



Global Tariffs, OBBB, and Pillar II/G-7 Side-By-Side Agreement Updates

Portland Tax Forum

January 22, 2026

Tariffs Overview

US Tariff Calendar

2025

2026

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sept

Oct

Nov

Dec

Jan

1/20: American First Trade Policy



2/13: Fair and Reciprocal Plan Announced



3/12: 25% on Steel and Aluminum



4/2: Liberation Day



5/8 UK Trade Deal Signed



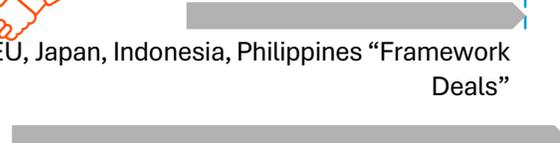
Vietnam Preliminary Trade Deal 7/2



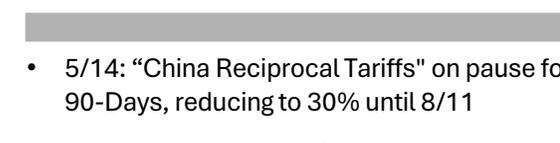
7/4 H.R. 1 "One Big Beautiful Bill Act"



EU, Japan, Indonesia, Philippines "Framework Deals"



4/10: Country "Reciprocal Tariffs" on pause for 90-Days, extended until 8/1



- 5/14: "China Reciprocal Tariffs" on pause for 90-Days, reducing to 30% until 8/11
- 7/7 List of letters sent for updates rates
- 8/1 new rates posted after pause, go into effect 8/7

9/25: EO on PhRMA, Furniture, and heavy truck tariffs

9/18: U.S. Supreme Court schedules the government's appeal of the Federal Circuit's decision on President Trump's use of IEEPA; oral arguments occurred on November 5th

- 8/11: President Trump further extended the pause on the China tariff escalation which was extended at October APEC meetings.
- 8/29: The Federal Circuit's affirmed the Court of International Trade's decision against the government on the President's use of IEEPA to impose tariffs.

11/4: Off-year state and local elections

11/15: EO providing tariff relief for beef, tomatoes and bananas

12/23: Delay tariffs on Chinese legacy semiconductors for 180 days, i.e. to June 23, 2027

12/31: EO providing delays on tariffs on upholstered furniture, kitchen cabinets, and vanities

1/15: Section 232 tariffs of 25% on certain advanced AI and computing semiconductors with exceptions for data centers, repairs, domestic R&D, etc. with contemplation of further negotiations with key trading partners; NOTE: U.S. and Taiwan entered into a trade and investment agreement

Today

TBD Trade Areas

- Pharmaceutical Tariffs
- Semiconductor Tariffs
- China and MX Trade Deals
- 301 / 232 Investigations

Domestic Overview



H.R 1, the One Big Beautiful Bill Act, as enacted

Key tax provisions

Individual tax provisions	H.R. 1 as enacted
Individual tax rates, including 37% top individual tax rate	Make permanent, with inflation adjustments for the 10% and 12% brackets only
Higher standard deductions	Make permanent, with an additional permanent increase in current standard deductions
Section 199A qualified business income deduction	<p>Makes the 20% deduction permanent</p> <p>Expands the deduction limit phase-in range by increasing the \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000</p> <p>Introduces a new minimum pass-through deduction of \$400 for taxpayers with at least \$1,000 of qualified trade or business income from any qualified trade or business in which the taxpayer materially participates (within the meaning of Section 469(h))</p>
Excess business loss limitation Section 461(l)	<p>Make permanent</p> <p>Resets the inflation adjustments for the \$250,000 (\$500,000 for joint filers) loss thresholds</p> <p>Does not change carryover rule; retains treatment of disallowed excess business loss as an NOL</p>
Child tax credit	Make permanent an increased \$2,200 child tax credit
SALT cap	<p>Increases temporarily the previous \$10,000 SALT cap to \$40,000 for tax years beginning after December 31, 2024 (\$20,000 in the case of a married individual filing a separate return); higher SALT cap would begin to phase out for incomes above \$500,000 (\$250,000 in the case of a married individual filing a separate return), but not below \$10,000 (\$5,000 in the case of a married individual filing a separate return)</p> <p>Sunsets the \$40,000 cap for tax years beginning after December 31, 2029, at which point the SALT cap would revert to \$10,000</p>
State-level rules for pass-through entity taxes (PTETs)	Does not include new federal limits to the use of PTETs

H.R 1, the One Big Beautiful Bill Act, as enacted

Key tax provisions

Individual tax provisions (cont.)	H.R. 1 as enacted
Overall limitation on individual itemized deductions	<p>For individuals taxed at the top 37% rate, the value of otherwise allowable itemized deductions would be limited to 35%, for tax years beginning after 2025</p> <p>Clarifies that the limitation does not apply to the 199A deduction</p>
Charitable deductions	<p>Permanently reinstates a charitable deduction for non-itemizers (\$1,000; \$2,000 if filing jointly)</p> <p>Creates a new, permanent nonrefundable income tax credit (rather than a deduction) for individuals who make qualified contributions of cash to a "scholarship granting organization." The credit would be limited to \$1,700.</p> <p>Permanently extends the increase in percentage limitations from 50% to 60% for cash donations to public charities</p> <p>Imposes a new 0.5% floor on the charitable contribution deduction for individuals who itemize deductions</p>
Alternative Minimum Tax	<p>Permanent extension of increased AMT exemption amounts</p> <p>Reverts the exemption phaseout thresholds to 2018 levels of \$500,000 (\$1,000,000 in the case of a joint return), indexed for inflation thereafter</p> <p>Modifies the phaseout of the AMT exemption to 50% of alternative minimum taxable income in excess of thresholds (rather than 25%)</p>
Certain disaster related personal casualty losses	<p>Makes permanent starting in 2026 the deduction of personal casualty and theft losses if tied to a federally declared disaster and exceed 10% of AGI, and expands limitation to include state-declared disasters.</p> <p>Extends taxpayers' ability to claim disaster-related personal casualty losses, without having to itemize</p>
Estate and gift tax exclusion	<p>Increases and makes permanent the lifetime gift, estate, and GST exemption to \$15 million per taxpayer, which would be indexed for inflation</p>

Key domestic tax provisions of H.R. 1, as enacted*

	Pre-OBBB Act	OBBB Act	Effective Date	Potential impact includes: ^[1]
R&E Expenses: Section 174	<ul style="list-style-type: none">• Capitalize & amortize US and non-US based costs	<ul style="list-style-type: none">• Immediate expensing for US based costs with election to capitalize• Non-US based costs continue to be capitalized	FY25	<ul style="list-style-type: none">• Taxable Income• Sec 163j limitation• FDII• ODL/FTC• R&D tax Credit
R&D Tax Credit: Section 41	<ul style="list-style-type: none">• No addback to taxable income unless the amount of the gross credit exceeds the amount allowable as a deduction (resulting in a higher gross credit).	<ul style="list-style-type: none">• Requirement for QREs to be treated as domestic R&E expenditures as defined under Section 174A.• Deductions are reduced by the amount of the credit (Section 280C(c)).	FY25	<ul style="list-style-type: none">• Taxable Income• Sec 163j limitation• ODL/FTC• R&D tax Credit

[1] Potential impact includes, but is not limited to, a standalone interpretation of the key tax provisions. It does not reflect the potential impact from the interaction across provisions, which will require modeling.

Key domestic tax provisions of H.R. 1, as enacted*

	Pre-OBBB Act	OBBB Act	Effective Date	Potential impact includes : ^[1]
Depreciation: Section 168(k) & Section 168(n)	<ul style="list-style-type: none"> • MACRS double-declining balance with bonus. For calendar 2025, bonus rate of 40% • Election available to opt out of bonus depreciation • Alternative methods available using ADS, 150% declining balance, etc 	<ul style="list-style-type: none"> • Fully deductible under Section 168(k)'s 100% bonus depreciation for assets acquired and placed in service after 1/19/2025 • Bonus depreciation available for Qualified Production Property (real property - with specific timing considerations) • Election available to opt out of bonus depreciation, by asset class/taxpayer • Alternative methods available using ADS, 150% declining balance, etc 	Property acquired and placed in service on or after 01/19/2025	<ul style="list-style-type: none"> • Taxable Income • Sec 163(j) limitation • ODL/FTC • R&D Tax Credit
Charitable Deductions: Section 170	<ul style="list-style-type: none"> • Corporations had ability to deduct charitable donations up to 10% of taxable income. 	<ul style="list-style-type: none"> • Corporations have limitation on deducting charitable donations by establishing a 1% floor and a 10% ceiling of taxable income – for tax years beginning after 12/31/2025. 	FY26	<ul style="list-style-type: none"> • Taxable Income • Sec 163j limitation
Business Interest Limitation: Section 163(j)	<ul style="list-style-type: none"> • Adjusted Taxable Income (“ATI”) akin to EBIT • Elective capitalization available 	<ul style="list-style-type: none"> • ATI akin to EBITDA • Ordering requirement to perform limitation calculation under Section 163(j) prior to elective capitalization – for tax years beginning after 12/31/2025 	FY25/FY26	<ul style="list-style-type: none"> • Taxable Income • Sec 163(j) limitation • Valuation Allowance

[1] Potential impact includes, but is not limited to, a standalone interpretation of the key tax provisions. It does not reflect the potential impact from the interaction across provisions, which will require modeling.

International Overview



*Key international tax provisions of H.R. 1, as enacted**

	Pre-OBBB Act	OBBB Act	Effective Date	Potential impact includes : ^[1]
GILTI top-up rate	10.5% (50% sec. 250 deduction)	12.6% (40% sec. 250 deduction)	FY26	<ul style="list-style-type: none"> • Taxable Income • Sec 163j limitation
GILTI foreign ETR threshold	13.1% (20% FTC haircut)	14% (10% FTC haircut)	FY26	<ul style="list-style-type: none"> • ODL/FTC
FDII effective rate	13.1% (37.5% sec. 250 deduction)	14% (33.34% sec. 250 deduction)	FY26	<ul style="list-style-type: none"> • Taxable Income • 163j Limitation
BEAT rate	10% (11% for banks)	10.5% (11.5% for banks)	FY26	<ul style="list-style-type: none"> • Tax Liability

- Eliminates QBAI and indirect expense allocation (explicitly interest and R&E expenses) for GILTI FTC and DEI
- GILTI taxes = 90% (up from 80%)
- Excludes from FDDEI gain or other income from certain dispositions of intangible or depreciable property after June 16, 2025
- Permanent extension of 954(c)(6) CFC look-through rule
- Introduces new sourcing provision for exports of US-manufactured inventory through a foreign branch

Pillar Two: The proposed Section 899, which aimed to penalize “discriminatory foreign countries” that impose “unfair foreign taxes” on U.S. companies, was withdrawn from the final bill.

On June 28, the G7 released a joint statement outlining a new “side-by-side” framework for applying Pillar 2 rules in coordination with existing U.S. minimum tax regimes. Under this proposed framework, U.S. MNCs. would be excluded from foreign IIR (Income Inclusion Rule) and UTPR (Undertaxed Profits Rule) on both U.S. and non-U.S. profits.

Pillar Two Developments

On January 5, 2026, the OECD announced agreement on a range of new Pillar Two safe harbors

The Side-by-Side (SbS) Package includes:

- SbS System for the United States and other eligible countries:
 - SbS safe harbor
 - Ultimate Parent Entity (UPE) safe harbor
- Permanent simplified Effective Tax Rate (ETR) safe harbor
- One-year extension of the transitional Country-by-Country reporting (CbCR) safe harbor
- Substance-based tax incentive safe harbor
- A stocktake commitment to assess the competitive impact of the SbS system, including SbS and UPE safe harbors

Why is it relevant?

- Implements the June 2025 G7 agreement to pursue a SbS approach that accounts for US minimum tax rules and remove proposed Section 899 retaliatory measures.
- Signals an explicit push toward simplification through the SbS safe harbors and extended transitional rules, while acknowledging that overall simplification remains partial and ongoing.



The Side-by-Side system at a glance

The system presents two new Pillar Two safe harbors:

Side-by-Side safe harbor (SbS SH)



- When elected, the SbS SH sets the Top-up Tax imposed to an MNE Group under an IIR or UTPR to zero.
- SbS SH does not alter the expected application of QDMTTs or DMTTs.

Ultimate Parent Entity safe harbor (UPE SH)



- When elected, sets the UTPR Top-up Tax with respect to the UPE jurisdiction to zero.
- UPE SH does not impact compliance requirements regarding IIRs, UTPRs, or QDMTTs elsewhere.

Safe harbors may not be self-executing



They generally must be legislated domestically by each Inclusive Framework member in accordance with their own processes and timelines (subject to possible European Union (EU) guidance related to the EU minimum tax Directive).

Side-by-Side safe harbor (SbS SH)

Overview

For MNE Groups headquartered in a jurisdiction that has a **Qualified SbS Regime** listed in the Central Record.

Jurisdictions are generally expected to adopt the SbS SH effective from January 1, 2026.

A **Qualified SbS Regime** must meet four key criteria:

1. Have an eligible domestic tax system
2. Maintain an eligible worldwide tax system
3. Provide a foreign tax credit for QDMTTs on the same terms as other creditable Covered Tax
4. Meet specified timing requirements

* The United States is the only jurisdiction listed with a qualifying regime in the Central Record.

Compliance considerations

- The safe harbor does not relieve a MNE Group from its obligation to file a GloBE Information Return (GIR).
- A full GIR will be required for 2024 and 2025, and be needed in 2026 and beyond to elect the SbS SH.
- MNE groups electing the SbS SH must continue to comply with QDMTT reporting obligations.

Ultimate Parent Entity safe harbor (UPE SH)

Overview

The UPE SH is narrower than the SbS SH.

For MNE Groups with a UPE located in a jurisdiction that has an **eligible domestic tax system** but not an eligible worldwide tax system.

A Qualified UPE Regime must:

- Meet the 20% statutory CIT threshold in the SbS SH.
- Have a QDMTT or alternate minimum tax based on financial accounting income at a $\geq 15\%$ rate.
- Have no material risk for in-scope MNE groups of sustaining an ETR below 15% on their domestic operations.
- Have a domestic tax system enacted and effective as of January 1, 2026.
- Request review of its system during the first half of 2026; cannot adopt a Qualified UPE Regime later.

Compliance considerations

- The UPE SH election has no bearing on the IIR or UTPR liabilities applicable to the group's operations outside the UPE jurisdiction.
- The UPE SH election does not impact compliance requirements regarding IIRs, UTPRs, or QDMTTs elsewhere.
- The UPE SH election applies only with respect to the UTPR because the IIRs of other countries would not apply to the UPE jurisdiction.

Simplified ETR safe harbor

Overview

- A permanent replacement for the Transitional CbCR SH
- Election: if eligible, jurisdictional **top-up is deemed zero** when **Simplified ETR \geq 15% or Simplified Loss**
- Simplified ETR = **Simplified Taxes \div Simplified Income**

Compliance considerations

- Effective for fiscal years beginning Dec 31, 2026 (or Dec 31, 2025, if adopted early and conditions met)
- Not self-executing; generally requires domestic implementation
- Requires significant data gathering and calculations under the broader Pillar Two framework

Inputs at a glance

Accounts base:

- Consolidated financial statement based under local financial accounting standard
- Jurisdictional calculation

Simplified Income

Starts with jurisdictional profit before income tax, with targeted exclusions (e.g., dividends/equity gains-losses, certain disallowed payments)

Simplified Tax

Current + deferred (covered-tax adjustments; 15% recast)

Special rules for M&A transactions, TP adjustments, cross-border tax allocations, and more

Transitional CbCR safe harbor extension

Purpose

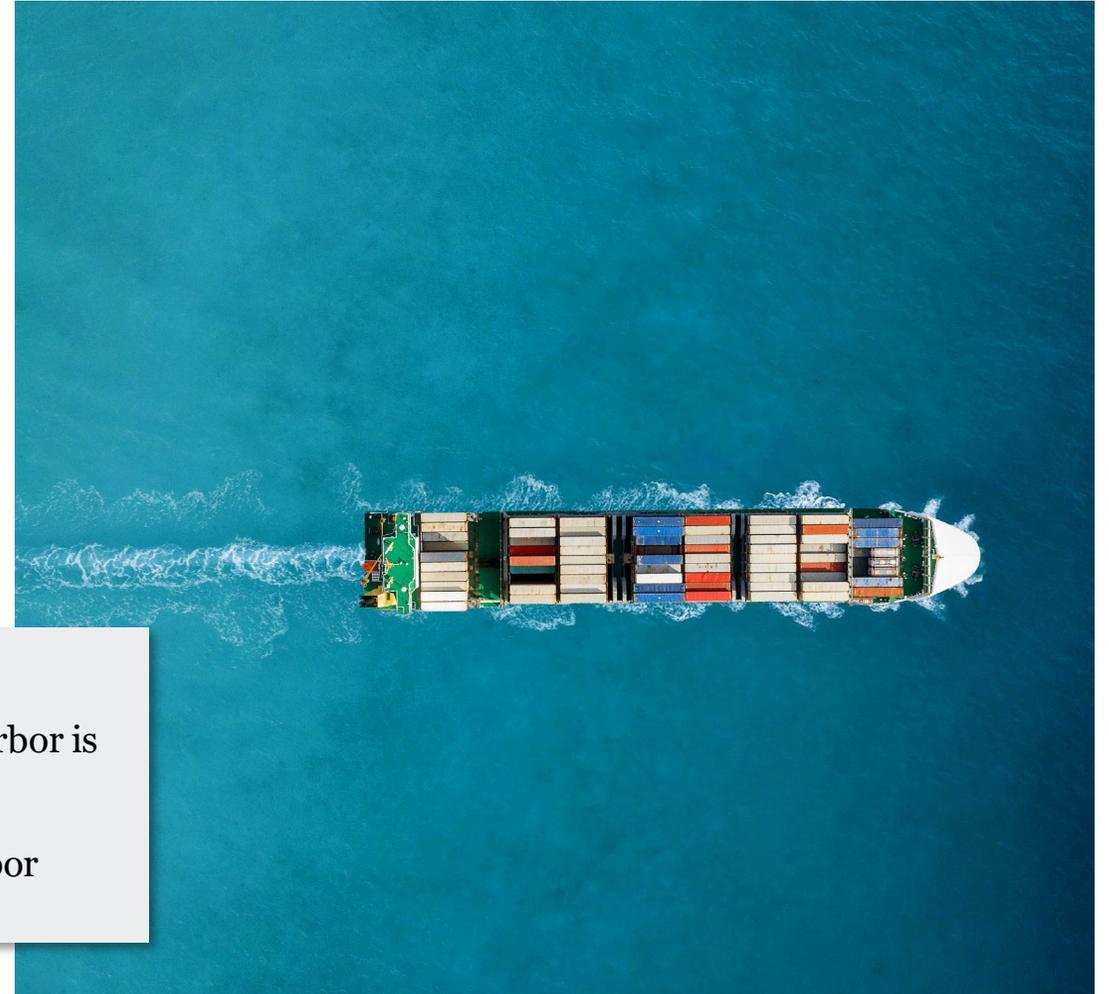
Bridge from Transitional CbCR safe harbor to the new Simplified ETR Safe Harbor

Key mechanics

- **One-year extension** of Transitional CbCR safe harbor (for fiscal years beginning on or before Dec 31, 2027)
- **ETR test** remains 17%
- **Taxpayer choice** during transition: apply Transitional CbCR SH or Simplified ETR SH for the year

Considerations

- Assess jurisdiction-by-jurisdiction which safe harbor is more achievable / lower friction
- Re-check jurisdictions that failed CbCR safe harbor



Substance-based tax incentive safe harbor (SBTI SH)

What it does

Permits **certain Qualifying Tax Incentives** (QTIs) to be **added to Covered Taxes** (or Simplified Taxes) without increasing GloBE Income → can reduce Top-up Tax / ETR dilution.

What qualifies

Expenditure-based incentives tied mechanically to qualifying spend, **OR**

Production-based incentives tied to volume of tangible in-country output (not value/prices/profits).

Substance cap

QTI benefit capped at **greater of 5.5%** of eligible **payroll** or eligible tangible asset **depreciation** / depletion.

Optional 1% of eligible tangible asset carrying value (5-year election).

Effective for fiscal years beginning on or after January 1, 2026.
Requires local country implementation, which may vary by jurisdiction.

What questions do you have?



Thank you!