Tax Impacts of the OBBBA on the Business Sector and Key Industries

by Brandon M. Pizzola and Aman Rai

Brandon M. Pizzola

Aman Rai

Brandon M. Pizzola is a principal and Aman Rai is a manager in the Quantitative Economics and Statistics (QUEST) group, Ernst & Young LLP.

In this article, Pizzola and Rai analyze the changes in federal taxes on the business sector over the 2025-2034 budget window by provision and in the aggregate, with a focus on industry-specific effects.

The views expressed are those of the authors and do not necessarily reflect the views of Ernst & Young LLP or any other member firm of the global EY organization. This information is provided solely for the purpose of enhancing knowledge on tax matters. It does not provide accounting, tax, or other professional advice.

The One Big Beautiful Bill Act (P.L. 119-21) introduces both tax decreases and increases through extensions and modifications of provisions of the Tax Cuts and Jobs Act and changes to other tax provisions, including some from the Inflation Reduction Act.[1] Overall, the OBBBA is a combination of $8.5 trillion of tax-decreasing provisions and $4 trillion of tax-increasing provisions, for a net tax reduction of $4.5 trillion (Figure 1),[2] though impacts vary among individuals and across businesses.

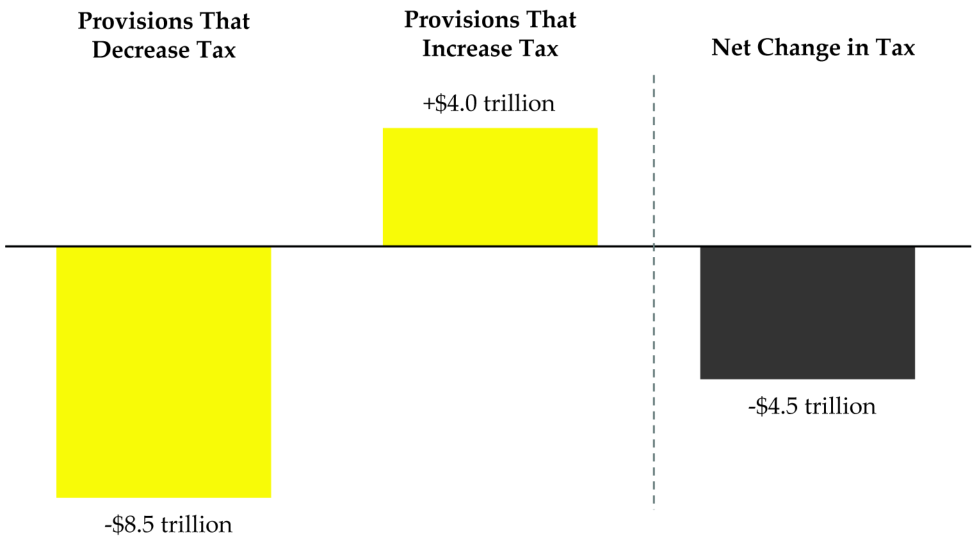
Businesses need to be well-versed in how these provisions could affect them from a federal tax perspective so they can share this information with policymakers and stakeholders. To assist with this effort, this article analyzes the changes in federal taxes on the business sector over the 2025-2034 budget window by provision and in the aggregate, with a focus on industry-specific effects.

The estimates provided in this analysis are based on a current-law baseline (that is, the baseline assumes pre-OBBBA tax policy would have sunsetted or changed as scheduled). This analysis also includes a discussion of how the estimates differ when based on a current-policy baseline (that is, a baseline that assumes pre-OBBBA policy would have been extended).

[1] Here and throughout, the impact on tax refers to the revenue effects as estimated in a conventional Joint Committee on Taxation revenue estimate. Conventional JCT revenue estimates include a broad range of behavioral responses by taxpayers but assume the overall size of the economy remains unchanged. Examples of behavior include changes in the timing of transactions and income realization, changes in entity type, shifts of economic activity across sectors and industries, and changes in the types of consumption or composition of investment, as well as tax planning and tax avoidance strategies.

[2] *See* JCT, "Estimated Revenue Effects Relative to the Present Law Baseline of the Tax Provisions in 'Title VII — Finance' of the Substitute Legislation as Passed by the Senate to Provide for Reconciliation of the Fiscal Year 2025 Budget," JCX-35-25 (July 1, 2025).

Figure 1. OBBBA Decreases and Increases in Tax, 2025-2034



Source: Joint Committee on Taxation (JCT) and EY analysis.
Note: Figures are rounded.

OBBBA Provisions and Their Effects on Business Sector Taxes

Of the estimated net $4.5 trillion decrease in taxes from 2025-2034, this analysis estimates that OBBBA provisions will reduce business sector taxes by $1.8 trillion (approximately 40 percent of the net tax reduction), with the remaining reductions generally affecting nonbusiness individual income taxes.[3] The business sector includes both corporations and the passthrough income of individual passthrough business owners.[4]

As displayed in Table 1, this $1.8 trillion net reduction in business sector taxes reflects the combined impact of $2.4 trillion in business sector tax reductions partially offset by $0.6 trillion of tax increases. Three provisions result in more than half of the reduction in business sector taxes: (1) the extension and enhancement of the deduction for qualified business income ($700 billion), (2) full expensing for certain business property ($363 billion), and (3) the extension and modification of reduced individual rates ($329 billion). For provisions that affect both individual nonbusiness income and individual passthrough income, only the portion related to the individual passthrough income is included.

OBBBA Provisions and Their Effects on Business Sector Taxes by Organizational Form

This analysis disaggregates the $1.8 trillion in net tax reductions between C corporations (corporate sector) and the passthrough income of individual owners of passthrough businesses (passthrough sector). Over the 2025-2034 budget window, the passthrough sector is estimated to receive a significantly larger share of the tax reduction than the corporate sector, with $1.426 trillion in net tax reductions (79 percent of total business sector tax reductions), translating to a 22 percent reduction in projected taxes. The corporate sector is estimated to receive approximately $369 billion in net tax reductions (21 percent of total business sector tax reductions), translating to an 8 percent reduction in taxes.

[3] The OBBBA also includes changes to the taxation of entities other than individuals and businesses, such as tax-exempt organizations.

[4] Passthrough businesses include partnerships, limited liability companies, sole proprietorships, and S corporations.

Table 1. Estimated Impact of the OBBBA on Business Sector Taxes, by Provision (2025-2034, dollar amounts in billions)

Provision	High-Level Description[a]	2025-2034 Tax Effect
Extension and enhancement of deduction for qualified business income	Permanently extends and enhances the 20% qualified business income deduction	-$700
Full expensing for certain business property	Permanently extends 100% bonus depreciation for qualified property	-$363
Extension and limited enhancement of reduced individual income rates	Permanently extends the TCJA's reduced federal individual income tax rates with limited modifications	-$329
Extension of increased alternative minimum tax exemption amounts, modification of phaseout thresholds, and increased threshold phaseout rate	Permanently extends increased individual AMT exemption amounts and modifies phaseout parameters	-$189
Termination of and restrictions on clean electricity investment credit	Phases out the clean electricity investment credit	+$166
Full expensing of domestic research and experimental expenditures	Allows immediate deduction of domestic research and experimental expenditures while maintaining 15-year amortization for foreign research and experimental expenditures	-$141
Special depreciation allowance for qualified production property	Provides 100% first-year depreciation for qualified production property	-$141
Termination of qualified commercial clean vehicle credit	Terminates the qualified commercial clean vehicle credit after September 30, 2025	+$105
Limitation on individual deductions for certain state and local taxes	Extends and temporarily increases the SALT deduction cap from $10,000 to $40,000	+$92
Modification of deduction for foreign-derived deduction eligible income and net controlled foreign corporation tested income	Modifies the section 250 deduction percentage for tax years after December 31, 2025	-$87
Subtotal of top 10 provisions		-$1,589
Other provisions that increase business sector taxes		+$193
Other provisions that decrease business sector taxes		-$399
Total		-$1,795

[a]*See* U.S. Senate Committee on Finance, "Senate Finance Committee Section-by-Section" (June 16, 2025) for a more detailed description of each provision.

Source: JCT and EY analysis.

Note: This analysis estimates the change in total tax for the corporate and passthrough sectors over the 2025-2034 budget window from the tax provisions included in the OBBBA. The passthrough sector includes the passthrough income of individual owners of passthrough businesses (partnerships, limited liability companies, S corporations, and sole proprietorships). The business sector is the sum of the corporate and passthrough sectors. For provisions that affect both individual nonbusiness income and individual passthrough income, only the portion related to the individual passthrough income is included. Figures are rounded.

As shown in Table 2, the largest impact for the passthrough sector results from the extension and enhancement of the deduction for qualified business income ($700 billion reduction), while

Table 2. Estimated Impact of the OBBBA on Business Sector Taxes, by Organizational Form (2025-2034, dollar amounts in billions)

Provision	Corporate Sector	Passthrough Sector	Overall Business Sector
Extension and enhancement of deduction for qualified business income	*	-$700	-$700
Full expensing for certain business property	-$202	-$160	-$363
Extension and limited enhancement of reduced individual income rates	*	-$329	-$329
Extension of increased AMT exemption amounts, modification of phaseout thresholds, and increased threshold phaseout rate	*	-$189	-$189
Termination of and restrictions on clean electricity investment credit	$147	$19	$166
Full expensing of domestic research and experimental expenditures	-$119	-$23	-$141
Special depreciation allowance for qualified production property	-$94	-$47	-$141
Termination of qualified commercial clean vehicles credit	$105	*	$105
Limitation on individual deductions for certain state and local taxes	*	$92	$92
Modification of deduction for foreign-derived deduction eligible income and net CFC tested income	-$87	*	-$87
Subtotal of top 10 provisions	-$251	-$1,339	-$1,589
Other provisions that increase business sector tax	$157	$36	$193
Other provisions that decrease business sector tax	-$276	-$123	-$399
Total	-$369	-$1,426	$1,795
Share of business sector tax change	21%	79%	100%
Percent change in taxes	-8%	-22%	-16%

*Less than $500 million.

Source: JCT and EY analysis.

Note: This analysis estimates the change in total tax for the corporate and passthrough sectors over the 2025-2034 budget window from the tax provisions included in the OBBBA. The passthrough sector includes the passthrough income of individual owners of passthrough businesses (partnerships, limited liability companies, S corporations, and sole proprietorships). The business sector is the sum of the corporate and passthrough sectors. For provisions that affect both individual nonbusiness income and individual passthrough income, only the portion related to the individual passthrough income is included. Figures are rounded.

the largest impact for the corporate sector comes from full expensing of certain business property ($202 billion reduction).

OBBBA Provisions and Their Effects on Business Sector Tax by Industry

The tax effects of the OBBBA are projected to vary significantly by key industry but are estimated to reduce taxes for each of them over the 2025-2034 budget window. These examined industries, which together sum to the total business sector, are: (1) agriculture, mining, and construction; (2) manufacturing; (3) wholesale and retail trade; (4) transportation, information, and utilities; (5) finance, insurance, real estate, rental, and leasing; and (6) services.[5]

As displayed in Table 3, the agriculture, mining, and construction industry is estimated to have the largest percent decrease in taxes (27 percent; $236 billion), followed by manufacturing (19 percent; $328 billion) and services (19 percent; $491 billion).

The differences in tax changes between industries are driven largely by the provisions' industry-specific effects and, to a lesser extent, differences in the overall size of each industry. The transportation, information, and utilities industry is estimated to have the smallest reduction in tax (7 percent; $76 billion). This is in large part because of the termination, phaseout, and restrictions on many of the IRA clean energy tax credits. In contrast, the services industry receives the largest net tax reduction (19 percent; $491 billion) because of its heavy reliance on passthrough business structures that benefit significantly from the qualified business income deduction ($240 billion) and individual rate reductions ($113 billion).

OBBBA Provisions and Their Effects on Business Sector Taxes Relative to a Current-Policy Baseline

The tax impacts in tables 1-3 are estimated relative to a current-law baseline that assumes pre-OBBBA tax policy would have sunsetted or changed as scheduled. Under an alternative baseline that measures against current policy, which assumes pre-OBBBA laws are extended, the JCT estimates that the OBBBA would reduce net tax across all taxpayers by approximately $715 billion (rather than $4.5 trillion) over the 2025-2034 budget window.[6]

The differences between the current-law and current-policy baselines reveal important insights about the impact of the OBBBA on business sector taxes. Relative to a current-law baseline, the provisions are estimated to reduce business sector taxes by $1.8 trillion, but relative to a current-policy baseline the decrease is only $290 billion (more than 80 percent lower).

Of the $290 billion reduction in business sector taxes, the corporate sector is estimated to receive $96 billion in tax reductions, while the passthrough sector is estimated to receive $194 billion in tax reductions. Figure 2 displays the estimated change in total tax for the business sector, the passthrough sector, and the corporate sector relative to both current-law and current-policy baselines. It shows that the percent change in business sector taxes shifts from a 16 percent decrease to a 3 percent decrease relative to a current-policy baseline.

Industry impacts also differ between the two baselines. For example, relative to the current-law baseline, the agriculture, mining, and construction industry is projected to experience the greatest percent reduction in total tax at 27 percent. However, relative to a current-policy baseline, the manufacturing sector is expected to have the largest percent reduction at 9 percent. This is because provisions that comprise a significant portion of the tax reductions in the agriculture, mining, and construction industry relative to a current-law baseline (such as the qualified business income deduction) are generally assumed to continue under a current-policy baseline. Further, significant manufacturing tax reductions stem from the OBBBA's changes to tax policy rather than from extensions of existing tax policy (for example, full expensing for certain business property, full expensing of domestic research and experimental expenditures, and a special depreciation allowance for qualified production property). Accordingly, the current-policy baseline can provide a clearer picture of which industries gain the most from the OBBBA's changes to tax policy rather than from extensions of existing tax policy.

[5] The following North American Industry Classification System two-digit industries are included in the consolidated services industry: professional, scientific, and technical services (54), administrative and support and waste management and remediation services (56), educational services (61), health care and social assistance (62), arts, entertainment, and recreation (71), accommodation and food services (72), and other services (except public administration) (81).

[6] *See* JCT, "Estimated Revenue Effects Relative to the Current Policy Baseline of the Tax Provisions in 'Title VII — Finance' of the Substitute Legislation as Passed by the Senate to Provide for Reconciliation of the Fiscal Year 2025 Budget," JCX-34-25 (July 1, 2025).

Table 3. Estimated Impact of the OBBBA on Business Sector Taxes, by Key Industry (2025-2034, dollar amounts in billions)

Provision	Agriculture, Mining, and Construction	Manufacturing	Wholesale and Retail Trade	Transportation, Information, and Utilities	Finance, Insurance, Real Estate, Rental, and Leasing	Services	All Industries
Extension and enhancement of deduction for qualified business income	-$107	-$62	-$110	-$27	-$153	-$240	-$700
Full expensing for certain business property	-$40	-$67	-$64	-$72	-$62	-$57	-$363
Extension and limited enhancement of reduced rates	-$37	-$15	-$41	-$21	-$103	-$113	-$329
Extension of increased AMT exemption amounts, modification of phaseout thresholds, and increased threshold phaseout rate	-$21	-$9	-$24	-$12	-$59	-$65	-$189
Termination of and restrictions on clean electricity investment credit	*	*	*	$166	*	*	$166
Full expensing of domestic research and experimental expenditures	-$3	-$76	-$2	-$48	-$4	-$9	-$141
Special depreciation allowance for qualified production property	-$17	-$62	-$8	-$25	-$16	-$14	-$141
Termination of qualified commercial clean vehicles credit	$1	$56	$5	$2	$35	$4	$105
Limitation on individual deductions for certain state and local taxes	$10	$4	$11	$6	$29	$31	$92
Modification of deduction for foreign-derived deduction eligible income and net CFC tested income	-$1	-$42	-$9	-$27	-$4	-$4	-$87
Subtotal of top 10 provisions	-$214	-$271	-$241	-$58	-$338	-$467	-$1,589

Table 3. Estimated Impact of the OBBBA on Business Sector Taxes, by Key Industry (2025-2034, dollar amounts in billions) *(Continued)*

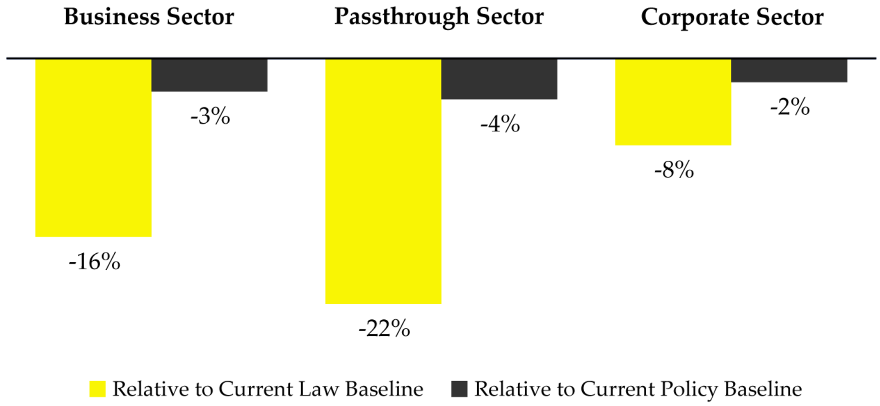
Provision	Agriculture, Mining, and Construction	Manufacturing	Wholesale and Retail Trade	Transportation, Information, and Utilities	Finance, Insurance, Real Estate, Rental, and Leasing	Services	All Industries
Other provisions that increase business sector taxes	$11	$79	$8	$43	$31	$21	$193
Other provisions that decrease business sector taxes	-$33	-$136	-$37	-$61	-$88	-$45	-$399
Total	-$236	-$328	-$270	-$76	-$395	-$491	-$1,795
Share of business sector tax change	13%	18%	15%	4%	22%	27%	100%
Percent change in taxes	-27%	-19%	-16%	-7%	-12%	-19%	-16%

*Less than $500 million.

Source: JCT and EY analysis.

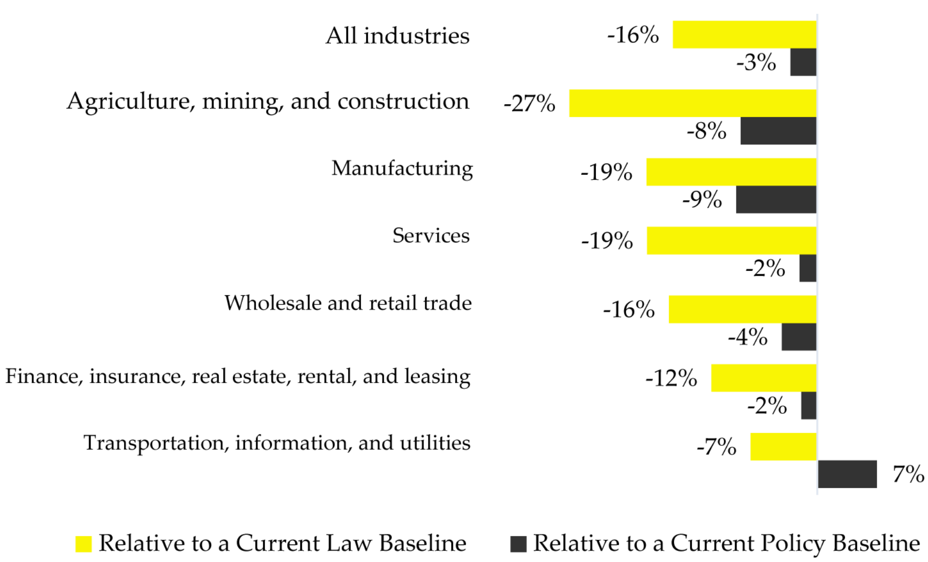
Note: This analysis estimates the change in taxes for the corporate and passthrough sectors over the 2025-2034 budget window from the tax provisions included in the OBBBA. The passthrough sector includes the passthrough income of individual owners of passthrough businesses (partnerships, limited liability companies, S corporations, and sole proprietorships). The business sector is the sum of the corporate and passthrough sectors. For provisions that affect both individual nonbusiness income and individual passthrough income, only the portion related to the individual passthrough income is included. Figures are rounded.

Figure 2. Percent Change in Tax From the OBBBA, by Organization Form (2025-2034, percent change in tax)



Source: JCT and EY analysis.
Note: Figures are rounded.

Figure 3. Percent Change in Tax From the OBBBA, by Industry (2025-2034, percent change in tax)



Source: JCT and EY analysis.
Note: Figures are rounded.

Notably, while all industries have a tax reduction relative to a current-law baseline, the transportation, information, and utilities industry has a 7 percent tax increase relative to a current-policy baseline. This is because the industry receives a significant reduction in taxes from provisions that sunset or change under current law (and are assumed to continue under current policy) and will see a significant tax increase from the OBBBA's changes to clean energy credits.

About These Estimates

This analysis relies on revenue estimates from the JCT and EY analysis of publicly available data, including from the IRS, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, International Energy Agency, U.S. Energy Information Administration, U.S. Census Bureau, and Congressional Budget Office, among others.

Generally, this analysis was conducted using a two-step approach for each provision in the OBBBA. First, the analysis apportioned the revenue estimates between nonbusiness individual income, passthrough income of individual passthrough business owners, and corporations; the analysis then allocated the estimates to the North American Industry Classification System industries. These splits frequently rely on tax expenditure data from the JCT and Treasury.[7] For transferable credits, this analysis allocates the credit to the taxpayer that generated the credit rather than the taxpayer to which the credit is transferred.

The baseline tax for estimating the percent change in tax was based on the CBO's Budget and Economic Outlook projections for tax revenue collections over the 2025-2034 budget window, allocated to each industry.[8]

Note that any modeling effort is only an approximate depiction of the economic forces it seeks to represent, and the economic models developed for this analysis are no exception. The estimates included are made on the basis of underlying economic and tax projections that are themselves uncertain and on behavioral parameters regarding taxpayer responses to tax law changes that can be difficult to estimate precisely. ■

[7] *See* JCT, "Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028," JCX-48-24 (Dec. 11, 2024); Treasury Office of Tax Analysis, "Tax Expenditures Fiscal Year 2026" (Nov. 27, 2024).

[8] *See* CBO, "The Budget and Economic Outlook: 2025 to 2035" (Jan. 17, 2025).