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# One Big Beautiful Bill Act: What It Means for Construction Leaders

December 18, 2025



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# Speakers



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# *Agenda*

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- OBBBA overview
- Individual provisions
- Business provisions
- Planning opportunities

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# Learning Objectives

1.  Identify which Tax Cuts and Jobs Act (TCJA) items were extended or enhanced and how that could impact your tax planning
2.  Review the changes to the state and local tax (SALT) deduction cap and the implications for taxpayers
3.  Discuss the considerations for choosing the right entity structure, analyzing Sections 1202, 199A, and the 21% corporate tax rate
4.  Recall key accounting methods and elections that may shape your financial strategies
5.  Identify cost segregation opportunities, including bonus depreciation and Qualified Property Provisions (QPP)
6.  Recognize the law's changes to energy credits enacted under the Inflation Reduction Act
7.  Identify employer reporting responsibilities related to overtime and tip provisions



# Key Tax Law Changes: Individuals



# Key Individual Provisions

## Tax rates

Lower brackets permanent and *inflation adjustment on lower brackets*



## Personal exemptions

Permanently repealed



## Child tax credit

\$2,200 permanent increase



## AMT

Higher exemption and phaseout thresholds permanent



## Premium tax credit

Repayment isn't capped starting in 2026



# Other Individual Provisions

## Standard deduction

Made permanent at the higher amounts



## Overall itemized deduction limitation

A 35% deduction for those individuals in the 37% top tax bracket (starts 2026)



## Miscellaneous Deductions

Permanently suspended



## State and Local Tax Limit

\$40,000 SALT cap (<\$500k AGI) (2025- 2029)



## Seniors

\$6,000 deduction for seniors 65 and older (2025 - 2028)



# Deductions and Credits

## 1. HSA enhancements

- Expansion of certain qualified expenses and HSA contribution eligibility



## 2. Car Loan Interest

Up to \$10,000 deduction for "Made in America" car loan interest payments (2025 - 2028)

Subject to phase out

[IRS issued Notice 2025-57](#)



## 3. Adoption Credit

Up to \$5,000 refundable



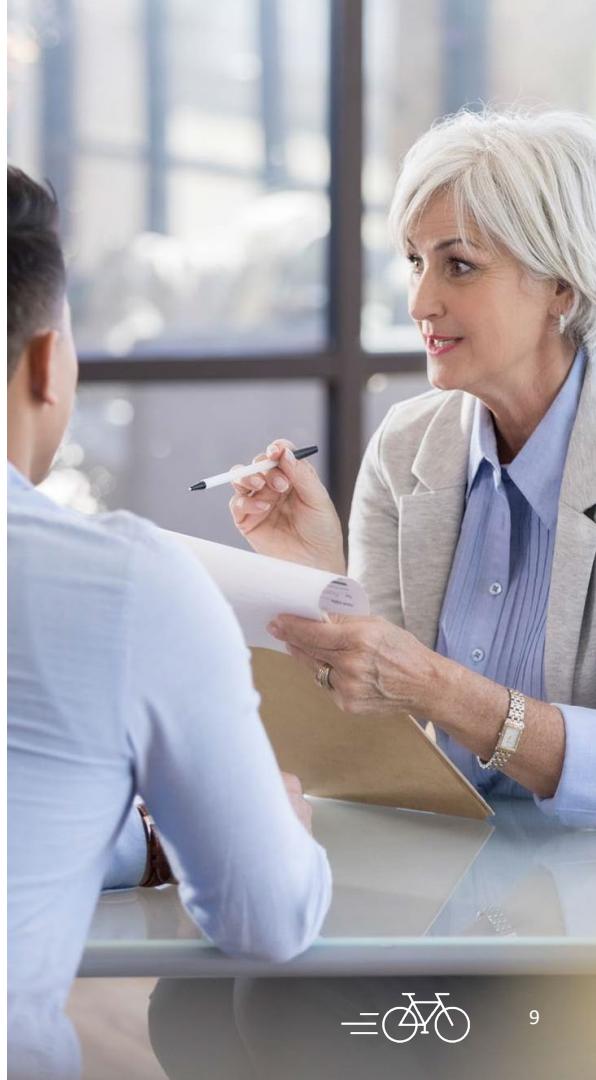
## 4. Scholarship-Granting Credits

\$ credits allowed for contributions to SGOs (capped at \$1,700 per year)



## 5. Child and Dependent Care Tax Credit

Increased credit and expanded eligibility for lower income taxpayers



# Charitable Deduction Provisions



Creates a new deduction for those that do not itemize - \$1,000 single and \$2,000 married filing joint

New .5% floor on charitable deductions



# Financial Planning Provisions

Permanently increased and indexed for inflation

## Estate and Gift Exemption



## Trump Accounts

- Established for children under 18
- \$1,000 deposited for children born 1/1/25 - 12/31/2028

# Trump Accounts - General

- Up to \$5,000 non-deductible annual contribution until age 18
- Contribute beginning July 4, 2026
- Distributions are of earnings taxed as ordinary income
- Distributions under age 59 ½ subject to 10% penalty
- No withdrawals under age 18



# Trump Accounts - Employers

- May contribute up to \$2,500/employee/year
- Not taxable to employee
- Requires separate written plan
- Non-discrimination requirements
- May establish payroll deductions for dependents' account





# Proactive management of itemized deductions



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14

# Opportunity Zones

Provides opportunity to defer capital gains

Must hold for 5 years to receive a 10% gain reduction

Must realize gain on the fifth anniversary of the investment





# Key Tax Law Changes: Business



# Compensation and Benefits Provisions

New deductions allowed for qualifying tips and overtime payments

## Tips and Overtime

The IRS issued a [list of preliminary occupations](#) released as part of the IRS proposed regulations issued on September 22, 2025 that qualify for no tax on tips.



## 1099 Reporting Threshold

Increased to \$2,000



# Employees' Benefit

Max deduction - \$12,500 Single; \$25,000 MFJ

Income thresholds - \$150,000 Single; \$300,000 MFJ

Benefit received when filing income tax return



# Calculating Overtime Premium for 2025

## What qualifies for overtime deduction?

- Only premium portion of overtime pay under FSLA qualifies
- *Remember:* daily, double, or state-mandated overtime does **NOT** qualify

## 2025 Employer reporting

- Some employers may provide statement to assist employees
- Options exist for employers to estimate qualifying overtime premium wage amount if needed
- Simplified approach to estimate OT premium wage paid: total overtime wages under FLSA x 1/3





# R&D Tax Credit

## Overview



# Qualified Research Activities: Four-Part Test

Permitted purpose	Technological in nature	Elimination of technical uncertainty	Process of experimentation
<ul style="list-style-type: none"><li>Activities must relate to function, performance, reliability, or quality of a business component</li><li>A business component can be a product, process, technique, formula or software that is being developed for sale, lease or license to customers, or for use in your trade or business</li></ul>	<ul style="list-style-type: none"><li>Activities must rely on principles of hard science, such as:<ul style="list-style-type: none"><li>Biological sciences</li><li>Physical sciences</li><li>Engineering</li><li>Computer science/software engineering</li></ul></li></ul>	<ul style="list-style-type: none"><li>Activities must be intended to eliminate technical uncertainty relating to capability, methodology, or best design of the business component</li></ul>	<ul style="list-style-type: none"><li>Activities must constitute elements of a process of experimentation, which may involve:<ul style="list-style-type: none"><li>Developing one or more hypotheses/alternatives</li><li>Testing and analyzing the hypotheses/alternatives</li><li>Refining or discarding the hypotheses/alternatives</li></ul></li></ul>



# Additional R&D Requirements

## Economic risk

- Party claiming R&D must bear economic risk of loss for the costs associated
- Consider contract terms (fixed price vs time & materials)
- Is the taxpayer required to pay whether or not the research / development is successful?

## Rights

- Taxpayer must retain substantial rights to the intellectual property that is developed.

## In the USA

- Activities must take place in the United States in order to qualify for credit.
- Activities that take place in foreign countries are not eligible for federal R&D credit.



# Specifically Excluded Activities

Research after commercial production or release

Research in the social sciences, arts, or humanities

Research relating to cosmetics, taste or seasonal design factors

Adaptation of existing business components to a particular customer's requirements

Duplication of existing business components

Surveys (e.g., efficiency surveys, management surveys, marketing research, routine data collection, routine QC testing)

# Quantifying Qualified Research Expenses

## Wages - employees performing, supervising or supporting qualified research

- Percentages of time multiplied by federally taxable wages paid
- Actual hours is best if available

## Materials and supplies - supplies used in carrying out qualified research (can include prototypes)

- Includes direct materials and supplies used in the prototyping or first article phases
- Supplies such as cutting tools can qualify if used in qualifying research

## Contract research expenses – contractors engaged to perform qualified research

- Must be structured so the taxpayer bears the economic risk

## Leased computing costs (e.g., cloud computing costs)



# Credit Benefit



Typically between 7% and 10% of qualified costs



Directly offsets tax liability



Startup companies may be eligible for payroll credit

Starting in 2023 up to \$500K  
Offsets employer portion of Social Security and Medicare taxes



# Section 174

## Overview



# Section 174 Capitalization

## Requirement to capitalize from 2022-2024

- Costs related to the research and development activities
- Included research credit eligible costs as well as additional overhead
- Capitalize and amortize over 5-years if domestic – regardless of whether or not a credit was claimed





# Research and Development Expensing

## Sec. 174 R&D Expensing

- Full expensing restored for domestic R&D
- Two options to unwind prior year capitalized expenses
  - Amended return for small businesses
  - Deduct in 2025 (or ratably over 2025 and 2026)
- On August 28, 2025, the IRS issued limited preliminary guidance via [Rev. Proc. 2025-28](#) addressing certain election statements and accounting method changes

# Sec. 174 – 2025 Forward – Decisions to be Made

Continue to capitalize and amortize over 5 years

Amortization to begin with the month in which the taxpayer first realizes benefits from the expenditures

Capitalize and amortize over 10 years

Amortization to begin with the taxable year in which the expenditures were made

Expense

Expense as paid or incurred





# Examine research and development costs



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30

# Bonus Depreciation

- Permanently extends 100% expensing – property acquired and placed in service after 1/19/2025
- Qualified Production Property – new 100% expensing for qualified production non-residential real property
- Section 179 expensing increased to \$2.5 million after 12/31/2024



# Creating Value Utilizing OBBBA Changes

## Mergers and acquisitions

- Service companies continue to be in demand
- Acquiring new geographies/specialties
- Depreciation from acquired assets to offset taxable income of existing business
- Tax savings from acquisition used to fund part of the acquisition

## Selling and divestitures

- Recognize buyers are looking for the tax savings
- Provides more leverage to seller
- Opportunity for higher value and more potential demand at exit
- Timing of sale to maximize Qualified Business Income Deduction





Look at impact of  
expanded bonus  
depreciation and cost  
segregation studies



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33

# Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Introduces complex restrictions around “foreign entities of concern”
- Generally, no direct changes to transferability or direct pay
- On August 15, the IRS issued [Notice 2025-42](#) covering beginning of construction (BOC) rules for wind and solar energy credit facilities that are subject to phaseout under the OBBBA. To determine eligibility for Section 45Y and Section 48E credits, such facilities must determine BOC using the physical work test; the 5 percent safe harbor is not permitted





## Other Energy Provisions

### Energy Efficient Commercial Buildings Deduction (Sec. 179D)

Repealed for projects that  
begin construction after  
6/30/2026

### New Energy Efficient Home Credit (Sec. 45L)

Repealed for homes  
acquired after 6/30/2026

### Cost Recovery for Clean Energy Property

Terminates special 5-yr  
recovery period that applies to  
certain energy credit property





# Plan ahead for clean energy credit changes



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36

# Business Interest Deductions



Interest Expense limited to  
30% of Adjusted Taxable  
Income



Reinstates and makes  
permanent EBITDA  
limitation and capitalized  
interest subject to 163(j)



# Manage business interest deductions



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38

# Qualified Business Income Deduction

- Permanently set at 20% and phase out range increases
- Results in highest federal tax rate of 29.6% for pass-through income





# Other Business Provisions

## Section 1202

Enhanced benefits, expanded eligibility, and tiered exclusion



## Corporate charitable contributions

New 1% floor on contributions





# Reevaluate your choice of entity



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41



# Long-Term Contract Methods

## Overview



# Long-Term Contract Options

## Large contractors

- Average gross receipts greater than \$31m
- Percentage of Completion
- Exemption for Home construction contracts

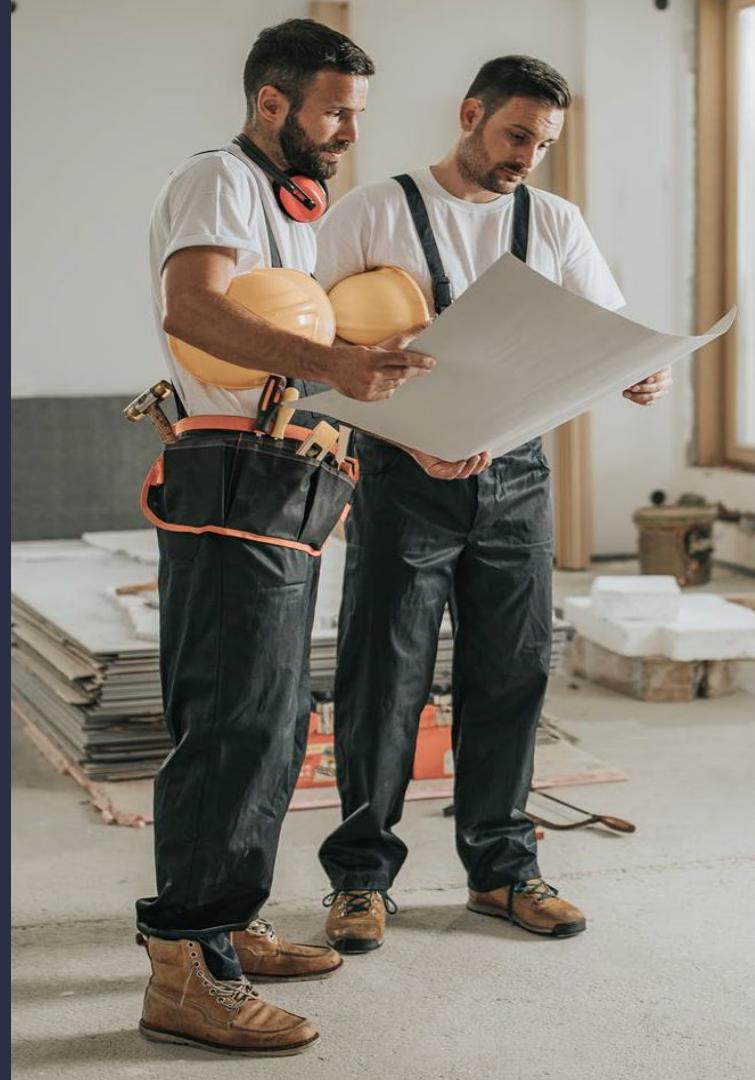
## Small contractors

- Less than \$31m average gross receipts
- Options:
  - Cash
  - Accrual
  - Accrual less Retention
  - Completed Contract
  - Percentage of Completion



# Completed Contract Method

- Residential construction >4 units qualifies
  - Apartments
  - Long-term care
  - Townhouses/condos
- Applies to subcontractors as well
- Allowed for AMT purposes
- Long-term contracts after January 1, 2026





# Review your accounting methods



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45

# Summary of Planning Items

1. Proactive management of itemized deductions
2. Analyze impacts of tax changes to business deductions
3. Look at impact of expanded bonus depreciation
4. Manage business interest deductions
5. Examine research and development costs
6. Evaluate cost segregation scenarios
7. Reevaluate your choice of entity
8. Plan ahead for clean energy credit changes
9. Assess your tax methods





# Opportunity modeling to analyze impacts of tax changes



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47

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