

Real Estate Highlights in the Big Beautiful Bill

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The following text offers an overview of the main highlights of the Big Beautiful Bill's tax implications for the real estate industry. To do a deeper dive into all tax implications, please review this Elliott Davis article. [LINK TO COMPREHENSIVE ARTICLE](#)

Real Estate Highlights:

- **Individual Income Tax Rates** – Makes permanent the current tax rates and brackets, with highest rate of 37%.
 - Notably did not include a new 39.6% bracket for income over one million dollars or adjust the corporate income tax rate which will remain at 21%.
- **SALT Cap** – Makes permanent the \$10,000 cap on itemized deduction for state and local taxes, with temporary increase to \$40,000 for tax years 2025 – 2029.
 - Includes a phaseout of the \$40,000 deduction down to \$10,000 for income over \$500k
 - Notably did not include any restrictions on the pass-through entity tax ('PTET') workaround of which some version was included in both House and Senate original bills
- **Qualified Business Income ('QBI') Deduction** (§199A) – Makes permanent the 20% QBI deduction for pass through income
- **Bonus Depreciation**– Reinstates and makes permanent 100% bonus depreciation for property acquired and placed in service after January 19th, 2025
 - Assets are considered placed in service upon a binding contract.
- **Increased Dollar Limits for §179 Expensing** – Expands §179 to cover an annual maximum deduction of \$2.5 million with phase out increased to \$4 million
- **Interest Expense Limitation** (§163(j))
 - Returns adjusted taxable income used in calculation of interest expense limitation to 'EBITDA' approach effective for tax year 2025
 - Currently starting point is 'EBIT'

- Requires that interest expense limitation be applied prior to any interest capitalization provisions
- Removes foreign income inclusions (GILTI, Subpart F, Section 78 Gross Up) from adjusted taxable income starting point
- **Limitation on Excess Business Losses for Noncorporate Taxpayers** – Makes permanent the limitation on excess business losses and lowers threshold back to \$250,000 (\$500k MFJ)
 - Notably did not require disallowed losses to re-enter calculation in following year and will still convert to an NOL
- **Renewal of Opportunity Zones** – Makes permanent Opportunity Zone program with changes:
 - New zones will be designated every two years, going into effect January 1, 2027 and every ten years after (designated six months prior)
 - Limits gain exclusion to 10% of investment gains (30% for investments in “rural” opportunity zones) after investment is held 5 years
 - Removes the additional 5% exclusion for 7 year holds
 - Inclusion date for gains is shortened to be earlier of date investment is sold or 5 years from date of investment
 - Keeps basis step-up / gain exclusion on investment in the opportunity zone fund for a 10 year hold, but caps the step-up to FMV at end of 30 year hold