



One Big Beautiful Bill Act 2025

On July 4, 2025, President Trump officially signed The One Big Beautiful Bill ("Bill") into law, which was approved by the Senate and House earlier. It is the largest tax cut in US history for middle- and working-class Americans. Some of these provisions are extensions of those from the 2017 Tax Cuts and Jobs Act (TCJA) while others are designed to address various issues raised by taxpayers. The Bill covers nearly every section of the American Economy.

While the scope is broad, here are the key highlights most relevant to businesses and individuals.

Individual Income Tax Provisions

1. Tax Cuts and Jobs Act Extensions:

- a. Individual tax rates made permanent at a maximum rate of 37%.
- b. Standard deduction increase made permanent, 15,750 (\$31,500 for married filing jointly) in 2025

2. State and Local Tax (SALT) Deduction: SALT was capped at \$10,000 as part of Itemized Deductions on Schedule A of Form 1040. This bill increases the \$10,000 cap to **\$40,000**, adjusted annually for inflation, through 2029. This deduction is reduced for taxpayers with "modified adjusted gross income" (MAGI) over \$250,000 (\$500,000 for married filing jointly), although the cap will not fall below \$5,000 (\$10,000 for married filing jointly). Also, SALT Workarounds Passthrough Entity (PTE) Tax is preserved.

3. No Tax on Tip and Overtime Pay (2025 to 2028): The Bill allows an "above-the-line" deduction of up to **\$25,000** annually for qualified tips and **\$12,500 (\$25,000 for married filing jointly)** annually for overtime compensation received by an individual. The deduction applies to both employees and independent contractors. The deduction begins to phase out when the taxpayer's MAGI exceed a certain threshold amount of \$150,000 (\$300,000 for married filing jointly).

4. Child Tax Credit: The Bill increased the amount of the nonrefundable child tax credit to **\$2,200** per child starting in 2025, indexed for inflation after 2025.

5. Senior Deduction (2025 to 2028): The Bill provides a temporary **\$6,000** deduction under Sec. 151 for individual taxpayers who are age 65 or older. It will start to phase out when a taxpayer's MAGI exceed \$75,000 (\$150,000 for married filing jointly).

6. Auto Loan Interest deduction(2025 to 2028): The deduction is limited to **\$10,000** per year and begins to phase out when the taxpayer's AGI exceeds \$100,000 (\$200,000 for married filing jointly). U.S. Assembly required.



7. Charitable Deduction for Non-Itemizers: The Bill creates a permanent charitable deduction for taxpayers who take the standard deduction of **\$1,000 (\$2,000 for married filing jointly)**. The Bill creates a permanent floor of 0.5% of the individual taxpayer's AGI for charitable contributions made by itemizers.

8. Qualified Business Income (QBI) deduction Section 199A: The Bill makes permanent the special **20%** Section 199A QBI deduction that was first enacted under the TCJA.

9 Mortgage Interest Deduction: 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.

10. Estate Tax (Including Gift and GST tax): The Bill increases the exemption amount to **\$15 million** for an individual (\$30 million for a married couple) for gifts made after December 31, 2025. This amount will be adjusted for inflation annually.

11. Creating Trump accounts: The Bill creates "Trump accounts," which are individual retirement accounts for minors. It is a pilot program where the government will contribute \$1,000 to this account for each child with a valid Social Security number born between Dec. 1, 2025, and Dec. 31, 2028. The earnings grow tax deferred. Each year, the account may receive up to \$5,000 in contributions (increasing annually for inflation). Contributions to the accounts are not tax deductible by the donor. Contributions made by the government or made by a nonprofit entity to a qualified class of beneficiaries, are excluded from the \$5,000 contribution limit. An employer may contribute up to \$2,500 to its employees' children's Trump accounts, but those contributions count towards the \$5,000 contribution limit. No distributions may be made before the child turns 18.

Business Tax Provisions

1. Bonus Depreciation: For "qualified property" acquired on or after Jan. 20, 2025, the Bill restores, permanently, the **100%** bonus depreciation initially allowed under the TCJA. Without The Bill, the bonus depreciation rates would have been 40% in 2025, 20% in 2026, and 0% in 2027 and beyond.

2. Section 179: The Bill increases the cap from \$1 million to **\$2.5 million**, with phase-outs beginning at \$4 million of qualified property placed in service after December 31, 2024.

3. New Bonus Depreciation for Manufacturing Qualified Production Property: The Bill allows qualified production property to enjoy **100%** bonus depreciation through 2032, a significant benefit for domestic manufacturers and supply-chain operators.

4. Full Expensing for Domestic Research and Development Cost(R&D): A taxpayer is entitled to deduct domestic R&D expenditures immediately. The Bill applies beginning in 2025. However, a small business taxpayer with average annual gross receipts of \$31 million or less will generally be permitted to apply The Bill's favorable rule retroactively to 2022 and all subsequent years; and all taxpayers that made domestic R&D expenditures in years 2022-2024 will be permitted to elect to accelerate the remaining deductions for those expenditures over a one- or two-year period beginning in 2025.

5. IRC Section 163(J) Limitation on Business Interest: The Bill revives the use of EBITDA (instead of EBIT) for purposes of determining the business interest deduction limitation under Sec. 163(j) retroactive



to taxable years beginning on or after January 1, 2025. Therefore, for purposes of 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. And it appears to disallow the use of interest capitalization as a way to reduce the interest expenses for tax years beginning January 1, 2026.

6. IRC Sec. 461(l) Excess Business Losses: Under the TCJA, the special limitation on the deductibility of excess (generally over \$500,000) business losses of non-corporate taxpayers under Section 461(l) was scheduled to expire at the end of 2028. The Bill, however, makes this limitation permanent.

7. IRC Sec. 1202 Qualified Small Business Stock (QSBS) Rules: Under the Bill, a 50% gain exclusion applies to stock held for more than three years, and a 75% gain exclusion applies to stock held for more than four years. the per-issuer gain exclusion cap under Section 1202 increases from \$10 million to \$15 million.

8. Opportunity Zones (OZs): The existing favorable treatment of gains from investments in qualified opportunity zones will become permanent. new OZs will be determined on July 1, 2026, and will take effect on Jan. 1, 2027. This same process will take place every ten years. As under prior law, (a) gains invested in a qualified opportunity fund (QOF) are deferred for five years (assuming no sales prior to year five), (b) gains invested in a QOF receive a 10% basis step-up at year five and (c) all gains are excluded after a ten-year hold period is met. These provisions continue to apply, but, under The Bill, a taxpayer—in order to be eligible for the full gain exclusion--must dispose of his/her QOF investment within 30 years after making the investment.

9. Charitable Deduction Floor: The Bill creates a 1% floor for charitable contributions by C corporations, effectively limiting their deduction to 9%.

Energy Tax Credits

The Bill terminates a large number of clean energy tax incentives including:

1. Clean Vehicle Credits: The Bill terminates clean vehicle credits under IRC Secs. 25E (Used Clean Vehicle Credit), 30D (Clean Vehicle Credit), and 45W (Qualified Commercial Clean Vehicle Credit) after September 30, 2025.

2. Clean Building Credits: The Bill terminates IRC Secs. 30C (Alternative Fuel Vehicle Refueling Credit), 45L (New Energy Efficient Home Credit), and 179D (Energy Efficient Commercial Buildings Deduction) after June 30, 2026.

3. Home Efficiency Credits: The Bill terminates IRC Secs. 25C (Energy Efficient Home Improvement Credit) and 25D (Residential Clean Energy Credit) after December 31, 2025.



Administrative Provisions and Excise Taxes

- 1. Form 1099 Reporting Threshold:** The Bill increases the information-reporting threshold amount from \$600 to **\$2,000**, with the threshold amount to be indexed annually for inflation in calendar years after 2026.
- 2. Form 1099-K 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**.
- 3. Remittance Transfer Tax:** The Bill imposes a **1% tax** on money sent abroad. A remittance transfer for these purposes is a transfer of cash, a money order, a cashier's check, or a 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 issued in the U.S.
- 4. 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.

International Tax Provision

The Bill makes significant changes to certain international tax provisions including the:

- 1. Global intangible low-taxed income (GILTI) (renamed as "Net CFC Tested Income" beginning 2026):** The Bill raises the effective tax rate paid by US shareholders on their Net CFC Tested Income from 10.5% to 12.6% starting in 2026.
- 2. Foreign-derived intangible income (FDII)(renamed as "Foreign Derived Deduction Eligible Income" beginning 2026):** The Bill increases the effective tax rate paid on qualified deemed foreign intangible income from 13.1% to 14% starting in 2026.
- 3. Foreign Tax Credits:** Increased the IRC Sec. 960 deemed paid credit to 90% (currently, 80%).

Please feel free to contact us if you have any questions.