

Brady Ware's OBBBA Webinar Transcript 08-14-2025



Anita Anand: Well, hello everyone, and we want to welcome everyone to Brady Ware's webinar covering the impact of the One Big Beautiful Bill Act on business owners. I'm Anita Anand, managing shareholder of Brady Ware, and really appreciate everyone tuning in today.

Anita Anand: In scanning the attendee list, it was really good to see a lot of familiar names, so we'd like to thank our clients for tuning in today.

Anita Anand: Also good to see a lot of unfamiliar names. So, for those of you that aren't as familiar with Brady Ware, our focus for over 70 years has been to provide business owners and individuals with tax, accounting, and advisory guidance and support.

Anita Anand: From our four offices and more than 150 professionals, we assist with the traditional tax and accounting questions and issues that come up from time to time. But also, as advisors to our clients, many times we find ourselves, you know, helping out with some of the more intangible issues that can sometimes be more challenging to contend with.

Anita Anand: And in some ways, this is one of those times. So, signed into law just about a month ago, the One Big Beautiful Bill Act extended some of, you know, the various tax provisions from what we had before, but also updated and created a lot of new ones.

Anita Anand: So, what does this mean for business owners? How is it going to impact their businesses? What aspects of their financial operations are now more pressing and require more attention than maybe some others?

Anita Anand: To answer these questions and a whole lot more, joining me here today to walk us through the new legislation are three members of our national tax team, and I want to thank the three of them for being here today. Adam Titus, who you'll be hearing from first, will be covering the federal updates.

Anita Anand: And then we'll go to Jake Gentile, who's going to be covering the research and development, the 174 issues, answering some of those questions there. And then we'll go to Kristen Krabacher, since many of us here are also individuals as well, right? And we've got individual issues, and tax questions as well. And Kristen will be highlighting some of the more notable and noteworthy individual tax provisions as part of the new bill.

Anita Anand: So let's go ahead and get started. Adam, I'm going to go ahead and ask you to kick us off covering the federal updates.

Adam Titus - Brady Ware: Thank you, Anita, for that introduction. As Anita outlined, kind of the flow of our presentation today.

Adam Titus - Brady Ware: We'll also have a session for Q&A at the end, so as Bruce mentioned, you can enter those questions as you think of them throughout the presentation. We'll cover those at the end.

Adam Titus - Brady Ware: But there's really... So if we think about how this came through, we've got, ...

Adam Titus - Brady Ware: you know, several important dates, and this kind of came together fairly quickly after, you know, some negotiations and movement amongst versions of the bill. You know, July 1st, you know, this bill passed the Senate 51-50, so a fairly split vote there.

Adam Titus - Brady Ware: And then also July 3rd, passed the House 218 to 214, so also, you know, fairly split-down party lines. And then...

Adam Titus - Brady Ware: On July 4th, the President signed the bill into law. So we got a great gift there on a holiday of July 4th of a new tax bill to read and interpret.

Adam Titus - Brady Ware: ... So, if we think about, really, what are the key provisions

Adam Titus - Brady Ware: in the bill that impact businesses the most. There's really 3 of them. Section 174, you know, which is regarding research and development, experimentation expenses.

Adam Titus - Brady Ware: You know.

Adam Titus - Brady Ware: Jake's gonna cover that here in a minute. Also, Section 163J, which involves interest capitalization, you know, and the impact overall, some international impact there, and then also bonus depreciation with some changes to

Adam Titus - Brady Ware: 100% utilization and, ...

Adam Titus - Brady Ware: Amongst other things. So with that, I'm going to kick it over to Jake, to cover Section 174.

Jake Gentile: Thanks, Adam. So, yeah, my name is Jake Gentile. I'm a Senior Tax Manager in the Dayton office.

Jake Gentile: You know, I primarily focus on business and individual tax compliance, planning, and consulting, but I also specialize in R&D tax credits. So, which brings me here today to discuss Section 174 R&E capitalization.

Jake Gentile: So, what is Section 174? Section 174 governs the tax treatment of research and experimental expenditures. So, fairly related to the R&D tax credit, where there is a credit provided if you invest in R&D

Jake Gentile: credit activities, but Section 174 actually governs the tax treatment of these activities. So.

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Jake Gentile: It includes costs associated with developing new or improved products, processes, or software. It applies broadly to tech, manufacturing, software.

Jake Gentile: life sciences, and more. It does not include capital expenditures, such as, like, property plant equipment or land, but again, it is a key driver of how R&D investments are reflected on your tax return.

Jake Gentile: So, as we get into this, I'm just gonna go over a brief history of

Jake Gentile: the Section 174 rules, how we got to the fix and the one big beautiful bill. It's important to understand how we got here, that way you can go over, hey, what does this new law do? What options do you have?

Jake Gentile: So let's just start with the pre-Tax Cuts and Jobs Act, the first Trump tax bill.

Jake Gentile: Before 2022, businesses could deduct R&E expenses in the year they were incurred. Alternatively, companies could elect to amortize, over a 5-year period, both domestic and international expenses.

Jake Gentile: There was no requirement to capitalize or differentiate domestic from foreign research, which will be important later on in this presentation, but this flexibility supported early-stage innovation, and it helped manage cash flow effectively.

Jake Gentile: So, what did the TCJA do? It really affected tax years 2022 through 2024, but the TCJA amended Section 174 to require capitalization of all research and experimentation costs incurred in tax years beginning after December 31st, 2021.

Jake Gentile: So, the law changed the treatment of domestic and international expenses. So, for domestic expenditures, it required that these expenses be capitalized and amortized over a 5-year period.

Jake Gentile: For the international R&E expenditures, it required that these costs to be capitalized and amortized over a 15-year period.

Jake Gentile: Depending on the scoring method used, this amendment was intended to generate between \$15 and \$150 billion in additional revenue over a 10-year period.

Jake Gentile: So, you know, what does that really mean?

Jake Gentile: this law was put into the bill in the first Tax Cuts and Jobs Act to help pay for the tax cuts that were initially provided in the first year, in the immediate of the passing of the bill. So...

Jake Gentile: You can see the bill was passed back in 2017. This impact didn't occur until 2022. Some of that time gap was... I don't think lawmakers ever really intended that this law would go into effect. So...

Jake Gentile: there was multiple, bills written to, I guess, restore the immediate deduction of these expenses, and they just never went anywhere in Congress. Something would get attached to it, or they couldn't agree to it.

Jake Gentile: So we actually ended up in 2022 with the requirement to capitalize and amortize these expenses, which leads us now to the one big, beautiful bill.

Jake Gentile: But before we get there, I do want to go over some of the simple math. You know, how does this really affect taxpayers from a tax liability standpoint? So, I have two graphics here. The first one on the left is with first-year expensing, pre-TCJA.

Jake Gentile: So, this is just a hypothetical company assuming net income before any R&D expenses. It's \$2.5 million for this company.

Jake Gentile: The company incurred \$1 million of Section 174 expenses, which resulted in a taxable income of \$1.5 million because these Section 174 expenses were deductible.

Jake Gentile: We're just, in this example, using a corporate tax rate of 21%. This taxpayer would have a tax liability of \$315,000.

Jake Gentile: So...

Jake Gentile: Let's go over to the right here and just show what the required amortization did to this taxpayer's liability, assuming the same numbers. So, net income, still \$2.5 million, and the taxpayer still had \$1,174 expenses, but they were required to be capitalized.

Jake Gentile: So, assuming these were all domestic expenses.

Jake Gentile: the taxpayer was allowed a deduction of \$100,000. It spread over 5 years, and then there's another goofy component where you could only take one half of the first year's amount, so really that amounted to 10% of the total cost.

Jake Gentile: In this instance, it was a \$100,000 deduction.

Jake Gentile: The taxable income now is \$2.4 million, and the tax still at 21% is \$504,000. So you can see what that did to taxpayers, and, you know, if you're looking at a software company that's a startup, and they're accustomed on the front end to having large losses that is mainly driven by R&D activities.

Jake Gentile: we've seen situations, because of this bill, or the TCJA, really, that would flip this taxpayer from a traditional taxable loss to now they're in a taxable position, they have taxable income. So, you can really see what this law did to taxpayers.

Jake Gentile: So, now let's get into the One Big Beautiful Bill Act, what it did to fix some of the R&E expenditure rules that were in place from the TCJA.

Jake Gentile: So, what the law did, it added Section 174A, which allows taxpayers to fully expense domestic R&E expenses paid, and tax years beginning after December 31st, 2024.

Jake Gentile: A key point to note here is that foreign research expenditures remain subject to that 15-year capitalization and amortization.

Jake Gentile: ... But there are transition options for those previously capitalized 174 domestic R&E expenses.

Jake Gentile: So, if you're a taxpayer that had these costs incurred from tax year 2022 through 2024, you can deduct that remaining unamortized balance in full in tax year 2025.

Jake Gentile: You could also amortize the unamortized amount over a 2-year period, meaning you could deduct 50% of that unamortized balance in 2025, and 50% of that cost in 2026.

Jake Gentile: My favorite part of the bill is that there is a retroactive election for eligible small businesses.

Jake Gentile: You know, what does that mean? It's a business that had less than \$31 million of average prior 3-year gross receipts based on the first tax year beginning after December 31st, 2024. So.

Jake Gentile: If your average gross receipts were under \$31 million, you may have the option to go back and amend tax years 2022, 2023, and 2024.

Jake Gentile: So, some of, you know, 2024 returns are still technically on extension, because it's either been extended to September 15th or October 15th.

Jake Gentile: So, a key point to note here is, if you would like to go back and amend, you actually have to start with the first year that you incurred Section 174 expenses. So, it's really an all-or-nothing approach.

Jake Gentile: If you would like to deduct those expenses on a timely filed 2024 return, you would have to actually go back and amend 2022, start there, then amend 23.

Jake Gentile: and then either amend or claim the deduction on an originally filed return for 2024. And of course, there's a deadline with going back and amending. The election must be made by July 4th, 2026.

Jake Gentile: So, I think...

Jake Gentile: To kind of pull this all together here, there's a lot of planning opportunities going forward, and it's important to note that

Jake Gentile: it may not be obvious just to, alright, let's go back in a minute. We really have to look at every situation, the whole landscape from 20

Jake Gentile: through 2026, and determine what makes the most sense. Where are you going to get

Jake Gentile: the most tax savings. Are you reducing tax that's taxed at the highest bracket, or are you reducing tax that's in a 20% tax bracket? So, that's something you just want to consider, and that's what we will consider with you. It's just, it's another planning opportunity to help reduce your tax liability.

Adam Titus - Brady Ware: Well, thanks, Jake, for covering that. You know, a lot of information there on 174. You know, I think the...

Adam Titus - Brady Ware: you know, the bill had, I think, roughly a year for regulations to come out to basically

Adam Titus - Brady Ware: well, one year from date of signing of the bill, so from July 4th.

Adam Titus - Brady Ware: We did see some communication from the ASCPA recently that there may be guidance as early as this August for

Adam Titus - Brady Ware: ...

Adam Titus - Brady Ware: Related to the retroactive election. There's a lot of taxpayers who haven't quite filed their 2024 return, and may want to deduct those 174 expenses on that return.

Adam Titus - Brady Ware: Are kind of in limbo right now, waiting to see if there will be guidance.

Adam Titus - Brady Ware: So we'll have to see where that goes in the next month.

Adam Titus - Brady Ware: So, with that, we're going to move on to the 163J interest expense limitation.

Adam Titus - Brady Ware: And similar to the way Jake outlined 174, we're just gonna... just because there's been changes that, you know.

Adam Titus - Brady Ware: applied to either 2018 or, you know, 2022 in the case of 174, and now we're, you know, dealing with another change. Just walking through that history so we understand exactly how we got to where we are.

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Adam Titus - Brady Ware: And what that means.

Adam Titus - Brady Ware: So, the Tax Cuts and Jobs Act was passed in late December 2017... or 2018,

Adam Titus - Brady Ware: With provisions that were, you know, applicable.

Adam Titus - Brady Ware: Heading into 18 and later years.

Adam Titus - Brady Ware: And prior to...

Adam Titus - Brady Ware: the Tax Cuts and Jobs Act, there was... the only limitation under... we'll call it old 163J,

Adam Titus - Brady Ware: it applied primarily to corporations with foreign affiliates. So, you know, there was really no limitation on deducting domestic interest expense

Adam Titus - Brady Ware: If, you know, if it wasn't paid to a foreign affiliate, basically.

Adam Titus - Brady Ware: Then we have the Tax Cuts and Jobs Act, we're going to refer to that as new 163J that was enacted in December of 17, and that created a limitation based on 30% of adjusted taxable income.

Adam Titus - Brady Ware: And then we had two periods, you know, over the last several tax years.

Adam Titus - Brady Ware: Where adjusted taxable income was calculated two different ways. For tax year 2018 to 2021,

Adam Titus - Brady Ware: adjusted taxable income was defined similar to EBITDA, so interest for earnings.

Adam Titus - Brady Ware: I mean, interest before... earnings before interest, tax, depreciation, and amortization.

Adam Titus - Brady Ware: But then, beginning in 2022, adjusted taxable income was calculated based on

Adam Titus - Brady Ware: Earnings before interest... earnings before interest and taxes, so depreciation and amortization were no longer added back.

Adam Titus - Brady Ware: Which, ... Most of the time, that off... that results in a stricter limit.

Adam Titus - Brady Ware: So you have more interest expense that's subject to that limitation, because you're starting with a... lower...

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Adam Titus - Brady Ware: Adjusted taxable income number.

Adam Titus - Brady Ware: So, the One Big Beautiful Bill Act then modified 163J for tax years beginning after December 31st, 2024, so it applies to the 2025 tax year.

Adam Titus - Brady Ware: And adjusted taxable income is defined, similar to EBITDA, so similar to those years from 2018 to 2021.

Adam Titus - Brady Ware: So it's... it's basically making that income number higher in most cases to be able to utilize more, and deduct more interest expense.

Adam Titus - Brady Ware: So, to kind of walk through an example here of what that means, ...

Adam Titus - Brady Ware: On the left-hand side of the slide.

Adam Titus - Brady Ware: You have taxable income, and this is 2022 to 2024.

Adam Titus - Brady Ware: Where it's based on EBIT and not EBITDA.

Adam Titus - Brady Ware: As far as adjusted taxable income. So you have taxable income before the interest limit of \$700,000.

Adam Titus - Brady Ware: In that taxable income, we have \$50,000 of interest income, which you would subtract out, and then you would add back your interest expense of \$400,000 to get to adjusted taxable income of \$1,050,000.

Adam Titus - Brady Ware: If we apply the 30% interest limitation to that adjusted taxable income, that's \$315,000.

Adam Titus - Brady Ware: And we had an interest expense of \$400,000.

Adam Titus - Brady Ware: So that would require us to add back \$85,000 to our taxable income.

Adam Titus - Brady Ware: After taking into account that interest, limitation.

Adam Titus - Brady Ware: So, again, it's similar to what Jake did with 174, we're just using a corporate tax rate, for a simple approach of 21%.

Adam Titus - Brady Ware: For total tax of \$164,850.

Adam Titus - Brady Ware: If I look at the impact of the OVVBA,

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Adam Titus - Brady Ware: Again, starting with the same taxable income.

Adam Titus - Brady Ware: ...

Adam Titus - Brady Ware: You know, we have the same two add-backs, interest income, you know, coming out of that, interest expense being added back, but then we also get to add back our depreciation and amortization.

Adam Titus - Brady Ware: So in that top number, we're saying \$300,000 has been, you know, deducted out of there, arrive at that \$700,000, so we're adding that back.

Adam Titus - Brady Ware: So that results in an adjusted taxable income of \$1,350,000,

Adam Titus - Brady Ware: So if you look at that compared to the first example, you know, \$1,050,000, we're basically 300,000 higher

Adam Titus - Brady Ware: On our adjusted taxable income.

Adam Titus - Brady Ware: So, if we take 30% of that again, as we did in the first example, interest limitation becomes \$405,000.

Adam Titus - Brady Ware: So, that \$405,000 is larger than our interest expense in the current year, so we can deduct all of our interest. So, the result is basically no change to our taxable income.

Adam Titus - Brady Ware: And our tax, again, in the C Corp, right?

Adam Titus - Brady Ware: 21% is 147,000.

Adam Titus - Brady Ware: So if you look at the difference there, you know, it's almost \$18,000 in tax.

Adam Titus - Brady Ware: that... that is, less tax, due to the changes under the OBBBA.

Adam Titus - Brady Ware: And, you know, one thought there is that, you know, while the limit

Adam Titus - Brady Ware: you know, limited interest more, under the, you know, TCGAA without the current changes, you know, may have been just a timing difference that would have been heavily utilized in the future. And that's true, but you would have to have, again, adjusted taxable income that's high enough to absorb that interest at 30% of it.

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Adam Titus - Brady Ware: So, you know, while it may have been a timing difference, it's... you know, it's not for sure that you'll be able to utilize that in the near future, and, you know, it's just better to have the cash flow in your business to run your business, rather than

Adam Titus - Brady Ware: Having it put out in cash.

Adam Titus - Brady Ware: Sooner than it needs to be.

Adam Titus - Brady Ware: So with that, we'll move on to bonus depreciation.

Adam Titus - Brady Ware: which has gone through several changes throughout the years, and we're gonna, you know, kind of cover pre-Tax Cuts and Jobs Act, and then get post-Tax Cuts and Jobs Act, and then the impact currently. But, you know, bonus depreciation, pre-Tax Cuts and Jobs Act.

Adam Titus - Brady Ware: applied to, you know, equipment, computer software, certain improvements to non-residential real property, and ... that was at 50% for equipment placed in service in 2017. It was going to go down to 40% in 18, and then 30% in 2019.

Adam Titus - Brady Ware: But then the Tax Cuts and Jobs Act was passed, and that temporarily allowed 100% expensing for business property acquired and placed in service after September 27, 2017, before January 1st, 2023.

Adam Titus - Brady Ware: And then that 100% allowance generally decreased by 20% per year in tax years beginning after 2022.

Adam Titus - Brady Ware: And, expires January 1st, 2027.

Adam Titus - Brady Ware: So we were gonna see that.

Adam Titus - Brady Ware: you know, Basically, completely go away.

Adam Titus - Brady Ware: With the 2025 tax year being, 40%, 2026 tax year 20%, and then no bonus, allowed in

Adam Titus - Brady Ware: 2027.

Adam Titus - Brady Ware: So, under the OBVBA, there is a 100% bonus depreciation permanently restored for property acquired in place of service after January 19th, 2025.

Adam Titus - Brady Ware: So, it's usually a little bit unusual to have kind of a mid-month, mid-year date like that, but, you know, kind of similar to the previous slide, where, you know, the Tax Cuts and Jobs Act, you know, that right side where it says after September 7th, 27, 2017,

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Adam Titus - Brady Ware: Even though that... in that act, it was passed in December of that year, so that was kind of retroactive by a few months.

Adam Titus - Brady Ware: And in the current act, ...

Adam Titus - Brady Ware: it's, you know, retroactive from July 4th, kind of back to January 19th of 2025.

Adam Titus - Brady Ware: There's also a new elective 100% depreciation allowance for qualified production property.

Adam Titus - Brady Ware: And that's for construction beginning after January 19th, 2025.

Adam Titus - Brady Ware: And that includes the manufacturing of tangible personal property.

Adam Titus - Brady Ware: Agro... agricultural production, chemical production, or refining.

Adam Titus - Brady Ware: And that's something I'm going to spend a little bit of time on that, because it's pretty unusual for...

Adam Titus - Brady Ware: ... Bonus to apply to real property.

Adam Titus - Brady Ware: And, you know, what we've seen so far, that this is an area that we're watching for additional guidance on, because, just because of how unusual it is compared to, you know, prior tax law.

Adam Titus - Brady Ware: And just the history of things.

Adam Titus - Brady Ware: But what we've read so far, you know, it wouldn't... qualified production property does not include any portion of the building property that is used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities.

Adam Titus - Brady Ware: Or other functions unrelated to qualified production activities.

Adam Titus - Brady Ware: So, what that would do is allow, you know, producers, refiners, or manufacturers to fully expense buildings.

Adam Titus - Brady Ware: Rather than depreciate them over 39 or 15 years, which is a significant benefit.

Adam Titus - Brady Ware: And kind of watching the definition of what production means will be important.

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Adam Titus - Brady Ware: But, you know, it generally requires a substantial transformation of the property comprising the product.

Adam Titus - Brady Ware: So, taxpayers that... with buildings that house both qualified production activities and other administrative office or research functions, they'll need to perform an analysis to allocate costs between functions.

Adam Titus - Brady Ware: to get there.

Adam Titus - Brady Ware: Couple of other business changes, the Section 179 deduction increased to \$2.5 million.

Adam Titus - Brady Ware: ... With a phase-out threshold of \$4 million for assets placed in service after 2024,

Adam Titus - Brady Ware: The deduction was previously capped at \$1.22 million.

Adam Titus - Brady Ware: And the... Phase-out threshold of \$3,050,000, so a decent increase to both of those.

Adam Titus - Brady Ware: Also, the filing threshold for Form 1099-NEC and 1099 Miscellaneous increased from 600 to 2,000.

Adam Titus - Brady Ware: Although that doesn't apply until 2026.

Adam Titus - Brady Ware: So, for the 2025 tax year, that \$600 cap still applies.

Adam Titus - Brady Ware: So for the TIPS credit, which that previously applied only to the food and beverage industry.

Adam Titus - Brady Ware: which provides a credit for the FICA paid by the employer on tips. So it was encouraging employers in those industries

Adam Titus - Brady Ware: To have their, you know, service industry employees report more of their tips, and also for the employers to report, you know, as far as those received on credit cards and things.

Adam Titus - Brady Ware: And so they receive a credit for it. And for whatever reason, that only applied to food and beverage on the original

Adam Titus - Brady Ware: But the OBVBA expanded to include the beauty service industry starting in 2025.

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Adam Titus - Brady Ware: Another area that was impacted is the qualified small business stock exclusion.

Adam Titus - Brady Ware: And so, you know, pre-OBBBA, an active domestic C corporation.

Adam Titus - Brady Ware: A really important fact here, that the gross assets not exceeding \$50 million in value immediately after stock issuance, so when the stock was originally issued, you know, what was the value at that point in time? And if the total value of all stock outstanding is greater than \$50 million, it wouldn't qualify.

Adam Titus - Brady Ware: But you could exclude up to 100%,

Adam Titus - Brady Ware: For qualified stock held for greater than 5 years.

Adam Titus - Brady Ware: And there were some different...

Adam Titus - Brady Ware: periods as far as when the original stock was issued, whether or not, you know, 100% applied, but that was the maximum. And then you had an exclusion limited to the greater of \$10 million.

Adam Titus - Brady Ware: Or 10 times your basis. Basis, you know, meaning the original cost you paid for the stock.

Adam Titus - Brady Ware: So, post, the OBBBA, an active domestic C corporation with gross assets exceeding \$75 million, so that

Adam Titus - Brady Ware: Cap went from \$50 million to \$75 million.

Adam Titus - Brady Ware: And then you have a hundred, you know, you still have the 100% capital gain exclusion for how longer than 5 years, but then they added, you know, a couple more tiers in there, so you would still get to exclude 50% of the gain after 3 years, 75% after 4 years.

Adam Titus - Brady Ware: And that exclusion cap went from \$10 million to \$15 million, with the 10 times basis still applying.

Adam Titus - Brady Ware: Couple of foreign changes that occurred.

Adam Titus - Brady Ware: We have the...

Adam Titus - Brady Ware: you know, I've talked a lot, and Jake also talked about some of these changes all tying back to the Tax Cuts and Jobs Act.

Adam Titus - Brady Ware: The Global Intangible Low Taxed Income is one of those.

Adam Titus - Brady Ware: Which, a couple things I thought were just a little bit silly in the bill is that they decided to rename a few of these things while not significantly modifying really what they were accomplishing, other than, you know, changing, some rates that apply.

Adam Titus - Brady Ware: So, you know, GILTI, previous abbreviation is now renamed to NetCFC Tested Income.

Adam Titus - Brady Ware: You know, abbreviated as NCTI, and that there's a rate change there reduced from 40% to, to 40% from 50%.

Adam Titus - Brady Ware: And then we also have foreign-derived intangible income.

Adam Titus - Brady Ware: Which was also renamed to Form Derived Deduction Eligible Income.

Adam Titus - Brady Ware: So we, we, you know, started off with,

Adam Titus - Brady Ware: the, you know, FDII added a couple, you know, changes a letter and added another letter for FDDEI.

Adam Titus - Brady Ware: It's kind of a...

Adam Titus - Brady Ware: Not real important change, but the name is different going forward. But there was a rate change there also, where it was reduced to 33.34%, from 37.5%.

Adam Titus - Brady Ware: Also, the, base erosion Anti-Ause Tax, referred to as the BEAT tax, you know, the bill repeals the scheduled rise to 12.5%, and instead sets that rate to 10.5%.

Adam Titus - Brady Ware: But it did retain the existing credit offset mechanisms that reduced the beat base.

Adam Titus - Brady Ware: Also, Section 8899, which in several versions of the original drafts.

Adam Titus - Brady Ware: Prior to the, you know, this one passed by both the House and Senate, and signed into law by the President, there was some language in there around Section 899,

Adam Titus - Brady Ware: You know, and that's really around Pillar 2.

Adam Titus - Brady Ware: And the implementation of that, kind of, worldwide.

Adam Titus - Brady Ware: But there are agreements with G7 countries to exempt the U.S. from Pillar 2.

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Adam Titus - Brady Ware: So that was removed from the final language of the bill.

Adam Titus - Brady Ware: There's a lot in the bill on energy credits.

Adam Titus - Brady Ware: And I'm not gonna cover today, we just... we're just due to time constraints, all the details on all of them. I'm gonna mention a few.

Adam Titus - Brady Ware: You know, there's several different termination dates. Also, there's some placed and service dates that apply, or beginning of construction, different... that apply to, you know, a lot of these different credits.

Adam Titus - Brady Ware: And they're... they're kind of staggered. So, you know, we have several related to... to clean vehicles,

Adam Titus - Brady Ware: whether it's commercial or previously owned, that they're terminated after September 30th, 2025, so it's kind of a short window, to take care... take advantage of those.

Adam Titus - Brady Ware: Also determined after December 31st, 2025.

Adam Titus - Brady Ware: A lot of the energy-efficient and residential clean energy credit, you know, sustainable aviation fuel credit.

Adam Titus - Brady Ware: You know, those will no longer apply after the end of this year.

Adam Titus - Brady Ware: Also, ...

Adam Titus - Brady Ware: terminated after June 30th of 2026. You've got the energy-efficient home credit, alternative vehicle refueling Credit, Energy Efficient commercial building deduction, and the Cleaning Fuel Production Credit.

Adam Titus - Brady Ware: ... Additionally, the Clean Electricity Production Credit clean hydrogen production credit.

Adam Titus - Brady Ware: and the Advanced Manufacturing Production Credit. One I want to cover just a little bit, the Clean Electricity Investment Tax Credit. That's the investment tax credit, that is, you know, applies to

Adam Titus - Brady Ware: Solar and, and other... energy production, projects, or,

Adam Titus - Brady Ware: As far as, like, the purchase and the installation of those.

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Adam Titus - Brady Ware: So, you know, manufacturing, you know, maybe even construction, if they have, you know, some things they build in-house, have a lot of, use a lot of

Adam Titus - Brady Ware: Electricity, or other energy.

Adam Titus - Brady Ware: You know, We have bonus depreciation that came back to 100%, And you... when you install

Adam Titus - Brady Ware: a solar, array.

Adam Titus - Brady Ware: You can get up to a 30% tax credit.

Adam Titus - Brady Ware: On the cost of that installation.

Adam Titus - Brady Ware: And typically, when you get a tax credit, you have to reduce the cost as far as what you capitalize and depreciate of the equipment equal to the credit, but for this credit.

Adam Titus - Brady Ware: It's basically half of the... You know, 30%. It's only 15%.

Adam Titus - Brady Ware: So if you, you know, if an installation costs \$100,000,

Adam Titus - Brady Ware: And your credit... you would get a credit of \$30,000, and then you could

Adam Titus - Brady Ware: You reduce your basis by \$15,000, you could deduct the remaining \$85,000 in the first year using bonus depreciation.

Adam Titus - Brady Ware: And that really helps to offset the cost of the project kind of going,

Adam Titus - Brady Ware: Going forward to where you get recovery sooner based on your, you know, electricity savings over time.

Adam Titus - Brady Ware: Couple other changes, ...

Adam Titus - Brady Ware: You know, related to meals, there was a 100% deduction allowed for fishing boats and certain processing facilities.

Adam Titus - Brady Ware: So, when we look at, kind of, how this thing came through, and a lot of the negotiations that go on.

Adam Titus - Brady Ware: Alaska... Alaska Senator Murkowski is the one that kind of threw that in there, as their fishing is prominent up in that area.

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Adam Titus - Brady Ware: And, and so... You know, 100% was all... is now allowed, only specific to those activities.

Adam Titus - Brady Ware: Also, so it's 50% otherwise on meals, but the employee retention credit, there's prevention of payment for certain claims.

Adam Titus - Brady Ware: So, there's a disallowance of refunds, claimed after 1-31, 2024.

Adam Titus - Brady Ware: And also, the statute of limitations was extended to 6 years from the date of filing the original return.

Adam Titus - Brady Ware: So... and that applied to quarters Q3 and Q4 of 2021.

Adam Titus - Brady Ware: As far as, refunds claimed, after that 1-31-2024 date.

Adam Titus - Brady Ware: So next, we're going to cover the 199 CAP A, the Qualified Business Income Deduction.

Adam Titus - Brady Ware: Which... Would have expired after, 2025.

Adam Titus - Brady Ware: and what the Qualified Business Income Deduction, we refer to it as QBI, allows a 20% deduction of qualified business income,

Adam Titus - Brady Ware: You know, that reduces your... basically your taxable income on a 1040 for those Owners of pass-through entities.

Adam Titus - Brady Ware: You know, there's a phase-out for specified service trader businesses. There's also limits based on taxable income.

Adam Titus - Brady Ware: wages paid, and an adjusted basis in assets, so it's basically... and EBIA is basically,

Adam Titus - Brady Ware: the cost paid.

Adam Titus - Brady Ware: For assets that are not yet fully depreciated under their standard lives.

Adam Titus - Brady Ware: So, so post-OBBBA, that made that deduction permanent.

Adam Titus - Brady Ware: And also increase the, married filing joint phase-out.

Adam Titus - Brady Ware: For SSTVs.

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Adam Titus - Brady Ware: And also provides a \$400 minimum for taxpayers with \$1,000 of GBI, and so that starts \$11,000.

Adam Titus - Brady Ware: 2026.

Adam Titus - Brady Ware: So, related to pass-throughs,

Adam Titus - Brady Ware: the 461L excess business loss limitation that extends current law, so excess losses continue to be carried forward as an NOL to the subsequent year.

Adam Titus - Brady Ware: Opportunity Zones.

Adam Titus - Brady Ware: That was made a permanent program on a rolling 10-year basis.

Adam Titus - Brady Ware: And that expanded the program, and reporting requirements begin, July 4th, 2025.

Adam Titus - Brady Ware: And then there's a 2027 10-year rolling start.

Adam Titus - Brady Ware: Also related to... disguised sales.

Adam Titus - Brady Ware: Which, you know, you have one partner that makes a contribution, and another partner receives a related distribution.

Adam Titus - Brady Ware: Historically, sometimes treated as a taxable sale of partnership interest.

Adam Titus - Brady Ware: But there was kind of uncertainty, but there's basically the changes in the OBBBA solidify that treatment, where that may apply.

Adam Titus - Brady Ware: So, with that, I'm going to transition over to Kristen, where she's going to cover some of the individual highlights.

Kristin Krabacher: Thanks, Adam.

Kristin Krabacher: I know everybody's been anxious to see how these things will flow through on your 1040 tax returns.

Kristin Krabacher: So we see a permanent extension of the lower income tax rate schedules for individuals, and it indexes it for inflation as well.

Kristin Krabacher: So, effective for tax years beginning after 2025, well, here's our 2025 tax rates. The 10% bracket goes up to \$11,925 for single filers, and \$23,850 for married filers.

Kristin Krabacher: And then you'll see it cap out at 37% for those making over \$626,000 individually, or \$751,000 married. And those will continue to index for, inflation.

Kristin Krabacher: Adam.

Kristin Krabacher: We also see the higher standard deduction that was established under the Tax Cuts and Jobs Act is here to stay and will also be increased with inflation. Single filers have that \$15,000 deduction, married filing jointly have \$30,000, and head of household have \$22,500.

Kristin Krabacher: This changed back with the Tax Cuts and Jobs Act, and as a result of this increase, we see quite a few less individuals, itemizing... itemizing their deductions.

Kristin Krabacher: So we're gonna walk down memory lane a little bit on the SALT deduction. That would be state and local taxes. These historically have been an itemized deduction.

Kristin Krabacher: And prior to the Tax Cuts and Jobs Act, there was no cap on how much state and local tax we could deduct. The SALT deduction included state and local income tax or sales tax, as well as property taxes.

Kristin Krabacher: This deduction really benefited taxpayers in those high-tax states, like New York, New Jersey, and California. Those who itemize get the benefit, and it really significantly reduced taxable income for those high earners.

Kristin Krabacher: After the Tax Cuts and Job Act, that deduction was capped at \$10,000.

Kristin Krabacher: Those same types of taxes were taken into account, the state and local income tax and the property tax, but now that is limited to \$10,000 in total as a deduction.

Kristin Krabacher: This really hurt those taxpayers in high-tax states and those big earners.

Kristin Krabacher: ...

Kristin Krabacher: The \$10,000 limit still requires that we itemize, but again, we're really seeing quite a few... quite a lot less, taxpayers itemizing as a result of this cap.

Kristin Krabacher: So the changes under the One Big Beautiful Bill Act, that salt deduction cap was raised to \$40,000 starting in 2025.

Kristin Krabacher: However, that is going to be phased out with income.

Kristin Krabacher: So, for taxpayers making between \$500,000 and \$600,000, you'll lose the benefit of that additional \$30,000 deduction, and for taxpayers more than \$600,000, you'll be back at that \$10,000 cap.

Kristin Krabacher: Again, you know, we'll see... we'll see those taxpayers in middle-income households in high-tax states benefit most from this, but, there will be a lot of limitations as well.

Kristin Krabacher: The increased salt cap reduces the need for the PTE tax workaround in many cases. A lot of you might be familiar with those PTE tax returns that we've been filing, at the state level, so we can deduct business taxes on the business tax return and pass through that credit to the individual.

Kristin Krabacher: For taxpayers who are not limited by, income limitations.

Kristin Krabacher: And since we deduct that \$40,000, we might want to, you know, play around with not doing the PTE tax return if we don't have to, but there's obviously opportunities to coordinate those payments and the timing of income recognition with where the salt deduction limits hit.

Kristin Krabacher: A few changes to our itemized deduction starting in 2026. The unreimbursed educator expenses, now change from being an unreimbursed employee expense to now being an itemized deduction.

Kristin Krabacher: Unreimbursed employee expenses were set to expire, so moving it keeps that deduction available to educators.

Kristin Krabacher: There's gonna be... start to be a phase-out beginning in 2026 on itemized deductions, for taxpayers exceeding certain, income thresholds. We may see a limitation up to

Kristin Krabacher: being able to deduct 35 cents on the dollar of our... all of our itemized deductions. So again, that's a big planning opportunity, and you know, in big income years, we may want to play around with when are we making our charitable contributions in order to make sure we're getting the full benefit of those.

Kristin Krabacher: deductions.

Kristin Krabacher: One more thing in regards to charitable contributions is now there's going to be a \$2,000 married filing joint deduction for taxpayers that even take the standard deduction. That's on cash contributions starting in 2026.

Kristin Krabacher: We've got some new credits this year. Well, the Child Tax Credit has been in existence and was set to go back down to \$1,000 instead of \$2,000 at the end of the year.

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Kristin Krabacher: But the OBBBA has increased that permanently to be \$2,200 starting January 1st, 2025, so parents with kids under 17 will get to take advantage of that on this next year's tax return.

Kristin Krabacher: ... these Trump accounts are going to be new this year. So, for kids born between 2025 and 2028,

Kristin Krabacher: They're going to get a \$1,000 deposit into this tax-advantaged account that kind of serves as an IRA-type account, where you can make contributions, and you're able to take those contributions out when the beneficiary turns 18.

Kristin Krabacher: And then it can be taken out sooner, but with the 10% early withdrawal.

Kristin Krabacher: Penalty up until his 51 and a half birthday.

Kristin Krabacher: So, it really functions as a retirement account.

Kristin Krabacher: 529 distributions have been expanded to allow several new items, such as, tutoring, homeschool expenses, different kind of credit programs for those who aren't planning to attend college, so it really expands the flexibility on those

Kristin Krabacher: counts.

Kristin Krabacher: There's a few new temporary deductions. The TIP income deduction, individuals may now deduct up to \$25,000 in qualified TIP income.

Kristin Krabacher: To \$25,000 count, regardless of your filing status.

Kristin Krabacher: And it must be for occupations deemed by the IRS to be customarily receiving tips. They have yet to define that, but I don't think we'll be able to get too creative there.

Kristin Krabacher: There's now also an overtime pay deduction, which allows individuals with qualified pay to deduct the premium, that extra half-time portion of the pay, up to \$12,500 per individual.

Kristin Krabacher: And that phase-out begins with modified adjusted gross income over \$150,000 for single filers, or \$300,000 for joints.

Adam Titus - Brady Ware: I think one of the important things to point out there is that

Adam Titus - Brady Ware: there's really not currently a reporting mechanism on the W-2 to... to separate out that half-time, that half-time portion for the premium and the overtime pay deduction.

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Adam Titus - Brady Ware: So, you know, if you have tipped employees that are gonna qualify for this, they're going to want, you know, they're going to need that information. Of course, you know, there may be, inside the pay stub, a way to look at that or view it.

Adam Titus - Brady Ware: But, you know, they're probably, you know, payroll companies are going to have to get on, figuring out how to report that, you know, especially for 2025.

Adam Titus - Brady Ware: ... As guidance probably won't likely come out.

Adam Titus - Brady Ware: from the, Treasury on how to report that, probably prior to year-end.

Kristin Krabacher: Excellent point, Adam. Yeah, this will definitely be new, and employees are going to have questions. The deduction ultimately is taken on their personal 1040 return, so aside from reporting on the W-2, there's really not a lot else for employers to do.

Kristin Krabacher: But yeah, that will... we'll stay tuned for, more guidance there.

Kristin Krabacher: Another new deduction is our car loan interest deduction. This allows taxpayers, even those who do not itemize, a deduction of up to \$10,000 of interest on passenger vehicle loans that originate between 2025 and 2028.

Kristin Krabacher: The vehicle must be new, assembled in the United States, and only for personal use. That phase-out begins at \$100,000, single filers, \$200,000 for a joint.

Kristin Krabacher: Additionally, there's the senior deduction, where individuals over 65 can get an additional deduction of \$6,000 per individual, and again, there are phase-out limitations on that additional deduction.

Kristin Krabacher: And lastly, we've got our estate and gift tax exemption. As you all probably know, the estate exemption was set to revert back to \$14 million at the end of 2025, but the One Big Beautiful bill has extended the \$30 million exemption indefinitely.

Kristin Krabacher: And it will continue to index for inflation.

Kristin Krabacher: There's also a \$19,000 gift threshold that will also be indexed for inflation.

Kristin Krabacher: And with that, we're gonna send it over to Anita for the Q&A.

Anita Anand: Thanks, Kristen. So with the time that we have left, we're going to try to address as many questions as we possibly can. We've had some questions come in. Just want to remind everyone to please use the Q&A feature to submit questions that you may have, so we'll be keeping an eye on that.

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Anita Anand: No particular order, just kind of working through questions as they've been chiming in. Adam, you had touched on the Qualified Small Business Stock, or also better known as 1202 stock. A question related to that.

Anita Anand: Can the qualified small business stock changes be applied retroactively to years prior to 2025?

Anita Anand: Or does it only apply in years 2025 going forward?

Adam Titus - Brady Ware: Yeah, I think that... The, the old, ... As far as holding period, ...

Adam Titus - Brady Ware: You know, being 100% after 5 years, but not, you know, that tiered structure.

Adam Titus - Brady Ware: I think that applies to any stock issued before July 4th, 2025.

Adam Titus - Brady Ware: But the... as far as to receive the 100% exemption, and then also the asset increase to \$75 million, as far as the value.

Adam Titus - Brady Ware: And then also, on the original issuance.

Adam Titus - Brady Ware: And, you know, the tier approach as far as 50% at 3 years, 75% at 4 years, I believe that's on stock issued after July 4th, 2025. So, to answer the question, I don't believe it's retroactive, to any stock that was issued before that, the date of enactment.

Adam Titus - Brady Ware: But again, you know, something there that when guidance is issued, when the Treasury regulations come out.

Adam Titus - Brady Ware: That may...

Adam Titus - Brady Ware: define that differently, but as far as what is currently available, I don't believe that it can be retroactively applied.

Anita Anand: Thanks, Adam. And then, you know, we address a lot of 1202 questions.

Anita Anand: for our clients, and I think one of the things that, tends to get glossed over is the limitations upon which industries and professions may not be eligible for 1202, just for the benefit of our, clients, and who's on, or whoever's on the webinar today, did you see any changes in the bill related to that?

Anita Anand: In terms of eligibility for 1202.

Adam Titus - Brady Ware: I didn't see any changes related to eligibility. I think it typically,

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Adam Titus - Brady Ware: You know, it goes back to the original issuance,

Adam Titus - Brady Ware: And then asset value. So, as far as eligibility, yeah, you have that increase from \$50 million to \$75 million.

Adam Titus - Brady Ware: But as far as what's otherwise defined under 1202, I haven't seen any, you know, additional changes as far as eligibility.

Anita Anand: Excellent. Thank you.

Anita Anand: And then we have a question, this is probably towards you, Kristen. Where do you create the Trump accounts? Is it at any financial institution, or are there any parameters, around that?

Kristin Krabacher: As far as I'm aware, they're still working out the kicks with that. I believe that contributions can begin to be made starting July 4th of 2026, so they've allowed themselves some time to work that out and, you know, we'll circulate that information as we get it.

Anita Anand: bet.

Anita Anand: And then, probably still to you, Kristen, when does the change in taxing overtime become effective? Is it the 2025 tax year or some other date?

Kristin Krabacher: It is the 2025 tax year, so, it's likely that we'll be wanting to report overtime box 14 of the W-2s, but starting to track that information and, you know, make sure it's available for W-2 time is going to be really important.

Anita Anand: Okay, thank you.

Anita Anand: And then the next question probably goes to Jake, related to 174 and R&D. Does a new law offer taxpayers the option to elect capitalization of 174 costs by project?

3Jake Gentile: Great question. So...

3Jake Gentile: Our interpretation is that it would be an all-or-nothing approach, so you either would capitalize all of the projects in that given year, or you just wouldn't capitalize at all. I mean, we're still waiting on the guidance to be released, but, you know, that's our best assumption at this point.

Adam Titus - Brady Ware: I think that...

Adam Titus - Brady Ware: You know, following that thought process, it... you know, generally, like, if you think about other areas where you're... you can capitalize or elect to fully expense, like bonus depreciation, if you elect out

Adam Titus - Brady Ware: a bonus depreciation for a certain asset class. So, when I say asset class, 5-year property, 7-year property, 15-year property. If you elect out for those classes, it's all

Adam Titus - Brady Ware: Property that falls under that class.

Adam Titus - Brady Ware: all 174 expenses are capitalized and amortized at 5 years as far as domestic, so I wouldn't think you'd be able to do an election, you know, asset by asset, because they all fall under the same class, basically.

Anita Anand: You know, you all three mentioned, in various parts of the presentation that we're waiting on clarification, needing clarification from IRS.

Anita Anand: from y'all's perspectives, you know, based on your areas of specialty, I think there was one piece that we were maybe expecting could be coming out in August, but have either of you heard, any timeline from IRS or Treasury related to any additional guidance that may be coming down?

Adam Titus - Brady Ware: Seen any other, you know, potential release dates, other than that the bill states

Adam Titus - Brady Ware: pretty broadly throughout, that the Treasury has one year from the date of enactment to issue any additional guidance, which gives us some hope because,

Adam Titus - Brady Ware: specifically related to 174, you know, that was passed back in December of 2017, and we didn't get any guidance on it until midway through the year after the tax year... the end of the tax year after, you know, it first applied.

Adam Titus - Brady Ware: And so we were working on extensions and trying to file returns where we didn't have guidance on exactly what was required to be capitalized under 174.

Adam Titus - Brady Ware: So it's good that we at least have a year where we're not waiting longer, but I'm not seeing any additional information.

Anita Anand: That sounds good. I appreciate that.

Anita Anand: Well, trying to keep an eye on time and realizing we want everyone to be able to get back to their scheduled day. That is all the time we have today for questions. I really want to thank Adam, Jake, Kristen for being on our webinar today. I really appreciate you sharing your insights.

Anita Anand: More importantly, I want to thank everyone for tuning in to the webinar. Hopefully, everyone is walking away, the hour later, getting a better oversight and understanding of what all was part of the One Big Beautiful Bill Act.

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Anita Anand: So I want to thank everyone for joining, and with that, I'll hand it over to Bruce to close us out.

Bruce Van Vreede: All right, thank you, everybody. Adam, if you don't mind going to the last slide, just so, people can see contact information should you have questions. The QR code's easy to scan, I think everybody's familiar with those at this point.

Bruce Van Vreede: But scan, and that'll take you directly to someone's contact information, so please utilize that if you need to.

Bruce Van Vreede: But, you will all receive a thank you email for attending, and yes, of course, thank you for doing that.

Bruce Van Vreede: It'll be a link to the recording to this, in case you, wanna...

Bruce Van Vreede: Refresh something that was said or discussed. And ... and if you...

Bruce Van Vreede: I think we got to all the questions, so if there's anything that you would like us to follow up with you on directly, just please reach out to us. You can always go to our website and just use the Contact Us feature, and that'll get to marketing.

Bruce Van Vreede: And we'll get it forwarded to the right person. So, again, thank you for attending, and this concludes our webinar.