

# What Now?

Implications and Implementation Considerations Now  
that OBBBA is Law

NOVEMBER 13, 2025

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# The One Big Beautiful Bill is Law: What Now?

# RACE TO JULY 4 Lawmakers Reach Enactment

## DATE OF ENACTMENT: JULY 4

- ▶ Passed Senate **51-50** (JULY 1)
- ▶ Passed House **218 to 214** (JULY 3)
- ▶ Signed by President (JULY 4)

View these  
resources  
for a full  
description  
of the bill:



ARTICLE

Republicans Complete  
Sweeping Reconciliation Bill

JULY 3, 2025

[READ HERE ▶](#)



ARTICLE

Tracking Key Provisions in  
Reconciliation Tax Bill

JULY 3, 2025

[READ HERE ▶](#)

## NOW THAT IT'S FINAL:

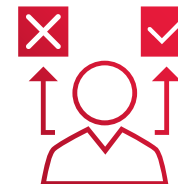
Understand the  
impact



Assess effective  
dates



Learn  
implementation  
options



Look for time-  
sensitive  
planning  
opportunities



Apply to  
financial  
statements



# What's in the bill?

Legislation generally extends TCJA changes, but with important modifications that are both favorable and unfavorable. It also includes approximately \$1 billion in new tax increases and \$1.5 billion in new tax cuts

## TCJA Extensions

Tax Cuts	- \$7 trillion
Tax Increases	+ \$3 trillion
Net	- \$4 trillion

## New Provisions

New Tax Cuts	- \$1.46 trillion
Tax Increases	+ \$950 billion
Net	- \$511 billion

**Net Overall - \$4.5 trillion**

Scores based on 10-year estimates from Joint Committee on Taxation (JCT) using current law baseline. Estimates of Tax Cuts and Jobs Act (TCJA) extensions include modifications to SALT cap, Section 199A, child tax credit, transfer tax exemptions, and other provisions. New provisions include changes to bonus depreciation, Section 163(j), and Section 174.

# Key Business Provisions

# Bonus Depreciation

## REINSTATEMENT

- ▶ Available for property acquired after Jan. 19, 2025 (unless binding written contract)
- ▶ No sunset! Bonus depreciation is now permanent
- ▶ Still elective on class-by-class basis

## NEW CATEGORY OF BONUS ELIGIBLE PROPERTY

- ▶ 100% bonus for real property (buildings and building improvements) if construction begins after Jan. 19, 2025 and before 2029 and placed in service by end of 2030
- ▶ Must be “qualified production property”: Activity of manufacturing tangible personal property, agricultural or chemical production, or refining
- ▶ Excludes portion of building “used for” offices, administrative services, lodging, parking, sales or research or software engineering activities, or other functions unrelated to qualified production

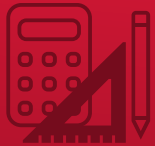
# Section 174

## R&E EXPENSING

- ▶ Permanently restores expensing of domestic R&E under new Section 174A for tax years beginning after Dec. 31, 2024
- ▶ Retains elections to amortize over 10 years or life of research (minimum 60 months)
- ▶ Foreign research stays at 15 years
- ▶ ‘Fixes’ Section 280C to deny Section 174A deduction for amount of R&D credit

## TRANSITION RULES

- ▶ Can elect to claim unused amortization deductions from 2022-2024 in 2025 or ratably over 2025-2026 years
- ▶ Taxpayers meeting Section 448 gross receipts test (\$31 million in gross receipts) can amend prior returns (or potentially claim on original 2024 return)



**Important to model the interaction between proposals to leverage potential planning opportunities.**



# Section 163(j)

## EXTENSION

- ▶ Permanently removes depreciation, amortization, and depletion from calculation of ATI under Section 163(j) for tax years beginning after Dec. 31, 2024
- ▶ Changes definition of “motor vehicle” for floor plan financing exception

## NEW CHANGES

- ▶ Disallows interest capitalization planning: Interest capitalized to other assets remains interest subject to cap
- ▶ Removes Subpart F and GILTI inclusions and Section 78 gross up from ATI
- ▶ Changes effective for tax years beginning after 2025



**Interest capitalization planning still valid for 2024 and 2025**

# Comp and Benefits

## SECTION 162(M)

- ▶ Creates new aggregation rule under Section 414 for determining covered employees and amount of compensation for tax years beginning after 2025
- ▶ Resolves question of whether employees selected from entire controlled group
- ▶ Entire compensation from related partnership included rather than pro-rata amount

## OTHER ISSUES

- ▶ **Meals:** Creates exceptions for denial of meals deduction at convenience of employer taking effect in 2026 for meals sold in bona fide transactions and certain fishing vessels
- ▶ **Employee Retention Credit:** Claims cutoff if filed after Jan. 31, 2024, and new enforcement
- ▶ **Childcare:** Increase in employer-provided childcare credit
- ▶ **Paid Family Leave:** Makes credit permanent with enhancements
- ▶ **Exclusions:** Makes permanent the exclusion for employer payments of student loans and increases the exclusion for employer paid dependent care costs
- ▶ **Exclusion repeal:** Permanently repeals exclusions for employer-paid moving expenses and bike

# Form 1099 Reporting

## FORM 1099-K

- ▶ Restores \$20k and 200 transaction threshold retroactively
- ▶ Threshold was set at \$5,000 for 2024 payments, \$2,500 for 2025 payments and was set to decrease to \$600 for 2026 payments
- ▶ Welcome relief for platforms that connect buyers to sellers or service providers to customers

## FORM 1099-NEC OR MISC

- ▶ Increases the threshold from \$600 to \$2,000 for payments made in 2026 and indexes it to inflation thereafter
- ▶ \$600 threshold unchanged since 1954 internal revenue code

New reporting also imposed for W-2 and Form 1099 for overtime, tip, and auto loan interest deductions, discussed later

# International Changes

# BEAT, FDII, and GILTI

## GILTI

- ▶ Rate from **10.5%** to **12.6%**
- ▶ FTC haircut from **20%** to **10%**
- ▶ Repeals QBAI
- ▶ Limits FTC expense allocation to “directly allocable” with carveouts for interest and R&E
- ▶ Taxes associated with PTET no longer treated as deemed paid under Section 78

## FDII

- ▶ Rate from **13.125%** to **14%**
- ▶ Repeals QBAI
- ▶ Only “properly allocable” deductions apply, not interest or R&E
- ▶ Excludes income or gain from Section 367(d) transactions for intangibles or property subject to depreciation or amortization

## BEAT

- ▶ Rate from **10%** to **10.5%**

**FDII more valuable and accessible, particularly for heavy industry.  
GILTI changes also significant. Modeling important for adjusting planning.**

## Reciprocal Tax Regime

**Removed from bill after G7 countries agree to work toward exempting U.S. from Pillar 2 according to following principles:**

- ▶ Side-by-side system excluding U.S. parented groups from UTPR and IIR
- ▶ Identifying and addressing risks to a level play or risks of base erosion and profit shifting
- ▶ Material simplification of overall Pillar 2 administration and compliance framework
- ▶ Considering changes to treat nonrefundable tax credits as refundable



**Agreement is only with the G7 and it is merely an agreement on goals**

- ▶ Will OECD and EU go along?
- ▶ What is the timeline for getting agreement, turning changes into law, and effective dates?

## Other International Provisions

Key International Proposals	
CFC Look-through Rule	Makes permanent
Downward Attribution	Restores Section 958(b)(4) exception with new rule under Section 951B more narrowly targeted to TCJA intent
Foreign Tax Credit Changes	Treats inventory produced in U.S. and sold through foreign branches as foreign-source income, capped at 50%
Pro Rata Rules	Requires a U.S. shareholder of a CFC to include its pro rata share of Subpart F or GILTI income if it owned stock in the CFC at any time during the foreign corporation's tax year in which it was a CFC

# Credits and Incentives



# Consumer Energy Credit Repeal

Provision	Repeal Date
Section 30D Clean Vehicle Credit	Purchases after 9-30-25
Section 25E Previously Owned Clean Vehicle Credit	Purchases after 9-30-25
Section 45W Clean Commercial Vehicles	Purchases after 9-30-25
Section 30C Alternative Fuel Refueling Property (EV chargers)	Placed in service after 6-30-26
Section 25C Energy Efficient Home Credit (HVAC, windows, roofs)	Placed in service after 12-31-25
Section 25D Residential Clean Energy Credit (Solar)	Placed in service after 12-31-25
Section 45L Energy Efficient Home Credit	Acquisitions after 6-30-26
Section 179D Commercial Building Deduction	Construction beginning after 6-30-26

**Short runway for manufacturers, builders, and consumers**

# Section 48E ITC and Section 45Y PTC

## RESTRICTIONS AND REPEAL

- ▶ Phases out for most property beginning in 2033
- ▶ **Solar and wind:** Construction must begin within 12 months of July 4, 2025 or must be placed in service by end of 2027
- ▶ Domestic sourcing threshold for 10% bonus ITC increases from 40% to 45% for construction beginning after June 16, 50% after 2025, and 55% after 2026
- ▶ No credit if “material assistance” from prohibited foreign entity for construction beginning after 2025



## WHAT ABOUT 5% BEGINNING CONSTRUCTION SAFE HARBOR?

- ▶ Statutory protection for beginning construction guidance for “material assistance” purposes, but Trump calls for guidance to “restrict use of broad safe harbors” unless “substantial portion” of facility “has been built.”



## Advanced Manufacturing

### NEW RESTRICTIONS

- ▶ Wind components sold after 2027 ineligible
- ▶ Phases out credit for critical minerals, 75% for 2031, 50% for 2032, 25% for 2033, and no credit after 2033
- ▶ Adds new credit for metallurgical coal
- ▶ No credit if material assistance from prohibited foreign entity for tax years beginning after July 4
- ▶ New restriction for rule on sales of integrated components



## SECTION 45Z

# Clean Fuel Production

### EXTENDS WITH CHANGES

- ▶ Extends the 45Z PTC through 2029 (was set to expire after 2027)
- ▶ Requires feedstock be from U.S., Canada, or Mexico sources for fuel sold after 2025
- ▶ Adjusts the emissions calculation for indirect land use changes
- ▶ Adds Foreign Entity of Concern (FEOC) limitations
- ▶ Resurrects small agri-biodiesel credit



## Other Energy Credit Changes

Credit	Provision
Section 45V Hydrogen Production	Repeal for projects beginning construction after 2027
Section 45U Nuclear Production	New FEOC rules
Section 45Q Carbon Sequestration	Adds FEOC rules and increases rates for productive use and for tertiary injectant for enhanced oil recovery so they are equivalent to permanent geologic storage rates
Section 48 Geothermal ITC	Repealed for construction beginning after June 16, 2025
Depreciation	Repeals 5-year life for energy property
Publicly Trade Partnerships	Expands to include income from nuclear, hydropower, geothermal, carbon capture, and transportation and storage of hydrogen and sustainable aviation fuel

# Opportunity Zone Extension

## EXTENSION

- ▶ Makes program permanent
- ▶ Mandatory recognition for post-2026 investments will be 5 years after investment with 10% basis increase (30% rural)
- ▶ No extension of 2026 recognition date for prior investments
- ▶ New reporting and disclosure rules
- ▶ Old QOZ designations expire in 2026 with new rules for designations, including “rural” QOZs with 50% substantial improvement standard



## IMPACT

- ▶ Wait to make deferrals for 5-year deferral or accelerate deferrals before zones change?
- ▶ Many unanswered questions: Guidance needed





# Qualified Small Business Stock

## EFFECTIVE FOR QSB STOCK ISSUED AFTER THE DATE OF ENACTMENT

- ▶ Allow 50% exclusion for stock held 3 years and 75% exclusion for stock held 4 years (100% exclusion retained for stock held 5 years)
- ▶ Limit on exclusion increased from greater of 10 times basis or \$10 million to 10 times basis or \$15 million (indexed to inflation)
- ▶ Limit on assets at time stock issued increased from \$50 million to \$75 million (indexed to inflation)



## IMPORTANT CONSIDERATIONS

- ▶ QSB stock an even more powerful and accessible incentive
- ▶ Documenting compliance throughout holding period remains important

# Other Changes to Credits and Incentives

Incentive	Provision
New Markets Tax Credit	Makes permanent
Low-Income Housing Tax Credit	Permanently increases the population component of the state low-income tax credit ceiling to 12% and modifies the tax-exempt bond financing requirement
Real Estate Investment Trust	Raises amount of allowable assets REIT may hold in REIT subsidiary from 20% to 25%
Section 48D semiconductor credit	Raises rate from 25% to 35%
Section 179 expensing	Increases cap to \$2.5 million (\$1.25 in 2025) and phaseout threshold to \$4 million (\$3.13 million in 2025)
Long-term contract exception for home builders	Expands exception from percentage of completion to include all residential construction and extends maximum contract for exception to UNICAP from 2 years to 3 years



# Pass-Through Provisions

# Pass-Through Deduction

## KEY CHANGES TO SECTION 199A

- ▶ Makes 20% deduction permanent
- ▶ Increases potential benefit for certain taxpayers by modifying wage and capital phase-in rules
- ▶ Adds new \$400 minimum deduction for qualifying income of at least \$1,000



## IMPORTANT CONSIDERATIONS

- ▶ Impact on choice of entity analysis?

# SALT Cap

## INDIVIDUALS

- ▶ Cap increases to \$40,000 in 2025 reducing to \$10,000 after AGI exceeds \$500,000
- ▶ Thresholds increase by 1% in 2026, 2027, 2028, and 2029
- ▶ Cap reverts to \$10,000 in 2030



## PASS-THROUGHS

- ▶ Bill does NOT affect ability of pass-through to deduct taxes at entity level under PTET workaround regimes for SALT cap
- ▶ Is guidance reversing Notice 2020-75 possible? Does it remain valid if regulations are never issued?



## Active Loss Limit

### Key Changes to Section 461(l)

- ▶ Makes permanent
- ▶ Originally created by TCJA, suspended 3 years under CARES Act, extended through 2026 by ARPA, and then through 2028 by IRA
- ▶ Reverses inflation adjustment so threshold at which it applies will be reduced from \$313k (S/HOH/MFS) and \$626k (MFJ) in 2025 to \$250k/\$500k in 2026 (inflation adjusted from just 2024)

# Partnership “Disguised Sale” Transactions

## CHANGE TO SECTION 707(A)(2)

- ▶ Rules currently provided by statute “**under regulations prescribed** by the Secretary”
- ▶ Bill would change this to “**Except as provided** by the Secretary”
- ▶ Why is this important? Clarifies regulations unnecessary for rules to be operative so IRS can recharacterize transactions as disguised sales of partnership interest or disguised payments for services



## IMPORTANT CONSIDERATIONS

- ▶ Potential to affect management fee/carry waivers and related cash contributions and distributions
- ▶ Is there argument under current law that rules do not apply in absences of regulations?
- ▶ Bill provides no inference is created with respect to transactions before enactment, but JCT estimates \$12 billion revenue increase

# Individual Changes

# TCJA Individual Extensions

**Generally, makes all individual provisions permanent, including:**

- ▶ Rate cuts and bracket changes with extra year of inflation adjustment for 10% and 12% brackets
- ▶ Limits on itemized deductions
- ▶ Repeal of personal exemptions

## CHANGES MADE TO SEVERAL PROVISIONS

- ▶ Decreases thresholds for AMT exemption phaseouts but slows phaseout
- ▶ Limits value of itemized deductions to the 35% bracket
- ▶ Limits deduction for gambling losses to 90%
- ▶ New 0.5% AGI haircut on charitable deductions
- ▶ Increases transfer tax exemption from \$13.99 million in 2025 to \$15 million in 2026



# No Tax on Tips



## KEY ASPECTS

- ▶ Available for non-itemizers effective 2025
- ▶ Capped at \$25,000 with phaseout threshold of \$150k/\$300k
- ▶ Occupation must “traditionally and customarily” have received tips, can’t be specified service trade or business under 199A
- ▶ Tips must be voluntary at sole discretion of customer



## IMPLICATIONS FOR EMPLOYERS AND HOSPITALITY BUSINESSES

- ▶ New reporting requirements
- ▶ Change mandatory service charges? What occupations and businesses will qualify?
- ▶ Treasury required to provide guidance with 90 days! Initial release indicates form W-2 and 1099 will NOT be changed. Are employers off the hook?



# Other New Trump Tax Cuts

PROVISIONS TO FULFILL CAMPAIGN PROMISES (EFFECTIVE 2025-2028)



## OVERTIME PAY

- ▶ Deduction available for non-itemizers
- ▶ Capped at \$12.5k/\$25K with phaseout threshold of \$150k/\$300k
- ▶ Qualification based on Labor Law

**New reporting  
for employers**



## DEDUCTION FOR SENIORS

- ▶ \$6,000 personal exemption
- ▶ Age 65 and above
- ▶ Begins to phase out at AGI of \$75k (single) and \$150k (joint)

**Not tied to  
Social Security**



## AUTO-LOAN INTEREST

- ▶ \$10,000 deduction for nonitemizers
- ▶ Phases out at \$100k/\$200k
- ▶ Final assembly must be in United States
- ▶ Lease financing does not qualify

**New reporting for  
financing companies**

# Tax-Exempt Changes

# Tax Exempt Changes

## ENDOWMENT TAX



- ▶ 1.4% flat rate replaced with graduated rates up to 8% beginning in 2026
- ▶ Recognized income early to avoid tax?

## EXCISE TAX ON COVERED EMPLOYEE COMPENSATION



- ▶ Expanded to cover all current employees and former employees from tax years beginning after 2016

Charitable deduction changes could affect tax incentives for giving:

- ▶ 1% AGI floor for corporations
- ▶ 0.5% AGI floor for itemizers
- ▶ New \$500/\$1000 deduction for non-itemizers



# Other Tax Provisions

# Other Tax Provisions Affecting Employers and Companies

Revenue Raising Tax Increase Provision	Savings
ACA premium credit and exchange changes	\$174 billion
1% excise tax on remittances	\$10 billion
1% taxable income floor on C corporation charitable deductions	\$16.6 billion

Tax Cut	Cost
Gain from farmland property paid over 10-year installments	\$7.3 billion
Increase the limit on the “cover over” for distilled spirits for PR and USVI	\$1.9 billion
Treat spaceports like airports for private activity bond rules	\$1 billion
Extend film, theater, and TV production expensing to sound production	\$153 million
Eliminate tax on certain firearms	\$1.7 billion
Create new tax-preferred accounts for children	\$15 billion

# Financial Statements

# Financial Statement Implications

- ▶ Impact recorded as component of income tax expense from continuing operations in period of enactment
- ▶ **INTERIM REPORTING PERSPECTIVE:**
  - Effects on **enactment date** deferred taxes (including related VA) recorded discretely in period of enactment
  - Effects on current year income taxes, including **post-enactment** originating temporary differences and related VA, included in the AETR starting with first period including enactment date
  - Retroactive effect of tax law changes:
    - **Prior period** deferred taxes and current tax payable/receivable recorded **discretely** in the period of enactment
    - **Current year** deferred taxes and current tax payable/receivable (effective date before enactment but still in current period): recorded as an adjustment to **AETR** which is applied to YTD ordinary
- ▶ Enacted after interim or annual balance sheet date but before financial statements issued, disclose nature and impact (if material)





A modern office interior featuring a wide staircase with a glass railing, a lounge area with a curved sofa and a red side table, and a reception desk with a large window overlooking a city skyline. The reception desk has the BDO logo on it. The overall design is contemporary and professional.

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