Key Tax Takeaways from the OBBBA:

What Businesses & Business Owners Need to Know

On July 4, 2025, the **One Big Beautiful Bill Act (OBBBA)** was signed into law, introducing sweeping tax and fiscal changes that will impact individuals, businesses, and entire industries. Below is a summary of key provisions that could be the most relevant to business owners and professional advisors.

INDIVIDUAL TAX UPDATES

- **Permanently Lower Rates:**
  - TCJA's reduced income tax rates are now permanent, including an extra year of inflation adjustments at the lower brackets.
- **Standard Deduction Boost:**
  - Increased to $15,750 (single) and $31,500 (joint).
- **Senior Deduction:**
  - New $6,000 deduction for individuals over 65 (2025–2028), phased out at higher incomes.
- **Child Tax Credit:**
  - Increased to $2,200 starting in 2025.
- **No Tax on Tips & Overtime:**
  - Temporary deductions of up to $25,000 (tips) and $25,000 (overtime) for eligible earners, phased out at $150K/$300K income.
- **"Trump Accounts":**
  - New savings accounts for minors with a $5,000 annual contribution cap.
- **Car Loan Interest:**
  - Up to $10,000 deductible on U.S.-assembled vehicle loans (2025–2028).
- **Estate Tax Exemption:**
  - Permanently raised to $15M/$30M and inflation-adjusted.
- **1099 Reporting Threshold:**
  - Increased from $600 to $2,000 starting in 2026.
- **Charitable Deductions:**
  - Non-itemizers: $1,000/$2,000 above-the-line deduction.
  - Itemizers: New 0.5% AGI floor for deductibility.
- **SALT Deduction:**
  - Temporarily raised to $40,000 (2025–2029), then returns to $10,000 with phaseouts at higher income levels.

CHOICE OF ENTITY: STRATEGIC UPDATES

- **PTET Workaround Preserved:**
  - Federal treatment of SALT payments by pass-throughs remains unchanged.
- **QBI Deduction (199A):**
  - Made permanent, with expanded income phaseouts and a $400 minimum deduction for materially participating taxpayers.
- **Qualified Small Business Stock (QSBS):**
  - Gain exclusion raised to $15M; Asset limit increased to $75M.
  - Shorter holding periods now allow partial exclusions (50% after 3 years, 75% after 4, 100% after 5).

BUSINESS PROVISIONS TO WATCH

- **R&D Expensing:**
  - New Section 174A allows full expensing of domestic R&D, retroactive to Jan 1, 2025.
- **Bonus Depreciation:**
  - 100% bonus depreciation permanently extended for eligible property.
  - Temporary 100% write-off for production/manufacturing facilities (2025–2030).
- **Section 179 Expensing:**
  - Limits increased to $2.5M with a $4.0M phase-out threshold.
- **Opportunity Zones:**
  - Now permanent, with a redefinition of “low income” zones and new deferral timelines.
- **Excess Business Losses:**
  - Dollar thresholds and the 80% NOL cap are made permanent. Still no carrybacks for post-2017 NOLs.
- **Corporate Charitable Giving:**
  - New floor of 1% and ceiling of 10% of taxable income.
- **Exempt Entity Compensation:**
  - Stricter reasonableness rules and expanded 21% excise tax for high earners or large separation payments.
- **Clean Energy Credits:**
  - Phased out, including vehicle and efficiency credits.
- **Employee Retention Credit (ERC):**
  - IRS extended audit period to 6 years for Q3 and Q4 2021 claims. No processing of claims filed after Jan 31, 2024.

SECTOR IMPACTS

- **Healthcare:**
  - Stricter eligibility and review requirements, along with reduced access to certain nonprofit providers.
- **Manufacturing & Capital-Intensive Businesses:**
  - Big winners thanks to full expensing and bonus depreciation.
- **Defense & Infrastructure:**
  - Over $150B allocated to military, $12.5B to modernize air traffic infrastructure.
- **Oil, Gas, and Natural Resources:**
  - Easier, cheaper leasing processes.
  - Lower royalties and longer lease durations.
  - Clean energy funds rescinded.
- **Construction:**
  - Likely to benefit from 100% deductions on new production property and expanded expensing.
- **Immigration & Border Enforcement:**
  - More funding and enforcement measures, higher fees, and expanded detention capacity.

FINAL THOUGHTS

The OBBBA introduces significant long-term tax planning opportunities — and challenges — for business owners, especially those in capital-heavy sectors or operating as pass-throughs. While some benefits are permanent, others are time-limited or phased out, demanding proactive strategy and continuous review.

Stay tuned as we continue monitoring IRS guidance and state responses.

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