



# CLIENTTELL

Vol. XXXII | No.1 Spring 2026 | Blackburn, Childers & Steagall, PLC Quarterly Newsletter

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# SECURE ACT 2.0

## Retirement Plan Changes Employers Should Know for 2026

BY TERESA ADAMS

Recent updates under the SECURE Act 2.0 continue to reshape retirement plan rules for both employers and employees. The legislation was designed to strengthen the U.S. retirement system by expanding savings opportunities and modernizing workplace retirement plans. Several provisions affecting catch-up contributions, contribution limits, and plan administration are now in effect for 2026.

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*Andy Hatfield, Managing Partner,  
at our Ribbon Cutting and Open  
House in January.*

For many businesses, these changes may affect payroll processes, retirement plan administration, and how employees make retirement contributions.

Here is a quick overview of the updates employers should be aware of this year.

## Updated Catch-Up Contribution Rules

Employees age 50 and older may continue to make additional “catch-up” contributions to workplace retirement plans such as 401(k)s and SIMPLE IRAs. These additional contributions allow employees nearing retirement to increase their savings beyond the standard annual contribution limit.

One of the most significant updates affects employees between the ages of 60 and 63. Individuals in this age range may now be eligible to make higher catch-up contributions than the standard age-50 catch-up amount. These expanded limits are intended to help workers boost their retirement savings during the final years leading up to retirement.

## Roth Catch-Up Contributions for Higher-Income Employees

Beginning in 2026, another important rule applies to certain higher-income employees. Individuals age 50 or older whose prior-year wages exceed an IRS-defined threshold (currently around \$150,000) must make catch-up contributions to workplace retirement plans as Roth (after-tax) contributions rather than traditional pre-tax contributions.

Employees whose prior-year wages fall below this threshold may still choose between Roth and pre-tax catch-up contributions, depending on their employer’s plan design.

Because this rule is based on prior-year wages, employers and payroll providers may need to review payroll systems and retirement plan settings to ensure catch-up contributions are coded correctly.

## SIMPLE IRA Contribution Changes

SECURE Act 2.0 also expands contribution opportunities for SIMPLE IRA plans.

For 2026, the basic employee contribution limit for a SIMPLE IRA is \$17,000, with additional catch-up

contributions available for employees age 50 or older. Employees ages 60 through 63 may be eligible for a larger “super catch-up” contribution.

The law also allows certain smaller employers to adopt enhanced contribution limits. Companies with 25 or fewer employees may qualify for slightly higher employee contribution limits if their plan adopts the expanded provisions.

These enhanced limits apply only if the employer’s SIMPLE IRA plan adopts the expanded provisions.

## Employer Contribution Options

Employers offering SIMPLE IRAs still choose between two primary contribution structures:

- Matching contributions, generally up to 3% of employee compensation, or
- Non-elective contributions, typically equal to 2% of compensation for all eligible employees.

SECURE Act 2.0 allows some employers to adopt higher matching contributions, depending on plan design.

## Plan Amendments May Be Required

In addition to contribution changes, SECURE Act 2.0 requires many retirement plans to update their formal plan documents to reflect the new rules. For most private-sector retirement plans, plan amendments generally must be completed by December 31, 2026.

Employers should work with their retirement plan provider or advisor to ensure their plan documents are updated and that payroll processes align with the current requirements.

## What This Means for Employers

While many of these updates are intended to expand retirement savings opportunities for employees, they may also require employers to review their retirement plan documents, payroll systems, and contribution limits to ensure compliance.

Because the rules can vary based on plan design and employee eligibility, employers should work with

their payroll provider, plan administrator, or tax advisor to determine how these changes apply to their business.

Employers should also review their retirement plan provisions and payroll systems to ensure they align with current SECURE Act 2.0 requirements.

### Key Takeaways for Employers

- Retirement contribution limits have increased for 2026, including the 401(k) employee deferral limit of \$24,500.
- Employees ages 60–63 may be eligible for enhanced catch-up contributions under SECURE Act 2.0.
- Beginning in 2026, certain higher-income employees age 50 or older must make catch-up contributions as Roth contributions rather than pre-tax contributions. ♦

## 2026 Retirement Contribution Limits at a Glance

Plan Type	Contribution Limits
401(k) / 403(b) Plans	Standard employee contribution limit: \$24,500 Catch-up contribution (age 50+): \$7,500 Enhanced catch-up (ages 60–63): \$11,250
Traditional & Roth IRAs	Annual contribution limit: \$7,500
SIMPLE IRA Plans	Standard employee contribution limit: \$17,000 Catch-up contribution (age 50–59 or 64+): \$4,000 Super catch-up (ages 60–63): \$5,250
Small Employer SIMPLE Plans (25 or fewer employees)	Employee contribution limit may increase to \$18,100 Catch-up (age 50–59 or 64+): \$3,850 Catch-up (ages 60–63): \$5,250

## Understanding Depreciation Recapture: A Focus on Section §1250



BY WYATT PEARY

Depreciation plays a crucial role in real estate investing, offering the ability to offset ordinary income generated by a property throughout the ownership period. By lowering taxable income, depreciation can significantly

enhance cash flow and improve overall return on investment (ROI)—particularly for investors pursuing passive income strategies.

However, when an investor eventually sells a property that has been depreciated, the tax benefits taken over time are not forgotten. The Internal Revenue Code (IRC) treats depreciation as a deferral of ordinary income rather than a permanent exclusion. Upon sale, this deferred income may be subject to what’s known as depreciation recapture.

This article focuses specifically on Section 1250 recapture, which applies to depreciable real property such as residential and commercial buildings. Understanding how this rule works is essential for accurately projecting tax liabilities and net proceeds from a property sale.

### 1. What is §1250 Property?

- §1250 property is **depreciable real property**
- Includes Qualified Improvement Property (QIP)
- Land is excluded as it is not depreciable
- Examples: Office buildings, warehouses, rental real estate, shopping centers.

### 2. §1250 Recapture (Ordinary Income)

- §1250 recapture as ordinary income applies when accelerated depreciation was taken on real property prior to 1987, before the implementation of the MACRS system.

- In such cases, the IRS requires the recapture of “excess depreciation”—the amount by which accelerated depreciation exceeded what would have been allowed under the straight-line method—to be taxed at ordinary income rates (up to 37%).
- Since the Tax Reform Act of 1986, only straight-line depreciation is permitted for real property under MACRS, which means that true §1250 recapture is rarely triggered in modern transactions.

### 3. Unrecaptured §1250 Gain

- It is distinct from §1250 recapture as ordinary income, and has become the most common treatment since the implementation of the MACRS system in 1986.
- Applies when you sell §1250 property that has been depreciated using the straight-line method.
- When §1250 property is sold, the portion of the gain equal to the straight-line depreciation taken is taxed at a maximum rate of 25%. (This is higher than the typical long-term capital gains rates (0%, 15%, or 20%), but lower than ordinary income tax rates.)
- Any gain exceeding the depreciation amount is taxed as a regular long-term capital gain, subject to the applicable capital gains rate based on the taxpayer’s income level.

Example:

- You purchase a rental building for \$500,000.
- You took \$100,000 straight-line depreciation.
- Adjusted basis = \$400,000.
- You sell for \$600,000 → gain = \$200,000.
  - \$100,000 (depreciation taken) = **unrecaptured §1250 gain** taxed up to 25%.
  - \$100,000 (rest of gain) = taxed at long-term capital gains rates (0%, 15%, or 20%).

### 4. Qualified Improvement Property (QIP)

- QIP are certain real property improvements to the interior portion of nonresidential buildings (warehouses, retail stores, office buildings) already placed into service.
- The CARES Act of 2020 defined QIP as 15-year property, which is eligible for accelerated depreciation. This effectively allows taxpayers to fully expense the cost of improvements in the year placed into service.
- Accelerated depreciation taken on QIP is **subject to depreciation recapture** upon the sale or disposition of the property, and the recaptured amount is taxed as **ordinary income**.
- Examples: Interior lighting upgrades, flooring, HVAC systems. (Note: Exterior improvements do not qualify)

Depreciation is a powerful tool for reducing taxable income during ownership, but it comes with long-term tax consequences. Factoring in depreciation recapture ensures accurate financial forecasting, better tax strategy, and informed decision-making when selling §1250 property. At BCS, our tax professionals are here to guide you through every stage of your real property sales—including strategic planning around depreciation recapture and tax implications. Reach out if you have any questions. ♦





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Johnson City, TN 37615

## Guest Speakers



**Jamie Hasty**

*Senior Vice  
President, SESCO*



**James Steffen, CPA**

*Senior Tax  
Manager, BCS*



**Deborah Snapp, CPA**

*VP of Business  
Development, Definiti*

## Topics Covered

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## Recent Career Day Booths



# From Classroom to Career: The Next Generation of Accounting Professionals

BY KEVIN PETERS

From time to time, staff from our offices have participated in career day events not only at local colleges and universities, but at local high schools. Often, at a high school, we are introducing concepts as to exactly what accounting is and what career paths are available in our region. We know from our experience and conversations with our clients, skilled accountants are a crucial component to any business. Yet, there remains a knowledge gap as to what accounting truly is and the important role accountants play in society.

There has been a more concerted effort by the American Institute of Certified Public Accountants, (AICPA), state CPA societies, and now members of congress to address this.

In February, two U.S. Senators; Senator Susan Collins (R-ME) and Senator Jacky Rosen (D-NV) introduced a bipartisan bill: Accounting STEM Pursuit Act. In introducing this bill, Senator Collins stated, "Mathematics and technology skills can help students unlock countless doors to high-paying, in-demand fields. One of those doors leads to the accounting profession, whose work plays a key role in providing capital markets with confidence and assurance in financial reporting,"

This bill, if passed, would recognize accounting as being part of the STEM (Science, Technology, Engineering and Mathematics) classification.

This legislation would also amend the Every Student Succeeds Act to allow K-12 grant funding to be used for accounting education programs. Identical legislation was introduced in the House (H.R. 2911) last spring by Representatives Young Kim (R-CA) and Haley Stevens (D-MI).

If this becomes law, accounting education would be included in the list of allowable uses under the

Student Support and Academic Enrichment Grant program. This grant program provides funding for states to expand educational opportunities and would likely provide mechanisms for classroom teachers to introduce students, at an early age, to foundational accounting skills and hopefully encourage more students to explore careers in accounting.

Around the same time, the AICPA and state CPA societies are advocating on behalf of the profession, to the U.S. Department of Education to include accounting programs in the regulatory definition of a professional degree program. Late last year, the Department of Education released proposed changes that would reclassify professional degree programs, and the accounting profession was not included in the proposed changes.

In response to the Department of Education, the AICPA emphasized the important role accountants make on their communities and their role in businesses, of every sort, including the hard work to become a licensed CPA, if that is the career choice of an accountant.

Education's terms and definitions of professional degree programs help determine education loan eligibility and thus can be a critical turning point for some students.

It is worth noting the U.S. Bureau of Labor Statistics Job Outlook for Accountants shows a 5% growth rate for 2024-2034 which exceeds the 3% growth rate for all occupations. This is good news for the profession as the Journal of Accountancy (January 2026) reported the results from the National Student Clearinghouse. This clearinghouse reports undergraduate enrollment in college accounting programs during the fall semester rose for the 3rd consecutive year, a year-over-year increase of 7.3% from the 2024 fall semester. As we often tell high school students that are interested in accounting careers, the profession is not only rewarding in many facets, but continues to evolve locally, regionally, and nationally. Hopefully the issues noted above will resolve themselves given the importance the roles of accountants have in so many different parts of business. ♦



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Vol. XXXII | No. 1 Spring 2026 | © 2026 Blackburn, Childers, & Steagall, PLC

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