

ACCOUNTING FOR CHANGE

CPAs Ponder Potential Tax Shifts for 2026

By Matt Ottinger

With new tax years comes changing laws and varied deduction implications. The most recent cycle was no different, bringing in noteworthy accounting trends for employers to know.

Marcy Grube is the owner of Grube CPA, Inc. in New Albany. Her business clientele ranges from owners of startups to small- and medium-sized organizations with revenues anywhere from \$250,000 to \$10 million.

Broadly speaking, she notes that today's tax preparation for businesses is a more comprehensive process than in the past.

"It is more year-round, especially for these medium-sized businesses," Grube asserts. "They can't just get their taxes prepared and have no other type of tax planning or management or compliance or anything."

"I think many moons ago, it was simpler," she adds. "You could maybe just get your taxes filed and have an in-house accountant and that would work, but now they need information on how payroll should be processed and how expenses are tracked, which affects their compliance and all their tax outcomes."

'What do I do with this letter?'

Avon-based Donovan CPAs has always served businesses large and small, although it's now added human resources services to its arsenal to cater to its employer clients.

Further, Trinity Ellis, one of the firm's partners, concurs with the sentiment that tax filing for businesses is more complex.

"I think back to the 2017 Tax Cuts and Jobs Act and one of the things that the IRS was really big on was they were going to simplify the 1040 and make it one page, and then it was two pages at the time and they had it down to one page, and then it slowly crept into two pages," he reflects. "And now it's two pages and five schedules, so I don't think they quite accomplished their goal."

Grube also harkens back to a simpler time before the COVID-19 pandemic.

"I do a lot of the tax resolution with the

IRS and the state, and really since COVID, not that it wasn't happening before then, but really everything's more automated with the IRS and state," she relays.

Grube clarifies that the automation effectively triggers more frequent outreach from the IRS, which can be daunting for a business.

"Any inconsistencies with clients, may it be bookkeeping, payroll, taxes – they're having to answer these questions more often and we see a ton more letters than we ever used to, and I feel like that's only going to get worse." Grube laments. "That's more complex for the client because if they don't have some type of contract with the CPA or something all year long, then they're kind of out of the loop and they're like, 'What do I do with this letter?'"

Moving at the speed of business also remains a challenge for the government.

"The IRS is fairly poorly staffed and they're up to their eyeballs in work and trying to dig out from a handful of things," offers Jeff Donovan, partner and firm visionary at Donovan CPAs. "I think they just recently dug out from COVID and then they had to shut down (per



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the recent federal government shutdown) and now things are probably going to be delayed."

He adds, "We ran into a situation where we had a couple of years of amended returns to seek some refunds, and it literally took them a year to send the refund checks back."

Rate fluctuations

Looking at specific tax changes, one welcome development in Indiana is a recent change in the state income tax rate, which dropped from 3% to 2.95% on January 1.

"That's kind of a positive for a lot of people," Grube remarks. "But combined with that though, Indiana still has somewhat of a high interest rate on underpayments and penalties ... so that really affects businesses that don't pay in enough taxes throughout the year or don't pay their taxes on time."

Six counties, however, did increase their local income taxes: Carroll, Grant, Greene, Howard, Shelby and Union.

In the eye of the beholder

At the federal level, the One Big Beautiful Bill Act (OBBBA), signed into law last July 4, introduced significant changes to federal tax policies and spending, impacting individuals, families and businesses across the country. Ellis points to two key provisions that will likely be most impactful for businesses: no taxes on tips and overtime.

"A lot of companies track that stuff, but to what extent they track it, it is hard to say," he speculates. "So those are for the 2025 tax year ... and the IRS is giving a lot of business owners some grace in how they track and report that to their employees for 2025. But in 2026, (employers will) want to make sure they're tracking that and reporting that to their employees – both the tips and the overtime."

Research and development (R&D) tax credit changes also are a substantial consideration for businesses once again, according to Ellis.

"They reinstated the R&D credit deductions – the ability to deduct research expenditures 100%," Ellis explains. "So there was a time where they would make you amortize those over five years, which really hurt a lot of small businesses that were taking

the credit – then they reinstated that. So, I think the R&D credit’s a fantastic credit for business owners to look into.”

In other respects, there may not be pivotal adjustments but rather consistent clarity.

“The one nice thing about (OBBBA) is it extended a lot of things that were set to expire,” Ellis reports. “I think the landscape for 2026, other than some limits adjusting with inflation and that sort of stuff, the tax code will be very similar to what we had last year.”

The totality of OBBBA implications for individuals are still being assessed, according to Grube.

“We’re still (evaluating) all the changes, but it could change child family tax credits, retirement income and capital gains,” she states. “Those are some things that individuals have long-term planning for.”

The state of state taxes

At the state level, changes may be felt regarding the pass-through entity tax (PTET).

“With Congress kind of making the changes to the state and local tax deduction on Schedule A, it would be interesting to see what Indiana chooses to do with that,” Ellis projects. “I think it’s still more beneficial



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for people to utilize that just because it comes out in your income above-the-line, which is more advantageous.”

He recalls the PTET was originally put in place as a workaround to state and local tax (SALT) deduction caps.

“It’ll be interesting to see whether Indiana extends those,” Ellis says.

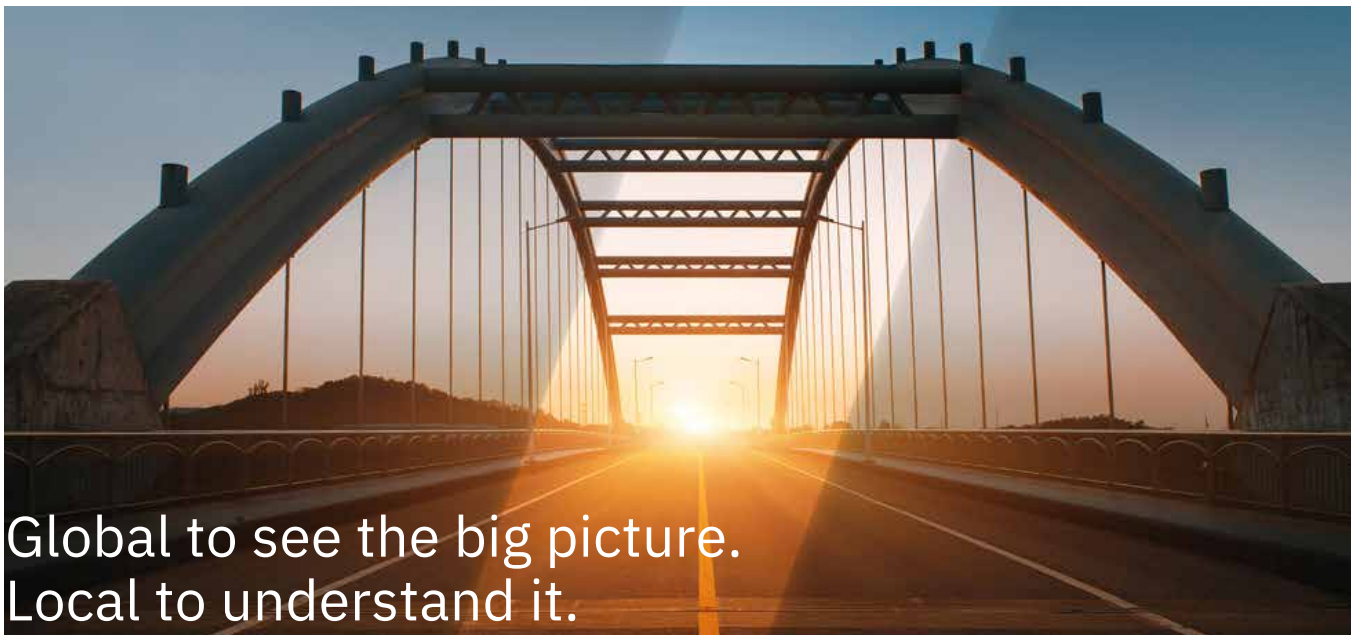
He also points to business personal property tax changes in the state. In 2025, Indiana took a significant step toward easing tax burdens on businesses with the passage of Senate Enrolled Act 1. Effective retroactively from January 1, 2025, the new legislation raises the business personal property exemption threshold from \$80,000 to \$1 million per county in acquisition cost, and that threshold will double to \$2 million for 2026.

In another adjustment, the longstanding 30% floor on the depreciation of equipment will be phased out for assets installed after January 1, 2025 – a change that could

substantially reduce taxable values for qualifying new equipment.

“A lot of folks that would have to have filed those before will no longer have to file those, which I think is good,” Ellis emphasizes.

RESOURCES: Jeff Donovan and Trinity Ellis, Donovan CPAs, at www.cpadonovan.com | Marcy Grube, Grube CPA, Inc., at www.grubecpa.com



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