



One Big Beautiful Bill Act (OBBBA)

MATSS 2025

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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**

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Rare Event: Major US Tax Reform

Tax Reform Act of 1986

Lowered individual tax rates, increased the corporate tax rate, eliminated many deductions, and simplified the tax code by reducing brackets

TCJA

Reduced the corporate tax rate to 21%, adjusted individual brackets, capped SALT deductions, and added a 20% pass-through deduction.

OBBBA

1986

1989

1993

1997

2001

2005

2007

2010

2017

2025

First version of Microsoft Office

Titanic is first film to gross \$1B

First Harry Potter film in theaters

The Office premieres on NBC

First iPhone

Launch of Instagram

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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

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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

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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

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Individuals* | Key temporary provisions (2025-28)

No tax on overtime	<ul style="list-style-type: none">• Temporary deduction capped at \$12.5k (\$25k MFJ)
No tax on tips	<ul style="list-style-type: none">• Temporary deduction for cash tips• Limited to \$25k
Deduction for Auto Loan Interest	<ul style="list-style-type: none">• Temporary deduction up to 10k (2025-2028) on new cars purchased 2025-2028, if assembled in US
Deduction for Seniors Aged 65+	<ul style="list-style-type: none">• Temporary \$6k exemption

* Subject to phase outs based on MAGI

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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.

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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.

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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

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Taxation | Scenario 1

			2025	2026	2027	2028
Grant Income	10,000,000		4,000,000	3,000,000	2,000,000	1,000,000
Less Bonus Depreciation			(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)
Cumulative Tax Impact			210,000	-	210,000	-

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Taxation | Scenario 2

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

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Businesses | Research and experimental expenditures

174

2025: Permanent and immediate expensing of domestic R&E

Small Business

- Retroactive expensing for small businesses with avg. annual gross receipts
- \leq \$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

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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

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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

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Industry

Agriculture →



Gain Deferral on Certain Farmland

- 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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