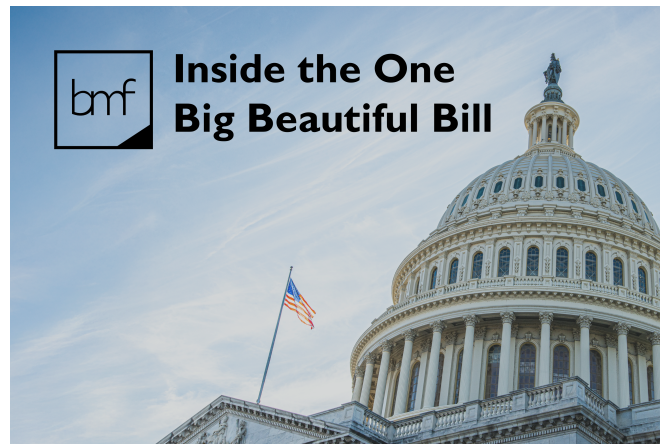


INSIDE THE ONE BIG BEAUTIFUL BILL: A COMPREHENSIVE LOOK



In an all-inclusive bill, current lawmakers aimed to reshape the landscape of federal tax policy by introducing a comprehensive piece of legislation referred to as the "[One Big Beautiful Bill](#)". This bill seeks to make several key provisions of the 2017 Tax Cuts and Jobs Act permanent while introducing a host of new reforms. This ambitious bill not only aims to provide long-term certainty for individual taxpayers and businesses alike but also reflects a broader vision for sustained economic growth, simplified compliance, and enhanced investment incentives.

The following article offers an exclusive look inside the more significant provisions of the bill that was signed into law on July 4, 2025. For a more detailed explanation of the provisions below, please reach out to your [tax professionals](#) at BMF.

Business Provisions

Bonus Depreciation

The bill permanently restores first-year bonus depreciation to 100% for property placed into service after January 19, 2025. The bill also provides for a new temporary first-year bonus depreciation deduction equal to 100% of the adjusted

basis of qualified production property (QPP). QPP is generally nonresidential real property used in manufacturing activities and placed in service before January 1, 2029.

Section 179 Expenses

The bill raises the maximum allowable expense under Section 179 to \$2.5 million for property placed into service in 2025. The new law phases out the allowance dollar for dollar by the amount of qualifying property placed in service during the taxable year, exceeding \$4 million.

Research and Development Expenses

The bill allows taxpayers to immediately deduct domestic specified research or experimental expenditures (SREs) paid or incurred for tax years beginning after December 31, 2024. However, SREs related to research conducted outside the United States (foreign research) must continue to be capitalized and amortized over 15 years.

Additionally, certain taxpayers can also choose to handle past years' unamortized R&D costs from 2022–2024 by either deducting them all in 2025 or deducting them over two years, 2025 and 2026. As an alternative benefit, certain smaller taxpayers may file amended tax returns to claim the above-referenced unamortized R&D costs as an expense deduction in the year incurred.

Limitation on Business Interest for §163(j)

For tax years beginning after 2024, the bill permanently reinstates the EBITDA-based limitation for purposes of calculating adjusted taxable income (ATI). The interest deduction will remain at 30% of ATI.

Qualified Business Income or §199A

The bill permanently extends the Section 199A deduction at 20% of qualified business income. The bill also modifies the phaseout rules to be more favorable for taxpayers who do not meet the wage and capital investment thresholds or who are engaged in a "specified service trade or business." Additionally, after December 31, 2025, the legislation establishes a minimum deduction of \$400 for materially participating taxpayers with at least \$1,000 of qualifying income.

Opportunity Zones

The bill makes the Opportunity Zone program permanent, while implementing several modifications, including a more narrowly defined definition of "low-

income community." These changes are generally set to take effect on January 1, 2027.

Percentage-of-Completion Method

The bill broadens the exceptions to the use of the percentage-of-completion method under the long-term contract rules. The bill expands the existing exception for homebuilders to cover all residential construction contracts (apartment buildings and condos) entered into after the date of enactment.

Qualified Small Business Stock

The bill increases the Section 1202 exclusion for gains from qualified small business stock acquired after the date of enactment of the bill. The exclusion will be 50% if it is held for three years, 75% if held for four years, and 100% if held for five years or longer. The current limit on the exclusion (the greater of \$10 million or 10-times basis) is increased to \$15 million, and the limit on gross assets at the time stock is issued is increased from \$50 million to \$75 million.

Excess Business Losses

The bill permanently extends the limitation on excess business losses for non-corporate taxpayers. For non-corporate taxpayers, any "excess business loss" incurred during the tax year is disallowed. Excess business losses are carried over to succeeding tax years as a net operating loss (NOL).

Corporate Charitable Contributions

A corporation may deduct charitable contributions up to a limit of 10% of its taxable income. Under the bill, any otherwise allowable charitable contributions made by a corporate taxpayer, excluding certain qualified conservation contributions, are deductible only to the extent that the total contributions for the year exceed 1% of the taxpayer's taxable income for the year.

Charitable contributions disallowed due to exceeding the 10% of taxable income limitation or for failing to meet the 1% threshold may be carried forward for up to five years.

Form 1099 Reporting

The bill reverts to the prior rules for 1099 reporting. Beginning in 2026, third-party payment apps (like PayPal, etc) only need to complete Form 1099-K if the aggregate amount paid to a participating payee exceeds \$20,000 and the

number of transactions with that payee exceeds 200 in a calendar year.

For 1099-MISC and 1099-NEC, the reporting threshold for filing rises from \$600 to \$2,000. The new threshold will be indexed annually for inflation.

Individual Provisions

Tax Rates

The bill makes permanent the tax rates and marriage penalty relief established under the 2017 Tax Cuts and Jobs Act (TCJA). For individuals, the rates and brackets are: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. For trusts and estates, the rates and brackets are: 10%, 24%, 35% and 37%.

Standard Deduction

The bill permanently extends the increased standard deduction amounts established by the Tax Cuts and Jobs Act (TCJA). Beginning in tax year 2026, the standard deduction will be set at \$15,750 for single filers, \$23,625 for heads of household, and \$31,500 for married couples filing jointly. These amounts will be adjusted annually for inflation thereafter.

Personal Exemption for Seniors

The bill introduces a new \$6,000 personal exemption for individuals aged 65 and older, applicable for tax years 2025 through 2028. This exemption begins to phase out for taxpayers with modified adjusted gross income (MAGI) exceeding \$150,000 for joint filers and \$75,000 for all other filers.

No Tax on Tips

The legislation establishes a temporary above-the-line deduction of up to \$25,000 for qualified tip income applicable for tax years 2025 through 2028. However, it begins to phase out for taxpayers with modified adjusted gross income (MAGI) exceeding \$150,000 for single filers and \$300,000 for married individuals filing jointly.

Employers will be required to report eligible tip amounts on Form W-2. The provision applies solely for income tax purposes and does not generally impact the employer's FICA tip credit.

No Tax on Overtime

The bill sets up a temporary above-the-line deduction of up to \$12,500 for individuals, or \$25,000 for joint filers, for qualified overtime compensation received during the taxable year. The deduction begins to phase out for taxpayers with modified adjusted gross income (MAGI) exceeding \$150,000 (single filers) or \$300,000 (joint filers).

For purposes of the deduction, "qualified overtime compensation" is defined as compensation paid in accordance with Section 7 of the Fair Labor Standards Act of 1938 (FLSA) for hours worked more than the standard workweek, and which exceeds the employee's regular rate of pay as defined under that section.

Eligibility for the deduction is contingent upon the separate reporting of the total amount of qualified overtime compensation on Form W-2 (or Form 1099 in the case of non-employees). The deduction is available for tax years 2025 through 2028.

State and Local Taxes Cap

The legislation temporarily raises the federal cap on the deduction for state and local taxes (SALT) from \$10,000 to \$40,000, effective for tax year 2025. Beginning in 2030, the cap will revert to the current statutory level of \$10,000.

The allowable SALT deduction is subject to a phase-down for taxpayers whose modified adjusted gross income (MAGI) exceeds \$500,000 in 2025 (indexed for inflation through 2029). However, the deduction may not be reduced below \$10,000 under this provision.

Child Tax Credit

The bill increases the nonrefundable child tax credit from \$2,000 to \$2,200 per qualifying child and provides for annual inflation adjustments. It also makes the \$1,400 refundable portion of the credit permanent, with inflation indexing (\$1,700 for 2025). Additionally, the bill permanently retains the higher income phaseout thresholds—\$200,000 for single filers and \$400,000 for joint filers—and the \$500 nonrefundable credit for each dependent who is not a qualifying child.

QBI Deduction

The bill permanently extends the Section 199A deduction at 20% of qualified business income. The bill also modifies the phaseout rules to be more favorable for taxpayers who do not meet the wage and capital investment thresholds or

who are engaged in a "specified service trade or business." Additionally, after December 31, 2025, the legislation establishes a minimum deduction of \$400 for materially participating taxpayers with at least \$1,000 of qualifying income.

Estate and Gift Tax Exemption Amounts

The bill permanently raises the estate and lifetime gift tax exemption amounts to \$15 million, effective in 2026. The exemption amounts will be indexed for inflation in subsequent years.

Mortgage Interest Deduction

The bill permanently extends the Tax Cuts and Jobs Act (TCJA) provision that limits the residence interest deduction to the first \$750,000 of home mortgage acquisition debt. It also permanently excludes interest on home-equity indebtedness from the definition of qualified residence interest. Additionally, the bill classifies certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest.

Car Loan Interest

The bill introduces a new deduction for interest on passenger vehicle loans. To qualify for the deduction, taxpayers need to have a "qualified" passenger vehicle loan where the interest paid or accrued during the tax year is on indebtedness incurred after December 31, 2024. The purchase of a passenger vehicle must be for personal use and secured by a first lien on the vehicle. Among other requirements, the applicable passenger vehicle must have been assembled in the United States. The deduction is limited to \$10,000 per year and phases out for taxpayers with modified adjusted gross income (MAGI) exceeding \$100,000, or \$200,000 for married couples filing jointly. This is applicable for tax years 2025-2028.

Charitable Contribution Deduction

The bill introduces a charitable contribution deduction for taxpayers who do not itemize, allowing nonitemizers to deduct up to \$1,000 for single filers or \$2,000 for married couples filing jointly for qualifying charitable contributions. This deduction is permanent; however, it starts in tax years after 2025. For taxpayers who itemize, the bill establishes a 0.5% floor on the charitable contribution deduction, meaning the total allowable deduction is reduced by 0.5% of the taxpayer's AGI for the tax year.

Casualty Loss Deductions

Under the bill, the Tax Cuts and Jobs Act (TCJA) provision limiting the itemized deduction for personal casualty losses to those arising from federally declared disasters is made permanent. The bill also expands this provision to include losses resulting from certain state-declared disasters. This will be in effect for taxable years beginning after 2025.

Miscellaneous Itemized Deductions

The bill permanently removes the deduction for miscellaneous itemized deductions, while excluding unreimbursed employee expenses for eligible educators from the category of miscellaneous itemized deductions. This will be in effect for taxable years beginning after 2025.

Itemized Deductions Limitation (Pease limitation)

The bill permanently eliminates the overall limitation on itemized deductions, commonly known as the Pease limitation, and replaces it with a new limitation on the tax benefit of itemized deductions. Under the new rule, the allowable itemized deductions will be reduced by 2/37 of the lesser of (1) the total itemized deductions or (2) the amount by which the taxpayer's taxable income exceeds the threshold at the start of the 37% tax bracket. This will be in effect for taxable years beginning after 2025.

Moving Expense Deduction

The bill permanently eliminates the moving expense deduction, except for members of the armed forces and certain individuals within the intelligence community. This will be in effect for taxable years beginning after 2025.

Wagering Losses

The bill limits the deduction for "losses from wagering transactions" to 90% of the total amount of such losses. Additionally, these losses may be deducted only to the extent of the taxpayer's gains from wagering transactions during the tax year. This additional limitation will apply to taxable years beginning after 2025.

ABLE Accounts

The bill implements several changes to Section 529A ABLE accounts, including the permanent extension of the TCJA's increased contribution limits. It also permanently allows contributions to ABLE accounts to qualify for the Section 25B saver's credit; however, beginning in 2027, only contributions to ABLE accounts will be eligible for the saver's credit. Additionally, the credit amount is increased from \$2,000 to \$2,100.

Adoption Credit

The bill makes up to \$5,000 of the adoption credit refundable; this refundable amount will be subject to adjustment for inflation. This will be in effect for taxable years beginning after 2024.

Trump Accounts

The bill establishes "Trump accounts" as Individual Retirement Accounts (IRAs), excluding Roth IRAs, created exclusively for individuals under the age of 18. Contributions may only be made during calendar years prior to the beneficiary's 18th birthday, and distributions are permitted starting in the calendar year the beneficiary turns 18. Trump accounts must be designated as such upon establishment, and contributions will not be allowed until 12 months after the bill's enactment. Annual contributions, excluding qualified rollovers, are capped at \$5,000, with adjustments for inflation beginning after 2027.

Credit for Contributions to Scholarship-Granting Organizations

The bill introduces a new \$1,700 tax credit for charitable contributions made to scholarship-granting organizations.

Impacts on Various Credits

Paid Family and Medical Leave Credit

The bill permanently establishes the employer credit for paid family and medical leave.

Advanced Manufacturing Investment Credit

The bill increases the advanced manufacturing investment credit rate from 25% to 35%, effective for property placed in service after December 31, 2025.

Employer-Provided Childcare Credit

The bill raises the percentage of qualified childcare expenses eligible for the employer-provided childcare credit from 25% to 40%. Additionally, starting in 2026, the maximum credit amount increases from \$150,000 to \$500,000 (\$600,000 for eligible small businesses) and will be adjusted for inflation.

New Markets Tax Credit

The bill makes the new markets tax credit permanent.

Clean Energy Incentives

The bill phases out several clean energy tax incentives, with termination dates as

follows:

- **Section 25E: Previously owned clean vehicle credit** — terminates after September 30, 2025.
- **Section 30D: Clean vehicle credit** — terminates for vehicles acquired after September 30, 2025.
- **Section 45W: Qualified commercial clean vehicle credit** — terminates after September 30, 2025.
- **Section 30C: Alternative fuel vehicle refueling credit** — terminates after June 30, 2026.
- **Section 25C: Energy-efficient home improvement credit** — terminates after December 31, 2025.
- **Section 25D: Residential clean energy credit** — terminates for expenditures made after December 31, 2025.
- **Section 179D: Energy-efficient commercial buildings deduction** — terminates for property with construction beginning after June 30, 2026.
- **Section 45L: New energy-efficient home credit** — terminates after June 30, 2026.
- **Section 45V: Clean hydrogen production credit** — terminates after January 1, 2028.
- **Section 6426(k): Sustainable aviation fuel credit** — terminates after September 30, 2025.