



From: Mike Oscar (Government Relations Director)
Subject: **2025 Budget Reconciliation Process – Tax Provisions**
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Key Provisions Included in the One Big Beautiful Bill:

- **Section 199A Deduction Increased:** The 20% pass-through business income deduction made permanent. This provides direct relief to S corps, partnerships, sole proprietorships, and LLCs taxed as pass-throughs.
- **Bonus Depreciation Restored:** Restores 100% bonus depreciation for qualified property placed in service from 2025 through 2029.
- **R&D Deduction Reinstated:** Allows immediate deduction of U.S.-based research and development expenses instead of amortizing over five years.
- **Manufacturing Expensing Extended:** Immediate expensing for investments in qualified manufacturing and refining facilities through 2029.
- **Section 179 Cap Raised:** The cap for small business expensing is increased from \$1,000,000 to \$2,500,000, with a higher phase-out threshold.
- **Marginal Tax Rates Extended:** The lower individual tax rates from the 2017 law (set to expire in 2025) are made permanent. This is essential for pass-throughs taxed at the individual level.
- **Estate & Gift Tax Exemption Increased:** Beginning in 2026, the estate and gift tax exemption is permanently increased from \$10 million to \$15 million and indexed to inflation. This provides long-term planning certainty for business owners concerned with intergenerational transfers.
- **Business Interest Deduction Relief (163(j)):** Excludes depreciation and amortization from the adjusted taxable income formula, allowing more generous interest deductibility.
- **Contractor Reporting Threshold Increased:** Raises the 1099-NEC/MISC reporting threshold from \$600 to \$2,000, easing compliance for businesses that work with independent contractors.
- **Paid Family and Medical Leave Credit Made Permanent:** Retains the employer credit (up to 25% of wages), now available for insured leave and for employees with six months' tenure.

Here are a few other interesting potential changes:

- **Child Care Credit Expansion:** Raises the business credit cap to \$500,000 (\$600,000 for small businesses), including payments to outside providers.
- **Charitable Deduction for Non-Itemizers:** Allows a temporary deduction for non-itemizers (\$150 individual / \$300 joint) from 2025 to 2028.
- **Auto Loan Interest Deduction:** Allows up to \$10,000 in interest deduction for U.S.-assembled vehicles (limited application but may be useful for fleet-dependent businesses).
- **Tip Income Deduction:** Creates a deduction for qualified tips earned between 2025 and 2028. Tips must be voluntary and paid in customary tipping occupations. The deduction is not available for employees earning more than \$160,000 and excludes service fields like law, health care, consulting, and performing arts.