

# OBBBA Webinar:

*What You Need to Know Right Now*

## Presented by:

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# MEET OUR PRESENTERS



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# AGENDA

- **Individual Tax Updates:** Sherry Cracium-Bolin and Matt Fox
- **Business Tax Updates:** Ryan Hastings and Matt Fox
- **R&D Tax Credit Updates:** Pat Rogers

# KEY POINTS

- Signed into law on July 4, 2025, the OBBBA extends and modifies provisions from the 2017 TCJA while introducing new tax policies.
- **Economic Impact:**
  - Projected to increase long-run GDP by 1.2% but reduce federal tax revenue by \$5 trillion over 2025-2034.
  - Increases federal deficits by \$3.8 trillion over the next decade.
  - Focuses on pro-business policies, such as full expensing and permanent tax cuts, to drive investment and growth.
- **Tax Focus:** Restores favorable TCJA provisions, introduces new incentives and tightens some international rules.

# OBBBA: Individual Tax Updates



**Sherry Cracium-Bolin, CPA**  
Tax Principal



**Matthew Fox, CPA**  
Tax Principal

**“There is nothing  
permanent except change.”**

- Heraclitus

# PERMANENT TAX CUTS

- **Prior Law:** Lowered rates expired end of 2025.
- **OBBBA:** Lowered rates made permanent and all brackets continue to be indexed for inflation after 2025. Expands the 10% and 12% brackets with additional year of inflation adjustments.
- **Seven Brackets:** 10%, 12%, 22%, 24%, 32%, 35%, 37%
- **Planning Point:** With lower tax brackets made permanent, this may allow for opportunities to strategically manage income and consider strategies like Roth conversions while in the lower tax brackets.

# PERMANENT TAX CUTS

- **Prior Law:** Increased standard deduction expired end of 2025 and personal exemptions suspended 2018-2025.
- **OBBBA:** Permanently increases the standard deduction and permanently terminates deduction for personal exemptions.
- **2025 Standard Deduction:**
  - ✓ **Single & Married Filing Separate:** \$15,750
  - ✓ **Married Filing Jointly:** \$31,500
  - ✓ **Head of Household:** \$23,625

# PERMANENT TAX CUTS

- **Prior Law:** \$2,000 child tax credit reduced to \$1,000 after 2025. Non-refundable \$500 other dependent credit expired after 2025.
- **OBBBA:** Permanently increases the child tax credit to \$2,200 beginning in 2025 and indexes the credit for inflation, including the refundable portion. Makes \$500 other dependent credit permanent. Increased the income phaseout threshold amounts for child tax credit and other dependent credit.
- **2025 Phaseout Thresholds Begin:**
  - ✓ **Single & Head of Household:** \$200,000
  - ✓ **Married Filing Joint:** \$400,000

# “NO TAX ON TIPS”

- Allows up to \$25,000 deduction for qualified tips in certain occupations.
- List of occupations to be provided by October 2, 2025-employers will be required to provide occupation on forms (W-2 or 1099).
- Qualified tips are voluntary cash or charged tips from customers or through tip sharing.
- Must be reported on a Form W-2, Form 1099 or other specified statements furnished to the individual or reported on Form 4137.
- Self employed individuals in a Specified Service Trade or Business do not qualify.
- Must file joint return, if married.
- Deduction phases out for taxpayers with modified AGI of \$150K (single) or \$300K (joint).
- Temporary (2025 - 2028).

# “NO TAX ON OVERTIME”

- Allows up to \$12,500 (single), \$25,000 (joint) deduction for qualified overtime compensation.
- Qualified overtime compensation is amount that exceeds their regular rate of pay (half portion or time-and-a-half” portion) this is required by FLSA.
- Must be reported on a Form W-2, Form 1099 or other specified statements furnished to the individual.
- Employers will be required to file information returns with the IRS and provide statements to employees showing the amount of qualified overtime compensation paid during the year.
- Must file joint return, if married.
- Deduction phases out for taxpayers with modified adjusted gross income (MAGI) of \$150K (single) or \$300K (joint).
- Temporary (2025 - 2028).

# “NO TAX ON SOCIAL SECURITY”

- Provides an additional senior deduction of \$6,000 per eligible individual age 65 or older (by end of year).
- If both spouses are eligible, the additional deduction is \$12,000.
- Phases out when MAGI over \$75K (single)/\$150K (joint).
- Must file joint return, if married.
- Temporary (2025 - 2028).

# STATE & LOCAL TAX DEDUCTION

- **Prior Law:** \$10K cap set to expire after 2025.
- **OBBBA:** Increases cap to \$40K for 2025. Increases 1% annually through 2029 and reverts to \$10K beginning 2030.
- **Phaseout:** Begins when MAGI exceeds \$500K in 2025 (also increases 1% annually through 2029). Deduction reduced by 30% of amount taxpayer's MAGI exceeds threshold, but never reduced below \$10K.
- **Planning Point:** Pass-through business owners in high-tax states should evaluate benefits of electing a pass-through entity tax (PTET) to bypass this cap and MAGI limitation.

# CAR LOAN INTEREST

- **Prior Law:** No deduction for car loan interest (personal use).
- **OBBBA:** Creates a new “above-the-line” deduction (2025 - 2028).
- Maximum deduction is \$10,000 .
- Phases out when MAGI over \$100K (single) \$200K (joint).
- Vehicle must be for personal use; must be new & final assembly must be in United States (VIN must be reported).
- Loan must be secured by the vehicle (lenders must file information returns and furnish statements to taxpayers).

# NEW DEDUCTION LIMIT

- Replaces the “Pease Limitation” with new itemized deduction limitation.
- Impacts taxpayers who itemize and have taxable income exceeding the start of the 37% tax rate bracket:
  - ✓ **Single & Head of Household:** \$626,351
  - ✓ **MFJ:** \$751,601
  - ✓ **MFS:** \$375,801
- Reduced by 2/37 (or 5.4%) of amount exceeding threshold.
- Effective starting in 2026.

# CHARITABLE CONTRIBUTIONS

- Creates deduction for non-itemizers:
  - ✓ Must be a cash contribution
  - ✓ \$1,000 Single; \$2,000 Married Joint
- Makes 60% of AGI limit for cash contributions permanent.
- Further limits the charitable deduction for taxpayers who itemize - 0.5% of AGI reduction to otherwise deductible amounts.
- These provisions are effective starting in 2026.
- **Planning Point:** Taxpayers in the 37% tax bracket may want to consider maximizing charitable contributions in 2025, through bunching or donor advised funds, due to this AGI floor and previously mentioned itemized deduction limitation.

# LOST DEDUCTIONS

## **OBBBA permanently terminates:**

- ✓ Casualty loss deductions (unless federally declared disaster)
- ✓ Miscellaneous itemized deductions
- ✓ Moving expense deduction

## **OBBBA permanently limits:**

- ✓ Mortgage acquisition indebtedness (\$750K mortgage)
- ✓ Home equity interest deduction (buy, build, improve home)
- ✓ Gambling losses – 90% of losses & itemized only (starting in 2026)

# TRUMP ACCOUNTS

- Establishes tax-deferred savings accounts for minors.
- Type of individual retirement account (IRA).
- Contributions to be made in calendar years prior to turning 18 years old.
- Contributions capped at \$5K per year but are NOT deductible.
- No contributions allowed until 12 months after the enactment of H.R. 1.
- Employers may make contributions which will NOT be includible in taxable compensation.
- Credit up to \$1,000 available when opening an account for a child born 2025-2028.
- Type of investment is restricted (mutual funds/ETFs).
- Distributions not allowed until age 18.

# RELATED PROVISIONS

- Estate and Gift tax exemption increases to \$15 million per person instead of reverting to \$5 million after 2025, and will become permanent with inflation adjustments after 2026.
- Alternative Minimum Tax exemption is made permanent at higher levels indexed for inflation but steepens the phase-out for those with income exceeding \$626,350 single; \$1,252,700 joint.
- Makes a portion of the adoption credit refundable, up to \$5K and adjusted for inflation.
- Expands eligible 529 plan expenses, including professional credentials.

# Individual Tax Updates Q&A

# 5-MINUTE BREAK

# OBBBA: Business Tax Updates



**C. Ryan Hastings, CPA, CVA, CEPA**  
Tax Principal



**Matthew Fox, CPA**  
Tax Principal

# OBJECTIVES

- Understand the OBBBA's business-related tax changes.
- Compare old (TCJA) and new provisions.
- Identify planning opportunities to optimize tax outcomes.

# BONUS DEPRECIATION

- **Old Law (TCJA):**
  - Allowed 100% bonus depreciation for qualified property through 2022, phasing down to 40% in 2025, 20% in 2026, and 0% in 2027.
  - Applied to tangible personal property with a recovery period of 20 years or less and certain real estate improvements.
- **New Law (OBBBA):**
  - Permanently restores 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025.
  - Expands scope to include manufacturing buildings placed in service before January 1, 2031 (Code Section 168(n)).
- **Impact:** Encourages immediate capital investment by allowing full expensing, reducing taxable income in the year of purchase.

# DEPRECIATION FOR QUALIFIED PRODUCTION PROPERTY

## Code Section 168(n):

- Provides an elective 100% bonus depreciation deduction for qualified property placed in service before January 1, 2031.
- Defines qualified production property to include any portion of non-residential real property used as an integral part of qualified manufacturing, agricultural or chemical production, or refining a qualified product that results in a substantial transformation of the product (most manufacturing).

# PRODUCTION PROPERTY – cont'd

- **Exclusions:**
  - Non-residential property real property used for functions unrelated to manufacturing, production or refining of qualified products.
  - Any food or beverage prepared in the same building as a retail establishment in which it is sold.
  - Property used by a lessee is not considered to be used by the lessor as part of a qualified production activity.
- Additional requirements apply to acquired property not previously used in qualified production activities.
  - Such property cannot have been used in a qualified production activity by any person at any time for the period beginning January 1, 2021, and ending on May 12, 2025.
  - Such property was not used by the taxpayer at any time prior to such acquisition.
- **Effective Date:** Applies to property placed in service after July 4, 2025, but before January 1, 2031, construction of which begins after January 19, 2025, but before January 1, 2029.

# SECTION 179 EXPENSING

- **Old Law (TCJA):**
  - Set the maximum amount of Section 179 property that a taxpayer can expense at \$1 million, reduced the amount by which the cost of \$179 property exceeds \$2.5 million.
- **New Law (OBBBA):**
  - Increases the maximum amount of Section 179 property that a taxpayer can expense to \$2.5 million reduced by the amount by which the cost of qualifying property exceeds \$4 million.
  - Applies to property placed in service in taxable years beginning after December 31, 2024.
- **Impact:** Encourages immediate capital investment by allowing full expensing, reducing taxable income in the year of purchase.

# ACCELERATED DEPRECIATION PLANNING CONSIDERATIONS

- Section 179 depreciation cannot create a business loss, whereas bonus depreciation can.
- State treatment of bonus depreciation and Section 179.
- Considerations of debt to acquire certain depreciable assets.
- Considerations of future taxable income when making these decisions.

# SECTION 163(J) BUSINESS INTEREST DEDUCTION

- **Old Law (TCJA):**
  - Limited business interest deductions to 30% of adjusted taxable income (ATI), initially based on EBITDA (through 2021), then EBIT (2022 onward), making it less generous.
- **New Law (OBBBA):**
  - Permanently reinstates EBITDA-based ATI calculation for tax years beginning after December 31, 2024.
  - Expands deductible interest for floor plan financing.
- **Impact:** Benefits capital-intensive businesses and leveraged businesses by increasing allowable deductions for interest expense.

# QUALIFIED BUSINESS INCOME DEDUCTION

- **Old Law (TCJA):**
  - For tax years beginning in 2018 through 2025, allowed non-corporate taxpayers with pass through business income a deduction from ordinary income equal to the lesser of 20% (1) of QBI earned in a qualified trade or business, plus 20% of qualified REIT dividends; or 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 qualifying business and whether the QBI was earned in a specified service trade or business.
- **New Law (OBBBA):**
  - Permanently extends the 20% deduction for QBI, increases phase-in limitations and adds an inflation-adjusted minimum deduction of \$400 for taxpayers with at least \$1,000 of qualifying income from active qualified trade or business.
  - Applies to taxable years beginning after December 31, 2025.

# LIMITATIONS ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS

- **Old Law (TCJA):**
  - Temporarily disallowed a deduction for “excess business losses” of non-corporate taxpayers for taxable years 2021 through 2028.
  - Defined excess business loss as the excess of a taxpayer’s aggregate business deductions over the aggregate business income plus \$250K (\$500K for a joint tax return).
  - Required amount disallowed to be carried forward and treated as part of NOL carryovers in succeeding years.
- **New Law (OBBBA):**
  - Permanently extends the disallowance of a deduction for excess business losses.
  - Indexes the \$250K for inflation for taxable years beginning after December 31, 2025.
  - Retains treatment as NOL carryover.

# SMALL BUSINESS STOCK GAIN EXCLUSION

- **Old Law (TCJA):**
  - Provided an exclusion from gain on sale of qualified small business stock (QSBS) held for more than 5 years.
  - For QSBS acquired after September 27, 2010, the exclusion was 100%. For QSBS acquired before September 27, 2010, the exclusion was between 50% and 75%. The per issuer limitation was \$10 million.
- **New Law (OBBBA):**
  - Introduces tiered gain exclusion based on holding period for QSBS stock issued after July 4, 2025:
    - **Held 3+ years:** 50% of capital gains can be excluded.
    - **Held 4+ years:** 75% of capital gains can be excluded.
    - **Held 5+ years:** 100% of capital gains can be excluded.

# SMALL BUSINESS STOCK GAIN EXCLUSION – cont'd

- The per-taxpayer, per-issuer gain exclusion cap increased to \$15 million from \$10 million.
- The maximum gross assets a corporation can have to qualify as a QSB increased to \$75 million from \$50 million. This is also indexed for inflation starting in 2026.

# CLEAN ENERGY INCENTIVES

Several clean energy incentives are being phased out or eliminated, as outlined in the chart below:

Section	Name	Termination Date
25E	Previously owned clean vehicle credit	After September 30, 2025
30D	Clean vehicle credit	After September 30, 2025
45W	Qualified commercial clean vehicle credit	After September 30, 2025
6426(k)	Sustainable aviation fuel credit	After September 30, 2025
25C	Energy-efficient home improvement credit	After December 31, 2025
25D	Residential clean energy credit	After December 31, 2025
168 (e)(3)(B)(vi)	Cost recovery for certain energy property and qualified clean energy facilities, property and technology	After December 31, 2025 (energy property): after date of enactment (qualified clean energy facilities, property and technology)
179D	Energy-efficient commercial buildings deduction	For property, the construction of which begins after June 30, 2026
45L	New energy-efficient home credit	After June 30, 2026
30C	Alternative fuel vehicle refueling credit	After June 30, 2026
45Y	Clean electricity production credit	After December 31, 2027 (terminated for wind and solar facilities placed in service)
48E	Clean electricity investment credit	After December 31, 2027 (terminated for wind and solar facilities placed in service)
45V	Clean hydrogen production credit	After January 1, 2028

# EMPLOYER-PROVIDED CHILDCARE CREDIT

- **Old Law (TCJA):**
  - Allowed an employer-provided childcare credit of 25% of qualified childcare facility costs, with a maximum annual credit of \$150,000.
- **New Law (OBBBA):**
  - Increases the credit to 40%, with a maximum annual credit of \$500,000 (50% and \$600,000 for eligible small businesses).

# PAID FAMILY & MEDICAL LEAVE CREDIT

- **Old Law (TCJA):**
  - Allowed an employer credit of between 12.5% and 25% of wages paid to employees on family and medical leave (FML) through 2025.
- **New Law (OBBBA):**
  - Credit made permanent and expanded to include an option to calculate the credit amount using a percentage of premiums paid for FML insurance instead of wages.

# OBBBA – OTHER PROVISIONS

- Additional charitable contribution limitation for C-Corporations.
- **Form 1099-K reporting:** reverts to \$20,000/200 transaction threshold.
- **Form 1099-MISC and NEC reporting:** threshold increase from \$600 to \$2,000 for payments made after December 31, 2025 (annual inflation adjustments starting in 2027).
- **Employee Retention Credit:** retroactively invalidates claims filed after January 31, 2024, for the third and fourth quarters of 2021.

# OBBBA – WHAT’S NEXT?

- This is a high-level summary of the business provisions of the OBBBA. In the near term, we expect future regulations and guidance to be issued with respect to this bill, which will help to define and clarify the rules surrounding the implementation of some of these key provisions.
- **On August 7<sup>th</sup>, the IRS announced:**
  - Forms W-2, 1099, 941 and other payroll return forms will remain unchanged for the 2025 tax year.
  - Federal income tax withholding tables will not be updated for OBBBA provisions for the 2025 tax year.
  - Employers and payroll providers to continue using current procedures for reporting and withholding.
- How will states adapt? Will they adopt or decouple from new rules?

# Business Tax Updates Q&A

# OBBBA: R&D Tax Credit Updates



**Patrick Rogers, EA, MST**  
Tax Principal and R&D Director

# AGENDA

- Overview of the OBBBA
- Internal Revenue Code Section 174A – Domestic R&D Deductibility
- Recovery of Capitalized R&D (2022-2024)
- Conforming Changes to Section 41 & 280C
- Accounting Method Changes
- Next Steps and Taxpayer Considerations
- **Q&A (Please use chat box throughout)**

# OVERVIEW: OBBBA

- Signed into law July 4, 2025, and awaiting further guidance.
- Reverses TCJA changes to Section 174.
- Introduces Section 174A: Immediate Deductibility of Domestic R&D.
- Allows options for future or retroactive relief (small businesses).
- Amends Sections 41(d) and 280C(c).

# SECTION 174A – DOMESTIC R&D DEDUCTIBILITY

- Allows full deduction of domestic R&D costs effective January 1, 2025, as businesses will no longer be required to capitalize and amortize R&D expenses.
- Applies only to domestic expenditures, as foreign R&E remains subject to 15-year amortization.
- Optional 60-month (5-year) amortization available.
- The legislation also allows for flexibility in deducting any unamortized Section 174 costs, either in full in 2025 or spread over 2025–2026.
- Allows retroactive relief for small businesses.

# RECOVERY OF PREVIOUSLY CAPITALIZED R&D

- Allows retroactive relief for small businesses.
- Small businesses that average gross receipts of \$31 million or less can amend tax returns for 2022–2024 to claim full immediate deductions for domestic R&D and potentially recover previously deferred expenses.
- Deduct remaining unamortized domestic R&D in 2025 or over two years.
- Provides flexibility for treatment of R&D Credits and estimated payments.

# IRC SECTION 174

## Similarities and Differences in IRC Section 174 R&D Expense and IRC Section 41 R&D Credit

- **PLEASE NOTE:**
  - All IRC Section 41 R&D credit expenses must be IRC Section 174 expenses.
  - Not All IRC Section 174 expenses are IRC Section 41 R&D expenses.
- Section 174 has a more expansive definition:
  - Office and overhead costs
  - Employee burden (taxes/benefits/insurance)
  - Patent and patent pursuit
  - Utilities
  - Contractor research: 100% vs 65%

# WHAT COSTS QUALIFY FOR THE CREDIT?

- Wages of employees working directly on the innovation, along with supervisors.
- Contract research expenses, computer leasing.
- Supplies, if expended in the process of R&D activities.

 <b>WAGES</b>	 <b>SUPPLIES</b>	 <b>COMPUTER LEASING</b>	 <b>CONTRACT RESEARCH</b>
<ul style="list-style-type: none"><li>• Performing qualified research</li><li>• Technical supervision of qualified research</li><li>• Technical support of qualified research</li></ul>	<ul style="list-style-type: none"><li>• Tangible personal property utilized during the process of qualified research</li><li>• Cannot be subject to depreciation</li></ul>	<ul style="list-style-type: none"><li>• Owned and operated by someone other than the taxpayer</li><li>• Cloud computing costs most common</li></ul>	<ul style="list-style-type: none"><li>• Any amount paid or incurred by the taxpayer to any person/company other than employees for qualified research</li><li>• Includable up to 65% (75% for research consortia)</li></ul>

# QUALIFYING FOR THE CREDIT

To qualify for the R&D Tax Credit, a company's innovative product, process, technique, formula or software does not need to be new to the world or new to the industry; it simply needs to be new to the business. Additionally, the company must also be able to demonstrate that activities satisfy a **four-part test** from the IRS:

1. **Permitted Purpose:** The research creates a new or improved product or process that results in increased performance, function, reliability or quality.
2. **Technological in Nature:** The process of experimentation relies on one or more hard sciences, such as engineering, physics, chemistry, biology or computer science.
3. **Elimination of uncertainty:** The research activity has attempted to eliminate uncertainty about the development or improvement of a product or process.
4. **Process of experimentation:** The company has evaluated alternatives for achieving the desired result and can demonstrate having done so through modeling, simulation, systematic trial and error or other methods.

# R&D QUALIFICATION CRITERIA: FOUR PART TEST

1 §41(d)(1)(B)(ii)

## PERMITTED PURPOSE

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- New or improved product, process, technique, formula, invention, or computer software
- The purpose of the research must relate to a new or improved function, performance, reliability, or quality

2 §41(d)(1)(B)(i)

## TECHNOLOGICAL IN NATURE

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The activity is undertaken to discover information that is technological in nature

3 §41(d)(1)(A)

## THE UNCERTAINTY TEST

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The activity must involve technical uncertainty or risk related to:

- Capability (if it can be done), or
- Method (how it can be done), or
- The Appropriate Design

4 §41(d)(1)(C)

## PROCESS OF EXPERIMENTATION

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The qualified activity must involve the evaluation of one or more alternatives where the capability and method of achieving the result is uncertain as the outset

# CONFORMING CHANGES TO SECTION 41 & 280C

- The OBBBA modified several key provisions related to Sections 41 and 280C(c). Taxpayers claiming the gross research credit must reduce their domestic R&E expenditures by the amount of the gross research credit.
- Alternatively, taxpayers may elect to claim the reduced research credit on a timely filed return (including extensions). These options are consistent with pre-TCJA rules under Section 280C(c).
- Section 41(d) also was amended and now requires that expenditures be treated as domestic R&D expenditures under Section 174A to be qualified research expenditures eligible for the research credit.

# ACCOUNTING METHOD CHANGES

- IRS guidance is needed on how to make these elections.
- Applying Section 174A is treated as taxpayer-initiated method change, implemented on a cut-off basis for years after December 31, 2024.
- No Section 481(a) adjustment required (unless **short taxable years** beginning after 12/31/24 but ending **before July 4, 2025**).
- Aligns with pre-TCJA IRS treatment of R&D costs.

# SUMMARY AND NEXT STEPS

- Immediate expensing of domestic R&D (Section 174A).
- Foreign R&D still amortized.
- Retroactive relief for small businesses.
- Businesses with average gross receipts of \$31 million or less can amend tax returns for 2022–2024 to claim full immediate deductions for domestic R&D and potentially recover previously deferred expenses.
- Review accounting methods and evaluate amended return potential.
- **Monitoring and will share IRS guidance on how to make these elections.**

# NEXT STEPS – cont'd

## FEDERAL FILING REQUIREMENTS

- **More Documentation, More Complexity** – The IRS now requires additional reporting on qualified expenses, research activities and business components right from the start.
- **Stricter Wage Classification** – Businesses must separate direct R&D labor, supervisory roles and support staff—meaning better tracking systems are a must.
- **Increased IRS Scrutiny** – The IRS is tightening compliance with these changes. Mistakes could lead to claim delays or lost credits.
- **New Sections (Including Section G)** – Optional for 2024, but mandatory in 2025—businesses need to act now to stay compliant.

# R&D Tax Credit Updates

## Q&A

# OTHER HELPFUL RESOURCES

## From the AICPA:

- [Effective dates of tax provisions in H.R. 1, the One Big Beautiful Bill Act \(H.R. 1\)](#)

## From the Brown Plus Blog:

- [Key Tax Changes from the 2025 One Big Beautiful Bill Act](#)
- [2025-2026 Maryland Budget: Major Tax Provisions](#)
- [Maryland's New Tech Tax Starts July 2025: What Businesses Need to Know](#)
- [Research and Development Tax Credit Q&A with Patrick Rogers](#)
- [Pennsylvania Filing Associations Required to Submit Annual Reports Starting in 2025](#)

# Thank You!



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