

Major 2025 Tax Law Changes: What the One Big Beautiful Bill Act Means for You



ARTICLE 07.08.25 DEAN DORTON

On July 3rd, Congress passed the “One Big Beautiful Bill Act” (OBBBA), marking a significant overhaul to federal tax policy and the President signed it into law on July 4th.

Without this legislation, the federal tax code would have largely reverted back to the rules applicable in 2017. The new law creates incentives restoring 100% bonus depreciation and reinstating immediate expensing for U.S.-based research and development, while permanently extending many individual tax cuts. The bill also revamps some of the 2017 Tax Cuts and Jobs Act (TCJA) provisions on the taxation of corporations’ foreign income and terminates many of the clean energy tax incentives. The major details of this massive bill are outlined below. Note, this information is not intended to comprehensively cover all provisions in the legislation, rather it is designed to provide an overview of some of the key components of the bill.

Individual/Estate Tax Provisions:

Many provisions created by the 2017 TCJA, which were set to expire in 2025, were extended or modified, including:

- **Tax Rates:** The income tax rate schedules for individuals, estates, and trusts are made permanent starting in 2026. The individual tax brackets remain at 10%, 12%, 22%, 24%, 32%, 35%, and 37%. For estates and trusts, the brackets are 10%, 24%, 35%, and 37%.
- **Standard Deduction:** Permanently increased to \$15,750 for single filers, \$23,625 for heads of household, and \$31,500 for joint filers, starting in 2025. These amounts will be adjusted for inflation after 2025.
- **Personal Exemptions:** The deduction for personal exemptions remains permanently at zero.
- **Miscellaneous Deductions:** The suspension of miscellaneous itemized deductions (e.g., investment fees) is made permanent. However, unreimbursed employee expenses for eligible educators are no longer considered miscellaneous deductions.
- **Alternative Minimum Tax (AMT):** The increased AMT exemption is made permanent. The phaseout threshold for joint filers and surviving spouses resets to 2018 levels, with an accelerated phaseout of the exemption.
- **Mortgage Interest Deduction:** The limit on qualified residence interest is permanently capped at the first \$750,000 of home mortgage acquisition debt. Interest on home-equity loans remains excluded from the definition of qualified residence interest.
- **SALT Deduction Cap:** The cap on state and local tax (SALT) deductions increases from \$10,000 to \$40,000, with a 1% annual increase through 2029. In 2030, the cap reverts to \$10,000.
- **Child Tax Credit:** Increased by \$200 to \$2,200 for 2025, with inflation adjustments going forward.

- **Estate Tax Exclusion:** The 2025 estate tax exclusion remains unchanged at \$13.99 million per taxpayer. In 2026, the basic exclusion amount increases to \$15 million and is adjusted for inflation thereafter.

New Provisions for Individual Taxpayers:

- **Tip Income Deduction:** Up to \$25,000 of tip income is deductible through 2028. The deduction phases out for incomes above \$150,000 (\$300,000 for joint filers).
- **Overtime Income Deduction:** Up to \$12,500 (\$25,000 for joint filers) of overtime income is deductible through 2028.
- **Automobile Interest Deduction:** Up to \$10,000 of automobile loan interest is deductible through 2028, phasing out for incomes above \$100,000 (\$200,000 for joint filers).
- **Senior Deduction:** An additional \$6,000 deduction is available for seniors aged 65+ with income under \$75,000.
- **Itemized Deduction Limitation:** The tax benefit of itemized deductions is limited for taxpayers in the highest tax bracket (37%).
- **Scholarship Credit:** Starting in 2027, individuals can claim a credit of up to \$1,700 for qualified cash contributions to scholarship-granting organizations supporting K–12 students.
- **529 Plan Expansion:** The definition of qualified education expenses is expanded to include primary, secondary, and home-schooling costs. The annual limit for such expenses increases from \$10,000 to \$20,000.
- **Charitable Deduction for Non-Itemizers:** A deduction of up to \$1,000 (single) or \$2,000 (married) is allowed for charitable contributions for those who do not itemize.
- **Trump Accounts:** Tax-favored savings accounts seeded with \$1,000 for each newborn child, which are treated like individual retirement accounts, with the child as the beneficiary.
- **Dependent Care Assistance:** The annual limit for employer-provided dependent care assistance increases from \$5,000 to \$7,500 after 2025.

Business Tax Provisions

The OBBBA includes several pro-business changes aimed at encouraging domestic investment and innovation. While both chambers initially proposed limiting state passthrough entity tax (PTET) workarounds to the State and Local Tax (SALT) cap, the final bill leaves these strategies intact.

Key Business Provisions:

- **Bonus Depreciation:** 100% bonus depreciation is restored for qualifying assets placed in service after January 19, 2025.
- **Section 179 Expensing:** The expensing limit increases to \$2.5 million annually (up from \$1 million), with a phaseout threshold of \$4 million (up from \$2.5 million), effective for tax years beginning after December 31, 2024. These amounts will be adjusted for inflation.
- **R&E Expensing:** Businesses can immediately deduct domestic research and experimental (R&E) expenditures for tax years beginning after December 31, 2024. Foreign R&D expenses must still be amortized over 15 years. Small businesses with average gross receipts under \$31 million may retroactively apply this change to tax years beginning after 2021 by amending prior returns. All businesses may elect to accelerate remaining deductions for R&D expenses incurred between 2022 and 2024 over one or two years.
- **Manufacturing Bonus Depreciation:** A new 100% bonus depreciation is available through 2029 for “qualified production property” (QPP). QPP is nonresidential real property that is used by the taxpayer as an integral part of a qualified production activity. A qualified production activity is the manufacturing, production, or refining of qualified products, and the term production is limited to agricultural and chemical production. To qualify, the property has to be placed in service in the United States, or its territories, and the original use as QPP must begin with the taxpayer. Any nonresidential real property used for offices, administrative services, sales, research, software engineering, lodging, or parking is not QPP.
- **Section 199A Deduction:** The 20% deduction for qualified business income (QBI) is made permanent.
- **Interest Deduction (Section 163(j)):** The calculation reverts to the original TCJA method, allowing businesses to compute adjusted taxable income without subtracting depreciation, amortization, or depletion. This change increases the allowable interest deduction.

- **Excess Business Loss Limitation:** The TCJA's limitation on excess business losses for non-corporate taxpayers is made permanent.
- **Qualified Small Business Stock (QSBS):** The gain exclusion under Section 1202 is expanded for QSBS acquired after July 4, 2025. The exclusion is tiered: 50% for stock held for three years, 75% for four years, and 100% for five or more years.
- **Qualified Opportunity Zones:** The new law establishes a permanent opportunity zone policy, creating rolling, ten-year opportunity zone designations beginning on January 1, 2027. The new law generally maintains the opportunity zone designation process from the TCJA. It updates the definition of a low-income community and eliminates the ability for contiguous tracts that are not low-income communities to be designated as opportunity zones.

Informational Reporting and Excise Taxes

The OBBBA also includes changes to informational reporting thresholds and introduces or modifies several excise taxes:

- **Form 1099 Reporting Thresholds:** For payments made after December 31, 2025, the minimum threshold for reporting income on Form 1099 increases from \$600 to \$2,000. This threshold will adjust annually for inflation beginning in 2027.
- **Third-Party Network Transactions (Form 1099-K):** The reporting threshold reverts to the pre-2022 rule—reporting is only required if the total value of transactions exceeds \$20,000 and the number of transactions exceeds 200 for the year.
- **Endowment Excise Tax (Section 4968):** The excise tax on large private college and university endowments increases from 1.4% to as much as 8%. The exemption for qualified religious institutions and the exclusion of foreign students are eliminated. Additionally, the threshold for applicability increases to institutions with at least 3,000 tuition-paying students (up from 500).
- **New Excise Tax on Foreign Transfers:** A 1% federal excise tax is imposed on certain electronic transfers of money from within the U.S. to foreign countries when the sender uses cash, money orders, cashier's checks, or similar instruments. Transfers funded by U.S.-issued debit or credit cards or made through financial institutions are exempt.

Clean Energy Incentives

As part of its broader tax policy shift, the OBBBA terminates many clean energy tax incentives enacted in recent years. These include:

- **Sec. 25E** – Previously Owned Clean Vehicle Credit (ends after September 30, 2025)
- **Sec. 30D** – Clean Vehicle Credit (ends for vehicles acquired after September 30, 2025)
- **Sec. 45W** – Qualified Commercial Clean Vehicle Credit (ends after September 30, 2025)
- **Sec. 30C** – Alternative Fuel Vehicle Refueling Credit (ends after June 30, 2026)
- **Sec. 25C** – Energy-Efficient Home Improvement Credit (ends after December 31, 2025)
- **Sec. 25D** – Residential Clean Energy Credit (ends for expenditures made after December 31, 2025)
- **Sec. 179D** – Energy-Efficient Commercial Buildings Deduction (ends for construction beginning after June 30, 2026)
- **Sec. 45L** – New Energy-Efficient Home Credit (ends after June 30, 2026)
- **Sec. 45V** – Clean Hydrogen Production Credit (ends after January 1, 2028)
- **Sec. 6426(k)** – Sustainable Aviation Fuel Credit (ends after September 30, 2025)

International Tax Provisions

The OBBBA significantly reshapes the U.S. international tax framework, particularly in how foreign income and credits are treated:

- **GILTI and FDII Reforms:** GILTI is renamed **Net CFC Tested Income (NCTI)** and FDII becomes **Foreign-Derived Deduction Eligible Income (FDDEI)**. The Section 250 deduction is reduced to 40% for NCTI and

33.34% for FDDEI.

- **Tangible Asset Exclusion Removed:** The exclusion for deemed returns on tangible assets under both NCTI and FDDEI is eliminated.
- **Foreign Tax Credit (FTC) Changes:** Expense allocation rules are revised, and the haircut on FTCs under NCTI is reduced. The deemed paid credit under Section 960 increases from 80% to 90%.
- **PTEP Distributions:** A 10% disallowance of FTC applies to foreign taxes related to distributions of previously taxed earnings (PTEP) under Section 951A, aligning with the increased 90% deemed paid credit. This applies to distributions made on or after June 28, 2025.
- **BEAT Rate:** The base erosion and anti-abuse tax (BEAT) rate is permanently set at 10.5%.

How the OBBBA Affects You

With the passage of the bill at mid-year, we now have clarity that should allow ample time for effective tax planning in 2025. Many provisions take effect immediately or retroactively to the start of 2025, requiring a fresh look at estimated tax payments and year-end planning. The OBBBA contains tax changes and extended provisions that could have wide-ranging effects on businesses and individual taxpayers.

Legislative changes can present both challenges and opportunities to businesses and individuals. Let's talk about how the One Big Beautiful Bill Act changes could impact you—whether it's your personal tax planning, business strategy, or long-term wealth goals. Our team at Dean Dorton is here to help you make smart, timely decisions that set you up for success now and in the future.

[Contact us](#) to discuss your specific situation and learn more about the personal impacts to you, your family, and your business.