



IN THIS ISSUE:

- INITIAL LEGISLATIVE LOOK PG 1
- RETROACTIVE TAX LAW; TIPS AND OVERTIME PG 3
- HOW TO SIGN MULTIPLE PEOPLE UP FOR SEMINARS PG 4

Initial Look into the 2026 Legislative Session

By Dick Carter, The Carter Group

Legislators remain intent on discussing property tax reduction in the 2026 Legislative Session. This is a bit tricky for them since nearly all the decisions made on property tax is done at the local level.

There will likely be continued hearings on a constitutional amendment aimed at creating a rolling average mechanism for calculating valuations. The idea would work similarly to the way ag land is valued through a rolling average process.

One legislative leader is proposing that ALL tax exemptions be eliminated and the money collected be placed into (for lack of a better explanation) an investment fund that is used to eliminate property tax levies altogether. This could mean eliminating the current exemption that applies to sales tax on services. It is not believed that the proposal will go further than a hearing, but it is always a concern when the topic of eliminating the sales tax exemption is brought up.

With the 2026 Session being an election year, there will be many bills and topics that have hearings, where

continued on page 4

PRESIDENT'S MESSAGE



Laura B. Parish-Coan
President

Hello everyone, and happy fall!

By now, most of us have wrapped up those extended business returns and are pushing toward the October 15 deadline. If your firm is anything like ours, it can be a challenge to get those last-minute clients to provide their information on time. I know we're all looking forward to getting past this final deadline of the year.

I'm just one month into my presidency, and I'm excited about the opportunity to work alongside such a strong team of officers and directors. One of our upcoming priorities will be preparing the budget for the October Board meeting.

Continuing education season is also right around the corner. PAAK offers a variety of webinar options through Tax Speaker to help meet your CE requirements—visit our website (paak.org) to explore the many choices available. In addition, mark your calendars for our live 1040 seminar in the Kansas City area on December 4–5 at the Hilton Garden Inn in Independence, MO. Registration details and additional information can be found on our website.

I hope to see many of you at Committee Day and the Board of Directors meeting on October 20 at the Bluemont Hotel in Manhattan. Best of luck as you finish up the October 15 deadline, and I encourage you to carve out some time afterward to recharge with family and friends before we gear up for another busy tax season.

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Retroactive tax law for tips and overtime demands immediate action, payroll expert cautions

By: Christopher Wood, CPP

(Submitted by PAAK member for reprint from the Thompson Reuters website)

The “One Big Beautiful Bill Act” (P.L. 119-21), signed into law on July 4, 2025, introduces two major tax deductions for workers: one for tips and another for overtime pay. While the provisions are designed to boost take-home pay for millions of Americans, they also create new compliance burdens for employers—especially in hospitality, retail, and healthcare.

Gillian Florentine, a director with Baker Tilly’s Human Resources consulting team, says employers should take action now to prepare for the changes, which are retroactive to January 1.

What the law does

Under the new law, employees can deduct up to \$25,000 in qualified tips and \$12,500 in qualified overtime premiums from their taxable income. But the deductions are narrowly defined.

For overtime, only the “premium” portion—the extra half-time pay above the regular hourly rate—qualifies. Littler Mendelson offers this example: if an employee earns \$20/hour and works 50 hours in a week, they receive 40 hours at \$20 (\$800) and 10 overtime hours at \$30 (\$300). Only the \$10/hour premium for those 10 hours—\$100 total—is deductible.

Florentine emphasized the importance of this distinction: “We are advising clients on both calculations as well as tracking tip information,” she said. “Particularly when there’s overtime, let’s say in hospitality where you’ve got both overtime and tips, to prevent some of the double dipping on the deductions.”

For tips, the law requires employees to report all tips as usual, but only a portion may qualify for the deduction based on income thresholds and annual caps. “Employees still are required to report all tips earned—that hasn’t changed,” Florentine explained. “But then what we’re going to need to see is a breakdown between the qualified and non-qualified tips so that employees, when remitting their personal tax returns, can actually make an accurate calculation of what deduction they’re able to take related to those tips.”

Readiness of payroll systems

Florentine said payroll vendors are still scrambling to update their systems. “It’s really early and the platforms that our firm has partnerships with are still actively in flight trying to configure their systems,” she said. “I suspect every other payroll platform provider is.”

continued on page 5

continued from page 1

the bill may never go anywhere, but the intent is to get legislators “on record” in one way or another for use in campaigns – that makes for an unnecessarily messy Session.

Another big-ticket item is Congressional redistricting. Presently, a petition is being circulated amongst lawmakers to gather enough signatures to call a special session in November to attempt to redraw Congressional boundaries in advance of the 2026 election. The primary target for this effort in Kansas would be in the 3rd District, which generally encompasses Wyandotte and Johnson Counties. Similar efforts have occurred in Texas, Missouri and other states. How far Kansas Legislators are willing to go in this effort will become apparent in the near future. The 2026 Legislative Session is scheduled to start on Monday, January 12, 2026. Leadership has published an accelerated schedule similar to the one put in place this past year, making for a rapid paced Session for 2026.

How to register multiple people for events

This is a visual aid on how to add multiple people for one charge on the website.

Upcoming Meetings

OCT 20 Live in-person Seminar and PAAK Committee Meeting and Quarterly Meeting

Join PAAK members for an in-person live event: The Big Beautiful Seminar

[View Details](#)

OCT 29 Federal Tax Update-Business & Individual

This “Best of” combination course offers a one day review of all important current year tax changes affecting individual AND business tax returns with a view from 10,000 feet of the mountain of change.

Register Now

October 20, 2025 8:00 AM - 4:00 PM
Add to Calendar

Blumont Hotel
1212 Blumont Ave
Manhattan, KS 66502
[View website](#)
[Directions](#)

ONE BIG BEAUTIFUL TAX SEMINAR

10AM TAX UPDATE
October 20th, 8am-4pm
Blumont Hotel
1212 Blumont Ave
Manhattan, Kansas
\$265/Member \$295/Non-Member

Tickets

- \$265.00 Member only pricing
- \$335.00 after 07:00 pm October 3
- \$295.00 Non-member Fee
- \$345.00 after 07:00 pm October 3

Identify the key provisions of the One Big Beautiful Bill Act (2025 Budget Reconciliation Bill)

Analyze the bill's impact of individual taxpayers and businesses

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*Last Name: Poore
*Company Name: Public Accountants Association of Kansas
*Address: P.O. Box 31
*City: Osborne
*State/Province: KS
*Zip/Postal Code: 67473
*Phone: 7858277225
*Email: accountant@PAAK.ORG

Special Instructions and Comments

1) Select your meeting

2) Click Register

3) Enter information
(enter any person going to event)

Available Tickets

- Member only pricing (\$315/each) (w/ \$50 late fee)
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Item

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Member only pricing	1	\$315.00	\$315.00

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Total Registrations: 1
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*PTIN: 000004999999999999999999

*Full name of attendee: Marc

Cancel Add

Item	QTY	Price	Total
Member only pricing (\$315/each)	1	\$315.00	\$315.00

4) You will see that information and ticket on the right. Then click “Add” to add additional members or non-members to add them to your order.

5) If the person is a member, information should pop right away. If their PTIN is not listed, kindly ask them to add it to their profile. If they are not, you will need to enter all the information. You can delete tickets too, just click the box next to the name you want to remove and hit delete.

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continued from page 3

She added that most systems likely won't enforce the annual deduction caps (\$25,000 for tips, \$12,500 for overtime) or income thresholds (\$150,000 individual / \$300,000 joint). "I don't think systems are going to max it out," she said.

"I think what they're just going to do is turn on the accumulator or track it so that then the employee is given the accurate year-end amount of total tips earned and then that total broken out by qualified and nonqualified tips and leave it up to the employee on their personal tax return depending on how they're filing," Florentine speculated.

Retroactive application and year-end reporting

Because the law applies retroactively to January 1, 2025, employers may need to adjust previously processed payrolls. "There is a provision for making an assumption this year," Florentine said. "That gives individual employees and employers a little bit of leeway."

She doesn't expect a spike in corrected Forms W-2c this year, but warned that 2026 could be different. "I would guess in tax year 2026 we might see an uptick there," she said.

Potential IRS form changes and guidance

As of mid-July, the IRS has not issued formal guidance on these provisions. "Nothing exists on the IRS website as of today," Florentine said.

That said, she assumes changes to IRS Forms W-2 and possibly 4137 to accommodate the new reporting requirements. "I can't see how the W-2 won't be changed," she said. "Employers now need to know of those tips, what's qualified and what's not."

She posited that the W-2 may eventually include new boxes or codes to distinguish between qualified and non-qualified tips and overtime. However, she expressed concern about whether payroll platforms will have enough time-or technical clarity-to implement those changes for the 2025 tax year.

"I'm not sure how that will be accomplished in payroll platforms yet," she said. "We'll even need to know what to do to adjust the W-2s so that those come out correctly with a new box."

She was less certain about Form 1099, noting that independent contractors already self-report income. "I think the 1099 will be less impacted," she said.

What employers should do now

continued on page 7

IMPORTANT INFORMATION FOR FIRMS WHO UNDERGO PEER REVIEWS

As a reminder to firms that are required to undergo peer review, below are some helpful tips to make your peer review process a little less painful.

- Contact your professional peer reviewer early (6 months in advance is not too soon!) and start building that relationship.
- Schedule dates on the calendar to get your field work done.
- Make sure you have a signed engagement letter with the firm performing your peer review for accountability.
- Assign team members within your firm to get the required documentation submitted to the reviewer in a timely manner.
- Build a timeline of due dates and activities to be completed, and follow-up! This step is critical to make sure everyone is doing their part to make the process flow efficiently.

Keep in mind your peer review is an important part of the compliance indicator of your practice. The process itself should be viewed as an opportunity to study and evaluate the strengths and weaknesses of your current practice. Take advantage of the scrutiny and work performed during the review and embrace it for the valuable resource it's meant to be. After all, you are paying for it and you must have it done, so you really should view it as just another investment and get the most bang for your buck!

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continued from page 5

Florentine urged employers to begin preparing immediately. “We’re certainly talking with [hospitality clients] now about...[building] ways in the meantime to track [qualified and non-qualified tips the] best we can,” she said.

She also recommended internal assessments-even if not formal audits-to validate payroll data. “Anytime there is a regulation change as sweeping as this, it is a good time to cross-check and validate what we are tracking,” she said. “Start parsing out some of those totals or sums that are probably tracked somewhere but aren’t split out by these qualified and unqualified [categories] or what counts towards no tax on overtime.” She emphasized the need for collaboration across departments. “Payroll has a tie into accounting... and tax departments altogether to make sure employers understand what is the ripple effect,” she said.

Communicating with employees

Florentine said employers should proactively communicate with workers. “There’s a group of employees that pay attention to that kind of thing, and then a big group that just assumes their paycheck is correct,” she said. “The more proactive in the communication, obviously, I think the better.”

She added: “Getting in front of it helps. Having that open dialogue is a good protocol by an employer.”

Industry-specific considerations

The law is not intended to apply uniformly across all sectors. “The regulation does call out certain industries that this is not meant to target, especially in the tips world,” Florentine said. “Certainly, hospitality and some retail [are included], but we’ll have to see how the IRS continues to develop their guidance on that in all industries and how it impacts.”

Risk of abuse

Florentine acknowledged the potential for abuse. “Any regulation as it relates to tax, you’re always going to have either individuals or organizations that are going to find a way to work that to their advantage – either right or wrong,” she said.

She pointed to the temporary flexibility built into the law for 2025 as a potential opening for abuse. “This year in particular will be interesting because there is the leeway to say assumptions can be made,” she said.

“For example, the tips this year-as an individual, I can’t imagine why an individual wouldn’t say, ‘Well, I’m going to say my estimation is exactly what the deduction allows me to take.’”

She stressed that in the absence of IRS guidance, “You will always have players that take regulations to the limit.”

continued on page 8



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**Selling your accounting firm is complex.
Let us make it simple.**



continued from page 6

What's next

Florentine said her team is in constant communication with payroll vendors and clients. "This is a very, very relevant topic. We're literally talking about this every day," she said. "We're trying to do our best to be on the forefront of understanding what's the latest."

She noted with regard to any federal agency action, "It's still early. In the meantime, Florentine recommends that employers focus on preparation and communication.

"Start tracking what you can now," she advised. "Even if you don't have all the answers, having a system in place to capture qualified and non-qualified tips and overtime will put you in a better position when the IRS guidance does arrive."

Her message to employers: stay alert, stay flexible, and stay in touch with your payroll and tax advisors. "Now we're starting to get some real traction on how this is gonna work," she said. "And now what do we do? That's the developing part."



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PAAK NEWS & NOTES

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Happy Anniversary

Special congratulations go out to Alicia Buehler who joined in 1999, Laura B. Parrish-Coan and Ken F. Gorges who joined in 1997, Bradley R. Boyer who joined in 1994, Pamela J. Gudenkauf, and Janet A. Graham who joined in 1990, Robin Thurlow who joined in 1989, Alan L. Dunham who joined in 1986, Robert D. Householter, Jr. who joined in 1982, James L. Gordon who joined in 1980, Douglas G. Denning who joined in 1979, David A. Rettele who joined in 1974, and Glen Gillmore who joined in 1966.



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