

## Highlights from the One Big Beautiful Bill Act (OBBBA)

### Impacting Business Taxes

- **QBI deduction:** The qualified business income (QBI) deduction is made permanent and the deductible amount for each qualified business will remain at 20%.
- **Bonus depreciation:** 100% expensing (bonus depreciation) for qualified property is restored for property placed in service after Jan. 19, 2025.
- **Sec. 179 expensing:** The maximum amount a business may expense for qualifying expenses is increased to \$2.5 million for 2025, with the phaseout threshold raised to \$4 million, both indexed for inflation after 2025.
- **Clean energy and IRS credits:** Several clean energy credits from the Inflation Reduction Act (IRA) are terminated. The credit for clean vehicles expires 9/30/2025. If you are considering the purchase of clean energy equipment, please check the expiration date of the specific related credit.
- **Form 1099 reporting threshold:** The information reporting threshold for payments for services increases to \$2,000 in a calendar year (up from \$600) in 2026, and the threshold amount will be indexed annually for inflation starting in 2027.
- **Third-party network transaction reporting threshold:** Form 1099-K, *Payment Card and Third Party Network Transactions*, reporting reverts back for 2025 to previous rules where reporting is required if transactions exceed \$20,000 and the aggregate number of transactions exceeds 200.
- **R&E expenditures:** Immediate deduction of domestic research or experimental expenses paid or incurred in 2025 is allowed. However, research or experimental expenses attributable to research that is conducted outside the United States will continue to be capitalized and amortized over 15 years. Depending upon your specific situation, there are retroactive provisions that permit some returns to be amended to take advantage of this law change. The IRS will issue additional guidance to clarify this process.
- **Expanded tip credit related to payroll tax:** Beginning in 2025, this credit relates to more industries.
- **Corporate charitable contributions (C Corporation):** The Act imposes a new 1% floor in addition to the existing 10% ceiling for calculating the charitable contribution deduction. This portion of the law is effective 1/1/2026
- **Excess business loss permanency:** The excess business loss limitation is made permanent, and the existing treatment of loss carryforwards is maintained.
- **Business interest deduction:** The interest expense limitation is calculated using earnings before interest, taxes, depreciation and amortization (EBITDA), rather than earnings before interest and taxes (EBIT).
- **Renewed Opportunity Zones:** Opportunity zone provisions are made permanent, but with several changes, including narrowing the definition of “low-income community.” The changes will generally take effect in 2027.
- **FDII and GILTI:** Beginning in 2026, the deduction percentage is reduced to 33.34% for foreign-derived intangible income (FDII) and 40% for global intangible low-taxed income (GILTI).
- **BEAT:** The base-erosion and anti-abuse tax (BEAT) rate is increased from 10% to 10.5%.
- **Other provisions:** Change to the exclusion of gain on the sale of qualified small business stock, enhanced manufacturing investment credit for property placed in service after 12/31/2025, changes to gain recognition options related to the sale of farmland, and other changes.