

## KEY TAX PROVISIONS - “ONE BIG BEAUTIFUL BILL ACT”

Signed Into Law - July 4, 2025

The “One Big Beautiful Bill Act” (OBBBA) addresses the impending sunset of the tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA). In some cases, these provisions were made permanent, while in others they were repealed or modified. Below is a summary of key legislative provisions that, while not exhaustive, highlights key items that may be most impactful to our clients. This is general information; certain limitations, applicability, and phaseouts related to your situation will need to be considered, and we recommend working with your tax advisor to understand the true impact the full OBBBA may have on your individual tax situation.

Please note that, in accordance with the OBBBA, the IRS plans to issue additional guidance in October 2025.

### INDIVIDUAL PROVISIONS - GENERAL

TAX PROVISION	DESCRIPTION	ENACTMENT & ENDING DATES
<b>INDIVIDUAL INCOME TAX RATES</b>	Makes the expiring TCJA tax rates permanent. The tax rate structure remains at seven brackets - 10%, 12%, 22%, 24%, 32%, 35%, and 37% - with continued inflation indexing of income beyond 2025. Adds an extra inflation adjustment to the 10% and 12% brackets, slightly increasing the amount of income taxed within these brackets.	Permanent - 2026 and beyond
<b>STANDARD DEDUCTION</b>	Permanently increases the standard deduction (annually indexed for inflation). For 2025: <ul style="list-style-type: none"> <li>• Single &amp; Married Filing Separately (MFS): \$15,750</li> <li>• Head of Household (HOH): \$23,625</li> <li>• Married Filing Jointly (MFJ): \$31,500</li> </ul>	Permanent - 2025 and beyond
<b>PERSONAL EXEMPTIONS</b>	Permanently repeals the deduction for personal exemptions.	Permanent - 2025 and beyond
<b>BONUS DEDUCTION FOR SENIORS</b>	Temporarily provides an additional deduction for qualifying individuals age 65+ (both itemizers and non-itemizers) through 2028. The deduction is \$6,000 (single/HOH) or \$12,000 (MFJ and both spouses are age 65+). This deduction is subject to phaseout at a rate of 6% of the amount that Modified Adjusted Gross Income (MAGI)* exceeds \$75,000 (single/HOH) or \$150,000 (MFJ), i.e., full phaseout of the deduction when MAGI exceeds \$175,000 (single/HOH) or \$250,000 (MFJ). Married taxpayers <u>must</u> file jointly to claim the deduction.	2025 through 2028
<b>NO TAX ON TIPS DEDUCTION</b>	Temporarily allows the deduction of tip income through 2028. Applies to “qualified tip” income received from customers for services in industries where tips are “traditional and customary” (IRS to define by October 2, 2025). The maximum annual deduction is \$25,000 <u>per return</u> . Married taxpayers <u>must</u> file jointly to claim the deduction. The deduction phases out at a 10% rate of income over the MAGI thresholds of \$150,000 (single/HOH) or \$300,000 (MFJ).	2025 through 2028

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INDIVIDUAL PROVISIONS - GENERAL (CONTINUED)		
TAX PROVISION	DESCRIPTION	ENACTMENT & END DATES
<b>NO TAX ON OVERTIME DEDUCTION</b>	Temporarily allows for the deduction of qualified overtime compensation through 2028. The deduction is limited to \$12,500 (single/HOH) and \$25,000 (MFJ) of the premium portion of overtime compensation. Includes a phaseout at a 10% rate for MAGI exceeding \$150,000 (single/HOH) or \$300,000 (MFJ). Married taxpayers <u>must</u> file jointly to claim the deduction.	2025 through 2028
<b>NO TAX ON CAR LOAN INTEREST DEDUCTION</b>	Temporarily allows an annual deduction of up to \$10,000 in interest paid on "qualified passenger vehicle" loans. Includes passenger vehicles assembled in the U.S., purchased new and for personal use, and with a lien secured by the vehicle. This is available to both itemizing and non-itemizing taxpayers.	2025 through 2028
<b>STATE &amp; LOCAL TAX (SALT) CAP EXPANDED DEDUCTION</b>	Temporarily increases the cap on the itemized deduction for SALT from \$10,000 to \$40,000 in 2025, with a fixed 1% increase each year through 2029, reverting back to \$10,000 in 2030. The cap is \$40,000 (single, HOH, and MFJ) or \$20,000 each (MFS). This deduction is subject to a phasedown of 30% of the amount by which MAGI exceeds \$500,000, down to a minimum limit of \$10,000 when MAGI reaches \$600,000 (in 2025). Amounts are subject to inflation indexing of 1% per year through 2029.	2025 through 2029
<b>MORTGAGE INTEREST DEDUCTION</b>	Makes the TCJA applicable mortgage balance limit of \$750,000 permanent. However, the deduction now includes mortgage insurance premiums.	Permanent - 2026 and beyond
<b>CHARITABLE CASH CONTRIBUTION DEDUCTION (NON-ITEMIZERS)</b>	Provides a below-the-line charitable contribution deduction for non-itemizers: \$1,000 (single/HOH) or \$2,000 (MFJ). Married taxpayers filing separately only qualify if both spouses use the standard deduction. Cash contributions only.	Permanent - 2026 and beyond
<b>CHARITABLE CONTRIBUTION DEDUCTION (ITEMIZERS)</b>	Reduces the deduction by imposing a 0.5% floor on the taxpayer's contribution base (in most instances, this is equal to AGI) before charitable contributions are deductible. Percentage-of-AGI limits for different types of charitable contributions (i.e., 60% for cash, 50% for non-cash, 30% for capital gain property) remain unchanged.	Permanent - 2026 and beyond
<b>MISCELLANEOUS ITEMIZED DEDUCTIONS</b>	Permanently eliminates miscellaneous itemized deductions (with the exception of unreimbursed employee expenses for eligible educators).	Permanent - 2026 and beyond
<b>LIMITATION ON ITEMIZED DEDUCTIONS</b>	Repeals and replaces the Pease limitation with a new overall limitation. Limits the total tax benefit of itemized deductions to 35% for individuals in the top tax bracket (37%).	Permanent - 2026 and beyond

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TAX PROVISION	DESCRIPTION	ENACTMENT & END DATES
CASUALTY LOSS DEDUCTION	Makes the casualty loss deduction limitation permanent. The date for federally-declared disasters to be recognized as qualified disasters is changed to the enactment date of H.R. 1. However, it also adds certain qualified state-declared disasters.	Permanent - 2026 and beyond
MOVING EXPENSES DEDUCTION	Permanently eliminates moving expenses deduction (with the exception of Armed Forces personnel).	Permanent - 2026 and beyond
ALTERNATIVE MINIMUM TAX (AMT) EXEMPTION	Makes permanent, the TCJA’s AMT exemption amounts of \$500,000 (single/HOH/MFS)/\$1,000,000 (MFJ) indexed for inflation, but increases the phaseout rate to 50% (vs. 25% under current law).	Permanent - 2026 and beyond
ESTATE & GIFT TAX UNIFIED LIFETIME EXEMPTION	Makes the TCJA estate and gift unified lifetime exemption amount permanent. The exemption amount is indexed for inflation and is \$15 million per taxpayer (\$30 million for married couples) in 2025.	Permanent - 2026 and beyond
EXPANDED QUALIFIED EXPENSES FOR 529 PLANS	Broadens the definition of “qualified higher education expenses” to include new K-12-related costs, such as curriculum materials, tutoring, standardized test fees, and more. Qualified expenses now include those for certain “post-secondary credential expenses.” Increased the annual limit from \$10,000 to \$20,000, beginning in 2026.	Permanent - 2026 and beyond
INDIVIDUAL PROVISIONS - TAX CREDITS		
TAX PROVISION	DESCRIPTION	ENACTMENT & END DATES
CHILD TAX CREDIT (CTC)	Makes the CTC permanent with an increased maximum of \$2,200 in 2025 (with \$1,700 refundable), adjusted for inflation annually thereafter.	Permanent - 2025 and beyond
OTHER DEPENDENT CREDIT	Makes the \$500 other dependent credit permanent, along with requirement that dependent be a U.S. resident. This credit does not include an annual inflation adjustment.	Permanent - 2025 and beyond
ADOPTION CREDIT	Makes a portion of the adoption credit refundable. For 2025, the maximum adoption credit is \$17,280 per adopted child (with \$5,000 refundable). This credit is indexed annually for inflation.	Permanent - 2025 and beyond
INFLATION REDUCTION ACT GREEN ENERGY CREDITS	Repeals several credits, such as electric vehicle and residential energy efficiency credits, either after 2025 or within a year of the law’s enactment.	After 2025 or within a year of the law’s enactment (July 4, 2025)

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BUSINESS PROVISIONS		
TAX PROVISION	DESCRIPTION	ENACTMENT & END DATES
<b>BONUS DEPRECIATION - GENERAL</b>	Permanently extends and increases first-year depreciation deduction to 100% of property acquired and placed in service on or after January 19, 2025.	Permanent - January 19, 2025 and beyond
<b>SECTION 179 - ENHANCEMENTS</b>	Increases the maximum amount a taxpayer can expense under Sec. 179 to \$2,500,000 and increases the phaseout threshold to \$4,000,000.	Permanent - 2025 and beyond
<b>CHARITABLE DEDUCTIONS FOR CORPORATIONS</b>	Adds 1% floor; only contributions above 1% of taxable income are deductible, up to 10% limit.	Permanent - 2026 and beyond
<b>SECTION 199A, QUALIFIED BUSINESS INCOME DEDUCTION (QBI) FOR BUSINESS OWNERS</b>	Makes the QBI deduction permanent at 20%. Phaseout threshold taxable income remains at \$197,300 (single/HOH/MFS)/\$394,600 (MFJ). However, beginning in 2026, the phaseout ranges increase to \$75,000 (single/HOH/MFS)/\$150,000 (MFJ). Also creates a new minimum \$400 deduction for taxpayers with at least \$1,000 of QBI.	Permanent - 2026 and beyond

\*“In most of the new law’s provisions, MAGI is defined as “the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.” Those Internal Revenue Code (IRC) sections relate to income excluded under the Foreign Earned Income Exclusion and the exclusions for income earned while residing in U.S. territories or possessions like Puerto Rico, Guam, American Samoa, and the Northern Mariana Islands, which only factor in for a small minority of U.S. taxpayers. For the vast majority of [U.S.] households, when MAGI is referenced relating to one of the OBBBA’s provisions, it is simply interchangeable with Adjusted Gross Income (AGI), [which is your total income before below-the-line itemized or standard deductions.]” (Kitces.com | Breaking Down The “One Big Beautiful Bill Act”: Impact Of New Laws On Tax Planning - <https://www.kitces.com/blog/obbba-one-big-beautiful-bill-act-tax-planning-salt-cap-senior-deduction-qbi-deduction-tax-cut-and-jobs-act-tcja-amt-trump-accounts/>)

**Source:** One Big Beautiful Bill Act (<https://www.congress.gov/bill/119th-congress/house-bill/1/text>)

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