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Abstract: The One Big Beautiful Bill Act (OBBBA) introduces a long list of tax changes that will impact businesses. Many provisions set to expire this year are now being extended or made permanent. This article provides a snapshot of changes to the rules for deducting research and experimentation costs and business interest expense — to help business owners make the most of tax planning in the fourth quarter of 2025 and going forward.

Two big wins for business in the new tax law

The One Big Beautiful Bill Act (OBBBA) introduces a range of tax changes that will impact businesses. Many provisions set to expire this year are now being extended or made permanent. Below is a snapshot of two important changes to help you make the most of tax planning in the fourth quarter of 2025 and going forward.

How the deduction for R&E expenses has changed

Under the Tax Cuts and Jobs Act (TCJA), businesses had to amortize deductions for Section 174 research and experimentation (R&E) costs over five years for expenses incurred in the United States or 15 years for those incurred abroad. This provision used a mid-year rule that effectively stretched write-offs over six years. The OBBBA changes that by permanently allowing full, immediate deductions for domestic R&E expenses starting in the 2025 tax year. Foreign R&E expenses will still be amortized over 15 years.

In addition, the OBBBA lets “small businesses” — in 2025, those with average annual gross receipts of $31 million or less for the past three years — claim R&E deductions retroactively to 2022. A business of any size with domestic R&E costs from 2022 to 2024 can choose to speed up the remaining deductions for those years over a one- or two-year period.

How the business interest deduction has changed

Generally, the TCJA limited business interest deductions to 30% of the taxpayer's adjusted taxable income (ATI) for the year. Before the OBBBA, ATI generally referred to earnings before interest and taxes. For tax years beginning after December 31, 2024, the OBBBA increases the cap on the business interest deduction by excluding depreciation, amortization and depletion when calculating ATI. This favorable change typically increases ATI, allowing taxpayers to deduct more business interest expense.

But it’s important to note that, in 2025, taxpayers with average annual gross receipts for the last three years that don’t exceed $31 million are exempt from the interest deduction limitation.

Rethink tax planning

For business owners, the OBBBA helps resolve tax planning uncertainty. Keep in mind, these are just two of the key changes for businesses in this tax legislation.

Contact us to discuss the full range of tax provisions covered by the sweeping new law. We can help you optimize any extended or new provisions that are relevant to your situation and reduce your tax obligations for 2025 and beyond.