5 tax breaks on the table: What business owners should know about the latest proposals

A bill in Congress — dubbed The One, Big, Beautiful Bill — could significantly reshape several federal business tax breaks. While the proposed legislation is still under debate, it's already sparking attention across business communities.

Here's a look at the current rules and proposed changes for five key tax provisions and what they could mean for your business.

1. Bonus depreciation

Current rules: Businesses can deduct 40% of the cost of eligible new and used equipment in the year it's placed in service. (In 2026, this will drop to 20%, eventually phasing out entirely by 2027.)

Proposed change: The bill would restore 100% bonus depreciation retroactively for property acquired after January 19, 2025, and extend it through 2029. This would be a major win for businesses looking to invest in equipment, machinery and certain software.

Why it matters: A full deduction in the year of purchase would allow for faster depreciation, freeing up cash flow. This could be especially beneficial for capital-intensive industries.

2. Section 179 expensing

Current rules: Businesses can "expense" up to $1.25 million of qualified asset purchases in 2025, with a phaseout beginning at $3.13 million. Under Section 179, businesses can deduct the cost of qualifying equipment or software in the year it's placed in service, rather than depreciating it over several years.

Proposed change: The bill would increase the expensing limit to $2.5 million and the phaseout threshold to $4 million for property placed into service after 2024. The amounts would be adjusted annually for inflation.

Why it matters: This provision could help smaller businesses deduct more of the cost (or the entire cost) of qualifying purchases without dealing with depreciation schedules. Larger thresholds would mean more flexibility for expanding operations.

3. Qualified business income (QBI) deduction

Current rules: Created by the Tax Cuts and Jobs Act (TCJA), the QBI deduction is currently available through 2025 to owners of pass-through entities. These include S corporations, partnerships, limited liability companies, sole proprietors and most self-employed individuals. QBI is defined as the net amount of qualified items of income, gain, deduction and loss that are effectively connected with the conduct of a U.S. business. The deduction generally equals 20% of QBI, not to exceed 20% of taxable income minus net capital gain. But it's subject to additional limits that can reduce or eliminate the tax benefit.

Proposed change: Under the bill, the QBI tax break would be made permanent. Additionally, the deduction amount would increase to 23% for tax years beginning after 2025.

Why it matters: The increased deduction rate and permanent extension would lead to substantial tax savings for eligible pass-through entities. If the deduction is made permanent and adjusted for inflation, businesses could engage in more effective long-term tax planning.

4. Research and experimental (R&E) expensing

Current rules: Under the TCJA, businesses must capitalize and amortize domestic R&E costs over five years (15 years for foreign research).

Proposed change: The bill would reinstate a deduction available to businesses that conduct R&E. Specifically, the deduction would apply to R&E costs incurred after 2024 and before 2030. Providing added flexibility, the bill would allow taxpayers to elect whether to deduct or amortize the expenditures. (The requirement under current law to amortize such expenses would be suspended while the deduction is available.)

Why it matters: Many businesses — especially startups and tech firms — depend heavily on research investments. Restoring current expensing could ease tax burdens and encourage innovation.

5. Increase in information reporting amounts

Current rules: The annual reporting threshold for payments made by a business for services performed by an independent contractor is generally $600. That means businesses must send a Form 1099-NEC to contractors they pay more than $600 by January 31 of the following year.

Proposed change: The bill would generally increase the threshold to $2,000 in payments during the year and adjust it for inflation. This provision would apply to payments made after December 31, 2024. (The bill would also make changes to the rules for Form 1099-K issued by third-party settlement organizations.)

Why it matters: This proposal would reduce the administrative burdens on businesses. Fewer 1099-NECs would need to be prepared and filed, especially for small engagements. If the provision is enacted, contractors would receive fewer 1099-NECs. Income below $2,000 annually would still have to be reported to the IRS, so contractors may have to be more diligent in tracking income.

More to consider

These are just five of the significant changes being proposed. The One, Big, Beautiful Bill also proposes changes to the business interest expense deduction and some employee benefits. It would eliminate federal income tax on eligible tips and overtime — and make many more changes.

If enacted, the bill could deliver immediate and long-term tax relief to certain business owners. It narrowly passed in the U.S. House of Representatives and is currently being considered in the Senate. Changes are likely to be made there, at which point the new version would have to be passed again by the House before being sent to President Trump to be signed into law. The current uncertainty means business owners shouldn't act prematurely.

While these changes may sound beneficial, their complexity — and the possibility of retroactive provisions — make professional guidance essential. Contact us to discuss how to proceed in your situation.