

One Big Beautiful Bill Act Key Provisions and Impacts



The One Big Beautiful Bill Act (OBBBA) made sweeping federal tax changes. As Massachusetts is a rolling conformity state, these changes raise several important questions about how and when the Commonwealth might align. Below is a breakdown of key provisions and their potential impacts for Massachusetts taxpayers and practitioners.

Section 174—Research and Development (R&D) Expensing Restored

Federal Changes

- Starting in 2025, businesses can fully expense domestic R&D costs under new Section 174A.
- Foreign R&D must still be amortized over 15 years.
- Small businesses meeting IRC §448(c) may retroactively adopt full expensing for 2022–2024.
- Starting in 2025, taxpayers can elect to expense R&D in full or over two years (2025–2026).

Massachusetts Implications

- Massachusetts updated its conformity date to January 1, 2024, so corporate taxpayers will conform.
- S-corporations in Massachusetts follow MGL Ch. 62 and may not yet conform.
- Legislative action may be needed to extend conformity to small businesses.

From Global Intangible Low-Taxed Income (GILTI) to Net CFC Tested Income (NCTI)—International Tax Shift

Federal Changes

- Effective after December 31, 2025, GILTI is replaced by NCTI.
- NCTI maintains a minimum tax on foreign income with fewer adjustments.

Massachusetts Impacts

- Massachusetts may continue applying GILTI unless conformity is updated.
- Narrower NCTI may reduce corporate tax collections and impact revenue.
- Dual federal/state reporting may arise, which adds complexity.
- Legislative updates or guidance will likely be needed.
- Policy questions: Will Massachusetts conform to NCTI, and how will it affect revenue and compliance?

Section 179 Expensing—Expanded at the Federal Level

Federal Changes

- Deduction limit increased to \$2.5 million; phase-out threshold to \$5 million.
- Both indexed for inflation beginning in 2026.
- Expanded to include certain structural improvements and cloud-based software.
- Applies to property placed in service on or after January 1, 2025.

Massachusetts Impacts

- Massachusetts caps Section 179 at \$25,000 with a \$200,000 phase-out.
- Static conformity means new federal changes won't apply unless Massachusetts law is updated.
- Software and building improvements may not qualify under current Massachusetts law.

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One Big Beautiful Bill Act Key Provisions and Impacts (continued)

1099-K, 1099-NEC and 1099-MISC—Threshold Reversal in OBBBA

Federal Changes

- Repeals the \$600 1099-K threshold.
- Restores \$20,000 + 200 transactions threshold (effective 2026).
- Increases 1099-NEC and 1099-MISC thresholds to \$2,000 (starting 2026, indexed).

Massachusetts Requirements (Unchanged)

- Massachusetts retains \$600 threshold for 1099-K, 1099-NEC and 1099-MISC.
- Third Party Settlement Organizations (TPSOs) must report payees with a Massachusetts address receiving \$600+.
- State-level filing is required regardless of federal changes.

Practitioner Considerations

- Dual reporting regimes will continue.
- Clients may receive state-only 1099s even without a federal trigger.
- Tax software and procedures must accommodate Massachusetts-specific thresholds.

What's Next

Over the next several months, we anticipate the Massachusetts Legislature will evaluate the impact of the new law on the Commonwealth's tax regime. In general, the Massachusetts Tax Code conforms to the Internal Revenue Code for business tax purposes and conforms to the code as of January 1, 2024, for individual tax purposes. There are several areas that Massachusetts has chosen to decouple from the Internal Revenue Code, many of which are outlined at masscpas.org/obbba25sd.

MassCPAs will be an active participant in those conversations. Please reach out with any questions, comments or feedback—we would love to hear from you!

For more information

Contact MassCPAs Government Affairs Manager
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any questions and to learn about next steps.

