

BMSS PRESENTS:

THE OBBBA & YEAR-END TAX PLANNING:

WHAT BUSINESSES NEED TO KNOW



SEPTEMBER
4TH



8:30
A.M.

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Topics Covered Today

- Numerous provisions made permanent
- Significant Impacts to Pass-through Entities
- Payroll changes necessary for Qualified Tips and Qualified Overtime deductions
- Treasury regulations and IRS guidance to come
- More legislative battles ahead

Big Changes to R&D Expensing

- Domestic R&D expenditures can be deducted in full and are not required to be amortized beginning in 2025. This is a significant change from current law, and may require changes in accounting methods, filing amended returns, or electing to take unamortized prior year costs as deductions in 2025 through 2026.
- Recently issued Rev Proc 2025-28 has provided some guidance.
- Taxpayers with gross receipts less than \$31 million have the most flexibility, allowing for refunds to be issued for years 2022 through 2024

Bonus Depreciation Is Back....

- 100% of year one expensing of certain business property
- Assets with a 20-year or less depreciable recovery period
- Applies to property placed in service after January 19, 2025
- Makes bonus depreciation permanent

And Section 179 Is Expanded

- 100% of year one expensing of certain business property
- Assets with a 20-year or less depreciable recovery period
- Applies to property placed in service after December 31, 2024
- Makes Section 179 permanent, increasing deduction from \$1m to \$2.5m (indexed for inflation) with a phaseout of the deduction if more than \$4 million of property is placed in service

New Expensing for Qualified Production Property

- U.S. nonresidential real property integral to manufacturing, production, or refining – qualifies for 100% bonus depreciation
- Construction start window: January 20, 2025 – December 31, 2028.
- Must be placed in service by December 31, 2030.
- Emphasis on date of a binding contract (i.e. acquired property won't qualify if contract was entered before January 20, 2025)
- Exclusions:
 - Portions of the building unrelated to manufacturing, production, or refining (offices, areas for admin service areas, sales activities, etc.)
 - Food/beverages in same building as retail establishments (restaurants)

Qualified Production Property (Continued)

- The original (manufacturing/production) use of the property must begin with the taxpayer.
- **Leased property used by lessee does not qualify.**
- Election made on tax return; IRS to provide procedures.
- Recapture applies if use changes within 10 years of service.
- Recapture amount equals original basis of property.

Other Business Provisions

- Limitations on interest expense deduction permanently relaxed – limit is modified to be income before depreciation & amortization, thus allowing more interest expense to be deducted
- Section 1202 Stock provisions expanded, with tiers added to allow exclusion from income of gain from sale of stock starting with 3-year holding period for shareholders of corporations with less than \$75 million of gross assets at time of stock issuance
- Adds a 1% of taxable income floor for donations by C corporations – overall limit still 10%
- Energy-related deductions & credits were modified or eliminated with various effective dates
- Always consider differences in state tax treatment and whether states will comply with federal changes under HR 1.

Key Provisions for Pass-through Entities

- PTET election remains beneficial for pass-through entities
 - Must consider revised SALT limit and phaseout for high income taxpayers
- 199A deduction made permanent at 20%, with phase-out amounts increased, thus expanding the deduction
- Since Pass-through Entities are taxed at the owner level, carefully consider decisions regarding R&D expensing, bonus depreciation, etc.

Payroll & Information Reporting Changes

- New tip/overtime reporting rules will need to be monitored – no new W-2 for 2025, but qualified tips and overtime will have to be reported
- Forms W-4 and W-2 will be revised for 2026 – Draft Form W-2 recently released
- Dependent care assistance program limit increases to \$7,500 in 2026
- 1099 threshold increases to \$2,000 in 2026 and will be indexed for inflation after 2026.

What Businesses Should Do Now.....

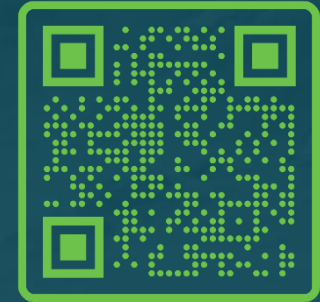
- Plan timing of deductions and credits
- Review remaining estimated tax payments scheduled for 2025
- Review payroll and accounting processes
- Stay up-to-date on regulations as they are issued
- Consider type of entity for your business
- ***And, most importantly, contact BMSS for guidance***

BMSS Webinars

Coming up:

- October 28 – *The OBBBA and Year-End Tax Planning: What Individuals Need to Know*

To register:



Previous webinars under News & Events:

- *How the OBBBA Impacts You – an overview of HR 1*
- *R&D Impacts & Strategies after the OBBBA*
- *OBBBA Provisions for Employers to Consider*

Q&A

Please use the [Q&A button](#) at the bottom of your screen to enter your questions.

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