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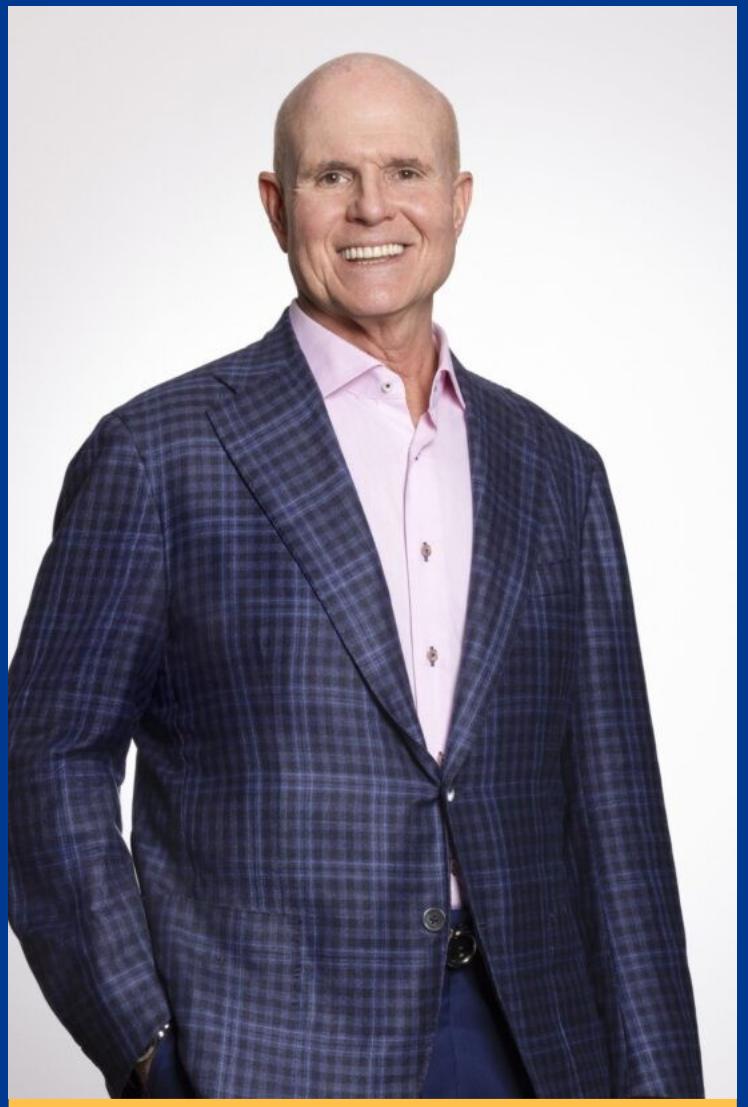
GPKLEG • CLIENT WEBINAR

International Tax Planning & 2026 Tax Law Update

Strategies for businesses, investors and their advisers

WELCOME

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MANAGING PARTNER

> Steven leads GPKLEG's governance, client service and growth strategy. He guided the firm's transition to a new generation of leaders and continues to advise clients on business, financial reporting and tax matters.

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SECTION 01

International Tax Planning

Global Tax Efficiency Strategies for Businesses and Investors

IN THIS SESSION

01 Considerations (Inbound or Outbound)

02 Inbound investment: ownership alternatives

03 Inbound rental property: Net election comparison

04 Outbound Investment Structure

05 Outbound planning under the 2026 rules

06 Election optimization: benefits and costs

07 §962 example

08 Planning before the investment



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Considerations (Inbound or Outbound)

Ownership structure	Who invests, where they are resident, and how both countries classify the entity
Income regime	Source, type of income and tax rate, treaty considerations, income and estate tax exposure
Access to available Cash	Tax on income, distributions v. income stripping (life of investment), liquidation and exit

The lowest entity tax rate may produce the highest total tax cost.

Inbound investment: ownership alternatives

Structure	Advantage	Disadvantage
Foreign investor owns directly or transparent entity	One U.S. income-tax, withholding reduced under treaty, foreign tax implications	U.S. income tax filing at individual level, ITIN/SSN, higher individual rates, withholding at source and US Estate Tax exposure
Foreign investor owns a U.S. C corporation	U.S. corporation pays 21% plus state tax, no individual reporting, income stripping, tax free liquidation	Double tax, dividend withholding (treaty rate v. 30%), 5472 reporting, Estate Tax exposure, High Penalties
Foreign holding corporation owns a U.S. C corporation	Same as above and avoids U.S. estate exposure	Same as above, Complexity, Extra entity costs and tax reporting

A foreign corporation operating through a U.S. branch may also incur branch profits tax.

Inbound rental property: Net election comparison

Without a NET election	30% U.S. income tax on gross rent
With a qualifying NET election	§871(d) / §882(d) permits graduated rates on net taxable income after deductions (including depreciation)
Illustration	$100,000 Rent, $80,000 Expenses: $30k tax v. graduated rates on $20k taxable income

Outbound Investment Structure

Structure	Advantage	Disadvantage
Foreign branch or disregarded entity	Make the entity classification election to disregard the foreign entity and pay only one level of income tax higher rate between the 2 countries	Higher rate on current income but no 2nd level of tax
Individual owns foreign corporation directly	Local Entity is a CFC. Make the §962 election to take FTC and 250 deduction (40%). Qualified dividend if Treaty country	Double taxation
U.S. C corporation owns foreign corporate subsidiary	Same treatment as above but no need for 962 election, Qualified Dividend	Double taxation

Foreign funds require a separate PFIC review, even without control.

Outbound planning under the 2026 rules

Net CFC tested income (GILTI)	The former GILTI regime no longer benefits from the 10% QBAI deduction on net depreciable fixed assets
Corporate tax calculation	40% §250 deduction gives a 12.6% corporate tax rate (used to be 50%)
Foreign tax credits	90% deemed-paid credit percentage, subject to creditability and credit limits

Applicable to tax years beginning after December 31, 2025.

Election optimization: benefits and costs

Election	Potential benefit	What must be modeled
Entity classification Form 8832	Flexibility for U.S. tax treatment	Eligibility, effective date, deemed transactions and foreign treatment
§962 for individuals	Corporate treatment of CFC inclusions and credit access	Annual election, dividend tax on actual distributions
High-tax exclusion (12.6%)	Exclude CFC income (no corporate tax)	Annually check all CFC's to determine the corporate tax rate is greater than 12.6%
PFIC: QEF or mark-to-market	Avoid or mitigate the default excess-distribution regime	Annual tax, fund data, eligibility and election timing

An election can lower today's tax while increasing tomorrow's tax.

§962 example

Federal income tax	Direct No §962	Direct §962 Qualified dividend*	Direct §962 Nonqualified dividend	U.S. C corp No §962 Required
On $100,000 inclusion	$37,000	$12,600	$12,600	$12,600
Taxable distribution to individual	$0 (PTEP)	$87,400	$87,400	$87,400
Tax on distribution	$0	$17,480 (20%)	$32,338 (37%)	$17,480 (20%)
Total federal income tax	**$37,000**	**$30,080**	**$44,938**	**$30,080**

*Qualified foreign corporation and holding-period requirements apply.
A U.S. corporation's dividend can qualify even if its CFC is in a non-treaty country.

**$100,000 CFC income and payout. U.S. C corp distributes $87,400 after its tax.
No foreign tax. Full §250 deduction. State tax, NIIT and currency effects excluded.**

Planning before the investment

Compare viable structures	Model operating tax, distributions, exit and succession together
Coordinate the elections	Confirm eligibility, deadlines and treatment in both countries
Assign implementation responsibility	Document treaty claims and establish the filing calendar

The best structure is the one that delivers the strongest combined global after-tax result.

SECTION 02

2026
Tax Law Update

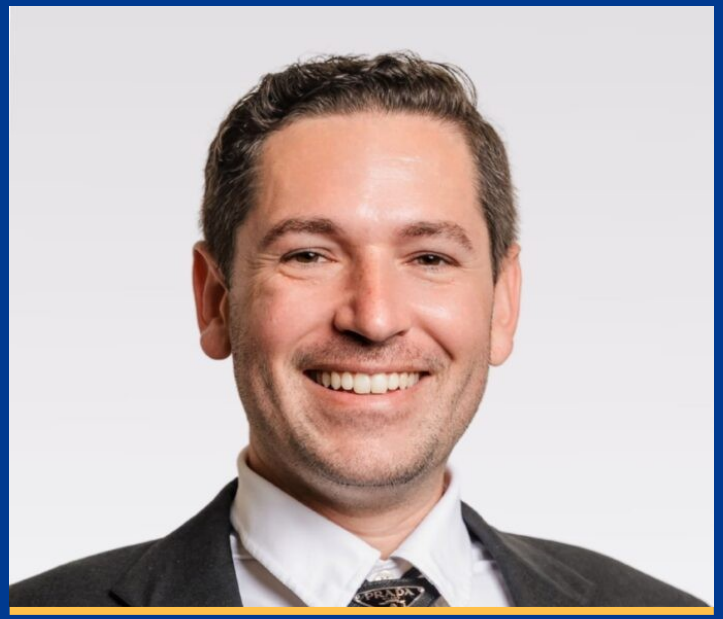
Key Changes and
Planning Considerations

IN THIS SESSION

01 QSBS opportunities under Section 1202
02 Bonus depreciation and capital investment
03 Cost segregation studies
04 R&D tax credits and Section 174
05 Section 163(j) interest expense limits
06 Section 199A pass-through planning
07 SALT strategies and PTET elections
08 Capital gains and tax-loss harvesting

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The 2026 changes at a glance

Provision	2026 planning focus
QSBS	New holding-period tiers and larger eligibility limits
Capital investment	100% bonus depreciation and higher Section 179 limits
Domestic R&E	Current deductions under Section 174A
Business interest	Depreciation and amortization add-backs return to ATI
Pass-through income	Section 199A becomes permanent
SALT	Higher individual cap, with an income-based phase-down

The One Big Beautiful Bill Act became law on July 4, 2025. Effective dates differ by provision.

QSBS eligibility

The issuer	A domestic C corporation with a qualifying active business
The investment	Original-issue stock acquired for cash, property or services
The asset tests	Gross assets within the ceiling and at least 80% used in the qualified business
The shareholder	A noncorporate holder who meets the applicable holding period

Excluded businesses include accounting, law, health, consulting, financial services, farming, hotels and restaurants. Redemption rules also matter.

QSBS rules depend on acquisition date

Rule	September 28, 2010 through July 4, 2025	After July 4, 2025
Holding period / exclusion	More than 5 years / 100%	3 years / 50% 4 years / 75% 5+ years / 100%
Per-issuer gain limit	Greater of $10M or 10 times basis	Greater of $15M or 10 times basis
Issuer gross assets	No more than $50M	No more than $75M

The first new three-year holding periods arrive in July 2028

Earlier stock has separate 50% / 75% rules and potential AMT treatment. The new dollar limits index after 2026.

QSBS example: four years versus five

Founder basis: $150,000 Gain: $20 million Assumed gain limit: $15 million

Calculation	Sale at 4 years	Sale at 5 years
Excluded gain	$11.25M (75%)	$15.00M (100%)
28% tax on taxable gain within limit	$1.05M	$0
20% tax on $5M above the limit	$1.00M	$1.00M
Federal capital gains tax, before NIIT	**$2.05M**	**$1.00M**

Hypothetical future sale of post-July 4, 2025 stock. Assumes no prior use of the cap and ignores future inflation, NIIT and state tax.

QSBS planning before an exit

Entity conversion

Only post-conversion appreciation may qualify. The C corporation holding period and asset test require advance planning.

Gifts and trusts

Non-grantor trust planning may create separate holder limits, subject to gift, trust and anti-abuse rules.

Section 1045 rollover

Eligible stock held more than six months may qualify for gain deferral when replacement QSBS is purchased within 60 days.

Documentation should cover issuance, basis, business activity, gross assets, redemptions and any prior use of the exclusion.

Bonus depreciation and Section 179

2026 rule	Section 179	Bonus depreciation
Maximum deduction	$2.56M, with phaseout starting above $4.09M	100% of eligible basis
Income limitation	Generally limited to business taxable income	May create or increase a net operating loss
Election	Select qualifying assets	Elect out by property class
Eligible real property	Certain QIP, roofs, HVAC, fire / alarm and security	QIP and other eligible property with ≤20-year life

100% bonus generally requires acquisition and placement in service after January 19, 2025. The 2026 Section 179 SUV limit is $32,000.

The placed-in-service date controls timing

$600,000

Eligible equipment investment

$222,000

Illustrative federal tax effect at a 37% marginal rate

Ready and available for use by December 31, 2026

A January 2027 placed-in-service date shifts the deduction to 2027.

Assumes a usable deduction. Excludes QBI effects and state tax. Basis, at-risk, passive-loss and other limitations may delay the benefit.

Qualified production property

100%

Elective first-year deduction under Section 168(n)

Qualifying use	Eligible manufacturing, production or refining space
Construction window	Begins after January 19, 2025 and before January 1, 2029
Service deadline	After July 4, 2025 and before January 1, 2031

Office, research, sales and nonqualifying storage areas are excluded. Lessors generally do not qualify. A change in use within 10 years can trigger recapture.

Cost segregation identifies shorter-lived assets

Building basis

An engineering study identifies components within a building's depreciable cost.

Asset classification

Eligible components move from 39 or 27.5 years to 5-, 7- or 15-year recovery periods.

Deduction timing

Qualifying shorter-lived assets may receive 100% bonus depreciation.

Land is excluded. A study supports classification and cost allocation, but acquisition dates and tax limitations still control the deduction.

Cost segregation: a $5 million illustration

$5M

Depreciable building basis
Land excluded

25%

Assumed allocation to
shorter-lived assets

$1.25M

Potential first-year
bonus deduction

$462,500

Tax effect of the $1.25M deduction at 37%
Primarily an acceleration of deductions

This is the gross tax effect of the reclassified deduction, not incremental savings versus regular depreciation. Assumes the deduction is fully usable.

Cost segregation on property already in service

Look-back study

An eligible accounting-method change may recover missed depreciation through a Section 481(a) adjustment on Form 3115.

Future sale

Reclassified property may create ordinary-income depreciation recapture. Model the holding period and exit together.

Other limitations

Passive-loss rules can delay the benefit. A Section 163(j) real-property election requires ADS for covered real property and QIP.

Bonus eligibility follows the original acquisition and placed-in-service rules. A new study does not create a new acquisition date.

Domestic and foreign R&E follow different rules

Research location	2026 treatment	Illustration
United States	Current deduction under §174A Optional amortization over at least 60 months	$2M of domestic R&E may produce a $2M deduction
Outside the United States	15-year amortization under §174	$300,000 of foreign R&E produces about $10,000 in the first year

Domestic software development can qualify for Section 174A

Foreign illustration assumes a full 12-month tax year and the midpoint convention. Research credits are a separate calculation.

Prior R&E balances and the research credit

2022–2024 balances

A valid two-year transition election can create a second catch-up deduction in 2026. Without acceleration, regular amortization continues.

Retroactive election

The separate small-business retroactive election deadline was July 6, 2026, subject to earlier refund limitation dates.

Section 41 credit

Eligible small businesses may elect up to $500,000 per year against payroll taxes. Credit eligibility differs from R&E deduction eligibility.

Separate domestic and foreign costs, document qualified activities, and coordinate the credit with the Section 280C deduction adjustment.

Section 163(j) limits business interest

Business interest income + 30% of ATI + floor-plan interest

ATI after 2024	Adjusted taxable income again adds back depreciation, amortization and depletion. ATI is a tax measure, not financial-statement EBITDA.
Small-business exception	The 2026 gross-receipts threshold is $32M, based on a three-year average. Aggregation and tax-shelter rules can change eligibility.
Disallowed interest	Generally carries forward. Partnerships have special entity- and partner-level rules.

The formula is the general deduction ceiling. Electing real property and farming businesses have separate rules and depreciation trade-offs.

The ATI add-back can increase interest capacity

Illustration	Without depreciation add-back	With depreciation add-back
Income before interest and depreciation	$1,000,000	$1,000,000
Depreciation deduction	$400,000	$400,000
Adjusted taxable income	$600,000	$1,000,000
30% of ATI	$180,000	$300,000
Deductible interest out of $350,000	**$180,000**	**$300,000**

$120,000 more interest capacity in this example

Assumes Section 163(j) applies, no business interest income, no floor-plan interest and no other ATI adjustments.

Section 199A: 2026 income thresholds

The deduction of up to 20% of qualified business income is now permanent

Filing status	Phase-in begins	SSTB fully phased out
Married filing jointly	$403,500	$553,500
Married filing separately	$201,775	$276,775
All others	$201,750	$276,750

Thresholds use taxable income before the QBI deduction. SSTB means specified service trade or business. Wage and property limits apply to other businesses.

QBI planning depends on the owner and business

Business classification	SSTBs can lose the deduction as income rises. Other businesses may retain it, subject to wage and property limitations.
Income and deductions	Model depreciation, retirement contributions, PTET and other deductions together. Each can also change QBI.
Minimum deduction	Beginning in 2026, a $400 minimum may apply with at least $1,000 of QBI from active qualified businesses.

A larger business deduction may reduce the QBI deduction. The combined federal and state result determines the benefit.

The 2026 SALT deduction cap

2026 rule	Single / married jointly	Married separately
Maximum cap	$40,400	$20,200
MAGI phase-down begins	$505,000	$252,500
Reduction	30% of MAGI above threshold	30% of MAGI above threshold
Minimum cap	$10,000	$5,000
MAGI where floor is reached	About $606,333	About $303,167

The cap and phase-down thresholds rise 1% annually through 2029. In 2030, the cap returns to $10,000, or $5,000 for married filing separately.

PTET can preserve an entity-level deduction

An eligible pass-through entity pays state income tax and generally deducts it before income reaches the owner.

Illustration	Amount
New York tax paid by an electing S corporation	$70,000
Federal benefit at 37%, before QBI effect	$25,900
Assumed reduction in 20% QBI deduction benefit	($5,180)
Illustrative net federal benefit	**$20,720**

Assumes $900K MAGI, a full QBI deduction, usable state credits and other SALT that still fills the owner's $10K cap. Actual savings vary.

PTET deadlines require state-specific planning

New York

2026 election deadline:
March 16, 2026

Remaining 2026 estimated payment:
December 15, 2026

California

Program extends through 2030

A missed or short June 15 payment can reduce the owner's credit, while an election may still be available.

California's reduction is 12.5% of the owner's share of the unpaid June 15 required amount, not 12.5% of the entire annual credit.

2026 long-term capital gains rates

Federal rate	Married filing jointly	Single
0%	Up to $98,900	Up to $49,450
15%	$98,901–$613,700	$49,451–$545,500
20%	Over $613,700	Over $545,500

Potential additional 3.8% net investment income tax

Rate brackets use taxable income. NIIT generally applies above $250K MAGI for joint filers or $200K for single filers. Short-term gains use ordinary rates.

Tax-loss harvesting: the arithmetic

Illustration	Before harvesting	After harvesting
Long-term gains	$150,000	$150,000
Realized capital losses	$0	($60,000)
Net capital gain	$150,000	$90,000
Tax at an assumed 23.8%	**$35,700**	**$21,420**

$14,280 Illustrative current federal tax reduction

Assumes allowed losses offset gains taxed at 20% plus 3.8% NIIT. State tax excluded.

Capital gains planning beyond the tax rate

Loss carryforwards Net losses offset capital gains. Up to $3,000 can offset ordinary income annually, or $1,500 if married filing separately.

Wash-sale window A substantially identical purchase within 30 days before or after a loss sale can disallow the loss, including purchases in an IRA.

Sale and gift timing Consider 0% gain harvesting, gifts of appreciated stock and QSBS holding periods. Legacy QOF gain deferral ends December 31, 2026.

Coordinate trades across accounts and with investment objectives. Excess capital losses generally carry forward.

Charitable planning under the 2026 rules

Taxpayer	2026 rule
Individuals who itemize	Contributions generally deductible only above 0.5% of AGI, subject to other limits
Individuals who do not itemize	Up to $1,000 of eligible cash gifts Up to $2,000 for joint filers. DAF gifts excluded.
C corporations	New 1% floor and existing 10% ceiling Based on specially computed taxable income
Taxpayers in the 37% bracket	Section 68 generally limits the marginal benefit of itemized deductions to 35%

Appreciated-stock gifts and bunching may affect the result. Confirm charity eligibility, AGI limits, substantiation and carryforward treatment.

2026 year-end planning checklist

Business investment	Confirm acquisition and service dates. Compare bonus, Section 179 and state deductions. Document production-property eligibility.
Research and financing	Separate domestic and foreign R&E. Reconcile transition balances and interest carryforwards.
Owner-level planning	Project QBI, SALT and PTET together. Review capital gains, losses and charitable gifts before transactions.
Execution	Confirm elections already made, remaining payment dates and supporting records. Model federal and state results.

For calendar-year taxpayers, December 31 is a key transaction date. Some election and payment deadlines occur earlier.

Florida corporate tax requires a separate model

Federal provision	Florida corporate treatment for 2026
Bonus depreciation and Section 179	Retains the specified January 1, 2025 federal-law baseline
Domestic R&E under Section 174A	Does not adopt the new Section 174A deduction
Qualified production property	Does not adopt Section 168(n)
Section 163(j) interest limitation	Retains the January 1, 2025 federal-law baseline

Federal acceleration can create a different state deduction schedule

Florida HB 7031 became law in June 2026. This reference addresses corporate income tax, not every owner's state tax result.

The planning priorities

Timing — Issuance, acquisition, service and holding-period dates can determine the tax result.

Eligibility — A headline deduction or exclusion is valuable only when the taxpayer and transaction qualify.

Coordination — Business deductions, QBI, PTET, capital gains and state rules need one combined projection.

Q&A

Your questions.
A more informed plan.



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