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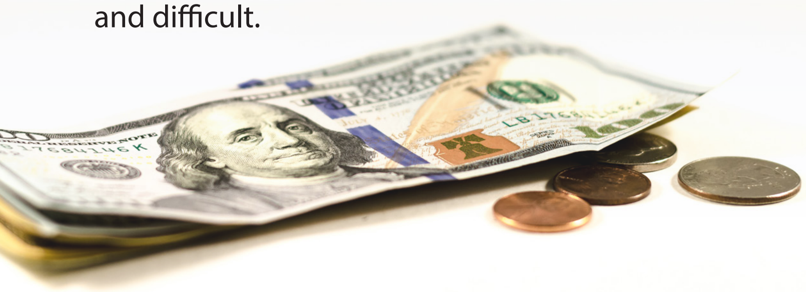
# One Big Beautiful Bill and What It Means to You

On Independence Day, July 4, 2025, President Trump signed the 2025 Tax Act (P.L. 119-21) into law. This bill is commonly referred to as the One Big Beautiful Bill ("OBBB"), as President Trump likes to call it. The OBBB passed through slim majorities in the House and Senate, primarily along party lines, through a legislative process known as reconciliation, causing some provisions to only be temporary. It extended many of the tax provisions in the Tax Cuts and Jobs Act of 2017 ("TCJA") that were due to sunset at the end of 2025. The TCJA passed during President Trump's first term in office.

We'll summarize some of the provisions here that affect many of us. Of course, the details are numerous. There may also be many provisions that we do not discuss here that could be important to you. So, individuals and businesses must consult with their own tax and legal advisors as to the impact the OBBB has on their individual situations. Also, some provisions are meant to be permanent whereas others are meant to be temporary, with varying termination dates. For those provisions labeled as "permanent," we know that in politics and tax law, nothing is literally permanent. All are subject to the agenda of the political party in power. So, proper planning requires anticipation of future changes. Tax and legal commentators also point out that many of these provisions would make the preparation of income tax returns more complicated and difficult.



First, we'll look at the TCJA provisions that affect individuals and families and were extended by the OBBB. Next, we'll look at the provisions that affect businesses. And finally, we'll look at some new provisions created by the OBBB.

## Extension of TCJA provisions impacting individuals and families

### Income Taxes

The TCJA lowered the preexisting income tax brackets and expanded the income limits within those brackets allowing for an income tax reduction for most individuals. It also removed the preexisting marriage penalty by doubling the income limits for married couples filing jointly. Those provisions, however, were due to expire at the end of 2025, causing an income tax increase for most individuals. The OBBB has made those tax brackets and income limits, adjusted for inflation, permanent.

## Standard Deduction

The TCJA temporarily increased the standard deduction to $12,000 for singles/married filing separately; $18,000 for head of households; and $24,000 for married filing jointly, indexed for inflation. These increases would have expired at the end of 2025 and been reduced significantly. The OBBB permanently set the standard deduction to $15,750 for singles/married filing separately; $23,625 for head of households; and $31,500 for married filing jointly, indexed for inflation.

Note: As a result of the increases in the standard deduction, fewer taxpayers are itemizing deductions. Many of the provisions affecting deductions would only be applicable for itemizers.

## Personal Exemption

Prior to the TCJA, taxpayers were allowed to claim a personal exemption deduction for themselves, their spouse, and qualifying dependents. The TCJA suspended those exemptions until the end of 2025. The OBBB has permanently eliminated the personal exemption.

## Miscellaneous Itemized Deductions

The OBBB permanently extends the TCJA's disallowance of such deductions. The exception being for unreimbursed employee expenses for "eligible educators." Eligible educators include K–12 teachers, instructors, counselors, interscholastic sports administrators and coaches, principals, and aides working in a school for at least 900 hours during a school year. The deduction is available for equipment and supplementary materials used by eligible educators as part of an instructional activity.

## Child Tax Credit

The TCJA increased the child tax credit amount to $2,000 per qualifying child, without adjustment for inflation. It also increased the refundable portion of the credit (the "additional child tax credit") to $1,400, adjusted annually for inflation ($1,700 for 2025). The TCJA also increased the modified adjusted gross income ("MAGI") threshold amounts at which the credit begins to phase out to $400,000 for joint filers, and $200,000 for all other filers (without adjustment for inflation). The OBBB permanently increases the child tax credit to $2,200 for 2026, subsequently indexed for inflation. The income phaseout is also made permanent, indexed for inflation.

## State and Local Tax ("SALT") Deduction

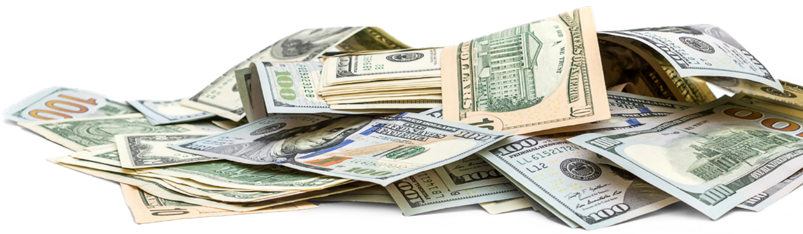
Prior to the TCJA, the SALT deduction was unlimited. The TCJA imposed a cap of $10,000. For the years 2025 to 2029, the OBBB has increased that cap to $40,000 (plus an additional 1% each year beginning with the 2026 tax year). However, the SALT cap above $10,000 is reduced by 30% of a taxpayer's MAGI above $500,000 (also increased by 1% each year after 2025). For example, a taxpayer with MAGI of $600,000 would still be limited to a $10,000 SALT deduction. In 2030, the SALT cap will revert back to $10,000 for all taxpayers so this is a temporary change.

## Mortgage Interest Deduction

Prior to the TCJA, taxpayers could deduct mortgage interest on acquisition indebtedness (i.e., a mortgage to purchase a home) up to $1,000,000. The TCJA lowered that mortgage amount to $750,000 and it would have reverted back to $1,000,000 at the end of 2025. However, the OBBB made the $750,000 limit permanent. Prior to the TCJA, interest on a home equity loan up to $100,000 could also be deducted. The TCJA temporarily eliminated that, and the OBBB has permanently eliminated it.

## Estate and Gift Tax Exemption

The TCJA doubled the estate and gift tax exemption from $5 million to $10 million per person, adjusted for inflation. For 2025, the exemption has been adjusted to $13.99 million per person. This was scheduled to sunset at the end of 2025, reverting the exemption back to $5 million adjusted for inflation (estimated around $7.25 million). The OBBB permanently set the exemption to $15 million per person for 2026 and subsequently adjusted for inflation.



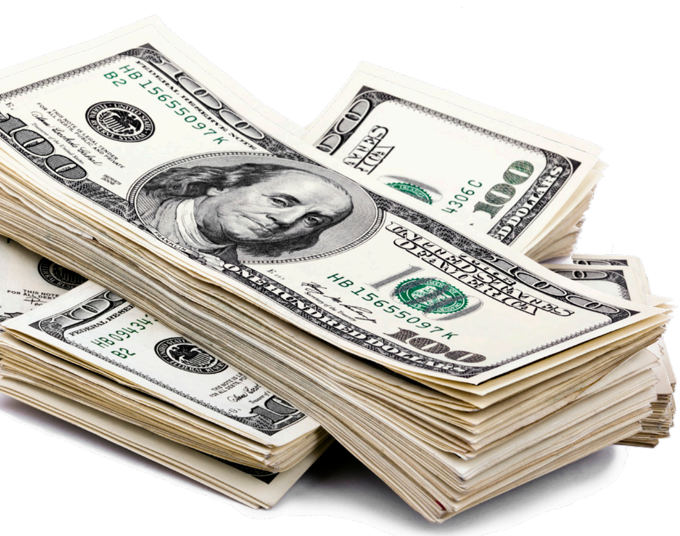
### Charitable Income Deduction

Charitable income tax deductions generally required taxpayers to itemize their deductions to maximize their utility but due to the significantly increased standard deduction, less and less taxpayers were itemizing. The OBBB permanently states that starting in 2026, non-itemizers may now claim a charitable deduction from adjusted gross income, not to exceed $1,000 ($2,000 for a joint return). To qualify, however, contributions must be made in cash to a public charity. Contributions to donor advised funds do not qualify as contributions to a public charity.

### Qualified Opportunity Zones

The TJCA provided investors with an opportunity to defer taxes on capital gains when they sold their investments provided that the proceeds were reinvested in funds created to benefit low-income areas designated by the governors of each state and certified by the U.S. Dept. of the Treasury. These areas are known as Qualified Opportunity Zones ("QOZs") and the funds are Qualified Opportunity Funds or QOFs. Under the TCJA, deferral of gains were allowed until Dec. 31, 2026, if the reinvestment into a QOF occurred within 180 days. Depending upon how long the funds were held in the QOF, potentially some, or all, of the deferred gain could be excluded from income.

The OBBB permanently extended QOZs by allowing governors to designate new QOZs every ten years starting in 2026, although the rules governing what constitutes low-income areas were tightened. Also, the rules governing exclusion of gains were changed with new investments into QOFs starting in 2027.



## Extension of TCJA provisions impacting businesses

### Qualified Business Income ("QBI") Deduction (or "199A Deduction")

The TCJA lowered corporate income tax rates to a flat 21%. However, IRC Section 199A was created, allowing for a qualified business income ("QBI") deduction of 20% for individual taxpayers receiving income from pass-through business entities (i.e., S corporations, limited liability companies, partnerships or sole proprietorships). Pass-through business owners with taxable income over certain thresholds ($197,300 for single filers and $394,600 for joint filers), however, are subject to a potential phaseout of the deduction.

Pass-through entities that are a "specified service trade or business (SSTB)" are subject to even more limitations. SSTBs include any business involved in the performance of the following services: health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, investing or investment management, and trading or dealing in securities, partnership interests, or commodities. For SSTBs, the deduction phases out entirely over their applicable income range.

For non-SSTBs, the deduction also phases out over the same income ranges, but not to $0. Instead, it phases down to the Wage and Depreciable Property (WDP) limit, defined as the greater of: a) 50% of the business's W-2 wages; or b) 25% of W-2 wages plus 2.5% of the unadjusted basis of depreciable property owned by the business.

The OBBB permanently retains the Section 199A deduction and keeps the general structure of these phaseout rules, as well as the applicable thresholds of taxable income above which the deduction begins to phase out. However, the OBBB increases the phase-in range, used to determine the reduction percentage when adjusted gross income ("AGI") exceeds the lower income threshold of the phase-out range, from $50,000 (single) and $100,000 (joint) to $75,000 and $150,000, respectively, beginning in 2026.

The OBBB also creates a new minimum deduction of $400 for taxpayers with at least $1,000 of "active qualified business income" starting in 2026. Realistically, a taxpayer would need $2,000 of QBI to get the $400 deduction because the deduction is generally equal to 20% of QBI. This amount is indexed for inflation starting in 2027.

### Bonus Depreciation

The TCJA accelerated depreciation of business assets purchased and placed in service after September 27, 2017, and prior to January 1, 2023, to 100% in the first year. This was known as "bonus" depreciation. After 2023, the depreciation limit started phasing out at 20% per year. For example, for 2025, the depreciation was limited to 40%; for 2026, it was limited to 20%; and for 2027 and beyond, it was to be completely phased out. The OBBB has permanently reinstated the 100% bonus depreciation for assets purchased and placed in service after January 19, 2025.

### Section 179 Deduction

Prior to the TCJA, businesses could utilize IRC Section 179 to write off, in the first year, some or all of the qualified business assets purchased. The limit, however, was $510,000 in 2017. The TCJA permanently increased the maximum deduction to $1 million, adjusted for inflation. For 2024, the limit was $1.22 million. The OBBB has permanently increased the maximum deduction to $2.5 million for 2025 and increases the phaseout limitation to $4 million.

### Qualified Small Business Stock

For several decades, tax policy sought to stimulate investment in new startup companies. This was codified into law and known as qualified small business stock ("QSBS") acquired directly from a domestic C corporation. In other words, the stock could not be purchased on a secondary market. Also, the corporation must be a certain type of company, generally in the technology, retail, manufacturing and wholesaling sectors. The corporation must have gross assets of $50 million or less when the stock is issued and at least 80% of its assets must be used in an active qualified business. Depending upon when the stock was purchased and how long it was held, investors could potentially exclude up to 100% of the capital gain when the stock was sold.

The TCJA heavily influenced the use of QSBS because of the tax-heavy provisions, most notably, the creation of a lower, flat 21% corporate income tax. As a result, many new businesses were created as C corporations.

The OBBB permanently increased the gross assets requirement to $75 million or less. The OBBB also increased the exclusion from gain: for stock held at least four years, the percentage of gain excluded from gross income increased from 50% to 75%; held for five years or more, the exclusion is 100%. The amount of the exclusion was also raised from $10 million to $15 million, indexed for inflation.

## New provisions impacting individuals, families and businesses

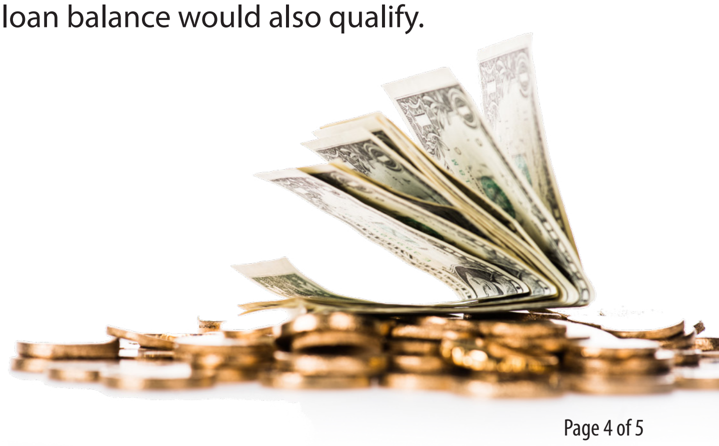
### Senior Deduction

The OBBB permanently eliminated the personal exemption but introduced a new, temporary senior deduction for taxpayers aged 65 and over, and their spouses, if filing jointly, but only through 2028. The deduction is $6,000 per qualified person but is phased out for modified adjusted gross income ("MAGI") exceeding $75,000 (or $150,000 for joint filers).

### Car Loan Interest

The OBBB created a temporary deduction for interest paid on a qualified passenger vehicle loan for the years 2025 through 2028. The loan must be secured by a first lien on a passenger vehicle used for personal use. Eligible vehicles include new cars, vans, SUVs, pickup trucks, and motorcycles, but not RVs, trailers or pre-owned vehicles. The vehicle must have had its final assembly in the United States. The interest deduction cannot exceed $10,000 per year and will be phased out for single taxpayers with MAGI in excess of $100,000, or joint taxpayers with MAGI over $200,000. The phaseout rate is $200 for every $1,000 (or portion thereof) of MAGI over the threshold.

The deduction is available on new loans taken in 2025 or later. Refinancing of earlier loans used for initial purchase of a new vehicle without increasing the size of the loan balance would also qualify.



### Tip Income Deduction

The OBBB does not exempt tips from taxable income but creates a deduction. For tax years 2025 through 2028, the OBBB created a temporary deduction of up to $25,000 for qualified tips for individuals in "traditionally and customarily" tipped industries as determined by the IRS in a list. Tips must be voluntary and not mandated as part of the services provided. Certain occupations where tips may be received are excluded.

Note that the tips must still be included for purposes of payroll tax calculations but the deduction is available to taxpayers who either itemize or take the standard deduction. The deduction is phased out starting at a MAGI of $150,000 for single taxpayers and $300,000 for joint filers. The phaseout rate is $100 per $1,000 of MAGI over the threshold.

### Overtime Compensation Deduction

The OBBB does not exempt overtime compensation from taxable income but creates a deduction. For tax years 2025 through 2028, the OBBB created a temporary deduction for qualified overtime compensation (not including qualified tips). The deduction is $25,000 for joint filers and $12,500 deduction for all other filers. The deduction is phased out at a MAGI of $150,000 for single taxpayers and $300,000 for joint filers. The phaseout rate is $100 for every $1,000 of MAGI above those levels. The deduction is available to itemizers and non-itemizers.

### Trump Accounts

The OBBB created a new vehicle to save on behalf of children, known colloquially as Trump Accounts. These will be treated similarly to IRAs with annual contributions limited to $5,000 per year, indexed for inflation, through the year before the child reaches age 18. Contributions are not subject to an earned income requirement. Contributions made into these accounts by government entities or 501(c)(3) organizations do not count towards the $5,000 limit. Employers may also contribute to employee accounts (or accounts for dependents of employees), up to $2,500, indexed for inflation. Employer contributions do count towards the $5,000 limit.

Funds must be invested in qualified index funds (i.e., S&P 500) and distributions are not permitted until the child reaches age 18. Once the child reaches age 18, the Trump Account acts similarly to a traditional IRA although some of the details are unclear and await Treasury regulations. As a sweetener, an account for a U.S. citizen child born in 2025-2028 may have the federal government initially fund the account with $1,000.

### Conclusion

While there are many provisions in the OBBB that may impact individuals, families and businesses, the provisions discussed above are just a summary of a few that are most relevant to the majority of our clients. Each person or business must consult with their own tax and legal advisors to determine the impact of the OBBB on their individual situation.

**For More Information Contact:**



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