

The Big Beautiful Bill: What It Means for the Construction Industry

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By **[Phillip Ross](#)**, CPA, CGMA, Anchin
Partner & Co-Leader, Construction Industry Group

The “One Big Beautiful Bill” (OB BB) was signed into law last month, delivering one of the most comprehensive tax overhauls since the Tax Cuts and Jobs Act of 2017. With broad implications across industries, the bill offers significant benefits and new planning opportunities for construction firms. From reinstating critical deductions to unlocking bonus depreciation, the legislation represents a major step forward for an industry grappling with tight margins, rising costs, and increasing regulatory complexity. Here’s what construction companies need to know.

One of the most impactful changes for construction firms is the restoration of immediate expensing for domestic research and experimentation expenditures under new Section 174A. Prior to the OB BB, these costs had to be amortized over five years, which increased taxes and impacted cash flow, while not encouraging innovation. Starting in 2025, contractors engaged in design, engineering, or systems development can once again deduct qualifying domestic R&E costs in the year incurred. Importantly, the popular R&D tax credit remains intact and can be claimed alongside the deduction. The bill also allows recovery of previously capitalized R&E costs from 2022 through 2024, either as a lump-sum deduction in 2025 or spread over two years. Additionally, small businesses, those with average gross receipts under \$31 million, can retroactively apply the new rules by filing amended returns.

The bill’s enhancements to capital cost recovery provide a meaningful boost for contractors looking to modernize operations or invest in equipment. The OB BB reinstates 100% bonus depreciation for qualified property acquired after January 19, 2025. This includes certain used property, provided strict acquisition criteria are

met. Section 179 expensing limits were also expanded under the new law, with the deduction cap increasing to \$2.5 million and the investment limitation rising to \$4 million. Both changes take effect for tax years beginning after December 31, 2024, making them immediately relevant for current-year planning.

Another critical change involves the business interest limitation. Under previous rules, depreciation reduced a business's Adjusted Taxable Income (ATI), a measure of taxable income used to calculate the cap on deductible interest expense, thereby limiting deductible interest expense. The OBBB removes depreciation from the ATI calculation, effectively increasing the ceiling on deductible interest, a significant benefit for capital-intensive contractors.

Revenue recognition also had some beneficial changes. The OBBB expands the list of contracts exempt from the percentage-of-completion method for tax purposes. In addition to small home construction, certain large-scale residential projects, such as apartments, senior living facilities, and dormitories, are now exempt. Construction companies can potentially defer income from these projects, offering significant flexibility and potential tax deferrals.

While many provisions of the OBBB are taxpayer-friendly, several clean energy and sustainability-related tax incentives have been scaled back or eliminated. Most notably, Section 179D, long a valuable deduction for energy-efficient improvements to commercial buildings, will be repealed for projects beginning construction after June 30, 2026. This change affects not just developers but also architects, engineers, and contractors who benefited from allocation letters from tax-exempt clients.

Additional repeals include credits for clean vehicles, hydrogen production, and residential clean energy upgrades. At the same time, several credits were narrowed to exclude projects with foreign ownership or foreign-sourced inputs, reflecting a broader shift toward incentivizing domestic production and energy independence. For construction firms involved in sustainable development, timing will be critical. Projects that can begin before repeal deadlines may still qualify under existing rules. Longer-term, firms may need to reassess procurement strategies, supply chains, and ownership structures to maintain eligibility under the new framework.

The One Big Beautiful Bill delivers clarity, opportunity, and complexity in equal

measure. For construction businesses, the potential rewards, from improved cash flow to expanded deductions, are substantial. But the variety of retroactive provisions, new elections, and future sunset dates means there's no one-size-fits-all strategy.