

# What Now?

Implications and Implementation Considerations Now  
that OBBBA is Law

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# With You Today

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



# RACE TO JULY 4 Lawmakers Reach Enactment

## DATE OF ENACTMENT: JULY 4

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

## NOW THAT IT'S FINAL:

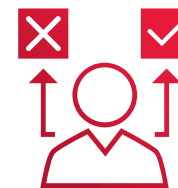
Understand the  
impact



Assess effective  
dates



Learn  
implementation  
options



Look for time-  
sensitive  
planning  
opportunities



Apply to  
financial  
statements



# What's in the bill?

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

## TCJA Extensions

Tax Cuts	- \$7 trillion
Tax Increases	+ \$3 trillion
<b>Net</b>	<b>- \$4 trillion</b>

## New Provisions

New Tax Cuts	- \$1.46 trillion
Tax Increases	+ \$950 billion
<b>Net</b>	<b>- \$511 billion</b>

**Net Overall - \$4.5 trillion**

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

# Key Business Provisions

# Bonus Depreciation

## REINSTATEMENT

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

## NEW CATEGORY OF BONUS ELIGIBLE PROPERTY

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

# Section 174

## R&E

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

## TRANSITION RULES

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

# Section 163(j)

## EXTENSION

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

## NEW CHANGES

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



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

# Comp and Benefits

## OTHER ISSUES

- ▶ **Meals:** Employee provided meals are non-deductible in 2026
- ▶ **Employee Retention Credit:** Claims cutoff if filed after Jan. 31, 2024, and new enforcement
- ▶ **Childcare:** Increase in employer-provided childcare credit
- ▶ **Paid Family Leave:** Makes credit permanent with enhancements
- ▶ **Moving Expenses:** Moving Expense reimbursement is treated as taxable comp to employees

# Form 1099 Reporting

## FORM 1099-K

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

## FORM 1099-NEC OR MISC

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

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

# International Changes

# BEAT, FDII, and GILTI

## GILTI

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

## FDII

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

## BEAT

- ▶ Rate from **10%** to **10.5%**

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

# Credits and Incentives

# Opportunity Zone Extension

## EXTENSION

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



## IMPACT

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



# Pass-Through Provisions

# Pass-Through Deduction

## KEY CHANGES TO SECTION 199A

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



## IMPORTANT CONSIDERATIONS

- ▶ Impact on choice of entity analysis?

# SALT Cap

## INDIVIDUALS

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



## PASS-THROUGHS

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



## Active Loss Limit

### Key Changes to Section 461(l)

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

# Individual Changes

# TCJA Individual Extensions

Generally, makes all individual provisions permanent, including:

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

## CHANGES MADE TO SEVERAL PROVISIONS

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



# No Tax on Tips



## KEY ASPECTS

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



## IMPLICATIONS FOR EMPLOYERS AND HOSPITALITY BUSINESSES

- ▶ Reporting requirements
- ▶ Starting in 2025, employers should report employee tips and occupation in box 14

# Other New Trump Tax Cuts

PROVISIONS TO FULFILL CAMPAIGN PROMISES (EFFECTIVE 2025-2028)



## OVERTIME PAY

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

**New reporting for employers**



## DEDUCTION FOR SENIORS

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

**Not tied to Social Security**



## AUTO-LOAN INTEREST

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

**New reporting for financing companies**

# Financial Statements

# Financial Statement Implications

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

# What to do now?

# Things to consider:

- ▶ Update tax projections and estimate calculations to reflect new tax law
- ▶ Review charitable gifts to determine if any planned gifts should be accelerated to 2025
- ▶ Review and amend as needed estate planning documents to incorporate the increased exemption amounts
- ▶ Taxpayers have options with 174 reversal and bonus depreciation
- ▶ Consider the timing of property tax payments



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