



TAX NEWS & VIEWS PODCAST

Episode - New tax law: Insights and business impact

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Carrie Falkenhayn: From Deloitte tax welcome to the Tax News and Views podcast. In this series, we talk to specialists from Deloitte, about the latest business issues and developments. I'm Carrie Falkenhayn, your host, for Tax News and Views and joining me again today are my frequent guests on tax policy. We have Anna Taylor and Jonathan Traub from Deloitte's Tax Policy Group. And here we are. The bill, we've been calling 'One big, beautiful bill' is now law, and we actually have an 80-page glossy that details all of the provisions in the new law that has been released. So, if you haven't seen it, I'd encourage you to go to Deloitte.com, and search on 'A closer look inside the new tax law', and you'll be able to pull that document up for a complete look at what wasn't enacted. But for now, let's get some tax policy insights. And, Anna, I'm going to start with you. Were you surprised about how fast this bill came together?

Anna Taylor: Yeah, sort of, I mean, Congress really has like 2 speeds. They either go really, really slow or really, really fast. And you know, while elements of what happened in the final days of the process were slow. The overall outcome was incredibly fast given. The scope of the bill and all the challenges that leadership faced in getting it through. I mean, you had policy disagreements. You had the process itself. The reconciliation process is a really complex one that takes a lot of time just to get through. And then you had the politics of it all that had to be worked through as well. So the leaders had a lot of challenges, and I think that they did a really effective job in moving the bill through pretty quickly. And you know, as a mother of a

2-year-old. It reminds me of the old adage, you know. Sometimes the days will crawl by, but the years fly by, and I do think there were maybe moments over the last couple of weeks where we felt like it was crawling, but really it flew by pretty quickly.

Carrie Falkenhayn: So now that it's enacted, were there any surprises coming out of the process?

Anna Taylor: Not a ton of surprises on the substance. We knew that TCJA was going to be the base of the package. You know all of those provisions that were either already stair stepping down in value for some of on some of the business provisions, like 174, 163 J. And bonus depreciation, and then all of those provisions set to expire at the end of 2025, and you know those provisions were, you know, extending those permanently in most cases, really was kind of the foundation of the package, and that's what we expected. We also expected there to be some revenue raisers in the package to pay for part of it. We knew that was gonna come at least partially out of reforms to those clean energy credits that were created in the Inflation Reduction Act, and that happened so that none of that was a surprise. There were a few things I think, worth pointing out you know, we had on the restoration of R&D. Expensing section 174 for domestic only. They did make it permanent, which we expected, but they also included a way for companies to quickly recover amounts that have been deducted, a form of retro-activity that we didn't expect to see that we hadn't really seen talked about, and until it came in to the package towards the end, which was a surprise. And then, while the Senate and the House did include a lot of President Trump's campaign policies like incentives for tips and overtime pay and new car loans. They didn't do them in exactly the way the President might have been talking about on the campaign trail. Those were done as deductions that were maybe not quite as generous as what he'd originally talked about, but it seems like he was comfortable with where they did end up on the policy of those proposals. You know 2 things that we had heard a lot of talk about potentially, that the President had wanted doing some sort of taxation of carried interest not included in the package. And then they did not ultimately include his proposal to provide a new 15% rate for domestic manufacturing. However, while they didn't do that 15% rate, they did include a new bonus depreciation for structures that house manufacturing facilities. So, it wasn't like they did nothing in that space. And then the last thing I'll mention that, I think, was really interesting to watch, as it played out the decision in the final hours to drop the new section 899, which was a retaliatory tax that they were putting in place in response to taxes that were being enforced overseas, that the Administration considered to be unfair taxes, overseas, whether that be digital service taxes or UTPRS, or the like. They dropped that provision, that new retaliatory tax at the last minute in exchange for a statement from the G7 that would appear to allow us companies to live outside the world of UTPRS. You know that was something that was maybe not surprising, particularly for those who had drafted the policy, because that was exactly the outcome they'd been hoping for. But you know, I think a lot of folks are watching with interest to see how that all plays out moving forward. What are the implications going forward in those global negotiations? Since 899 has been put out there as a possibility not included in this final package here, and we'll see if that kind of handshake deal that ended up in that G7 statement holds as things move forward over the next several months.

Carrie Falkenhayn: I'm sure our audience is very interested in how that will play out. John let's get you involved, as we've seen on so many of these, like major bills where they're being done on a party line basis where there's very thin margins of control, the path to passage can be bumpy. What are your reactions to? How this played out?

Jonathan Traub: Yeah, I mean, as Anna well knows, these major reconciliation bills done on a part line basis often live and die a thousand deaths before they finally get across the finish line. The last thing Anna worked on before leaving her time on the staff of Senate. Democratic leader, Chuck Schumer was the Inflation Reduction Act, which began life as builds back better once again. These BBB initials somehow seem to be percolating through Congress, and it can regale us with stories of the times in which it seemed to be dead. And then Manchin said, Well, maybe I could do something on this, and this got revived, and so we saw this bill go through a number of near death experiences where votes were held open extra-long,

and there are negotiations and the holdouts that they wouldn't vote for. And then ultimately, you know, at every step of the way leaders were able to corral the necessary votes until the point at which the final vote. The last vote on the bill on January 3rd in the House to actually concur in the Senate changes was by that point pretty anticlimactic. All of the opposition had been resolved, and sort of Congress was able to pass it really with a kind of a snoozer of a vote, but that hid the fact that along the way there are multiple places in which people said, No, no, no, no, yes, and that's a typical way these bills go along, which is no, no, and then finally, you get the Yes at the very end, and every shakes hands and is happy.

Carrie Falkenhayn: It was interesting, right that the final vote played out that way and was rather anticlimactic. But you know you noted that there were many members, especially in the House, that seemed to want to draw lines in the sand with respect to their opposition of the Senate, past iteration of the bill, but eventually all but 2 voted for it. So what happened there?

Jonathan Traub: Well, there's a couple of answers here, Kerry, one of which is Donald Trump, happened. This bill was so important to him. It was a priority for him to get this across the finish line. It's central to his second term agenda, and I think many members realize that crossing him here was not in their best interest, and that they could fight these fights in other venues, and then many others deserve credit too. I mean speaker Johnson and leader Thune were patient. They listened to their colleagues. They crafted solutions, sometimes finding a very narrow seam that weaved between competing concerns of members, including times when those members were on opposite sides of the same issue. And so, you know, really a remarkable job. Both those men are new in their jobs, relatively speaking, and both, I think, performed exceeded expectations to get it done, and I would extend similar praise to the Chairman of the Ways and Means Committee. Jason Smith, chairman of the Finance Committee, Mike Crapo, their staffs, and who never get the credit they deserve. This was a effort that involved a lot of people, but ultimately in my mind the one that made the biggest difference was the incredible persuasive power Donald Trump has over Congressional Republicans.

Carrie Falkenhayn: All right, Anna, this is now law. What's going to happen next?

Anna Taylor: Well, the hard work of the Regulators is going to begin now, as they try to make you know all of this work. All these different pieces work together and fill in the gaps where the text provides gaps, and you got to keep in mind that on a big bill like this, that in a, in a reconciliation process, where, when you get to the very end of that process, and you know, things are coming in and out really quickly, you know, being responsive to the Parliamentarian, it's hard to imagine there are no drafting errors of any kind, and in all the recent big bills we have seen a need for either regulators to kind of fill in gaps or for some sort of technical corrections package to move through Congress. And you know, on TCJA and IRA in particular, we still have some technical corrections that are sitting there waiting to get done. So, I think, as you know, as we have seen in recent years. We're going to have a process where we may have some rough sledding and uncertainty for companies, individuals, tax practitioners, as they try to figure out how this thing is going to be implemented and how long it's going to take to get all the kind of kinks worked out. And then, of course, on the political side, both parties are going to spend the next year and a half trying to convince voters of either the successes or the failures depending on their perspective of this legislative package ahead of the 2026 elections, and I think we can expect it to be a real focal point, as we do move into the next election cycle.

Carrie Falkenhayn: All right. Well, we'll for certain have a lot more to talk about, as all those things unfold. So, thank you both, and thank you audience for listening, and I'll just reiterate where you can find our document, our 80-page glossy. That goes through all the details of the law. And so, for that you go to Deloitte.com, and search on 'A closer look inside the new tax law'. You can also search on Tax News and Views and sign up for the weekly newsletter that we put out related to tax policy until we talk again. Thank you everyone for joining, and I hope everyone continues to be well, take care!

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