



2025 Construction Tax Year-End Webinar

December 16, 2025

forv/s
mazars

Agenda

1. Select Business Provisions
2. Select Individual Provisions
3. Final 2025 Tax Planning Considerations & Other Notes



01

Select Business Provisions



One Big Beautiful Bill Act (The Act)

The Big “3”

Bonus Depreciation

In general

- The Act permanently reinstates 100% bonus depreciation 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

Bonus depreciation on new production facilities

- New 100% bonus depreciation for nonresidential real property meeting certain requirements used in the manufacturing, production, or refining of tangible personal property
- Applies to property if construction started after January 19, 2025 and before January 1, 2029, provided it is placed in service before January 1, 2031
- Manufacturing defined by reference to “substantial transformation” test of Section 954(d)

The Act

The Big “3”

Section 174 Research Costs

- TCJA required capitalization and five-year amortization of domestic R&E expenses beginning in 2022
- Under the Act, domestic R&E expenses are deductible when incurred for tax years beginning after December 31, 2024
- Foreign R&E expenses continue to be capitalized and amortized over 15 years
- Retroactive relief available:
- Small businesses (generally gross receipts under \$31 million under a controlled group test) would be able to file amended returns for 2022, 2023, and 2024 tax years to recover previously capitalized domestic research costs
- All taxpayers have the option to deduct previously capitalized domestic research costs in first tax year beginning after December 31, 2024, or alternatively take the deduction over the first two tax years beginning after December 31, 2024
- Returns Section 280C mechanics to pre TCJA status
- Revenue Procedure 2025-28

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
 - For tax years beginning after 2025, 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

Section 460 Changes

- Existing law provided an exception from Section 460 long term contract rules for:
 - Home construction contracts, or
 - Small business exception:
 - Contracts entered into with a life of two years or less by small taxpayers
- OBBBA expanded the exemptions from long-term contract accounting for contracts entered into in taxable years beginning after July 4, 2025
 - Home construction contract replaced with broader residential contract exception:
 - Effectively opens up Section 460 exception to all contractors working on residential developments, apartment buildings and condominiums
 - Residential contract exception also available for AMT
 - Small contractor exception expanded to contracts of three years or less

The Act

Section 1202 Qualified Small Business Stock

Section 1202 changes effective for stock issued after July 4, 2025

- Asset threshold raised from \$50 million to \$75 million
- Gain eligible for exclusion increased to greater of 10 times basis or \$15 million (previously \$10 million)
- New scaled exclusion
 - 50% exclusion after three years
 - Taxable portion of gain is taxed at 28% rate with an effective tax rate on sale of 14%
 - 75% exclusion after four years
 - Taxable portion of gain is taxed at 28% rate with an effective tax rate on sale of 7%
 - 100% exclusion after five years
 - Once five-year holding period is met, any taxable gain in excess of 1202 exclusion is taxed at 20%

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

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

“Top Ten” Planning Points

State Conformity Considerations

State conformity is still developing but could be one of the most impactful factors in your tax bill.

- States do not have to adopt, or “conform” to federal law
- Each state is considering to what extent it will conform to OB3
- Factors for conformity include:
 - Political pressure
 - State budgets
 - Precedent/current policy
- Monitor state developments
 - Special sessions likely needed in some states
 - Could conform to some OB3 provisions but not others
 - Model scenarios if facing transaction, asset purchase, etc.

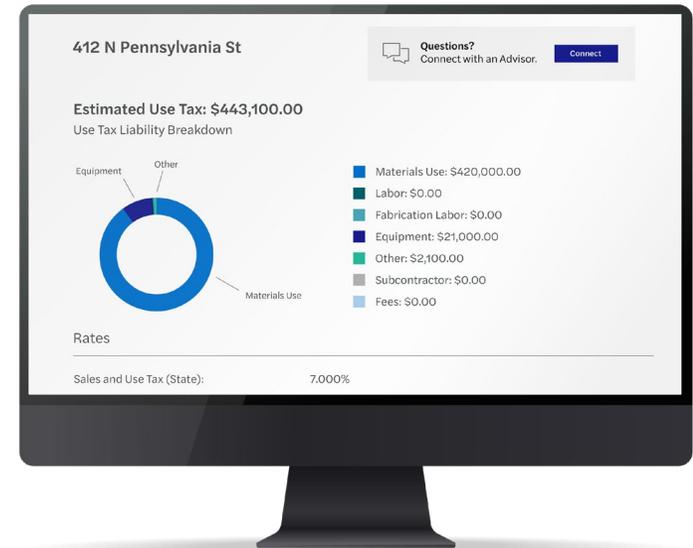


SALT Explorer

Our digital state and local tax (SALT) estimation platform can help you save time and reduce risk.

SALT Explorer is a web-based platform that helps empower multistate contractors with quick and accurate project-specific sales or use tax liability estimates using the latest tax rates. No more searching through endless PDFs and local government websites for tax rate guidance. Our intuitive platform generates customized sales or use tax reports, offers essential tax insights curated by professionals with local knowledge, and provides direct access to Forvis Mazars SALT advisors.

- Web-based application
- Guided project setup
- Customized SALT reports with sales and use tax estimates
- Curated local knowledge and detailed state guidance
- Connected to Forvis Mazars SALT advisors



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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	<ul style="list-style-type: none"> ○ \$30,000 standard deduction (MFJ) ○ \$0 Personal Exemptions ○ \$2,000 CTC 	<ul style="list-style-type: none"> ○ Standard Deduction increased to \$31,500 for married individuals filing joint, \$23,625 for head of household, and \$15,750 for all others beginning in 2025 ○ 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 beginning in 2025 ○ Benefit of itemized deductions capped at 35% beginning in 2026 ○ New .5% floor on charitable contributions beginning in 2026
Mortgage Interest Deductibility	<ul style="list-style-type: none"> ○ \$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

“Top Ten” Planning Points Charitable Contributions “Floor”

Floor applies to both corporations and individuals.

- 0.5% 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



“Top Ten” Planning Points

Charitable Contributions “Floor”

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

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

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
- Consider AMT impact of increased itemized deduction for SALT

03

Final 2025 Tax Planning Considerations & Other Notes



It's the Final Countdown ... Year-End Considerations

Pass-through entity tax (PTET) payments

- Even with increased SALT cap, many businesses will continue to elect PTET as available
- Generally, payments need to be made by 12/31/2025 to be tax deductible in 2025 calendar year—go ahead and make the full 2025 payment now!
- As a reminder—for financial statement purposes (GAAP), treated as a distribution; for tax, treated as a deduction—best of both worlds

Donor Advised Fund (DAF)

- With limitations coming in 2026 on charitable donations and itemized deductions, consider contributing to a Donor Advised Fund
- Other considerations are time value of money and future personal tax rates—may not be the best answer of everyone

“Top Ten” Planning Points Compensation & Benefits

Tips

- Payroll reporting and withholding still required (still subject to FICA taxes) for tips and overtime deduction
- Proposed regulations ([REG-110032-25](#)) issued listing of qualified occupations and definition of qualified tips
 - Tips must be voluntary and made in cash
 - Consult with legal and payroll to confirm whether the company qualifies
- Tips credit expanded to include additional services – things like spas and salons
- Discuss benefit to employees – not all will qualify (MAGI limit)

Overtime

- Overtime deduction is only eligible for the portion exceeding regular hourly pay rate
- Only eligible for “FLSA overtime”
- Max annual overtime deduction is \$12,500 or \$25,000 MFJ, with MAGI limits
- Any employee retainage strategies to consider?

“Top Ten” Planning Points The New Year – Trends, Guidance Changes, & More

Other “hot” topics ...

- IRS turnover
- Regs and other guidance
- Paper check phaseout
- AI in tax
- Digital assets



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