

The One Big Beautiful Bill Act (OBBBA), enacted in July 2025, represents one of the most comprehensive overhauls of federal tax incentives in recent history. Designed to reshape the landscape for clean energy, manufacturing, and economic growth, the legislation introduces sweeping changes to dozens of tax credits, eliminating some, modifying others, and adding new compliance requirements. For businesses across industries, understanding OBBBA's impact is essential to maintaining eligibility, optimizing tax strategies, and planning for the years ahead.

The bill extends many of the provisions from the Tax Cuts and Jobs Act (TCJA) that are set to expire. It also revamps some of the TCJA's provisions on the taxation of corporations' foreign income and terminates a large number of clean energy tax incentives. In addition, the bill addresses other tax priorities of the Trump administration, including providing deductions to eliminate income taxes on certain tips and overtime pay.

PROVISIONS FOR INDIVIDUALS

Tax Rates: The bill generally makes the TCJA tax rates permanent and adds an additional year of inflation adjustment when determining the income thresholds at which the 12% bracket ends and the 22% bracket begins.

Standard Deduction: OBBBA makes the TCJA's increased standard deduction amounts permanent. For tax years beginning after 2024, the standard deduction increases to \$15,750 for single filers, \$23,625 for heads of household, and \$31,500 for married individuals filing jointly. The standard deduction will be adjusted for inflation after that. These changes have been made retroactive to include 2025.

SALT Cap: The bill temporarily raises the SALT deduction cap from \$10,000 to \$40,000, with inflation adjustments beginning in 2026 (\$40,400) and increasing by 1% annually through 2029. In 2030, the cap reverts to \$10,000. For taxpayers with a modified adjusted gross income (MAGI) exceeding \$500,000 (in 2025), the deduction phases down by 30% of the excess MAGI, although it cannot drop below \$10,000. The MAGI threshold will also be adjusted for inflation through 2029.

Personal Exemptions and Senior Deduction: The bill permanently sets the deduction for personal exemptions at zero. However, it provides a temporary \$6,000 deduction under Section 151 for individual taxpayers who are age 65 or older. This senior deduction begins to phase out when a taxpayer's MAGI exceeds \$75,000 (\$150,000 in the case of a joint return). It will be in effect from 2025 through 2028.

Child Tax Credit: Beginning in 2025, OBBBA increases the non-refundable child tax credit to \$2,200 per child and indexes it for inflation. The law also makes permanent the \$1,400 refundable portion of the credit, adjusted for inflation. In addition, it locks in the higher income phaseout thresholds of \$200,000 for single filers and \$400,000 for joint filers, along with the \$500 non-refundable credit for each non-qualifying child dependent.

QBI Deduction: OBBBA makes the Section 199A qualified business income (QBI) deduction permanent, maintaining the 20% deduction rate. It also expands the phase-in range for the wage

and investment limitation on specified service trades or businesses (SSTBs), increasing the thresholds from \$50,000 to \$75,000 for single filers and from \$100,000 to \$150,000 for joint filers. In addition, OBBBA introduces a new, inflation-adjusted minimum deduction of \$400 for taxpayers with at least \$1,000 of QBI from one or more materially participated active businesses.

Estate and Gift Tax Exemption Amounts: The bill amends the unified credit against estate and gift taxes (Section 2010), permanently increasing the exemption to \$15 million for single filers (\$30 million for married filing jointly) beginning in 2026 and indexing it for inflation thereafter.

Alternative Minimum Tax Exemption: OBBBA permanently extends the TCJA's increased individual alternative minimum tax (AMT) exemption amounts and reverts the exemption phaseout thresholds to their 2018 levels of \$500,000 (\$1 million in the case of a joint return), indexed for inflation. It increases the phaseout of the exemption amount from 25% to 50% of the amount by which the taxpayer's alternative minimum taxable income exceeds the threshold amount.

Mortgage Interest Deduction: The bill permanently extends the TCJA's limitation on the qualified residence interest deduction (Section 163) to the first \$750,000 of home mortgage acquisition debt. It also permanently excludes interest on home-equity indebtedness from the definition of qualified residence interest. In addition, OBBBA classifies certain mortgage insurance premiums on acquisition debt as deductible qualified residence interest.

Casualty Loss Deductions: Under OBBBA, TCJA's provision limiting the itemized deduction for personal casualty losses to losses resulting from federally declared disasters becomes permanent, but the bill expands the provision to include certain state-declared disasters.

Miscellaneous Itemized Deductions: The bill makes permanent the TCJA's suspension of the miscellaneous itemized deduction (Section 67(g)) but removes unreimbursed employee expenses for eligible educators from the list of miscellaneous itemized deductions.

Itemized Deductions Limitation: The bill permanently removes the Pease limitation (Section 68) on itemized deductions and replaces it with a new overall limitation on the tax benefit of itemized deductions. The amount of itemized deductions otherwise allowable would be reduced by 2/37 of the lesser of the amount of the itemized deductions or the amount of the taxpayer's taxable income that exceeds the start of the 37% tax rate bracket.

Bicycle Commuting Reimbursements: The bill permanently excludes qualified bicycle commuting reimbursements from the list of qualified transportation fringe and other commuting benefits, making them taxable to employees.

Moving Expense Deduction: The bill permanently eliminates the deduction for moving expenses (Section 217), except for members of the armed forces and certain members of the intelligence community.

Wagering Losses: The bill amends “losses from wagering transactions” (Section 165(d)) to include any deduction otherwise allowable under Chapter 1 of the Code incurred in carrying on any wagering transactions. OBBBA limits the term “losses from wagering transactions” to 90% of the amount of those losses, and losses will be deductible only to the extent of the taxpayer’s gains from wagering transactions during the tax year.

ABLE Accounts: OBBBA makes several changes to ABLE accounts (Section 529A), including permanently extending the TCJA’s increased contribution limits. It also makes ABLE account contributions permanently eligible for the savers’ credit (Section 25B). Beginning in 2027, only ABLE contributions will qualify for the credit, which increases from \$2,000 to \$2,100.

Student Loan Debt Discharge: The bill makes permanent, with modifications, the provision excluding from gross income student loans discharged due to death or disability (Section 108(f)(5)). It also requires the taxpayer’s Social Security number (SSN) to be included on the relevant income tax return when such a discharge occurs.

No Tax on Tips: OBBBA creates a temporary above-the-line deduction of up to \$25,000 for qualified tips received by individuals in occupations that customarily receive tips. Available from 2025 through 2028, the deduction applies to employees (Form W-2) and independent contractors who report tips via Forms 1099-K, 1099-NEC, or 4317. It begins to phase out at a modified adjusted gross income (MAGI) of \$150,000 (\$300,000 for joint filers) and is available to both standard and itemized deduction filers. For 2025, employers may use any reasonable method to estimate tip amounts for reporting purposes. OBBBA also expands the Section 45B credit for employer-paid Social Security taxes on tips to include certain beauty service businesses.

No Tax on Overtime: The bill allows a temporary above-the-line deduction of up to \$12,500 (\$25,000 for joint filers) for qualified overtime compensation received during the tax year. The deduction phases out for taxpayers with MAGI over \$150,000 (\$300,000 for joint returns) and applies to overtime pay required under Section 7 of the Fair Labor Standards Act, paid at a rate above the employee’s regular wage. To qualify, overtime must be reported separately on Form W-2 or Form 1099. The deduction is available for tax years 2025 through 2028.

Car Loan Interest: For tax years 2025 through 2028, OBBBA temporarily excludes qualified passenger vehicle loan interest from the definition of personal interest under Section 163(h). The exclusion applies to interest on loans incurred after December 31, 2024, that are secured by a first lien on a U.S.-assembled passenger vehicle purchased for personal use. The deduction is capped at \$10,000 annually and phases out for taxpayers with MAGI over \$100,000 (\$200,000 for joint filers).

Adoption Credit: OBBBA makes a portion (up to \$5,000) of the adoption credit (Section 23) refundable. That amount will be adjusted for inflation.

Dependent Care Assistance Programs: The maximum annual amount excludable from income under a dependent care assistance program (Section 129) increases from \$5,000 to \$7,500 under OBBBA

Child and Dependent Care Credit: The bill permanently increases the amount of the child and dependent care tax credit from 35% to 50% of qualifying expenses. The credit rate phases down for taxpayers with adjusted gross income (AGI) over \$15,000. It will be reduced by one (1) percentage point (but not below 35%) for each \$2,000 that the taxpayer's AGI exceeds \$15,000. It will then be further reduced by (but not below 20%) one (1) percentage point for each \$2,000 (\$4,000 for joint returns) that their AGI exceeds \$75,000 (\$150,000 for joint returns).

Trump Accounts: OBBBA establishes tax-free Trump accounts for minors, a new type of IRA not classified as a Roth. Available only to individuals under the age of 18, contributions—capped at \$5,000 annually and adjusted for inflation after 2027—must be made before the beneficiary turns 18, with distributions allowed starting the year they reach this age. Accounts must be designated as Trump accounts when opened, and contributions may begin 12 months after the law takes effect. Investments are limited to mutual funds and indexed ETFs. Governments and charities may contribute to groups of eligible minors based on birth year or location. Section 128 allows employer contributions, which are excluded from employee income, and Section 6434 creates a \$1,000 tax credit for opening an account for children born between 2025 and 2028, funded by a \$410 million appropriation through 2034.

Credit for Contributions to Scholarship-granting Organizations: The bill creates Section 25F, offering a credit equal to the greater of \$5,000 or 10% of a taxpayer's AGI for contributions to scholarship-granting organizations. The credit is capped at \$4 billion annually, starting in 2027, and is allocated on a first-come, first-served basis. In addition, new Section 139K excludes from income any scholarships used for qualified elementary or secondary education expenses of eligible students.

Section 529 Plans: The bill allows tax-exempt distributions from Section 529 savings plans to be used for additional educational expenses related to enrollment or attendance at an elementary or secondary school. OBBBA also allows tax-exempt distributions from 529 savings plans to be used for additional qualified higher education expenses, including "qualified postsecondary credentialing expenses."

Charitable Contribution Deduction: OBBBA creates a charitable contribution deduction for taxpayers who do not itemize, allowing a deduction of up to \$1,000 for single filers and \$2,000 for married couples filing jointly for qualifying charitable contributions. For taxpayers who do itemize, the bill imposes a 0.5% floor on the charitable contribution deduction, reducing the allowable deduction by 0.5% of the taxpayer's contribution base for the tax year. For corporations, the floor is set at 1% of taxable income, and the total deduction cannot exceed the existing limit of 10% of taxable income.

BUSINESS PROVISIONS

Bonus Depreciation: OBBBA permanently extends the additional first-year (bonus) depreciation deduction (Section 168). The allowance is increased to 100% for property acquired and placed in service on or after January 19, 2025, as well as for specified plants planted or grafted on or after January 19, 2025.

Section 179 Expensing: The bill increases the maximum amount a taxpayer may expense under Section 179 to \$2.5 million, reduced by the amount by which the cost of qualifying property exceeds \$4 million.

Research and Development Expenses: OBBBA allows immediate deductions for domestic research and experimental (R&E) expenses incurred in tax years beginning after December 31, 2024. Foreign research and experimental (R&E) expenses must still be capitalized and amortized over 15 years under Section 174. Small businesses with average annual gross receipts of \$31 million or less may apply this change retroactively to tax years beginning after 2021. All taxpayers with domestic R&E expenses after December 31, 2021, and before January 1, 2025, may elect to accelerate remaining deductions over one or two years.

Limitation on Business Interest: The bill reinstates the earnings before interest, taxes, depreciation, and amortization (EBITDA) limitation under Section 163(j) for tax years beginning after December 31, 2024. For purposes of the Section 163(j) interest deduction limitation for these years, adjusted taxable income would be computed without regard to the deduction for depreciation, amortization, or depletion. The bill would also modify the definition of “motor vehicle” to allow interest on floor plan financing for certain trailers and campers to be deductible.

Paid Family and Medical Leave Credit: Under OBBBA, Section 45S is amended to make the employer credit for paid family and medical leave permanent.

Special Depreciation Allowance for Qualified Production Property: The bill allows an additional first-year depreciation deduction equal to 100% of the adjusted basis of “qualified production property.” Qualified production property is generally nonresidential real property used in manufacturing.

Advanced Manufacturing Investment Credit: Under the bill, the advanced manufacturing investment credit rate increases from 25% to 35%, effective for property placed in service after December 31, 2025.

Spaceports: OBBBA amends Section 142(a)(1) to ensure spaceports are treated like airports under the exempt-facility bond rules. A spaceport is defined as a facility close to a launch or reentry site that is used to manufacture, assemble, or repair spacecraft or space cargo or is used for flight control operations, to provide launch or reentry services, or to transfer crew, spaceflight participants, or space cargo to or from a spacecraft.

Employer-provided Child Care Credit: The bill increases the amount of qualified child care expenses considered for purposes of the Section 45F employer-provided child care credit from 25% to 40%. The maximum amount of the credit increases from \$150,000 to \$500,000 (\$600,000 for eligible small businesses) and will be adjusted for inflation.

Opportunity Zones: OBBBA makes opportunity zones permanent but with several changes, including narrowing the definition of “low-income community.” The changes would generally take effect January 1, 2027.

New Markets Tax Credit: The bill makes the Section 45D New Markets Tax Credit permanent.

Percentage-of-completion Method: OBBBA provides an exception to the Section 460(e) requirement to use the percentage-of-completion accounting method for certain residential construction contracts entered into after the date of the bill’s enactment.

Qualified Small Business Stock: The bill increases the Section 1202 exclusion for gain from qualified small business stock. For qualified small business stock acquired after the date of enactment of the bill and held for at least four years, the percentage of gain excluded from gross income will rise from 50% to 75%. If it is held for five years or more, the exclusion percentage increases to 100%.

Excess Business Losses: The bill makes the Section 461(l)(1) limitation on excess business losses of noncorporate taxpayers permanent. It was scheduled to expire after 2028.

CLEAN ENERGY INCENTIVES

The bill terminates many clean energy tax incentives, including:

- Section 25E previously owned clean vehicle credit (terminates after September 30, 2025)
- Section 30D clean vehicle credit (terminates for vehicles acquired after September 30, 2025)
- Section 45W qualified commercial clean vehicle credit (terminates after September 30, 2025)
- Section 30C alternative fuel vehicle refueling credit (terminates after June 30, 2026)
- Section 25C energy-efficient home improvement credit (terminates after December 31, 2025)
- Section 25D residential clean energy credit (terminates for expenditures made after December 31, 2025)
- Section 179D energy-efficient commercial buildings deduction (terminates for property the construction of which begins after June 30, 2026)
- Section 45L new energy-efficient home credit (terminates after June 30, 2026)
- Section 45V clean hydrogen production credit (terminates after January 1, 2028)
- Section 6426(k) sustainable aviation fuel credit (terminates after September 30, 2025)

The Section 168(e)(3)(B)(vi) provision allowing cost recovery for certain energy property and qualified clean energy facilities, property, and technology will be terminated after December 31, 2025, for energy property and after the date of enactment for qualified clean energy facilities, property, and technology.

The bill imposes restrictions on claiming the Section 45U nuclear power production credit for foreign entities and facilities that utilize imported nuclear fuel.

The Section 45Y clean electricity production credit is terminated for wind and solar facilities placed in service after December 31, 2027. No credit will be allowed to facilities that are owned or controlled by certain foreign entities. The Section 48E clean electricity investment credit is also terminated for wind and solar facilities placed in service after December 31, 2027. Restrictions are also placed around claims by facilities owned or controlled by certain foreign entities.

The Section 45Z clean fuel production credit is extended through 2029, and prohibitions are placed on the use of foreign feedstocks.

INTERNATIONAL PROVISIONS

Deemed Paid Credit: The bill amends Section 960(d)(1) to increase the deemed paid credit for Subpart F inclusions from 80% to 90%.

GILTI and FDII: Beginning in tax years after December 31, 2025, OBBBA reduces the Section 250 deduction to 33.34% for foreign-derived intangible income (FDII) and 40% for global intangible low-taxed income (GILTI), resulting in a 14% effective tax rate for both. The bill also revises how these amounts are calculated: it eliminates the deemed tangible income return from the FDII formula and removes the net deemed tangible income return from the GILTI calculation. As a result, FDII will be redefined as “foreign-derived deduction eligible income,” and GILTI as “net CFC tested income.”

BEAT: OBBBA increases the base-erosion and anti-abuse tax (BEAT) rate from 10% to 10.5%.

Business Interest Limitation: Under OBBBA, the Section 163(j) business interest limitation will be calculated prior to the application of any interest capitalization provision.

ADMINISTRATIVE PROVISIONS AND EXCISE TAXES

Third-party Network Transaction Reporting Threshold: The bill restores the previous Form 1099-K reporting threshold, requiring third-party settlement organizations to report only if a participating payee’s total transactions exceed \$20,000 and the number of transactions exceeds 200 in a calendar year. This reverses the phasedown that was set to lower the threshold to \$600 beginning next year.

Form 1099 Reporting Threshold: OBBBA increases the information-reporting threshold for certain payments to persons engaged in a trade or business and payments of remuneration for services to \$2,000 in a calendar year (from \$600), with the threshold amount to be indexed annually for inflation in calendar years after 2026.

Firearms Transfer Tax: OBBBA reduces the Section 5811 transfer tax on certain firearms.

Farmland Sales: The bill adds a new Section 1062 that allows income tax resulting from the sale of farmland to a qualified farmer to be paid in four annual installments.

Remittance Transfer Tax: The bill imposes a 1% tax on remittance transfers, paid by the sender. Covered transfers include cash, money orders, cashier's checks, and similar physical instruments, but exclude withdrawals from financial accounts or charges to credit or debit cards. Under Section 919(g) of the Electronic Fund Transfer Act, a remittance transfer is an electronic fund transfer initiated by a provider on behalf of a sender to a designated recipient. Providers include any person or financial institution that regularly offers such services, regardless of whether the sender holds an account with them.

Employee Retention Credit Enforcement: OBBBA imposes new due diligence requirements on promoters of the Employee Retention Credit (ERC), mandating that they verify a taxpayer's eligibility and the accuracy of the claimed credit amount. A \$1,000 penalty applies for each instance of non-compliance. The bill also extends the penalty for excessive refund claims to employment tax refunds. Furthermore, OBBBA bars the IRS from paying any additional unpaid ERC claims under Section 3134 unless the claim was filed on or before January 31, 2024.

SSN Requirements: The bill imposes an SSN requirement for claiming the American Opportunity or Lifetime Learning credit under Section 25A.

As the implementation of OBBBA unfolds, business and individual taxpayers must remain vigilant and proactive. The law introduces both opportunities and challenges, from expanded credits and investment incentives to tighter restrictions and accelerated phaseouts. Navigating this evolving landscape requires strategic planning, accurate documentation, and timely action. The House and Senate each narrowly passed their versions of the bill. [Click here for a comparison from the AICPA of both versions.](#)

Staying informed and aligned with trusted advisors will be crucial to maximizing the benefits available under the new law. Contact Sal Schibell at (732) 539-7328 or salschibell@lrscpa.com to discuss how OBBBA will affect your taxes.

Source: Tax provisions in the One Big Beautiful Bill Act. Alistair M. Nevius, J.D., Journal of Accountancy. June 29, 2025 Updated: July 4, 2025.

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