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Tax Implications of the One Big Beautiful Bill Act

On July 4, 2025, President Donald Trump signed H.R. 1 into law. The legislation, often referred to as the "One Big Beautiful Bill Act" (OBBBA), will have a significant impact on businesses and business owners through tax relief, expanded deductions, government subsidies, and other measures.

Lipsitz Green Scime Cambria has prepared the following, which highlights select provisions in the OBBBA that are particularly vital for businesses to note. We encourage you to discuss the OBBBA's impact on your business with your legal and financial advisors as needed.

100% Bonus Depreciation

The OBBBA has reinstated 100% bonus depreciation under Section 168(k) of the Internal Revenue Code (the "Code") permanently. Businesses may again deduct 100% of the cost of certain property acquired and placed into service after January 19, 2025.

Deducting Full Price of New Property

Under Section 179 of the Code, businesses may elect to deduct the cost of certain property as a business expense when the property is first put into service. The deduction applies to real property and tangible property, such as machinery and equipment purchased for use in a trade or business. As of 2018, the maximum deduction was $1 million. The OBBBA has modified Section 179 to increase the deductible cost for qualifying property to $2.5 million, with a phase out limitation applying.

Full Deduction for Domestic Research Expenses

Under the OBBBA, businesses can now deduct the full cost of domestic research and development (R&D) work in the year the expense occurs. Previously, R&D expenses were required to be amortized over a period of five years. Businesses can capture the tax benefit immediately now.

Further, businesses with under $31 million in gross receipts that previously incurred R&D expenses may amend prior tax returns to immediately deduct the balance of their unamortized R&D expenses. Business owners that have previously incurred R&D expenses should review with their tax advisors whether it is advantageous to amend prior tax returns given the retroactive nature of the tax benefit.

Permanent 20% Deduction of Qualifying Business Income (QBI)

Under Section 199A of the Code, certain owners of pass-through entities may deduct up to 20% of qualifying business income (QBI) attributable from such entity, with certain phase-out limitations applying. The OBBBA has made the 20% deduction for qualified business income (QBI) permanent.

Expanded Tax Credit for Employer-Supported Child Care

Employers who help provide or pay for child-care for their workers can now claim a 40% credit (or 50% percent for small businesses) on up to $500,000 of such expenses. Under the OBBBA, the credit now applies to third-party contracts in addition to in-house care.

Expanded Employer Credit for Paid Family and Medical Leave

The OBBBA expands the tax credit available to employers who provide paid family and medical leave, by allowing them to claim the credit in two ways: 1) based on wages paid directly to employees while on leave; or 2) based on premiums paid to insurance companies that provide the benefit.

It is important to note that the credit can now be calculated even if no employee actually takes leave during the year, as long as the leave benefit is offered and meets the required standards. The OBBBA also shortens the minimum waiting period for employee eligibility to six months and expands the credit to cover part-time workers who average at least 20 hours per week.

The OBBBA put new rules in place to prevent abuse by affiliated businesses. The OBBBA also clarifies how federal credits interact with state-provided or mandated leave benefits. The changes apply to tax years beginning after December 31, 2025. Businesses should update their leave policies now and consider whether using insurance-based plans could help them qualify for the credit with less administrative effort.

Increased Tax Exclusion for Qualified Small Business Stock (QSBS)

Under the OBBBA, investors in qualifying small businesses (under Section 1202 of the Code) may now be able to exclude up to $15 million in gains (up from $10 million) when selling stock.

The exclusion increases over time based on how long the stock is held: 1) 50% after 3 years; 2) 75% after 4 years; and 3) 100% after 5 years.

Limits on Using Business Losses to Offset Other Income Are Now Permanent

Business owners cannot use more than $500,000 in losses ($250,000 for single filers) to reduce other types of income. This provision was set to expire in at the end of 2028. However, the OBBBA makes the tax offset permanent. Losses beyond the limit can still be carried forward to future years.

Opportunity Zones Program Expanded and Made Permanent

The OBBBA extends the Opportunity Zones program, which allow investors to delay and reduce taxes when they reinvest gains into economically distressed communities. Under the OBBBA, the program is now open-ended, includes stricter reporting requirements, and allows up to 30 years of tax benefits for long-term investors.

Estate, Gift, and Generation-Skipping Tax Exemption Increased

The 2017 Tax Cuts and Jobs Act (TCJA) increased the basic federal estate and gift tax exclusion and generation-skipping transfer tax ("GSST") exemption to $10 million per person ($20 million for married couples), with an annual adjustment for inflation. These amounts were scheduled to expire at the end of 2025. However, under the OBBBA the basic exclusion and GSST exemption have been increased and made permanent (absent future legislation).

The OBBBA increases the basic exclusion and GSST exemption to $15 million ($30 million for married couples) for deaths and gifts occurring after December 31, 2025, and will continue to be adjusted annually for inflation. A surviving spouse may also continue to elect portability of the deceased spouse's unused estate and gift tax exemption amount. Portability, with respect to GSST, was unavailable prior to the OBBBA and that remains unchanged. Note that the exclusion amount for New York State estate tax is unaffected by the OBBBA and continues to remain at $7.13 million per individual for 2025, adjusted annually for inflation, and there is no portability option.

The OBBBA did not modify the federal annual gift tax exclusion, which is currently at $19,000 for 2025.

Next Steps

Lipsitz Green Scime Cambria will continue to monitor the impact of the OBBBA and issue future alerts to address additional aspects of the law. If you have any questions, please contact a member of our Business and Corporate Practice Group.