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Unpacking the “One Big Beautiful Bill Act”

The Impact on Dealerships

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Discussion Areas

1. Federal Tax Implications
2. State and Local (SALT) Implications
3. Individual Highlights
4. Q&A

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FEDERAL IMPLICATIONS

3 Key Business Provisions

Section 174

- Foreign vs Domestic
- Transition
- Credit Impact

Section 163(j)

- Interest Capitalization
- International Impact

Bonus Depreciation

- Effective Date
- Effective Options
- New Category

Section 163(j) - Interest Expense Limitation

- Pre TCJA - interest paid or accrued on business debt was generally fully deductible, with no cap based on income or EBITDA.
 - The only limitation under old 163(j) applied primarily to corporations with foreign affiliates
- TCJA - New §163(j) was enacted as part of the TCJA in December 2017.
 - Limitation based on 30% of adjusted taxable income (ATI)
 - For tax years 2018–2021, ATI was defined similarly to EBITDA.
 - Beginning in 2022, ATI was calculated based on EBIT (i.e., depreciation and amortization are not added back), which often results in a stricter limit.
- OBBBA – 163(j) modified
 - Taxable years beginning after December 31, 2024 ATI is defined similarly to EBITDA

Section 163(j) – OBBBA Impact

2022-2024 (TCJA)

Taxable income before interest limit	\$700,000
Interest income	(\$50,000)
Interest Expense	\$400,000
ATI	\$1,050,000
Interest Limitation	\$315,000
Taxable Income after interest limit	785,000
Tax (@21%)	\$164,850

2025 (OBBBA)

Taxable income before interest limit	\$700,000
Interest income	(\$50,000)
Interest Expense	\$400,000
Depreciation and Amortization	\$300,000
ATI	\$1,350,000
Interest Limitation (no limit)	\$405,000
Taxable Income after interest limit	700,000
Tax (@21%)	\$147,000

Bonus Depreciation

Pre-TCJA

Bonus depreciation for equipment, computer software, and certain improvements to nonresidential real property allows an immediate deduction of 50% for equipment placed in service in 2017, 40% in 2018, and 30% in 2019.

Post-TCJA

TCJA temporarily allows 100% expensing for business property acquired and placed in service after Sept. 27, 2017 and before Jan. 1, 2023. The 100% allowance generally decreases by 20% per year in taxable years beginning after 2022 and expires Jan. 1, 2027.

Bonus Depreciation

- Under the OBBBA - 100% bonus depreciation permanently restored for property acquired and placed into service after January 19, 2025
- New elective 100% depreciation allowance for qualified production property allowed for construction beginning after January 19, 2025
 - A qualified production activity includes the manufacturing of tangible personal property, agricultural production, chemical production, or refining.

Other Business Changes

- Section 179 – deduction increased to \$2.5 million with a phaseout threshold of \$4 million for assets placed in service after 2024
- Filing thresholds for Forms 1099-NEC and 1099-MISC increased from \$600 to \$2,000
- TIPS credit
 - Previously applied to the food and beverage industry only; provides a credit for the FICA paid by the employer on tips
 - OBBBA expanded to include beauty service industry starting in 2025.

Qualified Small Business Stock

Pre-OBBBA

- An active domestic C Corporation with gross assets not exceeding \$50 million immediately after stock issuance
- 100% capital gain exclusion for qualified stock held five years
- Exclusion Limited to the greater of \$10 million or 10 times basis

Post-OBBBA

- An active domestic C Corporation with gross assets not exceeding \$75 million immediately after stock issuance
- 100% capital gain exclusion for qualified stock held five years, 50% after three years, 75% after four years
- Exclusion Limited to \$15 million



Energy Credits

Terminated after Sept. 30, 2025

- Commercial Clean Vehicle Credit
- Previously-owned Clean Vehicle Credit
- Clean Vehicle Credit

Terminated after Dec. 31, 2025

- Energy-efficient Home Improvement Credit
- Residential Clean Energy Credit
- Sustainable Aviation Fuel Credit

Energy Credits

Terminated after June 30, 2026

- Energy Efficient Home Credit
- Alternative Vehicle Refueling Credit
- Energy-efficient Commercial Building Deduction
- Clean Fuel Production Credit

Continued – June 30, 2026

- Clean Electricity Production Credit
- Clean Hydrogen Production Credit
- Advanced Manufacturing Production Credit
- Clean Electricity Investment Credit (ITC)

Deductions & Credits

- Meals
 - 100% Fishing Activities
 - 50% Otherwise
- Employee Retention Credit
 - Prevention of payment for certain claims

199A

TCJA Expiration

- Full expiration after 2025
- 20% of qualified business income exempt from taxation
- Phaseout for SSTBs
- Limits based on taxable income, wages paid and UBI

Post-OBBA

- Permanent 20%
- Higher \$100k-150k MFJ Phase-Out for SSTBs
- \$400 minimum for taxpayers with \$1k of QBI
- Starting 1/1/26

Passthroughs

- 461(l) Excess business loss limitation
- Opportunity Zones
- Disguised sale treatment



SALT INSIGHTS

SALT Deduction Limits

SALT Deduction Cap Changes

- Current (TCJA): \$10,000 cap (\$5,000 MFS) through 2025.
- OBBBA: Raises to \$40,000 (\$20,000 MFS) for 2025–2029.
- Annual Increase: +1% each year from 2026–2029.
- Phase-down: For AGI > \$500k, reduced by 30% of excess (floor \$10k).

SALT | PTET Workarounds & Implications

PTET & SALT Cap Strategies

- 36 states + NYC allow PTET to bypass SALT cap.
- New federal SALT cap does not limit PTET deductions.
- Owners may need to reassess PTET elections.
- Expirations 12/31/25: IL, OR, UT. Extensions: CA (+5 yrs), VA (to 2026).

SALT | Section 174 R&E Expenses

Immediate Expensing Restored

- TCJA: R&E costs amortized (5 or 15 years) after 2021.
- OBBBA: Permanent immediate expensing for domestic R&E.
- Allows acceleration for unamortized 2022–2024 costs.
- SALT: States vary in conformity—check fixed-date states.

SALT | Section 163(j) Business Interest Expense

EBITDA Limitation Returns

- TCJA: Limit = 30% of EBIT after 2021.
- OBBBA: Returns to **30% of EBITDA** starting 2025 (permanent).
- SALT: Complex conformity rules; track carryforwards & entity-level calcs.

SALT | Section 168(k) Bonus Depreciation

100% Bonus Depreciation Restored

- TCJA phased down from 100% (40% in 2025).
- OBBBA: Restores 100% bonus for property after Jan 19, 2025 (permanent).
- Includes manufacturing buildings (in service before Jan 1, 2031).
- SALT: Track basis differences for depreciation/dispositions.

SALT | International Provisions (GILTI/FDII)

NCTI & FDDEI Permanent Changes

- TCJA: GILTI @ 10.5%, FDII @ 13.125% through 2025.
- OBBBA: Permanent; renamed:
 - GILTI → **NCTI** (40% deduction)
 - FDII → **FDDEI** (33.34% deduction)
- FTC haircut reduced to 10% → ~14% rate for both.
- SALT: State conformity/decoupling will affect results.

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INDIVIDUAL HIGHLIGHTS

Individual Income Tax – Tax Brackets

- Permanent extension of the lower TCJA income tax rate schedules for individuals. Adds an additional year of inflation adjustment for the 10% and 12% brackets. Effective for taxable years beginning after December 31, 2025

2025 Tax Rate	Single Filers (Income Over)	Married Filing Jointly (Income Over)
10%	\$0	\$0
12%	\$11,925	\$23,850
22%	\$48,475	\$96,950
24%	\$103,350	\$206,700
32%	\$197,300	\$394,600
35%	\$250,525	\$501,050
37%	\$626,350	\$751,600

Individual Income Tax – Standard Deduction

- The higher standard deduction established under the TCJA is here to stay and will be increased with inflation

Filing Status	Standard Deduction (2025)
Single	\$15,000
Married Filing Jointly	\$30,000
Head of Household	\$22,500

Individual Income Tax – SALT deduction

Pre-TCJA SALT deduction

- No cap on SALT deductions — full amount deductible
- Included state/local income or sales taxes **and** property taxes
- Primarily benefited taxpayers in high-tax states (e.g., NY, CA, NJ)
- Must itemize deductions to claim SALT
- Significantly reduced taxable income for high earners

Post-TCJA SALT deduction

- Deduction capped at **\$10,000**
- Same types of taxes deductible, but subject to the cap
- Limited benefit for high-income taxpayers in high-tax states
- Still requires itemizing, but fewer taxpayers do so due to higher standard deduction
- Cap reduces the overall impact on federal tax liability

Individual Income Tax – SALT deduction

- Under the OBBBA – SALT deduction cap raised to **\$40,000** starting in 2025
- Phase-out begins at \$500,000 MAGI (single/joint) and \$250,000 (separate)
- Reduction formula: 30% of income above threshold – fully phased out at \$600,000
- Deduction cannot fall below old limits (\$10,000 / \$5,000)
- Applies from 2025 through 2029; expires after 2029
- Benefits taxpayers in high-tax states and middle-income households

Individual Income Tax – SALT deduction

- The increased SALT cap reduces need for PTE tax workaround in many cases
- PTE tax elections are still beneficial for high-income taxpayers above phase-out thresholds
- Planning opportunities to coordinate PTE tax payments, timing of income recognition with new SALT deduction limits

Itemized Deductions - 2026

- Unreimbursed Educator Expenses
- Phaseouts
- Charitable deductions

Family Related Credits

- Child Tax Credit
- Trump Accounts
- 529 Plan

New Temporary Deductions (2025 – 2028)

- **Car Loan Interest Deduction:**
 - Above-the-line deduction for up to \$10,000 of interest on qualified passenger vehicle loans originated from 2025 – 2028.
 - Vehicle must be new, assembled in the U.S., and for personal use (leases excluded).
 - Phase-out begins at MAGI over \$100,000 (single) / \$200,000 (Joint).
- **Senior Deduction:**
 - Individuals over age 65 may claim an additional deduction of \$6,000 per individual (\$12,000 if both qualify).
 - Phase-out begins at MAGI over \$75,000 (single) / \$150,000 (Joint).

New Temporary Deductions (2025 – 2028)

- **Tip Income Deduction:**
 - Individuals may deduct up to \$25,000 in qualified tip income (\$25k cap regardless of filing status).
 - Must be occupations deemed by the IRS to be customarily receiving Tips.
- **Overtime Pay Deduction:**
 - Individuals with qualified pay may deduct the premium (half-time portion) up to \$12,500 per Individual (\$25,000 for MFJ).
- **Phase-out for both deductions begins at MAGI over \$150,000 (Single) or \$300,000 Joint.**

Estate & Gift Tax Exemption

- \$30M MFJ exemption
 - Set to sunset at end of 2025 and revert to \$14M MFJ.
 - Permanently extended with OBBBA and continued to be indexed for inflation.
- \$19k gift threshold.
 - Will continue to be indexed for inflation.



Q&A

Additional Resources

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Insights & Perspectives

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Nonprofit News, OBBA Act July 26, 2025
OBBA Impacts Home & Community-Based Services in Ohio

Nonprofit News, OBBA Act July 25, 2025
OBBA Act Introduces Tiered Excise Tax for Foundations

Dealership Insights July 24, 2025
Dealership Service Focus: Am I Charging Enough?

OBBA Act, Tax Exemption July 23, 2025
OBBA's Renewable Energy Crossroads

Nonprofit News, OBBA Act July 22, 2025

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