



December 10, 2025

Dear Business Clients:

As 2025 comes to an end, another tax return needs to be filed. Our primary concern is the challenging environment with inflation, interest rates, hiring and retention challenges.

Mierendorf & Co. staff are constantly reviewing strategies to best advise you on possible actions before year-end to help you save tax dollars. We can narrow down specific actions when we discuss a plan for your business. Contact us to schedule a tax planning appointment.

The standard year-end approach of deferring income and accelerating deductions to minimize taxes will continue to produce the best results for most small businesses, as will the bunching of deductible expenses into this year or next to maximize their tax value. Here are some actions to consider before the end of the year.

**Taxpayers other than C-corporations may be entitled to a deduction of up to 20% of their qualified business income.** Taxpayers may be able to salvage some or all of this deduction, by deferring income or accelerating deductions to keep income under the dollar thresholds (or be subject to a smaller deduction phaseout) for 2025. The rules are quite complex, so don't make a move in this area without consulting us.

**More small businesses can use the cash (as opposed to accrual) method of accounting than could do so in earlier years.** Cash method taxpayers may find it a lot easier to shift income, for example by holding off billings till next year or by accelerating expenses, such as, paying bills early or by making certain prepayments.



**Businesses should consider making expenditures that qualify for the liberalized business property expensing option.** Expensing is generally available for most depreciable property (other than buildings) and off-the-shelf computer software. It is also available for interior improvements to a building (but not for its enlargement, elevators or escalators, or the internal structural framework), for roofs, and for HVAC, fire protection, alarm, and security systems. The generous dollar ceilings mean that many small and medium sized businesses that make timely purchases will be able to currently deduct most if not all their outlays for machinery and equipment. The expensing deduction is not prorated for the time that the asset is in service during the year. Expensing eligible items acquired and placed in service in the last days of 2025, rather than at the beginning of 2026, can result in a full expensing deduction for 2025.

Businesses also can claim a **100% bonus first year depreciation deduction** for machinery and equipment bought used (with some exceptions) or new if purchased and placed in service this year, and for qualified improvement property, described above as related to the expensing deduction. The 100% bonus first-year write-off is available even if qualifying assets are in service for only a few days in 2025.

**Year-end bonuses can be timed** for maximum tax effect by both cash- and accrual-basis employers.

**Still an area of increased tax exposure comes from an unexpected source: the internet.** If you are selling goods or services out of state over the internet, or if you have employees working out of state you may need to file sales tax and/or income tax returns in those states. This is not something we normally prepare unless you tell us about out-of-state activity, so if this is going on in your business, please speak with us about out-of-state activity.

**Per IRS best practices, Mierendorf & Co PC's record retention policy is 7 years. This includes printed and electronic files.**

These are just a few of the year-end steps that can be taken to save taxes. Our tax planning service can customize your business' tax strategy. Don't wait to schedule your appointment.

Sincerely,

MIERENDORF & CO PC