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Trump Signs Sweeping Tax Bill Into Law, With Major Implications for Corporate Clients Worldwide

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President Trump has signed into law a comprehensive tax reform package that permanently extends several expiring provisions of the Tax Cuts and Jobs Act (TCJA) and enacts key tax measures central to his 2024 reelection campaign. The legislation, signed during a July 4th ceremony at the White House, carries significant implications not only for individual taxpayers but also for corporate clients operating both within and outside the United States.

Key Provisions for Individuals:

The new law makes permanent several TCJA individual tax provisions that were previously set to expire at the end of this year, including lower individual income tax rates and an expanded standard deduction. It also raises the cap on the state and local tax (SALT) deduction from $10,000 to $40,000. Additional provisions eliminate federal taxes on tip income and overtime pay for eligible workers, introduce a new deduction for seniors, and allow taxpayers to deduct car loan interest payments—an uncommon benefit in prior tax regimes.

Expansion of Exclusion of Gain on Sales of Qualified Small Business Stock:

This valuable exclusion under Section 1202 has become even more attractive in three respects. First, the holding period for eligibility for these tax benefits has been extended from three to five years. Second, the size of corporations eligible to issue stock for this exclusion has been expanded from 50 million of gross assets to 75 million of gross assets adjusted for inflation. Third the cap on the maximum amount of gain excludable rises from 10 million dollars to 15 million dollars adjusted for inflation. The above rules applied to stock issued after July 4, 2025.

Corporate Tax Changes Affecting U.S. and Global Businesses:

For corporate clients, the legislation solidifies and extends the reduced corporate tax rate of 21% introduced under the original TCJA, which remains highly favorable compared to pre-2017 levels. The bill also introduces new incentives aimed at stimulating domestic investment, including enhanced immediate expensing of capital investments and expanded deductions for research and development (R&D) expenses.

Multinational corporations are significantly affected by provisions that tighten rules on profit shifting and offshore income. The legislation modifies the Global Intangible Low-Taxed Income (GILTI) rules to increase the minimum tax on foreign earnings and introduces stricter anti-base erosion measures. While these changes aim to reduce the incentive for U.S. corporations to shift profits abroad, they could increase effective tax rates for multinationals with substantial non-U.S. operations.

Additionally, the bill enhances the Foreign-Derived Intangible Income (FDII) deduction to encourage exports of U.S.-produced goods and services. However, international clients with operations or investments in the U.S. should carefully assess the new outbound payment rules and transfer pricing adjustments, as these may impact cross-border transaction costs and tax liabilities.

Impact on International Clients:

For corporate clients outside the U.S., the legislation may indirectly affect investment decisions, especially for foreign companies with significant U.S. market exposure. Stricter inbound investment rules and changes to withholding taxes on certain cross-border payments could alter the after-tax profitability of U.S. ventures. Additionally, with the U.S. further distancing itself from the global minimum tax framework agreed to by OECD countries, international businesses may face increased complexity in navigating conflicting tax regimes.

Fiscal Impact and Energy Policy Rollbacks:

The Joint Committee on Taxation (JCX-35-25) estimates that the bill will add approximately $4.5 trillion to the federal deficit over the next decade, a figure that has drawn criticism from fiscal conservatives. The legislation also rolls back several clean energy tax credits introduced under President Biden's Inflation Reduction Act, although some Republican lawmakers argue the cuts do not go far enough.

Implementation and Next Steps:

In anticipation of the bill's passage, the Treasury Department and the IRS have already mobilized teams to develop guidance for the implementation of the new provisions. Corporate taxpayers—especially multinationals—are advised to closely monitor forthcoming regulations and consider proactive adjustments to tax strategies, transfer pricing policies, and cross-border financing arrangements.

The full effects of this landmark legislation will unfold over time, but it is clear that both U.S. and international businesses face a new and evolving tax landscape that demands careful analysis and strategic planning.

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