



Legislative Updates

Global Financial Reporting and Valuation Conference

December 2025





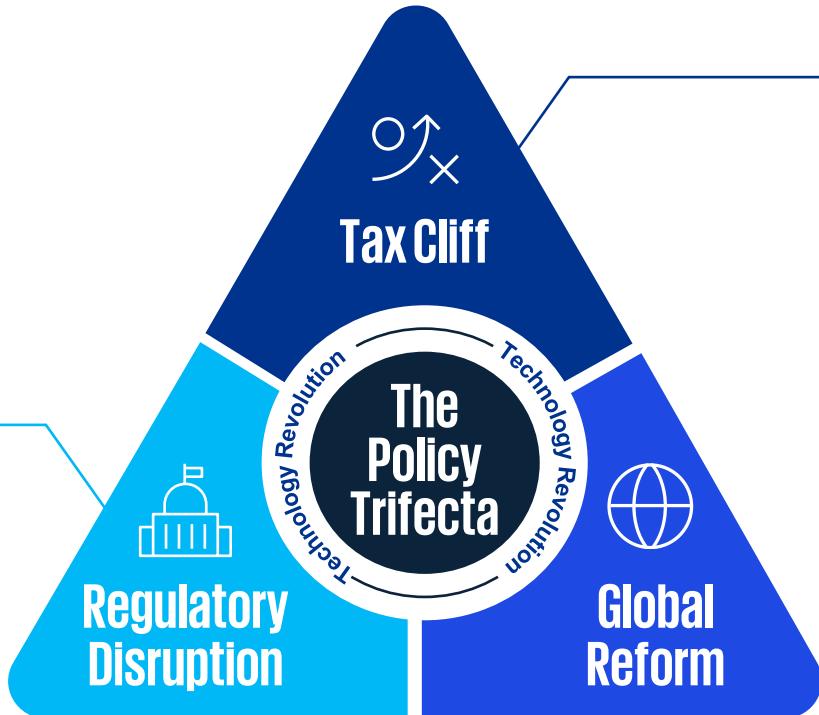
Washington Update:

Policy Uncertainty 2025

The policy disruptor trifecta

Regulatory Agenda:

- Current State: Constantly evolving and complex regulatory landscape
- New administration with skepticism of regulatory agenda of outgoing administration.
- Supreme Court's *Loper Bright*, upending deference to agency regulations



Legislative Agenda:

- Understanding and implementing the recently enacted One Big Beautiful Bill
- Anticipating future legislation- OB4, Debt limit, HIRE Act, etc.

Global Agenda:

- Multilateralism is out, bilateralism is in
- Notion of "reciprocity" in global affairs
- Rejection of existing global commitments
- Aggressive tariff agenda

Select Administration appointees

Secretary of Treasury



Scott Bessent

- Former CEO & CIO Key Square Group
- Former CIO Soros Fund Management
- Former Yale professor of economic history

SEC Chairman



Paul Atkins

- Former SEC Commissioner 2002-2008
- Former member Congressional Oversight Panel for TARP
- Former staff member for SEC chairs Breeden and Levitt

Assistant Secretary for Tax Policy



Ken Kies

- Former Chief of Staff – Joint Committee on Tax
- Former Republican Chief Tax Counsel – Ways and Means Committee

I.R.S. Commissioner



Billy Long

- Former congressman (R-MO) 2011-2023

National Economic Council Chairman



Kevin Hassett

- Former Chairman of the Council of Economic Advisors (Trump 45)
- Former senior economist at the Federal Reserve
- Former economist at the American Enterprise Institute (AEI)

I.R.S. CEO



Frank Bisignano

- Currently also Commission of the Social Security Administration
- Former chairman and CEO of Fiserv8 and First Data
- Former co-COO of JP Morgan Chase

OB3 -Enactment

OBBA Observations

Permanence

The 2017 tax law made many changes, but many were temporary. This uncertain future made long-term planning challenging. OBBBA makes most of the 2017 law permanent.

Domestic investment

By restoring 100% bonus depreciation and expensing of domestic research costs (and making both permanent), investment in the US has greater appeal going forward.

Also creates a temporary expensing rule for new US manufacturing facilities.

Global: US more attractive

Many of the international tax changes were designed to encourage movement of capital and intellectual property to the US.

The related deal providing Pillar 2 relief to US multinationals furthers this end.

Trust but verify model

The interactive complexity of the 2017 law forced companies to replace intuition with modeling.

Now OBBBA creates new rules and interactions, forcing taxpayers to go back to the model.

Sustainability?

The bill was largely deficit financed, adding trillions to the debt under conventional estimates. This raises the question of whether future tax increases are inevitable and how that might impact the provisions of OBBBA.

Accounting method changes

Provision

What changed

Why it matters



Bonus Depreciation

100% bonus depreciation made permanent for qualified property acquired after Jan 19, 2025. Expansion for manufacturing facilities.

Encourages domestic capital investment; simplifies asset recovery; book-tax differences grow



R&E Expenses

Permanent repeal of capitalization rules for domestic costs; immediate expensing allowed. Creates option to catch up on deductions back to 2022.

Restores expensing rule; encourages domestic R&D; reduces complexity



Interest Deduction Limit

30% of EBITDA limit permanently replaces 30% of EBIT limit.
(however, unfavorable changes for both GILTI and capitalized interest)

Increases allowable interest deductions; aligns with pre-2022 rules; could unlock more debt financing

International tax changes

Provision



GILTI
(renamed “Net CFC
Tested Income”)

What changed

- Rate increased from 10.5% to 12.6%
- Effective rate increased from 13.125% to 14%
 - Exclusion for tangible assets (QBAI) repealed
 - Allows greater use of foreign tax credits, potentially decreasing effective rate



**FDII (renamed
“FDDEI”)**

Why it matters

Taxpayers with highly-taxed foreign income will generally face a decrease in tax, but rate increases on lower-taxed income.



BEAT

- Rate increased from 13.125% to 14%
 - Eliminates tangible asset hurdle to qualify
 - Expense allocation change may significantly decrease effective rate

Expands eligibility to more exporters, especially those with fewer US tangible assets and high domestic R&E.

- Rate increased from 10% to 10.5%
 - “Super BEAT” NOT enacted

Increases allowable interest deductions; aligns with pre-2022 rules; could unlock more debt financing

Energy credit changes

Provision	What changed	Why it matters
 Terminated	<ul style="list-style-type: none">Qualified commercial clean vehicle credit vehicles acquired after September 30, 2025Alternative fuel vehicle refueling property credit placed in service after June 30, 2026Energy efficient commercial buildings deduction for property beginning construction after June 30, 2026	These commercially-directed credits have been used by many taxpayers as part of their energy efficiency and ESG strategies
 Phased Out	<ul style="list-style-type: none">Wind and Solar: Must begin construction by 7/4/26 or be placed in service by 12/31/27Other technologies retain longer phaseout	Of the energy credits, wind and solar far and away are the most deployed in the market and claimed by corporate taxpayers
 Foreign Entity Limits	Projects that receive “material assistance” from certain foreign entities are not credit eligible	Many projects that rely on components from China may be ineligible for credits

Other key aspects of OBBBA

Provisions

Debt limit increased by \$5T (*expected to sustain borrowing through the 2026 midterm elections*)

Lower individual tax rates and brackets made permanent

SALT cap increased from \$10K to 40K through 2029 (\$500K phase out)

Retaliatory tax on foreign companies DROPPED from final bill (in exchange for Pillar 2 relief for US MNEs)

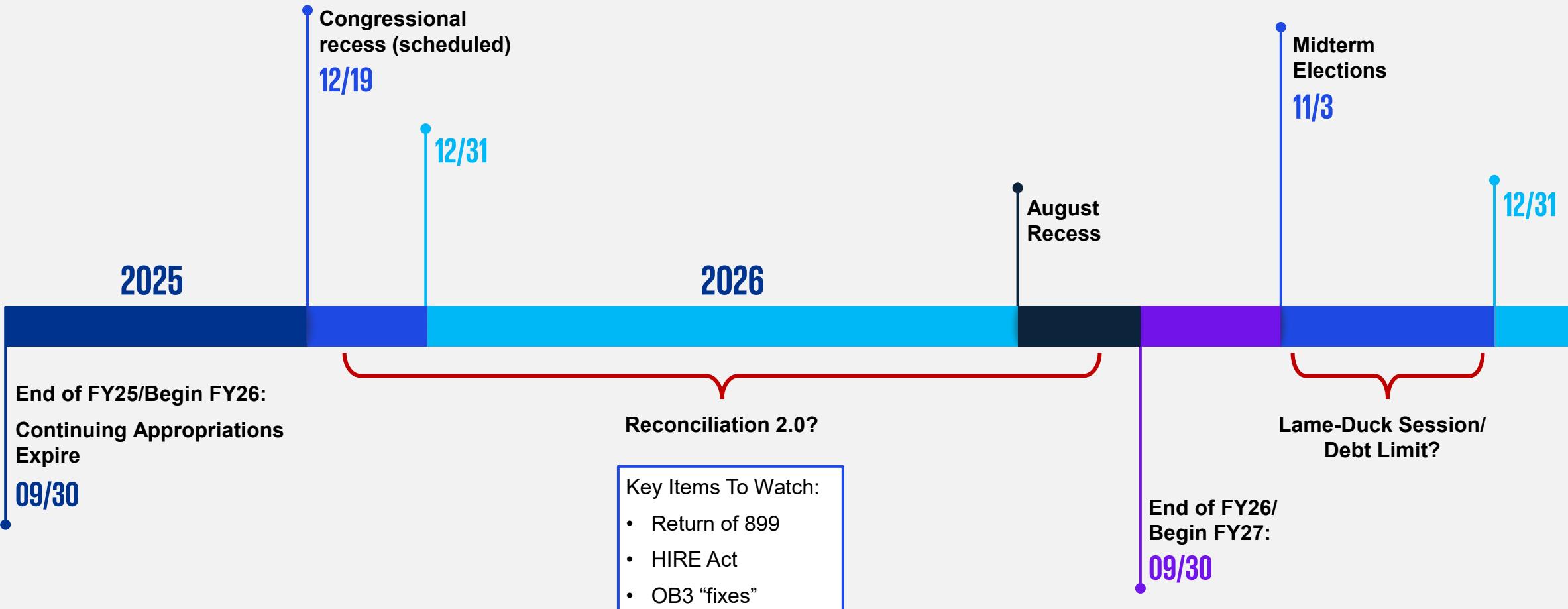
Expanded excise tax on certain university endowments

Numerous proposed tax increases were NOT included such as: Limits on state deductions for corporations, higher rate on stock buyback tax, limitations of deductibility of executive compensation, and carried interest changes

Looking Ahead: What's Next?

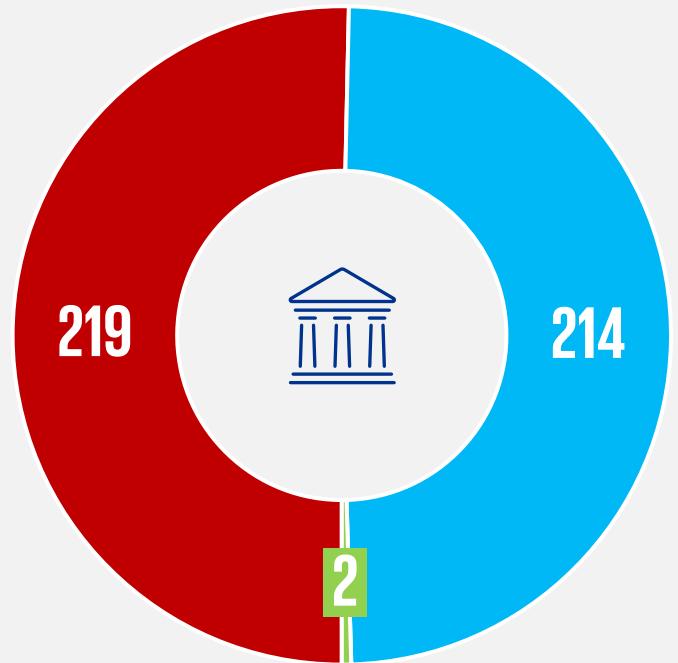


2025-2026 important dates



119th Congress

2025 U.S. House of representatives

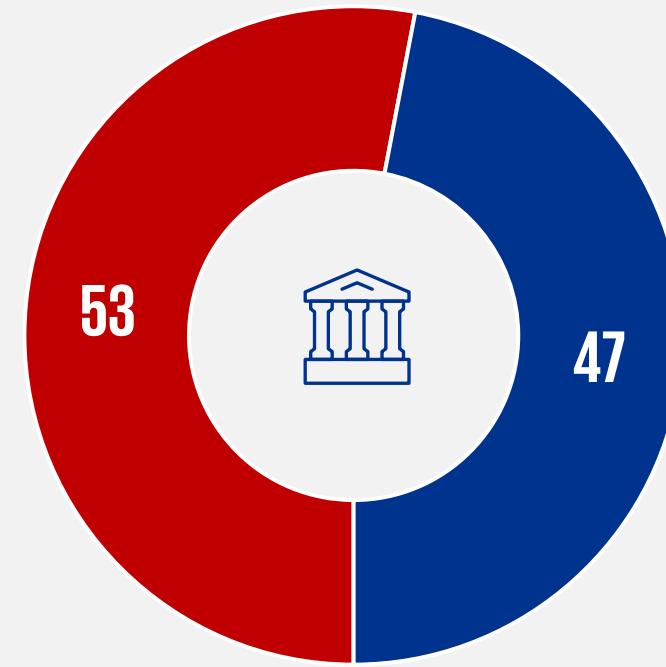


■ Republicans 219

■ Democrats 214

■ Open 2

2025 U.S. Senate

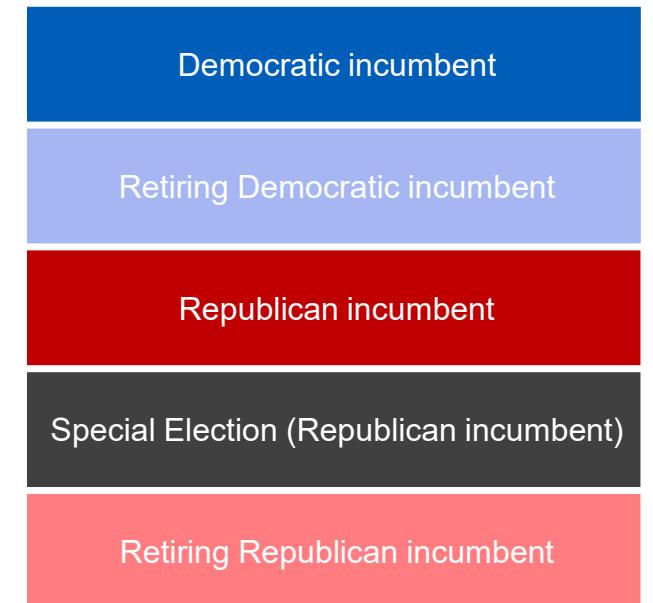
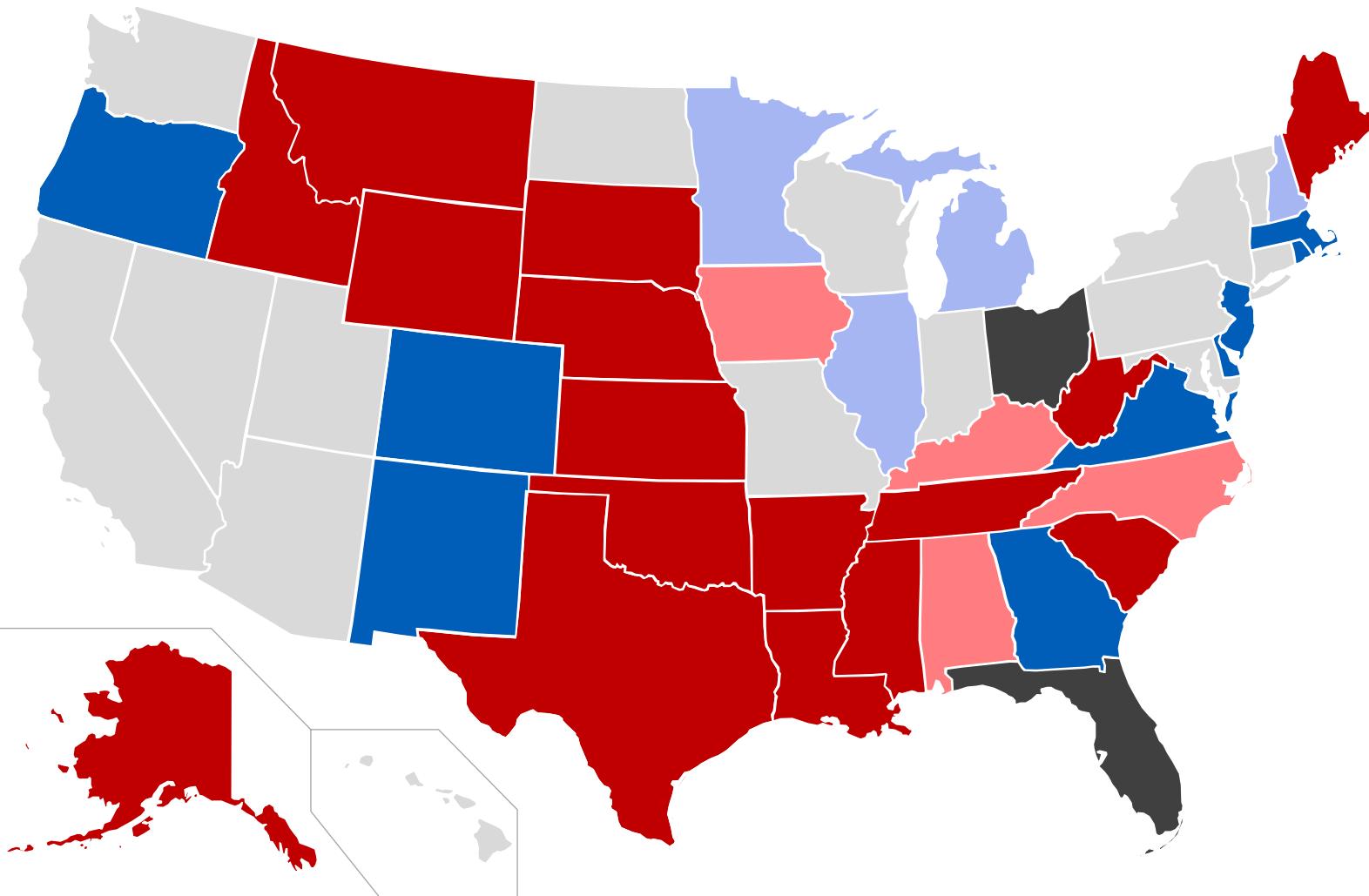


■ Republicans

■ Democrats

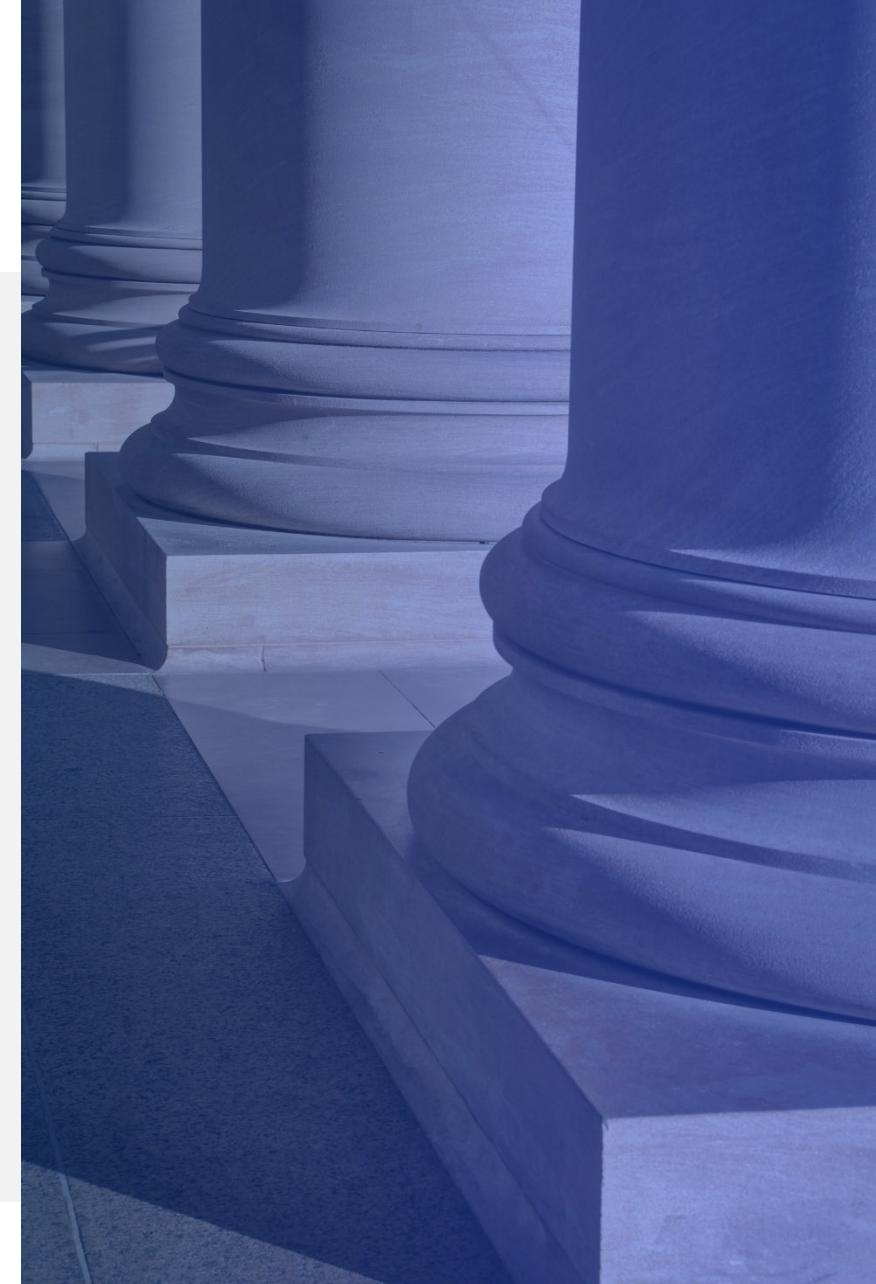
2 independent Senators expected to caucus with the Democrats

2026 Midterm election: U.S. Senate



Resources

Selected resources	Description
Podcast series: <u>Catching up on Capitol Hill</u>	Insights from KPMG professionals about current developments in Washington to help make sense of tax policy discussions – what may happen next, why it's happening, and potential impacts.
<u>Legislative Updates Homepage</u>	Latest tax developments from the United States and from KPMG member firms around the globe
<u>KPMG reports: Tax title for “One Big Beautiful” bill</u>	Analysis and observations on the tax title for the “One Big Beautiful” bill





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