



Top 10 Biggest Business Tax Breaks (and Hits) in the One Big Beautiful Bill Act

Jul 11, 2025

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With a name like the One Big Beautiful Bill Act (OBBBA), you know two things right away: (1) it's a mouthful, and (2) you're going to have to wade through a lot to find the useful parts. Fortunately, two tax lawyers already did.

While opinions on OBBBA may vary, the legislation includes several corporate tax provisions that could be valuable for manufacturers, capital-intensive businesses, and others positioned to benefit. Below, we've highlighted 10 key takeaways, plus a bit of commentary.

1. QSBS (Section 1202) Expansion

Bigger Breaks, Faster Fortunes for Founders and Investors

One of the biggest wins in the OBBBA for venture-backed startups, angel investors, private equity, and family offices planning multi-year exits is the overhaul of Section 1202 qualified small business stock (QSBS) rules.^[1] The bill raises the per taxpayer gain exclusion from \$10 million to \$15 million per issuer for QSBS issued on or after July 5, with annual inflation adjustments starting in 2027.

Prior to the OBBBA, taxpayers had to hold QSBS for a full five years to exclude any gain from a sale. The OBBBA introduces a phased system for QSBS issued on or after July 5, allowing:

- 50% exclusion for stock held at least three years,
- 75% for four years,
- 100% for five years or more.

The OBBBA also clarifies that gains excluded under the new three- and four-year tiers won't count as AMT preference items, avoiding additional alternative minimum tax burdens.

The OBBBA also raised the gross asset threshold from \$50 million to \$75 million, with inflation adjustments beginning in 2027. For purposes of the Section 1202 gross asset test, all assets, including tangible and intangible assets such as goodwill, are included. Self-created goodwill typically has zero basis, while purchased goodwill has a basis equal to the allocated purchase price.

Taken together, these updates mark a significant expansion of QSBS eligibility and flexibility – especially for investors and founders navigating longer growth timelines and larger cap tables. We unpack the full QSBS glow-up in [One Big Beautiful Bill Act Doubles Down on QSBS Benefits for Startup Investors](#) – worth a read if you’re tracking exits or equity.

Continue reading the article below or watch this short video for key points and takeaways.

2. Permanent 100% Expensing for Capital & “R&D”

R&D Expensing Gets a Makeover (and a Win for U.S. Innovation)

The OBBBA introduces a brand-new Section 174A, which permanently restores immediate expensing for 100% of qualified research and experimentation (R&E)—commonly known as R&D—expenses in the year incurred in the U.S. for starting after December 31, 2024.^[2] Under the prior Tax Cuts and Jobs Act (TCJA), taxpayers had to capitalize and amortize those costs over five years (domestic research expenses) or fifteen years (foreign research expenses). Now, U.S.-based R&D can be fully deducted in the year incurred—a major win for IP-intensive and product-driven companies. However, foreign R&D still gets the 15-year amortization treatment.

For R&D expenses amortized after December 31, 2021, and before January 21, 2025, taxpayers may have as many as two options, depending on their size:

- Elect to accelerate the remaining deductions over a one-two-year period.
- Alternatively, small businesses with annual gross receipts of \$31 million or less can retroactively apply these changes to post-2021 tax years filing amended returns within one year of OBBBA's enactment.

What should you do now? This is an “it depends” moment. Taxpayers should take a closer look at their specific tax situation to determine what path makes the most sense. For eligible small businesses, filing an amended return could mean a refund, but it's not a one-size-fits-all solution. And for companies deciding where to invest in R&D, the OBBBA may have tipped the scales in hiring domestically, though companies should look at their specific expenses associated with foreign R&D.

3. International Tax Overhaul & New Global Minimums

Reshaping GILTI, FDII, BEAT, and Global Tax Strategy

The OBBBA makes measured adjustments to the international tax regime: it lowers the deduction on global intangible low-taxed income, now called Net Controlled Foreign Corporation Tested Income (CFC), from 50% to 40%, and the deduction for foreign-derived intangible income (FDII) to from 37.5% to 33.34%.^[3] These changes postpone deeper cuts that were originally scheduled, giving businesses a bit of temporary breathing room. It also increases the base erosion and anti-abuse tax (BEAT) marginally from 10% to 10.5%.^[4] Additional changes to the foreign tax credit and CFC rules tighten the regimes, consistent with the current administration's focus on domestic production.

4. Revised Section 163(j) Business Interest Rules

Interest Deduction Adjustments for Capital-Intensive Sectors

Since 2022, businesses have been feeling the squeeze from the Section 163(j) interest deduction limitation, which excluded depreciation, amortization, and depletion from adjusted taxable income (ATI) when calculating business interest. The OBBBA provides welcome relief to businesses by modifying the Section 163(j) interest deduction limitation. The OBBBA eliminates this restriction meaning, ATI once again includes these add-backs, raising the 30% threshold and allowing businesses to deduct more interest expense.

This is an important window for businesses to optimize their debt structures and take advantage of higher deductible interest before the tighter rules snap back into place after this year.^[5]

5. Permanent Paid Family Leave & Enhanced Meals Deductions

Strengthening Talent Incentives and Employee Spending

In a move that's likely to win points with HR and talent teams, the OBBBA permanently extends the paid family and medical leave credit. This gives employers a long-term incentive to support employee retention and attract top talent in a competitive market.

The OBBBA also brings back the 100% deduction for certain business meals for tax years—a familiar COVID-era perk—for tax years beginning after December 31, 2024, and before January 1, 2027. To be eligible for the 100% deduction, meals must be provided to employees by businesses that also sell food, like restaurants, including takeout, dine-in, and delivery. The exception also includes commercial vessels and fishing boats. Other employer-provided meals don't make the cut—they're still subject to the 50% deduction limit or nondeductibility, depending on the situation.[\[6\]](#)

6. SALT Deduction Tweaks with Big PTET Boost

Enhanced SALT Deduction Cap and No changes to SALT Workarounds for Flow-Through Entity Owners

The OBBBA largely preserves the framework of the TCJA but introduces a temporary increase to the State and Local Tax (SALT) deduction cap. Starting with tax years beginning after December 31, 2025, the SALT deduction cap jumps to \$40,000 annually (or \$20,000 for married filing separately. This amount is inflation-adjusted, reaching \$40,400 in 2026 and increasing 1% annually thereafter. However, taxpayers shouldn't get too comfortable, as the extended cap is set to sunset in 2030, when it reverts to the original \$10,000 limit.

Additionally, taxpayers with modified adjusted gross income (MAGI) over \$500,000, will see their SALT cap reduced by 30% of the excess MAGI, but not below the \$10,000 floor.

The OBBBA doesn't touch the pass-through entity tax (PTET) regime, meaning that it remains a viable workaround for many taxpayers grappling with the SALT cap.[\[7\]](#)

For more information on how the PTET fits into the bigger picture, check out [Is PTET Alive? Congress' Struggle with the Pass-Through Entity Tax and the One Big Beautiful Bill: U.S. Senate Edition.](#)

7. 199A QBI Deduction Made Permanent

Long-Term Tax Relief for Pass-Through Business Owners

The OBBBA cements the 20% deduction for qualified business income under Section 199A, making it a permanent fixture for pass-through businesses, like S corporations, partnerships and sole proprietorships. This move adds long-term clarity for owners of closely held businesses, and will continue to influence entity choice—especially for service-oriented or highly leveraged businesses that don't qualify for the Section 1202 gain exclusion. For many, the QBI deduction remains a key factor in weighing pass-through status versus C corporation treatment.[\[8\]](#)

8. Permanent Community Incentives with Green Rollback

Support for Low-Income Projects While Cutting Clean Energy Incentives

The OBBBA locks in long-term support for several cornerstone community investment tools, making the Low-Income Housing Tax Credit, New Markets Tax Credit, and Opportunity Zones permanent. This permanence brings welcome clarity for investors and developers planning multi-year projects in underserved areas, providing additional certainty for long-term investments.[\[9\]](#)

While one set of incentives got a lifeline, another saw the plug pulled. The bill simultaneously phases out or eliminates a range of clean energy credits—including those for renewable electricity,

clean vehicles, hydrogen, and energy-efficient construction.

For more information on what's staying, and what's going dark, see our breakdowns:

- [One Big Beautiful Bill Act Cuts the Power: Phase-Outs, Foreign Entity Restrictions, and Domestic Content in Clean Energy Credits](#)
- [There is No Sunset in the Land of OZ – Opportunity Zones Renewed by The One Big Beautiful Bill Act.](#)

9. Special Depreciation Deduction for Production Property

Extended Bonus Depreciation under Section 168(k) and Creation of New Section 168(n) for Qualified Production Property

The OBBBA permanently extends the 100% bonus depreciation under Section 168(k) for most new and used tangible property with a recovery period of 20 years or less. After this date, the deduction will begin to phase out.^[10]

But, there's a new player on the field: Section 168(n). Tailored for manufacturers that build, extract, or grow their own assets for internal use, this provision allows a full deduction in the year incurred for "qualified production property." That includes tangible personal property and certain other assets that are manufactured, produced, grown, or extracted by the taxpayer in the ordinary course of its trade or business and placed in service in the U.S. after December 31, 2023.^[11]

With both 168(k) and 168(n) in play, businesses have a window to strategically combine third-party purchases with self-produced assets—maximizing deductions before the 2026 sunset. Careful timing of these projects can help companies fully leverage both provisions while laying the groundwork for a smooth transition as Section 168(k) begins to phase out.

10. Tip Income and Overtime Pay Deduction

Allows Eligible Workers to Deduct Up to \$25k of Cash Tips and \$12.5k (\$25k for Joint Filers) of Overtime Pay from Federal Income

The OBBBA introduces two temporary deductions in newly added Sections 224 and 225, available for tax years 2025 through 2028, aimed at boosting take-home pay for eligible workers.^[12]

- Section 224 allows eligible workers to deduct up to \$25,000 of cash tips—defined as tips received from customers that are paid by cash or credit card, or shared through tip pools. To prevent double dipping, these tips are excluded from “qualified business income” under Section 199A. Section 225 offers eligible workers a deduction of up to \$12,500 (or \$25,000 for joint filers) in qualified overtime wages – defined as the pay that exceeds the employee’s regular rate of pay, as mandated by the Fair Labor Standards Act.

To qualify, workers must have a Social Security Number and modified adjusted gross income (MAGI) under \$150,000 (or \$300,000 for joint filers). Both deductions phase out gradually – by \$100 for every \$1,000 over the income threshold. For the tip deduction, the job must be one where tipping was customary prior to December 31, 2024 and cannot fall under a specified service trade or business (as defined in Section 199A(d)(2)).^[13]

Employers still need to report total tips and overtime on employees’ W-2s and withhold payroll taxes accordingly. But for eligible workers, these new deductions could offer meaningful relief, at least for the next few years.

Conclusion: Strategic Planning Required as OBBBA 2025 Takes Shape

The OBBBA might be a mouthful, but it packs a punch—reshaping key areas like R&D expensing, startup equity, and cross-border tax rules. From reviving immediate R&D expensing to expanding QSBS benefits and fine-tuning international tax levers, OBBBA delivers a mix of relief, recalibration, and long-term signals.

But with sweeping changes come new complexities. Many provisions apply prospectively, while others may reach back retroactively—making timing and structure more important than ever. Whether you’re modeling future exits, optimizing global tax footprints, or planning multi-generational wealth transfers, now is the time for proactive scenario planning. The right moves today could shape outcomes for years to come.

For founders, investors, and companies navigating growth, these changes offer new tools—and new tradeoffs. As always, the fine print matters. But if you’re building, scaling, or investing in innovation, this bill is worth more than a skim.

Questions? Connect with the Frost Brown Todd Tax Team

[Frost Brown Todd’s Tax team](#) is tracking the OBBBA in all its acronym-laden glory. If you’re strategizing around its potential changes—or simply trying to survive another round of Congressional creativity—get in touch with your FBT attorney or any member of our team. We’ve read the fine print so you don’t have to (but we won’t judge if you skimmed).

[1] One Big Beautiful Bill Act of 2025 (H.R. 1, 119th Cong.) § 70431.

[2] OBBBA § 70302.

[3] OBBBA § 70321.

[4] OBBBA § 70331.

[5] OBBBA § 70303.

[6] OBBBA § 70305.

[7] OBBBA § 70120.

[8] OBBBA § 70105.

[9] OBBBA § 70422.

[10] OBBBA § 70301.

[11] OBBBA § 70307.

[\[12\]](#) OBBBA §70202.

[\[13\]](#) Section 199A(d)(2) defines a “specified services trade or business” as the following: (a) any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees, (b) any banking, insurance, financing, leasing, investing, or similar business, (c) any farming business (including the business of raising or harvesting trees), (d) any business involving the production or extraction of products of a character with respect to which a deduction is allowable under Section 613 or Section 613A, and (d) any business of operating a hotel, motel, restaurant, or similar business, and (e) any business which involves the performance of services that consist of investing and investment management, trading, or dealing in securities (as defined in Section 475(c)(2)), partnership interests, or commodities (as defined in Section 475(e)(2)).

More OBBBA Coverage

The One Big Beautiful Bill Act stands to fundamentally reshape the fiscal landscape across key sectors, introducing both immediate compliance challenges and long-term planning imperatives for businesses. This collection of articles sheds light on the OBBBA’s key components to help you better understand and prepare for the changes ahead while taking advantage of the new tools (and tradeoffs) offered by the OBBBA.

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