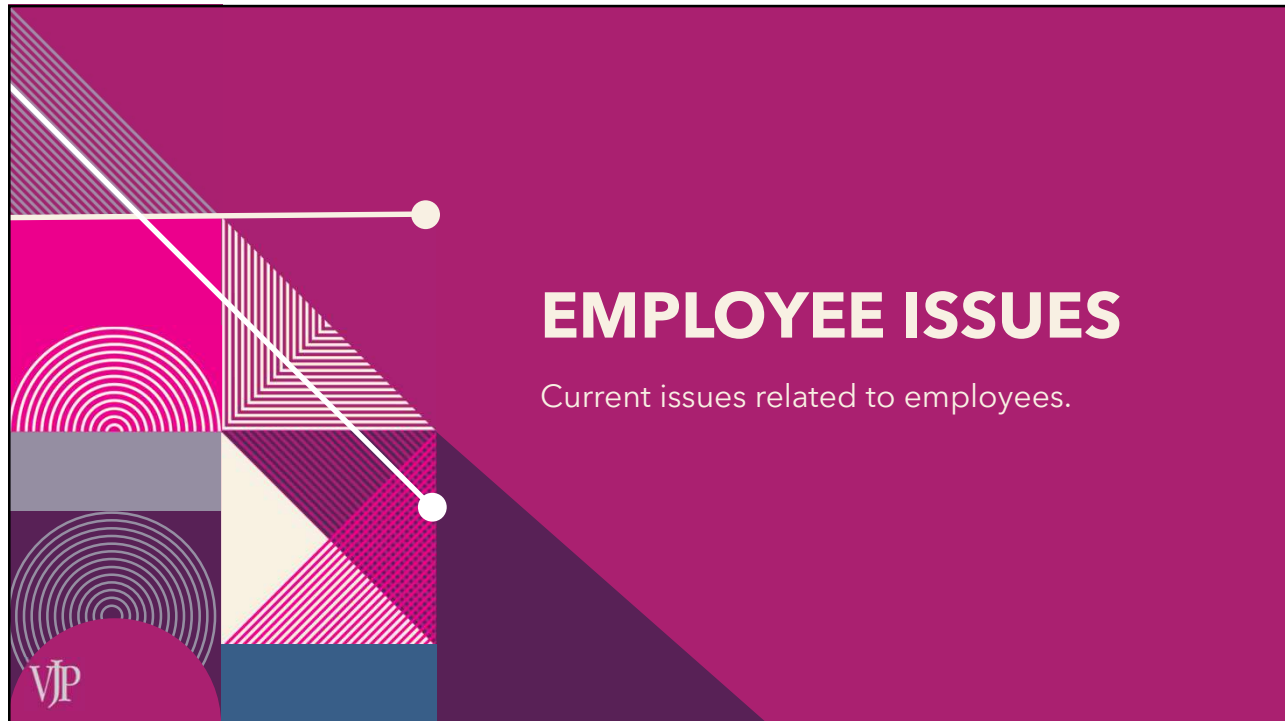


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OVERTIME PAY

- Salaried employees earning less than the minimum compensation set by DOL are entitled to overtime pay for all time worked over 40 hours each workweek.
- Overtime rate must be at least 1.5 times the regular pay rate.
- Final DOL rule issued April 2024 containing increased minimum compensation overturned 11/15/24. Lawsuits are pending and government has filed notice of appeal.

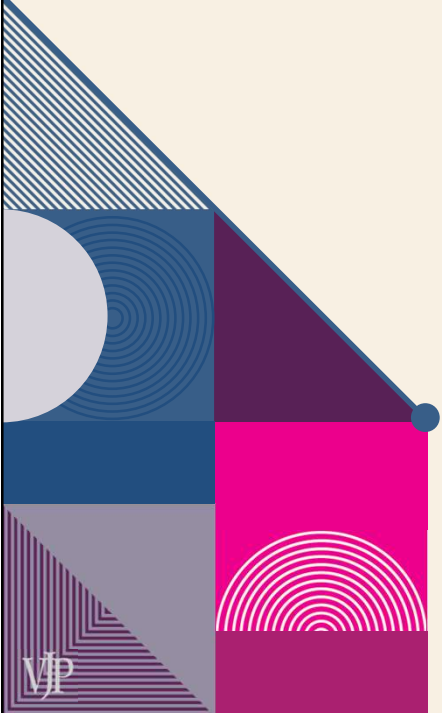
Overtime eligibility - minimum compensation:

- \$684 per week (\$35,658 annually)
- Highly compensated employees \$107,432 annually

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SHAW J. PARSE, CPA, CGMA, MBA, MS

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WORKER CLASSIFICATION - DISPUTES WITH THE IRS

Whether an employer is permitted to treat a worker as an independent contractor under the relief provided by Section 530 of the Revenue Act of 1978 depends on whether the requirements are met. If Section 530 does not apply, the employer may be eligible to pay the employment taxes at reduced rates.

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INDEPENDENT CONTRACTOR VS EMPLOYEE DISPUTES

Requirements to treat a worker as an independent contractor under Section 530

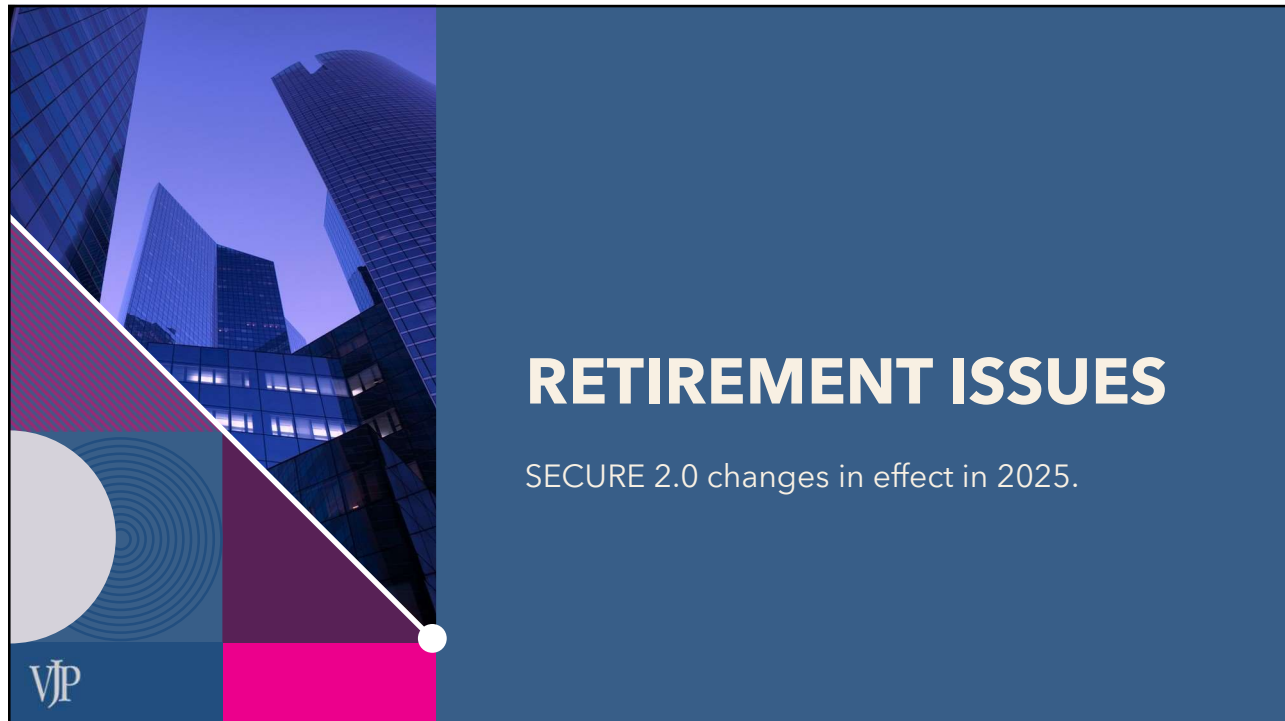
- Reporting consistency. Taxpayer must have filed all required federal tax returns, including information returns, consistent with the taxpayer treating the worker as an independent contractor; and
- Substantive consistency. Taxpayer did not treat anyone holding a substantially similar position as an employee; and
- Reasonable basis. Taxpayer had a reasonable basis for not treating the worker as an employee by relying on either judicial precedent, a prior audit, industry practice, or some other reasonable basis.

If Section 530 relief does not apply, taxpayer pays withholding = 1.5% of pay and employee Social Security = 20%

[IRS website on Section 530 relief](#)

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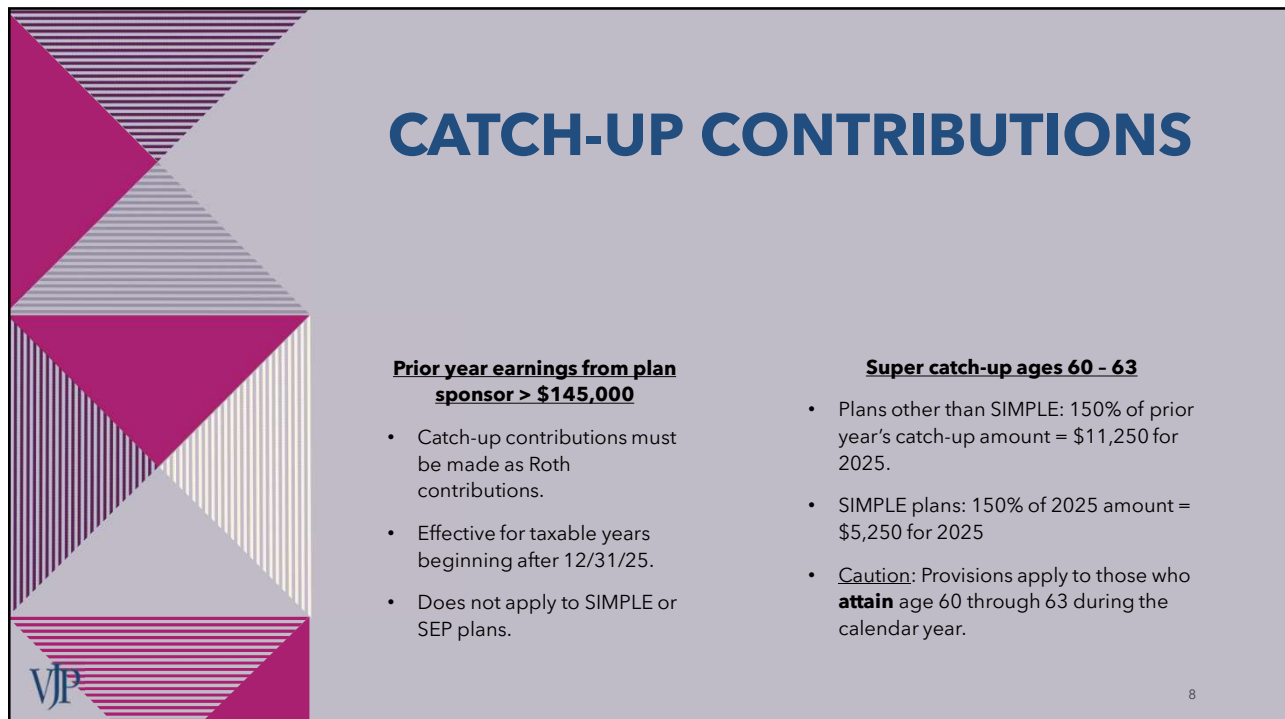


RETIREMENT ISSUES

SECURE 2.0 changes in effect in 2025.

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CATCH-UP CONTRIBUTIONS

Prior year earnings from plan sponsor > \$145,000

- Catch-up contributions must be made as Roth contributions.
- Effective for taxable years beginning after 12/31/25.
- Does not apply to SIMPLE or SEP plans.

Super catch-up ages 60 - 63

- Plans other than SIMPLE: 150% of prior year's catch-up amount = \$11,250 for 2025.
- SIMPLE plans: 150% of 2025 amount = \$5,250 for 2025
- Caution: Provisions apply to those who **attain** age 60 through 63 during the calendar year.

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AUTOMATIC ENROLLMENT

- Automatic enrollment for eligible employees is required, with initial default contribution rate of between 3% and 10%.
- If rate is less than 10%, must increase by at least 1% annually until max of 10% to 15%.
- Employees may choose a different contribution rate or may opt out of automatic enrollment.
- Effective 1/1/25.

Excluded from automatic enrollment

- SIMPLE plans, governmental and church plans
- Businesses in existence for less than 3 years
- Employers with 10 or fewer employees



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MISCELLANEOUS

BOI reporting is no longer required for domestic entities and owners. In addition, there have been changes in the 1099-K reporting threshold and how to handle ERC claims.



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1099-K REPORTING

Thresholds for reporting:

- 2025: \$2,500
- 2026 and after: \$600

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EMPLOYEE RETENTION CREDIT

Five questions and answers added to the [IRS FAQ](#) about the ERC.

- Claiming the ERC - Q7. Does the ERC affect my income tax return? Yes.
- ERC scams - Q3. How do I report fraud regarding ERC? Complete IRS form 14242 and send with supporting docs to IRS
- Income tax and ERC. This new section contains three questions.
- Q1. Should I have reduced my wage expense on my income tax return when I filed for the Employee Retention Credit (ERC)? Yes.
- Q2. I claimed the ERC but didn't reduce my wage expense on my income tax return. The ERC claim was paid in a subsequent year. What should I do? Include in income in year received.
- Q3. What can I do if my ERC claim was disallowed and I'd already reduced my wage expense on my income tax return by the amount expected? Deduct in year claim disallowance was final.

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INCOME TAX AND ERC Q2

Q2. I claimed the ERC but didn't reduce my wage expense on my income tax return. The ERC claim was paid in a subsequent year. What should I do? Include in income in year received.

| Examples | Year ERC claim filed | Year ERC claim received | Amended return filed? | Include income in year received? |
|----------------|----------------------|-------------------------|-----------------------|----------------------------------|
| 2020 ERC claim | 2021 | 2022 | Yes | N/A |
| 2020 ERC claim | 2022 | 2024 | Yes | N/A |
| 2021 ERC claim | 2022 | 2024 | No | Yes |
| 2021 ERC claim | 2022 | Not received | No | Yes |



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INCOME TAX AND ERC Q3

Q3. What can I do if my ERC claim was disallowed and I'd already reduced my wage expense on my income tax return by the amount expected? Deduct in year claim disallowance was final.

| Examples | Year ERC claim filed | Year ERC claim received | Amended return filed? | Year ERC claim disallowed | Pick up as a deduction? |
|----------------|----------------------|-------------------------|-----------------------|---------------------------|-------------------------|
| 2020 ERC claim | 2021 | 2022 | Yes | 2024 | Yes |
| 2020 ERC claim | 2022 | 2024 | Yes | 2025 | Yes |
| 2021 ERC claim | 2022 | 2024 | No | 2025 | N/A |
| 2021 ERC claim | 2022 | Not received | No | 2026 | N/A |



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INFLATION ADJUSTMENTS

Numerous items are adjusted for inflation each year based on the average Chained Consumer Price Index for All-Urban Customers (C-CPI-U) for the 12-month period ending at certain points in the previous year. Most are released by the IRS in October or November, but some come later.



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INFLATION ADJUSTMENTS

| | 2024 | 2025 |
|--|----------------|----------------|
| Business mileage rate | 67 cents | 70 cents |
| Transportation/parking (monthly) | \$315 | \$325 |
| Gross receipts test | \$30 million | \$31 million |
| Passenger auto 1 st year depreciation | \$12,400 | \$12,200 |
| §179 immediate expensing | \$1.22 million | \$1.25 million |
| §179 property place in service | \$3.05 million | \$3.13 million |
| SUV §179 expense | \$30,500 | \$31,300 |
| Contributions to health FSA | \$3,200 | \$3,300 |



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INFLATION ADJUSTMENTS

| | 2024 | 2025 |
|--|-----------|-----------------|
| 401(k) contributions (under 50) | \$23,000 | \$23,500 |
| 401(k) contributions (50 - 59, 64 or older) | \$30,500 | \$31,000 |
| NEW FOR 2025: 401(k) contributions (ages 60 - 63) | \$30,500 | \$34,750 |
| SIMPLE IRA contributions (under 50) | \$16,000 | \$16,500 |
| SIMPLE IRA contributions (50 - 59, 64 and older) | \$19,500 | \$20,000 |
| NEW FOR 2025: SIMPLE IRA contributions (ages 60 - 63) | \$19,500 | \$21,750 |
| Additional nonelective contributions SIMPLE plans | \$5,000 | \$5,100 |
| "Highly compensated employee" | \$155,000 | \$160,000 |
| Social Security wage base | \$168,600 | \$176,100 |



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PENDING FEDERAL TAX LEGISLATION

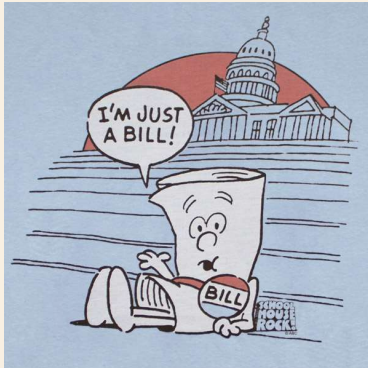
Much of the Tax Cuts and Jobs Act (TCJA) expires at the end of 2025. Legislation is currently making its way through Congress.



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THE PROCESS - BUDGET RECONCILIATION



- Budget reconciliation permits passage of legislation with a simple majority in the Senate, rather than the usual 60-vote threshold needed to overcome a filibuster.
- First step is the requirement that both the House and Senate pass identical budget resolutions.
 - Senate passed its resolution on 4/5, and the House passed the same resolution on 4/10.

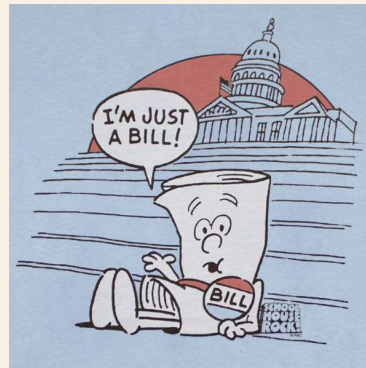
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THE PROCESS - BUDGET RECONCILIATION

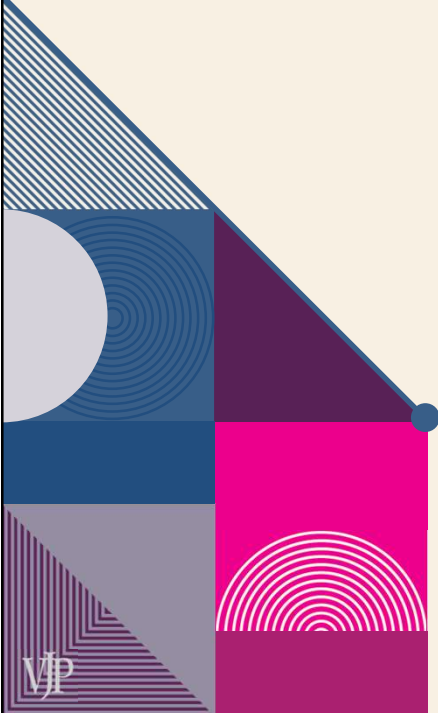
- Committees create legislation to meet the goals outlined in the budget resolution.
- Bills from the committees are then combined into a single piece of legislation.
- Each chamber then debates the bill.
 - Senate has special rules for reconciliation bills, including a 20-hour limit on debate and the Byrd Rule.
- Remainder of process is same as other tax bills



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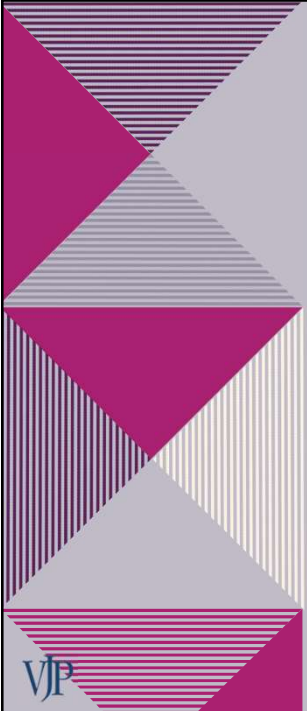


WHERE WE ARE

Budget resolution called for approximately \$4 trillion in deficit increases over the 10-year budget window. House Ways and Means Committee charged with \$4.5 trillion in deficit increases, with the deficit reduction amount being handled in other committees. House Ways and Means Committee advanced their bill on May 14.

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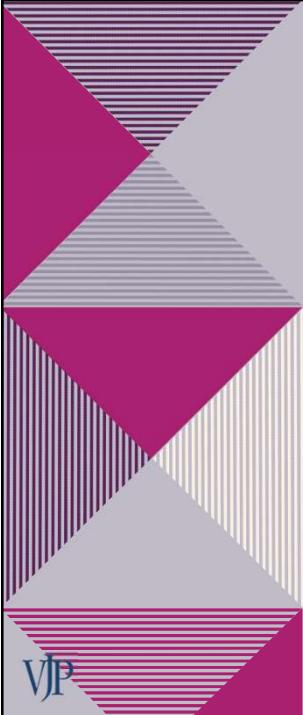


SOME OF WHAT'S IN THE BILL

- Extension of many TCJA provisions
- Temporary (2025 - 2028) increase in standard deduction, including an additional standard deduction for those 65 or over
- Temporary (2025 - 2028) increase in child tax credit
- Temporary (2025 - 2028) deductions for overtime pay and tipped income (revised W-2 forms)
- Qualified business income deduction made permanent and increased to 23%
- Estate and gift tax exemption increased to \$15 million per individual

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SOME OF WHAT'S IN THE BILL

- 100% bonus depreciation (2025 - 2029)
- §179 expensing deduction \$2.5 million, threshold \$4 million
- R&D expensing allowed (2025 - 2029)
- Incentives for domestic manufacturing and investment
- Green energy tax credit rollbacks
- No tax-free bicycle commuter benefits
- Unused FSA or HRA funds may be converted into HSA

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WHAT'S NEXT

- Ways and Means bill is combined with bills from other committees into one bill by the House Budget Committee and sent to the Rules Committee before the House floor vote.
- House passes its bill, sends to Senate. (House speaker hopes to have this done by 5/26.)
- Senate passes the bill, typically with amendments.
- Both versions of the bill are sent to joint conference committee to iron out differences. Revised bill sent back to each chamber for approval.
- Once approved, sent to president for signature. (House speaker and Treasury Secretary hope to have bill to president by July 4.)
- Once signed, bill becomes law.

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ROLLING CONFORMITY

- Virginia adopted a modified version of rolling conformity in 2023.
- Automatically conformed to federal tax law changes unless a specific change had a fiscal impact of \$15 million or more, or if other changes had a fiscal impact of \$75 million or more.
- Automatic conformity on extenders

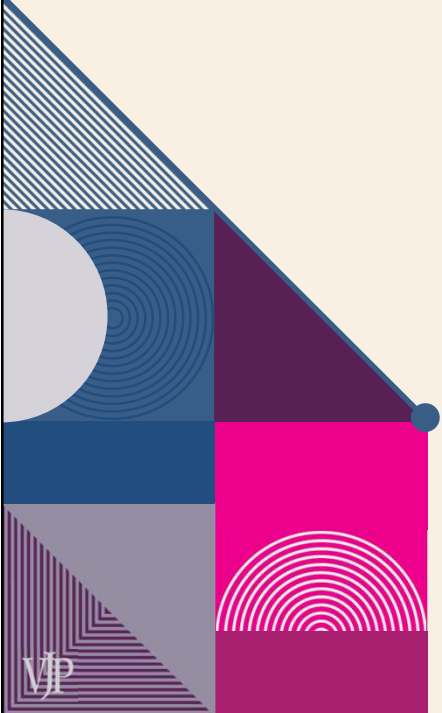
2025 budget paused rolling conformity for 2 years - from 1/1/2025 to 1/1/2027

- Continued automatic conformity with extenders, unless Virginia already deconforms.
- Will require emergency legislation for federal tax conformity (allows the bill to become law upon signing but requires each chamber to pass the bill by 80% or more)

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DISASTER RELIEF

Taxpayers affected by the disaster include individuals who live, and businesses (including tax-exempt organizations) whose principal of business is located, in the covered disaster area as well as taxpayers not in the covered disaster area but whose records necessary to meet a deadline are located in the covered disaster area.

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DISASTER RELIEF - HURRICANE HELENE

- Start of disaster declaration: September 25, 2024
- Federal tax filing and payment deadline: May 1, 2025
- Virginia tax filing and deadline: June 1, 2025 (individuals and fiduciaries), others must request a hardship waiver of penalties and interest
- Covered areas: Affected individuals and businesses in the counties of Albermarle, Appomattox, Bedford, Bland, Botetourt, Buchanan, Buckingham, Carroll, Charlotte, Craig, Dickenson, Floyd, Galax, Giles, Greene, Lee, Madison, Montgomery, Nelson, Patrick, Pittsylvania, Pulaski, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe and the cities of Bristol, Covington, Danville, Norton, Radford, and Roanoke.

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DISASTER RELIEF - STORMS AND FLOODING

- Start of disaster declaration: February 10, 2025
- Federal tax filing and payment deadline: November 3, 2025
- Virginia tax filing and deadline: November 3, 2025 (individuals and fiduciaries), others must request a hardship waiver of penalties and interest
- Covered areas: Affected individuals and businesses in the counties of Amelia, Appomattox, Bedford, Bland, Botetourt, Buchanan, Buckingham, Campbell, Carroll, Charlotte, Craig, Cumberland, Dickenson, Floyd, Franklin, Giles, Grayson, Halifax, Lee, Lunenburg, Montgomery, Nottoway, Page, Pittsylvania, Powhatan, Price Edward, Pulaski, Rockingham, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe and the city of Bristol.



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NEW SALES TAX FORM

New ST-1 replaces the ST-9, ST-8, ST-7 and ST-6.

- Form includes new schedule ST-1A that replaces multiple schedules many taxpayers had to file
- Effective for April 2025 filing period
 - Monthly filers will use the new form in May (for April sales)
 - Quarterly filers will use the new form in July (for April - June sales)

Form must be filed electronically

(unless you have a waiver) - 3 options:

- eForms
- Business Online Services (iFile)
- Web upload (typically for those filing returns for multiple businesses)

Use old sales tax form for amended returns for a tax period before April 2025.



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