

One Big Beautiful Bill Act

(A Second Glance)

The One Big Beautiful Bill Act, ratified July 4, 2025, has now been on the hearts and minds of financial planners, attorneys, tax professionals, business owners, and taxpayers for more than two months. We would like to share a second look at the Act and discuss additional insights, impacts & opportunities we see now that the “OB3” has had some time to marinate. Sit back, grab a cup of coffee (you may need it), and enjoy a second edition of commentary from the Foster Victor team.

What Changed?

Opportunity Zones (OZs) are now a permanent part of the tax code!
(But with major reforms)

Existing OZs sunset on December 31, 2026

New OZs begin January 1, 2027

Impacts or Challenges

For investors in new opportunity zones after January 1, 2027, capital gains may be deferred on a rolling 5 year timeline with 10%-30% step up in cost basis at the 5 year mark.

For prior OZs, the step up is 15% after 7 years with basis frozen after 30 years.

Shorter deferral periods may reduce attractiveness for some investors, previously qualifying tracts of land may lose eligibility as new opportunity zones are created. Reporting requirements increase under the new law, with penalties up to \$50,000 for non-compliance.

Opportunities or Benefits

Investors in new opportunity zones gain long-term certainty and clarity on a key tax deferral strategy for any type of capital gain.

New Qualified Rural Opportunity Funds (QROFs) offer enhanced incentives for rural development.

OZ investments still qualify for full gain exclusion after 10 years, and rural funds get a 30% step up in basis after 5 years.

Act provides for \$157 billion in increased defense spending.

Targeted investments include missile defense (Golden Dome), ship building, munitions/supply chain, technology (AI, drones), nuclear, and next generation aircraft (F-47).

This increased spending represents potential revenue opportunities for defense contractors. Boeing, Lockheed Martin, Raytheon, and Huntington Ingalls stocks could be key beneficiaries.

Act provides for \$170 billion in additional spending on immigration and border security.

Targeted expenses include the border wall (\$50B), law enforcement (\$30B), detention (\$45B) and other related spending.

Potential financial beneficiaries include engineering and construction companies and detention center operators.

A smaller labor pool created by stricter enforcement could potentially affect labor costs and inflation.

Lower labor supply could benefit the domestic labor pool.

Qualified Small Business Stock (QSBS) tax incentive allows some investors the ability to exclude a portion of capital gain realized from the sale of eligible stock.

(Increased qualifying company definition to total assets of \$75M from \$50M)

Very specific requirements to qualify:

- Must be a domestic C-corporation
- 80% of assets must be used in the active business
- Specific industries are disqualified by name
- Investor must have acquired the stock at original issuance (not by gifting or inheritance)
- Investor must have held the stock for a minimum of 5 years to receive full benefit

Improvements to the old rule:

- Increased capital exclusion amount to \$15 million from \$10 million for C-Corp stock acquired after July 4, 2025
- Shorter holding periods:
 - 50% exclusion for a 3 year hold
 - 75% exclusion for a 4 year hold
 - 100% exclusion for 5 years or more

Creates an incentive for investing in small businesses that are C-Corps.

Potential opportunity for qualifying corporations to attract capital.

Act adds a new deduction under IRS code Section 168(n) for manufacturing businesses.

Allows certain non-residential property owners to expense 100% of real property used in a qualified production activity in the United States.

Qualifying production includes production of tangible property as well as agricultural and chemical production.

Note: Qualifying real property must be an original use structure constructed between January 19, 2025 and January 1, 2029;

It must have been (or be) placed into service by the year 2031.

The new deduction encourages domestic manufacturing.

Opportunity for domestic companies to expand their manufacturing production and potentially offset some of the impacts of “cheaper manufacturing” overseas.



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