



OBBBA enacted: Key considerations for the investment management industry

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The “One Big Beautiful Bill Act (OBBBA),” formally titled “An Act to provide for reconciliation pursuant to Title II of H. Con. Res.14” (the Act), has become law. This legislation represents a comprehensive tax package that extends key provisions of the Tax Cuts and Jobs Act (TCJA), introduces additional tax relief for individuals and businesses, and includes measures related to national security, border security and domestic energy production. The Act also incorporates various revenue offsets and spending reductions.

Below, we highlight several key tax developments relevant to the investment management industry.

Overview of key provisions

Individual and Business Tax Rates: The individual and business tax rates that were originally established under the TCJA are made permanent, with certain modifications – such as adjusted rates for global intangible low-taxed income (GILTI), foreign-derived intangible income (FDII) and the base erosion and anti-abuse tax (BEAT).

State and Local Tax (SALT) Deduction Cap: For tax years 2025 to 2029, the cap on the state and local tax deduction is increased to \$40,000 for taxpayers with modified adjusted gross income (MAGI) of \$500,000 or less, with a steep phase-out of the increased cap for MAGI between \$500,000 and \$600,000. For taxpayers with MAGI of \$600,000 or more, and for all taxpayers after 2029, the cap remains \$10,000.

Pass-Through Entity Tax (PET) Elections: Pass-through entity tax elections are not impacted by this legislation and continue to be a potential planning opportunity to mitigate the state and local tax deduction cap.

Other Income-Based State and Local Taxes: Other income-based state and local taxes, such as the New York City Unincorporated Business Tax (UBT), remain deductible and are unaffected by this legislation.

100% Expensing for Certain Nonresidential Tangible Assets: The legislation extends full expensing for certain nonresidential tangible property. This provision continues to offer significant incentives for capital investment, particularly for investment management clients with ongoing or planned asset acquisitions.

Endowment Tax: The Act modifies the endowment tax from a flat 1.4% on net investment income (NII) with a tiered system ranging from 1.4% to 8% based on a calculation for an applicable institution's student adjusted endowment.

Immediate Expensing of R&E Costs: The legislation allows for the immediate expensing of research and experimental (R&E) costs, which were previously required to be capitalized and amortized over five years.

Qualified Business Income Deduction Under Section 199A:

The qualified business income (QBI) deduction under Section 199A is permanently extended, providing continued tax relief for pass-through businesses.

Interest Expense Limitation Under Section 163(j):

The limitation on the deductibility of business interest expense is now calculated based on earnings before interest, taxes, depreciation and amortization (EBITDA). This results in a broader base of deductible interest, which may create greater deductions for leveraged investments.

Excess Business Loss Limitation Under Section 461(l):

The limitation on excess business losses is made permanent. Business losses are disallowed to the extent they exceed the sum of business income and an inflation-adjusted threshold (\$610,000 for joint filers and \$305,000 for single filers in 2025).

Taxation of carried interest under Section 1061:

The taxation of carried interest under Section 1061 remains unchanged. In general, investment managers who recognize gain on applicable partnership interests may continue to obtain long-term capital gain treatment if their holding period exceeds three years.

Enforcement of remedies against unfair foreign taxes under Section 899:

The proposed Section 899 provisions, which would have enacted a US response to “unfair foreign taxes” imposed on US companies by “discriminatory foreign countries” were removed from the final legislation.

For additional insights, please see our publication, [A Closer Look: Inside the New Tax Law](#), which provides in-depth commentary and side-by-side comparisons of prior and current law.

Endnotes

1. H.R. 1 - 119th Congress, [One Big Beautiful Bill Act](#), (2025. May 21).

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