One Big Beautiful Bill Act (OBBBA)

Key Tax Changes

Source	CCH AnswerConnect editorial insights (as provided in the original handout)
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Individual Rates and Capital Gains

Key provisions summarized below.

Provision	Summary
Income Tax Rates of Individuals, Estates, and Trusts	The income tax rate schedules for individuals, estates, and trusts are made permanent for tax years beginning after 2025. The permanent tax rates for individuals are: 10, 12, 22, 24, 32, 35, and 37 percent. The rates for trusts and estates are: 10, 24, 35, and 37 percent. A change in the manner of applying annual inflation adjustments is also made providing an additional year of inflation adjustment for the 10 percent range.
Income Tax Requirements for Individuals, Filing Thresholds	The filing thresholds for an individual to file an income tax return are modified as a result of the permanent repeal of the personal and dependency exemption deductions, modifications to the standard deduction, and an additional $6,000 temporary deduction for seniors available in tax years beginning after December 31, 2024 and before January 1, 2029.
Alternative Minimum Tax (AMT) for Individuals	The AMT exemption amounts for individuals are made permanent for tax years beginning after 2025. The AMT exemption phaseout threshold for joint filers and surviving spouses in tax years beginning in 2026 reverts back to $1,000,000 as applicable in 2018, subject to inflation in future years. The threshold by which the exemption begins to phase out is doubled.
Estate, Gift, and Generation-Skipping Transfer Tax Exclusions	The basic exclusion amount for estate and gift taxes and the exemption amount for generation-skipping transfer (GST) tax purposes is increased to $15 million, before adjustment for inflation, for the estates of decedents dying and gifts and GSTs made after 2025.
Combat Zone Tax Benefits for U.S. Armed Forces Members	Qualified hazardous duty areas are permanently treated in the same manner as combat zones for purposes of determining eligibility for the certain tax benefits available to members of the U.S. Armed Forces after 2025. The Sinai Peninsula of Egypt and the African countries of Kenya, Mali, Burkina Faso, and Chad are permanently designated as qualified hazardous duty areas.
Qualified Small Business Stock Gain Exclusion	The QSBS gain exclusion rules are modified to provide for a tiered gain exclusion for QSBS acquired after July 4, 2025. The exclusion is 50 percent for stock held for three years, 75 percent for stock held for four years, and 100 percent for stock held for five or more years. Also, the per-issuer dollar limitation is increased to $15 million (adjusted for inflation after 2026) for stock acquired after July 4, 2025, and the aggregate gross asset ceiling is increased to $75 million (adjusted for inflation after 2026) for stock issued after July 4, 2025.
Gain from Sale or Exchange of	Taxpayers may elect to pay taxes on gains from the sale or

Qualified Farmland Property	exchange of qualified farmland property to a qualified farmer in four equal annual installments, effective for such sales or exchanges in tax years beginning after July 4, 2025. The election is made by the due date of the return for the tax year of the sale or exchange. Each annual installment is paid on the original due date of the return for that year, but certain events can accelerate the payment of any remaining installments.
Qualified Opportunity Zones	The Qualified Opportunity Zone program is permanently extended and enhanced, allowing for rolling, 10-year designations beginning on January 1, 2027. A new rolling gain deferral rule and a permanent 10-percent basis step-up benefit are established. In addition, stricter eligibility criteria apply to qualified opportunity zone designations and a new category of a fund, Qualified Rural Opportunity Fund, with generous tax benefits is created. New reporting requirements and penalties for noncompliance are also added.

Individual Deductions, Credits, & Exclusions

Key provisions summarized below. Code section references omitted per request.

Provision	Summary
Standard Deduction	The increased basic standard deduction amounts are made permanent and will not decrease beginning after 2025. Also, the amounts are increased for 2025 to $31,500 for married filing jointly, $23,625 for head of household, and $15,750 for single and married filing separately).
Personal and Dependency Exemptions	The suspension of the deductions for personal and dependency exemptions are permanent for tax years beginning after 2025. For tax years beginning after 2025, an individual may no longer claim a personal exemption deduction or an exemption deduction a dependent their tax return. A temporary deduction of $6,000 for qualified individuals 65 and older is added for tax years beginning after December 31, 2024, and before January 1, 2029.
Qualified Tips Deduction ("No Tax on Tips")	Individuals can claim an income tax deduction for qualified tips received in tax years 2025 through 2028. A qualified tip is any cash tip received in an occupation that customarily and regularly received tips on or before December 31, 2024. The deduction is limited to $25,000 per tax year, and starts to phase out when modified adjusted gross income is above $150,000 ($300,000 for joint filers). Qualified tips received in the course of a nonemployee individual‘s trade or business are deductible only to the extent that gross receipts are greater than allocable deductions. An employer must report qualified tips on the employee‘s Form W-2, or the employee must report the tips on

	Form 4137. A service recipient must report qualified tips on the nonemployee payee's Form 1099-NEC or Form 1099-K. Amounts that do not meet certain requirements are excluded from qualified tip treatment. The deduction is not allowed unless the taxpayer's social security number appears on his or her income tax return. Married taxpayers must file a joint return to claim the deduction.
Qualified Overtime Pay Deduction ("No Tax on Overtime")	Individuals can claim an income tax deduction for qualified overtime pay received in tax years 2025 through 2028. The deduction is limited to $12,500 per tax year ($25,000 per tax year for joint filers), and starts to phase out when modified adjusted gross income is over $150,000 ($300,000 for joint filers). Qualified overtime compensation is overtime paid to an individual required under the Fair Labor Standards Act of 1938 (FLSA) that is in excess of the regular rate under the FLSA at which the individual is employed. Qualified overtime pay must be included on the employee's Form W-2 , or the nonemployee's Form 1099-NEC. The deduction is not allowed unless the individual's social security number appears on his or her income tax return.
Car Loan Interest Deduction	For tax years beginning after 2024 and before 2029, individual taxpayers may claim a deduction of up to $10,000 for interest paid or accrued on a post-2024 loan for the purchase of a qualified passenger vehicle for personal use. The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 in the case of a joint return). The deduction is also available to taxpayers who do not itemize. A qualified passenger vehicle generally includes a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle that is new, the final assembly of which occurs in the United States, and that meets other requirements. A person that, in the course of its trade or business, receives $600 or more of applicable passenger vehicle loan interest from an individual for any calendar year must make an information return and furnish a statement to the payor to avoid penalties.
State and Local Tax (SALT) Deduction Limit for Individuals	The SALT deduction limit for individuals who itemize deductions is temporarily increased for tax years 2025 through 2029. The limit is $40,000 ($20,000 if married filing separately) for 2025, $40,400 ($20,200) for 2026, and increases by one percent over the previous year's amount in 2027 through 2029. The dollar limit for 2025 through 2029 is reduced by 30 percent of the excess (if any) of the taxpayer's modified AGI over a threshold amount but not below $10,000 ($5,000 if filing separately). The threshold amounts are $500,000 ($250,000 if married filing separately) for 2025, $505,000 ($252,500) for 2026, and increase one percent over the previous year's amounts in 2027 through 2029. The SALT deduction reverts back to $10,000 ($5,000 if filing separately)

	beginning in 2030.
Home Mortgage Interest Deduction	The limitation of the home mortgage interest deduction to interest paid or accrued on acquisition debt is permanent. The maximum amount that may be treated as acquisition debt continues to be $750,000 ($375,000 if married filing separately) for any acquisition debt incurred. The suspension of the deduction for interest on home equity debt is permanent.
Charitable Contribution Deductions for Individuals	For tax years beginning in 2026, an individual who does not itemize deductions can deduct up to $1,000 ($2,000 in the case of a joint return) in charitable contributions made in cash during the tax year. The deduction is claimed in calculating taxable income and not as an above-the-line deduction in calculating adjusted gross income (AGI). Also, a 0.5-percent floor on charitable deductions will apply to individuals who itemize. The deduction ceiling for donations related to Native Alaskan subsistence whaling is substantially increased.
Personal Casualty and Theft Loss Deduction	The temporary limitation restricting the personal casualty and theft loss deduction to losses attributable to federally declared disasters is made permanent and extended to include losses resulting from certain state-declared disasters.
Phaseout of Itemized Deductions	The former limitation on itemized deductions is permanently repealed and replaced with a new overall limitation on itemized deductions.
Discharge of Debt Income from Student Loans	The exclusion from income of discharged student loan debt resulting from the death or disability of the student is permanently extended. In order to be eligible for the exclusion, the student must provide a social security number.
Dependent Care Assistance Benefits	The maximum exclusion for dependent care assistance is increased up to $7,500 annually ($3,750 in the case of a married individual filing separately).
Education Assistance Benefits	The exclusion from an employee‘s gross income of certain payments made by an employer on a qualified student loan is permanent. The maximum amount of the exclusion for education assistance provided by an employer is adjusted for inflation for tax years beginning after 2026.
Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property	A partial exclusion of interest is available for certain loans secured by rural or agricultural real property. The amount excluded is 25 percent of the interest received by a qualified lender on a qualified real estate loan.
Trump Accounts and Contribution Pilot Program	Tax-favored Trump accounts for children are created. The accounts operate in a similar manner to individual retirement accounts. A pilot program will seed the accounts of children born after December 31, 2024, and before January 1, 2029, who are

	U.S. citizens at birth, with $1,000.
Qualified Higher Education Expenses for 529 Accounts	The term “qualified higher education expense“ is broadened to include additional expenses in connection with enrollment or attendance at a private, public, or religious elementary or secondary school. In addition, qualified postsecondary credentialing expenses are added to the meaning of “qualified higher education expense.“
Contributions and Rollovers to ABLE Accounts	Individuals are permanently allowed to roll over amounts from a qualified tuition plan (also known as Code Sec. 529 plans) to an ABLE account if the ABLE account is owned by the same designated beneficiary of the qualified tuition plan or a member of the designated beneficiary’s family. The additional contribution limitation to ABLE accounts is permanent for contributions made by the designated beneficiary, with certain limitations.
Health Savings Accounts (HSAs)	A health plan will not fail to be treated as a high deductible health plan (HDHP) solely because it does not impose cost-sharing for telehealth and other remote care services prior to a deductible being met or is a bronze or catastrophic plan offered in the individual market on an Exchange. In addition, individuals enrolled in an HDHP may also enroll in a direct primary care arrangement while still maintaining a health savings account.

Personal Tax Credits

Key provisions summarized below. Code section references omitted per request.

Provision	Summary
Child Tax Credit	The child tax credit increases to a maximum of $2,200 per qualifying child under the age of 17 for 2025 and is adjusted for inflation thereafter. Both the $500 “other dependent child” (ODC) credit and the $400,000/$200,000 modified AGI phase-out thresholds are made permanent. The $1,400 maximum limit (indexed for inflation) for the refundable additional child tax credit (ACTC) and the $3,000 earned income threshold for the ACTC are also made permanent. No child tax credit may be claimed unless the taxpayer’s return includes the social security number (SSN) of the qualifying child and the taxpayer (or the SSN of at least one spouse in the case of a joint return). The SSNs provided must be considered work eligible.
Child and Dependent Care Credit	The child and dependent care credit maximum credit rate increases to 50 percent after December 31, 2025.
Adoption Credit	Effective for tax years beginning after 2024, up to $5,000 of the adoption credit is refundable (adjusted for inflation in tax years after 2025). However, the refundable portion of the credit may

	not be carried forward. In addition, Indian tribal governments are permitted to make a determination that a child has special needs for purposes of the adoption credit.
Education Credits (American Opportunity and Lifetime Learning Credits)	To claim the American Opportunity or lifetime learning tax credit, a taxpayer must provide a social security number (SSN) rather than a taxpayer identification number (TIN). If the credit is claimed for tuition and related expenses of an individual other than the taxpayer or spouse, the taxpayer also must provide that individual's name and SSN. Failure to provide the required SSNs (and EIN for the American Opportunity tax credit) will be treated as a mathematical or clerical error.
Energy Efficient Home Improvement Credit	The Code Sec. 25Cenergy efficient home improvement credit is terminated. A taxpayer may not claim the credit for property placed in service after December 31, 2025.
Residential Clean Energy Credit	The Code Sec. 25Dresidential clean energy credit is terminated. A taxpayer may not claim the credit with respect to any expenditures made after December 31, 2025 .
Clean Vehicle Credit	The Code Sec. 30D credit of up to $7,500 for a qualified new clean vehicle is terminated and may not be claimed for vehicles acquired after September 30, 2025.
Previously-Owned Clean Vehicle Credit	A Code Sec. 25Etax credit of up to $4,000 for the purchase of previously-owned clean vehicles is terminated and may not be claimed for vehicles acquired after September 30, 2025.
Alternative Fuel Vehicle Refueling Property Credit	The alternative fuel vehicle refueling property credit does not apply to any property placed in service after June 30, 2026.
Health Insurance Premium Assistance Credit	Several changes have been made to the eligibility and administration of the health insurance premium tax credit, including limiting eligibility to certain defined lawfully present aliens, increasing verification of eligibility, limiting special enrollment periods which are eligible for the tax credit, and requiring all excess tax credits be recaptured.
Credit for Contributions to Scholarship Granting Organizations	Beginning after 2026, individuals are allowed a credit for qualified contributions to scholarship granting organizations that provide scholarships for qualified elementary and secondary education expenses. The credit is limited to $1,700. Scholarship amounts received by a taxpayer or dependent are excluded from gross income.

Business Income and Deductions

Key provisions summarized below. Code section references omitted per request.

Provision	Summary

Code Secs. 25F and 139K	BUSINESS INCOME AND DEDUCTIONS Expensing, Depreciation & Amortization
Code Sec. 179 Expensing Election	The Code Sec. 179 dollar limitation is increased to $2.5 million and the investment limitation is increased to $4 million for tax years beginning after 2024. These increases will be inflation-adjusted for tax years beginning after 2025.
Expensing and Bonus Depreciation for Sound Recordings	The special expensing provision for qualified film and television productions is expanded to apply to qualified sound recording productions commencing in tax years that end after July 4, 2025. Property qualifying for bonus depreciation is also expanded to include qualified sound recordings produced after 2025.
Energy Efficient Commercial Building Deduction	The energy efficient commercial building deduction is terminated for property beginning construction after June 30, 2026.
Bonus Depreciation	The bonus depreciation rate is increased to 100 percent for qualified property acquired and placed in service after January 19, 2025. The bonus depreciation rate is also increased to 100 percent for specified plants planted or grafted after January 19, 2025.
Bonus Depreciation for Qualified Production Property	Bonus depreciation, at a rate of 100 percent, is available for qualified production property constructed after January 19, 2025, and before January 1, 2029, and placed in service before 2031. Qualified production property is nonresidential real property that is used by the taxpayer as an integral part of a qualified production activity. A qualified production activity is the manufacturing, production, or refining of qualified products, and the term production is limited to agricultural and chemical production. To qualify, the property has to be placed in service in the United States or its territories, and the original use must begin with the taxpayer.
Cost Recovery for Solar or Wind Energy Property	The MACRs 5-year recovery period for solar or wind energy property described in Code Sec. 48(a)(3)(A) is eliminated, effective for property whose construction begins after December 31, 2024.
Research and Experimental Expenditures	Taxpayers are allowed to immediately deduct domestic research or experimental expenditures paid or incurred in tax years beginning after December 31, 2024. Foreign research or experimental expenditures must continue to be capitalized and amortized over 15 years under Code Sec. 174
Qualified Business Income Deduction (Passthrough Deduction)	The deduction for qualified business income is made permanent. Modifications are made to the deduction limit phase-in. An inflation-adjusted minimum deduction is provided for tax years beginning after 2025.
Business Interest Deduction Limit	For tax years beginning after 2024, adjusted taxable income (ATI)

(Section 163(j))	for purposes of the Code Sec. 163(j) business interest limitation corresponds to earnings before interest, taxes, depreciation, and amortization (EBITDA), rather than earnings before interest and taxes (EBIT). ATI also excludes after 2025 certain amounts otherwise required to be recognized in gross income by a U.S. shareholder of a foreign corporation. The definition of “motor vehicles” for floor plan financing interest purposes after 2024 is expanded to include certain trailers and campers designed to be towed by or affixed to a motor vehicle. The section 163(j) limit is calculated before applying any interest capitalization rules.
$1 Million Employee Compensation Deduction Limit	A new entity aggregation rule applies for purposes of the $1 million compensation deduction limit for compensation paid to covered employees employed by public corporations in controlled groups, effective for tax years beginning after 2025.
Excess Business Loss of Noncorporate Taxpayers	The limitation on excess business loss of a noncorporate taxpayer is made permanent. Thus, A noncorporate taxpayer may not claim a deduction for any excess business loss for any tax year.
Charitable Contribution Deduction for Corporations	For tax years beginning after 2025, a corporation is allowed a charitable contribution deduction only to the extent that the total charitable contributions exceed one percent of the corporation’s taxable income (the one-percent floor) and do not exceed 10 percent of the corporation’s taxable income (the 10-percent limitation). Contributions in excess of the 10-percent limitation may be carried forward for five years and are allowed on a first-in, first-out basis. Any carryforward is applied after taking into account contributions made in the current tax year. Contributions disallowed under the one-percent floor may be carried forward only from years in which the corporation’s charitable contributions exceed the 10-percent limitation.
Meals Provided at the Convenience of Employer	Beginning in 2026, business expense deductions are disallowed for employer-provided meals that are excludable from an employee’s income or are de minimis fringe benefits. However, employers may deduct these expenses if the meals are sold or provided to employees on certain vessels, oil or gas platforms, or drilling rigs and their support camps. In addition, the exception to the 50-percent deduction limit for meals is expanded to apply to crew members of commercial fishing vessels.
Bicycle Commuting Reimbursement Exclusion	The exclusion for qualified bicycle commuting reimbursement is permanently repealed after 2025. The annual inflation adjustment for calculating the maximum amount of the qualified transportation fringe benefits allowed is measured from 1997.
Partnership Payments to Partners for Property or Services	The statutory rules recharacterizing certain partnership payments to a partner for property or services as transactions between the partnership and a nonpartner are made self-effecting and apply without the need for the IRS to issue regulations. However, the

	IRS may still limit or otherwise modify their application.
Qualifying Income of Publicly Traded Partnerships	Qualifying income of a publicly traded partnership is expanded for tax years beginning after 2025 to include income from hydrogen and sustainable aviation fuel transportation and storage, electric power generation and storage, carbon capture, advanced-nuclear or hydropower electricity production, and geothermal-deposit electricity or thermal energy production.
Percentage of Completion Method of Accounting	The long-term contract rules, including the generally required use of the percentage of completion method, do not apply to residential construction contracts.
Corporate Alternative Minimum Tax (CAMT)	For tax years beginning after 2025, a corporation‘s adjusted financial statement income (AFSI) for corporate alternative minimum tax (CAMT) purposes is reduced by any deductions for intangible drilling and development costs (IDCs) allowed in computing the corporation‘s taxable income. In addition, the AFSI is adjusted to disregard any depletion expenses for property that are taken into account on the corporation's applicable financial statement with respect to the IDCs of that property.
REIT Asset Test for Allowable REIT Subsidiary Holdings	The percentage of the value of the total assets of a real estate investment trust (REIT) that can be represented by securities of one or more taxable REIT subsidiaries is increased from 20 percent to 25 percent for tax years beginning after 2025.

Business Tax Credits

Key provisions summarized below. Code section references omitted per request.

Provision	Summary
Clean Fuel Production Credit	The Code Sec. 45Z clean fuel production credit is extended and available for fuel sold before January 1, 2030. Fuel, however, must be derived exclusively from feedstock produced or grown in the United States, Mexico, or Canada beginning after 2025. The higher credit rate for sustainable aviation fuel (SAF) is eliminated, and SAF will have the same credit rate as non-SAF transportation fuels effective for fuels sold after 2024. The emission rate tables for fuels published by the Treasury will exclude emissions attributed to indirect land use change and include distinct emissions rates for fuels derived from animal manures. The credit may also not be claimed by a specified foreign entity or foreign-influenced entity. Effective for tax years beginning after July 4, 2025, an eligible taxpayer may not elect to transfer any portion of the credit under Code Sec. 6418 to a taxpayer that is a specified foreign entity.
Clean Electricity Production Credit	The Code Sec. 45Y clean electricity production credit may not be claimed for any wind or solar energy facility placed in service after

	December 31, 2027. The termination applies to facilities the construction of which begins after July 4, 2026. The credit also may not be claimed for certain leased solar or wind property if the taxpayer rents or leases the property to a third party during the tax year. In addition, the credit may not be claimed if a qualified facility which begins construction after 2025 includes any material assistance from a prohibited foreign entity (PFE) or the taxpayer is a specified foreign entity or foreign-influenced entity. Additional amendments are made regarding the expansion of existing facilities and the emissions rate tables issued by the Treasury. Effective for tax years beginning after July 4, 2025, an eligible taxpayer may not elect to transfer any portion of the credit under Code Sec. 6418 to a taxpayer that is a specified foreign entity.
Clean Hydrogen Production Credit	The clean hydrogen production credit and the election to treat clean hydrogen production facilities as energy property are only available for facilities that begin construction before January 1, 2028.
New Energy Efficient Home Credit	The Code Sec. 45L new energy efficient home credit terminates early and may not be claimed for any qualified home acquired after July 1, 2026 (rather than January 1, 2033).
Commercial Clean Vehicle Credit	The Code Sec. 45W commercial clean vehicle credit terminates early and may not be claimed for a qualified vehicle acquired on or after October 1, 2025 (rather than January 1, 2033).
Carbon Oxide Sequestration Credit	Effective for equipment and facilities placed in service after July 4, 2025, the credit rate under the Code Sec. 45Q carbon sequestration credit for carbon oxide that is captured and utilized by the taxpayer is increased to match the credit rate for carbon oxide captured and disposed of by the taxpayer. The credit may also not be claimed by a specified foreign entity or foreign-influenced entity. Effective for tax years beginning after July 4, 2025, an eligible taxpayer may not elect to transfer any portion of the credit under Code Sec. 6418 to a taxpayer that is a specified foreign entity.
Zero-Emission Nuclear Power Production Credit	The Code Sec. 45U zero-emission nuclear power production credit may not be claimed by a specified foreign entity or foreign-influenced entity. Effective for tax years beginning after July 4, 2025, an eligible taxpayer may not elect to transfer any portion of the credit under Code Sec. 6418 to a taxpayer that is a specified foreign entity.
Advanced Manufacturing Production Credit	The Code Sec. 45X advanced manufacturing credit may not be claimed for wind components produced and sold after December 31, 2027, as well as metallurgical coal produced after December 31, 2029. The credit percentage for metallurgical coal is reduced to 2.5 percent for tax years beginning after July 4, 2025. A new phaseout rule applies for other applicable critical minerals

	produced after 2030 with 75 percent of the credit allowed in 2031, 50 percent allowed in 2032, 25 percent in 2033, and no credit beginning in 2034.
Clean Electricity Investment Credit	The Code Sec. 48E clean electricity investment credit does not apply for any qualified property, other than energy storage technology (EST), placed in service by the taxpayer after 2027 that is part of a wind or solar energy facility the construction of which begins after July 4, 2026. In addition, the credit may not be claimed for certain leased solar or wind property for tax years beginning after July 4, 2025.
Advanced Manufacturing Investment Credit	The Code Sec. 48D advanced manufacturing investment credit is increased to 35 percent of an eligible taxpayer's qualified investment in an advanced manufacturing facility for the tax year.
Qualifying Advanced Energy Project Credit	Any allocations of the Code Sec. 48C qualifying advanced energy project credit revoked due to the taxpayer failing to place the project in service within two years may not be reallocated to another taxpayer beginning on July 4, 2025.
FICA Tip Credit for Beauty Service Businesses	The FICA tip credit for employer-paid FICA taxes on employee cash tips may be claimed by employers in certain beauty service businesses. The credit is available if it is customary for customers or clients to tip employees who provide barbering and hair care, nail care, esthetics, or body and spa treatments. Beauty service businesses determine the credit amount by using the minimum wage rate that applies under the Fair Labor Standards Act for the month.
Employer-Provided Child Care Credit	The Code Sec. 45F employer-provided child care credit is increased to 40 percent of qualified child care expenditures paid or incurred after 2025, up to a maximum of $500,000. For an eligible small business, the credit is 50 percent of qualified expenditures, up to a maximum of $600,000. The maximum limits are indexed for inflation after 2026. Small businesses may pool their resources and jointly own and operate a qualified child care facility.
Employer Credit for Paid Family and Medical Leave	The Code Sec. 45S employer credit for providing paid leave under the Family and Medical Leave Act (FMLA) is made permanent, allows employers to claim credits for paid FMLA leave insurance premiums or wages, modifies the definition of qualifying employee, and introduces an aggregation rule for employers in a controlled group.
Employee Retention Credit Enforcement	New enforcement provisions have been enacted related to the COVID-era employee retention credit (ERC) against the employer's portion of Medicare tax for qualified wages paid after June 30, 2021, and before October 1, 2021. ERC promoters who meet certain gross receipts requirements but fail to meet certain due

	diligence requirements in providing assistance related to an ERC are subject to an assessable $1,000 penalty per failure. The limitations period for assessment of amounts attributable to the ERC is extended to six years after the latest of the date the underlying tax return was filed or treated as filed, or the date the ERC or related refund claim was made. An ERC or related refund claim generally cannot be allowed or made after the date these new provisions were enacted. Finally, the 20-percent penalty on erroneous refund or credit claims has been extended to employment tax claims for refund or credit.
New Markets Tax Credit	The New Markets Tax Credit, an awarded nonrefundable tax credit intended to encourage private capital investment in eligible, low-income communities, was set to expire on December 31, 2025. It is permanently extended.
Low-Income Housing Tax Credit	For calendar years after 2025, the state housing credit ceiling on the total amount of low-income housing credits available for allocation by a state is permanently increased by 12 percent. In addition, for buildings placed in service in tax years beginning after 2025, the tax-exempt bond financing threshold is lowered to 25 percent if one or more of the bonds have an issue date after 2025 and provide the financing for not less than five percent of the aggregate basis of the building and the land on which the building is located.
Prohibited Foreign Entities Definitions for Applicable Energy Credits	New restrictions are placed on several energy-related tax credits related to foreign entities of concern (FEOC). Effective for tax years beginning after July 4, 2025, an applicable credit cannot be claimed if the taxpayer is a type of prohibited foreign entity (PFE). A PFE is an entity that is a specified foreign entity or a foreigninfluenced entity as defined under Code Sec. 7701(a)(51). Also, a qualified facility for an applicable credit does not include any facility for which construction begins after June 16, 2025, if the construction of the facility includes any material assistance from a PFE as defined under Code Sec. 7701(a)(52). Either one of both restrictions apply to the credits under Code Secs. 48E, 45Q, 45U, 45X, 45Y, and 45Z.

International, Tax-Exempts, & Other Provisions

Key provisions summarized below. Code section references omitted per request.

Provision	Summary
Foreign Tax Credit	For determining the foreign tax credit, a U.S. shareholder‘s deductions allocated to income in the global intangible low-taxed income (GILTI) category are limited to (1) the GILTI deduction allowed (and the income tax deduction for related taxes), and (2)

	any other deduction directly allocable to GILTI income. Up to 50 percent of the income from the sale of inventory produced in the United States and sold abroad can be treated as foreign source for foreign tax credit purposes, based on how much of the income from the foreign sale is attributable to the foreign office or fixed place of business.
Deemed Paid Foreign Tax Credit	The deemed paid foreign tax credit percentage is increased from 80 percent to 90 percent. Foreign tax credits on distributions of previously taxed net CFC tested income (formerly GILTI) are disallowed.
FDII and GILTI Deduction Under Code Sec. 250	The FDII deduction has been recharacterized as the foreign-derived deduction eligible income (FDDEI) deduction, for tax years beginning after December 31, 2025. Domestic corporations are allowed a permanent 33.34 percent FDDEI deduction plus a permanent 40 percent net controlled foreign corporation (CFC) tested income deduction. Further, the definition of deduction eligible income (DEI) is modified, and deemed tangible income return (DTIR) is eliminated.
Global Intangible LowTaxed Income (GILTI)	U.S. shareholders of controlled foreign corporations (CFCs) must include their net CFC tested income in gross income for tax years beginning after December 31, 2025. Global intangible low-tax income (GILTI), net deemed tangible income return (NDTIR), and qualified business asset investment (QBAI) have been removed from the income inclusion provision.
Controlled Foreign Corporations Rules	The look-through rule for controlled foreign corporations (CFCs) is permanently extended. The limit on downward attribution of stock ownership for constructive ownership is restored. The pro rata share rules for U.S. shareholders of a CFC are modified.
Base Erosion and AntiAbuse Tax (BEAT)	For tax years beginning after 2025, the BEAT rate is permanently increased to 10.5 percent and taxpayers are allowed to continue utilizing tax credits in computing the BEAT liability.
Tax Year of Specified Foreign Corporations	The special one-month deferral election for determining the tax year of a specified foreign corporation is repealed. A specified foreign corporation using a one-month deferral year must use its majority U.S. shareholder year beginning after November 30, 2025.
Excise Tax on Remittance Transfers	A one-percent excise tax is imposed on certain remittance transfers made by senders in the United States to recipients abroad after 2025. The tax is paid by the sender at the time of the transfer and is collected by the remittance transfer provider, which must also remit the tax quarterly to the Treasury Secretary. The remittance transfer providers have secondary liability for any tax that is not collected from the sender at the time of the transfer. The remittance tax applies only to cash transfers or their

	equivalent. Transfers of funds withdrawn from an account in certain financial institutions as well as transfers funded with a debit or credit card issued in the United States are excluded. Remittance transfers are also subject to the anti-conduit rules.
Information Reporting Threshold for Business Payments	For payments made after December 31, 2025, the dollar threshold amount is increased to $2,000 for required information reporting on certain payments made to a payee by a payor in the course of the payor's trade or business, and on remuneration paid to nonemployee workers for their services performed in the payor's trade or business. The dollar threshold for treating such payments as reportable payments subject to the backup withholding rules is also increased to $2,000. These threshold amounts will be adjusted for inflation for calendar years after 2026.
De Minimis Payments by Third Party Settlement Organizations	Under a de minimis payment exception, a third-party settlement organization must report payments in settlement of third-party network transactions with a participating payee for any calendar year beginning after 2021 only if (1) the gross amount of payments is more than $20,000, and (2) the total number of those transactions is more than 200. The backup withholding rules conform with this de minimis exception for calendar years beginning after 2024, but not if any payments in settlement of third party network transactions made by the payor to the payee during the preceding calendar year were reportable payments.
Excess Compensation Within Tax-Exempt Organizations	The excise tax, payable by exempt organizations on remuneration in excess of $1 million and any excess parachute payments, will no longer be limited to the five most highly-compensated current and former employees in the tax year.
Excise Tax on Net Investment Income of Private Colleges and Universities	The 1.4 percent excise tax imposed on the net investment income of private colleges and universities is modified into a tiered system based on the institution's studentadjusted endowment, and certain smaller institutions will no longer be liable.
Nonprofit Community Development Activities in Remote Native Villages	The assets and activities involved in managing fisheries in the western Alaska community development program established under the MagnusonStevens Fishery Conservation and Management Act for eligible villages will be considered substantially related to the primary purposes for which those villages and their related entities are exempt from tax under Code Sec. 501(a).
Excise Tax Refund for Dyed Fuels	Refunds of federal fuel excise taxes actually paid are available on eligible indelibly dyed diesel fuel or kerosene.
Cover Over of Rum Excise Tax	The $13.25 per proof gallon cover over amount paid to the treasuries of Puerto Rico and the U.S. Virgin Islands for the excise tax on rum imported into the United States from any source country is made permanent for distilled spirits brought into the

	U.S. after December 31, 2025.
Transfer and Manufacturing Taxes Eliminated for Certain Firearms	Transfer and manufacturing taxes are removed for certain types of firearms.
Exempt Facility Bonds for Spaceports	For purposes of the exempt facility bond rules, ground leases for spaceport facilities will be treated in the same manner as ground leases for airports.

Notes

- This document is a high-level summary of selected provisions from the provided handout.
- Effective dates, thresholds, and phaseouts are summarized; consult the underlying legislation and guidance for application to specific facts.
- This version intentionally omits Internal Revenue Code section citations.