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Tax & Business Alert

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WHAT'S NEW FOR RETIREMENT CATCH-UP CONTRIBUTIONS IN 2026

Beginning in 2026, a significant change to retirement plan catch-up contributions takes effect. Part of the 2022 Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act, the change affects higher-income taxpayers age 50 and older who contribute to certain types of employer-sponsored retirement plans.

CATCH-UP CONTRIBUTION BASICS

For years, taxpayers age 50 or older have been able to make catch-up contributions to certain employer-sponsored retirement plans, up to annual inflation-adjusted limits. For 2026, eligible individuals can contribute an additional $8,000 above the $24,500 regular 401(k), 403(b) or 457(b) plan limit, for a total of $32,500.

Under SECURE 2.0, beginning in 2025, participants age 60 to 63 can make up to $11,250 in catch-up contributions to these plans, bringing the maximum to $35,750 for 2026.

Before 2026, employees could make catch-up contributions pretax to traditional plans or, if their employer offered the option, after-tax to Roth plans. Pretax contributions reduce taxable income for the year contributed, but distributions are generally taxable. Roth contributions don't reduce current-year taxable income, but distributions are generally tax-free.

MANDATORY ROTH TREATMENT FOR HIGH EARNERS

SECURE 2.0 *requires* that, beginning in 2026, any catch-up contributions made by higher-income participants to 401(k), 403(b) or 457(b) plans be designated as Roth contributions.

The Roth requirement was originally scheduled to take effect for 2024. In 2023, the IRS extended the effective date to January 1, 2026.

For 2026, the Roth requirement applies to participants whose 2025 Social Security wages from the employer exceeded $150,000 as reflected in Box 3 of Form W-2, "Wage and Tax Statement." The $150,000 threshold will be adjusted annually for inflation.

ARE YOU AFFECTED?

Plans that didn't offer a Roth option in 2025 had to either add one for 2026 or eliminate higher-income

2025 IRA CONTRIBUTION DEADLINE

It's not too late to boost your IRA for 2025. You have until April 15, 2026, to make contributions for the 2025 tax year. This deadline applies to both traditional and Roth IRAs and includes catch-up contributions for eligible individuals.

You must indicate that the contribution is for the 2025 tax year, not 2026. This is important because contributions made from January 1 through April 15 can be designated for either the prior year or the current year.

participants' ability to make catch-up contributions. So if the Roth requirement applies to you and your retirement plan doesn't offer a Roth option, you won't be able to make catch-up contributions in 2026.

Check with your employer about your options. It may have implemented a "deemed election" approach for employees subject to the new rules. This automatically treats catch-up contributions as Roth unless the employee opts out of catch-up contributions.

Also, keep in mind that making Roth catch-up contributions instead of traditional ones (or *not* making catch-up contributions) will increase your taxable income for 2026. This may reduce or eliminate the tax benefits of breaks that are subject to phaseouts, floors or other income-based limits and even push you into a higher tax bracket.

PROFESSIONAL GUIDANCE CAN HELP

If you're affected, you should review your retirement and tax strategies in light of the changes. Professional guidance can help improve outcomes. Contact us with any questions. ■

BUSINESSES REGAIN IMMEDIATE DEDUCTION FOR R&E EXPENSES

If your business conducts research or product development, a significant tax law change could unlock meaningful tax savings. The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, reinstated the ability to immediately deduct domestic research and experimental (R&E) expenses.

This change reversed a key provision of the Tax Cuts and Jobs Act (TCJA) that required businesses to capitalize and amortize domestic R&E expenses over five years and foreign R&E expenses over 15 years. As a result, you may have new tax-saving opportunities as you prepare your 2025 tax return and plan for 2026.

WHAT THE CHANGE MEANS FOR YOUR 2025 FILING

Beginning with eligible 2025 expenses, businesses can once again deduct U.S.-based R&E costs in full in the year they're incurred. This can significantly reduce taxable income and improve cash flow.

The law also provides flexibility for prior-year R&E expenses. You can potentially accelerate deductions that previously you would have had to spread over multiple years.

STRATEGIES TO MAXIMIZE R&E TAX BENEFITS

Businesses should consider the following when assessing R&E expenditures:

Amend returns for prior years. Small businesses (generally those with average annual gross receipts of $31 million or less over the past three years) may be able to apply the rule retroactively. If eligible, you can file amended returns for 2022, 2023 and/or 2024 to claim immediate deductions for domestic R&E expenses previously amortized and, potentially, receive a tax refund for those years. You must file the amended return(s) by July 4, 2026.

More quickly claim remaining deductions. Businesses of any size that capitalized and began amortizing R&E expenses in 2022, 2023 and/or 2024 can accelerate their deductions for the remaining unamortized balance. You can deduct it entirely on your 2025 return or split it ratably between your 2025 and 2026 returns, rather than continuing amortization over the original five-year period.

Bring research activities back onshore. The immediate deduction makes domestic research activities significantly more attractive from a tax perspective. While under prior law, U.S.-based R&E already benefited from shorter amortization periods, the difference between an immediate deduction and a 15-year amortization schedule for foreign research further strengthens the incentive to locate R&E activities in the United States.

Consider the research credit. A tax deduction reduces your taxable income, while a tax credit reduces your tax bill dollar-for-dollar and is generally more valuable. You may be eligible for the credit for "increasing research activities," but fewer types of expenses qualify for the credit than for the R&E deduction. While you can benefit from both, you can't receive a double tax benefit for the same costs.

TURN TO US FOR GUIDANCE

The return of the immediate deduction for R&E expenses can bring meaningful planning opportunities for businesses. We're here to help you determine what applies to your situation, uncover potential refunds or deductions and move forward with confidence. ■

IRS EXPANDS DIGITAL ASSET REPORTING WITH NEW FORM 1099-DA

If you buy, sell or trade digital assets, such as cryptocurrency or certain nonfungible tokens (NFTs), new reporting requirements will likely affect how your transactions are reported to and reviewed by the IRS. While these rules don't change how digital assets are taxed, they significantly impact information reporting, increasing transparency and scrutiny.

TAX TREATMENT

For tax purposes, the IRS continues to treat digital assets as property, not currency. This means you must recognize a capital gain or loss when you sell, exchange or otherwise dispose of a digital asset.

The gain or loss is generally the difference between your cost basis (what you paid for the asset) and the amount you receive upon disposal. Depending on whether you held the asset more than one year, the gain or loss may be short-term or long-term.

WHAT INVESTORS SHOULD KNOW

To facilitate reporting, the IRS created Form 1099-DA, "Digital Asset Proceeds From Broker Transactions." This form is designed specifically for digital assets and is now used by brokers — including many cryptocurrency exchanges and digital asset platforms — to report transaction activity directly to investors and the IRS.

Initially, Form 1099-DA is being used by brokers to report gross proceeds from the sale or exchange of digital assets occurring on or after January 1, 2025. Beginning with transactions on or after January 1, 2026, Form 1099-DA will also require brokers to report the adjusted basis of certain digital assets.

For investors, this means a couple of things:

- Starting with the 2025 tax year, you're likely to receive Form 1099-DA for reportable digital asset transactions.
- The IRS will receive the same information, making mismatches between reported income and tax returns more likely to trigger notices.

Accurate recordkeeping remains essential, particularly for tracking cost basis. Decentralized Finance (DeFi) brokers and some foreign brokers aren't required to issue Form 1099-DA or report transactions to the IRS. As a result, you're responsible for understanding and reporting your digital asset tax obligations, even if you don't receive a reporting statement covering all activity.

ENFORCEMENT SHIFT

Digital asset taxation has been in place for years, but the new reporting rules mark a notable shift in enforcement. Contact us and we can help you understand your reporting obligations and stay in compliance. ■

EMPLOYEE ENGAGEMENT MAY BE WEAKER THAN IT APPEARS

Many organizations assume their employees are engaged. Even when workplace morale seems high, recent research shows that engagement remains a challenge that requires active management.

According to Gallup's *State of the Global Workplace: 2025 Report*, global employee engagement fell from 23% in 2023 to 21% in 2024, a decline comparable to the drop during the COVID-19 lockdown year. Additionally, only 27% of managers worldwide reported being engaged at work, a concern given their strong influence on team engagement and performance.

Meanwhile, employee survey tool company People Element's *2025 Employee Engagement Report* highlights the workplace conditions that most strongly influence engagement. The research identifies leadership effectiveness, workplace flexibility and opportunities for professional growth as key drivers of employee commitment. It also notes that employees who feel recognized for their contributions tend to report higher engagement, reinforcing the importance of meaningful recognition and support.

These findings underscore a simple truth: Employee engagement doesn't sustain itself. Organizations need intentional strategies to understand what motivates their workforce.

Start by conducting regular, anonymous surveys that combine rating-scale questions with brief open-ended responses. Questions tied to an Employee Net Promoter Score (eNPS) can help track engagement trends over time.

Pair surveys with one-on-one check-ins focused specifically on engagement, separate from performance reviews. Monitoring metrics such as turnover, absenteeism and productivity can also help identify issues early.

With the right data, employers can design targeted strategies that strengthen engagement. We can help you identify and assess the costs of managing employee performance. Contact us. ■