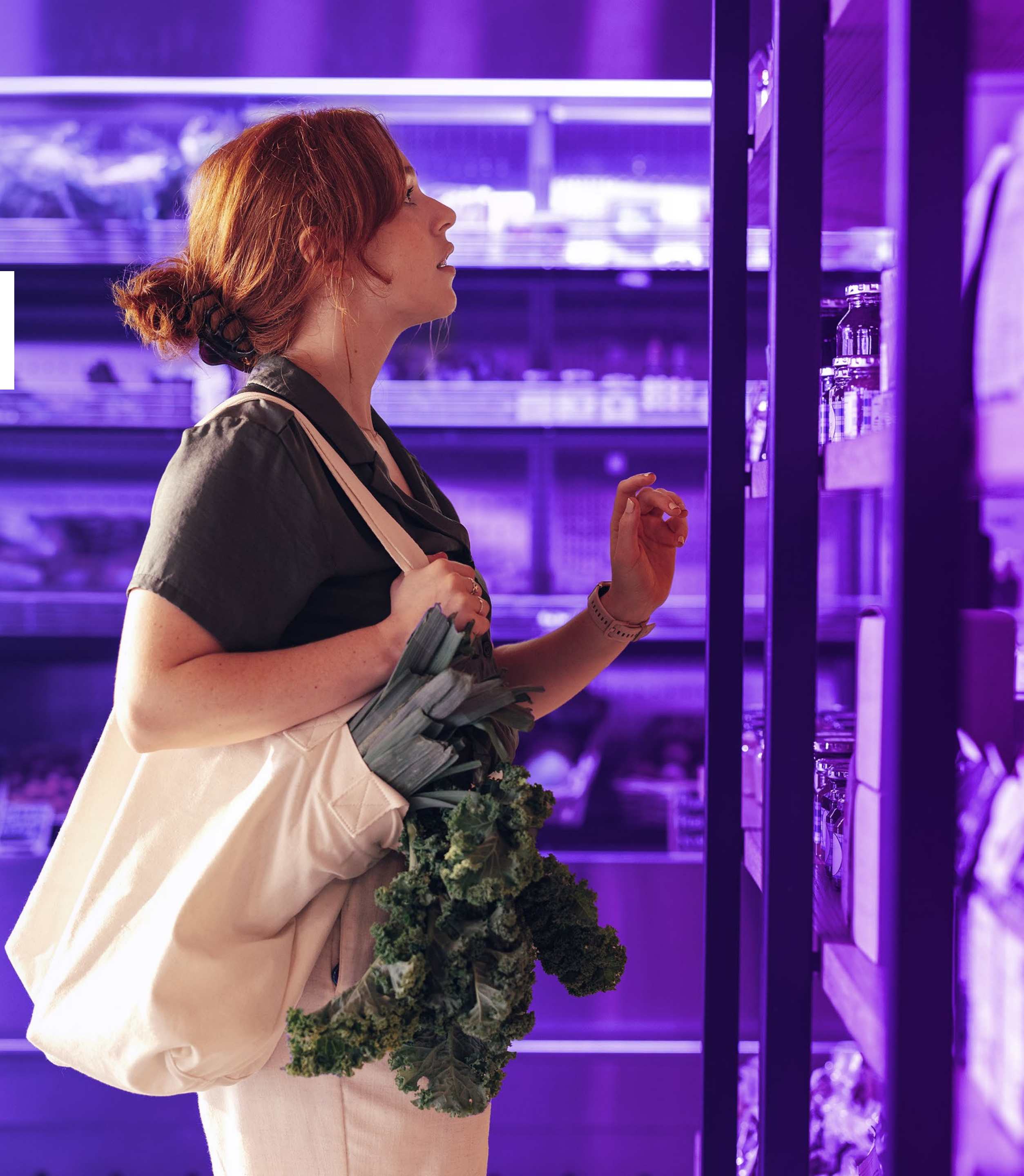
Consumer & Retail Key Insights on the New Tax Bill



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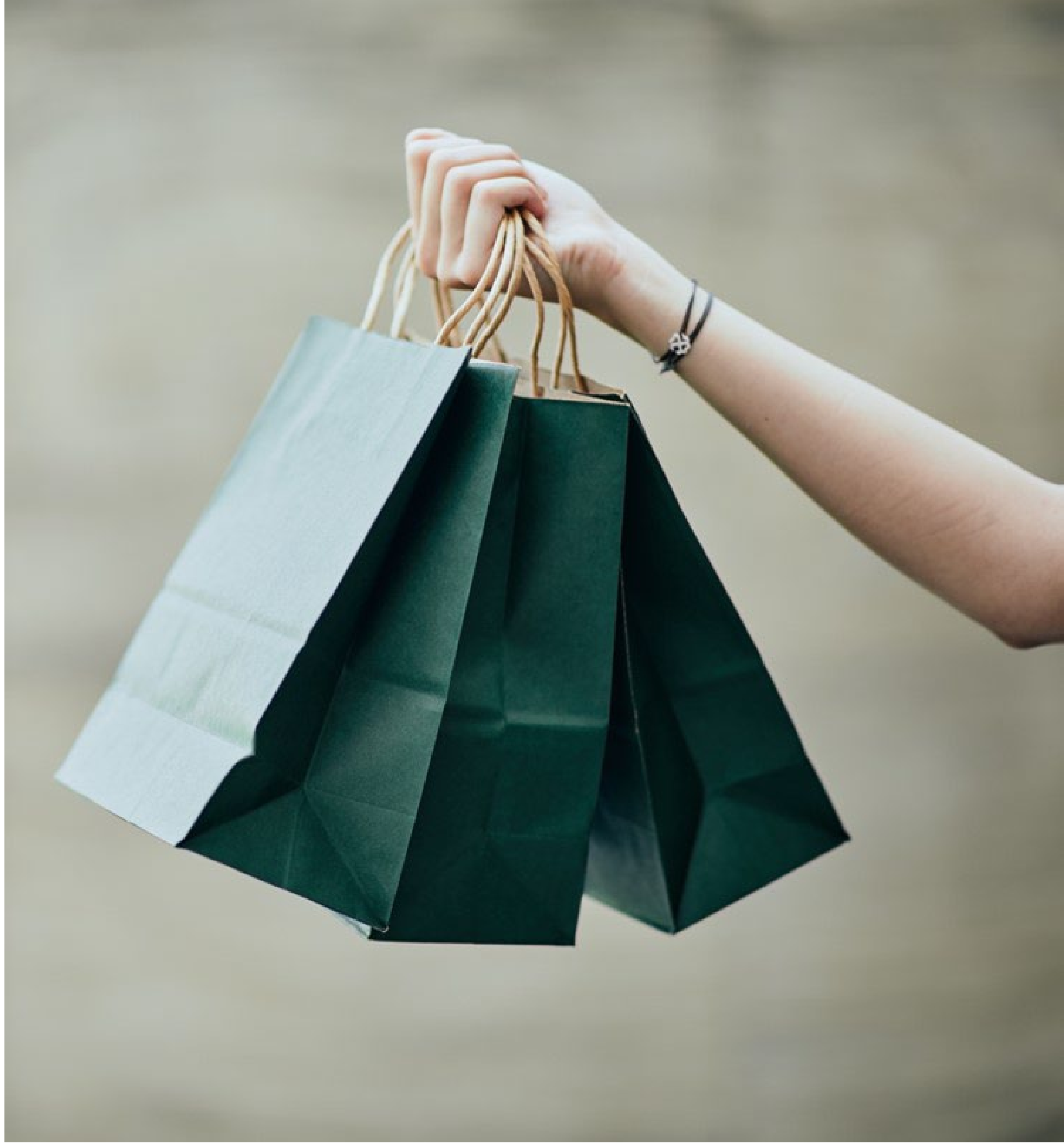


Sector Impact

Manufacturers

Companies will receive an array of tax breaks meant to spur domestic manufacturing and innovation. With the 100% bonus depreciation deduction reinstated for certain property that is placed in service after Jan. 19, 2025, manufacturers will reevaluate their corporate development and CapX strategy for the 2nd half of 2025 and 2026.

Similarly, with research and experimentation expenses returning to full deductibility too, this could spur domestic R&D through products and automation.

Retailers

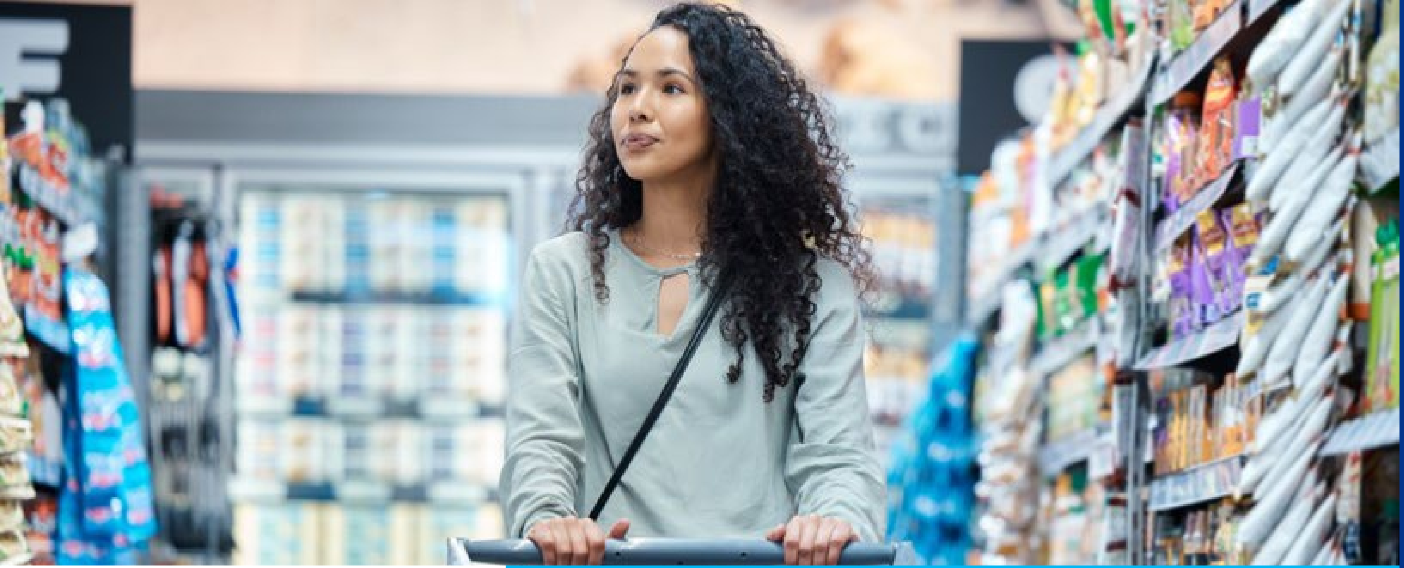
Given the provisions around depreciation and innovation, more retailers may look towards implementation new technology around POS or investment systems, while also assessing their infrastructure especially as the customer experience remains at the forefront. An indirect impact from the bill relates to individual changes that could increase disposable income and potentially gives revenue a boost.

Shippers and online retailers

A provision in the tax bill will further restrict the use of the de minimis rule, which currently allows duty-free imports for packages valued under $800. Previously, these restrictions were applied to China and Hong Kong; however, the bill has expanded them to include other countries subject to punitive tariffs. This change will significantly impact eCommerce companies, online marketplaces, and businesses with eCommerce operations, potentially increasing costs for direct-to-consumer shipments and affecting profit margins. We should encourage businesses to review their supply chain and trade strategies with this development.

Food companies

Cuts to the national food stamp program (SNAP), will impact food companies, particularly those who specialize in packaged food. Roughly 9% of all grocery spend comes from SNAP recipients. Companies may reevaluate their product mix between brand and off-label to capture lost revenue from the loss of SNAP benefits. Also, expect new product launches to align with both the full deductibility of research costs and business strategy around segmented growth.



	Impact	
Area	**Consumer Products**	**Retail**
Indirect Benefit – Individual Provisions	Increased disposable income for consumers via permanent tax rates and higher deductions could not only boost revenue for companies but also change the second half of the year forecast particularly heading into school shopping season, followed by the holidays.	Increased disposable income for consumers via permanent tax rates and higher deductions could boost retail spending

Individual Tax Provisions

How It Works: The OBBBA makes the individual tax rates permanent starting in 2026, as they were due to expire December 31, 2025. There are several more individual tax provisions that could lead to more disposable income, but it remains to be seen on how it impacts consumer confidence and how quickly they feel it in their wallets which realistically won't happen until Q1, 2026.

SALT Deduction Cap Adjustment

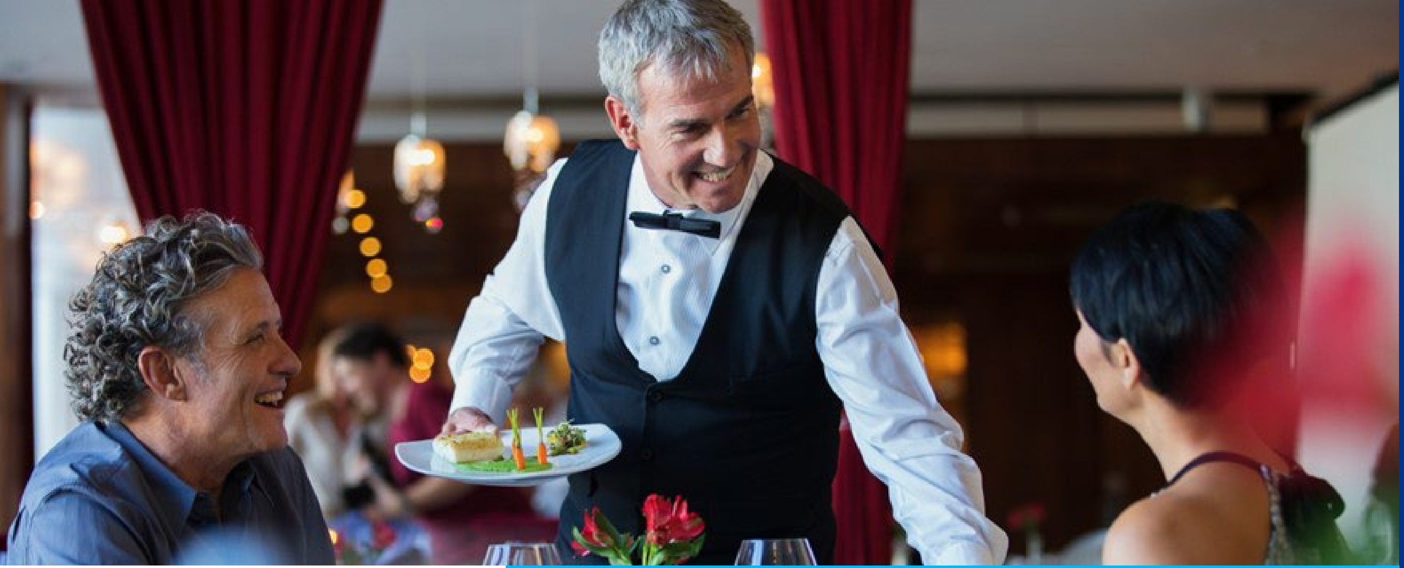
How It Works: Allows married couples filing jointly to elect to double the SALT deduction cap (from $20,000 to $40,000) if both spouses have at least $5,000 in SALT deductions

Eligibility: Must be married filing jointly

Limitations: Each spouse must have atleast $5,000 in state and local tax deductions.

Strategic Implications:

- Benefits high-income households in high-tax states (e.g., NY, CA, NJ).
- May influence decisions on homeownership, residency, and compensation planning.
- Could affect consumer spending patterns in affluent areas and on high end luxury goods..



	Impact	
Area	**Consumer Products**	**Retail**
Reduced Tax on Tips and Overtime	Companies in tipped industries (restaurants, hospitality, delivery services) may rethink their wage structure as take-home pay will increase without raising wages and they will have to modify their payroll compliance due to reporting	Companies may consider changing their wage structure to be more competitive with the tipped industries to retain talent.

Reduced Tax on Tips or Overtime

How It Works: Tips can be deducted tax-free not to exceed $25,000 and Overtime has a maximum deduction of $12,500 ($25,000 for joint filers)

Eligibility: Starts to fade out when the taxpayers modified adjusted gross income exceeds $150,000 ($300,000 for joint filers). For tips, eligible employees are who receive tips as part of their compensation and for OT, overtime is typically defined as > 40 hours/week and employees must be hourly or non-exempt salaried workers.

Limitations: Eligible from 2025-2028

Strategic Implications:

- Companies may need to update payroll systems to distinguish between taxable wages and non-taxable tips, increasing compliance costs. Also, employers may still be responsible for FICA (Social Security and Medicare) taxes on tips unless further clarified. This creates administrative complexity.
- Employers may adjust base wages downward, relying more on tips to compensate workers—especially in states with tip credit systems.
- Could decrease payroll expense for the company allowing them to become more profitable.

Example: A restaurant may decide to change their wage structure for hourly employees providing a more advantageous tax structure and creating workforce satisfaction.

	Impact	
Area	**Consumer Products**	**Retail**
Full deductibility of Qualified Property & Research and Development expenses	Full expensing of capital investments in manufacturing, warehousing, and infrastructure which will boost modernization and automation. Also includes production property which will accelerate investments in production lines, robotics and packaging systems. Encourages innovation in product development, packaging, and sustainability initiatives by allowing a 100% deduction for R&D costs.	Incentivizes innovation in retail tech (e.g., AI, personalization, supply chain optimization). Allows immediate deduction of capital investments, encouraging store renovations, tech upgrades, and logistics expansion. For production property, it is useful for logistics and warehousing investments.

Fully Expensing for Business Property & Research and Development

How It Works: Businesses can immediately deduct 100% of the cost of qualified capital assets and domestic R&D expenditures in the year incurred, rather than depreciating over time.

Eligibility: Applies to tangible property (e.g., machinery, equipment, store fixtures) and domestic R&D under IRC §174.

Limitations: Excludes property used outside the U.S. or acquired from related parties. R&D must be U.S.-based.

Strategic Implications:

- Lower Effective Tax Rate
- Consumer products companies can modernize production lines and packaging systems.
- Retailers can invest in automation, POS systems, and retail infrastructure upgrades.

Example: A retailer upgrades its warehouse robotics; a CPG firm invests in sustainable packaging R&D.

	Impact	
Area	**Consumer Products**	**Retail**
Credit- Employer Provided Child Care	Credit up to $500K for companies providing childcare	Credit up to $500K for companies providing childcare

Credit- Employer Provided Childcare

How it works: Provides businesses a nonrefundable tax credit of up to $500,000 per year ($600,000 for small businesses) on up to 50 percent of qualified childcare expenses provided to employees (up from $150,000).

Eligibility: Any company who offers childcare to their employees onsite

Limitations: The credit is capped at $500,000 ($600,000 for small businesses)

Strategic Implications:

- Opportunity for companies to claim a credit on the costs they incur on childcare costs for their employees and have a permanent affect to their Effective Tax Rate (ETR).

Example: A larger retailer's corporate headquarters provides childcare to its employees and incurs $5,000,000 in 2025. Their credit would be capped at $500,000.

	Impact	
Area	Consumer Products	Retail
International Tax – GILTI/BEAT/FDII/TP	Alters treatment of foreign income and supply chain, requiring a reassessment of global sourcing and transfer pricing strategies.	Reassess tax strategies with a global supply chain or foreign subsidiaries

International Tax Reforms (GILTI, BEAT, FDII, TP)

How It Works:

GILTI: Adjusts inclusion thresholds and foreign tax credit rules.

BEAT: Expands scope and lowers exemption thresholds.

FDII: Increases the rate but lowers the threshold to qualify

Eligibility: U.S. multinationals with foreign subsidiaries or cross-border operations.

Limitations: Increased compliance complexity and potential tax liability on foreign income.

Strategic Implications:

- FDII – To the extent that the OBAI or other apportioned expenses (i.e. interest, stewardship, R&D) were limiting the ability of the taxpayer to take a benefit under FDII, this should open up new opportunities.
- Requires reassessment of global sourcing, IP structuring, and transfer pricing.
- Impacts consumer brands with international licensing or manufacturing.

Example: A food and beverage company with significant domestic assets historically received a reduced FDII benefit because of the QBAI it generated. Now with QBAI going away, this is a significant opportunity for companies who were previously limited by QBAI. A global apparel

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Area	**Consumer Products**	**Retail**
Repeal or Phase-Out of Several Key Clean Energy Tax Incentives	Removes incentives for clean energy and energy-efficient buildings, potentially raising costs for companies investing in ESG-aligned operations and accelerating the project's timeline before the credits sunset	Removes incentives for clean energy and energy-efficient buildings, potentially raising costs for companies investing in ESG-aligned operations and accelerating the project's timeline before the credits sunset

Repeal of Several Key Clean Energy Tax Incentives

How It Works: Eliminates credits for clean vehicles, energy-efficient buildings, and renewable energy investments.

Eligibility: Previously available to businesses investing in ESG-aligned infrastructure.

Limitations: Retroactive repeal may affect projects in progress; no grandfathering.

Strategic Implications:

- Raises cost of sustainability initiatives.
- May shift ROI calculations for green investments.
- Accelerate CapX to complete project

Example:

- A beverage company planning to install solar panels at its bottling plant loses access to the 48 ITC credit, increasing project payback time
- A national retailer retrofitting stores with LED lighting and smart thermostats loses the 179D deduction, reducing ROI.

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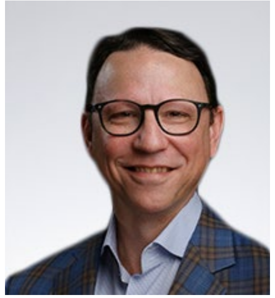
International Tax		**Erik Oliverson** Partner, International Tax, Value Chain Management eoliverson@kpmg.com	Reinstatement of Full Deductibility on Qualified Property and R&D Credit-Employer Provided Child Care Green Energy Credits		**Joel Schultz** Partner, Tax, BTS-AMCS joelschultz@kpmg.com

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