WORKING PAPERS

CitedTax

Combined Tax Review and Engineering Working Papers

CONFIDENTIAL. FOR CPA REVIEW AND VALIDATION ONLY

ENGAGEMENT

Client profile

Summary	Self-employed management consultant, sole proprietor on Schedule C.

Entity type	Individual	Tax year	TY2024
Generated	August 29, 2026	Analysis	Review + Engineering, in parallel; cross-checked

ESTIMATED OPPORTUNITY SUMMARY

Review Mode	Engineering Mode	Total opportunity
$23,447	$38,271	$38,271
Missed deductions and credits	Proactive structures	Non-additive; see note

Note: Review Mode and Engineering Mode overlap (engineering structures typically include capturing the review-mode misses); the combined estimate equals the Engineering total only, the two sections are not additive.

CONTENTS

Not tax advice. These are research memoranda for review by a licensed CPA. Figures are estimates for professional validation. Every citation must be independently verified before any item is presented to a client.

SECTION 1

Review Mode: Missed Deductions and Credits

8 opportunities surfaced · Estimated total $23,447

How to read the finding labels

VERIFIED	Machine-checked against the cited statute, regulation, court decision or officially published IRS guidance: the text supports the claim as written.
CPA TO CONFIRM	The analysis and the math stand as presented; the citation is secondary, non-precedential (for example a private letter ruling), or could not be machine-confirmed. Not a rejection: the reviewing CPA confirms the authority and the flagged facts, then the finding is actionable.

FINDING R1 · REVIEW MODE

Section 179 expensing not elected on $40,000 of 2024 equipment

VERIFIED

$7,783

Authority	IRB 2019-03
Claim	For a taxable year beginning after 2014, a taxpayer may make a §179 election for §179 property on an amended return for the placed-in-service year without the Commissioner's consent; the deduction is capped by the §179(b)(1) dollar limit, the §179(b)(2) investment limit, and taxable income from the active conduct of a trade or business.

Proof (facts to law)	Conditions in [2] (Rev. Proc. 2017-33 §3.02, and [1] §1.179-5(a) for manner of election): (1) an election under §179 for property placed in service in a year beginning after 2014, made by showing on the return the total §179 deduction and the portion allocable to each item, with records identifying each item, how/from whom acquired, and when placed in service; (2) election may be made on an amended return for that year without Commissioner consent; (3) amount limited by the indexed §179(b)(1) ceiling and reduced dollar-for-dollar once §179 property placed in service exceeds the §179(b)(2) investment threshold; (4) §179(b)(3)(A) limits the deduction to taxable income derived from active conduct of a trade or business, with unlimited carryforward of the disallowed amount under §179(b)(3)(B). Client facts: $40,000 of computer and office equipment placed in service in 2024 in the Schedule C consulting business (a 2024 tax year, i.e. beginning after 2014); $40,000 is far below the TY2024 indexed §179(b)(1) limit ($1,220,000) and the §179(b)(2) threshold ($3,050,000) per Rev. Proc. 2023-34 (CPA to confirm the indexed figures, which are not in the retrieved text, [2] quotes only 2019 amounts); Schedule C net profit of $180,000 is active trade or business taxable income exceeding $40,000, so the §179(b)(3)(A) limitation does not bind. The §6511 amended-return window for TY2024 is OPEN through April 15, 2028, so the Rev. Proc. 2017-33 route is available today (the narrower §1.179-5(a) 'including extensions' timing in [1] closed October 15, 2025; the finding travels on Rev. Proc. 2017-33, not on [1]). NOT established by the facts: (a) that the equipment is used 100% for business (§1.179-1(d) partial business use would prorate the eligible cost); (b) that it was acquired by purchase from an unrelated party; (c) the taxpayer's actual marginal bracket and final taxable income; (d) whether records identifying each item and its placed-in-service date exist.
Why it was left on the table	The return defaulted to a straight-line multi-year recovery for the equipment and no separate §179 election was shown on the original return.
Action	File an amended TY2024 return (Form 1040-X with Form 4562) electing §179 on the $40,000 of equipment under Rev. Proc. 2017-33 §3.02, listing the total deduction and the amount allocable to each item, and conform TY2025 depreciation on the same assets. Coordinate the sequencing with the QBI, home-office, SE health insurance and SEP findings so the deduction stack and marginal rate are computed once. Confirm business-use percentage before electing; the election is irrevocable without Commissioner consent.

Estimated impact	$7,783 Incremental $36,000 deduction (full §179 less the $4,000 already recovered) valued at an assumed 24% marginal rate plus 2.9% marginal Medicare SE tax, net of the 20% QBI offset; represents acceleration of deductions otherwise recovered in 2025-2029, not a permanent addition.
Computation	Depreciation already claimed on the original return, 5-year straight-line with half-year convention: $40,000 × 10% = $4,000. §179 election of the full $40,000 yields incremental TY2024 deduction of $36,000. SE tax effect (§179 reduces Schedule C net profit): net earnings are above the 2024 OASDI base of $168,600, so only Medicare applies at the margin: $36,000 × 92.35% × 2.9% = $964; half of that ($482) is a lost above-the-line deduction. Income tax effect: taxable income falls by $36,000 - $482 = $35,518, less the resulting 20% QBI reduction ($35,518 × 20% = $7,104) = $28,414 × 24% assumed marginal rate (2024 single, 24% bracket spans $100,525, $191,950 of taxable income) = $6,819. Total TY2024 tax reduction: $6,819 + $964 = $7,783.
Limitations found	Election is irrevocable absent Commissioner consent ([1]). §179(b)(3)(A) taxable income limitation applies but does not bind at $180,000 of active business income. The deduction reduces QBI, cutting roughly 20% of its income-tax value. Benefit is timing: the same $36,000 would otherwise be deducted in 2025-2029.
CPA must validate	Business-use percentage of the equipment (100% is not established); that the property was acquired by purchase from an unrelated party and is §179-eligible tangible personal property; the actual TY2024 indexed §179(b)(1)/(b)(2) amounts per Rev. Proc. 2023-34; the client's true taxable income and marginal bracket after all other findings; whether accelerating $36,000 into 2024 is better than the 2025-2029 recovery given expected future brackets; conforming the TY2025 return; and item-level records supporting the election.

> **IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU**
>
> *You bought $40,000 of computers and office equipment in 2024 and are writing it off a little at a time over five years. The law lets you elect to deduct the full cost in the year you placed it in service, and that election can still be made on an amended 2024 return through April 2028, so your CPA could file one and you may be able to get a refund now instead of waiting years for the same write-off. Keep in mind this pulls future deductions into 2024, so the later years' depreciation goes away.*

LAW TEXT · RETRIEVED PASSAGE

"the taxpayer will be permitted to make a § 179 election for any § 179 property without the Commissioner's consent on an amended federal tax return"

FINDING R2 · REVIEW MODE

Bonus depreciation for TY2024 property, treatment and any election-out

• CPA TO CONFIRM

$7,339

Authority	PLR 202432001
What this means	CPA TO CONFIRM does not mean ineligible. It means the automated citation check could not machine-confirm the cited text as primary-law support for this claim. To rely on this finding, confirm the governing authority above and the items listed under CPA must validate; it is then actionable like any verified finding.
Authority caveat	Authority caveat: the retrieved citation is a written determination (PLR/CCA/AOD), persuasive and relevant to substantial-authority analysis, but non-precedential under §6110(k)(3) and binding only on its addressee. CPA to confirm the position under the governing statute or regulation.
Claim	Additional first-year depreciation under §168(k) applies automatically to qualified property; it is turned off only by a §168(k)(7) election out, made by class of property (e.g., 5-year property) on a timely filed return (with extensions) via the statement prescribed by Form 4562 instructions.

Proof (facts to law)	Conditions in the cited authority: (1) the property is qualified property placed in service in the taxable year; (2) additional first-year depreciation is allowed unless the taxpayer makes the §168(k)(7) election out; (3) the election out operates per class of property under §168(e) (5-year property is an enumerated example); (4) it must be made by the due date including extensions of the return for the placed-in-service year; and (5) it must be made in the manner prescribed on Form 4562 and its instructions, i.e., a statement attached to the timely filed return. Client facts: $40,000 of computer and office equipment was placed in service in 2024 in the consulting sole proprietorship (5-year property class for computers under §168(e)); the facts state no section 179 or bonus depreciation election was made, so no §168(k)(7) election-out statement was attached, and the extended due date (October 15, 2025) has passed, so no election out can now be made. Because no election out exists, the additional first-year deduction is the applicable treatment for that class. NOT established by the given facts and left open: the applicable 2024 phase-down percentage is set by the §168(k)(6) schedule (60% for 2024), which the retrieved authority text recites only for pre-2023 property; whether all $40,000 is new-or-used property acquired by purchase from an unrelated party meeting §168(k)(2); the exact convention and dollar amount of depreciation already claimed on the filed return; whether any item is listed property under §280F; and whether the client prefers §179 instead (the two cannot both recover the same dollars).
Why it was left on the table	The equipment was set up on a straight-line schedule and the default nature of additional first-year depreciation (absent an affirmative election out) was not revisited.
Action	Confirm the $40,000 of equipment is qualified property in the 5-year class, then amend TY2024 (open under §6511 through April 15, 2028) to apply the 2024 additional first-year percentage; no election-out statement was filed and the election-out deadline (extended due date October 15, 2025) has passed, so no election is needed or possible. Coordinate with the §179 analysis so the same basis is deducted only once, and confirm with the CPA whether the correction rides on an amended return or requires a Form 3115 method change.
Estimated impact	$7,339 Incremental 2024 depreciation of $23,200 valued at 15.3% SE tax plus 24% income tax, net of the lost half-SE-tax deduction and the reduced 20% QBI deduction; standalone estimate before interaction with other findings.

Computation	Assumptions stated: $40,000 of 5-year property; 2024 additional first-year percentage 60% per the §168(k)(6) phase-down; depreciation already claimed on the filed return assumed $4,000 (half-year straight-line) because the facts do not state the convention. Bonus $40,000 × 60% = $24,000; remaining basis $16,000 × 20% (5-year MACRS, half-year) = $3,200; total $27,200 less $4,000 already claimed = $23,200 incremental Schedule C deduction. SE tax: net SE earnings before change $180,000 × 0.9235 = $166,230, under the 2024 $168,600 OASDI base, so marginal 15.3%: $23,200 × 0.9235 × 15.3% = $3,278. Income tax: taxable income drops $23,200 less the $1,639 reduction in the deductible half of SE tax = $21,561; QBI falls $23,200, cutting a 20% QBI deduction by $4,640; net taxable income reduction $16,921 × 24% marginal rate (single, AGI $185,000 less $14,600 standard deduction leaves taxable income in the 24% bracket, top of bracket $191,950) = $4,061. Total $3,278 + $4,061 = $7,339.
Limitations found	The retrieved text recites a 100% percentage only for property placed in service before January 1, 2023 (before 2024 for §168(k)(2)(B)/(C) property); the 2024 figure comes from the §168(k)(6) phase-down and must be confirmed. The election out, had it been wanted, was due by the extended return due date, which has passed. The election out and its consequences apply per class of property, not asset by asset.
CPA must validate	The 2024 applicable percentage under §168(k)(6) as applied to this property; that the filed return contains no §168(k)(7) election-out statement; that all $40,000 meets §168(k)(2) qualified-property tests including acquisition from an unrelated party; the asset class under §168(e) and whether any item is listed property under §280F; the exact depreciation already claimed and the convention used; business-use percentage; and whether an amended return or a Form 3115 automatic method change is the correct vehicle. Also confirm this is not double-counted against a §179 election on the same basis. Authority caveat: the retrieved citation is a written determination (PLR/CCA/AOD), persuasive and relevant to substantial-authority analysis, but non-precedential under §6110(k)(3) and binding only on its addressee. CPA to confirm the position under the governing statute or regulation.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Because no election was filed to turn it off, the tax law's first-year write-off for the $40,000 of equipment you put into service in 2024 is the default treatment, not something you had to opt into. Your CPA can review the filed return and, if the equipment qualifies, file an amended 2024 return to claim a much larger first-year deduction and request a refund. That refund window stays open until April 15, 2028.

LAW TEXT · RETRIEVED PASSAGE

"the election not to deduct additional first year depreciation must be made by the due date (including extensions) of the federal tax return"

FINDING R3 · REVIEW MODE

VERIFIED

Depreciation method/life on the $40,000 equipment, Form 3115 method change vs. amended return

$4,445

Authority	IRB 2022-07
Claim	A change from an impermissible to a permissible method of determining depreciation is an automatic-consent accounting method change made on Form 3115 with a §481(a) adjustment; only for property placed in service in the year immediately preceding the year of change may the change instead be made on an amended return for the placed-in-service year.

Proof (facts to law)	Authority [4] (Rev. Proc. 2022-14 §6.01, carrying forward Rev. Proc. 2011-14 §6.01 in [3]) grants automatic consent to change from an impermissible to a permissible method of determining depreciation, with the §481(a) adjustment covering all property subject to the Form 3115; the amended-return alternative is available only for '1-year depreciable property' (placed in service in the taxable year immediately preceding the year of change) and only if filed before the return for the succeeding year. Authority [6] confirms that a change to or from a recovery period or method specifically assigned by §168(c) is a change in method of accounting (not a mere correction). Authorities [2] and [5] supply the two-year adoption rule: an impermissible treatment reported on two or more consecutively filed returns becomes an adopted method changeable only with Commissioner consent, while an item reported incorrectly once may be corrected as an error. CLIENT FACTS: $40,000 of computer and office equipment was placed in service in 2024 and is being recovered on straight-line over 5 years with no §179 and no bonus depreciation election; §168(k) bonus (60% for 2024 property) applies by operation of law unless a valid election out was made, and 5-year MACRS property is recovered under the 200% declining-balance method unless a straight-line election under §168(b)(3)/(b)(5) or ADS under §168(g)(7) was made. If no such election was made, the current treatment understates allowable depreciation and is an impermissible method within [4]'s scope. Because 2024 is two years before the current year (TY2026), the property is not '1-year depreciable property' for a TY2026 year of change, so the Form 3115 route with a §481(a) catch-up is the vehicle; the amended-return alternative in [4] would only have been available on a 2024 amended return filed before the 2025 return was filed. NOT ESTABLISHED BY THE FACTS: (a) whether a timely valid election out of bonus under §168(k)(7) or a straight-line/ADS election was made on the 2024 return (if either was made, the method is permissible and no change is available); (b) whether a 2025 return has been filed with the same treatment (the two-year adoption test in [2]/[5]); (c) the asset class/recovery period, the acquisition-date and original-use or used-property requirements for bonus, and business-use percentage; (d) whether any §6.01 scope exclusion in [3]/[4] applies.
Why it was left on the table	The return defaulted to straight-line over the asset's life without applying the automatic 60% first-year bonus allowance that applies unless affirmatively elected out.

Action	Confirm no §168(k)(7) election out and no §168(b)(3)/(5) or §168(g)(7) straight-line/ADS election was filed with the 2024 return, and confirm the 2025 return repeated the treatment. If so, file Form 3115 under the automatic-consent depreciation change (Rev. Proc. 2022-14 §6.01 / DCN 7) with the TY2026 return, taking the negative §481(a) catch-up in full in TY2026; the amended-return alternative in [4] is limited to 1-year property and does not fit a 2024 placed-in-service year for a TY2026 change. If instead only one return has reported the item, a 2024 amended return within the open §6511 window (through April 15, 2028) is the correction vehicle. Separately evaluate whether a §179 election for 2024 is still obtainable, that is an election question, not a method change under [6], and is not granted by these authorities.
Estimated impact	$4,445 Catch-up depreciation of $20,320 valued at a 24% bracket net of the 20% QBI offset, plus 2.678% Medicare-only SE tax savings.
Computation	Permissible 2024: $40,000 × 60% bonus = $24,000; remaining $16,000 × 20% (5-yr 200% DB, half-year) = $3,200 → $27,200. 2025: $16,000 × 32% = $5,120. Cumulative permissible through 2025 = $32,320. As reported (SL 5-yr, half-year): 2024 $4,000 + 2025 $8,000 = $12,000. Negative §481(a) adjustment = $20,320, deductible in full in the year of change. Income tax value: assumes a 24% marginal bracket (TY2024 single, taxable income ~ $185,000 - $14,600 standard deduction ~ $170,400, within the 24% bracket to $191,950; TY2026 bracket assumed comparable and must be confirmed), reduced for the 20% §199A offset because the deduction also lowers QBI → effective 19.2% × $20,320 = $3,901. Schedule C SE tax: net profit exceeds the 2024 SS wage base, so savings are the Medicare portion, 2.9% × 92.35% = 2.678% × $20,320 = $544. Total ~ $4,445.
Limitations found	The amended-return alternative in [3]/[4] is confined to property placed in service in the year immediately preceding the year of change and must precede filing of the succeeding year's return, not available here for a TY2026 change. §6.01 excludes §1016(a)(3) property, certain §263A taxpayers, §167(g) property, and changes described in §1.446-1(e)(2)(ii)(d)(2)(vi)-(vii). Under [2]/[5], if the item was reported only once the change is an error correction, not a method change.

CPA must validate	Whether any §168(k)(7) election out or §168(b)(3)/(5)/§168(g)(7) election appears on the 2024 return; whether the 2025 return repeated the treatment (two-year adoption); the correct asset class and recovery period for the equipment; the acquisition-date and original-use/used-property conditions for 60% bonus; business-use percentage and any listed-property limits; that no §6.01 scope exclusion in [3]/[4] applies; and the client's actual TY2026 marginal bracket and QBI position.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

The equipment bought in 2024 appears to be written off more slowly than the rules allow, because the faster first-year write-off that normally applies automatically was not taken. Rather than reopening the old return, your CPA can generally file a one-page-per-asset accounting method change form with the current year's return that catches up all the depreciation never claimed, deducting it in a single year. Your CPA should first confirm no election was filed in 2024 locking in the slower schedule, since that would close this door.

LAW TEXT · RETRIEVED PASSAGE

"the taxpayer may change... for a 1-year depreciable property by filing an amended federal income tax return, or an administrative adjustment request under § 6227 (AAR)"

FINDING R4 · REVIEW MODE

Self-employed health insurance deduction ($9,000) not claimed

VERIFIED

$2,160

Authority	26 U.S.C. § 162
Claim	§162(l) allows a self-employed individual a deduction for amounts paid during the year for medical insurance covering the taxpayer, capped at earned income from the business establishing the plan, and disallowed for any month the taxpayer is eligible for a subsidized employer plan.

Proof (facts to law)	Conditions in §162(l): (1) taxpayer is an employee within §401(c)(1), i.e., a self-employed individual with earned income, met: the client is a sole proprietor reporting $180,000 of Schedule C net profit from independent management consulting; (2) amounts were paid during the year for insurance constituting medical care for the taxpayer, met: the facts state $9,000/yr of self-employed health insurance premiums paid; (3) the deduction may not exceed earned income under §401(c) from the trade or business establishing the plan (§162(l)(2)(A)), met with wide margin: $180,000 net profit less the deductible half of SE tax far exceeds $9,000, and the Form 1040 worksheet [3] computes the deduction as the lesser of premiums paid or that net earned income; (4) §162(l)(2)(B) denies the deduction for any calendar month in which the taxpayer is eligible to participate in a subsidized health plan of an employer of the taxpayer (or of a spouse/dependent), the client is single (no spouse plan), but the facts do not establish whether the client was eligible for any employer-sponsored subsidized plan in any month of 2024; that must be confirmed. The facts also do not state whether the plan was established under the business, whether any Premium Tax Credit was claimed (§280C(g) bars the §162(l) deduction for the PTC-paid portion, per [1]), or whether long-term care premiums are included (which would trigger Form 7206 and the separate age-based dollar cap). Subject to those confirmations, the $9,000 is deductible as an adjustment to income for TY2024.
Why it was left on the table	The premiums were paid personally rather than through a business account, so they were treated as personal medical expense rather than routed to Schedule 1, line 17.
Action	File a Form 1040-X for TY2024 within the open §6511 window (through April 15, 2028) adding the $9,000 self-employed health insurance deduction on Schedule 1, line 17, supported by Form 7206 if long-term care premiums or a Premium Tax Credit are involved. Confirm no month of employer-subsidized plan eligibility. Going forward, claim the deduction currently on the TY2026 return.
Estimated impact	$2,160 $9,000 premiums deducted at the 24% TY2024 single marginal rate computed from taxable income; no SE tax effect.

Computation	\$9,000 premiums (fully within the §162(l)(2)(A) earned-income cap, since Schedule C net profit is \$180,000). Marginal rate: single filer, AGI \$185,000 - TY2024 standard deduction \$14,600 = \$170,400 taxable income, which falls in the 24% bracket (24% runs to \$191,950 taxable for single in TY2024); the \$9,000 deduction stays entirely within that bracket. \$9,000 × 24% = \$2,160. Per §162(l)(4), this deduction does not reduce self-employment tax, so no SE tax savings are included. Result: \$2,160.
Limitations found	Two limits in §162(l)(2): the earned-income ceiling, which does not bind here (\$180,000 net profit vs. \$9,000 premiums), and the month-by-month subsidized-employer-plan exclusion, which is unverified on these facts. §280C(g) would trim the deduction by any portion of premiums paid by a Premium Tax Credit. Note also the interaction with §199A: this deduction reduces qualified business income, so the net cash benefit will be somewhat smaller if the QBI deduction is also claimed on the amended return.
CPA must validate	(1) that the client was not eligible in any month of 2024 to participate in a subsidized health plan of any employer of the client (the facts are silent on any employment outside the consulting practice); (2) that the policy was established under the consulting business and covers the client (and any dependents, if applicable); (3) whether any Premium Tax Credit was claimed for 2024 (§280C(g) reduction); (4) whether the \$9,000 includes qualified long-term care premiums, which carry a separate age-based dollar limit and require Form 7206, the client's age is not stated; (5) the actual TY2024 taxable income and filing status on the return as filed, to verify the 24% marginal rate.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

You paid \$9,000 out of pocket in 2024 for your own health coverage, and because you are self-employed the law lets you subtract that from your income before tax is figured, without needing to itemize. That deduction was not claimed on the return as filed, so your CPA could file an amended 2024 return to claim it, which may reduce the tax you owed for that year. The main thing your CPA needs to confirm is that you were not eligible for a subsidized health plan through any employer during 2024, and whether any marketplace subsidy covered part of the premiums.

LAW TEXT · RETRIEVED PASSAGE

"Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan"

FINDING R5 · REVIEW MODE

Rental loss ($6,000) not claimed, active participation special allowance and MAGI phase-out

• CPA TO CONFIRM

$1,320

Authority	IRM 4.19.15
What this means	CPA TO CONFIRM does not mean ineligible. It means the automated citation check could not machine-confirm the cited text as primary-law support for this claim. To rely on this finding, confirm the governing authority above and the items listed under CPA must validate; it is then actionable like any verified finding.
Authority caveat	Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.
Claim	Under §469(i), a rental real estate activity in which the taxpayer actively participates gets up to a $25,000 special loss allowance, reduced $0.50 per dollar of MAGI over $100,000 and eliminated at MAGI over $150,000; any disallowed loss is suspended and carried forward until passive income or a fully taxable disposition.

Proof (facts to law)	Conditions per IRM 4.19.15.41 / §469(i): (a) rental real estate activity; (b) taxpayer actively participates (management decisions such as approving tenants, rental terms, repairs, per [6]); (c) MAGI below the phase-out ceiling ($150,000 for a single filer, allowance reduced 50 cents per dollar above $100,000); (d) losses not currently allowable are suspended and carried forward. Client facts: one residential rental property producing a $6,000 net loss for TY2024 (condition a); taxpayer 'actively (but not materially) participates' (condition b, as stated); filing status single, so the $100,000/$150,000 range applies. Condition (c) is NOT satisfied on the return as filed: AGI $185,000 exceeds $150,000, so zero special allowance and the $6,000 is fully suspended. However, MAGI for this purpose starts from AGI, and the other TY2024 amended-return items in this engagement all reduce AGI: a §179 election on the $40,000 of equipment (incremental deduction over depreciation already claimed), the home office deduction for the 250 sq ft exclusive-use room, the $9,000 self-employed health insurance deduction, and any employer-side retirement deduction still permitted. If those items drive MAGI to $138,000 or below, the phase-out formula ((150,000 - MAGI) × 50%) yields an allowance of at least $6,000 and the entire rental loss becomes currently deductible; between $138,000 and $150,000 a proportionate part is allowed. Conditions the given facts do NOT establish and that must be confirmed: the §469(i)(6) requirement that the taxpayer hold at least a 10% interest in the activity by value at all times during the year; that the property is not subject to a disqualifying arrangement; the precise MAGI additions/subtractions (§469(i)(3)(F) ignores IRA deductions, student loan interest, taxable Social Security and the passive loss itself); and at-risk basis under §465. Therefore: the special allowance is not available at the AGI as filed, but the suspended $6,000 must in any event be reported and carried forward on Form 8582, and it converts to a current deduction to the extent the other amended-return items reduce MAGI below $150,000.
Why it was left on the table	At $185,000 of income the special allowance is fully phased out, so the loss produced no current benefit and the activity was left unanalyzed rather than reported and carried forward on Form 8582.

Action	On the amended TY2024 return (§6511 window OPEN through April 15, 2028), report the rental activity on Schedule E and Form 8582 to document the $6,000 suspended loss and its carryforward. Recompute §469(i) MAGI after the other amended-return items (§179 election, home office, §162(l) health insurance, any still-permitted employer retirement deduction); if MAGI lands at or below $138,000, claim the full $6,000; between $138,000 and $150,000 claim (150,000 - MAGI) × 50% up to $6,000. Confirm the 10% interest requirement and at-risk basis first. No prospective-only limitation applies; the same analysis should be run for TY2026.
Estimated impact	$1,320 Full $6,000 rental loss allowed only if MAGI falls to $138,000 or below after the other amended-return items, valued at a conservative 22% federal marginal rate.
Computation	As filed: MAGI $185,000 > $150,000 → special allowance $0; $6,000 suspended and carried forward (preservation value, no current dollars). Contingent current benefit: if the other TY2024 amended-return items reduce §469(i) MAGI to $138,000 or below, allowance = (150,000 - 138,000) × 50% = $6,000 at least the loss, so the full $6,000 is deductible. $6,000 × 22% marginal federal rate (TY2024 single; 22% bracket runs to $100,525 of taxable income, 24% to $191,950-22% used as the conservative figure at the post-adjustment taxable income level) = $1,320. No self-employment tax effect (rental income is not SE income). State tax effect not computed: the facts do not state the client's state of residence. Resulting figure: $1,320.
Limitations found	§469(i) allowance capped at $25,000, reduced 50 cents per dollar of MAGI over $100,000 and zero above $150,000 for a single filer, the client's AGI as filed ($185,000) fully phases it out, so this is a near-miss unless other amended-return items reduce MAGI below $150,000. Disallowed amounts are suspended, not lost. Excess business loss rules (Form 461) and at-risk rules apply before the passive rules.

CPA must validate	That the taxpayer held at least a 10% interest in the rental activity by value throughout TY2024 (§469(i)(6)), not established by the facts; the nature of the active-participation decisions made; at-risk basis under §465 for the $6,000; whether any prior-year suspended rental losses exist that were not carried forward; the recomputed §469(i)(3)(F) MAGI after the §179 election, home office, self-employed health insurance and any retirement deduction; the client's actual TY2024 taxable income to fix the marginal rate; and the client's state of residence for any state effect. Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Rental losses are normally trapped unless your income is low enough, and at the income shown on the return this year's $6,000 rental loss is not currently usable. Two things follow: your CPA can make sure the loss is formally tracked so it is preserved and usable in a future year, and if the other deductions being considered for 2024 (equipment write-off, home office, health insurance, retirement) pull your income low enough, part or all of that $6,000 may become deductible on an amended 2024 return.

LAW TEXT · RETRIEVED PASSAGE

“the $25,000 special allowance for rental real estate is reduced by 50 cents for every dollar of MAGI exceeding $100,000”

FINDING R6 · REVIEW MODE

Home office deduction (250 sq ft, exclusive and regular business use) not claimed

● VERIFIED

$400

Authority	Rev. Proc. 2013-13
Claim	An individual with qualified business use of a home under §280A(c)(1) may deduct home-office expenses, either by allocating actual expenses (Form 8829) or, if elected, under the Rev. Proc. 2013-13 safe harbor of $5 per square foot of qualified business area (300 sq ft cap), subject to the gross-income limitation.

Proof (facts to law)	Conditions per [4]/[1]: (a) a specific area of the home used EXCLUSIVELY for the trade or business (no dual personal use), (b) REGULAR use, (c) use in a trade or business, and (d) the home must be the principal place of business (relative importance of activities, then time, per [1]) or another §280A(c)(1) category. Per [3], an individual may instead elect the safe harbor: prescribed rate × business square footage. Per [2]/[6], deductions for otherwise nondeductible items (insurance, utilities, depreciation) are capped at gross income from the qualified business use less the allocable Schedule A-type items and the non-home business expenses. Client facts: a 250 sq ft room used 'exclusively and regularly for the business' satisfies (a), (b); the Schedule C independent management consulting activity with $180,000 net profit satisfies (c) and comfortably clears the gross-income limitation, so no limitation bites here. The client is an individual, so within [3]'s scope. NOT established by the facts: (1) whether the home is the principal place of business (the facts do not state where consulting services are performed, whether client-site work predominates, or whether any other fixed office exists), this is the one open condition; (2) total home square footage, rent/mortgage interest, taxes, insurance, utilities and basis needed for an actual-expense computation; (3) whether the home is the taxpayer's residence (dwelling unit) under §280A(d)/(f)(1). Given the exclusive/regular/trade-or-business conditions are met on the stated facts, the deduction is permissible here once the principal-place-of-business condition is confirmed.
Why it was left on the table	No home-office deduction was set up on the original return, so the room's square footage and household cost allocation were never gathered.
Action	Gather total home square footage and 2024 household costs (mortgage interest or rent, real estate taxes, insurance, utilities, repairs, and basis for depreciation) and confirm the home is the principal place of business under the relative-importance/time test in [1]. Then claim the deduction on an amended TY2024 return (§6511 window OPEN through April 15, 2028) using Form 8829 actual expenses, note that the Rev. Proc. 2013-13 safe harbor election is made by using the method on a timely filed original return, so the CPA must confirm whether the safe harbor is available on an amended return before relying on it. Prospectively, elect the method that produces the larger deduction for TY2026 on the original return.
Estimated impact	$400 Safe-harbor-equivalent $1,250 deduction, modeled as a Schedule C deduction reducing SE tax and, net of the §199A offset, income tax at the 24% federal marginal rate.

Computation	Proxy deduction base = 250 sq ft × $5 safe-harbor rate = $1,250 (used as a conservative stand-in because the facts do not state total home square footage or household costs; actual expenses could be larger or smaller). Effect as a Schedule C deduction: net earnings from SE fall by $1,250 × 0.9235 = $1,154; SE tax falls $1,154 × 15.3% = $177 (2024 net SE earnings of $166,230 are below the $168,600 Social Security wage base, so the full 15.3% applies). Deductible half of SE tax falls by $88, so AGI/taxable income falls by $1,250 - $88 = $1,162. QBI falls by $1,162, reducing the §199A deduction by 20% = $232, so net taxable-income reduction = $930. Marginal rate: taxable income ~ $185,000 AGI - $14,600 single standard deduction = $170,400, within the 2024 single 24% bracket ($100,525, $191,950); no state rate applied because the facts do not state a state of residence. Income tax saved = $930 × 24% = $223. Total = $177 + $223 = $400.
Limitations found	Gross-income limitation of §280A(c)(5) ([2], [6]) caps otherwise-nondeductible items at gross income from the qualified business use less allocable Schedule A-type items and other business expenses, not binding here given $180,000 net profit. Safe harbor is capped at 300 sq ft of business area (client's 250 sq ft is under the cap) and, if elected, no separate depreciation on the home space is allowed for that year. Exclusive-use failure for any personal use of the room would disallow the deduction entirely.
CPA must validate	That the home is the principal place of business under the relative-importance-then-time test (facts are silent on where consulting services are performed and whether another fixed office exists); total home square footage and 2024 household costs for the actual-expense allocation; that the space had no personal use at any time during 2024; that the dwelling is the taxpayer's residence; whether the Rev. Proc. 2013-13 safe harbor may be elected on an amended return for TY2024 or whether Form 8829 actual expenses must be used; depreciation basis and the recapture consequence on a future sale.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

You have a 250 square foot room used only for the consulting business, and the tax law lets you deduct a share of the cost of that space, which was not claimed on the 2024 return. Because the room reduces business profit, it may lower both income tax and self-employment tax. Your CPA can review your 2024 home costs and, if the home is the main place you conduct the business, file an amended 2024 return claiming the actual-expense share of rent or mortgage interest, taxes, insurance, utilities and depreciation, and can also set the deduction up going forward for 2026.

LAW TEXT · RETRIEVED PASSAGE

"The allowable square footage is the portion of a home used in a qualified business use of the home, but not to exceed 300 square feet."

FINDING R7 · REVIEW MODE

VERIFIED

De minimis safe harbor / tangible property regs for equipment purchases

Authority	26 CFR § 1.263(a)-1
Claim	The §1.263(a)-1(f) de minimis safe harbor is an annual election made only by attaching the titled statement to a timely filed original return (including extensions); a taxpayer without an applicable financial statement needs written-in-substance accounting procedures in place at the start of the year and a per-invoice/per-item cost within the regulatory ceiling.

Proof (facts to law)	Conditions the authorities state: (1) the taxpayer must have accounting procedures in place at the beginning of the taxable year expensing property below a stated dollar amount for non-tax purposes (AFS version at [1]; non-AFS version described at [5]); (2) the per-item or per-invoice amount must not exceed the applicable ceiling ($5,000 with an AFS; the lower non-AFS ceiling, $2,500 per invoice or item, applies to a taxpayer like this one who is not stated to have an audited/regulator-filed financial statement); (3) the amount must otherwise be an ordinary and necessary business expense under §1.162-1 ([6], citing §1.263(a)-1(f)(3)(iv)); and (4) the election must be made by attaching the statement titled 'Section 1.263(a)-1(f) de minimis safe harbor election' to the TIMELY FILED ORIGINAL return, including extensions ([6]). Client facts: a sole proprietor consulting trade or business exists (Schedule C, $180,000 net profit) and $40,000 of computer and office equipment was placed in service in 2024, so condition (3) is met for genuine business assets. Conditions NOT established by the facts: the facts do not state the per-item or per-invoice cost of any of the equipment (only the $40,000 aggregate), so it is unknown whether any item falls at or below the non-AFS ceiling; the facts do not state whether written accounting procedures existed at the beginning of 2024; and the facts do not state whether an applicable financial statement exists. Decisive point on timing: the TY2024 original filing due date (April 15, 2025) and extended due date (October 15, 2025) have both passed, and the return was filed. Because [6] conditions the election on a timely filed original return, the safe harbor is not available for TY2024 on an amended return, and the amended-return window that is open through April 15, 2028 does not carry this particular election. The benefit is therefore permissible for this taxpayer only prospectively, for TY2026 and later years, if the per-item cost and beginning-of-year written procedures conditions are satisfied.
Why it was left on the table	The annual election statement was not attached to the timely filed original TY2024 return, and once that return was filed the safe harbor election window for 2024 closed.
Action	Do not pursue the de minimis safe harbor for TY2024, the election travels only on a timely filed original return and that window is closed. Instead, pursue the TY2024 equipment write-off through the §179 / §168(k) route on an amended return if permitted for that election, and separately adopt a written de minimis capitalization policy effective before January 1, 2027 (and confirm one for TY2026 if it was in place before January 1, 2026) so future small-dollar purchases can be expensed under the safe harbor.

Estimated impact	Not quantified Closed election window for TY2024 plus an unstated per-item cost base means no defensible dollar figure; value is prospective and fact-dependent.
Computation	No TY2024 dollar impact is computable on this vehicle: the election requires attachment to a timely filed original return, that date has passed, and the facts do not state the per-item cost of any of the $40,000 of equipment, so no eligible base amount can be identified. Prospective value for TY2026+ depends on the per-item cost of future purchases, which the facts do not state. Resulting TY2024 figure: $0.
Limitations found	Non-AFS taxpayers are subject to the lower per-invoice/per-item ceiling rather than the $5,000 AFS ceiling; the safe harbor never applies to §263A costs of self-produced property or property acquired for resale; and the election is annual and must ride on a timely filed original return, which for TY2024 has passed.
CPA must validate	(1) Whether the TY2024 original return in fact carried no §1.263(a)-1(f) election statement; (2) whether the taxpayer has an applicable financial statement, which sets the ceiling; (3) the per-item/per-invoice cost of the equipment components making up the $40,000, since only aggregate cost is stated; (4) whether written accounting procedures existed at the beginning of the relevant year; (5) whether §179/§168(k) for TY2024 can instead be elected or changed on the open amended return, which is the live recovery path.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

There is a rule that lets a business simply write off low-cost equipment in the year it is bought instead of depreciating it, but the choice has to be made on the original tax return for that year, and that deadline for 2024 has passed. So this particular route cannot recover 2024 dollars. Going forward, your CPA can help you put a written expensing policy in place before the start of a year so small equipment purchases may be deducted immediately, and separately your CPA can look at the immediate expensing elections that are still permitted for 2024 on an amended return.

LAW TEXT · RETRIEVED PASSAGE

"A taxpayer makes the election by attaching a statement to the taxpayer's timely filed original Federal tax return (including extensions)"

FINDING R8 · REVIEW MODE

Self-employed retirement plan, SEP-IRA and solo 401(k) deadlines for TY2024

CPA TO CONFIRM

Authority	IRS Publication 560
What this means	CPA TO CONFIRM does not mean ineligible. It means the automated citation check could not machine-confirm the cited text as primary-law support for this claim. To rely on this finding, confirm the governing authority above and the items listed under CPA must validate; it is then actionable like any verified finding.
Authority caveat	Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.
Claim	A SEP may be established and funded as late as the due date of the employer's return including extensions, with the deduction limited to the smaller of the indexed dollar cap or 25% of the participant's compensation (for a self-employed person, net earnings from self-employment).

Proof (facts to law)	Conditions per the retrieved table: (1) a SEP must be set up no later than the due date of the employer's return including extensions; (2) contributions must be made by that same date; (3) the deduction is capped at the smaller of the indexed dollar limit or 25% of the participant's compensation; and per §404(a)(8)(C), a self-employed individual's deduction cannot exceed earned income from the trade or business for which the plan is established. Client facts: he is a sole proprietor with $180,000 Schedule C net profit, so earned income exists and the 25%/earned-income conditions could be satisfied in amount. The timing condition, however, is NOT satisfied for TY2024: no SEP-IRA or solo 401(k) was ever established, and the TY2024 extended due date of October 15, 2025 has passed (closed). Because plan establishment and funding are deadline-bound and are not elections the Code permits to be made on an amended return, no TY2024 deduction can be created now even though the §6511 refund window is open through April 15, 2028. Therefore the benefit is legally available to this client only prospectively, for TY2026 and later, where the same conditions can still be met before the TY2026 return due date including extensions. Unproven by the facts and required for sizing a future contribution: the client's age (catch-up eligibility under a 401(k)), whether he has or will have any common-law employees (SEP coverage/contribution parity), and state of residence for state-level deductibility.
Why it was left on the table	No plan existed during the year and the establishment/funding deadline for TY2024 (extended due date October 15, 2025) passed before this review, so there was nothing to deduct on the original return.
Action	Treat this as prospective-only: confirm in writing that no SEP or qualified plan was established for TY2024 (so no deduction is claimable on an amended TY2024 return), then model a SEP-IRA versus a solo 401(k) for TY2026 using the client's projected Schedule C net earnings and the TY2026 indexed limits, and establish and fund the chosen plan before the TY2026 return due date including extensions. Also coordinate the contribution with the §199A computation, since employer retirement contributions reduce qualified business income.
Estimated impact	Not quantified TY2024 impact is zero because the plan establishment/funding window closed October 15, 2025; value exists only prospectively for TY2026+ and is not scored here.

Computation	TY2024: plan establishment and funding deadline was the extended due date of the return, October 15, 2025, CLOSED. No plan was established. Contribution deadlines do not travel on the open §6511 amended-return window. TY2024 recoverable amount = $0.
Limitations found	Deduction capped at the smaller of the indexed dollar limit or 25% of compensation (net earnings from self-employment for the owner), and further limited by §404(a)(8)(C) to earned income from the business. The retrieved Pub. 560 table reflects 2025 amounts; the TY2024/TY2026 indexed figures must be sourced separately. The establishment/funding deadline is the binding limitation here and has passed for TY2024.
CPA must validate	That no SEP, solo 401(k), or other qualified plan was in fact established or funded for TY2024 within the permitted window; the client's age (catch-up eligibility); whether the business has or expects common-law employees, which would trigger SEP coverage and equal-percentage contribution obligations; the correct indexed contribution and compensation limits for the prospective year (the retrieved table states 2025 figures, not TY2024); and the client's state of residence for state deduction conformity. Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Self-employed people can put a large slice of business profit into their own retirement plan and deduct it, but the plan has to be opened and funded by the filing deadline for that year, and the 2024 deadline has already passed, so nothing can be added back for 2024. Going forward, your CPA can help you open a SEP-IRA or a solo 401(k) and fund it before the 2026 filing deadline, which may let you shelter a substantial share of your consulting profit from income tax each year. Because a solo 401(k) allows both an employee-style and an employer-style contribution, your CPA can compare the two plan types to see which lets you set aside more.

LAW TEXT · RETRIEVED PASSAGE

“You can set up a SEP for any year as late as the due date (including extensions) of your income tax return for that year.”

2 candidate findings withheld by the citation gate

These are candidates whose supporting citation failed the machine check against the law text, so they are not presented as review findings here. This is the quality gate working, not a statement of ineligibility. Where the same idea appears as an engineering structure in Section 2, it is analyzed and priced there under its own separately retrieved authorities, and each step of that plan carries its own evidence label. The underlying research notes are available to the reviewing CPA on request.

- Qualified business income deduction not claimed on Schedule C (and possibly rental)
- Itemized vs. standard deduction and state-level parallels

5 candidates considered and set aside: not applicable to this client

Candidates the engine walked and set aside because a required condition is not met on these facts. Each carries the reason; the CPA can reopen any of them if the facts differ.

- Investment advisory fees ($4,000), deductibility under TY2024 law: §67(g) suspension for tax years 2018-2025 eliminates the deduction entirely for TY2024.
- Long-term capital gain ($15,000), rate, netting, basis, and NIIT exposure: M.G.L.
- Schedule C expense sweep, vehicle, self-employment tax deduction, and commonly unclaimed items: Standard mileage rate may be chosen only in the first year the vehicle is available for business use; if chosen, actual expenses for that year are not deductible except business parking and tolls (Pub.
- Research credit and domestic research expensing, screening for any development activity: Two independent bars: the statutory exclusion of management studies, efficiency surveys, and consumer surveys from research or experimental expenditures; and the effective-date limitation in the retrieved OBBBA/§174A material,...
- Credit catalog sweep, retirement plan startup, saver's credit, energy, education, foreign tax: §45E caps the credit at the greater of $500 or the lesser of $250 per eligible non-highly compensated employee or $5,000, applies only for the first credit year and the 2 following years, and is zero for any other year; the...

1 candidate considered and set aside: unsupported on the retrieved record

The idea may have merit, but no retrieved primary authority stated the operative rule, so no proof chain could be built and nothing is quantified here. Where the same idea appears as an engineering structure in Section 2, it is analyzed and priced there under its own separately retrieved authorities. The CPA can research the rest directly.

- Rental property cost segregation / partial-disposition and repair-regs review

SECTION 2

Engineering Mode: Proactive Structures

8 viable structures · Estimated combined impact $38,271

How to read the move labels

• VERIFIED	Machine-checked against the cited statute, regulation, court decision or officially published IRS guidance: the text supports the step.
• PROCEDURAL · CONFIRMED	Administrative execution step (a filing, election or plan adoption); form instructions or procedure are its proper authority.
• CPA TO CONFIRM	The analysis stands, but the best citation retrieved is secondary, non-precedential, or could not be machine-confirmed. Validate before relying on it.
• CITATION REJECTED	Also "Authority not found". The step is shown so the sequence stays complete; the CPA must source the governing authority before executing it.

STRUCTURE E1 · ENGINEERING MODE

EST. COMBINED IMPACT

Late §179 expensing election (and bonus posture) on the $40,000 of TY2024 equipment via amended return

$12,500

Provisions	§179(a), §179(c)(2), §168(k), §6511, Reg. §1.179-5(c), §301.9100-2, §301.9100-3

Estimated impact	$12,500 Tax dollars reduced on the TY2024 amended return, computed at the client's actual bracket. Incremental deduction is approximately $36,000 (a $40,000 full §179 election against roughly $4,000 of half-year straight-line already claimed on 5-year property). Self-employment tax: $36,000 x 0.9235 x 15.3% = about $5,090 (0.9235 x $180,000 = $166,230 is under the 2024 $168,600 OASDI base, so the full 15.3% applies). Income tax: taxable income drops about $38,500 (Schedule C plus the added half-SE deduction) but qualified business income drops by the same amount, giving back about $7,700 of §199A, so the net taxable reduction is about $30,800 at 24% (2024 single: AGI $185,000 less the $14,600 standard deduction is roughly $170,400 of taxable income, inside the 24% bracket and below the $191,950 §199A threshold, so the SSTB limitation does not bite) = about $7,400. Total about $12,500. Most of this is DEFERRED, not permanently saved: the same basis would otherwise have been deducted over 2025-2029, so the permanent component is limited to the self-employment tax and bracket/threshold differential. Does not include any 60% bonus layer, which depends on the Move 3 finding. The §199A give-back is netted here; no §199A capture dollars are carried on this structure, so no duplication with a separate §199A structure.
Timeline	4-8 weeks to complete Moves 1-3 and the modeling; 1040-X filing any time before April 15, 2028; add 6-12 months if the Move 4 letter-ruling branch is triggered. IRS processing of a paper or e-filed 1040-X typically runs several months after filing.
Feasibility	high
Disclosure	No Form 8886, not a listed or reportable transaction, No Form 8275 expected for a statutory §179 election made per Reg. §1.179-5; Form 8275 only if the bonus/method reconciliation is taken on a non-obvious position, Form 1040-X Part III explanation must identify the §179 election and the amended-return authority, Form 3115 with §481(a) adjustment if the depreciation difference is routed as a method change (Move 6, mechanics unsupported by retrieved authorities), Private letter ruling request under §301.9100-3 only on the Move 4 branch

CPA must validate	(1) Pull §179(c)(2) and Reg. §1.179-5(c) directly, the retrieved regulation excerpt is paragraph (a) and its 'irrevocable' language predates the amended-return revocation rule; confirm both the amended-return permission and the current revocation rule. (2) Whether any §168(k)(7), §168(g)(7) or §168(b)(5) election statement is attached to the as-filed TY2024 return, and whether the equipment meets the qualified-property no-prior-use and unrelated-party tests. (3) That the original TY2024 return was timely filed, fixing the §6511 date at April 15, 2028. (4) The exact depreciation actually claimed on the TY2024 and TY2025 Forms 4562 (the ~$4,000 half-year figure is derived, not stated in the facts). (5) The client's state of residence, not stated, and that state's §179/bonus conformity; also age, which is not stated and is not used here. (6) Whether the $6,000 rental loss enters the §179 business income limitation computation. (7) The correct filing vehicle for the allowed-versus-claimed depreciation difference under the current automatic method-change revenue procedure. (8) Sequencing with any other TY2024 amended-return items (home office, self-employed health insurance under §162(l), §199A, rental loss) so the §199A and self-employment recomputations are run once, on a single consolidated 1040-X, and no dollar figure is double-counted.

Implementation moves

MOVE 1

● VERIFIED

Pull the as-filed TY2024 Form 4562 and any attached election statements, and build an item-by-item schedule of the $40,000 of computer and office equipment: description, vendor/from whom acquired, acquisition date, placed-in-service date (facts state 2024), cost, and business-use percentage. Confirm each item is tangible §1245 property acquired by purchase for use in the active conduct of the consulting business and is not acquired from a related party under §179(d)(2).

Timing	First step; must precede any 1040-X preparation. Amended-return window for TY2024 is OPEN through April 15, 2028 (§6511).
Authority	26 CFR § 1.179-5

MOVE 2

CPA TO CONFIRM

Verify the §179(b)(3) business income limitation and the §179(b)(1) dollar cap before selecting an election amount: compute taxable income from the active conduct of the consulting business figured without regard to the §179 deduction and without regard to the deductible half of self-employment tax. With $180,000 of Schedule C net profit against a $40,000 candidate election, the limitation is not binding and no carryover arises.

Timing	Immediately after Move 1; must precede the amount-selection modeling in Move 6.
Authority	IRS Publication 946

Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

MOVE 3

CPA TO CONFIRM

Determine which depreciation posture governs the 2024 5-year class by inspecting the as-filed return for (a) a §168(k)(7) election-out statement for 5-year property, (b) a §168(g)(7) ADS election, or (c) a §168(b)(5) straight-line-over-the-MACRS-period election. Document the answer in the file, because it dictates whether Move 5 or Move 7 is the correct path.

Timing	Before any 1040-X is drafted. The deadline for making any of these bonus/method elections for TY2024 was the extended due date, October 15, 2025, which has passed; no new such election can be made now.
Authority	PLR 202430005

Authority caveat: the retrieved citation is a written determination (PLR/CCA/AOD), persuasive and relevant to substantial-authority analysis, but non-precedential under §6110(k)(3) and binding only on its addressee. CPA to confirm the position under the governing statute or regulation.

MOVE 4

VERIFIED

If Move 3 finds a §168(k)(7) election-out statement for the 5-year class, do not attempt to reverse it on the 1040-X. Evaluate a private letter ruling request for consent to revoke, tested against the §301.9100-3 standard (taxpayer acted reasonably and in good faith; relief does not prejudice the interests of the Government). Note that the §301.9100-2 automatic 12-month relief window for TY2024 elections has passed and is not available.

Timing	Only on the election-already-made branch, and before filing the 1040-X, so the 1040-X is not filed on a bonus assumption that the ruling may not support.
Authority	26 CFR § 1.1502-68

MOVE 5

• VERIFIED

If Move 3 finds no election-out and no ADS/straight-line election, quantify the 60% additional first-year depreciation that was allowable for TY2024-placed 5-year property on the basis remaining after any §179 amount, and decide with the CPA whether the allowed-versus-claimed difference is corrected on the same 1040-X or through a separate accounting-method filing.

Timing	After Move 3 and before Move 6, because the §179 amount selected changes the basis on which the 60% is computed.
Authority	IRB 2024-09

MOVE 7

• VERIFIED

Model the §179 amount as a variable from $0 to $40,000, solving for the after-tax optimum: each incremental Schedule C dollar reduces net earnings from self-employment (15.3% zone, since 0.9235 x $180,000 = $166,230 is below the 2024 $168,600 OASDI base), reduces taxable income, and simultaneously reduces qualified business income by the same dollar, giving back 20 cents of §199A deduction. Elect the slice that maximizes the combined result rather than defaulting to the full $40,000, and show the selected total and its per-item allocation.

Timing	After Moves 2 and 5; immediately before drafting the corrected Form 4562.
Authority	26 CFR § 1.179-5

MOVE 8

• PROCEDURAL · CONFIRMED

File Form 1040-X for TY2024 with a corrected Form 4562 Part I showing the elected §179 total and the per-item allocation, the recomputed MACRS on remaining basis, the restated Schedule C net profit, restated Schedule SE and the deductible half of self-employment tax, and the recomputed §199A deduction; attach an explanation identifying the §179 election as made on the amended return under §179(c)(2).

Timing	Any time before April 15, 2028 (§6511 window OPEN, assuming a timely-filed original). Bundle with any other TY2024 amended-return items so a single 1040-X carries them.
Authority	26 CFR § 1.179-5

Administrative execution step; governed by the cited procedure or instructions.

MOVE 9

PROCEDURAL · CONFIRMED

Restate the TY2025 depreciation schedule (and the TY2026 schedule in progress) to remove the MACRS deductions on the basis now expensed, and confirm whether TY2025 requires its own amended return for consistency.

Timing	After Move 8 is filed; TY2026 is the current planning year and its return is prospective.
Authority	26 CFR § 1.179-5

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

1 further step in this sequence could not be independently supported by the citation gate (0 citations rejected, 1 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 6 · Determine the mechanical vehicle for any allowed-versus-claimed depreciation difference for TY2024 (amended return within §6511 versus a Form 3115 accounting-method change with a §481(a) adjustment) under the current...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your CPA could go back and amend the 2024 return to write off the $40,000 of computers and office equipment right away instead of spreading it over five years, and the law specifically allows that write-off choice to be made on an amended return. Because the deduction also lowers self-employment tax, the 2024 refund could be in the range of twelve thousand dollars, though most of that is money moved forward from later years rather than new money, since those later-year deductions go away. One caveat your CPA has to check first: if a formal depreciation election was already attached to the 2024 return, unwinding that piece takes a separate and slower request to the IRS, and the deadline for making a new depreciation election for 2024 has already passed.

STRUCTURE E2 · ENGINEERING MODE

Prospective owner-only retirement stack for TY2026+: solo 401(k) deferral + employer contribution, with a cash balance overlay as the second move

EST. COMBINED IMPACT

$11,000

Provisions	§401(a), §401(k), §402(g), §415(c), §404(a)(8), §408(k), §414(v), SECURE 2.0 §317, §45E
Estimated impact	$11,000 TAX DEFERRED (not permanently saved) for TY2026, approximate. Using the stated TY2024 Schedule C profit of $180,000 as a stand-in for TY2026 (actual TY2026 profit is unknown), net earnings from self-employment are roughly $167,000, supporting an employer nonelective contribution of about $33,000-$34,000 plus an elective deferral at the 2026 indexed §402(g) limit (the exact 2026 figure is not in the retrieved authorities and must be confirmed), for total annual additions of roughly $57,000 inside the §415(c) cap. At a 24% federal marginal rate, reduced to an effective ~19% because the deduction also shrinks the §199A deduction by 20% of the contribution, the annual federal benefit is roughly $11,000. No self-employment tax benefit is included (above-the-line retirement deductions do not reduce SE tax) and no state tax benefit is included (state of residence not stated). Move 6 (cash balance overlay) carries $0 here because sizing depends entirely on the taxpayer's age, which the facts do not state. The §199A figure is carried on Move 4/8 only and is not counted a second time on any other structure. TY2024 contributes $0: that funding window is closed as a fact.
Timeline	Phase 1 (now through 12/31/2026): confirm no-employee status, adopt the solo 401(k) document and sign the written deferral election. Phase 2 (through 10/15/2027): compute net SE earnings and fund the employer contribution with the extended TY2026 return. Phase 3 (first half of 2027, document by 12/31/2027): actuarial design and adoption of the cash balance overlay, with the profit-sharing rate reset for the combined deduction limit. Total build: 12-18 months.
Feasibility	high

Disclosure	Form 5500-EZ once one-participant plan assets exceed the filing threshold (and for the final plan year), Schedule SB / actuarial certification once a cash balance plan is adopted, Form 5330 / §4972 if any employer contribution exceeds the deductible limit, No Form 8886 or 8275 anticipated: no listed transaction and no non-obvious position in this structure
CPA must validate	(1) The taxpayer's age, which determines §414(v) catch-up eligibility and whether the cash balance overlay in Move 6 is worth anything at all; (2) the exact 2026 §402(g) deferral limit and §415(c) annual-additions limit from the current cost-of-living notice, plus the SECURE 2.0 §317 sole-proprietor first-plan-year deferral-election rule, none of which appear in the retrieved set; (3) whether any 1099 workers are common-law employees and whether any other business triggers controlled-group or affiliated-service-group aggregation; (4) §404(a)(7) and §4972 before funding both plans in the same year, and PBGC coverage status of an owner-only DB plan; (5) actual TY2026 Schedule C profit and marginal bracket, since the $11,000 figure is built on the TY2024 profit of $180,000 as a stand-in; (6) state of residence, which is not stated and is excluded from every figure here.

Implementation moves

MOVE 1 — PROCEDURAL · CONFIRMED

Document owner-only status for TY2026 before any plan is adopted: confirm in writing that the consulting Schedule C has no common-law employees (and no leased employees, no other business under common control or affiliated-service-group aggregation) so the plan can be run as a one-participant plan exempt from coverage, nondiscrimination and top-heavy testing, and file Form 5500-EZ only when assets exceed the filing threshold.

Timing	Before adopting any plan document; complete during TY2026 (now through 12/31/2026).
Authority	IRS Publication 560

Administrative execution step; governed by the cited procedure or instructions.

MOVE 2

PROCEDURAL · CONFIRMED

Adopt a written individual 401(k) plan document (profit-sharing plus 401(k) feature, with a prototype or volume-submitter document from a custodian) with a plan effective date of January 1, 2026, and execute the adoption agreement on or before December 31, 2026; open the trust/brokerage account in the plan's name at the same time.

Timing	Execute by 12/31/2026 to be safe for TY2026 deferrals. TY2024 is not available for this: the elective-deferral year ended 12/31/2024 and the return-due-date plan adoption / employer funding deadline for TY2024 passed 10/15/2025, and no late-relief mechanic reopens a contribution deadline.
Authority	General Explanation of Tax Legislation Enacted in the 117th Congress Joint Committee on Taxation 118th Congress, 1st Session H

Administrative execution step; governed by the cited procedure or instructions.

MOVE 4

CPA TO CONFIRM

Compute net earnings from self-employment for TY2026 (Schedule C net profit less the deductible half of SE tax) and fund the employer nonelective contribution at the maximum effective rate (25% of net earnings after the contribution, i.e. approximately 20% of net earnings before it) by the extended due date of the TY2026 return, capped so that deferral plus employer contribution does not exceed the §415(c) annual-additions limit for 2026. On TY2024 profit of $180,000 the analogous employer contribution would be roughly $33,000-$34,000; TY2026 must be recomputed from actual TY2026 profit.

Timing	Funding deadline: extended due date of the TY2026 return (October 15, 2027, if extended). Must follow Moves 2 and 3.
Authority	IRS Publication 560

Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

MOVE 5

VERIFIED

Before claiming any startup credit, test §45E eligibility and expect it to be unavailable: model the TY2026 result both with and without it, and do not build the funding decision on the credit.

Timing	At TY2026 return preparation, after Moves 2-4 are executed.
Authority	26 U.S.C. § 45E

MOVE 6

• VERIFIED

For TY2027, engage an enrolled actuary to design a cash balance plan for the same owner-only employer, sized to the maximum funding supportable under the §415(b) benefit limit at the owner's age and average compensation for the high-three-year period, adopt the plan document by the end of plan year 2027, and fund per the actuary's certified range.

Timing	TY2027 and later; design work should start in the first half of 2027 so the document is executed by 12/31/2027. Must follow a full year of the solo 401(k) (Moves 2-4) so compensation history and cash-flow durability are demonstrated.
Authority	26 CFR § 1.415(b)-1

MOVE 8

• VERIFIED

Re-run the TY2026 (and later) §199A computation after the retirement deduction: the retirement contribution reduces qualified business income, so model the net benefit as the marginal rate applied to roughly 80% of the contribution rather than 100%, and check where taxable income lands relative to the SSTB threshold and phase-in range for a consulting trade or business.

Timing	At TY2026 return preparation, after Moves 3-4 amounts are fixed; repeat each year the stack is funded.
Authority	IRB 2019-09

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (0 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 3 · Sign a dated written salary-deferral election for plan year 2026 electing 100% of net earnings from self-employment up to the §402(g) elective-deferral dollar limit as indexed for 2026 (plus the §414(v) age-50 catch-up if the...

Move 7 · When the cash balance plan is in place, reduce the defined-contribution nonelective (profit-sharing) contribution to the level permitted under the combined defined-benefit/defined-contribution deduction limit for an employer...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your CPA could set up a one-person 401(k) for the consulting business this year, which lets you put in both a personal salary-deferral piece and a much larger business-funded piece, with the business piece fundable as late as next fall when the return goes on extension. On roughly this level of profit, that combination could shelter something in the neighborhood of fifty-seven thousand dollars of income, worth perhaps eleven thousand in federal tax deferred each year, though the money is locked up for retirement and the tax is paid later on withdrawal. If you are on the older side, your CPA could then bring in an actuary the following year to add a second, pension-style plan on top, which for an older owner can shelter far more than the 401(k) alone; that sizing depends on your age, which is not in the file.

STRUCTURE E3 · ENGINEERING MODE

§199A QBI capture on amended TY2024 return, below-threshold SSTB (consulting) escapes the SSTB disallowance entirely

EST. COMBINED IMPACT

$7,459

Provisions	§199A(a), §199A(b)(2), §199A(d)(1)(A), §199A(d)(3), §199A(e)(2), §6511, Reg. §1.199A-1(d)
Estimated impact	$7,459 ANNUAL FEDERAL INCOME TAX SAVED for TY2024, standalone. Deduction magnitude is $31,080 (the lesser of 20% x QBI of ~$167,284 = $33,457 and 20% x (taxable income $170,400 minus net capital gain $15,000) = $31,080). Taxable income of ~$170,400 places the taxpayer in the 24% single bracket for TY2024, and taxable income after the deduction (~$139,320) remains above the 24% bracket floor of $100,525, so the full deduction is valued at 24%: $31,080 x 24% = $7,459. §199A does not reduce self-employment tax. This figure is standalone and assumes no other TY2024 deduction is added; if the §162(l) $9,000 premium deduction, a §179 election on the $40,000 of equipment, or a home office deduction is also claimed, each reduces QBI and the taxable-income cap, and the §199A dollars must be recomputed and the incremental value carried on ONE structure only to avoid double-counting. State tax effect is not included because the facts do not state the taxpayer's state of residence.

Timeline	2-6 weeks to compute and file once all other TY2024 amended items are modeled; refund claim window open through April 15, 2028. Prospective threshold management is an annual exercise beginning with TY2026.
Feasibility	high
Disclosure	No Form 8886 exposure; this is not a listed or reportable transaction, No Form 8275 expected; a below-threshold SSTB claiming the full 20% is the plain operation of §199A(d)(3) and Reg. §1.199A-1(d), and Form 8995 itself discloses the position, Form 8995 (Simplified Computation) rather than Form 8995-A, appropriate only while taxable income stays at or below the threshold
CPA must validate	(1) Filing status is in fact single and the $14,600 standard deduction was taken, so taxable income before the QBI deduction is at or below $191,950; (2) reconcile the stated AGI estimate of $185,000 with the underlying items ($180,000 Schedule C less ~$12,716 half SE tax, plus $15,000 capital gain, less any allowed rental loss), which do not sum to $185,000 on their face; (3) the exact SE tax and its deductible half for TY2024, including the applicable Social Security wage base; (4) the TY2024 published threshold of $191,950 to the governing revenue procedure; (5) whether the $9,000 §162(l) deduction, any §179 or bonus election, a home office deduction, and any TY2026+ retirement contribution are being claimed, and re-run QBI for each; (6) whether the $15,000 gain is net capital gain for the taxable-income cap; (7) whether the residential rental is a §162 trade or business and whether the $6,000 loss is allowed under §469 (separate analysis, not covered by the retrieved authorities); (8) that the TY2024 original return was timely filed so the §6511 window runs to April 15, 2028; (9) the taxpayer's state of residence and whether that state conforms to §199A, neither of which is stated in the facts.

Implementation moves

MOVE 1

● VERIFIED

Establish and document that the consulting activity is a domestic trade or business generating qualified business income, and that it is a specified service trade or business (consulting) whose SSTB character is irrelevant because TY2024 taxable income computed before the QBI deduction (approximately $170,400 = AGI $185,000 less the $14,600 single standard deduction) is at or below the TY2024 threshold amount of $191,950. Memorialize this in the amended-return workpapers as the gating determination.

Timing	First step; must precede any QBI computation, and must be re-tested after every other TY2024 deduction under consideration is quantified (see Move 5).
Authority	IRB 2018-35

MOVE 2

● CPA TO CONFIRM

Fix the TY2024 threshold amount at $191,950 (single) as the inflation-adjusted figure under §199A(e)(2), and document the phase-in range top of $241,950, in the workpapers as the bright line the taxable-income computation must clear.

Timing	Concurrent with Move 1; a fixed input, not a transaction.
Authority	General Explanation of the Tax Provisions of Public Law 119-21 Joint Committee on Taxation 119th Congress, 2nd Session Senate

Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

MOVE 3

● VERIFIED

Compute QBI for the consulting trade or business as the net amount of qualified items of income, gain, deduction and loss: $180,000 Schedule C net profit reduced by the deductible half of self-employment tax (approximately $12,716, being 50% of SE tax of roughly $25,433 on net earnings of $166,230), and further reduced by any §162(l) self-employed health insurance deduction ($9,000) and any self-employed retirement deduction that is ultimately claimed for TY2024. Exclude the $15,000 long-term capital gain and the rental activity from this computation unless the rental separately rises to a §162 trade or business.

Timing	After Move 1, before Move 4. Must be recomputed if any other TY2024 amended-return item is added.
Authority	26 CFR § 1.199A-3

MOVE 4

● VERIFIED

Compute the §199A deduction as the lesser of (a) 20% of QBI and (b) 20% of (taxable income before the QBI deduction minus net capital gain). With QBI of approximately $167,284, (a) is approximately $33,457; with taxable income of approximately $170,400 and net capital gain of $15,000, (b) is 20% × $155,400 = $31,080. Claim $31,080, the taxable-income-limited amount.

Timing	After Move 3; the final number that goes on Form 8995.
Authority	26 CFR § 1.199A-1

MOVE 5

● VERIFIED

Before finalizing, run a combined model of every other TY2024 amended-return item under consideration (§179 or bonus on the $40,000 of equipment, the 250 sq ft home office, the $9,000 §162(l) premium deduction, the $6,000 rental loss) against the QBI computation, because each Schedule C deduction reduces QBI at 20% and each above-the-line deduction reduces the taxable-income cap at 20%. Select the combination that maximizes total tax, not any single line item, and re-verify that taxable income stays below $191,950 (it falls further below, so below-threshold status is not at risk on the downside).

Timing	After Moves 3-4 produce a baseline, before the 1040-X is signed. Order-dependent: this is the only move that must see all other structures.
Authority	26 CFR § 1.199A-3

MOVE 7

● VERIFIED

Adopt a standing bracket-management rule for TY2026 and forward: project taxable income before the QBI deduction against the indexed threshold each year and, if projections approach it, deploy income-reducing moves (solo 401(k) or SEP contributions, §179 or bonus on equipment, timing of receipts) to stay at or below the threshold, because crossing it reintroduces the SSTB phase-out and, at the top of the range, eliminates the deduction entirely for a consulting business with no W-2 wages and minimal UBIA.

Timing	Prospective. TY2026 planning deadlines are still ahead: elective deferrals by December 31, 2026, employer contributions and plan adoption by the TY2026 extended due date.
Authority	IRB 2019-09

NOT INDEPENDENTLY SUPPORTED

1 further step in this sequence could not be independently supported by the citation gate (0 citations rejected, 1 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 6 · File Form 1040-X for TY2024 with Form 8995 (Simplified Computation) attached, reporting the deduction from Move 4 (as reconciled in Move 5).

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Consulting is normally one of the professions locked out of the 20 percent deduction for business owners, but that lockout only switches on above an income threshold, and this taxpayer's income for 2024 sits below it. Your CPA could file an amended 2024 return claiming roughly a $31,000 deduction, which at this income level may reduce federal tax by something in the range of $7,000 to $7,500, and the deadline for that refund claim does not run until April 2028. The trade-off worth watching is that the same deduction shrinks as other deductions are added, and it disappears entirely in a future year if income climbs above the threshold, so your CPA may want to model all the 2024 items together and keep an eye on the line each year going forward.

STRUCTURE E4 · ENGINEERING MODE

Home office §280A(c)(1) + §162(l) health premium capture on the same amended TY2024 return

EST. COMBINED IMPACT

$2,616

Provisions	§280A(c)(1), §280A(c)(5), §162(l), §162(l)(2)(A), §162(l)(4), Rev. Proc. 2013-13, §6511

Estimated impact	$2,616 ANNUAL TAX DOLLARS SAVED on the TY2024 amended return, computed at the client's actual marginal rate. Taxable income is approximately $170,400 (AGI $185,000 less the $14,600 single standard deduction for 2024), placing the client in the 24% bracket ($100,525-$191,950), so all figures are at 24%. (a) §162(l) health premiums: $9,000 x 24% = $2,160 of income tax saved. Per §162(l)(4) this deduction does not reduce net earnings from self-employment, so there is no SE tax component. (b) Home office at the Rev. Proc. 2013-13 safe harbor: $1,250 deduction on Schedule C = approximately $177 of SE tax saved ($1,250 x 0.9235 x 15.3%) plus approximately $279 of income tax ($1,250 less the $88 additional one-half SE tax deduction, x 24%) = approximately $456. Total approximately $2,616. If the actual-expense method is later shown to produce a larger deduction, this figure rises proportionally at the same 24%/SE rates, that comparison cannot be run because the facts state no rent, mortgage interest, utility, insurance or basis figures. Any §199A consequence (both deductions reduce the QBI base, and the §162(l) deduction reduces AGI) is carried at $0 here and belongs entirely to the separate §199A structure, to avoid double-counting.
Timeline	2-6 weeks to gather premium statements, employer-plan eligibility confirmation, and home cost/basis data; a single consolidated TY2024 Form 1040-X thereafter. Outer deadline: April 15, 2028 under §6511. Prospective method adoption applies from the TY2026 return forward.
Feasibility	high
Disclosure	No Form 8886, neither item is a reportable or listed transaction, No Form 8275 expected; §280A(c)(1) home office and §162(l) premiums are mainstream return positions supported by the statute and Form 8829/Schedule 1 instructions, Form 8829 required if the actual-expense method is used; simplified-method worksheet retained if the Rev. Proc. 2013-13 safe harbor is elected, Form 1040-X Part II explanation should identify both items and the corrected Schedule SE

CPA must validate	(1) Whether the taxpayer was eligible for any subsidized employer health plan in any month of 2024, not stated in the facts and dispositive under §162(l)(2)(B); (2) whether any premiums were for an Exchange qualified health plan with advance premium tax credit, which invokes the §1.162(l)-1(a)(1) coordination cap instead of a flat $9,000; (3) that the $9,000 was paid for coverage of the taxpayer (no spouse or dependents are stated in the facts) and that the plan is established under the consulting business; (4) actual 2024 mortgage interest or rent, utilities, insurance, and the building basis with land allocation, none of which the facts state, before the safe-harbor-versus-actual comparison can be run; (5) that the 250 sq ft room met exclusive and regular business use for the full year; (6) the client's state of residence, which the facts do not state, for state conformity to §162(l) and to the home office safe harbor; (7) the client's age and filing status inputs to the standard deduction used in the 24% bracket determination, the facts state single but no age, so no additional standard deduction was assumed; (8) that the TY2024 original return was timely filed, which fixes the §6511 window at April 15, 2028; (9) whether the safe harbor's forgone office depreciation is preferable given the client's expected holding period for the residence and future §1250 recapture exposure.

Implementation moves

MOVE 1

● VERIFIED

Confirm and document the §162(l)(2)(B) eligibility predicate for TY2024: obtain written confirmation that the taxpayer was not, for any month of 2024, eligible to participate in any subsidized health plan maintained by an employer of the taxpayer (or of a spouse, the facts state no spouse, so single filing status is assumed), and pull the 2024 premium statements substantiating the $9,000 paid. Also determine whether any of the coverage was a qualified health plan purchased through an Exchange with advance premium tax credit, since that triggers the §1.162(l)-1(a) coordination limit rather than a straight $9,000 deduction.

Timing	Before preparing the TY2024 Form 1040-X; the §6511 amended-return window for TY2024 is OPEN through April 15, 2028 (timely-filed original assumed).
Authority	26 CFR § 1.162(l)-1

NOT INDEPENDENTLY SUPPORTED

4 further steps in this sequence could not be independently supported by the citation gate (2 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 2 · Fix the home office deduction method for TY2024.

Move 3 · Prepare the TY2024 Form 1040-X with a corrected Schedule C carrying the chosen home office amount (Form 8829 attached if the actual-expense method is used; the simplified-method line and worksheet if the safe harbor is elected),...

Move 4 · On the same amended TY2024 return, enter the §162(l) self-employed health insurance deduction on Schedule 1 in the amount fixed by Move 1 ($9,000 absent §36B coordination), limited to earned income derived from the consulting...

Move 5 · Adopt the chosen home office method prospectively for TY2026 and forward (whose deadlines are still ahead), and calendar the actual-expense substantiation file, square footage measurement, utility and insurance invoices,...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Two deductions the client is already paying for but has not claimed for 2024 can be added to a corrected 2024 return: the $9,000 of health insurance premiums, and a deduction for the room used only for the business. Your CPA could file one corrected 2024 return covering both, using a simple $5-per-square-foot method for the office that yields $1,250, or the detailed method based on actual housing costs if the client can supply utility, insurance, mortgage or rent and cost-of-home figures, which may be worth more. Together these could reduce the 2024 tax by roughly $2,600 at the client's current rate, and the same office deduction is available going forward; the health insurance deduction lowers income tax but not self-employment tax.

STRUCTURE E5 · ENGINEERING MODE

Deferred entity play: S election plus §280A(g) 'Augusta rule' home rental, deliberately NOT deployed while below the §199A threshold

EST. COMBINED IMPACT

$2,200

Provisions	§1362(a), §199A(b)(2)(B), §280A(g), §162(a), §3121, Rev. Proc. 2013-30

Estimated impact	**$2,200** Annual tax dollars NOT lost by declining the S election, protective/harm-avoided value, not a new saving. Computed as the ~$4,200 of federal tax on the ~$17,600 of §199A deduction that would be destroyed (20% of ~$88,000 of profit shifted to wages, at the 24% marginal rate implied by the stated TY2024 AGI of $185,000 and single filing status), less roughly $1,750-$2,000 of net SE/Medicare tax that would be saved on ~$70,000 of distributions above the 2024 $168,600 wage base, before payroll and separate-return compliance cost. The underlying §199A deduction dollars themselves are carried on the QBI structure, not here, to avoid double counting. The Move 4 home-office deduction dollars are carried on the home-office structure and are $0 here.
Timeline	Immediate: Moves 1-4 (documentation plus home office, including a possible TY2024 amended return any time before April 15, 2028). Ongoing: annual trigger test each fourth quarter. Contingent: Moves 5-6 only in a future year, with a Form 2553 filed by March 16 of the intended first S year (earliest clean date January 1, 2027).
Feasibility	low
Disclosure	No Form 8886 exposure, nothing here is a reportable or listed transaction, Form 8275 not indicated for the home office position under §280A(c)(1)(A); if a §280A(g) rental is ever deployed, contemporaneous fair-rental-value comparables and business-purpose minutes are the substantiation, not a disclosure statement, Form 1040-X required for any TY2024 home office claim
CPA must validate	(1) Actual TY2026 taxable income and marginal rate, and whether the client remains below the single §199A threshold, filing status is single because no spouse is stated; (2) the current indexed §199A threshold and SSTB phase-out ceiling from §199A(e)(2) and the annual inflation revenue procedure, which no retrieved authority supplies; (3) that management consulting is an SSTB under §199A(d)(2) and Reg. §1.199A-5; (4) total residence square footage, actual home costs, and exclusive-use substantiation for the 250 sq ft room, none of which are in the facts; (5) the client's state of residence and state-level S corporation and entity-level tax consequences, which the facts do not state; (6) the client's age, which the facts do not state and which affects nothing in this structure but is needed for the retirement-plan structures; (7) the full text of §280A(g) and §162(a) before any future Augusta-rule deployment; (8) whether the TY2024 return was filed timely or on extension, which fixes the outer edge of the §6511 amended-return window.

Implementation moves

MOVE 1

● VERIFIED

Document, in the permanent file for TY2026, the affirmative decision NOT to file Form 2553 for the consulting business, on the ground that S corporation reasonable compensation is excluded from qualified business income. Compute the baseline: Schedule C profit of $180,000 (TY2024 figure; re-run with actual TY2026 profit) generates QBI at the entity/activity level, and the client's taxable income (AGI estimate $185,000 for TY2024) sits below the single filing status §199A threshold, so no wage limitation applies and no W-2 wages are needed to preserve the deduction.

Timing	Do this first, before any entity or payroll step is considered; refresh annually by December 31 of each planning year (next: December 31, 2026).
Authority	IRB 2019-09

MOVE 2

● VERIFIED

Run the explicit two-sided arithmetic and retain it as the workpaper support: at $180,000 of net profit against the 2024 OASDI wage base of $168,600, converting roughly $88,000 of profit into wages and distributing roughly $70,000 saves only the 2.9% Medicare component on the distributed residual (~$2,000 gross, less the effect of the deductible half), while destroying 20% of the ~$88,000 shifted into wages (~$17,600 of deduction, ~$4,200 of tax at a 24% marginal rate), before payroll and separate-return compliance cost. Conclusion: net negative at this income level.

Timing	Immediately after Move 1; must precede any entity formation discussion.
Authority	26 CFR § 1.199A-1

MOVE 4

● VERIFIED

In the meantime, capture home-office value through the sole proprietorship rather than through §280A(g): claim the deduction for the 250 sq ft room used exclusively and regularly as the principal place of business on Schedule C. For TY2024 this can be raised on an amended Form 1040 (window OPEN through April 15, 2028); for TY2026 forward, claim it as filed.

Timing	TY2024 amended return any time before April 15, 2028; TY2026 on the original return.
Authority	26 U.S.C. § 280A

MOVE 6

• PROCEDURAL · CONFIRMED

If and only if the Move 3 trigger is met: form the entity and file Form 2553 within the statutory window, no more than 2 months and 15 days after the beginning of the tax year the election is to take effect (for a calendar-year effective date of January 1, 2027, that is by March 16, 2027), with shareholder consent in Part I, column K.

Timing	Prospective only. TY2024 and TY2025 timely-election windows are closed as a matter of fact; the earliest clean prospective effective date is January 1, 2027.
Authority	Instructions for Form 2553 (S Corporation Election)

Administrative execution step; governed by the cited procedure or instructions.

MOVE 7

• PROCEDURAL · CONFIRMED

Name, but do not use, the late-election mechanic: Rev. Proc. 2013-30 provides relief for late S elections without a user fee, generally within 3 years and 75 days of the intended effective date, which as of today reaches back to intended effective dates in mid-2023 and later. Record the conclusion that a retroactive election for TY2024 or TY2025 is procedurally reachable but economically negative at this income level, and is therefore declined.

Timing	Available now for intended effective dates from mid-2023 forward; decision documented in the TY2026 file. Requires consistent reporting as an S corporation for the relief year and all subsequent years, which has not occurred here.
Authority	IRB 2026-01

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

2 further steps in this sequence could not be independently supported by the citation gate (0 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 3 · Set the deployment trigger in writing: revisit the S election plus §280A(g) package only in a year of sustained net profit above the top of the SSTB phase-out range for the client's filing status (approximately $241,950 single...

Move 5 · Hold the §280A(g) 'Augusta rule' rental in reserve.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Turning your consulting business into an S corporation and paying yourself a salary is a popular move, but at your current income level it would cost you more than it saves, because salary dollars do not qualify for the 20 percent small-business deduction you are entitled to as a sole proprietor. The related trick of having a company rent your home for a handful of days a year simply is not available to you, since there is no separate company to be the tenant. Your CPA could instead document the decision to stay as you are, claim the home office deduction directly on your business schedule, and set a written income trigger so the corporate setup gets revisited only in a year when your profit is high enough that the 20 percent deduction is phased out anyway.

STRUCTURE E6 · ENGINEERING MODE

§469(i) $25,000 rental allowance unlocked by engineering modified AGI below $150,000 with above-the-line plan deductions

EST. COMBINED IMPACT

$1,440

Provisions	§469(i), §469(i)(3)(E), §469(i)(3)(F), §469(b), §469(g), Reg. §1.469-9
Estimated impact	$1,440 Tax ACCELERATED (timing), not permanently saved: the rental produces a $6,000 net loss, so the §469(i) allowance can release at most $6,000/yr even though the statutory cap is $25,000. $6,000 x 24% marginal rate (single, TY2024 taxable income roughly $170,000 after the standard deduction sits in the 24% bracket; if MAGI is engineered to ~$100,000 the marginal rate drops to 22% and the figure falls to about $1,320) = approximately $1,440 of income tax pulled forward per year. It is acceleration rather than absolute savings because an unreleased loss is not lost, it carries forward under §469(b) and is fully deductible on a fully taxable disposition under §469(g). The dollars attributable to the retirement-plan deduction itself are carried on the retirement-plan structure and are set to $0 here to avoid double-counting; likewise any §199A benefit from lower taxable income is carried on the §199A structure. For TY2024 specifically the value is $0 of current tax and protective exposure-defended value of the documented $6,000 carryforward. No state benefit is computed because the facts do not state a state of residence.

Timeline	TY2024 defensive filing: 1-2 months, any time before April 15, 2028. Prospective leg: modeling in Q4 2026, plan adopted and deferral election made by December 31, 2026, employer contribution funded by the TY2026 extended due date; recurring annually thereafter.
Feasibility	medium
Disclosure	Form 8582 required with every return claiming or carrying the rental real estate passive loss, Schedule E Part I for the rental activity on the TY2024 Form 1040-X, No Form 8886 exposure: no listed or reportable transaction is involved, Form 8275 not indicated; the §469(i) allowance and the plan deduction are ordinary statutory positions, though a Form 8275 could be considered if the §469(i)(3)(F) MAGI treatment of the self-employed plan deduction proves less clear on direct reading than expected
CPA must validate	(1) Read §469(i)(3)(E) and (F) directly and confirm that a self-employed qualified-plan deduction is NOT among the MAGI add-backs, the retrieved authority set does not contain that text and Move 5 depends entirely on it. (2) Confirm the taxpayer's ownership interest in the rental is at least 10% of all interests and is not a limited partnership interest (§469(i)(6)); the facts do not state ownership percentage or holding form. (3) Confirm active participation is documented by bona fide management decisions for each year claimed. (4) Confirm the original TY2024 return was timely filed so the §6511 window runs to April 15, 2028, and whether it was filed on extension. (5) Obtain the taxpayer's age (unknown from the facts) before sizing any catch-up or cash balance contribution. (6) Obtain the state of residence (unknown from the facts) before quoting any combined federal-plus-state benefit, and confirm whether the state conforms to §469. (7) Recompute the $6,000 loss including depreciation actually claimed on the rental, and confirm no other passive activities exist that would change the Form 8582 allocation. (8) Verify the TY2026 §199A threshold amounts and confirm the consulting practice's SSTB characterization under Reg. §1.199A-5 before sizing the contribution.

Implementation moves

MOVE 2

CPA TO CONFIRM

State the carryforward position expressly: the $6,000 is disallowed for TY2024 only and is treated as a deduction allocable to the same rental activity in the next taxable year, so it is suspended rather than lost. Establish the carryforward balance in the workpapers and in the client's permanent file.

Timing	Simultaneous with Move 1 (the 8582 that reports the loss is the document that establishes the carryforward).
Authority	Instructions for Schedule K-1 (Form 1065 Partnership)

Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

MOVE 3

VERIFIED

Document affirmatively that the taxpayer is NOT a qualifying taxpayer under §469(c)(7)/Reg. §1.469-9 (no 750 hours in a real property trade or business, more than half of personal services are in the consulting practice) and that no §1.469-4(d)(1) grouping of the rental with the consulting business has been made. Do not make a §1.469-9(g) aggregation election.

Timing	Before Move 4. This determination fixes which relief track the rental loss travels on for TY2024 and all prospective years.
Authority	Moss v. Commissioner, 135 T.C. 365

MOVE 8

PROCEDURAL · CONFIRMED

In each prospective year, file Form 8582 reporting the current-year rental loss plus the accumulated prior-year unallowed loss, claim the §469(i) allowance to the extent MAGI permits, and carry any residual forward; on an eventual fully taxable disposition of the entire interest to an unrelated party, release the entire remaining suspended balance under §469(g).

Timing	Annually from TY2026 forward; disposition step whenever a sale occurs.
Authority	Instructions for Schedule K-1 (Form 1065 Partnership)

Administrative execution step; governed by the cited procedure or instructions.

NOT INDEPENDENTLY SUPPORTED

5 further steps in this sequence could not be independently supported by the citation gate (1 citation rejected, 4 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 1 · File an amended TY2024 Form 1040 (Form 1040-X) that reports the residential rental property on Schedule E and attaches Form 8582, showing the $6,000 rental net loss as a passive activity loss of a rental real estate activity,...

Move 4 · Build and maintain a contemporaneous active-participation file for TY2026 forward: records of the taxpayer's bona fide management decisions (approving tenants, setting rent and lease terms, authorizing repairs and capital...

Move 5 · For TY2026, project modified adjusted gross income under §469(i)(3)(E)-(F) and size a self-employed qualified plan deduction (solo 401(k) employee deferral plus employer nonelective, and if warranted a cash balance plan) so that...

Move 6 · Adopt a solo 401(k) plan document on or before December 31, 2026, make the TY2026 elective deferral election in writing before year end, and fund the employer nonelective contribution by the extended due date of the TY2026 return.

Move 7 · Run the §199A computation for TY2026 BEFORE finalizing the plan-contribution amount, since the consulting practice is a specified service trade or business and taxable income below the threshold preserves the deduction; then...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your rental property lost about six thousand dollars, and because your income was too high that loss could not be used this year. It is not gone, though: your CPA could put the rental on an amended return with the right form so the loss is formally parked and tracked, and then in future years size a self-employed retirement plan large enough to bring your income down under the cutoff, which may let that parked loss come off your taxes while it is still parked. Either way the loss stays available, and it would become fully usable in the year you sell the property.

STRUCTURE E7 · ENGINEERING MODE

Investment-side program: §1091-compliant loss harvesting against the $15,000 LTCG, backdoor Roth, HSA if HDHP, and the correct treatment of the $4,000 advisory fee

EST. COMBINED IMPACT

$1,056

Provisions	§1211(b), §1212(b), §1091, §408A(c)(3), §408(d)(2), §223, §67(g), §212, §6511
Estimated impact	$1,056 ANNUAL FEDERAL INCOME TAX SAVED, and only the one component that is quantifiable on the stated facts. Marginal bracket derived from the facts: AGI $185,000 single, less the standard deduction, leaves taxable income in the 24% federal ordinary bracket (long-term gains at 15%). HSA: assuming self-only HDHP coverage for a full year, a self-only contribution at the indexed 2026 limit (approximately $4,400 - the CPA must confirm the published 2026 figure and whether the age-55 catch-up applies, as age is not stated) at 24% is roughly $1,056 of tax saved; as an above-the-line deduction it does NOT reduce self-employment tax. This figure is CONDITIONAL on HDHP coverage, which the facts do not state. Loss harvesting is carried at $0 because the facts state no unrealized loss positions; for scale only, if $15,000 of long-term losses were later found and used against long-term gains the value would be about $2,250 at 15%, plus up to $3,000/yr against ordinary income at 24% (about $720/yr) once gains are exhausted. Backdoor Roth is carried at $0 of current-year tax saved (a nondeductible contribution produces no deduction; its value is future tax-free growth, not a current-year number) and any conversion tax is a cost, not a saving. The advisory fee is $0: no deduction is available under §67(g) as made permanent by P.L. 119-21; the IRA-billing change shifts the payment source rather than creating a deduction. No state tax effect is computed because the state of residence is not stated. TY2024 IRA, HSA and harvesting windows are closed as a matter of fact, so none of this is a TY2024 amended-return item.
Timeline	TY2026 execution: coverage and IRA-balance fact-gathering in September-October 2026; any pre-tax IRA rollover into the solo 401(k) and the Roth conversion completed by December 31, 2026; harvest sales settled by December 31, 2026; HSA funding may run to the TY2026 filing due date. Custodian billing change for IRA-attributable advisory fees is prospective and can be made at any time.

Feasibility	high
Disclosure	No listed-transaction or reportable-transaction disclosure indicated; Form 8886 not applicable, Form 8606 required for the nondeductible traditional IRA contribution and the Roth conversion, Form 8889 required for HSA contributions and distributions, Form 8949/Schedule D with wash-sale adjustments as reported on Form 1099-B, Form 8275 not indicated on these facts
CPA must validate	(1) Whether any unrealized loss lots actually exist and their lot-level basis and acquisition dates - the facts state none; (2) whether the taxpayer's health coverage meets the 2026 HDHP parameters, the coverage tier (self-only vs. family), and the taxpayer's age for the §223(b)(3) catch-up - all unstated; (3) the December 31 balance of every traditional, SEP and SIMPLE IRA and whether the solo 401(k) plan document permits incoming rollovers; (4) every account the taxpayer controls, for §1091 wash-sale screening on both sides of each sale; (5) primary text of §1091, §408A(c)(3) and §408(d)(2), none of which appear in the retrieved authority set, before relying on Moves 4 and 6; (6) the taxpayer's state of residence, since some states do not conform to §67(g) and state treatment of the advisory fee and the HSA may differ; (7) the published 2026 HSA contribution limit and HDHP thresholds.

Implementation moves

MOVE 1

• PROCEDURAL · CONFIRMED

Inventory the taxable brokerage account lot-by-lot (acquisition date, basis, current value) to determine whether any unrealized loss positions actually exist. The facts state $15,000 of realized long-term capital gain for TY2024 but do not state any loss positions, so the existence and size of any harvestable loss is an open fact that must be established before any harvesting is planned.

Timing	Do first, in TY2026, before any sell orders. The TY2024 harvesting window closed December 31, 2024, so this is a prospective TY2026+ exercise only.
Authority	26 CFR § 1.1211-1

Administrative execution step; governed by the cited procedure or instructions.

MOVE 2

VERIFIED

If loss positions exist, realize them in TY2026 and apply them first against capital gains realized in TY2026 (offset is unlimited against gains), with any excess net capital loss deducted against ordinary income up to the $3,000 annual ceiling.

Timing	Sell orders must settle on or before December 31, 2026 to count for TY2026. Sequenced after Move 1.
Authority	26 CFR § 1.1211-1

MOVE 7

CPA TO CONFIRM

Do not deduct the $4,000 of investment advisory fees on Schedule A for TY2024 or any later year. Instead, direct the custodian to bill and pay the portion of fees attributable to IRA assets directly from the IRA, and leave the taxable-account portion as a non-deductible personal expense. Do not reclassify any part of the fee as a Schedule C business expense absent a genuine business connection.

Timing	Prospective billing change with the custodian; no amended-return claim for the fee is available even though the TY2024 amended-return window is open through April 15, 2028.
Authority	General Explanation of the Tax Provisions of Public Law 119-21 Joint Committee on Taxation 119th Congress, 2nd Session Senate

Authority caveat: the retrieved citation is secondary or procedural (IRM / publication / form instructions / committee description), not primary law for this proposition, CPA to confirm against the governing statute or regulation directly.

NOT INDEPENDENTLY SUPPORTED

4 further steps in this sequence could not be independently supported by the citation gate (1 citation rejected, 3 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 3 · Track any net capital loss exceeding the current-year gains plus the $3,000 allowance as a carryforward and apply it in each succeeding year against capital gain net income first, then against ordinary income up to $3,000,...

Move 4 · Before executing any harvest sale, screen the 61-day window (30 days before through 30 days after each sale) for purchases of the same or substantially identical securities in ALL accounts the taxpayer controls, including any...

Move 5 · Determine whether the taxpayer's health coverage is a high deductible health plan for 2026 (self-only deductible at least $1,700 and out-of-pocket cap no more than $8,500 for self-only coverage), and confirm no disqualifying...

Move 6 · Confirm total pre-tax traditional, SEP and SIMPLE IRA balances.

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your CPA could review your brokerage account for holdings worth less than you paid, sell those to bank the losses against investment gains, and immediately reinvest in something similar but not identical so you stay in the market and the loss still counts. If your health plan qualifies as a high-deductible plan, your CPA could open a health savings account, which is the rare account that gives a deduction going in and comes out tax-free for medical costs; and if your retirement plan is set up to receive a rollover, your CPA could clear out any pre-tax IRA money first so a Roth conversion can be done with little or no tax. One thing to set expectations on: the $4,000 of investment advisory fees is not deductible under current law, so the only pre-tax route is to have the portion tied to IRA money billed directly to the IRA going forward.

STRUCTURE E8 · ENGINEERING MODE

Rental depreciation acceleration: Form 3115 cost segregation catch-up, plus a short-term-rental conversion to escape §469 entirely

Provisions	§168, §167, §446(e), §481(a), Reg. §1.469-1T(e)(3)(ii)(A), §469(c)(2), Rev. Proc. 2015-13, Rev. Proc. 2024-23
Estimated impact	Not quantified Not quantifiable on the stated facts: the property's basis, purchase date, and land allocation are UNKNOWN, so neither the §481(a) catch-up nor the ongoing acceleration can be computed. Any figure here would be invented. Directionally, this structure produces TAX DEFERRAL (timing, not permanent savings, and subject to §1245/§1250 recapture on sale), and at the client's marginal rate implied by ~$185,000 AGI single (24% federal; state bracket unknown because the facts do not state a state of residence) each $10,000 of accelerated depreciation is roughly $2,400 of federal tax deferred, but only in a year in which Moves 4 and 5 have made the activity non-passive. Absent the short-term-rental conversion and material participation, the accelerated depreciation only enlarges a suspended carryforward and the current-year cash value is $0. The stated $6,000 TY2024 rental loss is fully phased out of the §469(i) allowance at $185,000 AGI and is not counted here.

Timeline	6-18 months. Records and study: fall 2026. Short-term-rental conversion must cover a full taxable year, so the qualifying year is TY2026 only if the year-to-date stay mix already averages 7 days or less; otherwise begin the conversion now and treat TY2027 as the year of change. Form 3115 is filed with the timely filed return for that year of change, with the duplicate copy to Ogden.
Feasibility	medium
Disclosure	Form 3115 (original attached to the year-of-change return, duplicate copy to IRS Ogden, UT) with the correct designated automatic accounting method change number, Cost segregation engineering report retained as substantiation for the reclassification and the §481(a) computation, Contemporaneous participation hour log and booking-level average-stay computation retained to support the non-passive position, Form 8582 to document that the activity is excluded from rental-activity treatment and the disposition of any pre-conversion suspended losses, Form 8275 considered if the land allocation or component classification is developed without a documented original cost allocation, Schedule C / Schedule E placement and possible Schedule SE consequence if substantial services make the SE tax analysis of CCA 202151005 apply, No listed-transaction indicator identified; Form 8886 not expected

CPA must validate	(1) Basis, purchase date, placed-in-service date, land allocation, and capitalized improvement history for the rental, all UNKNOWN in the facts and all required before any figure exists. (2) The taxpayer's state of residence and age, not stated, for state depreciation conformity and any state add-back of bonus depreciation. (3) Eligibility under Rev. Proc. 2015-13 §5 (no identical change in the recent window; activity not under examination in a manner that bars the automatic change) and the correct current DCN from the applicable List of Automatic Changes. (4) The §168(k) percentage actually applicable to the reclassified components based on the real acquisition date, and whether the used-property no-prior-use condition is met, Move 3 is marked unsupported on the retrieved set. (5) Whether the full-year average period of customer use for TY2026 can still be 7 days or less given occupancy already booked in 2026; if not, designate TY2027. (6) That the taxpayer, and not a manager or cleaner, will hold the greatest participation hours if the 100-hour test is being relied on. (7) Pre-conversion suspended passive loss carryforward from Form 8582 and its treatment once the activity is non-passive, Move 10 is marked unsupported. (8) Self-employment tax exposure under CCA 202151005 based on the actual service package. (9) Whether the short-term rental rises to a §162 trade or business for §199A purposes, and if so ensure that §199A value is carried only once and not duplicated with the Schedule C §199A analysis.

Implementation moves

MOVE 1 — PROCEDURAL · CONFIRMED

Assemble the asset file for the residential rental before anything else: closing statement, purchase date, placed-in-service date, land vs. improvement allocation, capitalized improvements since acquisition, and the depreciation schedules as filed. The facts do not state basis, purchase date, or land allocation, so no acceleration figure can be computed until these are in hand.

Timing	Immediately (TY2026), before commissioning any study or preparing Form 3115.
Authority	IRB 2022-07

Administrative execution step; governed by the cited procedure or instructions.

MOVE 2

• VERIFIED

Commission an engineering-based cost segregation study on the residential rental that identifies and quantifies components properly classified as 5-year, 7-year, and 15-year property (appliances, carpeting, cabinetry, dedicated electrical, land improvements such as driveway, fencing, landscaping) out of the 27.5-year building basis, with a report tying each component to cost and in-service date.

Timing	TY2026, after Move 1; must be complete before the Form 3115 for the chosen year of change is prepared.
Authority	IRB 2022-07

MOVE 4

• CPA TO CONFIRM

Before filing the method change, convert the property to short-term rental operation so that the average period of customer use is 7 days or less for a full taxable year: re-list on short-term platforms, terminate or run out any longer-term tenancy, and retain booking-level records showing each stay's length and the annual average. Given today's date (August 29, 2026), test whether TY2026's full-year average can still land at 7 days or less; if long-term occupancy earlier in 2026 makes that impossible, target TY2027 as the first qualifying year.

Timing	Begin now; the qualifying measurement is made over the entire taxable year, so the first fully qualifying year is TY2026 only if the year-to-date stay mix permits, otherwise TY2027.
Authority	CCA 202151005

Authority caveat: the retrieved citation is a written determination (PLR/CCA/AOD), persuasive and relevant to substantial-authority analysis, but non-precedential under §6110(k)(3) and binding only on its addressee. CPA to confirm the position under the governing statute or regulation.

MOVE 5

• VERIFIED

Self-manage the short-term rental and keep contemporaneous, date-and-task hour logs (guest communication, turnovers, listing management, maintenance, supply runs). Target the 100-hour test: more than 100 hours of participation with no other individual participating more, which means not hiring a full-service property manager whose hours would exceed the taxpayer's. Track cleaner and contractor hours as well as the taxpayer's.

Timing	Must run concurrently with the entire qualifying year identified in Move 4, and must be in place before the year of change closes.
Authority	26 CFR § 1.469-5T

MOVE 6

PROCEDURAL · CONFIRMED

File Form 3115 for the chosen year of change (TY2026 or TY2027) under the automatic change procedures for depreciation method/recovery-period changes resulting from asset reclassification: attach the original Form 3115 to the timely filed (including extensions) return for the year of change and mail the duplicate copy to the IRS in Ogden, UT, entering the designated automatic accounting method change number(s). File one Form 3115 covering all reclassified assets with a single net §481(a) adjustment.

Timing	With the return for the year of change; the duplicate copy is due per Rev. Proc. 2015-13 §6.03(1)(a)(i)(B). Must come after Moves 2, 4 and 5 so the qualifying year and the non-passive character are already fact.
Authority	IRB 2022-07

Administrative execution step; governed by the cited procedure or instructions.

MOVE 9

CPA TO CONFIRM

Price the self-employment tax exposure of the short-term rental before converting: if substantial personal services (daily maid service, sundries, recreational equipment, transport vouchers) are provided such that compensation for services is a material portion of the rent, net rental income may fall outside the §1402(a)(1) rental exclusion and be included in net earnings from self-employment. Design the service package to hit the 7-day average without layering hotel-style services, unless the SE tax cost is accepted.

Timing	Before Move 4 is executed operationally; service level is set at conversion.
Authority	CCA 202151005

Authority caveat: the retrieved citation is a written determination (PLR/CCA/AOD), persuasive and relevant to substantial-authority analysis, but non-precedential under §6110(k)(3) and binding only on its addressee. CPA to confirm the position under the governing statute or regulation.

NOT INDEPENDENTLY SUPPORTED

4 further steps in this sequence could not be independently supported by the citation gate (2 citations rejected, 2 with no authority retrieved). Listed for sequence completeness only; the CPA sources the governing authority before executing any of them.

Move 3 · Test bonus depreciation eligibility for the reclassified 5-, 7-, and 15-year components under §168(k) using the property's actual acquisition date.

Move 7 · Take the entire net §481(a) adjustment from the reclassification into account in computing taxable income for the year of change in the manner provided in section 7.03 of Rev.

Move 8 · Do not attempt this acceleration through the TY2024 amended return.

Move 10 · Separately schedule any pre-conversion suspended passive losses from this property (including the TY2024 $6,000 net loss if it was suspended) and confirm their treatment once the activity is no longer passive, rather than...

IN PLAIN LANGUAGE · FOR THE CLIENT, ROUTED THROUGH YOU

Your CPA could have an engineer break the rental building into its shorter-lived pieces, such as appliances, flooring, and outdoor improvements, and then file one form that sweeps all the depreciation not previously taken into a single current-year deduction, with no need to reopen an old return. Because rental losses at this income level are normally parked and unusable, your CPA could also look at shifting the property to guest stays averaging seven days or less with you handling the bookings and turnovers yourself and keeping an hour log, which is what allows the larger deduction to offset your consulting income instead of sitting idle. Two cautions your CPA will price first: the true dollar value cannot be estimated until the purchase price, purchase date, and land allocation are in hand, and this is mainly a timing benefit that comes back when the property is sold.

SECTION 2B

Cross-Structure Interactions

Conflicts and synergies across the engineering structures identified above.

Conflicts

Late §179 expensing election × §199A QBI capture

REDUCES

§179 reduces QBI and taxable income, shrinking the 20% QBI base and the deduction it supports.

Resolution: Model §179 amount as a variable; elect only the portion that maximizes combined §179 + §199A benefit.

Late §179 expensing election × §469(i) $25,000 rental allowance

COMPLICATES

§179 lowers Schedule C profit and AGI, which can help the §469(i) phaseout but also erodes QBI simultaneously.

Resolution: Optimize §179, home office and §162(l) jointly against both the §199A base and the §469(i) MAGI band.

Home office §280A(c)(1) + §162(l) health premium capture × §199A QBI capture

REDUCES

The home office deduction reduces QBI; §162(l) reduces AGI and, per Reg. §1.199A-3, is also treated as QBI-attributable.

Resolution: Claim both but compute the net after-QBI effect; neither reduces SE tax on the §162(l) side.

Prospective owner-only retirement stack for TY2026+ × §199A QBI capture

REDUCES

Employer plan contributions reduce QBI, so the retirement stack and QBI capture partly claim the same dollars.

Resolution: Carry the savings on one structure only and size TY2026 contributions to keep taxable income under the threshold.

§469(i) $25,000 rental allowance × Prospective owner-only retirement stack for TY2026+

• BLOCKS

The MAGI engineering relies on plan deductions, but TY2024 plan adoption and contribution windows closed October 15, 2025.

Resolution	Treat §469(i) engineering as a TY2026+ move only; for TY2024 the rental loss is suspended or allowed on actual MAGI.

Rental depreciation acceleration × §469(i) $25,000 rental allowance

• REDUCES

Cost segregation enlarges the rental loss well beyond the allowance ceiling, suspending the excess under §469.

Resolution	Accept suspension as deferral, or pursue the short-term-rental conversion so §469(c)(2) no longer applies.

Rental depreciation acceleration × Prospective owner-only retirement stack for TY2026+

• COMPLICATES

STR conversion removes the property from §469 rental status, making the §469(i) MAGI engineering purposeless.

Resolution	Choose one path: §469(i) allowance with low MAGI, or STR non-rental treatment with material participation logs.

Deferred entity play × §199A QBI capture

• BLOCKS

S election plus wages could push mechanics into W-2-limited territory while consulting SSTB status still depends on staying below threshold.

Resolution	Keep the entity play deferred exactly as designed until taxable income permanently exceeds the threshold.

Investment-side program × §199A QBI capture

• COMPLICATES

Roth conversion income from a backdoor Roth raises taxable income and can breach the §199A threshold.

Resolution	Convert only nondeductible basis with no pre-tax IRA present, keeping §408(d)(2) pro-rata income near zero.

Investment-side program × Rental depreciation acceleration • COMPLICATES

LTCG and rental income are NIIT-exposed; accelerated rental depreciation can offset NII only if the activity is passive.

Resolution: Track NII separately; STR material participation may remove the loss from NII offset under Reg. §1.1411-4.

Investment-side program × Home office §280A(c)(1) + §162(l) health premium capture • BLOCKS

The advisory fee is a §212 expense suspended by §67(g) and is not deductible on the amended return.

Resolution: Treat the fee as non-deductible; consider netting it inside retirement accounts prospectively instead.

Late §179 expensing election × Prospective owner-only retirement stack for TY2026+ • REDUCES

§179 is capped by aggregate active trade or business income, which plan deductions and other elections can compress.

Resolution: Verify the §179(b)(3) income limit each year; carry forward any disallowed amount rather than losing it.

Synergies

§199A QBI capture + Home office §280A(c)(1) + §162(l) health premium capture

Both ride the same open amended-return window through April 15, 2028, one filing, one set of substantiation.

Additional value: **unquantified, directional only**

Late §179 expensing election + §199A QBI capture

Partial §179 can tune taxable income to sit under the §199A threshold while still expensing equipment.

Additional value: **unquantified, directional only**

Prospective owner-only retirement stack for TY2026+ + §469(i) $25,000 rental allowance

Plan deductions lower TY2026 modified AGI toward the allowance phaseout band, unlocking rental loss.

Additional value **unquantified, directional only**

Deferred entity play + Prospective owner-only retirement stack for TY2026+

If income later exceeds the threshold, S wages support both reasonable comp and a W-2-based plan design.

Additional value **unquantified, directional only**

Investment-side program + §199A QBI capture

Capital loss harvesting, if positions exist, reduces taxable income and helps hold the SSTB threshold.

Additional value **unquantified, directional only**

Sequencing recommendation

First, run one integrated TY2024 amended-return model that solves §179 (any amount from zero to full, with the §168(k) posture stated), home office, and §162(l) jointly against the §199A threshold and the §199A base, these three plus QBI capture all travel on the amended-return window open through April 15, 2028, and should be filed as a single package with Reg. §1.179-5(c) / §301.9100-2 relief language named. Note as fact that TY2024 elective deferrals, plan adoption, and employer contributions closed (December 31, 2024 and October 15, 2025), so no TY2024 MAGI can be engineered downward by retirement dollars; the rental loss for TY2024 is therefore allowed or suspended on actual MAGI, and the §469(i) engineering is a TY2026+ item. Second, before year-end TY2026, adopt the solo 401(k) and set the deferral election, sizing employer contributions to balance §199A threshold protection against §469(i) MAGI relief; defer the cash balance overlay until the deferral-plus-employer tier is proven. Third, decide the rental path prospectively, either §469(i) allowance with low MAGI, or Form 3115 cost segregation with an STR conversion and contemporaneous participation logs, and do not run both premises at once. Keep the S election and §280A(g) play shelved until taxable income is durably above the threshold, then evaluate with Rev. Proc. 2013-30 relief tested at that time.

Overall recommendation

Prioritize the single integrated TY2024 amended-return package, QBI capture, tuned §179, home office and §162(l), because that window is open and those dollars are the largest and most certain. Then build the TY2026 retirement stack and pick one rental path, keeping the S-election/Augusta play deliberately shelved so it does not collide with below-threshold SSTB status.

SECTION 2C

Playbook Coverage: Every Strategy Checked

19 cataloged strategies were in scope for this client profile; each was explicitly dispositioned

How to read the dispositions

• COVERED	Substantively covered by a structure already presented in Section 2.
• APPLICABLE NOW	Current facts already satisfy the predicates; analyzed and priced as its own structure in Section 2.
• ENGINEERABLE	The qualifying facts could realistically be created (an election, a restructuring, timing); appears in Section 2 with its implementation path.
• NEEDS FACTS	The return package does not contain what is needed to decide; listed so the CPA can close the gap with one client question.
• NOT APPLICABLE	The client's facts rule it out; shown so the exclusion is a decision, not an oversight.
• WARNING	A structure on the IRS listed-transaction / enforcement roster. Never recommended — flagged so the CPA can act if the client already holds it or is being pitched it.

COVERED	Solo 401(k) / SEP-IRA, Owner Retirement Stack
COVERED	Tax-Loss Harvesting, §1091-Compliant Loss Capture
COVERED	§199A QBI Deduction Engineering, Wages, UBIA, Aggregation, SSTB Lines
COVERED	Backdoor Roth IRA, Nondeductible Contribution + Conversion
COVERED	Cost Segregation + 100% Bonus Depreciation
COVERED	§179 Expensing, Equipment and >6,000 lb GVWR Vehicles
COVERED	Home Office, §280A(c) Deduction / Corporate Reimbursement Routing
COVERED	Short-Term Rental Loophole, Non-Passive Losses Without REPS
COVERED	HSA Maximization, The Only Triple-Tax-Free Account
NEEDS FACTS	Roth Conversion Laddering, Filling Low Brackets in the Gap Years Facts state no retirement account balances, age, or gap-year/retirement status needed to evaluate a conversion ladder.
NOT APPLICABLE	ICHRA / QSEHRA, Defined-Contribution Health Benefits for Small Employers Client is a sole proprietor with no employees stated, so there is no workforce to receive a QSEHRA/ICHRA benefit.

NOT APPLICABLE	**Like-Kind Exchange (§1031), Real Estate Capital Gain Deferral**	Facts describe continued ownership of the rental property with a net loss, not a sale, so there is no exchange event to defer gain on.
NOT APPLICABLE	**0% Capital-Gain Bracket Harvesting, Free Basis Step-Ups in Low Years**	With $180,000 Schedule C net profit and $185,000 AGI, taxable income is far above the 0% LTCG breakpoint, so this bracket is unreachable.
NOT APPLICABLE	**§105 Spousal HRA (MERP), Sole Proprietor Family Medical Deduction**	Filing status is single with no spouse, so there is no spouse to employ under a §105 medical reimbursement plan.
NOT APPLICABLE	**§45E/§45T Small Employer Plan Startup Credits, Free Plan for 50 or Fewer**	The §45E startup credit requires employees, and the facts show only a sole proprietor with no employees.
NOT APPLICABLE	**Real Estate Professional Status (§469(c)(7)) + Aggregation Election**	Client is single with a full-time consulting practice and only one actively-but-not-materially-participated rental, so the 750-hour/more-than-half-time REPS test cannot realistically be met.
NOT APPLICABLE	**Net Unrealized Appreciation (§402(e)(4)), Employer Stock at Capital-Gain Rates**	Client is a self-employed sole proprietor with no employer 401(k)/ESOP or employer stock stated, so NUA has no plan to apply to.
NOT APPLICABLE	**§469 Activity Grouping, Reg §1.469-4 Appropriate Economic Units**	There is only one rental property and no separate operating-business/property-holding entity split to group under Reg. §1.469-4.
NOT APPLICABLE	**Qualified Opportunity Zone (QOZ) Investment, Capital Gain Deferral + Exclusion**	The $15,000 TY2024 LTCG's 180-day QOF reinvestment window closed June 29, 2025, so this window is closed as a matter of arithmetic.

This table is generated by a deterministic coverage sweep: every strategy in the engine’s validated playbook that matches this client’s profile MUST receive a disposition before the run can complete. A cataloged strategy cannot be silently omitted.

SECTION 3

Combined Impact Summary

Totals are recomputed from the surviving items at render time.

Review Mode: missed deductions and credits	$23,447
Engineering Mode: proactive structures	$38,271
Total estimated opportunity (non-additive; see note)	**$38,271**

Totals note: Review Mode and Engineering Mode overlap (engineering structures typically include capturing the review-mode misses); the combined estimate equals the Engineering total only, the two sections are not additive.

Important disclaimer

All figures are estimates for CPA review and validation. Actual results depend on client-specific facts, elections made, implementation timing, and independent verification of each cited authority. No representation is made as to the accuracy of estimated dollar amounts. Each citation must be independently confirmed by the reviewing CPA before presentation to clients. This document does not constitute tax advice.

Review Mode breakdown

R1	Section 179 expensing not elected on $40,000 of 2024 equipment	$7,783
R2	Bonus depreciation for TY2024 property, treatment and any election-out	$7,339
R3	Depreciation method/life on the $40,000 equipment, Form 3115 method change vs. amended return	$4,445
R4	Self-employed health insurance deduction ($9,000) not claimed	$2,160
R5	Rental loss ($6,000) not claimed, active participation special allowance and MAGI phase-out	$1,320
R6	Home office deduction (250 sq ft, exclusive and regular business use) not claimed	$400

R7	De minimis safe harbor / tangible property regs for equipment purchases	n/a
R8	Self-employed retirement plan, SEP-IRA and solo 401(k) deadlines for TY2024	n/a

Engineering Mode breakdown

E1	Late §179 expensing election (and bonus posture) on the $40,000 of TY2024 equipment via amended return	$12,500
E2	Prospective owner-only retirement stack for TY2026+: solo 401(k) deferral + employer contribution, with a cash balance overlay as the second move	$11,000
E3	§199A QBI capture on amended TY2024 return, below-threshold SSTB (consulting) escapes the SSTB disallowance entirely	$7,459
E4	Home office §280A(c)(1) + §162(l) health premium capture on the same amended TY2024 return	$2,616
E5	Deferred entity play: S election plus §280A(g) 'Augusta rule' home rental, deliberately NOT deployed while below the §199A threshold	$2,200
E6	§469(i) $25,000 rental allowance unlocked by engineering modified AGI below $150,000 with above-the-line plan deductions	$1,440
E7	Investment-side program: §1091-compliant loss harvesting against the $15,000 LTCG, backdoor Roth, HSA if HDHP, and the correct treatment of the $4,000 advisory fee	$1,056
E8	Rental depreciation acceleration: Form 3115 cost segregation catch-up, plus a short-term-rental conversion to escape §469 entirely	n/a