

What the One Big Beautiful Bill Act Means for You: A Tax Overview

PROFESSIONALS

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PRACTICE AREAS

Energy and Green
Credits
International Tax
Opportunity Zones
State & Local Tax
Tax
Tax Credit & Incentives
Tax Planning &
Compliance
Trusts & Estates

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The One Big Beautiful Bill Act (OBBBA or "the Bill") represents a sweeping update to the U.S. tax code, building on key elements of the 2017 Tax Cuts and Jobs Act while introducing new provisions designed to modernize, simplify, and incentivize specific areas of economic activity.

This summary highlights changes across eight key areas:

- **Individual Provisions**
- **Estate and Gift Taxes**
- **Business Tax Provisions**
- **Employer Provided Benefits**
- **Tax-Exempt Organizations and Higher Education**
- **Tax Credits (Excluding Energy)**
- **Energy and Similar Tax Credits**
- **International Provisions**

Individual Provisions

The OBBBA maintains the current individual income tax bracket structure while locking in enhanced standard deductions and the QBI deduction. It introduces new deductions for seniors, tips, and overtime, adjusts itemized deduction limitations, and implements new savings vehicles like "Trump Accounts." It eliminates miscellaneous itemized deductions and expands the use of 529 plans.

General Description	OBBBA Summary	Effective Date
Individual Income Tax Rates	<ul style="list-style-type: none"> Retained existing seven brackets: 10%, 12%, 22%, 24%, 32%, 35% and 37% Income thresholds indexed for inflation Brackets under 24% receive additional year inflation adjustment 	Taxable Years Beginning After Dec. 31, 2025
Alternative Minimum Tax	<ul style="list-style-type: none"> Permanently allowed 2018 individual AMT exemption amounts indexed for inflation Increased phaseout percentage from 25% to 50% Modified phaseout thresholds to \$500,000 (single) or \$1,000,000 (joint) with an index for inflation 	Taxable Years Beginning After Dec. 31, 2025
Standard Deduction	<ul style="list-style-type: none"> Permanently allowed \$31,500 (married filing jointly), \$23,625 (head of household), and \$15,750 (single) plus future inflation adjustments 	Taxable Years Beginning After Dec. 31, 2024
Temporary Senior Deduction	<ul style="list-style-type: none"> Added new \$6,000 above-the-line deduction for individuals at least 65 Phases out for married taxpayers with incomes of \$150,000 (joint return) or \$75,000 (others) 	Taxable Years Beginning After Dec. 31, 2024 through tax years beginning before Jan. 1, 2029
Itemized Deduction Limitation	<ul style="list-style-type: none"> Caps benefit of each dollar by \$0.35 for taxpayers in the top tax bracket (37%) 	Taxable Years Beginning After Dec. 31, 2025
Miscellaneous Itemized Expense Deductions	<ul style="list-style-type: none"> No longer allowed (other than certain educator expenses which has been removed from the list of miscellaneous itemized deductions) 	Taxable Years Beginning After Dec. 31, 2025
Mortgage Interest Deduction	<ul style="list-style-type: none"> Permanently retained principal limit of \$750,000 and disallowance of deduction for home equity interest 	Taxable Years Beginning After Dec. 31, 2025
Car Loan Interest	<ul style="list-style-type: none"> Temporarily allowed a deduction of up to \$10,000 per taxable year for certain car loan interest for Taxable Years Beginning After Dec. 31, 2024 and before Dec. 31, 2029 Phase-out of deduction for incomes over \$100,000 (non-joint return) and \$200,000 (joint return) 	Indebtedness incurred after Dec. 31, 2024

SALT Cap	<ul style="list-style-type: none"> Temporarily raised SALT deduction cap from \$10,000 to \$40,000 per taxable year through 2029, with phased out deduction amount for individuals earning more than \$500,000 per year (\$250,000 per year for married filing separately) The change did not eliminate the availability of state-level pass-through entity (PTE) tax regimes 	Taxable Years Beginning After Dec. 31, 2024
Wagering Losses	<ul style="list-style-type: none"> Permanent modification to limit wagering loss deductions to 90% of the amount of wagering losses for the taxable year with an overall limitation equal to the amount of wagering gains during the same taxable year 	Taxable Years Beginning After Dec. 31, 2025
Casualty Losses	<ul style="list-style-type: none"> Permanently allowed personal casualty losses from both federal and state declared disaster areas and offset with personal casualty gains 	Taxable Years Beginning After Dec. 31, 2025
Individual Charitable Deductions	<ul style="list-style-type: none"> Created permanent deduction for individuals that do not itemize to claim up to \$1,000 (single) or \$2,000 (married filing jointly) For itemized deductions, a charitable contribution deduction is allowed only in excess of 0.5% of the taxpayer's contribution base for the taxable year, with some possibility of a carry forward of unutilized deductions 	Taxable Years Beginning After Dec. 31, 2025
Qualified Business Income Deduction	<ul style="list-style-type: none"> Permanently allowed deduction for qualified business income from a pass-through entity at 20% Expanded deduction limit phase-in by increasing the \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively Added minimum \$400 deduction for taxpayers having at least \$1,000 of qualified business income from one or more active qualifying trades or businesses 	Taxable Years Beginning After Dec. 31, 2025
Moving Expense Deduction	<ul style="list-style-type: none"> Permanently eliminated moving expense deduction for all taxpayers except for active duty members of the armed forces and intelligence community 	Taxable Years Beginning After Dec. 31, 2025
Tip Taxation	<ul style="list-style-type: none"> Temporarily provided a deduction of up to \$25,000 per taxable year for qualified tips Phases out for incomes over \$150,000 (non-joint return) and \$300,000 (joint return) Deduction disallowed for any taxable years beginning after Dec. 31, 2028 	Taxable Years Beginning After Dec. 31, 2024

Overtime Taxation	<ul style="list-style-type: none"> Temporarily provided a deduction of up to \$12,500 (non-joint return) and \$25,000 (joint return) per taxable year for qualified overtime compensation Phases out for incomes over \$150,000 (non-joint return) and \$300,000 (joint return) Deduction disallowed for any taxable years beginning after Dec. 31, 2028 	Taxable Years Beginning After Dec. 31, 2024
529 Accounts	<ul style="list-style-type: none"> Expanded types of qualifying expenses to include certain elementary or secondary public, private or religious school expenses Permanently allowed money in 529 accounts to be rolled over to an ABLE account without penalty 	Taxable Years Beginning After Dec. 31, 2025
Trump Accounts	<ul style="list-style-type: none"> Created tax-exempt savings accounts for certain minors allowing up to \$5,000, subject to an annual cost of living adjustment increase, may be contributed each calendar year Employers may contribute without an employee income inclusion up to \$2,500 per employee into a Trump Account for the employee or any dependent of the employee A one-time \$1,000 credit will be available for each qualifying child born after Dec. 31, 2024 and before Jan 1, 2029 	Contributions not accepted before July 4, 2026
Qualified Small Business Stock	<ul style="list-style-type: none"> Permanently increased corporation maximum aggregate gross asset limitation from \$50,000,000 to \$75,000,000, and increased the applicable dollar limit amount for gain exclusion from \$10,000,000 to \$15,000,000, and added an inflation adjustment to each Added phase-in of the applicable percentage of gain exclusion depending upon holding period of stock: (1) at least 3 years – 50%, (2) at least 4 years – 75%, and (3) at least 5 years – 100% 	Changes generally apply to qualified small business stock acquired after July 4, 2025
Remittance Transfers	<ul style="list-style-type: none"> Added a 1% excise tax on certain remittance transfers from the United States to an international jurisdiction If the excise tax is not paid by the sender, the provider may have secondary liability for the tax amount There are some exceptions to the transactions subject to this excise tax 	Transfers made after Dec. 31, 2025

Estate and Gift Taxes

The Bill increases the federal estate and gift tax exemption from approximately \$14 million to \$15 million per individual, indexed for inflation, ensuring more estates fall below the taxable threshold.

General Description	OBBBA Summary	Effective Date
Estate and Gift Tax Exclusion	<ul style="list-style-type: none"> Modified the federal estate and gift tax exemption from an inflation adjusted amount of \$13,990,000 to an inflation adjusted \$15,000,000 per individual 	Estates of decedents dying and gifts made after Dec. 31, 2025

Business Tax Provisions

OBBBA brings major changes to expensing rules, allowing full and immediate deductions for many categories of property and R&D costs. It makes permanent and retroactive changes to business interest limitations, corporate charitable contributions, and partnership taxation. It also permanently renews and expands Qualified Opportunity Zones, introduces changes to REIT ownership rules, and increases certain information filing thresholds.

General Description	OBBBA Summary	Effective Date
Excessive Employee Remuneration	<ul style="list-style-type: none"> Added a controlled group/entity aggregation rule applicable for determining applicable individuals for the Section 162(m) limitation 	Taxable Years Beginning After Dec. 31, 2025
Business Interest Expense Limitation	<ul style="list-style-type: none"> (1) Permanently reinstated EBITDA for calculating Adjusted Taxable Income (2) Modified floor plan financing coverage to include trailers and campers (3) Modified coordination rules with interest capitalization provisions 	Generally, Taxable Years Beginning After Dec. 31, 2024, except (3) is effective for Taxable Years Beginning After Dec. 31, 2025
Full Expensing of Qualified Production Property	<ul style="list-style-type: none"> Temporarily allowed an elective 100% depreciation deduction for newly built qualified production property the construction of which began after Jan. 19, 2025 and before Jan. 1, 2029, and which is placed in service before Jan 1, 2031 	Property placed in service after July 4, 2025

Full Expensing of Certain Business Property	<ul style="list-style-type: none"> Permanently allowed 100% bonus expense deduction for certain business property 	Varies, but can apply to some property acquired after Jan. 19, 2025
Corporate Charitable Deductions	<ul style="list-style-type: none"> Allowed deduction for aggregate charitable contributions in excess of 1% of taxable income up to a maximum of 10% of taxable income Carry forwards of some unutilized deduction amounts in excess of this 10% threshold may be available for up to 5 years 	Taxable Years Beginning After Dec. 31, 2025
R&D Expenditures	<ul style="list-style-type: none"> Permanently allowed immediate deduction of domestic R&D expenditures paid or incurred in taxable years beginning after Dec. 31, 2024 Certain small taxpayers can elect to apply change to taxable years beginning after Dec. 31, 2021 Foreign R&D expenditures must continue 15 year capitalization Taxpayers that made domestic R&D expenditures after Dec. 31, 2021 and before Jan. 1, 2025 are permitted to elect to accelerate these R&D deductions over a 1- or 2-year period 	July 4, 2025, but see timing rules in preceding summary
Expensing Certain Depreciable Assets	<ul style="list-style-type: none"> Permanently allowed immediate expensing of the cost of qualifying property up to \$2,500,000, with a phaseout threshold that begins to reduce deduction amount when costs exceed \$4,000,000 	Property placed in service in Taxable Years Beginning After Dec. 31, 2024
Energy Efficient Commercial Buildings	<ul style="list-style-type: none"> Permanently terminated provision 	Construction of property which begins after June 30, 2026

Deduction		
Expensing of Certain Qualified Sound Recording Productions	<ul style="list-style-type: none"> Expands expensing rules to allow a deduction of up to \$150,000 per taxable year for sound recordings produced and recorded in the US and also qualifies certain sound recordings for bonus depreciation 	Taxable Years Beginning After July 4, 2025
Business Meal Deductions	<ul style="list-style-type: none"> Permanently disallowed deductions for employer-provided meals with limited exceptions 	Amounts paid or incurred after Dec. 31, 2025
Excess Business Losses	<ul style="list-style-type: none"> (1) Permanent modification and extension of the limitation on excess business losses for noncorporate taxpayers (2) Allowed continued inflation adjustments 	<p>(1) Taxable Years Beginning After Dec. 31, 2026</p> <p>(2) Taxable Years Beginning After Dec. 31, 2025</p>
Partnership Disguised Sales	<ul style="list-style-type: none"> Modified disguised sale rule to confirm that the proper tax treatment with respect to payments from a partnership to a partner for services performed or property transferred is not dependent upon the issuance of Treasury Regulations Provision indicated that the law change shall not be construed as creating any inference for periods prior to July 4, 2025 	July 4, 2025
Taxable REIT Subsidiaries	<ul style="list-style-type: none"> Permanently modified the 75% asset value test to increase permitted ownership of taxable REIT subsidiary stock from 20% to 25% 	Taxable Years Beginning After Dec. 31, 2025
Opportunity Zones	<ul style="list-style-type: none"> Permanently includes the opportunity zone program in the Internal Revenue Code Established rolling 10-year periods to determine qualified opportunity zones and narrowed the eligibility 	July 4, 2025

	<p>requirements</p> <ul style="list-style-type: none"> • Modified taxpayer basis adjustment benefit for investments held at least 10 years to cap basis step-up to fair market value on the 30-year anniversary date • Additional program adjustments made 	
Information Reporting	<ul style="list-style-type: none"> • Replaced \$600 minimum for certain information reporting with \$2,000 minimum and included an inflation adjustment provision 	Payments made after Dec. 31, 2025
Information Reporting – Form 1099-K	<ul style="list-style-type: none"> • (1) Reverted to previous de minimis reporting exception for third party settlement organizations so no reporting required with respect to a payee unless the gross amount of the payee's transactions exceeds \$20,000 and the aggregate number of such transactions exceeds 200 • (2) Added new backup withholding provision applicable to reportable payments meeting certain thresholds 	<p>(1) Retroactively as if included in Section 99674 of American Rescue Plan Act (i.e., for returns for calendar years beginning after Dec. 31, 2021)</p> <p>(2) Calendar years beginning after Dec. 31, 2024</p>

Employer Provided Benefits

The bill expands the scope of tax-free educational assistance to cover student loans and modifies HSA rules to include telehealth and direct primary care arrangements. It eliminates certain fringe benefits like the bicycle commuter reimbursement.

General Description	OBBBA Summary	Effective Date
Educational Assistance	<ul style="list-style-type: none"> Permanently extended expansion of “educational assistance” to include assistance related to an employee’s student loans An inflation adjustment provision also added with respect to the maximum tax exclusion (currently, \$5,250) per calendar year 	Payments made after Dec. 31, 2025
Qualified Transportation Fringe Benefits	<ul style="list-style-type: none"> Terminated tax-free bicycle commuter reimbursement 	Taxable Years Beginning After Dec. 31, 2025
Health Savings Accounts	<ul style="list-style-type: none"> Reinstated COVID-era exemption to allow individuals to receive telehealth services without applying a deductible and maintain eligibility to make HSA contributions 	Plan years beginning after Dec. 31, 2024
Direct Primary Care Service Arrangements	<ul style="list-style-type: none"> Modified law to allow an individual to remain eligible to make HSA contributions if the individual participates in a “direct primary care service arrangement” The eligibility rule does not apply if the fixed fee exceeds \$150 per month (or \$300 per month if the arrangement applies to multiple individuals), with annual adjustments to these amounts Direct primary care service arrangement fees also are treated as medical expenses that can be paid using an HSA 	Months beginning after Dec. 31, 2025

Tax-Exempt Organizations and Higher Education

Large nonprofit institutions face new pressures as the OBBBA increases taxes on high-endowments and expands the scope of excessive compensation penalties to include former employees and broader categories of pay.

General Description	OBBBA Summary	Effective Date
Tax-Exempt Organization Excessive Compensation	<ul style="list-style-type: none"> Expanded excess tax on excess compensation over \$1,000,000 and certain severance payments to include former employees and also not just the “high five” compensated individuals 	Taxable Years Beginning After Dec. 31, 2025
University Endowment Tax	<ul style="list-style-type: none"> Increased the tax rate on net investment income from 1.4% to 8% for institutions with a “student adjustment endowment” above \$2,000,000 Schools with such endowments between \$750,000 and \$2,000,000 will have their tax rate increase from 1.4% to 4% Scope of schools subject to the tax also increased 	Taxable Years Beginning After Dec. 31, 2025

Tax Credits (Excluding Energy Tax Credits)

The Act permanently enhances the Low-Income Housing Tax Credit and the New Markets Tax Credit, while increasing the employer-provided child care credit and expanding the scope of the paid family and medical leave credit.

General Description	OBBBA Summary	Effective Date
Low-Income Housing Credits (LIHTC)	<ul style="list-style-type: none"> (1) Permanent 12% increase to state allocation ceiling (2) Expanded tax-exempt bond financing provision from 50% to 25% of the aggregate basis being financed with tax-exempt bonds 	<p>(1) Taxable Years Beginning After Dec. 31, 2025</p> <p>(2) Buildings place in service in Taxable Years Beginning After Dec. 31, 2025</p>

Employer-Provided Child Care Credit	<ul style="list-style-type: none"> Increased credit to 40% (50% for eligible small businesses) and annual credit limit increased to \$500,000 (\$600,000 for eligible small businesses) 	Amounts paid or incurred after Dec. 31, 2025
New Markets Tax Credit	<ul style="list-style-type: none"> Permanent extension of new markets tax credit with \$5,000,000,000 of allocations to be awarded on an annual basis 	Calendar years beginning Jan 1, 2026
Paid Family and Medical Leave Credit	<ul style="list-style-type: none"> Credit made permanent and expanded scope of credit 	Taxable Years Beginning After Dec. 31, 2025

Energy and Similar Tax Credits

A major area of rollback, OBBBA sunsets many of the clean energy credits introduced or expanded under the Inflation Reduction Act. These include credits for clean vehicles, energy-efficient home improvements, and solar/wind investments. Some credits remain but are subject to new restrictions, particularly those involving foreign entities.

General Description	OBBBA Summary	Effective Date
Energy Efficient Home Improvement Credit	<ul style="list-style-type: none"> Terminated for property placed in service after Dec. 31, 2025 	July 4, 2025
Residential Clean Energy Credit	<ul style="list-style-type: none"> Terminated for expenditures made after Dec. 31, 2025 	July 4, 2025
Clean Vehicle Credits	<ul style="list-style-type: none"> Terminated for vehicles acquired after Sept. 30, 2025 	July 4, 2025
Alternative Fuel Vehicle Refueling Property Credit	<ul style="list-style-type: none"> Terminated for any property placed in service after June 30, 2026 	July 4, 2025
Carbon Sequestration Credits	<ul style="list-style-type: none"> (1) Added specified/prohibited foreign entity restrictions (2) Added parity provisions for different uses of qualified carbon 	(1) Taxable Years Beginning After July 4, 2025 (2) Facilities or equipment placed in service after July 4, 2025

	oxide	
Zero-Emission Nuclear Power Credit	<ul style="list-style-type: none"> Added specified/prohibited foreign entity restrictions 	Taxable Years Beginning After July 4, 2025
Clean Hydrogen Production Credit	<ul style="list-style-type: none"> Terminated for facilities with a beginning of construction date after Dec. 31, 2027 	July 4, 2025
Advanced Manufacturing Production Credit	<ul style="list-style-type: none"> Phases out credit for critical minerals other than metallurgical coal by Jan 1, 2034, terminates credit for metallurgical coal produced after Dec. 31, 2029, and terminates credit for wind energy components produced and sold after Dec. 31, 2027 Added specified/prohibited foreign entity restrictions Modified integrated components provision 	Generally Taxable Years Beginning After July 4, 2025, except integrated components change applies to components sold during tax years beginning after Dec. 31, 2026
Clean Energy Production Credit	<ul style="list-style-type: none"> Terminated for wind and solar facilities placed in service after Dec. 31, 2027 (a one-year safe harbor was added for facilities whose construction began before July 4, 2026) Added specified/prohibited foreign entity restrictions 	Generally Taxable Years Beginning After July 4, 2025, except prohibited foreign entity assistance rules apply to facilities whose construction began after Dec. 31, 2025
Clean Fuel PTC	<ul style="list-style-type: none"> Extended credit through Dec. 31, 2029 Limited use to fuels produced from feedstocks in the US, Canada and Mexico Modified sustainable aviation fuel and small agri-biodiesel producer credits Added specified/prohibited foreign entity restrictions 	Various depending upon provision

Advanced Energy PTC	<ul style="list-style-type: none"> Disallowed any returned credit allocation from being reissued 	Taxable Years Beginning After July 4, 2025
Advanced Manufacturing Credit	<ul style="list-style-type: none"> Increased credit amount from 25% to 35% for property placed in service after Dec. 31, 2025 	July 4, 2025
Clean Energy Investment Credit	<ul style="list-style-type: none"> Terminated for wind and solar facilities placed in service after Dec. 31, 2027 Added specified/prohibited foreign entity restrictions Modified domestic content rules 	Various including on or after June 16, 2025 for domestic content changes

International Provisions

OBBBA adjusts deduction percentages for GILTI and FDII, reinstates sourcing rules that favor U.S.-based production, and tightens rules around foreign tax credit eligibility and constructive ownership attribution. The Base Erosion and Anti-Abuse Tax (BEAT) is also updated with a new 10.5% minimum rate.

General Description	OBBBA Summary	Effective Date
Base Erosion Minimum Tax Amount	<ul style="list-style-type: none"> Several changes including adopting a 10.5% rate 	Taxable Years Beginning After Dec. 31, 2025
GILTI/FDII	<ul style="list-style-type: none"> Decreased the deduction percentage to 40% for GILTI and 33.34% for FDII, resulting in an effective tax rate of 14% for each 	Taxable Years Beginning After Dec. 31, 2025
Foreign Tax Credits	<ul style="list-style-type: none"> Up to 50% of the income from inventory produced in US and sold through a foreign branch for use outside of the US is treated as foreign source 	Taxable Years Beginning After Dec. 31, 2025
Controlled Foreign Corporations	<ul style="list-style-type: none"> Permanent extension of CFC look-through rule 	Taxable Years Beginning After Dec. 31, 2025

Downward Attribution of Stock Ownership	<ul style="list-style-type: none">• Restored the limitation on downward attribution of stock ownership in applying constructive ownership rules	Taxable Years Beginning After Dec. 31, 2025
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The OBBBA introduces substantial tax changes that affect individuals, businesses, and institutions across the country. While many provisions offer simplification or permanence, others introduce new complexities, particularly in the areas of international taxation and energy incentives.

If you have questions about how these changes may impact your tax situation, please reach out to your HCVT service provider.