

One Big Beautiful Bill Act: A Closer Look at Industry Impact

PRESENTED BY

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Agenda

- Intro – The OBBBA
- Operating Companies/Real Estate
- Private Equity & Investment Funds
- Individual & Owners
- Qualified Opportunity Zones
- Other Impactful Areas of the OBBBA
- Wrap Up

The OBBBA – Intro

■ Timeline

- › May 22 - House Passed Original Version (215-214)
 - May 9 – Ways and Means Committee release initial draft of tax provisions
 - May 12 – Ways and Means Committee release full draft of tax provisions
- › July 1 – Senate Passed Final Version (51-50)
 - June 16 - Senate Finance Committee released draft of tax bill
- › July 3 – House Passed Final Version (218-214)
- › July 4 – President Signed

■ Overview

- › Extended and Modified Many Existing Provisions
- › Addition of New Provisions
- › Impacts Individuals, Businesses, Tax-Exempt Organizations and International Activities

Operating Companies & Real Estate

Dave Charles, Partner, Cohen & Co

Jon Dittrich, Partner, Cohen & Co



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Accelerated Depreciation

- 100% Bonus Depreciation Restored and Permanently Extended
 - › Applies to property acquired and placed in service after January 19, 2025
 - › Beware of written binding contracts prior to January 19
- Accelerated Depreciation for U.S. Manufacturing Facilities
- Sec. 179 Expensing Limits Increased Beginning 2025

Polling Question #1

Which of the accelerated depreciation options are you most interested in?

- A. 100% bonus depreciation
- B. Section 179
- C. 100% expensing of qualified production property
- D. All the above



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Domestic Research Expenditures

- Immediate Expensing of Domestic R&D Costs
- Small Business Opportunities
- Foreign R&D Not Impacted



Business Interest Expense Limitation

- Limit Increased Back to EBITDA from EBIT Starting 2025
- New Ordering Rule Applies Limitation Before Interest Capitalization Rules Starting in 2026
- Previous Real Estate Trade or Business Elections - TBD

Qualified Business Income Deduction

- 20% Deduction for Qualified Business Income Now Permanent
- Income Threshold for Phaseouts Expanded



Polling Question #2

Does your business qualify for the qualified business income deduction?

- A. Not sure
- B. Business is not eligible
- C. Business is eligible and maximizing benefit
- D. Business is eligible but not getting maximum benefit



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Excess Business Loss Limitation

- For Non-Corporate Taxpayers, Limits Amount of Business Losses that Can Offset Other Sources of Income at Individual Level
- Restored and Permanently Extended, with Increased Limits and Inflation Adjustments Annually
- Carryover of Losses Convert to Net Operating Loss (NOL)
 - › Big taxpayer win, as proposed versions of the OBBBA had excess amounts being treated as carryover excessive business loss (EBL)

Private Equity & Investment Funds

James Kaptur, Senior Manager, Cohen & Co



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Qualified Small Business Stock (QSBS)

- For Non-Corporate Taxpayers, Permits Exclusion from Gross Income of Up to 100% of Gain Recognized from Disposition of QSBS Held for at Least 5 Years
- Exemptions Changed for Stock Acquired After July 4, 2025:
 - › 50% exemption if stock is held for at least 3 years
 - › 75% exemption if stock is held for at least 4 years
 - › 100% exemption if stock is held for at least 5 years
- Increased Gross Asset Limitation for Qualified Small Businesses (from \$50 million to \$75 million) and Per-Issuer Limitation on Exemption (from \$10 million to \$15 million)

Pass-through Entity Tax (PTET)

- “Workaround” to State and Local Tax Itemized Deduction Limitation
- Permits Pass-through Entities to Elect to Pay Tax at Entity Level (generally at higher tax rates)
 - › Entity-level tax becomes ordinary deduction allocated to the partners / members of the entity
- No Change to Federal Income Tax Treatment of PTET Deduction
 - › Proposed legislation would have subjected PTET to state and local tax itemized deduction limitation

Polling Question #3

Have you made any pass-through entity tax elections previously?

- A. No, haven't evaluated the PTET benefit
- B. No, election was not going to provide a benefit
- C. Yes, using it in some states
- D. Yes, making the election everywhere available



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International Tax Items

- Simplifies Computation of Global Intangible Low-Taxed Income (GILTI)
- Adjustments to Computation of “Pro-Rata Share” of Subpart F and GILTI Inclusions
- Reinstates Prior Limitation of Downward Attribution of Stock through Foreign Entities
- Repeals One-Month Deferral Election Previously Available to Specified Foreign Corporations

Excluded Provisions

- No “Retaliatory Tax” on Certain Foreign Entities, Residents or Governments under Sec. 899
 - › Would have imposed additional income and withholding taxes on residents in countries with “abusive” or “discriminatory” foreign taxes
 - › Significant news coverage over potential adverse impact to foreign investment if passed as drafted
- No Changes to Existing Rules Regarding Carried Interest (generally a three-year holding period for capital gains)
 - › Numerous proposed changes floated from taxing all carried interest as ordinary income (compensation) to further increasing holding period for capital gains

Polling Question #4

Which of the provisions is most impactful to you?

- A. The modification/expansion of the QSBS rules
- B. The continued applicability of the pass-through entity tax election
- C. The international tax changes
- D. The exclusion of carried interest and retaliatory taxes



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Individuals/Owners

Mike Szymkowiak, Senior Manager, Cohen & Co



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Itemized Deduction Limitations

Itemized Deduction	2025	2026
Medical	No change	No change
State and Local Tax	Up to \$500,000 AGI = \$40,000 deduction \$500,000 - \$600,000 = 30% phaseout Over \$600,000 = \$10,000 deduction	Up to \$500,000 AGI = \$40,400 deduction \$505,000 - \$606,333 = 30% phaseout Over \$606,333 = \$10,000 deduction
Mortgage Interest	No change	Same mortgage interest limitation and mortgage insurance premiums now deductible
Charitable Contributions	Same rule as before the OBBBA, with no floor	0.5% on AGI floor
2% Miscellaneous Itemized Deductions	Repeal made permanent	No change
Overall Itemized Deduction Limitation	None	The tax benefit of itemized deductions is capped at a 35% maximum

Polling Question #5

When was the last time you reviewed your estate and/or trust planning documents?

- A. In the past 2 years
- B. In the past 3-5 years
- C. It is been more than 5 years
- D. I do not have estate and/or trust documents



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Estate Planning

- Tax Years Beginning 2026, Federal Estate and Gift Tax Exclusion Amount Permanently Increased to \$15 Million
- Exclusion Limit Adjusted for Inflation Beginning Tax Year 2027
- Certainty for Immediate Future Provides Opportunity for All to Review Estate and Trust Planning
- Planning Opportunities:
 - › Balancing estate tax and basis step up
 - Basis planning using asset swaps in grantor trust
 - GST planning
 - › Liquidity analysis

Qualified Opportunity Zones

Dave Charles, Partner, Cohen & Co



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Qualified Opportunity Zones (QOZs)

- Program Permanently Renewed; Refreshed with New Census Tracts January 1, 2027; Increased Focus on Rural Areas
- Defer Capital Gains by Reinvesting Proceeds into Qualified Opportunity Zone Funds (QOZF)
- Stimulate Investment and Development in Economically Distressed Areas
- Reduces Original Gains if Held for 5 years; Excludes Future Gains on QOZ Property if Held 10+ years

Polling Question #6

Have you invested in a QOZ previously?

- A. No, haven't looked at them or unaware of the benefits
- B. No, looked at an investment but decided against it
- C. Yes, but unlikely to in the future
- D. Yes, will likely again in the future



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Additional Provisions to Consider



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Other Impact to Real Estate Industry

- New Markets Tax Credits and Low-Income Housing Tax Credits Permanently Extended
- Energy Credits Reduced or Eliminated
- Completed Contract Method for Residential Developers More Easily Available
- Increased Flexibility for Taxable Real Estate Investment Trusts
- Impactful Language Change to Disguised Sales Rules

Other Impact to Operating Companies

- Qualified Small Business Stock Planning Opportunities
- Form 1099 Reporting Threshold Increased
- Employment Related Credits
- "No Tax On Tips and Overtime" - New Deductions
- 1% Floor on Corporate Charitable Deductions



Other Impact for Individuals

- Excess Business Losses of Noncorporate Taxpayers
 - › Excess business loss limitation made permanent
 - › Limit for 2025 is \$626,000 (couples, married filing jointly)
 - › The excess business loss limitation carries forward to subsequent years as an NOL, subject to NOL limitation rules
- Establishment of Trump Accounts
- Extension and Enhancement of Tax Brackets, Standard Deduction and Child Tax Credit

Wrap Up

Final Thoughts



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