

A red forklift is positioned in the center of a dark industrial warehouse. The scene is dramatically lit with numerous horizontal streaks of bright orange and yellow light, creating a sense of motion and energy. The background shows the structural elements of the warehouse, including pipes and a large window or door area.

The One Big Beautiful Bill: Why It Matters for Manufacturers

What Matters Most

The One Big Beautiful Bill Act (OBBBA) makes it significantly cheaper and strategically smarter to invest in U.S. manufacturing capacity, workforce, technology, and innovation.

OBBBA meaningfully shifts the economics of making things in America by reducing the after-tax cost of building, expanding, and financing production. The combined provisions operate like a coordinated incentive package for domestic manufacturing investment.



Bonus Depreciation (100% Expensing)

Pre-OBBBA

100% bonus was phasing down under Tax Cuts and Jobs Act (TCJA):

80% (2023)
60% (2024)
40% (2025)
20% (2026)
0% (2027)

What Changed

Permanent 100% bonus depreciation for property acquired and placed in service after January 19, 2025

Applies to new and used property with \leq 20-year class life; no dollar limit

Why It Matters

Gives businesses certainty for multi-year investment planning

Improves cash flow, ROI, and payback on equipment-heavy projects

Eliminates the pressure to “rush” purchases into bonus years

Section 179 Expensing

Pre-OBBBA

Lower deduction limits:
maximum \$1.22M; phase-out
starting \$3.05M

What Changed

Max deduction: \$2.5M
Phase-out begins at \$4M
Indexed after 2025
Effective for property placed
in service in taxable years
beginning after December
31, 2024

Why It Matters

Mid-size companies can now
expense entire annual
replacement cycles
Greater ability to use §179
when state law does not
conform to the bonus

Bonus vs. Section 179

Bonus Depreciation

Only applies to property with a class life of 20 years or less (equipment, machinery, vehicles, QIP land improvements)

Buildings NEVER qualify for bonus

Many states do not conform to federal bonus
→ state addbacks

Section 179

Equipment

Software

Certain building improvements (roofs, HVAC, fire/alarm systems, security systems, QIP)

Can apply even if the underlying building is a 39-year property BUT limited by annual caps and business-income limits

Many states allow §179 even when they disallow bonus

New 100% Deduction for Manufacturing Facilities (QPP)

Pre-OBBBA

Factory buildings depreciated over 39 years

Only interior QIP is eligible for a bonus

What Changed

100% expensing for Qualified Production Property (QPP) – new or substantially improved U.S.-based production buildings

Must be integral to manufacturing, processing, and refining, and placed in service before 2031

No dollar limit

Why It Matters

One of the biggest tax accelerators in decades

Makes facility expansions and greenfield sites dramatically cheaper after tax

Encourages reshoring by improving return on domestic plant investments

Immediate Expensing of U.S. Research and Development Costs

Pre-OBBBA

Domestic R&D amortized over five years (TCJA rule)

What Changed

Full immediate deduction for domestic R&D costs after 12/31/2024

Why It Matters

Reduces the cost of innovation and speeds product development cycles

Incentivizes keeping R&D and engineering activities in the United States

Strengthens the value of the R&D tax credit when combined

R&D Transition Rule (Domestic Section 174 Costs Accrued Under TCJA)

Pre-OBBBA

Domestic R&D incurred in years beginning after 12/31/2021 had to be capitalized and amortized over five years (foreign R&D is 15 years)

Any remaining balance continued to amortize, even if projects were disposed or abandoned

What Changed

OBBBA enacted new §174A: immediate expensing for domestic R&D beginning with tax years after 12/31/2024

Transition election (Rev. Proc. 2025–28) You may accelerate the remaining unamortized domestic §174 amounts from 2022–2024 either all in the first tax year beginning after 12/31/2024 (e.g., 2025) or ratably over the next two tax years (foreign R&D remains 15 years)

Why It Matters

Converts a multi-year tail into a near-term deduction, often a material 2025 shield for calendar filers

Deductible Interest Limitation

Pre-OBBBA

ATI is based on EBIT, a restrictive definition that often disallows interest for capital-intensive companies

What Changed

ATI is now based on EBITDA, restoring a broader base for the 30% limit

Why It Matters

Enables more interest deductibility, supporting debt-financed expansion

Enhances after-tax ROI of major projects

Pairs powerfully with bonus depreciation and QPP expensing

199A Qualified Business Income Deduction

Pre-OBBBA

Scheduled to sunset after 2025, threatening tax increases for S-corps and partnerships

What Changed

20% QBID made permanent

Why It Matters

Provides long-term stability for pass-through businesses

Aids succession planning, comp modeling, and multi-year tax projections

Reduces effective tax rates for millions of small and mid-market businesses

Putting It All Together

ABC Manufacturing, Inc.

Builds new U.S.
manufacturing plant

Cost: \$50M

Financing: \$40M debt, 5%
interest rate, \$10M equity

Placed in service: 2027

Property qualifies as
Qualified Production
Property (QPP) under
OBBBA

Pre-OBBBA

Year-1 depreciation on
building: $\$50\text{M} \div 39 =$
 $\$1,282,051$

Interest deduction (likely
limited): Assume only \$1M
deductible of the \$2M

Total Year-1 deductions:
 $\approx \$2.28\text{M}$

Post-OBBBA

Full expensing of
manufacturing facility: \$50M

Full interest deduction: \$2M
permitted under relaxed
§163(j) rules

Total Year-1 deductions: \$52M

Energy & Advanced Manufacturing Credits

Pre-OBBBA

IRA credits (PTC, ITC, hydrogen, clean fuels, advanced manufacturing) in effect with multi-year horizons

What Changed

OBBBA retunes credit structures – some IRA credits phased down/limited and others enhanced (e.g., advanced manufacturing production)

Complex mix of unit-based or percentage-based credits remains

Why It Matters

Encourages domestic production of clean-tech components

Helps manufacturers offset the cost of energy transition and emissions-reduction projects

Credits often stack with full expensing for major capital projects

Reporting & Compliance (Payroll, Overtime, 1099)

Pre-OBBBA

Normal wage and tip taxation

Standard 1099 reporting obligations

What Changed

No tax on overtime and no tax on tips through 2028

Expanded 1099 capture/verification requirements

Why It Matters

Puts more take-home pay in the pockets of hourly and service workers

Increases payroll system demands and audit scrutiny

Requires AP/HR systems and internal controls to be updated quickly

State Tax Conformity Snapshot

OBBBA is federal law – states choose whether to conform

Most states selectively adopt or decouple from federal expensing provisions.

Accelerated expensing is the biggest conformity gap

States vary widely on bonus depreciation, §179 limits, R&D expensing, and treatment of building deductions.

Manufacturers operating in multiple states must model state drag

Federal ROI may look very strong, while state taxable income increases due to addbacks and slower depreciation.

High-tax, decoupling states (e.g., NY, CA, NJ)

Often disallow bonus/QPP expensing and require state-specific depreciation over longer lives.

Bottom line:

OBBBA sharply improves federal economics, but state conformity determines how much benefit you actually keep.

Why It Matters for Manufacturers

OBBBA sharply reduces the after-tax cost of U.S. investment

100% expensing for equipment and production facilities

Debt-financed expansion becomes more attractive

More interest now deductible under EBITDA-based §163(j)

R&D and production are incentivized to stay in the United States

Full expensing of domestic R&D + benefits tied to U.S. activity

Pass-through manufacturers gain long-term tax stability

20% QBID deduction made permanent

Stacked incentives tilt ROI toward American manufacturing

Reshoring, capacity expansion, and modernization all model better under OBBBA

Your Team



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Brian McCuller is a Partner at Grassi and the Tax Practice Leader, bringing 33 years of public accounting experience and nine years of leading tax practices to the firm. Brian has advised *Fortune 500* and middle-market clients with multi-state and multinational operations across various industries, including manufacturing and distribution, financial services, technology, and e-commerce. He specializes in reviewing business models and tax-specific issues to help clients improve compliance and take advantage of their opportunities.

Brian is passionate about building high-performance teams that deliver exceptional client service while driving innovation and sustainable growth. He is actively involved in recruiting and mentoring his team to support their development and help them reach their career goals.

Before joining Grassi, Brian served as Tax Market Managing Principal for the Ohio/Tennessee Valley market at a Top 10 accounting firm. He was also the leader of the tax practice at a Top 50 public accounting firm and spent 12 years leading state and local tax services at a prominent Memphis firm.

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Thank you

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