



TTAA Legislative & Regulatory Update

June 9, 2025

House Passes Sweeping Tax Package with Major Wins for Small Business

As we have reported - on May 22, 2025, the U.S. House of Representatives narrowly passed its long-anticipated reconciliation package—the One Big Beautiful Bill Act—by a vote of 215–214.

While the legislation is still being debated in the Senate, the House version delivers several key victories for small businesses.

Below is a summary of the most significant provisions included in the House bill that affect small businesses, along with explanations of how each measure could benefit your business.

Key Small Business Provisions:

Section 199A Deduction Increased and Made Permanent

The pass-through business income deduction is increased from 20% to 23% and permanently extended. This change offers direct tax relief to S corporations, partnerships, sole proprietorships, and LLCs.

100% Bonus Depreciation Restored

The bill reinstates full expensing for qualified property placed in service from 2025 through 2029, allowing businesses to write off capital investments immediately.

Immediate R&D Deduction Reinstated

Domestic research and development costs can once again be fully deducted in the year incurred, reversing the current five-year amortization rule.

Manufacturing Expensing Extended

Businesses may immediately expense investments in qualified manufacturing and refining facilities through 2029—supporting industrial reinvestment.

Section 179 Expensing Cap Increased

The expensing cap is increased from \$1 million to \$2.5 million, with a higher phase-out threshold, giving more flexibility to small businesses investing in equipment and property.

Marginal Tax Rates Made Permanent

The lower individual tax rates enacted in 2017, which benefit pass-through business owners, are permanently extended beyond their scheduled 2025 sunset.

Estate & Gift Tax Exemption Increased

Beginning in 2026, the exemption for estate and gift taxes is increased from \$10 million to \$15 million and indexed to inflation—offering long-term planning certainty for business owners navigating succession and generational transitions.

Business Interest Deduction Expanded (Section 163(j))

The bill excludes depreciation and amortization from the adjusted taxable income calculation, expanding the amount of interest businesses can deduct.

1099 Reporting Threshold Increased

The threshold for issuing 1099-NEC/MISC forms rises from \$600 to \$2,000, easing compliance burdens for businesses using independent contractors.

Paid Family and Medical Leave Credit Made Permanent

Employers may continue to claim a tax credit of up to 25% of wages for providing insured family and medical leave, now available to employees with at least six months of service.

Additional Provisions of Interest

Child Care Credit Expansion: Increases the cap to \$500,000 (\$600,000 for small businesses), including payments made to third-party providers.

Charitable Deduction for Non-Itemizers: Reintroduces a temporary above-the-line deduction (\$150 for individuals, \$300 for joint filers) from 2025 to 2028.

Auto Loan Interest Deduction: Allows businesses to deduct up to \$10,000 in interest for loans on U.S.-assembled vehicles—a potential benefit for fleet operators.

Tip Income Deduction: Creates a temporary deduction for tips earned in customary tipping occupations (2025–2028), with exclusions for high-income earners and certain professional fields.

What Comes Next in the Senate

The bill is now in the Senate, where changes are expected. While the small business provisions have not been specifically targeted for cuts, the broader reconciliation process remains fluid. Senate committees are expected to release revised text later this week.

Reports indicate that Republican members of the Senate Finance Committee met with former President Trump to advocate for preserving the permanence of small business tax incentives. While those senators appear aligned with our priorities, there are factions within the chamber pushing for further spending cuts—some of which may involve scaling back business provisions to achieve budgetary savings.

We will continue to monitor developments and respond swiftly to any Senate revisions that could impact small business tax relief. For now, we remain optimistic that many of the House's pro-small business measures will remain intact in the final package.



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