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Taxes and Tariffs: How Manufacturers Can Finish 2025 Strong

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Session CPE Requirements

You need to attend 50 minutes to receive the full 1 CPE credit.

There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Learning Objectives

Name the top five areas of tax savings for manufacturers

List the key considerations for 2025 year-end tax planning and which provisions will sunset

Review the latest tariff changes and the top five ways manufacturers are successfully tackling them



Welcome!



Mike Smith
Principal,
National Tax Office



Jennifer Clement
Strategic Pursuits Leader



Steve Combs
Principal, Tax,
Manufacturing



Terri Lillesand
Principal, Tax,
Manufacturing



Jeffrey Chrin
Manager, Tax,
Manufacturing



Brad Boettcher
Principal, Tax,
Manufacturing



Agenda

Tax

- Top ways manufacturers can save
- Key considerations for 2025 year-end tax planning

Tariff

- Latest tariff changes
- Top ways manufacturers are successfully tackling them





One Big Beautiful Bill Act ("OBBBA")



Polling Question

How optimistic are you on the current economic conditions and the impact to your organization?

- 5 = Very confident
- 4 = Confident
- 3 = Neutral
- 2 = Somewhat confident
- 1 = Not at all confident



The Long Road to OBBBA

Timeline

- **January 2024:** House passes *The Tax Relief for American Families and Workers Act of 2024* reinstating the “Big 3” business tax breaks; tabled by Senate in August 2024
- **Fall 2024:** Trump campaigns on “No tax on tips, overtime, and social security”, elected to 2nd term
- **January – April 2025:** House and Senate weigh different approaches to TCJA extender legislation (1 bill vs 2 bills approach)
- **May – June 2025:** Congress passes the *One Big Beautiful Bill Act*
- **July 4, 2025:** Trump signs OBBBA into law



In addition to keeping the 21% corporate rate

OBBBA “Top Six” for Manufacturers

| Do you have... | OBBBA Opportunity | Focus Area |
|---------------------------------|--------------------------------------------------------------------------------------------|------------|
| R&D? | Expensing (vs. amortizing) is back. | 174A |
| High interest on debt? | Interest deductions got larger. | 163(j) |
| New equipment? | Bonus depreciation (immediate expensing) is back. | 168(k) |
| New construction? | Now “bonus eligible” on qualified production property (QPP). | 168(n) |
| Qualified business income? | Qualified business income deduction (QBID) is now permanent. | 199A |
| Tax liability in 2025 or prior? | Consider purchasing tax credits – for a limited time. (E.g., Renewable Energy Tax Credits) | RETC, etc. |





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)



Business Interest Deduction



163(j) Interest Limitation



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



Bonus Depreciation

- Permanently extends 100% expensing – property acquired AND placed in service after 1/19/2025
- Section 179 expensing increased to \$2.5 million after 12/31/2024



Polling Question

100% bonus depreciation applies to qualified property acquired and placed in service after which of the following dates?

- December 31, 2024
- January 1, 2025
- January 19, 2025
- December 31, 2025
- None of the above



Qualified Production Property

- New 100% expensing for qualified production non-residential real property
 - e.g., buildings, real estate
 - Office is not eligible
- **Construction** begins between 1/20/2025 and 12/31/2028
- **Placed in service** between 7/5/2025 and 12/31/2030
- Need **cost segregation study**
- Note: Rule intensive



Qualified Business Income Deduction

- Permanently set at 20% and phase out range increases



Compensation and Benefits Provisions

New deductions allowed for
overtime wages

Overtime



1099 Reporting Threshold

Increased to \$2,000



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

International Key Provisions

Section 899 Dropped

1. GILTI and FDII provisions made permanent at slightly modified rates

2. BEAT: made permanent at slightly modified rate

3. De Minimis Exception: repeals \$800 de minimis exception to U.S. tariffs

4. Miscellaneous: permanent CFC look-through rule, restoration of downward attribution limitation, modifications to CFC pro rata rule





Tariff Update



Polling Question

How significant is the impact of tariffs on your business?

- High
- Medium
- Low
- None





Tariff Policy Update

Tariff rate and exemption announcements

- Update on tariff effective dates
- New/expanded rates and exemptions

Trade deal news

- Status of negotiations with China, Japan, MX/CAD, EU, India, Other
- Timing of announcements

Capitol Hill update

- Legislative proposals
- Tax policy
- Litigation



Tariff Summary

| Region | Rates | Action | Effective |
|--------|---------------------------------------------------------------------------------------------------------------------|--------|----------------------------------------------------------------------------------------------------------|
| All | 10% Reciprocal Tariffs except Canada & Mexico 10% Reciprocal Tariffs + more on selected countries (90 day pause) | IEEPA | 4/5 All countries 4/9 Country specific rates Exclusions: >20% US content, tariff on non-US content |
| All | 25% on cars, light trucks, some auto parts Pause on certain automotive parts? | 232 | 3/4 for cars & trucks, 5/3 for parts |
| All | 25% on steel, aluminum. 50% on copper products. Some derivatives | 232 | 3/12, 7/9 |
| EU | 15% | | 7/27 |
| Canada | 25 35%, except 0% for USMCA Qualified 10% on energy products & potash (except 0% USMCA Qualified) | IEEPA | 3/4. 8/1 |
| Mexico | 25%, except 0% USMCA Qualified, 10% on potash | IEEPA | ¾ (8/1 extended 90 days) |
| China | 50% (30% blanket, 20% fentanyl, 10% reciprocal) Exemptions on some electronics | IEEPA | 4/9 4/11 Some electronics exemptions |
| All | 25%, countries buying Venezuelan oil | IEEPA | TBA |
| China | 7.5%, 25%, 50%, 100% | 301 | 2018 - Present |



Goal: Reducing Exposure, Preserving Margins

1. **What** tariffs apply?
2. **How** to mitigate the impact?



IMMEDIATE

Tariff accounting “hygiene”
(regardless of % tariff)



NEXT 12 MONTHS

Current footprint



12-24+ MONTHS

Evolving footprint



20+ Tariff Reduction Strategies

Simple

Complex



Transfer Pricing ("TP")

- The pricing between related parties
- Must be priced “arm’s length” (as if unrelated)
- Limited ability to modify transfer pricing on amended returns
- Critical for managing cash flow/tax and operational efficiencies
- Documentation required for financial and tax authority audits



Invoice Splitting

Non-dutiable costs:

Potential examples

1. Exclusive distribution fees and buying agent fees (if structured properly)
2. Freight and insurance
3. Supply chain origin fees
4. Storage/warehousing
5. Third party inspection/testing
6. Defect allowance
7. Special types of international packaging
8. Certain taxes (e.g., VAT)
9. Post implementation adjustments
10. Exchange rate premiums

Dutiable costs:

The following should be noted on the commercial invoice:

1. Selling commissions
2. Assists
3. Royalties
4. Production costs
5. Packing costs
6. Proceeds

Failure to include the above is undervaluing the goods and may result in penalties.

Legal advice recommended

[Source: What value should be on the commercial invoice submitted to U.S. Customs and Border Protection?](#)



Duty Drawback

- Allows 99% of certain duties, taxes, and fees to be claimed.
- Applies to goods that will be:
 - Re-exported
 - Destroyed
- Refundable duties may apply to tariffs on finished goods, components, or raw materials that are imported into the U.S. and later exported.
- **Can your ERP handle it?**
- Some export destinations are excluded.
- Comprehensive documentation required.
- Legal advice recommended.



Articles subject to reciprocal tariffs may be eligible for duty drawback.



Articles subject to Section 232 tariffs (e.g., steel/aluminum or automotive) are not eligible for duty drawback.

[Drawback | U.S. Customs and Border Protection](#)

Bonded Warehouses vs. FTZ*

| | Bonded Warehouse | Free Trade Zone | Foreign Trade Zone |
|-------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Location | Within US customs territory | Outside of US customs territory in other countries | Outside of US customs territory in the USA |
| Customs Entry | Filed when goods enter. | Filed when goods are removed. | |
| Storage Time | Up to 5 years. | Indefinite. | |
| Activities | Sort, clean, repackage under customs supervision. | Sort, inspect, repair, test, clean, etc. | |
| Manufacturing | Not permitted. | May be permitted (depending on classification). | |
| Duties and Taxes | Paid when withdrawn. | Paid when withdrawn. May reduce or eliminate some duties and provide certain tax exemptions. No duty on re-export. | |
| Duty Calculation | Time of entry. | Time of release. | |
| Flexibility | Less flexibility: Shipments in their entirety. | More flexibility: withdraw goods as needed. | |



Country of Origin: Transformation

- “Transformation requires a change in the [HS classification code](#) of the non-originating components to the HS code of the final product (e.g., processing wood into furniture).”
- “Regional Value Content” requires good has added value from US or free-trade agreement partner countries.
- Be ready to document and defend.
- Legal advice recommended.

Source: US International Trade Administration [Rules of Origin: Substantial Transformation](#)



Tariff Roadmap Assessment

Reactive >> Proactive

Step 1



Impact

- Current state
- Supply side
- Demand side



Roadmap

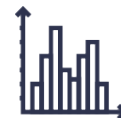
1. **Short term:**
“tariff hygiene”
2. **Medium:**
current footprint
3. **Long-Term**
reimagined footprint

Step 2



Implement

- People
- Process
- Systems



Measure and Adjust

- KPIs
- Weekly huddle

Dynamic environment – agility is mission critical



Polling Question

I'd like help with navigating tax opportunities or reducing tariff exposure:

- Yes
- Not at this time



Checklist of Planning Items

1. 21% stays as corporate rate!
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. Consider changes to your income tax provision
10. Tariff roadmap (+ refresh transfer pricing)



Thank You!



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Principal, National
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Principal, Tax,
Manufacturing



Resources

VIDEO PODCAST



[The One Big Beautiful Bill: What Manufacturers Need to Know Now, 474](#)

ARTICLE



[The New Tax Law: Discover the Benefits for Manufacturers: CLA](#)

ARTICLE



[Tariff Mitigation Strategies: 20 Options for Manufacturers: CLA](#)



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