On July 4, 2025, President Trump signed into law the One Big, Beautiful Bill Act (OBBBA).
It extends or makes permanent many of the provisions contained in the Tax Cuts and Jobs Act of 2017 (TCJA). The provisions in the new law go into effect on various dates, but most of the key ones affecting businesses apply to tax years beginning in 2025.

Below is a brief rundown of what's in the new law and how it might affect your business.

Qualified Business Income Deduction. OBBBA permanently extends the qualified business income deduction (QBI) under Code Sec. 199A at the current 20 percent rate and increases the deduction limit phase-in range from $50,000 to $75,000 for non-joint returns and $100,000 to $150,000 for joint returns. In addition, OBBBA introduces a new, inflation- adjusted, minimum deduction of $400 for taxpayers who have at least $1,000 of QBI from one or more active trades or businesses in which the taxpayer materially participates.

Bonus Depreciation. OBBBA permanently extends the additional first-year depreciation deduction. The allowance is increased to 100 percent for property acquired and placed in service on or after January 19, 2025.

Section 179 Expensing. OBBBA increases the maximum amount a taxpayer may expense under Code Sec. 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million. The $2.5 million and $4 million amounts are adjusted for inflation for tax years beginning after 2025. The change applies to property placed in service in tax years beginning after December 31, 2024.

Research or Experimental Expenses Deduction. OBBBA allows taxpayers to immediately deduct domestic research or experimental expenditures paid or incurred in tax years beginning after December 31, 2024. Additionally, small business taxpayers with average annual gross receipts of $31 million or less generally may apply this change retroactively to tax years beginning after December 31, 2021. Furthermore, all taxpayers that made domestic research or experimental expenditures after December 31, 2021, and before January 1, 2025, may elect to accelerate the remaining deductions for such expenditures over a one-year period or a two-year period.

Special Depreciation Allowance for Qualified Production Property. OBBBA allows taxpayers an additional first-year depreciation deduction equal to 100 percent of the adjusted basis of "qualified production property." Qualified production property is essentially nonresidential real property in the United States (or any possession) used for manufacturing and placed in service after July 4, 2025 and before January 1, 2031.

Modification of Limit on Business Interest. OBBBA increases the cap on the deductibility of business interest expense for tax years beginning after December 31, 2024. Specifically, "adjusted taxable income" is calculated in a way that corresponds with the financial accounting concept of earnings before interest, taxes, depreciation and amortization (EBITDA).

Limitation on Deducting Executive Compensation. $1 million permanent deductible executive compensation limit is now determined at the controlled group level effective after December 31, 2025.
Increased Threshold for Forms 1099-MISC and 1099-NEC. For payments made after December 31, 2025, OBBBA increases the threshold for reporting payments on
Forms 1099-MISC and 1099-NEC for services performed by independent contractors from $600 to $2,000.

Repeal of Revision to De Minimis Rules for Form 1099-K. OBBBA modifies requirements for third-party settlement organizations to eliminate their reporting requirement for payees unless they have earned more than $20,000 on more than 200 separate transactions in an applicable tax period.

Capital Gains from the Sale of Certain Farmland Property. For tax years beginning after July 4, 2025, OBBBA adds a new provision that allows capital gains from the sale or exchange of qualified farmland property to a qualified farmer (i.e., an individual who is actively engaged in farming) to be paid in four equal annual installments, beginning on the original due date of the tax return for the tax year in which the sale or exchange occurred.

Limit on Excess Business Losses of Noncorporate Taxpayers. OBBBA makes permanent the excess business loss limitation for noncorporate taxpayers under Code Sec. 461(l).

1 Percent Floor for Corporate Charitable Contributions. For tax years beginning after December 31, 2025, OBBBA allows a deduction for corporate charitable contributions only to the extent that the aggregate of corporate charitable contributions exceeds one percent of taxable income.

Expansion of Qualified Small Business Stock Gain Exclusion. OBBBA modifies the qualified small business stock (QSBS) gain exclusion by providing a tiered gain exclusion for QSBS acquired after July 4, 2025. The provision allows a 50 percent exclusion after three years, 75 percent after four years and 100 percent after five years.

Enhancement of Employer-Provided Child Tax Credit. OBBBA permanently increases the employer-provided childcare credit and creates a separate credit amount for qualified small businesses. Specifically, the provision increases the maximum credit from $150,000 to $500,000 ($600,000 for small businesses) and the percentage of qualified childcare expenses covered from 25 percent to 40 percent (50 percent for small businesses).

No Tax on Tips. For 2025-2028, OBBBA creates a new above-the-line deduction for individuals of up to $25,000 for qualified tips received by an individual in an occupation which customarily and regularly receives tips during a given tax year. The deduction is allowed for both employees and independent contractors. Although this provision is primarily of interest to individual taxpayers, it will create new reporting requirements for businesses and may affect employee preferences for structuring compensation.

No Tax on Overtime. For 2025-2028, OBBBA creates a new above-the-line deduction for individuals of up to $12,500 ($25,000 in the case of a joint return) for "qualified overtime compensation" (defined as overtime compensation paid to an individual under Section 7 of the Fair Labor Standards Act). Although this provision is primarily of interest to individual taxpayers, it will create new reporting requirements for businesses.

Termination of Clean Energy Credits. OBBBA terminates an array of business-related clean energy tax credits enacted by the Inflation Reduction Act of 2022. For example, the popular commercial clean vehicle credit now expires for vehicles acquired after September 30, 2025.

You should contact your tax advisor if you have any questions as to how these provisions apply to your business.