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Subject: Key tax provisions in the One Big Beautiful Bill Act

Dear Client,

We are writing to inform you of significant developments in federal tax legislation. On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act (OBBBA), a reconciliation package that includes a broad array of tax provisions affecting individuals, businesses and international taxpayers.

We want to highlight the key provisions and offer preliminary insights into how they may affect your tax planning. If you have any questions, please contact us at your earliest convenience to discuss your situation so we can develop a customized plan. We will continue to closely monitor any potential regulatory guidance as it is developed from the IRS.

Individual income tax provisions

- **Permanent extension of lower tax rates and brackets:** The OBBBA generally makes the tax rates enacted in 2017 in the Tax Cuts and Jobs Act (TCJA) permanent. An additional year of inflation adjustment is added for determining the dollar amounts at which the 12% rate bracket ends and the 22% rate bracket begins.
- **Standard deduction:** The nearly doubled standard deduction would be made permanent. Effective for 2025, the amounts are as follows:

  Single & Married Filing Separately (MFS): $15,750 (indexed)

  Head of Household (HoH): $23,625 (indexed)

  Married Filing Jointly (MFJ): $31,500 (indexed)
- **Child Tax Credit:** The nonrefundable child tax credit increases to $2,200 per child beginning in 2025 and the credit amount is indexed for inflation.
- **Estate and gift tax exemption:** The increased exemption is made permanent and raised to $15 million per individual ($30 million for married couples) in 2026, indexed for inflation.
- **SALT deduction cap:** The state and local tax (SALT) deduction cap is increased to $40,000 per household and would be phased out for taxpayers with modified adjusted gross income (MAGI) over $500,000. In 2030, the deduction will revert to $10,000.
- **Charitable deduction for non-itemizers:** An above-the-line deduction is added for charitable contributions that starts in 2026 ($1,000 for single filers, $2,000 for joint filers).

- **No tax on tips and overtime:** For 2025–2028, above-the-line deductions are created for qualified tips (in certain occupations) and for overtime premium pay, subject to income and occupation limitations.
- **Enhanced deduction for seniors:** For 2025–2028, a $6,000 deduction is available for seniors (age 65+) with income below $75,000 ($150,000 for joint filers).
- **Car loan interest deduction:** For 2025–2028, up to $10,000 of interest on loans for U.S.-assembled passenger vehicles may be deducted, subject to income phaseouts.
- **Moving expense deduction:** The deduction is permanently terminated except for those in the Armed Forces.
- **Home mortgage interest and insurance premiums:** The $750,000 limit on the treatment of mortgage insurance premiums as qualified residence interest is made permanent. The exclusion of home-equity indebtedness from the definition of qualified residence interest is also now permanent.
- **Casualty loss deduction for personal casualties**: The limitation on personal casualty loss deductions is made permanent, however a provision is added to include state-declared disasters.
- **Other deductions and credits:** Several other deductions and credits, including the adoption credit, employer-provided childcare credit, paid family and medical leave credit, and education-related benefits are made permanent.

Business tax provisions

- **QBI deduction:** The qualified business income (QBI) deduction is made permanent and the deductible amount for each qualified business would remain at 20%.
- **Bonus depreciation:** 100% expensing (bonus depreciation) for qualified property is restored for property placed in service after Jan. 19, 2025.
- **Sec. 179 expensing:** The maximum amount a business may expense for qualifying expenses is increased to $2.5 million, with the phaseout threshold raised to $4 million, both indexed for inflation after 2025.
- **R&E expenditures:** Immediate deduction of domestic research or experimental expenses paid or incurred in 2025 is allowed. However, research or experimental expenses attributable to research that is conducted outside the United States will continue to be capitalized and amortized over 15 years.
- **Excess business loss permanency:** The excess business loss limitation is made permanent, and the existing treatment of loss carryforwards is maintained.
- **Business interest deduction:** The interest expense limitation is calculated using earnings before interest, taxes, depreciation and amortization (EBITDA), rather than earnings before interest and taxes (EBIT).
- **FDII and GILTI:** Beginning in 2026, the deduction percentage is reduced to 33.34% for foreign-derived intangible income (FDII) and 40% for global intangible low-taxed income (GILTI).
- **BEAT:** The base-erosion and anti-abuse tax (BEAT) rate is increased from 10% to 10.5%.

- **Third-party network transaction reporting threshold:** Form 1099-K, *Payment Card and Third Party Network Transactions,* reporting reverts back to previous rules where reporting is required if transactions exceed $20,000 and the aggregate number of transactions exceeds 200.
- **Form 1099 reporting threshold:** The information reporting threshold for payments for services increases to $2,000 in a calendar year (up from $600) in 2026, and the threshold amount will be indexed annually for inflation starting in 2027.
- **Renewed Opportunity Zones:** Opportunity zones provisions are made permanent, but with several changes, including narrowing the definition of "low-income community." The changes will generally take effect in 2027.
- **Clean energy and IRS credits:** Several clean energy credits from the Inflation Reduction Act (IRA) are terminated.

How can you prepare?

A phased approach to planning will align with the timing and impact of this legislative development. This approach allows us to support you with timely strategies tailored to each stage of implementation:

- **Short-term planning** will focus on immediate actions and compliance considerations for tax provisions already in effect or taking effect soon.
- **Mid-term planning** will address transitional provisions and opportunities that emerge over the next 12–18 months.
- **Long-term planning** will help position you for sustained success by anticipating future changes and aligning your financial goals with the broader tax policy environment.

We will continue to monitor developments closely as new details become available. Our goal is to ensure you are informed, prepared, and supported — every step of the way.

We are here to help

Our team is available to discuss how these provisions may impact your personal or business tax situation and to help you plan accordingly.

Please do not hesitate to contact us with any questions or to schedule a consultation.

Sincerely,

Jennings + Clouse, PLC

JENNINGS & CLOUSE, PLC