

Business and corporate federal tax planning: A guide for tax year 2025

Business tax planning strategies and considerations

RSM

Executive summary: Guide to business and corporate federal tax planning

Middle market businesses are navigating a tax landscape shaped by the One Big Beautiful Bill Act (OBBBA) reforms, uncertain economic conditions and increasing business complexity. The decisions leaders make now will influence not only 2025 outcomes, but also how businesses are positioned for growth, liquidity and compliance in 2026.

RSM US LLP's tax planning guide is organized around business issues that matter most—from profitability and cash flow to workforce strategy and developing artificial intelligence capabilities. Each chapter offers practical insights to help you align tax strategy with business goals, manage risk, capture opportunity and tackle complexity.

Whether you are deploying capital, innovating your business or preparing for IRS enforcement priorities, this guide helps you move from reactive compliance to proactive advantage. Use it to turn tax planning into a year-round driver for performance.

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Profitability

How do we protect margins and improve after-tax earnings amid economic uncertainty and increasing business complexity?

Profitability remains under pressure from increasing costs, supply chain volatility, inefficiencies and competitive pricing dynamics. OBBBA introduced several tax provisions that can help businesses improve their bottom line—not just by reducing tax liability, but by aligning tax planning with operational efficiency and investment priorities.

Key tax planning topics: Profitability

1. Restored expensing of research costs

OBBBA repealed the Tax Cuts and Jobs Act-era requirement to capitalize and amortize domestic research and development (R&D) expenses. Businesses can now fully deduct qualifying domestic R&D costs in the year incurred. This reduces current taxable income and taxes paid, especially for companies investing in product development, process improvement or technology.

Planning considerations:

- Review current and prior-year R&D activities for opportunities to immediately deduct R&D
- File Form 3115 to either capitalize and amortize domestic R&D or begin expensing when paid or incurred
- Accelerate any unamortized capitalized domestic research costs
- Coordinate with finance teams to reflect changes in EBITDA and tax provision



Dig deeper:

- [OBBBA restores favorable tax treatment of domestic R&D expenses](#)
- [IRS releases OBBBA section 174 acceleration election procedures](#)

2. Bonus depreciation extended

The reinstatement of 100% bonus depreciation allows businesses to deduct the entire cost of qualifying assets in the year placed in service. Accelerated depreciation lowers current taxable income and boosts short-term profitability, particularly for capital-intensive industries.

Planning considerations:

- Time asset purchases to maximize deductions in 2025
- Conduct cost segregation studies to identify shorter-lived assets subject to 100% bonus depreciation
- Do not underestimate the impact of an M&A transaction on the ability to take bonus depreciation
- Accelerate any unamortized capitalized domestic research costs
- Monitor state conformity to support consistent treatment across jurisdictions



Dig deeper:

- [OBBBA restores and expands bonus depreciation: What it means for businesses](#)

3. Qualified business income deduction

The qualified business income (QBI) deduction for pass-through entities under section 199A is now permanent, offering a 20% deduction on QBI for eligible taxpayers. This provision reduces the effective tax rate for many middle market businesses, improving cash on hand and reinvestment capacity.

Planning considerations:

- Reevaluate entity structure to optimize QBI benefits
- Aggregate businesses where appropriate to meet wage and income thresholds
- Model long-term tax outcomes under different ownership and compensation scenarios



Dig deeper:

- Permanent QBI deduction provides some tax planning certainty

4. Energy credit eligibility changes

OBBBA modified the scope and timing of certain clean energy credits, narrowing access for some businesses while preserving opportunities for others. While some incentives remain for domestic manufacturing of certain clean energy components, others have been scaled back or phased out.

Claiming available credits can offset tax liability and improve profitability, but businesses must reassess eligibility under the revised rules.

Planning considerations:

- Identify and plan for qualifying investments and activities under current law, considering new phaseout timelines
- Explore credit transfer options to monetize credits that cannot be used
- Purchase energy credits to reduce estimated tax liability
- Document eligibility to support claims and withstand IRS scrutiny



Dig deeper:

- Tax bill significantly changes clean energy credits and incentives

5. State tax optimization

Federal tax relief may not always translate to state savings. Businesses operating in multiple jurisdictions must manage state-specific rules to protect margins.

State tax burdens can erode profitability if not proactively managed—especially in high-tax states or those with limited conformity to federal changes.

Planning considerations:

- Monitor state responses to OBBBA provisions
- Adjust apportionment strategies and filing positions
- Consider restructuring or relocating operations to optimize state tax exposure



Dig deeper:

- State and local tax year-end planning and strategic considerations

Strategic takeaway: Tax planning and profitability

Profitability is not just about revenue—it's about what you keep after taxes. By aligning tax strategy with margin goals, businesses can improve available cash, reinvest in growth and build resilience.



Tax tech tip: Profitability

Tax technology helps model after-tax earnings and clarify the effects of deductions, such as R&D expensing and bonus depreciation. Integrated tools align tax strategy with operational goals, enabling real-time margin analysis across entities and jurisdictions. Dashboards track tax-adjusted EBITDA, helping leaders make informed decisions about cash management, investment and efficiency.

Cash flow

How do we improve liquidity and manage tax outflows in a volatile economy?

Cash flow remains a top priority for businesses, especially as capital becomes more selective and economic uncertainty persists. While interest rates declined in mid-September, borrowing remains costly for many. Supply chains are becoming more predictable, but volatility in global logistics and input costs still affects planning.

OBCCA introduced several provisions that can help businesses unlock liquidity through smarter tax planning. Now is the time to assess how these changes—and existing strategies—can reduce cash taxes and improve working capital.

Key tax planning topics: Cash flow

1. Credits and incentives

Tax credits and incentives are powerful tools for improving liquidity—yet many businesses underutilize them. In 2025, the landscape includes both long-standing federal programs and newer opportunities influenced by the Inflation Reduction Act of 2022 (IRA) and OBCCA.

Whether your business is investing in clean energy, hiring workers, conducting research or expanding operations, tax planning can help you identify, claim and monetize credits that directly support cash flow.

Planning considerations:

- Identify qualifying activities for energy, R&D, hiring, and expansion credits
- Explore credit transferability and monetization options
- Monitor federal and state-level changes to eligibility and benefit amounts
- Build documentation protocols to support claims and withstand IRS scrutiny

How can RSM help you? Learn more about our [tax credits and incentives services](#)

2. Interest expense deductibility

OBCCA raised the section 163(j) limitation threshold, allowing businesses to deduct potentially more interest expense. This may be especially helpful for leveraged companies and those with recent debt restructurings.

Planning considerations:

- Recalculate interest deductibility under the new rules
- Revisit financing arrangements to strengthen tax efficiency
- Coordinate with treasury and finance teams to align debt strategy with tax outcomes

**Dig deeper:**

- OBBBA restores higher business interest expense limit: How businesses can benefit

3. Bonus depreciation and asset timing

Now that OBBBA reinstated 100% bonus depreciation, businesses can accelerate deductions for qualifying assets—freeing up cash that would otherwise be tied up in tax payments.

Planning considerations:

- Time capital purchases to maximize deductions in 2025
- Conduct cost segregation studies to identify eligible assets
- Coordinate with state tax teams, as conformity may vary

4. Estimated tax payments and refund opportunities

Changes to R&D expensing and other deductions may reduce taxable income, creating opportunities to adjust estimated payments or claim refunds.

Planning considerations:

- Review current-year tax position and payment schedule
- Consider filing Form 3115 for method changes that unlock deductions
- Evaluate prior-year carrybacks or overpayments for refund potential; consider whether an amended return for a prior year is beneficial
- Explore options for accessing overpayments:
 - File Form 4466 for a quick refund (note that processing delays are common)
 - Elect to carry forward the overpayment to the next tax year; this avoids Joint Committee on Taxation (JCT) review but is generally irrevocable
 - Account for mandatory carrybacks for certain credits, such as R&D and energy credits, which may trigger IRS scrutiny and JCT review

**Dig deeper:**

- Accounting for the income tax impacts of OBBBA

5. Net operating losses (NOLs)

If your business experienced losses in recent years, now is the time to revisit NOL utilization—especially in light of improved deductibility and restored expensing rules.

Planning considerations:

- Analyze shifts in ownership due to capital raises and other capital restructurings to measure any applicable limitations to NOL (and credit) carry forwards
- Consider opportunities to accelerate or defer income and gain to utilize NOLs efficiently

6. Energy credit monetization

Clean energy credits remain transferable under provisions introduced in the IRA. While OBBBA significantly adjusted some eligibility criteria and timing parameters, credit monetization rules provide liquidity for businesses—even if they don't directly produce energy.

Planning considerations:

- Identify or consider accelerating eligible investments in clean energy, manufacturing, or fuel production
- Explore credit transfer options and market pricing
- Perform due diligence on credit purchases to strengthen compliance



Dig deeper:

- IRS and Treasury issue final regulations on the transfer of energy credits

Strategic takeaway: Tax planning and cash flow

Tax planning is not just about minimizing liability; it's also a tool for unlocking liquidity. By aligning tax strategy with cash flow goals, businesses can improve operational flexibility, reduce borrowing needs and reinvest in growth.



Tax tech tip: Cash flow

Tax technology improves liquidity planning by automating credit identification, optimizing estimated payments and forecasting refunds. Integrated platforms flag underutilized incentives and simulate interest deductibility and asset timing impacts. Provision software supports ASC 740 alignment, while dashboards visualize cash tax outflows. For multinational enterprises, modern tax technology enables cash repatriation planning and execution.

Capital structure

How do we optimize our mix of debt and equity to support growth, manage risk and preserve flexibility?

Capital structure decisions—how a business balances debt and equity—have far-reaching implications for profitability, control and resilience. In 2025, these decisions are being shaped by a more favorable tax environment under OBBBA, alongside continued IRS scrutiny of financing arrangements. Tax planning can help businesses structure capital in ways that reduce costs, improve after-tax returns and support strategic goals.

Key tax planning topics: Capital structure

1. Expanded qualified small business stock (QSBS) exclusion

OBBBA expanded the QSBS rules allowing more taxpayers to exclude gains on the sale of QSBS. By expanding the size of both the exclusion and the eligible business, QSBS provides private equity, founders, employees and investors the ability to exclude even more gains from taxation. This is a powerful capital-raising tool for many start-ups and PE-raising funds to invest in small businesses.

Planning considerations:

- Calculate whether the issuing corporation's aggregate gross assets have exceeded the new \$75 million threshold to take advantage of the new threshold
- Convert debt or exercise any options and warrants into stock of the issuing corporation to take advantage of the higher gain exclusion limitation, now the greater of \$15 million (adjusted for inflation after 2026) or 10 times basis, if that corporation may qualify as a QSB
- Document eligibility for the benefits of section 1202

**Dig deeper:**

- OBBBA expands QSBS exclusions: What it means for businesses and investors

2. Expanded interest deductibility

OBBBA raised the section 163(j) limitation threshold, allowing more businesses to deduct more interest expense. This change benefits companies with leveraged capital structures, especially those in private equity portfolios or undergoing expansion.

Planning considerations:

- Analyze interest deductibility under the new rules to assess the true cost of debt
- Revisit debt terms and covenants to align with tax-efficient thresholds
- Monitor state conformity to changes in the deductibility of interest expense

**Dig deeper:**

- OBBBA restores higher business interest expense limit: How businesses can benefit

3. Financing growth and acquisitions

Debt remains a preferred tool for funding M&A and expansion. Debt structuring can maximize deductibility of interest and certain financing costs, potentially lowering cash tax at both the federal and state and local levels.

Planning considerations:

- Place acquisition debt strategically to take advantage of the increased section 163(j) limitation where there is state conformity to federal income tax rules
- Although OBBBA after 2025 restricts the benefit of capitalizing certain costs under section 266, that section may provide a way to deduct otherwise disallowed interest in the current year
- Review transaction costs to determine whether certain costs are currently deductible rather than amortized

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4. Debt restructuring and refinancing

Many businesses have refinanced debt to manage interest rate volatility. These transactions can trigger cancellation of debt income (CODI), which may be taxable unless exceptions apply.

Planning considerations:

- Place acquisition debt strategically to take advantage of the increased section 163(j) limitation where there is state conformity to federal income tax rules
- Analyze whether CODI exclusions (e.g., insolvency, bankruptcy) apply
- Model the potential tax impact to a debt restructuring in the negotiation phase
- Consider timing and structure of refinancing to manage tax exposure and determine how to mitigate that tax exposure

5. Debt vs. equity planning

The IRS continues to scrutinize related-party financing and thin capitalization. Businesses must ensure that debt is properly documented and economically substantiated to avoid reclassification as equity.

Planning considerations:

- Review intercompany loans and shareholder debt for compliance with arm's length transaction standards
- Clearly document key debt terms, e.g., interest rates, interest periods, maturity dates, creditor rights and repayment schedules
- Consider third-party benchmarking and transfer pricing support

6. Entity structure optimization

With the qualified business income deduction now permanent, pass-through entities may offer long-term tax advantages for certain business models. However, corporations still benefit from simplified compliance and access to capital markets.

Planning considerations:

- Model tax outcomes under different entity structures, factoring in ownership, compensation, debt, and reinvestment plans
- Consider restructuring or converting entities to align with growth and liquidity goals
- Evaluate implications for succession planning, M&A readiness and investor preferences



Dig deeper:

- Business structure and entity choice: Keys to a complex decision

7. Stock buyback excise tax

The 1% excise tax on corporate stock repurchases remains in effect, continuing to influence capital return strategies. Public and closely held corporations must weigh the cost of buybacks against other shareholder distribution methods.

Planning considerations:

- Assess the financial and tax impact of buybacks relative to dividends and reinvestment strategies
- Model repurchase timing and volume to manage excise tax exposure, especially in light of earnings forecasts and liquidity needs
- Coordinate with legal, tax and investor relations teams to support compliance with reporting and disclosure requirements



Dig deeper:

- IRS finalizes regulations on stock repurchase excise tax

Strategic takeaway: Tax planning and capital structure

Capital structure is more than just a finance decision—it's a tax planning opportunity. By aligning financing strategy with tax rules and incentives, middle market businesses can reduce their cost of capital, improve after-tax returns and build flexibility for future growth.



Tax tech tip: Capital structure and M&A

Tax technology supports capital decisions by modeling debt vs. equity scenarios, interest deductibility limits and deferred tax implications. Integrated data and analytics tools enable evaluation of financing strategies, optimization of entity structures, and alignment of treasury and tax objectives. Scenario modeling provides real-time insight into funding options and their tax and cash-flow impacts.

This may be particularly relevant for companies involved in or considering a transaction. Tax technology enhances M&A research and planning by integrating data, analytics and automation to evaluate tax exposures and deal structures in real time. Digital tools consolidate entity and jurisdictional data to model transaction scenarios, assess step-up benefits and forecast effective tax rates following an acquisition. Workflow and visualization platforms streamline due diligence, integration and compliance planning.

Capital expenditures

How do we time and structure asset investments to maximize deductions and minimize tax exposure?

Capital expenditures are a powerful lever for tax planning, especially in light of changes that OBBBA introduced.

In 2025, businesses can take advantage of expanded bonus depreciation and new rules for qualified production property. However, timing, state conformity, and interaction with other deductions and credits require careful modeling to avoid missed opportunities or unintended limitations.

Key tax planning topics: Capital expenditures

1. Bonus depreciation reinstated

OBBBA reinstates 100% bonus depreciation for qualified property acquired and placed in service after Jan. 19, 2025. This allows businesses to deduct the entire cost of eligible assets in the year they are placed in service—boosting short-term cash flow and reducing taxable income.

Planning considerations:

- Time acquisitions to fall under the new rules—assets acquired before Jan. 20, 2025, may still be subject to phase-down rates
- Consider the reduced rate election (40% or 60%) for certain property if full expensing is not available or optimal
- Monitor state conformity, as many states decouple from federal bonus depreciation



Dig deeper:

- OBBBA restores and expands bonus depreciation: What it means for businesses

2. Qualified production property

For the first time, certain nonresidential real property—specifically factory and production buildings—may qualify for 100% bonus depreciation under new section 168(n). This provision expands the scope of immediate expensing beyond traditional tangible personal property.

Planning considerations:

- Evaluate whether new or renovated facilities meet the definition of qualified production property
- Determine how much of a facility qualifies under section 168(n)
- Model the impact on federal and state basis differences
- Coordinate with engineering and tax teams to document eligibility



Dig deeper:

- How the qualified production property provision could fuel industrial growth

3. Immediate expensing of qualifying business assets

Businesses can immediately expense qualifying property up to a statutory limit under section 179. While bonus depreciation is more expansive, section 179 may be preferable for certain assets or in states that conform more closely to section 179 than to bonus depreciation.

Planning considerations:

- Compare section 179 and bonus depreciation treatment across jurisdictions
- Use section 179 strategically to manage taxable income thresholds
- Confirm eligibility for leased property and software

4. Cost segregation studies

Cost segregation can accelerate depreciation by identifying assets of real property that qualify for shorter recovery periods. This strategy is especially valuable for newly acquired or renovated buildings.

Planning considerations:

- Conduct studies soon after an acquisition or improvement to immediately benefit from bonus depreciation or the short lives
- Coordinate the results of a cost segregation study with the bonus depreciation positions of the business
- Consider the impact on state depreciation schedules and future asset disposition

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5. Interaction with credits and NOLs

Aggressive expensing strategies can reduce taxable income to levels that limit the ability to utilize general business credits or absorb net operating losses. Modeling is essential to avoid underutilization.

Planning considerations:

- Model multiyear tax positions to balance deductions and credit utilization
- Coordinate with R&D and energy credit teams to avoid overlap
- Evaluate whether reduced bonus depreciation rates may improve credit absorption

Strategic takeaway: Tax planning and capital expenditures

By timing acquisitions strategically, leveraging expanded expensing provisions and coordinating across tax functions, businesses can reduce tax liability, improve cash flow and support long-term growth.



Tax tech tip: Capital expenditures

Tax technology streamlines asset planning by automating cost segregation, modeling bonus depreciation and comparing section 179 treatment. Platforms flag state conformity issues and forecast multiyear tax impacts. Integration with fixed asset systems supports accurate tracking and compliance.

Innovation and R&D

How do we fund and deduct innovation activities in a way that supports growth and minimizes tax exposure?

Innovation drives competitiveness for middle market businesses—whether it's developing new products, improving processes or investing in technology.

In 2025, the tax landscape shifted in favor of innovation under OBBBA, which restored full expensing for domestic R&D and preserved key incentives. However, IRS scrutiny of research credits and documentation remains high. Tax planning can help businesses maximize deductions, claim credits confidently and align innovation strategy with financial goals.

Key tax planning topics: Innovation and R&D

1. Expensing of research costs

OBBBA repealed the Tax Cuts and Jobs–era requirement to capitalize and amortize domestic R&D expenses. Businesses can now fully deduct domestic qualifying research costs in the year paid or incurred.

Immediate expensing may improve cash flow and may reduce current taxable income, especially for companies investing heavily in innovation, software development, or process improvement.

Planning considerations:

- Review current and prior–year R&D activities for reduced capitalization opportunities
- File Form 3115 to capitalize and amortize domestic research costs or adopt expensing
- Model out the impact of potentially accelerating the unamortized domestic research costs
- Track and separately account for foreign R&D expenses, which must still be amortized over 15 years
- Coordinate with finance teams to reflect changes in EBITDA and tax provision and make sure to account for any potential interest limitation impacts



Dig deeper:

- OBBBA restores favorable tax treatment of domestic R&D expenses

2. R&D tax credit

The federal R&D credit remains a powerful incentive—but the IRS continues to scrutinize claims, especially those lacking contemporaneous documentation or involving software development.

Properly claimed credits can significantly reduce tax liability, but unsupported claims may be disallowed or trigger audits.

Planning considerations:

- Ensure documentation includes business component descriptions, technical uncertainty, and employee time tracking
- Consider third-party studies or audit defense packages
- Align credit claims with domestic section 174 deductions to avoid duplication or disallowed expenses



Dig deeper:

- R&D tax credit myths costing you money

How can RSM help you? Learn more about our [R&D tax credit services](#)

3. Innovation funding and strategic alignment

Tax incentives can support a broader innovation strategy—whether funding internal development, partnering with universities or investing in emerging technologies. Tax planning can help prioritize projects and allocate resources by modeling the after-tax return on investment (ROI).

Planning considerations:

- Align tax strategy with innovation roadmaps and budgeting cycles
- Explore grant opportunities and public-private partnerships
- Use tax modeling to compare investment scenarios and timing

4. State-level R&D incentives

Many states offer their own R&D credits or incentives, while conformity to federal rules varies widely. State credits can enhance the returns on innovation investments, but they require separate documentation and compliance.

Planning considerations:

- Identify available credits in states where R&D is performed
- Track conformity to federal section 174 and credit rules
- Monitor legislative changes that may affect eligibility or benefit amounts

Strategic takeaway: Tax planning and innovation and R&D

Innovation is a growth engine—and a tax planning opportunity. By leveraging restored expensing, claiming credits confidently and aligning tax strategy with R&D goals, middle market businesses can improve after-tax returns and stay ahead of the competition.



Tax tech tip: Innovation and R&D

Tax technology enhances innovation planning by automating R&D credit claims, tracking qualifying activities and managing documentation. Integrated tools capture technical uncertainty, employee time and cost allocation. Provision software reflects deferred and current tax impacts, while modeling tools align innovation budgets with after-tax ROI.

AI development

How do we support our AI initiatives with a tax strategy that fosters innovation, productivity and compliance?

As companies move from experimenting with AI capabilities to enterprise deployment, a tax strategy is essential. Whether you're building proprietary models, integrating copilots or investing in infrastructure to support AI adoption, tax planning can help you manage costs, optimize deductions and prepare for scrutiny.

Key tax planning topics: AI development

1. Building vs. buying AI capabilities

While operational goals will drive your choice between building or buying AI capabilities, tax planning can help clarify the financial impact of each approach.

Building AI capabilities—such as training proprietary models, coding custom software or investing in infrastructure—can unlock significant tax benefits. Under OBBBA, domestic R&D costs are immediately deductible, and qualifying infrastructure may be eligible for 100% bonus depreciation. These deductions can reduce taxable income and improve cash flow in the year of investment.

Buying AI solutions, on the other hand, may offer faster deployment and lower upfront costs, but this approach typically results in capitalized software or licensing expenses that are amortized over time. Purchased software may qualify for section 197 amortization, but it generally does not trigger R&D credits or immediate expensing unless substantial customization is involved.

Planning considerations:

- Compare the after-tax cost of building vs. buying, factoring in expensing, depreciation and amortization rulesTrack conformity to federal section 174 and credit rules
- Evaluate whether internal development qualifies for section 174 expensing and R&D credits
- Assess whether purchased software includes customization that may qualify for partial expensing
- Consider long-term intellectual property ownership, transfer pricing and licensing implications for cross-border operations

2. R&D expensing for AI development

OBBBA restored immediate expensing for domestic research costs, including software development and AI model training. This change allows businesses to deduct qualifying costs in the year incurred—improving cash flow and shortening the cost recovery period for innovation.

Planning considerations:

- Review AI-related development activities for eligibility under section 174A
- File Form 3115 to capitalize and amortize domestic research costs or adopt expensing
- Model out the impact of accelerating the unamortized domestic research costs.
- Coordinate with finance teams to reflect changes in EBITDA and tax provision

3. Bonus depreciation for AI infrastructure

AI initiatives often require significant investment in servers, data platforms and edge computing devices. The reinstated 100% bonus depreciation provision allows businesses to fully expense qualifying assets placed in service after Jan. 19, 2025.

Planning considerations:

- Time infrastructure purchases to maximize deductions
- Conduct cost segregation studies to identify eligible assets
- Monitor state conformity to ensure consistent treatment across jurisdictions

4. AI-related software and intangible assets

While domestic development costs are fully deductible, foreign R&D—including offshore AI model training or software engineering—must still be amortized over 15 years. Businesses must carefully track the location and nature of expenditures to avoid disallowed deductions.

Planning considerations:

- Separate domestic and foreign AI development costs for proper treatment
- Evaluate transfer pricing and IP structuring for cross-border AI initiatives
- Consider whether software qualifies as purchased software, a section 197 intangible, or section 174 expenditure

5. State and local tax incentives for AI investment

Several states offer credits or grants for technology investment, workforce training and digital transformation—including AI adoption. These incentives can offset implementation costs, but eligibility and documentation requirements vary widely.

Planning considerations:

- Research available incentives in jurisdictions where AI is being deployed
- Build documentation protocols to support claims and avoid clawbacks
- Coordinate with state tax advisors to track legislative developments

6. Audit readiness and AI scrutiny

State and federal tax authorities are increasingly using AI tools to identify audit triggers—especially around R&D credits, software development and intercompany transactions. Businesses investing in AI should expect scrutiny and prepare accordingly.

Planning considerations:

- Document technical uncertainty, employee time tracking and project scope for AI-related R&D
- Align tax and business records to support credit claims and deductions
- Monitor IRS and state guidance on AI-related enforcement practices



Dig deeper:

- IRS will use AI to help target partnerships and high net worth individuals

Strategic takeaway: Tax planning and AI investment

As AI becomes a core capability, tax should be a key consideration. By aligning tax strategy with AI development and deployment, businesses can reduce costs, accelerate innovation and minimize compliance risks.



Tax tech tip: AI development

Tax technology supports AI investment by modeling build vs. buy scenarios, tracking domestic vs. foreign development costs and automating bonus depreciation. Platforms identify qualifying R&D, manage transfer pricing and monitor state incentives. Audit readiness tools support defensible documentation.

Tax provision

How do we ensure accurate, compliant and strategically aligned tax provision reporting under ASC 740?

In 2025, provision planning has taken on new complexity due to tax reforms in OBBBA, evolving disclosure standards and increased scrutiny of uncertain tax positions.

Middle market businesses must ensure that their tax provision processes are not only accurate but also aligned with new disclosure requirements and responsive to legislative change.

Key tax planning topics: Tax provision

1. OBBBA enactment

Key OBBBA provisions—including bonus depreciation, interest expense limitations, and domestic R&D expensing—create temporary differences that must be reflected in financial statements for periods including the enactment date.

Under ASC 740, tax law changes are recognized in the period of enactment. Year-end provisions will need to reflect OBBBA effects on current and deferred taxes, including

Planning considerations:

- Consider potential options for the treatment of domestic R&D expensing and depreciation, and reflect the changes under the OBBBA in the tax provision
- Evaluate how the changes in tax law affect valuation allowance assessments
- Monitor state conformity, as federal changes may not be immediately adopted by all jurisdictions
- Prepare disclosures, including:
 - Tax effects of adjustments to deferred tax assets or liabilities resulting from the change in law
 - Effect on the effective tax rate reconciliation



Dig deeper:

- Accounting for the income tax impacts of OBBBA

2. ASC 740 disclosure enhancements

Expanded disclosure requirements under ASU 2023-09 mandate more detailed reporting around income tax expense, effective tax rates and jurisdictional impacts. While the standard was issued in 2023, many businesses are implementing it for the first time in 2025, making it newly relevant for provision planning. The changes increase transparency for investors and regulators, and they require more granular data and reconciliation.

Planning considerations:

- Update provision templates and reporting systems to meet new disclosure requirements
- Coordinate with accounting and tax teams to strengthen consistency across financial statements
- Review internal controls and documentation supporting tax positions

3. Uncertain tax positions (UTPs)

The IRS continues to scrutinize positions related to R&D credits, transfer pricing and executive compensation. ASC 740 requires businesses to assess and disclose the likelihood and impact of potential challenges. Failure to properly evaluate and document UTPs can lead to restatements, penalties and reputational risk.

Planning considerations:

- Conduct regular reviews of high-risk tax positions
- Document technical support and risk assessments for each position
- Coordinate with external advisors on audit defense and disclosure strategy

4. Provision software and process optimization

Many middle market businesses are adopting provision software to handle increased complexity and improve collaboration between tax and finance teams. Modern tools can reduce errors, improve audit readiness and support faster close cycles.

Planning considerations:

- Evaluate current provision tools for scalability and compliance features
- Integrate tax provision with broader enterprise resource planning (ERP) and financial reporting systems
- Train teams on new workflows and data requirements

How can RSM help you? Learn more about [RSM's CorporateSight, our all-in-one tax compliance and provision platform](#)

5. Strategic forecasting and scenario modeling

Tax provision reporting should support strategic decision making—especially in light of recent tax reforms—as well as ongoing M&A activity and global expansion. Scenario modeling helps businesses anticipate tax impacts and make informed decisions about timing, structure and investment.

Planning considerations:

- Build provision models that are adaptable and capable of modeling multiple legislative and business scenarios
- Use forecasting to inform capital structure, compensation and expansion plans
- Leverage tax provision reporting to support board-level financial planning and strategy

Strategic takeaway: Tax planning and tax provision

The tax provision is a window into your business's tax strategy. Aligning ASC 740 compliance with planning, forecasting and risk management can help businesses improve transparency, reduce surprises and make more-informed decisions.



Tax tech tip: Tax provision

Tax provision software automates ASC 740 compliance, deferred tax calculations and disclosure reporting. Scenario modeling helps forecast impacts of reforms like OBBBA. Integration with ERP systems supports consistency across financial statements and supports strategic decision making.

Workforce

How do we manage compensation, benefits and an effective talent strategy in a tax-efficient and compliant way?

Workforce strategy is being shaped by rising labor costs, remote work arrangements, talent shortages and evolving executive compensation rules. OBBBA introduced changes that affect how companies structure pay, manage benefits and report compensation. Tax planning can help businesses align workforce decisions with financial goals while staying compliant with federal and state regulations.

Key tax planning topics: Workforce

1. Limits on executive compensation

OBBBA broadens the scope of section 162(m), which limits the deductibility of compensation over \$1 million for covered employees. For taxable years beginning in 2026, the deduction limitation applies to all members of a controlled group that includes a publicly held corporation. This change may affect compensation planning for executives, especially for entities that are trust-owned or in an umbrella partnership/C corporation (up-C) or a real estate investment trust structure.

Additionally, for taxable years beginning in 2027, the definition of “covered employee” is expanded to the five-highest compensated employees in addition to the officers already identified, thus increasing the number of individuals subject to the cap.

Planning considerations:

- Review compensation structures to identify individuals newly subject to the cap
- Coordinate with human resources and legal teams to manage deductibility and disclosure
- Consider timing of bonuses, equity grants, and deferred comp arrangements



Dig deeper:

- How OBBBA affects tax treatment of compensation and benefits
- A total rewards approach to executive compensation

2. Remote and multistate workforce tax implications

With remote work permanent for many roles, businesses must manage the tax implications of employees working across state lines—including payroll withholding, nexus creation, and benefit eligibility. Multistate payroll can trigger unexpected tax obligations and compliance risks if not proactively managed.

Planning considerations:

- Audit employee locations and assess state tax exposure
- Update payroll systems to reflect correct withholding and reporting
- Coordinate with state tax advisors to monitor legislative changes



Dig deeper:

- Remote work tax: Employer compensation considerations

3. Deferred compensation and retirement planning

Changes in interest rates and executive compensation rules are prompting businesses to revisit deferred compensation plans and retirement benefit structures. Well-structured plans can help attract and retain talent while managing tax timing and deductibility.

Planning considerations:

- Review plan documentation for compliance with rules governing deferred income (e.g., restrictions on timing and form of payment)
- Evaluate timing of income recognition and deduction
- Consider impact on ASC 740 and deferred tax accounting



Dig deeper:

- [Nonqualified deferred compensation plan FAQs for employers](#)

4. Equity compensation strategy

Stock options, restricted stock units (RSUs) and other equity-based incentives remain key tools for attracting and retaining talent—but they carry complex tax implications for both the company and the employee.

Equity grants can affect taxable income, deductibility and financial reporting—especially in pre-IPO or high-growth environments.



Dig deeper:

- [How well do you understand your equity compensation options?](#)

Planning considerations:

- Align grant timing with business milestones and tax planning windows
- Evaluate whether an early income election—commonly referred to as an 83(b) election—is appropriate
- Coordinate with finance teams on valuation and reporting

5. Fringe benefits and expense deductibility

OBBA did not reverse prior limitations on meal, entertainment and certain fringe benefit deductions—but businesses should still review policies to support compliance and maximize allowable deductions. Improperly documented or structured benefits can lead to disallowed deductions and audit risk.

Planning considerations:

- Audit fringe benefit programs for compliance with IRS rules governing meals and entertainment expenses (section 274)
- Update expense policies and employee training
- Consider alternative benefit structures that offer tax efficiency



Dig deeper:

- [Remote work tax: Employer compensation considerations](#)

Strategic takeaway: Tax planning and workforce

Your workforce strategy is a tax strategy. From executive compensation to remote work compliance, tax planning can help businesses manage costs, attract talent and stay ahead of regulatory changes. Aligning workforce decisions with tax outcomes can strengthen how your talent strategies support your business goals.



Tax tech tip: Workforce

Tax technology helps manage workforce strategy by automating payroll tax compliance, tracking remote employee locations and modeling executive compensation deductibility. Platforms flag fringe benefit risks and align deferred comp with ASC 740. Integration with HR systems supports accurate reporting.

Supply chain

How do we optimize sourcing and logistics while managing tax risk and capturing incentives?

Supply chain strategy has evolved beyond cost and reliability. It's also about tax efficiency, regulatory compliance and long-term resilience. Tax planning can help businesses align sourcing, logistics and investment decisions with financial and operational goals—especially in light of legislative changes and increased enforcement activity.

Key tax planning topics: Supply chain

1. Transfer pricing and intercompany transactions

The IRS continues to prioritize enforcement around transfer pricing, especially for businesses with cross-border supply chains or related-party transactions. Improper pricing or documentation can lead to audit risk, penalties and double taxation—particularly for businesses importing goods or services from affiliates.

Planning considerations:

- Review intercompany agreements and pricing policies to ensure documentation accurately reflects current operational realities and supply chain dynamics
- Review transfer pricing documentation considering any supply chain changes to assign value to entities along the supply chain based on functions performed, assets employed and risks assumed
- Consider advance pricing agreements (APAs) or mutual agreement procedures (MAPs) where appropriate



Dig deeper:

- How middle market companies can manage the transfer pricing lifecycle

2. Inventory planning and accounting methods

Supply chain disruptions and inflation have prompted many businesses to revisit inventory strategies. Tax treatment of inventory—especially under section 263A and related method changes—can significantly affect taxable income.

Choosing the right inventory method and timing purchases strategically can improve cash flow and reduce tax liability.

Planning considerations:

- Evaluate whether your current inventory method (e.g., FIFO, LIFO, specific ID) still aligns with business needs
- Consider filing Form 3115 to transition to methodologies that better align with your business's needs
- Coordinate with finance teams to align tax and book treatment

**Dig deeper:**

- Tariffs and tax accounting: How to manage costs

3. Clean energy credits

With the enactment of OBBBA, sourcing of clean energy components will become more important. Certain incentives will be restricted if sourced from prohibited foreign entities under complex new rules.

For existing investment tax credits for certain eligible property, domestically sourced components, steel and iron may lead to increased credits.

Key changes

- Wind and solar credits (sections 45Y and 48E), which terminate for facilities placed in service after Dec. 31, 2027, unless construction begins within 12 months of enactment, must now also meet rules regarding prohibited foreign entities.
- Advanced manufacturing production credits for wind and solar components (section 45X) phase out after 2027, with stricter eligibility rules for integrated components.
- Transferability of credits is prohibited for entities with ties to certain foreign governments.

Planning considerations:

- Reassess supply chain investments tied to clean energy incentives—especially facility upgrades, component sourcing and production timelines
- Model the financial impact of losing credits and explore alternative tax strategies to preserve margins
- Consider accelerating construction or procurement to preserve access to remaining incentives

**Dig deeper:**

- Tax bill significantly changes clean energy credits and incentives

How can RSM help you? Learn more about our [clean energy tax credits and incentives services](#)

4. State and local tax exposure

Expanding or shifting supply chain operations can create new nexus in states and local jurisdictions—triggering income, sales, and franchise tax obligations. Unmanaged state tax exposure can erode margins and create compliance risk.

Planning considerations:

- Monitor nexus thresholds and filing requirements in new jurisdictions
- Adjust apportionment strategies to reflect operational changes
- Engage with state tax advisors to track legislative developments

**Dig deeper:**

- State and local tax considerations when building supply chain resilience

5. Tariffs, customs and indirect tax considerations

Global sourcing decisions can affect tariffs, customs duties, value-added taxes (VATs) and other indirect taxes—especially as trade policies evolve and governments respond to geopolitical and economic pressures. Indirect tax costs can be significant and often overlooked in supply chain planning.

Planning considerations:

- Review import/export activity for duty optimization opportunities
- Coordinate with customs brokers and international tax teams
- Assess tariff exposure across key sourcing regions and evaluate mitigation strategies such as tariff engineering, country-of-origin planning or duty drawback programs
- Consider technology solutions to automate compliance and reporting



Dig deeper:

- [Tariffs, trade and transformation: What every CFO needs to know](#)

How can RSM help you? Explore our [trade advisory services](#) and our [indirect tax services](#)

Strategic takeaway: Tax planning and supply chain

Aligning your supply chain decisions with tax outcomes can make your operations more efficient and resilient. From transfer pricing and inventory methods to energy credits and indirect taxes, tax planning for your supply chain can help your business reduce costs, improve margins and stay compliant across jurisdictions.

Related insight: [RSM Supply Chain Special Report 2025: U.S. and Canada](#)



Tax tech tip: Supply chain

Tax technology enhances supply chain planning by automating transfer pricing documentation, tracking inventory methods and modeling indirect tax exposure. Advanced platforms simulate clean energy credit impacts, monitor nexus thresholds and optimize tariff strategies across jurisdictions. Integration with logistics systems supports tax efficiency and real-time visibility into cross-border transactions.

For companies engaged in international trade, tax tech tools help identify duty deferral opportunities, manage commodity tax compliance, and forecast the impact of trade agreements and tariff changes. These capabilities support strategic sourcing decisions, reduce customs risk and improve margin predictability in volatile global markets.

Geographic expansion

How do we grow into new markets while managing tax exposure across jurisdictions?

Expanding into new states or countries opens doors to new customers, talent, and supply chain efficiencies—but it also introduces tax complexity. Geographic expansion requires careful planning to avoid unexpected tax liabilities, support compliance and capture available incentives. OBBBA didn't simplify federal tax rules—and the state tax implications reflect those complexities—but it did create new opportunities for businesses to review and align tax strategy with growth.

Key tax planning topics: Geographic expansion

1. State conformity to federal changes

Federal tax relief may not translate to state savings because states vary widely in how they conform to federal tax law—including those involving research costs, bonus depreciation and allowable business interest expense deductions. In fact, expanding into a new state may mean navigating a completely different set of rules. Businesses could face higher tax burdens or compliance costs if they don't plan ahead.

Planning considerations:

- Monitor conformity status for key provisions in target states
- Review and adjust apportionment and filing strategies to reflect operational changes
- Engage with state tax advisors to track legislative developments and incentive programs



Dig deeper:

- [SALT considerations from OBBBA](#)

2. Nexus and filing obligations

Physical presence, remote employees, inventory storage and economic activity can all create nexus—triggering income, franchise, and sales tax obligations in new jurisdictions. Unmanaged nexus exposure can lead to penalties, back taxes and reputational risk.

Planning considerations:

- Conduct a nexus and apportionment study before entering new markets
- Register and file proactively to avoid noncompliance
- Use technology to track activity and automate multistate filings



Dig deeper:

- [Wayfair turns five: A coming of age story](#)

How can RSM help you? Learn more about our [income and franchise tax services](#)

3. Local credits and incentives

Many states and municipalities offer tax credits or incentives for job creation, capital investment or clean energy adoption. These incentives can offset expansion costs and improve ROI. Businesses that plan ahead can capture valuable incentives that reduce tax liability and support growth.

Planning considerations:

- Research available credits and grants in target jurisdictions
- Coordinate with economic development agencies and local advisors
- Build documentation protocols to support claims and avoid clawbacks

How can RSM help you? Learn more about our [state tax credits and incentives services](#)

4. International expansion: Structuring for success across borders

Expanding globally opens doors to new markets, but also to intricate tax challenges. From withholding taxes and transfer pricing rules to treaty benefits and local compliance, each jurisdiction brings its own set of rules. Without thoughtful planning, businesses risk double taxation, missed incentives and operational inefficiencies.

Planning considerations:

- Design entity structures that support both operational goals and tax efficiency
- Analyze applicable treaties to optimize withholding and avoid tax leakage
- Align repatriation strategies with global cash flow and tax objectives
- Collaborate with foreign tax advisors to stay ahead of legislative and regulatory change outside the United States



Dig deeper:

- [International tax planning: A guide for tax year 2025](#)

How can RSM help you? Learn more about our [international tax services](#) and [global business model tax services](#)

5. Sales and use tax compliance

Selling into new states or countries may trigger sales tax or VAT obligations—even without a physical presence. Sales tax rules are evolving rapidly, and noncompliance can be costly.

Planning considerations:

- Assess economic nexus thresholds for remote sales
- Register and collect tax where required
- Use automation tools to manage rates, exemptions and filings

How can RSM help you? Learn more about our [sales and use tax automation services](#)

Strategic takeaway: Tax planning and geographic expansion

Geographic expansion is a growth strategy that requires a tax strategy. By planning proactively, businesses can manage risk, capture incentives and support compliance across jurisdictions.



Tax tech tip: Geographic expansion

Tax technology supports expansion by automating nexus studies, tracking state conformity and identifying local incentives. Platforms manage multistate filings, simulate tax impacts and align global strategy. Integration with sales and HR systems supports compliance across income, sales and payroll taxes.

Tax controversy

How do we stay audit-ready, minimize risk and maintain compliance in a shifting enforcement environment?

Tax controversy is a mainstream business risk. While the IRS's enforcement posture may evolve under different administrations, the agency continues to invest in data analytics, staffing and audit selection tools. Middle market businesses are seeing increased scrutiny in areas such as partnerships, credits, executive compensation and international transactions.

Tax planning must now include controversy readiness and compliance strategy as core components.

Key tax planning topics: Tax controversy

1. IRS enforcement priorities

Middle market businesses are increasingly under the IRS's microscope, especially those with complex structures or aggressive positions. The IRS is targeting high-risk areas, in some cases using AI-driven audit selection.

Key focus areas include:

- Partnerships and pass-through entities
- Large corporations
- High net worth individuals
- Employee retention credit (ERC) claims
- Employment tax exams

Planning considerations:

- Conduct a controversy readiness review across high-risk areas
- Update documentation and substantiation for credits and deductions
- Monitor IRS notices and correspondence proactively using online tools



Dig deeper:

- [5 key IRS audit triggers and how corporations can minimize their risk](#)
- [Master the IRS examination process: Your essential IRS audit survival guide](#)

2. Research credit

The IRS continues to challenge R&D credit claims that lack contemporaneous documentation or involve software development activities that don't meet the statutory definition of qualified research. While the credit remains a valuable incentive, it also remains an audit target. Improper claims can lead to disallowance, penalties and reputational risk.

Planning considerations:

- Ensure documentation includes project descriptions, employee time tracking, and technical uncertainty
- Consider third-party studies or audit defense packages
- Coordinate with finance and operations to align tax and business records

How can RSM help you? Learn more about our [state tax credits and incentives services](#)

3. Employee retention tax credit (ERC) claims

The IRS continues its enforcement around ERC claims, focusing on fraudulent or unsupported filings from third-party promoters. Businesses that claimed ERC must be prepared to defend their eligibility and calculations.

Planning considerations:

- Review ERC documentation and eligibility criteria
- Respond promptly to IRS notices or audit requests
- Consider voluntary disclosure or withdrawal if claims were improperly filed



Dig deeper:

- What you need to know about OBBBA and the employee retention tax credit

4. Executive compensation and fringe benefit audits

Expanded limits on the deductibility of executive compensation have increased compliance complexity. In addition, fringe benefits—such as personal use of company vehicles, club memberships and nonqualified deferred compensation—are under closer scrutiny. Deductibility limits and reporting requirements can trigger audits and penalties if not properly managed.

Planning considerations:

- Audit compensation structures for compliance with deductibility limits and reporting rules
- Ensure proper reporting of fringe benefits on Forms W-2 and 1099
- Coordinate with HR and legal teams to align documentation and disclosures

5. International compliance and transfer pricing

Cross-border transactions and transfer pricing remain high-risk areas, especially for businesses with foreign subsidiaries or intercompany arrangements. Global enforcement coordination is increasing, and documentation standards are tightening.

Planning considerations:

- Update transfer pricing documentation to reflect current economic conditions
- Monitor international tax developments—including court opinions, treaty changes, foreign audit trends, and enforcement initiatives—that may affect intercompany pricing, compliance obligations and organizational structures
- Consider advance pricing agreements (APAs) or mutual agreement procedures (MAPs) for complex arrangements

Strategic takeaway: Tax planning and tax controversy

By building compliance into your planning process, middle market businesses can reduce risk, avoid surprises and maintain control. Businesses can work with experienced tax controversy advisors to assess exposure, prepare documentation and respond confidently to IRS inquiries.

How can RSM help you? Learn more about our [IRS and tax controversy services](#)



Tax tech tip: Tax controversy

Tax technology strengthens audit readiness by centralizing documentation, tracking high-risk positions and monitoring IRS correspondence. Platforms flag R&D credit risks, manage ERC claims and automate fringe benefit reporting. Scenario modeling helps assess exposure and prepare defense strategies.



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