

Overview of the One Big Beautiful Bill Act: Tax Implications for Individuals and Small Businesses

CLE #174287148



AGENDA

- Individuals
 - Standard deduction, personal exemptions, and tax brackets
 - Itemized deductions
 - Credits and exclusions
 - Alternative Minimum Tax (AMT)
 - “Trump accounts”
 - Premium tax credits (ACA-related)
 - Qualified Opportunity Zones
- Businesses (Small and Pass-Through Entities)
 - Depreciation and §179 expensing
 - Research & Development (R&D) credits
 - Qualified Business Income (QBI) deduction
 - Charitable contributions (corporate and pass-through limitations)
 - Loss limitations (NOLs and excess business losses)
- Not Covered in This Presentation
 - Energy credits and green incentives
 - International taxation provisions
 - De minimis provisions
 - Provisions specific to farms and large corporations
 - Non-tax provisions (e.g., healthcare, regulatory changes)

STANDARD DEDUCTION & TAX BRACKETS FOR INDIVIDUALS

- Standard deduction
 - Permanent increase, with annual inflation adjustments
 - Single or Married Filing Separately — \$15,750
 - Head of Household — \$23,625
 - Married Filing Jointly or Qualifying Surviving Spouse — \$31,500
- Personal Exemption – Permanently eliminated
- Tax Brackets
 - Make permanent the TCJA tax brackets
 - 10%, 12%, 22%, 24%, 32%, 35% and 37%
 - No changes to capital gain rates

INDIVIDUAL ITEMIZED DEDUCTIONS

- New limit on itemized deductions. Amount of itemized deductions reduced by 2/37 of the lesser of
 - The amount of the itemized deductions, or
 - The amount of the taxpayer's taxable income that exceeds the start of the 37% tax rate bracket
- Create a 0.5% floor on itemized deductions for charitable contributions. Create a permanent \$1,000 above-the-line deduction for charitable contributions (\$2,000 for joint filers).
- Make the \$750,000 principal limit for the home mortgage interest deduction permanent
- State & Local Tax Deduction
 - Increase to \$40,000 and 1% each year
 - In 2030 returns to \$10,000
 - Phase-out begins at \$500,000 MAGI, complete phase-out at \$600,000 MAGI (but always get at least \$10,000)
- Gambling Losses limitation – Limits losses to 90% of the amount of such losses
- Educator expenses- Starting 2026, educators will be able to claim education expenses as itemized deductions, no limit. \$300 per educator adjustment still available for non-itemizing taxpayers.

ITEMIZED DEDUCTION LIMITATION EXAMPLE

Example

- Filing status = MFJ
- AGI = \$1,000,000
- Itemized deductions
- SALT = \$10,000
- Other deductions (mortgage, charitable contributions, etc.) = \$90,000
- Total itemized deductions = \$100,000
- Top marginal rate threshold = \$751,600

Itemized deductions reduced by the lesser of:

- $2/37 \times \text{Total Itemized Deductions} = 2/37 \times \$100,000 = \$5,405$
- $2/37 \times (\text{Taxable Income} + \text{Itemized Deductions} - \text{Threshold})$
 - $2/37 \times (\$1,000,000 + \$100,000 - \$751,600)$
 - $2/37 \times \$348,400 = \$18,823$
- Final deduction allowed
 - $\$100,000 - \$5,405 = \$94,595$

CREDITS FOR INDIVIDUALS

- Child Tax Credit- increased to \$2,200 per child for four years starting in 2025. Refundable portion increased to \$1,700. Subject to phase-outs: \$200,000 for single and \$400,000 for joint return.
- Premium Tax Credit
 - Repayment cap on excess advance PTC payments is eliminated
 - Taxpayers can elect to have advance payments of their estimated PTC made directly by the IRS to the insurer
 - Some lawfully present aliens made ineligible for PTC
 - New category of “eligible aliens”
 - Premiums attributable to individuals who are lawfully present in the US, but are not eligible aliens are not taken into account in computing the PTC

INDIVIDUAL PROVISION – NOT TAX ON TIPS

- No Tax on Tips
 - New §224
 - Limited up to \$25,000 (still subject to payroll taxes)
 - Must be the type of profession that traditionally receives tips
 - Only applies to voluntary tips, service charges are not eligible
 - Retroactive to January 1st, 2025, expires in 2028
 - Phases out at a 10 percent rate when adjusted gross income exceeds \$150,000, \$300,000 MFJ

INDIVIDUAL PROVISION – NO TAX ON OVERTIME

- No Tax on Overtime
 - New §225
 - Above the line deduction
 - Only exempts the overtime portion, in other words, the half of “time and a half”
 - Limited to \$12,500 single, 25,000 MFJ
 - Phase-out begins at \$150,000 for single, \$300,000 for MFJ
 - Retroactive to January 1st, 2025

INDIVIDUAL PROVISIONS – INTEREST DEDUCTION

- Vehicle interest
 - Must be personal use vehicle
 - New vehicles only assembled in the USA
 - Limited to \$10,000.
 - Phase-out \$100,000 for single or \$200,000 for MFJ
 - Available regardless of itemizing
 - Gross weight less than 14,000 pounds

INDIVIDUAL PROVISIONS – SENIORS & AMT

- Senior Deduction
 - Individuals who are 65 and older will receive an additional \$6,000 added to the standard deduction
 - Need not be collecting social security
 - Will not exempt social security from taxation
 - Available to taxpayers with an AGI of \$75,000 or less for singles, and \$150,000 for couples
 - Retroactive to January of 2025. Expires in 2028
- Alternative Minimum Tax (AMT)
 - Exemption is now permanent
 - Reverts AMT exemption phaseout thresholds to 2018 levels of \$500,000 for single filers and \$1 million for joint returns, indexed for inflation thereafter
 - Increase the phase-out rate

QUALIFIED BUSINESS INCOME DEDUCTION (QBI)

- Section 199A now permanent. Was set to expire under TCJA.
- New provision allows minimum \$400 minimum deduction, must have at least \$1,000 of income.
- Increases the phase-in threshold for single filers from \$50,000 to \$75,000 and joint filer threshold from \$100,000 to \$150,000
- Deduction cliff remains for specified trade of businesses (SSTBs) exceeding maximum thresholds
- Inflation adjustment begins in 2027

DEPRECIATION

- Bonus Depreciation
 - Becomes permanent
 - Retroactive for property acquired after January 19th, 2025
 - No change in eligible assets
- Section 179
 - Increases to \$2.5 million, with a \$4 million phase-out threshold
 - Indexed for inflation
 - Effective for property placed in service after 12/31/24
- Qualified Production Property
 - New code section 168(n) allows 100% bonus depreciation for certain real property used for producing tangible personal property
 - Construction must start between 1/20/2025 and 12/31/2028
 - Must be placed in service before 01/2031 in the US

RESEARCH & DEVELOPMENT

- Businesses can immediately deduct domestic R&D expenditures incurred after December 31, 2024.
- Activity must be domestic
- Eligible small businesses can also elect to retroactively expense R&D costs from 2022-2024. Treated as a change of accounting method that is automatically IRS consent.
- Taxpayers with domestic R&E costs capitalized in years 2022-2024 may elect to deduct any remaining unamortized amounts in 2025 or ratably over 2 years starting in 2025,

EXCESS BUSINESS LOSS LIMITATION

- Permanent the limitation on excess business losses for non-corporate taxpayers, which was previously set to expire after 2028.
- The threshold amount for 2025 is \$313,000, adjusted annually for inflation (\$626,000 for joint filers).
- Disallowed excess business losses are converted into **Net Operating Losses (NOLs)** and carried forward indefinitely to offset up to 80% of future taxable income.
- This limitation is applied at the partner or shareholder level for pass-through entities and comes after applying the at-risk and passive activity loss limitations.

CHARITABLE CONTRIBUTIONS - CORPORATIONS

- 1% Floor: Corporations will now have a 1% floor on their charitable deductions, meaning they must contribute at least 1% of their taxable income to qualify for a deduction
- Deduction cannot exceed 10% of taxable income
- Carried forward 5 years
- Begins after 12/31/25

QUALIFIED SMALL BUSINESS STOCK

- New holding periods:
 - 50% for stock held 3 years
 - 75% for stock held 4 years
 - 100% for stock held 5 years
- Applies to stock acquired after 7/4/2025
- Eliminated gain not treated as preference for AMT
- Dollar limit increases from \$10 million to \$15 million
- \$50 million gross asset limit increases to \$75 million

INFORMATION REPORTING

- Third-party network transaction reporting thresholds revert to prior rule for Form 1099-K
 - \$20,000 transactions
 - Aggregate number > 200
- Form 1099 reporting threshold
 - Increase from \$600 to \$2,000
 - Index for inflation after 2026

EXCISE TAX ON FOREIGN REMITTANCES

- Tax on Foreign Remittances, Starting 2026, Code section
 - Transfers 1% excise tax on certain cross-border remittances.
 - Remittance transfer is defined as “the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider.” Remittance transfers include:
 - inducted through a money transmitter or financial institution;
 - Wire transfers conducted by a financial institution;
 - Addition of funds to a prepaid card by a participant in a prepaid card program, even if the sender has the ability to withdraw funds added;
 - International Automated Clearing House (“ACH”) transactions; and
 - Online bill payments and other electronic transfers scheduled in advance.

TRUMP ACCOUNTS

- New account for children, allowing parents and others to contribute up to a combined \$5,000 yearly (adjusted for inflation starting in 2027)
- New code section 128 and 530A
- The accounts include a \$1,000 deposit made by the federal government for certain children born in 2025 through 2028
- Employers are also allowed to contribute up to \$2,500 tax-free to employee accounts.
- The account grows tax-deferred until account owners make withdrawals, which can only start at age 18, withdrawals, net of after-tax contributions, made before age 59 ½ are subject to regular income tax and a 10 percent penalty, and subject to IRC 72(t)

MISCELLANEOUS

- Estate Tax Exemption. Permanently increase the estate and lifetime gift tax exemption to an inflation-indexed \$15 million for single filers and \$30 million for joint filers beginning in 2026
- Meals that are included in employee compensation are deductible. Otherwise, deduction will be eliminated for office snacks, coffee and on-site lunches and dinners
- Pass Through Entity Tax-Preserves ability of pass-through entities to elect to pay state taxes at state level. Follows the new SALT limitation including reversion to \$10,000 in 2030. Bypass of SALT deduction cap.
- Section 529. Increased cap to \$20,000 for K-12 expenditures and expanded eligibility of expenditures to other education expenditures
- Qualified Opportunity Zones – made permanent, more strict definitions
- Casualty & Theft Losses - Limitation for losses attributable to a federal disaster area made permanent
- Miscellaneous itemized deductions permanently eliminated

Thank you

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