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Today's CPA Magazine

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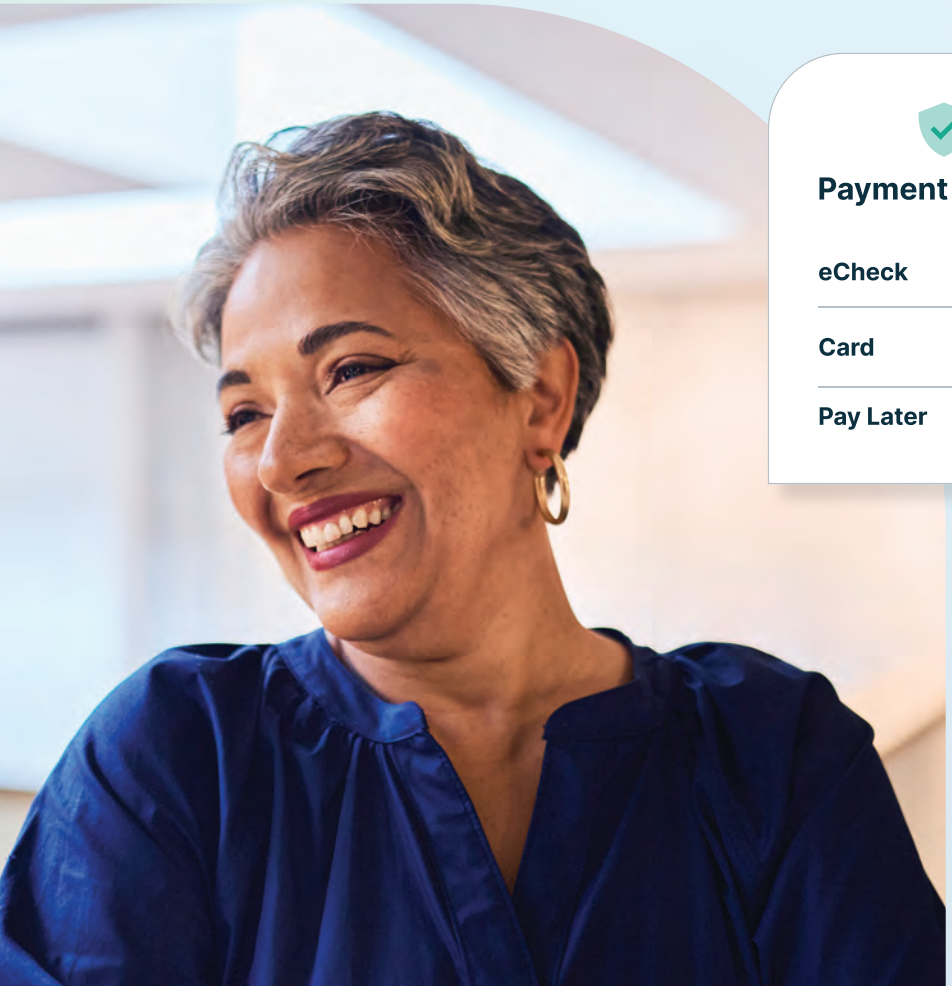
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> **Together, we are not only navigating change, we're helping lead it. And that's something worth celebrating!**

Shaping What's Next for Our Profession

As I travel around Texas and meet members at chapter events, conferences and volunteer gatherings, I am continually inspired by the people who make our profession so strong. Every conversation reminds me that while the accounting profession is changing rapidly, one thing remains constant: the dedication of Texas CPAs to serving clients, businesses, communities and one another.

That spirit of leadership and service is on full display in this issue of *Today's CPA*.

Our cover story celebrates TXCPA's 2026 Rising Stars, a group of professionals who are making a meaningful impact in their organizations, communities and the profession. I hope you'll take time to read their stories. As I read about their accomplishments, I couldn't help but think about the mentors, colleagues and volunteers who helped each of us along our own professional journeys.

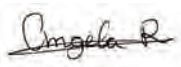
This issue also explores one of the most significant developments shaping the future of accounting: artificial intelligence. Whether you're excited by AI's potential, cautious about its risks or somewhere in between, there's no question that these technologies are changing how we work and serve clients. The feature article offers practical insights into how firms and practitioners can embrace innovation while maintaining the trust, expertise and professional judgment that clients depend on.

Our CPE article provides a decision framework for small business retirement plans, helping CPAs and advisors compare common options and key plan differences.

You'll also find an update on TXCPA's plans for the 2027 Legislative Session in Texas. Advocacy remains one of the most valuable benefits of membership, and our collective voice is stronger when members stay informed and engaged.

I encourage you to take advantage of all TXCPA has to offer, whether that means attending an event, connecting with fellow members, participating in advocacy efforts or simply sharing your expertise with someone just entering the profession.

Thank you for your membership, your engagement and your commitment to excellence. Together, we are not only navigating change, we're helping lead it. And that's something worth celebrating!



By TXCPA Chair Angela Ragan, CPA-Central Texas

What can TXCPA do for you?

Send me a note with your suggestions for how TXCPA can help you this year. Email me at chair@tx.cpa.

CHAIR
Angela Ragan, CPA

PRESIDENT/CEO
Jodi Ann Ray, CAE, CCE, IOM

EDITORIAL BOARD CHAIR
Derrick Bonyuet-Lee, Ph.D., CPA, CFA, CFP

STAFF
MANAGING EDITOR
DeLynn Deakins, MBA
ddeakins@tx.cpa
972-687-8550
800-428-0272, ext. 8550

MANAGER, MARKETING AND COMMUNICATIONS
Peggy Foley
pfoley@tx.cpa

CHIEF OPERATING OFFICER
Melinda Bentley, CAE

CONTRIBUTORS
Melinda Bentley; Kenneth Besserman; Holly McCauley; Shicoyia Morgan; Craig Nauta

CLASSIFIED
DeLynn Deakins
Texas Society of CPAs
14131 Midway Rd., Suite 850
Addison, TX 75001
972-687-8550
ddeakins@tx.cpa

EDITORIAL BOARD
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TXCPA

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Texas Legislative Session Preview

The 90th Session is Around the Corner



Why This Matters to Texas CPAs

The 2027 Texas legislative session could bring changes affecting CPA licensure, CPE requirements and practice mobility. This article provides an overview of the key issues TXCPA will be monitoring and addressing during the session.

BY KENNETH BESSERMAN, JD, LLM

On January 12, 2027, the 90th Session of the Texas Legislature will begin. Texas is one of four states that meet biennially. Meeting for only 140 days every two years significantly compresses and speeds up timelines, deadlines, committee work, coalition building, state budget negotiations, and passing meaningful legislation for the state.

While 140 days is not considered an exceptionally long session, much can be done in that brief time. The classic Texas political joke is appropriate for the start of every legislative session – the state would be much better off if the Legislature met for two days every 140 years instead of 140 days every two years.

The 2027 legislative session will be consequential for a number of reasons. First, the state will not have the large budget surpluses it has had for the last many sessions. While a small surplus is expected, it will not be close to the $20 or $30 billion surpluses of years past. Smaller federal funding allocations and a growing state with growing infrastructure needs are priorities that state legislators must tackle in 2027.

The perennial debates and battles over property tax reform and school finance will be center stage once again in 2027. Beyond property tax reform, the state budget and school finance, the issues surrounding data centers – from regulation, usage and taxation – have become the hot issue in Texas and the nation. The sizable number of data centers in Texas, along with the large number under consideration and early construction, has placed Texas at the forefront of the issue.

The regulation of data centers is focused on whether state governments, local governments or some combination of both should oversee the development, regulation, tax policy, and oversight of data centers. This debate is not partisan



PHOTOS: ISTOCK: DLANIER, OLEG7799

but cuts across all sectors of Texas – from rural to urban, from Democrat to Republican, from counties/cities to state government, and many other segments of the state.

Much of what will be discussed, debated and voted upon during the 2027 legislative session depends on the November 2026 general election. (At the time of writing, the election has not occurred, and the final makeup of the Texas House and Senate is unknown.) While the Republicans will likely continue to control both houses and state offices, the makeup of the Legislature may create different coalitions and different priorities.

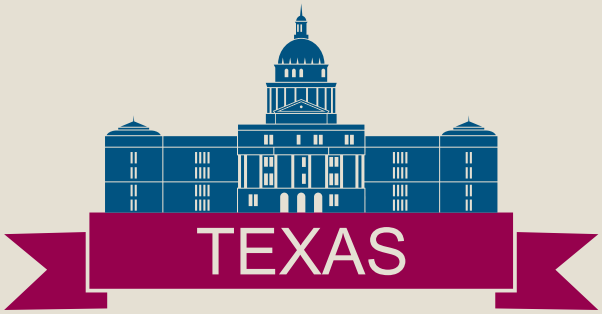
The accounting profession may also face some headwinds in the 2027 session. Legislation has been filed in many states over the last several years that seeks to deregulate professional licensing – everything from reorganizing boards of accountancy to lowering educational and experience requirements to legislating different continuing professional education requirements. All of these legislative initiatives would affect the accounting profession, the CPA license and, most importantly, would affect CPA practice mobility.

TXCPA and state societies around the country have worked diligently and quickly to ensure that an additional pathway to CPA licensure passed and also to modernize and strengthen CPA practice mobility. CPA practice mobility is often referred to as the "gold standard" of professional practice mobility. TXCPA will be closely watching all of these deregulatory efforts and this will become the highest priority for TXCPA in its 2027 legislative agenda.

TXCPA's Legislative Advisory Committee and Board of Directors will be finalizing the Society's legislative agenda in the coming months, ensuring that the profession maintains its high degree of credibility in the Legislature and with the public. Ensuring a coordinated approach amongst the states in relation to CPE and the use of the CPA title will be discussed as part of the TXCPA 2027 legislative agenda. During the session, TXCPA will continue to provide you with updates about the key issues, TXCPA's legislative initiatives and other items of session interest.

KENNETH BESSERMAN, JD, LLM, is TXCPA's Director of Government Affairs and Special Counsel. Contact him at kbesserman@tx.cpa.





Make Your Voice Heard in Austin

TXCPA encourages you to become involved with our advocacy program by becoming a TXCPA Key Person and joining TXCPA in Austin on January 26-27, 2027, for a full Advocacy Day program. TXCPA and our members and advocates will make our way to the Texas Capitol on January 26 to meet with legislators to advocate for our issues. Your participation is vital in our efforts to advance and protect the CPA profession. See you in Austin.


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In What's Happening Around Texas, we give you highlights of events and activities happening around the state in the TXCPA chapters.

TXCPA Austin brought some midweek energy to Pins Mechanical Co. with its Windfall Wednesday gathering, where conversations flowed, connections formed and friendly competition kept things lively. TXCPA Austin members also volunteered at UT Austin's Discover Yourself in Accounting Majors and Careers (DYNAMC) summer camp. During the Roundtable Discussion with Professionals, they shared real-world stories and the kind of encouragement high school students remember long after camp ends. Their time and leadership reminded everyone why this profession thrives when its members invest in the next generation.



TXCPA Austin

TXCPA Corpus Christi members stepped up to support the chapter's School Supply Drive, turning a simple initiative into a meaningful community effort. Thanks to the generosity of members and local partners, more than 100 supplies – valued at over $1,200 – were collected for students at Gloria Hicks Elementary School, which is named after TXCPA Corpus Christi member Gloria Hicks, CPA. Their contributions made a real impact and strengthened the community in a tangible way. They are truly making a difference.


TXCPA Corpus Christi

TXCPA Dallas young professionals enjoyed an unforgettable evening exploring AT&T Stadium with an exclusive behind-the-scenes tour. Members saw the iconic venue in a whole new way and learned about AT&T Stadium's role in hosting FIFA World Cup matches. TXCPA Dallas members also spent an afternoon at FlexEtc for an inside look at how flexible workspaces are helping businesses innovate and grow. At Coffee & Connections, members gathered at Summer Moon in Frisco for a cup of coffee and a morning of conversation, catching up and connection.



TXCPA Dallas

TXCPA Rio Grande Valley kicked off its first-ever Pickleball Classic and the tournament did not disappoint. Members and local professionals filled the courts for an evening packed with friendly competition, networking and plenty of laughs. The chapter also hosted a School Supply Drive with the event, collecting boxes and bags of new supplies for children in the local community. The effort gave the tournament a deeper purpose, blending fun with meaningful impact. From spirited matches to generous donations, the Pickleball Classic was a standout success.



TXCPA Rio Grande Valley

Is Your Chapter Doing Something Awesome? Let Us Know!

Whether you're hosting a professional development event, organizing a community outreach project, have a leadership meeting, or celebrating a big chapter milestone, we want to hear about it! Send your photos and event details to Managing Editor DeLynn Deakins at ddeakins@tx.cpa and help us showcase the great work your chapter is doing!



TXCPA's Advocacy Day and Midyear Leadership Council Meeting

January 26-27, 2027 | Austin, Texas

Join us in Austin for two days of connection, advocacy, and updates on TXCPA and professional issues. **Advocacy Day on Tuesday, Jan. 26**, is open to all TXCPA members and will provide an opportunity to visit the Texas Capitol to meet with legislators and legislative staff. On Wednesday, Jan. 27, members will gather for the **Midyear Leadership Council Meeting**. All TXCPA members are invited to attend.

Hotel: Hilton Austin, 500 E. Fourth St., Austin, TX 78701
Room rate: $299 per night, plus 15% occupancy tax and a 2% daily charge
Reservation deadline: Jan. 4, 2027, or until the room block sells out

Save the date and plan to be part of the conversation. Visit the Leadership Meetings area at www.tx.cpa for registration and additional details.

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November is Accounting Opportunities Month and TXCPA Month of Service!



During **Accounting Opportunities Month**, TXCPA members and educators can help Texas students discover where a career in accounting can take them. As a CPA and advocate for the next generation, you can:

- Inspire students to explore careers in accounting.
- Share your experience and give students a firsthand look at the profession.
- Connect CPAs, educators and students.
- Make an impact on an aspiring CPA's future.

Scan the QR code below to learn more about Accounting Opportunities Month and ways you can help introduce students to the possibilities of a CPA career.

November is also TXCPA's annual Month of Service, bringing members, firms and companies together to support communities across Texas. Volunteer opportunities range from stocking food pantries and leading financial literacy workshops to organizing holiday toy drives.

Find an opportunity that fits your interests and put the profession's spirit of service into action. To learn more, contact your local chapter or the TXCPA Membership team at membership@tx.cpa or 800-428-0272.



ACAN: Your Confidential Path to Support

If you're navigating addiction, substance use or mental health challenges, TXCPA's Accountants Confidential Assistance Network offers a safe, confidential place to turn. Visit tx.cpa/resources/acan to access support and resources. Reach out by calling 866-766-ACAN or texting 214-566-2854. Every communication is protected and confidential under the law.



CAREER COMPASS

Technical expertise may be the foundation of a CPA career, but lasting career growth takes more. **Career Compass** is a new *Today's CPA* feature offering practical tips to help you build skills, strengthen professional relationships and navigate your next career move. Explore the tips in this inaugural installment.

The CPA Advantage: Five Competencies That Keep You Indispensable in the Age of AI
Artificial intelligence is transforming the accounting profession, but it isn't replacing the human strengths that make CPAs trusted advisors. These are the five capabilities that give CPAs their edge in an AI-driven world.

1 CRITICAL THINKING – Turning Data Into Judgment

AI can surface anomalies, but it can't decide what they mean or what to do next. Why it matters:

- Systems flag issues; CPAs determine root causes.
- Judgment requires context – strategy, industry dynamics, client goals.
- The "right" answer often isn't obvious, especially when data conflicts.

How CPAs strengthen it:

- Ask deeper questions: "What assumptions are baked into this model and what's missing?"
- Encourage teams to explain their reasoning, not just their conclusions.
- Slow down enough to evaluate qualitative factors before acting.

2 CREATIVITY – Innovation Beyond the Algorithm

AI recognizes patterns; humans imagine what's possible. Where creativity shows up:

- Designing new strategies, not just interpreting old results.
- Connecting insights to long-term goals.
- Spotting opportunities that don't exist in historical data.

How CPAs strengthen it:

- Build small pockets of reflection into the week.
- Use AI for brainstorming but rely on lived experience for breakthroughs.
- Encourage curiosity and experimentation.

3 EMPATHY – The Competency That Builds Trust

Technology changes fast, and people often feel overwhelmed, uncertain or left behind. Why empathy matters:

- It reduces defensiveness and increases openness.
- It helps teams navigate change without fear.
- It strengthens relationships across generations.

How CPAs strengthen it:

- Listen fully before responding.
- Acknowledge concerns directly.
- Pair empathy with action – training, clarity, support.

4 STRATEGIC VISION – Seeing the Big Picture AI Can't

While AI can forecast trends, it cannot interpret them through mission, values or long-term strategy. What strategic vision enables:

- Understanding second-order effects of financial trends.
- Connecting insights across departments and functions.
- Translating complexity into clear direction.

How CPAs strengthen it:

- Scan for emerging trends and disruptions.
- Ask big-picture questions about impact and opportunity.
- Align decisions with long-term value, not just short-term metrics.

5 INTERPERSONAL RELATIONSHIPS – From Transactional to Relational

Accounting is ultimately a people profession. Trust drives every engagement. Why relationships matter:

- They turn technical expertise into influence.
- They deepen client loyalty and team engagement.
- They create the conditions for long-term success.

How CPAs strengthen them:

- Start meetings with quick human check-ins.
- Network internally to understand colleagues' goals and pressures.
- Shift from transactional praise to relational impact.

Source: AICPA, "Five Human Competencies CPAs Need in the AI Age" by Jaclyn T. Badeau, CPA, CGMA, and Jessica E. McClain, CPA/CITP

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Rising Stars

BY DELYNN DEAKINS
***Today's CPA* Managing Editor**

TXCPA's Rising Stars Program shines a spotlight on the next generation of leaders - CPA members 40 and under who are already making a big impact. From driving change in the accounting profession to serving their communities with passion, these individuals embody what it means to lead with purpose. After careful review, our selection committee has chosen 16 exceptional honorees for 2026. We're proud to introduce this year's Rising Stars, listed alphabetically.



Gabriella Baltazar, CPA

Controller
Scharbauer Foundation
Permian Basin

Gabriella Baltazar is an emerging leader whose commitment to excellence, service and mentorship reflects the qualities of a TXCPA Rising Star. In her financial leadership role with the Scharbauer Foundation, Inc., she demonstrates strong financial stewardship and analytical insight while helping direct resources toward initiatives that strengthen the Midland-Odessa region. Her work supports meaningful investments in education, healthcare and human services, connecting sound financial management with positive community outcomes.

Beyond her professional responsibilities, Gabriella is dedicated to strengthening the future of the accounting profession. Through TXCPA panels, meet-and-greets, outreach to students, and mentorship to others, she shares her experiences and encourages the next generation of CPAs to pursue their goals. With her integrity, faith in God, leadership and spirit of service, Gabriella is making a lasting contribution to the profession.



Zach Bischler, CPA

Senior Audit Associate
Whitley Penn
Permian Basin

Combining technical expertise, sound judgment and a genuine interest in developing those around him, Zach Bischler has established himself as a trusted leader. He plays a key role on complex engagements, where his knowledge of energy, oil and gas, and operational accounting enables him to deliver high-quality results. Zach also coaches and supports junior associates, finding ways to improve processes and strengthen engagement teams. His commitment to professional growth also led him to participate in a three-month secondment with Whitley Penn, gaining valuable experience working in a different environment and expanding his perspective.

Zach is equally committed to advancing the accounting profession through campus recruiting, TXCPA events and career outreach, where he encourages students to pursue the CPA pathway. A strong community volunteer, he provides guidance with humility and integrity. His technical ability and commitment to service distinguish him as an up-and-coming star in the accounting profession.

Amber Bittlebrun, CPA

Senior Tax Accountant
Keller & Associates CPAs, PLLC
Victoria

With her strong dedication to the accounting field and TXCPA Victoria, Amber Bittlebrun has made a lasting impact on her chapter and its members. As immediate past president, she provided hands-on, visionary direction that strengthened member engagement, expanded opportunities for development and raised the chapter's presence in the community. Her commitment did not end with her presidential term; Amber continued to serve as Secretary/Treasurer, bringing her time, expertise and ideas to the chapter's ongoing success.

She also remains actively engaged at the state level through TXCPA Annual Meetings and Midyear Leadership Council Meetings, helping connect Victoria members to statewide initiatives and discussions shaping the future. Amber demonstrated the same drive by advancing from Tax Accountant to Senior Tax Accountant at Keller & Associates in just five months. Her impressive work ethic helps make her a highly valued professional.





Shelby Cannon, CPA

Tax Senior Associate
Prothro, Wilhelmi & Company, PLLC
East Texas

Shelby Cannon is an emerging CPA whose commitment to service and passion for mentoring the next generation have made her a valued member of the East Texas accounting community. As a member of the TXCPA East Texas Board of Directors and Young & Emerging Professionals Committee, she has actively helped strengthen the profession while supporting its future. Since beginning her career, Shelby has advanced to Tax Senior Associate at Prothro, Wilhelmi & Company, PLLC, building expertise across a diverse range of clients and industries.

Inspiring future CPAs is especially evident in her work with local high school students. Each year, she speaks to students about taxes and preparing tax returns, answering their questions and sharing practical, real-world insight. Through her professional accomplishments, volunteer service and dedication to students, Shelby exemplifies a true Rising Star.

William Gerald Cummings, CPA

Tax Manager
JRBT, P.C.
Central Texas

In his role as Tax Manager at JRBT, William Cummings has distinguished himself through his commitment to the CPA profession and community service, making a meaningful impact throughout Central Texas. His growing leadership within TXCPA Central Texas reflects the trust he has earned from his peers.

William's leadership extends beyond TXCPA. As an Adjunct Professor at Tarleton State University, he invests in the next generation of business and accounting professionals. He also has an entrepreneurial spirit, which is evident through his experience building residential properties, managing rental investments, and operating his own farm and ranch. He is most proud of his involvement with the Central Texas Cattle Baron's Ball in the fight to end cancer as a current committee member and past event chair. Through leadership, mentorship, business initiative and service, William is making a meaningful difference in the accounting profession and his community.





Ileana Esparza, CPA

Nonprofit Tax Manager
SFC, LLP
Fort Worth

As a Nonprofit Tax Compliance Manager at SFC LLP, Ileana Esparza has earned a reputation as a rising talent and is poised to play an important role in the firm's growing nonprofit tax practice. Her influence extends to TXCPA Fort Worth, where she serves on the board and has contributed to the Scholarship Committee, Young Professionals Council and chapter leadership development program.

Ileana's passion for serving the nonprofit community is especially evident in her commitment to education. She has led seminars for the Arlington Tomorrow Foundation and her firm's audit staff, spoken as part of the firm's nonprofit webinar series, and continues to share her expertise with clients and colleagues. With her technical knowledge, enthusiasm, generosity and positive spirit, Ileana is helping strengthen both the nonprofit sector and the future of the accounting profession.



Rebecca Herring, CPA

Vice President & Assistant Controller
Oak Hill Advisors LP
Dallas

Rebecca Herring is emerging as a standout leader within TXCPA Dallas. She has chaired the Young Professionals Committee, serves on the Dallas Investments Committee and Awards Committee, and is participating in the current Leadership Development Academy cohort. Her involvement extends statewide through the TXCPA Investment Committee, where her thoughtful perspective has strengthened the decision-making process.

Professionally, Rebecca supervises accounting and financial reporting for a diverse portfolio of registered investment funds at Oak Hill Advisors, guiding teams through complex financial and regulatory matters. She also serves as Chapter President of her regional alumni board for her alma mater Elon University. Her impact extends into the community through Financial Catalyst, where she has coached under-resourced participants toward financial stability, celebrating with them as they graduate from the program and purchase homes, vehicles and other life-changing assets. Her passion for financial literacy continues to transform lives across Dallas.



Justyce Hill, CPA

Tax Manager
Sproles Woodard
Fort Worth

Justyce Hill has become one of TXCPA Fort Worth's most dedicated and dynamic volunteers. She has been a driving force behind one of the chapter's most cherished community initiatives – the Santaccountants program – stepping in wherever needed and elevating the project with her organization, enthusiasm and reliability. As Sproles Woodard's firm elf, she coordinates donations, engages colleagues and ensures every detail is handled with care.

Her involvement goes even deeper. Serving as agency coordinator, Justyce managed one of the project's most demanding roles – working closely with partner agencies to gather accurate recipient information and keep operations running smoothly. Her proactive communication and steady leadership helped deliver a seamless, impactful experience for families in need. Her service reflects the heart of a Rising Star: dependable, community-minded and already shaping the profession's future.



Ashwin Khiantani, CPA

Manager - Governance, Risk, Compliance
Weaver
Houston

Ashwin Khiantani is quickly becoming a standout contributor to TXCPA Houston. Through his work on the Student Auxiliary Steering Committee and the Financial Sustainability Task Force, he has helped shape programming that strengthens student engagement and work readiness. As a former Student Auxiliary officer, he continued to mentor leaders, guiding them in moderating panels and facilitating discussions with confidence. His involvement in sessions such as "Internship Ready: Tools & Tales" and "We're On It With Audit" reflects his desire to share real-world insight and elevate emerging talent.

Beyond TXCPA, Ashwin's impact extends globally. During a 14-month rotational assignment in Kochi, India, he led efforts to integrate offshore and U.S. teams, improving communication, training and workflow efficiency. The project increased offshore utilization extensively, demonstrating Ashwin's ability to drive meaningful operational change and build stronger, scalable teams.



Katie Lightfoot, CPA

Senior Tax Manager
CRI Advisors, formerly Axley & Rode LLP
East Texas

Katie Lightfoot is a talented professional who has become a rising force in the Lufkin/Nacogdoches accounting community. As a Senior Tax Manager, she manages complex engagements, builds lasting client relationships and plays a key role in developing new business. Equally important is her mentorship to young tax staff members – training them and guiding their growth.

Her achievements are impressive, from earning her Master's degree to becoming a CPA as a first-generation college graduate. Yet her most meaningful milestone is deeply personal: purchasing and continuing her late grandfather's cattle farm. Honoring his wish to keep the land in the family, she transformed his legacy into her own. Through hard work, she turned a dream into reality – preserving a place that held profound meaning and ensuring it remains a cornerstone for years to come.



Kameshia Mays, CPA

Senior Tax Accountant
Cockrell Interests
Houston

Kameshia Mays is making an indelible mark on the future of the profession through her passion for CPA pipeline development and mentorship. In her presentations at local high schools, she introduces students to accounting and the possibilities available through the CPA license. She is also dedicated to mentoring students from underrepresented communities. She understands the power of being seen and supported, and approaches mentorship as a long-term responsibility. She offers academic and professional guidance while also providing affirmation, exposure and confidence to pursue opportunities students may not yet envision for themselves.

By sharing her experiences and lessons learned, Kameshia works to demystify success and make it feel attainable. She believes progress endures when knowledge, access and encouragement are passed forward, and she invests her time and presence to help students grow into future leaders.

Alyssa Monette, CPA

Finance Director
Coastal Bend Community Foundation
Corpus Christi

Regarded as an invaluable asset to TXCPA Corpus Christi, Alyssa Monette demonstrates a willingness to serve the chapter wherever needed, asking thoughtful, timely questions and showing a genuine desire to help the chapter succeed and flourish. She invests significant time and energy in supporting local initiatives and community, playing a key role in connecting the chapter with the local community to expand networking and professional development opportunities.

Her commitment to service also extends to numerous civic and community organizations. In recent years, she has contributed to projects with Habitat for Humanity, Agape Ranch, Beach Cleanup initiatives, and The Antonio E. Garcia Arts and Education Center. Through her genuine desire to uplift others, Alyssa continues to make a positive impact on both the CPA community and the broader Corpus Christi region.





Leo Unzeitig, JD, CPA

Shareholder
Chamberlain, Hrdlicka, White, Williams & Aughtry P.C.
San Antonio

Leo Unzeitig has built an impressive career by combining tax expertise, professional achievement and a genuine commitment to helping others succeed. A tax attorney and CPA with Chamberlain Hrdlicka, he became a Shareholder in 2023 and earned board certification in tax law within six years of practice. His practice focuses on representing taxpayers in tax controversy matters before the IRS.

Leo's work extends to the classroom, where he has taught classes at the University of the Incarnate Word and Trinity University. He is also involved with TXCPA San Antonio, where he has served on the Accounting Education and Careers Committee, as well as TXCPA at the state level, where he actively participates on the Federal Tax Policy Committee addressing cutting-edge tax issues affecting practitioners. As an exceptional leader, Leo continues to invest in the future through education, mentorship and service.



Kent Willis, CPA

Partner
Pattillo, Brown & Hill
Central Texas

As a partner in Pattillo, Brown & Hill, Kent Willis serves as a technical resource and regularly shares his unique expertise with others. He considers mentoring interns and young professionals to be among his most rewarding accomplishments. He takes pride in helping new staff members gain confidence, strengthen their skills and develop a strong ethical foundation.

Kent's commitment extends to students through classroom presentations and recruiting events, where he promotes the CPA license and TXCPA involvement. His leadership within TXCPA Central Texas has grown steadily through service on the chapter's Young Professionals and Business & Industry committees, as a Director and Leadership Council representative, and by participating in advocacy and leadership programs. Through professional leadership, mentorship and service, Kent is helping strengthen both his community and the future of accounting.



Christa Wofford, CPA

Engagement Executive
Mitchell T Fontenote CPA, Inc.
Southeast Texas

Christa Wofford is a forward-thinking CPA whose leadership, community involvement and commitment to innovation have made a meaningful impact in Southeast Texas. As Engagement Executive at Mitchell Fontenote CPA and a Lamar University graduate, she has combined her expertise with a passion for inspiring the next generation of CPAs. Since joining the TXCPA Southeast Texas Board in 2022, Christa has helped develop school visits and presentations, introducing students to the opportunities and rewards of an accounting career.

Her leadership also extends to her firm, where she spearheaded the transition to a fully paperless audit and tax environment. This initiative helped improve efficiency, organization and client service while reducing processing time. Through her ability to strengthen her profession and community, Christa demonstrates the drive and talent of a true Rising Star.



Lara Yates, CPA, MST

Tax Manager
Barg & Henson CPAs, PLLC
Fort Worth

Lara Yates plays an essential role in the success of TXCPA Fort Worth. Her energy, creativity and commitment are evident through her service as chair of the 2026 Scholarship Fundraiser, participating with the Branding & Community Outreach Committee, chairing Member Appreciation Day, and being a consistent presence at Crafty CPAs. She brings that same enthusiasm to #Adulting, where she helps deliver financial literacy programming to hundreds of high school students each year.

Lara also shares her experience with college accounting and business students at Tarrant County College, Tarleton State University and the University of Texas at Arlington. Whether crocheting 25 T-Rex dinosaurs for a class or engaging members and students at chapter events, Lara has a talent for making service meaningful and fun. Her leadership and generosity make her an invaluable asset.

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AI in Tax Practice:

Navigating Client Service in the Digital Age

BY JOSE LINEROS, PH.D., CPA, CISA;
PEGGY JIMENEZ, PH.D., CPA;
AND JORDAN BERNOT, PH.D.



Why This Matters to CPAs

Reading this article will help you learn more about how AI can enhance tax services while preserving the critical role of professional judgment. It provides practical guidance for addressing client concerns about AI, protecting sensitive data, navigating implementation challenges, and using AI to deliver more personalized, proactive tax advice.

Artificial intelligence (AI) is increasingly being adopted across various business sectors, including tax preparation services. AI is emerging as a powerful tool for automating routine tasks and improving overall service delivery.

Tax firms are progressively exploring ways to leverage AI to handle complex tasks traditionally requiring significant human involvement, such as data processing, regulatory compliance and strategic tax planning. Therefore, understanding this interplay between AI, tax professionals and their clients is becoming increasingly important.

CLIENT ATTITUDES TOWARD AI USE IN TAX SERVICES

As a client-facing business, it is important to consider client perceptions on the use of AI in tax services. To gain an understanding of these client perceptions, we conducted a comprehensive survey of 302 U.S. residents to gather insights into preferences and concerns regarding AI usage for tax preparation.

Our survey results indicated that clients generally exhibited moderate acceptance of AI in tax services, with a clear preference for internally developed AI systems over publicly available systems. This preference was primarily driven by security concerns, as proprietary AI solutions are perceived as more secure and less prone to data breaches compared to publicly accessible platforms. Notably, clients were open to exploring AI as an adjunct resource for their tax professionals rather than as a replacement for human expertise.

INFLUENTIAL FACTORS AFFECTING CLIENT ACCEPTANCE

Several critical factors influence clients' willingness to engage tax professionals who utilize AI. See Figure 1. The factors include:

- **Perceived Usefulness** – Clients are more inclined to hire tax professionals who use AI if they perceive tangible benefits, such as increased efficiency and improved accuracy.
- **Social Influence** – Recommendations and perceptions from family and peers significantly impact client decisions. Clients are more receptive to AI-enabled services if endorsed by trusted sources.
- **Age Demographics** – Interestingly, older clients exhibited greater willingness to embrace professionals using AI, possibly due to higher trust levels and confidence in professional oversight.

THE PROMISE AND LIMITATIONS OF AI IN TAX PREPARATION

In addition to client perceptions, it is important to consider how the use of an AI system is perceived by tax professionals. AI systems promise significant efficiency improvements by automating tasks such as data entry, document analysis and basic computation. The promise of these technologies is that they will allow tax professionals to focus their efforts on more complex, strategic client engagements.

Considering these advantages and in light of client perceptions noted above, we interviewed experienced tax professionals and found some AI-related concerns. Tax professionals stressed the continuous need for human oversight, especially given the complexity of tax law and frequent regulatory changes. Currently, AI struggles notably in tasks requiring judgment, nuanced interpretation and adaptability to regulatory updates.

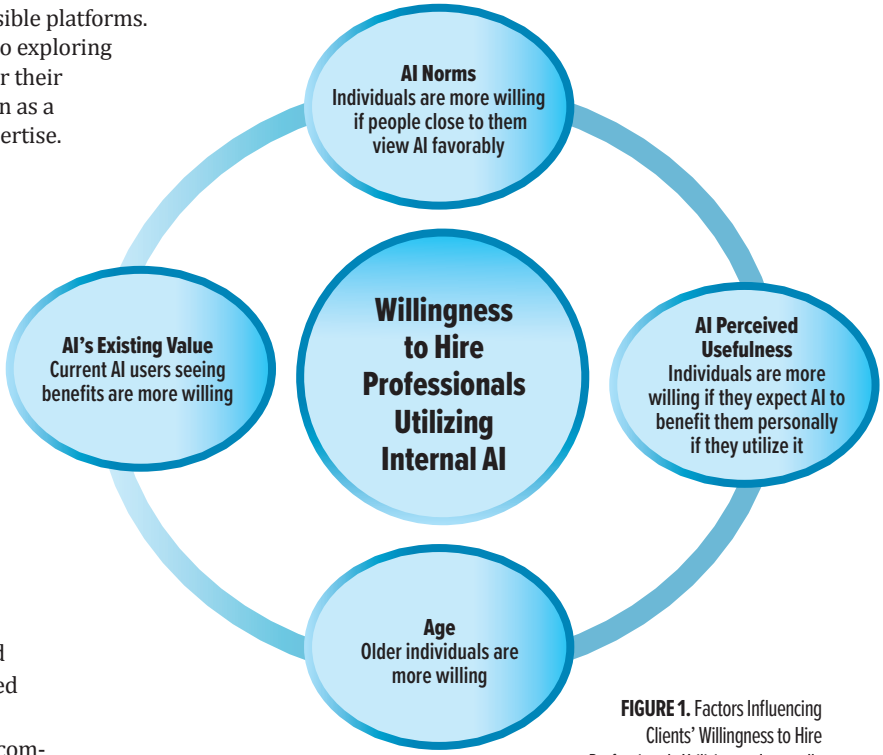


FIGURE 1. Factors Influencing Clients' Willingness to Hire Professionals Utilizing an Internally Developed AI

CHALLENGES HIGHLIGHTED BY TAX PROFESSIONALS

Through discussions with tax professionals, several critical challenges associated with AI implementation emerged:

- **Data Cleansing and Collation** – Tax professionals report significant issues regarding AI's capability to effectively cleanse and manage complex client data. Currently, these tasks remain largely manual and labor-intensive.
- **Regulatory Compliance** – AI platforms face considerable difficulty swiftly adapting to rapid regulatory changes. Delays or inaccuracies in AI system updates can lead to compliance risks and errors, potentially exposing firms and clients to liabilities.
- **System Integration** – Tax professionals frequently encounter challenges when integrating AI with existing tax preparation software. Such integrations often lead to inefficiencies and additional operational complexities, complicating workflows instead of simplifying them.
- **Cybersecurity and Data Privacy** – Given the sensitive nature of tax data, cybersecurity remains a paramount concern. Tax professionals strongly advocated for internally developed AI models that offer enhanced security compared to publicly available platforms.

STRATEGIC INTEGRATION OF AI IN TAX PRACTICES: THE C.L.E.A.R. FRAMEWORK

Effectively integrating AI into tax practices requires consideration of client and tax professional needs and a structured, strategic approach. We propose the C.L.E.A.R. framework as practical guidance for implementing AI while considering the needs of all stakeholders. See Figure 2.

Communicate and Cultivate Trust. Clear and transparent communication about AI's role is crucial to maintaining client trust. Clients must clearly understand the tasks AI performs and the nature of human oversight involved. Tax professionals should clearly articulate the boundaries of AI responsibilities, emphasizing human judgment and ethical oversight.

Link AI with Client Needs. AI integration should explicitly focus on meeting specific client needs and enhancing service quality. Customized AI-enabled service models can significantly improve client satisfaction by offering tailored tax planning, optimized after-tax returns and proactive advisory services.

Educate Professionals. Professional education is essential for the successful adoption of AI. Firms must invest in ongoing training programs to ensure professionals possess the technical skills and ethical awareness required to utilize AI effectively. Training should include hands-on workshops, real-world simulations, and critical evaluation exercises to prepare professionals to identify AI limitations and biases.

Adopt Comprehensive Security Measures. Robust cybersecurity measures are critical for safeguarding sensitive client information. Firms must implement stringent security protocols, including encryption, advanced authentication methods and regular audits. Transparency about security practices further reinforces client confidence, ensuring comfort with data handling and protection.

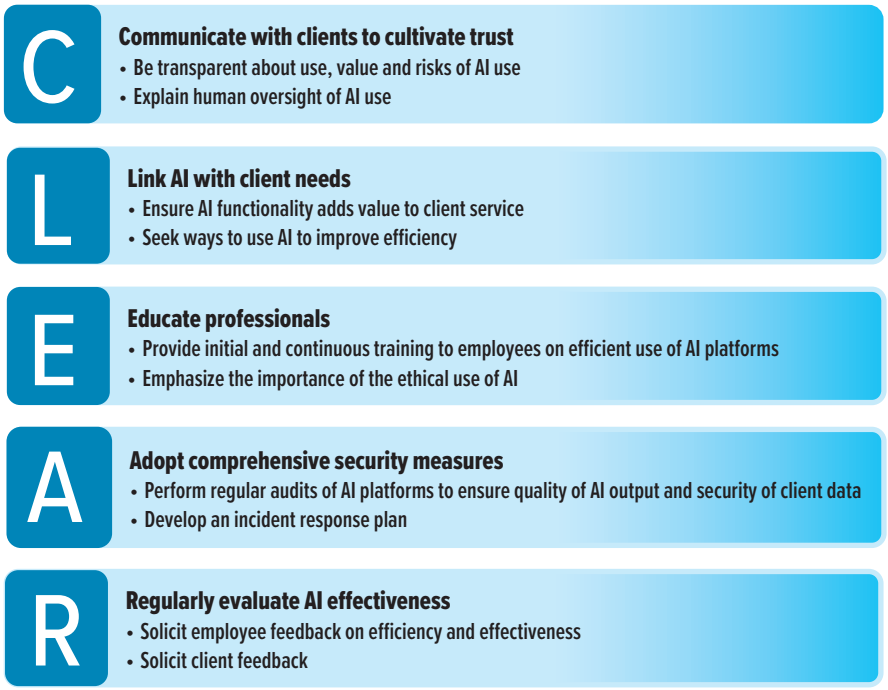


FIGURE 2. C.L.E.A.R Framework for AI Use in Client Service

Regularly Evaluate AI Effectiveness. Continuous evaluation and monitoring of AI effectiveness are essential. Establishing clear performance metrics, such as error rates and client satisfaction scores, provides actionable insights into AI performance. Regular feedback and adjustments ensure AI systems remain aligned with organizational goals and client expectations, maximizing long-term value.

ILLUSTRATIVE CASES: APPLYING THE C.L.E.A.R. FRAMEWORK IN PRACTICE

To demonstrate how the C.L.E.A.R. framework translates into tangible client value, the following cases illustrate how tax firms are leveraging AI-enabled service models to enhance client satisfaction, improve after-tax outcomes and deliver proactive advisory services.

CASE 1: AI-DRIVEN TAX PLANNING FOR A HIGH-INCOME INDIVIDUAL

A regional CPA firm implemented an internally developed AI tool to support tax planning for high-net-worth clients with complex income streams (e.g., W-2 income, pass-through entities and investment portfolios). The system integrated client financial data, historical tax returns and current tax law updates to simulate multiple tax scenarios in real time.

Using the C.L.E.A.R. framework, the firm first communicated clearly with the client about the role of AI, emphasizing that all recommendations would be reviewed by a tax professional. The AI tool was then linked to client needs by focusing on optimizing after-tax income through scenario modeling (e.g., timing of income recognition, charitable contributions and retirement plan contributions).

The AI system identified a tax-loss harvesting opportunity and recommended restructuring estimated tax payments based on projected income volatility. The tax professional reviewed these recommendations and presented them to the client with supporting explanations.

Outcome: The client achieved a measurable reduction in tax liability while expressing increased confidence in the firm's ability to provide forward-looking, data-driven advice. Client satisfaction improved due to the perceived personalization and responsiveness of the service.

CASE 2: SMALL BUSINESS ADVISORY THROUGH PREDICTIVE CASH FLOW AND TAX OPTIMIZATION

A mid-sized firm serving small and medium-sized enterprises deployed an AI-enabled advisory platform that analyzed real-time accounting data, payroll information and prior tax filings. The system generated predictive cash flow forecasts and estimated quarterly tax obligations.

Following the C.L.E.A.R. approach, the firm educated professionals on interpreting AI outputs and identifying limitations, ensuring that recommendations were contextually appropriate. The AI system was linked to client needs by focusing on cash flow stability and minimizing tax surprises for business owners.

In one instance, the system flagged a seasonal revenue pattern that would result in a significant tax liability spike in Q4. The tax advisor proactively engaged the client to adjust estimated payments and explore accelerated expense recognition strategies.

Outcome: The client avoided a year-end cash flow shortfall and benefited from smoother tax payment planning. The proactive outreach strengthened the client relationship and positioned the firm as a strategic advisor rather than a compliance provider.

CASE 3: PERSONALIZED CLIENT COMMUNICATION AND ENGAGEMENT

A boutique tax practice adopted AI tools to enhance client communication by generating tailored tax insights based on individual client profiles. The system analyzed prior returns, financial behavior and life events (e.g., home purchases, changes in employment) to produce customized alerts and recommendations.

Consistent with the C.L.E.A.R. framework, the firm cultivated trust by transparently explaining how client data was used and ensuring robust security measures were in place. AI-generated insights were reviewed by professionals before being shared with clients.

For example, a client who recently purchased a home received a personalized communication outlining potential deductions, property tax considerations and refinancing implications under current tax law.

Outcome: Clients reported higher engagement and perceived value due to timely, relevant communications. The firm experienced increased client retention and additional advisory opportunities as clients became more receptive to ongoing tax planning discussions.

KEY TAKEAWAYS FOR PRACTITIONERS

These cases illustrate that the value of AI in tax practice is not derived solely from automation, but from strategic integration aligned with client needs. When implemented using a structured framework such as C.L.E.A.R., AI enables firms to:

- Deliver more personalized and proactive tax advice;
- Optimize after-tax outcomes through data-driven insights;
- Enhance client trust and engagement through transparency; and
- Improve operational efficiency without sacrificing professional judgment.

Importantly, in each case, AI serves as an augmentation tool rather than a replacement for the tax professional. The most successful implementations are those where human expertise and AI capabilities are thoughtfully integrated to create a differentiated client service model.

NAVIGATING AI INTEGRATION CHALLENGES

Despite AI's considerable potential, practical integration within tax practices presents significant challenges. Key barriers include:

- Technological integration;
- Regulatory adaptability; and
- Workforce training.

EMBRACING AI AS A STRATEGIC PARTNER

AI presents a transformative opportunity for tax professionals, providing powerful tools to enhance service delivery, accuracy and efficiency. Successful AI adoption relies heavily on thoughtful integration strategies, robust security practices and transparent client communication.

Rather than replacing human expertise, AI should serve as an indispensable partner, augmenting professionals' capabilities and enabling deeper, more strategic client engagements. By strategically addressing the opportunities and challenges presented by AI, tax professionals can effectively leverage technology to drive meaningful improvements in their practices and deliver superior client value.



Jose Lineros, Ph.D., CPA, CISA, is a Clinical Assistant Professor in the Department of Accounting at the University of North Texas where he specializes in IT Audit, Internal Audit and Advanced Data Analytics. He is past president of Information Systems and Control Association (ISACA) North Texas and remains active on their Board. His research and teaching focus on emerging risks in cybersecurity, application O/S controls, and the evolving role of AI in accounting and auditing. Contact him at Jose.Lineros@unt.edu.



Peggy Jimenez, Ph.D., CPA, is a Clinical Assistant Professor of Accounting at the University of North Texas. She is a CPA with previous public accounting experience. She has taught a variety of accounting courses, including tax and managerial accounting, at both the undergraduate and graduate levels.



Jordan Bernot, Ph.D., is an Assistant Professor at Kennesaw State University specializing in accounting information systems, FinTech and cybersecurity. His research examines how emerging technologies reshape accounting and financial processes through AI enabled decision support, automated controls, cybersecurity risk management, and data analytics, with a focus on the evolving competencies required of accounting and financial professionals.

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CURRICULUM:
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CPAs in public practice

OBJECTIVES:
To compare and contrast retirement plans commonly considered by small businesses

KEY TOPICS:
Selection framework; SEP IRA; SIMPLE IRA; Solo/Individual 401(k); Standard 401(k); Defined Benefit/Cash Balance Plan

PREREQUISITES:
None

ADVANCED PREPARATION:
None

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The State Board stipulates that the quiz is valid for one year from its publication in *Today's CPA*. Quizzes submitted after this one-year period will not be accepted.



Small Business Retirement Plans: A Decision Framework for CPAs and Advisors

BY WADE D. EGMON, CPA, CFP®, AND PAUL E. PALMER, JR., CFP®

CPAs occupy a unique vantage point: whether advising clients or running their own practices, they have direct access to the income, cash flow and workforce data that drive retirement plan selection. That visibility makes CPAs well positioned to identify the most appropriate plan, reduce taxes, and build protected wealth for owners and employees alike.

With multiple plan options, each with different contribution structures, requirements and deadlines, understanding the key differences is essential. The SECURE 2.0 Act expanded options and introduced new Roth features, with provisions phasing in through 2026. The framework below focuses on plans commonly considered by small businesses and can help narrow the choices quickly. It is not a comprehensive guide to every available option.

CHOOSING THE RIGHT PLAN: A QUICK FRAMEWORK

Small business retirement plans fall into two categories. **IRA-based plans** (SEP and SIMPLE IRAs) offer simplicity and minimal IRS filings. **Qualified plans** (401(k) and defined benefit/cash balance plans) offer higher contribution ceilings and greater flexibility at the cost of increased complexity. Table 1 compares the five most common plan types.

For plan selection, several questions will help narrow the plan focus:

- What is the entity type and how is the owner compensated?
- Are there common-law employees to cover and is headcount stable?
- Is the priority maximum owner savings, employee retention or both?
- Can the business commit to a fixed annual contribution or should contributions remain discretionary?
- Are there related entities that could trigger controlled group, affiliated service group or attribution rules that potentially require coverage of employees across multiple businesses? (Note, these rules are complex and fact-specific; a detailed discussion is beyond the scope of this article, but practitioners should flag related-entity structures early in the planning process.)
- Is a sale or succession expected within the next 3–5 years?



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IRA-based plans (SEP and SIMPLE IRAs) offer simplicity and minimal IRS filings. **Qualified plans** (401(k) and defined benefit/cash balance plans) offer higher contribution ceilings and greater flexibility at the cost of increased complexity.

•

SEP IRA

SIMPLE IRA

Solo/Individual 401(k)

Standard 401(k) Plan

Defined Benefit/Cash Balance Plan

SECURE 2.0 expanded tax credits that can offset the cost of establishing a new plan. Eligible small employers (generally ≤50 employees) may claim a credit covering 100% of administrative startup costs, up to $5,000 per year for three years, plus an additional credit for employer contributions made during that period. These credits can materially reduce the cost barrier for employers considering a qualified plan for the first time.

SEP IRA

Overview and Ideal Application. A Simplified Employee Pension (SEP) IRA, available since 1978, allows employers to make tax-deductible contributions to employees' individual retirement accounts. SEP IRAs are popular with small businesses wanting low administrative burden and flexible employer-only contributions.

2026 Contribution Framework. Employer contributions range from 0% to 25% of each eligible employee's compensation, up to a maximum of $72,000 per participant (the Section 415(c) limit). While contributions are discretionary and can be changed from year to year, the selected contribution percentage must be applied uniformly. The compensation cap is $360,000. Because employee deferrals are not allowed, there are no catch-up contributions. Under SECURE 2.0, employers may now offer a Roth option. This requires an affirmative election before contributions are made. Employer Roth contributions are taxable to the employee in the year made and reporting is typically coordinated with the custodian (often with Form 1099-R).

Eligibility. An employer's most restrictive eligibility requirements cannot be more stringent than the following for eligible employees: minimum age of 21, employee must have performed services for the employer in at least three of the last five years and received at least $800 in compensation from the employer during the year. Employers may set less restrictive criteria but cannot impose stricter rules. Once the above eligibility requirements are met, the employee must be included in the employer's contributions for that year.

Administration and Deadlines. The employer completes IRS Form 5305-SEP and distributes it to employees. Using that form, each participant opens their own SEP IRA account at their selected custodian, to then be funded with employer contributions (typically via check or electronic transfer). No annual IRS filings are required. A SEP IRA may be established and funded as late as the employer's tax filing deadline, including extensions.

Practitioner Considerations. Ensure the plan is established and contributions are made by the employer's filing deadline. If the Roth feature is offered, confirm the employee's affirmative election is documented and coordinate with the custodian to ensure Roth employer contributions are reported correctly as taxable income (generally via Form 1099-R rather than the employee's W-2). Because only the employer contributes, clients wanting both employer and employee contributions should consider a SIMPLE IRA or 401(k).

SIMPLE IRA

Overview and Ideal Application. Created in 1996 to give small businesses (≤100 employees) a low-cost alternative to 401(k) plans, a Savings Incentive Match Plan for Employees (SIMPLE) IRA allows both employee salary deferrals and employer contributions with minimal administrative requirements.

CPE

Eligibility. Generally, employees who earned at least $5,000 in any two prior years and are expected to earn at least $5,000 in the current year must be eligible to participate, though employers can choose to impose less restrictive eligibility requirements.

2026 Contribution Framework. Employee deferrals may be pre-tax or Roth, if the plan offers a Roth option. The standard deferral limit is $17,000 for 2026; applicable SIMPLE plans (employers with ≤25 employees or 26–100 employees making *enhanced* contributions, see below) allow up to $18,100. Catch-up contributions for ages 50–59 and 64+ are $4,000 (standard) or $3,850 (applicable plans). The "super catch-up" for ages 60–63 is $5,250 regardless of plan type.

The employer is *required* to contribute under one of two formulas:

- Dollar-for-dollar match of employee deferrals up to 3% of compensation (reducible to 1% for up to 2 of every 5 years) or
- 2% nonelective contribution to all eligible employees regardless of whether they defer.

Employers of 26–100 employees may elect enhanced matching (up to 4%) or nonelective (3%) contributions under SECURE 2.0. Whatever percentage the employer selects applies uniformly to all eligible employees. SECURE 2.0 also permits an additional nonelective contribution of up to 10% of compensation (max $5,300) per eligible employee.

Additionally, employers may now offer a Roth option for employer contributions. Employer Roth contributions are taxable to the employee in the year made and reporting is typically coordinated with the custodian (often Form 1099-R).

Administration and Deadlines. An adoption agreement (Form 5305-SIMPLE for employers using a designated financial institution, Form 5304-SIMPLE for employers not using a DFI) and employee notification are required. Who is responsible for account setup depends on whether a DFI is used.

No Form 5500 filing is required for the plan, but end-of-year annual notices are required to be sent to employees covering the upcoming year's contribution approach and salary reduction election options along

Table 1. Plan Comparison at a Glance – 2026

Feature	SEP IRA	SIMPLE IRA	Solo 401(k)	Standard 401(k)	DB / Cash Balance
Best Fit	Small business, contribution flexibility, low admin preference	Small business (≤100 employees), employee deferrals desired	Owner-only business (+ spouse); larger contributions desired	Businesses with employees wanting flexibility in employer contributions	High-income owners of businesses with stable cash flow seeking max deductible contributions
Who Contributes	Employer only	Employee + Employer	Employee + Employer	Employee + Employer	Employer only
2026 Max Contribution	$72,000 (employer)	$17,000–$18,100 (employee) + employer match/ nonelective contribution	$72,000–$83,250 (combined including catch-ups)	$72,000–$83,250 (combined including catch-ups)	Actuarially determined; can exceed $100K+
Roth Option	Yes	Yes	Yes	Yes	No
Admin Burden	Low	Low	Low–Moderate	Moderate–High	High
Key Deadlines to Establish Plan	Tax filing deadline (w/ext.)	Oct. 1 establishment	Dec. 31 for S-Corp, filing deadline for individuals/SMLLCs (not including extensions)	Last day of tax year	Last day of tax year



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with a plan summary. The plan must generally be established by October 1 of the year for which it will be effective (for employers that have not previously maintained a SIMPLE IRA).

Employee deferrals must be deposited promptly after withholding (generally within 30 days after the end of the month in which the amounts would otherwise have been payable); employer contributions are generally due by the tax return due date, including extensions.

Practitioner Considerations. The employer's matching obligation is not optional; failure to contribute is a compliance violation. Existing SIMPLE IRA balances can be converted to a Roth IRA after a two-year participation waiting period (a taxable event). Given SECURE 2.0's tiered deferral and catch-up limits, confirm the correct limits based on employer size and contribution elections.

SOLO/INDIVIDUAL 401(K)

Overview and Ideal Application. Available since 2002, the Solo 401(k) is designed for owner-only businesses (including the owner's spouse) with no other eligible employees. It combines larger 401(k) deferral limits with employer contributions with single-participant simplicity. The combined contribution potential – deferral plus employer contribution – makes this plan especially attractive compared to a SEP for younger, high-earning owners.

2026 Contribution Framework. Employee deferrals up to $24,500 (Traditional or Roth); catch-up of $8,000 (ages 50–59 and 64+) or $11,250 (ages 60–63). Employer contributions of up to 25% of W-2 compensation or 20% of net self-employment income (after the SE tax deduction). Combined employee and employer contribution cap: $72,000 (under age 50), $80,000 (ages 50–59 and 64+) or $83,250 (ages 60–63).

Administration and Deadlines. The plan is established using an adoption agreement, typically a pre-approved prototype document provided at no cost by the custodian, who also handles account setup. Generally, the plan must be adopted by December 31 of the tax year; however, sole proprietors and single-member LLCs may establish a new plan and make retroactive first-year employee elective deferrals up to the tax return due date, without extensions. (S-Corp owners must still adopt by December 31.)

For ongoing years, S-Corp owners make employee deferrals through payroll withholding during the year, while sole proprietors and single-member LLCs must execute a written deferral election by December 31 and may deposit the elected amount by the tax filing deadline, including extensions.

Employer contributions are due by the employer's tax return due date, including extensions. Form 5500-EZ is required annually once plan assets exceed $250,000. No nondiscrimination testing or annual participant notices are required.

Practitioner Considerations. This plan is ideal for owner-only businesses. If the business hires common-law employees who become eligible, the plan must be converted to a standard 401(k) or frozen. Do not confuse the plan establishment deadlines with the contribution funding deadlines noted above.

Beginning in 2026, participants with prior-year FICA wages above $150,000 generally must make catch-up contributions as Roth. This rule applies only to participants with prior-year FICA wages, exempting sole proprietors and single-member LLCs with Solo 401(k) plans, but applying to S-Corp owners above that threshold.

STANDARD 401(K) PLAN

Overview and Ideal Application. A standard 401(k) is a defined contribution plan allowing both employee deferrals and discretionary employer contributions. It is well suited for businesses with employees that want to offer a meaningful, flexible retirement benefit with flexibility in employer contribution design. Employers can further customize the plan by opting into additional features such as after-tax (non-Roth) contributions, in-plan Roth conversions, participant loans, and a self-directed brokerage (expanded investment option), among others. Some of these optional provisions also exist with the Solo 401(k), though on a more limited basis.

2026 Contribution Framework. Employee deferrals up to $24,500 (Traditional or Roth); catch-up of $8,000 (ages 50–59 and 64+) or $11,250 (ages 60–63). Beginning in 2026, participants with prior-year FICA wages above $150,000 generally must make catch-up contributions as Roth. Employer contributions may include matching, discretionary profit sharing (up to 25% of W-2 compensation) or both. Section 415(c) annual additions limit: $72,000 (employee + employer combined; catch-ups excluded). Compensation cap: $360,000.

Administration and Deadlines. Third Party Administrator (TPA) fees, recordkeeping, annual nondiscrimination testing (ADP/ACP), and Form 5500 filings make 401(k) plans administratively more burdensome



and costly. The plan must be adopted by the last day of the employer's tax year. Employer contributions can be funded through the tax filing deadline (including extensions), but employee deferrals must be deposited as soon as administratively feasible after payroll, generally within a few business days for small plans.

Practitioner Considerations. If the plan does not offer Roth deferrals, high income participants may be unable to make catch-up contributions. The most common pitfall is failing ADP/ACP nondiscrimination testing when highly compensated employees defer significantly more than rank-and-file, forcing excess contribution refunds and unexpected taxable income. Two plan design solutions address this issue:

- Safe Harbor 401(k) – The employer commits to a minimum contribution, typically a matching formula (e.g., 100% on the first 3% deferred plus 50% on the next 2%) or a 3% nonelective contribution, in exchange for exemption from ADP/ACP testing; safe harbor contributions are typically 100% immediately vested.
- New Comparability / Cross-Tested Profit Sharing – This allocation method allows higher profit-sharing rates for owners or key employees (often 15–25% of compensation) while providing a smaller, compliant allocation to others. It pairs well with a Safe Harbor 401(k) – the safe harbor handles deferral-side testing while new comparability maximizes employer contribution flexibility.

DEFINED BENEFIT/CASH BALANCE PLAN

Overview and Ideal Application. A defined benefit (DB) plan promises a specified retirement benefit, traditionally a monthly annuity. The cash balance plan, a popular hybrid, maintains the DB legal structure but expresses benefits as a hypothetical account balance growing through "pay credits" and "interest credits." Unlike the defined contribution plans above, contributions are actuarially determined annually and can be substantially higher, particularly for older participants.

Cash balance plans have become a go-to strategy for high-income, owner-centric practices (medical, legal and CPA firms) where the principal is typically 45+ and looking to exceed 401(k) limits significantly. Layered on top of a Safe Harbor 401(k) with profit sharing, total annual tax-deferred contributions can reach $150,000–$350,000+ depending on the age of employees and plan design.

2026 Contribution Framework. Employer-funded only, though often paired with a 401(k) for employee deferrals. Contributions are actuarially determined annually. Maximum annual benefit at retirement: $290,000/year (Section 415(b)). Contribution amounts are reverse-engineered from this limit. Compensation cap: $360,000.

Administration and Key Deadlines. An enrolled actuary is required for annual calculations and certification, plus TPA fees and Form 5500 filing, making DB and Cash Balance plan set up and administration complex and costly. This can be justified when the owner's tax savings substantially outweigh the cost. The plan must be adopted by the last day of the employer's tax year with contributions subject to minimum funding requirements (often including quarterly funding). Contribution timing should be confirmed with the actuary/TPA.

Practitioner Considerations. The biggest risk to utilizing these plans is contribution volatility and the ongoing funding obligation. Unlike a profit-sharing plan where employer contributions can be reduced to zero in a lean year, a DB plan carries a minimum required contribution each year. Poor investment returns or interest rate changes can increase required contributions unexpectedly. Clients need sufficient income stability to sustain the multi-year commitment. Upfront plan design with the actuary is critical.

FROM PLAN SELECTION TO COMPLIANCE

While plan selection can seem complicated, the decision narrows quickly once entity structure, owner demographics, income levels and employee composition are understood. IRA-based plans offer simplicity while qualified plans offer scale. The right plan balances meaningful tax savings with a sustainable administrative and financial commitment.

After selection, meeting deadlines for establishment, contribution and employee notification is essential. CPAs who coordinate early with financial advisors and third-party administrators – and ask the right questions upfront – can avoid common compliance missteps and position the retirement plan as both a wealth-building and retention tool.

Editor's Note: Please go to *Today's CPA* online at tx.cpa for the Small Business Retirement Plan Reference Guide and the works cited in this article.



Wade D. Egmon, CPA, CFP®, is a Senior Financial Advisor at Goodman Financial Corporation. With over 17 years of experience as a financial advisor and six years of Big Four and small-firm tax experience specializing in high-net-worth individuals, he works directly with clients on comprehensive financial planning, tax planning, and retirement strategies. Wade serves on the TXCPA Houston Board of Directors and is a member of the Houston Estate and Financial Forum. Contact him at wegmon@goodmanfinancial.com.



Paul E. Palmer, Jr., CFP®, is a Senior Financial Advisor at Goodman Financial Corporation. With over 40 years of experience in financial planning, he works directly with clients and assists team members with complex advisory issues, with special expertise in risk management and estate planning. Prior to joining Goodman Financial, Paul founded Cypress Advisory Services in 1993, which later expanded to become The Advocates. He is a member of the Financial Planning Association. Contact him at ppalmer@goodmanfinancial.com.

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NEW $544,000 gross. Southeast San Antonio CPA practice. Desirable revenue mix with 59% tax preparation (54% business, 46% individual), 41% reviews and compilations. Strong cash flow to owner with potentially duplicate expenses is 72%. This is a two-owner practice and both are available to assist through an appropriate transition period. TXC6496

NEW $672,000 gross. Southwest of Fort Worth CPA practice. Well-established practice in a desirable, growing community and has served the area for nearly 20 years. Revenue is primarily tax-driven and recurring in nature with strong average fees per return. Loyal client base including many businesses. Long-term, capable staff in place that should provide continuity and capacity for growth. TXN6439

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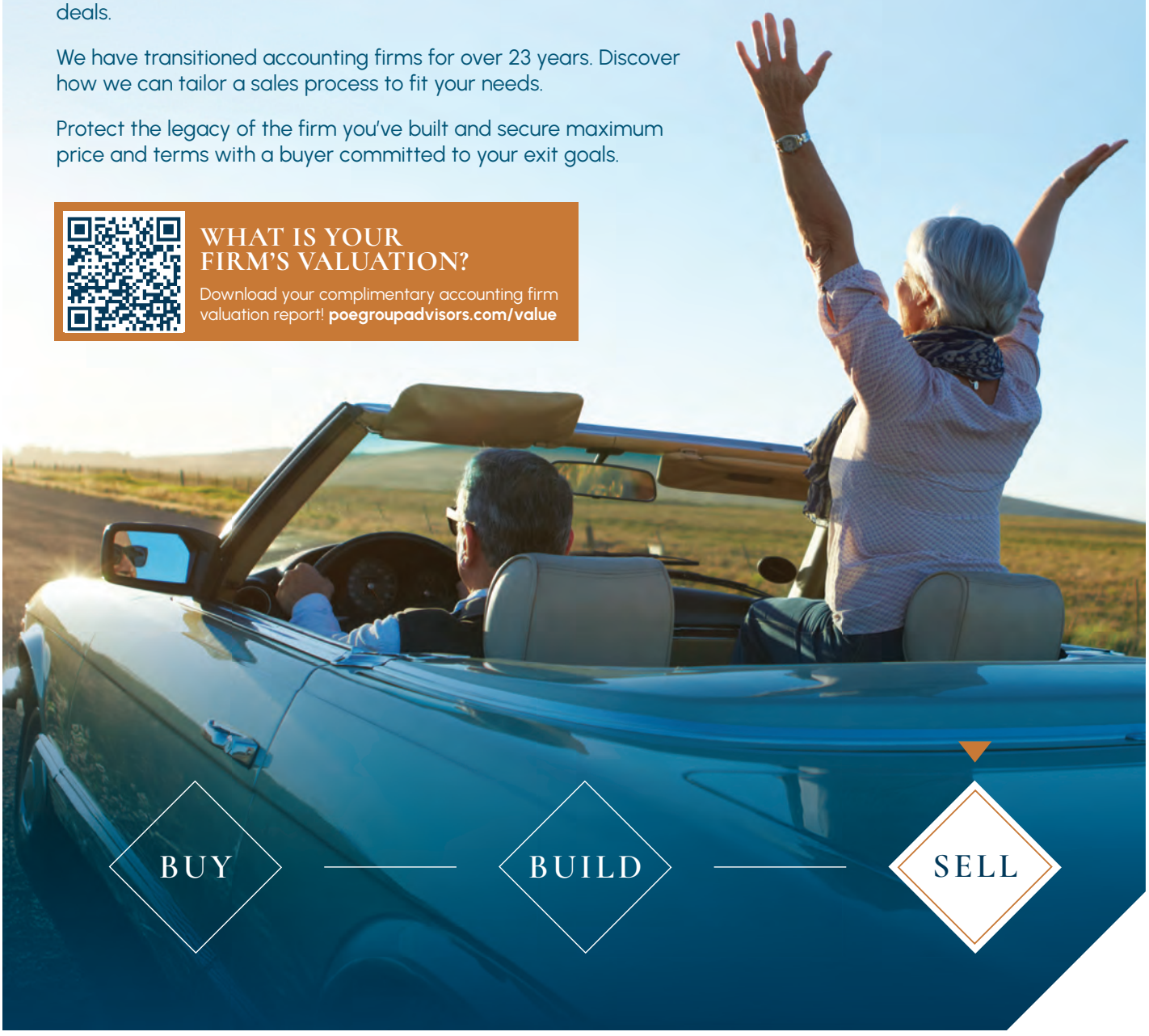
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