



## illUminate Blog Transcript: Robert Duquette on Tax Changes from the One Big Beautiful Bill Act

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- ANNOUNCER: 00:00 This podcast is brought to you by illUminate, the Lehigh Business blog. To learn more, please visit us at [business.lehigh.edu/news](https://business.lehigh.edu/news).
- STEPHANIE VETO: 00:14 Welcome to illUminate, the podcast for Lehigh University's College of Business. I'm your host, Stephanie Veto. Robert Duquette is with us to discuss how the One Big Beautiful Bill Act is impacting taxes. Robert is a Teaching Full Professor in the Accounting Department. His research and presentations focus on misconceptions and misleading information surrounding the topic of national debt and tax reform. Hi, Bob. Welcome to the show.
- BOB DUQUETTE: 00:41 Hello, Steph.
- VETO: 00:41 We have so much to talk about, and taxes are complex on their own. But to start, I really want to know if you can walk us through your career journey and how you first became interested in accounting and tax work.
- DUQUETTE: 00:55 And we only have 20 minutes.
- VETO: 01:00 A brief overview.
- DUQUETTE: 01:04 I don't know. Well, I know where to begin. My challenge is always all the different paths I took to get here. But you let it out as appropriate, I'm sure. I started off actually being an economics major over 50 years ago. And I was drawn to that because I guess it might have been one of the required courses. I read Adam Smith's Wealth of Nations. And I was fascinated as to, well, I wonder how our government figures out how to structure tax policy to encourage the behaviors that Adam Smith was talking about. And so I majored in economics. But after graduating from that, I realized that I was missing in what's the real world like? That's a lot of theory. So I decided to get the MBA to understand the academics of the financial world and accounting. And then once I was exposed to accounting, I realized that to really master that, I went on to get the CPA and then became an auditor for almost a decade. And then after 10 years of that, honestly, I was kind of bored with being-- interesting, it's right now at the kickoff, the launch of baseball season. And I saw myself as what's worse than having a role of being the scorekeeper of a baseball game, meaning your client's operations, and you're an auditor attesting to financial statements. What's worse than feeling like you're a scorekeeper is you're really not the scorekeeper, the company is. And as an auditor, you're reviewing that.
- DUQUETTE: 02:59 So imagine if the company is really good, that gets to be boring because they're doing a good job and nothing to find. So it was clear to me that back then, it was not fulfilling. And I remembered tax policy. I was still intrigued by what is this tax code that everyone is trying to wrestle with and figure out what they owe at the corporate level. It's just as complicated at the individual level, if not more so. And so my firm asked me if I'd be interested in going through their equivalent program of a master's in tax back in 1985, 1986. So I went in as a senior audit manager, left my clients, had come back two years later as supposedly a tax executive, senior tax manager. And it



did change me. Once I understood the legal foundation of tax law in several different areas, I was really intrigued with mergers and acquisitions. And so I developed that practice, became director of tax in central PA as soon as I became partner, and then eventually led the transactions area practice in Philadelphia. And that's what I retired from. And the original question, what got me interested in accounting? Well, I think I covered that. And what got me interested in tax is I got bored with accounting. And so now back to tax is when I retired from EY, I missed the challenge. I missed the mentoring. I missed solving puzzles.

DUQUETTE: 04:44

But it was time to walk away from that 24/7 stress. So EY knew there was an opening at Lehigh to teach tax. So I was interviewed and they offered me the position. And here I am 16 years later. This is almost the half point of my first career, and it's hard to believe that it's been 16 years. But I've had the chance now to do what I wanted and continue to do, which is to not just mentor a team, but mentor dozens, hundreds of people a year in my way of what I feel they should know beyond the textbook, whether it's accounting or tax, I try to bring it to the classroom.

DUQUETTE: 05:37

Well, this is the academic and technically legal foundation of what you need to know. However, in the real world, you have to understand there's so many moving factors. Every client's different. There's a lot of circumstances, a lot of nuances, a lot of judgment, a lot of curveballs, and a lot of detailed issues that are not in textbooks. You can probably sense in my voice I'm still not ready to retire from either the consulting or the teaching part, because now I actually get a chance to do really much more than I was even doing at EY, because I'm helping so many more people.

DUQUETTE: 06:18

Before I have to say goodbye, I'm going to have had a chance to, in my mind anyway, influence so many people as to how they're going to pursue their client challenges, how they're going to think that through. And also, at the same time, make sure they're aware of the moral foundation, the ethical foundations of you're going to practice tax law as a CPA, there are lines you can't cross. And that's important. Textbooks don't get into that. The way you apply things to the business world, there's a lot of pressure to bend as much as possible. And each day, I make sure they understand that that is something they have to keep in mind.

VETO: 07:05

So you recently published an article in the Pennsylvania CPA Journal about the One Big Beautiful Bill Act and what tax filers need to know. Which tax changes in the legislation stood out most to you?

DUQUETTE: 07:19

Wow.

VETO: 07:20

That was a mouthful. Keep it short. No, I'm just kidding.

DUQUETTE: 07:26

Shorter than the intro. Yes, you asked which tax-- well, first, I want to make sure, because this podcast is obviously public, I give more credit to my outstanding TA, Michael Pinette, one of the students at Lehigh University. He co-authored this with me. First time I integrated a student in some of my practical guides of tax law published works. Without him, I don't think we would have gotten this done. You're asking what tax changes stood out the most. There were so many.

VETO: 08:03

Pick one. [laughter]



DUQUETTE: 08:04

[inaudible] the four pages. [laughter] And there's so many exceptions to every rule. And then when you cut it off, it was hard to-- we've not practiced these rules yet. They're brand new. They're not even in any of the 2025 textbooks because they were published early in '25. So he spent a lot of time researching with me. "What does it say?" We would compare each other's notes, draft it, come up with something we hope at the time was going to be readable and timely and really help taxpayers both for 2025 filings coming up and as well as 2026 planning as to things they might have forgotten about from last July when the president signed it or maybe they weren't aware of certain things that-- and there's so many that will serve to reduce taxpayers-- mostly help to reduce taxpayers' tax liability for 2025. Even though we signed it in July, most of the provisions are retroactive to the beginning of 2025. Many taxpayers don't know that part.

DUQUETTE: 09:19

That's the first pearl of wisdom I want to make sure your audience hears: the president wanted immediate impact for taxpayers, for Americans. And it is actually-- you can tell I'm excited in my voice because it's rare to have tax legislation retroactive, even just a month or two weeks. I've seen that happen in my career where it's retroactive. So they'll pass it in January or February, retroactive. This was passed in July. And to me, it's like he said, "One big, beautiful-- bold, beautiful bill." It really was that when we opened it up and started to read the statutory language. So, as well, I want to give more, not just equal credit. I want to give him substantial credit for helping me pull this off.

DUQUETTE: 10:17

Now, back to what tax changes have stood out most to me. And this is not in any order other than more stream of consciousness as to what stands out. Well, I guess first, he made everything retroactive. For individuals, there are several things: there's a provision that allows you to have a deduction on tips. By the way, this entire podcast, whatever I say, there's terms, conditions, exceptions, [laughter] phase-outs that would take more podcasts. So I'll stick to the headliners. Generally, with tip income, retroactive to the beginning of the year, a taxpayer will be able to deduct up to \$25,000 of tips. There's a lot of details as to how this gets reported on a married filing joint return versus a different return, and how does it phase out as you have higher levels of income? And I'd go into the phase-out rules, but they're complex. And every provision have their own phase-out rules. [laughter] That's another thing that stood out to us, that the headline is great, but when you get to have moderately high income, you won't be able to use the deduction, so.

VETO: 11:48

I think, and I'm sorry to cut in.

DUQUETTE: 11:51

Go ahead.

VETO: 11:52

That's one thing that always confuses me as an average middle-of-the-road American when it comes to even knowing what and how to file. How are people figuring out that they are able to benefit from something or a provision or what have you when there's so many things and so many steps?

DUQUETTE: 12:18

It is overwhelming. And I think what's happened over the years is there are great services out there that help, like TurboTax and others, H&R Block, for the normal individual taxpayer, of course. The larger individual taxpayers, those with complexities and businesses are going to have their tax advisor, financial advisor, legal advisor to handle their tax affairs. And they presumably will have checklists of all these-- the



most frequent types of new tax issues that came up will be on someone's checklist. And the IRS has done quite a good job, I think, in 2025 and early '26 here in reminding taxpayers online where to go. There's a website link, and I think I have it in my article, where you go there and it's just the interface to an overwhelming number of [inaudible]. And the taxpayer could look at that and say, "Oh, I didn't know if there's anything about tips or overtime." Or, "Oh, look at that. I can deduct interest on a car loan," maybe. "We haven't been able to do that in years, decades almost." But the point being that to answer your question, if a taxpayer, and I do know a few still, they'll carve out that weekend, the next two, three weekends, they'll take paper, they'll print their forms online, and they'll start to fill out their return by hand. But if they only try to do it like last year and get their documents, and they start to look for the form and fill it out, they may or may not see there's some new lines. And there's actually a new schedule. Many of these deductions for individuals over time, tips, the senior deduction, the enhanced senior deduction, and then the interest on the car loans. Those four in particular are an entirely new Schedule 1. They may not have had that last year. It's 1A or-- it's Schedule 1A or A1. And that didn't exist last year. So if they're just following last year's return, they may miss that. They may not be reminded or even know that these things exist. Now, if you go through software, and there's so many software out there, and a lot of it is still free, if the income is low, the software will prompt you just by asking you questions.

VETO: 14:59

And so it's all updated prior to tax season, tax filing season. So somebody's keeping up with it or the algorithm or what have you.

DUQUETTE: 15:07

Yes, yes.

VETO: 15:08

I understand now. I didn't realize that it was-- this was released and then even the websites and the services are going in there and fixing it.

DUQUETTE: 15:18

I would say in summary to that question, if someone is still doing their return by hand, and I can respect that, if they feel confident, they've always done it that way, at least look at the IRS's website on the one big, beautiful bill, and they'll see if all the topics are there. Or consider having a paid software or paid advisor, at least for this year, to enlighten you on what all of the provisions are, and some of them may apply to you. So I could go on with so many other tangents, I suppose. But I'm sticking to your question. How should taxpayers cope with all of these changes? And I think the practical advice is, if you do it yourself, at least look at the IRS website. [laughter]

VETO: 16:18

Yeah, next question. I was reading that middle income households may receive larger tax refunds. Can you sum up what changes are driving that and what taxpayers might expect?

DUQUETTE: 16:32

Okay. Great question. You've been reading that, and we've been hearing that, certainly, from the administration. But the rubber's hitting the road here, and we're going to have to be factual about what's really happening. So let me clarify what the administration, I think, is trying to really say here. Because the withholding schedules for employees in 2025 had not caught up early enough when the legislation was signed in July, and because it was retroactive-- so take an example, an employee working last year, they had a certain withholding amount from their paychecks, and then this bill gets signed. Usually, employers need a few weeks working with the IRS to get new withholding tax tables and that sort of thing. And then they would adjust



your withholding. That didn't happen for an extra protracted period of time. I think there was a government shutdown. There was a lot of disruption. So many companies didn't change the withholding schedule. So I don't know about most-- many administrations that [inaudible] most employees ended up having over withholdings. And it makes sense, especially considering the law was signed mid-year and made retroactive. And then those withholdings can't be corrected, at least the way most people would think. If you've underpaid by July, you can correct it by having more withholding before the end of the year if the law had been retroactive against you. But this one's in favor. And there's no way you're going to get the IRS to give you money back during 2025 just because the law was retroactive. They've got your money until you file a return and settle up with them and show them what you really have for tax liability versus what you paid in.

DUQUETTE: 18:47

So the point is the bigger refunds are going to be for the people who had their withholding taxes not corrected timely enough. And you have a lot of taxpayers who aren't employees. They're business owners, and they're making estimated tax payments. And if they didn't adjust their estimated payment schedule early enough, they've overpaid. So we are probably going to see a lot of individuals-- and I've read some statistics where the IRS is saying the refunds are well ahead of schedule in terms of the amount. They're millions of dollars ahead of where they were a year ago. So that seems to confirm that people had significantly more withheld from their earnings and self-employed business owners also had paid in more than they needed to. And when they summarized now the tax laws with their circumstances, they're probably going to have an overpayment and get the refund. So there's an interesting subtlety here though. I'm glad to have a chance to tell at least some people. I know a lot of people who, when they get a refund, they actually plan for refunds. And this year they're going to find, oh, the refund is bigger. And unless they think that through, they might be tempted to say, okay, well, now I can budget that for next year. A lot of people, they'll lend to the government their money interest-free. That's what you're doing when you allow over withholdings. You're not getting any interest on that when you get the money back. But I know a lot of people who depend on that large refund check coming in spring to pay for something. But this time, you might not want to count on that same amount of refund because the withholding schedules have caught up. And your advisor, if you're not an employee, but say you're self-employed, your advisor is giving you an idea about what your estimates should be, or you might think what they are and do it yourself. But the point is, your estimates are going to be based on what your true tax obligations are for 2025 and projected changes in 2026. And so you probably shouldn't count on the same kind of refund a year from now. And that's important for budgeting purposes.

VETO: 21:27

And can you speak to some seniors receiving larger refunds this year? And is that a one-off projection or is that something that can continue in the future? And I was also reading that it was capped at a limited income and things like that too.

DUQUETTE: 21:43

Okay. That's a good segue to the basket that's causing a lot of the overpayment because withholdings and estimates were too high. The tax liabilities will come down. And I've spoken to this a little bit in the podcast, but here's a little bit more detail. We have the no tax on tips. We have no tax on overtime. We have what you just mentioned here, the enhanced senior deduction. And then we have no interest on car loans. But there's a couple of other provisions. For taxpayers who itemize, they don't



take the standard deduction. They're going to see that the state and local tax deduction that's been capped for the last eight or so years at \$10,000 despite having tens of thousands of dollars of property taxes and state income tax payments. That has come back partially.

DUQUETTE: 22:54

The new law retroactive to 2025, January 25, allows taxpayers to deduct up to \$40,000, not 10. So now you have taxpayers who take standard deductions because they're higher than they're itemized. They're going to see the standard deduction actually increase more than inflation for them this year. The married filing joint went up over \$2,000. So the refund concept this year, the substantially higher refund concept or lower tax obligations is principally caused by, in summary, the standard deduction being elevated more than just inflation by a couple thousand, but also the no tax on tips, no tax on overtime, and the enhanced senior deduction, I'll get to that more in a moment, the interest deduction on car loans. By the way, those deductions, they're not-- glad we had a chance to dive into that topic. They're not itemized deductions. Just as context here, taxpayers will look at their standard deduction the law gives you. You compare it to what the law says on a worksheet - what are your deductible items like medical expenses and charitable contributions and taxes, mortgage interest - and if that bucket total is higher, then you take that amount instead of the standard. Over 90% of taxpayers now, at least before 2025, were taking the standard deduction. The itemized deductions, especially with SALT, the state and local tax cap had been 10,000. And because the standard deduction got doubled when President Trump first went in eight, nine years ago, I think it was 70% taxpayers were taking the standard. Now it's, I think, 90%. So they're thinking, "Well, we're not itemizing, and so we can't benefit from the deduction for tips and the deduction for overtime, the enhanced senior deduction, or the interest on car loans," but they can because the administration made it so that those specific deductions are taken despite if you are taking the standard deduction. They're extra. Whether you itemize or not, both types of taxpayers, those who itemize and those who take the standard, can take the four deductions I just spoke to. They're on that schedule 1 or A-1, whatever it is. It's a special schedule just for those four. So hopefully your listeners realize, well, maybe they should look into that because it's not just for the itemized deductions people.

DUQUETTE: 25:54

Now, you talked about the enhanced senior deduction. Let's not confuse that with the normal extra standard deduction [laughter]. That's always been in the law, that if you were 65 or older, you got a bit of a bump in your standard deduction over whatever it would have been, whether you're married or not. And for 2025, that additional deduction - it's called an additional standard deduction - is, I think, \$2,000 for those aged 65, unless you're married, filing joint and for whatever reason, probably revenue raising or revenue capping, they wanted to-- I should say expense gapping. They made that 1,600. So a little confusion written about in my article here.

DUQUETTE: 26:55

The normal extra deduction standard that's always been in the law and was scheduled with a little bit of inflation to go to \$2,000 for people in 2025, age 65. And that amount is also if you're blind. However, if you're married, filing joint, they cap it to \$1,600 per spouse. So it's a little odd, but now let's park that. That was always there as a mechanism of the tax law to give a bit of a bump for seniors. But what OPA did is provide an enhanced extra deduction for seniors. And I think it appears to me, just my opinion, that it was an afterthought to something that the president wanted,



but for a variety of reasons, Congress couldn't do it, probably because of the cost. This is tied to his attempt to make Social Security benefits tax-free. He campaigned on that, I think. And he really wanted that as one of the cornerstones of the legislation. But they couldn't pull it off. Now, those who have Social Security benefits know, depending on your income level, it's either taxed at 100%-- excuse me, 85% maximum of it is 85% tax. Those with middle income, again, very more complex phase-in ranges there. The middle income taxpayers are at 50% of it is taxed and the lower income is 0. And we've been used to that for decades. He was trying to make it totally tax-free. And instead, I think because of the cost, they decided to still give something to seniors, and they made it an enhanced-- they called it an enhanced senior deduction. And it is generally \$6,000 extra deduction for both you and your spouse if you're both 65 or over. However, it is phased out at a different phase-out formula than all the other deductions have. Just be wary of that. For podcast purposes, I think it's relevant to say that if you're middle to higher income, and that's a nebulous term, because that has different dollar ranges depending on the deduction. But if you're a middle income taxpayer, you may not get the enhanced senior deduction. Now, I will be specific here and not go off my stream of consciousness like I've been doing, Steph. This is an important one because you asked the question, what are the limits for the senior deduction? And it begins to phase out if your AGI exceeds 75,000 if you're a single taxpayer or had a household or married filing separate.

DUQUETTE: 30:10

If you're married filing joint, you start to lose your \$6,000 or 12 if both spouses are 65 or over when AGI hits 150,000. Notice I said begins to phase out. Well, how does it phase out is the complication. And it's different for this deduction than the others. I'm just quoting from my article because it quoted directly from the statutory language. It goes to reflect the complexity of how they write these provisions. And in their defense, they're working with the Joint Committee of Tax Staff to predict in a 10-year model, how much would these provisions cost? They are trying to stay within a certain window of increasing the deficit. They were trying to keep it to, I think, a trillion, trillion and a half, but it looks like it's going to come over. But the point is, they decided that the deduction is going to decline, quote, "by 12 cents per dollar of modified AGI that exceeds \$150,000." So when you do the math, as I had to do with Mike, my co-author, and then compare to what everyone else on the internet was coming up with, there was a disparity on where does this phase out end? So what we came up with, and it seems to be supported by all the reputable sources that tried to figure it out, the deduction is fully phased out at 175,000 of modified adjusted gross income or 250 for joint filers. Now, that's only for this provision. When you do the phase out and where the deductions end for the other deductions, it's a different formula. So that's why I say when we see it begins to phase out at 150 for married couples, and that's sort of upper-middle income, obviously, and it's completely gone by the time you're at 250,000. But for most taxpayers, whether they're [atomized?] or not, they're going to be able to use this. Like the president said, beautiful stuff. It really is. Taxes are not usually a good story, but I feel this package, more than most I've seen, it comes close to the one he passed eight, nine years ago, the Tax Cuts Jobs Act, because he doubled the standard deduction, lowered the rates. And he did a lot more in this bill we haven't gotten to. But I'll pick my cues from you. Have I covered what you wanted in this last question?



- VETO: 33:18      Yes, for sure. And I want to get to the next one because this article focuses on personal tax changes. Can you give us a little overview on how the legislation impacts larger companies and corporations?
- DUQUETTE: 33:34      Okay. And it is good to be focused here on the two types of taxpayers that are businesses. We'll call them the larger businesses that are C Corps, publicly traded. And then all other businesses, I'll call them pass-throughs. They tend to be your sole proprietorships that follow Schedule C on the tax return. They might be owners, self-employed, 100% shareholders or shareholders of an S Corporation or their partner in an LLC, LLP, or general partner. Those entities are what tax professionals call flow-through entities, meaning they don't generally pay income tax on their earnings, but those earnings are allocable to the owners, and the deductions go up with them. There are different provisions in OBA that apply to the pass-throughs. And there are different provisions applicable to the C Corporations, sub chapter C. It's why they're called C Corps. And the larger ones are publicly traded. There are a lot of middle-market, non-publicly traded C Corps, privately owned companies, family-owned businesses that are C Corps for various reasons. That goes beyond the scope of this podcast. And they would enjoy certain benefits of OBA as well. So I'll be careful in the next three minutes to tell you if the provision is applicable only to C Corps, whether they're publicly traded or not, in those that are applicable only to a pass-through entity. And then there's a third bucket, Steph, of course.
- DUQUETTE: 35:34      Just when you thought I was ready to end this particular answer, there's a third bucket, which is provisions that apply to both, the pass-through entity as well as C Corps of any size. And when I first read through the actual law, the house conference report back last July this goes to your first question. What most stuck out to me? Well, I covered the individual provisions, the big ones that stuck out to me. But there's a huge one that stands out to me. Brand new, I don't know anyone who saw this coming, that affects businesses of all sizes. They've given them something that they can do that they've never been able to do before.
- DUQUETTE: 36:29      So I've teased you enough on that. A provision that applies to all businesses, whether they're passthroughs or C corps. And it relates to the ability to immediately expense. And some of your savvy listeners are thinking, oh, Professor Bob's going to talk about bonus depreciation or immediate expensing under Section 179. And that's been in the code for years. Now, I'm talking about something new. Taxpayers, and I've been doing this now since 1986, I don't know of any time period when businesses could immediately expense what is called qualifying production property, QPP. They can immediately expense production property.
- DUQUETTE: 37:23      Now, you're going to say, well, we've always been able to immediately expense if we're a small business under Section 179, our equipment, new or used. True. And bonus depreciation for years has allowed us to immediately expense either 100% of our equipment new or used, or it's been phasing down over the last few years, down to like 40% last year. Well, OBA not only restored 100% bonus depreciation, meaning no cap. And many taxpayers don't realize this. And before I get into qualifying production property, the context is equipment has always been able to be immediately expensed by small businesses up to certain caps that change each year, just a few million.



DUQUETTE: 38:12

But what about the larger business with a lot of equipment? They've had the ability to bonus depreciation, immediately expensed, and wipe out a lot of taxable income. And if they're growing, this continues to reduce taxable income for many years. Not the stuff that you've already expensed, but the new stuff they're buying. And we've known about this for a long time. And the president, to his credit, in this bill, restored 100% bonus depreciation without caps, new or used on all equipment, furnishings, machine learning equipment, computers, all that stuff. I mean, that's why a lot of businesses have much lower taxable incomes because they're taking advantage. It's not aggressive tax planning. It's right in the tax code.

DUQUETTE: 39:03

It's basic stuff. All right. Now, what gets me excited is when I see a new provision called immediate expensing for qualifying production property. Meaning there's a lot of technicality in the language. It seems to me to be applicable to without cap, but it has to apparently have to be new. You can't be buying this as used. It has to be original use to you. But what does it apply to? Buildings, real estate that we've never been able to expense in one year. Imagine that. The reason I'm sort of excited about that is this is huge dollars. This is not just a forklift. This is the entire factory. This is the entire production facility.

DUQUETTE: 40:00

These are apparently I think, until regulations come out, I think it's going to apply to all of these data centers and server farms that the AI companies want to build out, trillions of dollars. The energy companies that have to build out the new generators, we're talking billions upon billions, if not trillions of dollars over the foreseeable future until they decide to change the law. There's no cap, Steph. And it actually is remarkable to me when I'm listening to CNBC and Bloomberg and all of these business shows, I have a long commute in and come home. All of these talk shows, they talk about the boom, the build out. But no one has talked about this is taxpayer financed. Businesses that are C Corps have a 21% rate. So they're saving 21% on taxable income that otherwise would have been taxed, but it's not going to be because there could be some years where they're going to expense billions of dollars to put in this data farm. But it's not just AI, it's not just the power companies. The way I read this is it seems to be applicable to any production, any assembly, any processing, whether it is producing goods, machinery, agriculture, it's not going to be applicable to service businesses. And there'll be regulations that I'm sure taxpayers who feel this might apply.

DUQUETTE: 41:56

Make sure you get an advisor to look at the regulations and determine what extent-- are you in the right industry to take advantage of this? And if you are, what about the improvements you make to the building? Are they going to qualify? It appears to me that they will qualify. So they essentially took what would have been like 39-year life property to deduct the-- normally when you buy a building or construct one, you have to depreciate that over 39 years. That's what's changed. They've made it so that you can immediately expense if you're constructing it new. And you can see, I hope you can see now or hear now why I'm so excited about this. This is huge. And it appears the administration wanted to give businesses an incentive to expand here and not overseas. I mean, why else would they have done this? Now, when we talk about what this tax bill is going to cost, yes. But you can begin to see why the administration says, yes, the official scorers, the Joint Committee of Tax, and all of the think tanks that have looked at this have said we think it's going to cost somewhere between 3



and 5 trillion dollars over 10 years, addition to the deficits that we have. But in defense of the administration, they're saying, wait a minute now, we haven't done anything like this scale ever. Possibly, that's true. I didn't audit that. But I feel like this is big.

DUQUETTE: 43:39

And it may have unprecedented impact on economic growth. We haven't seen it yet. We're still stuck around two-ish, two and a half sometimes. But the hope is long-term with this incentive to stay in the United States, to invest here, to grow here, that despite AI's threat of taking away jobs, we're going to have a lot of construction jobs, a lot of engineering jobs, a lot of-- we're going to have a lot of jobs AI can't do.

VETO: 44:12

And so while it might add to the deficit, there's a calculated chance that's being taken to see where it goes down in the future. That's really something.

DUQUETTE: 44:23

It appears to be more-- I don't think it's just wishful thinking. And I don't think it's just hopeful thinking. I think that there's a reasonable theory here that the administration decided it's worth experimenting with in order to keep jobs here and to grow jobs here, and it is bold. Just like the title of the bill, it's never been done before. And the ability to expense this much of an investment-- you can't expense the land, but the construction, all of it is going to wipe out your tax income, which means you've got the IRS subsidizing you if you're a C Corp at 21%. Now, individuals who have a business, they can do the same thing.

DUQUETTE: 45:13

It doesn't say only for publicly traded companies. They're the ones making the headlines. But any business that purchases new, something built for them new, or constructs it on their own watch as new, will be able to immediately expense that investment. They're not going to do it just for the tax benefit because these are expensive projects, obviously. But it's not going to hurt. And it's possibly going to tip the balance for some entrepreneurs and business owners to say, "Why not? Let's take a chance. The numbers seem tight, but with the tax subsidy from government, this just might work." So that obviously stands out to me as-- it seems to be hidden and not spoke. I don't hear anyone talking about it. That's why I'm talking about it.

VETO: 46:12

It's huge. [laughter] Bob, we didn't even begin to scratch the surface on all of this. And I want to thank you so much for being on the show. I really, really appreciate your time. It's been great talking with you.

DUQUETTE: 46:26

And I appreciate the questions. You obviously read the article. And you seemed interested in the kinds of things that-- we wrote this for people like you and our listeners. We felt, "These are the things that we think are applicable to individuals and to businesses." And you asked me the right questions. You pushed my right buttons. [laughter] You got me to talk about the things that I think were truly exciting about this bill. Everyone who is still doing their returns or hasn't remembered or understood the power of some of these provisions, especially in business, will be surprised here.

DUQUETTE: 47:11

Oh, I'll leave it on one more pleasant footnote. This is huge. Sole proprietors, pass-throughs, owners of partnerships and S corps, all of the non-C Corps, okay, now, that bucket, which is, by the way, Steph, 95% of business returns, the IRS says, are the flow-throughs. 95% of businesses are not your publicly traded companies. And they're not family-owned C-corps. They are flow-throughs. The reason I emphasize that is the president in the first bill eight, nine years ago, the Tax Cuts Jobs Act, he actually



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lowered the individual tax rate on their business earnings for most businesses. By saying in the law then, 20% percent of the income of your business would be deductible, tax-free effectively. So if you had a small business with, let's say, a million of earnings, the tax law that was passed nine years ago taxed only 80% of that. It would tax only \$800,000 by giving you a 20% deduction. So back then, he lowered your highest marginal rate a few points, but he also provided for a 20% off on all--most of the earnings of your business. It had to qualify. It couldn't be certain service businesses. But even those, if your income was below a few hundred thousand dollars, it's pretty high. They phased out the ability to use this if you were a service business, but the income at which point you're not able to use the deduction is pretty high. I mean, it's almost half a million for married funding joint couples. So if your income is below half a million, in 2025, you could get 20% deduction on your income. And this applies to generally all of the non-service businesses and the ones that are service businesses, it applies as long as the income is below half a million or below a quarter million if you're not married, filing joint. The point is, that was going to expire at the end of 2025. He extended it.

DUQUETTE: 49:35

So anyway, the power of the first bill that he extended plus the new bill is really connecting the government's limited revenues on the expenditure side to helping you expand your business, survive your business, or decide to come here in the first place and have a business. So we'll end it on that positive note. And I'll say goodnight.

VETO: 50:07

That was Robert Duquette, or Professor Bob, as his students know him, speaking with us about some of the new tax changes because of the One Big Beautiful Bill Act. This podcast is brought to you by Illuminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh Business Thought Leaders or to follow us on social media, please visit [business.lehigh.edu/news](https://business.lehigh.edu/news). This is Stephanie Vito, host of the Illuminate podcast. Thanks for listening.