

Beyond the Basics: The "BBB" Provisions Every Managing Partner Should Know

This edition of the Managing Partner Forum's Law Firm of the Future webinar series, "Beyond the Basics: The "BBB" Provisions Every Managing Partner Should Know," is the most recent installment in our ongoing series aimed at equipping law firm leaders with the latest trends and strategies in the legal industry.

The session provided timely guidance for firms to plan for tax law changes taking effect in 2026, especially those related to depreciated elections and charitable giving that accompany year-end financial planning.

Panelists:

- **Deborah L. de Vries**: Co-Leader, Law Firm Group - [Anchin, Block & Anchin LLP](#)
- **Paul Gregory**: Tax Principal - [Anchin, Block & Anchin LLP](#)

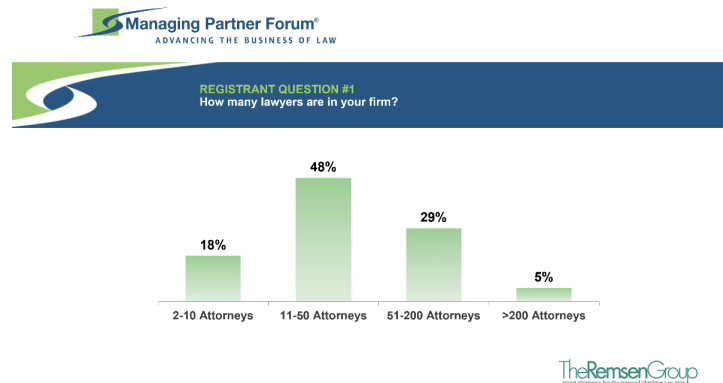
Moderators:

- **John Remsen Jr**: President of [TheRemsenGroup](#) and President & CEO of Managing Partner Forum
- **Uri Gutfreund**: Senior Vice President and Managing Principal at [Ames & Gough](#)

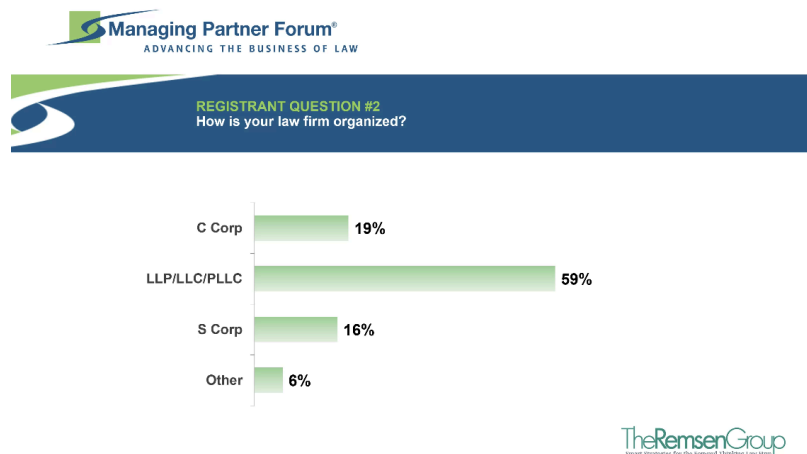
Key Takeaways:

1. **Law firm structure and agreements**: Most law firms represented are LLCs, LPs, or partnerships, meaning that regular partnership agreement reviews are fundamental to compliance and smooth succession planning. This is complicated at many firms by outdated agreements.
2. **Tax optimization strategies**: Using bonus depreciation and Section 179 deductions for capital expenditures (such as technology or office buildouts) improves year-end tax positions. Firms should plan throughout the year rather than waiting until year-end to optimize tax benefits.
3. **Changes to charitable contributions**: Tax law changes are coming in 2026 that will reduce the value of charitable deductions, so firms can benefit from "front-loading" charitable giving into 2025 while higher deduction limits still apply.
4. **Technology & AI adoption**: Firms are investing more in technology and AI to meet client demands and remain competitive. Challenges remain with billing for technology use, training staff, and ethical concerns as AI becomes more integrated into legal workflows.

Bringing on the Data!

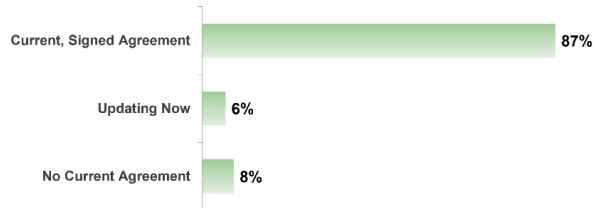


Nearly half of attendees came from firms with 11-50 lawyers, but as Paul Gregory emphasized, **firm size does not drive tax complexity**. From a tax perspective, a 10-lawyer partnership and a 200-lawyer partnership face many of the same structural considerations. What matters is **entity type**, not headcount.



The audience confirmed what Deb de Vries and Paul see in their own client base. About one-third of their law firm clients operate as corporations, while the majority are partnerships or LLC/LLPs. Deb stressed that **there is no single “right” entity**; the best choice depends on partner goals, compensation philosophy and long-term planning. Firms should understand the tax implications that come with whichever structure they select.

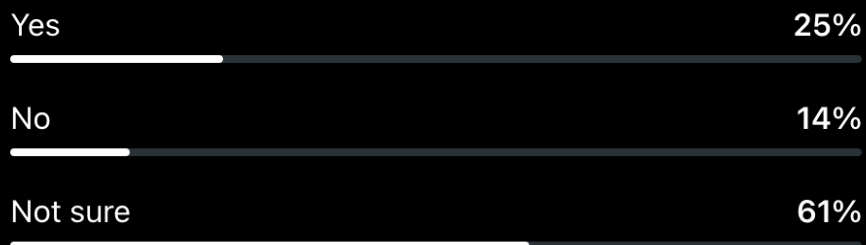
REGISTRANT QUESTION #3
Where does your firm stand with its partnership agreement?



The third polling result, showing **87% of firms reporting a current, signed partnership agreement**, generated the most reaction. Paul saw the number as unexpectedly high, noting that many firms have signed agreements that are not truly current. Deb agreed that many documents have been collecting dust for years. Uri Gutfreund added that while the number is higher than he typically sees, partnership agreements are becoming more common as firms increasingly recognize the risks of operating without one.

Tax Optimization Strategies

Will your firm be taking advantage of the BBB's accelerated depreciation provisions in 2025?



Just 25% of attendees plan to use accelerated depreciation in 2025, while 61% said they are “not sure.” Deb noted that the right approach depends on each firm’s year-end position in profitability, partner transitions, and the size of any upcoming capital expenditures. These decisions should be evaluated throughout the year, especially for firms with major spending such as office buildouts or new technology investments. Still, she emphasized it’s not too late for firms to make informed choices before year-end.

Paul reinforced this with a simple guiding principle: “What’s good for the firm is what’s good for its partners.” His internal rule of thumb is to “appreciate what you depreciate,” or have accurate data on asset purchases before selecting a tax strategy.

Bonus Depreciation

Bonus depreciation allows firms to deduct **100% of qualified fixed assets** (computers, hardware, furnishings, leasehold improvements) in the year they are purchased. For 2025, the allowance remains at 100%, up from the originally scheduled 40%.

Key points:

- Elections are made **by asset class** (3, 5, 7, or 15-year assets)
- Firms must **opt out** if they don’t want to take full bonus depreciation
- **State conformity varies**, with New York, California, and others limiting or decoupling from the federal rule
- The benefit differs by entity: **C-Corps** may want to reduce taxable income, while **partnerships** must consider how the election affects each partner

Section 179 Deduction

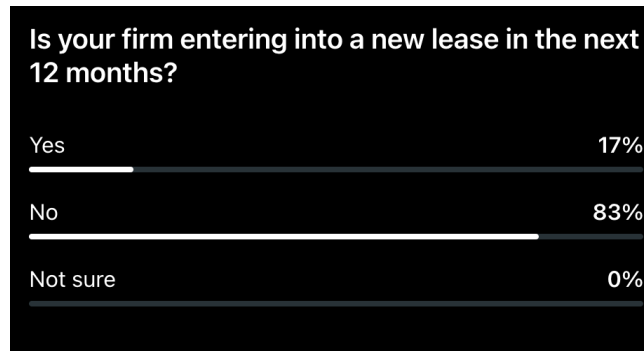
Section 179 offers another method of accelerated depreciation, allowing firms to expense up to \$4 million in qualifying purchases, useful for technology upgrades or infrastructure improvements, including investments tied to AI adoption. Deb cautioned that once firms accelerate expenses, they must understand the long-term financial impact since it requires consistent treatment going forward.

PTET (SALT Cap Workaround)

Paul also called the **Pass-Through Entity Tax (PTET)** the strongest remaining tool for pass-through firms to secure state and local tax deductions. PTET applies only to **S-Corps and partnerships**, not C-Corps, and remains valuable for firms in **high-tax states** where partners quickly exceed the SALT cap.

Operational and Structural Matters

Operational decisions like leases, partnership agreements, and partner transitions carry real financial and tax consequences. A poll showed that 83% of firms are not entering into a new lease within the next 12 months, aligning with the wave of post-COVID relocations and renegotiations already completed by many firms.



Lease Considerations

Deb emphasized that firms should always let their accountants **review new leases before they are signed**. Key provisions such as tenant improvement allowances, lease term length, and renewal options create unexpected income recognition or mismatched timing of expenses. Early review allows firms to adjust language and avoid tax surprises, especially when lease terms exceed the 15-year threshold that triggers different treatment for reimbursements.

Partnership Agreement Updates

Deb and Paul stressed the importance of keeping partnership agreements current. Many firms operate with agreements that no longer reflect how the firm actually governs itself. Regular updates provide operational alignment to prevent disputes and clarify partner expectations as the firm evolves.

Planning for New and Retiring Partners

Paul connected three issues that must be addressed together: **capitalization**, **new partner admissions**, and **departing partner payouts**. Firms risk liquidity strain or internal imbalance without clear guardrails. Best practices include:

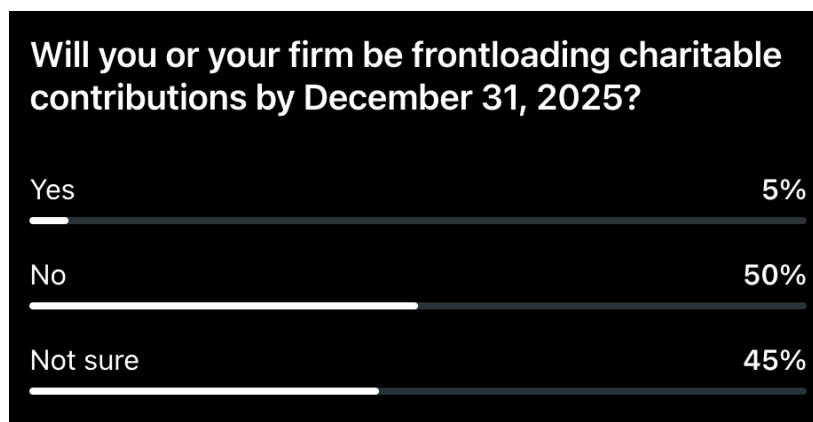
- **Setting annual limits** on total capital that can be paid out
- **Structuring payouts** over multiple years rather than lump sums
- **Establishing protections** that prevent “raiding the coffers” and destabilizing partner departures

Deb added that proactive succession planning like early client-transition efforts supports long-term stability. Many firms are already moving away from long-term or perpetual retired-partner payout models that are increasingly difficult to fund.

Charitable Contribution Planning

Charitable giving has become a time-sensitive planning issue with major tax law changes arriving in 2026. A poll revealed that only **5%** of firms plan to frontload charitable contributions

before December 31, 2025, while nearly half remain unsure of the impact these changes will have.



Paul described this as one of the few negative impacts of the BBB provisions: charitable deductions will simply be worth less beginning in 2026 due to new floors and tighter limits.

Why Frontloading May Be Advantageous

Because most law firms are cash-basis taxpayers, they can accelerate contributions into 2025 to maximize deductions before the rules shift. Under the current structure:

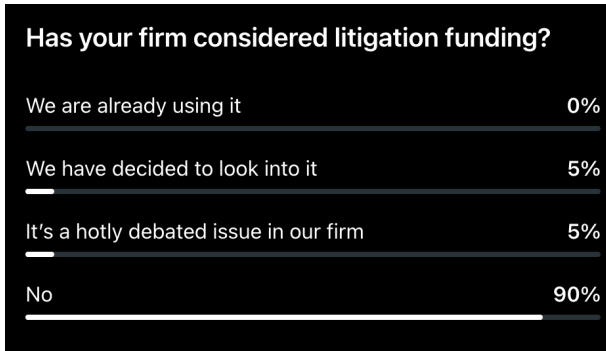
- **C-Corps** may deduct up to 10% of taxable income. Beginning in 2026, a **1% floor** reduces the amount that qualifies for deduction.
- **Individuals**, including partners in pass-through entities, may deduct **up to 60%** of AGI now. Beginning in 2026, a **0.5% floor** applies, and the deduction becomes less valuable at the top marginal rates.

For firms and partners already making charitable gifts annually, 2025 could be the most advantageous year to contribute before deduction values decline. Paul emphasized that firms should review their charitable giving policies now to determine whether accelerating contributions aligns with broader planning goals.

Emerging Issues

Litigation Funding

A poll showed that **90%** of firms have not considered litigation funding; it remains largely irrelevant outside of class action or heavy litigation practices.



Paul noted that while litigation funding can provide alternative capital for firms with long case cycles, it remains expensive and highly specialized. Proposed changes in earlier versions of the BBB would have imposed substantial excise taxes on such arrangements.

AI, Technology, Alternative Billing Models

As clients become more aware of AI's capabilities, many are no longer willing to pay for traditional first-year-level work. Firms are responding by exploring:

- **Alternative billing structures**, including fixed-fee and subscription models
- **Technology fees** designed to recapture rising infrastructure and AI costs

Deb acknowledged that even though technology fees make practical sense, many clients still view them skeptically unless they become a broader industry standard.

State Filing Exposure

Paul also pointed to the growing importance of **state filing compliance** as firms operate across borders and employ remote workers. If firms fail to file in states where they have established nexus, and the oversight is discovered after the statute of limitations closes, partners may permanently lose access to valuable tax credits for taxes paid to other jurisdictions. Correcting these issues retroactively is costly and disruptive.

MPF Guidance for Law Firms

The resounding theme of the webinar was that **proactive planning** is essential to maintaining a strong and resilient firm. Firms can implement strategies now, including:

1. Talk to your advisors

Year-end is the right moment to check in with tax and financial advisors. Early guidance improves a firm's tax position with shifting depreciation rules, new charitable deduction limits, and state filing complexities.

2. Review and update your partnership agreement

John Remsen Jr. urged attendees to revisit their partnership agreements “every couple of years at minimum.” The document should reflect current governance, compensation structures, capital provisions, and partner expectations. Outdated agreements create real risk, especially during transitions or disputes.

3. Start partner retirement planning early

Smooth transitions require long lead times. Early planning, especially around transitioning client relationships and defining payout schedules, helps protect the firm’s financial stability and long-term viability.

4. Reevaluate charitable giving policies

Charitable deductions will become less valuable in 2026, so firms should examine whether it makes sense to accelerate contributions into 2025. Aligning charitable strategy with upcoming tax changes can create meaningful savings for both firms and partners.

5. Register for the MPF Leadership Conference

John closed with a reminder about the upcoming MPF Leadership Conference, with early bird discounts for registering before year-end. Firms will also benefit from the timing of the related expense for tax purposes.
