INVESTING IN SMALL BUSINESS AND RURAL AMERICA

On July 4, 2025, President Trump signed the **Working Families Tax Cuts** into law. This legislation not only prevented the largest tax hike in history, but it also restored and made permanent critical pro-growth tax provisions that are already increasing domestic investment and boosting economic growth. Moreover, through policies like the **199A/Small Business Deduction and the interest exclusion on rural and agricultural loans,** Americans can reinvest as much capital as possible into their local economies.

199A/Small Business Deduction

- **Permanence:** More than **25.9 million small businesses** now have increased confidence thanks to a permanent, pro-growth **20 percent** deduction.
- **Jobs and long-term growth:** Estimates find permanence will create **1.2 million jobs annually** and boost small-business GDP by **$750 billion** over the next decade.
- **Investment and optimism:** The National Federation of Independent Business reports permanence has led to **16 percent of owners** saying now is a "good time to expand," a significant jump from previous months. Additionally, **55 percent of small business owners** reported making capital outlays, with many investing in new equipment, vehicles and the expansion of facilities.

Full Expensing

- **Permanence: Permanently restores full expensing for new capital investments** like machinery and equipment.
- **Boosting domestic production:**
  - Businesses can **immediately expense 100 percent** of the cost for property acquired on or after January 19, 2025, **reducing the after-tax cost of capital expenditures.**
  - Section 179 expensing, commonly used by small businesses, is **more than doubled** from $1 million to $2.5 million.
  - **Full expensing for new factories and factory improvements** to further accelerate domestic manufacturing.

Exclusion of Interest on Rural/Agricultural Loans

- **Supporting investment in rural communities:** Banks can **permanently exclude from gross income 25 percent of interest income** derived from loans secured by rural or agricultural real property, offering additional flexibility to **provide farmers and ranchers more affordable loans.**

Capital Gains Deferral from Farmland Sales

- **Supporting a new generation of farmers:** Sellers of farms allowed to spread capital gains tax over four years to incentivize farmer-to-farmer transfers.
  - **Preserving farmland:** To receive the four-year installment benefit, the buyers and seller must agree to farm the land for at least 10 years.

R&D Expensing

- **Permanence:** Permanently **restores full expensing for domestic R&D.**
- **Promoting domestic innovation:** Taxpayers now have the **flexibility to immediately deduct** or capitalize and amortize domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024.
  - Before the restoration of full expensing, businesses were required to write off these expenditures over a five-year period.

Qualified Small Business Stock Gain Exclusion

- **Supporting American entrepreneurs:** An update to the Qualified Small Business Stock (QSBS) exclusion creates a more powerful and flexible tool for startups, founders and early-stage investors.
- **An overdue update:** The QSBS investment thresholds had **not been updated since 1993,** leaving many worthwhile but capital-intensive and fast-moving investments sidelined.
  - Corporations with up to **$75 million** in assets (up from $50 million) may qualify, allowing investors, after the new flexible holding period, to exclude up to **$15 million** of gain (up from $10 million) or 10 times their investment.
- **Supporting future innovation:**
  - **Increased opportunities:** An enhanced QSBS exclusion stimulates investment and continues innovation and entrepreneurship across the country.
  - **Greater flexibility:** The update includes new three, four and five-year holding periods to align with modern investment cycles, making innovative small business investments more attractive to investors.

Death Tax Exemption

- **Protecting family-owned farms and small businesses: Increases and permanently doubles the "death tax" exemption amount** to $15 million ($30 million for married couples), indexed to inflation, protecting family-owned farms, ranches and small businesses from costly estate planning and tax burdens that can threaten their viability.

Qualified Rural Opportunity Zones

- **Attracting private rural investment:** Permanent opportunity zone (OZ) program establishes qualified rural opportunity funds and zones, which **receive enhanced tax benefits.**
  - Qualified rural opportunity funds which invest at least 90 percent in rural OZs will receive a 30 percent step-up in basis, **three times the amount available to non-rural opportunity funds.**
  - Additionally, the "substantial improvement" threshold of existing structures is lowered from 100 percent to 50 percent in rural areas.

Second Amendment Tax Relief

- **Protecting the Second Amendment:** Permanently **removes the $200 tax** on silencers, short-barreled rifles and short-barreled shotguns.

> *"You can't underestimate the impact that these tax provisions are going to have on the future growth of the family-owned businesses on which our industry is built and the workers in these communities who are going to continue to see growth in good-paying, family-supporting jobs." - American Beverage Association President and CEO Kevin Keane*