

Published Articles

One Big Beautiful Bill Act: An Overview of Impacts on the Tax Code for Business Owners

Greenbaum, Rowe, Smith & Davis LLP Client Alert
August 7, 2025

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. The legislation permanently extends some of the changes to the tax code first introduced in 2018 while adding additional provisions designed to alleviate taxes for small business owners and certain corporations.

Under IRC § 1202, within certain parameters, eligible taxpayers may be able to exclude up to 100% of the gain from the sale of qualified small business stock (QSBS). Generally, QSBS is stock originally issued to a non-corporate shareholder by a C corporation whose gross assets do not exceed certain limits. Certain types of businesses, such as those rendering professional services, do not qualify for the benefits of IRC § 1202.

The OBBBA has significantly expanded the parameters for having gain exclusion:

- First, the holding period to derive any gain exclusion has been reduced from five years to three years.
- Second, the cap on the size of the company eligible to be a “small business company” has been increased from \$50 million to \$75 million, with annual increases for inflation.
- Finally, the cap on the maximum amount of capital gain that may be excluded is now the greater of (i) \$15 million (increased from \$10 million) or (ii) ten times the adjusted basis of the QSBS stock.

The shortened holding period and the increase in the cap are applicable to QSBS stock acquired on or after July 4, 2025. Stock acquired before this date are subject to the rules which existed prior to enactment of the OBBBA (a five-year holding period and the fixed dollar portion of the cap limitation being \$10 million). Individuals forming new businesses may want to consider the significant benefits afforded by IRC § 1202 when selecting the type of entity to utilize. Also, for those taxpayers who own

Attorneys

Lauren M. Ahern

Michael K. Feinberg

Published Articles (Cont.)

QSBS and are selling their business, the structure of the sale could dramatically impact whether the benefits of IRC § 1202 are realized.

Additionally, small business owners with pass-through income – which may be received from an LLC, partnership, or S Corporation – will now see certain portions of the Qualified Small Business Income Deduction under IRC § 199A, first introduced in 2018, extended permanently. IRC § 199A allows for a 20% deduction for “qualified business income.” In addition, the phase in range has been increased allowing more higher income taxpayers to claim it, and a minimum deduction of \$400 for taxpayers with at least \$1,000 of qualified business income has been added, which will be indexed for inflation after 2026.

IRC § 179 allows businesses purchasing qualifying business equipment and software to deduct the full purchase price in the year they are placed in service rather than amortizing the cost over several years. Under the OBBBA, the limit on the deduction is increased to \$2.5 million for 2025 with phaseout beginning when total purchases for the year exceed \$4 million. These amounts are adjusted for inflation on an annual basis. The higher expensing limit means that more qualifying purchases can be immediately deducted, reducing current tax liability and improving cash flow.

Finally, a new elective 100% depreciation deduction is now available for “qualified production property” (QPP) in the year it is placed in service, provided it is placed in service before January 1, 2031, and construction of the QPP begins between January 20, 2025 and December 31, 2029. QPP is nonresidential real estate located in the U.S. (or a U.S. possession), the original use of which commences with the taxpayer, and is used as an integral part of certain manufacturing, agricultural production, or chemical refining.

To learn more about the impacts of the OBBBA on your business’s tax liability, or if you have other questions, please contact the authors of this Alert.

Lauren M. Ahern

Counsel, Tax, Trusts & Estates

lahern@greenbaumlaw.com

732.476.2398

Michael K. Feinberg

Chair, Tax, Trusts & Estates

mfeinberg@greenbaumlaw.com

732.476.2710