

**Tax & Finance Education  
Ryder Professional Group, Inc.**



**2025 Tax Update  
For  
Individuals & Business  
Tax Provisions of  
OBBBA**

**September 2025**

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**ABOUT THE AUTHOR**

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## INDIVIDUAL TAX PROVISIONS

### **Individual Tax Rates-Extension and Enhancement of reduced rates: 2026**

Extends individual tax rates implemented by TCJA (§1(j)), indefinitely past 2025.

Establishes a one-time additional inflation adjustment to the 10%- and 12%-income tax brackets for 2026.

### **Increased Standard Deduction- Extension and Enhancement: 2025**

Extends TCJA provisions for the individual standard deductions indefinitely past 2025 and increases the base amounts of standard deductions beginning January 1, 2025: (§63(c)(7))

#### **FILING STATUS:**

- Single or Married Filing Separate: \$15,750
- Married filing joint or Surviving Spouse: \$31,500
- Head of Household \$23,625

### **Personal Exemptions-Permanently Terminated Deduction**

Permanently eliminates individual tax exemptions disallowed under TCJA

### **Senior Deduction- New Temporary Deduction: Jan. 1, 2025, to Dec. 31, 2028**

Provides an extra \$6,000 deduction for taxpayers aged 65 or older for tax year years beginning January 1, 2025, to December 31, 2028. (§151(d)(5)(C)).

**Additional Senior Deduction:** \$6,000 per individual age 65 or older, begins phasing out at modified adjusted gross income of \$150,000 married filing joint and \$75,000 all other filing statuses except MFS. If the credit reduces taxable income to zero, no refund is available.

**Phase out:** The deduction for taxpayers whose MAGI exceeds the threshold is reduced by 6% of the amount MAGI exceeds the threshold, resulting in a complete phase out at \$250,000 MAGI for married filing joint and \$175,000 for other filing statuses.

**Filing Status Limitation:** Generally, permitted filing statuses will be single, head of household, surviving spouse or married filing joint. The code indicates if married spouses do not file a joint return the deduction is not allowed, the code disallows the deduction for MFS. See §7703 for information on marital status and instances when the taxpayer may be considered unmarried. We expect additional IRS guidance

**Additional Standard Deduction:** Also permitted for over 65 or blind.

**SSN Required:** Each individual must have a valid SSN to claim the increased deduction.

### **Increased Child Tax Credit- Extension & Enhancement: 2025**

**Child Tax Credit:** Increases child tax credit to \$2,200 per qualified child beginning January 1, 2025. (§24(h)) The CTC will be adjusted for inflation in \$100 increments after 2025. And increases the refundable portion to \$1,700, which may also be increased for inflation after 2025.

**SSN Required:** Each individual claiming the child tax credit must have a valid SSN, in the case of married filing joint at least one spouse must have a valid SSN and in all

cases the child must have a valid SSN. All SSNs must be acquired by the due date of the return, including extensions.

**Child & Dependent Care Tax Credit- Enhancement: Jan.1, 2026**

Generally, this provision increases the maximum credit rate to 50%, up from 35%, reduced by 1% point, but not below 35%, for each \$2,000 or fraction thereof by which the taxpayer's AGI exceeds \$15,000.

For AGIs between \$43,001 and \$75,000 (\$86,001 and \$150,000 MFJ), the credit rate is 35%. This 35% credit rate is further phased down to 20% for AGIs between \$75,001 and \$105,000 (\$150,001 and \$210,000 MFJ). individuals with AGI over \$105,000 (\$210,000 MFJ) remain at 20%, without an increased credit rate.

**Dependent Care Assistance Program- Enhancement: Jan.1, 2026**

Generally, this provision increases an employee's exclusion for dependent care assistance up to \$7,500 annually (\$3,750 MFS), up from \$5,000 (\$2,500 MFS).

**American Opportunity & Lifetime Learning Credits- SSN Required: After 2025**

This provision requires a student claiming the American Opportunity Tax Credit and Lifetime Learning Credit (or a taxpayer filing on behalf of the student) to have a Social Security number in order to qualify for the credit.

In the case of a single taxpayer, they must have a valid SSN, if only one parent is filing a return and claiming the credit for the dependent both the parent and dependent must have a valid SSN. In the case of a joint return claiming the credit for the dependent, then the dependent and at least one spouse must have a valid SSN.

**No Tax on Tips- Temporary Deduction: 2025 to 2028**

Generally, the below the line tips deduction of up to \$25,000 is available to taxpayers who receive tips in the course of their employment or trade or business. The \$25,000 limit is per tax return, see below. The deduction is subject to a MAGI phase out.

**Filing Status Limitations:** Generally, permitted filing statuses will be single, head of household, surviving spouse or married filing joint. The \$25,000 limit is per tax return and not permitted if filing married filing separately (there is no provision to take ½ the deduction for MFS) See §7703 for information on marital status and instances when the taxpayer may be considered unmarried. We expect additional IRS guidance

**Deduction for Qualified Tips:** Qualified Tips may be deducted on an individual's income tax return up to \$25,000. The deduction is available for non-itemizers. Taxpayers who receive qualified tips in the course of their trade or business (non-SSTBs) may also be eligible for the deduction.

**Tips Deduction Limited by MAGI:** The \$25,000 deduction is reduced by \$100 for each \$1,000 MAGI exceeds \$300,000 MFJ, (\$150,000 all other filing statuses).

**Qualified Tips Defined:** "Qualified tips" means cash tips received by an individual in an occupation which customarily and regularly received tips on or before December 31,

2024. Qualified tips must be reported on Form W-2, Form 1099-NEC, or Form 1099-K or reported by the taxpayer on Form 4137.

**TAX NOTE:** The new tax bill indicates the U.S Treasury has 90 days after enactment to publish a list of occupations which customarily and regularly received tips on or before December 31, 2024

**TAX NOTE:** “Cash Tips” means paid by money not property. Money includes cash, checks, credit cards, or other means of electronic payments.

**Qualified Tips May Not be Condition of the Sale or Service:** Tips received must be voluntarily given by the payee, not required as a condition of receiving service, nor negotiated by the recipient, nor imposed as a specific payment, for example, related to required service fees for large parties at restaurants.

**Tips Earned in the Course of Trade or Business:** The tips deduction is only available for business owners with a net profit for the business for the year, and only up to the amount of the profit. Gross income including any qualified tips must exceed business expenses for the year.

**Businesses Classified as SSTBs:** Tips received by a business owner operating a business classified as a Specified Services Trade or Business (SSTB) under §199A(d)(2), are not eligible for the tips deduction. Also, an employee of a firm which falls under the classification of (SSTB) are not eligible for the tips deduction on tips received as an employee of the business.

**Qualified Business Income (QBI) Reduced by Tips Deduction:** Business owners taking a deduction for qualified tips must reduce their QBI income by the amount of the tips deducted related to that business.

**SSN Required:** Taxpayers reporting a deduction for tips earned must have a valid SSN. In the case of a joint return both spouses must have a valid SSN, not just the spouse earning the tips.

**New Employer and Business Reporting Requirements Related to Tips:** The bill includes new requirements for employers, businesses subject to Form 1099-NEC reporting and third-party settlement organizations subject to Form 1099-K reporting requirements to allocate payments specifically for tips and to report the occupation of the payee.

**Extension of Employer Tips Credit to Beauty Service Businesses:** The employer tips credit reported on Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, has been expanded for hair care and beauty service employers. Including the following operations:

- Barbering and hair care.
- Nail care.
- Esthetics.
- Body and spa treatments.

### **No Tax On Overtime- Temporary Deduction: 2025 to 2028**

Generally, a below the line deduction for overtime earned is available for taxpayers for the amount of overtime paid in excess of their regular hourly rate, subject to a \$12,500 Limit (\$25,000 MFJ) and a MAG

**Filing Status Limitations:** Generally, permitted filing statuses will be single, head of household, surviving spouse or married filing joint. The code indicates if married spouses do not file a joint return the deduction is not allowed, even though the deduction for MFJ is \$25,000 and other filing statuses is half of that amount, the code still disallows the deduction for MFS. See §7703 for information on marital status and instances when the taxpayer may be considered unmarried. We expect additional IRS guidance

**Deduction For Qualified Overtime Compensation:** Overtime compensation reported to the taxpayer on Form W-2 or Form 1099-NEC may be eligible for deduction of up to \$12,500 (\$25,000 MFJ).

**Overtime Deduction Limited by MAGI:** The overtime deduction is reduced by \$100 for each \$1,000 MAGI exceeds \$300,000 MFJ, (\$150,000 all other filing statuses).

**Qualified Overtime Defined:** “Qualified overtime” is compensation under paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in **excess of the regular rate** at which such individual is employed. Therefore, for the purposes of the deduction only payments above the regular wage rate are qualified. Note, any tips received are not eligible for the overtime deduction.

**New Employer and Business Reporting Requirements Related to Overtime:** The bill includes new requirements for employers and businesses subject to Form 1099-NEC reporting to allocate payments specifically between regular pay and overtime pay on W-2s and 1099-NECs. And in the case of Form 1099-NEC reporting also to include the occupation of the payee.

**SSN Required:** Taxpayers reporting a deduction for overtime must have a valid SSN. In the case of a joint return both spouses must have a valid SSN, not just the spouse earning overtime.

### **No Tax on Car Loan Interest- Temporary Deduction: 2025 to 2028**

Generally, a below the line deduction for interest paid on new passenger vehicles is available to taxpayers in an amount up to \$10,000 per year for eligible interest paid on a first lien on a new vehicle purchased for personal use, subject to a MAGI phaseout.

**No Filing Status Limitations:** The deduction is up to \$10,000 per return, regardless of filing status.

**Deduction For Qualified Passenger Vehicle Loan Interest:** \$10,000 deduction permitted for qualified passenger loan interest, subject to a MAGI limitation. For the purposes of the deduction, the code refers to any *interest which is paid or accrued during the taxable year on indebtedness incurred by the taxpayer after December 31, 2024, for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use.*

**Eligible Loan Interest:** Interest paid to purchase a new personal vehicle. And interest paid for refinancing of a loan secured by a first lien is eligible but only up to the amount of the old loan which was refinanced. And interest paid to a related party for refinancing is not eligible.

**Interest Deduction Limited by MAGI:** The interest deduction is reduced by \$100 for each \$1,000 MAGI exceeds \$200,000 MFJ, (\$100,000 all other filing statuses).

**Applicable passenger vehicle:** For the purposes of the deduction an applicable passenger vehicle includes the following:

- Original use of which commences with the taxpayer,
- Which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails),
- Which has at least 2 wheels,
- Which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,
- Which is treated as a motor vehicle for purposes of title II of Clean Air Act, **and**
- Which has a gross vehicle weight rating of less than 14,000 pounds. Such term shall not include any vehicle the final assembly of which did not occur within the United States.

**Exceptions:** No deduction is permitted in the following instances:

- A loan to finance fleet sales.
- A loan incurred for the purchase of a commercial vehicle that is not used for personal purposes.
- Any lease financing.
- A loan to finance the purchase of a vehicle with a salvage title.
- A loan to finance the purchase of a vehicle intended to be used for scrap or parts.
- Any loan for a vehicle without a VIN

**New Reporting Requirements Related to Passenger Vehicle Interest:** The bill includes new requirements for car dealers and finance companies to report passenger vehicle interest on behalf of the taxpayer.

**Note:** Interest for the purchase of business vehicles is always deductible for new or used vehicles.

**Estate and Gift Tax Exemption Amounts- Extension & Increased. Jan.1, 2026,**

Individual estate tax exemption increased to \$15,000,000, up from \$5,000,000 prior to TCJA which was then doubled to \$10,000,000 under TCJA. The increased \$15,000,000 deduction will be indexed annually for inflation in \$10,000 increments after tax year 2026.

**AMT Exemption- Extension & Modification Phaseout Thresholds: 2026.**

Permanently extends the increased individual **alternative minimum tax exemption** amounts and reverts the exemption phaseout thresholds to 2018 levels of \$500,000 (\$1,000,000 MFJ), indexed for inflation after 2025.

However, accelerates the exemption phaseout by reducing the exemption amount by 50%, up from 25%, of the amount by which the taxpayer's alternative minimum taxable income exceeds the threshold amount.

**Advance Payment Premium Tax Credit- Eliminating Recapture Limitation: 2026**

For taxpayers who purchase their health insurance through a state Marketplace Exchange, this provision removes the limitation on the amount of excess advance premium tax credit that the IRS can recover from a taxpayer when they file their return if the amount of advance payments (insurance subsidies) the taxpayer received, reported on Form 1095-A, exceeds the amount of premium tax credit the taxpayer was entitled to based on income reported on their individual tax return.

**Health Savings Accounts- Allow Bronze & Catastrophic Eligible Plans: 2026**

This provision clarifies that any Bronze or Catastrophic plan offered for the individual market on a state Marketplace Health Insurance Exchange qualifies as a high-deductible health plan (HDHP), for the purpose of funding an H.S.A.

**Adoption Credit- Enhancement: Jan. 1, 2025**

Generally, this provision makes the adoption tax credit partially refundable up to \$5,000, which will be indexed for inflation in \$10 increments after 2025. And limits carryover of the credit to the non-refundable portion.

**Adoption Credit: Indian Jurisdiction May Determine Special Needs Child: 2025**

Generally, this provision adds an Indian tribal government to the same level as a state for the purposes of determining whether a child has special needs for the purposes of the adoption tax credit.

**SALT Limitation on Individual Deductions- Modified: 2025 to 2029**

Beginning January 1, 2025, through December 31, 2029, the SALT limitation increases to \$40,000 for tax year 2025 and increases by 101% for subsequent tax years after 2025 through 2029. An additional limitation has been implemented by reducing the applicable SALT limitation by 30% of the amount MAGI exceeds \$500,000 (\$250,000 MFS for 2025) and the threshold increases by 101% of the prior year threshold through 2029.

**A SALT deduction** reduced by the threshold limitation is not reduced below \$10,000 (\$5,000 MFS).

**Applicable State & Local Tax (SALT) Deduction:**

- 2025 \$40,000 (\$20,000 MFS)
- 2026 \$40,400 (\$20,200 MFS)
- 2027 \$40,804 (\$20,402 MFS)
- 2028 \$41,212 (\$20,606 MFS)
- 2029 \$41,624 (\$20,812 MFS)
- 2030 \$10,000 (\$5,000 MFS)

**State & Local Tax (SALT) Deduction Limitation Threshold:**

Applicable SALT deduction reduced by 30% of the amount modified gross income (MAGI) exceeds current year threshold.

### **Threshold Amounts Increased by 101% of Prior Year Threshold after 2025**

- 2025 \$500,000 (\$250,000 MFS)
- 2026 \$505,000 (\$252,500 MFS)
- 2027 \$510,050 (\$255,025 MFS)
- 2028 \$515,150 (\$257,575 MFS)
- 2029 \$520,302 (\$260,151 MFS)
- 2030 N/A

**TAX NOTE:** No changes to Pass-through Entity Elective Tax credits (PTETs), therefore SALT cap workarounds implemented by many states are preserved.

### **Qualified Residence Mortgage Interest Deduction- Extended Permanent Limitation: 2026**

- **Deductible home mortgage interest:** Permanently extends the limit on deductible mortgage interest to \$750,000 of qualified acquisition debt after 2017 (§163(h)(3)(F)).

### **PMI Permitted as qualified residence interest: Begin 2026**

- **Mortgage Insurance Premiums:** PMI will be deductible beginning January 1, 2026, subject to pre-TCJA AGI limitations.

### **Personal Casualty Loss Deduction Limits Extended & Adds State Disasters: 2026**

- **Personal Casualty Losses:** This provision makes the disallowance of the deductibility personal casualty losses permanent unless in the case of a loss related to a **federally declared disaster** and adds **State declared disasters** to the eligible losses. (§165(h)(5))
- **State Declared Disasters:** Adds “**state declared disasters**” to eligible personally casualty losses if the disaster was declared by the Governor of the state and has the approval of US Treasury. State declared disasters also include certain U. S. Territories such as Puerto Rico.

**TAX NOTE:** State Declared Disasters May not be Eligible for the Highest Level of Federal Tax Deduction for Disaster Losses. See IRS Pub. 547 and watch this space for more information.

### **Extension of Dates for Qualified Disaster Loss Deductions: 2025**

Generally, the new OBBB, replaces references for related eligible dates from the Taxpayer Certainly and Disaster Tax Relief Act of 2020 for the purpose of applying §304(b). These **eligibility dates** were last updated by the Federal Disaster Tax Relief Act of 2023 which was signed into law on December 12, 2024.

The applicable dates for taxpayers qualifying for eligible tax treatment for a **Qualified Disaster Loss** are extended to include a major disaster (FEMA code “DR”) declared by the President during the period between January 1, 2020, and September 3, 2025.

Also, the disaster must have an incident period that began on or after December 28, 2019, and on or before July 4, 2025, and must end no later than August 3, 2025.

This legislation, which extends the current dates for determining if a taxpayer is eligible to deduct their disaster losses as a **Qualified Disaster Loss**, affords eligible taxpayers the opportunity to avoid the 10% AGI limitation and permits non-itemizers to take a federal casualty loss deduction.

**Begin July 4, 2025, date of enactment to when next disaster legislation is passed.**

The rules established by Taxpayer Certainly and Disaster Tax Relief Act of 2020 mandate that the applicable dates for deducting a federal **Qualified Disaster Loss** will be subject to the dates implemented the last time section 304(b) of the act is updated as follows:

- Disaster **declared** by President no later than 60 days after enactment of new bill.
- **Incident period which began** on or before date of enactment of new bill, **and**
- **Incident period which ends** no later than 30 days from enactment of new bill.

**TAX NOTE: Federal Disasters After Latest Bill (OB BB) Not “Qualified”**

As federal disaster law is currently written, any federally declared disasters which occur after the last time the “federal disaster tax dates” have been “rolled” by new legislation will not be eligible for the highest level of federal tax deduction, known as a Qualified Disaster Loss, permitting the taxpayer to avoid the 10% AGI limitation and permitting a taxpayer to deduct the loss without itemizing.

As of this writing residents of Texas who sustained losses related to the sudden floods on during the night of July 4<sup>th</sup> should qualify because their incident period began by date of enactment of the bill but they also need the president to declare this tragedy a federal disaster by September 2, 2025 (60 days).

**Misc Itemized Deductions Other Than Educator Expenses-Terminated: 2026**

- **Miscellaneous Itemized Deductions (2% floor):** Permanently terminates deductions for miscellaneous itemized deductions subject to the 2% floor. (§67(b))
- **Deduction for Educator Expenses Expanded:** Removes unreimbursed employee expenses for **eligible educators** from the list of miscellaneous itemized deductions. And includes athletic coaches and other sports educators and administrators as eligible educators. And removes the criteria for materials and supplies of “use in the classroom” to permit athletic equipment and other education supplies.
- An eligible educator is an individual who is a kindergarten through grade 12 teacher, instructor, counselor, interscholastic sports administrator or coach, principal or aid in a school.
- Unreimbursed employee expenses for eligible educators include expenses such as books, supplies, computer equipment and supplementary materials used by eligible educators as part of instructional activity (§67(g)) **Begin 2026 to PERMANENT**

**Note:** It appears these expenses will be deductible on Schedule A, not subject to the 2% floor if an educator's expenses exceed the amounts permitted for the deduction on Schedule 1. We expect additional guidance.

#### **Itemized Deductions Limitation on Tax Benefit: 2026**

**Deduction for Itemized Deductions Limited:** Only for high income taxpayers in the 37% federal tax bracket, this provision reduces the amount of deductible itemized deductions by **2/37<sup>th</sup>** of the **lesser of:**

- Amount of itemized deductions, **or**
- Amount of taxable income in excess of the income bracket for the 37% rate for that taxpayer.

#### **Qualified Transportation Fringe Benefits Exclusion Modified: 2026**

- **Exclusion for qualified bicycle commuting reimbursement:** Permanently eliminates the exclusion for qualified bicycle commuting reimbursement. (§132(f))
- **Exclusion for other qualified commuting reimbursement:** An additional year of inflation adjustment added.

#### **Moving Expenses Extended Only for Military & Added Intelligence Personnel: 2026**

**Deduction for Moving Expenses Permanently Eliminated:** Except for active-duty military and adds members of the Intelligence Community as eligible for the deduction.

#### **Gambling Losses- Extension & Modification of Limitation on Wagering Losses: 2026**

**Deduction for Gambling Losses Limited to 90% of Losses:** Beginning 2026, 90% of gambling "wagering losses" are deductible up to the amount of gambling winnings for the tax year. Note, the 90% limit is on the deductible gambling losses which may be used to offset reportable gambling winnings (W-2G, Form 1099-MISC, Box 3, etc.)

Until IRS guidance is issued, we expect the deduction for above the line gambling same day losses or same day session netting losses will also be reduced by 90% when reported on Form 1040, Schedule 1. It is also presumed the 90% loss limitation will also apply to professional gamblers.

#### **Charitable Contributions for Non-Itemizers: Partial Deduction: 2026**

Generally, this provision permanently extends the below-the-line deduction for charitable contributions for non-itemizers. And increases the deduction to \$2,000 for married filing joint and \$1,000 for all other taxpayers.

#### **Charitable Contributions New 0.5% Floor for Individuals: 2026**

Generally, this provision imposes a .5% (1/2%) floor on charitable contributions for taxpayers who elect to itemize for taxable years after December 31, 2025. Specifically, the amount of an individual's charitable contributions for a taxable year is reduced by .5% (1/2%) of the taxpayer's contribution base for the taxable year. The contribution base is the taxpayer's adjusted gross income (AGI), computed without regard to the charitable deduction and any net operating loss carrybacks. Amounts limited by the new .5% floor may be carried over for five years.

Additionally, the provision would permanently extend the increased contribution limitation of 60% of the taxpayer's contribution base for cash gifts made to qualified charities.

#### **Charitable Contribution Tax Credit Donations to for Scholarship Granting Org: 2027**

Generally, this provision creates a new income tax credit for individuals who make charitable contributions made to tax-exempt organizations that provide scholarships to elementary and secondary school students.

The tax credit allowed may not exceed \$1,700 and any unused portion may be carried over for 5 years. No double benefit, no portion of contributions which receive a state credit are eligible contributions for this credit. And no contributions used for this credit may be deducted as a charitable contribution.

Students who receive scholarships from an eligible organization must be members of a household with an income not greater than 300% of the area median gross income and be eligible to enroll in a public elementary or secondary school.

#### **Student Loan Discharge- Exclusion from Income Due to Death/Disability: 2026**

- Exclusion from Income of Student Loans Discharged due to death or disability made permanent.
- Valid SSN required for the exclusion.

#### **Employer Payments of Student Loans- Exclusion for: 2026**

Generally, this provision modifies the current \$5,250 limit on tax free employer benefits for payment of student loans to include an adjustment for inflation in \$50 increments.

#### **Sinai Peninsula & Other Areas Extension of Tax Treatment Certain Individuals:2026**

Permanently lists the Sinai Peninsula, in addition to Kenya, Mali, Burkina Faso and Chad, as qualified hazardous duty areas for tax purposes.

#### **Money Transfers to Family Members: Excise Tax on Certain Money Transfers: 2026**

This provision implements a 1% excise tax on remittance transfers of cash or cash equivalents (Money Orders, Cashier's Checks, Etc.), to be paid by the sender and collected by the transfer provider and remitted to the U. S. Treasury quarterly.

For purposes of this provision, it appears to be focused specifically on the cash economy, not necessarily transfers to family members in other countries. Transfers funded by funds from a U.S bank account, U.S. debit card or credit card are exempt from the fees. However, even transfers within the U.S. are subject to the excise tax if they are funded by cash, cashier's check or money order.

### **RETIREMENT, SAVINGS ACCOUNTS, & EDUCATION ACCOUNTS (§529)**

#### **ABLE Accounts-Extension & Enhancement of Increased Contributions:2026**

Additional Contributions to ABLE Accounts made permanent: Qualified individuals with a disability who are employed are eligible for an additional contribution to their ABLE Account (**Achieving a Better Life Experience**) equal to the *lesser of:*

- (1) the applicable federal poverty level for a one-person household in the prior year, *or*

(2) the beneficiary's compensation for the year

To qualify, neither the working beneficiary nor their employer may contribute to a defined contribution plan (e.g., a 401(k) plan) on their behalf.

**ABLE Account- Savers Credit Extension & Enhancement: 2027**

Eligible ABLE account beneficiaries' contributions eligible for Saver's Credit made permanent: Designated ABLE account beneficiaries who make qualified contributions to their accounts to qualify for the Saver's Credit.

**Increased Saver's Credit:** Beginning 2027 the Saver's Credit is increased to \$2,100 for eligible individuals, up from \$2,000.

**Note:** The code in OBBB appears to indicate that Section 103, of SECURE 2.0, converting the Saver's Credit to a Saver's Match has been repealed.

**ABLE Accounts-Extension of Rollovers from Qualified Tuition Program: 2026**

Tax-free rollovers from §529 plans to ABLE accounts made permanent: Designated ABLE account beneficiaries may make tax-free rollovers of amounts in §529 qualified tuition programs to qualified ABLE programs.

**529 Accounts-Additional Expenses Treated as Qualified for Higher Education:2026**

Generally, this provision doubles the applicable annual limit of distributions from §529 plans for K-12 education expenses from \$10,000 to \$20,000.

And enhances permitted expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school to eligible expenses paid from §529 accounts.

**These costs include:**

- Tuition.
- Curriculum and curricular materials.
- Books or other instructional materials.
- Online educational materials.
- Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and
  - Is licensed as a teacher in any State,
  - Has taught at an eligible educational institution, **or**
  - Is a subject matter expert in the relevant subject.
- Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.
- Fees for dual enrollment in an institution of higher education.
- Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

### **529 Accounts-Qualified Higher Education Expense “Credential Program”: July 5, 2025**

Beginning day after enactment, July 5, 2025, generally, this provision allows tax-exempt distributions from §529 plans, to be used for additional qualified higher education expenses, including “**qualified postsecondary credentialing expenses**” in connection with “**recognized postsecondary credential programs**” and “**recognized postsecondary credentials**”.

Post secondary credential programs are educational programs, beyond high school, that lead to a formal award or certification, demonstrating a student's acquired knowledge, skills, and experience, and may include trade schools teaching skills for a specific job or occupation.

### **Trump Accounts and contribution pilot program: BEGIN July 6, 2026.**

Generally, Trump accounts are tax deferred savings accounts intended to be started early for young children. Parents of a child may open a Trump account for their child. These accounts are eligible to receive contributions from parents, relatives, and other entities, such as a teenage child's employer or a child's parent's employer. as well as non-profit and government entities facilitated by U. S. Treasury.

Eligible children must be U.S. citizens and at least one parent must provide their SSN. Trump account funds must be invested in a diversified fund that tracks an established index of U.S. equities.

**Contributions:** Generally, no contributions will be accepted for these accounts until 1 year after the enactment, July 4, 2026. Contributions are limited to \$5,000 annually, per account, of after-tax dollars to a Trump account from family members and friends. The \$5,000 contribution limit is indexed for inflation. Contributions to a Trump Account are not tax deductible and funds received from employers or other agencies are generally excluded from taxable income of the child or parents.

Contributions provided to Trump accounts from tax exempt entities, such as private foundations, are not subject to the \$5,000 annual limit. These contributions from unrelated third parties must be provided to all children within a qualified group (i.e. all children in a state, specific school district or educational institution, etc.).

**Distributions:** Trump account holders may not take distributions until age 18. See *TAX ANALYSIS: Tax on Trump Account Distributions*, below.

**Pilot Program U.S. Treasury Contributions:** For U.S. citizens born between January 1, 2025, and December 31, 2028, the federal government may contribute \$1,000 per child into every eligible account. For newborns, Trump accounts may be opened by parents or guardians. To be eligible to open an account and receive the \$1,000 contributions, the child must be a U.S. citizen at birth and both parents must provide their SSNs.

The final provisions for Trump Accounts changed substantially from the House version of the bill to the Senate version of the bill which was ultimately signed in to law. We expect substantial further guidance to be published related to these accounts

### **TAX ANALYSIS: Tax on Trump Account Distributions**

Using annuity rules, for a lump sum payment (408(e)(2)), the portion of the distribution allocated to income from the investment is includable in gross income and the portion of the distribution allocated to the investment is excluded from gross income.

**Per §530A(d)(2) the investment in the contract (account) shall *not* include:**

“(A) any qualified general contribution: (Generally, payments made by US Treasury or a charitable organization or other entity making a contribution to a Trump account of an eligible beneficiary before the age of 18)

“(B) any contribution provided under new §6434, (Generally, a payment made directly to the Trump account from an election made by the parents on Form 1040 which will then be direct deposited to the Trump account.) **and**

“(C) the amount of any contribution which is excluded from gross income under new §128: (New §128. Employer contributions to Trump accounts.)

**CAUTION:** Rollovers from other Trump accounts are not mentioned above, and may include funds listed in (A), (B), or (C), above.

**NOTE:** Trustees handling the Trump accounts (banks) are required to issue annual reports similar to Form 5498 for IRAs, which should report the amount of the “investment” in the account, what we don’t know yet is will the reported “investment” use the rules for §530A(d)(2) or not?

Therefore, tax on a distribution from a Trump account would be calculated as ordinary income on the portion of the distribution which represents a ratio of earnings and excluded investments (lines A, B, and C, above) to the balance in the account which may also be comprised of non-deductible contributions to the account.

The financial benefit of Trump accounts are the tax deferred compound earnings and contributions from the US Treasury and other qualified organizations or employers which are funded in a child’s early years providing funds for education, investing in a business or farm, or purchasing a home after the child reaches adulthood.

## **ENERGY CREDITS FOR INDIVIDUALS, RENTALS, SMALL BUSINESS**

### **Termination of Previously Owned Clean Vehicle Credit: Sept. 30, 2025.**

§25E, repealed after September 30, 2025.

### **Termination of Clean Vehicle Credit: Sept. 30, 2025**

§30D, repealed after September 30, 2025.

### **Termination of Qualified Commercial Clean Vehicles Credit: Sept. 30, 2025**

§45W, repealed after September 30, 2025.

**Termination of Alternative Fuel Vehicle Refueling Property Credit: June 30, 2026**  
§30C, repealed for property placed in service after June 30, 2026.

**Termination of Energy Efficient Home Improvement Credit: Dec. 31, 2025**  
§25C, repealed for property placed in service after December 31, 2025.

**Termination of Residential Clean Energy Credit: Dec. 31, 2025**  
§25D, repealed 30% solar credit with respect to expenditures made after Dec. 31, 2025

**Note:** Generally, the Investment Tax Credit for solar property installed for rentals and commercial buildings will be terminated for facilities placed in service after Dec. 31, 2027, if construction begins more than 12 months after enactment.

**See Energy Credits & Deductions for Business**, later in the material, for information on the solar credit for rentals and commercial property and other provisions.

## INVESTMENTS

**Qualified Opportunity Zones-Permanent Renewal & Enhancement: Jan. 1, 2027**  
Generally, this provision establishes a permanent Opportunity Zone tax policy that builds off of the original structure implemented for TCJA. The provision creates rolling, five-year QOZ designations, rolling deferrals of gain invested and rolling step-up in basis. The Act also includes additional favorable tax treatment for QOZ investments held at least 10 years.

This provision maintains QOZ designation processes from TCJA and strengthens the eligibility requirements by updating the definition of a Low-Income Community (LIC) and eliminating the ability for contiguous tracts that are not LICs to be designated as QOZs.

The definition of “low-income community” is narrowed to census tracts that have a poverty rate of at least 20% or a median family income that does not exceed 70% of the area median income.

Additionally, the provision establishes a type of QOF that invests solely in rural areas. Investment in these “**qualified rural opportunity funds**” will receive triple the step-up in basis. And a special rule is created that lowers the “substantial improvement” threshold of existing structures from 100% to 50% in rural areas.

The first round of OZs available under the permanent policy will begin on January 1, 2027

**Qualified Small Business Stock Gain Exclusion- Expanded: Begin July 5, 2025**  
Generally, this provision modifies the Qualified Small Business Stock (QSBS) gain exclusion by providing a tiered gain exclusion for QSBS acquired after the date of enactment.

The provision allows a 50% exclusion after three years, 75% after four years and 100% after five years. The annual applicable amount of excludable gain for stock acquired on or before date of enactment is \$10,000,000 (\$5,000,000 MFS), and \$15,000,000 (\$7,500,000 MFS) for stock acquired after date of enactment, adjusted for inflation after 2027.

For stock issued after the applicable date, the corporate-level aggregate-asset ceiling is increased to \$75 million, indexed for inflation beginning in 2027. Also, increases the per-issuer dollar cap to \$15 million for post-enactment shares, indexed for inflation beginning in 2027.

### **Capital Gains from Sale of Certain Farmland Property: Begin July 5, 2025**

Generally, this provision permits eligible farmers to elect to pay the federal tax on gains from the sale or exchange of qualified farmland in equal installments over four tax years.

**Qualified Farmer Defined:** An individual who is actively engaged in farming.

**Qualified Farmland Defined:** Real property located in the U. S. which: has been used by a taxpayer for farming purposes or leased to a qualified farmer for farming purposes for substantially all of the 10-year period prior to the sale or exchange **and** the use of the property is restricted to farming purposes for 10 years after the date of sale.

#### **Special Rules:**

- The election will be made at the partner or shareholder level for property held and sold or exchanged by partnerships, LLCs, or S corporations.
- Certain events may cause the unpaid annual installments to be accelerated, such as death of the taxpayer or cessation of business.

## **BUSINESS PROVISIONS**

### **INFORMATION RETURNS:1099-MISC,1099-NEC,1099-K, DIRECT FILE**

#### **Form 1099-K-Return to Pre-ARPA De Minimis Rules for Transactions: 2025**

Generally, this provision reverts reporting requirements for Third Party Network Payment Transactions, filing Form 1099-K, to pre-ARPA levels of payments to payees unless they have earned more than \$20,000 *and* had more than 200 separate transactions in an applicable tax period. This should eliminate many Form 1099-Ks from being issued to taxpayers for personal, non-taxable transactions.

#### **Form 1099-NEC & 1099-MISC Increase Threshold for Filing Requirement: 2026**

Generally, this provision increases Form 1099-MISC and Form 1099-NEC filing thresholds from \$600 to \$2,000. This new threshold will be increased for inflation in future years in \$100 increments. The \$2,000 threshold takes effect for payments made in tax year 2026, to be filed in 2027.

#### **Task force on the replacement of Direct File.**

An analysis to be presented to Congress by U.S. Treasury within 90 days of enactment. This provision mandates that though the IRS Direct File Program will not be terminated yet, the Treasury department is tasked with investigating and developing possible public-private partnerships that are focused on providing free tax filing for eligible taxpayers.

## QBI, §199A, QUALIFIED BUSINESS INCOME DEDUCTION

**§199A Deduction for Qualified Business Income- Extension & Enhancement: 2026**  
QBI rate remains the same at 20% and the rules for annual income thresholds for phaseouts and the limited QBI deduction for Specified Service Trades or Businesses (SSTBs) also remain the same. (§199A).

### QBI Phase out thresholds increased:

- **Married filing joint:** Increases phase out ranges from \$100,000 in excess of the threshold to **\$150,000** for married filing joint.
- **All other filing statuses:** Increases the phase out range from \$50,000 to \$75,000 in excess of the threshold.

**Minimum QBI Deduction:** Taxpayers with at least \$1,000 of QBI income from all trades or businesses in which they materially participate are eligible for a minimum \$400 QBI deduction. This minimum deduction will be indexed for inflation after 2026.

**TAX NOTE: OBBB Introduces the term “Active Qualified Trade or Business”** related to the new \$400 minimum QBI deduction. But this term is not in the original §199A text and does not appear to apply to the 20% QBI deduction for eligible trades or businesses, which is deemed to include rental activity in which the taxpayer may not materially participate.

## PTET, PASS-THROUGH ENTITY TAX ELECTION

No changes to Pass-through Entity Elective Tax credits (PTETs), therefore SALT cap workarounds implemented by many states are preserved. Generally, many taxpayers may still benefit from making PTET election even with the Schedule A SALT cap expanded to \$40,000, with a phase out beginning at \$500,000 MAGI (\$250,000 MFS).

At the time of this writing IRS notice 2020-75 is still applicable guidance for the federal deduction for PTET.

## DEPRECIATION

### **Bonus Depreciation (§168(k)- Full Expensing for Business Property: Jan. 20, 2025**

Generally, the application of §168(k) for the additional first-year depreciation deduction has not changed, however, this bill left in place the 40% expense deduction for property acquired from January 1, 2025, to January 19, 2025, and provides 100% expensing for eligible property (including certain plantings and graftings) acquired after January 19, 2025. Permanently eliminating the phase down of applicable percentages for property acquired after January 19, 2025.

The increased 100% bonus depreciation deduction also provides a transition period permitting taxpayers to elect 40% or 60% (in the case of certain property with longer construction periods), instead of 100%, if it benefits their tax planning.

“Longer Production Period Property” under §168(k)(2)(B), is generally a large asset, such as an airplane, with a production period of greater than 1 year and a recovery period of at least 10 years. Also see Rev. Proc. 2011-26.

**100% Deduction Acquisition Date Defined:** The content below copied directly from the text of the bill, indicates that taxpayers will not be able to rely on “the placed in service date” for assets acquired prior to January 20, 2025, but placed in service January 20, 2025, or later.

**(1) IN GENERAL:** Except as otherwise provided in this subsection, *the amendments made by this section shall apply to property acquired after January 19, 2025.*

**ACQUISITION DATE DETERMINATION:** For purposes of paragraph (1), property *shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.*

### **§179- Increased Limitations for Expensing Certain Depreciable Assets: Jan. 1, 2025**

Generally, §179(b) is amended to increase the dollar amount of §179 expense permitted for a taxable year from \$1 million to \$2.5 million. And increasing the dollar amount by which the §179 expense deduction would be limited by assets placed in service for the year from \$2.5 million to \$4 million. These revised §179 amount limits will be adjusted for inflation for taxable years beginning after 2025.

### **New! Special 100% Depr Qualified Production Property: Jul. 5, 2025, to Dec 31, 2030**

Generally, §168 adds section (n) providing 100% additional first year depreciation for a new category, **Qualified Production Property**. Qualified production property is the **portion of a commercial building used for agricultural and chemical manufacturing, production, or refining of any tangible personal property, other than food or beverages produced in a retail establishment for sale on the premises.** Begins July 5, 2025 (day after enactment) to December 31, 2030

**Qualified Production Property Defined:** Means that portion of any **nonresidential real property** which:

- Is used by the taxpayer as an integral part of a qualified production activity,
- Is placed in service in the U. S. or any possession of the U. S.,
- The original use of which commences with the taxpayer,
- The construction begins after January 19, 2025, and before January 1, 2029,
- Is designated by the taxpayer in the election made under this subsection, **and**
- Is placed in service before January 1, 2031.

### **TAX NOTE: Leased Property Does Not Qualify**

*In the case of property with respect to which the taxpayer is a lessor, property used by a lessee shall not be considered to be used by the taxpayer as part of a qualified production activity.*

**TAX NOTE: Criteria for Meeting Time/Use Restrictions**

Property acquired after Jan. 19, 2025, and before Jan. 1, 2029, will be deemed eligible if it was not used by any person for production activity at any time during the period beginning on January 1, 2021, and ending on May 12, 2025, and the taxpayer has not used the property for any reason even as a lessee, prior to acquisition. Placed in service dates affected by disasters or other events may be subject to additional permitted time periods on a case by case basis.

**Qualified Acquisition Date:** This provision applies to property placed in service after the date of enactment. Property shall be treated as acquired not later than the date on which the taxpayer enters into a **written binding contract** for such acquisition, and whether such property is acquired after such period, such property shall be treated as acquired not earlier than such date.

**Exclusion of Office Space, Etc.:** The term ‘qualified production property’ shall not include that portion of any nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software development or engineering activities, or other functions unrelated to the manufacturing, production, or refining of tangible personal property.

**Qualified Production Activity Defined:** The term ‘**qualified production activity**’ means the manufacturing, production, or refining of a qualified product. The activities of any taxpayer do not constitute manufacturing, production, or refining of a qualified product unless the activities of such taxpayer result in a substantial transformation of the property comprising the product.

**“Production” Defined:** The term ‘production’ **shall not** include activities **other than** agricultural production and chemical production.

**“Qualified Product” Defined:** The term ‘qualified product’ means **any tangible personal property** *if such property is not a food or beverage prepared in the same building as a retail establishment in which such property is sold.*

**“Qualified Production Property Deduction” Permitted for AMT:** For purposes of determining alternative minimum taxable income under §55, the deduction under §167 for qualified production property shall be determined under this section without regard to any adjustment under §56.

**Recapture Period:** Recapture rules apply in certain cases where, during the 10-year period after qualified production property is placed in service, the use of the property changes. Presumably, as non-residential real property is generally depreciated over 39 years, buildings whose use changes during the recapture period may be subject to recapture of the 100% additional first year depreciation less any depreciation which would be allowed based on 39 years.

**Qualified Sound Recording Productions- Certain Tax Treatment: 2025**

Generally, this provision expands the special expensing rules for qualified film, television and live theatrical productions under §181 to include **aggregate qualified sound recording production costs** of up to \$150,000 per taxable year. A **qualified sound recording production** is a sound recording produced and recorded in the U. S.

Like qualified film and television productions or qualified live theatrical productions, the §181 deduction only applies to qualified sound recordings that commence before January 1, 2026. The provision also expands the definition of qualified property eligible for **bonus depreciation** to include **qualified sound recording productions**. A qualified sound recording production is placed in service at the time of initial release or broadcast.

This provision applies to productions commencing in taxable years ending after the date of enactment. Therefore, calendar year businesses will qualify for tax year 2025, fiscal year filers are eligible for entities whose current tax year began July 6, 2024 or later.

### **MACRS Depreciation Modification for Clean Energy Property: 2025**

See ENERGY CREDITS & DEDUCTIONS FOR BUSINESS, later in the material, for termination of 5 year MACRS provision for certain energy property.

## **OTHER BUSINESS PROVISIONS**

### **R&D §174A- Full Expensing Domestic Research & Experimental Expenditures: 2025**

Generally, §174A has been added permitting full expensing of domestic costs incurred for research and experimental expenditures, less the amount of any annual R&D credit for the year. Small Business Taxpayers may elect to amend prior year returns and all taxpayers may choose to deduct unamortized costs over one or two years, see below.

#### **For All Business Taxpayers with Amortized 2022 to 2024 R&D Costs**

*Election to Expense Prior Amortized R & D Costs:* All taxpayers who previously capitalized R & D expenses for tax years beginning on or after January 1, 2022, and before January 1, 2025, may elect to deduct any remaining unamortized costs as follows:

- (i) to deduct any remaining unamortized amount with respect to such expenditures in the first taxable year beginning after December 31, 2024, **or**
- (ii) to deduct such remaining unamortized amount with respect to such Expenditures ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024.

Additional guidance will be published related to making this election which will not be treated as a change in accounting method under §481.

#### **For Small Business Taxpayers with Amortized 2022 to 2024 R&D Costs**

*Full Expensing Retroactive to January 1, 2022, for Small Businesses:* Section 174A, permits full expensing less the applicable R&D credit, retroactively for tax years beginning on or after January 1, 2021, for taxpayers who **meet the criteria of a Small Business Taxpayer under the §448(c) of gross receipts test** for the first taxable year beginning after December 31, 2024. For 2025 the gross receipts threshold under §448(c) is \$31 million.

For taxpayers meeting the gross receipts test, amended returns electing a change in accounting method to expense the R & D costs will be permitted retroactively if **filed within year of the bill's enactment, July 4, 2025**.

**Rules for Foreign R & D Costs Remain Unchanged:** Research or experimental expenditures attributable to research that is conducted outside the United States must continue to be capitalized and amortized over 15 years under §174

**Excess Business Loss Limitation- Modification & Extension: 2026**

This provision makes the limitations on excess business losses for individuals permanent and updates the base year for inflation adjustments to 2024.

**Business Interest Expense- Limitation Modified: 2025**

Generally, §163(j) has been amended to reinstate the EBITDA limitation on a permanent basis. **And** expand the applicable inventory property eligible for an exclusion on the limits of business interest deductions related to “floor plan financing” for vehicles to include certain trailers and campers.

**Additional Eligible Inventory:** *Any trailer or camper which 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*

**Business Interest Limitation- Coordination with Interest Capitalization Rules:2026**

Generally, this provision provides that the §163(j) limitation is calculated prior to the application of any interest capitalization provision, defined as any provision under which interest is

(1) required to be charged to capital account **or**

(2) may be deducted or charged to capital account.

Any interest which is capitalized under §263(g) or §263A(f) is not treated as business interest for purposes of §163(j).

The amount of business interest allowed after taking into account the limitation is applied first to amounts which would be capitalized and the remainder, if any, to amounts which would be deducted.

No portion of any business interest carried forward is treated as business interest to which an interest capitalization provision applies.

**NOTE:** See INTERNATIONAL TAX AND FOREIGN TAX CREDITS FOR BUSINESS, below, for information regarding calculating business interest limitations for foreign income.

**Employer Paid Family & Medical Leave Credit- Extension & Enhancement: 2026**

Generally, this provision extends the paid family and medical leave credit permanently and makes modifications:

- Modifies the credit to allow it to be claimed based on wages paid **or** for an applicable percentage of premiums paid or incurred by an eligible employer during a taxable year for insurance policies that provide paid family and medical leave for qualifying employees.
- Lowers the minimum employee work requirement from 1-year to 6-months and defines an eligible employee as those generally not working less than 20 hours per week.

### **Employer-Provided Child Care Credit- Enhancement: 2026**

Generally, this provision increases the amount of qualified childcare expenses from 25% to 40% for the purpose of calculating the credit. The credit is limited to \$600,000 per year for eligible small businesses which meet the \$31 million gross receipts test for 2025 under §448(c). However, the 3-year gross receipts test under §448(c) is modified to a 5-year gross receipts test. For other businesses the credit is limited to \$500,000 per year.

The provision also allows small businesses to pool their resources to provide childcare to their employees and for businesses to use a third-party intermediary to facilitate childcare services on their behalf.

### **Business Meals Deduction: New Exception for Fish Related Industries: 2026**

Generally, §274(o) is amended to permit a 100% business deduction for meals related to the fishing industry provided as follows:

- on a **fishing vessel, fish processing vessel, or fish tender vessel**
- at a **facility for the processing of fish** for commercial use or consumption which is located in the US (north of 50 degrees north latitude), and is not located in a metropolitan statistical area.

### **Interest Earned Loans Secured by Rural or Agricultural Real Property-2025**

Generally, this provision permanently allows banks insured under the Federal Deposit Insurance Act, domestic entities owned by a bank holding company, State or Federally regulated insurance companies, domestic entities owned by a State law insurance holding company and the Federal Agricultural Mortgage Corporation (“Farmer Mac”) to exclude from gross income 25% of interest income derived from **qualified real estate loans**.

**Qualified real estate loan Defined:** Original loans made after the date of enactment to a person other than a specified foreign entity:

- Loans secured by domestic real property that is substantially used to produce agricultural products (e.g. farms and ranches) or a leasehold mortgage on such property;
- Loans secured by domestic real property that is substantially used in the trade or business of fishing or seafood processing or a leasehold mortgage on such property;
- Loans secured by any domestic aquaculture facility or a leasehold mortgage on such facility.

This provision treats qualified real estate loans as tax-exempt obligations for purposes of disallowing interest deductions on indebtedness incurred by qualified lenders to purchase or carry such loans.

Provision applies to loans made after enactment in the lender’s taxable years ending after the date of enactment. Therefore, calendar year lenders will qualify for tax year 2025, fiscal year filers are eligible for entities whose current full tax year began July 6, 2024 or later.

### **Firearms- Reduction of Transfer & Manufacturing Taxes for Certain Devices: 2025**

Generally, this provision for **Firearms**, removes silencers, short-barreled rifles, short-barreled shotguns and certain other devices from the definition of “firearm” for purposes of §5845,

resulting in the elimination of the transfer and manufacturing tax on these devices. Leaving only machineguns and “destructive devices” subject to the \$200 transfer tax.

The provision would also preempt certain state or local licensing or registration requirements which are determined by reference to the National Firearms Act by treating anyone who acquires or possesses these rifles, shotguns, or other weapons in compliance with federal statute to be in compliance with the state or local registration or licensing requirements.

This provision applies to calendar quarters beginning more than 90 days after July 4, 2025, (day of enactment).

#### **Residential Construction Contracts % of Completion Method- Exception: 2025**

Generally, this provision modifies §460(e)(1) (Special Rules for Long-Term Contracts) by replacing “home construction contract” with “residential construction contract”. Expanding the exception to the percentage of completion accounting method for other than just “home” contracts to larger “residential” projects.

Provision applies to contracts entered into in taxable years beginning after the date of enactment. Therefore, calendar year businesses will qualify for tax year 2025, fiscal year filers are eligible for entities whose current full tax year began July 6, 2024 or later.

#### **Low-Income Housing Tax Credit- Permanent Enhancement: 2026**

Generally, this provision permanently increases the state allocation ceiling by 12% and lowers the bond-financing threshold to 25% for projects financed by bonds starting in 2026.

#### **New Markets Tax Credit- Permanent Extension: 2026**

Generally, this provision permanently extends the New Markets Tax Credit.

#### **Distilled Spirits Cover Over Tax- Permanent Increase in Limitation: 2026**

Generally, this provision permanently increases the amount of cover over dollars paid to Puerto Rico or the Virgin Islands for all spirits produced by those territories and imported to the U.S. The increase rises to \$13.25 per gallon, up from \$10.50 per gallon.

#### **REITS-Restoration of Taxable REIT Subsidiary Asset Test: 2026**

Generally, this provision increases the percentage of a real estate investment trust’s total assets that may be held in a taxable Real Estate Investment Trust (REIT) subsidiary from 20% to 25%.

#### **Spaceports-Treated Like Airports Under Exempt Facility Bond Rules: July 5, 2025**

Generally, §142 is amended by adding Spaceports as an eligible property for the purposes of leveraging the favorable exempt facility bond rules applicable to airports. Beginning July 5, 2025 (day after enactment) to permanent.

## ENERGY CREDITS & DEDUCTIONS FOR BUSINESS

### **Termination of energy efficient commercial buildings deduction: June 30, 2026**

§179D, repealed for property, construction which begins after June 30, 2026.

### **Termination of alternative fuel vehicle refueling property credit: June 30, 2026**

§30C, repealed for property placed in service after June 30, 2026.

### **Termination of qualified commercial clean vehicles credit: Sept. 30, 2025**

§45W, repealed after September 30, 2025.

### **Termination of New Energy Efficient Home Credit: June 30, 2026**

§25D, construction firms building new homes, terminates for homes sold after June 30, 2026.

### **Termination & Restrictions on Clean Electricity Production Tax Credit: Dec 31, 2027**

Note the Clean Energy Production Tax Credit (PTC) (§45Y) is not the general “solar” credit for commercial or rental property, this credit, (PTC) is for similar property as the ITC, but the PTC is calculated as a function of energy produced, versus being a % of the cost of eligible property.

The PTC credit for wind and solar facilities (§45Y) is terminated for facilities placed in service after Dec. 31, 2027, if construction begins more than 12 months after the date of enactment. The provision also includes clarifications and restrictions related to foreign entities, critical minerals, and “energy communities”.

Effective for facilities placed in service after Dec. 31, 2027, if construction began more than 12 months after date of enactment (July 4, 2025).

### **Termination & Restrictions on Clean Electricity Investment Credit: Dec 31, 2027**

Generally, solar credits for business, commercial, or rental property. Note, this credit, the Clean Electricity Investment Credit (ITC) §48E, is generally the 30% solar credit for commercial property and rental property for many of our clients. ITC is based on a percentage of the costs unlike PTC which is based on the amount of energy produced.

The ITC is terminated for wind and solar facilities (§48E) placed in service after Dec. 31, 2027, effective for facilities that begin construction more than 12 months after the date of enactment. Note, the §48E credit **was not** terminated for **energy storage technology** at a wind or solar facility. This provision declares that qualified fuel cell property can be a qualified facility and provides that the rate of the credit for this property is 30% of the qualified investment.

Effective for facilities placed in service after Dec. 31, 2027, if construction began more than 12 months after date of enactment (July 4, 2025).

**Tax Note:** The favorable basis reduction under (§50(c)(3)(A)), of only 50% of the amount of the credit is still available for ITC property eligible for the credit until Dec. 31, 2027.

**MACRS for Energy Property- 5 Year MACRS Eliminated: 2025**

Terminates the favorable five-year MACRS cost recovery period for energy property under §48(a)(3)(A), generally wind or solar property, that begins construction after December 31, 2024.

Permits accelerated 5 year MACRS recovery for qualified facilities for Clean Electricity Production Credit (§45Y(v)(1)(A)), qualified property for the Clean Electricity Investment Credit (§48E(b)(2)), and Energy Storage Technology (§48E(c)(2))

**Advanced Manufacturing Investment Credit- Enhancement: 2026**

This credit encourages investment in the construction or retrofitting of advanced energy manufacturing facilities and projects that reduce carbon emissions by at least 20%.

Generally, §48D is amended by increasing the Advanced Manufacturing Investment Credit from 25% to 35%.

**Advanced Manufacturing Production Credit- Phase-out & Restrictions: 2026**

This credit incentivizes the domestic production of specific eligible components and critical minerals used in clean energy technologies.

This provision introduces regulations related to integrated components (§45X(d)(4)), for components sold in taxable years beginning after Dec. 31, 2025.

The bill also contains criteria for applicable critical minerals, modifies the definition of battery modules (§45X(c)(5)(B)(iii)), and modifies certain credit amounts related to these changes. Other applicable dates of implementation as stated in the bill.

**Advanced Energy Project Credit Program- Restriction on Extension: 2026**

This credit is available to manufacturers and other entities that invest in qualifying advanced energy projects.

This provision provides that any credits disqualified due to timing or other issues may no longer be reissued to other qualifying projects. Section 48C is amended for this provision.

**Clean Fuel Production Credit- Extension & Modification: 2029**

This provision for the §45Z clean fuel production credit shortens the period of the credit by two years mandating that it will only apply to fuel sold before January 1, 2030 (was 2032) and eliminates any credit for any feedstock for transportation fuel from any foreign localities except Mexico or Canada.

The bill further states that no credit may be claimed under §6426(k) for sustainable aviation fuel if a credit is available under §45Z and modifies provisions for the small agri-biodiesel credit with additional effective dates.

**Zero-Emission Nuclear Power Production Credit- Modifications: 2026.**

This provision restricts access to the §45U credit for certain prohibited foreign entities.

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity (as defined in new §7701(a)(51)).

2. No credit is allowed for taxable years that begin two years after date of enactment for a foreign influenced entity (as defined in new §7701(a)(51)(D) without regard for clause (i)(II) thereof)

Provision effective for tax years beginning on or after the date of enactment, July 4, 2025. Therefore, calendar year lenders will qualify for tax year 2026, fiscal year filers are subject to the provision for full tax years beginning July 5, 2025, or later.

### **Clean Hydrogen Production Credit- Terminated (§45V): 2028**

Repealed for property the construction of which begins after December 31, 2027.

### **Carbon Oxide Sequestration Credit- Restrictions: 2026**

This provision conforms §45Q credit values for captured carbon oxide that is disposed of in secure geological storage and that which is utilized first and then sequestered, effective for equipment placed in service after the date of enactment. The applicable dollar amount of the credit will be indexed for inflation after 2026. This provision also restricts access to the credit for certain prohibited foreign entities.

### **Fuel Dyed for Off Road or Agricultural Use- Allow for payments to Individuals: 2026**

This provision allows for refunds of federal fuel excise taxes actually paid on fuel indelibly dyed for off-road or agricultural purposes, effective for eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of the enactment of this section. Provision begins on or after January 1, 2026, 180 days after enactment.

## **EMPLOYEE RETENTION CREDIT**

### **Enforcement Provisions Related to COVID Employee Retention Credits: July 5, 2025**

This provision defines an ERTC promoter as any person who provides aid, assistance or advice related to an affidavit, refund, claim or other document concerning an ERTC, if:

- More than 20% of their gross receipts in a year come from ERTC-related services and they charge contingent fees based on the size of the refund or credit; **or**
- More than 50% of their revenue comes from ERTC-related services, or those services account for over 20% of their revenue and exceed \$500,000 (certified PEOs are excluded).

The bill also increases penalties for the ERTC promoters who are found to have committed wrongdoing.

Implements due diligence requirements for ERTC promoters, who will now be subject to a “knows or has reason to know” standard for due diligence.

Eliminates available ERTC claims for refund to be paid after date of enactment unless the original claim was filed by Jan. 31, 2024, however, amended claims intended to lower the amount of an original claim will be treated as part of a timely original filing.

Increases the ERTC statute of limitations to six years after the latest of the original return filing date, the deemed filing date under current law or the date the ERTC claim was submitted.

## C CORPORATIONS

### **Charitable Contributions Made by Corporations- 1% Floor on Deduction: 2026**

Generally, this provision allows a deduction for corporate charitable contributions only to the extent that the aggregate of corporate charitable contributions exceeds 1% of taxable income (1% floor) and does not exceed 10% of the taxpayer's taxable income

Contributions in excess of the 10% limit may be carried forward to the subsequent five taxable years and are treated as allowed on a first-in, first-out basis.

Charitable contributions disallowed under the 1% floor may be carried forward only from years in which the taxpayer's charitable contributions exceed the 10% limit. Any carryforward is applied after contributions made in the current taxable year for the purposes of the 1% floor and 10% limit.

### **Intangible Drilling & Development Costs- Taken into Account for AFSI: 2026**

Effective for taxable years beginning after December 31, 2025. This provision requires corporate adjusted financial statement income (AFSI) to also be:

(i) **reduced by** any deduction allowed for expenses under §263(c), be reduced by any deduction allowed for intangible drilling and development costs in oil and gas well and geothermal wells, **and**

(ii) **adjusted** to disregard any amount of depletion expense that is taken into account on the taxpayer's applicable financial statement with respect to the intangible drilling and development costs of such property.

### **Excessive Employee Remuneration- Controlled Group & Allocation: 2026**

Effective for taxable years beginning after December 31, 2025. This provision applies aggregation rules to specified covered employees of controlled groups to prevent the use of related entities to circumvent §162(m), which implemented a \$1 million executive compensation deduction limitation.

The bill also clarifies covered employees, and mandates that any applicable limitations under the section will be based on the aggregate compensation received from all entities within the controlled group. And any resulting deduction limitation will be allocated proportionally among the controlled group members that paid the applicable compensation.

## PARTNERSHIPS

### **Payments from Partnerships to Partners for Property or Services- Treatment: 2025**

Effective on or before enactment of the bill, tThis provision confirms that the rules under §707(a), regarding the proper tax treatment of payments to partners for services performed or property transferred, are mandated by the code as written and compliance is not subject to any guidance issued by U.S. Treasury.

### **Qualifying Income of Certain Publicly Traded Partnerships- Expanded: 2026**

This provision expands the activities that can be categorized as qualifying income for **publicly traded partnerships** to include the transportation or storage of liquified hydrogen or compressed hydrogen, production of electricity from hydropower, generation of electricity or capture of carbon dioxide at a direct air capture or carbon capture facility, generation of

electricity from an advanced nuclear facility, production of electricity or thermal energy from geothermal deposits or hydropower, and operation of property to produce, distribute or use energy from a geothermal deposit or property that uses the ground or ground water as a thermal energy source or thermal energy sink.

## **NON-PROFITS**

### **Excess Compensation Tax-Exempt Orgs: Expanding Application of Tax:2026**

Generally, this provision clarifies that a covered employee includes any employee of an applicable tax-exempt organization that receives compensation in excess of \$1 million.

### **Private Colleges & Universities- Excise Tax on Investment Income: 2026**

Generally, this provision amends the current excise tax on net investment income framework for certain private colleges and universities under §4968. Colleges that have less than 3,000 tuition-paying students are exempt from the new rules.

### **Nonprofit Community Development Activities Remote Native Villages: July 4, 2025**

Generally, this provision provides that any activity substantially related to participation or investment in fisheries in the Bering Sea and Aleutian Islands statistical and reporting areas carried on by existing nonprofit corporations who are part of the Western Alaska Community Development Quota Program shall be considered substantially related to the exercise or performance of the purpose constituting the basis of such entity's exemption.

For purposes of this paragraph, activities substantially related to participation or investment in fisheries include the harvesting, processing, transportation, sales, and marketing of fish and fish products of the Bering Sea and Aleutian Islands statistical and reporting areas.

Assets of a trade or business relating to an applicable activity of any subsidiary wholly owned by an eligible entity transferred to the entity (including in liquidation of a subsidiary) not later than 18 months after the date of the enactment of this Act—

(1) no gain or income resulting from such transfer shall be recognized to either such subsidiary or such entity Code, and

(2) all income derived from such subsidiary from such transferred trade or business shall be exempt from taxation.

Effective as of the date of enactment and for so long as the Magnuson-Stevens Fishery Conservation and Management Act remains in effect.

### **Native Alaskan Subsistence Whaling- Charitable Deduction Certain Expenses: 2026**

Generally, this provision Increases to \$50,000, up from \$10,000 the limit on the deduction for whaling captains, as recognized by the Alaska Eskimo Whaling Commission,

## **INTERNATIONAL AND FOREIGN TAX & CREDITS FOR BUSINESS**

### **ATI for Business Interest Limitation- Subpart F & GILTI Inclusions: 2026**

Generally, this provision excludes subpart F and GILTI inclusions and the associated §78 gross-up amounts, amounts determined under §956, as well as portions of the deductions allowed under §245A(a), from a taxpayer's Applicable Taxable Income (ATI).

### **GILTI Category Modifications Related to Foreign Tax Credit Limitation: July 5, 2025.**

Generally, this provision limits the deductions of a U.S. shareholder allocable to income in the GILTI category to only:

- The Section 250 deduction relating to GILTI allowed under §250(a)(1)(B) (and any deduction allowed under §164(a)(3) for taxes imposed on such amounts); **and**
- Any other deduction only if such deduction is directly allocable to such income. Any deduction that would have been allocated or apportioned to income in the GILTI category but for this proposal will only be allocated or apportioned to U.S.-source income.

### **Deemed Paid Credit for Taxes Properly Attributable to Tested Income: 2026**

Generally, this provision modifies the rules under §960(d)(1), which provides that, for GILTI included in gross income, domestic corporations are deemed to have paid 90% (was 80%) of the corporation's inclusion percentage multiplied by the aggregate foreign income taxes paid or accrued with respect to tested income (but not tested loss) by each controlled foreign corporation (CFC) with respect to which the domestic corporation is a U.S. shareholder.

For distributions of previously taxed Net CFC Tested Income made after June 28, 2025, no foreign tax is allowed for 10% of the foreign tax paid, accrued or deemed paid with respect to such income. Beginning January 1, 2026. (See exception, below)

### **Sourcing Certain Income from Sale of Inventory Produced in U.S.:2026**

Generally, this provision provides that solely for purposes of the FTC limitation, if a U.S. person maintains an office or other fixed place of business in a foreign country, the portion of taxable income from the sale or exchange outside the United States of inventory property produced in the United States and which is attributable to such office or other fixed place of business is treated as foreign-source taxable income.

However, the amount treated as foreign-source income cannot exceed 50% of the total taxable income from the sale or exchange of the inventory property

### **Deduction for Foreign-Derived Eligible Income & Net CFC Tested Income: 2026**

Generally, this provision decreases the §250 deduction percentage for taxable years beginning after December 31, 2025, to 33.34% for FDII and 40% for GILTI, resulting in an effective tax rate of 14% for both FDII and GILTI (after considering the GILTI FTC "haircut" described in §70312).

### **Determination of Deduction of Eligible Income: 2026**

Generally, this provision modifies the definition of deduction eligible income (DEI) for purposes of determining a corporation's Foreign-Derived Intangible Income (FDII) as follows:

- DEI does not include any gain from the sale or disposition of property that gives rise to rent or royalties from sales or distributions occurring after June 16, 2025.
- DEI does not include foreign personal holding company income where a qualifying electing fund election has been made with respect to amounts received or accrued after June 16, 2025.
- For taxable years beginning after Dec. 31, 2025, DEI is reduced by expenses and deductions directly related to such income.

**Note:** Final text of the bill expands the provision explicitly to include all intangible property listed in §367(d)(4).

### **Rules Related to Deemed Intangible Income: 2026**

Generally, this provision eliminates both the Deemed Tangible Income Return (DTIR) utilized in determining a domestic corporation's Foreign Derived Intangible Income (FDII) and the Net Deemed Tangible Income Return (NDTIR) utilized in determining a U.S. shareholder's GILTI inclusion.

By eliminating the DTIR, the terms DII and FDII become unnecessary and thus are struck from the Code, resulting in current law FDII now being referred to as foreign-derived deduction eligible income (FDDEI). Similarly, by eliminating the NDTIR, the term GILTI becomes unnecessary and thus is struck from the Code, resulting in current law GILTI now being referred to as Net Controlled Foreign Corporation (CFC) Tested Income (NCTI).

### **Base Erosion Minimum Tax Amount: Extension & Modification: 2026**

Generally, this provision raises the BEAT tax rate to 10.5%, up from 10%, and permanently extends certain BEAT tax credits.

### **Look-thru Rule Related Controlled Foreign Corporations- Extension: 2026**

Generally, this provision makes §954(c)(6), known as the "CFC look-through rule" which excludes subpart F and GILTI inclusions and the associated §78 gross-up amounts permanent.

### **Deferral in Determination of Tax Year of Specified Foreign Corporations- Repeal: 2026**

Generally, this provision repeals the election for a one-month deferral year. Thus, a specified foreign corporation using a one-month deferral year is required to change to use its majority U.S. shareholder year. The provision applies to taxable years of specified foreign corporations beginning after November 30, 2025.

A transition rule provides that a specified foreign corporation's first taxable year beginning after November 30, 2025, ends at the same time as the first required year (within the meaning of §898(c)(1)) ending after such date, and provides authority for the Treasury Secretary to issue guidance for allocating foreign taxes paid or accrued in such year and the succeeding taxable year among such taxable years.

Effective for tax years beginning after November 30, 2025. Therefore, calendar year corporations are subject to the provision beginning with tax year 2026, fiscal year filers are subject to the provision for full tax years beginning December 1, 2025, or later.

**Limitation Downward Attribution Stock- Applying Constructive Ownership Rules: 2026**

Generally, this provision restores the limitation on downward attribution of stock ownership, former §958(b)(4), when applying the constructive ownership rules. The provision also creates a new §951B to allow for downward attribution from a foreign person in certain cases.

This provision applies to taxable years of foreign corporations beginning after December 31, 2025.

**Pro Rata Share Rules- Modifications: 2026**

Generally, this provision rules to provide that if a foreign corporation is a CFC at any time during a taxable year of the foreign corporation (a “CFC year”), each U.S. shareholder which owns stock in such corporation during the CFC year must include in gross income such shareholder’s pro rata share of the corporation’s subpart F income for the CFC year, and, in general, each U.S. shareholder which owns stock in such corporation on the last day, in the CFC year, on which the corporation is a CFC must include in gross income the amount determined under §956 with respect to such shareholder for the CFC year.

A U.S. shareholder’s pro rata share of a CFC’s subpart F income for a CFC year is the portion of such income which is attributable to (i) the stock of the corporation owned by the shareholder, and (ii) any period of the CFC year during which the shareholder owned the stock, the shareholder was a U.S. shareholder, and the corporation was a CFC. Similar modified pro rata share rules apply in the calculation of a U.S shareholder’s GILTI inclusion.

The final bill added a transition rule for dividends paid or deemed paid on or before June 28, 2025, if the U.S. shareholder did not own an interest in the CFC during the taxable year on or before June 28, 2025, or the dividend was paid or deemed paid after June 28, 2025, and before the CFC’s first taxable year beginning after Dec. 31, 2025.