One Big Beautiful Bill Act (OBBB)

VENTURA PRANAS
ACCOUNTANTS WITHOUT BORDERS

On 4th July 2025, President Trump signed Pub. L. No. 119-21, otherwise known as the "The One Big Beautiful Bill Act" (OBBB), into law. We have provided a summary of relevant changes, additions and extensions along with relevant summaries of the law in effect prior to this Bill.

BUSINESSES

Topic	Law Prior OBBB	New Law Under OBBB
1% Floor on Corporate Charitable Deduction	Limited the total charitable contribution deduction for corporations to 10% of taxable income, with no floor. Exceptions were available for certain farmers, ranchers, and Native corporations.	Limits the total charitable contribution deduction for corporations to a minimum of 1% and maximum of 10% of taxable income. Allows excess contributions to be carried forward up to 5 years on a first-in-first-out basis, reduced to the extent they reduce taxable income and increase net operating loss (NOL) carryovers. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Asset Expensing	Set the maximum amount of §179 property that a taxpayer can expense at $1M reduced by the amount by which the cost of §179 property exceeds $2.5M.	Increases the maximum amount of §179 property that a taxpayer can expense to $2.5M reduced by the amount by which the cost of qualifying property exceeds $4M. Effective Date: Applies to property placed in service in taxable years beginning after Dec. 31, 2024.
Small Business Stock Gain Exclusion	Provided an exclusion for gain from the sale or exchange of qualified small business stock (QSBS) held for more than 5 years. For QSBS acquired after Sept. 27, 2010, the exclusion was 100%. For QSBS acquired before Sept. 27, 2010, the exclusion was between 50% and 75%. The per-issuer limitation was $10M.	Provides an exclusion from gross income of 50% of gain from the sale or exchange of qualified small business stock (QSBS) held for at least 5 years and acquired before Feb. 17, 2009, 75% when acquired between Feb. 17, 2009, and Sept. 27, 2010, and 100% when acquired after Sept. 27, 2010, and on or before July 4, 2025. For QSBS acquired after July 4, 2025, the exclusion is 50% when held for at least 3 years, 75% for at least 4 years, and 100% for at least 5 years. The exclusion is subject to a per-issuer limitation of $10M for QSBS acquired on or before July 4, 2025, and $15M for QSBS stock acquired after July 4, 2025. Limits the qualified small business gross asset to $50M for stock issued on or before July 4, 2025, and $75M for stock issued after July 4, 2025. Adjusts the $15M per-issuer limitation figure and $75M gross asset limit annually for inflation in taxable years beginning after 2026.

Topic	Law Prior OBBB	New Law Under OBBB
Modified Adjusted Taxable Income Calculation for Business Interest Deduction	Limited deduction for net business interest expense to a percentage of a taxpayer's adjusted taxable income (ATI), which, for taxable years beginning in 2021 or earlier, was computed without regard to depreciation, amortization, or depletion.	Makes permanent the modified calculation of ATI without regard to deductions allowable for depreciation, amortization, or depletion. Expands the definition of floor plan financing to include certain trailers and campers. Effective Date: Applies to taxable years beginning after Dec. 31, 2024.
Qualified Business Income Deduction	For taxable years beginning in 2018 through 2025, allowed noncorporate taxpayers with pass-through business income a qualified business income (QBI) deduction from taxable ordinary income equal to the lesser of: (i) 20% of QBI earned in a qualified trade or business, plus 20% of qualified real estate investment trust dividends and qualified publicly traded partnership income); or (ii) 20% of the taxpayer's taxable income minus net capital gain. Subjected QBI earned in a qualified trade or business to certain phase-in limitations, depending on the amount of W-2 wages paid by the qualified trade or business and whether the taxpayer's QBI was earned in a specified service trade or business.	Permanently extends 20% deduction for QBI, increases phase-in income limitations, and adds inflation-adjusted minimum deduction of $400 for taxpayers with at least $1,000 of qualifying income from active qualified trades or businesses. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Limitation on Excess Business Losses of Noncorporate Taxpayers	Temporarily disallowed a deduction for "excess business losses" of noncorporate taxpayers for taxable years 2021 through 2028. Defined an excess business loss as the excess of: (i) a taxpayer's aggregate business deductions, over (ii) aggregate business income plus $250,000 (doubled for a joint return). Required amount disallowed to be carried forward and treated as part of NOL carryovers in succeeding years.	Permanently extends (from the previous sunset of 2029) the disallowance of a deduction for excess business losses. Indexes the $250,000 threshold for inflation. Retains treatment of carryover as an NOL carryover. Effective Date: Loss disallowance applies to taxable years beginning after Dec. 31, 2026. Inflation adjustment applies to taxable years beginning after Dec. 31, 2025

Topic	Law Prior OBBB	New Law Under OBBB
Definition of Adjusted Taxable Income for Business Interest Limitation	§163(j)(8)(A)(vi) is a new subsection of §163.	In calculation of ATI, disregards: (i) amounts included in income under §951(a) (subpart F income), §951A(a) (GILTI), and any associated gross-up under §78, and (ii) the portion of deductions allowed by reason of the above inclusions under §245A(a) (certain foreign-sourced dividends) and §250(a)(1)(B) (50% of GILTI and §78 gross-up). Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Depreciation for Qualified Production Property	§168(n) is a new subsection of §168.	Provides an elective a 100% bonus depreciation deduction for qualified production property placed in service before Jan. 1, 2031, with extension possible due to acts of God. Defines "qualified production property" to include any portion of nonresidential real property used as an integral part of qualified manufacturing, agricultural or chemical production, or refining of a "qualified product" that results in a substantial transformation of the product. Additional requirements apply to acquired property not previously used in qualified production activities. Effective Date: Applies to property placed in service after July 4, 2025, but before Jan. 1, 2031, construction of which begins after Jan. 19, 2025, but before Jan. 1, 2029.
Bonus Depreciation	Made bonus depreciation temporarily available for qualified property placed in service and specified plants planted or grafted: • after Sept. 27, 2017, before Jan. 1 2023 – 100% • in 2023 – 80% • in 2024 – 60% • in 2025 – 40% • in 2026 – 20% • after 2026 – 0%	Permanently reinstates 100% bonus depreciation. Allows taxpayers to elect 40% bonus depreciation (60% for long production period property and qualified aircraft) for qualified property placed in service, and specified plants planted or grafted, during first taxable year ending after Jan. 19, 2025. Effective Date: Applies to property acquired, and specified plants planted or grafted, after Jan. 19, 2025. Does not treat property as acquired after the date on which a written binding contract for its acquisition is entered into.
Deduction for Research & Experimental Expenditures (R&D)	Required amortization and capitalization over 5 years for specified research expenditures (SREs) (15 years for research performed outside the U.S.).	Permanently reinstates immediate expensing of domestic research and experimental expenditures, with an election to amortize certain expenditures. Any amount paid or incurred in connection with the development of any software is treated as an R&D expenditure. Does not apply to certain expenditures for the acquisition or improvement of land or property, or exploration expenditures. Effective Date: Applies to amounts paid or incurred in taxable years beginning after Dec. 31, 2024.

COMPENSATION, HEALTHCARE, ESTATE, GIFT, TRUST AND tEXCISE TAX

Topic	Law Prior OBBB	New Law Under OBBB
Disallowance of Premium Credit During Special Enrollment Period (SEP)	§36B(c)(3)(A)(iii) is a new subsection of §36B.	Disallows qualified health plan status, and thus premium assistance, for plans enrolled in during an Exchange-provided SEP based on expected household income in relation to poverty line and not in connection with an event or change in circumstances specified by the HHS Secretary. Effective Date: Applies to plan years beginning after Dec. 31, 2025.
Premium Tax Credit During Period of Medicaid Ineligibility Due Tto Alien Status	Allowed premium tax credit eligibility for individuals who were lawfully present in the U.S. and had household income below the federal poverty line for their family size, but were not Medicaid eligible due to their immigration status, by treating their household income as 100% of the poverty line.	Removes premium tax credit eligibility for these lawfully present individuals. Effective Date: Applies to taxable years beginning after Dec. 31, 2025
Recapture of Advance Payment of Premium Tax Credit	Required taxpayers receiving advance payments of the premium tax credit to reconcile advance payments with actual payments allowed. Capped the additionalincome tax due from taxpayers who received excess advance payments for taxpayers with household income of no more than 400% of the poverty line.	Removes the cap on the increased income tax owed for excess advance credit payments. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Estate & Gift Tax Exemption Amount	Temporarily increased the estate and gift tax exclusion amount to $10M for decedents dying and gifts made after Dec. 31, 2017, and before Jan. 1, 2026, indexed annually for inflation.	Permanently increases the estate and gift tax exemption amount to $15M, indexed annually for inflation. Effective Date: Applies to estates of decedents dying and gifts made after Dec. 31, 2025.
Excise Tax on Remittance Transfers	§4475 and §6050BB are new code sections.	Imposes a 1% tax on remittance transfers to be collected by the remittance transfer provider and paid quarterly to the Treasury. Applies to transfers where the sender provides cash, a money order, a cashier's check, or similar physical instrument to the remittance transfer provider. Excludes transfers made with funds withdrawn from certain listed financial institutions or funded with a U.S.-issued debit or credit card. Effective Date: Applies to transfers made after Dec. 31, 2025.

INDIVIDUALS

Topic	Law Prior OBBB	New Law Under OBBB
Child & Dependent Care Credit	Allowed a credit for child and dependent care expenses, equal to 35% of qualified expenses reduced (not below 20%) by 1% for each $2,000 (or fraction thereof) by which adjusted gross income (AGI) exceeded $15,000.	Increases credit amount from 35% to 50% of child and dependent care expenses, reduced (not below 35%) by 1% for each $2,000 by which AGI exceeds $15,000, and further reduced (not below 20%) by 1% for each $2,000 ($4,000 joint) by which AGI exceeds $75,000 ($150,000 joint). Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
American Opportunity and Lifetime Learning Credits	Allowed permanent American Opportunity and Lifetime Learning credits, subject to identification requirements.	Requires valid taxpayer, spouse, and student Social Security numbers to claim credits. Requires school EIN to claim American Opportunity Tax Credit. Treats noncompliant returns as having a mathematical error, allowing IRS to automatically remove the credit. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Tax Benefit of Itemized Deductions	Temporarily suspended the Pease limitation for individual taxpayers itemizing deductions through 2025.	Repeals Pease itemized deduction limitation and creates a new calculation. Reduces itemized deductions by 2/37 of the lesser of: (i) itemized deduction amount; or (ii) amount of taxable income exceeding §1(j) threshold for 37% tax bracket. Revised limitation does not apply to §199A qualified business income deduction. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Dependent Care Assistance Program	Limited the dependent care exclusion for dependent care services to $5,000 ($2,500 for married filing separate).	Increases the dependent care service exclusion to from $5,000 to $7,500 ($3,750 for married filing separate) for expenses paid or incurred by employer under qualified dependent care assistance program. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Business Meals Deduction Exception	Disallowed all expenses paid or incurred after 2025 for an employer-operated eating facility, including the cost of the food and beverages. Disallowed the cost of providing meals excluded from an employee's income under §119(a).	Provides an exception from the disallowances of expenses of employer-operated eating facilities for meals provided at employer's convenience or expenses for goods or services (including the use of facilities) sold by the taxpayer in a bona fide transaction for adequate and full consideration. Excludes meals provided on certain fishing boats and at certain fish processing facilities from the 50% deduction limitation. Effective Date: Applies to amounts paid or incurred after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
529 Account Disbursements for Elementary, Secondary, and Homeschooling Expenses	Treated certain primary and secondary education expenses as qualified higher education expenses.	Amends definition of “qualified higher education expense” to include certain expenses in connection with enrollment in or attendance at an elementary or secondary public, private, or religious school. For tax years beginning after Dec. 31, 2025, increases the annual aggregate per-beneficiary distribution limitation from $10,000 to $20,000. Effective Date: Applies to distributions made after July 4, 2025.
529 Account Disbursements for Postsecondary Credentialing Expenses	§529(e)(3)(C) and §529(f) are new subsections of §529.	Amends the definition of “qualified higher education expense” to include qualified postsecondary credentialing expenses, and provides definitions related to postsecondary credentialing. Effective Date: Applies to distributions made after July 4, 2025.
Information Reporting Threshold for Certain Payees	Required information returns for payments of $600 or more in a tax year.	Raises the threshold from $600 to $2,000 for information reporting for many reportable payments, as well as for backup withholding, indexed annually for inflation. Effective Date: Applies to payments made after Dec. 31, 2025.
Individual Income Tax Rates	Temporarily decreased income tax rates and thresholds for individuals, estates, and trusts through 2025.	Makes permanent TCJA income tax rate and threshold decreases for individuals, estates, and trusts. Applies inflation adjustment to 10%, 12%, and 22% brackets. Effective Date: Applies to tax years beginning after Dec. 31, 2025.
Moving Expenses	Temporarily suspended the qualified moving expense reimbursement exclusion and the deduction for moving expenses (excluding active -duty military who moved pursuant to a military order) through 2025.	Permanently extends the moving expense deduction limitation and employer-reimbursed moving expense exclusion. Creates an exception for intelligence community members similar to existing military exception (§217(g)). Effective Date: Applies to taxable years beginning after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
Mortgage Interest Deduction	Temporarily limited the deduction for mortgage interest to interest for acquisition indebtedness to $750,000 or less ($375,000 for married individuals filing separately) through 2025.	Permanently disallows mortgage interest deduction for home equity indebtedness and limits mortgage interest deductions for acquisition indebtedness to $750,000 ($375,000 for married filing separately). Treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Casualty Loss Deduction	Temporarily limited personal casualty losses to losses incurred as the result of federally declared disasters (except to the extent of personal casualty gains) through 2025.	Permanently extends casualty loss deduction limitation and expands the limitation to include state-declared disasters. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Wagering Losses	Temporarily included actual cost of wagers and deductible expenses incurred with gambling activity in deductible wagering losses through 2025.	Includes otherwise-allowable deductions incurred in carrying on a wagering transaction within "losses from wagering transactions." Limits deduction to 90% of losses and to the extent of gains from wagering transactions. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Disaster-Related Personal Casualty Losses	Eased rules: waived the 10% AGI threshold for net disaster loss, raised per casualty floor to $500, allowed addition of the loss to the standard deduction, and exempted that addition from AMT.	Extends the special rules for qualified disaster-related personal-casualty losses under the Taxpayer Uncertainty and Disaster Relief Act of 2020 (Pub. L. No. 116-260, Div. EE, §304(b)). Effective Date: Applies until Aug. 2, 2025.
Child Tax Credit	Allowed a child tax credit of $2,000 per qualifying child (up to $1,400 refundable per child) and a $500 credit for other dependents, with a phaseout threshold of $400,000 for joint filers ($200,000 for single filers) through 2025.	Increases the child tax credit to $2,200 per qualifying child, indexed annually for inflation. Makes permanent the refundable portion and higher phaseout thresholds. Tightens Social Security number reporting rules. Effective Date: Applies to taxable years beginning after Dec. 31, 2024.
Alternative Minimum Tax Exemption and Phaseout	Temporarily increased exemption and phaseout amounts for the alternative minimum (AMT) exemption for noncorporate taxpayers at certain income levels for taxable years 2018 through 2025.	Permanently extends the increased AMT exemption amounts from a previous sunset of 2025, increases phaseout amount from 25% to 50%, and modifies the inflation adjustment. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
Standard Deduction	Temporarily increased the standard deduction through 2025.	Permanently increases standard deduction from $12,000 to $15,750 for individuals and from $18,000 to $23,625 for head of household. Effective Date: Applies to taxable years beginning after Dec. 31, 2024.
State & Local Tax (SALT) Cap	Temporarily limited the deduction for state and local sales, income, and property taxes to $10,000 through 2025.	Increases limitation on SALT deduction to $40,000 for 2025 and $40,400 for 2026, increasing to 101% of previous year's cap for 2027, 2028, and 2029, and reverting to $10,000 for 2030 and beyond. MAGI phaseout begins at $500,000 for 2025 and $505,000 for 2026, increasing to 101% of the previous year's threshold for 2027, 2028, and 2029 (half of those amounts for married filing separately). Phaseout cannot reduce deduction below $10,000. Effective Date: Applies to taxable years beginning after Dec. 31, 2024.
Qualified Opportunity Zones (QOZs)	Temporarily provided for designation of QOZs and related tax benefits through 2025.	Creates new OZ investment opportunities for capital gains (and up to $10,000 of ordinary income) invested after Dec. 31, 2027. Allows gain to be recognized in earlier of year of disposition or 5 years after investment in the qualified opportunity fund (QOF). Increases investment basis by 10% (30% for qualified rural opportunity funds) of deferred gain when held for 5 years. If a QOF investment is held for at least 10 years, increases basis to fair market value on date the investment is sold or exchanged (thus, no gain recognition). Requires annual information reporting by QOFs and qualified rural opportunity funds. Imposes penalties for failures to comply with reporting requirements and for intentional disregard. Effective Date: Amendments to §1400Z-1 apply to areas designated after July 4, 2025. Other amendments, except those made by (4)(A) and (B), apply to amounts invested in QOFs after Dec. 31, 2026. Amendments made by (4)(A) and (B) apply to property acquired after Dec. 31, 2026. Special rule for improvement of existing structures in rural areas in (4)(C) applies July 4, 2025. Reporting requirements and penalties apply to taxable years beginning after July 4, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
Deduction for Tip Income	§224 is a new code section.	Creates deduction of up to $25,000 for qualified tips for individuals in traditionally and customarily tipped industries. Excludes highly compensated employees by phasing out deduction for joint filers with AGI over $300,000 ($150,000 for others). Extends FICA tax tip credit to tips received in connection with food service and beauty and barber services. Does not require spouse's Social Security number. Deduction available to both itemizers and non-itemizers. Effective Date: Applies to tax years beginning after Dec. 31, 2024, and before Jan. 1, 2029.
Deduction for Overtime Pay	§225 is a new code section.	Creates deduction for qualified overtime compensation (not including qualified tips), excluding highly compensated employees, for taxable years 2025 through 2028. Limits deduction to $12,500 of qualified overtime income ($25,000 for joint returns). Deduction available to itemizers and non-itemizers. Effective Date: Applies to tax years beginning after Dec. 31. 2024, and before Jan. 1, 2029.
Trump Accounts	§530A, §139J, §6434, and §6659 are new code sections.	Provides for tax-exempt "Trump accounts" for qualifying children; accounts are treated akin to individual retirement accounts (IRAs) under IRC 408(a). Annual contributions are limited to $5,000, indexed annually for inflation, with exceptions for certain exempt contributions. Excludes employer contributions to Trump accounts from employee gross income. Excludes qualified contributions to a Trump account from beneficiary's gross income. Credits established accounts for U.S. citizens born after Dec. 31, 2024, but before Jan. 1, 2029, with an initial government contribution of $1,000. Imposes penalty for improper Trump account credit claims: $500 for negligently improper claim and $1000 for fraudulently improper claim. Treats incorrect SSN as mathematical or clerical error. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Charitable Contribution Deduction for Non-Itemizers	Provided a temporary charitable contribution deduction of up to $300 ($600 for joint returns) for cash contributions by non-itemizers.	Permanently reinstates the non-itemizer partial charitable contribution deduction and increases it to a maximum of $1,000 ($2,000 for joint returns). Effective Date: Applies to tax years beginning after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
Energy Efficient Home Improvement Credit	Allowed a credit for amounts paid or incurred for qualified energy efficiency improvements installed, residential energy property expenditures, or home energy audits, for qualified property placed in service before Jan. 1, 2033.	Eliminates the energy efficient home improvement credit. Effective Date: Applies to property placed in service after Dec. 31, 2025.
Personal Exemptions	Temporarily set the amount of the deduction for personal exemptions at zero through 2025.	Eliminates personal exemption deduction. Effective Date: Applies to taxable years beginning after Dec. 31, 2024.

INTERNATIONAL

Topic	Law Prior OBBB	New Law Under OBBB
Foreign-Derived Intangible Income (FDII)	FDII was calculated by multiplying Deemed Intangible Income (DII) by the Foreign Derived Ratio. [FDII = DII * Foreign Derived Ratio]. The Foreign Derived Ratio was calculated through dividing Foreign-Derived Deduction Eligible Income (FDDEI) by Total Deduction Eligible Income (DEI). [Foreign Derived Ratio = FDDEI / DEI]. A series of calculations were needed to compute the DEI and FDDEI amounts. Provided a 37.5% deduction for FDII, resulting in an effective tax rate (ETR) of 13.125%. Scheduled to decrease to 21.875% in 2026, resulting in an ETR of 16.406%.	Renames FDII to FDDEI. Streamlines the calculation by, in part, removing the multiplication of DII by the Foreign Derived Ratio. Expands the exceptions to DEI from 6 to 8 categories and reduces the types of expenses considered when calculating DEI. Removes DII, and consequently DTIR, from the FDII calculation. Reduces the deduction rate of FDDEI (f/k/a FDII) to 33.34%, changing the ETR from 13.125% to a rounded 14%. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
Global Intangible Low-Taxed Income (GILTI)	The GILTI regime under §951A imposed a minimum U.S. tax on U.S. shareholders of controlled foreign corporations (CFCs), based on foreign earnings above a routine 10% return on the CFC's tangible property. GILTI was calculated as GILTI = Net CFC Tested Income – Net Deemed Tangible Income Return (NDTIR). NDTIR = (10% × Qualified Business Asset Investment) – Specified Interest Expense. Provided a 50% deduction for GILTI, resulting in an ETR of 10.5%. Scheduled to decrease to 37.5% in 2026, resulting in an ETR of 13.125%.	Renames the GILTI regime the "Net CFC Tested Income" regime. Removes NDTIR from the calculation (rendering the term "GILTI" superfluous). Reduces the deduction percentage for net CFC tested income (f/k/a GILTI) to 40%, resulting in a 12.6% effective tax rate (ETR). Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
GILTI – Deemed Paid FTCs	GILTI foreign tax credits (FTCs) were subject to an 80% allowance. Thus, no residual U.S. tax would have been owed on income that was subject to a 13.125% foreign tax rate (10.5% effective tax rate divided by 80%), or beginning in 2026, on income that was subject to a 16.406% foreign tax rate (13.125% effective tax rate divided by 80%).	Increases the net CFC tested income (f/k/a GILTI) allowance to 90%. Thus, no residual U.S. tax would be owed on income subject to a 14% foreign tax rate (12.6% ETR divided by 90%). Disallows 10% of the deemed paid FTC allowed for distributions of previously taxed net CFC tested income. Effective Date: Net CFC tested income allowance increase applies to taxable years of foreign corporations beginning after Dec. 31, 2025. Disallowance of deemed paid FTC applies to foreign income taxes paid or accrued with respect to distributions of previously taxed net CFC tested income made after June 28, 2025.
GILTI – Expense Allocation	§904(b)(5) is a new subsection of §904.	Limits the expenses allocable to foreign-source income in the net CFC tested income (f/k/a GILTI) category to: (i) the §250 deduction for net CFC tested income; and (ii) any other deduction that is "directly allocable" to net CFC tested income. No amount of interest expense or research and experimental expenditures are allocable to foreign-source net CFC tested income. Any deduction that would have otherwise been allocated to the net CFC tested income category but for this rule is allocated instead to U.S.-source income. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.

Topic	Law Prior OBBB	New Law Under OBBB
GILTI – Expansion of Taxable Entities & Shareholders	§951B is a new code section.	Extends the subpart F and net CFC tested income (f/k/a GILTI) rules to ownership structures involving “foreign controlled U.S. shareholders” and “foreign controlled foreign corporations.” Defines foreign controlled U.S. shareholders as U.S. persons that would own more than 50% of a foreign corporation if foreign-to-domestic downward attribution applied. Defines foreign controlled foreign corporations as non-CFCs that would be a CFC if considering foreign controlled U.S. shareholders instead of U.S. shareholders, and by applying foreign-to-domestic attribution. Expressly authorizes Treasury to issue regulations to carry out the purposes of new §951B, including expanding compliance reporting. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.
Flow Through Exception	Applied to U.S.-parented corporate groups, and provided that dividends, interest, rents, and royalties received or accrued by Controlled Foreign Corporations (CFC) from another CFC were not treated as foreign personal holding income (that would otherwise have been immediately taxable under the subpart F rules). Income received by one CFC from another CFC could be "looked-through" under the §954(c)(6) rules, to see if the underlying income of the paying CFC would have been taxable as subpart F income. Prevented the unintended immediate U.S. taxation of the movement of active business foreign earnings among related corporations. Scheduled to expire at the end of 2025.	Permanently reinstates exception. Effective Date: Applies to taxable years beginning after Dec. 31, 2025
Constructive Ownership Definition – Downward Attribution Rule	Repealed §958(b)(4), resulting in the expansion of potential CFCs and increased CFC reporting for many corporations that were now considered to be U.S. shareholders of a CFC. Created additional subpart F and GILITI inclusions for U.S investors indirectly invested in foreign corporations that are now treated as CFCs.	Reinstates §958(b)(4), which prevents the inadvertent downward attribution of stock ownership from foreign persons to U.S. persons in many situations, by providing that section 318(a)(3)(A) through section 318(a)(3)(C) were not to be applied so as to consider a U.S. person as owning stock owned by a foreign person. Therefore, for example, a U.S. corporation wholly owned by a foreign corporation would not necessarily be treated as owning the stock of the foreign parent’s wholly owned foreign subsidiary. Effective Date: Applies to taxable years beginning after Dec. 31, 2025.

Source: Bloomberg Tax