

POSSIBLE (RE)DEFINED

Essential Tax Insights to Avoid Penalties & Fuel Your Growth



A Fast-Moving Climate Requires
A New Way of Thinking



Possible (Re)Defined™ Go further, faster

Gain confidence and clarity to tackle challenges
or plan for tomorrow's aspirations

QUICK TIPS

Zoom Webinars

Ask Questions in Q&A Box

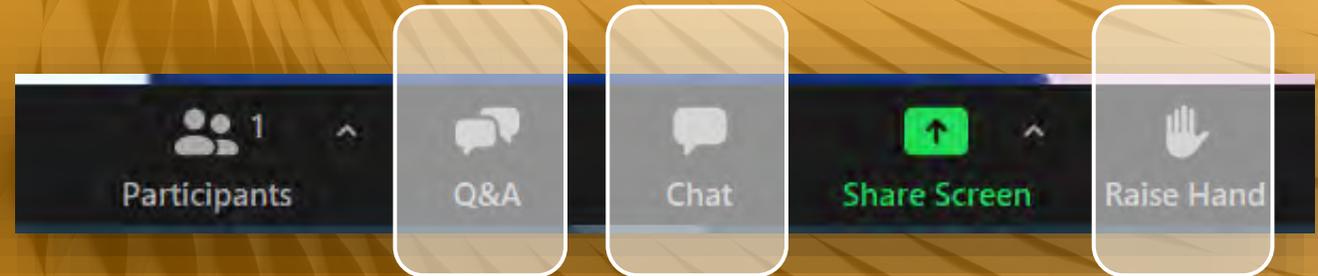
- Click the Q&A button to open the window
- Type your response in the text field
- Click Send

Chat

- Click the Chat button to open the chat panel
- Type your message in the Text box at the bottom of the panel
- Press Enter to send your message

Raise Your Hand

- Click the Raise Hand button at any time to indicate to the host know that you have a question or need assistance
- To lower your hand, click the Lower Hand button



WELCOME

Today's Presenters



Jason Woon

Partner

Valuation & Financial Modeling
Jason.Woon@armanino.com



Malcolm Ellerbe

Partner

Tax – State and Local Tax
Malcolm.Ellerbe@armanino.com



Stephanie Shorkley

Partner

Tax – State and Local Tax
Stephanie.Shorkley@armanino.com



Tom Pyevich

Partner

Tax – R&D Credits
Tom.Pyevich@armanino.com



Nghi Huynh

Partner

Tax – Transfer Pricing
Nghi.Huynh@armanino.com

Main Topics

Learning Objectives

Big Beautiful Bill :
Dig deeper into this new legislation and get expert insights



International Tax:
Learn the essentials of cross-border compliance challenges.



State and Local Tax:
Explore essential insights on how to manage regulatory complexities and reduce liabilities



R&D Tax Credits:
Identify key tax opportunities to maximize savings



EXPLORING NEW AREAS

Agenda

- Key Updates On Big Beautiful Bill
- International Tax
 - Sustainable & Effective Tax Rate
 - Methods to Manage Global Tax Rate
 - Challenges to Further Lowering ETR
- State and Local Tax
 - Income Tax
 - Non-Income Taxes
 - Sales/Use Tax for SaaS Companies
- Tax Credits
 - One Big Beautiful Bill Act
 - New Form 6765
- Q & A



One, Big, Beautiful Bill Act

International Tax

One Big Beautiful Bill Updates

- GILTI and FDII - make permanent a 49.2% GILTI deduction (resulting in a 10.668% rate) and a 36.5% FDII deduction (resulting in a 13.335% rate).
- BEAT -10.1% rate and permanently exclude the research credit and a portion of applicable Section 38 credits from reducing regular tax liability in computing BEAT liability for tax years beginning after December 31, 2025.
- Section 163(j) (Business Interest Expense Limitation) - The bill proposes computing adjusted taxable income (for the limitation) without regard to depreciation, amortization, or depletion deductions for tax years 2025-2029
- Section 899 of legislation that passed the House May 22— viewed as Revenge Tax on countries that impose discriminatory taxes on US

State and Local Tax

One Big Beautiful Bill Updates

- Increase in SALT Cap- tentatively set to \$40,000
- Limitations on SALT deduction workaround for “specified service trade or business”
- Define solicitation of orders for P.L. 86-272 and specify that protected solicitation includes “any business activity that facilitates the solicitation of orders even if that activity may also serve some independently valuable business function apart from solicitation

R&D Tax Credits

One Big Beautiful Bill Updates

- House of Representatives passed the “One Big Beautiful Bill Act”
- Provisions most relevant to section 174/R&D tax credit areas:
- Full domestic deduction for 2025–2029 for § 174 expenses
- Choice and flexibility:
 - Taxpayers may instead elect to capitalize domestic R&E and amortize it over at least 60 months, matching book treatment if preferred.
- Foreign research unchanged:
 - R&E performed outside the United States remains subject to the current § 174 regime (15-year amortization).
 - The bill now moves to the Senate for further discussion and for potential additional mark-ups.
 - If enacted, this should improve overall cash flow for companies which will now be allowed to immediately deduct R&D expenses as incurred (similar to pre 2022 treatment).



International Tax

International Tax

Sustainable & Effective Tax Rate

- Most sustainable ETR depends on
 - Mix of income
 - Sources of income
 - Tax + transfer pricing strategies
- Model a goal effective tax rate once sources of revenue are defined

International Tax

Methods to Manage Global Tax Rate

- Legal entity restructuring
- Management Fee centralization
- Centralization of IP ownership
- Maximize allowable R&D credits and benefits
- Tax Treaties

International Tax

Challenges to Further Lower ETR

- Pillar 2 - minimum 15% corporate tax rate for certain multinational entities (MNEs) with global turnover over €750 million. This effectively sets a floor for the ETR for large MNEs operating in adopting jurisdictions.
- US "GILTI" top up system is effectively a global minimum tax
- OECD BEPS Initiative – Enforcement of substance at entities with residual profit; Difficult for enterprises to be taxed “nowhere”.

International Tax

Effective Tax Rates of Leading Life Sciences Companies

Company	5-Year Avg. ETR	Trailing 12-Month ETR	Notes
Amgen (AMGN)	10%	14%	Reflects benefits from international tax planning.
Celgene (CELG)	14%	19%	Acquired by Bristol-Myers Squibb; historical data prior to acquisition.
Bristol-Myers Squibb (BMY)	16%	23%	Moderate ETR, indicating balanced global operations.
AbbVie (ABBV)	17%	22%	Utilizes international structures for tax efficiency.
Johnson & Johnson (JNJ)	19%	17%	Stable ETR, reflecting diversified global presence.
Gilead Sciences (GILD)	20%	19%	Higher U.S. operations contribute to elevated ETR.
Merck & Co. (MRK)	24%	19%	Consistent ETR, with significant U.S. and international activities.
Pfizer (PFE)	26%	14%	Recent reductions due to strategic tax planning.



State and Local Tax

State and Local Tax

Income Tax

- Nexus
- Apportionment for other than tangible personal property
- Cost of Performance vs. Market Sourcing
- Pitfalls and opportunities
- NOLs

State and Local Tax

Non-Income Taxes

- Local Tax – SF, LA, etc.
- Other non-income taxes – WA B&O, OH CAT, TX Franchise Tax, other franchise taxes

State and Local Tax

Sales/Use Tax for SaaS Companies

- Sales/Use Tax SaaS Companies
- Life Cycle characteristics
- SaaS taxability evolution
- Nexus footprint
- Prior period liability calculations and remediation
- Due Diligence Readiness
- Compliance Infrastructure



Tax Credits

R&D Tax Credits

R&D Payroll Tax Offset: Benefits + Eligibility

- Prior to 2023, R&D credit for payroll tax was capped at \$250,000. Starting with tax years after December 31, 2022, taxpayers can use the R&D tax credit for up to \$500,000 in payroll tax offsets. This includes:
 - \$250,000 for the FICA portion (6.2% of employer responsibility)
 - \$250,000 for the Medicare portion (1.45% of employer responsibility)
- Available to Qualified Small Businesses
- Under Section 41(h)(3)(A), the term "qualified small business" means, with respect to any taxable year
- A corporation or partnership if gross receipts than \$5 million and entity did not have gross receipts for any taxable year preceding the 5-taxable-year period

R&D Tax Credits

R&D Payroll Tax Credit: Filing

Elect the offset:

- Electing the payroll tax offset on a **timely filed** tax return (Section D of Form 6765)

Report it to payroll:

- Attach Form 8974 to the next Form 941 (due the last day of the month after each quarter).
- The credit first applies to the quarter that begins after the return was filed.

Example: If the return with the election was filed on Oct 15 2024 (Q4 2024), the credit is taken on the Q1 2025 Form 941

Carry forward any excess:

- Unused credit rolls to subsequent quarters until fully applied.

R&D Tax Credits

New Form 6765

Section E—Other Information. See instructions.

37	Enter the number of business components generating the QREs on line 5 or line 20	37	
38	Enter the amount of officers' wages included on line 42	38	
39	Did you acquire or dispose of any major portion of a trade or business in the tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No		
40	Did you include any new categories of expenses as current year QREs? <input type="checkbox"/> Yes <input type="checkbox"/> No		
41	Did you determine any of the QREs on line 5 or line 20 following the ASC 730 Directive? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the amount from Appendix C Line 19 (you may attach your Appendices A, B, C, and D here) This ASC 730 Directive only applies to taxpayers with assets equal to or greater than \$10,000,000 who follow U.S. GAAP to prepare their Certified Audited Financial Statements showing the amount of currently expensed Financial Statement R&D. See instructions.	41	

Section F—Qualified Research Expenses Summary. See instructions.

A	Are you required to complete Section G? See instructions to determine if you are required to complete Section G, and how to complete Section F if you are not required to complete Section G <input type="checkbox"/> Yes <input type="checkbox"/> No		
42	Total wages for qualified services for all business components (do not include any wages used in figuring the work opportunity credit)	42	
43	Total costs of supplies for all business components	43	
44	Total rental or lease cost of computers for all business components	44	
45	Total applicable amount of contract research for all business components (do not include basic research payments).	45	
46	Enter the applicable amount of all basic research payments. See instructions	46	
47	Add line 45 and line 46	47	
48	Add lines 42, 43, 44, and 47, then enter line 48 on either line 5 or line 20, whichever is appropriate	48	

Form 6765 (Rev. 12-2024)

Section G—Business Component Information. Complete lines 49(a) through 49(f) for each business component you are required to report. See instructions. Attach additional sheets if necessary to capture all business components.

	49(a) EIN of the controlled group member conducting the research activities on this business component	49(b) Controlled group member's principal business activity code	49(c) Business component's name or unique alphanumeric identifier (see instructions)	49(d) Business component type (select one from available options)
1				
2				

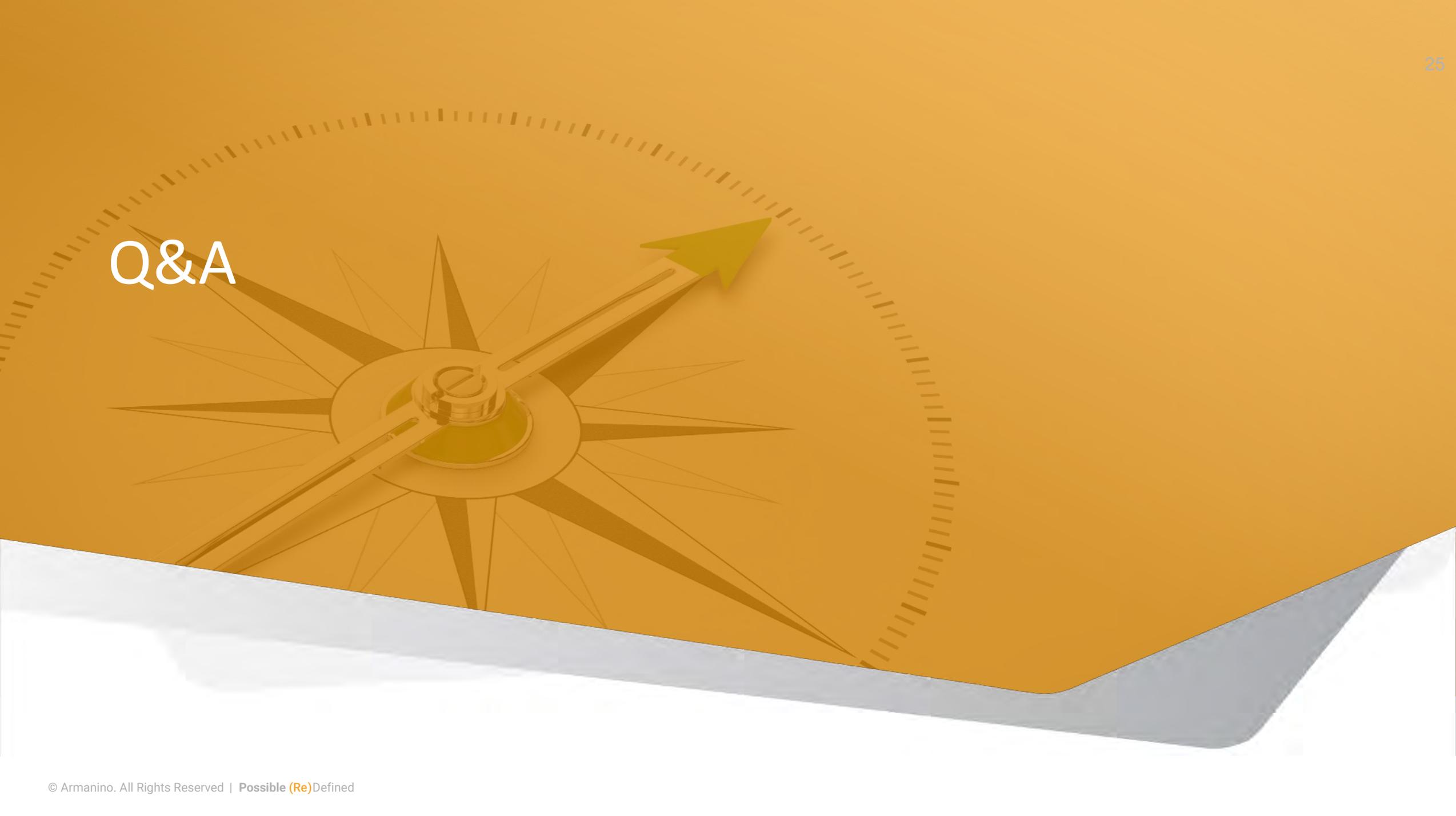
Updates Going Into Effect

- New requirements are required for Section E & F
- Section G optional in tax year 2024, mandatory in 2025
- Do not apply when \$1.5 million or less in QREs and \$50 million or less in gross receipts

Requirements

- Business Component List, Type, and Description of information sought
- Required in tax year 24 QREs by Direct Support, Direct Supervision, or Direct R&D
- QREs by Supplies, CLC, and/or Contract Research

Q&A



Thank you for
attending

Additional Questions?

Reach out to us at

Experts@armaninoLLP.com



OUR PROMISE TO YOU

Reimagine Your Potential



Unconventional Approach

We're a vested, entrepreneurial partner who sees your organization through a 360 lens and finds opportunity at every stage



Comfort in Change

Our experts provide guidance and support while quickly facilitating transformation that gives you a competitive advantage.



Focused on You

Our integrated teams and solutions deliver tailored insights to bring you more value and clarity throughout your journey.

Possible *(Re)*Defined™

Delivering impactful, bold solutions that increase clarity
and spark success for today and tomorrow.

Armanino Operates in an Alternative Practice Structure:

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