

The One Big Beautiful Bill Act:

Tax Implications for Cross- Border Businesses

Welcome!

About me:



- I was born in Winnipeg, MB, then lived in B.C. and eventually moved with my family to the U.S.. Now I live in Lynden, WA
- My family moved to the U.S. when my father was transferred for work. His visa allowed my entire family to become naturalized citizens
- I founded Lodder CPA 10 years ago, and now have 18+ years of cross-border tax and accounting experience
- I am a licensed US CPA, but my true passion lies in helping fellow entrepreneurs grow and succeed in the U.S. market

WE HELP YOU ACHIEVE YOUR GOALS

Our Mission: helping fellow entrepreneurs grow and succeed in the U.S. market, going beyond what they thought was possible



**U.S. businesses with
foreign operations**



**CA, UK, EU, AU, NZ, SA (and
more!) companies
expanding into the U.S.**



**U.S. citizens/residents with
foreign businesses**



**Foreign-owned U.S. based
businesses**



OBBBA CHANGES THE GAME

- The OBBBA revamps and extends many provisions of the 2017 Tax Cuts and Jobs Act
- Many favorable TCJA rules were set to expire in 2025–OBBBA makes them permanent or extends them
- Adds new incentives for investment, growth, and expansion
- Savvy founders will adjust structure and strategy accordingly
- Professional advisors need to know the basics so you can be a trusted advisor to your client

Bonus Depreciation & Section 179

Business Expensing Rules Made Permanent



100% bonus depreciation made permanent (assets after January 19, 2025)



Section 179 expensing increased from \$1.16M to \$2.5M limit (bonus can create losses; 179 cannot)



179 lets you pick assets, or partial asset basis (bonus is less flexible – need to choose per asset class)

Qualified Production Property (QPP) “Manufacturing Property” Deductions



**Entire cost of U.S. manufacturing
buildings deductible in year 1**

**For newly acquired or constructed
manufacturing buildings**

**Massive planning opportunity for U.S.
expansion companies**

**Treasury regulations forthcoming for
definitions, limitations, and asset
eligibility**

CASE STUDIES



CASE #1

Business Expansion with Expensing

DEPRECIATION = GROWTH FUEL



YEAR 1

FOREIGN EXPANSION INTO THE U.S.

- Revenue: \$2M
- Expenses: \$1.2M
- Equipment Purchase \$800K
- Net Income before Depreciation: \$800K

CASE #1 Business Expansion with Expensing

DEPRECIATION = GROWTH FUEL



LODDER CPA

UNDER GAAP

- Depreciate over 5 years = \$160K
- Taxable Income = \$640K → \$134,400 tax bill

UNDER BONUS DEPRECIATION

- Write off \$800K in Year 1 → \$0 tax bill
- Massive cash flow benefit → reinvest in growth

CASE #1 Business Expansion with Expensing

DEPRECIATION = GROWTH FUEL



LODDER CPA

FUTURE

- Buys facility for \$3M
- \$2M allocated to building
- Deduct \$2M in Year 1 (vs. \$51K/year over 39 years)

CASE #2

S–Corporation

With

Individual Tax

Flow-Through



OVERVIEW

- **U.S. based manufacturer structured as S-Corp**
- **Revenue: \$2M**
- **Expenses: \$1.2M**
- **Equipment Purchase: \$800K**
- **Net Income before Depreciation: \$800K**

CASE #2

S–Corporation

With

Individual Tax

Flow-Through



TAX TREATMENT VIA S-CORP

- **100% Bonus depreciation on \$800K**
 - Net taxable income: \$0
- **Income flows through to shareholder**
- **No 199A QBI benefit since no taxable income**
- **Next year income \$800K and no new depreciation**
 - possible push into 37% tax bracket

CASE #2

S–Corporation

With

Individual Tax

Flow-Through



KEY INSIGHTS

- Smoothing income allows the 22%-24% bracket YOY
- Large swings (0% one year, 37% the next)
 - create tax inefficiency
- Strategic planning can create tax arbitrage by
 - optimizing use of low brackets

Permanent Individual Tax Brackets

- OBBBA locks in the current tax brackets
10%, 12%, 22%, 24%, 32%, 35%, 37%
- Brackets are indexed for inflation going forward
- Allows for more certainty for long-term planning

199A Deduction

QBID under IRC §199A
allows a 20% deduction
on qualified U.S. domestic
business income

Applies to:



S-Corporations



Sole Proprietors



Partnerships

Only on U.S.-effectively connected income – foreign income is excluded

Deduction is subject to limitations:

- Thresholds for 2026: \$400,000 joint | \$200,000 for all other filers
- Above these, phaseouts apply for:
 - Specified Service Trades or Businesses (SSTBs) like accounting, law, and consulting
 - Wage and property limitations
- QBID is **permanently extended** under the OBBBA

Example:

- \$400K of domestic U.S. business net income via S-Corp
- \$80K deduction = \$320K taxable income
- Effective federal rate drops – often into the **22%-24% range**

Big Win for Innovation

Old rule (2022-2024): R&E had to be amortized (5 domestic, 15 foreign) → OBBBA: R&E fully deductible

Applies to:

**Domestic R&E
can be fully
deducted
again**

**Foreign R&E
still amortized
over 15 years**

**Retroactive
election
available for
(2022-2024)**

**Accelerated
remaining
amortization
of previously
capitalized
R&E**

Strategy: consider amended returns and accelerated elections

QUALIFIED SMALL BUSINESS STOCK

- Section 1202 remains intact
- Exclude up to 100% of C-corp stock gain held 5+ years
- Some exclusion if held less than 5 years
 - **(50% of the gain** for stock held 3+ years. **75% of the gain** for stock held 4+ years).
- Increased cap on gain to \$15 million (made permanent)
- Asset threshold increased to \$75 million (inflation indexed)
- Applies only to certain U.S. C-corp stock
- Must meet active business and gross asset tests

WHAT IS YOUR END GAME?

Permanent Tax Savings for Startups



Key Individual Tax Provisions

What stays and what is new



Top rate remains 37% (not 39.6%)

Standard deduction preserved PLUS \$6K extra for 65+ (Senior deduction)

Child tax credit = \$2,200 per child (indexed)

Charitable deduction for non-itemizers: \$1K (\$2K MFJ)

SALT deduction expanded to \$40K (phased out at high income)

SALT deduction also relevant for passthrough owners using PTE tax elections

“NO TAX ON” DEDUCTIONS



**TIPS: DEDUCT UP TO \$25k IN
REPORTED TIP INCOME**

**OVERTIME: DEDUCT TIME-AND-A-
HALF WAGES UP TO \$25K**

**CAR LOAN INTEREST: DEDUCT UP TO
\$10K (NEW, U.S. FINAL ASSEMBLY)**

**ALL DEDUCTIONS PHASE OUT AT
\$150K-\$300K INCOME**

TRUMP ACCOUNTS

New Investment Accounts for Kids

**Tax-deferred IRAs for
minors under 18, invested
only in U.S. index-tracking
funds**



**Automatically converts
to a traditional IRA at
age 18; penalties apply
for withdrawals before
59½**



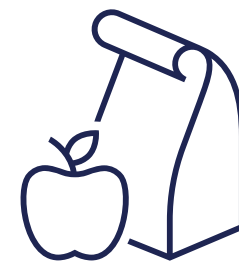
**Can be used for tuition,
starting a business, or a first
home**



OTHER FAMILY & EDUCATIONAL BENEFITS



**ADOPTION CREDIT:
\$5,000 IS NOW
REFUNDABLE**



**529 PLANS: COVER
MORE K-12,
HOMESCHOOL, AND
CREDENTIALING COSTS**

Estate Planning Under OBBA

**Unified gift +
estate tax
exemption
increased to
\$15M for U.S.
citizens and
residents**

**Exemption
made
permanent –
won't sunset
like TCJA**

**Consider
lifetime gifting
strategies now
while valuation
is low**

**Watch out for
State Estate
Taxes**

ENERGY CREDITS

– Act Now or Miss Out



Clean vehicle Credits:

- New, used, commercial EVs
- The federal credits are fully sunset as of **Sep 30, 2025**

Residential Energy Credits

- **Residential Clean Energy Credit** (e.g. solar, wind): ends Dec 31, 2025
- **Home Improvement Energy Efficiency Credits** (insulation, windows, HVAC upgrades): terminates for property in service post Dec 31, 2025
- **New Energy-Efficient Home Credit**: phased out for homes bought or rented after June 30, 2026

Why it Matters – Urgency is Critical

- **Electric Vehicle Buyers**: delaying past Sept means forfeiting up to \$7,500 (new) or \$4,000 (used) in tax relief
- **Homeowners planning efficiency upgrades or solar installs** – waiting until 2026 could eliminate up to 30% in savings on project costs
- **Buying or building a home** – the efficiency-based tax incentives vanish for transactions after June 2026

WHAT GLOBAL STRUCTURES MUST CONSIDER



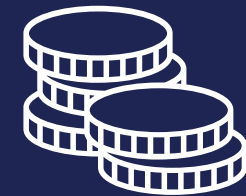
RESTORED SEC.
958(b)(4) TO LIMIT
DOWNWARD
ATTRIBUTION



NEW SEC. 951B
EXPANDS
INCLUSION TO
FOREIGN
CONTROLLED U.S.
SHAREHOLDERS



LOOK-THROUGH
FOR SUBPART F
MADE
PERMANENT



SUBPART F
INCLUSIONS NOW
PRO RATA BASED
ON DAYS HELD

OBBBA CHANGES TO GILTI (NOW NCTI)

CORPORATE IMPACT

- GILTI renamed Net CFC Tested Income (NCTI)
- FDII renamed Foreign-Derived Deduction Eligible Income (FDDEI)
- Section 250 deduction reduced: 50% → 40% (NCTI), 37.5% → 33.34% (FDDEI)
- FTC haircut reduced from 20% → 10% (favorable)
- NTDR eliminated → no QBAI boost

OBBBA AND NCTI INDIVIDUAL IMPACT

- **NCTI still treated like a deemed dividend → triggers U.S. personal income tax**
- **Default treatment = double tax without planning**
- **Elections available for corporate-level benefits**
- **High-tax exceptions remain**
- **Loss of QBAI benefit impacts asset-heavy businesses**

FOREIGN SOURCE INCOME = MORE CREDITS

- **U.S.-manufactured inventory sold abroad through foreign branch → 50% of income is foreign source**
- **Better FTC utilization = lower effective tax**
- **Important for exporters and global manufacturers**

New Excise Tax on U.S.-to- Foreign Transfers

Effective 1/1/26

- **1% excise tax on cross-border personal cash transfers**
- **Applies to transfers funded with cash, money orders, etc.**
- **Remittance provider must collect and remit**
- **Exemptions for transfers funded by debit/credit or from U.S. banks**

Planning Opportunities You Can Act on Now

- **Restructure entities for lower exposure and better income flow**
- **Accelerate deductions — bonus depreciation, §179, and R&E expensing**
- **Capture incentives — R&D and energy credits, plus QSBS exclusion**
- **Optimize income sourcing to lower global effective tax rates**
- **Update estate & gift plan with higher exemptions locked in**
- **Tighten compliance & reporting to avoid penalties and double taxation**

LET'S TALK STRATEGY!

We'll help you:

- Understand your financials with clarity
- Develop a U.S. growth and profit improvement plan to reach your wildest goals and dreams
- Expand into the U.S. market or abroad with confidence, peace of mind, and speed
- Optimize your tax strategy and stay compliant

FOLLOW ME ON LINKEDIN

Weekly cross-border strategy playbooks, pricing tips, and client breakdowns - @kylelodder

Not sure how these changes affect your structure or plan?



LET'S OPTIMIZE YOUR TAX STRATEGY UNDER THE OBBBA

Follow me on LinkedIn (@kylelodder)
for ongoing strategies

Book a Discovery Call

Let's turn your vision into a scalable,
tax-smart operation



THANK YOU!

Q&A's

Drop your question in the Q&A

Email Kyle at kyle@loddercpa.com

I'd love to talk strategy