

## Senate passes “One Big Beautiful Bill Act”: Comparison of key tax provisions in the Senate and House bills

Internal Revenue Code section	House Bill	Senate Bill
<b>Business tax provisions</b>		
<b>Enhancement of exclusion under Code section 1202</b>	N/A.	<p>Under current law, non-corporate taxpayers can exclude, from gross income, up to 100% of the gain from the sale or exchange of “qualified small business stock” held for more than five years.</p> <p>In addition, the Senate Bill permits a 50% exclusion for qualified small business stock held for <b>three</b> years and a 75% exclusion for qualified small business stock held for <b>four</b> years. The Senate Bill also increases (i) the per-issuer limitation on eligible gain that can be taken into account in determining the exclusion from \$10 million to \$15 million (subject to adjustments for inflation beginning after 2026), and (ii) the ceiling on aggregate gross assets of a corporation required to qualify as a “qualified small business” from \$50 million to \$75 million (subject to adjustments for inflation starting after 2026).</p>
<b>Extension and enhancement of deduction under Code section 199A</b>	The House Bill permanently increases the Code section 199A deduction for qualified business income of noncorporate taxpayers from 20% to 23%. The House Bill also extends the deduction for dividends paid by “business development companies” that have elected to be treated as regulated investment companies.	The Senate Bill permanently extends the 20% Code section 199A deduction but does not extend the deduction for dividends paid by “business development companies” that have elected to be treated as regulated investment companies.
<b>Restoration of bonus depreciation under Code section 168(k)</b>	Under current law, bonus depreciation introduced by the Tax Cuts and Jobs Act (TCJA) is scheduled to phase out after 2026 (or 2027 for certain property). The House Bill reinstates taxpayers’ ability to immediately expense 100% of the cost of certain qualified property placed in service on or after January 20, 2025, and before January 1, 2030.	The Senate Bill permanently retains the provision in the House Bill that reinstates taxpayers’ ability to immediately expense 100% of the cost of certain qualified property.
<b>Expansion of business interest deduction under Code section 163(j)</b>	Under current law, business interest deductions generally are limited to 30% of the taxpayer’s “adjusted taxable income.” The House Bill reinstates the more taxpayer-friendly earnings before interest, taxes, depreciation, and amortization (rather than earnings before interest and taxes) standard that applied prior to 2022 for calculating the limitation. This modification would apply to taxable years beginning after December 31, 2024, and before January 1, 2030.	The Senate Bill permanently retains the provision in the House Bill that permits a more taxpayer-friendly calculation of the limitation on business interest deductions. The Senate Bill also excludes from such calculation Subpart F income, global intangible low-taxed income (GILTI), and Code section 78 gross-ups.

<b>Extension of limitation on excess business losses under Code section 461(l)</b>	The House Bill makes permanent the annual limitation on excess business losses (\$313,000 for tax years beginning in 2025; \$626,000 for married taxpayers filing jointly) for noncorporate taxpayers introduced by the TCJA and continues the carryforward of such excess business losses to subsequent taxable years as a net operating loss. The House Bill also provides that excess business losses disallowed in taxable years beginning after 2025 will be taken into account in determining a taxpayer's excess business losses in subsequent taxable years.	The Senate Bill generally retains the provision in the House Bill that makes permanent the annual limitation on excess business losses but does not provide that excess business losses disallowed in taxable years beginning after 2025 will be taken into account in determining a taxpayer's excess business losses in subsequent taxable years.
<b>Increased expensing for certain depreciable business assets under Code section 179</b>	The House Bill increases the amount a taxpayer may deduct under Code section 179 for the cost of qualifying depreciable tangible personal property from \$1.25 million to \$2.5 million for property placed in service in 2025 and increases the threshold at which the allowance begins to phase out from \$3.13 million to \$4 million in 2025. The \$2.5 million and \$4 million amounts would be adjusted for inflation for taxable years beginning after 2025.	Unchanged.
<b>Deduction of domestic research and experimental expenditures under new Code section 174A</b>	Current law generally requires domestic research and development expenditures to be amortized over five years. The House Bill permits taxpayers to immediately deduct 100% of domestic research and development expenditures paid or incurred in taxable years beginning after December 31, 2024, and before January 1, 2030. Alternatively, taxpayers could elect to capitalize and amortize such expenditures ratably over a period of no less than 60 months.	The Senate Bill permanently retains the provision in the House Bill that permits 100% deductions of domestic research and development expenditures. Also, with respect to research and development expenditures incurred during 2022 through 2024, certain small business taxpayers could retroactively claim a deduction for such expenditures in the expense year, and any taxpayer could elect to immediately expense any remaining amortization with respect to such expenditures in the first taxable year beginning after December 31, 2024 or ratably over two taxable years, with the first taxable year beginning after December 31, 2024.
<b>Renewal and enhancement of Opportunity Zone incentives under Code section 1400Z-1</b>	The current Opportunity Zone incentive is set to expire on December 31, 2026. The House Bill establishes a new Opportunity Zone incentive, with modified eligibility requirements, additional tax return and information reporting requirements, and enhanced benefits for investments in rural areas.	The Senate Bill generally retains the provision in the House Bill that extends the Opportunity Zone incentive and permanently establishes rolling 10-year designation periods.
<b>Limitation on amortization of certain sports franchises under Code section 197</b>	The House Bill limits the percentage of professional sports teams' intangibles (e.g., contract values, brand value, and goodwill) that can be amortized over 15 years to 50% of the value of those intangibles, compared to 100% under current law. This change would apply to applicable intangibles acquired after the date of enactment.	N/A.

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## Individual tax provisions

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<b>Ordinary income tax rates</b>	The House Bill permanently extends the lower individual income tax rates and thresholds introduced by the TCJA that are currently scheduled to expire after 2025 (including the top marginal rate of 37%).	Unchanged.
<b>Deductions of state and local taxes</b>	The House Bill permanently increases the cap for deductions of state and local taxes (SALT) introduced by the TCJA to \$40,400. This cap is reduced (but not below \$10,000) by 30% of the excess of the taxpayer's modified adjusted gross income over \$505,000. The House Bill also eliminates the ability of certain service partnerships and S corporations (generally those that are not entitled to a qualified business income deduction under Code section 199A), such as investment management businesses, financial service businesses, brokerage service businesses, law firms, and accounting firms, to utilize pass-through entity tax regimes (which were enacted by numerous states following passage of the TCJA) in taxable years beginning after December 31, 2025.	The Senate Bill temporarily increases the cap for deductions of SALT to \$40,000 for 2025, increased by 1% annually through 2029, after which the cap decreases to \$10,000, and retains the ability of certain service partnerships and S corporations to utilize pass-through entity tax regimes in taxable years beginning after December 31, 2025.
<b>Itemized deductions in general</b>	The House Bill replaces the "Pease" limitation on itemized deductions (which was temporarily eliminated by the TCJA and scheduled to return in 2026) with a new permanent limitation that generally caps the value of each dollar of itemized deductions at \$0.35 and applies only to taxpayers in the highest individual income tax bracket. This new limitation is effective for taxable years beginning after December 31, 2025.	Unchanged.

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## International tax provisions

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<b>Increase to GILTI and FDII effective tax rates under Code section 250</b>	<p>Under current law, the effective tax rate for GILTI and "foreign-derived intangibles income" is scheduled to increase after 2025 from 10.5% and 13.125% to 13.125% and 16.406%, respectively. The House Bill permanently increases the effective tax rate on such income to 10.668% and 13.335%, respectively.</p>	<p>The Senate Bill renames "global intangible low-taxed income" as "net CFC tested income" and "foreign-derived intangibles income" as "foreign-derived deduction eligible income".</p> <p>The Senate Bill also (i) increases the effective tax rate on "net CFC tested income" and "foreign-derived deduction eligible income" to 14% starting in 2026, and (ii) simplifies the calculation of "net CFC tested income" and "foreign-derived deduction eligible income," including removal of the concept of "deemed tangible income return" and expanding the exceptions to the deduction of eligible income.</p>
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<b>Increased base-erosion and anti-abuse tax (BEAT) under Code section 59A</b>	<p>The Base Erosion and Anti-Abuse Tax (BEAT) rate currently is scheduled to increase from 10% to 12.5% after 2025. The House Bill permanently increases the BEAT rate to 10.1% beginning in 2026. However, such rate is increased to 12.5% for domestic corporations that are more than 50% owned by non-U.S. persons who have a nexus to “discriminatory foreign countries” (see discussion of new Code section 899 below).</p>	<p>The Senate Bill permanently increases the BEAT rate to 10.5% in 2026 and treats certain capitalized interest expense as a base erosion payment.</p>
<b>Increased taxes on non-U.S. persons under new Code section 899</b>	<p>The House Bill adds new Code section 899, which increases the applicable tax rate for certain U.S.-source income (including withholding tax rates on interest, dividends, and other fixed, determinable, annual, or periodical income, and tax rates imposed on “effectively connected income”) earned by certain persons who have a nexus to “<b>discriminatory foreign countries</b>” that directly or indirectly impose “<b>unfair foreign taxes</b>” on U.S. persons. The new tax applies to governments of any discriminatory foreign country, non-U.S. individuals who are residents of any discriminatory foreign country, corporations that are residents of, or more than 50% owned (by vote or value) by residents of, a discriminatory foreign country, and certain partnerships, trusts, and other entities. The term “unfair foreign tax” generally means any undertaxed profits rule, digital services tax, diverted profits tax, and, to the extent set forth in IRS regulations, any extraterritorial tax, discriminatory tax, or other tax enacted with a public or stated purpose indicating the tax will be economically borne – directly or indirectly – disproportionately by U.S. persons. A “discriminatory foreign country” is any foreign country that imposes one or more unfair foreign taxes. The applicable tax rate will increase in increments of 5% each year that an applicable unfair foreign tax is imposed (up to 20% in the aggregate). The increased tax applies to taxable years beginning on or after the latest of (i) 90 days after enactment of the House Bill, (ii) 180 days after enactment of the unfair foreign tax causing a country to be treated as a discriminatory foreign country, or (iii) the date that the unfair foreign tax of such country first applies.</p>	<p>Removed from the Senate Bill due to separate agreement with G-7 members in which the other G-7 members will support the U.S.’s position in negotiations with the G-20 members and OECD.</p>
<b>Permanent extension of look-thru rule under Code section 954</b>	N/A.	<p>The Senate Bill permanently extends the CFC look-thru rule.</p>
<b>Modification of foreign tax credit calculations under Code section 904</b>	N/A.	<p>In calculating the FTC limitation, new Code section 904(b)(5) is added that limits the expenses allocable to foreign-source income in the “net CFC tested income”</p>

		<p>category to: (1) the Code section 250 deduction for “net CFC tested income”; and (2) any other deduction that is “directly allocable” to “net CFC tested income”. Any deduction that would have otherwise been allocated to the “net CFC tested income” category but for this rule (i.e., an expense apportionable to “net CFC tested income” under the Code section 904 rules because it does not definitely relate to certain gross income) would be allocated instead to U.S.-source income.</p> <p>In addition, new Code section 904(b)(6) treats the sale of U.S.-produced inventory income as foreign-source income if a U.S. person maintains an office or other fixed place of business overseas and the inventory income is attributable to such office or place of business. The amount treated as such is limited to 50% of the income from the sale or exchange.</p>
<b>Limitation on downward attribution under Code section 958(b)</b>	N/A.	The Senate Bill restores former Code section 958(b)(4), which prevented the downward attribution of stock ownership from foreign persons to U.S. persons.
<b>Modification of pro rata share of Subpart F income under Code section 951</b>	N/A.	The Senate Bill provides that if a foreign corporation is a CFC at any time during a taxable year, each U.S. shareholder owning stock in the CFC during the CFC’s tax year must include in gross income such U.S. shareholder’s pro rata share of the CFC’s subpart F income, irrespective of ownership at the end of the taxable year.
<b>Increased deemed paid credit under Code section 960</b>	N/A.	The Senate Bill increases the “net CFC tested income” reduction to 90% (from 80%) beginning in 2026. Thus, no residual U.S. tax would be owed on income subject to a 12.6% foreign tax rate (14% effective tax rate divided by 90%).

### Provisions affecting tax-exempt organizations

<b>Tiered excise tax on private foundations under Code section 4940(a)</b>	<p>The House Bill increases the rate of excise tax on the net investment income of private foundations qualifying under Code section 501(a) from 1.39% under current law to (i) 2.78% for asset values between \$50 million and approximately \$250 million, (ii) 5% for asset values between \$250 million and approximately \$5 billion, and (iii) 10% for asset values exceeding \$5 billion.</p>	N/A.
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<b>Tiered excise tax on private college and university endowments under Code section 4968</b>	The House Bill increases the rate of excise tax on the net investment income of private colleges and universities from 1.4% under current law to 7%, 14%, or 21%, depending on the specific institution's "student-adjusted endowment."	The Senate Bill generally retains the provision in the House Bill that creates a tiered excise tax but reduces the top rate to 8%.
<b>Expansion of the application of excess compensation tax under Code section 4960</b>	The House Bill modifies the definition of a "covered employee" under Code section 4960 to include any current or former employee of an applicable tax-exempt organization.	Generally unchanged.
<b>Expanded unrelated business income tax under Code sections 512 and 513</b>	The House Bill increases and expands the "unrelated business income tax" applicable to charitable organizations to include (i) qualified transportation fringe benefits, such as transit benefits or parking benefits and (ii) income from the sale or licensing of a charitable organization's name or logo.	N/A.
<b>Corporate charitable deduction floor under Code section 170</b>	The House Bill introduces a 1% floor on corporate charitable deductions.	Unchanged.

### Energy tax provisions

<b>Clean Electricity PTC under Code Section 45Y</b>	The House Bill generally eliminates the credit, with a safe harbor for projects with beginning of construction ("BOC") prior to 60 days after enactment and placed in service ("PIS") before 2029 and adds prohibited foreign entity ("PFE") rules limiting availability for projects with certain connections to a PFE ("PFE Rules").	The Senate Bill generally retains the credit for non-solar and wind projects with a PIS date after 2027, with a safe harbor for solar and wind projects with BOC within 12 months after enactment, adds PFE Rules, and eliminates credit transferability to "specified foreign entities" ("SFEs").
<b>Clean Electricity ITC under Code Section 48E</b>	The House Bill generally eliminates the Code section 48E ITC, with a safe harbor for projects with BOC prior to 60 days after enactment and PIS date before 2029 and adds PFE Rules.	The Senate Bill generally retains the credit for non-solar and wind projects with a PIS date after 2027, with a safe harbor for solar and wind projects with BOC within 12 months after enactment, adds PFE Rules, and eliminates credit transferability to SFEs.
<b>Advanced Nuclear Facility Credit under Code Sections 45Y and 48E</b>	The House Bill terminates the credit for projects with a BOC after 2028 and adds PFE Rules	See above.
<b>Clean Hydrogen PTC under Code Section 45V</b>	The House Bill terminates the credit for projects with BOC after 2025	The Senate Bill terminates the credit for projects with BOC after 2028.
<b>(Non-Wind Component) Advanced Manufacturing PTC under Code Section 45X</b>	The House Bills phases-out the credit beginning in 2030 and adds PFE Rules and eliminates transferability for credits generated after 2027.	The Senate Bill adds PFE Rules and eliminates credit transferability to SFEs.
<b>(Critical Minerals) Advanced Manufacturing PTC under Code Section 45X</b>	See above.	The Senate Bill phases out the credit for critical minerals other than metallurgical coal beginning in 2031 and terminates the credit for metallurgical coal after 2029, adds PFE Rules and eliminates credit transferability to SFEs.
<b>(Wind Component) Advanced Manufacturing PTC under Code Section 45X</b>	The House Bill terminates the credit after 2027, adds PFE Rules and eliminates credit transferability after 2027	The Senate Bill terminates the credit after 2027 and adds PFE Rules and eliminates credit transferability to SFEs.

<b>Clean Fuel PTC under Code Section 45Z</b>	for the House Bill extends the credit to fuel produced and sold before 2032, adds PFE Rules and eliminates transferability for credits generated after 2027.	The Senate Bill extends the credit to fuel produced and sold before 2030 and adds PFE Rules and eliminates credit transferability to SFEs.
<b>Zero-Emission Nuclear PTC under Code Section 45U</b>	The House Bill terminates the credit for electricity sold after 2031 and adds PFE Rules.	The Senate Bill adds PFE Rules and eliminates credit transferability to SFEs.
<b>Carbon Oxide Sequestration Credit Section 45Q</b>	The House Bill adds PFE Rules and eliminates credit transferability for projects with a BOC date after two years from enactment.	The Senate Bill adds PFE Rules and eliminates credit transferability to SFEs.
<b>Geothermal Energy Property ITC under Code Section 48</b>	The House Bill phases-out the credit for projects with a BOC after 2029, adds PFE Rules and eliminates transferability for facilities with a BOC date after two years from enactment	The Senate Bill adds PFE Rules and eliminates credit transferability to SFEs.
<b>Previously-Owned Clean Vehicle Credit Section 25E; Clean Vehicle Credit Section 30D; Qualified Commercial Clean Vehicles Credit 45W</b>	The House Bill terminates the credit for vehicles acquired after December 31, 2025.	The Senate Bill terminates the credit for vehicles acquired after September 30, 2025.
<b>Alternative Fuel Vehicle Refueling Property Credit Section 30C</b>	The House Bill terminates the credit for property placed in service after December 31, 2025.	The Senate Bill terminates the credit for property placed in service after June 30, 2026.
<b>Energy Efficient Home Improvement Credit Section 25C</b>	The House Bill terminates the credit for property placed in service after December 31, 2025.	Unchanged..
<b>New Energy Efficient Home Credit Section 45L</b>	The House Bill terminates the credit for properties acquired after December 31, 2025.	The Senate Bill terminates the credit for properties acquired after June 30, 2026.
<b>Special Rules for Residential Solar/ Wind</b>	The House Bill disallows credits under Code section 45Y or Code section 48E for residential solar water heating property, solar electric property, or small wind energy property if (i) the taxpayer/owner rents or leases such property to a third party and (ii) the third party would qualify for the Code section 25D credit if the third party were the owner of such property	Unchanged.
<b>Excise Tax on Projects that Receive Material Assistance from a PFE</b>	N/A.	N/A.
<b>Clean Electricity PTC under Code Section 45Y</b>	The House Bill generally eliminates the credit, with a safe harbor for projects with BOC prior to 60 days after enactment and PIS before 2029 and adds PFE rules limiting availability for projects with certain connections to PFE Rules.	The Senate Bill generally retains the credit for non-solar and wind projects with a PIS date after 2027, with a safe harbor for solar and wind projects with BOC within 12 months after enactment, adds PFE Rules, and eliminates credit transferability to SFEs.

### Trusts and estates provisions

<b>Increased exemption</b>	The House Bill permanently increases to \$15 million (indexed for inflation after 2025) the basic estate and gift tax and generation-skipping transfer tax exemption amount.	Unchanged.
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<b>Tax rates</b>	For taxable years beginning after December 31, 2025, the House Bill makes permanent the income tax rate schedules for estates and trusts under current law, including the highest rate of 37% (and not the 39.6% rate that was set to take effect after 2025).	Unchanged.
<b>SALT</b>	The SALT cap rules in the House Bill that are applicable to individuals (as discussed above) also apply to trusts and estates.	Unchanged.