ACEC Indiana Finance Forum
Hot Topics

• PPP Loans
  • Tax implications
  • Overhead Rate implications
Financial Statement Presentation

• For GAAP Basis Financial Statements
  • Debt (plus accrued interest) and any forgiveness recognized as “other income” (ASC 470)
  • Government Grant (IASB 20)
• Difference between Statement of Operations and Indirect Cost Rate Statement
Financial Statement Presentation

• For GAAP Basis Financial Statements
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  • Government Grant (IASB 20)
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What does the FAR say?

• FAR 31.201-5 **Credits**

• “The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.”
 Allocation of Costs

• Depends on the covered period you elect and the composition of costs

• Many are electing to use labor costs only
  • Should we allocated labor between direct and indirect?
What’s Next?

• Most firms do not do any (or very little) direct contracting with the Federal Government

• Who has ultimate authority?
Hot Topics

• AASHTO Audit Guide Updates
• Overhead Rate Trends
  • Deferred Compensation Plans
• Digital Transformation
• Trump and Biden Tax Plans
<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Current Law</th>
<th>Donald Trump</th>
<th>Joe Biden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual tax rates</td>
<td>7 Tax Brackets. Top tax rate of 37%.</td>
<td>Would make the current rates permanent.</td>
<td>Would increase the top tax rate to 39.6%.</td>
</tr>
<tr>
<td>Long Term Capital Gains and Qualified Dividends</td>
<td>Top rate of 20% with a 1 year holding period. 3.8% tax on net investment income for taxpayers earning over $200K if filing single or $250K if filing joint.</td>
<td>Has discussed possible reduction of current top-level capital gain tax rates to 15%. Would consider indexing capital gains for inflation.</td>
<td>Taxed at top ordinary income rates (39.6%) for taxpayers with income greater than $1 million.</td>
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<tr>
<td>Itemized Deductions</td>
<td>The standard deduction was raised in the TCJA, there is a $10,000 state and local tax cap, and the Pease limitation for itemized deductions was eliminated.</td>
<td>Permanently extend current law.</td>
<td>Restore the Pease limitation on itemized deductions for taxable income above $400,000. Cap itemized deductions at 28% and end state and local tax cap.</td>
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<tr>
<td>Self-Employment Tax</td>
<td>12.4% social security tax applied on worker’s wages up to $137,700 for 2020.</td>
<td>No proposed change.</td>
<td>Keep the Social Security wage cap of $137,700 (indexed for inflation, but then apply the 12.4% tax on all wages over $400,000.</td>
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<tr>
<td>Corporate Tax Rate</td>
<td>21%</td>
<td>No proposed change</td>
<td>28%</td>
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<tr>
<td><strong>Qualified Business Income Deduction (199A)</strong></td>
<td>Taxpayer's who have qualified business income may be entitled to a 20% deduction on that income.</td>
<td>No proposed change.</td>
<td>End special qualifying rules, including those for real estate investors. Phase out deduction for taxpayers with taxable income over $400,000.</td>
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<td><strong>Depreciation</strong></td>
<td>100% immediate expensing for qualified property through 2022, then phased down each year through 2026.</td>
<td>Commented on extending or expanding provisions which would significantly lower the amount of equipment that is qualified to be immediately expensed.</td>
<td>Would reverse the 2017 TCJA</td>
</tr>
<tr>
<td><strong>Like Kind Exchange</strong></td>
<td>Deferral of capital gain tax on like-kind exchange of real property.</td>
<td>No Proposed change</td>
<td>Repeal like kind exchanges for taxpayers with income over $400,000.</td>
</tr>
<tr>
<td><strong>Gift/Estate/GST Tax Exemption</strong></td>
<td>Exemption per donor of $10 million indexed for inflation. $11.58 million per donor in 2020.</td>
<td>Make the higher exemption amount permanent.</td>
<td>Has called for returning the estate tax to 2009 levels. This would mean $3.5 million per taxpayer for estate and GST exemption, and $1 million for gift and GST exemptions per taxpayer.</td>
</tr>
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<td><strong>Estate/Gift/GST Tax Rate</strong></td>
<td>Top rate of 40%.</td>
<td>No proposed change.</td>
<td>Possible top rate of 45%.</td>
</tr>
<tr>
<td><strong>Basis Step-Up</strong></td>
<td>Inherited assets receive basis equal to the fair market value at date of death.</td>
<td>No proposed change.</td>
<td>Eliminate the step-up in basis and possibly tax unrealized capital gains at death on assets not passed on to surviving spouse or charity.</td>
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