

One Big Beautiful Bill Act

July 4th, 2025

Individual Changes - Effective Jan 1, 2025

- ▶ Extension of reduced income tax rates
- ▶ Extension and Enhancement of Standard Deduction
 - ▶ 2025 increased to \$31,500 MFJ; \$15,700 Single
- ▶ Termination of Personal Exemptions
- ▶ Senior Personal Exemption
 - ▶ Age 65 or older
 - ▶ 2025 - 2028
 - ▶ \$6000 per taxpayer on the return
 - ▶ Must have valid SSN
 - ▶ Phaseout at \$150,000 and \$75,000
 - ▶ MFS NOT ALLOWED
 - ▶ SS Benefits STILL TAXABLE designed to offset

Individual Changes - Effective Jan 1, 2025

- ▶ Child Tax Credit
 - ▶ Made \$1000 to \$2000 permanent
 - ▶ 2025 increases from \$2000 to \$2200 - Subject to annual inflation increases
 - ▶ Refundable is \$1400 indexed for inflation
 - ▶ Child must have SSN and one parent must have a SSN
 - ▶ Not an ITIN or ATIN

Provision	Effect
Makes \$2,000+ CTC permanent	Prevents 2026 reversion to \$1,000
Increases CTC to \$2,200	Starting 2025, with inflation indexing
Refundable portion = \$1,400	Also indexed annually
SSNs required	For both parent and child (must be valid and timely)
IRS enforcement	Missing SSNs = clerical error (automatic disallowance)

Individual Changes - Effective Jan 1, 2025

- ▶ Child and Dependent Care Credit
 - ▶ Maximum percentage goes from 35% to 50%
 - ▶ Second, the phase-out structure is revised to include two tiers based on adjusted gross income (AGI).
 - ▶ Under Tier 1, the credit percentage is reduced by one percentage point for each \$2,000 (or fraction thereof) of AGI over \$15,000. However, the percentage cannot be reduced below 35% in this phase.
 - ▶ Under Tier 2, for AGI above \$75,000 (\$150,000 for joint filers), the percentage is further reduced by one percentage point for each \$2,000 (\$4,000 for joint filers) over that threshold. This reduction continues until the percentage reaches the statutory floor of 20%.
- ▶ Enhancement of dependent care assistance contributions
 - ▶ Annual limit increased to \$7500/yr

Individual Changes - Effective Jan 1, 2025

- ▶ Limitation on State and Local taxes (SALT)
 - ▶ Increased to \$40,000 for 2025 and set to increase to 101% of the prior year cap yearly until 2029
 - ▶ Reverts to \$10,000 in 2030
 - ▶ MAGI threshold of \$500,000 (MFJ) and \$250,000 (MFS) - goes to \$10,000 if exceeding MAGI, will not drop below \$10,000/\$5,000
- ▶ No Tax on Tips (Above the line)
 - ▶ Deduction is capped at \$25,000; Tips MUST be voluntary in nature
 - ▶ Deduction for 2025 - payroll tables updating in 2026
 - ▶ MAGI phase out at \$150,000/\$300,000
 - ▶ Tax years 2025 - 2028
 - ▶ IRS published list of occupations
 - ▶ <https://www.federalregister.gov/documents/2025/09/22/2025-18278/occupations-that-customarily-and-regularly-received-tips-definition-of-qualified-tips>

Individual Changes - Effective Jan 1, 2025

- ▶ No Tax on Overtime (Above the line)
 - ▶ Only overtime as defined in 1938 Fair Labor Act qualifies
 - ▶ Excess of standard workweek
 - ▶ Rate above regular hourly rate
 - ▶ Maximum deduction is \$25,000 for MFJ, \$12,500 for single
 - ▶ Must have valid SSN
 - ▶ Tax years 2025 - 2028
 - ▶ MAGI limitation of \$300,000 and \$150,000
- ▶ Car Interest Deduction (Above the line)
 - ▶ \$10,000 cap
 - ▶ MAGI Phaseout \$200,000 for MFJ, \$100,000
 - ▶ Vehicle owned personally, under 14,000 LBS, final assembly in the US

Individual Changes - Effective Jan 1, 2025

- ▶ Trump Accounts
 - ▶ Under 18
 - ▶ One time \$1,000 government deposit
 - ▶ Non-taxable employer and charitable contributions to Trump Accounts
 - ▶ No tax on earnings or qualified distributions
 - ▶ Strict reporting and compliance rules for trustees
 - ▶ Anti-fraud penalties for improper credit claims
- ▶ Adoption Credit
 - ▶ \$5,000 of credit is refundable
 - ▶ Over \$5,000 carryforward under old rules of 5 years
 - ▶ Allows local tribes to determine whether a child has special needs

Individual Changes - Effective Jan 1, 2026

- ▶ Mortgage Interest Deduction
 - ▶ Made TCJA rules permanent
 - ▶ PMI
- ▶ Charitable Contributions
 - ▶ Puts a .5% floor for itemizing charitable deductions (acts same as medical floor)
 - ▶ Above the line deduction for those not itemizing (Can not take both)
 - ▶ \$1,000 Single, \$2,000 MFJ
 - ▶ Disallowed contributions due to the new floor can still be carried forward if total contributions exceed other applicable deduction limits, preserving the tax benefit in future years.

Individual Changes - Effective Jan 1, 2026

- ▶ Termination of Misc Itemized Deduction other than educators
 - ▶ Made TCJA changes permanent
 - ▶ Definition of educator made broader, includes coaches, school non educator positions
- ▶ Limitation on itemized deductions
 - ▶ Specifically, the reduction equals $\frac{2}{37}$ of the lesser of:
 - ▶ The taxpayer's total itemized deductions, or
 - ▶ The excess of the taxpayer's AGI over the 37% tax bracket threshold
 - ▶ For the 2024 tax year (as a reference point), these thresholds are approximately \$609,350 for single filers and \$731,200 for joint filers.
 - ▶ QBI not reduced

Individual Changes - Effective Jan 1, 2026

- ▶ § 529 plans (Federal rules caught up to VA rules)
 - ▶ Increase distribution limit to \$20,000 from \$10,000 for K-12 tuition
 - ▶ Newly eligible K-12 expenses include:
 - ▶ Tuition at public, private or religious schools
 - ▶ Curriculum, books and online materials
 - ▶ Tutoring or external educational classes, if the instructor is qualified and not related to the student
 - ▶ Standardized testing fees, such as AP exams or SAT/ACT
 - ▶ Dual enrollment fees for college courses taken in high school
 - ▶ Educational therapies for students with disabilities (e.g., speech, physical therapy)
- ▶ Now can cover industry-recognized post secondary credentials

Individual Changes - Effective Jan 1, 2026

- Extension of increased AMT exemption

Change	Impact
Exemption made permanent	Ensures middle- and upper-middle-income taxpayers avoid AMT
Phase-out rate increased to 50%	High-income taxpayers lose exemption faster, may pay more
Inflation indexing clarified	Keeps exemption and threshold values in line with economic growth
Applies beginning in 2026	Ensures no “cliff” reversion to pre-TCJA values

Individual Changes - Effective Jan 1, 2026

- ▶ Estate and Gift Tax exemption
 - ▶ \$2010 exemption increased to \$15M
 - ▶ Indexed for inflation
- ▶ Casualty Losses
 - ▶ Rules from TCJA made permanent
 - ▶ Can now include state declared disasters
 - ▶ Governor and Secretary declared (but no mention of which Secretary)
 - ▶ State includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands.

Individual Changes - Effective Jan 1, 2026

- ▶ Qualified Transportation Fringe Benefits
 - ▶ Bicycle commuting reimbursements no longer tax-free to employees
 - ▶ Other commuter and parking benefits remain eligible under §132(f)
 - ▶ Employers remain unable to deduct the cost of providing the benefits (TCJA policy)
- ▶ Moving expenses
 - ▶ TCJA changes made permanent
 - ▶ Now included intelligence community
- ▶ Wagering losses
 - ▶ Deduct only 90% of gambling losses, not to exceed winnings

Individual Changes - Effective Jan 1, 2026

- ▶ ABLE accounts
 - ▶ TCJA limits now permanent
 - ▶ Savers credit now includes ABLE accounts
- ▶ Certain service pay

Provision	Effect
Sinai tax benefit made permanent	Military members continue to receive combat-zone-like tax treatment indefinitely
Expanded zones	Kenya, Mali, Burkina Faso and Chad added as eligible tax-exclusion locations
Eligibility tied to danger pay	Benefits apply only during periods when special pay is authorized
Effective 2026	Applies to service from tax year 2026 onward

Individual Changes - Effective Jan 1, 2026

► Student Loan discharged

Provision	Summary
Income exclusion	Made permanent for loans discharged due to death and permanent disability
Inclusion of private loans	Expansion beyond federal loans
SSN requirement	Mandatory to prevent exclusion denial
Effective date	Applies to discharged loans after Dec. 31, 2025

Individual Changes - Effective Jan 1, 2026

- ▶ Exclusion for Student Loan payments
 - ▶ Made permanent \$5,250 exclusion
 - ▶ 2027 inflation adjustment
- ▶ AOTC and LLC credits
 - ▶ Valid SSN needed
 - ▶ EIN of educational institution must be reported
- ▶ APTC repayment cap
 - ▶ Eliminated, must pay full repayment amount

Provision	Applies to
Verification & pre-enrollment rules (71303)	Tax years after Dec. 31, 2027
Disallowed PTC for certain SEPs (71304)	Plan years after Dec. 31, 2025
Unlimited repayment of APTC (71305)	Tax years after Dec. 31, 2025

Individual Changes - Effective Jan 1, 2026

- ▶ HSA's
 - ▶ Bronze and Catastrophic plans now qualify for HSA contributions

Individual Changes - OTHER DATES

- ▶ Green Energy Credits
 - ▶ Vehicle credit repealed as of Sept 30th, 2025
 - ▶ Energy - Efficient home improvements repealed as of Dec 31st, 2025
 - ▶ Alternative Fuel refueling property credit
 - ▶ Energy - Efficient commercial buildings
 - ▶ New energy - efficient home credit
 - ▶ All repealed as of June 20th, 2026

Business Changes - OTHER DATES

- ▶ Bonus Depreciation
 - ▶ 100% made permanent
 - ▶ Expensing certain plants removed the Jan 1 2027 date
 - ▶ Jan 19 2025 enactment date
 - ▶ Before this date subject to phased down rules
 - ▶ Some specific real property
 - ▶ To qualify, the real property must:
 - ▶ Be nonresidential real property
 - ▶ Be used as an integral part of a qualified production activity
 - ▶ Be placed in service in the U.S. or a U.S. possession
 - ▶ Have original use beginning with the taxpayer (with exceptions for recent idle-use properties)
 - ▶ Be constructed between Jan. 20, 2025, and Dec. 31, 2028
 - ▶ Be placed in service by Dec. 31, 2030
 - ▶ Be designated as qualified production property through an election on the tax return

Business Changes - Jan 1, 2025

- ▶ Section 179
 - ▶ Increased amount to \$2.5M
 - ▶ Increased phaseout to \$4M
 - ▶ Both now indexed for inflation
- ▶ §174 R&D credit
 - ▶ Made deductible during the taxable year
 - ▶ Overrides §263 which requires capitalization
- ▶ 1099-K de minimis thresholds restored
 - ▶ Back to \$20,000 or 200 transactions
 - ▶ Federal only, VA has not taken action

Business Changes - Jan 1, 2025

- ▶ Interest limitation
 - ▶ ATI calculation is now more favorable by allowing depreciation
 - ▶ For capital-intensive businesses (e.g., manufacturers, utilities), the permanent inclusion of depreciation increases ATI and allows for higher interest deductibility.
 - ▶ Small dealerships of trailers or campers benefit by avoiding lost deductions from inventory financing arrangements.
 - ▶ This could encourage businesses to invest in long-lived assets, knowing depreciation won't reduce their interest deduction capacity.
 - ▶ Extension of excess business losses
 - ▶ TCJA limitation now permanent
- ▶ Qualified small business stock gain exclusion
 - ▶ Must be a C-corp
 - ▶ 50% of gain is excluded after a 3-year holding period
 - ▶ 75% after 4 years, and
 - ▶ 100% after 5 years

Business Changes - Jan 1, 2026

- ▶ Business Charitable Contributions
 - ▶ Only allowed to point where they exceed 1% of the corporations taxable income
 - ▶ Capped at 10% of taxable income
- ▶ Increases 1099-MISC and 1099-NEC from \$600 to \$2000
 - ▶ Federal only, waiting to see Virginia
- ▶ QBI enhancements
 - ▶ More availability fo the full 20%, phase in expanded from \$50,000/\$100,000 to \$75,000/\$150,000
 - ▶ Minimum QBI of \$400 (\$100 minimum income)
 - ▶ In 2027 Minimum QBI adjusted for inflation
- ▶ Business Meals
 - ▶ Effects mainly fishing vessels

Business Changes - Jan 1, 2026

- ▶ Renewal and enhancement of opportunity zones
 - ▶ A new 10-year designation cycle begins in 2026, resetting the landscape for OZ investments.
 - ▶ Stronger basis incentives are now available, particularly for rural fund investors.
 - ▶ Compliance demands have increased, with robust reporting required of both funds and investors.
 - ▶ Penalties for noncompliance are steep, especially for larger funds or those exhibiting intentional disregard.
 - ▶ The IRS will issue regular, transparent reporting, offering insights into the efficacy and distribution of OZ incentives.
- ▶ Enhancement of low-income housing credit
 - ▶ Mainly helps developers

Business Changes - Jan 1, 2026

- ▶ Permanent extension of new markets tax credits
- ▶ Paid FML credit expansion
 - ▶ Encourages broader employer participation in PFML programs, especially via insurance
 - ▶ Clarifies treatment of state programs to avoid credit duplication
 - ▶ Allows mid-sized and small employers to group employees differently and still qualify under certain rules
 - ▶ Flexibility with employee eligibility window (six months or one year) enables onboarding programs to align with benefits earlier
- ▶ Enhancement of employer provided child care credit
 - ▶ Stronger incentives for businesses to support child care access
 - ▶ Small businesses benefit most through higher credit rates and caps
 - ▶ Flexible models (e.g., outsourcing, joint ventures) now qualify
 - ▶ Indexed for inflation, ensuring the benefit grows with costs

Business Changes - Jan 1, 2026

- ▶ Enhancement of advanced manufacturing investment credit
 - ▶ The credit jumps from a 25 percent to 35 percent
 - ▶ Clients considering advanced manufacturing expansions or upgrades should evaluate project timelines to delay placing property in service until after Dec. 31, 2025, if feasible, to take advantage of the enhanced credit.
 - ▶ The increased credit could improve cash flow projections for manufacturers and help secure financing for large-scale projects in industries targeted for advanced technology development.
- ▶ Installment of tax payment election on gains of farmland
 - ▶ Allows for 4 equal installment
 - ▶ First due with tax

Business Changes - OTHER DATES

- ▶ Green energy incentives
 - ▶ Most clean energy business incentives are being repealed on a rolling basis between 2025 and 2027.
 - ▶ Projects must begin construction or place qualifying property in service before specified cutoff dates to preserve credit eligibility.
 - ▶ Restrictions on foreign ownership and influence may disqualify certain entities, even if other requirements are met.
 - ▶ Careful documentation project timelines and acquisition details to substantiate credit claims during transition years.
- ▶ Phrasing adjustments for payments from partnerships to partners for property or services
 - ▶ July 4 2025
 - ▶ Tax preparer needs to proactively address documentation and structure to mitigate recharacterization risk.

Business Changes - OTHER DATES

- ▶ Exception for percentage of completion method (7/4/25)
 - ▶ The new provision replaces the term home construction contract with residential construction contract, thereby extending the exception to include multi-family dwellings and similar residential structures.
- ▶ Spaceports treated like airports under exempt bond rules (7/4/25)
- ▶ Qualified sound recording production treatment (7/4/25)
 - ▶ Sound recording productions are now included in §181