

2025 OBBBA Update: New Bonus Depreciation Rules Explained

If your business is planning to invest in equipment, software, or even new production facilities, you'll want to hear about the recent return of full bonus depreciation and how it could shift your tax strategy. Let's break down what's changing and how you might take advantage of it.

Bonus depreciation lets you deduct the entire cost of eligible assets in the year they're placed in service, instead of spreading it out over time. That means, if your company buys \$100,000 of the qualifying equipment, you may deduct the full amount upfront, freeing up cash flow and strengthening your tax position.

Beginning January 19th of 2025, businesses can once again claim 100% bonus depreciation on qualifying property, just as they could under the prior Tax Cuts and Jobs Act. Unless your asset purchase contract was executed after that date, your asset may not qualify for the full deduction, even if placed in service later.

Eligible assets include most tangible personal property with depreciable life of 20 years or less. Think computers, machinery, furniture, and off-the-shelf software. There is also a very key new key change. New manufacturing and production facilities now qualify for 100% depreciation, including the building cost in certain cases. That expands the scope beyond prior limits and could make facility investments more tax efficient.

What about assets that were purchased before 2025? If your business bought eligible assets before January 19, 2025, you'll still follow the old phase out schedule. That means you may only deduct 40% in 2025 instead of 100%. Section 179 expensing remains an alternative for immediate deductions, though it comes with different eligibility rules and limits.

If you're investing in capital assets this year or planning long-term purchases, this change could offer significant tax flexibility and enhanced cash flow. Now is a great time to revisit asset planning with your tax advisor. Thanks for watching, and feel free to reach out if you'd like to explore how this applies to your business.

Madison, WI

1221 John Q Hammons Drive
Suite 100
Madison, WI 53717

Phone: (608) 831-8181
Fax: (608) 831-4243

Brookfield, WI

18650 W. Corporate Drive
Suite 200
Brookfield, WI 53045

Phone: (262) 641-6888
Fax: (262) 641-6880

Colorado Springs, CO

P.O. Box 62786
Colorado Springs, CO 80962
Phone: (719) 413-5551

Contact Us:

Email: info@SVAaccountants.com
Web: SVAaccountants.com