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CERTIFIED PUBLIC ACCOUNTANTS

Key tax provisions in the House's One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law H.R. 1, the "One Big Beautiful Bill Act," a reconciliation package that includes a broad array of tax provisions affecting individuals, businesses, and international taxpayers.

We want to highlight the key provisions and offer preliminary insights into how they may affect your tax planning. Please contact us to discuss your individual tax situation so we can develop a customized plan.

Individual income tax provisions

- **Permanent extension of lower tax rates and brackets:** The bill made permanent the individual income tax rates and brackets established by the Tax Cuts and Jobs Act (TCJA), including lower individual tax brackets. The top marginal rate remains at 37%, and inflation adjustments are retained for all but the top bracket.
- **Standard deduction:** The bill 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.
- **Itemized deduction / Pease Limitation repeal:** The bill permanently removes the Sec. 68 overall limitation on itemized deductions (known as the Pease limitation) 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 (1) the amount of the itemized deductions or (2) the amount of the taxpayer's taxable income that exceeds the start of the 37% tax rate bracket.

- **Child Tax Credit:** The bill increases the amount of the nonrefundable child tax credit to $2,200 per child beginning in 2025 and indexes the credit amount for inflation. The bill also makes permanent the $1,400 refundable child tax credit, adjusted for inflation. In addition, it makes permanent the increased income phaseout threshold amounts of $200,000 ($400,000 in the case of a joint return), as well as the $500 non-refundable credit for each dependent of the taxpayer other than a qualifying child.
- **Estate and gift tax exemption:** The increased exemption is made permanent and raised to $15 million per individual ($30 million for married couples) in 2026, indexed for inflation.
- **SALT deduction cap:** The state and local tax (SALT) deduction cap is temporarily increased to $40,000 (from the current $10,000) and is adjusted for inflation and will be phased out for taxpayers with modified adjusted gross income (MAGI) over $500,000. In 2026, the cap will be $40,400, and then will increase by 1% annually, through 2029. Starting in 2030, it will revert to the current $10,000.
- **Charitable Contributions:** The bill creates a charitable contribution deduction for taxpayers who do not elect to itemize, allowing nonitemizers to claim a deduction of up to $1,000 for single filers or $2,000 for married taxpayers filing jointly for certain charitable contributions. For itemizers, the bill imposes a 0.5% floor on the charitable contribution deduction: The amount of an individual's charitable contributions for a tax year is reduced by 0.5% of the taxpayer's contribution base for the tax year. For corporations, the floor will be 1% of the corporation's taxable income, and the charitable contribution deduction cannot exceed the current 10%-of-taxable-income limit.
- **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 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%) 1 percentage point for each $2,000 ($4,000 for joint returns) that their AGI exceeds $75,000 ($150,000 for joint returns).
- **Enhanced deduction for seniors:** For 2025–2028, a $6,000 deduction is available for seniors (age 65+) with income below $75,000 ($150,000 for joint filers).
- **Car loan interest deduction:** For 2025–2028, up to $10,000 of interest on loans for U.S.-assembled passenger vehicles may be deducted and will phase out for taxpayers with MAGI in excess of $100,000 ($200,000 for married taxpayers filing jointly).
- **Moving expense deduction:** The bill permanently terminates the deduction except for Armed Forces.

- **Credit for contributions to scholarship-granting organizations:** The bill enacts a new Sec. 25F that provides a credit of $1,700 for charitable contributions to scholarship-granting organizations.

  The provision also creates Sec. 139K, which excludes from income scholarships for the qualified secondary or elementary education expenses of eligible students.

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

- **Home mortgage interest and insurance premiums:** The bill permanently extends the TCJA's provision limiting the Sec. 163 qualified residence interest deduction to the first $750,000 in home mortgage acquisition debt. It also makes permanent the exclusion of interest on home-equity indebtedness from the definition of qualified residence interest. The bill also treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest.

- **Wagering losses:** The bill amends Sec. 165(d) to clarify that the term "losses from wagering transactions" includes any deduction otherwise allowable under Chapter 1 of the Code incurred in carrying on any wagering transactions. The bill limits the term "losses from wagering transactions" to 90% of the amount of those losses, and losses will be deductible on Schedule A as itemized deductions only to the extent of the taxpayer's gains from wagering transactions during the tax year.

- **Casualty loss deduction for personal casualties**: Under the bill, the 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.

- **Alternative minimum tax exemption:** The bill 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. The bill 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.

- **Other deductions and credits:** The bill makes permanent or enhances several other deductions and credits, including the adoption credit, employer-provided childcare credit, paid family and medical leave credit, and education-related benefits.

Business provisions

- **QBI deduction:** The bill makes the Sec. 199A qualified business income (QBI) deduction permanent and keeps the deduction rate at 20%. The bill expands the Sec. 199A deduction limit phase-in range for specified service trade or businesses and other entities subject to the wage and investment limitation by increasing the $50,000 amount for non-joint returns to $75,000 and the $100,000 amount for joint returns to $150,000.

- **Qualified small business stock:** The bill increases the Sec. 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 will go up to 100%.
- **Bonus depreciation:** The bill permanently extends the Sec. 168 additional first-year (bonus) depreciation deduction. The allowance is increased to 100% for property acquired and placed in service on or after Jan. 19, 2025, as well as for specified plants planted or grafted on or after Jan. 19, 2025.
- **Sec. 179 expensing:** The bill increases the maximum amount a taxpayer may expense under Sec. 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million.
- **Qualified production property "manufacturing 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 Dec. 31, 2025. (The Senate Finance Committee version of the bill had proposed increasing the rate to 30%.)

- **R&D expenditures:** The bill allows taxpayers to immediately deduct domestic research or experimental expenditures paid or incurred in tax years beginning after Dec. 31, 2024. However, research or experimental expenditures attributable to research that is conducted outside the United States will continue to be required to be capitalized and amortized over 15 years under Sec. 174.

  Small business taxpayers with average annual gross receipts of $31 million or less will generally be permitted to apply this change retroactively to tax years beginning after Dec. 31, 2021. And all taxpayers that made domestic research or experimental expenditures after Dec. 31, 2021, and before Jan. 1, 2025, will be permitted to elect to accelerate the remaining deductions for those expenditures over a one- or two-year period.

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

- **Business interest limitation:** The bill reinstates the EBITDA limitation under Sec. 163(j) for tax years beginning after Dec. 31, 2024. Therefore, for purposes of the Sec. 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.

- **Employee retention credit enforcement:** The bill requires employee retention credit (ERC) promoters to comply with due diligence requirements with respect to a taxpayer's eligibility for (or the amount of) an ERC. The bill applies a $1,000 penalty for each failure to comply. It also extends the penalty for excessive refund claims to employment tax refund claims. It also prevents the IRS from issuing any additional unpaid claims under Sec. 3134, unless a claim for a credit or refund was filed on or before Jan. 31, 2024.

- **Third-party network transaction reporting threshold:** The bill reverts to the prior rule for Form 1099-K reporting, under which a third-party settlement organization is not required to report, unless the aggregate value of third-party network transactions with respect to a participating payee for the year exceeds $20,000 and the aggregate number of such transactions with respect to a participating payee exceeds 200 retroactive for tax years beginning after December 31, 2021.

- **Form 1099 reporting threshold:** The bill 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) effective for payments made after December 31, 2025, with the threshold amount to be indexed annually for inflation in calendar years after 2026.
- **Opportunity Zones:** The bill makes opportunity zones permanent but with several changes, including narrowing the definition of "low-income community." The changes would generally take effect Jan. 1, 2027.
- **Employer-provided child care credit:** The bill increases the amount of qualified child care expenses taken into account for purposes of the Sec. 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.
- **Paid family and medical leave credit:** Under the bill, Sec. 45S is amended to make the employer credit for paid family and medical leave permanent.
- **SSN requirements:** The bill imposes an SSN requirement for claiming an American opportunity or lifetime learning credit under Sec. 25A.
- **No tax on tips:** The bill provides a temporary deduction of up to $25,000 for qualified tips received by an individual in an occupation that customarily and regularly receives tips. The deduction will be allowed for both employees receiving a Form W-2, *Wage and Tax Statement*, and independent contractors who receive Form 1099-K, *Payment Card and Third Party Network Transactions*, or Form 1099-NEC, *Nonemployee Compensation*, or who report tips on Form 4317, *Social Security and Medicare Tax on Unreported Tip Income*. The deduction would be an above-the-line deduction and, therefore, available for taxpayers who claim the standard deduction or itemize deductions. The deduction begins to phase out when the taxpayer's MAGI exceeds $150,000 ($300,000 in the case of a joint return). This temporary deduction will be available for tax years 2025 through 2028. A transition rule will allow employers required to furnish statements enumerating an individual's tips for tax year 2025 to use "any reasonable method" to estimate designated tip amounts.

  The bill also extends the Sec. 45B credit for a portion of employer Social Security taxes paid with respect to employee cash tips to certain beauty service businesses.

- **No tax on overtime:** The bill provides a temporary above-the-line deduction of up to $12,500 ($25,000 in the case of a joint return) for qualified overtime compensation received by an individual during a given tax year. The deduction begins to phase out when the taxpayer's MAGI exceeds $150,000 ($300,000 in the case of a joint return). The bill defines qualified overtime compensation as overtime compensation paid to an individual required under Section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate (as used in that section) at which the individual is employed. Overtime deductions would only be allowed for qualified overtime compensation if the total amount of qualified overtime compensation is reported separately on Form W-2 (or Form 1099, if the worker is not an employee). This temporary deduction will be available for tax years 2025 through 2028.

- **Trump accounts:** Under the bill, Trump accounts will be IRAs (but not Roth IRAs) for the exclusive benefit of individuals under 18. There are no income limitations. Contributions can only be made in calendar years before the beneficiary turns 18 and distributions can only be made starting in the calendar year the beneficiary turns 18. Trump accounts will have to be designated as such when they are set up, and the bill does not allow Trump account contributions until 12 months after the date of enactment of the bill. Under the bill, Treasury can set up Trump accounts for individuals that it identifies as eligible and for which no Trump account has already been created.

  Eligible investments in Trump accounts would generally be mutual funds and indexed ETFs. Contributions (other than qualified rollover contributions) will be capped at $5,000 a year (adjusted for inflation after 2027). State, local, and tribal governments and charitable organizations could make "general funding contributions," which would be contributions made to a specified qualified class of Trump account beneficiaries. Qualified classes include beneficiaries under the age of 18, and the general funding contribution can specify geographical areas or specific birth years of beneficiaries whose accounts will receive the contributions.

  The bill creates a new Sec. 128 that allows for employer contributions to Trump accounts of an employee or the dependent of an employee limited to $2,500, adjusted for inflation and do count towards the $5,000 max limit. These contributions will not be included in the employee's income. Contributions to other retirement plans are not limited before the beneficiary reaches age 18.

  Account holders can use the funds beginning at age 18 for qualified purposes. Only earnings and non-taxed contributions are taxable upon withdrawal. Any withdrawals for non-qualified purposes will be taxed as ordinary income plus a 10% penalty. The bill does not specify a required minimum distribution at retirement.

A new Sec. 6434 creates a Trump accounts contribution pilot program that provides a $1,000 tax credit for opening a Trump account for a child born between Jan. 1, 2025, and Dec. 31, 2028. The bill appropriates $410 million, to remain available through Sept. 30, 2034, to fund Trump accounts.

- **Clean energy and IRS credits:** The bill would terminate or phase out several clean energy credits from the Inflation Reduction Act (IRA).

Section	Credit/Deduction Name	Termination Date
Sec. 25E	Previously owned clean vehicle credit	Terminates after Sept. 30, 2025
Sec. 30D	Clean vehicle credit	Terminates for vehicles acquired after Sept. 30, 2025
Sec. 45W	Qualified commercial clean vehicle credit	Terminates after Sept. 30, 2025
Sec. 30C	Alternative fuel vehicle refueling credit	Terminates after June 30, 2026
Sec. 25C	Energy-efficient home improvement credit	Terminates after Dec. 31, 2025
Sec. 25D	Residential clean energy credit	Terminates for expenditures made after Dec. 31, 2025
Sec. 179D	Energy-efficient commercial buildings deduction	Terminates for property construction beginning after June 30, 2026
Sec. 45L	New energy-efficient home credit	Terminates after June 30, 2026
Sec. 45V	Clean hydrogen production credit	Terminates after Jan. 1, 2028
Sec. 6426(k)	Sustainable aviation fuel credit	Terminates after Sept. 30, 2025
Sec. 168(e)(3)(B)(vi)	Cost recovery for certain energy property and qualified clean energy facilities	Terminates after Dec. 31, 2025 (energy property); after enactment (qualified facilities)
Sec. 45U	Nuclear power production credit	Restrictions for foreign entities and imported nuclear fuel
Sec. 45Y	Clean electricity production credit	Terminates for wind and solar facilities placed in service after Dec. 31, 2027
Sec. 48E	Clean electricity investment credit	Terminates for wind and solar facilities placed in service after Dec. 31, 2027
Sec. 45Z	Clean fuel production credit	Extended through 2029; restrictions on foreign feedstocks

- **Remittance transfer tax:** The bill imposes a 1% tax on "remittance transfers," imposed on the sender. A remittance transfer for these purposes is a transfer of cash, a money order, a cashier's check, or similar physical instrument. It does not include funds withdrawn from an account held with a financial institution or charged to a credit or debit card.

  Under **Section 919(g)** of the Electronic Fund Transfer Act, a remittance transfer is an electronic transfer of funds requested by a sender to a designated recipient that is initiated by a remittance transfer provider. A remittance transfer provider is any person or financial institution that provides remittance transfers for consumers in the normal course of its business, whether or not the consumer holds an account with the financial institution.

What's next?

We recommend reviewing your current tax strategy considering these proposed changes. Our team is available to discuss how these provisions may impact your personal or business tax situations and to help you plan accordingly.

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