One Big Beautiful Bill Act (OBBBA)

Cross References

• H.R. 1

Signed into law on July 4, 2025, OBBBA, officially called *"An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14."*, changes funding for various federal programs, raises the debt ceiling, and makes numerous revisions to the Internal Revenue Code. The following is a summary of some of the tax provisions contained in the legislation. For complete in-depth coverage, see chapter 5 of the What's New Early Edition of TheTaxBook.

Tax Rates

The new law permanently extends the current tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% for individuals. The current 10%, 24%, 35%, and 37% rates for estates and trusts are also permanently extended.

Standard Deduction

Effective for tax years beginning in 2025, the standard deduction is increased to the following amounts.

MFJ, QSS	$31,500
Single	$15,750
HOH	$23,625
MFS	$15,750

These amounts are adjusted annually for inflation beginning in tax years after 2025.

Personal Exemptions

The new law permanently terminates the personal exemption deduction, with an exception of a temporary deduction for seniors.

For tax years 2025 through 2028, the deduction is $6,000 for each qualified individual. A qualified individual is:

1) The taxpayer, if the taxpayer has attained age 65 before the close of the tax year, and
2) In the case of a joint return, the taxpayer's spouse, if the spouse has attained age 65 before the close of the tax year.

The $6,000 amount is reduced by 6% of the taxpayer's modified adjusted gross income (MAGI) that exceeds $75,000 ($150,000 for MFJ).

Child Tax Credit

Effective for 2025, the Child Tax Credit is increased to $2,200 per qualifying child under the age of 17. After 2025, the $2,200 amount is adjusted annually for inflation.

Qualified Business Income Deduction

The qualified business income deduction has been made permanent. The new law also increases the phase-out range for taxpayers that exceed the threshold amount. Effective for 2026, the phase-out range is increased from $50,000 ($100,000 MFJ) to $75,000 ($150,000 MFJ).

The new law also includes a new minimum deduction for active qualified trade or business income. Effective for 2026, the qualified business income deduction for an applicable taxpayer is the greater of $400 or the deduction as calculated under the regular rules. An applicable taxpayer means a taxpayer whose aggregate qualified business income with respect to all active qualified trades or businesses of the taxpayer for the year is at least $1,000. An active qualified trade or business means any qualified trade or business of the taxpayer in which he or she materially participates.

Estate and Gift Tax Exemption Amount

Effective for estates of decedents dying and gifts made after December 31, 2025, the estate and gift tax exemption amount is increased to $15 million, adjusted annually for inflation after 2026.

Alternative Minimum Tax Exemption and Phase-Out Thresholds

The new law makes permanent the 2018 through 2025 AMT exemption amounts, adjusted annually for inflation. The new law also modifies how the inflation adjustments are calculated, and how the phase-out of the AMT exemption amount is calculated.

Home Mortgage Interest Deduction

The new law permanently extends the provision to limit acquisition debt to $750,000 and treat home equity debt as non-deductible personal interest.

The new law also reinstates the provision to treat mortgage insurance premiums as interest, which had expired for tax years after 2021. For tax years beginning after 2025, premiums paid or accrued for qualified mortgage insurance in connection with acquisition debt is treated as qualified residence interest. The deduction begins to phase out when the taxpayer’s adjusted gross income for the tax year exceeds $100,000 ($50,000 MFS).

Casualty Loss Deduction Limitation

Effective for tax years beginning after 2025, personal casualty losses are deductible if attributable to a federally-declared disaster or a state declared disaster. The term state declared disaster means any natural catastrophe (including any hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the state, which in the determination of the Governor and the Secretary (or the mayor of the District of Columbia) causes damage of sufficient severity and magnitude to warrant the application of this rule.

Miscellaneous Itemized Deductions

The new law permanently disallows a deduction for the miscellaneous expenses that were subject to the 2% of AGI limitation.

Effective for tax years beginning after 2025, a deduction for educator expenses as itemized deductions are allowed. Educator expenses are the same type of expenses that are allowed under IRC section 62(a)(2)(D) as an above the line deduction subject to the $250 ($300 for 2025 as adjusted for inflation) per educator limit, except that as an itemized deduction, they are not subject to the $250 ($300 for 2025 as adjusted for inflation) per educator limit. The new law expands the list of expenses allowed as educator expenses.

Itemized Deductions Tax Benefit Limitation

Effective for tax years beginning after 2025, itemized deductions begin to phase-out when taxable income exceeds the dollar amount at which the 37% tax bracket begins (the highest tax bracket). The phase-out amount equals $\frac{2}{37}$ (5.40540541%) of the lesser of:

- Itemized deductions otherwise allowable, or
- The amount of taxable income (determined without reducing itemized deductions under this rule) that exceeds the dollar amount at which the 37% tax bracket begins with respect to the taxpayer.

The phase-out does not apply when calculating the deduction for qualified business income.

Bicycle Commuting Fringe Benefits

Effective for tax years beginning after 2025, the provision that treated qualified bicycle commuting reimbursements as an excludable qualified transportation fringe benefit has been permanently deleted from the Internal Revenue Code. Any reimbursement for such an expense is taxable as compensation to the employee.

Moving Expenses

The new law permanently repeals the deduction and exclusion for moving expenses for taxpayers who are not active members of the Armed Forces who move pursuant to a military order. The new law also treats employees and new appointees of the intelligence community who move pursuant to a change in assignment which requires relocation in the same manner as active members of the Armed Forces.

Gambling Losses

Effective for tax years beginning after 2025, the deduction for gambling losses is limited to 90% of such losses incurred during the year. The deduction is also limited to gains from gambling during the year.

Saver's Credit

Effective for tax years beginning after 2026, changes to the Saver's Credit made by the SECURE 2.0 Act of 2022 are repealed. The contribution limit used to calculate the credit is increased from $2,000 to $2,100.

Student Loan Debt Discharged

Effective for discharges of student loan debt after 2025, the new law allows for an exclusion from income on account of death or total and permanent disability of the student.

State and Local Tax Deduction

Effective for tax years beginning after 2024, the new law permanently extends the deduction limitation for state and local taxes and increases the applicable deduction limitation amounts as follows.

1) $40,000 for tax years beginning in 2025,
2) $40,400 for tax years beginning in 2026,
3) $40,804 for tax years beginning in 2027,
4) $41,212 for tax years beginning in 2028,
5) $41,624 for tax years beginning in 2029, and
6) $10,000 for tax years beginning after 2029.

For MFS, the limitations are half the amounts listed above.

For tax years beginning after 2024, the deduction limitation amounts are reduced by 30% of the excess of the taxpayer's modified adjusted gross income over the threshold amount (half the threshold amount for MFS). The threshold amounts are as follows.

1) $500,000 for tax years beginning in 2025,
2) $505,000 for tax years beginning in 2026,
3) $510,050 for tax years beginning in 2027,
4) $515,151 for tax years beginning in 2028, and
5) $520,303 for tax years beginning in 2029.
6) $10,000 for tax years beginning after 2029.

The 30% reduction for tax years 2025 through 2029 shall not result in the applicable limitation amount to be less than $10,000.

Deduction for Qualified Tips

Effective for tax years beginning after 2024 and before 2029, a deduction is allowed equal to the qualified tips received during the tax year that are included on statements furnished to the taxpayer by the employer (or payee if the recipient is not an employee) or reported by the taxpayer on Form 4137. The amount allowed as a deduction for any tax year is limited to $25,000. Taxpayers do not have to itemize to claim the deduction.

The deduction begins to phase-out when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ).

If the taxpayer is self-employed, the deduction is limited to the net profit from the taxpayer's trade or business that received the tips.

Qualified tips means cash tips (including credit card transactions) received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024. Qualified tips do not include amounts received in a specified service trade or business (same definition as used for the qualified business income deduction).

Payors subject to the information return reporting requirements must separately account for the amount of qualified tips paid to the payee.

Tip Credit for Beauty Service Business

A credit is allowed for the portion of employer Social Security and Medicare taxes paid on tips received by employees of food and beverage establishments. Effective for tax years beginning after 2024, the credit is expanded to include the tipping of employees in the following service industries.

- Barbering and hair care.
- Nail care.
- Esthetics.
- Body and spa treatments.

The new law amends the federal minimum wage in effect to apply to the current federal minimum wage of $7.25 per hour rather than the minimum wage in effect on January 1, 2007.

Deduction for Qualified Overtime Pay

Effective for tax years beginning after 2024 and before 2029, a deduction is allowed equal to the qualified overtime compensation received during the year that is included on statements furnished to the taxpayer by the payee. The amount allowed as a deduction for any tax year is limited to $12,500 ($25,000 for MFJ). Taxpayers do not have to itemize to claim the deduction.

The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ).

Qualified overtime compensation means overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate at which the individual is employed.

Employers must separately account for the amount of qualified overtime compensation paid to the employee.

Deduction for Qualified Passenger Vehicle Loan Interest

Effective for tax years beginning after 2024 and before 2029, a deduction is allowed for qualified passenger vehicle loan interest. The term qualified passenger vehicle loan interest means any interest which is paid or accrued during the tax year on indebtedness incurred after 2024 for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use. The deduction for any tax year is limited to $10,000.

Taxpayers do not have to itemize to claim the deduction. The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 for MFJ).

An applicable passenger vehicle means:

1) A vehicle that is originally used by the taxpayer (the purchase of a used vehicle does not qualify),

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2) A vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails),
3) A vehicle that has at least 2 wheels,
4) A vehicle that is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,
5) A vehicle which is treated as a motor vehicle for purposes of title II of the Clean Air Act, and
6) A vehicle which has a gross vehicle weight rating of less than 14,000 pounds.

An applicable passenger vehicle is a vehicle in which the final assembly occurs within the United States.

Trump Accounts

Effective for tax years beginning after 2025, a person (such as a parent or grandparent) can establish a Trump account for a beneficiary under the age of 18. A Trump account is a type of individual retirement account (IRA) that allows earnings to grow tax deferred. Contributions are limited to $5,000 per year and are not deductible. Distributions are not allowed before age 18. Trump accounts limit the types of investments that can be used to fund the accounts. The law also allows employers to make excludable contributions, limited to $2,500 to employees under the age of 18. A pilot program allows the IRS to make a $1,000 contribution to the account on behalf of a beneficiary born after December 31, 2024, and before January 1, 2029. The new law provides up to $410 million to fund the pilot program.

Special Depreciation Allowance (Bonus Depreciation)

For property acquired after January 19, 2025, the new law permanently extends the 100% expensing of all property eligible for bonus depreciation. For property placed in service during the first tax year ending after January 19, 2025, the taxpayer may elect to have the prior law 40% limit apply (60% for longer production period property).

Domestic Research or Experimental Expenditures

Effective for amounts paid or incurred in tax years beginning after 2024, a deduction is allowed for any domestic research or experimental expenditures paid or incurred during the tax year. The deduction is taken in full without the need to amortize the expenses over a number of years. A taxpayer can elect to amortize the expenses over not less than 60 months instead of deducting the expense in full in the year paid or incurred.

The new law allows taxpayers to elect to apply this provision to expenses paid or incurred after 2021, and to deduct any unamortized amounts remaining for expenses paid or incurred after 2021 and before 2025.

Employer Credit for Paid Family and Medical Leave

An employer tax credit ranging from 12.5% to 25% of wages paid while the employee is on family and medical leave is allowed. Paid leave must be designated for one of the following purposes:

- The birth or care of a child.
- Adoption or foster care of a child.

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- Caring for a spouse, child, or parent with a serious health condition.
- An employee's serious health condition that makes the employee unable to perform the functions of the position.
- A qualifying exigency arising out of the fact that a spouse, child, or parent is a member of the U.S. Armed Services and is on covered active duty.
- Caring for a service member with a serious injury or illness if the employee is the spouse, child, parent, or next of kin of the service member.

The new law permanently extends this provision and includes insurance policy premiums in regard to paid family and medical leave as qualifying for the credit. The credit claimed on premiums applies without regard to whether the employee is on paid family and medical leave. The new law also includes a minimum 20-hour work-per-week requirement for qualifying employees.

Business Meals Provided to Employees

Meals provided to employees related to eating facilities and meals for the convenience of the employer are no longer deductible after 2025. The new law provides two exceptions. Effective for amounts paid or incurred after 2025, taxpayers are allowed a deduction for employer provided meals to employees if:

1) The meals are provided at a facility in which goods or services (including the use of facilities) are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth.
2) The meals are required by federal law to be provided to crew members of a commercial vessel.

A commercial vessel includes a commercial fishing vessel.

Section 179 Deduction

Effective for tax years beginning after 2024, the Section 179 deduction limit is $2.5 million, adjusted annually for inflation. The Section 179 investment limit is $4 million, adjusted annually for inflation.

Special Depreciation Allowance for Qualified Production Property

Effective for property placed in service after July 4, 2025, a new class of property called qualified production property is eligible for expensing 100% of its adjusted basis rather than depreciating it over 39 years.

Qualified production property means that portion of any nonresidential real property:

- Which is used by the taxpayer as an integral part of a qualified production activity that is placed in service in the United States or any possession of the United States.
- The original use of the property must commence with the taxpayer.
- The construction of the property must begin after January 19, 2025, and before January 1, 2029.
- The taxpayer must elect to expense the property under this provision.
- The property must be placed in service before January 1, 2031.

Qualified production property does not include that portion of any nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software development or engineering activities, or other functions unrelated to the manufacturing, production, or refining of tangible personal property.

Qualified production activity means the manufacturing, production, or refining of a qualified product. The activities of a taxpayer do not constitute manufacturing, production, or refining of a qualified product unless the activities result in a substantial transformation of the property comprising the product.

The term qualified product means any tangible personal property other than food or beverages prepared in the same building as a retail establishment in which the property is sold.

Depreciation recapture applies if the taxpayer ceases to use the property as an integral part of a qualified production activity within 10 years of placing the property in service.

Employer-Provided Child Care Credit

Employers are allowed a credit for a qualified childcare facility and resource and referral expenditures.

Effective for amounts paid or incurred after 2025, the credit is increased to 40% of the qualified childcare facility expenditures (50% in the case of an eligible small business). The credit limit is increased to $500,000 for the tax year ($600,000 in the case of an eligible small business). The $500,000 and $600,000 amounts are adjusted annually for inflation.

An eligible small business means a business whose average gross receipts over the previous 5-year period do not exceed $25 million.

Adoption Credit

Effective for tax years beginning after 2024, up to $5,000 of the adoption credit is a refundable credit. The $5,000 amount is adjusted annually for inflation.

Dependent Care Assistance Program

Amounts paid or incurred by an employer for dependent care assistance provided to an employee are excluded from the employee's taxable income. Effective for tax years beginning after 2025, the limitation on the amount of excludable benefits is increased to $7,500 per year ($3,750 MFS).

Child and Dependent Care Tax Credit

Taxpayers are allowed to claim a tax credit for dependent care expenses. Dependent care expenses are generally daycare expenses that allow the taxpayer to work or look for work.

Effective for tax years beginning after 2025, the credit ranges from 50% if AGI is $15,000 or less, to 20% if AGI is over $103,000 ($206,000 for MFJ). The new law does not change the $3,000 ($6,000 for two or more qualifying persons) expense limit that qualifies for the credit.

Educational Assistance

Up to $5,250 of employer paid educational assistance provided to employees is excluded from the employee's taxable income. Effective for payments made after 2025, the new law permanently extends the provision to treat employer payments of student loans as excludable educational assistance. For tax years beginning after 2026, the $5,250 amount is increased annually for inflation.

Charitable Contributions

Effective for tax years beginning after 2025, taxpayers can deduct up to $1,000 ($2,000 MFJ) of cash charitable contributions without itemizing their deductions.

The new law also places a 0.5% floor on charitable contribution deductions for both itemizers and non-itemizers. The deduction is allowed to the extent that the aggregate amount of the taxpayer's contributions for the year exceeds 0.5% of the taxpayer's AGI. Disallowed deductions because of the 0.5% provision are carried forward under special ordering rules.

The new law also permanently extends the 60% AGI limitation for cash contributions.

Charitable Contributions Made by C Corporations

Effective for tax years beginning after 2025, C corporations are subject to a 1% floor on deductions for charitable contributions. The deduction is allowed to the extent that the aggregate amount of charitable contributions for the year exceeds 1% of the corporation's taxable income, limited to 10% of the corporation's taxable income.

Information Reporting for Businesses

All taxpayers engaged in a trade or business who make payments in the course of their trade or business to another person must file an information return with the IRS and issue a copy to the payee if total payments are $600 or more during the tax year. Effective for payments made after 2025, the $600 threshold is increased to $2,000. This amount will be adjusted annually for inflation after 2026.

Capital Gains from the Sale of Certain Farmland Property

Effective for sales or exchanges in tax years beginning after July 4, 2025, a taxpayer can elect to report the net income tax on gain from the sale or exchange of qualified farmland property sold to a qualified farmer over a 4-year period in equal installments.

Qualified farmland property means real property located in the United States that has been used by the taxpayer as a farm for farming purposes, or leased by the taxpayer to a qualified farmer for farming purposes during substantially all of the 10-year period ending on the date of sale or exchange. The property must be subject to a covenant or other legally enforceable restriction which prohibits the use of the property for any other purposes other than farming for a period of at least 10 years after the date of sale or exchange.

Disaster-Related Personal Casualty Losses

Under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, personal casualty losses in a qualified disaster area were not subject to the 10% of AGI limitation, net disaster losses were deductible to the extend they exceeded $500 per casualty, and net disaster losses could be added to the standard deduction if the taxpayer did not itemize deductions.

These rules applied for all federally-declared disaster areas for which a major disaster occurred during the period beginning on January 1, 2018 and ending on January 19, 2020.

The new law extends the disaster-related personal casualty loss provisions of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 to include all federally-declared disasters that occurred during the period beginning on January 1, 2018 and ending on July 4, 2025.

Termination of Clean Vehicle and Energy Efficient Credits

The new law accelerates the expiration dates of the tax credits enacted under the Inflation Reduction Act of 2022 for purchasing electric vehicles and making energy efficient improvements to buildings. The expiration dates are amended as follows.

- The Previously-Owned Clean Vehicle Credit under IRC section 25E expires for vehicles acquired after September 30, 2025.
- The new Clean Vehicle Credit under IRC section 30D expires for vehicles acquired after September 30, 2025.
- The Qualified Commercial Clean Vehicle Credit under IRC section 45W expires for vehicles acquired after September 30, 2025.
- The Alternative Fuel Vehicle Refueling Property Credit under IRC section 30C expires for property placed in service after June 30, 2026.
- The Energy Efficient Home Improvement Credit under IRC section 25C expires for property placed in service after December 31, 2025.
- The Residential Clean Energy Credit under IRC section 25D expires with respect to any expenditures made after December 31, 2025.
- The energy efficient commercial buildings deduction under IRC section 179D expires for property construction that begins after June 30, 2026.
- The new Energy Efficient Home Credit under IRC section 45L expires for homes acquired after June 30, 2026.

Limitation on Excess Business Losses

Losses from the trades or businesses of a noncorporate taxpayer are limited if deductions from the businesses exceed gross income and gains from the businesses, plus a threshold amount. The inflation adjusted threshold amount for 2025 is $313,000 ($626,000 MFJ). Any disallowed excess business loss is carried over under the net operating loss (NOL) carryover rules. The limitation was set to expire for tax years beginning after 2028. The new law permanently extends the limitation on excess business losses under IRC section 461(l).

Premium Tax Credit (PTC)

The new law makes the following modifications to the PTC rules.

1) Effective for 2026, advance payments of PTC that are required to be paid back are no longer limited by the applicable dollar amounts.
2) Effective for 2027, certain aliens lawfully present must be "eligible aliens" to qualify for the credit.
3) Effective for 2027, the PTC is not allowed during periods of Medicaid ineligibility due to alien status.
4) Effective for 2028, State Exchanges must verify eligibility.