

## The Biz Beat Podcast – Episode 11: Senate Passes Tax Bill – What Business Owners Need to Know

**Lee:** Welcome back everybody to The Biz Beat by SVA. We focus on what business owners need to know, whether it's tax policy, legislation or practical financial strategy. I'm your host, Lee Schwartz, Director of Business Development and Sales, and joined, as always, by our tax partner and president, Eric Trost, both of us here with SVA Certified Public Accountants. Eric, it's a big week. Are you ready to dive into this?

**Eric:** Well, I'm ready to go. I got to ask, are you ready to go?

**Lee:** I am not ready. I'm going to pull it together the best I can. I'm in a different place. I'm up north with very poor wi-fi. And wouldn't you know, it might be the most important podcast we've done so far, with everything happening so far, and we usually go into three separate segments, but this time, we're going to really just stay focused on what's happening as of today. Eric...

**Eric:** Right

**Lee:** ...big stuff going on in the Senate. Talk to us about where we're at as of three o'clock on Tuesday afternoon.

**Eric:** Okay, well, a couple things. First, I want you to be sitting down, okay, and be braced. And I say this to the audience as well, because I'm about to hit you upside the head with tax law. Okay, so you got to be ready for this.

**Lee:** You heard it. You heard it everybody. Take, let's just take a second make sure everybody's ready. Okay.

**Eric:** Right. Yeah, yeah. Can you still say things like hit upside the head?

**Lee:** I think so. I think we're okay there.

**Eric:** Or do you have to say, like, I'm gonna coddle you with tax law?

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**Lee:** I think either, I think either one's good. I think this is gonna feel like a bit of a slap to the face. So, so go ahead, let's, let's lay it on people.

**Eric:** All right, so just a quick background on where we were with the new tax law coming through. This is Trump's what he calls one Big, Beautiful Bill, the number of provisions in that you know, Trump has touted for a while. The House put together their package a month ago and passed it and sent it to the Senate, and the Senate, even as of maybe last week, was still fighting about what this was going to look like. And ultimately, you had within the Senate several holdouts that said, Hey, we don't want to vote for this now because it's going to expand the deficit too much. So those were, I guess you call those the deficit hawks, those that want to say, hey, we're, we're not going to increase the deficit by that much. We got to watch our spending. We're going to be more careful with that.

**Eric:** Fast forward now through the weekend, into today. The Senate has reached some compromises on this bill, and, in fact, has passed their version of the bill today, which is Tuesday, July 1. And so they passed that bill with 50 senators voting for it and 50 voting against. And so that means that our vice president, JD Vance, gets to cast the tie breaking vote, and of course, he voted in favor of the bill. So ultimately it passed in the Senate, 51 to 50. So now that this bill is through the Senate, it has to go back to the House for the House to approve it.

**Eric:** Now the latest news we have is that Mike Johnson, who's the Speaker in the House, has called the Congress back in the session from their what was to be a planned vacation, and it sounds like tomorrow they're going to pick this bill up. So tomorrow, July 2, they're going to pick this bill up for debate and perhaps have a vote on it. In the end, what that means is we could end up with this bill signed by July 4.

**Lee:** Which that's been Trump's goal this whole time, right?

**Eric:** That's right. I think he wants to sign it under the fireworks on the White House lawn on July 4. I think that's what he's shooting for.

**Lee:** I think he's, he's a, he's a marketer all the way. I think that I could see how he would want to do that. Eric, in our very first podcast, I put you on the spot and I asked you for your estimate. When you thought this was going to be passed. You remember what you said?

**Eric:** I said, November 2.

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**Lee:** That's right. So how unlikely do you think it is that we're actually here, where we're at, at the beginning of July?

**Eric:** Yeah, I think it is. It's a testament maybe, to a couple things. One is there must be some pressure being put on, you know, certainly by Trump, who does not afraid to put pressure on folks to get what he wants done. And so clearly, if this happens by July 4, my estimate underestimated just how much sway Trump was going to have to try to get this done by the time he got it done. But I think also a second thing is that in the end, I would say that all those folks who said were really concerned about the deficit, I think they caved, is basically what happened.

**Eric:** If this passes, this, it, it adds to the deficit a fairly significant amount, somewhere in the let's call it the \$3 trillion range. Not something that some of these senators and congressmen said they would sign on to, but they are signing on to it now. So I would say that, I think it's difficult to be the one that says, hey, we either have to cut spending, you know, or we have to raise taxes, but we can't, you know, not do one or the other. That's a tough line to hold and it, I think it's proven that self out here, and I don't know, as old as I am, I guess I probably should have known better, that the difficult decisions would be pushed down the road because it happens so often.

**Eric:** And I would say that that's probably what this bill does, to the extent you believe the deficit is a problem, and it's going to be \$30 some odd trillion dollars by the time this is all done. To the extent you believe that that's a problem, this problem now has been pushed likely to the next administration to have to deal with it, because part of what this bill also does is it raises the debt ceiling so much that it is unlikely that the debt ceiling will be a topic again, while Trump is, you know, in his scheduled time as President, unless there are some kind of massive over upheaval, such as another pandemic or a war breaks out that the United States has to get significantly involved in, in which case, if those emergencies happen, I think they'll always up the debt limit. But for now, with the way things are scheduled, this debt limit will probably not be an issue until after Trump leaves his schedule, after Trump leaves office.

**Lee:** Okay. I mean, this is so this is really huge, and obviously the ramifications of this are going to echo for years to come. But let's talk maybe a little bit more specifically about what's actually in this Senate Bill. We've talked, and we talked a few weeks ago about the difference between the House and at the time the Senate Bill. Let's talk, you know, outside of the big changes to Medicaid and all those types of things, let's talk about some of those things we've been talking about. For instance, the SALT cap. What have you seen or Eric, what's in this bill regarding SALT cap? Because I know that was going back and forth a lot.

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**Eric:** It was, and that's one of the provisions that eventually there had to be some compromise on, or it implied some compromise. The House Bill raised the SALT cap to \$40,000 from its current law of \$10,000. So what that means is, right now, currently, the amount you could deduct on your tax returns, an individual could deduct on their tax returns for taxes, for state and local taxes, was \$10,000. which is a pretty significant cap when you consider that includes real estate taxes, property taxes, personal property taxes, income taxes. There was a \$10,000 limit on that deduction. The House version raised that from \$10,000 to \$40,000. So starting in 2025, you could deduct up to \$40,000, not \$10,000. The Senate version, original version number one, had put the \$10,000 cap back in place.

**Eric:** Now I think what happened is the Senate was going through and making their adjustments. The Senate raised that to \$40,000 for a limited time. It's raised to \$40,000 through, I think, 2029. So it's raised to \$40,000 again through the end of this administration, and then the next administration, or whoever's in power, then it's going to have to deal with this expiring provision. But for now, the Senate version has a \$40,000 cap for about the next four years, let's say.

**Lee:** Okay, so, and, yeah, that was a big one going back and forth, so it did end up at the \$40,000. Let's talk something that has been talked about since the campaign trail: taxes on overtime and taxes on tips. Where is that at in this bill?

**Eric:** Yeah, I'm going to throw one more in there, and that's also taxes on Social Security. So one of the, some of the new provisions that Trump was touting and did make it into the House bill, at least somewhat, was no taxes on tips, no taxes on overtime, no taxes on Social Security. The House bill actually had to trim out no taxes on Social Security and instead offered a \$4,000 deduction to those that would be of Social Security age. So they offered them something, but they could not just write down no taxes on Social Security due to some, we'll call it congressional rule making rules, whatever they had there.

**Eric:** So what the House version had was no taxes on tips, no taxes on Social Security, and then a limited deduction for those that were of Social Security age. The Senate kept those in there, but trimmed them back a little bit. So what the Senate version did is started limiting some of those deductions to say, hey, you'll have no taxes on tips as long as it's less than \$25,000 of tips. You'll have no taxes on overtime, as long as it's less than \$25,000 of overtime. And by the way, those exemptions will phase out, or deductions will phase out, if you start making over \$150,000. So what the Senate did is started to limit some of the benefits that the House had originally provided with their no taxes on tips and no taxes on overtime. But the Senate also then expanded that deduction that the House

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had of \$4,000 they moved it up to \$6,000 in their bill, so they gave a little more to Social Security recipients, and then put some caps on those that on the other two, the tips and the overtime.

**Lee:** Okay. And then, of all the other things that we've talked about that's going to affect business owners. You know, the bonus depreciation, the R & D type of expensing. What have you seen so far is in this Senate version?

**Eric:** Yeah, so I would say business owners have gotten a good, a good deal on this bill. They should be celebrating now. The bonus depreciation is back to 100% starting in 2025. The Section 179, which is similar, it's a very fast write off of assets, so just immediate expensing of assets, I'll say. That was raised past its million dollar threshold over to \$2 million.

**Eric:** There's been a slight tax reduction for business income. Right now, the maximum tax rate on business income, if it's a certain kind of business income, is just under 30%. That was cut another percentage point, so now it's really under 29%. So there's been a couple of trims that really help the business community. The R & D expenses, that's another one that helps the business community. The R & D expenses, starting in 2022, had to be capitalized and expensed over five years. So that means dollars you spent today provided a deduction, but a slow deduction, it was 1/20 or 1/10 the first year, and then 20% after that, and then also on down the line until 1/10 in the last year. Now that deduction is 100% in the year you expend those dollars. So that's going back to the rule as how it was prior to 2022. That's similar to the House rule, by the way, but the Senate juiced it even more by saying that certain businesses could go back and fix tax returns, fixed, so to speak, correct tax returns, and deduct those R & D expenses that they didn't previously deduct because of the rules that were in place from 2022 to 2024. So what does that mean? Immediately, some businesses can go back and start claiming refunds from taxes paid in the past. As it is, those businesses that qualify for that, there are small businesses that qualify for that, which right now has a definition of \$31 million of gross receipts or less.

**Eric:** So if you fall in that category in your business that's taken R & D deductions and then had them limited in the past, you're looking to say, okay, when this does pass, or when it does get signed by the President, I want to be talking to my tax advisor about going back and claiming refunds and getting some of that cash back. For larger businesses, there's also an acceleration for that R & D. What you can do for larger businesses, it looks like they're going to give you an option to catch up on all those R & D deductions that you did not yet take because they're stuck in that amortization table. And you can do that in either one year, 2025, or spread it over two years, 2025 and 2026.

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**Eric:** So there's a lot there and a lot of planning to do. If you've got asset acquisitions during 2025 and or if you've got R & D expenses that you've previously capitalized from the years 2022 to 2024, so the last three years, in addition to the R & D expenses this year. That's just some of the goodies that have been added into this bill for businesses. So you do want to be going over this with your tax advisor when it passes, because there's probably things you want to start looking at this year yet.

**Lee:** Yeah, and I guess one of the benefits from our perspective, but probably everyone's perspective, is this passing in July as opposed to November gives you, gives everyone a little bit more time to be proactive and plan, as opposed to this passing and us, everybody having, like, three weeks to figure it all out.

**Lee:** Eric, you talked about some of that, maybe low hanging fruit, that a business under \$31 million, or, you know, a larger business, some of those things that might qualify. But if you, you know, if you're a business owner listening to this right now, and you maybe don't qualify for that low hanging fruit, are you still thinking that that planning right now is really, really important, or is it little, a little bit more? Hey, it's not going to affect you quite as much.

**Eric:** Yeah, there's a lot of businesses this will affect. So I think it's not just the small businesses. There's that other provision for R & D that affects large businesses too, and the immediate expensing and write-offs that affects large businesses, so this really runs up and down the gamut. There's a little less of a tax rate for businesses they still kept in. They're considering taking this out in the House version, but they still kept in what they call the SALT workaround for flow through business owners. So that was in the House version, and there was going to be some limitation on the ability to use that workaround. That workaround was taken out. So the Senate version has a more business-friendly SALT workaround in it yet.

**Eric:** So there's all sorts of things out there that you know as you get into the details of this bill, and we'll talk more about them, you know, as time goes on here, to make sure that we've, you know, broadcasted these and people understand what's out there. But for now, know that if this does pass, there's a lot in there for business owners that is more plus than minus.

**Lee:** Okay, Eric, lots of news. Great job staying up on all this. I know it's, it's not easy when the bill, you know they're doing their vote-a-rama all night and just finally come at something first thing in the morning. But this is a great first look. Rest assured, everybody, we're going to stay on top of this. We're going to keep digging into the actual specifics of the bill, and just know, in future podcasts, we'll be covering certain things you need to know.

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**Lee:** We'll also be doing dedicated webinars, talking about what's in this and what you need to be thinking about as a business owner. And then lastly, I'll just remind you all, if you're a part of an organization or if you're a group that works with a lot of business owners, we will be providing sort of customized presentations to you. So if you're an association and you want your members to know what's in this, we can present to that group. If you're a, you know, an attorney or a banker and you want all of your bankers and attorneys to understand what's in this, we can present to you. So rest assured, lot more information coming from SVA.

**Lee:** Eric, great job digging into this. We didn't even have a chance to talk at all about tariffs, 90-day pause, which was like 82 days ago, is going to be coming up pretty soon. So maybe we'll be able to touch on that next week. But a lot to dive into today. Anything else you want to leave our listeners with?

**Eric:** You know, I think, you know, looking at this bill, I'd say, you know, you want to go through it with your advisor, take your time. There's a lot of stuff in here and kind of somewhat crossing fingers that it's going to pass. And those things come true, and then a happy Fourth, you know, aside from taxes and all the other stuff, you know, have a good fourth and come back next week with all digits still attached.

**Lee:** That's great advice. I was planning on keeping at least most of my digits. So that is it for this week's version of The Biz Beat by SVA. If you found today helpful, subscribe on Apple Podcast, Spotify or on YouTube. Pass it along to a business owner you think would also find it helpful. We would appreciate that. And for up-to-date information, please visit [sva.com/bizbeat](http://sva.com/bizbeat). We will continue putting up-to-date information there. You can also sign up to stay in the loop and enter our Amazon gift card giveaway, If you're one of the first 100 subscribers.

**Lee:** Sorry to those of you who chatted in a question this week. We didn't have time to get to it. We knew we'd want to focus just on this bill and just lastly, everyone, please remember what we talk about today is just meant to help you stay informed. It's not supposed to be specific advice for you. That's why you have advisors. And again, if you're not, or if you don't have a good advisor, or if your advisor is not SVA, please reach out. We can talk about how to make you a client again. Eric, you said it best, Happy Fourth everybody! Thanks for listening, and we'll see you next week on The Biz Beat by SVA.

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