



New Tax Rules, Big Wins: What Business Owners Need to Know About the 2025 Tax Act

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Bonus depreciation, Section 179, R&D incentives, and interest deductions create an unusually favorable environment for business growth in 2025

With more than 1,100 pages of provisions, the recently passed 2025 Tax Act marks one of the most significant pro-business tax overhauls in recent history. While the bill touches nearly every corner of the U.S. tax code, a handful of provisions stand out as immediate opportunities for business owners to reduce taxable income, improve cash flow, and reinvest in growth.

The most impactful updates include:

1. Permanent 100% Bonus Depreciation
2. Expanded Section 179 Expensing
3. Revitalized Research & Development (R&D) Deductions and Credits
4. Eased Business Interest Expense Limitations

These tools can meaningfully shift your 2025 tax strategy, as long as you're ready to act.

100% Bonus Depreciation Is Back—for Good

Starting January 20, 2025, businesses can once again fully deduct the cost of eligible capital assets in the year those assets are placed in service.

Eligible assets include:

- Machinery, equipment, and vehicles
- Computers and office furniture
- Qualified Improvement Property (QIP) – non-structural interior improvements
- Certain land improvements (e.g., paving, signage, fencing)

Assets placed in service before January 20, 2025, may still fall under the former 40% phase-down schedule.

This is a substantial planning opportunity for companies expanding capacity or upgrading infrastructure. The ability to immediately expense 100% of capital costs can create powerful cash flow and reduce the after-tax cost of investing in your business.

Section 179 Expensing Limit Raised

The Section 179 deduction limit increases to \$2.5 million under the 2025 Tax Act, with phase-out beginning at \$4 million. Both amounts will be indexed for inflation starting in 2026.

This provision allows business owners to deduct the full purchase price of eligible property in the year of acquisition, even if bonus depreciation is not elected.

This is ideal for:

- Vehicles under 6,000 lbs.
- HVAC systems and roof replacements
- Software, computers, and small equipment
- Interior upgrades to office or retail spaces

Use Section 179 for lower-cost items or when you need more control over the timing of deductions, especially in profitable years.

R&D and R&E Incentives Recharged

One of the most welcome changes in the 2025 Tax Act is the permanent reversal of the 2017 rule requiring businesses to amortize domestic R&D expenses over five years.

Beginning in 2025, U.S.-based research expenses can once again be fully deducted in the year incurred. This restores a vital tax planning tool for startups and established innovators alike.

In addition, the Act expands the federal R&D tax credit by:

- Raising the Alternative Simplified Credit rate from 14% to 17%
- Increasing the start-up payroll tax offset to \$750,000 per year

Qualified R&D includes:

- Software and app development
- Engineering, biotech, and pharma R&D
- Prototype design and process improvements
- Food, beverage, or agricultural innovation

This change reignites the tax engine behind American innovation. Businesses large and small should take another look at the R&D credit, including potential retroactive opportunities.

Business Interest Deductions Get a Boost

The 2025 Tax Act also improves the ability of businesses to deduct interest on business loans by modifying how the 30% limitation under Section 163(j) is calculated.

Previously, depreciation and amortization were excluded from the adjusted taxable income (ATI) base used to calculate the cap, which made it harder to deduct interest.

Now:

- Depreciation, amortization, and depletion are permanently added back into ATI
- More interest expense will be deductible, particularly for leveraged or capital-intensive businesses

Who benefits?

- Real estate and infrastructure developers
- Manufacturing companies with large equipment needs
- Private equity-owned operating companies
- Any business that uses debt as a growth tool

Sidebar: Did You Know?

- You can amend past returns to claim missed R&D credits from prior years (typically within three years of filing).
- Bonus depreciation applies to used property, as long as it's new to you.
- Section 179 can be used for certain building improvements, like alarm systems and HVAC.
- The payroll tax offset for the R&D credit now applies to more start-ups, offering refundable benefits earlier in the business lifecycle.

Next Steps

To make the most of these tax-saving opportunities, businesses should:

1. Review 2025 capital expenditures – Strategically time equipment and asset purchases for bonus depreciation.
2. Balance bonus depreciation with Section 179 – Coordinate both strategies to maximize your total deduction.
3. Re-evaluate R&D activities – Even routine improvements may now qualify for valuable tax incentives.
4. Reexamine your financing structure – New rules enhance interest deductibility, making it a good time to assess your debt strategy.
5. Consult an experienced CPA – Especially important when amending prior-year returns or navigating asset reclassification.

RJI CPAs Can Help You Unlock More from the 2025 Tax Act

The 2025 Tax Act represents a unique opportunity for businesses to reduce taxes and reinvest in growth through equipment purchases, R&D investment, and more favorable debt structures. But that's just the tip of the iceberg.

With over 1,100 pages of tax reform provisions, there are dozens of other changes that may impact your entity structure, international operations, transfer pricing, or estate planning.

To find out how you can maximize these new opportunities, contact RJI CPAs. Our team has advised U.S. and international clients in over 90 countries, and we're ready to help you understand, apply, and benefit from the full scope of the 2025 Tax Act.



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About RJI CPAs

Founded in 1980, RJI CPAs offers comprehensive accounting and consulting services and has earned a place on Forbes' list of America's Best Tax and Accounting Firms. Manuel Ramirez, Chairman of the Board and International Tax Partner, has been recognized on Forbes' list of America's Top 200 CPAs and Forbes list of Best-in-State CPAs.