



Business Tax Transformed:

What Businesses Need to Know About the One Big Beautiful Bill

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DISCLAIMER: FOR INFORMATIONAL PURPOSES ONLY

- ▶ *This presentation is for **informational purposes only** and does not constitute legal, tax, or accounting advice.*
- ▶ *Not intended or written to be used for avoiding tax penalties.*
- ▶ *Based on current guidance; subject to change.*
- ▶ *Please **consult your tax advisor** for advice specific to your situation.*

HOUSEKEEPING NOTES

 **Q&A Panel:** Use for questions during the webinar.

 **Slides:** Emailed after the session.





 **Recording:** Available for replay.

 **CPE Credits:** Not issued for this webinar.

AGENDA

1. Research and Experimental Expenses
2. Fixed Assets and Expense Changes
3. Interest Expense Limitation
4. Qualified Business Income (QBI)
5. Qualified Small Business Stock (QSBS)
6. Corporate Charitable Deductions
7. Business Credits
8. 1099 Reporting
9. Tax Exempt Organization Changes
10. Live Q&A

HAVE A QUESTION?


-  Questions will be **answered live at the end** of the presentation.
-  Submit your question anytime via the **Q&A Panel**.
-  Questions we don't cover will be **followed up on by email**.
-  Email us after the webinar at **contact@brinkersimpson.com**.

IRC 174: RESEARCH AND EXPERIMENTAL EXPENDITURES

YEAR	R&E TREATMENT
Prior to 2022	Expense
Effective January 1, 2022	Capitalize and amortize: US – 5 years Foreign – 15 years
Effective January 1, 2025	US – Expense Foreign – Amortize over 15 years

IRC 174: RESEARCH AND EXPERIMENTAL EXPENDITURES

WHAT'S CHANGED	KEY DATES / ACTIONS
Small taxpayers (avg. gross receipts \leq \$31M) may retroactively expense domestic R&E costs for tax years starting after January 1, 2022 .	Deadline coming for 2022.
All taxpayers can accelerate recovery of previously capitalized domestic R&E costs from 2022–2024 by deducting the remaining amounts over 1–2 years starting in 2025 .	Review capitalized costs and determine election strategy for 2025 deductions.
Applies only to domestic R&E costs.	Coordinate with tax advisor for required elections and method changes.

 **PLANNING TIP:** IRS guidance pending. Election options may be impacted.

R&D CREDIT (FORM 6765)

R&D Credit – Still Available!

- ▶ The R&D tax credit under IRC §41 **is not eliminated or reduced** by OBBBA.

Who Qualifies? (*Examples*)

- ▶ Manufacturing, Engineering, Technology, Food & Beverage, Pharmaceutical, Construction, etc.

Other Key Points:

- ▶ IRS has expanded reporting requirements on Form 6765.
- ▶ R&D study strongly recommended.

Small Business Benefit

- ▶ If you have **< \$5M** in gross receipts and **no receipts** before the last 5 years, you can offset up to **\$500,000** of payroll taxes (Form 941) instead of income taxes.

REMINDER



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DEPRECIATION DEDUCTIONS: BIG CHANGES

	OLD	NEW
<u>Bonus:</u>	TCJA phased down the percentage by 20% each year; 40% in 2025, 20% in 2026, and 0% in 2027 beyond.	OBBBA permanently reinstates 100% bonus depreciation for tangible personal property placed in service after January 19, 2025.

Taxpayers can elect 40% depreciation, but only for the first year ending after January 19, 2025.

	OLD	NEW
<u>Section 179:</u>	Expensing available for 2025 up to \$1.25M, with phase-out once purchased assets for the year exceeds \$3.13M.	OBBBA raises max deduction to \$2.5M and phase-out thresholds do not apply until the cost of §179 property exceeds \$4M. Effective after December 31, 2024.

 **PLANNING TIP:** Consider asset purchases before year-end to take advantage of new thresholds.

100% DEDUCTION FOR QUALIFIED PRODUCTION PROPERTY

OLD

- ▶ Real property depreciated over 39 years (non-residential) and is subject to recapture upon sale.

NEW

- ▶ OBBBA allows for **100% deduction** on the cost of certain real estate referred to as QPP if several criteria are met:
 - Nonresidential property used for business production
 - Directly involved in manufacturing/producing tangible goods
 - Original use begins with the taxpayer
 - Placed in service in the U.S.
 - Construction between January 19, 2025–January 1, 2029; in service before January 1, 2031

QUALIFIED BUSINESS INCOME (QBI) DEDUCTION: PERMANENTLY EXTENDED

OLD

- ▶ TCJA created a 20% deduction for QBI under 199A; expires December 31, 2025.

NEW

- ▶ Permanent extension at 20%
- ▶ Expands the phase out for SSTBs from \$50K (non-MFJ)/\$100K (MFJ) to \$75K/\$150K
- ▶ New inflation-adjusted minimum deduction of \$400

Effective for taxable years beginning **after December 31, 2025.**

QUALIFIED SMALL BUSINESS STOCK (QSBS)

OLD

- Non-corporate taxpayers could exclude **up to 100% of gain** on QSBS held for **≥5 years**
- Subject to the greater of:
 - \$10 million limit **or** 10× the aggregate adjusted basis

NEW

- **Tiered Holding Period for New Stock Issued After Enactment**
 - 50% exclusion for stock held **≥3 years**
 - 75% exclusion for stock held **≥4 years**
 - 100% exclusion for stock held **≥5 years**
- ▶ **Gross Asset Threshold Increased:**
 - From **\$50M** → **\$75M**, indexed for inflation
- ▶ **Exclusion Limit Floor Increased:**
 - From **\$10M** → **\$15M**, also indexed for inflation

CORPORATE CHARITABLE DEDUCTIONS

OLD	NEW
No minimum floor	1% floor introduced; donations below 1% of taxable income are not deductible and cannot be carried forward.
10% cap on C Corp deductions	10% cap remains
5-year carryforward for excess	5-year carryforward remains

✦ **PLANNING TIP:** *New 1% Floor* - Contributions must exceed 1% of taxable income to be deductible. Smaller donations under this threshold will not generate a deduction and cannot be carried forward.

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KEY BUSINESS CHANGES: MEALS

TYPE OF MEAL EXPENSE	2024	2025	2026 AND BEYOND
Meals for convenience of employer	50%	50%	0%*
On-premises employee meals	50%	50%	0%*
Business meals with clients (ordinary)	50%	50%	50%
Office snacks / de minimis fringe	50%	50%	0%*
Travel meals (employee on business travel)	50%	50%	50%
Entertainment meals	0%	0%	0%

**Effective 2026 under §274(o), most employers may not deduct these meal expenses. Exceptions apply for certain restaurant, hospitality, maritime, and fishing industry employers. IRS guidance is pending on the definition of “eating facility,” which may affect the treatment of office snacks and beverages.*

 **PLANNING TIP:** Properly categorize meals to maximize allowable deductions.

KEY BUSINESS CHANGES: CREDITS

TAX PROVISION	OLD	NEW
Paid Family and Medical Leave Credit	Credit for employers providing paid FMLA; set to expire after 2025.	Made permanent and enhanced for tax years after 2025.
New Markets Tax Credit	Credit for investment in low-income communities; set to expire after 2025.	Made permanent.
Work Opportunity Tax Credit (WOTC)	Credit for wages paid to certain individuals.	Allowed to expire after December 31, 2025.

KEY BUSINESS CHANGES: CREDITS

TAX PROVISION	OLD	NEW
Low-Income Housing Tax Credit (LIHTC)	Credit for costs of building or rehabilitating rental housing for low-income tenants.	Permanently increases state allocation ceiling by 12% and lowers bond-financing threshold to 25% (starting 2026).
Employee Retention Credit	April 15, 2025, deadline to file refund claims for 2021 quarters.	Claims after January 31, 2024, for Q3/Q4 2021 disallowed; enhanced penalties and extended statute of limitations.
Employer Provided Childcare Credit	25% credit for qualified expenses, up to \$150K annually.	Increased to 40% (50% for small businesses); max credit \$500K (\$600K for small businesses) effective after December 31, 2025.

KEY BUSINESS CHANGES: REPORTING

TAX PROVISION	OLD	NEW
Form 1099-NEC / 1099-MISC	\$600 reporting threshold for payments made during a trade or business.	Threshold increased to \$2,000 for payments after 2025; indexed for inflation.
Form 1099-K	Reporting by third-party payment platforms scheduled to drop to \$600 starting in 2026.	Reinstates original threshold: \$20,000 total payments and more than 200 transactions.




TAX-EXEMPT ORGANIZATION CHANGES

TAX PROVISION	OLD	NEW
Excise Tax on Investment Income of Private Colleges and Universities	1.4% excise tax on net investment income of institutions with large endowments.	New tiered rates of 1.4%, 4%, and 8% based on student-adjusted endowment.
Excise Tax on Excess Compensation	Applies to remuneration over \$1M to a covered employee in a tax year.	Expanded to include former employees.

LIVE Q&A

SUBMIT YOUR QUESTIONS USING THE Q&A PANEL

BEFORE YOU GO

-  **Slides** will be emailed to participants.
-  **Recording** will be available for replay.
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