

# 2025 Tax Update

## Key Provisions of the “Big Beautiful Bill”

In 2025, Congress enacted comprehensive tax legislation commonly referred to as the “Big Beautiful Bill.” The law extends, modifies, and makes permanent many provisions introduced in earlier tax reform while adjusting thresholds, deductions, and phaseouts that directly affect closely held businesses.

This summary focuses on provisions most relevant to construction contractors, real estate owners, and business owners, emphasizing planning considerations, cash flow impact, and areas where proactive review may be beneficial.

### **Individual Tax Rates and Brackets**

Individual income tax brackets and rates currently in effect have been made permanent. For owners of pass-through businesses, this provides greater certainty when projecting after-tax income and evaluating compensation and distribution strategies.

### **Standard Deduction and Personal Exemptions**

The standard deduction remains elevated and continues to adjust for inflation. While personal exemptions remain eliminated, many taxpayers benefit from simplified filing and reduced taxable income through the higher standard deduction.

### **State and Local Tax (SALT) Deduction Changes**

The SALT deduction cap has been increased, though income-based phaseouts apply. Business owners should carefully model deductions to understand how phaseouts may affect the benefit of state income and property taxes.

### **Qualified Business Income (QBI) Deduction**

The 20% QBI deduction for pass-through entities has been made permanent. Eligibility and limitations continue to depend on income levels, wages paid, and qualified property, making entity structure and payroll planning especially important for contractors.

### **Depreciation and Capital Investment Rules**

Bonus depreciation remains available for qualifying assets, though the allowable percentage phases down over time. Strategic timing of equipment purchases can still accelerate deductions and improve near-term cash flow.

### **Business Interest Expense Limitations**

Limits on deductible business interest remain tied to adjusted taxable income. Businesses with significant financing for equipment or growth should evaluate how interest expense interacts with taxable income and lender requirements.

## **Net Operating Loss (NOL) Limitations**

Net operating loss carryforwards remain subject to limitations on the amount of taxable income they can offset in a given year. Loss utilization should be coordinated with income projections and long-term planning.

## **Planning Considerations for Contractors**

The legislation reinforces the importance of proactive tax planning. Reviewing entity structure, compensation methods, equipment purchases, and timing of income and expenses can help contractors manage tax liability while supporting bonding and financing needs.

This document is intended for informational purposes only and does not constitute tax advice. Tax laws are complex and subject to change. Consult with your tax advisor regarding how these provisions apply to your specific situation.

Questions about how these changes affect your business? MC4 CPA works with construction and real estate businesses to identify planning opportunities and support informed financial decisions.