

One Big Beautiful Bill

Tax Law Changes Manufacturers Need To know



One of the great things about my position at Shield Wall Media is I am in regular contact with upper management and

C-Suite level people at a lot of construction related companies. One of the bad things is I am in regular contact with upper management and C-Suite level people at

a lot of construction-related companies, and they share questions.

Rarely, I know the answers. Usually, it ends in a research project because if one person in our audience asked a question, many more have the same question and haven't asked. Those questions occasionally become article topics.

The most recent question was about One Big Beautiful Bill (OBBB) and how it affects Qualified Production Property, Bonus Depreciation and Rule 179. I am not nearly qualified to answer that question, but I can research.

I am not an accountant or tax attorney. This is not intended as tax or legal advice. The objective of this article is to provide enough knowledge for you to ask your advisors the right questions.

On July 4, 2025, Congress gave us the One Big Beautiful Bill (OBBB). It made sweeping changes across many areas, but three stand out for manufacturers and builders:

- Bonus Depreciation (Section 168(k))
- Section 179 (Rule 179)
- Qualified Production Property (QPP) (brand-new Section 168(n))

The name isn't just hype. This bill really is huge (about 1,000 pages), and with some planning may be beautiful, because you may be able to expand and grow your business sooner. You can read the entire bill at <https://tinyurl.com/BBB0725>. Here are the changes.

Bonus Depreciation: 100% is Permanent

"Section 168(k)... is amended... by inserting '100 percent.'" — OBBB text

No more phase-downs. Property acquired after January 19, 2025 can be fully deducted in year one.

What that means for production facilities and shops:

How to Determine Qualified Production Property (QPP)

QPP is the production-use portion of a nonresidential building — plus the machinery and systems integral to production. Determining what counts is critical, because it sets the size of your deduction.

Included (Eligible for QPP):

- Production floors: Manufacturing and processing areas.
- Material handling: Aisles, staging, and loading areas integral to production flow.
- Machinery and equipment: Roll formers, CNC lines, presses, welders, conveyor systems.
- Built-in systems serving production: Heavy-duty electrical, dust collection, compressed air, overhead cranes — if they directly support production.

Excluded (Not QPP):

- Offices, breakrooms, administrative space.
- Sales areas, showrooms, lobbies.
- R&D labs, software development, engineering spaces.
- Parking lots, employee facilities, or lodging.
- Machinery unrelated to production (e.g., office IT systems).

Key Rules:

- Construction must begin after Jan. 19, 2025 and before Dec. 31, 2028.
- Property must be in service before Jan. 1, 2031.
- If production use ends within 10 years, IRS recapture rules apply.
- Lessors can't claim QPP for space or equipment used by a tenant — the tenant must elect it.

Pro Tip: Keep floor plans, equipment layouts, and system drawings on file. The IRS will expect documentation tying production space and machinery directly to the deduction.

- Roll formers, forklifts, CNC machines — all 100% deductible.
- Delivery trucks, trailers, and jobsite equipment — also 100%.
- Software and certain systems — covered too.

Qualified Production Property

QPP is new. It allows you to expense the production-use portion of a nonresidential building, instead of depreciating.

The rules:

- Construction must begin between Jan. 19, 2025 and Dec. 31, 2028.
- The building must be in service before Jan. 1, 2031.
- Only production space qualifies. Offices, sales areas, and parking don't.
- Stop using the space for production within 10 years and you may face recapture.

Why it matters:

For a 60,000-square-foot expansion, if 45,000 is production, that portion can be fully expensed in year one. Traditionally, it would have taken 39 years. That's a seismic shift for plant expansions, modular facilities, and automated shops.

**Section 179:
More Room to Deduct**

OBBB raised the Section 179 limits.

- Maximum deduction: \$2.5 million
- Phase-out starts at \$4 million
- Still tied to taxable income (can't create a loss)

For smaller shops (shed builders, truss yards, roll formers and component manufacturers) this remains a flexible tool. Unlike bonus depreciation, Section 179 lets you choose which assets to expense.

Our audience includes equipment manufacturers, component manufacturers and builders. Here's how OBBB changes the landscape:

- Manufacturers can justify expansions faster. QPP reduces the after-tax cost of new production facilities.
- Builders can help clients design with tax in mind—floor plans that separate production and office space maximizing immediate savings.

Accelerated depreciation and QPP both a benefit manufacturers seeking new production facilities and a potential closing tool, for the builder, in the design build process

When we acquired the Construction Division of F+W Media through Chapter 11, timing deductions and cash flow was critical to survival. OBBB doesn't make decisions for you, but it creates more flexibility allowing you more paths to success. **PB**

**Section 179
vs. Bonus
Depreciation**

Section 179

- Limit: \$2.5M
- Phase-out: \$4M
- Must have taxable income
- Pick and choose assets

Bonus Depreciation

- No dollar cap
- Can create a loss
- Automatic 100% expensing

Quick Checklist

- Track contract dates (must be after Jan. 19, 2025).
 - Map out production vs. non-production space for QPP.
 - Verify your state's conformity rules.
 - Decide when to use Section 179 versus bonus depreciation.
- Plan for recapture if you may repurpose space.

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