



DRIVING PROFIT SMART TAX STRATEGY

Using Tax Strategies from the OBBBA and Other
Laws to Drive Revenue in AEC for 2026











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ABOUT US

FOUNDED
In 2007, McGuire Spensel is a trusted tax and advisory partner to more than 500 CPA and real estate firms nationwide

BEYOND COMMON PRACTICES

-  Cost Segregation & Energy Studies
-  R&D Tax Credits
-  Transfer Pricing
-  Site Selection
-  Property Tax
-  International Tax Compliance

Phoenix, AZ | Dallas, TX | Indianapolis, IN (HQ) | Detroit, MI | Atlanta, GA



LOCATION ADVISORY

- Site Selection
- State and Local Incentive Management
- Single or Multi-Site Incentive Grants Analysis
- Incentive Procurement
- Compliance & Reporting

R&D CREDITS

ENERGY EFFICIENCY

FIXED ASSETS

- Cost Segregation
- Fixed Asset/Depreciation Management
- 179D Tax Deduction
- ALE Energy Efficient Tax Credit
- Property Tax
- IRA Credits

McGUIRE SPENSEL SERVICES

AGENDA

- Update on Tax Provisions Under One Big Beautiful Bill Act (OBBBA)
- R&D for AEC
- Depreciation Opportunities
- Energy and Other Opportunities
- Tax Planning Issues For AEC

Update on OBBBA Tax Provisions

\$174 AMORTIZATION PERMANENT FIX

- Section 174A allows full expensing of domestic R&D expenses for tax years beginning after December 31, 2024
- Option to amortize over period no less than 60 months
- Foreign research still amortized over 15 years
- Transition rules provide options to taxpayers



174A TRANSITION RULES



SMALL TAXPAYER PROVISION

- Apply §174A to tax years 2022–2024
- Must address §174A on 2022–2024 returns
- Election will allow taxpayers to make a late 280C election even on an amended return for 2022–2024

ALL OTHER TAXPAYERS

- §174 Amortization applies for 2022–2024
- Taxpayers can elect to accelerate unamortized expenses on first return for a tax year ending after December 31, 2024
- Can spread unamortized amounts over 1–2 years



280C ELECTION CHANGES



TCJA 280C

- Applies to tax years 2022–2024
- Taxpayers must reduce capital account by amount of R&D Credit exceeding §174 deductions for that year
- Or can elect 280C to take reduced credit

OBBBA 280C

- Applies to tax years 2025 and beyond
- Reverts back to previous 2022 treatment
- Also 2022–2024 for taxpayers electing small business provision
- Taxpayers must reduce by deductions by amount of R&D Credit or take reduced R&D Credit



REVENUE PROCEDURE 2025-28



- Provides guidance to elect various OBBBA provisions
- Simplified statements in lieu of 3115
- Required to switch from §174 to §174A
- Changes after tax year 2025 requires 3115



OBBBA: DEPRECIATION CHANGES



PERMANENT BONUS DEPRECIATION

- Set at 100% moving forward
- Only for assets acquired and placed in service after January 19, 2025
- Subject to binding contract restrictions

QUALIFICATION DOESN'T CHANGE

- Assets with a life of 20-years or less
- Both new and used property
- Based on PIS date, not date of cost segregation

RESTRICTIONS REMAIN

- ADS requirements
- Related party transactions
- Elections cannot be revoked



OTHER POTENTIAL DEPRECIATION RELATED ISSUES



163(j)-INTEREST LIMITATION



- 30% of Adjusted Taxable Income (ATI)
- ATI originally tied to EBITDA
- Currently tied to EBIT
- Returns to EBITDA for starting in 2025

179 EXPENSING



- Increases to \$2.5 million
- Phase out begins at \$4 million
- No changes to qualifying criteria



WHAT IS QUALIFIED PRODUCTION?



- 1 Property which is an integral part of qualified production
- 2 Manufacturing, production, or refining of a qualified product
- 3 Must result in "substantial transformation"
- 4 QP is considered tangible personal property, except for food or beverages prepared and sold in the same building
- 5 Current year election



PRODUCTION PROPERTY

- New allowance for Qualified Production Property (QPP)
 - Must meet "original use" test, unless not used in production from January 1, 2021-May 12, 2025
 - Construction must begin after January 19, 2025
 - Production of qualified product defined as Tangible Personal Property
- Does not include offices, administration, research areas, etc.

✓ Manufacturing Area
Qualifies



✗ Office Area
Does not qualify



PRODUCTION PROPERTY

- Devil is in the details
 - Property owned by a lessor, used by a lessee does not qualify
 - Used property qualifies if not used in production "by any person" between January 1, 2021 – May 12, 2025
 - Exclusion of office space
- Recapture if in 10-years changes use



QUALIFIED PRODUCTION VS. BONUS DEPRECIATION



QUALIFIED PRODUCTION



- On "Real Property"
- 168(n) is a current year election
- Only for areas where "Qualified Production" is occurring
- Recapture triggered by "change in use" or sale

BONUS DEPRECIATION



- Assets with a life of 20-years or less
- Accounting method
- All properties will have some assets
- Recapture on sale
- No recapture on "change in use"



R&D Tax Credit For AEC



R&D QUALIFICATION CRITERIA FOUR-PART TEST



PERMITTED PURPOSE

- New or improved product, process, technique, formula, invention, or computer software
- The purpose of the research must relate to a new or improved function, performance, reliability, or quality

TECHNOLOGICAL IN NATURE

The activity is undertaken to discover information that is technological in nature

THE UNCERTAINTY TEST

- The activity must involve technical uncertainty or risk related to:
 - Capability (if it can be done), or
 - Method (how it can be done), or
 - The Appropriate Design

PROCESS OF EXPERIMENTATION

The qualified activity must involve the evaluation of one or more alternatives where the capability and method of achieving the result is uncertain as the outset



DEFINING \$41 QUALIFIED EXPENSES



WAGES



- Performing qualified research
- Technical supervision of qualified research
- Technical support of qualified research

SUPPLIES



- Tangible personal property utilized during the process of qualified research
- Cannot be subject to depreciation

COMPUTER LEASING



- Owned and operated by someone other than the taxpayer
- Cloud computing costs most common

CONTRACT RESEARCH



- Any amount paid or incurred by the taxpayer to any person/company other than employees for qualified research
- Includable up to 65% (75% for research consortia)



DEFINING FUNDED RESEARCH



- How to determine whether a project is considered "funded"
 - Economic risk
 - Research rights

- Payment contingent upon success of research

- Taxpayer retains substantial rights
 - Language specifying rights in contract



KEY QUESTIONS FOR CONSTRUCTION COMPANIES

What type of project?

- Design-Build
- Design-Assist
- Build-to-Spec

Who bears the engineering responsibility?

- Technical Uncertainty
- Process of Experimentation

Who bears the economic risk?

- What is the fee structure?
- Are there clawbacks in the contract?
- Milestone payments?

Who retains substantial research rights?

- Can the company use the research in future projects?



R&D TAX CREDITS FOR THE CONSTRUCTION INDUSTRY

- Good candidates for the R&D Tax Credit:
 - Mechanical, electrical, plumbing, other specialty contractors
 - Structural engineering
 - Architectural firms


Large industrial

Medium to large medical

Municipal

Specialty manufacturing


Colleges and universities



Depreciation Opportunities





COST SEGREGATION



- Reclassifies assets
- Business properties acquired through purchase, new construction, renovation, or leasehold improvements
- Building components can be depreciated over 5-, 7-, and 15-year class lives

Results = substantial cash flow benefits



WHEN A STUDY MAKES SENSE



Purchased or constructed a building > \$750,000



Made renovations to your facility in > \$200,000



Depreciation records for numerous fixed assets



Qualified Production Property



QPP GUIDANCE NOTICE 2026-16



How will start of construction be treated?



How is a property purchased and then renovated treated? Is QPP an all-or-nothing election?



How do we allocate between parts of the building?



What parts of a building qualify?



What about properties where production has not commenced?



Other questions?



ELECTION DETAILS

- Irrevocable
- Elect amount of QPP to take, up to total amount of Qualifying Basis
- If treating property as QPP, taxpayer is treated as electing out of bonus for same amount under 168(k)
 - Planning opportunity
 - Is Bonus or 179 better?



SUBSTANTIAL TRANSFORMATION

- Must materially change form or function of the input materials
 - Distinguishable from original state
 - Cannot return to original state
- Does not include operations resulting solely in:
 - Packaging
 - Repacking
 - Labeling
 - Minor assembly
- Storage of raw materials or other inputs to be consumed during QPA
 - Finished storage does not qualify



Other Tax Opportunities



CHANGES TO ENERGY CREDITS



EV CREDITS

- Expired after Sept. 30, 2025
 - 29E
 - 30B
 - 49W
- Expiring after June 30, 2026
 - 30C

PRODUCTION TAX CREDITS (45Y)

- Wind and solar would have to begin construction within one year or be placed in service by Dec. 31, 2027
- Non-wind and solar would phase out after 2032

INVESTMENT TAX CREDIT (48E)

- Wind and solar would need to begin construction within one year or be placed in service by Dec. 31, 2027
- Changes to domestic content starting June 16, 2025
- FEOC Rules

ENERGY CREDIT PLANNING

- 179D still viable for most projects being PIS in 2026 and into 2027
 - Architects and Engineers working on government projects should plan for changes
- If considering solar or wind, need to move forward by July 4, 2026, or complete by end of 2027
- Some areas not affected:
 - Geothermal Systems
 - QIP (Lighting Upgrades)



179D & 45L



179D

- Terminates for property beginning construction after June 30, 2026
- Assumption is that construction safe harbor rules will apply
- 5% construction needs to take place to qualify

45L

- Terminates for homes acquired after June 30, 2026
- Based on "acquisition date" (45L(h))

179D TAX DEDUCTION

- 179D allows energy-efficient building improvements or new building construction to be eligible for a tax deduction

MAX DEDUCTION*
\$5.00
per square foot

*limited to \$1 per square foot if prevailing wage and apprenticeship requirements are not met

Post-IRA 179D Triggers

- New builds or renovations in excess of 30,000 square feet
- Architects or system engineers that design buildings owned by government or tax-exempt entities



179D CASE STUDY HOTEL & RESORT



CLIENT PROFILE

- Large hotel and resort chain with many locations in Asia, North America, Europe and Africa.

PROCESS/APPROACH

- Run preliminary energy study using the plans provided by the client to confidently purpose a projected benefit to them.
- Once project was signed, we paired Cost Segregation and 179D site visits together to eliminate the need to inspect the property twice.

Max deduction of \$5.65
per SQ FT.

\$1.5M+



OPPORTUNITY ZONES


- Made permanent
- Year of inclusion
 - Date sold
 - 5 years after investment made
- If held for 5 years prior to 10% of gain is forgiven (30% in the case of rural zones)
- Maintains 10-year gain forgiveness




Q&A





UPCOMING WEBINARS

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Wednesday
May 6, 2026
1:00 PM EST




When Clients Expand or Move, Are They Capturing Every Available Incentive?


Wednesday
May 20, 2026
1:00 PM EST



Are Your Clients Exposed on Transfer Pricing — Even If They Don't Think They Are?

Wednesday
June 3, 2026
1:00 PM EST

 Each session offers 1 CPE credit



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Host TJ Sponkel & guest Dave McGuire



USING SPECIALTY TAX TO BUILD YOUR BOOK OF BUSINESS

Host Tim LeMasters & special guest Alex Wilson, CPA of Yeo & Yeo





WHAT THE JULY 6 DEADLINE MEANS FOR CPA FIRMS


Host Dave McGuire & guest David Seibel, EA (Coming May 2)

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