

THE ONE, BIG, BEAUTIFUL BILL

JULY 2025



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On July 4th, President Trump signed into law the tax bill that he campaigned on. The bill made a significant change to the tax landscape by extending the tax provisions of the 2017 Tax Cuts and Jobs Act, which was passed during his first term. Those provisions were set to expire at the end of 2025. Businesses and individuals can now plan with tax law certainty as opposed to the uncertainty of what future tax laws might be. Many of the changes are now permanent while some of the new tax provisions are for a set period of time. Before we dive into the provisions, it is important to remember that permanent is only until another Congress and Administration changes them.

The following is a summary of the key tax provisions in the bill:

INDIVIDUAL INCOME TAX PROVISIONS:

Tax brackets made permanent: The Bill permanently extends the current tax rates which were set to rise next year back to 2016 rates.

Bracket	Retained	If expired
1	10%	10%
2	12%	15%
3	22%	25%
4	24%	28%
5	32%	33%
6	35%	35%
7	37%	39.6%

Standard deduction made permanent: The standard deduction is increased by \$750 (single) and \$1,500 (married filing jointly) and will be indexed for inflation going forward. This raises the standard deduction for a single filer to \$15,750 and \$31,500 for a married couple filing jointly. The standard deduction is the alternative to itemizing deductions.

Approximately 90% of all tax filers use the standard deduction rather than itemizing.

New deduction for seniors for 2025-2028: Seniors aged 65 and older are eligible for an additional deduction of \$6,000 regardless of whether they use the standard deduction or itemize their deductions. This additional deduction is phased out when MAGI (Modified Adjusted Gross Income) exceeds \$75,000 for single taxpayers and \$150,000 for joint filers. The additional deduction is completely phased out when MAGI hits \$175,000 for single filers and \$250,000 for joint filers. The purpose is to reduce the tax burden on Social Security recipients earning under the MAGI limits. This provision is effective for tax years 2025-2028.

State and Local Tax (SALT) deduction increased for 2025-2029: The Bill increases the amount of state and local taxes, including property taxes, that can be deducted by taxpayers who itemize their deductions. The limit is increased from \$10,000 to \$40,000 and will increase by 1% per year. This \$30,000 increase is phased out when MAGI exceeds \$500,000 and is completely phased out when MAGI hits \$600,000. The SALT deduction cannot be reduced below \$10,000. This provision is effective for tax years 2025-2029.

New charitable contribution changes will be permanent: The Bill makes various changes to the deductibility of qualifying charitable contributions. Beginning in 2026, taxpayers who do not itemize their deductions can deduct up to \$1,000 (single filers) and \$2,000 (joint filers) of charitable contributions. The Bill also allows those who do itemize to deduct cash contributions up to 60% of their adjusted gross income (AGI). This limit was set to revert to 50% in 2026. Additionally, for those who itemize their deductions, the Bill introduces a new threshold where charitable contributions are only deductible to the extent they exceed 0.5% of AGI. This is a new limitation on the amount of charitable contributions that can be deducted.

Mortgage interest debt limit made permanent: The Bill retains the \$750,000 cap on mortgage debt used to acquire and improve a personal residence. It also allows mortgage insurance premiums on eligible acquisition debt to be deducted.

New overall limit on itemized deductions made permanent: The net value of itemized deductions will be limited for high earning taxpayers to the 35% brackets. Taxpayers in the 37% bracket will lose 2/37ths of the lesser of (a) the total value of all itemized deductions or (b) the amount of taxable income in the 37% bracket.

Qualified Business Income (QBI) deduction made permanent: The Bill extends the deductibility of QBI for individuals with pass-through business income (sole-proprietorships, partnerships, LLCs, and Subchapter S shareholders). Taxpayers can potentially deduct up to 20% of this income. The purpose of this provision is to level the playing field with C corporations that benefit from lower tax rates than individuals.

Child tax credit increase made permanent: The Bill expands the child tax credit from \$2,000 to \$2,200, which will be indexed for inflation, and makes the increased credit permanent.

New deduction for tips and overtime premium for 2025-2028: The Bill allows taxpayers to deduct up to \$25,000 of tip income from their taxable income. It also allows for a deduction of \$12,500 per person for any overtime premium earned. Both deductions are phased out when MAGI exceeds \$150,000 for single taxpayers and \$300,000 for joint filers.

New deduction for motor vehicle interest for 2025-2028: The Bill allows for the deduction of up to \$10,000 of interest paid on a motor vehicle loan. Qualifying motor vehicles must be purchased after December 31, 2024 and be U.S. assembled. The deduction is phased out when MAGI exceeds \$100,000 for single taxpayers and \$200,000 for joint filers.

The Bill
increases the
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and local taxes
that can be deducted
for those who
itemize
deductions.

GIFT & ESTATE TAX PROVISIONS:

Lifetime exclusion increase made permanent: The Bill increases the gift, estate, and generation skipping transfer tax lifetime exclusions to \$15 million (\$30 million for a married couple) beginning in 2026. The amount will be indexed annually for inflation.

BUSINESS INCOME TAX PROVISIONS:

Full expensing of eligible business property made permanent: The Bill expands the 100% bonus depreciation (full expensing) for eligible business property acquired and placed in service after January 19, 2025.

Section 179 depreciation expanded and made permanent: The Bill expands the Section 179 depreciation deduction (full expensing) to \$2.5 million of eligible business property and increases the phase out to \$6.5 million of current year asset acquisitions.

New special depreciation for Qualified Production Property (QPP) for 2025-2028: The Bill creates a new 100% depreciation deduction for QPP, defined as any non-residential real property used in the business' qualified production activity. The QPP must be new property which started construction after January 19, 2025 and before January 1, 2029. The property must be placed in service before January 1, 2031. Lessors cannot qualify as they do not use the facilities for their own qualified production activities.

Interest expense deduction computation made permanent: The Bill modifies the calculation of allowable business interest expense deductions which should allow more of the interest to be currently deducted. It also modifies the definition of motor vehicles under floor plan arrangements to include trailers and campers.

Research and development expense (R&D) deduction made permanent: The Bill allows for the immediate deduction for qualifying R&D expenditures. In addition, any remaining unamortized R&D expenses from 2022-2024 may be deducted in 2025. Certain qualifying taxpayers may amend their 2022-2024 tax returns to take the expenses in the year incurred.

New corporation charitable contribution deduction limitation made permanent: Corporations are currently allowed to deduct charitable contributions up to 10% of their taxable income. The Bill places a 1% floor on these deductions, thus contributions equal to 1% of their taxable income are no longer deductible. This takes effect in 2026.

OTHER PROVISIONS:

Early termination of electric vehicle (EV) and charging station credits: The Bill accelerates the termination of EV credits to September 30, 2025. The termination of EV charging station credits will be accelerated to June 30, 2026.

Increased Threshold for form 1099 reporting made permanent: The Bill increases the threshold for information reporting on Form 1099 from \$600 to \$2,000 effective for 2026. The \$2,000 threshold will be increased for inflation.

RECAP:

The One, Big, Beautiful Bill is almost 900 pages long and contains many other changes. Please reach out to your tax preparer to better understand how the Bill will affect your specific situation.

Whether good or not so good, the Bill provides tax certainty for the next four years and we prefer to plan with certainties. Please feel free to reach out if you have any questions. As always, we are available to assist and are happy to discuss in more detail.

REFERENCES & DISCLOSURES

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