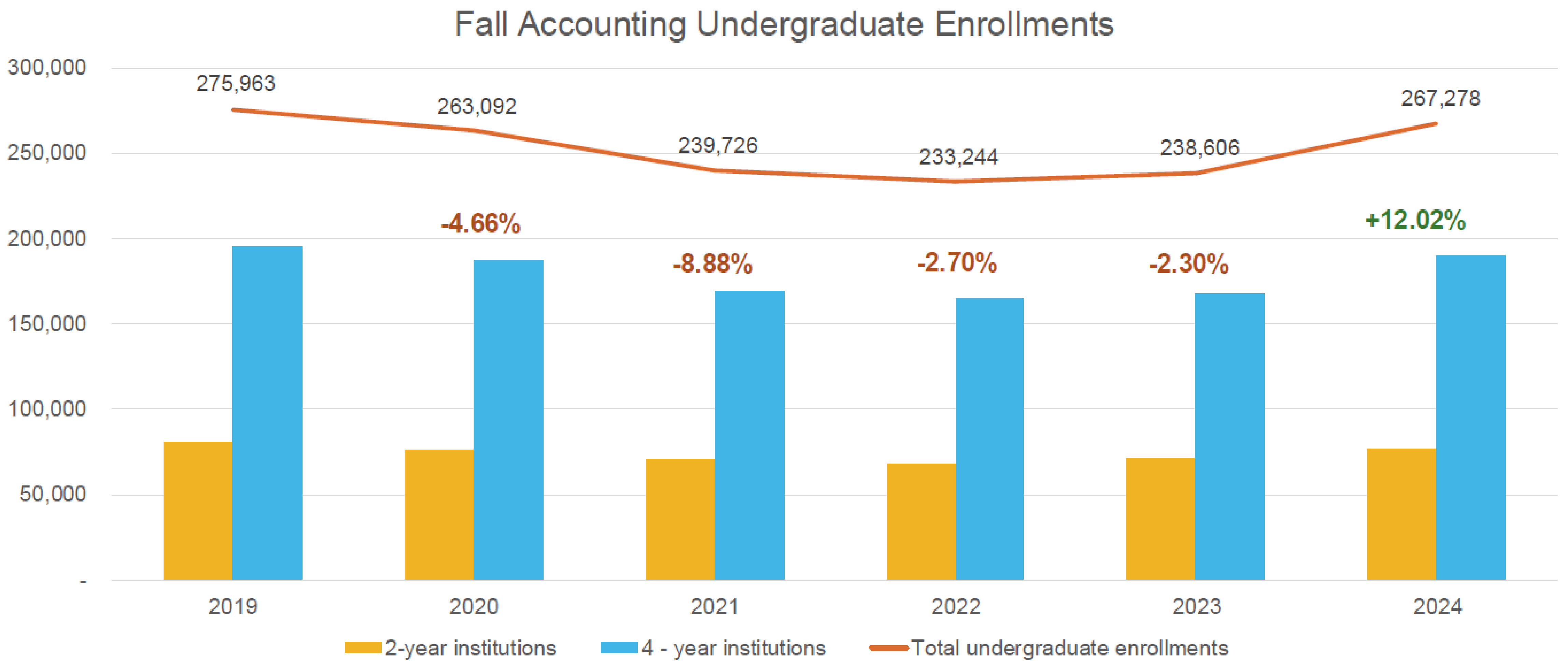
SIGNED BY GOVERNOR ✓

- ✓ Bachelor’s degree
- ✓ 2 years of experience
- ✓ Pass the CPA Exam



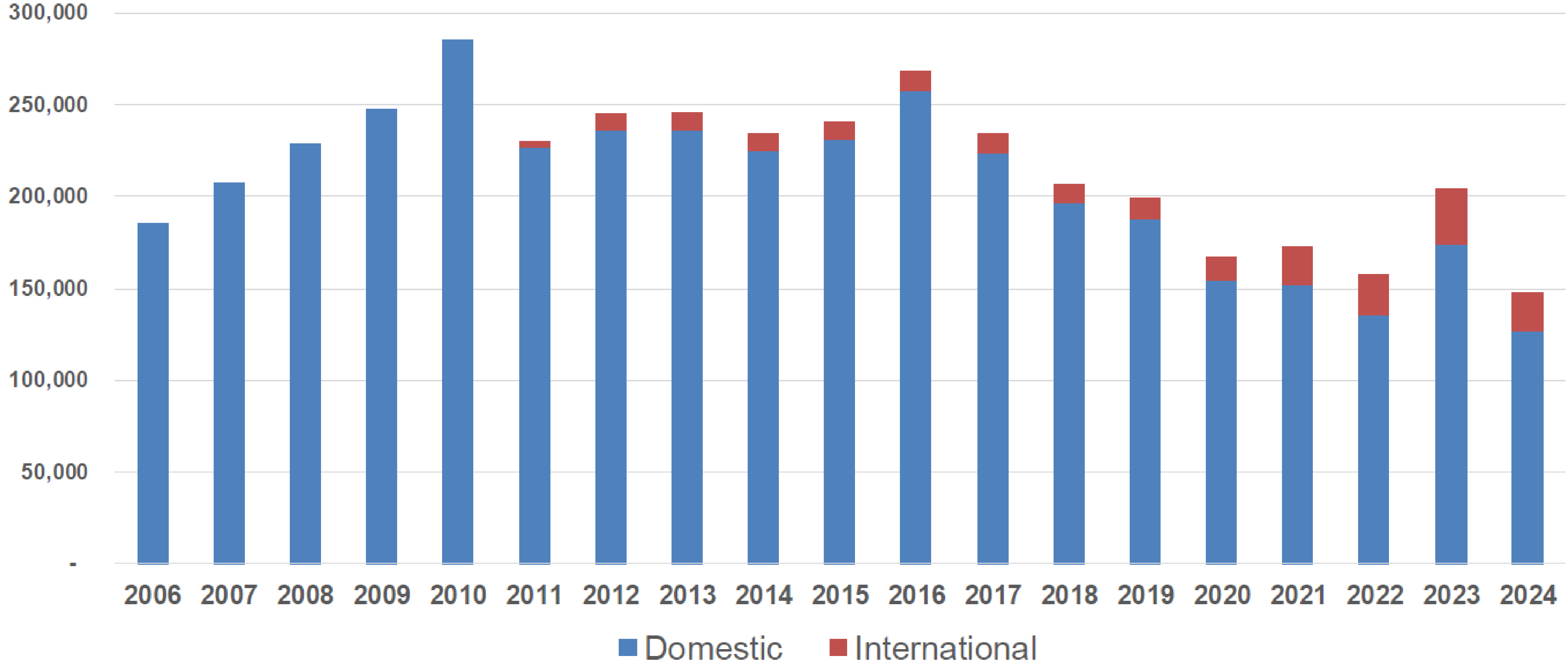
Source: *CFO Dive*

Accounting Enrollments Are Up! However…



https://nscresearchcenter.org/current-term-enrollment-estimates/

2024 Annual Global Test Section Volumes



2024 CPA Exam Pass Rates

	24Q1	24Q2	24Q3	24Q4	Cumulative	25Q1*
AUD	45%	47%	48%	44%	46%	43%
FAR	42%	41%	40%	37%	40%	41%
REG	63%	63%	63%	61%	63%	61%
BAR	43%	40%	40%	34%	38%	38%
ISC	51%	58%	62%	56%	58%	61%
TCP	82%	76%	73%	72%	74%	75%

- The pass rates are for the first year of testing under the Core and Discipline model
- Will likely change over time given changing candidate populations and their preparedness to sit for Exam sections

*25Q1 Core is incomplete; Disciplines are final.

IN DECEMBER 2024, THE FOUNDATION AWARDED

$155,000

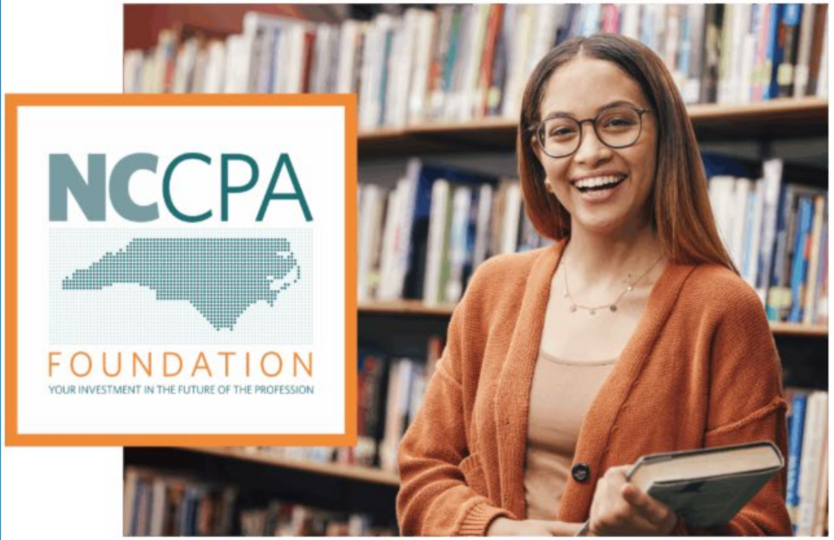
WORTH OF SCHOLARSHIPS

77 STUDENTS

31 SCHOOLS ACROSS NORTH CAROLINA

NCCPA FOUNDATION

YOUR INVESTMENT IN THE FUR URE OF OUR PROFESSION



NOW ACCEPTING 2025 SCHOLARSHIP APPLICATIONS

- Applications are open August 15 – October 24, 2025
- Awards range from $1,500 to $2,500.
- Winners will be announced by December 10, and funds disbursed by December 16.

APPLY NOW

SUPPORT THE FOUNDATION TODAY!

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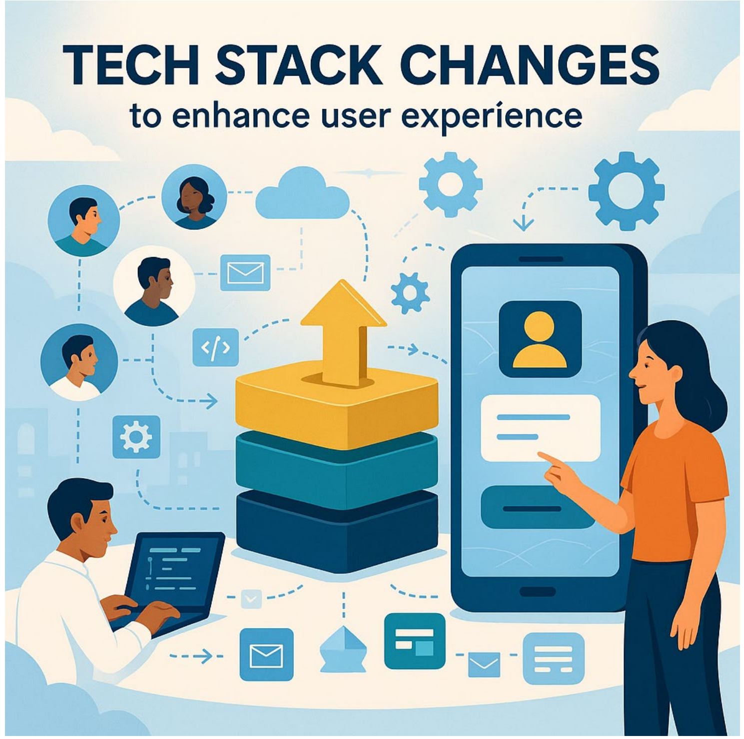
Strategic Areas of Focus 2025-2026



What challenges are you facing?

Box Office Showdown

🎬 The Accountant (2016)

- Budget: $44M
- Worldwide Gross: $155.2M

🎬 The Accountant 2 (2025)

- Budget: $80M
- Worldwide Gross: $103.2M

Q&A

Thank You!