One Big Beautiful Bill Summary: Notable Tax Code Changes

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Foster Swift Business & Tax Law News

July 8, 2025

With the passage of the One Big Beautiful Bill (OBBB), below is a summary of notable changes to the tax code for businesses, as well as an outline of notable changes for individuals.

Business

1. The Qualified Business Income Deduction (Code Section 199A) is made permanent. The deduction remains at 20%. The phase-in amount is increased from $50,000 ($100,000 MFJ) to $75,000 ($150,000 MFJ). A new, minimum deduction amount of $400 was added for any taxpayer with qualified business income.
2. Code Section 168(k) (Bonus Depreciation) is reinstated and made permanent. Assets placed in service after January 19, 2025, are eligible for 100% bonus depreciation. Assets with a placed in-service date on January 19 or earlier are subject to the current rules with the phase down (40% for 2025, 60% for 2024).
    1. Note, if property was acquired under the old rules and not placed in service until after 12/31/2026, bonus depreciation is 0%.
    2. Property is deemed acquired on the date a written binding contract is entered into. Query if a taxpayer has an unfulfilled PO prior to 1/19/25, can they cancel the PO, issue a new one, and go from 40% to 100% bonus? It seems the answer may be yes.
    3. A transition rule exists that permits taxpayer to elect 40% or 60% bonus depreciation on certain property placed in service during the first taxable year ending after January 19, 2025.

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4. Code Section 174A is added as a new Code section to allow taxpayers to expense instead of amortizing domestic research and experimental expenditures. An election is still available to amortize. Expenses in connection with the purchase of land are not eligible for expensing. Software development is. This is made permanent. Small businesses (gross receipts less than $31m) can retroactively expense R&D back to 12/31/21. All R&D between 12/31/21 and 1/1/25 can accelerate remaining deductions over a one- or two-year period.
5. A new subsection (n) was added to Code Section 168 to create a new category of bonus depreciation for real property. This deduction is only available for qualified production property, which must be used in connection with manufacturing, agriculture, chemical production, or refining.
    1. Construction must begin after 1/19/25 and before 1/19/2029, and be placed in service before 1/1/2031.
    2. Office space, administrative services, lodging, parking, sales activities, research activities, software engineering are all excluded.
    3. A 10-year recapture period applies. Property sold during the recapture period triggers 1245 recapture.
6. Code Section 179 expensing is expanded, increasing the expensing limit from $1m to $2.5m, and the phase-out threshold from $2.5m to $4m. These amounts are to be adjusted for inflation as well.
7. Section 6041(a) is amended. Under the old rule, any payment over $600 required a 1099. As amended, the amount is increased to $2,000 and will be indexed for inflation. Note, this begins in 2026, not 2025.
8. A new Code Section 139L is created that excludes from gross income an amount equal to 25% of interest income derived from loans secured by agricultural real property. The income exclusion is only available to regulated lenders (not private lenders), and borrowers are still entitled to a deduction of all interest expenses. Refinancings are not eligible.
9. The Clean Fuel Production Credit in Code Section 45Z is extended through 12/31/2030. Note, this is one of the few tax credits that did not get repealed. Nearly every other credit from the Inflation Reduction Act is repealed.
10. Section 461(l)(1), which contains the excess business loss rule, was made permanent. The maximum loss allowed in a year is based on an inflation-adjusted threshold of $313,000 for single filers and $626,000 for joint filers in 2026. Any disallowed excess continues to be carried forward as a net operating loss.

Please see the attached PDF outline if you would like to view a summary of the notable changes to the tax code for individuals.

If you have further questions about the notable changes to the tax code under the OBBB and how they may affect you and your business, please contact:

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