

elliott davis

demystifying the one big beautiful bill

IMPACT ON PRIVATE EQUITY

	THE OLD LAW	THE NEW LAW	THE TAKEAWAY
Bonus Depreciation	Bonus depreciation limited to 60% in 2024, 40% in 2025, and 0% thereafter	Permanent 100% bonus depreciation; expanded definition of eligible property: including qualified production property	Improves cash flow and incentivizes domestic investment in qualifying assets and production property
Sec 179 Depreciation	Section 179 limits lowered and not adjusted for inflation	Expanded limit to \$2.5M and the phase-out threshold to \$4M, with both indexed for inflation beginning in 2026	Increases flexibility to allow businesses to selectively expense assets
Sec 163(j) Business Interest Deduction Limitation	Interest deductions limited to 30% of earnings before interest and taxes (EBIT)	Interest deduction limits changed to 30% of EBITDA, allowing more generous deductions by including depreciation and amortization	Benefits businesses utilizing debt in equity stack, with return to more favorable EBITDA-based interest deduction limitation
Sec 199A Pass Through Entity Tax Deduction	20% deduction set to expire on 12/31/2025	Permanent 20% deduction for qualified business income	Benefits owners of pass-through entities generating qualified business income
Research & Development Expensing	No immediate R&D expensing; costs required to be amortized over 5 years for domestic U.S. R&D and 15 years for foreign R&D	Permanent expensing of domestic U.S. R&D costs—small businesses can immediately expense retroactively for 2022-2024; no change in foreign R&D	Promotes onshore R&D investment with immediate deductions to accelerate innovation and growth
Qualified Small Business Stock (1202 QSBS)	Gross assets under \$50M; stock must be held for more than 5 years; per issuer gain exclusion of \$10M	Company gross asset size increased to \$75M, holding period now tiered (50% after 3 years, 75% after 4, 100% after 5) and higher per issuer gain exclusion increased to \$15M	Increases investment opportunity in companies valued between \$50M to \$75M while reducing holding period
Opportunity Zones	Set to expire on 12/31/2026	Permanent provisions with updated zone designation and gain exclusion rules	Rekindles investment in rural communities and areas traditionally underserved by private capital
State & Local Tax (SALT) Cap	SALT deduction capped at \$10,000	Increased to \$40K (2025–2029), returns to \$10K in 2030	Allows pass-through entities to deduct SALT at the entity level, effectively bypassing the cap
Estate Tax Exemption	Reduced to \$7M on 12/31/2025	Increased to \$15M and made permanent	Offers long-term planning flexibility for gifting interests and carried interest vehicles
Form 1099 Income Reporting	Reporting required for \$600+ of business or trade rent, salaries, wages and other FDAP payments	Increased to \$2K for rent, salaries, wages, and other FDAP payments, indexed annually for inflation	Reduces administrative burden of preparing and filing 1099s for small payments

KEY TAKEAWAYS	No increase in capital gains tax rates.	No change in carried interest rules.	No change in C corporation federal tax rates.	No change in taxation of management fee waivers.	No millionaire's surtax.
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