

# One Big Beautiful Bill Act (OBBBA)

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### **OB3: Overview**

The One Big Beautiful Bill Act (OBBBA or OB3) was signed into law on July 4

#### **Tax Cuts**

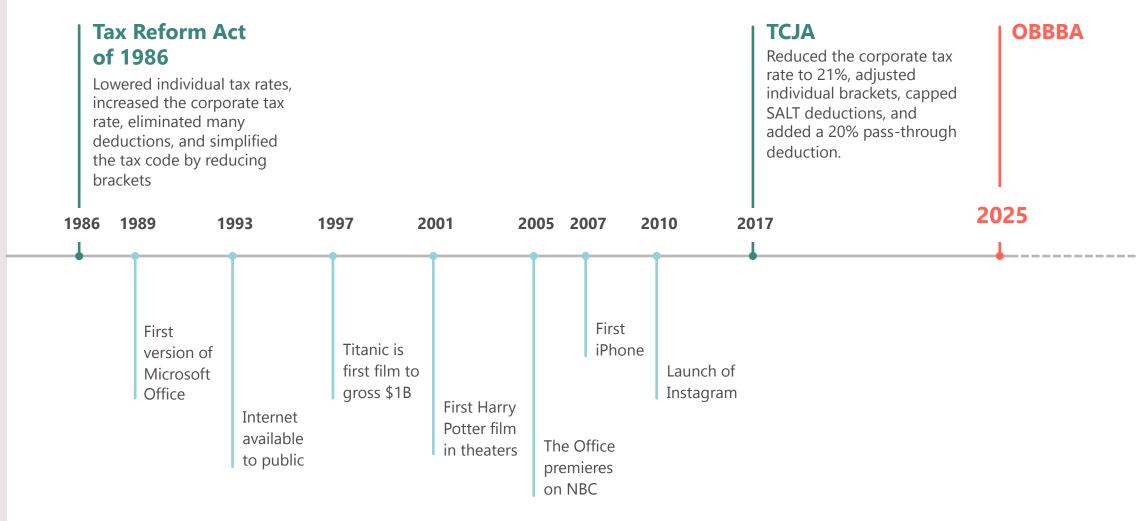
- \$4.5 trillion in tax cuts over ten years, including making the TCJA cuts from 2017 permanent.
- For individuals a range of tax relief measures aimed at middle- and upper-income households
- For businesses provisions to stimulate investment, innovation, and domestic production

#### **Deficit and Spending**

- Expected to add more than \$3 trillion to the federal deficit
- To offset a portion of this cost, the bill contains \$3.5 trillion in spending cuts
- These reductions largely target federal social programs



## Rare Event: Major US Tax Reform



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# Individual Provisions

## Individuals | Extension of TCJA provisions

#### **Child Tax Credit**

- Permanent extension and increase to \$2.2k per child
- Makes permanent the refundable portion of credit of \$1.7k
- Effective for tax years beginning 1/1/2026

#### Standard deduction

- Permanent extension of increased TCJA deduction (\$15,750 S, \$31,500 MFJ, \$23,625 HH for 2025)
- Effective for tax years beginning 1/1/2026



## Individuals | Extension of TCJA provisions

#### Mortgage Interest

- Permanent suspension of home equity interest deduction and extension of lower acquisition indebtedness limit
  - Exceptions: Buy, improve or expand the home + mortgage insurance premiums returns
- Effective for taxable years beginning after 12/31/2025

#### **SALT**

- Deduction limited to \$40,000 in 2025, \$40,400 in 2026,
- SALT deduction phases out for MAGI greater than \$500K in 2025 \$505K in 2026
- Effective for taxable years beginning after 12/31/2024

# Casualty and Theft

- Permanent extension of casualty or theft loss suspension, except for federally declared or state declared disasters
- Effective for taxable years beginning after 12/31/2025



## Individuals | Extension of TCJA provisions

# **Charitable Deductions**

- Imposes 0.5% floor on charitable contributions for itemizers
- Effective for taxable years beginning after 12/31/2025

#### **AMT**

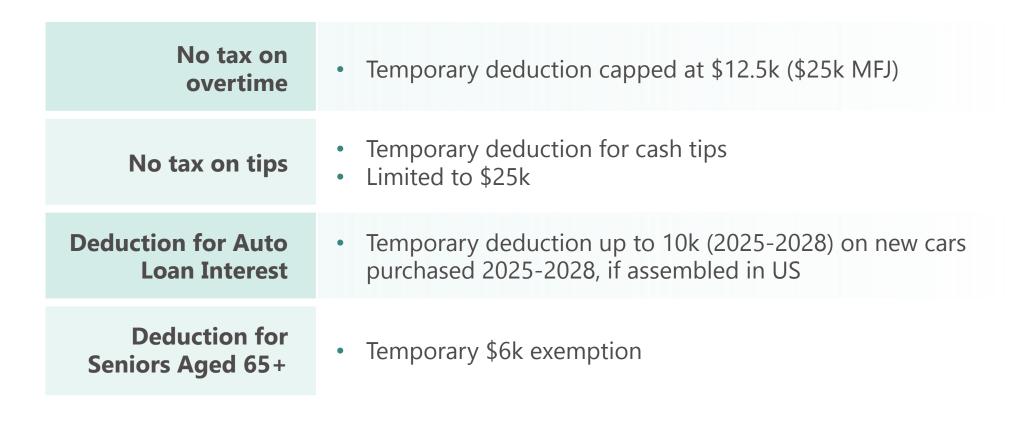
- Permanently extends AMT exemption
- Phaseouts revert to 2018 levels of \$500k/\$1M MFJ
- Effective for taxable years beginning after 12/31/2025

# Estate and Gift Tax

- Permanent extension of increase in unified estate & gift tax exemption to \$15M per person (\$30M for married filing jointly)
- Effective for decedents passing away after 12/31/2025
- Indexes the exemption amount for inflation after 2026



## Individuals\* | Key temporary provisions (2025-28)



<sup>\*</sup> Subject to phase outs based on MAGI



## Owner Level Planning

### QBI

#### The 20% Qualified Business Income (QBI) deduction is now permanent

- Income threshold and phase-out rules for specified service trades and high-income earners, potentially narrowing eligibility for certain professionals and private business owners.
- Permanent extension of individual tax rates and brackets from the 2017 TCJA, including the 37% top rate, now indexed for inflation beyond 2025.



## **Estate Tax Planning**

# \$30m

# The estate and gift tax exemption is now \$30m (married couples) or \$15m (individuals) with inflation adjustment for 2026

- Reinforcement of domestic investment incentives may affect how buyers and valuation models view your business
- Use the current exemption levels to revisit gifting plans, shareholder agreements, and family transition structures.



# Business Provisions

## **Depreciation** | Interest

### Bonus Depreciation

- Permanent restoration of 100%
- On or after 1/19/2025

#### Section 179

- Enhanced small business depreciation expensing
- Increases to \$2.5m
- Effective for property placed in service after 12/31/2024

### **Business Interest**

- Business interest limitation
- Permanently reinstates
  EBITDA limitation under
  Sec. 163(j),
- Starting in 2025



# Taxation | Scenario 1

			2025	2026	2027	2028
<b>Grant Income</b>	10,000,000		4,000,000	3,000,000	2,000,000	1,000,000
<b>Less Bonus Depreciation</b>			(3,000,000)	(4,000,000)	(1,000,000)	(2,000,000)
Potential Taxable Income			1,000,000	(1,000,000)	1,000,000	(1,000,000)
Potential Tax Revenue	Tax Rate	21%	210,000	(210,000)	210,000	(210,000)
<b>Cumulative Tax Impact</b>			210,000	-	210,000	-



# Taxation | Scenario 2

			2025	2026	2027	2028
Grant Income	10,000,000		4,000,000	3,000,000	2,000,000	1,000,000
<b>Less Bonus Depreciation</b>			(4,000,000)	(3,000,000)	(2,000,000)	(1,000,000)
Potential Taxable Income			-	-	-	-
Potential Tax Revenue	Tax Rate	21%	-	-	-	-
<b>Cumulative Tax Impact</b>			-	-	-	-





### Businesses | Research and experimental expenditures

#### 2025: Permanent and immediate expensing of domestic R&E

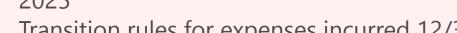
#### **Small Business**

- Retroactive expensing for small businesses with avg. annual gross receipts
- ≤ \$31M
- Can amend 2022-2024 returns for refunds by 7/4/26 or take catch-up deductions

#### **Businesses > \$31M**

- Can accelerate remaining amortization from 2022-2024 over one or two years, starting in 2025
- Transition rules for expenses incurred 12/31/2021 1/1/2025

#### Foreign R&E expenditures remain amortized over 15 years





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## Stock Gain | Charitable

#### Sec. 1202

- Small Business Stock Gain Exclusion
- Tiered exclusion on the gain on the sale or exchange of QSBS from gross income
- Applies to taxable years beginning after the date of enactment

#### Charitable

- Corporate Charitable Deduction
- Corporations can deduct charitable contributions up to 10% of taxable income
- Applies to taxable years beginning after 12/31/2025



# Reporting

# 1099-NEC and 1099-MISC

• Threshold increases from \$600 to \$2,000 for payments after 12/31/2025

# W-2 Reporting for New Provisions

- No tax on tips
- No tax on overtime



### Industry

**Real Estate** 



#### **Opportunity Zones (OZs) extended permanently**

- Focus is on rural zones
- Investment into new zones
- Hold for 5 years get a 10% basis increase (30% for rural zones)
- Recognize deferred gain 5 years after investment into QOF

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### Industry

Manufacturing



#### **Production Property Expensing**

- Qualified production property eligible for 100% bonus
- Newly constructed where construction:
  - Began after 1/19/2025 and before 1/1/2029
  - Placed in service before 1/1/2031
- Acquired if not used in a qualifying activity after 1/1/2021



### Industry

Agriculture



- Effective for sales after 7/24/25
- Taxpayer can elect to pay tax on sale in four equal installments (year of sale and subsequent three years)
- Acceleration provisions if miss payments, die, liquidate, etc.
- Qualified farmland
  - Used for farming purposes for prior 10-years before sale and buyer is required (via covenant or similar) to use for farming purposes for 10-years after the sale





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