

A low-angle photograph of a modern glass skyscraper facade, showing a grid of windows and dark structural elements. The image is partially obscured by a semi-transparent teal overlay on the left side where the text is located.

One Big Beautiful Act & What It Means for Your Business

January 8th, 2025



Today's Speakers



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Agenda

1. Select Business Provisions

2. Select Individual Provisions

3. Key Takeaways

4. Q&A

5. Additional Info: OZ Updates



01
Select Business Provisions



Business Interest Deduction

Current Rule

Business interest deductions are limited to 30% of tax-basis EBIT (Earnings Before Interest & Taxes).

New Rule (starting in 2025)

That limit increases to 30% of tax-basis EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization).

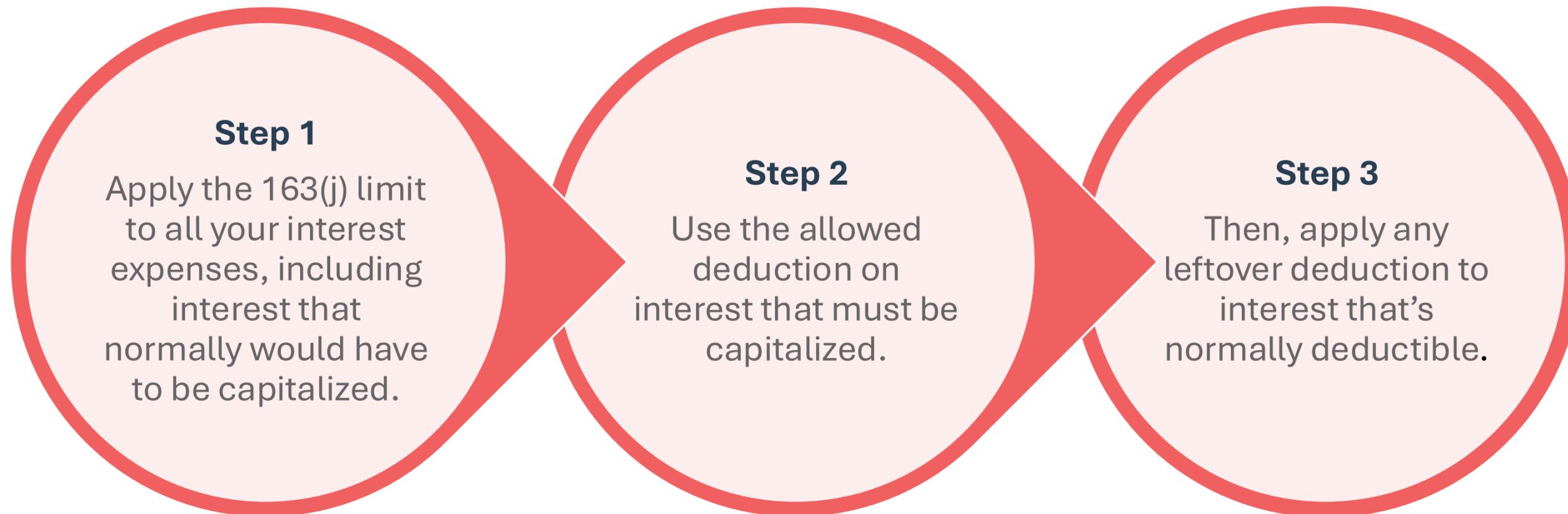
→ More interest can be deducted, since EBITDA is a bigger number than EBIT.

New Priority Rules for Interest Capitalization

Section 163(j) will now take priority over most interest capitalization rules. Interest expense limits will be applied before determining how much interest must be capitalized—except for certain special cases under Sections 263(g) and 263A(f).



Business Interest Deduction – How it Works



Important: Any unused business interest carried forward can't be treated as capitalizable interest later on.

Key Tax Changes: Bonus Depreciation

100% Bonus Depreciation Is Back (Starting Jan. 20, 2025)

A new law reinstates 100% bonus depreciation for most tangible personal property bought after Jan. 19, 2025.

- Note: If you already had a **binding contract** to buy the property before Jan. 20, 2025, this doesn't apply.
- Businesses can choose to use a **reduced bonus depreciation** for the first tax year that ends after Jan. 19, 2025.
- Bonus was previously set at 40% for 2025
- Bonus can be elected out of on a timely filed return by asset group based on MACRS life.

Research Costs

Good news for businesses investing in R&D! OBBA rolls back some of the stricter tax rules introduced by the 2017 tax reform (TCJA), making it easier—and more beneficial—to deduct research expenses.

What's New?

Domestic research & experimental (R&E) expenses can be fully deducted in the year incurred (for tax years beginning after Dec. 31, 2024).

What's Old?

Previously, new TCJA businesses were required to capitalize and amortize these expenses over 5 years starting in 2022.

What's Staying the same?

Foreign R&E expenses still required to be capitalized and amortized over 15 years.

Retroactive Relief for Domestic R&E Costs (2022-2024)

Small Businesses (gross receipts under \$31M):

Can amend tax returns for 2022, 2023, and 2024 to recover domestic R&E costs that were previously capitalized.

All Taxpayers:

Have two options for handling those previously capitalized domestic costs:

1. Deduct the full amount in the first tax year starting after December 31, 2024
2. Spread the deduction over the first two tax years after that date.

Expansion on Section 179 Expensing

What's New?

The maximum amount a taxpayer may expense under IRC §179 is increased to \$2,500,000 per year, with a phase-out threshold at \$4,000,000. Both amounts are indexed for inflation after 2025.

What's Old?

Previously, expensing was limited to \$1,220,000 and phased-out when property placed in service exceeded \$3,050,000.

What's Staying the same?

Section 179 will still be limited to income and specific assets.

What is Qualified Production Property?

- First Use as Production Property:
 - Cannot be used previously by the taxpayer at prior time.
 - Cannot be used by anybody in a qualified production activity between January 1, 2021, and May 12, 2025
- Property is used to significantly change raw materials into new products.
- Property is placed in service in the United States or United State Possession
- Taxpayers makes election specifying the property designated to QPP
- Taxpayer must be the user of the property(lessors do not received the benefit).

What is Not Qualified Production Property?

- Exclusions for Offices Space
 - Must pull out parts of the facility used for”
 - Offices
 - Administrative services
 - Lodging
 - Parking
 - Sales
 - Research Activities*/Software Development
 - Engineering Activities
- Lessors cannot benefit from the provision. To receive the benefit, the taxpayer owning the property must use the property.

When Can You Create QPP?

Can't start too early

- Construction must start after January 19, 2025
- Established by having a written binding contract

Must finish the project before sunset

- Provision ends January 1, 2031
- Finished means placed in service

 Timing is crucial for receiving benefit

Additions to Current Structures:

Scenario	Qualifies as Qualified Production Property?
Addition is new manufacturing floor, used for production, meets timing and original use requirements	Yes
Addition is new office space, administrative area, or unrelated to production	No
Addition is a warehouse for finished goods, not used in production	No
Addition is a new production line or area for manufacturing, meets all requirements	Yes

What Happens When You Remove QPP?

If property is no longer used for a qualified purpose:

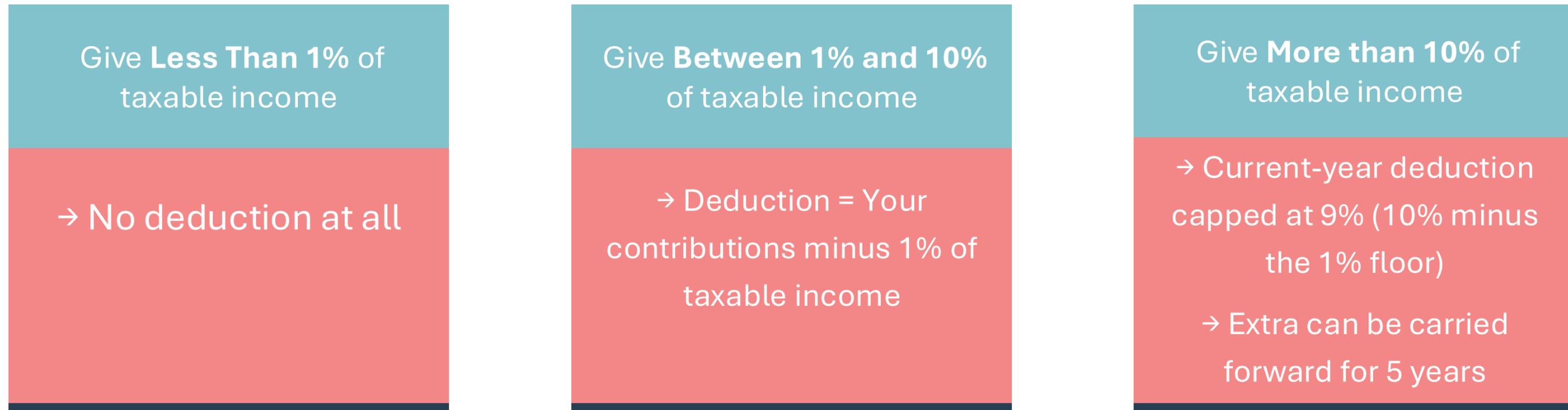
- Property is treated as disposed by taxpayer following 10 years of placed in service

Recapture treatment

- Falls under § 1245
- Treated as ordinary income

New Rules for Giving 1% Floor on Charitable Contributions

Corporations used to be able to deduct charitable contributions up to 10% of taxable income (called the *contribution base*). Now, a **new 1% minimum threshold** is being added.



- ✓ 5-Year Carryforward Applies to contributions over the 10% limit. The disallowed 1% floor portion in years where the 10% cap was exceeded.

1099 Reporting & Foreign Remittance

1099-MISC & 1099-NEC Threshold Increased

- Raises reporting threshold from \$600 to \$2,000 for payments made after December 31, 2025.
- Makes conforming changes to backup withholding rules.
- The \$2,000 threshold is indexed for inflation beginning in 2027.

Remittance Tax On Foreign Wire Transfers

- 1% excise tax on money sent abroad via wire transfer starting after Dec. 31, 2025
- Paid by sender, collected by remittance service
- Exemption: Transfers made by financial institutions

PROVISION	DESCRIPTION	ACT
Employer Paid Family Leave Credit (Section 45S)	% of amount paid to qualifying employees during family or medical leave	Credit made permanent with modifications
New Markets Tax Credit (NMTC)	39% credit on investment in community development entities	Extended and made permanent
Opportunity Zone Program	Program to encourage investment in economically distressed communities	Made permanent with modifications



02

Select Individual Provisions

PROVISION	CURRENT STATE (2025)	ACT
Section 199A – QBI	20% Deduction	Deduction made permanent with changes to phase in amounts
Estate & Gift Tax Exemption	\$13.99M per individual, \$27.98M per couple	Increased to \$15 million per individual for 2026, indexed for inflation and made permanent
Tax Rate Changes	Individual Top Rate: 37%	TCJA rate changes made permanent

PROVISION	CURRENT STATE (2025)	ACT
<p>Personal Exemptions, Deductions, & Limitations</p>	<ul style="list-style-type: none"> • \$30,000 standard deduction (MFJ) • \$0 Personal Exemptions • \$2,000 CTC 	<ul style="list-style-type: none"> • Standard Deduction increased to \$31,500 for married individuals filing joint, \$23,625 for head of household, and \$15,750 for all others • Personal exemptions permanently eliminated • Child tax credit increased to \$2,200, adjusted annually for inflation • Benefit of itemized deductions capped at 35%, starting in 2026 • New .5% floor on charitable contributions, starting in 2026
<p>Mortgage Interest Deductibility</p>	<ul style="list-style-type: none"> • \$750,000 threshold (MFJ) • No deduction for home equity interest 	<p>\$750,000 threshold and elimination of home equity interest deduction made permanent</p>
<p>Miscellaneous Itemized Deductions</p>	<p>Nondeductible</p>	<p>Permanently eliminated</p>

New limitations beginning in 2026

Examples of New Limitations

The primary limitations include a new AGI floor for itemized deductions and a cap on the tax benefit for top-bracket taxpayers.

1. The 0.5% AGI Floor for Itemizers

Taxpayers who itemize deductions can only deduct the aggregate of their charitable contributions to the extent that the amount exceeds 0.5% of their AGI.

Example: A household has an AGI of **\$400,000** and makes \$5,000 in charitable contributions.

The 0.5% floor is \$2,000 ($\$400,000 \times 0.005$).

Their deductible contribution is limited to **\$3,000** (\$5,000 donation - \$2,000 floor). The first \$2,000 of their donation is not deductible.

New limitations beginning in 2026

2. Cap on Tax Benefit for Top Earners

For taxpayers in the top marginal income tax bracket (37%), the tax benefit of their itemized deductions, including charitable contributions, is capped at 35%.

Example: A high-income single taxpayer in the 37% tax bracket makes a **\$10,000** charitable donation in 2026. Instead of receiving a \$3,700 tax saving (37% of \$10,000), their benefit is limited to **\$3,500** (35% of \$10,000).

Other Key Changes

Non-Itemizer Deduction: Starting in 2026, taxpayers who take the standard deduction can claim an above-the-line deduction of up to **\$1,000** (single filers) or **\$2,000** (married couples filing jointly) for qualified cash contributions to public charities (excluding donor-advised funds and private foundations).

Permanent 60% AGI Limit: The ability to deduct cash contributions to public charities up to 60% of AGI, which was temporary, has been made permanent.

Corporate Floor: Corporations face a new 1% floor on their charitable deductions.

New Requirement Beginning in 2026

If you're turning age 50 or older in 2026 and your total 2025 FICA wages (Box 3 on your 2025 Form W-2) were over \$150,000*, any catch-up contributions you make in 2026 must be made as after-tax Roth contributions.

Key 2026 Limits

Standard Employee Contribution:

\$24,500

Age 50+ Catch-Up:

Additional \$8,000

Must be after-tax Roth

Total: \$32,500

Ages 60–63 “Super” Catch-Up:

Additional \$11,250

Must be after-tax Roth

Total: \$35,750

SALT Cap & Pass-Through Entity Tax (PTET)

Temporary SALT Cap Increase (2025–2029)

- \$40,000 cap in 2025
- Cap increases by 1% per year from 2026 to 2029
- Back to \$10,000 in 2030 and beyond

Income-Based Phaseout

- SALT deduction starts phasing out for incomes over \$500,000
- This threshold also increases by 1% per year from 2026 to 2029

PTET Treatment Unchanged

- No changes made to PTET rules



Reminder: Higher SALT deduction may trigger **Alternative Minimum Tax (AMT)** for some taxpayers

No Tax On Social Security

From 2025–2028, if you're 65 or older, you can get a special federal income tax deduction on your Social Security benefits

- Up to \$6,000 deduction (\$12,000 if married filing jointly)
- Deduction starts to phase out if your income is over
 - \$75,000 (Single)
 - \$150,000 (Married Filing Jointly)
- No deduction at all if income is above:
 - \$175,000 (Single)
 - \$250,000 (MFJ)



No Tax On Tips

Who qualifies?

Individuals earning tips in certain service jobs starting in 2025 through 2028

What's the benefit?

Up to \$25,000 federal income tax deduction

Income Limits Apply:

Deduction phases out over \$150,000 (Single)

Fully phased out at \$300,000 (Married Filing Jointly)

Qualifying Tip Jobs Include:

- Serving or delivering food & drinks (where tipping is customary)
- Barbering & hair care
- Nail care
- Esthetics, body & spa treatments
- Plus, more to be announced by the Treasury

OBBA Tax Example: \$50K Bartender Income

Meet Chris, a single bartender with no dependents, earning \$50,000 in 2025 — at least \$25,000 of which comes from tips.

Single Filer – Under OBBA

- \$25,000 in tips is fully deductible.
- \$15,750 is offset by the standard deduction
- Only \$9,250 is taxable at 10% = \$925 in tax
- Effective tax rate: 1.85%

Now Suppose Chris is married and his wife also had at least \$25,000 in tips and their overall income was \$100,000

Married (MFJ Filing Status) - Under OBBA

- \$50,000 in tips is fully deductible.
- \$31,500 is offset by the MFJ standard deduction
- Remaining \$18,500 is taxed at 10% = \$1,850 in tax
- Effective tax rate: 1.85%



No Tax On Overtime

- Individuals will get federal income tax deduction for qualified overtime from 2025 through 2028.
- Maximum deduction of \$12,500 (\$25,000 for MFJ).
- Qualified overtime does not include qualified tips.
- Deduction phases out for individuals with income over \$150,000 (\$300,000 for MFJ).
- Not available to "highly-compensated employees" - i.e. income over \$160,000



No Tax On Car Loan & Interest

- Individuals will get federal income tax deduction for qualified interest paid on a new car loan for 2025 through 2028.
- Maximum deduction of \$10,000.
- Must be a new car acquired after December 31, 2024.
- Final assembly of the car must have been in the United States.
- Deduction phases out for individuals with income starting at \$100,000 (\$200,000 for MFJ).

A close-up photograph of a car's headlight, showing the lens and the surrounding orange-painted bodywork. The headlight is circular and has a clear lens with a grid pattern. The car's body is a vibrant orange color.

Used cars do not qualify

Excess Business Losses – Made Permanent

- The Limit on business losses is now permanent (was set to expire after 2028)
- In 2025, the annual loss limit is:
 - \$626,000 (Married Filing Jointly)
 - \$313,000 (All Others)
- Losses in excess of that amount are carried forward as a NOL under current law

New Savings Accounts for Children

- Accounts administered by bank or similar financial institution, with overall program overseen by Depart. of Treasury
- Starting January 1, 2026, parents with a child under eight years old can open an account
- Contributions limited to \$5,000 annually, with some exceptions of contributions from states, exempt organizations or Secretary of Treasury, growth is tax deferred with withdrawals taxed at capital gains rates
- Government will contribute \$1,000 for children born in 2025 through 2028
- Governed by rules similar to IRA'S, money in account must be invested in a qualified mutual fund
- Withdrawals can occur at age 18, access to 50% of account or higher education, age 25 access to full account for limited purposes and age 30 full balance for any purpose

Clean Energy & Home Tax Credits Ending

Clean Vehicle Credits Ends (after Sept 30, 2025)

- Clean vehicle credits under Sections 25E, 30D, and 45W will no longer apply to vehicles purchased after this date.

EV Charging & Fueling Credit Ends (after June 30, 2026)

- Section 30C credit for alternative fuel refueling property ends for items placed in service after this date.

Home Energy Credits Ends (after Dec 31, 2025)

- Sections 25C and 25D (for energy-efficient home improvements) will expire for property installed after this date.

Energy-Efficient Building Deduction Ends (after June 30, 2026)

- Section 179D deduction ends for construction projects starting after this date.

Colorado – Could we see decoupling from OBBA?

Governor Polis calling special legislative sessions on August 21, 2025, to discuss \$800 million to \$1.2 billion gap in state budget because of OBBA while also issuing a hiring freeze for all government positions until the end of year

Colorado has decoupled from other Federal provisions in recent years

- QBI deduction added back for anyone claiming PTET and high-income earners (AGI MFJ > \$1 million)
- Colorado disallows 100% of meals, so 50% Federal deduction must be added back
- Itemized deductions limited to \$12,000 Single and \$16,000 MFJ if income is over \$300,000.



CONCLUSION

Top 6 Takeaways

**100% expensing of
business investments**
Immediate write-offs for
equipment, R&D, etc.

1

**Expanded pass-through
deductions**
Greater savings for S-
corps and partnerships

2

**Increased SALT
cap to \$40K**
Relief for high-tax state
businesses.

3

**Opportunity Zones
continue**
More capital gain
deferral options

4

**Higher Section
179 limits**
Stronger expensing tools
for planning

5

**Section 174 expensing
reinstated**
Retroactive fixes to
2022 frustrations

6



Q&A





Thank You



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A black and white photograph of a hand holding a magnifying glass over a busy city street at night, with many illuminated signs and buildings visible through the lens.

Additional Resources
Opportunity Zone Updates

Opportunity Zones – Current Program

Purpose: Attract long-term private investment to economically distressed areas.

Created: Tax Cuts and Jobs Act of 2017. 1/1/2018 to 12/31/2026 deferral, completion 12/31/2028.

Coverage: 8,700+ designated census tracts across the U.S. and territories. Estimated \$150B raised.

How It Works:

Invest capital gains through a Qualified Opportunity Fund (QOF).
Funds deploy capital into real estate or businesses in OZs.

Tax Benefits:

Deferral: Delay paying tax on prior gains until investment sale or 12/31/2026.

Reduction: Partial exclusion of deferred gains (5 Years 10%, 7 Years 15%).

Exclusion: No tax on OZ capital gains after 10+ years without depreciation recapture.

Investment benefit: allows tax efficient transfer from any investment class to real estate.

Permanent Program Extension

- The program is permanently extended with a reset in criteria, timelines and benefits.
- New OZ designations will occur every 10 years, beginning July 1, 2026. The new program starts January 1, 2027, to December 31, 2037. Investors will have certainty on the upcoming geographic by Oct 2026.

Enhanced Tax Benefits

- Capital gains deferral for max 5 years – rolling recognition date.
- 10% basis step-up after 5 years.
- 30% basis step-up for investments in Qualified Rural Opportunity Funds (QROFs).
- No tax on appreciation if the investment is held 10+ years, up to 30 years total.

Rural Investment Incentives

- New class of funds: Qualified Rural Opportunity Funds.
- Lower thresholds for substantial improvement standard (only 50%).
- Target areas with populations under 50,000.

Updated Eligibility Criteria & Reporting

- Puerto Rico also must go through the certification process
- Zones now qualify based on both poverty rate and median income tests.
- Economic impact reporting required

Qualified Rural Opportunity Funds (QROFs)

What Is a QROF?

A QROF is a Qualified Opportunity Fund that invests 90% or more of its assets in property located in rural opportunity zones, defined as areas:

- With populations under 50,000
- Not located in or adjacent to urbanized areas. Terms are ambiguous.

Broad Use Cases

Ideal for investment in rural workforce housing, infrastructure, renewable energy, distribution, manufacturing, and hotels. Real estate focused business are still ideal.

Key Investor Advantages

- 30% basis increase after 5 years (vs. 10% for standard OZs)
- 50% improvement threshold for properties (vs. 100% elsewhere)
- Full eligibility for 10+ year tax-free growth

Compliance & Transparency

QROFs must meet the same reporting standards as all OZ funds, including:

- Census tract and asset reporting
- Job creation metrics
- Distinct rural property disclosures

Compliance & Reporting Enhancements

Opportunity Zone Reform Highlights

New Annual Reporting

- QOFs must report: investment locations, asset values, job creation, residential projects, and business types.
- IRS to determine exact information to be gathered.
- Applies to **all funds** filing tax returns reporting taxable years after 7/4/2025. **Applies to 2026 Tax Returns**
- All fund returns must be filed electronically.

Penalties

- Up to \$10,000 per return or \$50,000 for funds with gross assets over \$10,000,000.

IRS Reporting Requirement

- IRS will release annual data on OZ activity & economic impact.
- After Year 6, the reports are to include information on job growth, poverty rates, and new business starts.

Overlay Strategies: Combining OZs with Other Incentives

The 2025 policy environment supports layered incentive structures. Strategic combinations can improve project economics and broaden impact. Consider the implications of capital gain exclusion without depreciation recapture. The basis erosion inherent in certain credits has minimal impact in an Opportunity Zone project.

- 100% Bonus Depreciation/ Sec 179 expense of 5YR, 7YR and 15YR MACRS Property.
- Qualified Production Property depreciation - 100% depreciation of nonresidential real property used in production activities.
- Low-Income Housing Tax Credit (LIHTC)
- New Markets Tax Credit (NMTC)
- Advanced Manufacturing Production Credit Sec. 45X (production of solar, wind, battery and other related components and critical minerals)
- Advanced Manufacturing Investment Credit Sec. 48D. (manufacturing of semiconductors and semiconductor manufacturing equipment)

Non Tax:

- HUD - reduced fees and prioritization by HUD for OZ projects