

Key One Big Beautiful Bill Tax Provisions

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) P.L. 119-21 was signed into law. The bill permanently extends many temporary individual tax provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) that were set to expire at the end of 2025, including lower individual tax rates, increased standard deduction, and qualified business income deduction. OBBBA also provides temporary income exclusions for certain tips and overtime, adds a new temporary deduction for seniors, and repeals many clean energy credits and incentives. It would also make certain business tax breaks permanent, including immediate full research expensing and 100% bonus depreciation.

Lawmakers settled on a temporary state and local tax deduction cap increase to \$40,000. Nonpartisan economic projections indicate that the bill will add roughly \$4 trillion to the national debt over the next decade. Below is a summary of key tax changes that may be impactful to you.

KEY OBBBA INDIVIDUAL TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Individual Tax Rates	Tax Brackets of 10, 12, 22, 24, 32, 35 & 37%. Set to expire and revert to higher pre-TCJA rates after 2025 (10, 15, 25, 28, 33, 35, 39.6%). Bracket income thresholds are adjusted annually for inflation.	Makes current tax bracket rates permanent (10, 12, 22, 24, 32, 35 & 37%). Lower brackets get an additional year of inflation adjustment in 2026.
Personal Exemptions	A deduction for yourself, a spouse, and each qualifying dependent that lowered adjusted gross income. Eliminated by the TCJA for tax years 2018-2025. Amount in 2017 was \$4,050 per person.	Eliminated permanently. A new temporary senior deduction has been added for tax years 2025-2028 (see Deduction for Seniors).
Standard Deduction	A deduction lowering adjusted gross income for those who do not itemize deductions. The amount was nearly doubled by the TCJA for tax years 2018-2025. Amounts for 2025 were \$30,000 MFJ, \$22,500 HOH, \$15,000 single & MFS. Additional standard deduction is allowed for blind and those age 65 or older. Lowered after 2025 to \$16,600 MFJ, \$12,150 HOH, and \$8,300 single & MFS.	TCJA increase made permanent; additional increases for tax year 2025 so that amounts are \$31,500 for MFJ, \$23,625 for HOH, \$15,750 for all other filers.
Deduction for Seniors	Seniors aged 65 and over are allowed an increased standard deduction. See Standard Deduction.	New additional \$6,000 below-the-line deduction per senior aged 65 or older for tax years 2025-2028. Deduction is phased out once modified AGI exceeds \$150,000 MFJ/\$75,000 single.
Estate & Gift Tax Exemption	The estate and gift tax do not apply until exemption amounts are surpassed. The exemption amount for 2025 is \$13.99 million per person, annually adjusted for inflation. Roughly cut in half after 2025.	Exemption increased to \$15 million per person in 2026 (indexed annually for inflation) and made permanent.
Child Tax Credit	Credit of up to \$2,000 per child; TCJA increased the AGI phaseout. Reverts to \$1,000 after 2025.	Increased to \$2,200 per child beginning in 2025 and indexed for annual inflation adjustment; permanent increased AGI phaseout threshold amounts of \$400,000 MFJ/\$200,000 other.

KEY OBBBA INDIVIDUAL TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Credit for Other Dependents	Nonrefundable \$500 per dependent who is ineligible for the Child Tax Credit. Expires after 2025.	Credit made permanent.
Alternative Minimum Tax (AMT) Exemption	The AMT is a parallel tax calculation with slightly different rules for those impacted. The TCJA increased income exemption and phase-out thresholds for tax years 2018-2025, making the AMT less applicable.	Higher exemption amounts made permanent; reverts the exemption phaseout threshold to 2018 levels of \$1,000,000 MFJ/\$500,000 other, indexed for inflation thereafter.
No Tax on Tips	Tip income is taxable by recipient.	New deduction of up to \$25,000 for qualified tips received and reported on an information return for tax years 2025 through 2028. Deduction is phased out once income exceeds \$300,000 MFJ/\$150,000 single. Allowed for both itemizers and non-itemizers.
No Tax on Overtime	Overtime income is taxable by recipient.	New deduction of up to \$25,000 MFJ/\$12,500 single for qualified overtime compensation reported on Form W-2 for tax years 2025 through 2028. Deduction is phased out once AGI exceeds \$300,000 MFJ/\$150,000 single. Allowed for both itemizers and non-itemizers.
State and Local Tax (SALT) Itemized Deduction Limitation	\$10,000 cap applies at the individual level (\$5,000 for MFS). Set to expire Dec. 31, 2025. Many states enacted pass-through entity tax (PTET) workarounds to deduct business state income taxes at the entity level for federal income tax purposes.	Cap increased to \$40,000 (\$20,000 MFS), increasing by 1% each year, with a modified AGI phaseout of \$500,000 for tax years 2025 through 2029 down to \$10,000. Reverts to \$10,000 in 2030. Pass-through Entity Tax (PTET) programs remain available.
Charitable Contributions Made By Individuals - Non-itemizers	Taxpayers must itemize to receive a tax benefit from charitable contributions. Pandemic laws allowed a temporary below-the-line limited deduction for non-itemizers.	Permanent above-the-line deduction of up to \$2,000 for MFJ/\$1,000 for single filers for non-itemizers making charitable contributions in tax years beginning after 2025.
Charitable Contributions Made By Individuals - Itemizers	Charitable contributions are deductible subject to the taxpayer's contribution base limitations imposed depending on the type of contribution. Cash contributions are limited to 60% of AGI; will revert to 50% of AGI after 2025.	New 0.5% reduction on charitable contributions made after 2025 for itemizers. Permanent increased contribution limitation of 60% for cash gifts to qualified charities.
Mortgage Interest Itemized Deduction Limitation	The home mortgage interest itemized deduction is limited to \$750,000 of acquisition debt for tax years 2018-2025; home equity debt use limitations. Debt limit would increase back to \$1 million in 2026. Mortgage insurance premiums deductible between 2008 and 2021.	\$750,000 limitation on acquisition indebtedness and home equity indebtedness interest exclusion made permanent. Certain mortgage insurance premiums deductible as qualified interest.
Miscellaneous 2% Itemized Deductions	Deductions in this category (including investment expenses, legal fees, tax prep fees, and un-reimbursed employee expenses) are suspended by the TCJA for tax years 2018-2025.	TCJA deduction eliminations made permanent but allows an exception for un-reimbursed employee expenses for eligible K-12 educators starting in 2026.

KEY OBBBA INDIVIDUAL TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Overall Itemized Deduction Limitation	"Pease" limitation on itemized deductions for higher income individuals; suspended by the TCJA through 2025.	Pease limitation permanently repealed and replaced with a new itemized deduction limitation of a 35% benefit for those in the 37% bracket. Begins in 2026.
Personal Casualty Losses	Deduction for personal casualty losses limited to those resulting from federally declared disasters for tax years 2018-2025. Qualified disaster losses (specifically designated disasters/periods are allowed without having to itemize deductions and without a 10% of AGI haircut) are only allowed for qualified disasters that ended no later than Jan. 11, 2025 and were declared by the President no later than Feb. 10, 2025.	Federally declared disaster limitation made permanent but includes state declared disasters as well for tax years 2026 and on. Qualified disaster loss treatment available for disasters with an incident period beginning after Dec. 27, 2020 and before July 5, 2025, provided that the disaster has ended by August 3, 2025.
Moving Expense Deduction	Above-the-line deduction for qualified moving expenses that is only allowed for Armed Forces members for tax years 2018-2025. (Pre-TCJA allowed for all who otherwise qualified).	Permanently repealed for all except active-duty Armed Forces members and members of the Intelligence Community.
Student Loan Debt Cancellation Exclusion	Income resulting from the discharge of student debt on account of student's death or total disability is excluded from taxable income. Set to expire after 2025.	Exclusion made permanent.
Wagering Losses	TCJA applies the limitation of losses from wagering transactions to the extent of gains to other related expenses for tax years 2018-2025.	TCJA limitation made permanent. Also a new additional limitation applies that limits wagering losses to 90% starting in 2026.
Credit for Contributions to Scholarship Granting Organizations	None	New credit for charitable contributions made to scholarship granting organizations - tax exempt organizations that provide scholarships to elementary and secondary school students. Limited to \$1,700 per year. Effective for 2027 and on.
Car Loan Interest Deduction	Personal car loan interest is not deductible.	New deduction of up to \$10,000 for qualified passenger vehicle loan interest for tax years 2025 through 2028. Deduction phases out once modified AGI exceeds \$200,000 MFJ/\$100,000 others.
New "Trump" Child Savings Accounts	N/A	New "Trump" accounts available for children under age 8. \$5,000 inflation-adjusted annual contribution limitation (n/a for contributions from tax exempt entities); contributions can be made until beneficiary is age 18. Distribution limitations until child reaches age 31. Children born during 2025 through 2028 can receive \$1,000 from the government.

KEY OBBBA INDIVIDUAL TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
529 Plan Expenses	529 savings plans are tax-advantaged accounts designed to fund education expenses, allowing tax-free withdrawals for qualified educational expenses. Qualified expenses limited to higher education and \$10,000 for K-12 tuition.	Qualified expenses expanded to include more K-12 expenses, as well as postsecondary credentialing expenses. Effective for distributions made after the bill's enactment date.
Exclusion for Dependent Care Costs	Up to \$5,000 annual exclusion from income for dependent care assistance. Not indexed for inflation.	Up to \$7,500 annual exclusion from income for dependent care assistance starting in 2026. Not indexed for inflation.
Child and Dependent Care Tax Credit	Credit for qualifying child and dependent care. Maximum qualifying expenses available are \$3,000 for one qualifying individual and up to \$6,000 for two or more. Credit is a percentage (20-35%) of those qualifying expenses based on taxpayer AGI (lower percentage as AGI increases).	Maximum credit rate increased to 50% for tax years after 2025.
Opportunity Zones (OZ)	TCJA created opportunity to defer and potentially exclude capital gains by investing in low-income communities. Original locations designated in effect through 2028.	Creates a permanent OZ program that builds off of the original program, with rolling 10-year OZ designations beginning in 2027.
Exclusion of Employer-Paid Student Loans	Annual exclusion from taxable income of up to \$5,250 of employer-paid student loans for tax years 2018-2025.	Made permanent and adjusted annually for inflation.
ABLE Accounts	Achieving a Better Life Experience (ABLE) are tax-advantaged savings accounts for those with disabilities.	Makes permanent the tax-free rollover of 529 plans to a qualifying ABLE account. ABLE account contributions made permanently eligible for the Saver's Credit and increased contribution limitations.
Adoption Credit	Nonrefundable credit for qualified adoption expenses.	\$5,000 of the credit refundable and adjusted for inflation starting in 2025.
Premium Tax Credit	Credit to help eligible individuals and families cover health insurance premiums purchased through the Marketplace.	Enhanced credit allowed to expire after Dec. 31, 2025.
Clean Vehicle Credit (§30D)	Up to a \$7,500 credit for qualifying clean energy vehicles; set to expire Dec. 31, 2032.	Credit terminated for vehicles acquired after Sept. 30, 2025.
Pre-Owned Clean Vehicle Credit (§25E)	Up to a \$4,000 credit for qualifying clean energy vehicles; set to expire Dec. 31, 2032.	Credit terminated for vehicles acquired after Sept. 30, 2025.
Energy Efficient Home Credit (§25C)	Credit for qualifying energy efficient home improvements. Set to expire Dec. 31, 2032.	Credit terminated for property placed in service after Dec. 31, 2025.
Residential Clean Energy Credit (§25D)	Credit for qualifying clean energy producing home improvements. Set to expire Dec. 31, 2034.	Credit terminated for property placed in service after Dec. 31, 2025.

KEY OBBBA INDIVIDUAL TAX PROVISIONS

TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Elimination of Tax on Certain Firearms	\$200 transfer tax and a manufacturing tax applies on silencers, short-barreled rifles, and short-barreled shotguns.	Transfer and manufacturing taxes removed for silencers, short-barreled rifles, and short-barreled shotguns.

KEY OBBBA BUSINESS TAX PROVISIONS

TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Bonus Depreciation	Accelerated depreciation available for qualifying property. Phase-down from 100% began in 2023 as imposed by TCJA, continues declining at 20% increments until 0% in 2027.	100% bonus depreciation made permanent for qualifying property placed in service on or after Jan. 19, 2025.
Bonus Depreciation - Qualified Production Property	In general, cost of nonresidential real property is recovered over 39 years.	New 100% deduction for qualified manufacturing property where construction begins after Jan. 19, 2025, and before Jan. 1, 2029. Property must be placed in service prior to 2031.
Small Business Expensing (§179)	Immediate fixed asset expensing of up to \$1,250,000 is allowed for 2025, phased out once fixed asset purchases for the year exceed \$3,130,000. Amounts are indexed annually for inflation.	Amounts increased to \$2,500,000 of expensing and \$4,000,000 phase-out for tax year 2025; indexed for inflation annually.
Research Expensing	TCJA imposed mandatory 5-year amortization, rather than full immediate expensing, for domestic research; 15-year expensing for foreign research. Effective for tax years beginning after Dec. 31, 2021.	Permanent full expensing for domestic research expenditures paid or incurred after Dec. 31, 2024. Small businesses with average annual gross receipts of \$31 million or less have an opportunity to retroactively deduct in full for tax years 2022-2024. Additional option for all taxpayers to accelerate remaining amortization deductions over a one or two-year period.
Interest Expense Limitation (§163(j))	TCJA provision that limits business interest expense deduction based on a percentage of adjusted taxable income. Calculation is based on earnings before interest, taxes, depreciation, and amortization (EBITDA) from 2018-2021 and earnings before interest and taxes (EBIT) after 2021.	Permanently reinstates use of EBITDA for tax years beginning after 2024. Adds capitalized interest to the definition of business interest and excludes Sub F and GILTI in computing the limitation for tax years beginning after 2025.

KEY OBBBA BUSINESS TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
Qualified Business Income (QBI) Deduction (Pass-through Deduction)	20% deduction on QBI for pass-through owners (Partnership, S Corporation, or Sole Proprietorship), as well as 20% of certain real estate investment trust dividends and publicly traded partnership income for tax years 2018-2025. Limitations apply once taxable income exceeds threshold amounts; the limitations are phased in over a fixed amount of \$100,000 MFJ/\$50,000 all others.	20% deduction made permanent with increased phase-out amounts of \$150,000 MFJ/\$75,000 all others. A new inflation-adjusted minimum deduction of \$400 is allowed for taxpayers who have at least \$1,000 of QBI from an activity in which they materially participate. Effective after 2025.
Excess Business Loss (EBL) Limitation	TCJA imposed loss limitation for pass-through business owners from 2018-2028. Losses disallowed become net operating loss (NOL) carry-forwards. Losses are limited are the excess of current year net business losses over a specified amount. In 2025, the amounts are \$626,000 for MFJ/\$313,000 for all others.	Limitation made permanent.
Qualified Small Business Stock (QSBS) §1202	Provides an exclusion on gain from sale of QSBS held for more than 5 years.	Holding period modified to allow a partial exclusion for QSBS acquired on or after the bill's enactment date: 50% exclusion if held for 3 years and 75% exclusion if held for 4 years. Maximum amount eligible for exclusion increased from \$10 to \$15 million; corporate aggregate gross asset limitation is increased from \$50 to \$75 million.
Charitable Contributions Made by Corporations	Charitable contribution deduction is limited to 10% of taxable income for corporate taxpayers. Excess contributions can be carried forward 5 years.	New 1% of taxable income floor applies beginning after 2025, with 10% of taxable income limitation max. Excess contributions carry-forward.
Employer Provided Meals Deduction	A 50% deduction is allowed for employer provided meals; expenses will be nondeductible after 2025.	Deduction for employer-provided meals allowed to expire after 2025, but an exception is made for businesses that also sell food, and for commercial vessels and fishing boats. .
Base Erosion & Anti-Abuse Tax (BEAT) Rate	A TCJA-imposed minimum tax on international corporations making certain payments to related foreign entities. 10% with a scheduled increase to 12.5% after 2025.	Beat rate permanently set at 10.5%.
Foreign-Derived Intangible Income (FDII) & Global Intangible Low-Taxed Income (GILTI) Deduction	Deductions allowed of 37.5% of FDII; 50% of GILTI.	Deductions allowed of 33.34% of FDII; 40% of GILTI. GILTI renamed as net CFC tested income (NCTI); FDII renamed to foreign-derived deduction eligible income (FDDEI). No allocation of interest or R&D and elimination of QBAI for both. FTC haircut reduced to 10% for GILTI.

KEY OBBBA BUSINESS TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
International Sections 954(c)(6), 898(c) & 863(b)	Section 954(c)(6) allows for CFC to CFC look through to apply. Section 898(c) provided for a one-month deferral election for CFC accounting periods, and section 863(b) is effectively partially restored to the pre-TCJA rules that allowed for FSI on US produced inventory.	Makes permanent section 954(c)(6). Repeals 898(c) one month deferral rule. Allows for FSI on US produced inventory sold abroad.
Low-Income Housing Tax Credit (LIHTC)	Credit for the costs of building or rehabilitating rental housing occupied by low-income tenants. Total housing credits available in a year are limited to the State housing credit ceiling.	Permanently increases the state allocation ceiling by 12 percent and the lower bond-financing threshold to 25% for projects financed by bonds starting in 2026.
Employee Retention Credit (ERC)	April 15, 2025 due date to file refund claims related to 2021 quarters.	Claims submitted after Jan. 31, 2024 are disallowed if related to Q3 or Q4 2021. Enhanced penalty and statute of limitations.
Employer Provided Childcare Credit	Credit for 25% of qualified expenses, with a total annual credit limitation of \$150,000.	Increased to 40% (50% for small businesses), with a maximum credit of \$500,000 (\$600,000 for small businesses). Amounts are adjusted annually for inflation. Effective for amounts paid or incurred after Dec. 31, 2025.
Paid Family & Medical Leave Credit	Provides a credit for employers who provide paid FMLA. Expires after 2025.	Credit is made permanent and enhanced for tax years after 2025.
New Markets Tax Credit	Credits for private investment in low-income communities; set to expire after 2025.	Credit made permanent.
Advanced Manufacturing Investment Credit	Credit available for qualified investments in an advanced manufacturing facility (semiconductor related) where construction begins prior to Jan. 1, 2027.	Credit rate is increased from 25 to 35% effective for property placed in service after 2025.
Work Opportunity Tax Credit (WOTC)	Credit for wages paid to certain individuals.	Allowed to expire after Dec. 31, 2025.
Energy Efficient Commercial Buildings Deduction (§179D)	Immediate expensing for qualifying property.	Deduction terminated for property which construction begins after June 30, 2026.
Commercial Clean Vehicle Credit (§45W)	Up to a \$40,000 credit for commercial clean energy vehicles; set to expire Dec. 31, 2032.	Credit terminated for vehicles acquired after Sept. 30, 2025.
Alternative Fuel Refueling Property Credit (30C)	Credit for 30% of qualifying property cost, up to \$100,000. Set to expire Dec. 31, 2032.	Credit terminated for property placed in service after June 30, 2026.

KEY OBBBA BUSINESS TAX PROVISIONS		
TAX PROVISION	SUMMARY & PRIOR LAW	OBBBA CHANGE
New Energy Efficient Home Credit (§45L)	Credit for builders on energy efficient homes sold through 2032.	Credit repealed for homes acquired after June 30, 2026.
Advanced Energy Project Credit (§48C)	Credit for investment with respect to qualifying advanced energy projects.	Funds returned to Treasury cannot be reissued; effective July 4, 2025.
Form 1099 Information Reporting	Form 1099 reporting by a business for services performed by an independent contractor and certain other payments has a \$600 filing requirement threshold for payments made in the course of a trade or business.	Reporting threshold increased to \$2,000 for payments made after 2025; indexed for inflation.
Form 1099-K Reporting	Reporting requirement for third-party settlement organizations with a reporting threshold set to be lowered from \$20,000 of payments and over 200 transactions to \$600 of payments in 2026.	Reinstates threshold of \$20,000 of payments and over 200 transactions.
Excise Tax on Investment Income of Certain Private Colleges and Universities	An annual 1.4% excise tax imposed on net investment income of colleges and universities with large endowment fund balances.	Introduces a new tiered system with rates of 1.4, 4, and 8% depending on the amount of student-adjusted endowment.
Excise Tax on Excess Compensation within Tax-Exempt Organizations	Excise tax on remuneration in excess of \$1 million paid to a covered employee in a tax year.	Expanded to include former employees.
Excise Tax on Excess Compensation	Excise tax on certain public company employees exceeding \$1 million in annual compensation.	An entity aggregation rule applies for tax years after 2025.
Payments from Partnerships to Partners for Property or Services	Section 707(a)(2) applies to certain payments from a partnership to a partner only as prescribed by Treasury regulations.	Clarifies that the statute applies except as provided.
Agricultural Real Property Loan Interest Exclusion	None	Permanent exclusion from of gross income of 25% of interest income derived from qualified real estate loans. Qualifying loans are made after the date of enactment for farms, ranches, fishing, seafood processing, or aquaculture.
Qualified Sound Recording Production Costs	Election available to immediately deduct up to \$15 million of aggregate production costs of any qualified film, television, or live theatrical production that begins prior to 2026. Increased to \$20 million for low-income areas.	Expanded to include sound recording production costs that begin before 2026, up to \$150,000 per year. Bonus depreciation includes sound recording productions made before 2029.