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The One Big Beautiful Bill Act
Corporate and Business Provisions

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On July 4, 2025, President Trump signed the "One Big Beautiful Bill Act" (the "Act") into law that makes permanent many changes from the 2017 Tax Cuts and Jobs Act (TCJA) from President Trump's first term that otherwise would have sunset after 2025. An earlier version of the Act was originally approved by the House Committee on Ways and Means on May 14, 2025, with the Senate approving a modified version on July 1, 2025. The House of Representatives then approved the Senate's version on July 3, 2025.

The following is a high-level overview of some of the critical provisions of interest to the business community.

Any references to "Section" refer to sections of the Act, whereas specific Internal Revenue Code Section references are indicated by "IRC Section."

A link to the complete Act is here.

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New Special Depreciation for Qualified Production Property

Currently, taxpayers can depreciate the cost of nonresidential real property straight-line over a 39-year period. By adding new IRC Section 168(n), the Act allows taxpayers to immediately deduct 100 percent of the cost of qualified production property used for a qualified production activity to make a qualified product. Qualified production property is the portion of any nonresidential real property:

1. To which IRC Section 168 applies;
2. Which is used by the taxpayer as an integral part of a qualified production activity;
3. Which is placed in service in the United States or any possession of the United States;
4. The original use of which commences with the taxpayer;

5. The construction of which must begin after January 19, 2025, and before January 1, 2029;
6. Which is designated by the taxpayer in an election made under IRC Section 168(n); and
7. Which is placed in service before January 1, 2031.

"Qualified production property" does not include the portion of any nonresidential real property that is used for offices, administrative services, lodging, parking, sales activities, research activities, software development or engineering activities, or other functions unrelated to manufacturing, production, or refining of tangible personal property.

The term "qualified production activity" means the manufacturing, production, or refining of a qualified product. The activity must result in a *substantial transformation* of the property comprising the product. "Production" (as distinguished from manufacturing or refining) is limited only to agricultural and chemical production. "Qualified product" means any tangible personal property if such property is not a food or beverage prepared in the same building as a retail establishment in which such property is sold.

Extension of TCJA's Bonus Depreciation

The new Act allows taxpayers to immediately expense 100 percent of qualified property placed in service for use in a trade or business, bringing back a deduction that was previously being phased out. Qualified property eligible for bonus depreciation must have a recovery period of 20 years or less.

- *Timing* – Taxpayers would be able to immediately expense all of the cost of qualified property acquired after January 19, 2025.

Immediate Expensing of Domestic Research and Experimentation ("R&E") Expenditures

Currently, taxpayers are required to deduct R&E expenditures over a five-year period under IRC Section 174.

The new Act allows taxpayers to immediately deduct domestic research or experimental expenditures by adding new IRC Section 174A. Taxpayers may elect to amortize certain expenditures over at least 60 months. The term "domestic research or experimental expenditures" is defined to be research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer's trade or business other than such expenditures that are attributable to foreign research. Foreign research is defined to be any research conducted outside of the United States, the Commonwealth of Puerto Rico, or any possession of the United States.

There are special rules prohibiting the application of new IRC Section 174A to expenditures for: (i) the acquisition or improvement of land, or property to be used in connection with R&E and of a character that is subject to depreciation or depletion; and (ii) ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas). *Any* amount paid or incurred in connection with the development of *any* software shall be treated as an R&E expenditure. Through an amendment to IRC Section 280C, the domestic R&E expenditures taken into account under new IRC Section 174A are reduced by the amount of the 20 percent research activity credit allowed under IRC Section 41(a). Corresponding amendments are made to several IRC Sections, including those related to sourcing of R&E expenses under IRC Section 864(g)(2) and start-up expenditures under IRC Section 195(c)(1).

- *Timing* – These new R& E deduction rules apply to expenditures paid or incurred in taxable years beginning after December 31, 2024. Critically, retroactive application of these new rules is available for small businesses (average annual gross receipts for the three prior taxable years of 2022, 2023, and 2024 do not exceed $31 million) that elect within one year after the date of enactment to have the effective date be December 31, 2021. Electing taxpayers must file an amended return for each taxable year affected by the election.

Extension of TCJA's IRC Section 199A Pass-Through Deduction

Section 70105 makes permanent the deductions under IRC Section 199A for qualified pass-through business income that were about to sunset for taxable years beginning after December 31, 2025. This deduction applies to owners of certain pass-through businesses (S corporations, partnerships, etc.), but only for specified trades or businesses. The qualified business income deduction phases out after certain income thresholds, but that phase-out threshold has been increased under the Act by $25,000 for single filers and $50,000 for married filing jointly to $75,000 and $150,000, respectively.

- *Timing* –This provision makes the IRC Section 199A deduction permanent, and amendments apply to taxable years beginning after December 31, 2025.

Retention of the Pass-Through Entity Tax (PTET) Deduction

In its initial draft, the House bill disallowed the PTET deduction, which has been used by a good number of taxpayers who own pass-through entities (S corporations, partnerships, etc.) to circumvent the prior law's $10,000 limit on the deduction of state and local taxes for individual taxpayers. IRS Notice 2020-75 directly allowed pass-through entities to deduct state and local taxes paid at the entity level when computing their federal taxable income or loss for the year. The PTET deduction has been especially useful for sellers of pass-through businesses to avoid or reduce the burden of the SALT cap with respect to state and local income taxes on any actual or deemed asset sales. The final version of the Act keeps the PTET deduction.

Modification of TCJA's Interest Expense Limitation Deduction

Section 70303 relaxes the IRC Section 163(j) limitation on business interest expense. These deductions had been limited to 30 percent of a taxpayer's adjusted taxable income by using EBIT for adjusted taxable income. Under the Act, adjusted taxable income will be based on EBITDA, which will increase the base of adjusted taxable income on which the 30 percent is applied.

- *Timing* – This increases the cap on the deductibility of business interest expense for taxable years after December 31, 2024.

Modification of IRC Section 1202 Stock Requirements

Section 70431 expands the small business stock gain exclusion under IRC Section 1202. Most recently, the excludable gain for a taxpayer was capped at the greater of $10 million or 10 times the taxpayer's adjusted tax basis in the stock. That $10 million amount has been increased under the Act to $15 million and is subject to inflation adjustments under IRC Section 1(f)(3) beginning after 2026. Further, the gain exclusion now phases in the applicable percentage for gain exclusion based on years held – Qualified Small Business Stock (QSBS) held for three years is eligible for a 50 percent gain exclusion, QSBS held for four years is eligible for a 75 percent gain exclusion, and QSBS held for five years is eligible for a 100 percent gain exclusion. Lastly, the IRC Section 1202 gross asset value test has been increased from $50 million to $75 million. The $75 million figure is adjusted for inflation beginning after 2026.

- *Timing* – Generally, these changes apply to QSBS issued after July 4, 2025 (the date of enactment).

Extension of Limitation to Excess Business Losses of Non-Corporate Taxpayers

Section 70601 permanently extends the limitations imposed under the TCJA on the use of excess business losses for taxpayers other than corporations under IRC Section 461(l). That provision generally provides that a taxpayer can use business losses to offset other income up to a certain amount. The excess amount of losses (the excess business loss), if any, could be carried forward under the 2017 Tax Act as a net operating loss to future years and was subject to net operating loss limitations. Under the Act, this rule was made permanent.

Increased Threshold for Requiring Information Reporting

Previously, persons in a trade or business making payments to another person of $600 or more were required to file an information return on the applicable IRS Form 1099. Under Act Section 70433, the payment threshold has been increased to payments of $2,000 or more. In addition, there are now increases to the threshold for a cost-of-living adjustment under IRC Section 1(f)(3) for calendar years after 2026. Further, Act Section 70432 now requires that third-party settlement organizations are only required to report payments if the payments to any one person exceed both 200 transactions and $20,000 in the same calendar year. Under the Act, backup withholding only applies to third-party settlement organization payments in excess of the reporting threshold, unless such payments were reportable payments in the preceding calendar year.