



2025 TAX STRATEGY

A four-part plan that will evaluate where you are today,
understand and assess any changes for 2025.





PART 1

START WITH REALITY:
UNDERSTAND YOUR
NUMBERS IN 2025



PART 1:

What Does 2025 Look Like?

→ Review Financials

Go over your financial statements to ensure everything is accurate. This will help you identify potential deductions and plan for the next.

Largo Tip: We like to use NOVEMBER as a prep for year-end.

→ Key Questions:

- ◆ Is there taxable income in 2025?
- ◆ Have you seen positive cash flow in 2025?
- ◆ Are there one-time events expected in December that will impact taxes for 2025?



PART 1:

What Does 2025 Look Like?

→ Consider Retirement Contributions

Contributions to retirement plans like a 401 SEP IRA can provide tax advantages, both personally and for your business.

*Largo Tip: Please note that you have until **April 15th, 2026** to make a contribution to a SEP or traditional IRA account.*

→ Evaluate Health Insurance Plan

Review your health insurance options and ensure you're taking advantage of any available tax credits.

Largo Tip: Confirm with your tax preparer how they are recording your health insurance expenses for 2025.

PART 1:

Review Steps to Take Before Year End

→ Update Records

Maintain up-to-date and organized records of your expenses. This will make tax filing easier and more accurate.

Largo Tip: For capital improvements, etc. it important to have record of the invoice, etc. as support of the deduction on the return.

By focusing on these key areas, you'll position your business for a successful year-end and strong start in 2025





PART 2

UPDATING THE RULES
OF THE GAME: NEW
ADJUSTMENTS TO THE
TAX RULES IN 2025 AND
BEYOND



PART 2:

Building a Tax Strategy for 2025 and Beyond

→ **Review your entity structure**

Year-end is always a good time to review your structure, to confirm that it is setup in the best way to fit your needs today and in future. Even if your business has been in service for years, you are able to change and adjust entity structure for 2025 and beyond. The first step is to review the various structures that exist, to confirm you are in the structure that fits your n, such as expenses, travel costs, and professional services.

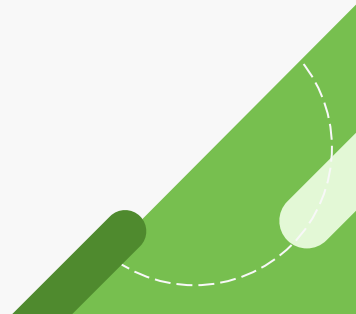


PART 2:

Building a Tax Strategy for 2025 and Beyond

→ **Build Strategy based on your effective tax rate**

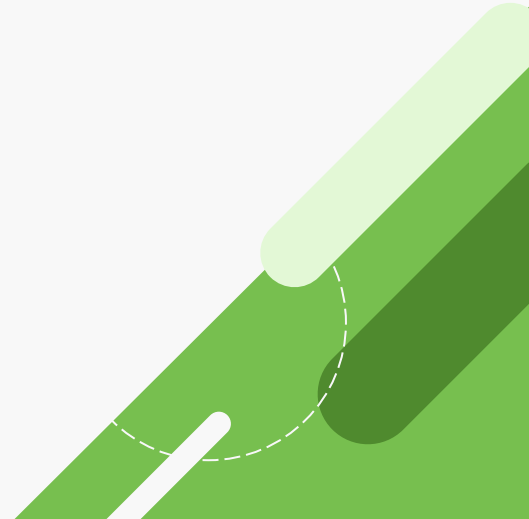
Here's how the effective tax generally calculated: For Individuals: It is computed by dividing total tax liability by total taxable income. This includes all forms of income such as wages, dividends, and other earnings, reduced by deductions and credit.



1. Higher Standard Deduction

- Significantly increased standard deduction amounts:
- **\$31,500** for Married Filing Jointly
- **\$15,750** for Single filers
- **\$23,625** for Head of Household

These are permanent increases (and indexed for inflation thereafter).



2. New Or Expanded Deductions

A. Deduction for Seniors

Taxpayers aged **65 or older** can claim an additional **\$6,000 deduction** (\$12,000 for qualifying couples), **whether or not they itemize.**

→ Phases out at higher income levels.

B. Deductions for Tips and Overtime

New above-the-line deductions:

→ **Cash tips:** up to **\$25,000** per year (for qualifying workers)

→ **Overtime pay:** up to **\$12,500** (individual) or **\$25,000** (joint)

These are temporary for 2025–2028 and reduce taxable income directly.

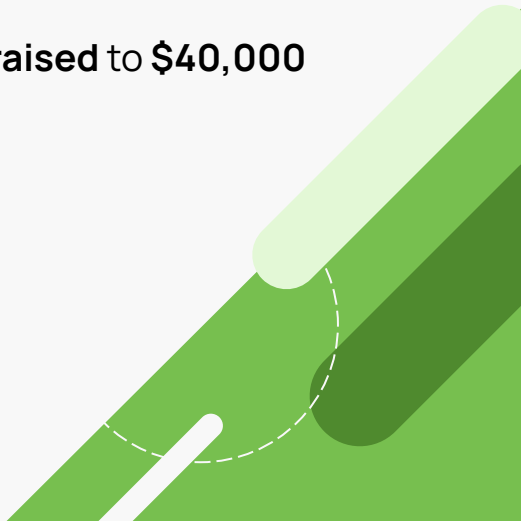
2. New Or Expanded Deductions

C. Car Loan Interest Deduction

- Taxpayers may take an above-the-line deduction for **interest on qualified car loans** (up to ~\$10,000), subject to income limits.

D. Higher SALT Deduction Cap

- The state and local tax (SALT) deduction cap is **temporarily raised** to **\$40,000** (with phase-outs for higher earners)



3. Understanding the ‘Working Income’ Deductions

A. TIP Income Deduction

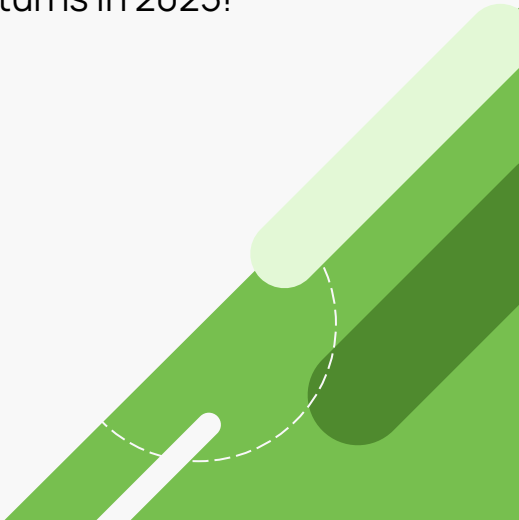
- Allows deduction for qualified tip income
- Applies even if taxpayer takes the standard deduction
- Subject to income cap and reporting requirements

B. Overtime Pay Deduction

- Allows a deduction for the overtime portion of wages
- Intended to apply only to the premium and not base pay

Key: *Employee savings will be automatically calculated on their return.
No additional forms required.*

4. Business Tax Provisions Focused On Cash Flow

- Preservation of QBI deduction – effective tax rate for business owners of pass-through entities preserved (effective rate 25%)
 - Continued accelerated depreciation – 100% bonus depreciation returns in 2025!
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5. Understanding the QBI Deduction

- QBI has three zones based on taxable income
- ◆ Below Threshold (\$300k)
 - 20% QBI Allowed
 - Example: Business taxable income = \$350,000
 - Business wages paid = \$250,000
 - QBI calculation on taxable income
 $= \$350,000 \times 20\% = \$70,000$
 - QBI calculation based on wages limit (50%)
 $= \$125,000 (50\% \times \$250,000)$
 - QBI = \$70,000 (full 20% allowed)
 - If marginal tax rate is 32% = **\$22,400 TAX SAVINGS**

5. Understanding the QBI Deduction

→ What changes once you are above the threshold?

◆ Wage limit applies

- 50% of wages paid or 25% of wages + 2.5% qualified property
- QBI CAN STILL APPLY
- \$450,000 taxable income and \$250,000 wages
- $QBI = 20\% \text{ of } \$450,000 = \$90,000$
- $\$250,000 \text{ wages} \times 50\% = \$125,000$
- QBI \$90,000 FULL (Wage limit above QBI) – NO REDUCTION
- \$31,000 TAX SAVINGS



PART 3

REVIEW TAX CREDITS AVAILABLE FOR 2025



PART 3:

Review Tax Credits/Deductions That May Be Available At Corporate And Individual Level

→ Research and Development Credit

To qualify for the R&D tax credit, the activity must meet the following criteria:

1. **Permitted Purpose:** The activity must aim to improve a product or process, as developing new recipes, improving kitchen procedures, or enhancing food preservation technique.
2. **Technological in Nature:** The development must be based on principles of hard sciences like biology, chemistry, or engineering. For restaurants, this could include experimenting with new cooking methods or food preservation technologies.

PART 3:

Review Tax Credits/Deductions That May Be Available At Corporate And Individual Level

3. **Elimination of Uncertainty:** There must be an intent to discover information eliminates uncertainty concerning the development or improvement of a product or process. For example, experimenting with new cooking techniques to improve efficiency qualifies.
4. **Process of Experimentation:** The activity must involve a systematic trial-and process, such as testing different ingredient combinations or experiment preparation methods to achieve desired result.

PART 3:

Review Tax Credits/Deductions That May Be Available At Corporate And Individual Level

→ FICA Trip Credit

The FICA Tip Credit is a valuable tax credit available to restaurants and other businesses that employ tipped workers. It helps offset the employer's portion of Social Security and Medicare taxes (FICA) paid on employee tip.

Eligibility: Typically applies to restaurants and hospitality businesses where employees receive tips as part of their compensation.

Calculation: The credit is calculated based on the employer's share of social security and Medicare taxes paid on tips received by employees that are above the federal minimum wage.

PART 3:

Review Tax Credits/Deductions That May Be Available At Corporate And Individual Level

→ Work Opportunity Tax Credit:

The Disabled Access Tax Credit: The Disabled Access Tax Credit is a valuable federal tax credit designed to encourage small businesses to make their facilities accessible individuals with disabilities. This credit helps offset the costs associated compliance to the Americans with Disabilities Act (ADA).

PART 3:

Review Tax Credits/Deductions That May Be Available At Corporate And Individual Level

Eligibility Criteria: The credit applies to businesses that hire employees from certain target groups. These groups include, but are not limited to: Veterans, Long-term unemployed individuals, Ex-felons, Individuals receiving Temporary Assistance for Needy Families (TANF), SNAP (food stamp) recipients, Designated community residents and more.

Credit Amount: The credit amount can vary widely, ranging from \$1,200 to \$9,600 per eligible employee. The amount depends on the employee's target group, total hours worked, and wages earned



PART 4

KEY ELEMENTS OF AN EFFECTIVE LONG-TERM TAX STRATEGY





PART 4:

KEY ELEMENTS OF BUILDING A TAX STRATEGY

- **Income projections** – building a budget for 2026 should also include tax projection. If taxable income increasing to above \$350,000, may be time to review effective tax rate and tax strategies for 2026 and beyond.
- **Exit in view** – if you are considering selling in 2026 – 2028, it is important to review prior year tax returns and current year returns to ensure reporting is in line with exit strategy.
 - ◆ What is your cost basis as of 12/31/2025
 - ◆ What is your equity balance as of 12/31/2025
 - ◆ What does selling look like from tax perspective?





PART 4:

KEY ELEMENTS OF BUILDING A TAX STRATEGY

- **Frustrated with surprise tax bills** – 2026 may be the year to begin working toward quarterly estimates at both federal and state level. This can ensure cash flow is in line with tax liability throughout the year.





PART 4:

KEY ELEMENTS OF AN EFFECTIVE LONG-TERM TAX STRATEGY

- Understanding that the rules will change.
- Review your tax plan at least quarterly to adjust for current year operating change.
- Consider long-term goals.

By utilizing these tips and strategies above, you'll be well-equipped to build a robust strategy for 2026 that supports your business's financial health and strategic goals



THANK YOU!!

CONTACT US TO BOOK A FREE STRATEGY SESSION!

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