



# Business Learning Institute

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# LLCs and S Corp for Financial Planning

## **Instructor**

Arthur Werner

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## **PRESENTED TO**

North Carolina Association of CPAs

In-person (Greensboro, NC)

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## Arthur Werner, J.D., MST

Arthur Joseph Werner, JD, MS (Taxation), is the president and is a shareholder in the lecture firm of Werner-Rocca Seminars, Ltd. Mr. Werner's lecture topic specialties include business, tax, financial and estate planning for high net worth individuals.

In addition, Mr. Werner is an adjunct professor of taxation in the Master of Science in Taxation program at the Philadelphia University.

Mr. Werner received his B.S. in Accounting and his M.S. in Taxation from Widener University. He holds a J.D. in Law from the Delaware Law School.

Mr. Werner lectures extensively in the areas of Estate Planning, Financial Planning, and Estate and Gift Taxation to Certified Public Accountants and Financial Planners, and has presented well in excess of 2500 eight-hour seminars over the past twenty-five years as well as numerous webinars and video presentations. Mr. Werner has been rated as having the highest speaker knowledge in his home state of Pennsylvania by the Pennsylvania Institute of Certified Public Accountants, was awarded the AICPA Outstanding Discussion Leader Award in the State of Nevada, the Florida Institute of CPAs Outstanding Discussion Leader Award, and the South Carolina Association of CPAs Outstanding Discussion Leader Award.



## ADDITIONAL MATERIALS FOR YOUR STAFF

**Pam Devine, Customized Learning Manager**

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- 1040 Training for New Tax Staff
- A Practical Guide to Trusts
- A Practitioner's Guide to IRAs and Qualified Retirement Plans
- A Practitioner's Guide to LLCs and S Corporations
- A Tax Practitioner's Guide to Compensation Planning
- Applying Integrated Estate, Financial, and Asset Protection Planning Techniques
- Asset Protection Strategies
- Business Communications Skills
- Business Income Tax Update
- Choice of Business Entity
- Creative Strategies for Buying, Selling, or Gifting a Business
- Estate and Financial Planning for Generations X and Y
- Estate and Financial Planning for the Older Client
- Estate and Financial Planning for the Soon Retiring Baby Boomer Client
- Estate Documents Workshop
- Estate Planning – Beyond the Basics
- Estate Planning – Business Issues
- Estate Planning – Leveling the Playing Field
- Estate Planning – Local Issues
- Estate Planning for 2019 and Beyond
- Estate Planning Update
- Federal Income Tax Update
- Federal Income Taxation of Estates and Trusts Update
- Federal Tax Update
- Financial and Estate Planning Techniques of Charitable Giving
- Financial Planning Concepts and Techniques – Beyond the Basics
- Fringe Benefit Planning for 2019 and Beyond
- Integrated Estate, Financial, and Asset Protection Planning – A Breakthrough Approach
- Making the Best of Bad Situations
- Mergers and Acquisitions – Complete Guide to Relevant Issues
- Navigating the Tax Cuts and Jobs Act – Law and Planning Issues
- Navigating Your Client Through the Maze of the Affordable Care Act
- Postmortem Estate Planning
- Real Estate Acquisition Financing and Management
- SIMULCAST: MACPA's 1040 Fast Track
- Strategic Tax Planning
- Strategies and Tax Tips for Dragging Your Children into Financial Independence
- The 1040 Fast Track – A Comprehensive Individual Tax Seminar for CPAs and Their Staff
- The Best Estate and Financial Planning Topics of 2019
- The Complete Guide to Connecticut Death Taxation
- The Complete Guide to Delaware Death Taxation
- The Complete Guide to Estate Administrations
- The Complete Guide to Hawaii Death Taxation
- The Complete Guide to Illinois Death Taxation
- The Complete Guide to Iowa Death Taxation
- The Complete Guide to Kentucky Death Taxation
- The Complete Guide to Maine Death Taxation
- The Complete Guide to Maryland Death Taxation
- The Complete Guide to Massachusetts Death Taxation
- The Complete Guide to Minnesota Death Taxation
- The Complete Guide to New Jersey Death Taxation
- The Complete Guide to Oregon Death Taxation
- The Complete Guide to Preparing Forms 706 and 709
- The Complete Guide to Rhode Island Death Taxation
- The Complete Guide to the Preparation of Form 1041
- The Complete Guide to the Preparation of the Pennsylvania Inheritance Tax Return
- The Complete Guide to Vermont Death Taxation
- The Complete Guide to Washington Death Taxation
- The Psychology of Planning
- Traps and Pitfalls in Estate Planning
- Understanding the Basic Techniques of Financial Planning
- Understanding the SECURE Act and Other 2019 Tax Law Changes
- Visualized Estate Planning

# LLCS AND S CORPORATIONS FOR FINANCIAL PLANNING

Updated for OBBBA



## Today's Instructor

Arthur Joseph Werner, JD, MS (Taxation), is the president and is a shareholder in the lecture firm of Werner-Rocca Seminars, Ltd. Mr. Werner's lecture topic specialties include business, tax, financial and estate planning for high-net-worth individuals.

Art received his B.S. in Accounting and his M.S. in Taxation from Widener University. He holds a J.D. in Law from the Delaware Law School.

Art lectures extensively in the areas of Tax Planning and Compliance as well as Estate and Financial Planning, Financial Planning to CPAs, EAs, and other tax professionals, and has presented well in excess of 2500 eight-hour seminars over the past twenty-five years as well as numerous webinars and video presentations. Mr. Werner has been rated as having the highest speaker knowledge in his home state of Pennsylvania by the Pennsylvania Institute of Certified Public Accountants, was awarded the AICPA Outstanding Discussion Leader Award in the State of Nevada, the Florida Institute of CPAs Outstanding Discussion Leader Award, and the South Carolina Association of CPAs Outstanding Discussion Leader Award.



This presentation and accompanying course materials are designed to provide accurate and authoritative information as to the subject matter covered.



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This presentation and accompanying course materials does not create an attorney-client or accountant-client relationship.



If legal advice or other expert advice is required, the services of a competent professional should be sought.

## Disclaimer

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## Learning Objectives

- After completing this session, participants will be able to:
  - Identify key OBBBA provisions affecting LLCs and S corporations.
  - Apply IRC §§199A, 168(k), and 179 to optimize business deductions.
  - Analyze the impact of excess business loss limitations and carryforward rules.
  - Determine when 100% bonus depreciation and QPP rules apply.
  - Evaluate entity structure choices for tax efficiency and asset protection.
  - Compare S corporation and partnership planning techniques for high-income taxpayers.
  - Assess how the new two-step 199A process affects SSTBs.
  - Formulate strategic tax planning considerations under the updated OBBBA rules.

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The “One Big Beautiful Bill Act”!

## Legislative History

- **Official Name:** The “One Big Beautiful Bill Act”
- Budget reconciliation law passed by the 119th United States Congress containing tax and spending policies that form the core of President Donald Trump's second-term agenda.
- **Dates of Importance:**
  - **July 1, 2025:** The Senate passed the bill with a vote of 51-50, with Vice President J.D. Vance casting the tie-breaking vote.
  - **July 3, 2025:** The House passed the bill with a vote of 218-214.
  - **July 4, 2025:** President Trump signed the bill into law.



## Corporate Tax Issues

# General Summary

- **100% bonus depreciation:** The OBBBA permanently restores 100% bonus depreciation for qualifying property, eliminating the phase-down that was scheduled under previous law. This allows businesses to immediately deduct the full cost of eligible capital expenditures, such as equipment, improving liquidity and reducing taxable income.
  - **Qualified production property:** The act also includes a temporary provision for 100% expensing of "qualified production property," such as certain domestic manufacturing facilities, for property placed in service before 2031.
- **R&D expensing:** The OBBBA permanently allows immediate expensing of domestic R&D costs, reversing the requirement to amortize these expenses over five years. Foreign R&D expenses must still be amortized over 15 years.
- **Business interest deduction:** The act permanently restores a more generous limitation on the deductibility of business interest expense. The calculation of Adjusted Taxable Income (ATI) will again allow the "add-back" of depreciation and amortization, effectively increasing the deduction limit.

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# General Summary (cont.)

- **Expansion of Qualified Small Business Stock (QSBS) rules:** The OBBBA enhances the tax benefits for investors in Qualified Small Business Stock.
  - For stock issued after July 4, 2025, the act raises the gross asset threshold for the issuing corporation from \$50 million to \$75 million and increases the maximum gain exclusion to \$15 million.
  - It also introduces a tiered exclusion for shorter holding periods.
- **Corporate charitable contributions:** Beginning in 2026, corporations can only deduct charitable contributions that exceed 1% of their taxable income, though the 10% maximum deduction limit remains. Disallowed deductions can be carried forward for five years.
- **Meal expense deductions:** Starting in 2026, 100% of the deduction for certain employer-provided meals will be disallowed.
  - This applies to meals provided for the convenience of the employer, such as in company cafeterias.

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## IRC §199A

- **IRC §199A Deduction.** The bill makes permanent the deduction for qualified business income and increases the deduction percentage.
  - The amendments will apply to taxable years starting after December 31, 2025.
  - The deduction for qualified business income is made permanent.
  - The deduction percentage remains at 20%.
  - Modification of Limitations:
    - Phase-in Range Expansion: The bill expanded the phase-in range for the deduction's limitations based on W-2 wages and qualified property. The income thresholds were increased, benefiting businesses with higher income.
    - New Two-Step Process (for high-income taxpayers): A new two-step calculation process was introduced for taxpayers exceeding the income threshold. This process modifies how the deduction is calculated, particularly for specified service trades or businesses (SSTBs), potentially allowing for a deduction for SSTB income even for higher-income taxpayers where none was previously available.

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# IRC §199A (cont.)

- **IRC §199A Deduction (cont.).**

- **Inflation Adjustment:** The income thresholds for the limitations will be indexed for inflation starting after 2025.
- **Business Development Company (BDC) Income:** The deduction was expanded to include certain interest dividends from BDCs, making them a more attractive investment option.

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# Bonus Depreciation

- **IRC §168(k) Bonus Depreciation.**

- **Permanent Restoration of 100% Bonus Depreciation:** The OBBBA permanently reinstated 100% bonus depreciation for eligible property acquired and placed in service after January 19, 2025.
- **Elimination of Phase-Down:** This eliminates the previously scheduled phase-down of bonus depreciation, which would have reduced it to 40% in 2025, 20% in 2026, and 0% in 2027.
- **Expansion of Qualified Assets:** The bill expanded the scope of qualified assets eligible for 100% expensing to include manufacturing buildings placed in service before January 1, 2031.
- **New Bonus Depreciation for Manufacturing Qualified Production Property (QPP):** Qualified production property, defined as nonresidential real property used in certain qualified production activities, also qualifies for 100% bonus depreciation through 2032.
- **Increased Certainty for Businesses:** The permanent nature of 100% bonus depreciation provides businesses, particularly real estate investors, with long-term certainty for capital expenditure planning

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# Qualified Production Property

- **IRC §168(n) Partial Structure Expensing.** The bill introduces a 100% bonus depreciation deduction for qualified production property (“QPP”).
  - QPP includes non-residential structures (such as commercial real estate) utilized as an integral part of qualified manufacturing, agricultural, chemical production, or refining of a qualified product.
  - The QPP must be placed into service in the U.S. before January 1, 2033, provided that construction begins between January 19, 2025, and January 1, 2029.
  - Note that under the bill, if QPP is disposed of at a gain the taxpayer would be required to recapture 100% of the depreciation claimed as ordinary income if the property ceases to be utilized as an integral part of the qualified production activity with 10 years of being placed in service.
  - This rate differs from the conventional real estate recapture rate of 25%.

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## IRC §179

- **IRC §179 Deduction Changes.** The bill increases the prior \$1,000,000 cost limitation of qualifying property to \$2,500,000 and increases the limitation reduction amount under Section 179(b)(2) from \$2,500,000 to \$4,000,000 million, for property placed in service in tax years beginning after December 31, 2024.
  - Thus, the bill makes it easier for small businesses to immediately deduct the cost of qualifying property.

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# Business Interest Deduction Limitation

- **IRC §163(j) Business Interest Deduction Limitation.** IRC § 163(j) was amended under the 2017 Tax Cuts and Jobs Act (“TCJA”) to reflect a new limitation on the deduction for business interest expense for certain taxpayers in tax years beginning after 2017.
  - Congress significantly restricted the ability to deduct business-related interest expense with the TCJA amendment of §163(j).
    - The revised provision limits the current deduction to 30% of adjusted taxable income (ATI) plus business interest income plus any “floor plan financing interest”.
  - The bill makes the following change: The definition of “adjusted taxable income” under section 163(j) is based on EBITDA for taxable years 2025 to 2028.
    - This is more favorable for taxpayers than EBIT under current law.

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## Excess Business Losses

- **Excess Business Losses.** The limitation on excess business losses for noncorporate taxpayers is made permanent and are carried forward to future taxable years.
  - **Permanent Limitation:** The Senate bill, unlike the original legislation, eliminates the sunset clause on the EBL limitation, making it a permanent part of the tax code.
  - **Carryforward of Disallowed Losses:** The bill modifies how disallowed excess business losses are treated. Instead of being carried forward as net operating losses (NOLs), they will be added to the current year's calculation of excess business losses. This change is retroactive to the beginning of 2025.
  - **EBL Thresholds:** The EBL limitation restricts the amount of business losses that can offset other income. For 2025, the threshold is \$313,000 for single filers and \$626,000 for married couples filing jointly, according to the IRS.
  - **Impact on Taxpayers:** This change will significantly impact individual taxpayers, particularly those with pass-through businesses (like partnerships or S-corporations).
    - The permanent limitation and the new carryforward rules could reduce the ability of many to fully deduct business losses against other income.

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# Research and Development Expenses

- **Research and Experimental Expensing (IRC §174 and §174A).** The bill suspends the current requirement to capitalize and amortize domestic-only research and experimental (“R&E”) expenditures for amounts paid or incurred after 2024 but before 2030.
  - This would mean that taxpayers could choose to:
    - (i) Immediately deduct R&E expenditures;
    - (ii) Elect to capitalize and recover such expenditures over the useful life of the research (with a minimum period of 60 months); or
    - (iii) Elect to capitalize and recover expenditures over 10 years.
  - Note that foreign R&E expenditures would continue to be amortized over 15 years.

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# C Corporation Charitable Deductions

- **C Corporation Charitable Deductions.** The bill outlines modifications to the rules governing charitable contributions made by corporations, including new limits and carryforward provisions.
  - Charitable contributions allowed as deductions are limited to amounts exceeding 1% and not exceeding 10% of taxable income.
  - Contributions not allowed in a taxable year can be carried forward to the next year, with a 5-year limit on carryforwards.
  - Special rules apply to contributions disallowed by the 1% floor, allowing carryforwards only when the 10% limit is exceeded.

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## Tax Planning Considerations

# Tax Planning Considerations

- Corporations should evaluate the effects of the OBBBA to make informed decisions about tax planning and strategy.
- **Capital expenditures:** Corporations with planned capital expenditures should be aware of the permanence of 100% bonus depreciation and the temporary incentive for "qualified production property."
  - These provisions can affect budgeting and lease-vs.-buy decisions.
- **R&D investments:** Businesses, especially in tech-intensive industries, should consider the benefits of immediate expensing for domestic R&D costs when planning future investments.
- **State tax conformity:** Because the OBBBA modifies the Internal Revenue Code, state conformity policies may shift or diverge.
  - Businesses should work with tax advisors to understand the state-level tax impact of the federal changes.

# Contact Information

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# What is the Business Learning Institute?

BLI is a training affiliate of the AICPA-CIMA. BLI's mission is to deliver competency-based courses, content and community that enhance learning and foster organizational and executive leadership.

BLI has grown into the largest provider of on-site training in the country. Pam and the Customized Learning Solutions team have grown the business in three core segments – Corporate, Firm and Government.

## The BLI Curricula

Today's business environment demands the need to gain competencies and share strategic knowledge. BLI delivers competency-based curriculum, courses, content, and community to enhance learning and grow intellectual capital for organizational and executive leadership.

These soft skills are essentially people skills – the non-technical, intangible, performance skills that determine your strengths as a leader, manager, and team member.

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### STRATEGIC MANAGEMENT

Strategic conversation reflects the dynamics between the organization and its environment. The closer the language reflects current and potential customer dynamics, the higher the company's profit potential.

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### LEADERSHIP DEVELOPMENT

Great leadership is one of the most valued of all human activities. Modern myth holds that "leaders are born not made," but leadership is a set of observable and learnable practices - it is the process people use when they bring out the best in others and themselves.

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### BUSINESS MANAGEMENT

As the business world moves at an incredible pace, keeping up is a key to success. Today's financial managers must be able to translate strategy to operational and corporate growth.

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### TECHNOLOGY AND COMPUTER SKILLS

Harness the technology you use every day to make your business life easier and allow you to work smarter.

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### PERFORMANCE MEASUREMENT MANAGEMENT

Executives and managers must effectively transform their firms or companies into high performance organizations and progressively identify and develop the appropriate core competencies and link them to their business strategies.

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### COMMUNICATION SKILLS

Many people in the business field cannot communicate effectively and, even more damaging, don't realize it. Success is not defined solely by a product line or service - it relies on relationships formed and maintained through skillful communications. Your competitors know this. Do you?

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### TECHNICAL EXPERTISE

Keeping up with technical competencies is a core business requirement for financial professionals. Staying attuned to the latest changes, updates, and regulations are necessary components to staying competitive in an ever-changing business environment.

*Please note that many programs in this catalog are available in webcast format. Contact a BLI Customized Learning consultant if you are interested in a webcast.*



# Business Learning Institute

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# Future Ready Finance: Motivating the Next Workforce

## **Instructor**

Alex Theis

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