TEXAS ECONOMIC DEVELOPMENT COUNCIL

ONE BIG BEAUTIFUL BILL ACT

Implications for Site Selection & Economic Development

October 30th, 2025

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A NEW ERA IN SITE SELECTION

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Our Presenters

Today's Experts

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We combine one of the largest independent site selection firms in the world, an international think tank, a foundation, and an economic development consulting practice into an integrated team.

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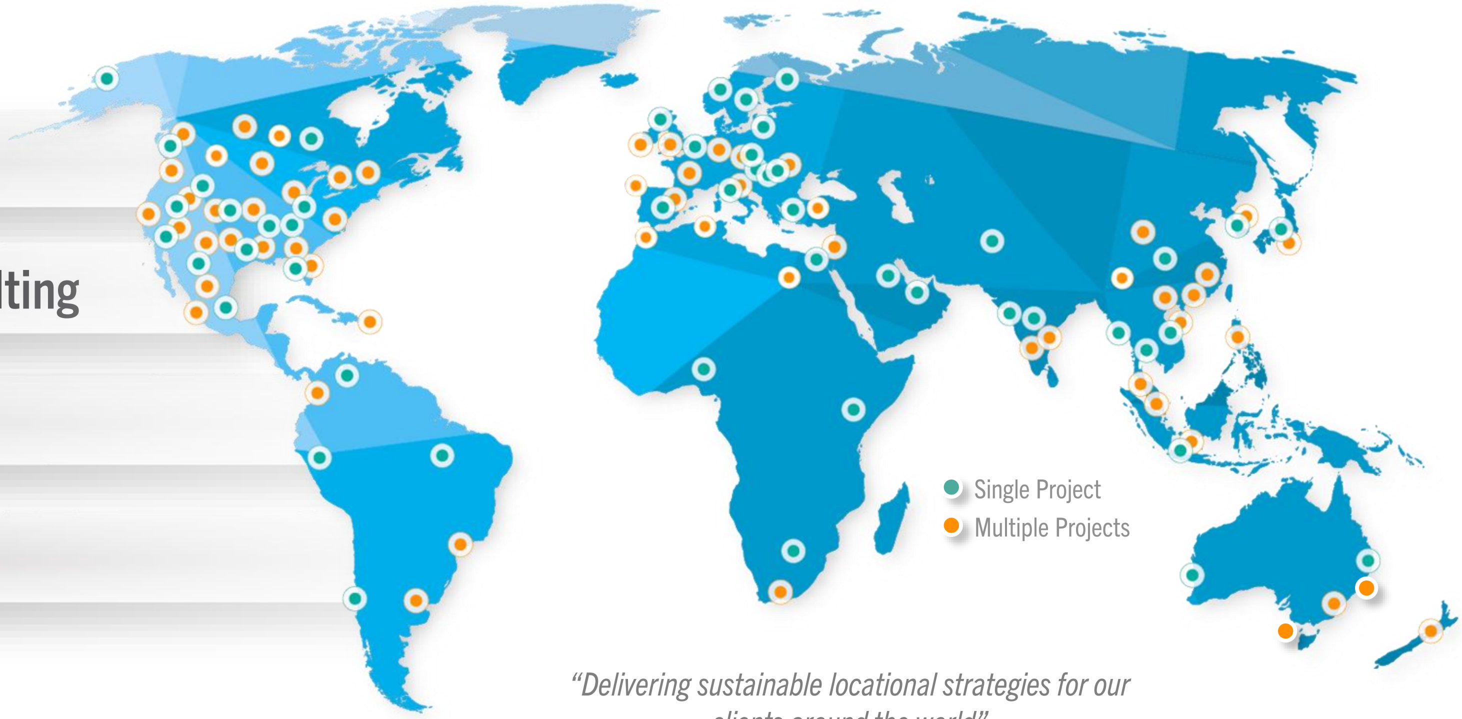

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You work in a globally connected environment; and you need a global firm – Hickey.

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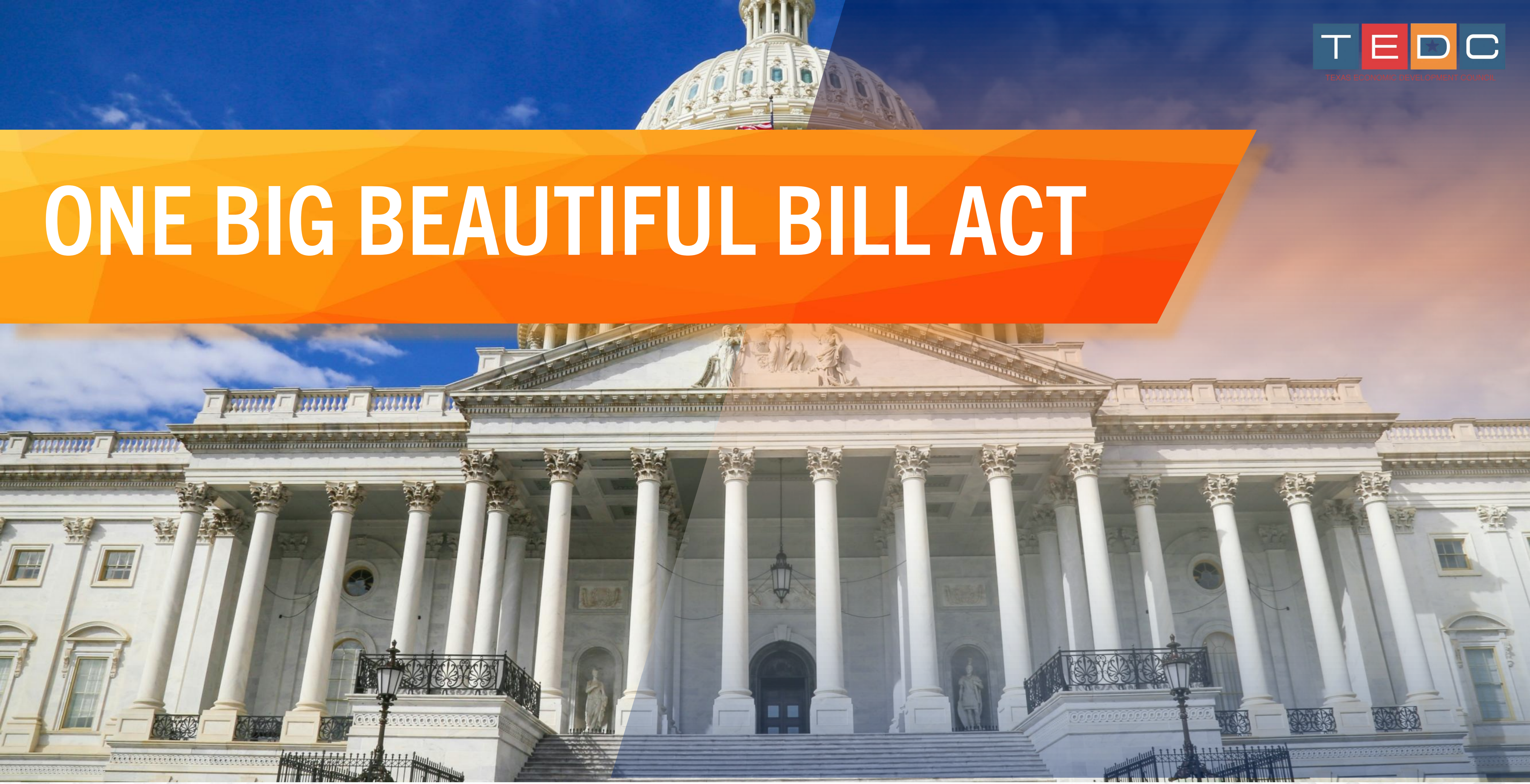

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Key shifts in the OBBBA that will affect Site Selection and Economic Development

- **Makes the New Markets Tax Credit (NMTC) permanent**, providing long-term financing certainty for community development
- **Ends major clean energy tax incentives** originally established under the Inflation Reduction Act (IRA)
- **Modernizes and extends Opportunity Zones**, with new compliance rules and eligibility updates
- **Redirects some healthcare funding to states,** increasing variability in local service capacity and risk to funding for economic development
- **Potentially reduces funding for workforce training and site readiness**, placing more burden on state/local budgets
- **Expands deductions for R&D and real estate investment,** accelerating capital expensing
- **Eliminates the federal deduction for employee moving expenses,** increasing out-of-pocket relocation costs
- **Unlocks new opportunities for supply chains in aerospace and defense,** particularly in regions aligned with federal spending priorities
- **The OBBBA makes the 100% additional first-year depreciation** for certain property permanent for acquisitions
- **The permanent extension of the 20% QBI deduction (Section 199A)** provides a tax benefit for those with pass-through income, including from real estate investments

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Key Provisions – At a Glance

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Policy Areas	Major Shifts Under the OBBBA	Implications for Site Selection & Economic Development
Clean Energy Incentives	Most IRA-era tax credits repealed or defunded (solar, EV, hydrogen, etc.)	Increases upfront project costs; disrupts corporate & community strategies and renewable site planning
Corporate & Individual Taxes	2017 tax cuts made permanent; new deductions (tips, overtime, vehicle interest)	Lowers tax burden for many, but favors traditional sectors and consumer spend over innovation; could impact hospitality workforce and local spend capacity
Social Safety Net Programs	Medicaid, SNAP, and related programs cut or block-granted to states	Could reduce workforce stability, especially in lower-income or rural regions; increases financial burden on states which could affect economic development
Federal Spending Priorities	Shifted toward defense, fossil fuels, and border security	Creates geographic winners and losers — follow federal investment flows to find growth markets
Incentives Landscape	Fewer federal tools available for project financing and site development	Puts more pressure on state and local leaders to close the gap and stay competitive

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Key Milestones for Provisions to go into Effect

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Jan 1st 2025 [Retroactive]

Car Loan Interest Deduction
Expires 12/31/28

Child Tax Credit Increase
$2,200 per child, inflation indexed

Enhanced SALT Deduction
Expires 12/31/29

Overtime Pay Deduction
Expires 12/31/28

Tip Income Deduction
Expires 12/31/28

Trump Accounts
Children born between 2025-2028

Opportunity Zone Reforms
2025 initially, additional reforms in 2027

Enhanced R&D Expensing
2025 Calendar Year

Jul 4th 2025 [Bill Signing]

Defense & Border Security Funding
Commences with remaining FY2025 funds

Sept 30th 2025 [End of FY25]

Clean Energy Credits End
Electric Vehicle & Similar Credits

Dec 31st 2025 [End of 2025]

Home Energy Credits End
Residential solar, energy efficiency, etc.

Medicaid $35 Copayments
Enrollees with incomes at 100% - 138% of FPL

Moving Deduction Elimination
Final year, except for military and intelligence

NMTCs Become Permanent
Removes sunset for 12/31/25

Jan 1st 2026 [Start of 2026]

Enhanced Estate Exemption
Permanent at $15m / $30m, inflation indexed

Dec 31st 2027 [End of 2027]

Wind & Solar Credits End
Renewable energy tax credits

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Opportunity Zones (OZs)

- OZs now operate under a rolling 10-year eligibility period for capital gains exclusion
- New federal oversight: enhanced impact reporting, anti-abuse rules, and the ability to decertify zones that don't meet performance thresholds.
- Eligibility criteria updated to include areas with persistent poverty or chronic disinvestment.

What it means for business & economic development?

- OZs remain a powerful tool for attracting private investment — but new compliance, impact reporting, and eligibility standards raise the bar for project quality and community alignment
- Investors and developers must now demonstrate real outcomes — especially around job creation, equity, and long-term community benefit
- Opens the door for new tracts in rural and historically undercapitalized communities, potentially creating new investment hotspots

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New Markets Tax Credits (NMTCs)

- Permanently extended at $5 billion per year, providing long-term certainty for community development financing
- Converted from temporary to permanent in the U.S. tax code
- Allows more consistent layering with other financing programs (i.e. OZs, LIHTC, state incentives)

What it means for business & economic development?

- Offers long-term certainty for CDEs and developers planning multi-year community development projects — especially in low-income and underserved markets
- Stronger foundation for financing complex capital stacks, especially for infrastructure, industrial, and mixed-use development
- Creates stronger investment pathways for rural and disadvantaged urban communities, enabling projects that might otherwise stall due to risk or financing gaps

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What Are They?

- Personal tax-advantaged savings vehicles - similar to Roth IRAs or 529s
- Allow post-tax contributions, with tax-free growth and withdrawals
- Designed to promote household-level investing and savings, beyond education, like first home and businesses

Key Dates:

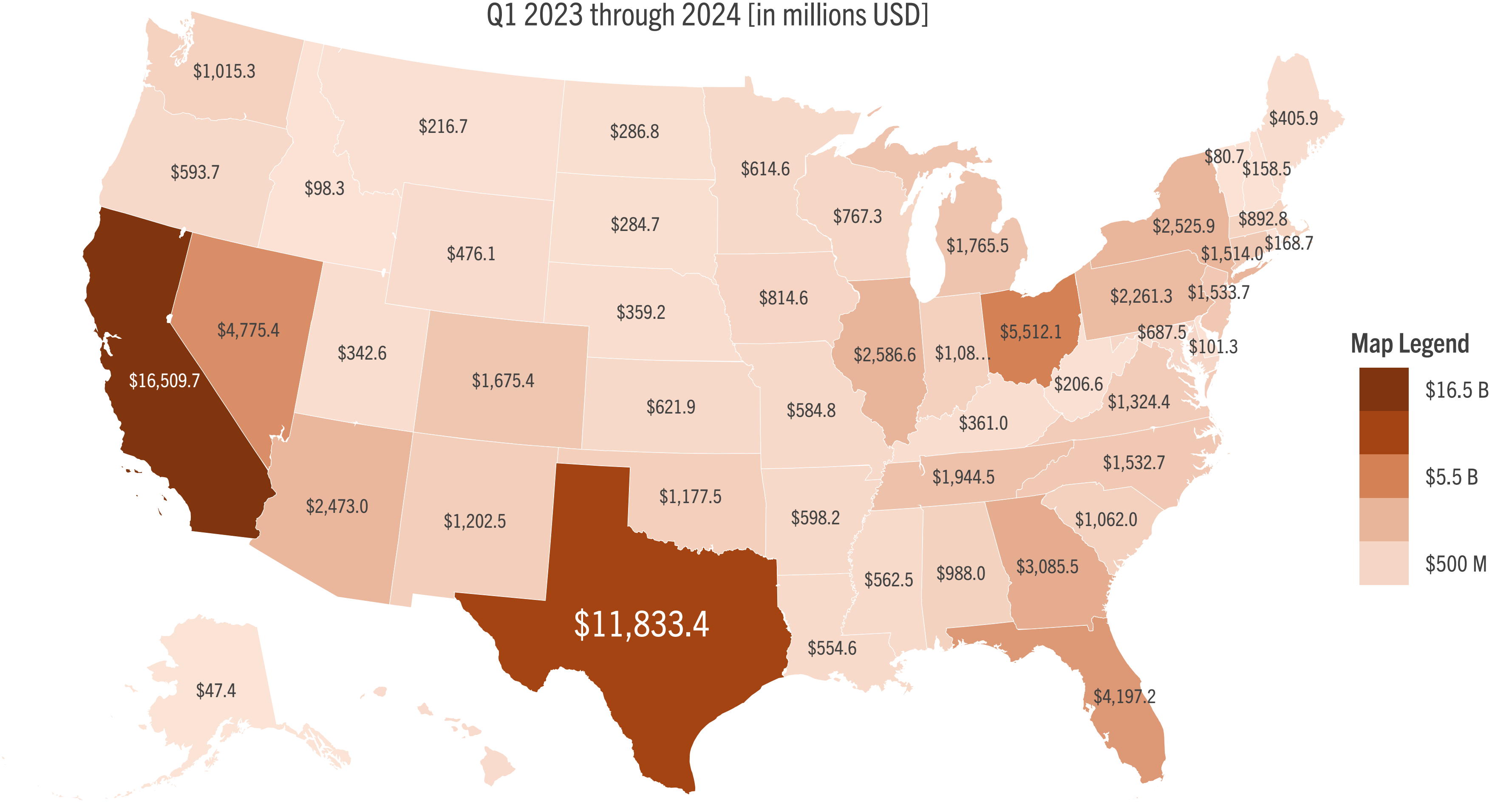
- Contributions permitted for 2025 births and new enrollees
- Indexed caps expected (starting around $10,000/year)

Trump Accounts versus 529 Plans

Feature	Trump Account	529 Plan
Primary Purpose	General long-term savings (qualified uses)	Saving for education (K–12, college, grad school)
Target User	Newborns and young savers (starting with 2025 births)	Children and students
Contribution Type	After-tax	After-tax
Tax-Free Growth	✅ Yes	✅ Yes
Tax Treatment on Withdrawal	⚠️ **Capital gains rates** on qualified uses (home, college, small biz) ❌ **Ordinary income** tax if non-qualified	✅ **Tax-free** if used for qualified education ❌ **Taxes** + **10% penalty** if not
Contribution Limits	Est. $10,000/year (indexed)	Varies by state (typically $10,000–$18,000/year)
Income Limits	❌ None	❌ None
Flexibility of Use	✅ More flexible - can be used for anything	🚫 Restricted to qualified education expenses
State Tax Incentives	❌ None currently	✅ Often offer deductions or credits at the state level
Portability / Ownership	Fully owned by individual	Typically owned by parent; beneficiary can be changed

Federal Investment in Clean Energy To Date by State

Q1 2023 through 2024 [in millions USD]



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Real Project Impacts – Clean Energy Investment Cuts

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Project	Before OBBBA	After OBBBA
Utility-Scale Solar Farm	30% ITC + 10% domestic bonus	**No credit**; project cost ↑ 40%
EV Battery Plant	$35/kWh 45X credit	**Eliminated**; ROI drops below investable threshold
Manufacturing Site w/ Clean Power	PTC + transferability	**Removed**; higher operating costs
Workforce Housing	Federal grant stack + LIHTC	**Grants cut**; financing gap emerges

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Regions at Risk – Clean Energy Investment Cuts

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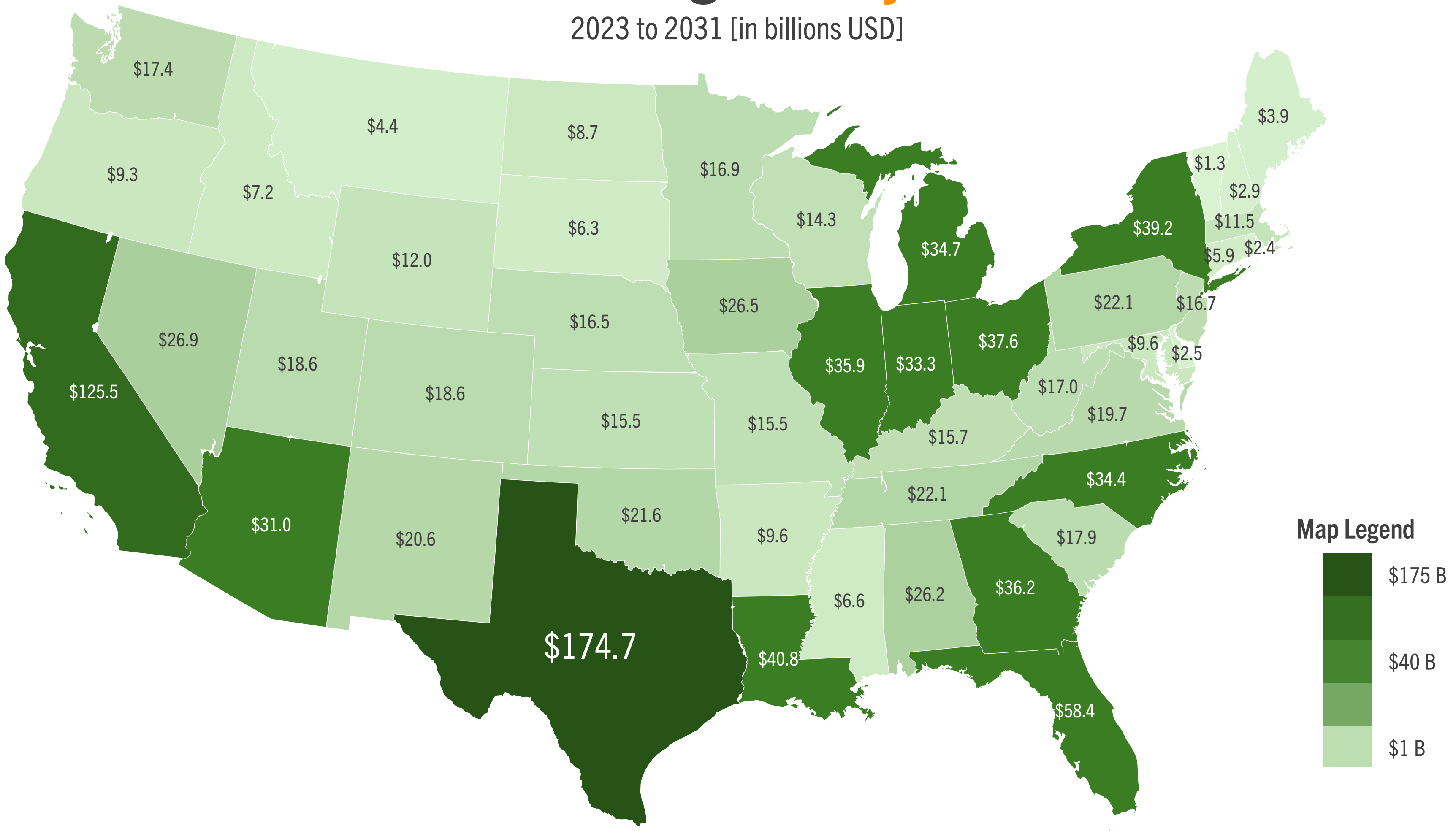
IRA Funding Risk by State

2023 to 2031 [in billions USD]



Sources: Clean Investment Monitor, Department of Energy, RMI Analytics, Hickey Institute

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Where Federal Dollars are Headed…and Who May Be Left Behind

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Regions Likely to Benefit

Border States (TX, AZ, NM):
Massive increases in ICE and CBP funding will drive federal construction, logistics, surveillance, and hiring, boosting demand for industrial space, transportation infrastructure, and talent pipelines.

Defense Hubs (AL, VA, CA, FL, TX):
With defense spending sharply increased, regions anchored by military bases and defense contractors will see growth in advanced manufacturing, aerospace, and supply chain activity.

Rural Areas with New OZ Eligibility:
Updated Opportunity Zone criteria may open investment in persistently distressed rural areas, particularly those overlooked in previous rounds.

Regions at Risk

Clean Energy Manufacturing Corridors (MI, OH, NC, GA, AZ):
Loss of IRA-era credits puts billions in planned solar, battery, EV, and hydrogen projects at risk, dampening job creation and private investment in high-growth sectors.

Urban Cores with High Medicaid/SNAP Dependence:
Deep cuts to social programs may reduce economic mobility, strain public services, and create workforce instability in low-income communities. Create funding restraints for economic development to offset state budget requirements.

Tribal and Remote Communities:
Areas that benefited from IRA grant programs (clean energy, broadband, electrification) may now face funding gaps and infrastructure project delays.

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Where Federal Dollars are Headed…and Who May Be Left Behind

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Defense Spending

Category	OBBBA Funding	Description
Shipbuilding	$32B	Funds new vessels and shipyard expansion
Missile & Air Defense Systems	$30B	Supports next-gen integrated air/missile defense
Munitions & Supply Chain	$19B	Includes ammunition and industrial base support
New Low-Cost Weapons (AI, drones)	$13B	Funding for autonomous systems development
Nuclear Deterrence	$13B	Supports missile systems and infrastructure
Military Readiness & Personnel	$11B	Covers training and base operations
Indo-Pacific Deterrence	$11B	Funds strategic posture in Asia-Pacific
Personnel Support	$8B	Covers housing, medical, and family services
Military Intelligence & Cybersecurity	$2B	Strengthens command, control, and oversight

Border & Immigration Enforcement Spending

Category	OBBBA Funding	Description
Border Wall Construction & Facilities	$46.5B	Covers ~1,600 miles of barriers
Detention Capacity Expansion	$45B	Adds 100,000+ beds, doubling current capacity
ICE Hiring & Transformation	$29.9B	Hiring 10,000 agents and modernization
State / Local Reimbursements	$17.3B	Offsets state costs for border enforcement
CBP Personnel & Vehicles	$8B	Funds CBP staff & vehicle fleet
CBP Tech & Infrastructure	$855M	Includes cameras, sensors, vetting centers
ICE Retention & Recruitment	$858M	Bonuses and marketing support for ICE
Border Patrol Agents	$4.1B	Covers hiring 3,000 new Border Patrol agents
Immigration Courts	$3.3B	Expands immigration judiciary staffing
ICE Operations Expansion	$100B est.	ICE total budget estimate by FY2029

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Potential Winners – Defense Spending Boom

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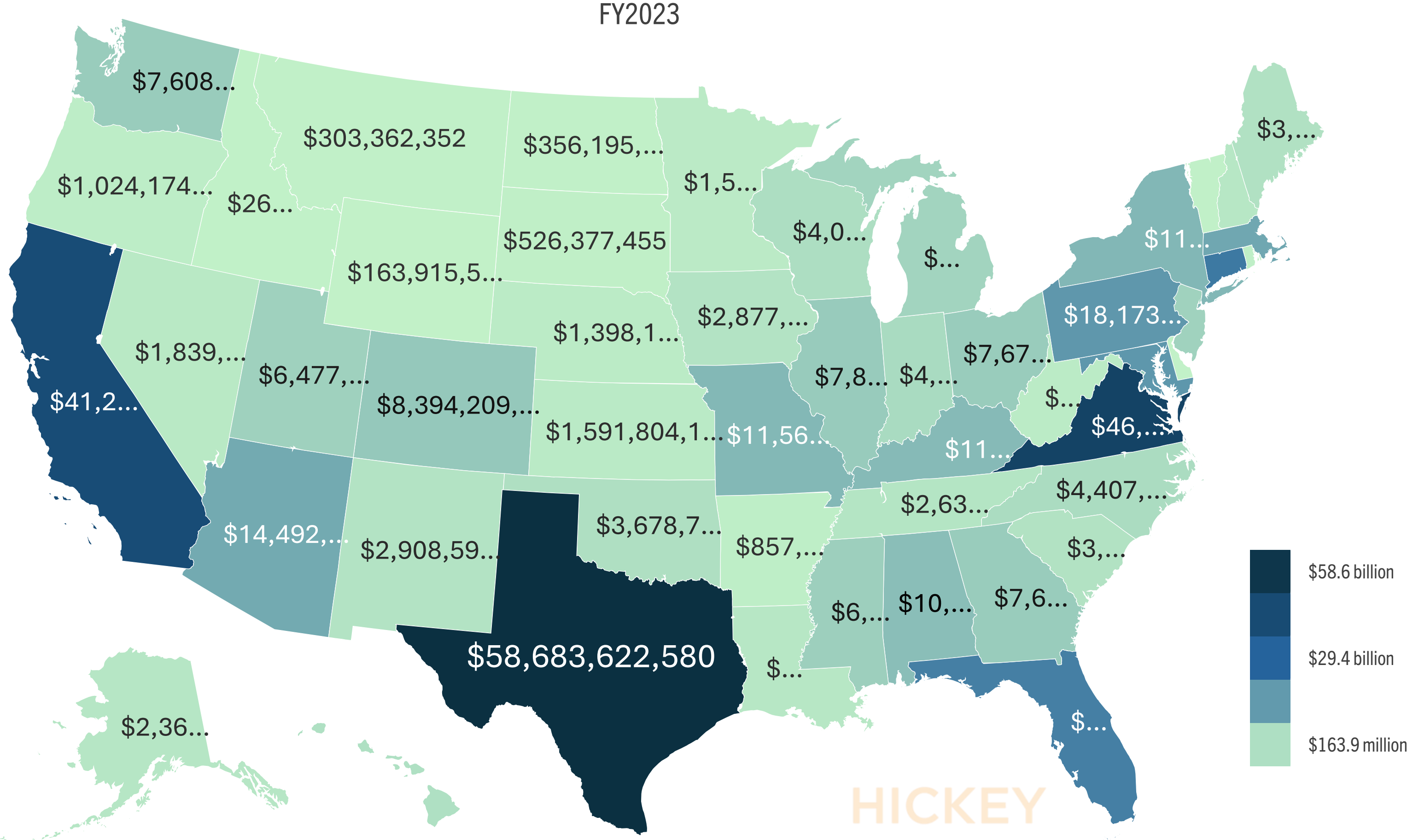
Total Defense Spending by State

FY2023



Sources: U.S. Department of Defense Office of Local Defense Community Cooperation, Hickey Institute

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Potential Winners – Defense Spending Boom

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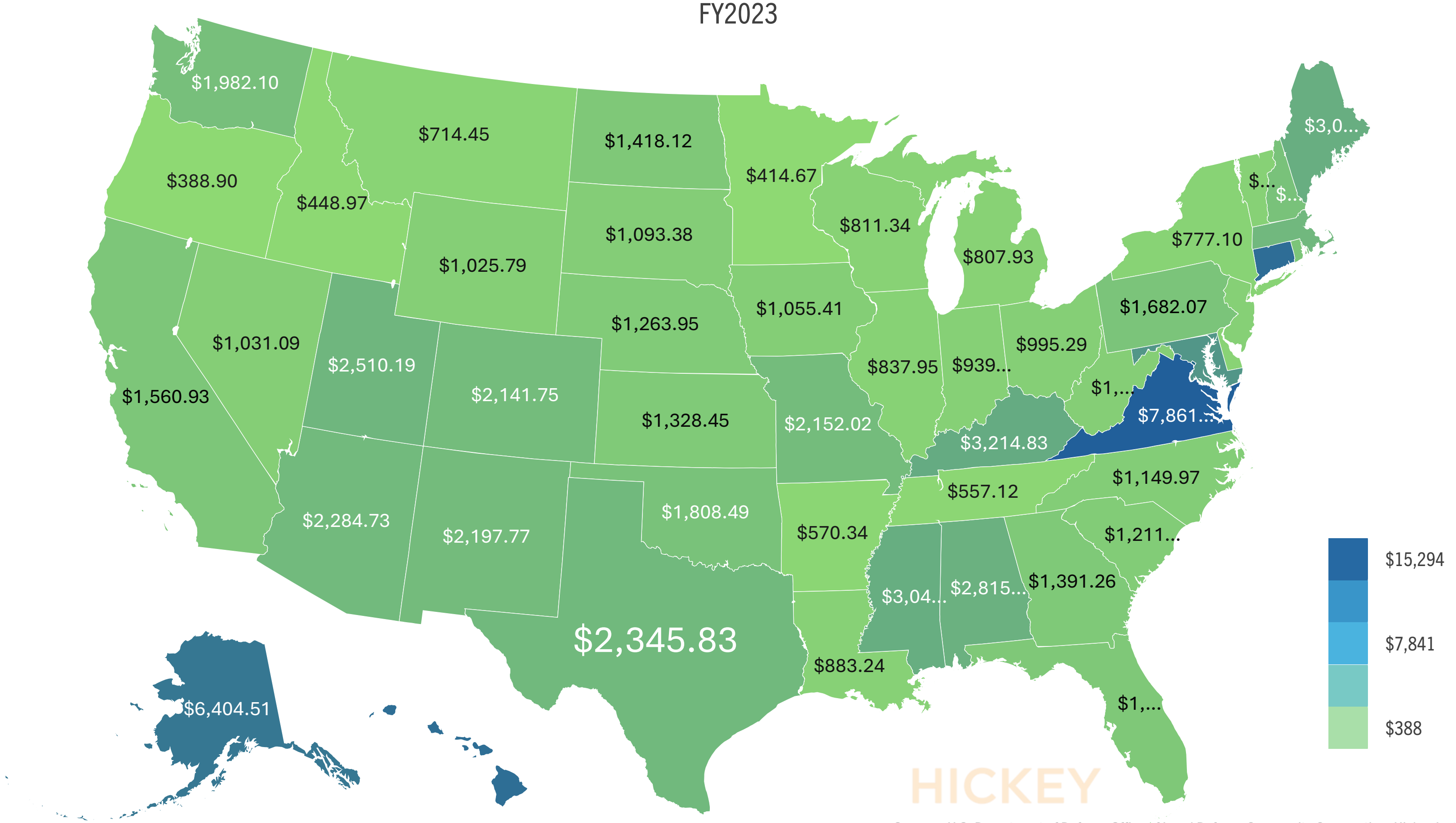
Per Resident Defense Spending by State

FY2023



Sources: U.S. Department of Defense Office of Local Defense Community Cooperation, Hickey Institute

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Site Selection Strategy

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Site Strategy in a Post-OBBBA World

- **Business location decisions** now demand more **rigorous modeling and due diligence.**
- **Energy costs**, once mitigated by federal credits, **now require new solutions** (e.g., microgrids, PPAs) and access to energy will take longer to determine.
- **Incentive stacks** must be rebuilt **using state, local, and private tools.**
- **Labor markets may tighten** in regions **affected by entitlement cuts** and increased **immigration enforcement** and limits to future **foreign workforce.**
- **Speed, certainty, and infrastructure readiness** will be **more important than ever.**

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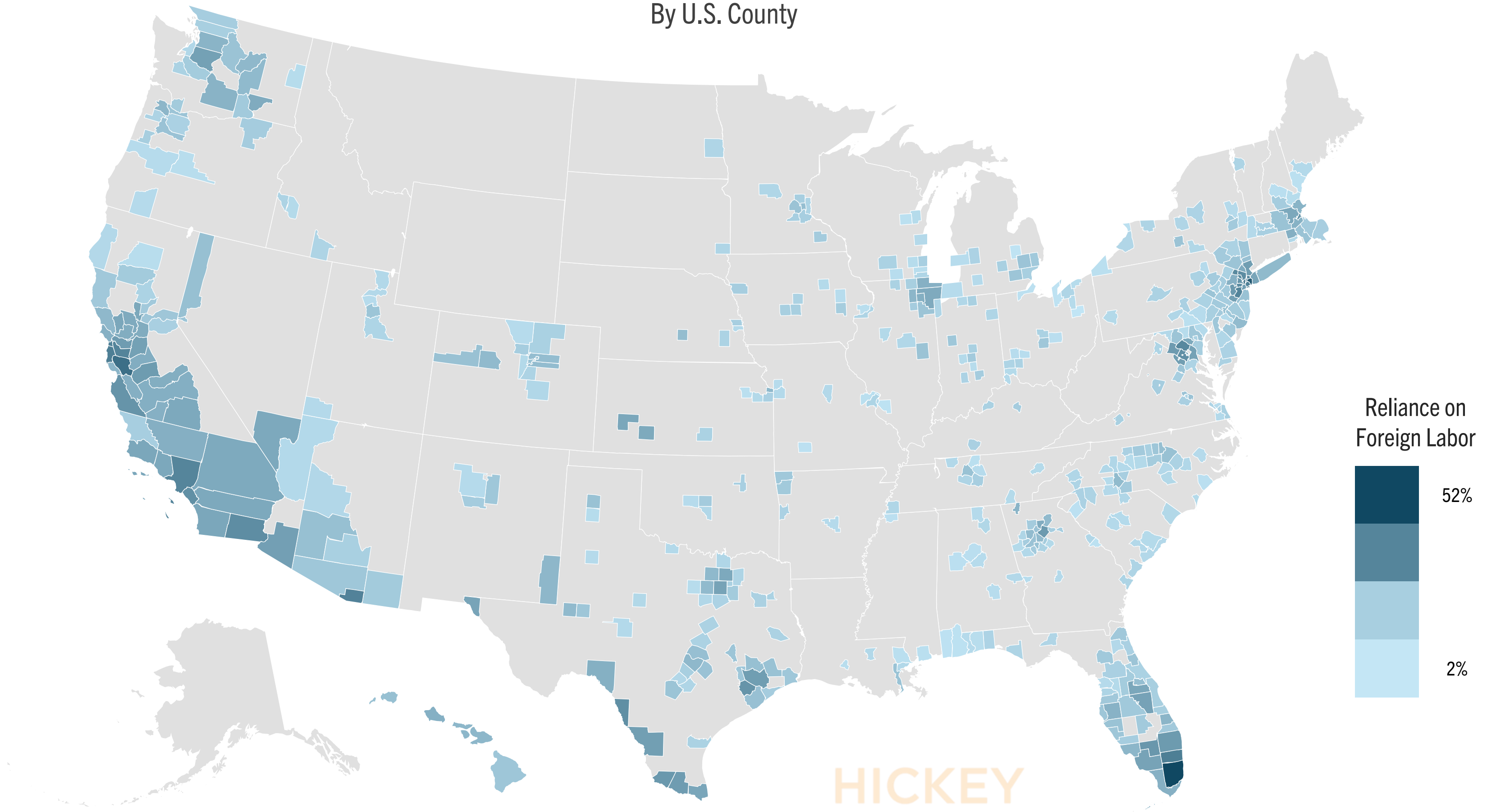
Heaviest Reliance on Immigration & Foreign Labor

By U.S. County



Source: Census Bureau American Community Survey, Bureau of Labor Statistics, Hickey Analytics

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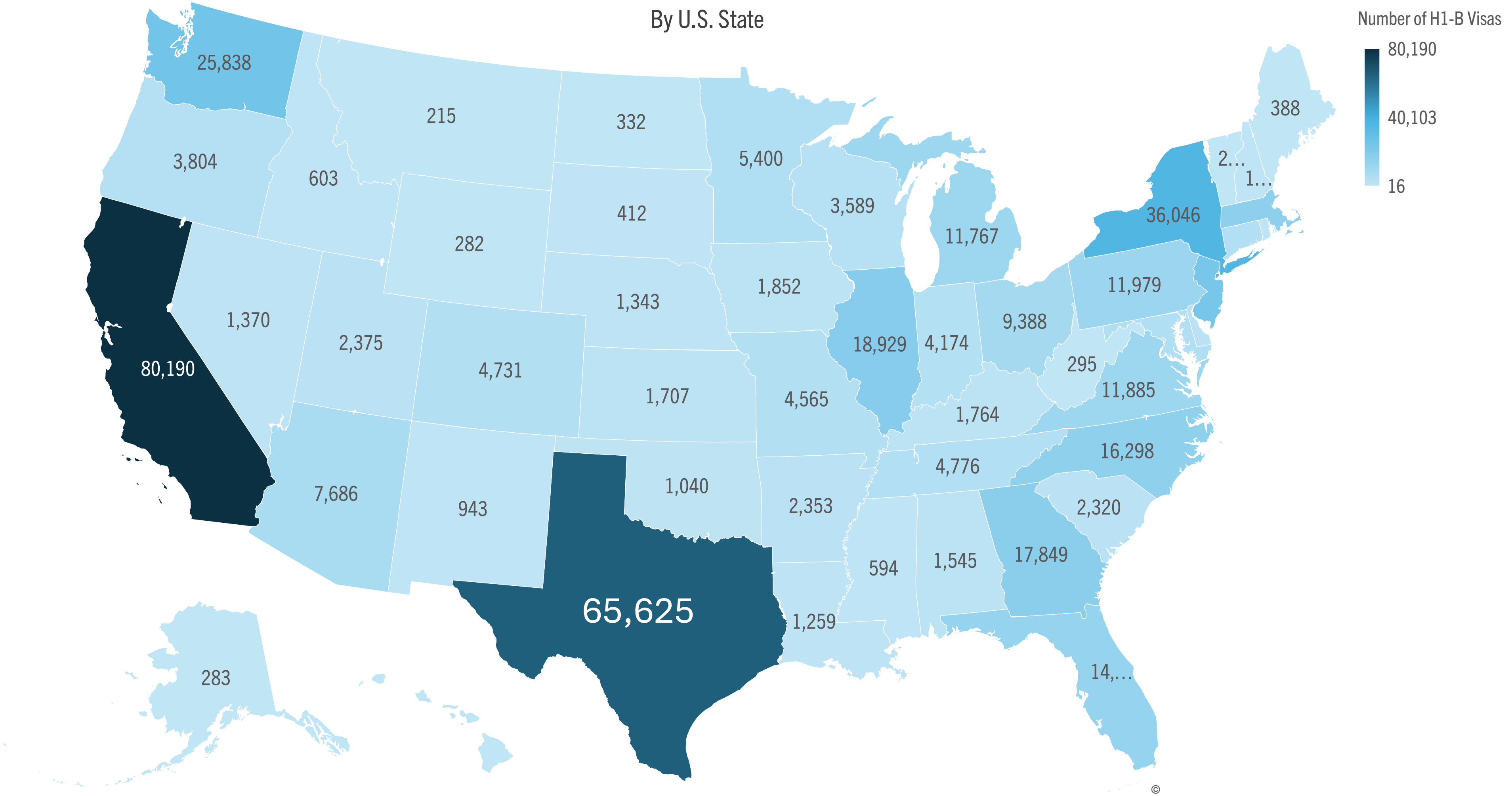
H1-B Visa Applications Annually

By U.S. State



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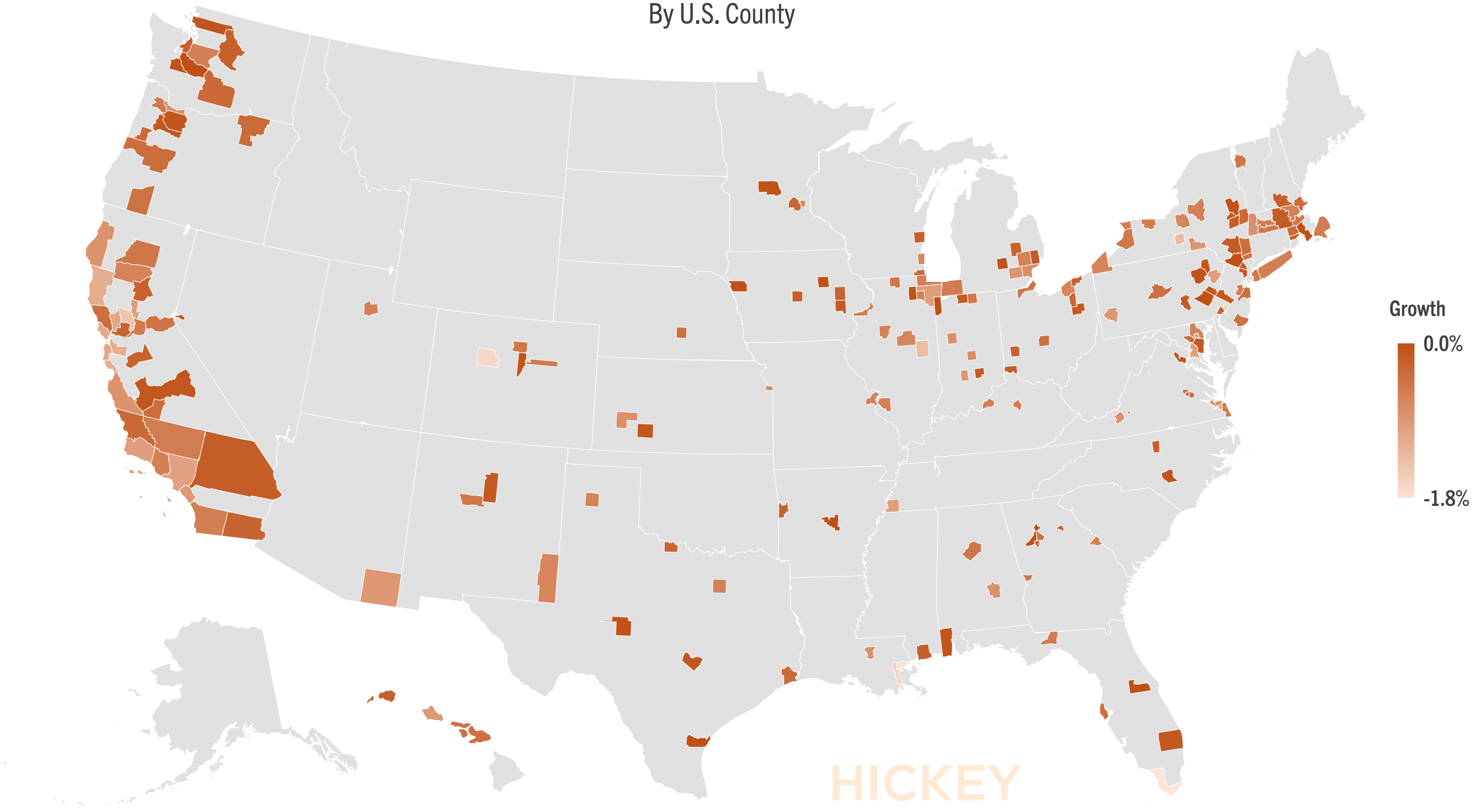
Zero to Negative Growth Rate without Immigration

By U.S. County



Source: Census Bureau American Community Survey, Bureau of Labor Statistics, Hickey Analytics

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Key Strategic Questions in the New Landscape

- Are our project models up to date with **new tax realities**?
- Where can we still **access competitive energy and workforce incentives** to offset increase costs domestically and globally?
- Are we actively tracking **federal spending patterns and emerging opportunity zones**?
- How do we maintain **momentum in a higher-cost environment**?
- At the facility level, how can we use **career pathways** to source new talent?
- Are we aligned with **site selectors and advisors who understand this new paradigm**?

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Strategic Framework – For Business Leaders

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1 POLICY & INCENTIVE SCAN

Reevaluate existing federal, state, and local incentives

Identify potential losses from OBBBA provisions

Monitor legislation timelines and implementation triggers

2 PORTFOLIO RISK ASSESSMENT

Analyze exposure to phased-out / eliminated programs

Consider cost impacts on active or planned projects

Rebalance location strategy with new risk assumptions

3 TIMING & INVESTMENT STRATEGY

Accelerate or delay investments based on policy certainty

Align projects with new incentive windows

Explore changing programs or state-level replacements

4 MARKET & SUPPLY CHAIN POSITIONING

Reassess clean energy supply chain decisions

Identify states gaining from industrial realignment

Engage early with EDOs and utilities in emerging priority regions

Economic Development Strategy

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A New Set of Responsibilities – and Opportunities

- Federal dollars have pulled back from the cleantech economy — **rethink New Markets Tax Credit and Opportunity Zone programs.**
- Clean energy sectors may lose momentum; **defense and security sectors may accelerate.**
- Your value proposition must be comprehensive**: infrastructure, workforce, livability, incentives and risk mitigation now matter more.**
- Communities that act now **can reposition to capture redirected capital.**

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Immediate Actions to Stay Competitive

- Where appropriate, reposition target sectors to **align with new federal priorities.**
- Audit and triage your project pipeline — **evaluate likelihood of projects moving forward.**
- Engage regional and state-level partners to **create custom incentive solutions.**
- **Build marketing strategies** around **readiness, resilience, and total cost of doing business.**
- **Focus on retention and communication** with **existing employers** navigating post-OBBBA **uncertainty.**

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Strategic Playbook – For Economic Developers

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	Incentives & Policy	Sites & Infrastructure	Industry Targeting	Marketing & Messaging	Business Retention	Workforce & Talent
Immediate Actions	Audit exposure to phased-out federal programs	Evaluate readiness of priority sites under new market trends	Identify sectors most affected (e.g., clean energy, EVs)	Update RFIs and marketing to reflect policy changes	Engage local employers impacted by incentive rollbacks	Review funding changes to training and site-readiness
Adapt & Align	Coordinate with state/local partners to develop stopgap tools	Realign site strategy with reshoring, defense, and med-tech	Where possible, shift focus to growth sectors benefiting from OBBBA (e.g., aerospace, defense)	Reframe regional pitch around talent, resilience, logistics	Help companies access remaining state and federal programs	Partner with local workforce boards and educators to fill gaps
Amplify & Advance	Advocate for new policies that target emerging sectors	Bundle sites with infrastructure investment and incentives	Launch targeted outreach to new industry clusters	Refresh digital campaigns and earned media positioning	Support expansion plans aligned with new strategic priorities	Promote talent pipeline as a core site selection differentiator

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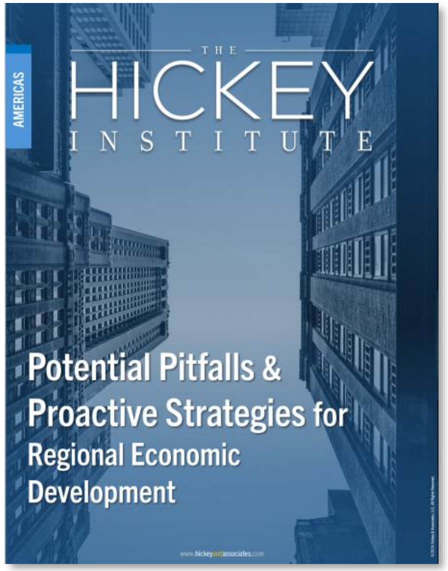
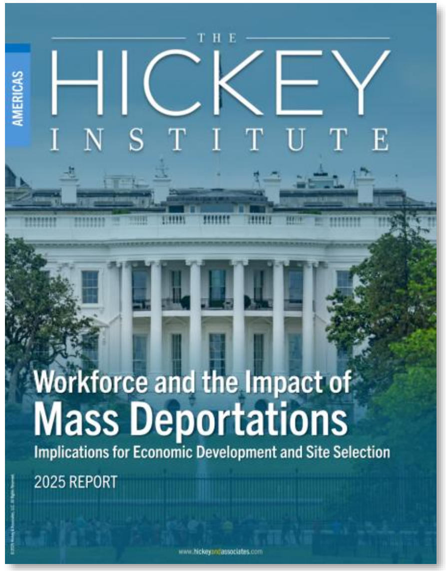
Join the Conversation

Hickey Institute Thought Leadership – 2025 Reports and more



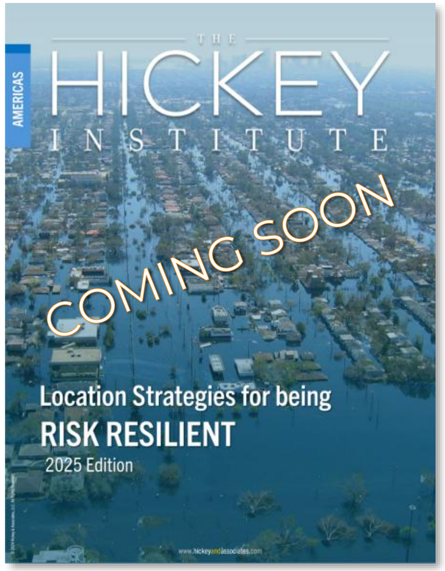
Regional EDO Strategy Report



Workforce & the Impact of Mass Deportations Report

Life Sciences & Medtech Site Selection Strategy Report

U.S. Credits & Incentives Update – Fall 2025 Report



Locations Strategies: Risk Resiliency Report

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Q&A Session

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