

Key Tax Provisions – One Big Beautiful Bill Act

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.

Provided below are key provisions and preliminary insights into how they may affect your tax planning. We will continue to closely monitor any potential regulatory guidance and update you accordingly.

Individual income tax provisions

- **Permanent extension of lower tax rates and brackets:** The OBBBA makes the tax rates enacted in 2017 in the Tax Cuts and Jobs Act (TCJA) permanent.
- **Standard deduction:** The increased standard deduction effective for 2025 is as follows:
 - Single & Married Filing Separately (MFS):** \$15,750
 - Head of Household (HoH):** \$23,625
 - Married Filing Jointly (MFJ):** \$31,500
- **Child Tax Credit:** The nonrefundable child tax credit increases to \$2,200 per child beginning in 2025.
- **Estate and gift tax exemption:** The exemption will be 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 now \$40,000 per household. The deduction will be reduced to a floor of \$10,000 for taxpayers with modified adjusted gross income (MAGI) over \$500,000.
- **Charitable deduction for non-itemizers:** An above-the-line deduction will be added for charitable contributions beginning 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 have been created for qualified tips (in certain occupations) and for overtime premium pay, subject to income and occupation limitations. The list of qualifying occupations is to be released on October 2.
- **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). Married couples must file jointly to claim this deduction.
- **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. Cars, vans, minivans, SUVs, pickup trucks, and motorcycles with gross weight less than 14,000 pounds qualify. Used vehicles and automobile leases do not qualify. The deduction can be taken even if you do not itemize. You will have to provide Vehicle Identification Number (VIN) of the qualifying vehicle on your tax return.
- **Moving expense deduction:** The deduction is permanently terminated except for those in the Armed Forces.

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- **Home mortgage interest and insurance premiums:** The \$750,000 limit on the treatment of mortgage insurance premiums as qualified residence interest is now permanent.
- **Casualty loss deduction for personal casualties:** Personal casualty loss deductions limitations are permanent, a provision to include state-declared disasters was added.
- **529 plans:** The allowable contribution amount has been doubled to \$20,000. Homeschooling is included in the definition of qualified K-12 expenses.
- **Educator expense deduction:** Now includes coaches as well as the purchase of sports-related equipment used for instructional purposes.
- **Tax credit for scholarship fund contributions:** Beginning in 2027, a new tax credit is available to individuals who contribute to certain scholarship-granting organizations.
- **Residential energy credits:** Available residential energy credits expire on December 31, 2025.

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.
- **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.
- **Clean energy and IRS credits:** Clean energy credits from the Inflation Reduction Act (IRA) are terminated.

How can you prepare?

We're here to help. We'll continue to monitor developments closely and provide updates and guidance as new details become available. Our team is available to discuss how these provisions may impact your personal or business tax situation and to help you plan accordingly.

Please don't hesitate to contact us with any questions or to schedule a consultation.

Thank you for choosing the Cloister Group.