Business Tax Law Provisions of the OBBBA

July 8, 2025

The business tax provisions of the One Big Beautiful Bill Act (OBBBA), as signed by the president on July 4, reflect sweeping changes aimed at incentivizing small businesses, domestic investment, and manufacturing. Outlined below are key provisions of the bill that may impact your business.

Extension and Enhancement of Immediate Expensing

100% Immediate Expensing for Qualified Property
OBBA permanently reinstates 100% bonus depreciation for eligible business property acquired after January 19, 2025.

Immediate Deduction for Domestic Research and Experimental Expenditures
Immediate expensing of domestic research and experimental expenditures is now permanent, with an election to amortize certain expenditures.

Permanent Small Business Deduction (Section 199A)

Section 199A Deduction Made Permanent
The 20% deduction for qualified business income (QBI) for pass-through entities is made permanent.
The deduction remains at 20%, with expanded phase-in thresholds and an inflation-adjusted minimum deduction for taxpayers with at least $1,000 of qualifying income from active trades or businesses.

Increased Expensing for Depreciable Business Assets

Section 179 Expensing Limits Raised
The maximum amount a taxpayer may expense under Section 179 is increased to $2.5 million, with a phase-out threshold of $4 million, both indexed for inflation.

Modification of Business Interest Deduction

Business Interest Expense Deduction Expanded
The calculation of adjusted taxable income (ATI) for business interest deduction purposes is permanently based on EBITDA, increasing the amount of deductible business interest.

Special Depreciation Allowance for Production Property

Immediate Deduction for Qualified Production Property
Businesses may elect a 100% bonus depreciation deduction for qualified production property placed in service after enactment

and before January 1, 2031.

Renewal and Enhancement of Opportunity Zones

Second Round of Opportunity Zones (OZs)
A new round of Opportunity Zones is created, with at least 33% of OZs designated as rural.
Enhanced benefits for rural Qualified Opportunity Funds (RQOFs) are included, with a 30% step-up in basis after five years.

Expanded Low-Income Housing and New Markets Tax Credits

Low-Income Housing Tax Credit (LIHTC) Reforms
The state housing credit ceiling is temporarily restored and increased for 2026–2029.

Permanent Extension of New Markets Tax Credit (NMTC)
The NMTC is made permanent, with a five-year carryover of unused limitation.

Permanent Excess Business Loss Limitation

Excess Business Loss (EBL) Rules Made Permanent
The limitation on excess business losses for noncorporate taxpayers is permanent, with carryforwards treated as net operating losses (NOLs).

Estate and Gift Tax Exemption Increased and Made Permanent

The estate and lifetime gift tax exemption is permanently set at $15 million for single filers ($30 million for married couples), indexed for inflation.

State and Local Tax (SALT) Deduction Changes

The SALT deduction cap is temporarily increased for 2025 to $40,000 ($20,000 for married filing separately), with a permanent increase to $40,400 starting in 2026, subject to income limitations and phase-outs. For taxable years beginning after December 31, 2029, the limitation reverts to $10,000.

Section 707(a)(2) Partnership Changes

Allocations and distributions from partnerships that are, in substance, payments for property or services are now treated as such, rather than as allocations and distributions from a partnership to a partner. This codifies the disguised sale rules without reliance on regulations and applies to services performed and property transferred after enactment.

The following “Quick at a Glance” table distills each major OBBBA business-tax change into a concise, one-line summary of its scope, benefits, and effective dates.

SUMMARY TABLE: Major OBBBA Business Tax Provisions (as Amended)

Provision	Key Change/Benefit
100% Bonus Depreciation	Permanent for eligible property.
Section 179 Expensing	$2.5M limit, $4M phase-out, indexed.
Section 199A Deduction	Permanent at 20%, broader phase-in, inflation-adjusted minimum.
Business Interest Deduction	Permanent EBITDA basis.
Opportunity Zones	New round, rural focus, enhanced rural benefits.
LIHTC/NMTC	Increased/extended, NMTC permanent, rural/Indian prioritization.
Excess Business Loss Limit	Permanent, NOL carryforward.

Estate & Gift Tax Exemption	$15M/$30M, indexed.
SALT Deduction	Cap increased to $40,000/$40,400, reverts to $10,000 after 2029.
Section 707(a)(2)	Disguised sale rules codified, applies to property/services after enactment.