

2025 SALT Deduction: How Business Owners Can Secure Tax Savings Amid Congressional Split

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- **July 3, 2025** — Congress has completed its approval of the One Big Beautiful Bill Act, which includes a temporary increase to the SALT deduction cap. The legislation passed the House by a narrow 218-214 margin after record-breaking floor speeches and now heads to President Trump's desk. His signature is expected on July 4 at 5:00 p.m. ET. For full details on the final tax package see the article linked below.

Read our latest update on this topic.

[What Business Owners Should Do Now That the One, Big, Beautiful Bill Has Passed the House](#)

By The Guillen Pujol CPA Group Newsroom

[Business](#)

As part of broader negotiations surrounding the “One Big Beautiful Bill Act” (OBBBA), the U.S. Congress is now debating a provision that could reshape tax planning strategies for business owners and high-income earners in 2025: the federal cap on the state and local tax (SALT) deduction.

For business owners—particularly those operating in high-tax states or structured as pass-through entities—these changes could affect entity-level deduction planning, estimated tax payments, and long-term location strategy.

Originally capped at \$10,000 by the 2017 Tax Cuts and Jobs Act (TCJA), the SALT deduction has become a flashpoint in this year’s legislative process. While the House of Representatives has passed a proposal to expand the cap, the Senate’s version maintains the current limit—putting the fate of this deduction at the center of high-stakes fiscal negotiations.

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What Is the SALT Deduction and Why Is It Under Debate in 2025?

The SALT deduction allows individual taxpayers who itemize to deduct state and local income, sales, and property taxes from their federal tax return — for example, a high-income resident in California paying \$20,000 in state income and property taxes could deduct that amount from their federal return under pre-TCJA rules, significantly lowering their federal tax bill. The 2017 TCJA capped this deduction at \$10,000 beginning in 2018, disproportionately affecting taxpayers in high-tax states such as California, New York, New Jersey, and Illinois.

Read more:[What Business Owners Should Do Now That the One, Big, Beautiful Bill Has Passed the House](#)

In May 2025, the House passed a bill that would raise the SALT cap to \$40,000 for joint filers earning less than \$500,000, with phaseouts beginning at that threshold. Single filers would have a proportionally smaller cap. The Senate’s June 17 proposal retains the \$10,000 cap, with no phaseout structure announced. However, according to Bloomberg Tax (June 18), Senate aides are discussing a potential compromise: set the SALT cap at \$30,000 for joint filers, with phaseouts beginning around \$400,000 in adjusted gross income (AGI).

Comparing House and Senate SALT Proposals for 2025

Provision	House Bill (May 22)	Senate Proposal (June 17)
SALT Deduction Cap	\$40,000 for joint filers (AGI < \$500,000)	\$10,000 (no change)
Income Phaseout	Begins at \$500,000 AGI	Undisclosed (compromise expected)
SALT Workaround Restrictions	Limits for certain pass-through businesses	To be determined
Impact on Married Filers	Full \$40,000 cap if qualified	No changes from current law

Sources: [Congress.gov](#), [Tax Policy Center](#), [Bloomberg Tax](#)

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SALT Deduction Debate – Impact on Business Owners in 2025

Business Owners in High-Tax States

Business owners in high-tax states could see major swings in their federal liability based on the final SALT cap.

For example, consider a pass-through business owner in New York with \$450,000 in adjusted gross income (AGI), filing jointly, and paying \$25,000 in combined property and state income taxes—without utilizing a PTET election. Under current law, their SALT deduction is limited to \$10,000. If the House bill becomes law, the full \$25,000 could be deductible on their federal return.

Here's how that would impact their tax liability:

- Current allowable deduction: \$10,000
- Proposed allowable deduction: \$25,000
- Additional deduction: \$15,000
- Federal marginal rate (top bracket): 37%
- Estimated federal tax saving: $\$15,000 \times 0.37 = \$5,550$

For business owners operating as passthroughs and not currently electing PTET, this would increase their after-tax cash flow by over \$5,000, potentially affecting estimated payments, quarterly draws, or retained earnings decisions.

Pass-Through Entities and SALT Workaround Limitations

Since the [2018 implementation of the \\$10,000 cap](#), many states introduced pass-through entity tax (PTET) elections to shift state taxes to the entity level, thus bypassing the cap on individual returns.

The House bill would limit certain SALT workaround strategies, particularly for specified service trades or businesses (SSTBs), without eliminating them entirely. These proposed limits merit close review from owners relying on state-level deductions.

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Business owners relying on these strategies should conduct a detailed review to assess exposure under a potential post-reform framework.

Married Filing Jointly and the SALT Deduction Cap

Under current law, the \$10,000 SALT cap applies per return, not per taxpayer. This means that married couples filing jointly receive the same deduction as single filers, creating what many refer to as a marriage penalty—The House bill would *correct* this by allowing \$40,000 for joint filers, which could significantly reduce the burden for couples with high property taxes and state income tax obligations.

High-Income Foreign Individuals with U.S. Tax Residency

Non-U.S. citizens taxed as U.S. tax residents due to green card status or the substantial presence test face the same SALT cap. If raised, they too could benefit—particularly those with U.S. real estate or passthrough income.

Foreign investors who file personal U.S. returns should evaluate how SALT changes may affect their U.S. taxable income and entity structure choices in 2025.

If the SALT Deduction Cap Remains at \$10,000

If the Senate's position prevails and no increase to the cap is passed, several effects may follow:

- Business owners in high-tax states will continue to face higher effective federal tax rates.
- Migration to low-tax states (Florida, Texas, Nevada with no personal income tax) may accelerate (PTET strategies will likely remain in place), but could lose effectiveness if further restricted.
- Tax planning for those near the standard deduction threshold will stay complex.

Strategic Planning Steps for Business Owners Ahead of Final Legislation

With SALT cap debate entering a critical stage in Congress, business owners—particularly those operating passthrough entities in high-tax states—should engage in proactive planning to navigate potential outcomes. The final legislation could significantly alter federal tax liabilities depending on where the deduction cap is set (\$10K, \$30K, or \$40K), whether phaseouts are introduced, and how PTET strategies are restricted. The

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Following actions are aligned with established tax planning best practices and remain compliant under current federal guidance.

- **Run projections.** Model scenarios for \$10K vs. \$40K caps (and any potential compromise such as \$30K), especially for clients with AGIs between \$250,000 and \$500,000. This helps evaluate the real after-tax impact of any finalized policy.
- **Review entity structure and tax elections.** Assess whether your current passthrough structure—particularly any PTET elections—will remain effective. Owners of SSTBs should be especially vigilant, as the House bill proposes potential limits on state-level deduction strategies that shift liability from the individual to the entity.
- **Track timing of tax payments (Prepayment strategies).** Consider the impact of accelerating or deferring property and income tax payments based on year-end legislation. Payment timing could determine deductibility if a new SALT cap or PTET restriction is passed retroactively.
- **Monitor reconciliation developments.** The SALT deduction cap will be resolved through the reconciliation process. Business owners should track Capitol Hill updates closely, and watch for a potential \$30K cap or other income-based phaseouts.

Legislative Timing Note

Final resolution on the SALT deduction will likely emerge via budget reconciliation before the July 4 recess. However, delays could result from Senate procedural challenges under the Byrd Rule. Advisors should prepare for possible last-minute changes or retroactive provisions.

How the SALT Deduction Outcome May Shape Business Tax Strategy in 2025

The outcome of this legislative debate will not only influence year-end deductions—it may also affect broader questions such as whether to relocate, how to structure income, and whether a C corporation election becomes more advantageous.

All figures mentioned—such as the \$40,000 House cap or potential \$30,000 compromise—remain subject to change as negotiations continue.

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Advisors and clients with exposure to high state tax burdens must track this issue closely. If the final bill includes a cap increase, there may be a narrow window for adjusting estimated tax payments, entity-level elections, or deduction timing before December 31, 2025.

The final shape of the SALT deduction will ripple far beyond IRS forms—it could influence where entrepreneurs live, how they report income, and whether pass-through entities remain viable under tightening state workarounds. The Guillen Pujol CPA Group Newsroom will continue to monitor negotiations and provide timely updates as congressional negotiations evolve in the coming weeks.

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