2025 Business Tax Law Changes

Tax Law Changes: A Comparative Overview

Understand how The One, Big, Beautiful Bill will affect you and your individual tax bill going forward.

Tax Provision	Current Law	New Law	Effective Date
Bonus depreciation	Allows 80% bonus depreciation for qualified property placed in service in 2023, phasing down by 20 percentage points each year until it sunsets after 2026	Permanently extends and modifies additional first year depreciation deduction. Allowance increased to 100% of property acquired and placed in service on or after Jan. 19, 2025.	Property acquired after Jan 19, 2025
Sec. 179, Enhanced Small Business Expensing	Sec. 179 allows businesses to expense up to $1,160,000 of qualifying property, with a phase-out threshold beginning at $2,890,000, both indexed for inflation.	H.R. 1 increases the maximum amount a taxpayer may expense under Sec. 179 to $2,500,000 and increases the phaseout threshold amount to $4,000,000.	January 1, 2025
Qualified Production Property “Manufacturing Property”	N/A — term does not exist.	Bonus depreciation allowed on manufacturing property where construction begins after Jan. 19, 2025, and before Jan. 1, 2029, and must be placed in service prior to January 1, 2031.	January 19, 2025

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Research and experimental (R&E) expensing	Amortization over 5 years for domestic R&E and 15 years for foreign R&E costs.	Allows full expenses for domestic R&E from Jan. 1, 2025. Foreign R&E remains at 15-year amortization. In addition, the bill would provide small businesses (gross receipts under $31 million) with the option to apply this change retroactively back to 2022 through amended returns. It would also allow taxpayers to accelerate any remaining Sec. 174 deductions over 1 or 2 years.	Jan 1, 2025 (retroactive to 2022 for small businesses)
Sec. 199A, Qualified Business Income deduction (QBI)	20% deduction for pass-through income, expires after 2025. Deduction subject to phaseout for specified service trades or businesses (SSTBs). Deduction limitations based on taxable income, wages paid and the presence of SSTBs.	Deduction remains at 20% and made permanent. Phase-out amounts are increased (expands the deduction limit phase-in range by increasing the $100,000 (MFJ) and $50,000 (single filers) amounts to $150,000 and $75,000, respectively), and a new minimum $400 deduction is added for taxpayers with at least $1,000 of QBI.	January 1, 2026

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Form 1099 information reporting	The general Form 1099 reporting threshold remains at $600 and applies to payments made in the course of a trade or business.	The bill would increase the information reporting threshold for certain payments to persons engaged in a trade or business and payments of remuneration for services to $2,000 in a calendar year, with the threshold amount to be indexed annually for inflation in calendar years after 2026.	Jan 1, 2026 (indexing starts 2027)
Sec. 163(j), Business interest limitation	Based on earnings before interest and taxes (EBIT) through 2021, then earnings before interest, taxes and amortization (EBITDA)	Returns to EBITA calculation with no expiration.	January 1, 2025
Sec. 461(l), Excess business loss (EBL) limitation	Limits pass-through business losses through 2028. Disallowed losses become NOLs and can be used in subsequent years, subject only to NOL rules.	Makes the Sec. 461(l) EBL limitation permanent, and retains the existing treatment of EBL carryforwards.	January 1, 2029
Sec. 127, Employer Payments of student loans under educational assistance programs	$5,250 Maximum exclusion includes employer payment of qualified student loan payments. Set to expire after 2025	Assistance programs made permanent and adjusted for inflation.	January 1, 2026

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Employer-Provided Childcare Credit	25% of qualified expenses, up to $150,000.	Increases to 40% (50% for small businesses); max credit $500,000 ($600,000 for small businesses); inflation adjusted.	January 1, 2025
Paid Family and Medical Leave Credit	Temporary; expires after 2025.	Extends and enhances credit; allows for insurance premiums; modifies aggregation and eligibility rules.	January 1, 2026
Tip credit	Applies to the food and beverage industry only; provides a credit for the FICA paid by the employer on tips.	Expanded to include beauty service industry starting in 2025.	January 1, 2025
Sec. 45W, Commercial Clean Vehicle Credit	Up to $40,000, expires 2032.	Terminates for vehicles acquired after Sept. 30, 2025.	Ends October 1, 2025
Employee retention credit (ERC)	Employers had until April 15, 2024, to file ERC claims for the 2020-year, and until April 15, 2025, to file ERC claims for the 2021 year. The IRS has a 3-year statute of limitations for 2020 and early 2021 claims, and a 5-year statute of limitations for the Q3, Q4, 2021 claims.	The bill prohibits the payment of Q3 2021 and Q4 2021 claims as of Jan. 31, 2024, and increases enforcement mechanisms for ERC promoters.	Already Effective (Jan 31, 2024)

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Work Opportunity Tax Credit (WOTC)	The WOTC is available for wages paid to individuals who are certified as members of one of several targeted groups. The credit is generally 40% of up to $6,000 of qualified first-year wages for each eligible employee, resulting in a maximum credit of $2,400 per employee. The Work Opportunity Tax Credit is available for eligible employees who begin work through Dec. 31, 2025. Unless further extended by Congress, the credit will not be available for employees hired after that date.	Expires December 31, 2025.	Ends December 31, 2025
Advanced Manufacturing Investment Credit	The advanced manufacturing investment credit is 25% for property placed in service for manufacturing semiconductors or semiconductor manufacturing equipment.	The advanced manufacturing investment credit is increased to 35% for semiconductor production property placed in service after December 31, 2025.	January 1, 2026
Farmland sales	No previous provision.	The act adds a new Sec. 1062 that allows income tax resulting from the sale of farmland to a qualified farmer to be paid in four annual installments.	January 1, 2026

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Opportunity Zones (OZs)	OZs designated under TCJA remain in effect through Dec. 31, 2028, allowing investors to defer and potentially exclude capital gains by investing in Qualified Opportunity Funds (QOFs) that support development in low-income communities.	The bill would establish a permanent OZ policy, creating a rolling 10-year OZ designation beginning in 2027. This varies from H.R. 1, which creates a second OZ opportunity that would run from 2027 through 2033. The bill also maintains the OZ designation process and strengthens eligibility requirements.	January 1, 2027
Sec. 179D, Energy efficient commercial buildings deduction	Deduction based on the cost of energy efficient commercial building property, up to a maximum amount per square foot (ranging from $.50 to $5.00 per square foot).	Terminates deduction for property that begins construction after June 30, 2026.	Ends July 1, 2026
Charitable deduction for corporations	10% of taxable income	Adds 1% floor: only contributions above 1% of taxable income are deductible, up to 10% limit.	January 1, 2026

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Sec. 1202, Qualified Small Business Stock Exclusion	Section 1202 provides for the partial exclusion of gain on the sale of qualified small business stock (QSBS) held for more than five years. For stock acquired after September 27, 2010, the exclusion is 100%; for stock acquired in earlier periods, the exclusion is 50% or 75%, depending on the acquisition date.	The bill modifies the QSBS exclusion to provide a tiered exclusion determined on the years the taxpayer holds the QSBS: • 50% exclusion if held for three years; • 75% exclusion if held for four years; and • 100% exclusion if held for five or more years. The bill also increases eligibility for the exclusion by increasing the eligibility limit on the corporation's aggregate gross assets at the time of issuance from a $50 million limit to a $75 million limit.	January 1, 2026