

One Big Beautiful Bill Act: A Primer for Business Owners

President Trump signed into law the One Big Beautiful Bill Act (OBBB) on July 4, 2025. While the bill's potential impact could be far reaching, this summary will focus on key changes that'll likely affect business owners, entrepreneurs and founders. Here's a broader summary of the bill.

Qualified Business Income (QBI) deduction (Section 199A)

The OBBB makes the Section 199A deduction permanent, preventing its expiration at the end of 2025, as had been originally planned under the Tax Cuts and Jobs Act.

This new bill also increases the taxable income thresholds for the deduction limitations:

- For non-joint returns, the threshold increases from \$50,000 to \$75,000
- For joint returns, the threshold increases from \$100,000 to \$150,000

The bill also introduces a new minimum deduction of \$400, adjusted for inflation. This ensures that eligible taxpayers with at least \$1,000 of QBI will receive a minimum deduction of \$400.

SALT (Section 164)

The OBBB increases the limit on the 2025 federal deduction for state and local taxes (SALT) to \$40,000 (prior to OBBB, the cap was \$10,000). In 2026, the cap will be \$40,400, and then will increase by 1% annually, through 2029. Starting in 2030, the cap will revert to the current \$10,000.

The amount of the deduction available will phase down for taxpayers with modified adjusted gross income (MAGI) above \$500,000 (in 2025). The MAGI threshold will be adjusted for inflation through 2029. The phasedown will reduce the taxpayer's SALT deduction by 30% of the amount that the taxpayer's MAGI exceeded the threshold,

but the limit on a taxpayer's SALT deduction can never go below \$10,000.

OBBB only increases the SALT deduction cap and doesn't attempt to limit or address the various workarounds (i.e., the pass-through entity tax, referred to as PTET – see the following paragraph).

Businesses use PTET as a strategy to work around the SALT cap. States allow pass-through entities (like partnerships and S corporations) to pay state taxes at the entity level. This election allows the business entity to deduct the state tax as a business expense at the federal level, and business owners typically receive a tax credit on their individual state return, effectively bypassing the individual SALT deduction cap.

Qualified small business stock (QSBS Section 1202)

The OBBB expands eligibility to QSBS. Any QSBS issued prior to date of enactment will only receive exclusion if held for five years or longer. Also take note of the following:

Aggregate gross asset test

For issuances occurring after enactment of the OBBB, to qualify as QSBS it must generally be acquired by the taxpayer in its original issuance from a domestic C corporation with aggregate gross assets of \$75 million or less (thereafter indexed for inflation). This is an increase from the prior cap of \$50 million or less, which remains applicable for issuances that occurred prior to the OBBB's enactment.

Gain exclusion cap

For QSBS acquired after its date of enactment, there is an exclusion from gain on the disposition equal to the greater of i) \$15 million per shareholder in the aggregate for current and prior years, adjusted for inflation (increase from \$10 million with respect to QSBS acquired before its enactment); or ii) 10 times the taxpayer's aggregate adjusted basis in the stock issued.

Hold period - pertaining to stock acquired after its date of enactment:

- For sales of QSBS occurring after three years, the seller is entitled to a 50% gain exclusion
- For sales of QSBS occurring after four years, the seller is entitled to a 75% gain exclusion
- For sales of QSBS occurring after five years, the seller is entitled to a 100% gain exclusion

Estate and gift tax exemption amounts (Section 2010)

The new bill permanently increases the amount individuals may transfer for the purposes of federal estate, gift and generation-skipping transfer tax.

Effective as of January 1, 2026, the federal estate and gift tax exclusion and the generation-skipping transfer (GST) tax exemption will increase to \$15 million per person. This means that in 2026, an individual may transfer up to \$15 million (increased from \$13.99 million in 2025) free of any federal estate, gift or GST taxes, either during their lifetime or at death. For married couples, that transfer amount is a combined \$30 million, which is an increase from \$27.98 million in 2025.

This amount is subject to an annual cost-of-living adjustment, such that the \$15 million threshold may change in future years.

Bonus depreciation (Section 168)

The new legislation permanently reinstates 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025.

Example usage in private aviation - If you purchase an aircraft and use it for business more than 50% of the time, you may be eligible to write off 100% of its cost in the year it enters service. Eligibility for this immediate write-off requires the following to be satisfied:

1. The aircraft must be used primarily for business purposes

2. The aircraft can be new or pre-owned, if it is the taxpayer's first use
3. It must have been placed in service after January 19, 2025

Qualified production property (Section 168(n))

There's a new elective depreciation regime for nonresidential real property that is classified as "qualified production property." This optional 100% depreciation applies to property with construction starting after January 19, 2025, and before January 1, 2029, and placed in service by December 31, 2030.

Qualified production property includes facilities used in the manufacturing of tangible personal property, agricultural production, chemical production, or refining. Any portions of buildings used for offices, administrative functions, lodging, parking, sales, research, software development or unrelated activities are excluded.

Note: Certain states may not conform to the updated full expensing provisions under 168(n)

Immediate expensing of U.S. R&D (Section 174)

The bill restores the ability to immediately deduct domestic research and development (R&D) expenses, effective for tax years beginning after December 31, 2024.

Companies with capitalized domestic R&D expenses from 2022-2024 may elect a catch-up deduction. Foreign R&D must still be amortized over 15 years. Eligible small businesses (under \$31 million in average annual gross receipts) may retroactively apply full expensing to tax years beginning after 2021.

This change to R&D expenses has been made permanent.

Note: Certain states may continue to require amortization for domestic research expenditures.

Excess business loss limitation (Section 461)

The OBBB also makes permanent the excess business loss limitation, which limits the amount of aggregate business deductions that a noncorporate taxpayer may deduct to the amount of aggregate gross income or gain attributable to trades or businesses of the taxpayer, plus a threshold amount.

The bill modifies the way in which aggregate business deductions will be calculated by adding to that amount any "specified loss," defined as an excess business loss disallowed under Section 461(l) for a taxable year beginning after December 31, 2024.

Business interest deduction (Section 163(j))

Under current law, taxpayers are generally allowed to deduct business interest expenses only to the extent of business interest income plus 30% of adjusted taxable income (ATI), plus floor plan financing interest. The higher the calculation of ATI, the higher the amount of deductible business interest.

The OBBB reinstates the EBITDA limitation under Sec. 163(j) for tax years beginning after December 31, 2024. By removing depreciation, amortization and depletion deductions from the ATI calculation, the bill increases the amount of business interest expenses that taxpayers are allowed to deduct.

Finally, the definition of “motor vehicle” has been amended to allow the deduction of interest on floor plan financing for certain trailers and campers.

Qualified Opportunity Zone program renewal (Section 1400Z-1 & 1400Z-2)

The Qualified Opportunity Zone (QOZ) program was created to stimulate economic development in distressed communities by offering tax incentives to investors who invest deferred capital gains in QOZs.

The OBBB makes the QOZ program permanent with rolling 10-year QOZ designations, modified eligibility requirements and additional tax return, and information reporting requirements.

New rolling 10-year QOZ designations

Effective as of July 1, 2026 (the initial “decennial designation date”), Governors will designate new QOZs, which will then be in effect for 10 years (i.e., the first set of designations will be in effect from January 1, 2027 through December 31, 2036).

The OBBB modifies the requirements applicable to the designation of a QOZ by narrowing the definition of a low-income community. Also, special designation benefits for Puerto Rico have been eliminated.

Tax incentives for investing under the new QOZ program

Deferred gains invested prior to January 1, 2027, will be recognized on December 31, 2026. This date has not been extended.

Taxation of capital gains invested in a Qualified Opportunity Fund (QOF) on or after January 1, 2027, will be deferred until the earlier of the date of disposition of such investment, or five years from the date of the investment in a qualified opportunity fund.

Once the investor holds its interest in the fund for five years, the investor obtains a 10% basis increase, which will help ensure that only 90% of the deferred gain is taxed if the investment is held for at least five years.

For investments in newly created qualified rural opportunity funds, 30% of the deferred gain is added to the basis.

Under the new provisions, if a QOF investment is held for at least 10 years and up to 30 years, no tax is imposed on gains realized when the investment is sold or exchanged.

The One Big Beautiful Bill is a broad, complex piece of legislation. As we gain more insights into this new bill, we’ll communicate them to clients. Should you have questions about the bill and its potential impact on business owners, reach out to a Corient Wealth Advisor.

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