How the “One Big Beautiful Bill Act” Could Affect Your Taxes: Key Highlights from the 2025 Reform

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In 2025, Congress passed one of the most sweeping tax reforms in recent memory: the One Big Beautiful Bill Act (OBBBA). For individuals and businesses alike, this legislation builds on—and in many ways expands—the 2017 Tax Cuts and Jobs Act (TCJA), locking in several key provisions while introducing new tax benefits, deductions, and a few surprises.

Here’s a breakdown of what this means for you and your financial future:

For Individuals and Families

Lower Tax Rates Are Here to Stay

The lower individual income tax rates originally introduced by the TCJA were set to expire in 2026, but OBBBA makes them permanent. This means most taxpayers will continue to enjoy reduced marginal tax rates for the foreseeable future.

Bigger Standard Deductions

The standard deduction gets a permanent boost:

- Married Filing Joint: $30,000
- Heads of household: $23,625
- Single filers: $15,750

New Deduction for Seniors

While personal exemptions remain suspended, seniors aged 65 and older can now claim a new $6,000 deduction, though it phases out at higher income levels.

Child & Dependent Benefits Improved

- The child tax credit is increased to $2,200 per child and made permanent.
- Dependent care exclusions jump to $7,500, and the adoption credit is now partially refundable.

Itemized Deductions: Noteworthy Changes

- SALT Deduction: Temporarily increased to $40,000 in 2025, with a phase-down starting in 2030.
- Miscellaneous Deductions: The suspension of most of these remains permanent, except for teacher expenses.
- Charitable Giving: A more generous above-the-line deduction is now available, but itemizers must meet a 0.5% AGI floor.
- Mortgage Interest: The $750,000 loan cap remains, and mortgage insurance premiums are now fully deductible.

Temporary Deductions (2025–2028)

- Tip Income: Up to $25,000 per year in tips may be tax-free.
- Overtime Pay: Up to $12,500 (or $25,000 for joint filers) can be deducted.
- Car Loan Interest: Deduct up to $10,000 per year for new U.S.-made vehicles.

*Note: These deductions phase out at higher income levels.

Other New Provisions

- “Trump Accounts”: New tax-advantaged savings for children under 18, with government seed funding for newborns.
- Remittance Tax: A 1% tax applies to certain foreign money transfers, with exceptions for transfers made from U.S. bank accounts or using U.S.-issued debit or credit cards.

For Business Owners and Corporations

Expensing and Depreciation

- Full 100% bonus depreciation for qualified business property is now permanent.
- Section 179 expensing is expanded to $2.5 million, with a higher phase-out cap.
- Certain manufacturing properties can now be fully expensed upfront.

Interest and R&D Deductibility

- The EBITDA add-back is reinstated, expanding the business interest deduction limit.
- Domestic R&D expenses can be fully expensed immediately, while foreign R&D remains amortized over 15 years.

Pass-Through Income (Section 199A)

- The 20% deduction on qualified business income is now permanent.
- A new $400 minimum deduction applies to active business income.

Small Business Stock Gains

- Rules around Qualified Small Business Stock (QSBS) are expanded, increasing exclusions and limits for eligible businesses.

Business Credits and Incentives Expanded

- Employer-provided child care: Up to 50% credit for small businesses.
- Paid family leave: Now a permanent and expanded credit.
- Advanced manufacturing: New and enhanced credits, including a 35% investment credit for qualifying production.

What Does This Means for You?

This legislation creates long-term planning opportunities for both individual clients and business owners. The permanence of lower rates and expanded deductions makes it easier to project future tax liabilities and structure income more strategically.

However, with new phase-outs, income thresholds, and temporary deductions in play, it’s more important than ever to take a proactive, personalized approach to tax planning.