

Big Bill, Big Impact



GALLAGHER, FLYNN
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Introductions – VT Chamber



Introductions & Agenda



Introductions – Gallagher Flynn



Alena Fitzgerald, CPA
Tax Partner at Gallagher, Flynn & Company



Steven A Julian, CPA
Tax Partner at Gallagher, Flynn & Company



Michael R Hackett, CPA
Tax Partner and Practice Leader at Gallagher, Flynn & Company

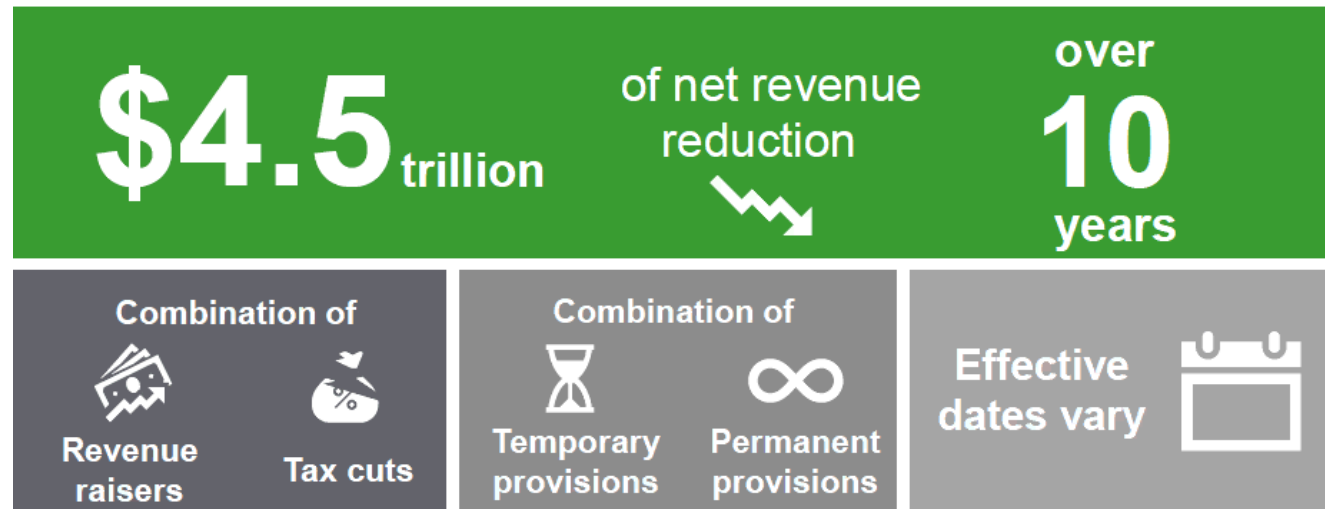
The One Big Beautiful Bill Act (OBBA)

What You'll Learn

- Key tax provisions included in the One Big Beautiful Bill Act
- The impact on Vermont businesses and financial operations
- How to prepare your organization for compliance, growth, and sustainability

H.R. 1: One Big Beautiful Bill Act (OBBBA)

Overview of the New Bill

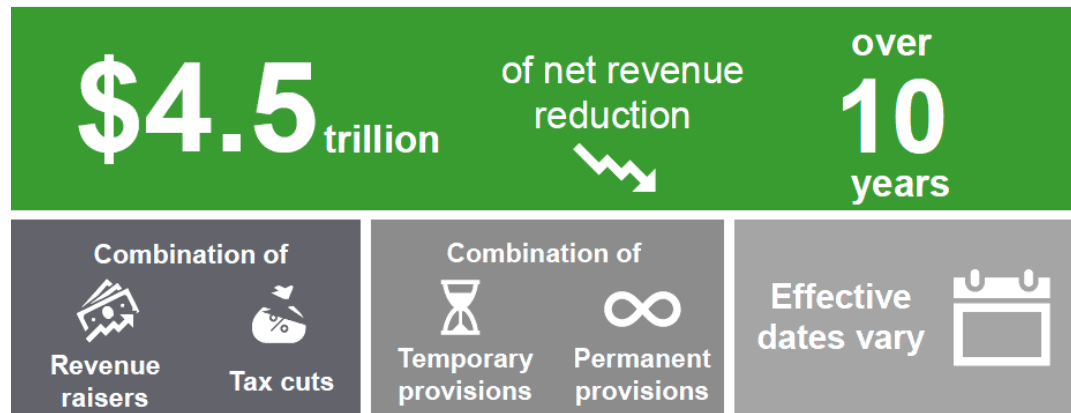


Major Components (+3.7 Trillion)

- Lower individual income tax rates
 - Doubled standard deduction
 - Alternative minimum tax relief
 - Doubled Child Tax Credit
 - 20% pass-through deduction
 - State and local tax (SALT) deduction cap
 - Repeal of personal exemptions
- +\$2.2 trillion
 - +\$1.4 trillion
 - +\$1.4 trillion
 - +\$881 billion
 - +\$737 billion
 - \$946 billion
 - \$1.9 trillion

H.R. 1: One Big Beautiful Bill Act (OBBBA)

Overview of the New Bill



Remaining (+800 Billion)




- Full expensing for machinery/equipment and R&D, plus expanded business interest deductions
 - No tax on tips, overtime, and auto loan interest, plus senior deduction
 - Estate tax relief
 - Premium tax credit eligibility restrictions
 - Inflation Reduction Act clean energy rollbacks
 - All other tax cuts
 - All other revenue pay-fors
- +\$646 billion
 - +\$245 billion
 - +\$212 billion
 - \$185 billion
 - \$543 billion
 - +\$881 billion
 - \$449 billion

Impactful Business Provisions




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Bonus Depreciation, Small Business Expensing and R&D

Provision	Prior law	OBBBA
 <p>Bonus depreciation</p>	60% bonus depreciation for 2024; 40% for 2025; 20% for 2026; and 0% beginning in 2027	<ul style="list-style-type: none"> • Bonus depreciation: 100% for certain property acquired beginning 1/20/25; made permanent • Real property: 100% for real property used as integral part of the manufacture of tangible personal property (for construction beginning after 1/19/25, before 1/1/29 and placed in service by 12/31/30)
 <p>Small business expensing (Sec. 179)</p>	Up to \$1M expensing of tangible personal property, software and QIP placed in service each tax year	<ul style="list-style-type: none"> • Maximum expense amount increased from \$1M to \$2.5M, with phaseout threshold increased to \$4M for property placed in service after 2024 • Amounts indexed for inflation starting 2026
 <p>R&D</p>	Capitalized and amortized over 5 years (US R&D) or 15 years (R&D outside US)	<ul style="list-style-type: none"> • US R&D: Immediate expensing made permanent (eff. 2025); ability to deduct post-2021 capitalized R&D over remaining period or 1 or 2 tax years • Foreign R&D: Remains at 15 years

Bonus Depreciation

Provision	Prior law	OBBBA
 Bonus depreciation	60% bonus depreciation for 2024; 40% for 2025; 20% for 2026; and 0% beginning in 2027	<ul style="list-style-type: none">• Bonus depreciation: 100% for certain property acquired beginning 1/20/25; made permanent• Real property: 100% for real property used as integral part of the manufacture of tangible personal property (for construction beginning after 1/19/25, before 1/1/29 and placed in service by 12/31/30)

Bonus Depreciation

100% Bonus Depreciation permanently reinstated

- Bonus depreciation allows businesses to immediately deduct a substantial percentage or all of the purchase price of eligible assets in the year they are placed in service, rather than spreading the deduction over the asset's useful life
- This accelerated depreciation is designed to encourage investment by improving cash flow and reducing tax liability
- **For property acquired after January 19, 2025, and placed in service**
- Under the pre-OBBA Act law, the 100-percent allowance was phased down by 20% per calendar year for qualified property acquired after September 27, 2017, and placed in service after December 31, 2022

Bonus Depreciation

Qualified Production Property (QPP)


- Expansion of Bonus Depreciation for manufacturing/production facilities
 - The bill includes 100% Bonus depreciation for Qualified Production Property (QPP) if construction begins after January 19, 2025, and before January 1, 2029, and the property is placed in service by January 1, 2031.
- QPP Defined:
 - nonresidential real property
 - used by the taxpayer as an integral part of a qualified production activity
 - Placed in service in the US
 - Original use begins with the taxpayer (exceptions for unused/adaptive reuse sites)
 - Excludes office and similar space
 - Construction begins after 1/19/25 and before 1/1/29 (completed by 1/1/31)
 - Election must be made

Bonus Depreciation

Qualified Production Property (QPP)

- Qualified Production Activity defined:
 - Manufacturing, production, or refining of a qualified product
 - Production limited to agricultural and chemical production
 - Food and beverages prepared in retail establishment excluded
 - Qualified product means any tangible personal property
 - Must meet result in substantial transformation of the product
 - Excludes space used for office, sales, research, engineering, and others unrelated to the manufacturing, production, or refining
- Limitations on leased property

Section 179


Provision	Prior law	OBBBA
 Small business expensing (Sec. 179)	Up to \$1M expensing of tangible personal property, software and QIP placed in service each tax year	<ul style="list-style-type: none">• Maximum expense amount increased from \$1M to \$2.5M, with phaseout threshold increased to \$4M for property placed in service after 2024• Amounts indexed for inflation starting 2026

Section 179

Expanded & Permanent (\$1M→\$2.5M)

- A separate first-year depreciation measure under Section 179
- Expanded to provide a deduction of up to \$2.5 million for qualifying property placed into service during the tax year, available after December 31, 2024
- The maximum deduction limit is reduced for qualifying property purchases that exceed \$4 million
- These amounts will be adjusted for inflation after 2025

Research & Experiment Expenditures (R&D)

Provision	Prior law	OBBBA
 R&D	Capitalized and amortized over 5 years (US R&D) or 15 years (R&D outside US)	<ul style="list-style-type: none">• US R&D: Immediate expensing made permanent (eff. 2025); ability to deduct post-2021 capitalized R&D over remaining period or 1 or 2 tax years• Foreign R&D: Remains at 15 years

Research & Experiment Expenditures (R&D)

Summary of 174 Legislative History

Tax Years	Domestic R&D Treatment	Foreign R&D Treatment	Key Impact/Notes
Before 2022	Fully Deductible (Elective)	Fully Deductible (Elective)	Cash flow advantage
2022-2024 (TCJA)	Capitalize & Amortize over 5 years	Capitalize & Amortize over 15 years	Delayed deductions; Mid-year convention; M&A challenges
2025+ (OBDD)	Fully Deductible	Capitalize & Amortize over 15 years	Cash flow restoration; Retroactive options for some

Research & Experiment Expenditures (R&D)

Full, Immediate Expensing → Permanent repeal of capitalization

- **Prior to 2022**, businesses deducted R&D expenses in the year incurred
- Under the OBBB Act, notwithstanding Section 263, there shall be allowed as a deduction any domestic research or experimental expenditures that are paid or incurred by the taxpayer during the taxable year
- The bill provides for a permanent repeal of capitalization requirement for domestic research and experimental expenditures paid or incurred in tax years beginning after December 31, 2024
 - **REPEALED:** The TCJA required R&D expenses to be treated as an asset, or capitalized and amortized/deducted:
 - Over a 5-year (for domestic R&D) period
 - Over a 15-year (for foreign R&D) period

Research & Experiment Expenditures (R&D)

Full, Immediate Expensing → Permanent repeal of capitalization

- All taxpayers can elect to accelerate remaining unamortized amounts over 1 or 2 years
 - Example for calendar year taxpayers:
 - 100% in 2025 or
 - 50% in 2025, 50% in 2026
- **ELECTION:** R&D expenses *can* be treated as an asset and deducted over a five-year period
- **FOREIGN R&D** remains at a 15-year recovery period

*IRS procedural guidance needed regarding potential elections and accounting method changes

Research & Experiment Expenditures (R&D)

Small Business Taxpayer (<\$31M)

- Exception for Certain Small Businesses
 - Option to apply the OBBB retroactively
 - Small business taxpayers with average annual gross receipts of \$31 million or less will generally be permitted to **apply this change retroactively** to tax years beginning after December 31, 2021
 - Elections must be made within one year of OBBB's enactment (7/4/25)
 - R&D Credit Coordination
 - Impact of gross vs reduced credit related impact on amended returns
 - Fully deduct domestic in year incurred by filing amended returns for 2022, 2023 and 2024
 - Until further guidance is provided, elections can only be made by filing an amended return

Research & Experiment Expenditures (R&D)

Key Planning Considerations

- State Conformity
- Financial Reporting
 - Deferred tax assets
 - Budgeting & Projection impact
- Importance of Modeling
 - Every taxpayer has a unique set of facts and circumstances

Research & Experiment Expenditures (R&D)

Expertise




MEET ELISIA LARAMEE

Elisia specializes in tax consulting for credits and incentives, with an extensive background in helping clients identify, document and support R&D credits.

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Interest, Qualified Business Income & PTET

Provision	Prior law	OBBBA
 <p>Deduction for business interest</p>	Deduction limited to 30% of EBIT	<ul style="list-style-type: none"> The EBIT-based computation is replaced with an EBITDA-based computation (allowing more interest to be deducted) eff. 2025 Makes the EBITDA-based computation permanent Modifies ordering rules for capitalization
 <p>Deduction for qualified business income</p>	20% deduction for qualified business income (exp. 12/31/25)	<ul style="list-style-type: none"> Makes deduction permanent Rate stays at 20% Increases phase-in thresholds
 <p>Pass-through entity tax (PTET) elections</p>	Pass-through entities may deduct state and local taxes assessed at the entity level	<ul style="list-style-type: none"> No change to PTET deduction rules

Interest Expense (163j)

Modification of Business Interest Limitation


- The OBBA Act **reinstated** the EBITDA limitation under Section 163(j) for tax years beginning after December 31, 2024
- Business interest deductions will be limited to 30% of a company's earnings before interest, taxes, depreciation, and amortization (EBITDA)
 - Reinstated the addback for Depreciation & Amortization
 - Prior to OBBA For purposes of the Section 163(j) interest deduction limitation, adjusted taxable income was computed **without regard** to the deduction for depreciation, amortization, or depletion

Interest Expense (163j)

Expansion of Floor Plan Financing

- Floor plan financing interest refers to interest paid or accrued on indebtedness used to finance the acquisition of motor vehicles held for sale or lease to retail customers and secured by the inventory so acquired
 - A “motor vehicle” means a motor vehicle that is:
 - (1) Any self-propelled vehicle designed for transporting person or property on a public street, highway, or road;
 - (2) A boat; or
 - (3) Farm machinery or equipment
 - **(4) trailer or camper that is designed to provide temporary living quarters for recreational, camping, or seasonal use and is designed to be towed by, or affixed to, a motor vehicle**

Qualified Business Income Deduction (199A)

Provision	Prior law	OBBBA
 Deduction for qualified business income	20% deduction for qualified business income (exp. 12/31/25)	<ul style="list-style-type: none">• Makes deduction permanent• Rate stays at 20%• Increases phase-in thresholds

Qualified Business Income Deduction (199A)

20% QBI Deduction

- For purposes of the QBI deduction, a **pass-through** business is any business that is owned and operated through a pass-through business entity, which includes any business that is:
 - A sole proprietorship (a one-owner business in which the owner personally owns all the business assets)
 - A partnership
 - An S corporation
 - A limited liability company (LLC), or
 - A limited liability partnership

Qualified Business Income Deduction (199A)

Makes Permanent at 20% QBI Deduction


- The deduction for QBI was set to expire for taxable years beginning after December 31, 2025
- The OBBB Act made the deduction for QBI **permanent**
- The QBI deduction allows eligible taxpayers to deduct up to 20% of their QBI, plus 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income
 - Special rules apply to taxpayers with taxable income in excess of the threshold amount, which, for tax year 2025, is \$394,600 for married taxpayers filing jointly and \$197,300 for all other taxpayers
 - The threshold amounts are indexed annually for inflation

Qualified Business Income Deduction (199A)

Minimum Deduction & Increased Thresholds

- This provision also expands the deduction limit **phase-in** range by increasing the \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively
 - The provision eases the impact of the limitations for both SSTBs and those passthrough entities subject to the wage and investment limitation
- Additionally, this provision introduces a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of QBI from one or more active trades or businesses in which the taxpayer materially participates
 - This ensures small business owners with a certain QBI level are entitled to an enhanced baseline deduction

No Change in PTET

Provision	Prior law	OBBBA
 Pass-through entity tax (PTET) elections	Pass-through entities may deduct state and local taxes assessed at the entity level	<ul style="list-style-type: none">• No change to PTET deduction rules

Small Business Threshold (448(c))

\$31M in 2025, indexed for inflation



- Small business taxpayers with average annual gross receipts of \$31 million or less will
 - R&D/174
 - generally be permitted to apply change retroactively to tax years beginning after December 31, 2021
 - Exempt from 163j limitation (unless a tax shelter)
 - Accounting methods
 - 263A
 - cash basis
 - inventory 471

Employer-Provided Child Care Credit (45F)




Enhancement

- Credit Rate increase from 25% to 40% generally; 50% for an eligible small business
- Maximum credit amount increased from \$150,000 to:
 - \$500,000 generally; \$600,000 for an eligible small business
- Eligible Small Business defined
 - Gross receipts of 448(c); \$25M over 5-year period
 - The OBBB Act allows small businesses to pool their resources to provide child care to their employees
 - Allows for businesses to use a third-party intermediary to facilitate child care services on their behalf
- Changes are effective for amounts paid or incurred after 12/31/25




Other Business Provisions

Provision	Prior law	OBBBA
 Charitable contribution deduction	Limits C corporation deduction to 10% of taxable income	<ul style="list-style-type: none">• Permits deduction to the extent it is $>1\%$ and $\leq 10\%$ of taxable income• Carries forward amounts disallowed by 10% limit• Also carries forward amounts disallowed by 1% floor if taxpayer has carryforwards arising from the 10% limit
 Excess business losses	<p>\$305,000 individual limitation for 2024 (exp. 12/31/28)</p> <p>Treats disallowed excess business losses as net operating losses (NOLs) in following tax year</p>	<ul style="list-style-type: none">• Makes permanent



Other Business Provisions

Provision	Prior law	OBBBA
 <p>Employee retention tax credit (ERTC)</p>	<p>No ERTC-specific penalty provisions or statute of limitations (SOL) for income tax returns</p> <p>Q3 and Q4 2021 payroll tax returns have a 5-year SOL</p>	<ul style="list-style-type: none"> Limits Q3 and Q4 2021 ERTC refunds to claims filed by 1/31/24 Enhances and expands penalties Extends SOL on assessment to 6 years for: <ul style="list-style-type: none"> ERC claims for Q3 and Q4 2021 Corresponding ERC wage expense on income tax returns
 <p>Paid family and medical leave credit</p>	<p>Nonrefundable credit ranging from 12.5% to 25% of wages paid to employees on leave (exp. 12/31/25)</p> <p>Minimum work requirement of 1 year</p>	<ul style="list-style-type: none"> Makes permanent Expands to include 1) all states and 2) a portion of certain insurance premiums Lowers work requirement
 <p>Employer-provided meals</p>	<p>No deduction for certain meals provided to employees by employer (eff. 2026)</p>	<ul style="list-style-type: none"> Deduction disallowance does not apply to bona fide customer transactions for goods/services, including meals, at full value (eff. 2026)

Other Business Provisions

Provision	Prior law	OBBBA
 <p>Advanced manufacturing investment credit</p>	25% credit for qualified investment in advanced manufacturing facility (exp. 12/31/26)	<ul style="list-style-type: none"> • Credit increased to 35% for property placed in service after 12/31/25
 <p>Low-income housing credit</p>	To qualify, a taxpayer must receive 9% credits from the state or 4% credits if ≥50% of project financed with tax-exempt private activity bond	<ul style="list-style-type: none"> • Makes credit permanent • Increases state housing credit ceiling by 12% • Introduces a new 25% tax-exempt bond financing requirement
 <p>New markets credit</p>	Investors can claim 39% federal tax credit over 7 years for qualified equity investments (exp. 12/31/25)	<ul style="list-style-type: none"> • Makes credit permanent • Five-year limitation on carryforward

Other Business Provisions

Provision	Prior law	OBBBA
 Dependent care assistance program	Employees can exclude up to \$5,000 of employer-provided dependent care assistance from income	<ul style="list-style-type: none">Increases exclusion to \$7,500 (MFJ)/\$3,750 (S) (eff. 2026)
 Employer student loan payment exclusion	Exclusion from income for employer-paid student loan assistance up to \$5,250 annually (exp. 12/31/25)	<ul style="list-style-type: none">Makes permanentAdjusts the \$5,250 cap for inflation beginning 2027

1099 Reporting

1099-K: Repeal of Lower Threshold for Reporting

- Under pre-OBBA Act law, third-party settlement organizations issue Form 1099-K to participating payees receiving gross payments exceeding \$2,500 in 2025 for goods or services, regardless of the number of transactions Eligible Small Business defined
 - Scheduled to be reduced to \$600 in 2026
- The bill creates new, higher minimums; report is only required if both of the below requirements are met: total transactions exceed **\$20,000** and **200 separate transactions**



1099: Increased Threshold

- \$600 threshold increased to \$2,000 indexed for inflation, effective 2026




Key Individual Provisions





Rates, Standard Deduction & Personal Exemptions

Provision	Prior law	OBBBA
 Individual income tax rate	Seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37% (exp. 12/31/25)	<ul style="list-style-type: none">• Permanently extends expiring TCJA rates and brackets (eff. 2026)• Provides an additional year of inflation adjustment for brackets under 24%
 Standard deductions and personal exemptions	For 2025, standard deduction of \$30,000 (MFJ)/\$15,000 (S) and no personal exemptions (exp. 12/31/25)	<ul style="list-style-type: none">• Permanently extends enhanced standard deduction; increases to \$31,500 (MFJ)/\$15,750 (S) for 2025 and inflation adjusts thereafter• Permanently eliminates personal exemptions



Individual Provisions: Income

Provision	Prior law	OBBBA
 <p>Enhanced deduction for seniors</p>	<ul style="list-style-type: none"> 85% of social security benefits taxed for certain seniors Additional standard deduction (2025) <ul style="list-style-type: none"> \$1,600 per blind or 65+ individual (MFJ) \$2,000 if unmarried and not a surviving spouse 	<ul style="list-style-type: none"> Provides additional above-the-line \$6,000 deduction for seniors 65+ with income phaseouts for those whose income exceeds \$150,000 (MFJ)/ \$75,000 (S) Eff. 2025-2028
 <p>Tip income</p>	Subject to income and payroll taxes	<ul style="list-style-type: none"> Creates above-the-line deduction of up to \$25,000 Payroll taxes still apply Phases out for income exceeding \$300,000 (MFJ)/\$150,000 (S) 2025-2028
 <p>Overtime pay</p>	Subject to income and payroll taxes	<ul style="list-style-type: none"> Institutes above-the-line deduction for up to \$25,000 (MFJ)/\$12,500 (S) of overtime pay Payroll taxes still apply Phases out for income exceeding \$300,000 (MFJ)/\$150,000 (S) 2025-2028




Individual Provisions: Deductions

Provision	Prior law	OBBBA
 <p>Alternative minimum tax (AMT)</p>	<p>For 2025, exemption of \$137,000 (MFJ)/\$88,100 (S) Phaseout starts at \$1,252,700 (MFJ)/\$626,350 (S) (exp. 12/31/25)</p>	<ul style="list-style-type: none"> • Permanently extends increased AMT exemption amounts and exemption phaseout thresholds (eff. 1/1/26) • Reverts phaseout thresholds to 2018 levels of \$1M (MFJ)/\$500,000 (S) • Indexes to inflation
 <p>State and local taxes (SALT)</p>	<p>\$10,000 cap on state and local tax deductions (exp. 12/31/25)</p>	<ul style="list-style-type: none"> • Increases cap to \$40,000 (MFJ and single)/\$20,000 (MFS) for 2025-2029, with thresholds increasing 1% each year for 2026-2029 • Phases down for income >\$500,000(MFJ)/(\$250,000 MFS), with a minimum allowable deduction of \$10,000 • Permanently caps at \$10,000 starting in 2030 • No change to PTET deduction rules


Individual Provisions: Deductions

Provision	Prior law	OBBBA
 Alternative minimum tax (AMT)	For 2025, exemption of \$137,000 (MFJ)/\$88,100 (S) Phaseout starts at \$1,252,700 (MFJ)/\$626,350 (S) (exp. 12/31/25)	<ul style="list-style-type: none">• Permanently extends increased AMT exemption amounts and exemption phaseout thresholds (eff. 1/1/26)• Reverts phaseout thresholds to 2018 levels of \$1M (MFJ)/\$500,000 (S)• Indexes to inflation
 State and local taxes (SALT)	\$10,000 cap on state and local tax deductions (exp. 12/31/25)	<ul style="list-style-type: none">• Increases cap to \$40,000 (MFJ and single)/\$20,000 (MFS) for 2025-2029, with thresholds increasing 1% each year for 2026-2029• Phases down for income >\$500,000(MFJ)/(\$250,000 MFS), with a minimum allowable deduction of \$10,000• Permanently caps at \$10,000 starting in 2030• No change to PTET deduction rules



Individual Provisions: Deductions

Provision	Prior law	OBBBA
 <p>Charitable contributions</p>	<ul style="list-style-type: none"> Contributions only deductible if taxpayer itemizes deductions 60% of adjusted gross income (AGI) limit for cash contributions to public charities (exp. 12/31/25) 	<ul style="list-style-type: none"> Creates 0.5% of AGI floor for itemizers (eff. 2026) Permanently extends 60% of AGI limit Disallowed deduction carries forward only if there are other carryforwards from current year Permanently allows non-itemizers to deduct up to \$2,000 (MFJ)/\$1,000 (S) (eff. 2026)
 <p>Home mortgage interest</p>	<ul style="list-style-type: none"> Limited to interest on \$750,000 mortgage on primary and secondary home No deduction for interest related to home equity debt (exp. 12/31/25) 	<ul style="list-style-type: none"> Makes permanent Treats some mortgage insurance premiums as qualified interest (eff. 2026)
 <p>Car loan interest</p>	Not deductible	<ul style="list-style-type: none"> Creates above-the-line deduction of up to \$10,000 for new vehicles with final US assembly purchased after 12/31/24 Phases out for at a 20% rate when income exceeds \$200,000 (MFJ)/\$100,000 (S) Excludes leased vehicles 2025-2028

Individual Provisions

Provision	Prior law	OBBBA
 Trump accounts	N/A	<ul style="list-style-type: none">• Allows new tax-favored accounts to be established on behalf of a beneficiary under age 18, with contributions allowed no earlier than 7/4/26• Structured like an IRA with funds distributable after the beneficiary turns 18• Caps individual contributions at \$5,000 and employer contributions at \$2,500, both inflation adjusted• Creates pilot program for government-funded initial \$1,000 contribution for newborns born in tax years 2025 through 2028

Tips & Overtime

Provision	Prior law	OBBBA
 Tip income	Subject to income and payroll taxes	<ul style="list-style-type: none">• Creates above-the-line deduction of up to \$25,000• Payroll taxes still apply• Phases out for income exceeding \$300,000 (MFJ)/\$150,000 (S)• 2025-2028
 Overtime pay	Subject to income and payroll taxes	<ul style="list-style-type: none">• Institutes above-the-line deduction for up to \$25,000 (MFJ)/\$12,500 (S) of overtime pay• Payroll taxes still apply• Phases out for income exceeding \$300,000 (MFJ)/\$150,000 (S)• 2025-2028

Tips

No Tax on Tips → Deduction up \$25,000



- Above-the-line deduction; \$25,000 deduction cap per taxpayer
- Available **2025-2028 ONLY, effective 1/1/25**
- Qualified Tips:
 - “cash tips received by an individual in an occupation with customarily and regularly received tips on or before 12/31/24, as provided by the Secretary”
 - Must be paid voluntarily without any consequence in the event of non-payment
 - Not the subject to negotiation and determined by the payor
 - Specified Service Trades or Business (SSTB’s) are ineligible
- Limited based on modified adjustment gross income (MAGI)
 - Deduction is reduced by \$100 for each \$1,000 MAGI exceeds \$150K single (\$300K married)
- Withholding procedures will be modified to account for the new deduction

Overtime

No Tax on Overtime → Deduction up \$25,000

- Above-the-line deduction; \$25,000 deduction cap for joint returns, \$12,500 for all others
- Available **2025-2028 ONLY, effective 1/1/25**
- Qualified Overtime Compensation:
 - “overtime compensation paid to an individual required under section 7 of the FLSA of 1938 that is in excess of the regular rate”
- Limited based on modified adjustment gross income (MAGI)
 - Deduction is reduced by \$100 for each \$1,000 MAGI exceeds \$150K single (\$300K married)
- Qualified Tips eligible for deduction must be included on statements furnished to the taxpayer

Entity & Investor Provisions

Provision	Prior law	OBBBA
 <p>Qualified opportunity zone investments</p>	<p>Preferential capital gains treatment (exp. 12/31/25)</p>	<ul style="list-style-type: none"> • Renews and modifies program • Designates new zones, starting on 1/1/27 on a rolling 10-year basis • Modifies eligibility, definitions and other requirements
 <p>Exclusions for small business stock</p>	<p>100% exclusion of gain on the sale of qualified small business stock (QSBS) held more than 5 years</p> <p>75%/50% exclusion if stock was originally issued on or before certain dates before 2011</p>	<ul style="list-style-type: none"> • Adds partial exclusion for gain on stock held ≤5 years <ul style="list-style-type: none"> • 50%: >3 yrs • 75%: >4 years • Remainder taxed at 28% • Increases per-shareholder/taxpayer exclusion ceiling from \$10M to \$15M • Increases corporate-level gross assets ceiling from \$50M to \$75M

Opportunity Zones

Currently

- Under prior law Opportunity Zones (OZs) existed as a temporary policy that have been used as an economic development tool to revitalize distressed communities across the country
- The OZ program operates over a 10-year window and provides investors with 3 tax benefits for investing their unrealized capital gains into eligible distressed communities:
 1. A temporary deferral on taxes for capital gains rolled over from a non-OZ investment into a QOF to be invested into an OZ.
 2. A step-up in basis on their previously earned capital gains that were invested in a QOF
 - Investments held for 5 years receive a 10% step-up in basis and investments held for 7 years receive an additional 5% step-up in basis (for a total 15%)
 3. For investments held for at least 10 years, taxpayers receive a permanent exclusion of taxable income on the gains resulting from the original investment
- The initial OZ round is set to expire after December 31, 2026

Opportunity Zones (OZ)

Renewal & Enhancement of Benefit

- Establishes a permanent OZ policy that builds off the original structure
 - The second round of OZs will begin on **January 1, 2027 and end on December 31, 2033**
- Investments made in a QOF receive a single step-up in basis of 10% when held for at least 5 years
- Updates/narrows the definition of low-income community (LIC)
- Additional restrictions on certain contiguous tracts
- Creates special rules and expanded tax benefits (up to 35% basis step-up) for investments in

Qualified Rural Opportunity Funds

- This provision adds reporting requirements for the OZ program

Qualified Small Business Stock (QSBS)

Expansion of QSBS Gain Exclusion

- The OBBB Act changed Section 1202's five-year holding period requirement to percentage exclusions beginning at three years


Years Stock Held	Applicable %
3	50%
4	75%
5	100%

- Prior to the OBBBA's amendment, Section 1202's 100% gain exclusion was available for QSBS issued after 2010 if a taxpayer's holding period exceeded five years
- Exclusion increased from \$10M/10x adjusted basis→\$15M/10x adjusted basis (for married taxpayers)
- The changes apply to taxable years beginning after July 4, 2025
- Gross assets limit of the business (to be considered "small") \$50M→\$75M

Estate & Gift Tax



Estate, Gift & Trust

Provision	Prior law	OBBBA
 <p>Estate, gift and generation-skipping transfer (GST) tax</p>	<ul style="list-style-type: none">• \$13.99M lifetime exemption (exp. 12/31/25)• Transfer tax rate of 40%• GST-exempt status of a trust not impacted by transactions with other trusts	<ul style="list-style-type: none">• Permanently increases lifetime exemption amounts to \$15M/\$30M• Inflation-adjusted going forward

Energy Provisions



Energy-Related Provisions

Promotes domestic energy production

- Added metallurgical coal as a critical mineral to certain credits
- Permits credits for nuclear, geothermal and energy storage and provides an increased credit for certain advanced nuclear facilities in communities with a threshold amount of employment at such facilities

Energy-Related Provisions

Termination Acceleration

- Generally accelerates the termination dates of most provisions passed under the Inflation Reduction Act (IRA)
- Transferability, generally allowed as long as underlying credits are still available
 - Follows phaseout rules
 - Prohibits transfer of several credits to specific foreign entities

Energy

Provision	Law & Description	Expiration Date Prior Law	Expiration Date OBBBA
Incentives for Commercial Building	179D commercial construction; deduction for certain efficiency expenditures	No phaseouts or termination date	Jun 30, 2026
New Energy Efficient Home Credit	45L Homebuilder credit, \$5,000 credit per home	2032	Jun 30, 2026
Clean Vehicle	30D Available for qualifying vehicles, to help consumers acquire new electric vehicles	2032	Sept 30, 2025
Alternative Fuel Refueling Property Credit	30C 30% credit for advanced refueling (e.g. charging equipment) property placed in service in a given taxable year	2032	Jun 30, 2026
Energy Efficient Home Improvements	25C 30% of qualified energy efficient improvements, residential energy property	2032	Dec 31, 2025
Residential Clean Energy	25D 30% credit (e.g. solar panels)	2034 (2032 phasedown)	Dec 31, 2025

Energy

Provision	Law & Description	Expiration Date Prior Law	Expiration Date OBBBA
Commercial wind and solar investment	48E 30% credit for clean electricity investments (e.g. commercial solar)	No expiration	Dec 31, 2027
Advanced Manufacturing Productions Credit	45X , credit for energy production	2030-2032	No longer applies to wind after Dec 31, 2027
Commercial Clean Vehicle Credit	45W , up to \$40,000 credit	2032	Sept 30, 2025
Clean Electricity Production Credit	45Y , credit for energy facility production	No expiration	Terminated for wind/ solar facilities PIS after 12/31/27; all other 2032
Clean Electricity Investment Credit	48E , credit for clean electricity investment (commercial solar, wind, nuclear)	No expiration	Terminated for wind/ solar facilities PIS after 12/31/27; all other 2032

Useful Resources

[AICPA Summary Chart](#) – “Key Tax Provisions – Before and After OBBA”

Thank You!

