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Annual Commercial Summit | 2025

From Policy to Practice: Preparing Your Business for the OBBBA

BerryDunn

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Agenda

01 Discuss key **business** tax provisions and planning considerations following enactment of the OBBBA

02 Discuss key **personal** tax provisions and planning considerations following enactment of the OBBBA

03 State tax update

04 Session Q&A

Learning objectives

- You will gain a clear understanding of the key tax provisions introduced by the One Big Beautiful Bill Act (OBBBA) and leave equipped with practical strategies to effectively plan for both business and personal tax impacts.
- Apply insights from the most impactful business, personal, and state tax provisions introduced by the OBBBA to inform and enhance your tax planning strategies.
- Leave equipped with practical approaches to implement new compliance requirements and optimize tax outcomes for your organization under the latest legislative updates.

Introduction to H.R. 1, the One Big Beautiful Bill Act (OBBBA)

- President Trump signed into law on July 4, 2025
- Extends many of the sunsetting provisions of the Tax Cuts and Jobs Act (TCJA)
- Addresses tax priorities of the administration announced during the campaign, such as lowering taxes for lower/middle income working families and terminating numerous clean energy tax incentives passed under the prior administration

Overview of Key Business Tax Provisions

- Permanently extends and/or enhances various provisions of the TCJA
- Reinstates certain favorable tax rules related to R&D and eases limitations on business interest expense
- Enhances certain business tax credits for employer-provided childcare, paid family leave, and advanced manufacturing but terminates most clean energy tax credit provisions
- Eases or repeals certain information reporting requirements and simplifies accounting methods for small businesses and/or target industries

Section 1

Bonus Depreciation
Made Permanent

Bonus Depreciation Made Permanent

- Permanently extends additional first-year depreciation deduction.
- Allowance is 100% for new and used property (with exceptions) placed in service on or after January 19, 2025.
- Includes depreciable assets with a recovery period of 20 years or less, such as machinery, vehicles, furniture, and Qualified Improvement Property (QIP).
- Immediate deduction improves cash flow and reduces federal taxable income (conformity with state income tax rules vary).

Planning tips:

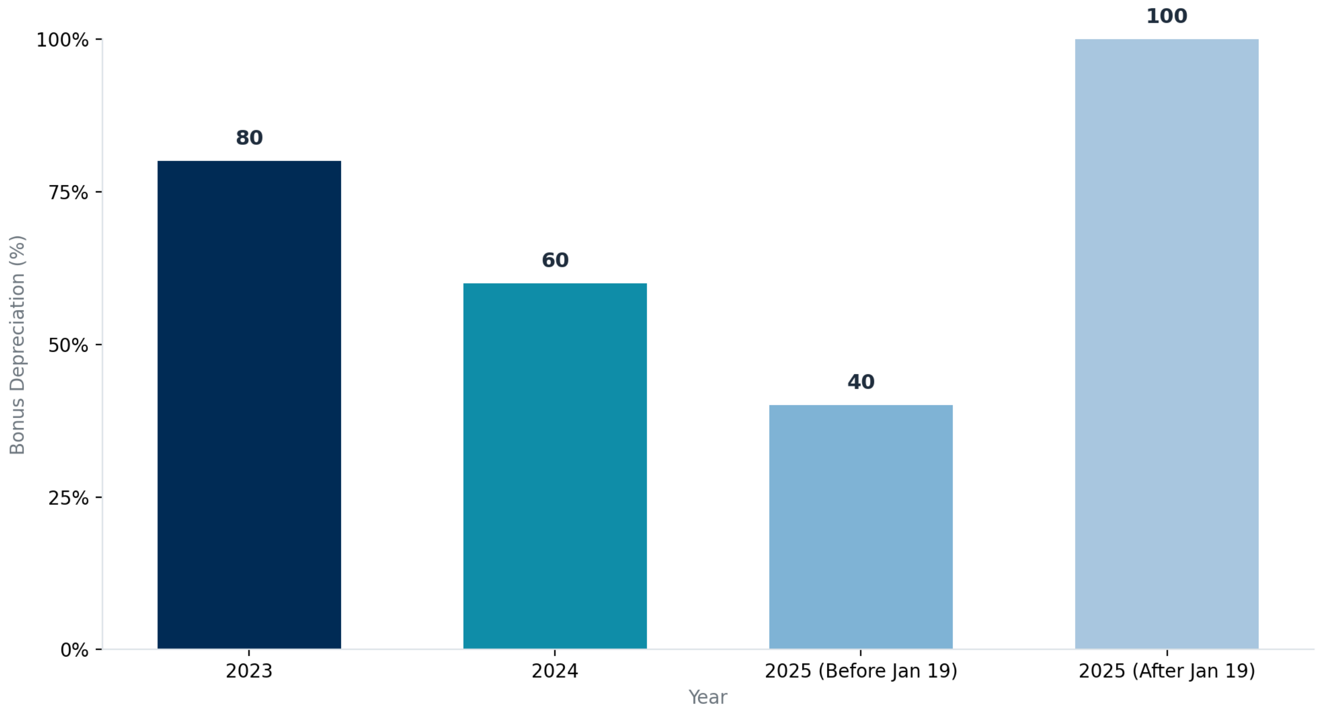
Determining the property's acquisition date will be key. May need to look to a written binding contract to determine eligibility.

Claiming 100% bonus is the default, but electing out for certain asset classes is permitted allowing more control over timing of income recognition.

Bonus Depreciation Made Permanent

Explanation:

- The chart illustrates the phased reduction of bonus depreciation under TCJA:
  - 2023: 80%
  - 2024: 60%
  - 2025 (Before Jan 19): 40%
- January 19, 2025, onward: OBBBA restores 100% expensing permanently, creating a significant cash flow advantage for businesses investing in qualifying property.



This chart shows the phased reduction of bonus depreciation from 2023 to early 2025, followed by permanent restoration to 100% under OBBA.

Bonus Depreciation Made Permanent

Example

A construction company purchases and places in service a piece of heavy equipment for $150,000 in March 2025. Because the purchase occurred after January 19, 2025, the company can deduct the entire $150,000 rather than depreciating the asset over its asset recovery period. Assume the company purchased the equipment prior to January 19, 2025, but does not take delivery or start using the equipment until March 2025. The purchase is no longer eligible for 100% bonus depreciation under the OBBBA and subject to the lower 40% allowance rate under the TCJA.

Section 2

Section 179 Expense Limitation Increased

Section 179 expense limitation increased

- Deduction limit increased from $1.25MM to $2.5MM
- Phase-out threshold starts at $4.0MM, up from $3.13MM
- Indexed for inflation beginning tax year 2026
- Applies to qualifying tangible personal property and certain improvements
- Effective for tax years beginning January 1, 2025

Planning tips:

Can be claimed in conjunction with bonus depreciation, subject to business income limitations.

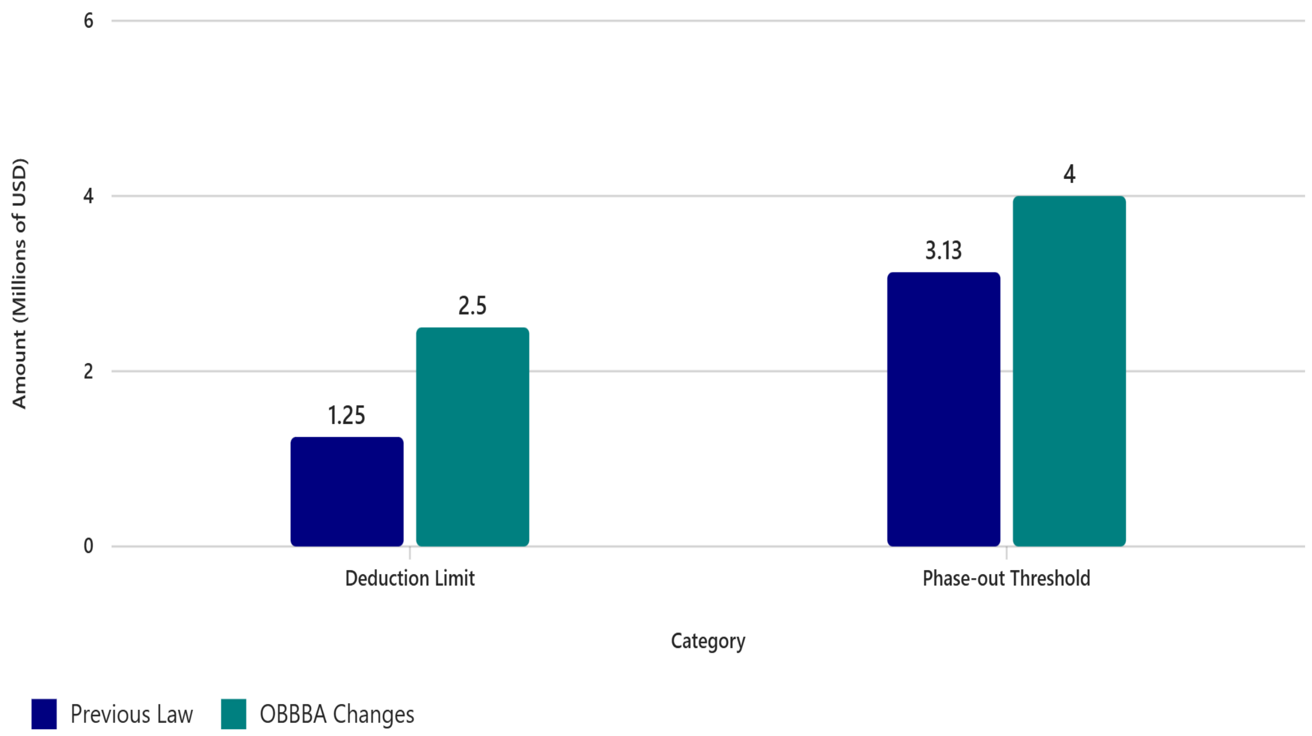
Many states conform, eliminating difference between federal and state income tax bases, resulting in lower compliance burden.

Not an all-or-nothing proposition like bonus depreciation; can deduct only a portion of the property's cost.

Section 179 expense limitation increased

Explanation:

- Previous law:
  - Deduction limit: $1.25MM
  - Phase-out threshold: $3.13MM
- OBBBA changes (effective Jan. 1, 2025):
  - Deduction limit: $2.5MM
  - Phase-out threshold: $4MM
- Additional note: Indexed for inflation starting in tax year 2026. This chart highlights the significant increase in expensing limits under OBBBA, providing greater flexibility for businesses investing in qualifying property.



The chart compares Section 179 deduction limits and phase-out thresholds before and after OBBBA. Effective January 1, 2025, limitations of $2.5M and $4M respectively, with inflation indexing starting in 2026.

Section 179 expense limitation increased

Example

A small manufacturing company purchases $2.0MM in equipment in April 2025. Under OBBBA, the company can expense the entire $2.0MM immediately because it is under the $2.5MM limit and below the $4.0MM phase-out threshold.

Polling question #1

Section 3

New 100% Expensing of Qualified Production Property

New 100% Expensing of Qualified Production Property

Key points

- Allows 100% deduction for a separate class of building property defined as qualified production property (QPP)
- What is QPP? Any portion of nonresidential real property meeting the following requirements:
  - Construction of property beginning after January 19, 2025, and before January 1, 2029
  - Must be placed in service in the U.S. (or territory) before January 1, 2031
  - Must be used as an integral part of the taxpayer's qualified production activity (QPA)
  - Original use commences with the taxpayer (some exceptions) and not subject to depreciation under the alternative depreciation system (ADS)

New 100% Expensing of Qualified Production Property

- Portions of a building constructed as part of a QPP project do not qualify, e.g., administrative offices, lodging, parking, activities associated with sales, R&D, software engineering, or unrelated QPA. Property leased by the taxpayer to another party is also not eligible.
- What is a QPA?
  - A QPA includes manufacturing, production (agricultural and chemical only), and refining of a qualified product.
  - Must be a tangible product (excludes food and beverages prepared in the same building as a retail establishment in which they are sold) and must result in substantial transformation of the property as defined under other IRS guidance.

New 100% Expensing of Qualified Production Property

Planning tips

- Taxpayers must elect QPP expensing each year, unlike the default opt-in under traditional bonus depreciation rules.
- The ability to expense investments in production facilities will yield significant tax benefits for eligible taxpayers. Recordkeeping will be key, especially for tracking costs associated with nonproduction functions.
- Under existing regulations for self-constructed property, bonus depreciation can apply to qualifying components of a larger property that may not meet the acquired or in-service date requirements above. Scrutiny of costs incurred around these cut-off dates will be key.

New 100% Expensing of Qualified Production Property

Example

- A manufacturing company starts construction on a new $20.0MM facility in 2026. The facility includes administration and sales offices that represent 10% of the cost. The facility is fully operational in 2030. Excluding the nonqualifying project costs ($2.0MM), the company may elect to expense the remaining $18.0MM in 2030, rather than over its 39-year class life required under MACRS.

Polling question #2

Section 4

Changes to Limitation on Business Interest Deduction

Changes to Limitation on Business Interest Deduction

Key points

- Adjusted Taxable Income (ATI) calculation modified under OBBBA
- Permanently restores the addback of depreciation, amortization, and depletion in the calculation
- Increases allowable interest deduction for capital-intensive or highly leveraged businesses
- Effective for tax years beginning January 1, 2025

Example

A real estate development company with $10 million in debt

Scenario	Interest Expense	ATI Before OBBBA	ATI After OBBBA	Interest Deduction Limit
	$3,000,000	$2,000,000	$3,000,000	30% of ATI

	ATI	Limit =	Allowed Interest Deduction	Disallowed Interest
Before OBBBA	$2,000,000	30% × $2,000,000 = $600,000	$600,000	$2,400,000 (carried forward)
After OBBBA	**$3,000,000**	**30% × $3,000,000 = $900,000**	**$900,000**	**$2,100,000 (carried forward)**

Example (Continued)

Before OBBBA

ATI: $2,000,000

X 30% ⬇ Limit

Allowed Interest Deduction: $600,000

Disallowed Interest: $2,400,000

After OBBBA

ATI: $3,000,000

⬇ Limit

Allowed Interest Deduction: $900,000

Disallowed Interest: $2,100,000

Section 5

R&E Expense Deductibility

Deductibility of Research & Experimentation (R&E) Expenditures

Key points

- Reinstates the full deductibility of domestic research costs under OBBBA effective for tax years beginning after December 31, 2024
- (Optional) Taxpayers can still elect to capitalize and amortize costs until month they first realize benefits from the expense. Minimum amortization period is still 60 months
- Foreign research costs are still subject to capitalization and amortization over 15-year period.
- Requires taxpayers to reduce the deduction by the eligible amount of R&D credit or alternatively elect the reduced R&D credit

Deductibility of Research & Experimentation (R&E) Expenditures

Options for small business taxpayers
(Less than $31MM in average annual gross receipts)

- Generally permitted to retroactively apply change in accounting method to tax years beginning after December 31, 2021, through December 31, 2024.
- Amended returns required to claim full deductions. Exceptions apply for certain taxpayers, e.g., tax shelters.

Options for all taxpayers

- Elect to claim any unamortized costs incurred between TY 2022 – 2024 on their first tax year beginning after 2024, or ratably over next two.
- Accounting method change(s) procedures required: Automatic vs non-automatic depending on circumstances.

Deductibility of Research & Experimentation (R&E) Expenditures

Planning tips

- Review prior filings for amortized R&E expenses to consider amending returns to capture retroactive benefits
  - Consider impact on other code sections, i.e., Sec. 163(j) interest expense limitation
- Update accounting systems for immediate deductibility going forward

Deductibility of Research & Experimentation (R&E) Expenditures

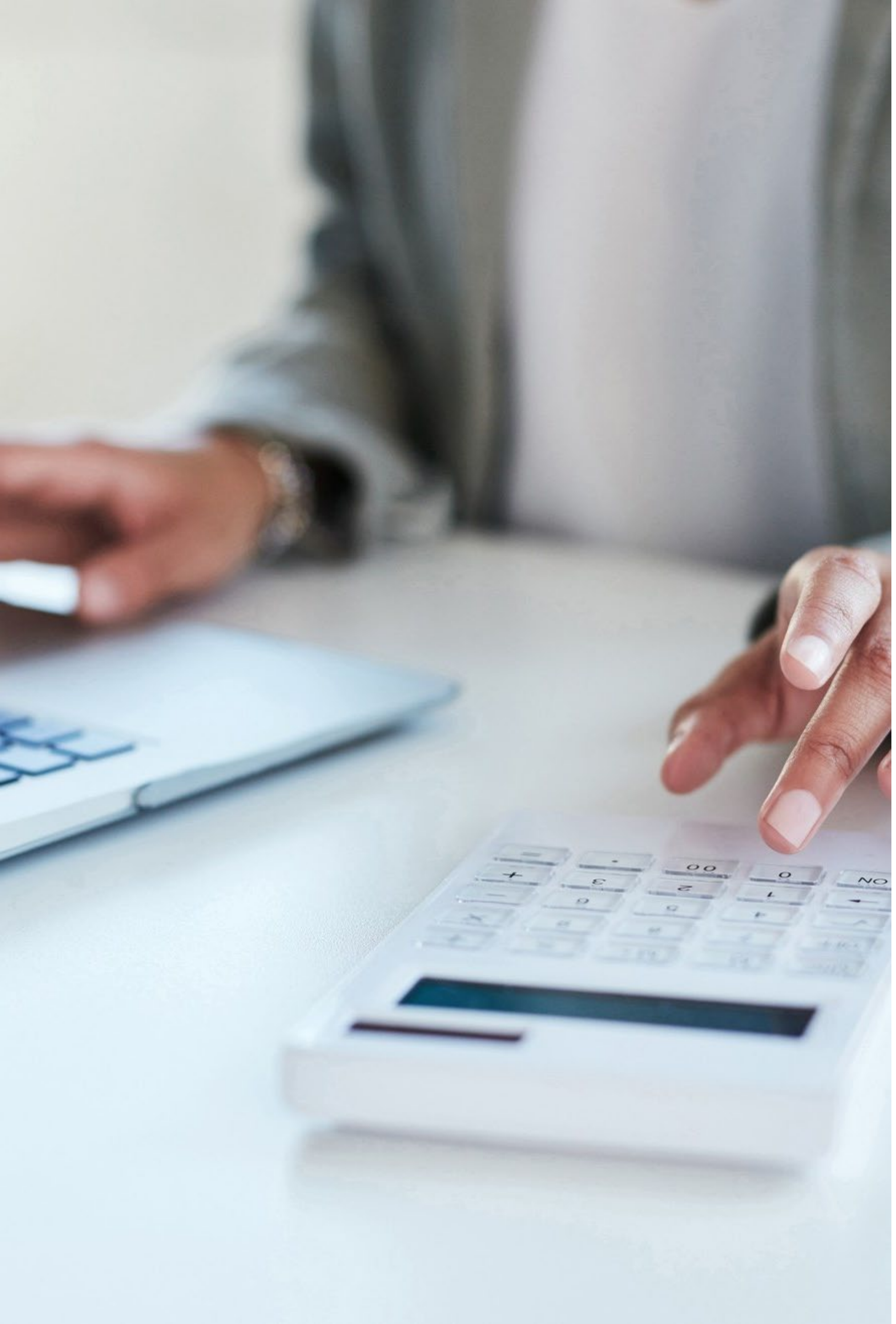
Example

A tech startup incurred $1.2 million in R&E expenses in 2024 and amortized them over five years under TCJA rules. Under OBBBA, the company can amend its 2024 return to deduct the full $1.2 million, potentially generating a refund claim opportunity.

Polling question #3

Section 6

Qualified Business Income (QBI) Deduction Made Permanent; Coordination with SALT Deduction



Qualified Business Income (QBI) Deduction Made Permanent; Coordination with SALT Deduction

Key Points

- Effective for tax years beginning after January 1, 2025, Section 199A deduction made permanent under OBBBA
- Deduction equals 20% of qualified business income for qualified entities, e.g., sole proprietorships, partnerships, and S corporations
- Phase-out thresholds increased significantly for taxpayers who do not meet the wage expense or capital investment requirements, or are considered a specified service trade or business (SSTBs)
- Creates a new minimum deduction ($400) for taxpayers with at least $1,000 QBI from an active trade or business in which they materially participate
- The SALT cap was raised for individual taxpayers but beware for anyone subject to phaseout rules of QBI or SALT deductions

Qualified Business Income (QBI) Deduction Made Permanent; Coordination with SALT Deduction

Planning tips

- For SSTB having multiple activities, opportunities may exist to allow deduction through activity segregation.
- Careful planning required for taxpayers near or caught in the phaseout range (QBI and SALT); could result in effective tax rates above 65%!

Qualified Business Income (QBI) Deduction Made Permanent; Coordination with SALT Deduction

Example

A consulting firm structured as an S corporation earns $500,000 in qualified business income in 2025. Under OBBBA, the firm qualifies for the full 20% QBI deduction, reducing taxable income by $100,000. Previously, the deduction would have phased out at this income level.

Minimum Deduction Scenario: If income exceeds the new threshold, the deduction may still apply based on W-2 wages and property basis, helping ensure some benefit even for high-income taxpayers.

Section 7

Qualified Small Business Stock Exclusion Enhanced

Qualified Small Business Stock Exclusion Enhanced

Key points

- Significantly enhances the tax-free appreciation for qualifying small businesses.
- Maximum gain on Qualified Small Business Stock that could be excluded for any tax year, by taxpayer was limited to the greater of:
  - $10MM, minus the gain excluded in prior years, with respect to the issuing corporation or 10 times the taxpayer's aggregate adjusted basis in the stock sold during the year.
- Required a holding period of five years; gain exclusion rates varied based on stock issue date (range).
- For stock issued after July 4, 2025, the OBBBA provides more favorable gain exclusion amounts, shorter holding periods, and increased the aggregate gross asset limits to satisfy the small business test.
  - Asset test threshold (time of issuance) increased from $50MM to $75MM.

Qualified Small Business Stock Exclusion Enhanced

QSBS Issued:		Percentage of Eligible Gain Excluded	Limited to Greater of 10x Basis or	Required Holding Period (Years)
After	And Before			
8/10/1993	2/18/2009	50%	$10M	More than 5
2/17/2009	9/28/2010	75%	$10M	More than 5
9/27/2010	7/5/2025	100%	$10M	More than 5
7/4/2025	-	50%	$15M	3
7/4/2025	-	75%	$15M	4
7/4/2025	-	100%	$15M	5 or more

Section 8

Miscellaneous Topics: Changes in Information Reporting and Select Workforce Provisions

Miscellaneous Topics:

Key points

1

Form 1099 Information Reporting Update

- Reporting threshold increased to $2,000 and is indexed annually for inflation starting in calendar years after 2026.
- Third party network transactions reporting (Form 1099-K) reverts back to the $20,000 or 200 transactions per participating payee.

2

Employer Provided Childcare Credits

- Increased the credit to 40% of qualifying expenditures for on-site, employer-provided childcare; increases the credit from $150,000 to $500,000. Small business thresholds are (slightly) more favorable. Credit is also indexed for inflation annually.
- Qualified expenditures now include costs of third-party arrangements and jointly owned/operated care facilities.

Miscellaneous Topics (Continued):

Key points

3

Paid Family and Medical Leave Credit

- Made permanent for tax years beginning after December 31, 2025, and includes amounts paid for state mandated leave and insurance premiums.
- Broadens eligibility for part-time workers & flexibility for employers.

4

Work Opportunity Tax Credit

Not extended under the OBBBA. Expires after December 31, 2025, unless Congress acts.

5

Employer Student Loan Debt Payments

- Made permanent the $5,250 tax-free reimbursable benefit to employees under an employer's qualifying education assistance plan.
- Must comply with Section 127 and is indexed for inflation.

Miscellaneous Topics (Continued):

Key points

6

Employer Meals Deduction Changes

- Workplace meals & de minimis fringe deduction eliminated effective January 1, 2026 for the following:
- Convenience Meals – No more 50% write-off.
- Office Snacks – No longer deductible for employers.
- Cafeterias – Employer costs associated with providing on-site meals no deduction allowed.

7

Other Workforce Provisions

- Moving Expenses – Remain taxable to employees (except military/intelligence personnel).
- Bicycle Commuting – Repeal of the exclusion for bicycle commuting reimbursements made permanent.
- Dependent Care FSAs – Annual contribution limit increased to $7,500 (MFJ).

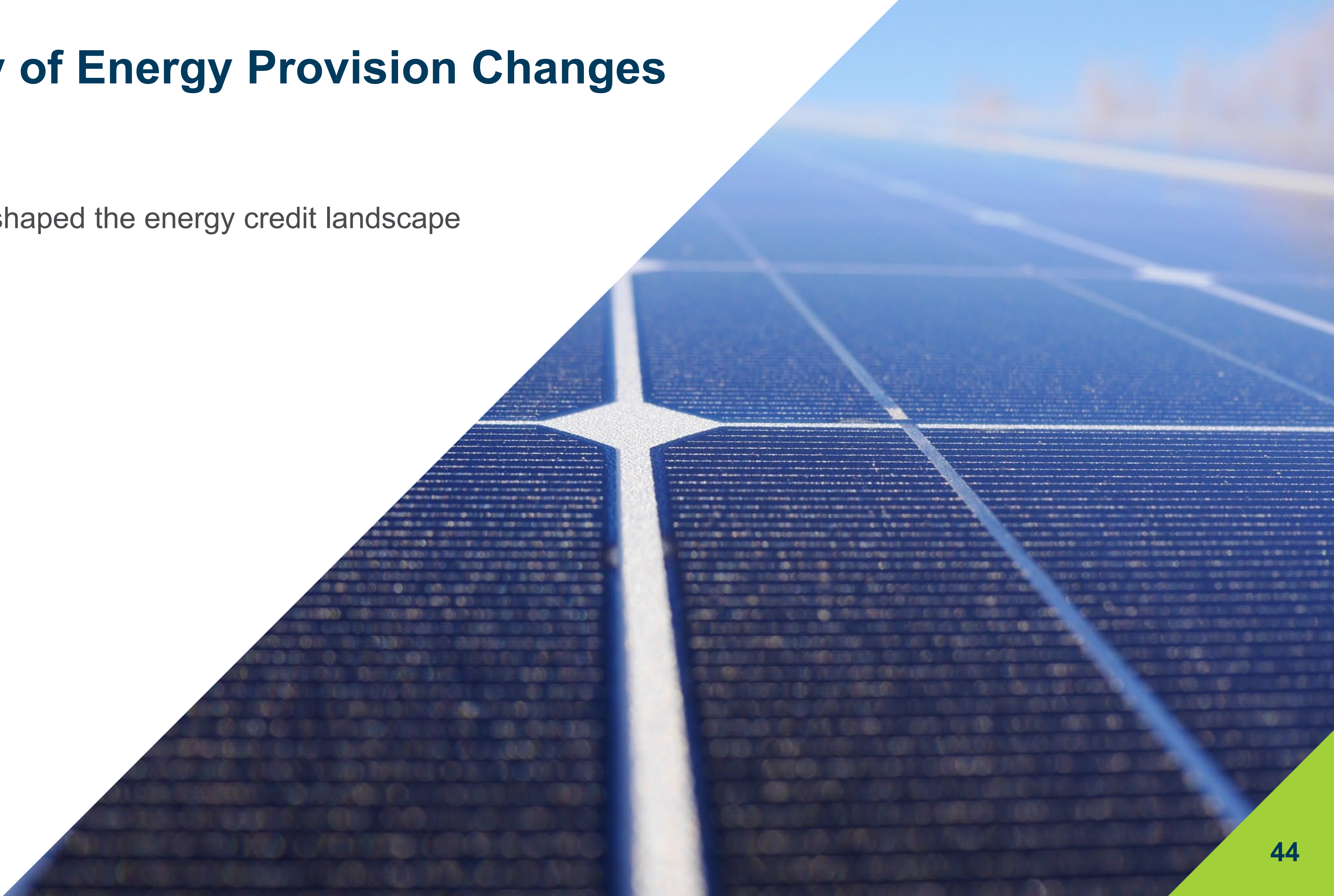
Section 9

Summary of Energy Provision Changes

Summary of Energy Provision Changes

Key points

Significantly reshaped the energy credit landscape



Consumer Credits Changes

The OBBBA repeals several energy-related tax credits directed to consumers, each with distinct effective dates:

Section 25E	Previously Owned Clean Vehicle Credit
Repealed for vehicles acquired after September 30, 2025	
Section 30D	**Clean Vehicle Credit**
Repealed for vehicles acquired after September 30, 2025	
Section 45W	**Commercial Clean Vehicle Credit**
Repealed for vehicles acquired after September 30, 2025	
Section 30C	**Alternative Fuel Refueling Property Credit**
Repealed for property placed in service after June 30, 2026	
Section 25C	**Energy-Efficient Home Improvement Credit**
Repealed for property placed in service after December 31, 2025	
Section 25D	**Residential Clean Energy Credit**
Repealed for expenditures made after December 31, 2025	
Section 45L	**New Energy-Efficient Home Credit**
Repealed for property acquired after June 30, 2026	

Depreciation

The bill eliminates the five-year depreciable life for qualified energy property, and the Section 179D deduction is repealed for construction beginning after June 30, 2026.

Business/Investment Credit Changes

- Investment and production tax credits under Sections 48E and 45Y have accelerated phaseouts, especially for solar and wind projects, and introduce new restrictions related to foreign entities.
- The advanced manufacturing credit under Section 45X has also been significantly modified, particularly regarding wind energy components. The scope of the credit has been expanded to include metallurgical coal. Similar restrictions for foreign entities exist.
- The clean fuel production credit under Section 45Z has been extended through 2031, reinstates the small agri-biodiesel credit, among other things.
- The clean hydrogen production credit under Section 45V is repealed for construction beginning after 2027.

Planning tip:

Assess project timelines and sourcing strategies given all the phaseouts and new restrictions. Contact your engagement team to discuss your circumstances given the evolving landscape.

Section 10

Business Provisions for
Charitable Contributions

Charitable Contribution Rules for Businesses Under OBBBA

Key points

- Corporate Deduction Limit:
  - Still capped at 10% of taxable income (same as prior law).
- New 1% Floor:
  - First 1% of taxable income in charitable contributions is disallowed.
  - Effectively reduces maximum deductible amount to 9% of taxable income.
- Carryforward Rules:
  - Excess contributions above 10% can be carried forward for up to five years.
  - Disallowed 1% amount can also be carried forward, but subject to the floor in future years.
- Effective Date:
  - Applies to tax years beginning after January 1, 2026.
- Please be sure to attend our next session: Private Foundations – A Strategic Approach to Business Philanthropy

Polling question #4

Section 11

Industry-Specific Impacts

Industry-Specific Impacts Under OBBBA

Key points

Construction

- Infrastructure incentives and accelerated depreciation for certain assets
- OBBBA expands use of completed contract method for residential construction contracts beginning after July 4, 2025

Manufacturing (QPP)

- Full expensing for manufacturing facilities and production property
- Construction must begin after January 19, 2025, and before January 1, 2029
- Facility must be placed in service by January 1, 2031

Real Estate

- Enhanced opportunity zones and Qualified Improvement Property (QIP) rules

Energy

- Phase-out of clean energy credits starting 2026

Section 12

Overview of Key Individual Tax Provisions

Overview of Key Individual Tax Provisions

- Permanently extends and/or enhances various provisions of the TCJA
- Creates new (temporary) deductions and credits targeting working-class families

No Tax on Tips (Temporary)

Key points

- Provides a deduction up to $25,000 for qualified tips received in certain occupations as defined by Treasury
  - Qualified tips defined as cash tips; must be voluntary
- Available for tax years 2025 – 2028. Contains phaseouts for taxpayers with MAGI exceeding $150,000 ($300,000 MFJ)
- IRS announced no changes to informational reporting, withholding tables, etc., for the 2025 transition year; will offer penalty relief
- Reporting requirements starting in 2026
  - Required to disclose occupation and qualified tips separately on information statements (form W-2, 1099, etc.)
  - Encouraged to disclose similar information for 2025 transition year. Penalty relief provided the employer files and furnished complete and correct return or statement
  - Must provide employee/payee with as much information as possible via supplemental statements or alternative means, i.e., Box 14 on Form W-2

Employer considerations for these temporary provisions:

Withholding and compensation reporting is still required

Payroll and/or accounting systems will need to be updated to meet reporting requirements

Communicate provisions early/often to employees/service providers

No Tax on Overtime (Temporary)

Key points

- Provides a deduction up to $12,500 ($25,000 MFJ) for qualified overtime compensation
  - Qualified overtime as required under Section 7 of the Fair Labor Standards Act of 1938 that is in excess of the employee's regular rate
- Available for tax years 2025 – 2028. Contains phaseouts for taxpayers with MAGI exceeding $150,000 ($300,000 MFJ); not available if MFS
- Similar reporting rules and penalty relief for the 2025 transition year

Other Select Individual Tax Changes Under OBBBA

Key points

1
TCJA tax rates made permanent

2
Standard deduction increased

3
SALT cap raised to $40,000 through 2029

4
Senior bonus deduction ($6,000)

5
Enhanced child and adoption credits

Individual Tax Changes Under OBBBA

What the chart shows:

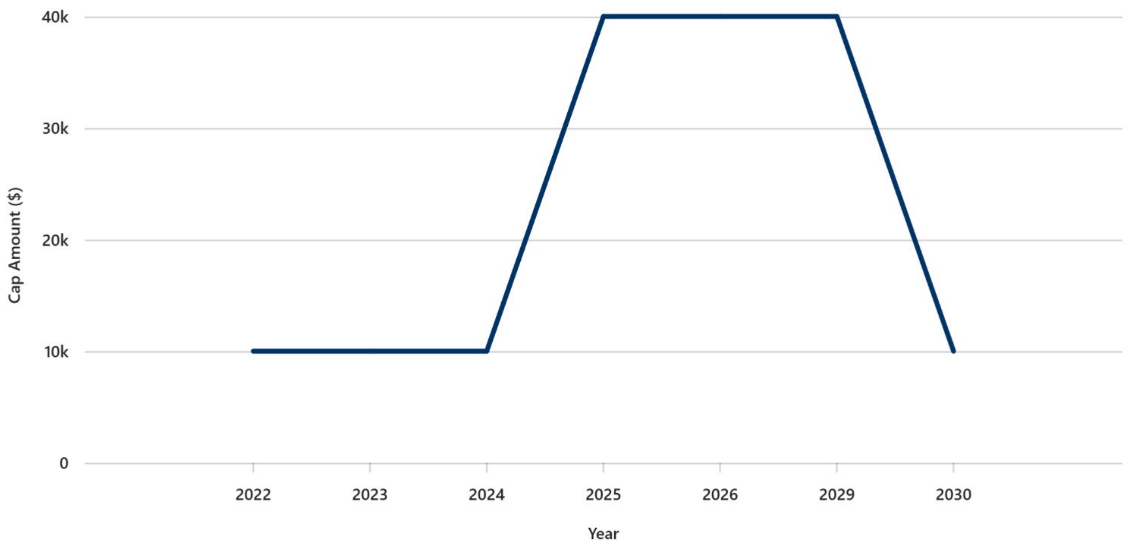
- The timeline of the State and Local Tax (SALT) deduction cap under OBBBA.
- Pre-OBBBA: $10,000 cap under TCJA.

OBBBA Change:

- Cap raised to $40,000 starting in 2025 and remains through 2029.
- Reverts back to $10,000 in 2030 unless further legislation changes it.

Key Observations:

- Temporary relief for taxpayers in high-tax states from 2025 – 2029.
- Planning opportunity: maximize SALT deductions during the higher cap years before the reversion in 2030.



Individual Tax Changes Under OBBBA

Example

A married couple has MAGI of $500,000 in 2025. Assuming they itemize, they would be able to deduct up to $40,000 in state/local taxes. If their MAGI were above $600,000 then only $10,000 of state/local taxes are deductible. Taxpayers with MAGI in the phaseout range ($500,000 - $600,000) will see their deduction reduced by 30% of the amount exceeding the lower part of the phaseout range.

Polling question #5

Section 13

State Conformity to OBBBA: Current Status, Fiscal Impact, and Planning Strategies

Overview of OBBBA

Key federal provisions

Bonus depreciation

Expanded §179 expensing

Immediate R&D deduction

No tax on tips/overtime

Conformity Summary Table

Why states decoupled:

- Revenue protection
- Policy differences
- Administrative complexity
- Legislative control

Maine
Status: Partial

Massachusetts
Status: Mixed

New Hampshire
Status: Non-conforming

Vermont
Status: Non-conforming

Connecticut
Status: Non-conforming

Maine: State Conformity to OBBBA

- **Status:** Partial conformity
- **Adopted:** Higher §179 limits
- **Rejected:** Bonus depreciation, tips/overtime exclusion
- **Reconsideration:** Governor authorized for temporary conformity
- **Example:** A small manufacturer can claim expanded §179 deduction but must add back bonus depreciation on Maine return

Maine Tax Alert Summary

- IRC Tie-In Date: Dec 31, 2024
- Governor's Temporary Authority (P.L. 2025, c.336):
- Adopted: §179 expansion; limited R&D deduction retroactive to 2022 – 2024
- Rejected: Bonus depreciation; tips/overtime exclusion

Tax Alert Highlights:

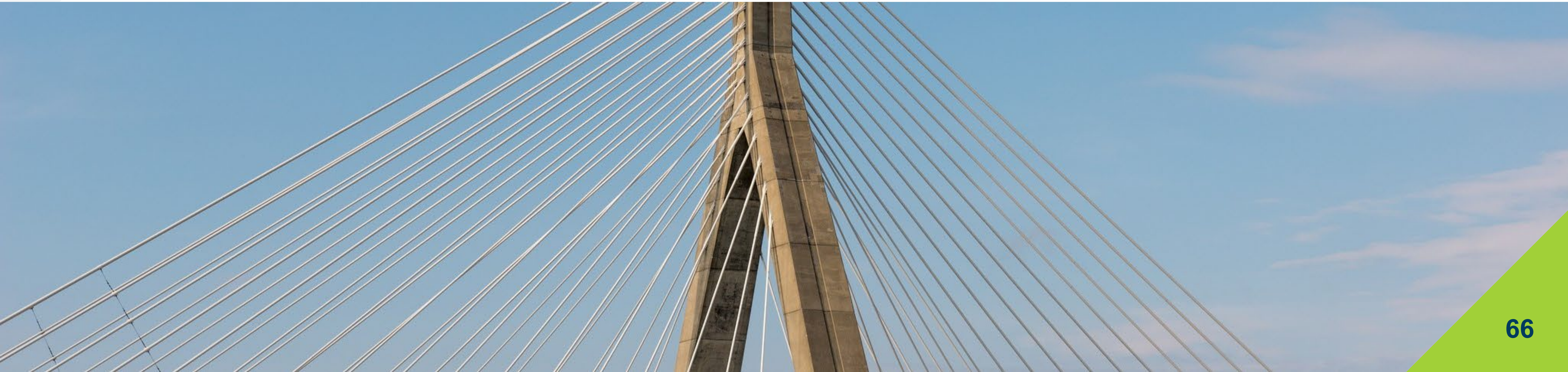
OBBBA provisions effective after Jan 1, 2026

Retroactive federal changes for 2025: disaster loss extensions, farmland gain deferral, accelerated depreciation

Below-the-line changes do NOT affect Maine AGI absent legislation

Massachusetts State Conformity to OBBBA

- **Status:** Mixed
- **Corporate Tax:** Rolling conformity (adopts many OBBBA provisions)
- **Personal Income Tax:** Static conformity (does not adopt tips/overtime exclusion)
- **Example:** A tech company can use bonus depreciation for corporate tax, but employees still pay state tax on tips



New Hampshire State Conformity to OBBBA

- **Status:** Non-conforming (fixed-date)
- **Current IRC Tie-In:** Jan. 1, 2024
- **Example:** A manufacturing firm cannot claim bonus depreciation for NH purposes despite federal allowance

Vermont State Conformity to OBBBA

- **Status:** Non-conforming
- **Example:** A Vermont business must amortize R&D costs even though federal law allows immediate deduction

Connecticut State Conformity to OBBBA

- **Status:** Non-conforming (fixed-date)
- **Under Review:** R&D expensing and §179 expansion
- **Example:** A biotech firm cannot deduct R&D costs immediately for CT purposes despite federal allowance

Business Impact: State Conformity to OBBBA

- Compliance complexity
- Cash flow timing
- Payroll adjustments
- Tax planning challenges
- Administrative costs

Planning Strategies: State Conformity to OBBBA

- Model multi-state scenarios
- Accelerate federal deductions
- Prepare state-specific add-backs
- Monitor legislative changes
- Prepare for possible retroactive conformity

Questions?

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