

# The One Big Beautiful Bill (OBBB): Impacts and Opportunities for Taxpayers

A Comprehensive Review by Brent Rill, CPA

## Introduction

On July 4, 2025, Congress passed significant tax reform legislation informally referred to as the **One Big Beautiful Bill (OBBB)** or the **One Outrageous Tax Bill (OOTB)**. This landmark legislation extends key provisions from the 2017 Tax Cuts and Jobs Act (TCJA), introduces several new tax benefits, and eliminates certain credits and deductions.

Unlike the 2017 act, most provisions in this bill are **permanent**, providing a more predictable tax environment for individuals and businesses. However, “permanent” in Washington means “until changed by a future Congress,” so proactive tax planning remains essential.

This paper summarizes the most impactful changes, identifies planning opportunities, and outlines items that were left out or are pending future legislation.

## Key Takeaways

- **Three major taxpayer wins:**
  1. **Qualified Business Income (QBI) Deduction** – Permanently extended at 20%.
  2. **100% Bonus Depreciation** – Permanently extended starting Jan. 19, 2025.
  3. **Tax Rates Locked In** – Top individual rate remains at 37% instead of reverting to nearly 40%.
- **Increased SALT Deduction** – Cap raised from \$10,000 to \$40,000 with income-based phase-out; pass-through entity tax deduction option remains.
- **New Opportunities** – No tax on tips/overtime, expanded R&D expensing, new qualified production property category, and charitable deduction for non-itemizers.
- **Phase-outs and Eliminations** – Business meals deduction removed (2026), green energy credits phased out, wagering loss deductions limited.
- **Stable Extensions** – Estate tax exemption at \$15M in 2026, disaster loss relief, child tax credit increase, AMT exemptions preserved.

# 1. New Provisions

The OBBB introduces several new benefits and adjustments for individuals and businesses.

## For Individuals

- **SALT Cap Increase** – From \$10,000 to \$40,000; phased out for incomes above \$500,000. Retroactive to Jan. 1, 2025.
- **Senior Deduction** – Additional \$6,000 for taxpayers over age 65 (2025–2029), phased out at \$150,000 joint income.
- **Personal Car Loan Interest Deduction** – Up to \$10,000/year for qualifying vehicles; final assembly must occur in the U.S.
- **Charitable Deduction for Non-Itemizers** – Up to \$2,000 starting in 2026 without itemizing; coupled with a floor for itemizers (0.5% of income for individuals, 1% for C-corps).
- **No Tax on Tips/O.T.** – Deduction up to \$25,000 for customary tips and overtime premiums; phases out at \$300,000 income; 2025–2028.
- **Trump Accounts** – Government contributes \$1,000 to accounts for children born 2025–2028; additional \$5,000 annual contributions allowed; tax-free growth until age 18.

## For Businesses

- **Qualified Production Property** – 100% first-year expensing for facilities producing tangible personal property (excludes restaurants serving on-site); effective 2025–2029.
- **Full Expensing for R&D** – Restores immediate deduction for qualifying research expenditures; retroactive opportunities exist.
- **Business Interest Limitation Adjustment** – Depreciation/amortization excluded from income calculation, increasing allowable deductions.
- **1099 Reporting Threshold Raised** – From \$600 to \$2,000 starting in 2026.

# 2. Extensions of Expiring Rules

Several taxpayer-friendly provisions set to expire in 2025 are now permanent:

- **QBI Deduction** – 20% deduction for pass-through business income.
- **100% Bonus Depreciation** – For qualifying property placed in service after Jan. 19, 2025.
- **Estate Tax Exemption** – \$15M per individual in 2026, indexed for inflation.
- **Child Tax Credit** – Increased to \$2,500 per child.
- **Disaster Loss Deductions** – Continue for federally declared disaster areas.

- **AMT Exemptions** – Maintain expanded thresholds, minimizing AMT exposure.
- **Section 179 Expensing** – Limit of \$2.5M in 2026.

### 3. Eliminated or Reduced Provisions

- **Business Meal Deduction** – Fully eliminated starting in 2026.
- **Green Energy Credits** – Including home improvement, residential clean energy, and clean vehicle credits; phased out by late 2025.
- **Wagering Loss Deduction** – Now limited to 90% of losses regardless of winnings.

### 4. Planning Opportunities

Taxpayers should review these areas promptly:

- **Leverage SALT Cap Increase** – Maximize deductions before hitting income phase-outs.
- **Consider Tips/O.T. Policies** – Service-based employers may improve employee retention and after-tax income through tipping policies.
- **Capitalize on Retroactive R&D Expensing** – Amend prior-year returns if eligible.
- **Plan Qualified Production Property Investments** – Take advantage of 100% first-year expensing while available.
- **Review Estate Plans** – Utilize higher exemptions while they last.

### 5. Watch List

Items not included or pending action:

- **Work Opportunity Tax Credit (WOTC)** – Likely candidate for an extenders bill.
- **Gambling Loss Limitation Repeal** – Legislation already introduced.
- **IRS Guidance** – Expect clarifications and potential adjustments as provisions are implemented.

### Conclusion

The One Big Beautiful Bill solidifies a favorable tax environment for many individuals and businesses, with key deductions and credits now permanent. The combination of extended benefits, new opportunities, and the removal of certain deductions underscores the importance of proactive tax planning.

#### Next Steps:

Meet with your tax advisor to identify:

- Immediate actions to capture 2025 benefits
- Adjustments to your 2026–2029 strategy
- Long-term planning around permanent provisions

The sooner planning begins, the greater the opportunity to optimize tax outcomes under the OBBB.