

THE ONE BIG BEAUTIFUL BILL ACT OF 2025

On July 4, 2025, President Donald J. Trump signed into law the “One Big Beautiful Bill Act” (OBBA), a landmark piece of legislation that makes permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) and introduces several new tax measures. Outlined below are some of the major provisions of the legislation.

GENERAL INCOME TAX PROVISIONS¹

- **Permanent Extension of TCJA Tax Rates:** Tax rates of 10%, 12%, 22%, 24%, 32%, 35% and 37%, originally implemented in the 2017 Tax Cuts and Jobs Act (TCJA), are permanently extended.
- **Permanent Extension of Increased Alternative Minimum Tax Exemption (AMT):** The current AMT exemption amount is made permanent; phaseout thresholds revert to the 2018 levels of \$500,000 for single filers and \$1 million for married filing jointly and are indexed for inflation thereafter.

INCOME TAX DEDUCTION PROVISIONS²

- **Increased Standard Deduction:** The standard deduction is permanently increased to \$15,750 for individuals and \$31,500 for married couples filing jointly, effective in 2025 and adjusted for inflation thereafter.
- **Personal Exemptions Permanently Eliminated:** Originally eliminated in TCJA, the personal exemption elimination is now permanent.
- **“Bonus” Deduction for Seniors:** Seniors age 65 and older can claim an additional \$6,000 deduction for tax years 2025 through 2028. The deduction phases out for those with a modified adjusted gross income (MAGI) exceeding \$75,000 (\$150,000 for joint filers).
- **Increased State and Local Tax (SALT) Deduction:** The SALT deduction cap is temporarily increased to \$40,000 for taxpayers earning under \$500,000, effective through 2029. Afterward, the cap reverts to the current \$10,000.
- **Charitable Deductions for Non-Itemizers:** Starting in 2026, a charitable deduction of up to \$1,000 for single filers and up to \$2,000 for joint filers is created. The deduction can be claimed regardless of whether the taxpayer takes the standard deduction or itemizes.
- **New Floor on Itemized Charitable Deductions:** A 0.5% of adjusted gross income (AGI) floor is established for itemized deductions for charitable contributions made by individual taxpayers; a new 1% of AGI floor is established for corporations.
- **No Tax on Tips or Overtime:** Temporary deductions on tips up to \$25,000 and overtime income up to \$12,500 for single filers (\$25,000 for joint filers) are created for eligible taxpayers. Deductions are for tax years 2025 through 2028 and phase out for those with AGI over \$150,000 for single filers and \$300,000 for married couples filing jointly.
- **Principal Limit for Home Mortgage Interest Deduction Made Permanent:** The \$750,000 principal limit on the home mortgage interest deduction becomes permanent.
- **Temporary Auto Loan Interest Deduction:** For tax years 2025 through 2028, up to \$10,000 in interest on a new car loan can be deducted. The vehicle must be purchased after 2024 and final assembly take place in the United States. The deduction is available to itemizers and non-itemizers, but it phases out at a 20% rate when modified adjusted gross income (MAGI) exceeds \$100,000 for single filers and \$200,000 for joint filers.
- **Permanent Limitations to Itemized Deductions:** The limitation on personal casualty losses, the termination of the miscellaneous itemized deduction (excluding for educator expenses) and the termination of the itemized deduction for certain moving expenses (excluding for active-duty members of the armed forces and members of the intelligence community) are made permanent.

ESTATE TAX PROVISIONS³

- **Increased Estate and Lifetime Gift Tax Exemption:** Permanently increase the estate and lifetime gift tax exemption to an inflation-indexed \$15 million for single filers and \$30 million for joint filers beginning in 2026.

TAX CREDIT PROVISIONS

- **Scholarship Credit:**⁴ Starting in 2027, taxpayers can receive a 100% credit on cash donations to a scholarship-granting organization. An annual cap of \$1,700 per taxpayer is applied.
- **Child Tax Credit Increase:**⁵ Increased to \$2,200 for 2025 and made permanent, adjusted for inflation, thereafter.
- **Termination of Clean Vehicle/Energy Credits:**⁶ Clean vehicle, residential clean energy and energy-efficient home improvement credits are terminated. The termination applies to vehicles acquired after Sept. 30, 2025, and clean energy expenditures made after Dec. 31, 2025.

BUSINESS PROVISIONS

- **Qualified Business Income:**⁷ The 20% tax deduction is now permanent, and the income levels for certain wage and asset restrictions are raised to \$75,000 for single filers and \$150,000 for joint filers. Additionally, anyone earning at least \$1,000 from a business they actively work in will get a minimum tax deduction of \$400, which will be adjusted for inflation over time.
- **Reinstate Bonus Depreciation:**⁸ 100% bonus depreciation is reinstated and made permanent for qualifying property purchased after Jan. 19, 2025.
- **Increased Small Business Expensing Cap:**⁹ Effective for tax year 2025, the cap is increased to \$2.5 million and the phaseout threshold will begin at \$4 million.

TAX-FAVORED INVESTMENT PROVISIONS

- **Qualified Opportunity Zones:**¹⁰ The legislation revises the sunset date for current qualified opportunity zones (QOZs) to the end of 2026, rather than 2028. New zones are created beginning in January 2027 and every 10 years after that. The QOZ tax break is available after Jan. 1, 2027, only for investments made in newly designated zones; however, deferred gain invested prior to Jan. 1, 2027, will

still be recognized on Dec. 31, 2026. QOZ investors will get up to a 10% reduction on deferred capital gains tax, rather than the 15% reduction in the original law. Those who invest in qualified rural opportunity zones will receive up to a 30% reduction. The reductions are realized after the QOZ investment is held for at least five years. Profits on QOZ investments held for at least 10 years are exempt from all capital gains tax when the assets are sold.

- **Qualified Small Business Stock (QSBS):**¹¹ The changes to QSBS rules apply to stock acquired after July 4, 2025. The QSBS gain exclusion is phased in as follows:
 - 50% after a 3-year holding period
 - 75% after a 4-year holding period
 - 100% after a 5-year holding period

The minimum gain exclusion amount per shareholder is increased from \$10 million to \$15 million and is adjusted for inflation beginning in 2026. The aggregate gross asset threshold is increased from \$50 million to \$75 million and adjusted for inflation beginning in 2026.

TAX-FAVORED ACCOUNT PROVISIONS

- **529 Account Expansion:**¹² Allows certain elementary, secondary, homeschool and postsecondary credentialing expenses to be treated as “qualified higher education expenses.”
- **ABLE Account Enhancements:**¹³ Permanently extends these provisions for Achieving a Better Life Experience (ABLE) accounts:
 - Additional account contribution amounts for employed beneficiaries
 - Ability to contribute to ABLE accounts to qualify for the Saver’s Credit
 - Ability to use tax-free rollovers from 529 plans to qualified ABLE programs
- **New Trump Accounts:**¹⁴ A new tax-advantaged savings account for children born between Dec. 31, 2024, and Jan. 1, 2029, that includes a one-time \$1,000 contribution from the federal government. Parents can contribute up to \$5,000 annually per child, and funds must be invested in a diversified index fund. No withdrawals allowed until the child reaches age 18, at which time the account becomes like a standard IRA. Earnings grow tax-deferred, and qualified withdrawals are taxed as long-term capital gains. Pre-retirement withdrawals are allowed for certain expenses, including education and the purchase of a new home.

^{12,3} Garrett Watson, et al. Tax Foundation. July 4, 2025. "One Big Beautiful Bill Act' Tax Policies: Details and Analysis." <https://taxfoundation.org/research/all/federal/big-beautiful-bill-senate-gop-tax-plan/>. Accessed July 9, 2025.

⁴ Kara Arundel. K-12 Dive. July 8, 2025. "3 things to know about school choice in the 'One, Big, Beautiful Bill.'" <https://www.k12dive.com/news/3-things-to-know-about-school-choice-in-the-one-big-beautiful-bill/752367/#:~:text=Under%20the%20new%20school%20choice,a%20reduction%20of%20taxes%20owed>. Accessed July 9, 2025.

⁵ Jeremy Tanner. The Hill. July 8, 2025. "Have children? How the 'Big, Beautiful Bill' could affect you." https://thehill.com/homenews/nexstar_media_wire/5388103-have-children-how-the-big-beautiful-bill-could-affect-you/. Accessed July 10, 2025.

⁶ Taxpayers for Common Sense. July 9, 2025. "Energy Tax Provisions in the One Big Beautiful Bill." <https://www.taxpayer.net/energy-natural-resources/energy-tax-provisions-in-the-one-big-beautiful-bill/>. Accessed July 9, 2025.

⁷ Meghan Ponder. TaxAct. July 8, 2025. "The One Big Beautiful Bill Passed: Learn What's Changing." [https://blog.taxact.com/one-big-beautiful-bill-act/#:~:text=Tax%20changes%20for%20business%20owners,\\$10%2C000%20SALT%20cap%20for%20individuals](https://blog.taxact.com/one-big-beautiful-bill-act/#:~:text=Tax%20changes%20for%20business%20owners,$10%2C000%20SALT%20cap%20for%20individuals). Accessed July 9, 2025.

^{8,9} Julio Gonzalez. July 3, 2025. Engineered Tax Services. "What's in the One Big Beautiful Bill and What It Means for You." <https://engineeredtaxservices.com/whats-in-the-one-big-beautiful-bill-and-what-it-means-for-you/#:~:text=into%20rural%20areas-,Why%20It%20Matters:,and%20fuel%20long%2Dterm%20growth>. Accessed July 9, 2025.

¹⁰ David Wessel. Brookings. July 8, 2025. "How did the One Big Beautiful Bill Act change Opportunity Zones?" <https://www.brookings.edu/articles/how-did-the-one-big-beautiful-bill-act-change-opportunity-zones/>. Accessed July 10, 2025.

¹¹ Cory M. Vargo. WIPFLI. July 9, 2025. "How the One Big Beautiful Bill Act changes QSBS rules." <https://www.wipfli.com/insights/articles/how-the-one-big-beautiful-bill-act-changes-qsbs-rules>. Accessed July 10, 2025.

^{12,13} Sarah E. Adkisson and Jeffrey Kelson. July 8, 2025. EisnerAmer. "GOP's One Big Beautiful Bill Act Signed Into Law." <https://www.eisneramper.com/insights/tax/one-big-beautiful-bill-signed-into-law-0725/>. Accessed July 10, 2025.

¹⁴ Ryan Erme. CNBC. "'Free money' from Trump accounts is a 'no-brainer,' says expert – but other options may be better." <https://www.cnbc.com/2025/07/08/how-trump-accounts-work.html>. Accessed July 10, 2025.

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