

One Big Beautiful Bill: What Everyone Should know about the New Law

Tax Chapter/Section	Current Law	“One Big Beautiful Bill” Law
Estate/GST Tax Provisions		
Estate Tax Exemption	Current exemption is \$13.99 million (\$27.98 million for a married couple).	Permanently extends the estate exemption to \$15 million per person (\$30 million for a married couple) in 2026, indexed for inflation beginning 2027.
Gift and GST Tax Exemption	Current exemption is \$13.99 million (\$27.98 million for a married couple).	Permanently extends the gift and GST exemption to \$15 million per person (\$30 million for a married couple) in 2026, indexed for inflation beginning 2027.
Individual Tax Provisions		
Tax Bracket Rates	Tax Brackets Single Filers: 10% - \$0 – \$11,925 12% - \$11,926 – \$48,475 22% - \$48,476 – \$103,350 24% - \$103,351 – \$197,300 32% - \$197,301 – \$250,525 35% - \$250,526 – \$626,350 37% - \$626,350+ Joint Filing: 10% - \$0 – \$23,850 12% - \$23,851 – \$96,950 22% - \$96,951 – \$206,700 24% - \$206,701 – \$394,600 32% - \$394,601 – \$501,050 35% - \$501,051 – \$751,600 37% - \$751,600+	Makes permanent the tax rates and brackets enacted by the TCJA (current law), effective 12/31/2025, with adjustments for inflation.

Standard Deduction	Single filing - \$15,000 Joint filing - \$30,000	Makes current standard deduction levels permanent & increases to \$15,750 for single filers, \$23,625 for head of household, and \$31,500 for joint filers, adjusted for inflation. Non-itemizers can deduct up to \$1,000 for single filers, or \$2,000 for joint filers for charitable cash donations.
Added Senior Deduction (Years 2025-2028)	Not applicable	Taxpayers 65 or older would get a \$6,000 deduction, with phase out beginning when MAGI exceeds \$75,000 (\$150,000 for married filing jointly). Effective 2025 through 2028.
Itemized Deductions	Suspended “miscellaneous itemized deductions” which include: unreimbursed job expenses, investment expenses, tax preparation fees, fees to fight the IRS, costs from generating hobby income, plus theft & personal casualty losses. Limited deductions for state & local tax (\$10,000 SALT cap), mortgage interest (only on first \$750,000 of unpaid principal), charitable contributions (limit on deductions of 60% of AGI), and medical expenses (only those exceeding 7.5% of AGI), plus repealed the PEASE limit on itemized deductions.	Permanently repeals the PEASE limit and replaces it with a new overall limit on the tax benefit of itemized deductions. Otherwise allowable itemized deductions 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 bracket. Permanently suspends “miscellaneous itemized deductions”, except for unreimbursed employee expenses for eligible educators.
Personal Exemption	Deductible personal exemption was repealed.	Permanently sets the personal exemption at \$0.
Home Loan Interest	Suspended deduction for interest paid on home equity loans & limited deductible home mortgage interest to interest paid on the first \$750,000 or \$375,000 (MFS) of unpaid principal for loans originated after December 15, 2017.	Permanently limits the residence interest deduction to interest charged on the first \$750,000 of home mortgage principal and permanently excludes interest on home-equity loans from the definition of qualified residence interest. Certain mortgage insurance premiums on acquisition debt can be deductible.
SALT Cap	Deduction cap of \$10,000 (\$5,000 for those who are married filing separately).	Deduction cap for 2025 is limited to \$40,000, adjusted for inflation through 2029. In 2026, the cap would be \$40,400, increased by 1% annually, through 2029. After 2029, the cap is scheduled to revert to \$10,000.

Child Tax Credit	Tax credit up to \$2,000 for each qualified child under 17, with \$1,700 being refundable, provided earnings do not exceed \$200,000 or \$400,000 if married filing jointly.	Nonrefundable tax credit of \$2,200 per child, starting in 2025 and indexed for inflation. Makes permanent a \$1,400 refundable tax credit, adjusted for inflation. Also makes permanent the increased income threshold amount of \$200,000 (\$400,00 for joint filers), and a \$500 non-refundable credit for each non-child dependent. Also makes up to \$5,000 of the adoption credit refundable, adjusted for inflation.
Overtime & Tip Income	Tips & overtime pay are taxed as ordinary income.	Provides a temporary deduction of up to \$25,000 for qualified tips received by an employee in an occupation that regularly receives tips (applicable to 1099-K, 1099-NEC, 4317, and W-2 employees). This would be an above-the-line deduction and would begin phasing out if MAGI exceeds \$150,000 (\$300,000 filing jointly), in tax years 2025 through 2028. Also provides a temporary deduction through 2028 of \$12,500 (\$25,000 filing jointly) for qualified overtime compensation, with phaseout beginning if MAGI exceeds \$150,000 (\$300,000 filing jointly).
Qualified Opportunity Zones	Deferred capital gains invested into Qualified Opportunity Funds prior to January 1, 2027 will be recognized December 31, 2026.	Makes the opportunity zone program permanent, designating new zones every 10 years. Any capital gains invested in a QOZ fund after January 1, 2027 would be deferred for 5 years (unless the QOF is disposed of sooner). After 5 years invested in the QOF, the investor will receive a 10% basis adjustment (30% basis adjustment if the investment is in a newly created category of "Qualified Rural Opportunity Fund," or QROF). If the QOF is held for 10 years (but not more than 30), any capital gain on the investment in the QOF will be exempt from tax when the QOF is sold.
Auto Loan Interest Deduction	Not applicable	Excludes qualified vehicle loan interest from the definition of personal interest through 2028. Allows \$10,000 of interest to be deducted on loans to buy autos with a final assembly in the U.S. but phases out with MAGI in excess of \$100,000 (\$200,000 filing jointly).



Business Tax Provisions		
199A Qualified Business Income Deduction for Pass-Through Entities (parallels corporate tax reduction enacted by the TCJA)	Qualified business owners are entitled to a deduction equaling 20% of their allocable share of the business' "Qualified Business Income" (QBI). The QBI deduction currently begins to phase out for certain taxpayers with a taxable income of \$197,300 (single filers) and \$394,600 (joint filers).	Makes the 199A QBI deduction permanent and keeps the deduction rate at 20%. Expands the deduction limit phase-in range for SSTBs and other entities subject to the wage and investment limit by increasing the \$50,000 amount to \$75,000 for individual returns and the \$100,000 amount to \$150,000 for joint returns. Gives an inflation-adjusted minimum deduction of \$400 for taxpayers who have at least \$1,000 of QBI from one or more active trades or business in which they materially participate.
SALT Cap Workaround (Pass-Through Entity Tax)	In 36 states, "SSTBs" (Specified Service Trades or Businesses) may benefit from Pass-Through Entity Tax Elections (PTET) <i>See Treasury Notice 2020-75</i> <i>SSTBs: companies in health, law, accounting, consulting and financial services.</i>	Does not address the SALT cap workaround, appears to still be a viable strategy.
162(m) Executive Compensation Limit	Company tax deduction for compensation paid to covered executives is annually limited to \$1 million per payee.	Compensation paid by all related companies (parents, subsidiaries, affiliates) within a covered corporation's "control group" is counted for purposes of the \$1 million limit.
C Corp. Charitable Contribution Limits	A corporation may not deduct more than 10% of its taxable income as charitable donations.	Reduces the deduction for charitable donations by allowing corporations to only deduct donations exceeding 1% of their taxable income, installing a 1% "floor" in addition to the 10% "ceiling."
163(j) Interest Deduction Limit	Limits the deduction for business interest paid to 30% of a taxpayer's "adjusted taxable income" (ATI) (calculated similar to EBIT).	Reinstates the EBITDA limitation, starting in the 2025 tax year (ATI to be computed without regard to the deduction for depreciation, amortization, or depletion). Also modifies the definition of "motor vehicle" to allow interest deductions on financing for trailers/campers.

Limit on Excess Business Losses of Noncorporate Taxpayers	Noncorporate taxpayers may be subject to excess business loss limits. At-risk limits and passive activity limits are applied before calculating the amount of any excess business loss. An excess business loss is the amount by which the total deductions attributed to all trades or businesses exceed total gross income and gains attributed to those same trades or businesses, plus a threshold sum which is adjusted for cost of living. Threshold sums in 2025 are \$313,000 and \$626,000 (MFJ).	Permanently extends the limits under current law on deductions for “excess business losses”.
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Other Notable Additions/Changes in the Act:

- 1. Alternative Minimum Tax Exemption:** The new law 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 for joint returns), indexed for inflation. This becomes in effect after an individual hits a limit of \$88,100 (single filer) or \$137,000 (married filing jointly).
- 2. Casualty Loss Deductions:** The new law makes permanent the TCJA's provision limiting the itemized deduction for personal casualty losses to losses resulting from federally declared disasters but expands the provision to include certain state-declared disasters.
- 3. Trump Accounts:** Trump accounts are tax-free savings accounts for minors in the form of individual retirement accounts (NOT ROTH) under Sec. 408(a). They permit contributions made in calendar years before the beneficiary turns 18, and limit distributions to those made starting in the calendar year the beneficiary turns 18. They must be designated as such when they are set up, and do not allow for contributions until July 4, 2026. (Eligibility limits will apply).
- 4. Sec. 529 Plans:** The new law expands tax-exempt distributions for elementary & secondary school enrollment/attendance, standardized test fees & preparation material, workforce training, cost of certification exams, and educational therapy for disabled students.
- 5. Individual Charitable Notes:** Nonitemizers receive up to \$1,000 deduction (\$2,000 filing jointly) for qualified charitable contributions. Itemized deductions are subject to a 0.5% floor, reduced by 0.5% of the payer's contribution base for the year.
- 6. Form 1099 Reporting Threshold:** The new law 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.
- 7. Clean Energy Incentives:** The new law terminates many clean energy tax incentives (with effective termination dates as of 2025 unless otherwise indicated), including clean vehicle credits, energy efficient home related credits, and energy efficient commercial building deductions. *See. Sec. 25E, 30D, 45W, 30C, 25C, 25D, 179D, and 45V.* In addition, the bill limits credits in the clean energy space for foreign entities and phases out production credits through 2029.



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