What to expect in the year ahead

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Aug. 15, 2024

Federal Tax Reform

What to expect

May 19, 2025

Media Financial Management

2025 Annual Conference

Joining from RSM

Victor Kao
Partner – RSM National Media and Entertainment Leader

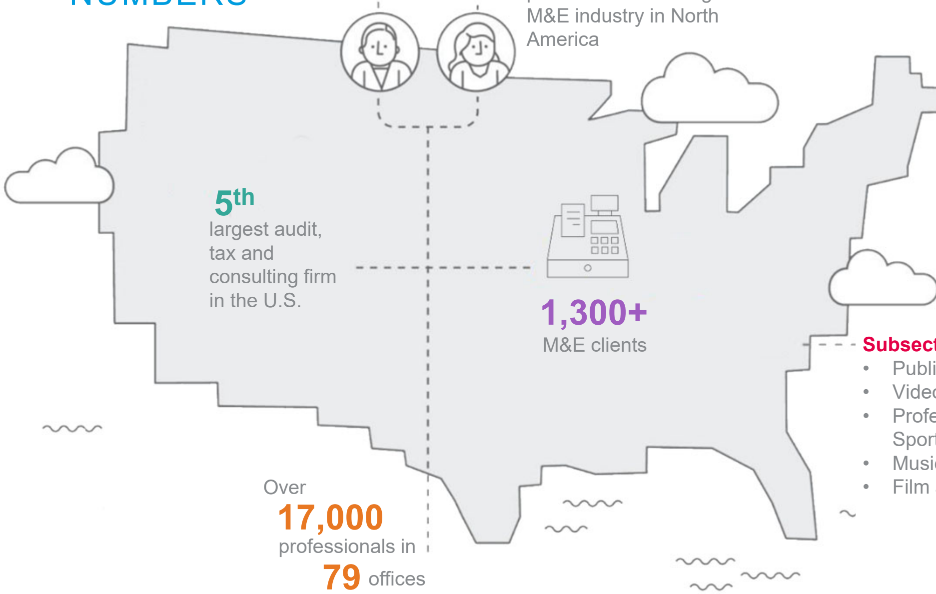
Ryan Corcoran
Partner – RSM Washington National Tax

Our media and entertainment practice overview

Victor Kao
National Media and Entertainment Leader

Victor leads our overall Media and Entertainment sector and has led businesses confidently through a rapidly evolving industry. As a risk consulting partner, he has helped transform companies through their digital journey and optimized processes and technology.

RSM BY THE NUMBERS



200+ professionals serving the M&E industry in North America

5th largest audit, tax and consulting firm in the U.S.

1,300+ M&E clients

Subsectors:
- Publishing
- Video Gaming and eSports
- Professional and Collegiate Sports
- Music and Radio
- Film and Television

Over **17,000** professionals in **79** offices

Overview of the practice

RSM's audit, tax and business consulting professionals are committed to serving and advising media companies as they pursue their business objectives and improve their performance through the most challenging business cycles.

We have significant experience working with media companies of all sizes and in various stages of their life cycle, whether as full-service providers or on a project basis.

Our clients range from SEC registrants and private equity-backed companies to family-owned businesses and cover all industry sectors, including publishing, TV and radio broadcasting, video gaming and eSports, professional and collegiate sports, music and motion pictures and television.

Multi-disciplined teams to address complex business issues

The media and entertainment industry is undergoing a dramatic transformation with the rise of digital and changing consumer preferences, and organizations across the sector are seeking to meet that evolution head-on.

Our professionals understand that all media organizations, even those successfully tapping into the digital ecosystem, are dealing with new challenges and processes.

By aligning with RSM, you will have access to the experience and insight you need to take your business to the next level. Through the mobility of our resources, we provide the right people in the right place at the right time to serve our clients.

We deploy a national practice serving companies in the U.S. and abroad.

One, Big, Beautiful Bill

Current state of play

House Ways & Means Committee approves expanded legislative proposal, but key hurdles remain

- Republicans on the Ways and Means Committee of the U.S. House of Representatives on May 14 advanced a broad package of proposed tax benefits and revenue raisers, as their highly anticipated tax bill comes together.
- Key proposals would make permanent many expiring provisions of the Tax Cuts and Jobs Act of 2017, restore favorable tax treatment of various business expenses, phasedown or terminate several clean energy business tax incentives and respond to what are deemed unfair foreign taxes.
- The Joint Committee on Taxation estimated the tax package would add $3.8 trillion to the federal deficit over the next 10 years.
- On May 16, the House Budget Committee voted no to advance the bill forward. This was resolved last night with several Republican members voting present to allow the bill to move out of Committee
- Once through Committee, it will go to the House floor for a vote, and assuming passage, will go the Senate where it could undergo significant change
- Republicans seeking passage in the full House by Memorial Day and enactment by July Fourth.

Tax reform: Key factors

Environment

Priority tax positions
- SALT caucus
- Reductions in spending
- Permanency
- Remaining priorities of President Trump

Different rules
- Senate procedural rules

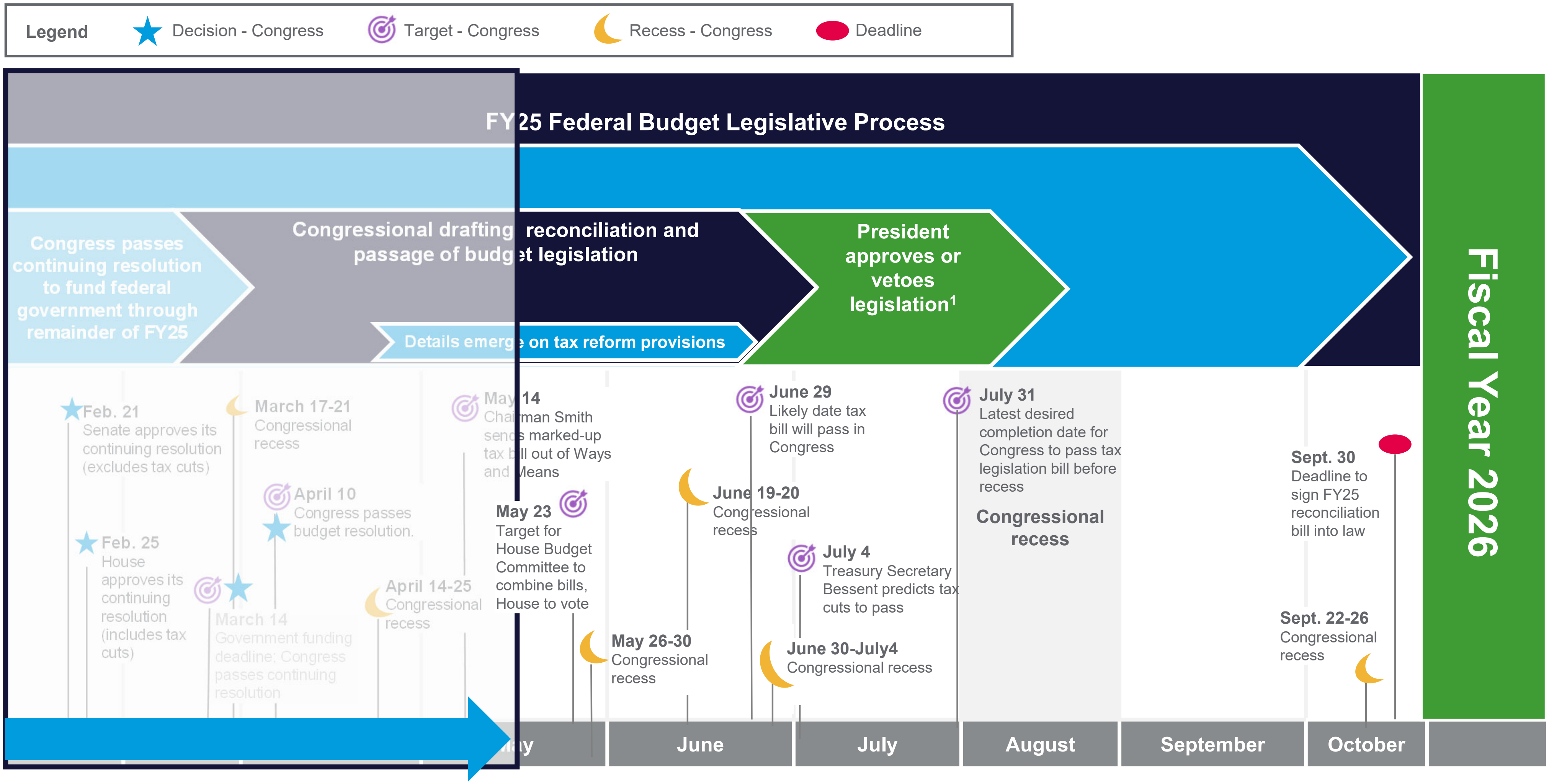
Level of agreement

- How much to cut and when do phasedowns/cuts begin?

Content

Entire Internal Revenue Code, including:
- Expiring and permanent TCJA provisions
- Trump campaign proposals, e.g., no tax on tips, 15% rate for U.S. manufacturers, immediate deductibility of certain capital costs

Federal tax reform legislative timeline – FY25



“The One Big Beautiful Bill” - overview

120 provisions

389 pages of legislative text

427 pages of Joint Committee staff explanation

$3.8 trillion of net revenue reduction over **10 years**

Combination of
- Revenue raisers
- Tax cuts

Combination of
- Temporary provisions
- Permanent provisions

Effective dates vary

Key proposals

Key proposals

Make permanent many provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) before they expire at the end of 2025

Restore more favorable tax treatment for capital expensing, R&D and interest expense

Accelerate the phaseout of most IRA clean energy business tax incentives, terminate most energy credits for individuals, and phase out credit transferability

Respond to OECD Pillars One (DST) and Two (Global minimum tax)

Business provisions

Business provisions

Bonus depreciation

- Extension of 100% allowance for certain property acquired and placed in service after January 19, 2025, and before January 1, 2030 (January 1, 2031, for longer production period property and certain aircraft)
- Also extends treatment for specified plants planted or grafted after January 19, 2025, and before January 1, 2030

Qualified production property

- New category of bonus eligible property
- A qualified production activity is the manufacturing, production, or refining of a qualified product. Such activities of the taxpayer must result in a substantial transformation of the property comprising the product.

Research expenses

- Reinstate immediate expensing for domestic R&D expenditures incurred in tax years 2025 through 2029.
- Foreign expenditures continue to capitalize and amortize over 15 years
- Cut-off transition

Business interest limitation

- Reinstates the EBITDA limitation under section 163(j) for taxable years beginning after December 31, 2024, and before January 1, 2030
- Modifies the definition of “motor vehicle,” for purposes of the floor plan financing interest and floor plan financing indebtedness definitions

Business provisions

Section 179

- For property placed in service in taxable years beginning after December 31, 2024, the maximum amount a taxpayer may expense under section 179 is increased to $2,500,000 and the phaseout threshold amount is increased to $4,000,000.

Qualified sound recording productions

- Expands the special expensing rules under section 181 to include aggregate qualified sound recording production costs of up to $150,000 per taxable year
- For section 181 expensing, sound recordings must commence after date of enactment and before Jan. 1, 2026
- However, qualified sound recordings not expensed under section 181 are 100% bonus eligible if productions are placed in service before 2029

Small business taxpayers

- For manufacturing taxpayers, the gross receipts threshold is increased to $80 million indexed for inflation. The expected 2026 inflated amount is $100 million
- Effective for taxable years beginning after Dec. 31, 2025

Section 197 amortization

- Places 50% limitation on amortization of acquired sports franchises or any other section 197 intangibles acquired in connection with such a franchise

International

International provisions

Section 250 rates

- Permanent extension of Section 250 Deduction for Global Intangible Low-Taxed Income (GILTI) and Foreign-derived Intangible Income (FDII)
- 10.5% effective tax rate for GILTI (based on 50% deduction)
- 13.125% effective tax rate for FDII (based on 37.5% deduction)
- Effective for tax years beginning after December 31, 2025

Base Erosion Anti-Abuse Tax (BEAT)

- Permanently reduces the rate from 12.5% to 10%
- Effective for tax years beginning after December 31, 2025

GILTI exclusion

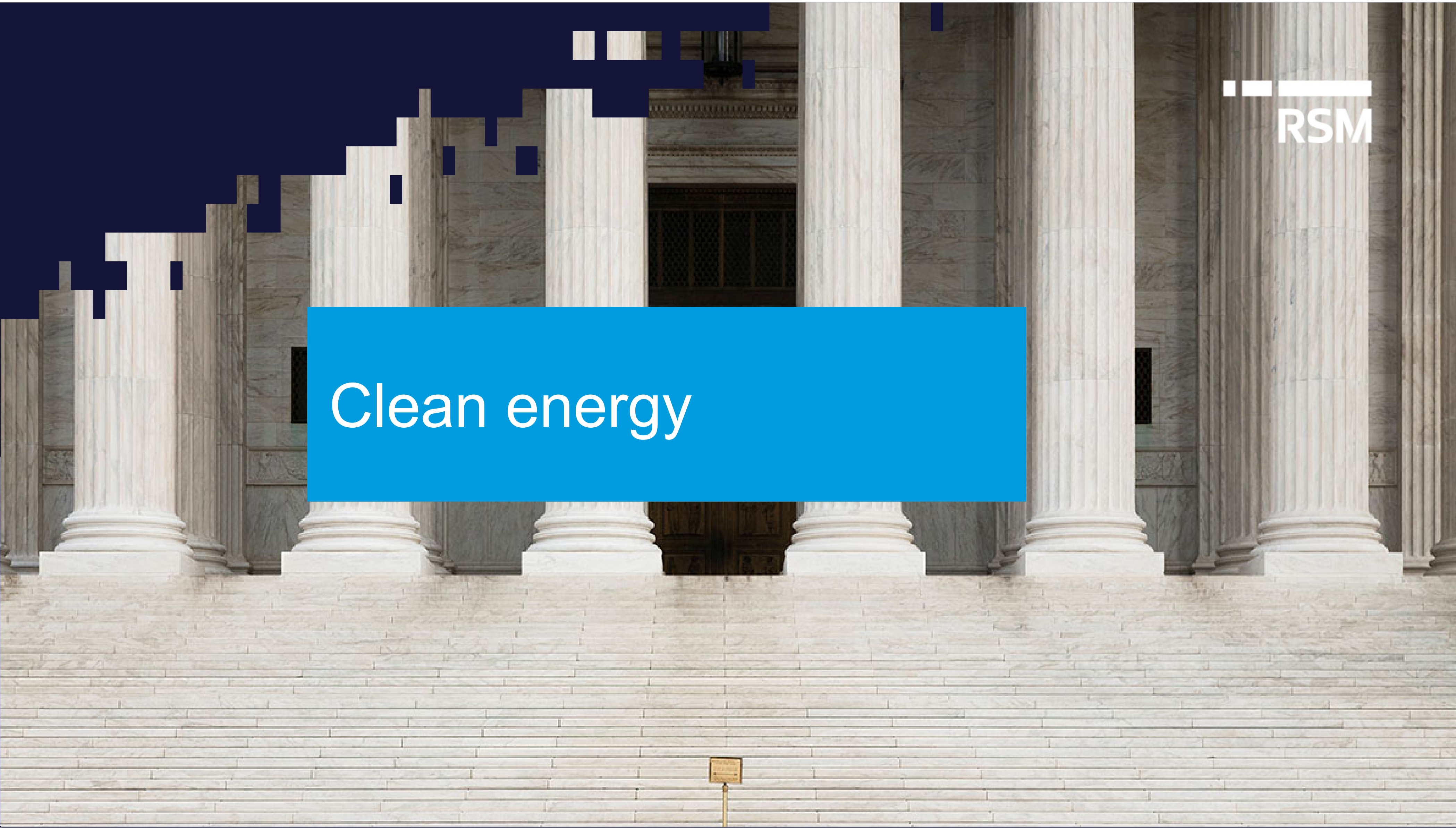
- Amends § 951A(c)(2)(A)(i) to exclude Qualified Virgin Islands Services Income (QVSI) from tested income under GILTI
- Effective for tax years of foreign corporations beginning after enactment.

International provisions

Unfair Foreign Taxes

- A new provision that would impose increases in tax rate for resident individuals and entities in identified non-U.S. countries
- Includes digital services taxes (DSTs), undertaxed profits rule (UTPRs), diverted profits taxes, and other foreign taxes disproportionately affecting U.S. persons
- The applicable number of percentage points is five percentage points for the first year starting from the applicable date for a discriminatory foreign country, plus an additional five percentage points for each subsequent annual anniversary (up to 20% cumulative)
- Treasury will publish a quarterly list of jurisdictions imposing such taxes and each country's applicable date to compute the increased tax rates
- IRS can deny foreign tax credits and impose increased withholding or gross-basis taxes on affected foreign persons. This provision coordinates with BEAT (Section 59A) and is effective upon enactment

Clean energy



Clean energy tax credits and incentives

Termination of Previously-Owned Clean Vehicle Credit **(Dec. 31, 2025)**	**Termination of Clean Vehicle Credit** **(Dec. 31, 2025)**	**Termination of Qualified Commercial Clean Vehicles Credit** **(Dec. 31, 2025)**	**Termination of Alternative Fuel Vehicle Refueling Property Credit** **(Dec. 31, 2025)**	**Termination of Energy Efficient Home Improvement Credit** **(Dec. 31, 2025)**
Termination of Residential Clean Energy Credit **(Dec. 31, 2025)**	**Termination of New Energy Efficient Home Credit** **(Dec. 31, 2025)**	**Phase-out and Restrictions on Clean Electricity Production Credit**	**Phase-out and Restrictions on Clean Electricity Investment Credit**	**Repeal of Transferability of Clean Fuel Production Credit** **(Dec. 31, 2027)**
Restrictions on Carbon Oxide Sequestration Credit	**Phase-Out and Restrictions on Zero-Emission Nuclear Power Production Credit**	**Termination of Clean Hydrogen Production Credit** **(construction begins after Dec. 31, 2025)**	**Phase-out and Restrictions on Advanced Manufacturing Production Credit**	**Phase-out of Credit for Certain Energy Property**

Income from Hydrogen Storage, Carbon Capture Added to Qualifying Income of Certain Publicly Traded Partnerships Treated as Corporations

Individual and estate provisions

Individual provisions

TCJA permanence

- Make permanent the tax rates and brackets enacted by the TCJA. Taxpayers in all brackets except the 37% bracket would be provided with a tax reduction through an inflation adjustment
- Make permanent the standard deduction enacted by the TCJA and increase it by $1,500 for 2025 through 2028

TCJA permanence

- Eliminate personal exemptions
- Make permanent the increased AMT exemption and phase-out thresholds
- Increase the child tax credit to $2,500 for 2025 through 2028; make permanent the additional child tax credit ($1,700 in 2025). After 2028, the child credit would revert to $2,000

SALT

- Increase the SALT cap to $30,000 ($15,000 for a married taxpayer filing a separate return)
- For taxpayers with modified adjusted gross income over $400,000 ($200,000 for a married taxpayer filing a separate return), the cap would phase down 20% of the excess until it reaches $10,000 ($5,000 for married taxpayers)

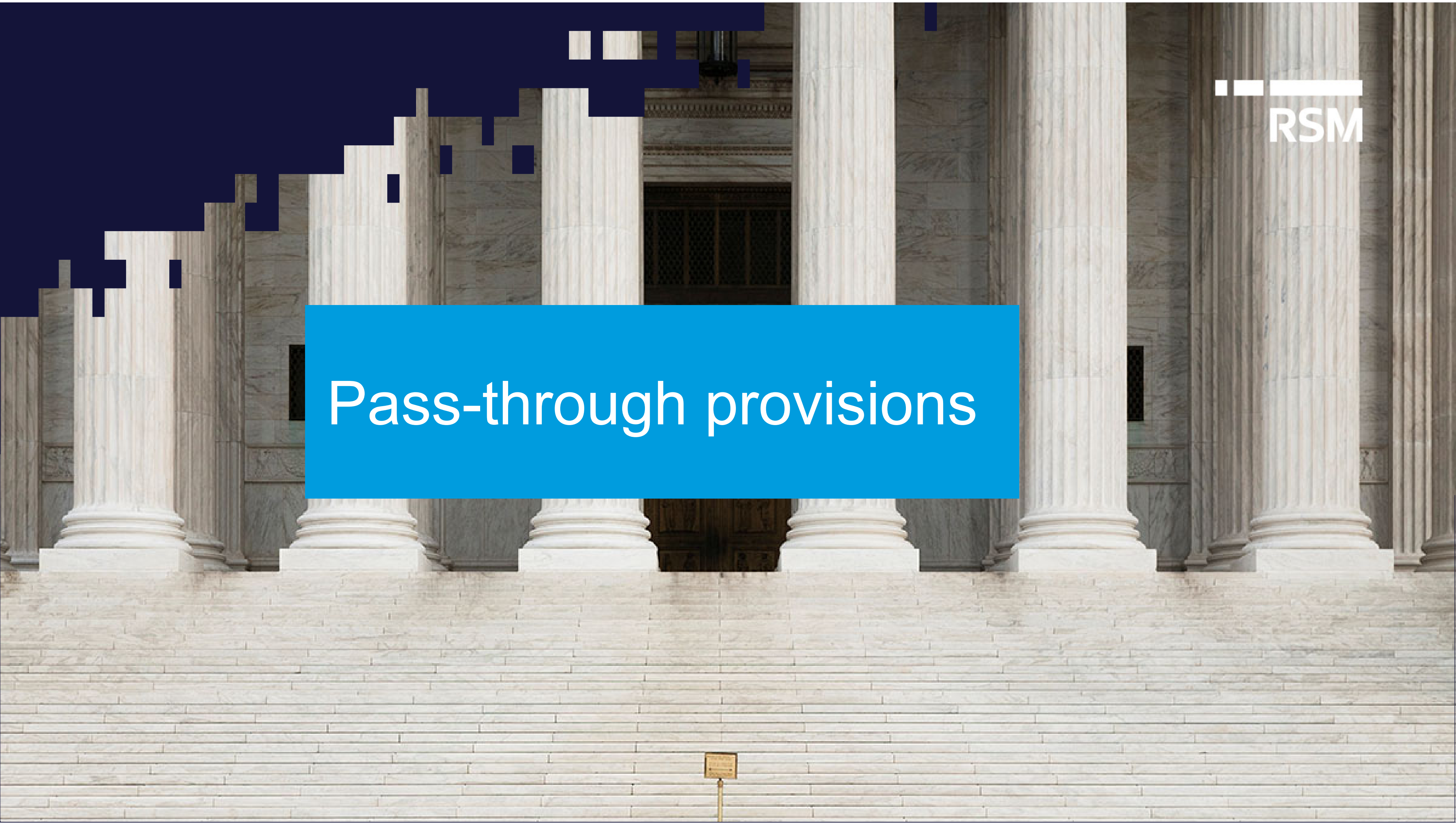
Others

- Reinstate a partial nonitemizer charitable deduction for calendar years 2025 through 2029
- Introduce income tax deductions equal to tips and overtime compensation received

Individual provisions

Estate, gift, and generation-skipping transfer tax

- Increase the estate, gift, and generation-skipping tax exemption amounts to $15 million, adjusted for inflation, and make them permanent, compared to the TCJA's temporary $10 million exemption that was adjusted for inflation to $13.99 million in 2025. The $15 million amount would be indexed for inflation for transfers after 2027



Pass-through provisions

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Pass-through specific provisions

Qualified business income

- Increase the qualified business income (QBI) deduction from 20% to 23%—and make it permanent, with restructured changes to the income limitations and thresholds. The proposal would also extend eligibility for the deduction to certain interest dividends paid by qualified business development companies

Pass-through entity tax elections

- Disallow the ability of partnerships and S corporations not qualifying for the qualified business income deduction to utilize state PTET elections to avoid the SALT cap

Excess business loss limitations

Make permanent the limitations on business losses allowed to offset other income and require any amount not allowed in the current year to continue to be subject to the limits instead of being allowed as a net operating loss in future years.


Other

Other notable provisions

Employee retention tax credits (ERTC)

- Expand the scope of existing penalties to address ERTC-specific misconduct, and bar allowance of refunds claimed after Jan. 31, 2024. The proposals would extend the statute of limitations giving the IRS significant additional time to make adjustments to ERTC claims and related income tax deductions

• Disaster relief and casualty losses

- Make permanent the TCJA rules related to casualty loss. Designate any federally-declared disasters through date of enactment as “qualified disaster losses” for personal property

Opportunity zones

- Renew and modify the opportunity zone program, including modified definitions, criteria, investment incentives and reporting requirements

Coming up

Next steps

- House Rules Committee
  - Meeting 1am, Wednesday morning
- House floor
  - Will they be working over the weekend?

No SALT, no deal

- What is the magic SALT number?
- Changes to pass-through entity tax regime?
- Will any negotiated increases in SALT deduction cap be offset?

Movement to Senate

- Desire for permanency
- Procedural rules
- Competing priorities
- Looking for revenue?
  - H.R. 3010 – “No Handouts for Drug Advertisements Act”?
  - Corporate SALT deductions?

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RSM US LLP

30 South Wacker Dr
STE 3300
Chicago, IL 60606

T 312.634.3400
rsmus.com