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One Big Beautiful Bill Act (OBBBA) — Brief Summary

What it is: The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, as Public Law 119-21, made major changes to federal tax law, with many provisions effective beginning in tax year 2025 OBBBA Section 999. Here is a concise overview of the key changes:

Key Individual Tax Changes

- **Standard deduction increased** to $31,500 (married filing jointly), $23,625 (head of household), and $15,750 (single or married filing separately) for 2025.
- Standard deduction for 2026: $32,200 (married filing jointly), $24,150 (head of household), and $16,100 (single or married filing separately).
- **SALT cap rose** from $10,000 to $40,000 for 2025, phasing down for taxpayers with modified AGI above $500,000, and reverting to $10,000 after 2029.
- **New deduction for qualified tips** ("no tax on tips") up to $25,000 per year, effective 2025 through 2028, phasing out above $150,000 modified AGI ($300,000 joint).
- **New deduction for qualified overtime compensation** up to $12,500 ($25,000 joint), effective 2025 through 2028, with the same income phase-outs.
- **New deduction for qualified passenger vehicle loan interest** up to $10,000 per year (2025–2028), for loans on new, U.S.-assembled vehicles; phases out above $100,000 modified AGI ($200,000 joint).
- **New $6,000 deduction for seniors** (age 65+), available 2025 through 2028, phasing out above $75,000 modified AGI ($150,000 joint).
- **Child tax credit increased** to $2,200 per qualifying child, with the refundable portion capped at $1,400 (indexed for inflation).
- **Permanent TCJA rate structure**: The individual income tax rates (10%–37%) established by the Tax Cuts and Jobs Act were made permanent rather than expiring after 2025.
- **Estate tax exclusion increased** to $15 million per person, indexed for inflation after 2026.

Key Business Tax Changes

- **100% bonus depreciation restored permanently** for qualified property, with a transition option (40%/60% for the first year ending after January 19, 2025).
- **Section 179 expense limit doubled** to $2.5 million, with the phase-out threshold raised to $4 million.
- **R&D expensing restored**: Domestic research expenditures are immediately deductible under new section 174A (with an election to amortize over 60+ months), while foreign research expenditures remain subject to 15-year amortization under amended section 174.

- **QBI deduction (section 199A) made permanent**, with the threshold for the SSTB limitation and W-2 wage phase-in increased to $75,000 ($150,000 joint), and a new $400 minimum deduction for qualifying active business income.

Clean Energy and Other Provisions

- **Clean vehicle credits terminated** for vehicles acquired after September 30, 2025 (sections 25E, 30D, 45W).
- **Residential energy credits (25C, 25D)** end for property placed in service (or expenditures made) after December 31, 2025.
- **Trump Accounts**: New tax-advantaged savings accounts for children born 2025–2028, with a $1,000 federal pilot contribution and up to $5,000 in annual contributions.
- **Opportunity Zones reformed and extended**, with new benefits for rural zones, including a 50% substantial improvement threshold and a 30% basis step-up for 5-year investments in qualified rural opportunity funds.

This is a high-level summary only and does not constitute tax advice. Many provisions have specific eligibility requirements, income phase-outs, and effective dates; readers should consult a qualified tax professional for guidance on their individual situations.