

The One Big Beautiful Bill Act: Key Changes in the New Tax Legislation

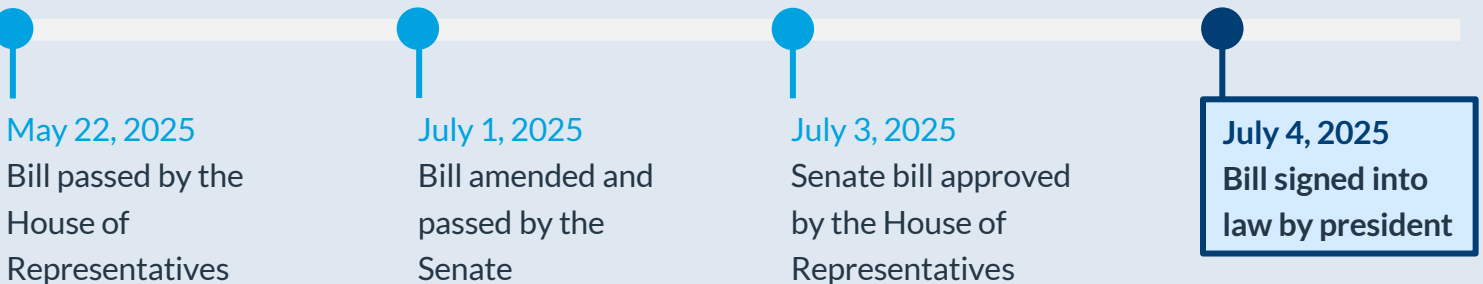
One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act (OBBA). The OBBA significantly modifies much of the tax code, addressing many of the expiring tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA), and includes additional changes to the tax code impacting individuals, estates, trusts and businesses. Most provisions will go into effect between January 1, 2025, and January 1, 2026.

BUDGET RECONCILIATION

Like the TCJA, the OBBA was passed via budget reconciliation, a process that allows certain budget-related bills to pass through Congress via simple majority and requires the bill to not increase the federal deficit beyond a certain timeframe. While some of the OBBA provisions are permanent changes to tax law, others are scheduled to expire (sunset) at some point in the future.

OBBA LEGISLATIVE TIMELINE



SUMMARY OF KEY PROVISIONS AFFECTING INDIVIDUALS, ESTATES AND BUSINESS OWNERS

- Permanently extends TCJA individual income tax rates and brackets (certain exceptions for the 24% to 37% brackets)
- Temporarily increases limit for state and local tax (SALT) deduction, subject to phasedown based on modified adjusted gross income (MAGI)
- Introduces permanent percentage reduction of itemized deductions for taxpayers in the 37% bracket
- Permanently extends the maximum 60% of AGI limitation for charitable contributions to public charities (plus other changes and limitations for charitable deductions)
- Permanently extends the TCJA qualified business income deduction
- Permanently increases the estate, gift and generation-skipping transfer (GST) exemptions
- Renews and modifies qualified opportunity zone (QOZ) program
- Expands the qualified small business stock (QSBS) tax provisions under IRC Section 1202

COMPARISON OF KEY PROVISIONS

Prior Law Under the Tax Cuts and Jobs Act (TCJA) vs. Current Law Under the One Big Beautiful Bill Act (OBBA)

Provision	Prior TCJA Law			New Law Under OBBA
Income Tax Rates and Brackets	Tax Rate	Single	Married	Permanent extension of TCJA law Extra inflation adjustment to the lower three brackets (excludes the 24%, 32%, 35% and 37% brackets)
	37%	\$626,350 +	\$751,600 +	
	35%	\$626,350–\$250,525	\$751,600–\$501,050	
	32%	\$250,525–\$197,300	\$501,050–\$394,600	
	24%	\$197,300–\$103,350	\$394,600–\$206,700	
	22%	\$103,350–\$48,475	\$206,700–\$96,950	
	12%	\$48,475–\$11,925	\$96,950–\$23,850	
	10%	\$11,925–\$0	\$23,850–\$0	
State and Local Tax Deduction	Limited to \$10,000			Increases limit to \$40,000 (“New Limit”) with phasedown to \$10,000 “New Limit” reset to \$10,000 after tax year 2029
Limit on Itemized Deductions	Repealed “Pease” limitation			Permanent extension of TCJA law New limitation that reduces value of all itemized deductions for taxpayers in the 37% bracket
Charitable Deductions	Asset	% of AGI Limit: Public Charity	% of AGI Limit: Private Charity	Permanent extension of TCJA law Sets 0.5%-of-AGI floor on eligible itemized charitable deductions Single and married taxpayers who do not itemize deductions may still claim a certain charitable deduction up to \$2,000
	Cash	Up to 60%	30%	
	Appreciated Property	30%	20%	
Qualified Business Income (QBI) Deduction	Taxpayers may deduct 20% of qualified business income from a partnership, S-Corporation or sole proprietorship			Permanent extension of TCJA law Expands deduction limit phase-ins and adds deduction minimum
Gift and Estate Tax Exemptions	Scheduled to expire on 12/31/2025			Permanent extension of TCJA law Filing StatusGift and Estate Tax Exemption Single\$15,000,000 Married\$30,000,000
	Filing Status	Gift and Estate Tax Exemption		
	Single	\$13,990,000		
	Married	\$27,980,000		
Qualified Opportunity Zones (QOZ)	Taxpayers may reinvest any capital gain into a QOZ - Deferral of tax liability until tax year 2026 - Basis step-up of 10% if held for at least 5 years - Additional basis step-up of 5% if held for at least 7 years Appreciation on QOZ investment is excluded from taxable income if held for at least 10 years			Establishes a new, permanent QOZ program with designations every 10 years starting July 1, 2026 New deferral and basis step-up rules
Qualified Small Business Stock (QSBS)	N/A			Expands the current tax benefits under IRC Section 1202 for Qualified Small Business Stock issued after the Enactment Date - Holding period reduced - Gain exclusion increased - Aggregate gross asset limit increased

Blue text denotes changes made to prior law by the OBBA

ONE BIG BEAUTIFUL BILL ACT

INDIVIDUAL TAX PROVISIONS (as of July 4, 2025)

Permanent Extensions: The following provisions of TCJA are made permanent by the OBBB and include some additional changes to prior TCJA law.

Provision	Current OBBB Law			Additional Changes
Income Tax Rates & Brackets	Tax Rate	Single	Married	Extra inflation adjustment to the lower three brackets (excludes the 24%, 32%, 35% and 37% brackets)
	37%	\$626,350 +	\$751,600 +	
	35%	\$626,350–\$250,525	\$751,600–\$501,050	
	32%	\$250,525–\$197,300	\$501,050–\$394,600	
	24%	\$197,300–\$103,350	\$394,600–\$206,700	
	22%	\$103,350–\$48,475	\$206,700–\$96,950	
	12%	\$48,475–\$11,925	\$96,950–\$23,850	
	10%	\$11,925–\$0	\$23,850–\$0	
Standard Deduction	Filing Status	Standard Deduction		N/A
	Single	\$15,750		
	Married	\$31,500		
Personal Exemptions	Repealed			N/A
Miscellaneous Itemized Deductions	Repealed			Recharacterizes unreimbursed “educator expenses” as an eligible itemized deduction
Mortgage Interest Deduction	Limited to \$750,000 of indebtedness			Restores certain mortgage insurance premiums as eligible for the deduction
State and Local Tax Deduction	Applicable only for tax years 2025 to 2029 - Temporarily increases limit to \$40,000 (“Temporary Limit”) Applicable for tax years 2030 onward - Limit decreases to prior TCJA amount of \$10,000			Temporary Limit is reduced by 30% of a taxpayer’s modified adjusted gross income (MAGI) greater than \$250,000 (single) / \$500,000 (married), but not below \$10,000 Temporary Limit and MAGI thresholds will increase by inflation from 2026 to 2029
Limit on Itemized Deductions	Repealed “Pease” limitation			New limitation that reduces value of all itemized deductions for taxpayers in the 37% bracket by approximately 5.4% (2/37) times the lesser of: - Total itemized deductions, or - Taxable income exceeding the 37% rate bracket
Charitable Deductions	Maximum charitable deduction for cash contributions to a public charity limited to 60% of AGI			Sets 0.5%-of-contribution floor — first 0.5% of charitable contributions not eligible for deduction Beginning in 2026, taxpayers who do not itemize deductions may claim a charitable deduction for \$1,000 (single) / \$2,000 (married)
Qualified Business Income (QBI) Deduction	Taxpayers may deduct 20% of qualified business income from a partnership, S-Corporation or sole proprietorship			Beginning in 2026, provides minimum \$400 deduction for taxpayers with at least \$1,000 in qualified business income

INDIVIDUAL TAX PROVISIONS (as of July 4, 2025)

Permanent Extensions (continued): The following provisions of TCJA are made permanent by the OBBB and include some additional changes to prior TCJA law.

Provision	Current OBBB Law	Additional Changes		
Alternative Minimum Tax (AMT)	Extends higher AMT exemption amounts and thresholds from TCJA	Resets base year for indexing phaseout thresholds from 2017 to 2026 — see below for tax year 2026		
		Filing Status	AMT Exemption	AMT Phaseout
		Single	\$88,100	\$500,000
		Married	\$137,000	\$1,000,000
Gift and Estate Tax Exemptions	Increases exemption amount beginning January 1, 2026	N/A		
		Filing Status	Gift and Estate Tax Exemption	
		Single	\$15,000,000	
		Married	\$30,000,000	

New Provisions: The following are new provisions contained in the OBBB.

Provision	Details												
Qualified Opportunity Zones (QOZ)	Establishes new, permanent QOZ program effective for QOZ investments made after Dec. 31, 2026 • New QOZ designations on July 1, every 10 years after July 1, 2026 ◦ More restrictive requirements for QOZ designations compared to prior TCJA law • Requires inclusion of original gain on the earlier of: 1) When the QOZ investment is sold, or 2) Five years after date of original QOZ investment was made • If QOZ investment is held for five years, the investor's original basis is stepped up by 10% of the amount of gain deferred ◦ "Basis boost" for QOZs in "rural areas" stepped up by 30% instead of 10%												
Qualified Small Business Stock (QSBS)	Expands the current tax benefits afforded under IRC Section 1202 for (QSBS) issued after the Enactment Date (<i>July 4, 2025</i>) • QSBS exclusion limit increased from the current \$10 million to \$15 million • \$15 million exclusion limit indexed by inflation beginning after tax year 2026 • New phase-in exclusion percentage based on holding period <table><thead><tr><th>Holding Period</th><th>TCJA Exclusion Percentage</th><th>OBBB Exclusion Percentage</th></tr></thead><tbody><tr><td>3 Years</td><td>0%</td><td>50%</td></tr><tr><td>4 Years</td><td>0%</td><td>75%</td></tr><tr><td>5+ Years</td><td>100%</td><td>100%</td></tr></tbody></table> • Increases gross aggregate asset test qualification from \$50 million to \$75 million • All other qualifications under IRC Section 1202 must be met	Holding Period	TCJA Exclusion Percentage	OBBB Exclusion Percentage	3 Years	0%	50%	4 Years	0%	75%	5+ Years	100%	100%
Holding Period	TCJA Exclusion Percentage	OBBB Exclusion Percentage											
3 Years	0%	50%											
4 Years	0%	75%											
5+ Years	100%	100%											
No Tax on Tips	Applicable only for tax years 2025 to 2028 • Creates an above-the-line deduction for "qualified tips" of up to \$25,000¹ • Phased out at a 10% rate for employees with compensation greater than \$150,000 per year for single taxpayers / \$300,000 per year for married taxpayers (indexed annually for inflation)												
No Tax on Overtime	Applicable only for tax years 2025 to 2028 • Creates an above-the-line deduction for "qualified overtime compensation"² • \$12,500 limit for single taxpayers / \$25,000 limit for married taxpayers • Phased out at a 10% rate for employees with compensation greater than \$150,000 per year for single taxpayers / \$300,000 per year for married taxpayers (indexed annually for inflation)												
No Tax on Car Loan Interest	Applicable only for tax years 2025 to 2028 • Creates an above-the-line deduction for "qualified passenger vehicle loan interest"³ up to \$10,000 • Phased out at a 20% rate for modified adjusted gross income (MAGI) greater than \$100,000 (single)/\$200,000 (married)												

BUSINESS TAX PROVISIONS (as of July 4, 2025)

Permanent Extensions: The following provisions of TCJA are made permanent by the OBBB and include some additional changes to prior TCJA law.

Provision	Current OBBB Law	Additional Changes		
Bonus Depreciation	Establishes 100% bonus depreciation for business investment in “qualified property” per IRC 168 Retroactive from January 19, 2025	Year	TCJA Law	OBBB Law
		2025	40%	100% (beginning Jan. 19, 2025)
		2026	20%	100%
		2027 onward	0%	100%
Business Interest Deductions	Permanently restores interest deduction limit that was previously in place under TCJA (from 2018 to 2021), retroactive from January 1, 2025, onwards.	Interest deduction limit is now based on earnings before interest, taxes, depreciation and amortization (EBITDA) – previous TCJA law based on earnings before interest, taxes and depreciation (EBIT)		
Other	Other provisions include: • R&D Expensing • International Tax Rates • Business Meals	N/A		

New Provisions: The following are new provisions contained in the OBBB.

Provision	Details
Partial Expensing for Structures	Temporary 100% depreciation for nonresidential structures placed into service in the U.S. before January 1, 2031 • Construction must begin between January 19, 2025, and January 1, 2029 • Must be used for “qualified production activity” – manufacturing, refining, agricultural or chemical production • Offices, lodging, parking and other types of properties are not eligible
Expensing for Small Businesses	Increases Section 179 expensing allowance to a maximum of \$2.50 million in 2025 Increases allowance phaseout threshold to \$4 million in 2025 • Both amounts will be indexed for inflation after 2025

OTHER NOTABLE PROVISIONS

The OBBB contains additional changes to existing provisions and new provisions not noted above. Some of these provisions are:

- Information reporting
- Additional tax cuts
- Low-income housing tax credit
- Clean fuel production
- Modification of various international tax provisions
- Changes to tax rules for foundations, colleges, universities and other tax-exempt organizations
- Changes to clean energy tax provisions
- Net operating losses for pass-throughs
- Employee retention tax credit

HOW DOES NEW TAX LEGISLATION AFFECT YOU?

The OBBB contains sweeping changes to tax law that may affect individuals, estates and businesses. Taxpayers should work with their financial, tax and legal advisors to understand how the OBBB may affect their tax profile and overall financial and estate plan.

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¹ "Qualified tips" is defined as "cash tips received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024"

² "Qualified overtime compensation" is defined as "compensation paid to an individual in excess of the regular rate"

³ "Qualified passenger vehicle loan interest" is applicable for any vehicle (1) which is manufactured primarily for use on public streets, roads and highways; (2) which has at least two wheels; (3) which is a car, minivan, van, sport utility vehicle, pickup truck or motorcycle; (4) which is treated as a motor vehicle for purposes of Title II of the Clean Air Act; and (5) which has a gross vehicle weight rating of less than 14,000 pounds

Sources:

[H.R.1 - One Big Beautiful Bill Act, pulled July 4, 2025](#)

IMPORTANT INFORMATION

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