Enrolled Agent
Member: National Association of Enrolled Agents
National Association of Tax Professionals

Feltz Associates LLC

Nancy M. Feltz Paparazzo, E.A.
Tax Preparation
250 Maywood Ave. Suite E
Maywood, NJ 07607
(201) 487-0311 (201) 487-3450 FAX
mirjo1@msn.com hello@nancyfeltz.com

December 10, 2025

Subject: Key Business Tax Provisions in the One Big Beautiful Bill Act (OBBBA)

Dear Valued Client,

I am writing to inform you of significant changes to federal tax law following the enactment of the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025. The OBBBA introduces a wide range of tax provisions that will impact businesses of all sizes, effective primarily for tax years beginning after December 31, 2024, or as otherwise noted below. Below, we highlight the most relevant changes for your business planning and compliance.

---

1. Permanent 100% Bonus Depreciation (Section 168(k))

- **What's Changed:** The OBBBA permanently reinstates 100% bonus depreciation for most tangible business property with a recovery period of 20 years or less, as well as certain other qualified property. This applies to property acquired and placed in service after January 19, 2025.
- **Impact:** Businesses can immediately expense the full cost of eligible property, improving cash flow and reducing taxable income in the year of acquisition. This is a significant incentive for capital investment and equipment purchases[3][8].

2. New Expensing for Qualified Production Property (Section 168(n))

- **What's Changed:** A new provision allows 100% first-year expensing for the portion of nonresidential real property used as an integral part of manufacturing, production, or refining activities. The property must be newly constructed, with construction beginning after January 19, 2025, and before January 1, 2029, and placed in service before January 1, 2031.

- **Impact:** This is the first time the tax code allows immediate expensing for certain structures, not just equipment, providing a major incentive for investment in U.S. manufacturing facilities[3][8].

3. Section 179 Expensing Limit Increased

- **What's Changed:** The maximum Section 179 deduction is increased to $2.5 million per year, with the phase-out threshold raised to $4 million. Both amounts are indexed for inflation. Applies to property placed in service in tax years beginning after December 31, 2024.
- **Impact:** Small and mid-sized businesses can expense more of their qualifying equipment and certain real property improvements in the year placed in service[3].

4. Immediate Deduction for Domestic R&D Expenditures (Section 174A)

- **What's Changed:** The OBBBA restores immediate expensing for domestic research and experimental (R&E) expenditures paid or incurred after December 31, 2024. Foreign R&E expenditures must still be amortized over 15 years.
- **Transition:** Taxpayers may elect to accelerate deductions for unamortized domestic R&E costs capitalized in 2022–2024, either all at once or over two years. Small businesses (average annual gross receipts ≤ $31 million) may retroactively apply immediate expensing to 2022–2024.
- **Impact:** This change reverses the recent requirement to amortize domestic R&D costs, encouraging U.S.-based innovation[3][8].

5. Business Interest Deduction Limitation (Section 163(j))

- **What's Changed:** The limitation on business interest deductions reverts to 30% of EBITDA (earnings before interest, taxes, depreciation, and amortization), rather than EBIT, for tax years beginning after December 31, 2024. This more generous limitation is made permanent.
- **Other Changes:** The OBBBA also clarifies that the Section 163(j) limitation is applied before any interest capitalization rules, and that disallowed interest is not subject to future capitalization.
- **Impact:** Many businesses will be able to deduct more interest expense, improving after-tax cash flow[3][8].

6. Qualified Business Income (QBI) Deduction (Section 199A)

- **What's Changed:** The 20% QBI deduction for pass-through businesses is made permanent, with an increased phase-in threshold and a new inflation-adjusted minimum deduction for active business income.
- **Impact:** Owners of pass-through entities (partnerships, S corporations, sole proprietorships) will continue to benefit from this deduction beyond 2025[3].

7. Permanent Limitation on Excess Business Losses (Section 461(l))

- **What's Changed:** The limitation on excess business losses for noncorporate taxpayers is made permanent, with thresholds adjusted for inflation.
- **Impact:** Noncorporate taxpayers (including individuals, trusts, and estates) will continue to be subject to this limitation, with disallowed losses carried forward as net operating losses[3].

8. International Tax Changes

- **GILTI Renamed and Modified:** The global intangible low-taxed income (GILTI) regime is renamed "net CFC tested income" (NCTI). The Section 250 deduction is set at 40% (down from 50%), resulting in a 14% effective tax rate. The 10% QBAI exclusion is eliminated, so all CFC income is included in the NCTI base.
- **Foreign Tax Credit (FTC) Changes:** The FTC "haircut" is reduced from 20% to 10%, and only deductions directly allocable to NCTI are apportioned to the NCTI basket. Interest and R&D expenses are no longer allocated to NCTI for FTC purposes.
- **Other International Changes:** The CFC look-through rule is made permanent, the one-month deferral election for CFCs is repealed, and the pro rata share rules for subpart F and NCTI inclusions are revised to allocate income based on periods of stock ownership during the year[3][8].

9. Other Notable Provisions

- **Opportunity Zones:** The program is made permanent, with new decennial designations and reporting requirements.
- **Low-Income Housing and New Markets Tax Credits:** Both are permanently extended and enhanced.
- **SALT Deduction Cap:** The state and local tax deduction cap is increased to $40,000 ($20,000 for married filing separately) for 2025–2029, with a phase-down for high-income taxpayers, before reverting to $10,000 in 2030.

- **Charitable Contributions:** The above-the-line charitable deduction for non-itemizers is increased and made permanent; new floors are imposed for itemized and corporate charitable deductions.

Next Steps

Many of these changes are effective for tax years beginning after December 31, 2024, but some have different effective dates. We recommend reviewing your current and planned capital expenditures, R&D activities, financing arrangements, and international structures in light of these changes. Please contact us to discuss how the OBBBA may affect your business and to plan for optimal tax outcomes.

I will continue to monitor IRS and Treasury guidance as it is released and keep you informed of any further developments.

Sincerely,

Nancy M Feltz Paparazzo, EA

Nancy M. Feltz Paparazzo, EA

This letter is for informational purposes only and does not constitute legal or tax advice. Please consult with your tax advisor regarding your specific situation.

References:

- P.L. 119-21, One Big Beautiful Bill Act (OBBBA)
- Internal Revenue Code Sections 168(k), 168(n), 179, 174A, 163(j), 199A, 461(l), 951A, 250, 164, 1400Z-1, 42, 45D, and related provisions
- [See summary and analysis in sources: [3], [8], [7], [6], [4], [5]].

Cited sources:

[1] Sec. 168 Accelerated cost recovery system: https://app.askbluej.com/source/35af0c00-a1a2-5f69-961c-b981e6eaa145

[2] Sec. 179 Election to expense certain depreciable business assets: https://app.askbluej.com/source/1f386d24-b9f6-5d8a-bdc8-9ffb4dbd75c1

[3] Blue J Resource: P.L. 119-21 (H.R. 1, One Big Beautiful Bill Act, OBBBA) Summary: https://app.askbluej.com/source/c2ccb522-d0ee-5718-a114-e924e9e5172e

[4] Viewpoint: Transaction and Structuring Considerations Under the OBBBA: https://www.taxnotes.com/lr/resolve/7sxn8?src=abj1

[5] Special Reports: One Big Beautiful Bill Act Takes Center Stage Among Rule Changes: https://www.taxnotes.com/lr/resolve/7ss19?src=abj1

[6] https://mayerbrown.com/en/insights/publications/2025/07/one-big-beautiful-bill-act-introduces-significant-domestic-and-international-tax-changes

[7] https://cohnreznick.com/insights/federal-tax-outlook

[8] https://www.gibsondunn.com/tax-highlights-of-the-one-big-beautiful-bill-act/

Additional relevant sources:

Viewpoint: State Tax Implications of the One Big Beautiful Bill Act: https://www.taxnotes.com/lr/resolve/7swph?src=abj1

News Stories: Focus of Treasury's International Tax Guidance Shifts to OBBBA: https://www.taxnotes.com/lr/resolve/7t27h?src=abj1

https://www.aicpa-cima.com/resources/download/client-letter-on-key-provisions-in-houses-one-big-beautiful-bill-act