OBBBA Unpacked:

What the New Tax Law Means for Dealerships

October 30, 2025

forvis mazars

Today’s Speakers

Buddy Dearman
National Industry Leader
& Tax Partner

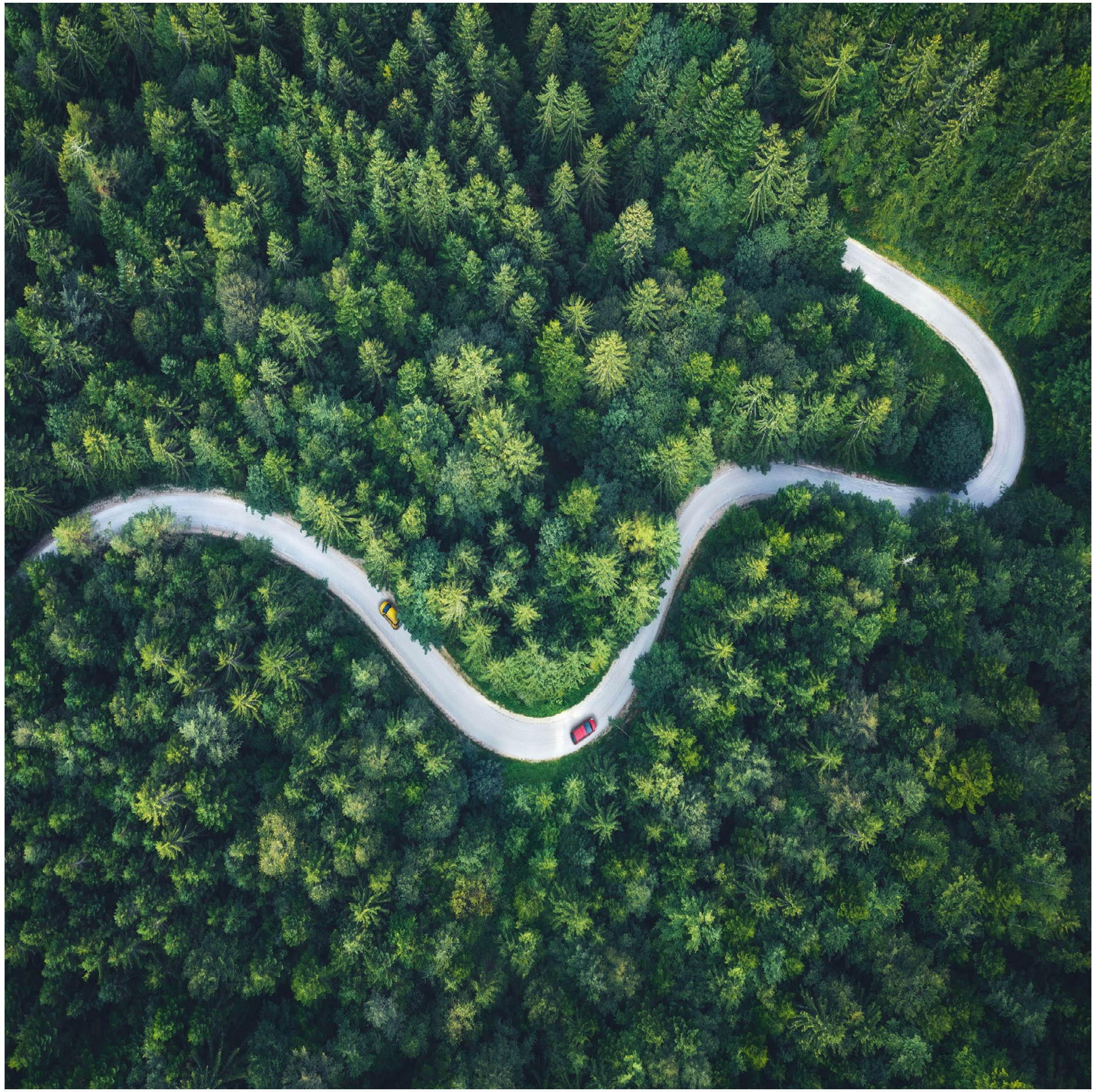
Moderator

Jon Gee
Tax Partner

Tara Thomas
Tax Partner

Agenda

1. A Look at the Business Provisions of the OBBBA
2. Select Individual Provisions
3. Select Energy Credit Provisions
4. Compensation and Benefits



01

Select Business Provisions

The Act
The Big “3”

Bonus Depreciation

In general

- Act permanently reinstates 100% bonus deprecation for most tangible personal property acquired after January 19, 2025.
- Does not apply if a binding contract to acquire the property existed prior to January 20, 2025.
- Election to use reduced bonus depreciation percentage in first taxable year ending after January 19, 2025.
- This won’t impact dealers that use the floor plan interest “exception” for their stores. Could impact other ancillary entities, though.
    - Bonus depreciation not allowed if this is “triggered.”

The Act
The Big “3”

Section 163(j)

- Limitation currently based on 30% of tax basis EBIT.
- Act permanently increases the limitation to 30% of tax basis EBITDA.
- Change would be effective for tax years beginning after December 31, 2024.
- Redefines roles of Section 163(j)’s interest limitation provisions with certain interest capitalization provisions to give the Sec. 163(j) limitation priority.
    - Provides that Sec. 163(j) limitation is calculated prior to the application of any interest capitalization rules, except for interest capitalized under Section 263(g) or 263A(f).
    - In so doing, certain ordering rules would require that you apply the Section 163(j) limit to amounts of interest which would be required to be capitalized and then any remainder would then be applied to amounts of interest that would be deducted.
    - No portion of business interest carried forwards are to be treated as business interest expense to which an interest capitalization provision applies.

The Act
The Big “3”

Section 179 Expensing

- The new law increases capital investment expensing up to $2.5MM with annual inflation adjustments
- This is up from $1.25MM
- Begins for years after 12.31.2024
- Phaseout begins at $4MM
    - Reduced dollar-for-dollar beyond $4MM

The Act
Corporate Charitable Contribution

New 1% floor on charitable contributions

- Corporations generally allowed to deduct charitable contributions up to 10% of corporation's taxable income (contribution base).
- 1% floor for tax years beginning after December 31, 2025.
    - If contributions less than 1% of contribution base, no deduction.
    - If contributions are between 1% and 10%, deduction is actual contributions less 1% of contribution base.
    - If contributions exceed 10% of contribution base, current year deduction is 9%.
    - Five-year carryforward for:
        - Contributions in excess of 10% contribution base.
        - The 1% floor for years in which the 10% limit was exceeded.

The Act
Withholding Provisions

- **Increased threshold for 1099-MISC and 1099-NEC Reporting**
  - Raises reporting threshold from $600 to $2,000 for payments made after December 31, 2025.
  - Makes conforming changes to backup withholding rules.
  - The $2,000 threshold is indexed for inflation beginning in 2027.
  - This may eliminate some information reporting for some groups on smaller and one-time vendors.

The Act

Expiring Provisions Made Permanent

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

02

Select Individual Provisions

The Act
Individual Provisions

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

The Act

Individual Provisions

Topic	Current State (2025)	Act
Personal Exemptions, Deductions, & Limitations	○ $30,000 standard deduction (MFJ) ○ $0 Personal Exemptions ○ $2,000 CTC	○ Standard Deduction increased to $31,500 for married individuals filing jointly, $23,625 for head of household, and $15,750 for all others ○ Personal exemptions permanently eliminated ○ Child tax credit increased to $2,200 from 2025 through 2028 ○ $6,000 additional standard deduction for 65 & older, phases out starting at $150,000 MFJ ○ Benefit of itemized deductions capped at 35% ○ New .5% floor on charitable contributions
Mortgage Interest Deductibility	○ $750,000 threshold (MFJ) ○ No deduction for home equity interest	$750,000 threshold and elimination of home equity interest deduction made permanent
Miscellaneous Itemized Deductions	Nondeductible	Permanently eliminated

The Act
Individual Provisions

Floor applies to both corporations and individuals. Example for individuals below:

YEAR	AGI	CHARITABLE GIFT	DEDUCTIBLE AMOUNT Floor = 0.5% of AGI in ‘26	TOTAL DEDUCTION ALLOWED 35/37ths of $550,000 in ‘26
2025	$1,000,000	60,000	$60,000	$60,000
2026	$1,000,000	$60,000	$55,000	$52,027

The Act
Individual Provisions

- Individual floor:
  - May accelerate donations into 2025 to avoid the floor
  - Bunching Contributions: Strategic bunching to a Donor-Advised Fund
  - “Stacking” non-grantor trusts
  - Carryforward Strategy: Use of five-year carryforward for excess contributions
  - Interaction with 35% Cap: Coordinate with overall itemized deduction limitation for high-income taxpayers starting in 2026

The Act
SALT

CAP & PTET

- **SALT Cap & PTE Tax**
  - The Act temporarily raises the SALT cap from 2025 through 2029.
  - $40,000 in 2025.
  - In years 2026 through 2029, the cap increases by 1% per year.
  - In 2030 and thereafter, it reverts to $10,000.
  - The Act also contains phaseouts for those with modified adjusted gross income above $500,000.
  - This $500,000 threshold increases by 1% per year from 2026 through 2029.
  - There are no changes to the treatment of pass-through entity taxes. **This is probably the most impactful provision in this area**.
  - Consider AMT impact of increased itemized deduction for SALT.

The Act
Campaign Promises

No Tax on Social Security

- Individuals 65 and older will get federal income tax deduction for social security 2025 through 2028.
- Maximum deduction of $6,000 ($12,000 for MFJ).
- Deduction phases out for individuals with income over $75,000 ($150,000 for MFJ).
- No benefit after income of $175,000 ($250,000 MFJ).

The Act
Other Ancillary Benefits

No Tax on Car Loan Interest

- Individuals will get federal income tax deduction for qualified interest paid on a new car loan for 2025 through 2028.
- Maximum deduction of $10,000.
- Must be a new car acquired after December 31, 2024.
- Final assembly of the car must have been in the United States.
- Deduction phases out for individuals with income starting at $100,000 ($200,000 for MFJ).
- Used cars do not qualify.

The Act

Excess Business Losses

- Section 461(l) made permanent (originally scheduled to expire after 2028).
- Provides an annual limitation on net trade or business losses ($626,000 for married filing jointly in 2025 and $313,000 for all others). Losses in excess of that amount are carried forward as a NOL under current law.

03

Select Energy Credit Provisions

The Act
Clean Energy Credits

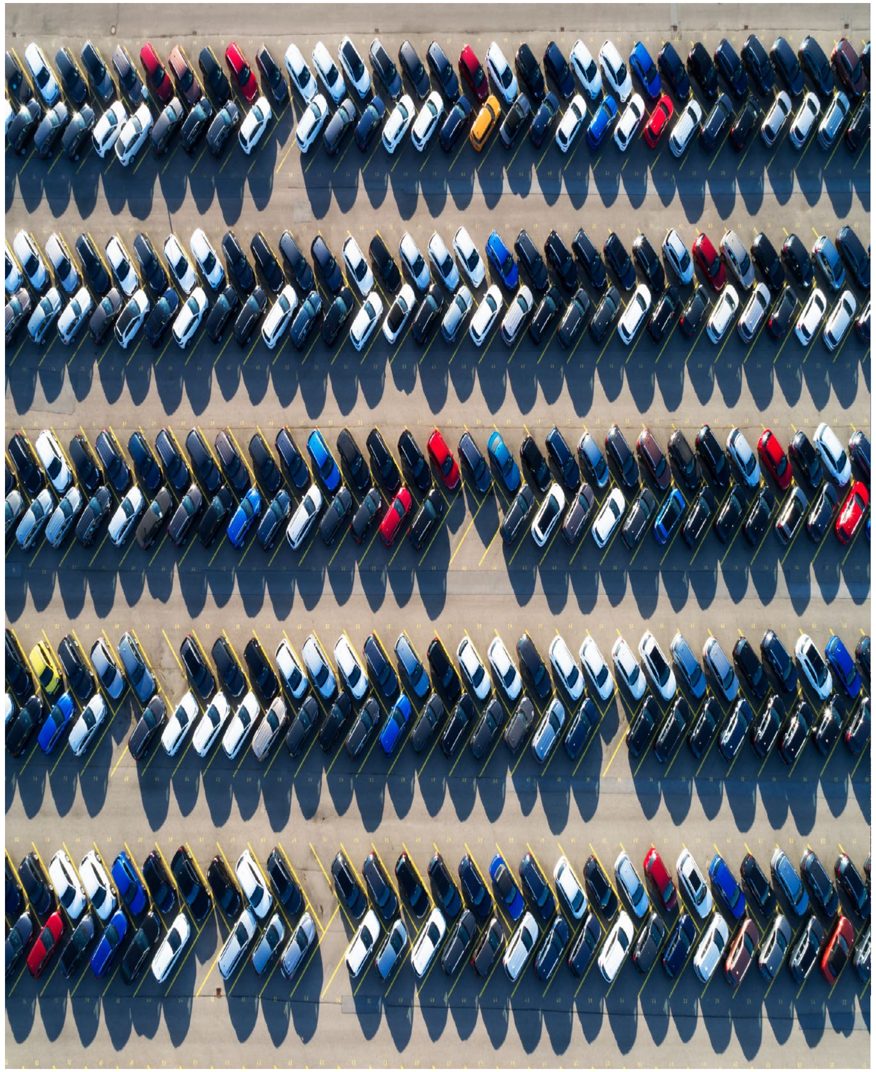
Credits Terminated

- **Sections 25E, 30D, and 45W**
  - Clean vehicle credits for new and used vehicles terminated if acquired after 9/30/2025.
- **Section 30C**
  - Alternative fuel vehicle refueling property credit terminated for property placed in service after 6/30/26.
- **Section 25C and 25D**
  - Home credits for energy efficient terminated for property placed in service after 12/31/25.
- Section 179D deduction (not technically a credit) is also terminated for properties that begin construction after June 30, 2026.

The Act
Clean Energy Credits

Production & Investment Tax Credit – Sections 45Y and 48E

- **Solar and wind projects**
  - Projects that begin construction within 12 months after date of enactment must be placed in service by end of 2030.
  - Projects that begin construction 12 months after date of enactment must be placed in service by end of 2027 to claim a credit.
- **Other clean energy projects, *e.g.*, biogas, waste energy recovery, eligible for credits longer**
  - Construction must begin before 1/1/34 to claim full credit.
  - Phasedown of credit in 2034 and 2035 with complete elimination in 2036.
- **Section 45X –Advanced manufacturing production credit**
  - Wind/solar components produced and sold after 12/31/27 not eligible.
  - Phaseout for critical minerals begins in 2031.
    - Metallurgical coal added to the list.



The Act
Clean Energy Credits

- **Transferability allowed**
  - Cannot transfer to a foreign prohibited/specified entity.
- **Foreign Entities of Concern (FEOC) Limitations**
  - No credit allowed for a project beginning construction after 12/31/25 receiving material assistance from a prohibited foreign entity.
  - Prohibited foreign entities are not allowed a credit for tax years beginning after 7/4/25.

04

Compensation & Benefits

Individual “Above the Line” Deductions

No Tax on Tips

- Up to $25,000 income tax deduction of Qualified Tips
- Payroll reporting and withholding still required (still subject to FICA taxes)
- Phaseout starting at MAGI of $150,000 ($300,000 MFJ)
- Available from 2025–2028
- Other considerations
  - 2025 transition rule; 2026 guidance TBD
  - Tips must be voluntary, *e.g.*, automatic service fees do not count
  - State conformity is still a question

No Tax on Overtime

- Up to $12,500 ($25,000 MFJ) income tax deduction of Qualified Overtime
- Payroll reporting and withholding still required (still subject to FICA taxes)
- Phaseout starting at MAGI of $150,000 ($300,000 MFJ)
- Available from 2025–2028
- Other considerations
  - State conformity is still a question

Employee Fringe Benefits – Taxable

Moving Expenses

- Prior to TCJA, individuals could deduct qualified moving expenses and exclude qualified moving expense reimbursements from gross income
- TCJA suspended the deduction and exclusion for all taxpayers (other than those serving in the Armed Forces) from 2018 through 2025
- The Act permanently suspends the deduction and exclusion for all except those serving in the Armed Forces

Bicycle Commuting

- Prior to TCJA, taxpayers who regularly commuted to work using a bicycle could exclude up to $20 of commuting reimbursements for each month the taxpayer utilized a bike for a substantial portion of their commute to work
- TCJA suspended the deduction for all taxpayers from 2018 through 2025
- The Act permanently suspends the deduction

Employee Fringe Benefits – Non-Taxable

Trump Accounts

- Newly-created
- Tax advantaged savings account for children born in the U.S. between 1/1/2025 & 12/31/2028
- Grow tax deferred until withdrawn (not permitted until child beneficiary obtains age 18)
- $1,000 one-time government contribution
- $5,000 annual contribution limit in after-tax contributions
- $2,500 may be contributed by employers per employee and excluded from employee gross income (applies towards $5,000 annual limit) pursuant to §128

Educational Assistance

- CARES Act expanded the definition of qualified educational assistance under §127 to include payments on principal and interest on qualified student loans
- Section 127 permits income exclusion of up to $5,250 of educational assistance
- The expansion to include student loan payments was set to expire 1/1/2026, but has been made permanent and indexed for inflation

Child & Dependent Care

Employer-Provided Child Care Credit

- Income tax credit designed to incentivize employer investment in child care for employees was greatly expanded
- Maximum credit increased from $150,000 to $500,000 ($600,000 for small businesses)
- Percent of Qualified Child Care Expenditures covered increased from 25% to 40% (50% for small businesses)
  - Qualified child care resource and referral expenditures remains capped at 10%
- Effective for tax years beginning after December 31, 2025

Dependent Care Assistance Program

- Pre-tax benefit plan allowing employees to pay for the care of qualifying dependents, typically through an FSA
- Maximum annual deduction increased from $5,000 to $7,500
- Effective for tax years beginning after December 31, 2025

Contact

Forvis Mazars

Tara Thomas, CPA
Partner
P: 615.454.9777
tara.thomas@us.forvismazars.com

Buddy Dearman, CPA
Partner, National Industry Leader – Dealerships
P: 901.259.3619
buddy.dearman@us.forvismazars.com

Jon Gee, CPA
Partner
P: 817.276.4119
jon.gee@us.forvismazars.com

Thank You!