Tax Updates

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Liza STONE GROUP

Upcoming Tax Changes Every Business Owner Should Know – Big Beautiful Bill Update

Major changes are on the horizon. With the passage of the *Big Beautiful Bill*, a sweeping new tax reform package, business owners like you will see some of the most significant tax updates in recent years. This bill introduces key adjustments aimed at promoting growth, simplifying compliance, and shifting how businesses of all sizes manage their tax obligations. From updated deduction rules to new thresholds and credit structures, it's essential to understand how these changes will impact your operations, planning, and bottom line. In this issue, we break down the most important changes you need to know — and what you can do now to prepare.

Be Proactive: Schedule a Consultation Today
Don't wait until year-end to adjust your strategy. Speak with your tax advisor or book a planning session with our team to ensure you're positioned for success under the new rules.

"Several impactful changes for businesses to promote economic growth and investment"

2017 Tax Cuts Extended

Investment Incentives

Business Growth Plans

The Big Beautiful Bill introduces several impactful tax changes for businesses, aiming to streamline operations, encourage investments, and promote long-term economic growth. Here are the top provisions for businesses that you need to know:

Top Provisions

1. Expanded Business Deductions-Internal Revenue Code (IRC) Section 179 and Bonus Depreciation

2. Business Interest Deduction-IRC Section 163(j)

3. Research & Development Expensing-IRC Section 174

Section 179 Depreciation Increased for 2025

Good news for businesses planning capital investments: beginning in **2025**, the **Section 179 deduction limit** will increase to **$2.5 million**. This new limit will also be **indexed for inflation annually**, providing continued benefits in future years.

The **phase-out threshold**—the point at which the deduction begins to reduce—is also increasing to **$4 million**. That means once total qualifying property placed in service exceeds $4 million, the deduction will be reduced **dollar-for-dollar**.

What this means for your business:
You can now deduct a larger portion of equipment and property purchases up front, which helps to reduce taxable income and free up cash flow for reinvestment.

Bonus Depreciation

2025

Permanently extends and modifies bonus depreciation up to 100% for property placed in service on or after January 19, 2025. There is a limited transitional election available to apply pre-law phase down rates instead of 100%

1. *Businesses can fully expense bonus depreciable eligible assets, creating an incentive for investment.*
2. *Pay close attention to the placed in-service date. For property to qualify in must be placed in service on or after January 19, 2025.*

Business Interest Deduction-IRC 163(j)

Businesses will soon see relief under **IRC §163(j)**, thanks to a favorable change taking effect for tax years beginning **after December 31, 2024**. Under current law, the deduction for **business interest expense** is limited to **30% of adjusted taxable income (ATI)**, calculated on an **EBIT** basis—**excluding depreciation and amortization**. This narrower base has restricted interest deductions since **2022**, especially for capital-intensive businesses.

Starting in **2025**, the new law **restores depreciation and amortization as add-backs** in the ATI calculation, effectively reverting to an **EBITDA-based approach**.

Why it matters:
This change significantly **increases the ATI base**, allowing businesses to deduct more interest expense. Companies with substantial depreciation or amortization—such as those in manufacturing, real estate, or transportation—stand to benefit the most.

Reminder, businesses with average gross receipts under **$30 million** (adjusted annually for inflation) continue to be **exempt from §163(j)** under the small business exception.

IRC 174 Highlights

Brings back full deduction of domestic R&D expenses.

Allows eligible businesses to take advantage of the restored expensing treatment.

This could result in a significant reduction to prior year's tax liabilities.

Research & Development Expensing IRC 174

Prior law required businesses to capitalize and amortize research and development (R&D) expenditures over 5 years for domestic R&D expenses and 15 years for foreign R&D expenses. Thus, hindering investment into innovation in our businesses.

So what's changing? The new law is a win for innovation-focused businesses allowing for full expensing of domestic R&D costs have been restored. Foreign R&D expenses must still be amortized over 15 years-no change to their treatment.

Taxpayers will be permitted to elect to accelerate the remaining deductions over a one-year or two-year period. Certain eligible taxpayers, generally those with average gross receipts of $31 million or less in 2022-2024 will be able to elect to amend tax returns for the 2022-2024 tax years.

Talk to someone on our team about:

- Electing accelerated deductions
- Amending 2022-2024 tax returns (if eligible)
- Optimizing R&D activities under the updated tax rules

Let's Talk Strategy

To schedule an appointment and explore how we can assist with planning and preparing your tax return, please contact Lisa Stone at lisa@lstonegroupllc.com. We're here to help you navigate new opportunities and maximize your benefits.

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