

Navigating Debt Deductions and Tariffs Under the “Big Beautiful Bill”

Thursday, October 23, 2025

CFO Steering Committee



Ron Herbert
FASTSIGNS
Chief Financial Officer



Omar Choucair
Trintech
Chief Financial Officer



Lillian Meyer
Catalyte
Chief Financial Officer



Billy Bob Messer
BR Messer PLLC
Founder

Strategic Investors



Andrew Jackson
President



Charlie Fell
SVP, Technology & Life Sciences Division



Peter Vogel
Attorney & Counselor at Law



An **Assurex** Global Partner

Doug Jones
SVP & Principal, Board of Directors



Benjamin Isley
Principal

Special Interest Group Facilitators



Eric Holleman
Conexus SG
*SIG Chairman / Managing
Director*



Rebecca Gentry
Conexus SG
Sales & Marketing Admin

Mark Your Calendars!

Our Next Technology Special Interest Group Event:

Thursday, January 22 2020



Speakers



Benjamin Isley
Baker Tilly
Principal



Omar Chouair
Trintech
Chief Financial Officer



Understanding the Key Business Provisions of the New Tax Law

Presented By: Ben Isley



Background



Budget Reconciliation Process: How we got here

TCJA Sunset & GOP Platform

2025 tax reform was primarily driven by President Trump's agenda and the impending expiration of many provisions from the TCJA.

Budget Reconciliation

President Trump's term began with a narrow GOP-majority in the Senate, making the budget reconciliation process the most viable avenue to enact comprehensive tax reform.

Initial House Bill

The House passed its initial budget reconciliation bill on May 22, 2025.

Revised Senate Bill

The Senate passed its revised bill July 1, 2025, by a 51-to-50 vote. The House passed the Senate-approved bill on July 3, 2025.

Signed into Law

President Trump signed the bill, commonly referred to as the One Big Beautiful Bill Act, into law on July 4, 2025.

Key Tax Law Changes Applicable to Businesses

Depreciation
Sec. 168(k), Sec.
168(n), Sec. 179

**Interest Deduction
Limitation**
Sec. 163(j)

**Domestic R&E
Expensing**
Sec. 174/174A

**Qualified Small
Business Stock**
Sec. 1202

**Limitation allocation to controlled group entities
and expansion of covered employees in 2027 for
SEC**
Sec 162(m)

Section 174: Changes to Treatment of R&E Costs

Domestic Research & Experimental Costs

Newly added Section 174A permits the immediate deduction of *domestic* research or experimental (R&E) expenditures paid or incurred in tax years beginning after December 31, 2024.

- Alternatively, taxpayers may elect to capitalize and amortize domestic R&E expenditures ratably over (1) not less than 60 months, or (2) 10 years under Section 59(e)(2)(B).
- Software development costs will continue to be treated as R&E.

Domestic Research & Experimental Costs Cont'd

Accounting Method Consideration: The change from capitalizing domestic R&E to deducting is likely to be treated as a change in method of accounting, applied on a cut-off basis.

Consult your tax advisor regarding the determination of the specific procedures for implementing this method change.



Foreign R&E Costs

Sec. 174 amended to refer to "foreign research or experimental expenditures" and must still be capitalized and amortized over 15 years.

Sec. 174(d) relating to treatment upon disposition, retirement, or abandonment modified:

- To refer only to foreign R&E
- To specify that no deduction or "reduction to amount realized" shall be allowed
- Effective Date: Applies to property disposed, retired, or abandoned after May 12, 2025.

Key Coordinating Provisions

Section 280C(c)(1) is amended to read as follows:

- "The domestic research or experimental expenditures (as defined in section 174A(b)) otherwise taken into account as a deduction or charged to capital account under this chapter shall be reduced by the amount of the credit allowed under section 41(a)"

Section 41(d)(1)(A) is amended to read as follows:

- "with respect to which expenditures **are** treated as domestic research or experimental expenditures under section 174A"

Transition and Implementation of Sec. 174 Changes

Election to Deduct Unamortized Domestic R&E:

Taxpayers may elect to accelerate unamortized expenditures of capitalized domestic R&E from tax years beginning after December 31, 2021, and before January 1, 2025, over either:

- the first taxable year beginning after December 31, 2024, or
- ratably over the 2-taxable year period beginning with the first taxable year beginning after December 31, 2024.

Special transition rules for taxpayers with a short year beginning after December 31, 2024, and ending before July 4, 2025.

Transition and Implementation of Sec. 174 Changes

Retroactive Application for Qualifying Small Business Taxpayers:

Eligible taxpayers may elect to apply the changes retroactively to taxable years beginning after December 31, 2021.

An *eligible taxpayer* is any taxpayer, other than a tax shelter, which meets the gross receipts test of Section 448(c) for the first taxable year beginning after December 31, 2024 (i.e., average annual gross receipts for 2022, 2023 and 2024 must be \$31 million or less).



Transition and Implementation of Sec. 174 *Cont'd*

Election may be treated as a change in method of accounting initiated by the taxpayer made with consent of the Secretary.

Further guidance is needed to determine the specific procedures for making this election.

Consult your tax advisor.

Section 1202 Qualified Small Business Stock Changes

Reduced Holding Period with Graduated Benefits

- For QSBS acquired after July 4, 2025, the new law reduces the holding period requirement to 3 years and introduces a tiered benefit structure:

Acquisition Date	Holding Period	1202 Exclusion %
8/11/1993 – 2/17/2009	More than 5 years	50%
2/18/2009 – 9/27/2010	More than 5 years	75%
9/29/2010 – 7/4/2025	More than 5 years	100%
7/5/2025 onward	3 years	50%
7/5/2025 onward	4 years	75%
7/5/2025 onward	5 years or more	100%

Takeaway: Taxpayers are no longer required to hold QSBS for more than 5 years to exclude gains on QSBS acquired after July 4, 2025, although the benefit is greater if held for 5 years or more.

Increase in Per Issuer Limitation

- Under prior law, the aggregate amount of gain excludible under Section 1202 generally cannot exceed the greater of: \$10,000,000, reduced by gain excluded by the taxpayer in the same corporation in prior years (the per-issuer limitation), or 10 times the taxpayer's adjusted basis in the stock that was disposed of.
- These rules still apply to QSBS issued on or before July 4, 2025.
- For QSBS acquired after July 4, 2025, the new law increases the per-issuer limitation to \$15,000,000 (adjusted annually for inflation for tax years beginning after 2026).
- Clarifies that per-issuer limitation is divided equally for MFS individuals.

Takeaway: Taxpayers with lower basis in shares (i.e., less than \$1,500,000) can exclude up to \$5,000,000 more gain than before.

Increase in Gross Asset Threshold

- Under prior law, to qualify as a qualified small business, the aggregate gross assets of the corporation couldn't exceed \$50,000,000 at all times prior to the issuance and immediately after the issuance.
- These rules still apply to QSBS issued on or before July 4, 2025.
- For stock issued after July 4, 2025, the act increases the gross asset threshold to \$75,000,000 (adjusted annually for inflation for tax years beginning after 2026).

Takeaway: More corporations are expected to meet the gross asset test. Based on interactions with the max gain exclusion, potential to exclude even more gain than before (up to \$700,000,000). For contributed property or partnership conversions, still important to consider value of gross assets (reasonable third-party valuation highly recommended).

Interactions with R&E Expensing Changes

- Under prior law (TCJA), mandatory capitalization of R&E expenditures made it easier for corporations to exceed the \$50 million gross asset threshold.
- Because of the act's changes to allow immediate expensing of domestic R&E expenditures paid or incurred after 2024, more corporations are expected to meet the gross asset threshold. In addition, the act specifies that both domestic and foreign R&E activities qualify under the active business test.

Example: Corp A raises \$65 million in a seed round. That same year, Corp A spends \$25 million on R&E expenditures. Due to immediate expensing of those R&E expenditures, Corp A's aggregate gross assets at the end of the year should be \$40 million, not \$90 million.

Expectations Going Forward



- We are expecting to see more questions about QSBS eligibility.

Depreciation



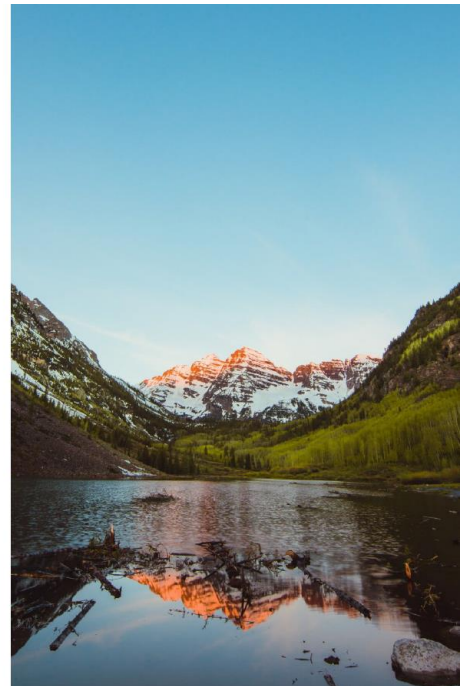
Bonus Depreciation & Section 179 Changes

Bonus Depreciation:

Permanently revives 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025.

Expands Section 179 Expensing:

Increases the maximum current expensing up to \$2.5 million of qualifying property with phaseouts beginning at \$4 million. Effective for property placed in service after December 31, 2024.



Interest Expense Limitations



Modification of Business Interest Deduction Limitation (Sec. 163(j))

The law permanently reinstates EBITDA (earnings before interest, taxes, depreciation and amortization) for the Section 163(j) adjusted taxable income (ATI) calculation, providing an increased ability to deduct interest expense for tax years **beginning after December 31, 2024**.

NEW: Any capitalized interest - other than interest capitalized under Sec. 263(g) and 263A(f) - will be treated as interest subject to the Section 163(j) limitation for tax years after December 31, 2025.

NEW: ATI calculation excludes amounts included in income under Section 951(a) (subpart F income), Section 951A(a) (GILTI), and any associated Section 78 gross-up, and amounts determined under Section 956

NEW: The definition of “motor vehicle” is permanently modified to include certain trailers and campers designed to be towed or affixed to a motor vehicle, allowing interest associated with these items to be eligible for the floorplan exclusion.

Other Changes



Termination of Section 179D

- Prior to the new law, Section 179D was available for companies that own or design newly constructed or renovated commercial buildings meeting certain efficiency standards.
- For 2025, the deduction ranges between \$0.58/sq. ft. to \$5.81/sq. ft. depending on compliance with IRA prevailing wage and apprenticeship requirements.
- Under the new law, the Section 179D energy-efficient commercial building deduction expires for property for which construction begins after June 30, 2026.





Extension of Qualified Business Income Deduction (Sec. 199A)

Permanently extends the Sec. 199A 20% QBI deduction.

Prior to the OBBBA, the qualified business income (QBI) deduction was scheduled to sunset after the 2025 tax year.

NEW: The deduction limitation phase-in range is increased from \$50,000 (\$100,000 MFJ) to \$75,000 (\$150,000 MFJ).

NEW: A minimum QBI deduction of \$400

Applicable to tax years beginning after December 31, 2025.

Opportunity Zones

Permanent Renewal: The law establishes a permanent opportunity zone (OZ) policy that builds off the original structure.

Rolling 10-Year Designation: Creates a rolling 10-year OZ designation. New zones will be determined on July 1, 2026, and will take effect on January 1, 2027.

5-Year Deferral: Capital gains invested in a qualified opportunity fund (QOF) may be deferred for 5 years.

10% Basis Step-up: Gains invested into a QOF will receive a 10% basis step-up at year five (30% for investments in a qualified rural opportunity fund).

Gain Exemption: No change to 10-year holding period 100%-gain exemption. However, the law limits the period for which gains can be exempt to 30 years after the date of investment.

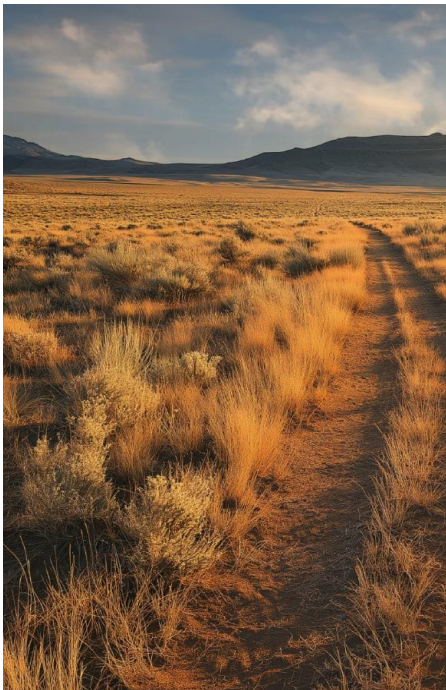
Qualified Rural Opportunity Funds: A QOF that holds at least 90% of its assets in a rural area. Substantial improvement standard is lowered to 50% cost basis increase for a qualified opportunity zone business in a qualified rural area.

Increased Reporting Requirements: New reporting requirements for QOFs and qualified opportunity zone businesses. Penalties assess for failure to comply.



Changes to Clean Energy Credits

- The law includes revenue-raising provisions that significantly scale back on clean energy tax credits and incentives established by the Inflation Reduction Act (IRA).
- Key changes include accelerating the phase-out of wind, solar and electric vehicle incentives.
- Most credits now include restrictions on applicability to specified foreign entities and foreign -controlled or -influenced entities.



Notable Items Not Include in the Final Legislation

- Carried interest loophole is not addressed by the legislation.
- No limitations for using state SALT cap workaround.
- Proposed Section 899 remedies against unfair foreign taxes was removed from final legislation.

The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Baker Tilly US, LLP, Baker Tilly Advisory Group, LP and Moss Adams LLP and their affiliated entities operate under an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations and professional standards. Baker Tilly Advisory Group, LP and its subsidiaries, and Baker Tilly US, LLP and its affiliated entities, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP and Moss Adams LLP are licensed CPA firms that provide assurance services to their clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. ISO certification services offered through Moss Adams Certifications LLC. Investment advisory offered through either Moss Adams Wealth Advisors LLC or Baker Tilly Wealth Management, LLC.

© 2025 Baker Tilly Advisory Group, LP

