Crowe

OBBBA Year-End Tax Guide for Business

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2025

The One Big Beautiful Bill Act (OBBBA), enacted on July 4, made sweeping federal tax law changes. While many provisions are first effective after 2025, others are effective earlier. For many businesses and their owners, the number of changes and the retroactive or near-immediate effective dates have upended existing plans and caused taxpayers to scramble to understand how they could be affected by the new rules, how to obtain the full measure of benefits allowed under the new law, and how to meet new compliance obligations. These challenges are exacerbated by the fact that a leaner IRS is being called on to issue guidance, deploy computer system changes, and revise or draft forms and instructions to implement the new law in a very compressed time frame.

This OBBBA Year-End Tax Guide for Business is intended to assist businesses and their owners to identify and prioritize the impact of and potential opportunities under the new law. This guide is focused on taxes impacting for-profit businesses and is intended to help initiate analysis and spark a dialogue around planning, compliance, and opportunity. This is not a comprehensive guide to all provisions in the OBBBA or all tax matters that should be considered for 2025, 2026, and beyond. Please contact your tax adviser to discuss your specific facts and circumstances and year-end tax needs. The content in this guide is current as of Nov. 14, 2025.

Provisions effective before 2025

Rollback of 1099-K reporting threshold for third-party settlement organizations *Click link for related content*

The threshold in Section 6050W for Form 1099-K, "Payment Card and Third Party Network Transactions," reporting by third-party settlement organizations applies only if aggregate payments made to a single payee exceed $20,000 and involve more than 200 transactions during a calendar year. This change reverses the lower $600 reporting threshold enacted by the *American Rescue Plan Act of 2021* (ARPA) and is effective as if included in ARPA, effectively repealing the lower threshold for 2025 and prior years.

Provisions effective in 2025

After Dec. 31, 2024

Research expenses *Click link for related content*

Section 174 was amended by the *Tax Cuts and Jobs Act of 2017* (TCJA) for tax years beginning after Dec. 31, 2021, to require research and experimental (R&E) expenses to be capitalized and amortized over five years (15 years for foreign R&E expenses). The OBBBA rolled back this rule for domestic R&E expenses for tax years beginning after Dec. 31, 2024, allowing taxpayers to select one of the following options:

- Fully deduct the expenses when incurred under Section 174A(a)
- Elect to amortize the expenses under Section 174A(c) over at least 60 months
- Take the optional 10-year write-off under Section 59(e)(2)(B)

For unamortized domestic R&E expenses remaining as of Jan. 1, 2025, taxpayers can elect to either deduct such amounts entirely in their first two years beginning after Dec. 31, 2024, or ratably over a two-taxable-year period.

Additionally, the following changes are effective for tax years beginning after Dec. 31, 2024:

- Eligible qualified research expenses for purposes of Section 41 are limited to those that are treated as domestic R&E expenses under Section 174A.
- Section 280C(c)(1) requires taxpayers to reduce the deduction under Section 174A by the amount of any research and development (R&D) tax credit claimed under Section 41, unless the taxpayer makes an election under Section 280C to take a reduced credit, resulting in a 21% reduction in Section 41 credits for many taxpayers.

A special rule allows eligible small businesses to elect to retroactively apply the OBBBA treatment of domestic R&E expenses to tax years beginning after Dec. 31, 2021, including Section 280C(c). This election may be made by filing a combination of amended or original returns for all relevant tax years (2022 through 2024) or by filing an accounting method change for a tax year beginning before Jan. 1, 2025. The new law defines an eligible small business as one meeting the gross receipts test of Section 448(c) for the first tax year beginning after Dec. 31, 2024. The gross receipts test is satisfied if the taxpayer's average annual gross receipts are $31 million or less over the three prior tax years. Eligible small businesses electing to apply these provisions retroactively using the amended return option are permitted to make a late reduced R&D credit election under Section 280C(c).

Section 163(j) business interest expense limitation

Click link for related content

Generally, Section 163(j) limits the business interest deduction for taxpayers other than qualified small businesses, electing real property trades or businesses, electing farming businesses, and certain regulated public utilities. The TCJA significantly revised Section 163(j) to provide that for any taxable year the limitation is equal to the sum of:

- The taxpayer's business interest income for the taxable year
- 30% of the taxpayer's adjusted taxable income (ATI) for the taxable year
- The taxpayer's floor plan financing interest expense for the taxable year

The TCJA required ATI to be calculated roughly on the basis of taxable earnings before interest, taxes, depreciation, and amortization (EBITDA) for 2018 through 2021 tax years before switching to a calculation roughly on the basis of taxable earnings before interest and taxes (EBIT) beginning with 2022 tax years.

For tax years beginning after Dec. 31, 2024, ATI again is calculated on the basis of EBITDA. Also, floor plan financing interest expense is expanded to include towable trailers and campers designed to provide temporary living quarters. However, for tax years beginning after Dec. 31, 2025, ATI is computed without regard to Subpart F income or net-CFC tested income.

Section 179 deduction for certain tangible personal property

Prior to OBBBA, taxpayers were allowed up to a $1 million depreciation deduction for Section 179 property, with a phase-out of the deduction to the extent the cost of Section 179 property placed in service exceeded $2.5 million. Section 179 property is tangible personal property, qualified real property, or computer software.

For property placed in service in tax years beginning after Dec. 31, 2024, the deduction for Section 179 property increases to $2.5 million, with the phase-out limitation increased to $4 million (adjusted for inflation).

Tips *Click link for related content*

For tax years beginning after Dec. 31, 2024, up to $25,000 of qualified tips can be deducted. The $25,000 cap is reduced by $100 for each $1,000 by which the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 in the case of a joint return). Married individuals must file a joint return to be eligible for the deduction. (See "Looking ahead: 2027 and beyond" section for termination of the deduction.)

Tips are qualified tips only if all the following apply:

- The tips are paid in cash, by credit card, or are received under a tip-sharing arrangement.
- The tips are voluntarily paid by the customer or client.
- The tips are received by an individual in an occupation that customarily and regularly received tips on or before Dec. 31, 2024.

On Sept. 22, the U.S. Department of the Treasury and the IRS released proposed regulations that identify occupations that customarily and regularly received tips on or before Dec. 31, 2024, and provide a definition of qualified tips for purposes of the deduction.

Individuals are eligible for a deduction only for qualified tips that are reported on Form W-2, "Wage and Tax Statement," Form 1099-K, or Form 1099-NEC, "Nonemployee Compensation," or for tips reported by the taxpayer on Form 4137, "Social Security and Medicare Tax on Unreported Tip Income."

Employers and payers must report the total amount of qualified tips and the occupation of the individual receiving the tips on Form W-2, Form 1099-NEC, and Form 1099-K, although Notice 2025-62 provides broad relief from information reporting penalties for 2025.

Overtime Click link for related content

For tax years beginning after Dec. 31, 2024, up to $12,500 ($25,000 in the case of a joint return) of qualified overtime compensation reported on a Form W-2 or Form 1099-NEC can be deducted. The allowable deduction is reduced by $100 for each $1,000 by which the employee's modified adjusted gross income exceeds $150,000 ($300,000 in the case of a joint return). Married individuals must file a joint return to be eligible for the deduction. (See "Looking ahead: 2027 and beyond" section for termination of the deduction.)

Qualified overtime compensation is the premium-only portion of overtime paid to an individual as required under Section 7 of the *Fair Labor Standards Act of 1938* (FLSA). Employers and payers must report the total amount of overtime pay on Form W-2 or Form 1099-NEC, as appropriate. Employers will need to bifurcate the premium-only portion of overtime compared to total overtime paid and determine what portion of overtime is deductible compared to what portion is not deductible (such as voluntarily paid overtime or overtime required under certain state laws that exceeds FLSA requirements). However, Notice 2025-62 provides broad relief from information reporting penalties for 2025.

Interest on loans for U.S. vehicles Click link for related content

For tax years beginning after Dec. 31, 2024, individuals can deduct up to $10,000 a year for payments of qualifying automobile loan interest. The deduction phases out for taxpayers with modified adjusted gross income (MAGI) over $100,000 ($200,000 for joint filers). The deduction is reduced by $200 for each $1,000 (or portion thereof) by which MAGI exceeds the threshold. Generally, qualifying interest is interest paid or accrued on a new, personal-use passenger vehicle, the final assembly of which was completed in the United States. (See "Looking ahead: 2027 and beyond" section for termination of the deduction.)

New Section 6050AA requires lenders to report interest received from individuals on automobile loans qualifying for the interest deduction. Reporting applies when interest received totals $600 or more in a calendar year and only applies to payments received in years that qualifying automobile interest is deductible (currently 2025 through 2028). Information required to be reported to the IRS and furnished to the borrower includes:

- Name and address of the individual from whom interest was received
- Amount of interest received for the calendar year
- Amount of outstanding principal on the loan as of the beginning of the calendar year
- Date of origination of the loan
- Vehicle year, make, and model as well as vehicle identification number
- Any other information the Treasury secretary requires

Under Notice 2025-57 transition relief, interest recipients will satisfy reporting obligations for 2025 by making a statement available to the borrower with the amount of qualifying interest paid.

After Jan. 19, 2025

Section 168(k) bonus depreciation *Click link for related content*

One hundred percent bonus depreciation is available for qualified property acquired after Jan. 19, 2025, though for the first tax year after Jan. 19, 2025, taxpayers can elect a reduced bonus depreciation percentage of 40% (60% in the case of certain property). Taxpayers can elect out of bonus depreciation on a year-by-year and class-by-class basis.

Section 168(n) immediate expensing for certain U.S. manufacturing facilities *Click link for related content*

The new Section 168(n) allows an election to immediately expense qualified production property (QPP). QPP is the portion of nonresidential real property used as an integral part of U.S.-based manufacturing, refining, agricultural production, or chemical production of a qualified product. Section 168(n) is allowed for property for which construction begins after Jan. 19, 2025, and before Jan. 1, 2029, if the property is placed in service after July 4, 2025, and before Jan. 1, 2031. The deduction generally is limited to new or original-use property but if certain requirements are met, a deduction also may be claimed from the acquisition of used QPP not used in a qualified production activity during a period beginning on Jan. 1, 2021, and ending on May 12, 2025.

After June 16, 2025

Exclusions from deduction-eligible income (DEI) *Click link for related content*

For sales or other dispositions occurring after June 16, 2025, Section 250(b)(3) is amended to provide that income or gain from the sale or other disposition of intangible property (including transfers subject to Section 367(d)) or other property that is subject to depreciation, amortization, or depletion by the seller is excluded from DEI for purposes of foreign-derived intangible income (FDII) and its successor, foreign-derived deduction eligible income (FDDEI) (See "Provisions effective in 2026" section for other FDDEI changes.)

After June 28, 2025

Foreign tax credit (FTC) percentage increased on distributions

For net CFC-tested income (NCTI) previously taxed earnings and profits distributions made after June 28, 2025, the percentage of foreign taxes paid or accrued eligible for the FTC is increased from 80% to 90%. (See "Provisions effective in 2026" section for other NCTI and FTC changes.)

After June 30, 2025

Transfer of the Section 40A small agri-biodiesel fuel production tax credit

The Section 40A credit is eligible to be transferred under Section 6418 for fuel sold or used after June 30, 2025.

On or after July 4, 2025

Qualified opportunity fund (QOF) substantial improvement requirement reduced to 50% for rural areas

Under the TCJA, if a QOF acquires previously used property in a qualified opportunity zone (QOZ), it must substantially improve the property, which requires making improvements that increase the basis of the property over a 30-month period by more than 100% of the property's basis as of the beginning of the 30-month period. Under the OBBBA, for any such substantial improvement determinations made on or after July 4, 2025, with respect to qualifying property located in a rural area, the increase in the property's basis over the 30-month period must be only more than 50% of its basis at the beginning of the 30-month period. Notice 2025-50 provides additional guidance regarding the substantial improvement requirement for rural areas. (For new QOZ designations authority, see "Provisions effective in 2026" section. For other changes to the QOZ program, see "Looking ahead: 2027 and beyond" section.)

After July 4, 2025

New QOF reporting requirements and penalties

For taxable years beginning after July 4, 2025, QOFs have additional reporting requirements, with significant penalties imposed for noncompliance. (For other changes to and extension of the QOZ program, see "Looking ahead: 2027 and beyond" section.)

Employee retention credit (ERC) *Click link for related content*

For assessment of tax made after July 4, 2025, with respect to the third and fourth quarters of 2021, the statute of limitations is extended until the later of April 15, 2028, or six years from the date the claim for the ERC was filed. Also, effective July 4, 2025, the IRS is prohibited from paying ERC refund claims filed after Jan. 31, 2024, for the third and fourth quarters of 2021.

Exclusion of gain from Section 1202 qualified small business stock (QSBS)

Before OBBBA, Section 1202 allowed eligible shareholders to exclude 100% of the gain from the sale of QSBS if it was held for at least five years. Effective for stock acquired after July 4, 2025, a tiered exclusion regime applies to stock held for at least three years:

Holding period	Gain exclusion
At least three years but less than four years	50%
At least four years but less than five years	75%
At least five years	100%

For tax years beginning after July 4, 2025, the lifetime per-taxpayer gain exclusion cap is increased from $10 million to $15 million (indexed for inflation).

For stock issued after July 4, 2025, the aggregate gross assets cap for corporations eligible to issue QSBS is increased from $50 million to $75 million (indexed for inflation).

Section 45X, advanced manufacturing production tax credit extended to metallurgical coal

Metallurgical coal is added to the list of critical minerals eligible for the credit generally effective for tax years beginning after July 4, 2025. (See "Looking ahead: 2027 and beyond" section for termination of the credit for metallurgical coal.)

Section 45Q credit for carbon capture and sequestration increased

The Section 45Q credit is increased for enhanced oil recovery for facilities and equipment placed in service after July 4, 2025.

Termination of certain clean energy credits for projects that have specified foreign entities (SFEs) and foreign-influenced entities (FIEs)

For tax years beginning after July 4, 2025:

- The credits under Section 45Q (credit for carbon capture and sequestration), Section 45X (advanced manufacturing production tax credit), Section 45Y (production tax credit), and Section 48E (investment tax credit) are terminated for any SFE or FIE.
- The credits under Section 45U (zero-emission nuclear power production credit) and 45Z (clean fuel production tax credit) are terminated for any SFE. (See "Looking ahead: 2027 and beyond" section for termination of the credit for FIEs.)

Transfer of clean energy credits to an SFE prohibited

For tax years beginning after July 4, 2025, a Section 6418 transfer of the credits under Section 45Q (credit for carbon capture and sequestration), Section 45U (zero-emission nuclear power production credit), Section 45X (advanced manufacturing production tax credit), Section 45Y (production tax credit), Section 45Z (clean fuel production tax credit), and Section 48E (investment tax credit) to an SFE is prohibited.

After Sept. 30, 2025

Termination of clean vehicle credits

The credits under Section 25E (previously owned clean vehicle credit), Section 30D (clean vehicle credit), and Section 45W (commercial clean vehicle credit) terminate for vehicles acquired after Sept. 30, 2025.

After Nov. 30, 2025

Repeal of the one-month deferral election for specified foreign corporations (SFCs)

Click link for related content

The one-month deferral election under Section 898, which allowed SFCs to select a tax year that ends one month earlier than the tax year of a majority of its U.S. shareholders is repealed for tax years of SFCs beginning after Nov. 30, 2025. SFCs with one-month deferral elections currently in place will have a conforming short period for the first year beginning after Nov. 30, 2025.

Provisions effective in 2026

After Dec. 31, 2025

Limits on interest capitalization *Click link for related content*

Effective for tax years beginning after Dec. 31, 2025, interest expense no longer can be electively capitalized to avoid application of Section 163(j), except interest expense capitalized under Sections 263A and 263(g).

Section 45Z clean fuel production tax credit

As originally enacted and effective for transportation fuel produced in the U.S. after Dec. 31, 2024, the credit was not limited based on where the feedstock was produced or grown. OBBBA terminates the credit for transportation fuel produced after Dec. 31, 2025, unless the fuel is exclusively derived from a feedstock produced or grown in the United States, Mexico, or Canada. (See “Looking ahead: 2027 and beyond” section for termination of the credit.)

NCTI deduction (formerly the GILTI deduction)

For tax years beginning after Dec. 31, 2025, the new law renames the global intangible low-taxed income (GILTI) regime to “NCTI” and includes a number of changes to the GILTI regime:

- The deduction rate for NCTI is reduced permanently to 40% from the current 50%, resulting in a 12.6% effective tax rate (ETR) under the 21% corporate tax rate (without regard to FTC).
- The net deemed tangible income return, calculated as 10% of qualified business asset investment (QBAI) under the GILTI regime, is removed from the calculation of NCTI.

FDDEI deduction (formerly the FDII deduction) *Click link for related content*

For tax years beginning after Dec. 31, 2025, the FDII deduction is renamed FDDEI deduction and is simplified so the deduction applies directly to FDDEI. The following are key modifications that distinguish the FDDEI deduction from the FDII deduction:

- The deemed tangible income return, 10% of QBAI, no longer is operative in reducing the base eligible for the deduction.
- The Section 250 deduction rate for FDDEI is reduced from the current 37.5% to 33.34%, resulting in an ETR of approximately 14%, which is less than the 21% corporate tax rate and aligns with the ETR applicable to NCTI.
- Interest and R&E expenses expressly are excluded from the category of expenses taken into account when determining DEI, thereby preserving a greater base eligible for the FDDEI deduction.

Base erosion and anti-abuse tax (BEAT) *Click link for related content*

For tax years beginning after Dec. 31, 2025, the BEAT rate on modified taxable income is permanently set at 10.5%, replacing the current 10% rate and eliminating the scheduled increase of 12.5% after tax year 2025. A 1% higher rate for banks and securities dealers is retained, resulting in an 11.5% rate for those institutions. The use of the research credit and certain specified credits to offset BEAT liability is permanently permitted. All other BEAT provisions generally remain unchanged.

FTC *Click link for related content*

For tax years beginning after Dec. 31, 2025:

- Up to 50% of income from sales of inventory manufactured within the U.S. and sold abroad through a foreign branch or fixed places of business is treated as foreign source income for FTC limitation purposes.
- The deemed paid credit applied to the FTC associated with NCTI is increased from 80% to 90% of foreign income taxes paid or accrued on tested income.
- For FTC limitation purposes, expense allocations to NCTI are limited to the Section 250 deduction, certain taxes imposed on NCTI, and directly allocable deductions excluding interest and R&E expenses.
- The Section 78 gross-up for Section 960(b) deemed paid FTCs is eliminated.

Subpart F look-through rule made permanent *Click link for related content*

For tax years of foreign corporations beginning after Dec. 31, 2025, the look-through rule under Section 954(c)(6), which allows certain intercompany payments from active earnings between controlled foreign corporations (CFCs) to be excluded from Subpart F income, is made permanent.

Repeal of the last-day rule for Subpart F income *Click link for related content*

The rule that requires U.S. shareholders to include Subpart F and NCTI from a CFC in income only if the shareholder owns the CFC stock on the last day of the taxable year, is repealed. For tax years of foreign corporations beginning after Dec. 31, 2025, U.S. shareholders are required to include Subpart F and NCTI from a CFC in income if they owned the CFC stock on any day of the taxable year.

Restoration of Section 958(b)(4) and new Section 951B

The TCJA repealed Section 958(b)(4), which limited downward attribution of stock ownership from foreign persons to U.S. persons, resulting in many foreign corporations unintentionally becoming CFCs. The OBBBA restores Section 958(b)(4) for tax years of foreign corporations beginning after Dec. 31, 2025. To address potential gaps, a new Section 951B was enacted to allow downward attribution in specific situations so that foreign-controlled U.S. shareholders remain subject to Subpart F and NCTI inclusion from certain foreign corporations they own directly or indirectly.

Corporate charitable deduction floor

For tax years beginning after Dec. 31, 2025, a corporation's charitable contribution deduction is limited to amounts in excess of 1% of taxable income. This new floor is in addition to the existing cap limiting a corporation's charitable contribution deduction to 10% of its taxable income.

Trump account *Click link for related content*

For tax years beginning after Dec. 31, 2025, up to $5,000 can be contributed annually to an eligible child's tax-deferred Trump account. Amounts can be distributed from the account beginning in the calendar year in which the child turns 18. Employers can contribute up to $2,500 tax-free to the Trump accounts of employees or their dependents, however, the employer contribution counts toward the $5,000 annual limit and it must meet other requirements. For each eligible child born after Dec. 31, 2024, and before Jan. 1, 2029, an election can be made to claim a $1,000 refundable tax credit to be paid into the child's Trump account. The eligible child and the individual making the election to claim the $1,000 credit must both have a Social Security number.

Section 45F employer-provided child care *Click link for related content*

For amounts paid or incurred after Dec. 31, 2025, the maximum credit is increased from $150,000 to $500,000 ($600,000 for qualified small businesses) to offset qualified expenses. The percentage of qualified expenses eligible for the credit is increased from 25% to 40% (50% for qualified small businesses). These amounts are adjusted for inflation for tax years beginning after 2026.

Section 45S paid family and medical leave credit *Click link for related content*

The temporary credit enacted by TCJA, which ranges from 12.5% to 25% of certain wages paid to a qualifying employee while the employee is on family and medical leave, was made permanent. To qualify for the credit, an employer must have a written policy that provides all qualifying employees with at least two weeks of paid family and medical leave at a rate of at least 50% of the employee's normal wages. A qualifying employee includes an employee who was employed by the employer for at least one year and, in the preceding year, did not have compensation in excess of 60% of the threshold for a highly compensated employee.

For tax years after Dec. 25, 2025, the following changes apply:

- The credit is permanent.
- Employers can include the amount of insurance premiums paid for family and medical leave policies when calculating the credit amount.
- The definition of a qualifying employee is modified to include employees who have been employed for at least six months (decreased from one year if elected by the employer) but to exclude employees who are not customarily employed for at least 20 hours per week.
- Leave that is paid for or mandated by state or local government counts toward meeting the credit eligibility requirements under Section 45S; however, this leave does not count toward calculating the amount of the credit.

Offshore remittance excise tax
Click link for related content

For transfers after Dec. 31, 2025, a 1% remittance tax is imposed on any electronic transfer of cash, a money order, a cashier's check, or any similar physical instrument requested by a sender located in the U.S. (including U.S. territories and possessions) to a recipient located outside the U.S. and initiated by a remittance transfer provider (RTP). The RTP must withhold the tax and remit it to the IRS on a quarterly basis. The tax doesn't apply to funds withdrawn from an account held in or by certain U.S. regulated financial institutions or transfers using a U.S.-issued debit or credit card. Notice 2025-55 provides deposit penalty relief for the first three quarters of 2026.

Section 127 employer student loan assistance

For payments made after Dec. 31, 2025, the Section 127 employer student loan assistance program is made permanent and indexing applies for taxable years beginning after 2026.

Section 199A pass-through deduction

The Section 199A deduction is made permanent for tax years beginning after Dec. 31, 2025. Additionally, the phase-out thresholds are expanded from $100K to $150K for married individuals filing jointly and from $50K to $75K for all other taxpayers. A $400 minimum deduction is added for taxpayers with at least $1,000 of qualified business income.

Increased threshold for Form 1099 reporting
Click link for related content

For payments made after Dec. 31, 2025, the threshold for reporting payments under Section 6041 and Section 6041A is increased from $600 to $2,000 (indexed for inflation). This change applies to both Form 1099-MISC, "Miscellaneous Information," and Form 1099-NEC.
The backup withholding rules have been adjusted to match the new threshold.

July 1, 2026

Designation of new QOZs

The TCJA provided the Treasury secretary with authority to designate QOZs that meet certain statutory criteria. These designations generally were required to be made by March 21, 2018 (subject to a 30-day extension, available upon request by a state) and expire on Dec. 31, 2028. The OBBBA provides the secretary with authority to designate new QOZs. The first designations under the OBBBA rules are required to be made by July 1, 2026, with new designations possible every 10 years thereafter. Designations made by July 1, 2026, are effective Jan. 1, 2027, allowing for the acquisition of qualifying property by a QOF in the new QOZs on or after such date.

The eligibility criteria for the new QOZs is stricter than under the prior rules. As a result, a QOZ designated in 2018 might not be designated as a QOZ under the new rules. Because 2018-designated QOZs do not expire until after Dec. 31, 2028, there is a two-year period during which designated areas that qualified as a QOZ under the TCJA rules but that do not qualify as a QOZ under the OBBBA rules will co-exist with designated QOZs that qualify under the OBBBA rules. (For other changes to QOZ and QOF rules, see “Looking ahead: 2027 and beyond” section.)

Before July 4, 2026

Section 45Y and Section 48E credits for wind and solar

The Section 45Y production tax credit and the Section 45E investment tax credit are available for projects for which construction begins before July 4, 2026. (See “Looking ahead: 2027 and beyond” section for termination of the credits for wind and solar for which construction does not begin before July 4, 2026.)

Looking ahead: 2027 and beyond

The deductions for qualified tips, qualified overtime, and interest on qualifying vehicle loans, which are generally effective for tax years beginning after Dec. 31, 2024, end for tax years beginning after Dec. 31, 2028.

Additionally, while many of the tax benefits for clean energy sunset in 2025 and 2026, some incentives remain available. Interested taxpayers should consult with their tax advisers and proactively plan now to take advantage of these benefits.

Termination of the Section 45U zero-emission nuclear power production credit for FIEs

While for SFEs the Section 45U credit terminates for tax years beginning after July 4, 2025, the credit for FIEs is available for another two years, terminating for tax years beginning after July 4, 2027.

Termination of Section 45X, Section 45Y, and Section 48E credits for wind and solar

The Section 45X advanced manufacturing production tax credit terminates for wind energy components produced and sold after Dec. 31, 2027. The Section 45Y production tax credit and the Section 45E investment tax credit terminate for wind and solar for property placed in service after Dec. 31, 2027, unless construction begins before July 4, 2026.

Section 45V clean hydrogen production tax credit

The credit is terminated for hydrogen production facilities that begin construction after Dec. 31, 2027.

Section 45Z clean fuel production tax credit

The Section 45Z credit originally was scheduled to terminate for transportation fuel sold after Dec. 31, 2027. The credit is extended for most taxpayers, terminating for transportation fuel sold after Dec. 31, 2029. However, for FIEs, the credit terminates for tax years beginning after July 4, 2027.

Section 45X, advanced manufacturing production tax credit

The credit terminates for metallurgical coal production after Dec. 31, 2029. For critical minerals (other than metallurgical coal) the credit begins phasing out for production after Dec. 31, 2030, and terminates completely for production after Dec. 31, 2033.

While designation of QOZs and the benefits associated with investments in QOFs were temporary when enacted by the TCJA, the program was enhanced and made permanent by the OBBBA. (See “Provisions effective in 2025” section for new designation authority and eligibility criteria.) The following are highlights of these changes:

Qualifying QOF contributions allowed after 2026

The ability to make qualifying contributions of capital gains to a QOF was scheduled to terminate after Dec. 31, 2026. This provision was repealed, making the benefits of investing in a QOF permanent.

Five-year deferral for QOF contributions

Qualifying capital gains contributed to a QOF made before Jan. 1, 2027, are deferred until Dec. 31, 2026 (absent an earlier inclusion event of such gains), regardless of when the contribution was made. For qualifying capital gains contributed to a QOF after Dec. 31, 2026, the contributed gains are deferred for five years from the date of the contribution (absent an earlier inclusion event).

Basis step-up for QOF investments

Capital gains contributed to a QOF by Dec. 31, 2021, result in a 10% basis step-up in the QOF interest after five years and capital gains contributed to a QOF by Dec. 31, 2019, result in a 15% basis step-up after seven years. Capital gain contributions made after Dec. 31, 2026, will receive a 10% basis step-up for QOF investments held for five years from the date of the contribution to the QOF (30% for qualified rural opportunity fund investments), regardless of the date the contributions are made.

Fair market value (FMV) basis step-up after 30 years

For QOF contributions made before Jan. 1, 2027, an FMV basis step-up of a QOF interest held for at least 10 years is available until Dec. 31, 2047 (with any appreciation subsequent to such date being taxable), regardless of the date the QOF investment was made. This means that later contributions receive lower benefits. For QOF contributions made after Dec. 31, 2026, an FMV basis step-up is available up to 30 years after the date of the contribution to the QOF (unless the interest in the QOF is sold before the 30-year period expires).

Crowe

Smart decisions. Lasting value.™

We understand the OBBBA – and how it can affect your organization

Work with a team that understands the timing and requirements of new OBBBA tax provisions.

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