



## Manufacturing Industry Outlook and OBBBA Tax Impact

Presented By: Jared R. Mishler, CPA



## Agenda

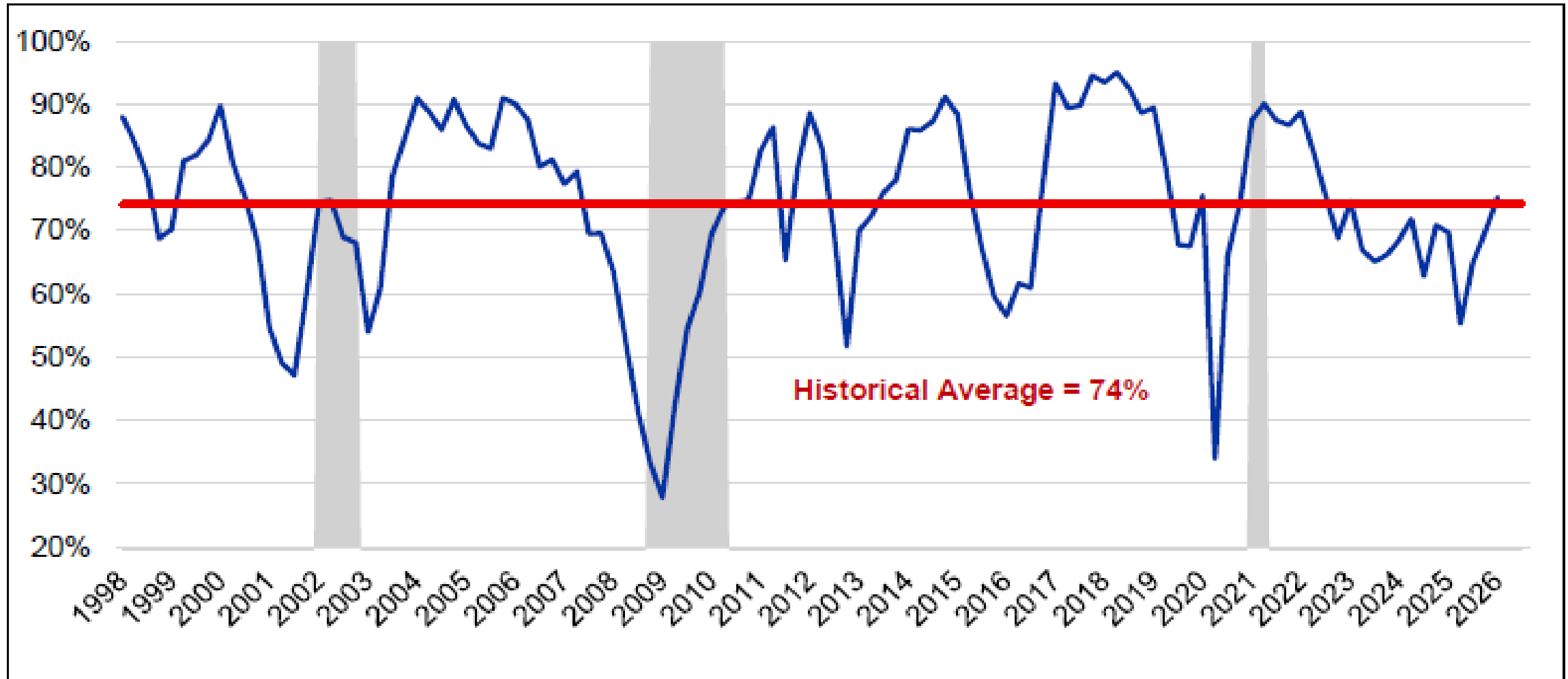
- National Association of Manufacturers (NAM) 2026 1st Quarter Outlook Survey
- One Big Beautiful Bill Act (OBBBA) Tax Impact
- Research and Development Credits



## NAM Manufacturers 2026 1<sup>st</sup> Quarter Outlook Survey

# NAM Manufacturers 2026 1<sup>st</sup> Qtr Outlook Survey

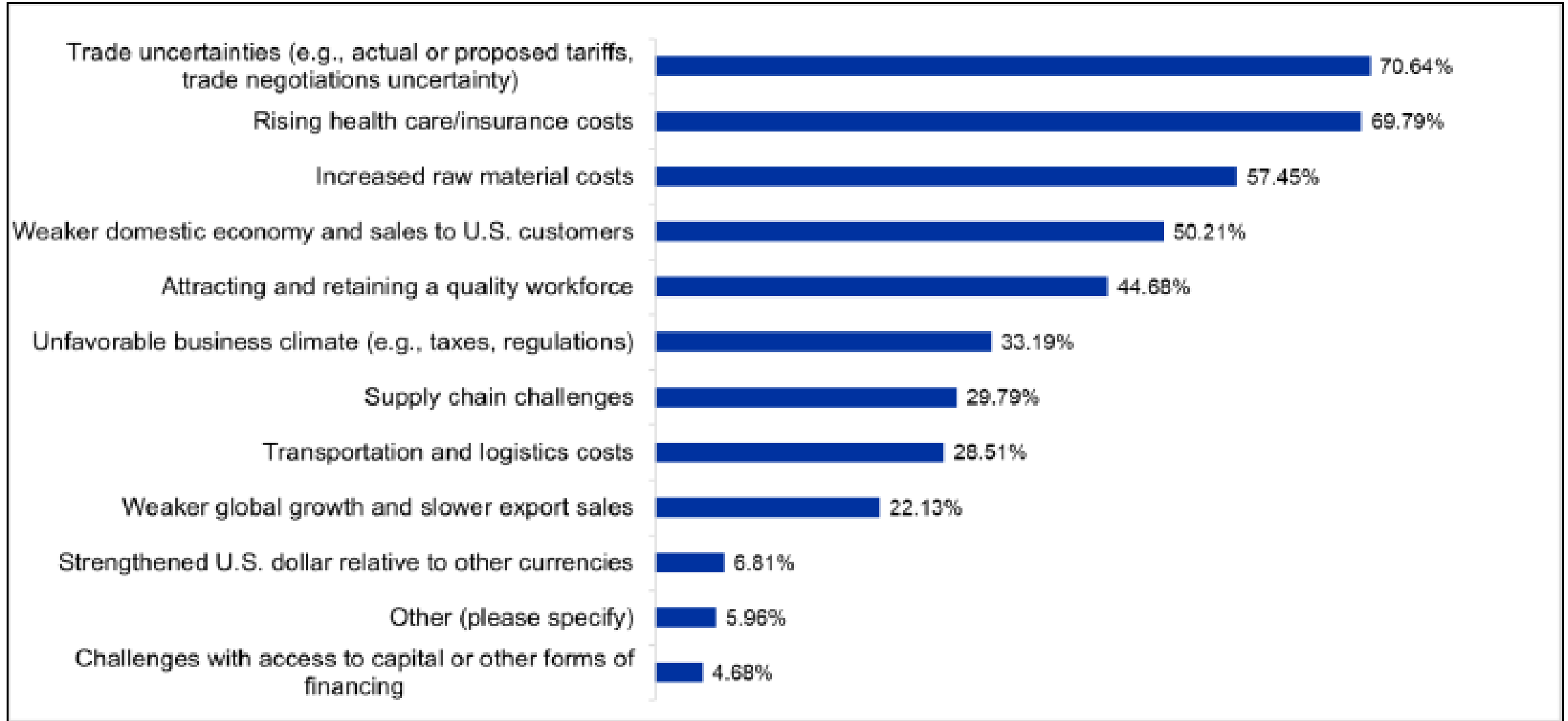
**Figure 1: Manufacturing Business Outlook by Quarter, Q1 1998 – Q1 2026**  
(Recessions Are Highlighted with Gray Shading)



*Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.*

# NAM Manufacturers Outlook Survey

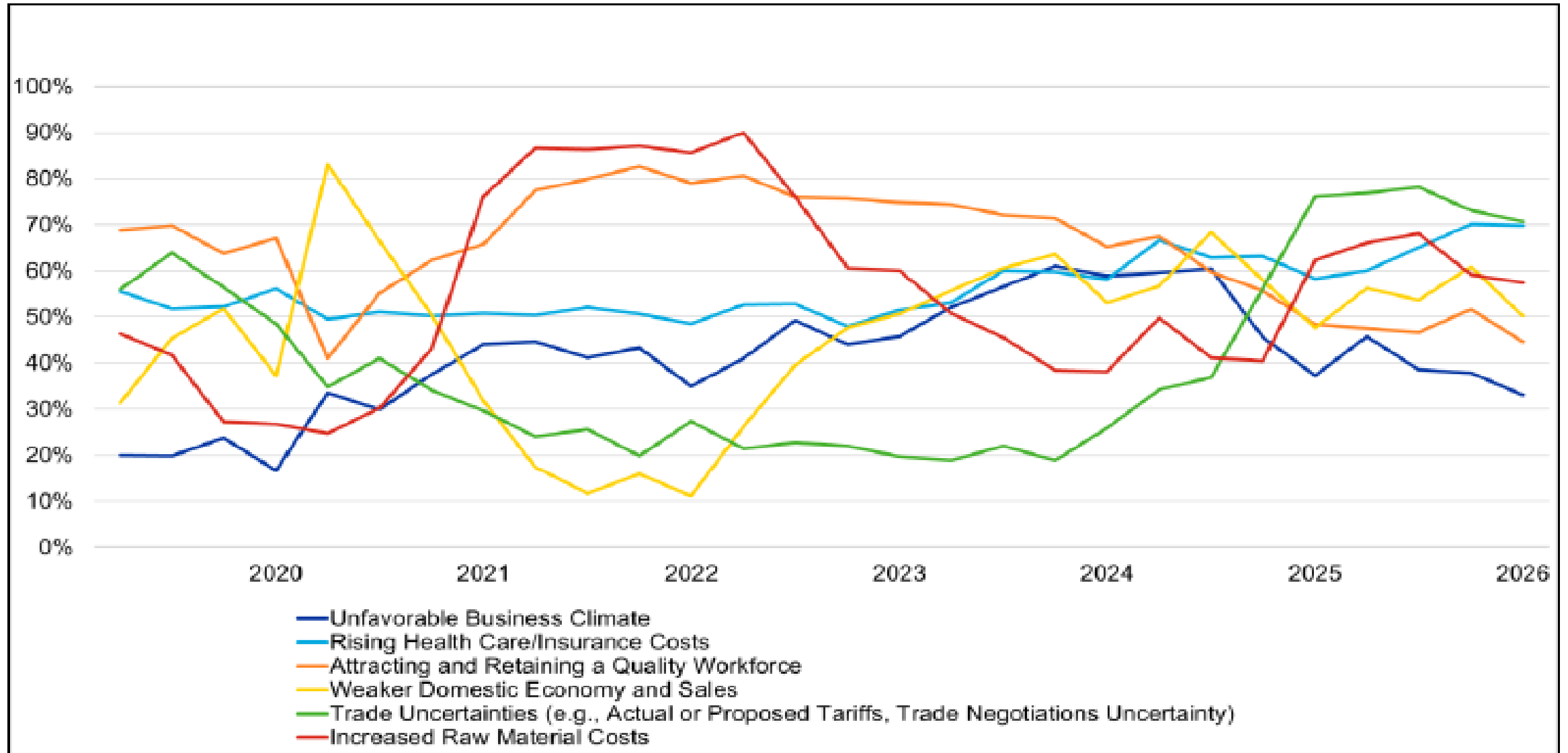
**Figure 3: Primary Current Business Challenges, Q1 2026**



*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*

# NAM Manufacturers Outlook Survey

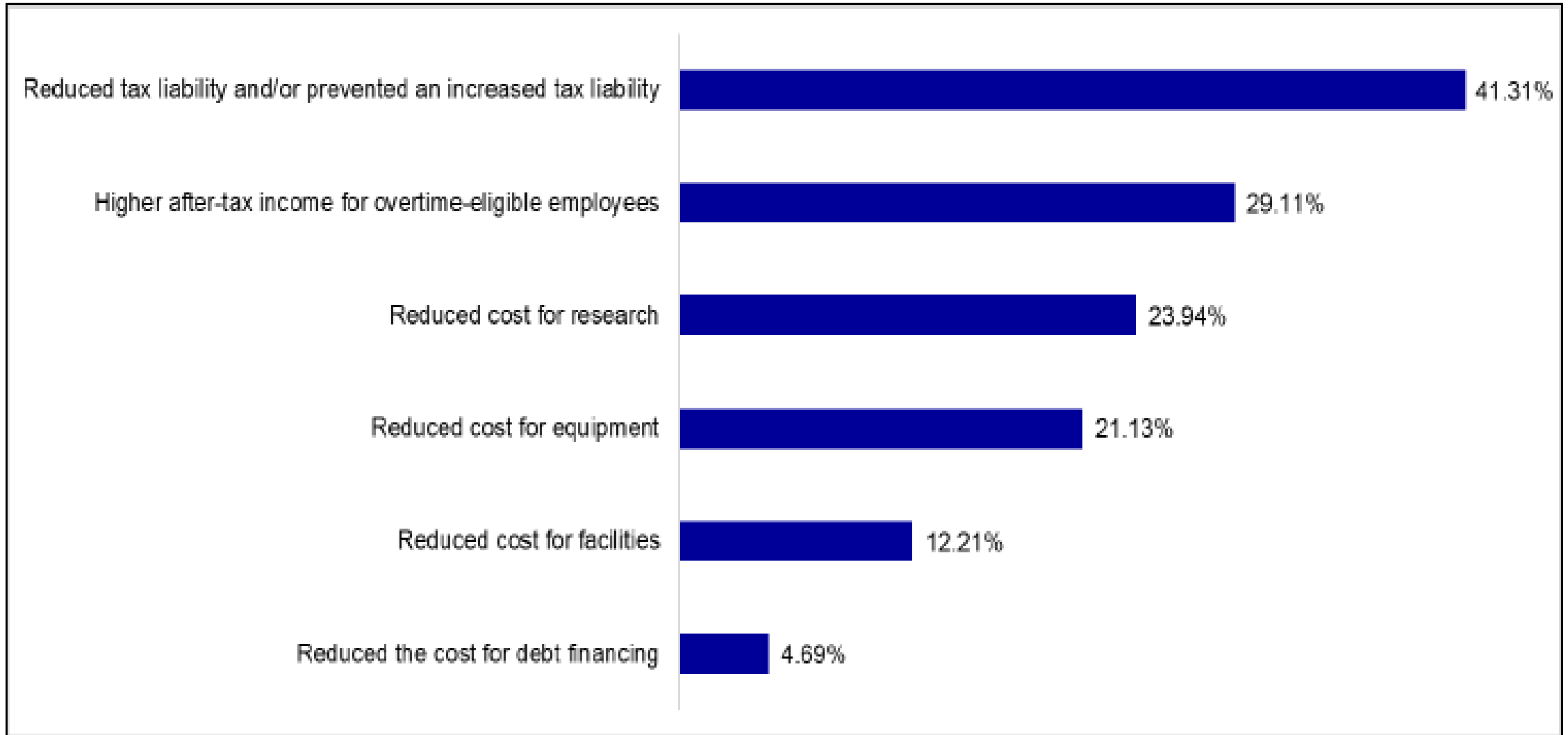
Figure 4: Primary Current Business Challenges for Select Responses, Q1 2019 – Q1 2026



Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

# NAM Manufacturers Outlook Survey

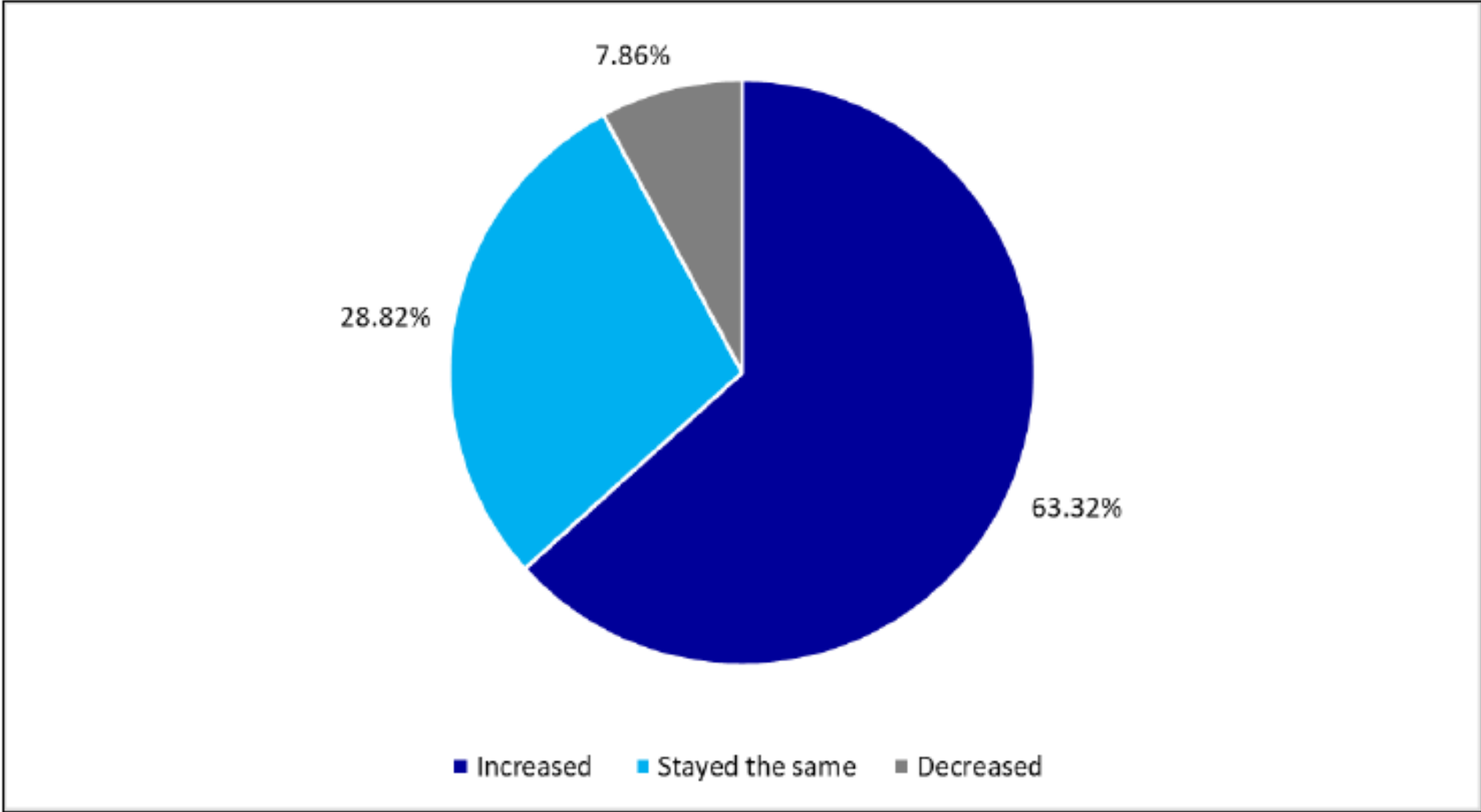
**Figure 6: Do You Anticipate the H.R. 1 Tax Law Will Have Any of the Following Impacts on Your Business?**



*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*

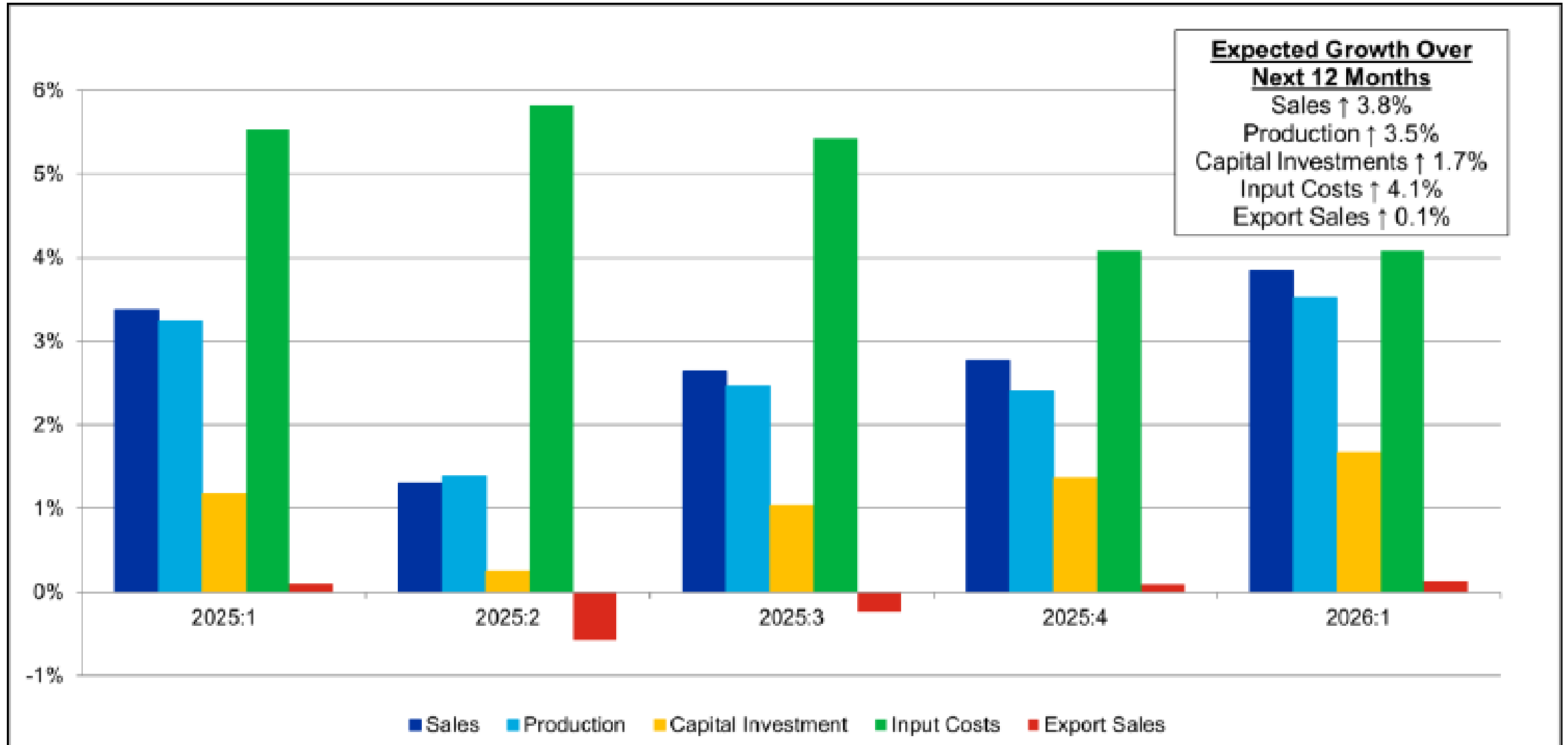
# NAM Manufacturers Outlook Survey

**Figure 7: How Have Risks and Volatility to Your Supply Chain Changed in the Past 12 Months?**



# NAM Manufacturers Outlook Survey

Figure 8: Expected Growth of Manufacturing Activity, Q1 2025 – Q1 2026



Note: Expected growth rates are annual averages.



## “One Big Beautiful Bill Act” (OBBA) Tax Impacts

# Key Provisions





# QBI Deduction: Key Extensions

## **Expanded Phase-in Thresholds**

Higher phase-in thresholds enable more high-income pass-through businesses to claim the full 20% QBI deduction before limits apply.

## **New Minimum Deduction**

Active businesses with at least \$1,000 in qualified income now receive a minimum \$400 QBI deduction benefit.

## **Permanent and Broader Access**

The 20% QBI deduction is now effectively permanent and widely available beyond 2025, benefiting more businesses.



## **Business Interest: EBITDA Limit Preserved**

### **EBITDA-Based Cap Made Permanent**

Businesses can continue adding back depreciation and amortization when calculating the 30% limit, preserving greater interest deductibility.

### **Expanded Floor Plan Exception**

Interest on loans for RVs, campers, and trailers now qualifies, aiding more dealerships without changing inventory rules.

### **Applies After 2024**

These updates take effect in 2025 and help capital-heavy businesses maintain stronger leverage positions.



# Bonus Depreciation

## **Permanent 100% Deduction**

Businesses can now fully expense qualifying property in the year placed in service, with no phase-down schedule.

## **Phase-Out Eliminated**

The prior reduction schedule is repealed, fixing the bonus rate at 100% for property acquired after January 19, 2025.



## Section 179: Expensing Limits Increased

### Higher Deduction Cap

The maximum immediate deduction rises to \$2.5 million, allowing businesses to expense more assets upfront.

### Raised Phase-Out Threshold

Phase-out now begins at \$4 million, enabling larger investments before limits reduce the deduction.

### Inflation Adjustment Reset

New limits will adjust for inflation starting after 2025, preserving their long-term value.



# Qualified Production Property (QPP)

## What Qualifies:

- A new tax incentive that allows certain businesses to immediately expense the cost of new production facilities.
- The incentive targets U.S.-based manufacturing, refining, and production activities that involve transforming tangible goods.
- Construction between January 19, 2025-January 1, 2029, placed in service by January 1, 2031
  - Applies to both new builds and major renovations
- Unused Property Exception - the building or structure must not have been used in any qualified production activity by any taxpayer during the period from January 1, 2021, through May 12, 2025



# Qualified Production Property (QPP)

## Benefits:

Eligible taxpayers can deduct 100% of the adjusted basis of qualifying property in the year it's placed in service.

- Instead of depreciating it over the traditional 39 year-period
- (excludes land related portion of purchase)



# Excess Business Losses: Non-Corporate

## **No More Sunset**

The cap on using business losses to offset non-business income is now permanent for non-corporate taxpayers.

## **Thresholds Reset in 2025**

Deduction limits are rebased and indexed from 2025, preserving current levels and allowing future increases.

## **Ongoing Limitation**

Losses exceeding the limit convert to NOLs, preventing high earners from fully offsetting income with large pass-through losses.



# Accounting Methods and Safe Harbor Relief

## **Simplified Methods Preserved**

The ~\$29M receipts threshold remains, allowing continued use of cash accounting and §263A relief.

## **Broader Eligibility via 5-Year Averaging**

OBBBA uses 5-year gross receipts averaging in some cases, easing access to small business tax benefits.

## **Automatic Method Change Relief**

Switches to full expensing or R&D deduction are IRS-approved, with Section 481 adjustments allowed over 4 years or immediately.



# Miscellaneous Provisions under OBBBA

## 1099 Threshold Raised

- Reporting threshold increased from \$600 to \$2,000
- Fewer small payments trigger Form 1099
- Applies starting in 2026

## Employer-Provided Meals

- No deduction for employer-provided meals that are excluded from the employee's income
- Employer may deduct if the meals are sold to the employee



# R&D Expenses: Restored to Full Deductibility

## **Immediate Deduction for U.S. Research**

Full deductibility for domestic R&D expenses for tax years beginning after December 31, 2024

## **Foreign Research Still Amortized**

Only U.S.-based research qualifies for immediate deduction. Foreign R&D remains on a 15-year amortization schedule.



# R&D Expensing: Transitional Relief

## Small Taxpayers Provision

- Ability to amend returns from 2022-2023
- "All or Nothing" Approach
- Election to apply full deduction through amended return
- Disclose doing so under OBBB
- Election will allow taxpayers to make a 280C election, even on an amended return for 2022-2024
- Can also amortize for 2024 and utilize the accelerated deductions in 2025 or ratably in 2025/2026



# R&D Expensing: Transitional Relief

## All Other Taxpayers

- §174 Amortization applies for 2022-2024
- Taxpayers can pull forward unamortized expenses on first return for a tax year ending after December 31, 2024
- Can utilize the accelerated deduction provision in 2025 or ratably in 2025/2026
- Done through a 3115 Accounting Change

# R&D Expensing

<u>Year of R&amp;D Expenditures</u>		<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
2022 R&D Expenditure	\$	1,000,000			1,000,000
		Amortization	(200,000)	(200,000)	(600,000)
2023 R&D Expenditure	\$	1,000,000	1,000,000		1,000,000
		Amortization	(200,000)	(200,000)	(400,000)
2024 R&D Expenditure	\$	1,000,000		1,000,000	1,000,000
		Amortization		(200,000)	(200,000)
Current Year Increase to Taxable Income		\$ 800,000	\$ 600,000	\$ 400,000	\$ 1,800,000

# Takeaways for Business/Tax Planning



Tax Provision	Pre-OBBBA Law	Post-OBBBA (2025)
QBI Deduction (§199A)	20% pass-through deduction thru 2025; phase-out range \$50k (\$100k joint). Expires 2026.	Made permanent beyond 2025; phase-out range widened to \$75k (\$150k joint). \$400 min deduction if $QBI \geq \$1k$ .
Bonus Depreciation (§168(k))	100% for assets thru 2022, then phased down to 0% by 2027. Expires 2027.	100% expensing permanently for qualifying property after Jan 2025. No phase-out; full expensing indefinitely.
Section 179 Expensing	Limit \$1.22M (2024 inflation); phase-out starts ~\$3.05M (2024).	Limit \$2.5 Million; phase-out at \$4 Million (both 2025 base), indexed from 2025. More upfront expensing for SMBs.
Interest Deduction (§163(j))	30% of ATI, switching to EBIT (no add-back of DA) in 2022+.	EBITDA basis kept (depreciation & amortization add-backs continue). More interest deductible. RV/boat dealer interest now excepted.

Tax Provision	Pre-OBBBA Law	Post-OBBBA (2025)
<b>Excess Biz Loss (§461(I))</b>	Limit (e.g. \$500k MFJ) in effect thru 2028 (ARPA extension), then sunsets.	Permanent limitation. Threshold ~\$540k MFJ for 2025 (inflation reset). Unused loss -> NOL carryforward.
<b>R&amp;D Expensing (§174)</b>	Required 5-year amortization of all R&E from 2022 onward (TCJA change).	Immediate deduction for domestic R&E via new §174A. Foreign R&E amortized 15 yrs. Retroactive catch-up allowed.



## Research and Development Tax Credits



## Research and Development Credits – IRC Sec 41

### **R&D credits can be used to:**

- Offset regular income tax liability and,
- For some smaller businesses and startups, a portion of their payroll taxes.
- If a company doesn't have current year taxes, the credits can be carried back one year and forward for 20 years.

*These credits can reduce a company's effective tax rate, increase its cash flow, improve its earnings per share and provide additional funds for investment in new business opportunities or additional employees.*



## Research and Development Credits – IRC Sec 41

Federal Taxable Income	\$	1,000,000
Tax Rate		21%
Federal taxes owed	\$	210,000
R&D credit	\$	100,000
Federal Tax to be paid	\$	110,000

***NAM Research - Manufacturers in the United States perform 52% of all private sector research and development (R&D) in the nation, driving more innovation than any other sector. R&D in the manufacturing sector has risen from \$132.5 billion in 2000 to \$412.8 billion in 2024. (Source: Bureau of Economic Analysis.)***



Questions