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Evolution of the OBBBA: Business provisions

Provision	Current law	Original House-passed bill passed May 22, 2025	Senate Finance Committee draft released June 16, 2025	OBBBA enacted July 4, 2025
Treatment of R&E spending (Sec. 174)	Amortized over 5 years (domestic) or 15 years (foreign)	Full expensing restored through 2029 for domestic R&E only	Full expensing permanently restored for domestic R&E only; election to deduct unamortized basis from 2022-24 capitalization	Full expensing permanent for domestic R&E only, for tax years beginning after 12/31/24; election to deduct unamortized basis from 2022-24 capitaliza-tion
Business interest deduction (Sec. 163(j))	Limitation calculation based on EBIT; allows certain specified deemed inclusions (i.e., Subpart F and GILTI inclusions, Section 78 gross-up amounts, and inclusions under Section 956) to be included in adjusted taxable income	Use of EBITDA restored through 2029	Use of EBITDA permament; excludes from adjusted taxable income any Subpart F and GILTI inclusions, Section 78 gross-up amounts, and inclusions under Section 956	Use of EBITDA permanent for tax years beginning after 12/31/24; excludes from taxable income any Subpart F and GILTI inclu-sions, Section 78 gross-up amounts, and inclusions under Section 956; lim-itation applies to certain capitalized interest in taxable years beginning after 12/31/25
Full expensing for certain business property	40% in 2025, 20% in 2026, eliminated in 2027	Restored through 2029	Permanent	Permanent for purchases after 1/19/25
Full expensing for qualified production property	None	New allowance for full expensing of nonresidential real property used in manufacturing, production or refining of qualified products if construction begins after 1/19/25 and before 1/1/29, and placed in service before 1/1/33	New allowance for full expensing of nonresidential real property used in manufacturing, production or refining of qualified products if construction begins after 1/19/25 and before 1/1/29, and placed in service before 1/1/31	New allowance for full expensing of nonresi-dential real property used in manufacturing, production or refining of qualified products if construction begins after 1/19/25 and before 1/1/29, and placed in service before 1/1/31
Advanced manufacturing investment credit (Sec. 48D)	Credit for 25% of qualified investment where construction begins before 1/1/27	N/A	Increased from 25% to 35% for property placed in service after 12/31/25	Increased from 25% to 35% for property placed in service after 12/31/25

Low-income housing tax credit	Credits allocated to states for developers of qualifying projects; projects financed at least 50% by tax-exempt bonds allowed credit with respect to entire eligible basis of project without allocation from state or local credit agency	State housing credit ceiling increased in 2026-29 by 12.5%	State housing credit ceiling permanently increased 12% for calendar years beginning 1/1/26; bond-financing threshold lowered to 25% for building placed in service after 12/31/25	State housing credit ceiling permanently increased 12% for calendar years beginning 1/1/26; bond-financing threshold lowered to 25% for building placed in service after 12/31/26
New markets tax credit	Set to expire 12/31/25; no carryforward beyond 2030	N/A	Permanent	Permanent; carryforward limited to 5 years
Expensing of Sec. 179 property	Aggregate annual cost limitation $1M; phasedown begins at $2.5M	Cost limitation increased to $2.5M; phasedown begins at $4M; effective for property placed in service in tax years beginning after 12/31/24	Cost limitation increased to $2.5M; phasedown begins at $4M; effective for property placed in service in tax years beginning after 12/31/24	Cost limitation increased to $2.5M; phasedown begins at $4M; effective for property placed in service in tax years beginning after 12/31/24
Global intangible low-taxed income (GILTI)	Effective rate scheduled to permanently increase from 10.5% to 13.125% for tax years beginning after 12/31/25; allows a reduction to U.S. shareholder's GILTI inclusion equal to 10% of aggregate QBAI of its CFCs, known as net deemed tangible income return	Effective corporate tax rate increased from 10.5% to 10.688% for tax years beginning after 12/31/25	Effective corporate tax rate generally increased to approx. 12.6% along with reduction of haircut from 20% to 10% for tax years beginning after 12/31/25 (resulting in overall effective tax rate of 14%); eliminated net deemed tangible income return (i.e., 10% of qualified business asset investment) and renamed "net CFC tested income"	Effective corporate tax rate generally increased to approx. 12.6% along with reduction of haircut from 20% to 10% for tax years beginning after 12/31/25 (resulting in overall effective tax rate of 14%); eliminated net deemed tangible income return (i.e., 10% of qualified business asset investment) and renamed "net CFC tested income"
Allocation of deductions for foreign tax credit limitation	Generally must allocate and apportion deductions between U.S. and foreign source income separately within each of the four Section 904(d) categories: GILTI, foreign branch, passive and general category income	N/A	Generally Sec. 250 deduction and certain foreign taxes are allocated to foreign source net CFC tested income, while no interest or R&E expenses are allocable, and other deductions are allocable only if directly connected	Generally Sec. 250 deduction and certain foreign taxes are allocated to foreign source net CFC tested income, while no interest or R&E expenses are allocable, and other deductions are allocable only if directly connected
CFC look-through rule (Sec. 954(c)(6))	Certain payments of dividends, interest, rents and royalties received by a CFC from related CFC are not treated as foreign personal holding company income if attributable to non-subpart F income of payor; set to expire 12/31/25	N/A	Permanent	Permanent

Limitation on downward attribution	TCJA's repeal of Sec. 958(b)(4) enabled downward attribution from foreign to U.S. persons, resulting in unintended consequences by causing certain foreign corporations to be treated as CFCs, even when no U.S. shareholder has actual control, and triggering Subpart F and GILTI inclusions for certain indirect U.S. owners	N/A	Sec. 958(b)(4) permanently restored; new Sec. 951B would apply CFC deemed inclusion rules to "foreign controlled U.S. shareholders" of "foreign controlled CFCs	Sec. 958(b)(4) permanently restored; new Section 951B would apply CFC deemed inclusion rules to "foreign controlled U.S. shareholders" of "foreign controlled CFCs
Foreign-derived intangible income (FDII)	Effective rate set to permanently increase from 13.125% to 16.406% for tax years beginning after 12/31/25; allows a reduction to deduction-eligible income by 10% of its qualified business asset investment, known as its deemed tangible income return, to determine its deemed intangible income	Effective rate increased from to 13.335% for tax years beginning after 12/31/25	Effective rate generally increased to approx. 14% for tax years beginning after 12/31/25; excludes certain income from sale or other disposition of intangible property for deduction eligible income; eliminates allocation and apportionment of interest and R&E expenditures to deduction eligible income; eliminates net deemed tangible income return (i.e., 10% of qualified business asset investment) and renamed "foreign-derived deduction eligible income"	Effective rate generally increased to approx. 14% for tax years beginning after 12/31/25; excludes certain income from sale or other disposition of intangible property for deduction eligible income; eliminates allocation and apportionment of interest and R&E expenditures to deduction eligible income; eliminates net deemed tangible income return (i.e., 10% of qualified business asset investment) and renamed "foreign-derived deduction eligible income"
Base-erosion avoidance tax (BEAT)	Rate set to permanently increase from 10% to 12.5% and special treatment for research credit and a portion of applicable Sec. 38 credits in BEAT formula to be removed for tax years beginning after 12/31/25	Rate increased from 10% to 10.1% for tax years beginning after 12/31/25; research credit and a portion of applicable Sec. 38 credits permanently excluded from reducing regular tax liability for purposes of computing BEAT liability	Rate increased to 14% for tax years beginning after 12/31/25, with high-tax exception; base erosion percentage decreased from 3% to 2%; new exemption provided for payments subject to sufficiently high rate of tax (i.e., a foreign effective tax rate of >18.9%); research credit and a portion of applicable Sec. 38 credits permanently excluded from reducing regular tax liability for purposes of computing BEAT liability	Increased the rate to 10.5% for tax years beginning after 12/31/25; permanently exclude the research credit and a portion of applicable Section 38 credits from reducing regular tax liability for purposes of computing a BEAT liability
Unfair foreign taxes (Sec. 899)	None	Additional U.S. tax and withholding imposed on payments to persons tied to offending jurisdictions; BEAT expanded	Additional U.S. tax and withholding imposed on payments to persons tied to offending jurisdictions; BEAT expanded	No change: proposed Sec. 899 removed following announcement of G-7 agreement allowing Pillar Two and U.S. GILTI regime to coexist

Transferability of energy credits	Certain clean energy and manufacturing tax credits permitted to be sold for cash; includes 30C, 45 PTC, 45Q, 45U, 45V, 45X, 45Y, 45Z, 48 ITC, 48C and 48E	Repealed for 45X components sold and 45Z fuel produced after 2027, and for 48 (geothermal) and 45Q facilities on which construction begins >2 years after enactment	N/A	No change
Clean electricity production tax credit (45Y)	Technology-neutral credit for electricity produced at qualified facilities placed in service after 12/31/24; 4-year phase out begins for the later of 2032 or when U.S. greenhouse gas emissions from electricity are 25% of 2022's	Generally repealed for projects that begin construction >60 days after enactment or for projects that begin construction <60 days after enactment and placed in service after 2028; exceptions for nuclear; no credit allowed for leased residential solar	Begin construction restrictions removed and expiration dates delayed for hydro, nuclear and geothermal; solar and wind phased out by 2028; no credit allowed for leased residential solar	Phaseout begins after 2032; terminated for solar and wind facilities placed in service after 12/31/27 unless they begin construction less than 1 year after enactment; no credit allowed for certain solar or wind leasing agreements; no credit allowed for facilities that begin construction after 12/31/25 and receive material assistance from prohibited foreign entity
Clean electricity investment tax credit (48E)	Technology-neutral credit for investment in qualified facilities placed in service after 12/31/24; 3-year phase out begins for the later of 2032 or when U.S. greenhouse gas emissions from electricity are 25% of 2022's	Generally repealed for projects that begin construction >60 days after enactment or for projects that begin construction <60 days after enactment and placed in service after 2028; exceptions for nuclear; no credit allowed for leased residential solar	Begin construction restrictions removed and expiration dates delayed for hydro, nuclear and geothermal; solar and wind phased out by 2028; no credit allowed for leased residential solar	Terminated for solar and wind facilities placed in service after 12/31/27 unless they begin construction less than 1 year after enactment; no credit allowed for certain solar or wind leasing agreements; no credit allowed for facilities that begin construction after 12/31/25 and receive material assistance from prohibited foreign entity; domestic content require-ments modified
Advanced manufacturing production credits (45X)	Credit for production of solar energy components, wind energy components, battery components, inverters and critical minerals used in clean energy equipment, including integrated components; taken in year sold; except for critical minerals, set to phase down in 2030-32 and expire 12/31/32	Phased out after 2031 for most components (including critical minerals); repealed for wind components sold after 2027; denied if components include material assistance from prohibited foreign entities	Retained except for wind components through 2032; repealed for wind components sold after 2027; phased out for critical minerals in 2031-33 and terminated in 2034; terminated immediately for integrated components; restricted based on assistance from foreign entities of concern	Retained except for wind components through 2032; terminated for wind components sold after 2027; phased down for critical minerals, except metallurgical coal (newly added to list), in 2031-33 then terminated; terminated for metal-lurgical coal produced after 12/31/29; restrictions placed on eligibility of integrated components after 12/31/26; restricted based on assistance from foreign entities of concern

Clean fuel production credit (45Z)	Credit for production and sale of qualifying transportation fuel between 2025 and 2027	Extended through 2031 with modified elibility requirements and calculation	Extended through 2031; enhanced rates for sustainable aviation fuel repealed after 2025; reduced for use of foreign feedstocks after 2025	Extended through 2029; terminated for use of feedstocks not from US, Mexico or Canada after 2025
Deduction for energy-efficient commercial buildings (179D)	Accelerated deduction for the cost of qualifying improvements	N/A	Terminated for buildings that begin construction >1 year after enactment	Terminated for property that begins construction after 6/30/26
Previously owned clean vehicle credit (25E)	Credit of the lesser of $4k or 30% of sale price; income cap of $75k individual filers/$112.5 head of household/$150k joint; set to expire 12/31/32	Terminated 12/31/25	Terminated 90 days from enactment	Terminated 9/30/25
Clean vehicle credits (30D)	Credit of up to $7.5k for purchase of qualified new electric vehicles; subject to sales price limitations; income cap of $150k individual filers/$225k head of household/$300k joint; set to expire 12/31/32	Generally terminated 12/31/25; terminated 12/31/26 for vehicles purchased from manufacturerer with <200k U.S. sales	Terminated 180 days from enactment	Terminated 9/30/25
Clean commercial vehicle credit (45W)	Credit for qualified commercial electric vehicle placed in service, including leased vehicles; $7,500 for vehicles <14k lbs., $40k for others; set to expire 12/31/33	Terminated for purchases after 12/31/25 unless written binding contract entered into before 5/12/25 and vehicle placed in service before 1/1/33	Terminated 180 days from enactment; vehicles weighing <14k lbs. immediately subject to Sec. 30D sourcing and pricing restrictions	Terminated 9/30/25
Alternative fuel vehicle refueling property credit (30C)	Credit for installation of qualified refueling or recharging property, including EV charging equipment, at a residence or business in an eligible location; set to expire 12/31/32 for businesses and tax-exempt orgs and 12/31/33 for individuals	Terminated for property placed in service after 12/31/25	Terminated for property placed in service >1 year from enactment	Terminated for property placed in service after 6/30/26
Clean hydrogen production credit (45V)	Credit for production at qualified facilities placed in service after 12/31/22 and before 1/1/33	Repealed for facilities that begin construction after 12/31/25	Repealed for facilities that begin construction after 12/31/25	Terminated for facilities that begin construction after 12/31/27

Excess business losses of non-corporate taxpayers (Sec. 461(l))	Deduction of current year business losses limited (to $313k/$626k individual/joint filer in 2025, indexed for inflation), with any excess carried forward to the subsequent year, when they are treated as NOLs that can offset other sources of income (subject to 80% limitation); set to expire for tax years beginning after 12/31/28	Limitation, indexed for inflation, made permanent; losses disallowed in tax years beginning after 12/31/24 would factor in determining taxpayer's excess losses in subsequent years and would not be treated as NOLs	Limitation, indexed for inflation, made permanent; losses disallowed in tax years beginning after 12/31/24 would factor in determining taxpayer's excess losses in subsequent years and would not be treated as NOLs	Limitation made permanent; inflation adjustment modified
Excise tax on college & university investment income	1.4% of investment income on private institutions with 500+ students and assets of $500k+ per student	Tax increased to 4% for schools with per-student endowment >$500k and no more than $750k, to 7% for those >$750k and no more than $1.25M, to 14% for those >$1.25M and no more than $2M, and to 21% for those >$2M	Minimum student population for applicability increased from 500 to 3k; tax increased to 4% for schools with per-student endowment >$750k and no more than $2M, and to 8% for those with per-student endowment >$2M	Minimum student population for applicability increased from 500 to 3k; tax increased to 4% for schools with per-student endowment >$750k and no more than $2M, and to 8% for those with per-student endowment >$2M
Corporate charitable deduction	Deduction for charitable contributions by corporate taxpayers, limited to 10% of taxable income; excess contributions over the percentage limitation in any taxable year can be carried forward up to 5 years	Deduction allowed only to taxpayers whose contributions are at least 1% for tax years beginning after 12/31/25; contributions under 1% floor can be carried forward only from years in which 10% ceiling is exceeded	Deduction allowed only to taxpayers whose contributions are at least 1% for tax years beginning after 12/31/25; contributions under 1% floor can be carried forward only from years in which 10% ceiling is exceeded	Deduction allowed only to taxpayers whose contributions are at least 1% for tax years beginning after 12/31/25; contributions under 1% floor can be carried forward only from years in which 10% ceiling is exceeded
Employee retention credit	Available to eligible employers that paid qualified wages to some or all employees after 3/12/20 and before 1/1/22; penalty of 20% of excess refund applied to erroneous income tax refunds; $500 penalty assessed to paid tax return preparers for each failure to comply with due diligence requirements	IRS payment disallowed for claims filed after 1/31/24; penalty for understatement of tax liability by ERC promoters assessed at greater of $200k or 75% of gross income received, in addition to separate penalty of $1k for each failure to comply with due diligence requirements	IRS payment for Q3 and Q4 2021 claims disallowed if filed after 1/31/24; statute of limitations extended to 6 years on claims for Q3 and Q4 2021	IRS payment disallowed for claims filed after 1/31/24; statute of limitations extended to 6 years on claims for Q3 and Q4 2021; 20% penalty extended to include erroneous employment tax refunds; ERC promoters assessed penalty of $1k for each failure to comply with due diligence requirements

Paid family & medical leave (FML) credit	General business credit equal to 12.5% of amount of eligible wages paid to qualifying employees while they are on FML; increased by 0.25 percentage points, to max 25%, for each percentage point of pay >50%; set to expire 12/31/25	Made permanent; allows claim for applicable percentage of premiums paid or incurred for insurance policies that provide paid FML; credit availability expanded to all states; minimum employee work requirement lowered from 1 year to 6 months	Made permanent; allows claim for applicable percentage of premiums paid or incurred for insurance policies that provide paid FML; credit availability expanded to all states; minimum employee work requirement lowered from 1 year to 6 months	Made permanent; allows claim for applicable percentage of premiums paid or incurred for insurance policies that provide paid FML; credit availability expanded to all states; minimum employee work requirement lowered from 1 year to 6 months
Excess compensation in tax-exempt organizations	21% excise tax on compensation >$1M to covered employees, defined as 5 highest-paid employees in a year plus anyone previously deemed to be covered, and on parachute payments >3×employee's 5-year average compensation	Definition of covered employee significantly expanded to include all employees (including former employees), beginning in tax years starting after 12/31/25	Definition of covered employee significantly expanded to include all employees (including former employees), beginning in tax years starting after 12/31/25	Definition of covered employee significantly expanded to include all employees (including former employees), beginning in tax years starting after 12/31/25
Employer-provided child care credit	Taxpayer can claim sum of 25% of qualified child care expenditures and 10% of qualified child care resource & referral expenditures, to a max $150k	Child care expenditures limit raised from 25% to 40% (50% for small businesses); max credit increased to $500k ($600k for small businesses), then inflation adjusted; small businesses permitted to pool resources; credit allowed for third-party intermediaries; effective 1/1/26	Child care expenditures limit raised from 25% to 40% (50% for small businesses); max credit increased to $500k ($600k for small businesses), then inflation adjusted; small businesses permitted to pool resources; credit allowed for third-party intermediaries; effective 1/1/26	Child care expenditures limit raised from 25% to 40% (50% for small businesses); max credit increased to $500k ($600k for small businesses), then inflation adjusted; small businesses permitted to pool resources; credit allowed for third-party intermediaries; effective 1/1/27
Business meals deduction (Sec. 274(o))	50% deduction allowed for expenses related to employer-operated eating facilities and food or beverages associated with such facilities, or for meals provided for the convenience of the employer; full deduction allowed for expenses related to certain commercial vessels; set to expire 12/31/25	Deduction allowed for expenses related to meals sold in bona fide transactions for tax years beginning after 12/31/25	Deduction allowed for expenses related to meals sold in bona fide transactions, or provided to crew members of commercial vessels, oil or gas platforms, drilling rigs or support camps, certain fishing vessels or certain fish processing facilities for tax years beginning after 12/31/25	Deduction allowed for expenses related to meals sold in bona fide transactions, or provided to crew members of commercial vessels, oil or gas platforms, drilling rigs or support camps, certain fishing vessels or certain fish processing facilities for tax years beginning after 12/31/26

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