

Mining Impacts of the One Big Beautiful Bill Act



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On July 4, 2025, President Trump signed the **One Big Beautiful Bill Act (OBBBA)** into law, ushering in a sweeping set of tax and policy changes that carry significant implications for the mining and natural resources industry. From renewed incentives for cost recovery to targeted credits for metallurgical coal production, these provisions are poised to reshape both project economics and long-term strategic planning.

Metallurgical Coal Designated as a Critical Mineral

Perhaps the most notable update for mining is the designation of **metallurgical coal** as a **critical mineral**, making it newly eligible for the **Section 45X advanced manufacturing tax credit**.

- **Credit Period:** Available from **2026 through 2029**.
- **Value:** Provides a **2.5% credit on production costs**, including extraction, acquisition, processing, purification, refining, and conversion.
- **Flexibility:** The credit is both **transferable and refundable** for up to five years, allowing companies to monetize the benefit even if current taxable income is limited.

Importantly, metallurgical coal is exempt from the phaseout schedule that applies to other critical minerals beginning in 2031, offering a more durable incentive for producers.

Enhanced Cost Recovery: Bonus Depreciation and Section 179 Expensing

Mining is capital intensive, and OBBBA restores and expands valuable tools to accelerate cost recovery:

- **100% Bonus Depreciation Restored**
 - Applies to qualified property placed in service after **January 19, 2025**.
 - Allows immediate expensing of major capital investments.
 - Companies should review state conformity rules, as not all states align with federal treatment.
- **Section 179 Expensing Expanded**
 - The annual expensing limit increases from **\$1 million to \$2.5 million** for assets placed in service after **December 31, 2024**.

- Particularly valuable for smaller and mid-sized operators investing in mining equipment, safety systems, or processing facilities.

Together, these provisions strengthen after-tax cash flow, improve project economics, and may influence investment timing decisions.

Financing, Research, and Innovation Incentives

OBBBA also enhances tax treatment of financing and research activities—two critical areas for mining companies pursuing growth and innovation.

- **Section 163(j) Interest Deduction**
 - Reverts to an **EBITDA-based limitation**, making the rules more generous than the EBIT-based approach.
 - This change particularly benefits mining businesses that rely heavily on debt financing for large-scale projects.
- **Section 174 Research & Experimental (R&E) Expenses**
 - Immediate expensing is once again permitted for **domestic research expenditures**, rather than requiring amortization.
 - This change rewards investment in extraction technologies, processing improvements, and environmental innovation.

Workforce and Payroll Considerations

The Act also contains several provisions that impact employee benefits and payroll reporting:

- **Overtime Deduction (2025–2028):** A new **above-the-line deduction** for qualified overtime pay, capped at **\$12,500 for individuals** or **\$25,000 for joint filers**. Employers will need to report qualified compensation, with IRS transition relief offered in 2025.
- **Employer-Provided Student Loan Assistance:** Employers can exclude up to **\$5,250 per employee per year** from taxable income for student loan repayment benefits. In a competitive labor market, this may be an effective recruitment and retention tool for mining companies.

Federal Leasing and Royalty Rates

For companies active on federal lands, the OBBBA brings further relief by:

- **Expanding available federal lands for leasing.**
- **Reducing federal royalty rates** from **12.5% to 7%**, significantly improving margins for producers operating under federal leases.

Compliance and Reporting Adjustments

Lastly, businesses should note several compliance-related updates:

- **1099 Reporting Threshold Increase:** Beginning in 2026, the threshold for issuing Form 1099 rises from **\$600 to \$2,000**, reducing administrative burdens on mining and supply chain operations.

Key Takeaways

The One Big Beautiful Bill Act delivers a **pro-growth, resource-focused package of incentives** that will meaningfully impact the mining industry. Companies stand to benefit from:

- A new Section 45X tax credit for metallurgical coal.
- Restored 100% bonus depreciation and expanded Section 179 expensing.
- More generous interest deduction rules and immediate R&E expensing.
- Lower federal royalty rates and expanded leasing opportunities.
- Enhanced workforce-related benefits and reduced reporting burdens.

However, taxpayers should also prepare for new compliance requirements, monitor the phasedown of other critical mineral credits, and consider how state tax treatment may differ from federal provisions.

How We Can Help

At Dean Dorton, our [Energy & Natural Resources team](#) works with mining companies to navigate evolving tax laws, maximize available incentives, and optimize financial strategies. If you would like to discuss how these changes may affect your business, please reach out to your advisor or contact us directly.