PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

FULL EXPENSING FOR COMMERCIAL BUILDINGS

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ADVANCING **AMERICAN** FREEDOM

TOPLINE: Congress should allow full and immediate expensing for all commercial, industrial, and agricultural buildings, structures, and privately owned infrastructure.

BACKGROUND: The One Big Beautiful Bill (OBBB) enabled companies to deduct costs related to the construction of factories in the year they are placed in service. Previously, the tax code only allowed firms to gradually deduct these costs according to a 39-year depreciation schedule. Unfortunately, this "full expensing for factories" provision is set to expire as it only applies if construction begins by the end of 2028 and the building is placed in service by the end of 2030. Moreover, it only applies to a small subset of business structures—those that are integral to the manufacturing, production, or refinement of tangible personal property within the United States.

Construction of other non-residential structures is generally still subject to a 39-year depreciation schedule. Instead of allowing companies to immediately deduct costs related to the construction of non-residential structures, the tax code only allows firms to deduct 2.56% of the costs per year. This exceptionally unfavorable tax treatment deters new construction of distribution centers, warehouses, barns and agricultural buildings, pipelines, utility structures, laboratories, data centers, offices, medical clinics, hotels, theaters, stores, restaurants, and more.

Action Items (Congress):

- **Make permanent the temporary full expensing for factories** and other qualified production property that was enacted in OBBB.
- **Allow companies to fully deduct non-residential property** construction and improvement expenses *when* the property is placed in service.
    - Short of that ideal, Congress could allow all non-residential property to follow an accelerated depreciation schedule (15 years or less).
    - Alternatively, it could enact neutral cost recovery for non-residential property, which would increase the amount of deductions after the first year to account for inflation and interest costs.

How It Would Make Life More Affordable:

- Ending punitive tax treatment for non-residential structures would help reduce costs across the economy by making it more economical to invest in factories, distribution centers, warehouses, utility infrastructure, and more.
- It would free up more capital for growing businesses to rapidly expand production.

Related Legislation: Section 70307 of OBBB.

BOTTOMLINE: Tax barriers that discourage the construction of new workplaces make it harder for Americans to work productively and create abundance.