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United States

GKP Foreign Investment Seminar

October 27, 2025
Seoul

Agenda

01 Trump Tariffs – How to Navigate Disruption & Uncertainty

02 OBBBA – Implication of Trump Tax Law v2.0 to Korean MNEs

03 US Site Selection – Market Perspective and Trends

Facilitated by

Brian Choi
Partner
KPMG US – New York

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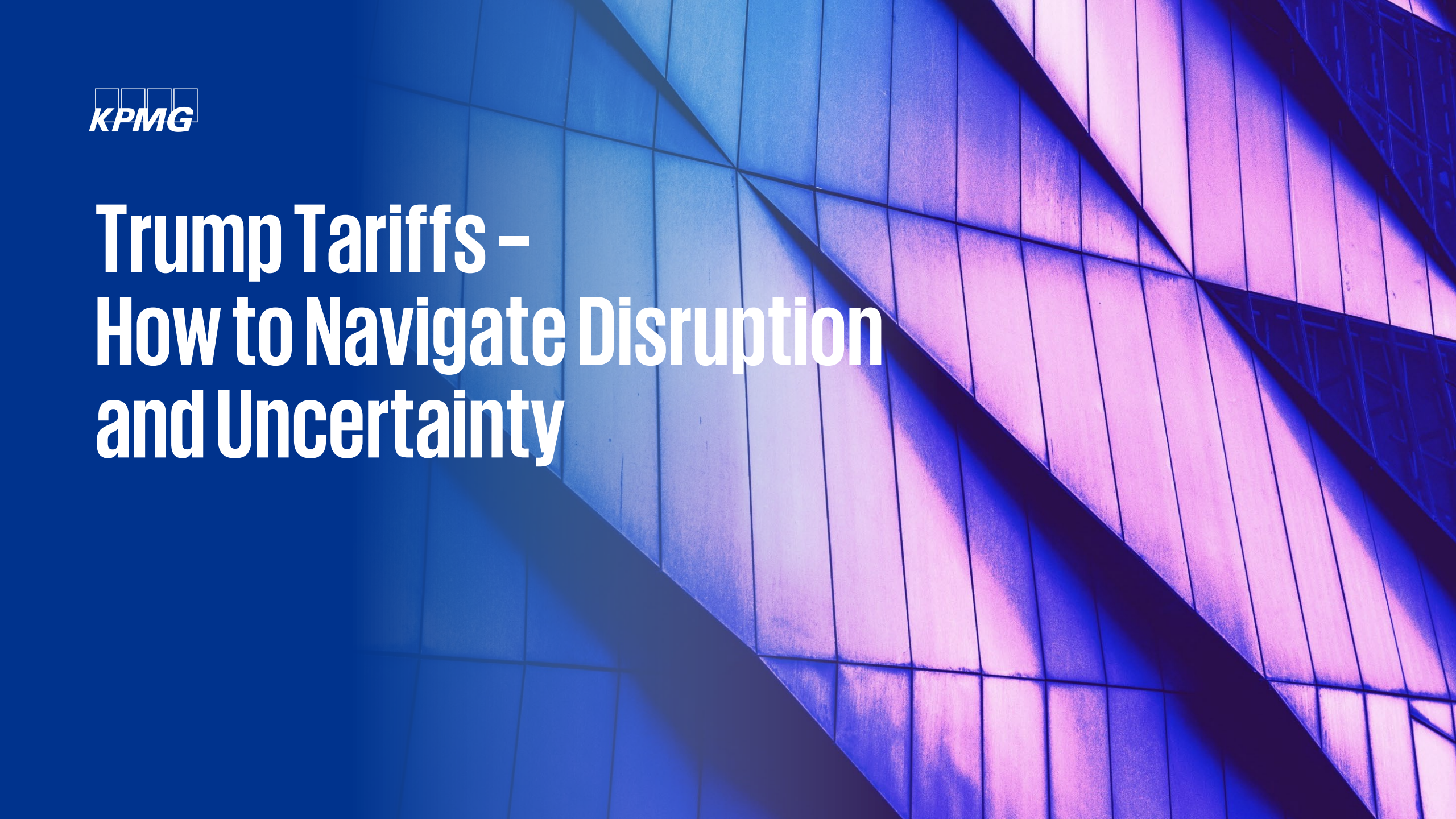
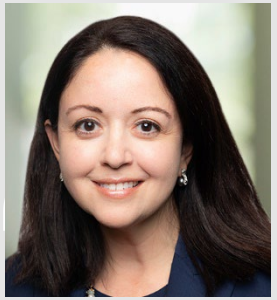


Trump Tariffs – How to Navigate Disruption and Uncertainty

Speakers



Amie Ahanchian

Principal, Trade and Customs,
KPMG US – Washington, DC

Tae Joo (TJ), Kim

Partner, TP & Customs,
KPMG KR – Seoul, Korea

Shawn Kim

Managing Director, Transfer Pricing,
KPMG US – New York

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02

Tariff Landscape

Trump's Timeline & the Current Landscape

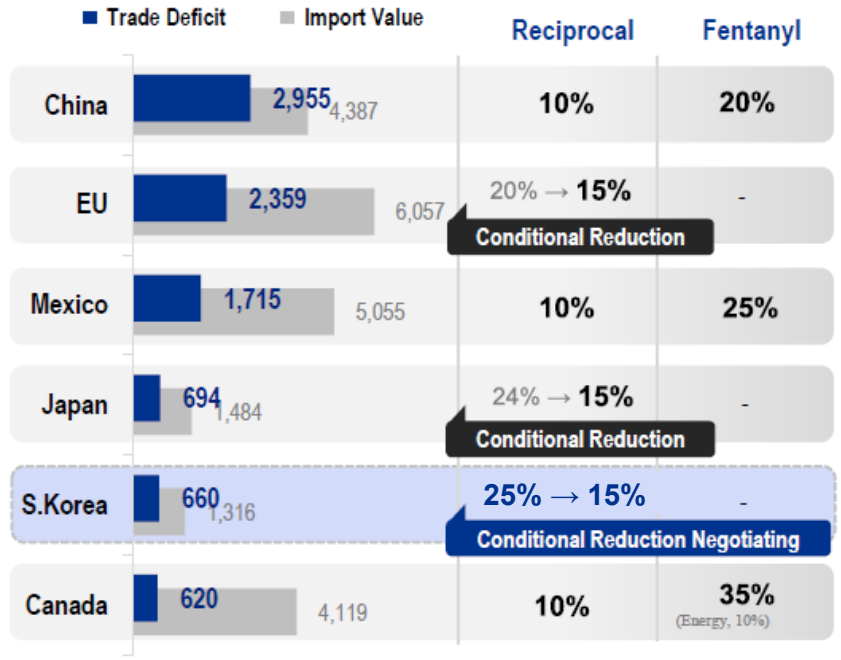
The below measures are in force or are currently under review in alignment with the Trump Administration's "America First" trade policy. Please note that all IEEPA-based tariffs are currently still in effect. While the Court of Appeals for the Federal Circuit's (CAFC) decision on August 29, 2025, ruled the Trafficking and Reciprocal tariffs too broad in scope and therefore unconstitutional, the tariffs remain in force until October 14 unless a stay is granted by the Supreme Court.

2025 Timeline

- **Jan** — Trump's second term begins
- **Feb** — Ca(25%), Mx(25%), Cn(10%) + Tariff announcement
- **Feb** — Steel & Aluminum (25%) + Tariff announcement
- **Apr** — All countries (10 ~ 125%) + Tariff announcement
- **Apr** — Auto (25%) + Tariff announcement
- **May** — Auto Parts (25%) + Tariff announcement
- **Jun** — Steel & Aluminum (to 50%) Tariff Increase announcement
- **Jul** — Copper (50%) + Tariff announcement
- **Aug** — All countries + Reciprocal tariff adj,

Trump 2.0 Administration Tariff

(1) Country-Based Tariffs (IEEPA)



(Unit: 100M dollars, Source: US Census Bureau)

(2) Industry-Based Tariffs (Sections 232)

Steel	• 50% additional tariff on steel and its derivatives
Aluminum	• 50% additional tariff on aluminum and its derivatives
Auto & Parts**	• 25% additional tariff on automobiles and automobile parts **Except USMCA U.S. Content*
Copper	• 50% additional tariff on copper and its derivatives
Others	• Lumber 10%, Cabinetry 50%, Upholstered Furniture 30%

Signaled Industry-Based Tariffs

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Reciprocal tariff developments

The White House announces new reciprocal tariff rates effective August 7

- On August 1, 2025, the White House announced in Executive Order #14326, *Further Modifying the Reciprocal Tariff Rates*, that beginning August 7, additional *ad valorem* duties will be imposed on goods from certain countries listed in Annex I of the Executive Order (see following slide). The new rates will replace the 10% reciprocal tariff in place since April 9th, 2025.
- Goods imported from any foreign trading partner not listed in Annex I will be subject to an additional ad valorem rate of duty of 10%.

Court of Appeals Blocks IEEPA Tariffs

On August 29, 2025, the U.S. CAFC held that President Trump's "Trafficking" and "reciprocal/worldwide" tariffs **are too broad in scope and unbounded in time** and therefore unconstitutional. The CAFC and sent the case back to the Court of International Trade (CIT) to reconsider remedies for those affected by the tariffs.

On September 9, 2025, the U.S. Supreme Court granted the government's petition for a writ of certiorari, agreeing to review the CAFC's decision. In response, the CAFC withheld issuance of its mandate, meaning that although the tariffs were declared unconstitutional, this decision cannot yet be acted upon by the CIT.

Because the mandate remains withheld pending Supreme Court review, the government continues to collect IEEPA tariffs. Oral arguments before the Supreme Court are scheduled for November 5, and enforcement will remain unchanged until the Court issues a final judgment.

Important Notes

- Imports attempting to avoid reciprocal tariffs through transshipment will be subject to an additional 40% rate of duty plus the reciprocal tariff rate of the goods' country of origin and/or fines and penalties
- These reciprocal tariff developments do not change the current tariff stacking rules (i.e., a good subject to the Section 232 automobile tariffs will not be subject to the reciprocal tariffs)
- These reciprocal tariff developments do not affect any previous tariffs imposed on China
- The Harmonized Tariff Schedule US will be modified to align with the new ad valorem rates set forth in the Executive Order
- The IEEPA tariffs have been ruled unconstitutional by the CAFC; however, collection will continue while the court's mandate is withheld pending Supreme Court review of the case. Any refunds or compliance changes will depend on the outcome of the Supreme Court ruling.

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Country specific reciprocal tariff rates

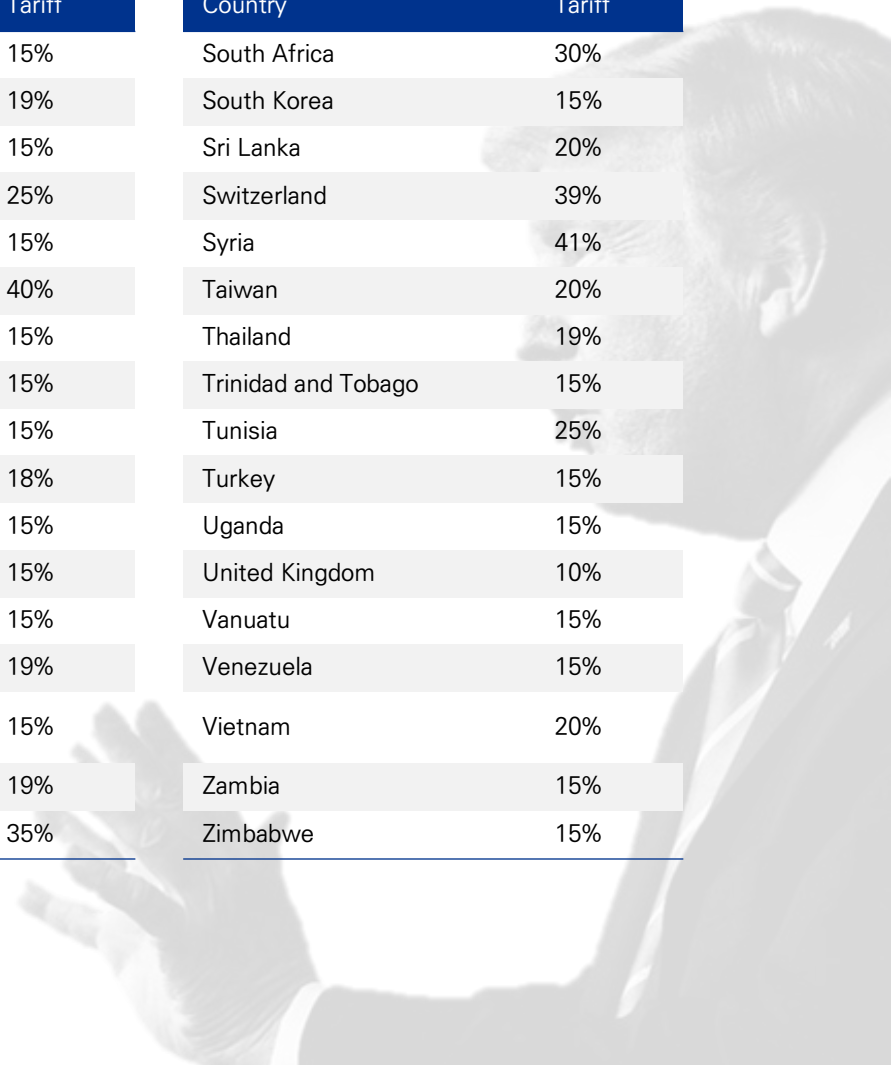
Effective August 7, 2025, new ad valorem duties will apply to goods imported from countries listed in Annex I of the White House EO #14326, *Modifying the Reciprocal Tariff Rates*. For countries not listed in Annex I, their goods will continue to be subject to a 10% ad valorem tariff.
De minimis exception suspended for all countries, effective August 29, 2025 (EO 14324, dated July 30, 2025).

Country	Tariff
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	10%
Brunei	25%
Cambodia	19%
Cameroon	15%
Chad	15%
Costa Rica	15%
Côte d`Ivoire	15%
Democratic Republic of the Congo	15%
Ecuador	15%
Equatorial Guinea	15%

Country	Tariff
Falkland Islands	10%
Fiji	15%
Ghana	15%
Guyana	15%
Iceland	15%
India	25%
Indonesia	19%
Iraq	35%
Israel	15%
Japan	15%
Jordan	15%
Kazakhstan	25%
Laos	40%
Lesotho	15%
Libya	30%
Liechtenstein	15%
Madagascar	15%

Country	Tariff
Malawi	15%
Malaysia	19%
Mauritius	15%
Moldova	25%
Mozambique	15%
Myanmar (Burma)	40%
Namibia	15%
Nauru	15%
New Zealand	15%
Nicaragua	18%
Nigeria	15%
North Macedonia	15%
Norway	15%
Pakistan	19%
Papua New Guinea	15%
Philippines	19%
Serbia	35%

Country	Tariff
South Africa	30%
South Korea	15%
Sri Lanka	20%
Switzerland	39%
Syria	41%
Taiwan	20%
Thailand	19%
Trinidad and Tobago	15%
Tunisia	25%
Turkey	15%
Uganda	15%
United Kingdom	10%
Vanuatu	15%
Venezuela	15%
Vietnam	20%
Zambia	15%
Zimbabwe	15%



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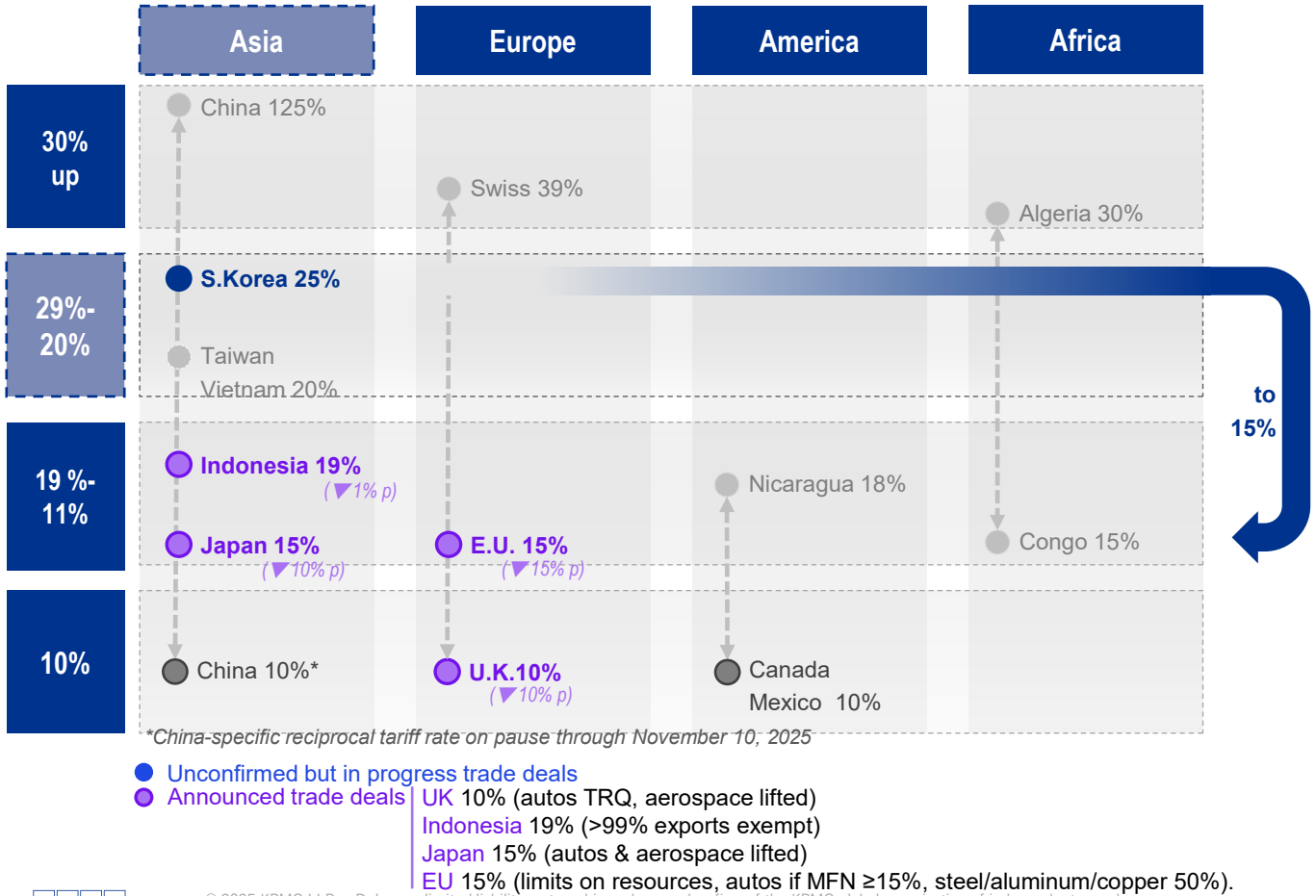
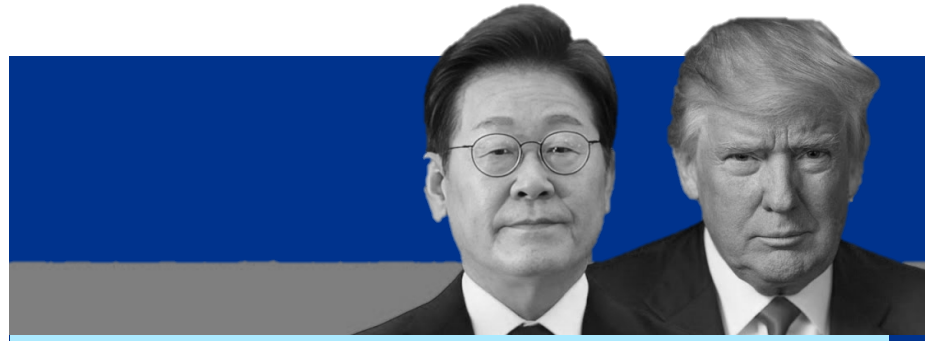
Ongoing US-KR Trade Negotiations

The White House has announced new trade agreements with multiple countries that focus on reciprocal tariffs and increased foreign investment in the United States. The agreements are not final, and no implementation date has been provided by the White House. The White House has also not addressed how the agreement may impact existing tariff rates, including the reciprocal tariffs.





Key Divergences in Trade Deal Nego

Investment Structure & FX Stability

Prefers **phased** or **indirect investments** to avoid FX market volatility.

Seeks large-scale **direct investment** inflows with **front-loaded** capital into U.S.-led projects

Project Control & Profit Allocation

Aims to **maintain decision-making authority** for KR companies, while seeking a **5:5 profit share** of investment returns.

Demands project **control and oversight by U.S. entities and firms**, along with a **9:1 profit share** in favor of the U.S. side.

Profit Allocation & Reinvestment

Seeks only **limited market access** for select agri-cultural products, requesting a **tariff cap of up to 15%**—as in the Japan deal.

Calls for the **importation of soybeans** previously rejected by China, while demanding **full market opening** for other agricultural products.

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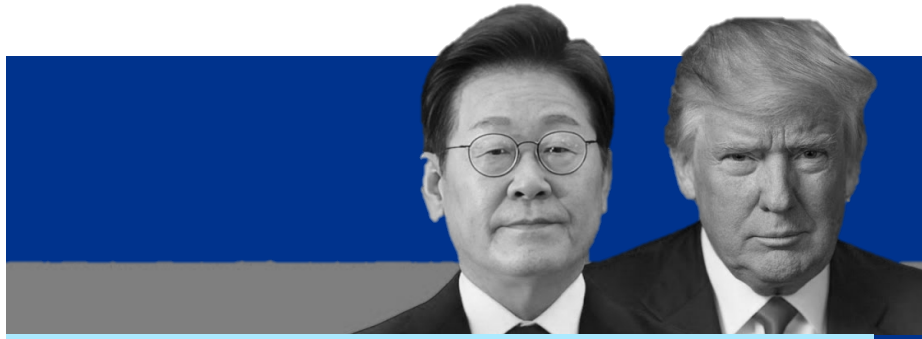
United States – South Korea Trade Deal

On July 30th President Trump announced a preliminary trade deal with South Korea

- Due to the preliminary trade deal, goods imported from South Korea will be subject to a 15% reciprocal tariff, down from the 25% originally threatened.
- No specifics of a reduction in Section 232 automotive, steel/aluminum, or copper duties, although potential reduction to 15% for autos is being considered.
- In response, South Korea will expand market access to U.S. cars, trucks, and agriculture.
- Additionally, according to President Trump, South Korea will invest $350B in the U.S. Seoul officials have stated that $150B would go to the shipbuilding industry, with the rest to other critical industries.

Impact on US – Korea Free Trade Agreement

- No indication from President Trump or President Lee that goods that qualify for KORUS will be exempt from the 15% reciprocal tariff.
- South Korea's former chief negotiator, Choi Seok-young, stated that "the FTA has been efficiently scrapped."



Important Notes

Details on the trade deal remain scarce. The White House has not published a "Fact Sheet" unlike other trade deals.

South Korea's trade minister has confirmed that no written agreement currently exists. Concerns have been expressed about Japan's reduced tariff (15%) on autos.

President Trump plans to visit Korea on October 29 to attend the APEC meeting. Further negotiations on the trade deal are expected.

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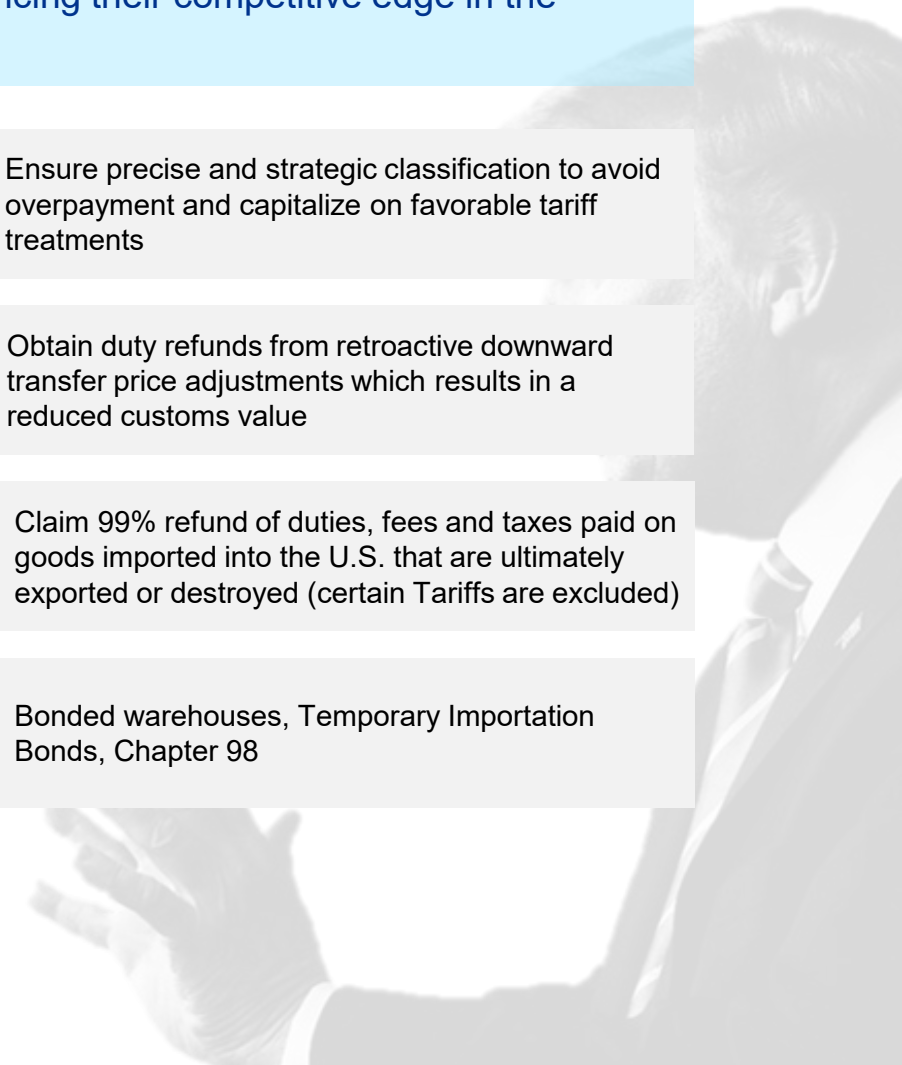
03

Duty Mitigation

Optimizing for tariff uncertainty

Managing disruption from tariffs requires a multifaceted strategy. By leveraging short and long term duty mitigation strategies, companies can optimize tariff liabilities and promote supply chain resiliency while enhancing their competitive edge in the global market.

First Sale for Export	Reduce duty costs by declaring customs value based on manufacturer's initial sales price rather than final price paid by the importer
Foreign Trade Zones	Defer duty payment until foreign merchandise leaves the FTZ for US Consumption
Country of Origin Planning	Plan and manage the country of origin for goods strategically to benefit from preferential trade agreements and reduced duty rates
Cost Unbundling	Removing or “unbundling” elements from the declared customs price to facilitate a reduction in customs duties
Strategic Tariff Classification	Ensure precise and strategic classification to avoid overpayment and capitalize on favorable tariff treatments
Valuation: Post Importation Refunds	Obtain duty refunds from retroactive downward transfer price adjustments which results in a reduced customs value
Duty Drawback	Claim 99% refund of duties, fees and taxes paid on goods imported into the U.S. that are ultimately exported or destroyed (certain Tariffs are excluded)
Other Strategies	Bonded warehouses, Temporary Importation Bonds, Chapter 98



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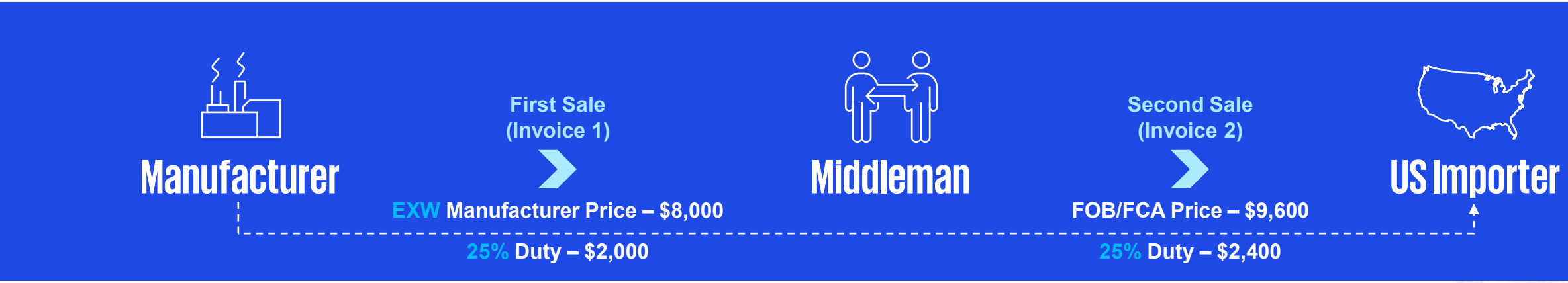
First sale for export – Overview

Below is an illustrative example of a 3-tier (party) transaction and the potential savings when utilizing First Sale.



First Sale Value
(finished goods transaction)

Includes:
- Raw materials
- Labor
- Manufacturer overhead
- Manufacturer margin
- Other applicable costs

Assuming a 20% markup and 25% duty rate

Second Sale
(Traditional Customs Value)

Includes:
- First Sale Value, plus:
- Middleman mark-up
- Foreign inland freight and insurance
- Intellectual property rights
- Administration & Other applicable costs

Merchandise shipped directly from manufacturer to company in the United States

Key Requirements

- **Back-to-back Sales**
- **Arm's Length**
- **Merchandise shipped directly to the United States**
- **Recordkeeping**

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Savings through Transfer Pricing & Customs Coordination

Transfer Pricing and Customs disciplines must work collaboratively to effectively address the compliance and tax needs of multinational entities. The overall objective is to identify strategies that will result in the lowest customs duty and taxable income

Potential Considerations

01 Reduce

- Reduce the costs, time, and resources needed to respond in transfer pricing and customs controversies;
- Reduce or eliminate tax and customs price adjustments, penalties, or interest charges; potentially obtain tariff refunds; prevent “over-correcting” transfer prices;

02 Develop

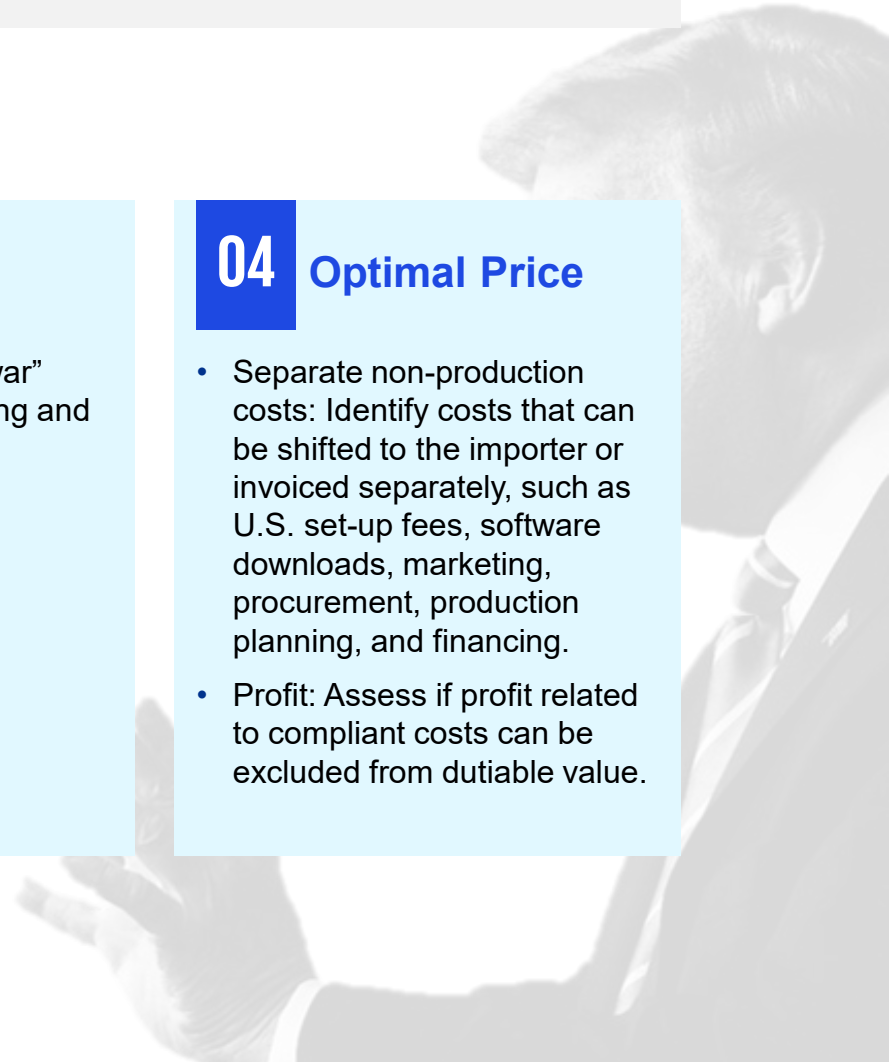
- Develop pricing methodologies that can be used for both transfer pricing and customs purposes;
- Develop policies and procedures in a coordinated fashion between the tax and customs functions;

03 Eliminate

- Eliminate the “tug of war” between transfer pricing and customs authorities.

04 Optimal Price

- Separate non-production costs: Identify costs that can be shifted to the importer or invoiced separately, such as U.S. set-up fees, software downloads, marketing, procurement, production planning, and financing.
- Profit: Assess if profit related to compliant costs can be excluded from dutiable value.



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Cost Unbundling

Customs values are often declared before "stripping out" elements such as:

- Health & safety exam fees
- Certain service fees
- Buying commissions
- Finance charges & marketing/ sales costs
- Quality control inspection
- Post-importation charges

- **Removing or "unbundling" elements from the declared customs price may facilitate a reduction in customs duties**
- **Each of the above elements should be evaluated on a case-by-case basis**

Declared price before unbundling

Full landed cost = $500M

Duty payable @ 25% = $125M

Type	Amount
H&S Exam Fees	$2M
Tech Support	$8M
Marketing	$10M
Post-import charges	$5M

Declared price after unbundling

Declared price after unbundling

Unbundled cost = $475M

Duty payable @ 25% = $118.75M

Savings of $6.25M

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Duty refund due to transfer price adjustments

Concept

U.S. importers can potentially obtain duty refunds from retroactive downward transfer price adjustments which results in a reduced customs value.

Key Considerations

- CBP's "5-factor test" must be satisfied.
- Post-adjusted prices must be at an acceptable customs arm's length price
- Transfer price adjustments are generally reported through CBP's Reconciliation process

The "five factors"

01

A written Intercompany "Transfer Pricing Determination Policy" (TP policy) is in place prior to importation and the policy is prepared taking IRC Section 482 into account

02

The U.S. taxpayer uses its TP policy in filing its income tax return, and any adjustments resulting from the transfer pricing policy are reported or used by the taxpayer in filing its income tax return

03

TP policy specifies how the transfer price and any adjustments are determined with respect to all products covered by the transfer pricing policy for the which the value is adjusted

04

The company maintains and provides accounting details from its books and financial statements to support the claimed adjustments in the United States

05

No other conditions exist that may affect the acceptance of the transfer price by CBP (e.g., the adjusted price must be an arm's length from a CBP perspective)

Downward Transfer Price Adjustment

Starting value: $500M
New Value: $400M
$100 million

Downward adjustment of 20% to reach target operating margin

✖ 25% = **$25 million**

Cost of Goods Sold is reduced

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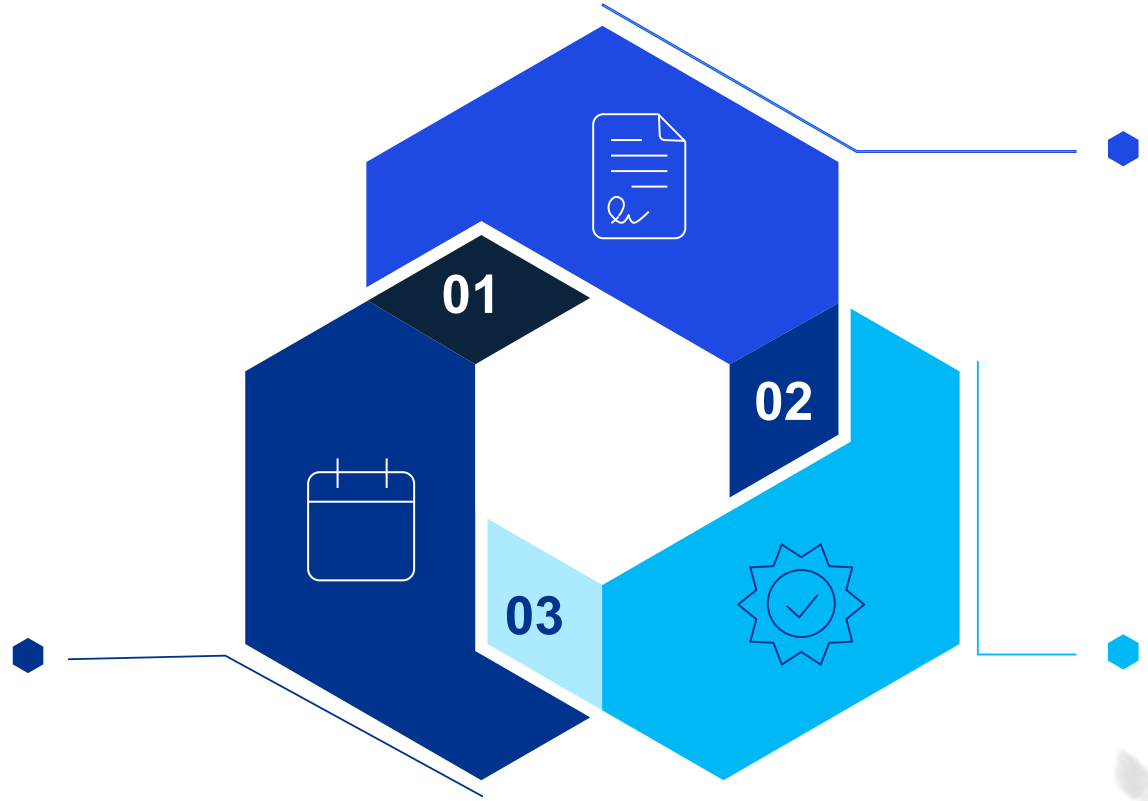
Reconciliation overview

Customs reconciliation is a process that allows importers to correct or amend certain elements of their customs entries after the initial filing.



Reconciliation will allow the importer to report the precise duty owed in one reconciliation table instead of trying to make these payments or refund requests on an entry-by-entry basis.

After entry, the importer would have up to 21 months to amend certain items on their entry.

To take advantage of value reconciliation, the importer must start flagging the entries at time of entry. The importer can not use reconciliation program unless the entries have been flagged for reconciliation.

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KPMG Tariff Mitigation Success Stories

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04

Action plan and next steps

How to prepare

Use trade and other **data to measure your tariff impact** and understand what is driving the exposure

Develop cost-saving strategies to mitigate tariff impacts

Create a phased plan to **prioritize high-impact areas** (e.g., China-sourced fasteners) with timelines

Create cross-functional teams (tax, transfer pricing, and customs) to operationalize your response to tariffs quickly

Support **implementation** of sourcing shifts or **tariff mitigation initiatives**

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05

TP Considerations

Impact of tariffs in multinational supply chain

Korean MNE with foreign manufacturer and US distributor

1. Is it appropriate that Parent and ForCo bear the majority of the downside from the increase in customs duties in the U.S.?
2. Consequences of potential restructuring

1. Is it appropriate that USCo continues to earn a consistent operating margin?
2. What is the impact of the tariffs on the returns on third party comparables used to benchmark USCo's return?
3. How is targeted return delivered in volatile economic environment?

- Non-US MNE exports goods to the US
- U.S. tariffs will be imposed on USCo (the IoR)
- USCo will initially bear the costs of the tariffs and will see variation in returns as a result
- If USCo earns targeted operating margin, price of goods may need to be adjusted to deliver targeted return (e.g., reduced to offset customs duty)
- Customs duties minimized by minimizing the U.S. Customs Value

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Sharing the pain?

Limited risk entities are not completely insulated from market risk. Companies could consider whether distributors should bear some of the tariff-induced losses. This depends on contractual arrangements, control over risk, options realistically available, and other facts and circumstances.

For related party distributors with targeted margin

Consider the following modifications to the TP policy to allow distributor to bear some market risk:

- Bottom of full range current year (assumes comps exclude repeated loss makers)
- Break even current year
- Current year loss but EBITDA breakeven (cash costs covered)
- 3 year average at Lower Quartile per comp set
- New benchmarking using only 2025 earnings release data* with no loss makers excluded (corroborative post year-end check)

For related party distributors NOT on a targeted margin

In addition to the options for LRDs, consider:

- Split extra tariff cost in proportion to share of system profit for past 3 years
- Split extra tariff cost 50/50
- Split extra tariff cost based on more sophisticated economic analysis

Businesses should consider the recent IRS campaign scrutinizing the returns of inbound distributors.

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06

Q&A

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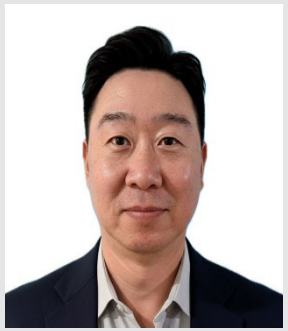
OBBBA – Implication of Trump Tax Law v2.0 to Korean MNEs

Speakers

David Wang

Managing Director, Business Tax Service,
KPMG US – Los Angeles



Matthew Song

Managing Director, Business Tax Service,
KPMG US – New York

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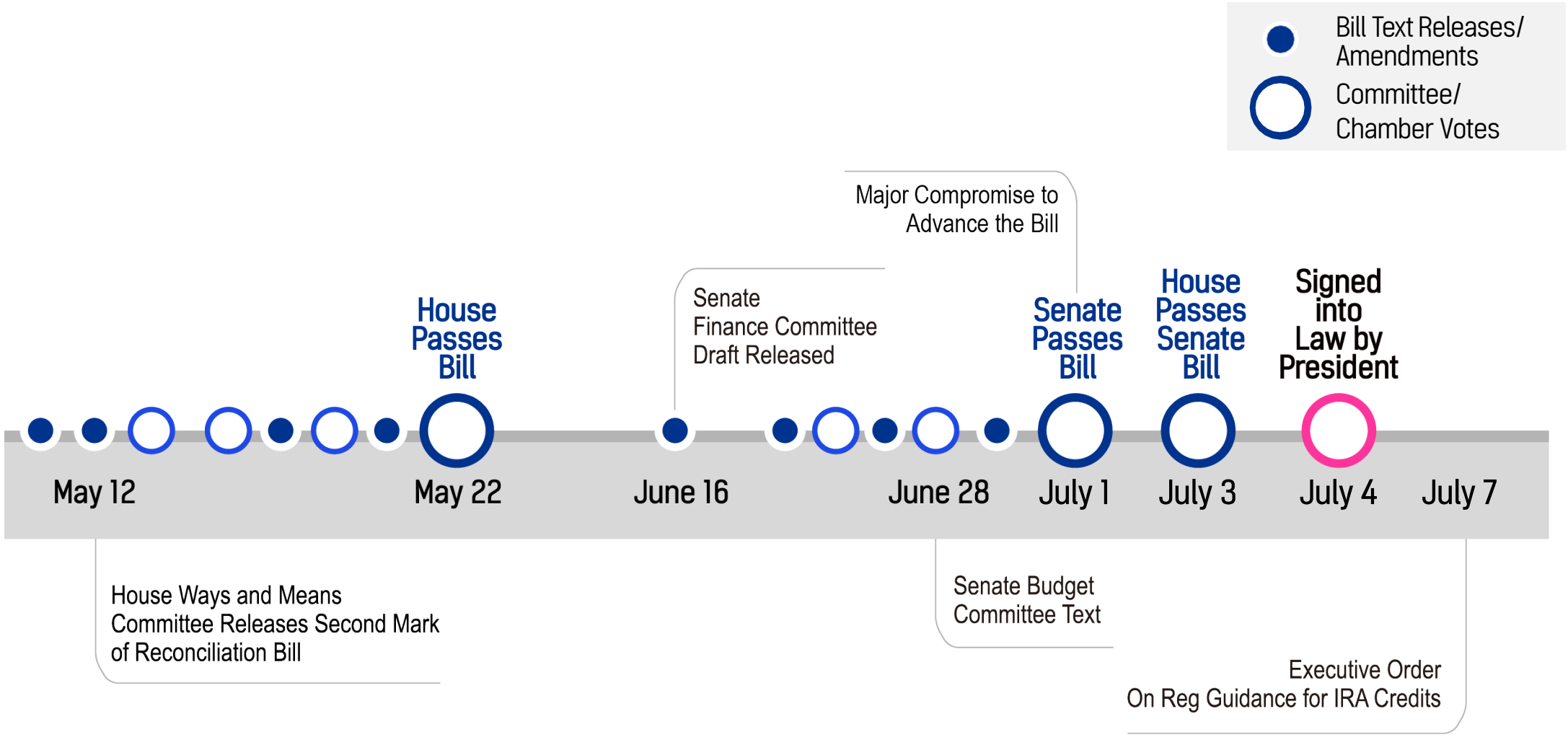
Enactment & Observation

Enactment Timeline



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OBBBA Observations

Permanence

The 2017 tax law made many changes, but many were temporary. This uncertain future made long-term planning challenging.

OBBBA makes most of the 2017 law permanent.

Domestic Investments

By restoring 100% bonus depreciation and expensing of domestic research costs (and making both permanent), investment in the US has greater appeal going forward.

Also creates a temporary expensing rule for new US manufacturing facilities.

Global: US More Attractive

Many of the international tax changes were designed to encourage movement of capital and intellectual property to the US.

The related deal providing Pillar 2 relief to US multinationals furthers this end.

Trust But ~~Verify~~ Model

The interactive complexity of the 2017 law forced companies to replace intuition with modeling.

Now OBBBA creates new rules and interactions, forcing taxpayers to go back to the model.

Sustainability?

The bill was largely deficit financed, adding trillions to the debt under conventional estimates. This raises the question of whether future tax increases are inevitable and how that might impact the provisions of OBBBA.

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OBBBA Framework

Overview of International Tax Framework After OB3

NOTE: Lower TI from bonus depreciation, R&E expensing, 163(j), FDII, etc., increases exposure to BEAT, CAMT, ODL, and NOL

BEAT (TYBA 2025)
- Permanently increases rate to 10.5%
- Retains favorable treatment of R&D credits
- Lumpy new deductions impact BE%

163(j) limit on interest deduction
- Back to 30% of EBITDA (TYBA 2024)
- Sub F, NCTI, and §78 gross-up excluded from ATI (TYBA 2025)
- Electively capitalized interest counts against limitation (TYBA 2025)

Bonus Depreciation
- 100% permanent bonus for qualified property acquired after 1/19/25
- New 100% bonus for "qualified production property" placed in service in the U.S. or a U.S. possession after 7/4/25 and before 2031

Section 174A
- Permanently restores immediate expensing of domestic R&E (TYBA 2024)
- Option to accelerate unamortized basis over 1 or 2 years (TYBA 2024)
- Options to electively capitalize domestic R&E

FDDEI – <14% (TYBA 2025)
- Permanent 33.3% FDDEI deduction → 14% rate
- No allocation of interest and R&E to DEI / FDDEI
- Eliminated deemed QBAI return
- Excluded from FDDEI dispositions of IP or other depreciable property after 6/16/25

Branch Income – 21%
- Current inclusion
- Separate basket
- 10-year carryforward
- Cannot get FDII

NCTI (formerly GILTI) – 2.6% headline rate (14% global rate) (TYBA 2025)
- Permanent 40% NCTI deduction
- 10% FTC haircut → 14% global rate; haircut applies to PTEP also
- QBAI exemption eliminated
- Only "directly allocable" deductions and SALT are allocated to NCTI
  (no interest expense or R&E)

Sub F – 21%
- Foreign base company income and 956
- Current inclusion at 21%
- General and passive baskets
- 10-year FTC carryforward
- 163(j) limits

Exempt Income – 0%
- Loss offset E&P
- Pre-CFC earnings
- High-tax income (elective)

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FDII -> FDDEI

FDII -> FDDEI – Changes under OB3

Changes for tax years beginning after 12/31/25:

01 Permanent **33.34%** FDDEI deduction (resulting in a **14% effective rate**)

02 Modified expense allocation rules to exclude interest expense and R&E from being "properly allocable" to DEI

03 Eliminates QBAI "normal return" exclusion

04 Excludes from FDDEI any sales/dispositions of IP or other depreciable property

Strategic Implications

- Taxpayers with significant QBAI or interest expense may now be able to take advantage of FDDEI
- ETR on FDDEI may be significantly below 14% due to no allocation of R&E and interest
- Still need positive taxable income

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FDDEI - Initial Observations & Planning

International / Transfer Pricing

- Taxpayers with significant QBAI, R&E, and interest expense need to reassess if they benefit from FDDEI for the first time
- Reassess transfer pricing to maximize FDDEI:
  - Identify and properly charge for US services (HQ, etc.), include mark-ups
  - Reassess DEMPE and risks/returns to foreign entities on existing transactions, and need for changes
- Evaluate potential for new transactions related to global functions in the US to unlock FDDEI
- Inbound IP; corporate tax and tariff considerations
- Need to model if FDDEI acceleration into 2025 makes sense

Federal Methods

- Monitor "other, regular, domestic income" (ORDI) to optimize section 250 (and other) attributes
- Consider when to take deductions for Sec. 174 and future Sec. 174A methods/elections
- Reconsider your Sec. 174A costs. Does it help to find more if going down the immediate deduction path? Not for everyone.

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FDDEI - Initial Observations & Planning

SALT

- Currently, approximately 30 states allow the FDII deduction in some form
- Differences in static conformity states between the computation of FDII and the updated FDDEI amount
- Differences may also exist from the deduction computed for federal purposes under the consolidated return regulations in separate company return states

M&A

- Cash tax for deal model and deal valuation – consider potential benefit that may not exist pre–2026
- Location of IP in deal structure
- Placement of holding company

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GILTI -> NCTI

GILTI -> NCTI – Changes under OB3

Changes for tax years beginning after 12/31/25:

01 Eliminates QBAI exclusion, reducing section 245A E&P and increases tested income

02 Permanently increases section 250 deduction to 40%, resulting in domestic ETR of 12.6%, global ETR of 14% (with 10% haircut)

03 No allocation of interest or R&E, or other indirectly allocable expenses for FTC purposes; expenses instead allocated to US source

04 Eliminates “last day rule” in determining a U.S. shareholder’s pro rata share of NCTI

Strategic Implications

- Can be good (or bad) for taxpayers
- No allocation of interest and indirectly allocable expenses to NCTI increases possibility of ODL and recapture situations
- Reduces utility of NCTI high-tax exception

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NCTI - Initial Observations & Planning

International

- Foreign base erosion with debt and IP to another CFC or the US group; target 14% ETR
- Consider not making NCTI HTE elections
- Creation of ODL from non-allocation of interest and indirect expenses to NCTI can reduce other baskets (e.g., general and branch)

Federal Methods

- Rethink benefit of capitalizing interest expense to other assets (e.g., inventory, etc.)
- While US Secs. 174/174A beneficial elsewhere, not a detriment here

SALT

- Static conformity states – mismatch in the calculation (GILTI vs. NCTI and section 250 deduction), if the state does not update its conformity (e.g., Florida, Kentucky)
- Consider apportionment factor representation concerns and opportunities
- 80/20 company opportunities and implications
- Illinois law change and GILTI / NCTI implications

M&A

- Cash tax for deal model and deal valuation
- Consider foreign entity classifications for US federal income tax purposes (CFC vs DRE).
- Pro-rata allocation of – may impact purchase agreement negotiation and additional considerations with regard to pre- and post-closing tax liabilities between seller and buyer.

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Domestic Expensing

(Secs. 174, 174A, 168(k))

Domestic Expensing – Changes under OB3

01 Unamortized Sec. 174 (as of 12/31/2024)

- Three options for recovering unamortized amounts (2025, 2025/2026, existing recovery schedule)

02 Domestic R&E (Sec. 174A) – three options to recover (immediate expensing, capitalization/amortization, Sec 59(e))

03 Permanent 100% bonus depreciation

- Retroactive to acquisitions made after 1/19/2025
- Transition year option

04 Temporary 100% bonus depreciation on long-lived qualified production property (BC 1/20/25-12/31/28)

Strategic Implications

- Options are always good for taxpayers
- For Sec. 174A, whether a taxpayer has limited interest may influence recovery period chosen.
- Large federal deductions may negatively impact other provisions (FDDEI, NCTI, etc.) due to TI limitations.

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Secs. 168(k), 174 & 174A - Initial Observations & Planning

Federal Methods

- Immediate deductions may not be the best answer for global companies.
- Annual elections give taxpayers significant options for managing taxable income limitations
- If you choose Sec. 174A(c) capitalization/amortization, how easy will it be to track *taxpayer first realizes benefits*

SALT

- Rolling vs. static state conformity considerations – both for compliance and provision purposes
- States not conforming to Sec. 174 under TCJA (e.g., California) – an addback problem
- Interplay with Sec. 163(j)
- Potential Commerce Clause violation

M&A

- For mid-year transactions, consideration of the impact of a short year. The treatment of tax attributes for deal negotiation and purchase agreement.
- The interactions of Section 174 basis and potential IRC Section 382 limitation.
- Considerations for purchase price allocations for tax purposes in connection with asset / deemed asset deals
- Other considerations for accelerating depreciation.

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Sec. 163(j)

Sec. 163(j) – Changes under OB3

Changes for tax years beginning after 12/31/25:

01 Elective capitalization (Secs. 266, 263(a) treated as interest expense
(with generally unfavorable allowance priority over deductible interest)

02 No ATI from subpart F, GILTI, or section 78
(eliminates election under current proposed regulations)

03 ATI permanently excludes depreciation, amortization, or depletion deductions for tax years beginning after 2024

Strategic Implications

- Does the depreciation and amortization addback (in EBTIDA computation) provide enough limitation?
  - Not for asset light companies

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Sec. 163(j) - Initial Observations & Planning

Federal Methods

- Consider optimizing Sec. 174A costs and capitalizing/amortizing.
- Consider fixed asset acquisition cost capitalization to increase depreciation.

International / Transfer Pricing

- Taxpayers needing limitation to replace CFC income should consider pushing debt into CFCs
- Taxpayers should revisit intercompany financing arrangements
- Additional allowable interest expense can impact section 250 deduction, BEAT, and CAMT

SALT

- Rolling vs. static state conformity considerations – ATI measure, capitalized interest considerations
- Consolidated vs. separate company return implications
- Interplay with state expense disallowance provisions

M&A

- Deal model for cash tax – when adjust to EBTIDA should also take into account capitalized interest expenses under Section 266 and other provisions.
- Value may be attributable to historical section 163(j) limited interest expenses
- Debt push–down to local jurisdictions in connection with a potential acquisition

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BEAT and CAMT

BEAT – Changes under OB3

Changes for tax years beginning after 12/31/25:

01 Increases BEAT rate to 10.5% (from 10%)

02 Continues availability of certain general business credits after 2025

03 Retains favorable treatment of R&E credits

Strategic Implications

- No significant changes to BEAT or CAMT , but OB3 changes that reduce regular tax liability could increase the amount of a BEAT or CAMT liability

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BEAT - Initial Observations & Planning

International / Transfer Pricing

- Optimize certain outbound expenses not subject to BEAT (e.g., COGS, SCM, Section 174)
- Evaluate structural options (e.g., modify I/C contracts, CTB planning, reduce reliance on FTCs)

Federal Methods

- For companies new to BEAT, consider what costs are required or electively capitalized to inventory.
- Leverage elections under Sec 174A, 168(k), etc. to manage taxable income year–to–year

M&A

- Consider applicability of BEAT / CAMT post acquisition

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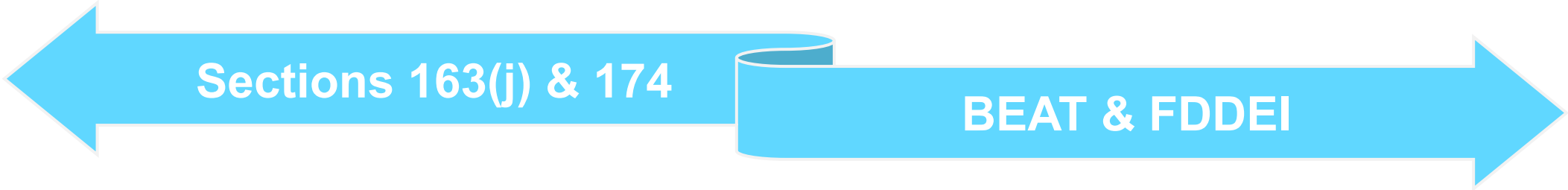
Interaction of OBBB Provisions (Section 163(j), 174, BEAT, FDDEI)



- **Consider the impact of changes under the OBBB in relation to other tax provisions, specifically the interaction of section 174 and the implications for BEAT and FDDEI**
- **Immediate expensing of domestic R&E expenditures under section 174 post-OBBB may have unintended consequences for BEAT purposes:**
  - To the extent a taxpayer's regular tax liability is significantly reduced due to the immediate expensing of domestic R&E or enhanced section 163(j) limitation, taxpayers may become subject to BEAT; to the extent deductible interest is paid to foreign related parties, taxpayers may generate more base erosion tax benefits resulting in a higher base erosion percentage, similarly resulting in a need to consider capitalization strategies
  - This result can be further exacerbated if taxpayers also elect to accelerate certain unamortized domestic R&E expenditures
  - However, taxpayers may consider the election to capitalize and amortize interest expense or domestic R&E expenditures to mitigate potential BEAT exposure
- **Although under the OBBB taxpayers can generally expect an increase in FDDEI eligible for the section 250 deduction, the deduction remains limited to taxable income**
  - The impact of immediately interest deductions and expensing domestic R&E expenditures and its effect on taxable income can create unfavorable results from a FDDEI perspective and should be carefully considered

! The interplay of these rules and the overall implications on the taxpayer's income tax profile should be modelled to ensure there are no unintended consequences

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Green Energy Credits

Energy Credit Changes

Provision	What Changed	Why It Matters
Terminated 	• Qualified commercial clean vehicle credit vehicles acquired after September 30, 2025 • Alternative fuel vehicle refueling property credit placed in service after June 30, 2026 • Energy efficient commercial buildings deduction for property beginning construction after June 30, 2026	These commercially-directed credits have been used by many taxpayers as part of their energy efficiency and ESG strategies
Phased Out 	• Wind and Solar: must begin construction by 7/4/26 or be placed in service by 12/31/27 • Other technologies retain longer phaseout	Of the energy credits, wind and solar far and away are the most deployed in the market and claimed by corporate taxpayers
Foreign Entity Limits 	Projects that receive “material assistance” from certain foreign entities are not credit eligible	Many projects that rely on components from China may be ineligible for credits

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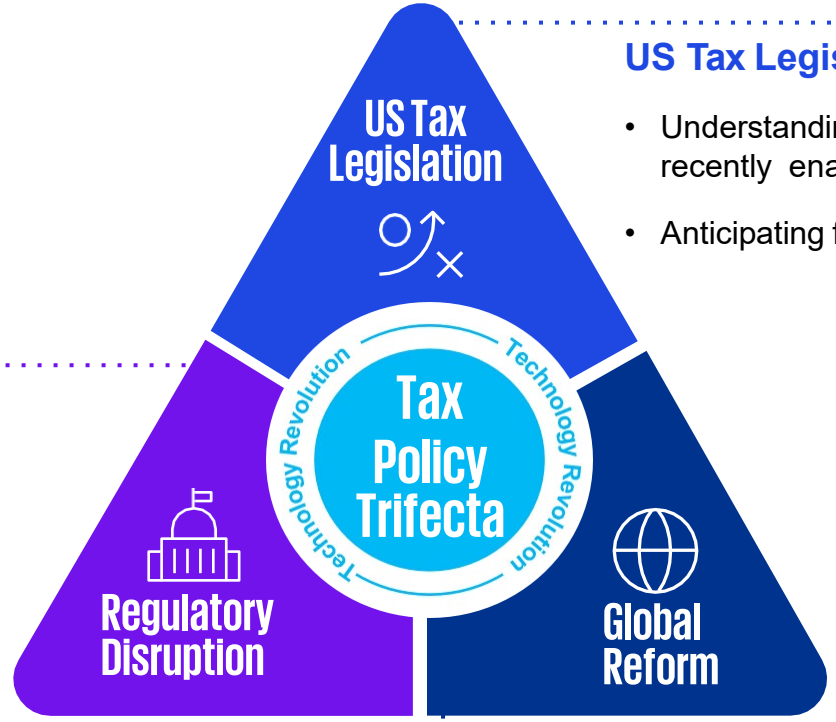
Navigating the Future of Tax

Tax Policy Trifecta



US Tax Legislation

- Understanding and implementing the recently enacted One Big Beautiful Bill
- Anticipating future legislation

Regulatory Disruption and Executive Action:

- Navigating the evolving and complex regulatory landscape, including regulations implementing the One Big Beautiful Bill
- Engaging with regulatory policy makers
- Adapting to the shifting trade and tariff landscape

Global Reform:

- Monitoring developments regarding the treatment of the U.S. system under Pillar Two
- Ongoing compliance with the global minimum tax

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US Site Selection: Market Perspective and Trends

With You Today

Ulrich Schmidt	Robert Boehringer
E: ulrichschmidt@kpmg.com M: +1 610 223 3949	E: hboehringer@kpmg.com M: +1 610 710 9344
25+ years of site selection and business incentives assistance	20+ years of site selection and business incentives assistance

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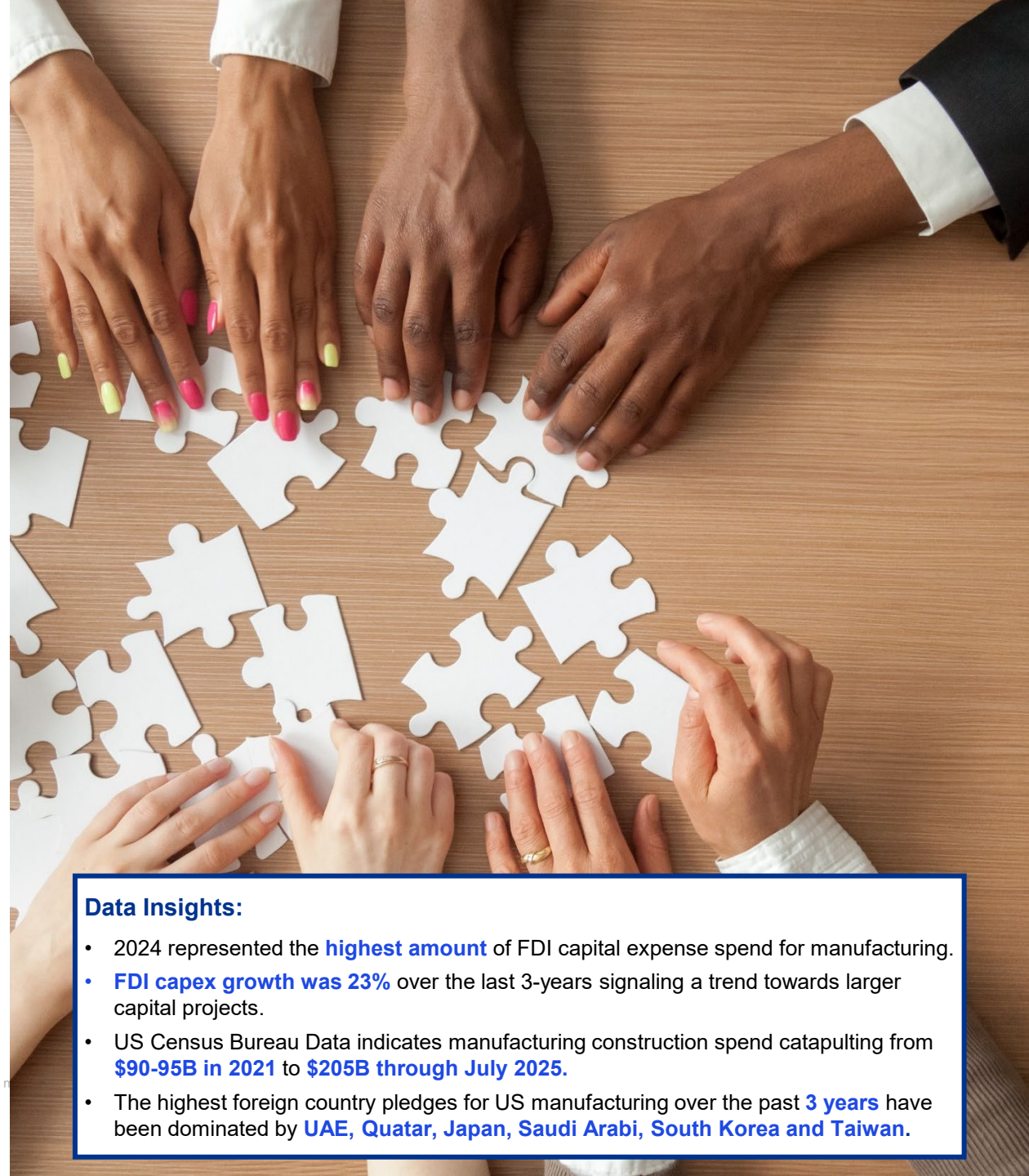
Site Selection Investment Perspective and Trends

The key macroeconomic pieces are coming together to set the stage for an acceleration of U.S. manufacturing

- ✓ **Over $9.0 T in pledged capital** from countries across the globe including Korea, Japan, Germany, and the UK. Many projects will need to be completed in specified timeframes.
- ✓ Anticipated **recapture of tariffs** are incentivizing and accelerating investment in the United States
- ✓ **Interest rates** are beginning to drop making capital more attainable for a wide-range of investors
- ✓ The **One Big Beautiful Bill** has solidified the federal regulatory tax environment
- ✓ **Federal funding** may be deployed to further advance investments
- ✓ **Supply chain networks** may be still be readjusting post pandemic



Data Insights:

- 2024 represented the **highest amount** of FDI capital expense spend for manufacturing.
- **FDI capex growth was 23%** over the last 3-years signaling a trend towards larger capital projects.
- US Census Bureau Data indicates manufacturing construction spend catapulting from **$90-95B in 2021** to **$205B through July 2025.**
- The highest foreign country pledges for US manufacturing over the past **3 years** have been dominated by **UAE, Quatar, Japan, Saudi Arabi, South Korea and Taiwan.**

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...but significant challenges exist in the current market landscape

- **Utilities & Infrastructure:** Industrial manufacturing will be strained by challenges in the availability of electric, water, sewer & gas
- **Labor availability & capability:** Industrial manufacturing will be strained by visa issues, adoption of AI and automation, wage inflation, and construction labor shortages
- **Construction-ready sites:** Generally, it is the public sector that addresses the site demand. Most states have a limited number of construction-ready sites capable of meeting utility and project timelines
- **Real estate competition:** Industrial manufacturing will be strained by increased competition for prime sites from logistics, data centers, and other sectors, driving up land costs and limiting access to strategic locations
- **Rising construction & operational costs:** Industrial manufacturing will be strained by inflationary pressures on materials, labor, energy, and compliance, impacting project economics and long-term profitability

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The importance of the site selection due diligence process

A disciplined site selection process—led by experienced advisors—is essential to launching operations quickly, profitably, and with resilience in today's industrial landscape.

- **Accelerate Time-to-Operation**: Identify sites with infrastructure, zoning, and labor readiness to meet aggressive timelines.
- **Achieve Quicker Profitability:** Minimize delays and optimize startup costs to reach revenue generation faster.
- **Mitigate Risk**: Navigate utility constraints, labor shortages, and real estate competition with expert guidance.
- **Optimize Cost & ROI**: Align site economics with long-term operational goals and control capital and operating expenditures.
- **Secure Competitive Advantage**: Lock in high-value sites ahead of market saturation and rising costs.
- **Maximize Incentives & Negotiation**: Leverage consultant expertise to unlock value through strategic partnerships and incentive packages.
- **Ensure Strategic Scalability**: Select locations that support future expansion, supplier integration, and workforce sustainability.

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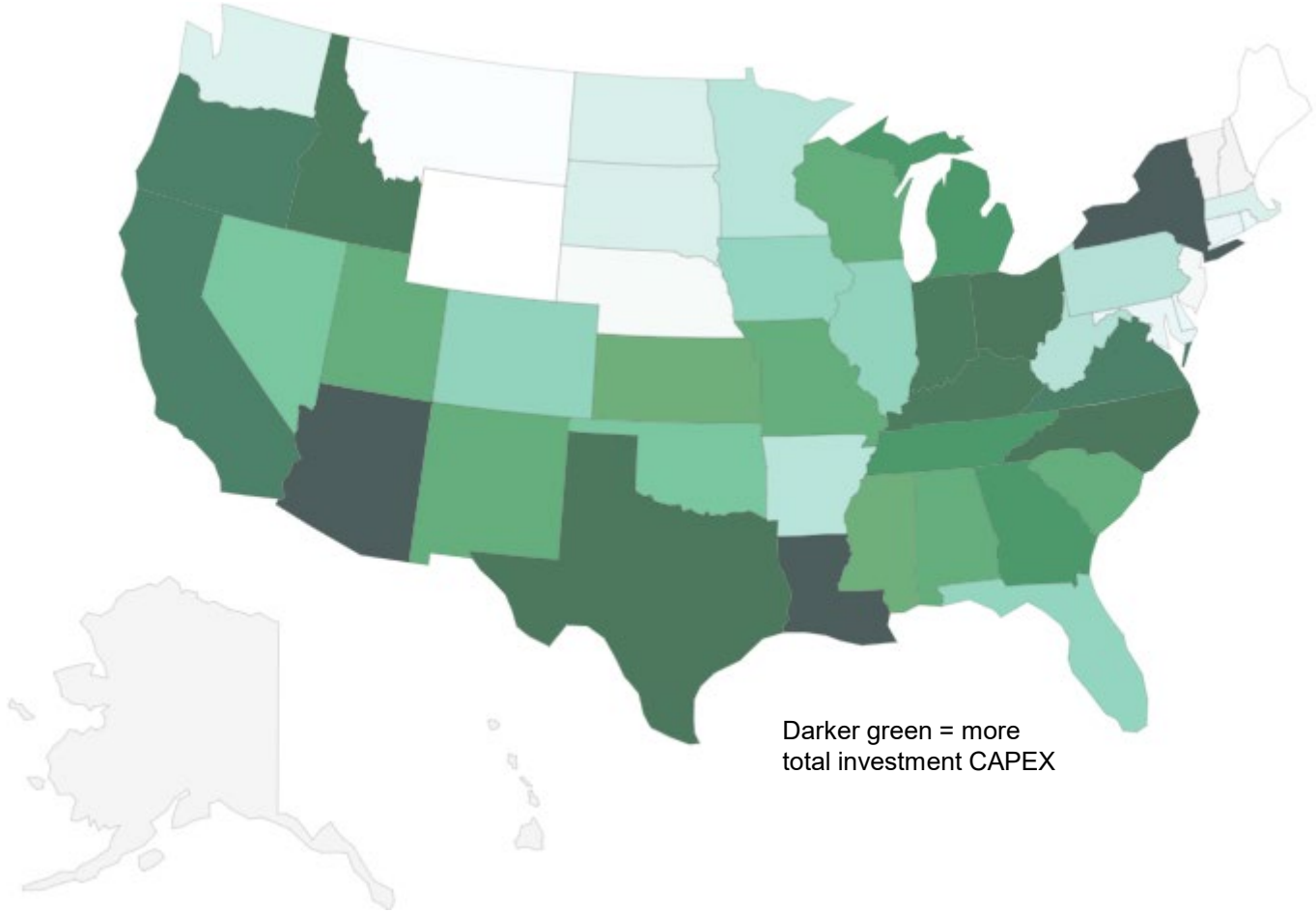
Manufacturing investment into the United States from 2020 - present

The map below outlines the states that have the largest investment in manufacturing projects from 2020 – present. Investment is concentrated in the Southeast, Arizona, California, Idaho, New York, Oregon, and Texas.



Darker green = more total investment CAPEX

United States	
Deals	12,121
Companies	9,194
Incentives	$149,305 m
Avg incentive / deal	$12.3 m
Capex	$ 1,147,523 m
Total jobs	1,643,664
Incentive programs	335
Avg incentive as % capex	10.50%
Avg Incentive per Job	$87,402

Source: FDI Incentives Monitor

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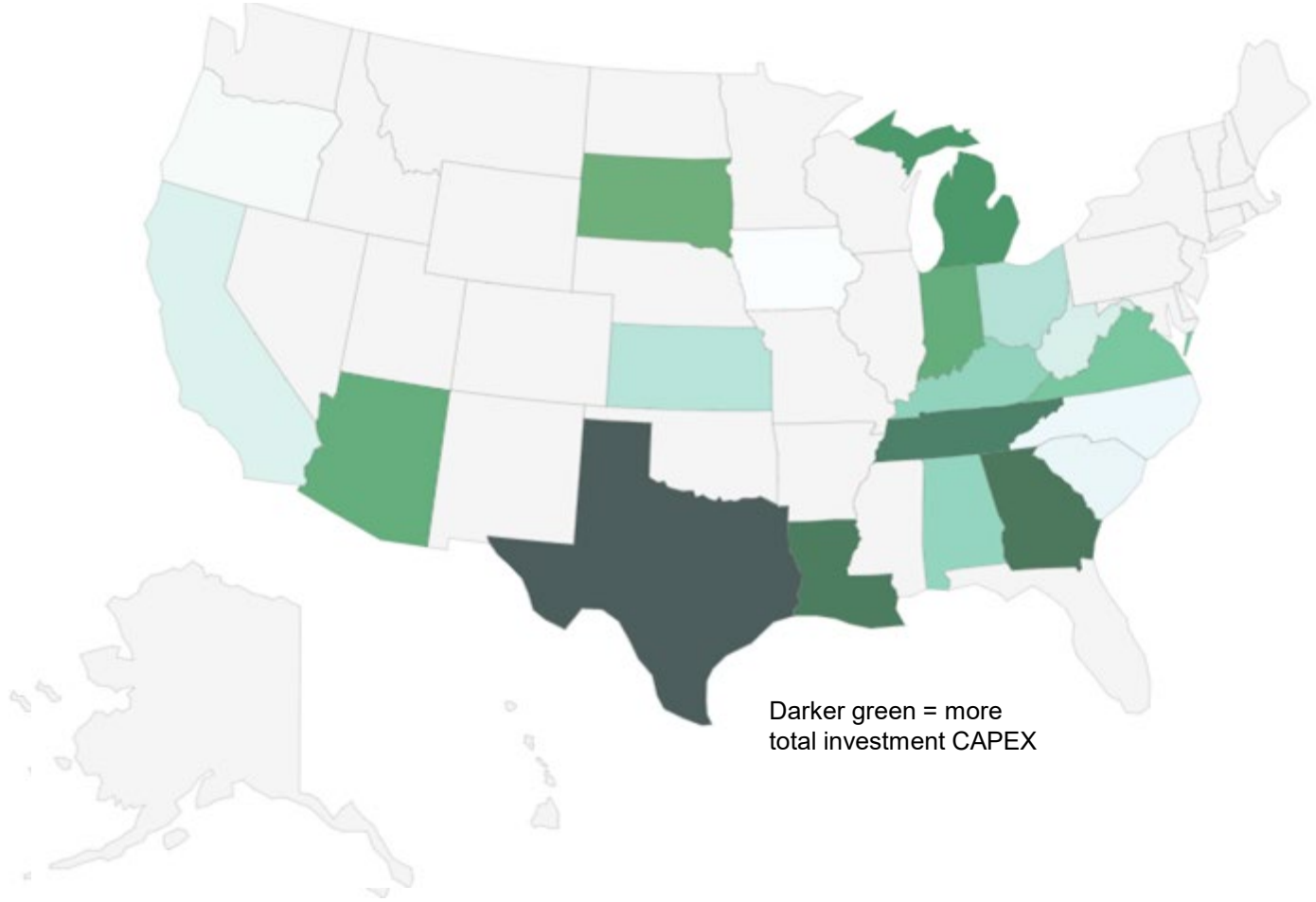
Manufacturing investments into the United States from South Korea 2020 - present

The map below outlines the states that have the largest investment by South Korean companies in manufacturing projects from 2020 – present. Investment is concentrated in the Southeast, Midwest, Arizona, and Texas.



Darker green = more total investment CAPEX

United States	
Deals	98
Companies	60
Incentives	$12,999 m
Avg incentive / deal	$132.6 m
Capex	$ 57,227 m
Total jobs	44,788
Incentive programs	48
Avg incentive as % capex	18.50%
Avg Incentive per Job	$290,167

Source: FDI Incentives Monitor

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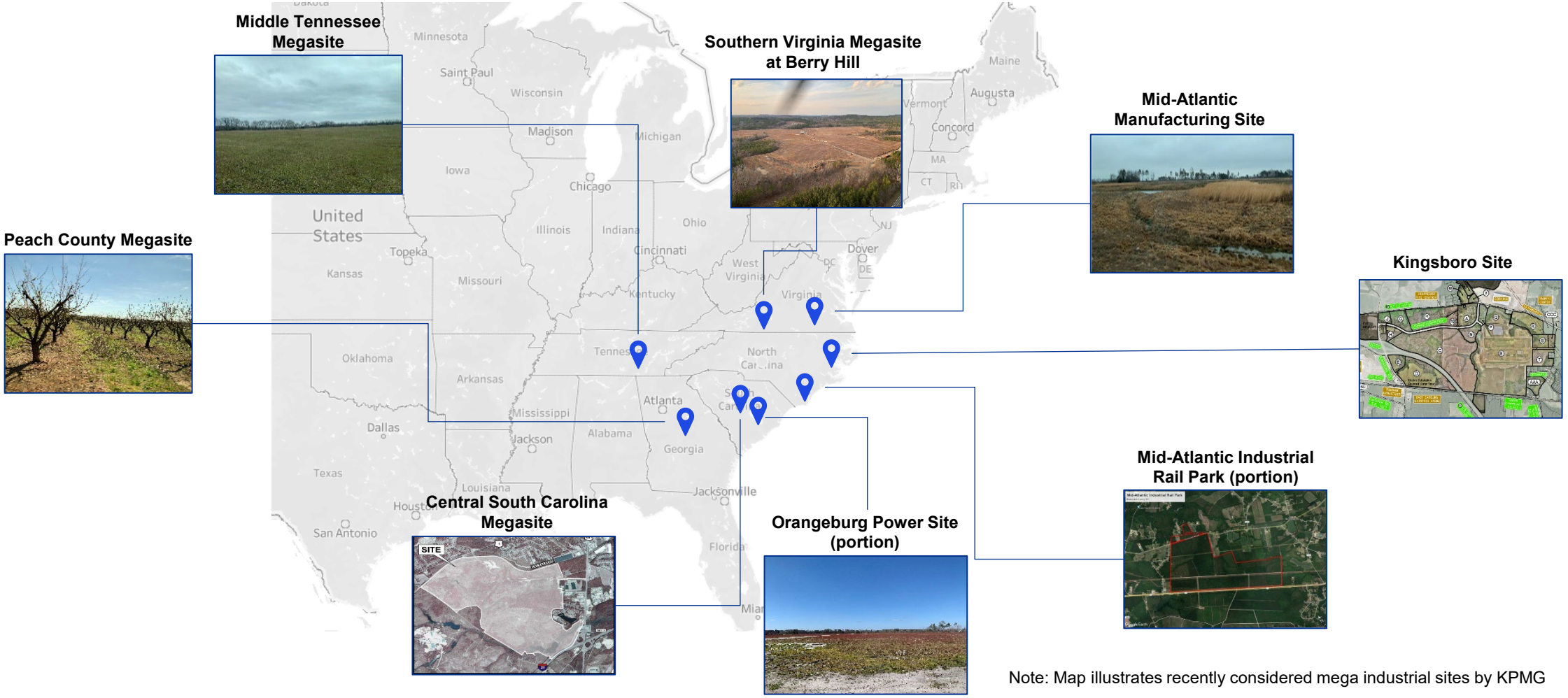
Mega Industrial Site Landscape

There is strong competition for well-documented and construction-ready sites. As large scale end users continue to take down the best existing property, remaining sites are becoming more attractive, however, risk mitigation needs to be further evaluated. KPMG keeps an extensive database of sites for site selection projects and assists companies with the site due diligence process.



Note: Map illustrates recently considered mega industrial sites by KPMG

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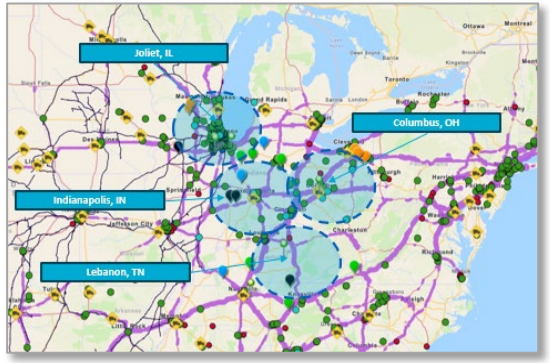
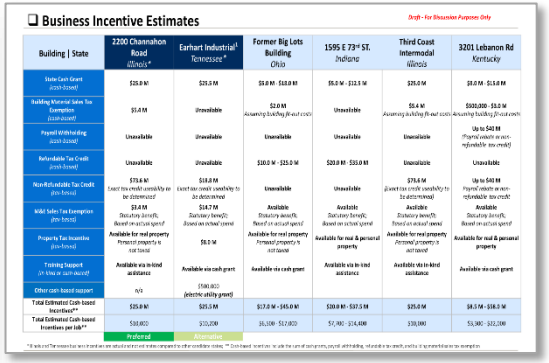
Appendix

A strategic approach for manufacturing expansions and re-shoring projects

As companies realign their global supply chains, many are seeking new manufacturing operations which must meet speed-to-market and cost optimization objectives. All aspects of the site selection and project stand-up process should be considered.

Location Considerations	Site Selection Considerations	Business Incentives	Project Stand-up & PMO
• Labor availability, cost & quality • Real estate costs • Regional connectivity • Supplier/customer locations • Quality of operating environment	• Site readiness, timelines & costs • Utility capacities, timelines & cost • Environmental risks • Infrastructure/transportation access • Permitting/zoning	• Cash grants • Corporate income tax credits • Sales and use tax exemptions • Property tax abetments • Utility cost offsets • Site development cost Offsets	• Project governance • Stakeholder buy-in • Process implementation • Baseline establishment • Construction Cost savings • Success measurement via KPIs





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Understanding the State Business Incentives Landscape

State and local teams are typically very supportive of manufacturing projects given the economic impact to the state and community.

Based on KPMG experience, business incentives typically ranging from 10% - 30% of total project costs.

States and localities are likely to offer:

- Fully or partially subsidized land
- Site development support
- Utility and infrastructure cost offsets
- Additional cash grants
- Training support
- Other incentive tools

  (payroll withholding benefit, property tax abatements, tax credits, etc.)

Cash Grants

Grant funding may be provided to a company on a discretionary basis to offset certain project costs in the form of cash.

Payroll Withholding Rebates

Cash conveyed to a company for creating new jobs usually provided through a rebate of withholding from newly hired employees. Program duration depends on the state can extend for up to 10 years.

Property Tax Abatements

Property tax abatements are typically for real, and where applicable, personal property taxes. In many cases, assessments are at current (pre-project level) and increase up to full assessment over a period of 5-40 years depending on location.

Tax Credits

Tax credits against state income and/or corporate franchise tax for the creation of new jobs or new capital investments

Subsidized Land

The community will likely offer free/ discounted land to incentivize the project if the project yields a high economic impact.

Training Assistance

Training grant allocations provide a percentage of the costs to train new employees.

Utility Incentives

Utility incentives can be conveyed by providing a cash distribution for necessary electricity infrastructure upgrades and/or in the form of an electric rate reduction over multiple years.

Site Development& Infrastructure Cost Offsets

States and localities may offer funding to offset site development costs. These costs may include, but are not limited to the following: earth work, utility upgrades, road improvements, rail extensions, and/or permitting assistance. The amount of site development funding is highly discretionary and is based on site investment requirements. The goal of the incentive is to have a pad-ready site delivered to the construction team.

Sales Tax Exemptions

Sales tax exemptions may be provided on certain eligible purchases for manufacturing related projects, including relief on manufacturing equipment, building construction materials, and electric consumption.

Tax-based benefit

Most Beneficial to upfront industrial project needs

Typically Discretionary

Typically statutory

Discretionary or statutory (state dependent)

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General Permitting Considerations

Understanding the site permitting process is critical to the project stand-up timeline. Permitting timelines vary based on the state and locality. The below information highlights major permits and a sample timeline that a company is likely to need for the project. **The list is not exhaustive and specific projects will require additional permits.**

Land Disturbance Permit ("LDP")

- This permit applies to anyone clearing, excavating, grubbing, or otherwise engaged in land disturbance. The purpose of this permit is to ensure proper site drainage, erosion control, and soil stability. The permit is issued by a state environmental agency through approval of the US Environmental Protection Agency.

Stormwater Discharge Permit

- This permit applies to anyone engaged in construction, land disturbing activities, or industrial activities. The purpose of this permit is to ensure there are no unwanted pollutants running off from stormwater or snowmelt. The permit is issued by a state environmental agency through approval of the US Environmental Protection Agency.

Site Civil Permit

- This permit applies to anyone engaged in site development or construction activities. The purpose of this permit is to ensure compliance with local zoning codes, stormwater management codes, and state or local laws. The permit is issued by the local (county, city, township) permitting agency. This permit coverers foundation activities.

Air Permit

- An air permit is a federal permit administered by the states, allowing facilities to emit a specified amount of air pollutants under certain conditions, ensuring compliance with air quality standards to protect public health and the environment. There are various levels of air permits (Major Source, Minor Source) classified by the emissions thresholds of the facility. The level determines the timeline, with a minor source taking up to 90 days and a major source potentially up to 4–6 months. Generally, a facility cannot proceed with vertical construction without the air permit being finalized, but site development activities such as clearing and grading can be completed.

Construction / Building Permit

- This permit applies to anyone constructing or renovating a building structure. The purpose of this permit is to ensure compliance with building codes, zoning regulations, and state or local laws. The permit is issued by the local (county, city, township) permitting agency. This permit coverers building activities that are considered "going vertical" such as steel erection, roofing, wall, etc.

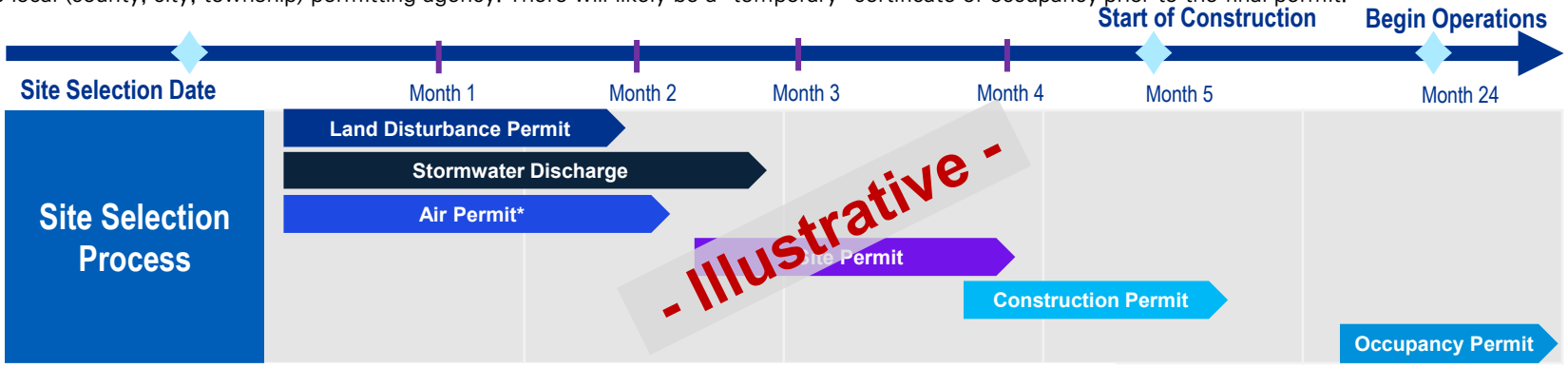
Certificate of Occupancy

- This permit applies to anyone attempting to occupy a completed building structure. The purpose of the permit is to ensure the constructed building meets all building, zoning, safety, and fire codes and is in compliance with state and local laws. The permit is issued by the local (county, city, township) permitting agency. There will likely be a "temporary" certificate of occupancy prior to the final permit.

What is needed for the permit process?

- Air Emissions (typically in the site selection process to understand permit requirement)
- Construction Drawings
- Building Pad and grading plan
- Detailed building design plans
- Process water effluent discharge composition
- Completed permit applications

Note: Improper or missing permits can result in mandated work stoppages or loss of invested dollars.



*Timeline assumes a minor source air permit If it will be determined that the company will need a major source air permit, this process may take up to 4 – 6 months.
Permitted site development activities vary state to state. A 30 day public comment period may be added to the timeline based on permit type.

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