



Dear Client,

The One Big, Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025, and with it comes many new tax provisions that may directly affect you. There are many tax provisions contained in OBBBA beyond the ones we have highlighted here.

Extension of expiring tax provisions

The center point of OBBBA is a permanent extension of most of the provisions of the Tax Cuts and Jobs Act of 2017 that apply to individual taxpayers and were scheduled to expire at the end of 2025. These provisions include, among many others:

- Lower income tax brackets with the top rate at 37% instead of 39.6%;
- The higher standard deduction, with an additional \$6,000 deduction for taxpayers age 65 and over (\$12,000 for married taxpayers who are both age 65 and older);
- The \$750,000 mortgage interest limitation, with a renewed deduction for mortgage insurance premiums;
- The elimination of 2% miscellaneous itemized deductions, which includes investment advisor fees, tax preparation fees, and unreimbursed employee business expenses (except that qualified educators will be allowed to deduct many of their unreimbursed expenses);
- The increased Child Tax Credit, with modifications that make the credit more attractive;
- Permanent extension of the §199A 20% qualified business income deduction for business owners, with minor modifications; and
- The increased unified estate and gift tax exclusion, with a bump up to \$15 million on January 1, 2026.

State and local tax deductions

The itemized deduction for state and local taxes (SALT) is temporarily increased from \$10,000 to \$40,000 for five years. The increased deduction is reduced for higher earners. Taxpayers who are owners of passthrough business entities and make a passthrough entity elective tax election can still use the election to maximize their SALT deductions.

Itemized deductions and alternative minimum taxes

There are new limits on itemized deductions. The alternative minimum tax is reinstated, which will require planning going forward to minimize future tax increases.

Charitable contribution deductions

Charitable contributions are subject to three new OBBBA provisions:

1. Non-itemizers can claim a \$1,000 charitable deduction (\$2,000 for married taxpayers filing jointly);
2. Charitable contribution itemized deductions are now subject to a one half of one percent of AGI floor, providing another limitation to claiming the deduction; and

3. Taxpayers who make charitable contributions to certain scholarship granting organizations that fund scholarships for K-12 students can choose to claim either an itemized deduction or a new tax credit of up to \$1,700.

Brand new deductions

Three brand new deductions for individual taxpayers are available starting in 2025. These deductions may be known better by what they've been called in the news: No tax on tips, no tax on overtime, and no tax on qualified car loan interest. For each of these items, new income tax deductions are available for taxpayers who receive certain tip income, are paid overtime by their employers, and who incur interest on the purchase of a new vehicle assembled in the United States. Each of these provisions contains multiple limitations that we should discuss if any of these potentially apply to you.

Disaster relief

Taxpayers impacted by federally declared disasters in 2025 may qualify for additional tax relief.

Energy credits going away

OBBA repeals many energy credits, including all three clean vehicle credits for vehicles acquired after September 30, 2025. Additionally, both of the energy credits available to homeowners who make certain energy efficient improvements or install solar property, home batteries, and heat pumps, among other items are no longer available after December 31, 2025.

Business provisions

In addition to the tax provisions applicable for individual taxpayers, OBBA contains many business provisions, including:

- Permanent 100% bonus depreciation rate for assets acquired after January 19, 2025;
- An increased §179 expensing limitation for assets placed in service after December 31, 2024;
- Immediate expensing of research expenses with a special election to immediately deduct previously amortized research expenses; and
- An easing of the business interest limitation rules.

Please contact us if you would like to discuss any of these provisions in detail or would like to discuss planning opportunities arising from these changes.

Sincerely,

Rochelle Chandler, CPA