

One Big Beautiful Bill Act and Its Impact on the Construction Industry??



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The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. It provides a combination of incentives and opportunities for construction firms, which may impact their investment, planning, and growth strategies.

Here are some key provisions of the OBBBA that construction companies need to know.

Permanent 100% Bonus Depreciation

The OBBBA permanently reinstates 100% bonus depreciation for qualifying property placed in service on or after January 19, 2025. The bonus includes construction equipment, vehicles, and certain improvements to nonresidential real estate. As you may recall, 100% bonus depreciation under the Tax Cuts and Jobs Act had already begun to phase out. Making bonus depreciation permanent aims to improve cash flow and reduce taxable income for construction companies.

Expanded Section 179 Expensing

Effective for tax years beginning after December 31, 2024, OBBBA raises the Section 179 deduction limit to \$2.5 million, with a phase-out threshold of \$4 million. These amounts will be indexed to inflation. This allows small and mid-sized construction firms to immediately deduct the full cost of qualifying purchases such as equipment, software, and certain building improvements.

Qualified Production Property Deduction

A new provision allows for 100% expensing of Qualified Production Property (QPP)—newly constructed nonresidential buildings used primarily for manufacturing, production, or refining. To qualify, construction must begin after January 19, 2025, and the property must be in service before January 1, 2031. This excludes office, lodging, administrative, and research facilities but strives to accelerate domestic growth and expansion in the industries listed.

Stability in the Qualified Business Income Deduction

The OBBBA makes the 20% Qualified Business Income (QBI) deduction permanent for pass-through entities such as S corporations and partnerships. Many construction firms operate as pass-through entities, and this provision offers long-term tax planning certainty. Under the TCJA, this was set to expire and revert back to a lower deduction. This deduction helps decrease taxable income to the owners of pass-through entities, which is designed to stimulate more company growth.

Renewed Opportunity Zones

OBBBA renews and expands Opportunity Zones (OZ), allowing for deferral and potential exclusion of capital gains taxes on investments in designated low-income areas. Construction companies working in or near OZ may benefit from increased development activity and tax-advantaged projects.

Energy-Efficient Construction Incentives

Several green energy tax incentives have been shortened in the OBBBA. The 179D Energy Efficient Commercial Building Deduction and 45L Energy Efficient Home Credit are widely used in construction and are set to expire for all construction beginning after June 30, 2026.

Expanded Opportunity Zones and Rural Development Credits

The OBBBA extends and enhances OZ and introduces new rural development tax credits for infrastructure and housing projects in underserved areas. Construction firms operating in these zones may benefit from increased project volume and favorable tax treatment.

Deduction for Research and Experimental Expenses

The OBBBA permanently reinstates the immediate expensing of domestic research and experimental expenditures for taxable years after December 31, 2024. The bill also provides transition rules for R&E expenses required to be capitalized and amortized in prior years. Foreign R&E expenses remain subject to capitalization and a 15-year amortization period.

Exception to Percentage-of-Completion Method for Certain Residential Construction Contracts

Under prior law, home construction contracts involving buildings with four or fewer dwellings were eligible to use more favorable accounting methods, such as the completed contract method, instead of the percentage-of-completion method (PCM). The new law expands this exception to include residential construction contracts involving more than four units, and the project is completed within three years, allowing more builders to defer revenue recognition until the units are completed.

The One Big Beautiful Bill Act provides substantial benefits to the construction industry. However, firms should be mindful of potential complexities, such as tariffs on imported materials and equipment, workforce changes, and compliance with eligibility rules. If you have questions about how these changes could impact you and your business, [contact your Dean Dorton advisor](#).