

Financial, Legal & Tax Advisory

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One Big Beautiful Bill: Business Tax Impacts

On July 4, 2025, President Trump signed the newest bill, H.R. 1, also known as the "One Big Beautiful Bill" (OBBB). The bill addresses several aspects of taxation that will affect both individuals and businesses. This publication will focus on the key tax changes affecting businesses and provide early insight into how these changes may impact goals and tax planning. The OBBB permanently restores 100% bonus depreciation for property acquired and placed in service after January 19, 2025.

This delivers a substantial win for businesses, as they are now able to qualify for an immediate deduction of the full cost of qualifying equipment, machinery, and other business assets, rather than depreciating them over several years. For those who have research or experimental (R&E) expenditures, the OBBB delivers some great news. It made permanent that R&E expenditures are now eligible to be immediately deductible for tax years beginning after December 31, 2024. Previously, businesses had to spread these deductions out over five years, negatively impacting cash flow.

Alternatively, taxpayers could make an election to capitalize and amortize these R&E expenditures over (1) a period of not less than 60 months (beginning with the month in which the taxpayer first realizes benefits from those expenditures), or (2) 10 years. Section 179 has been a useful tool for many businesses over the years. The OBBB increases the dollar limitation for tax years beginning after December 31, 2024, to \$2.5 million, with the phase-out beginning when qualifying property costs exceed \$4 million. This enhancement provides additional flexibility for businesses to immediately expense equipment purchases that don't qualify for bonus depreciation. The Opportunity Zone (OZ) program is now a permanent part of the tax code.

Current designations will end on Dec. 31, 2026, and governors will select new OZs every 10 years, starting July 1, 2026, with designations taking effect on Jan. 1, 2027. The "low-income community" threshold has been reduced from 80% to 70% of the area median income, the contiguous tract exemption has been removed, and any area with a poverty rate of at least 20% must also have a median family income no greater than 125% of the state or metropolitan median. Rural areas stand to benefit from new incentives as investments in these communities will now receive a 30% basis step-up (compared to 10% previously), and the "substantial improvement" requirement has been lowered to 50% of a property's adjusted basis rather than 100%.

The Qualified Small Business Stock (QSBS) gain exclusion, often referred to as Section 1202, was expanded and revamped. The five-year holding period has been eased by establishing a tiered system once the stock has been held for at least three years. The aggregate gross asset threshold was increased from \$50 million to \$75 million (indexed for inflation beginning in 2027), and the eligible gain amount was raised from \$10 million to \$15 million (indexed for inflation beginning in 2027). For QSBS issued after July 4, 2025, the holding period exclusions in the tiered system would be:

- 3 years – 50% gain exclusion
- 4 years – 75% gain exclusion
- 5 years – 100% gain exclusion

While the OBBB has several updates, extensions, and changes, the above are great examples of ones that can affect businesses and business owners. If you have any questions regarding the information above or are interested in talking to a tax professional to help you reach your goals, contact the professionals at The Center at (618) 997-3436 or visit our website at taxplanning.com for more information.

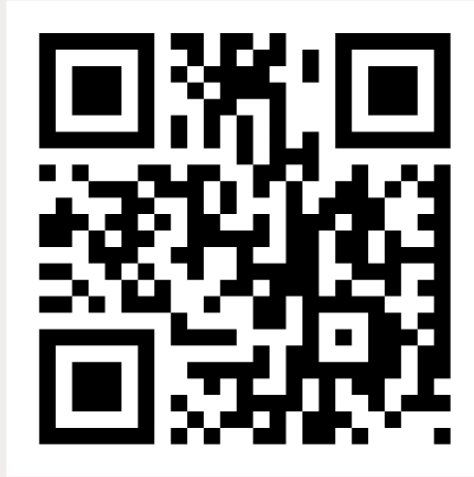
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