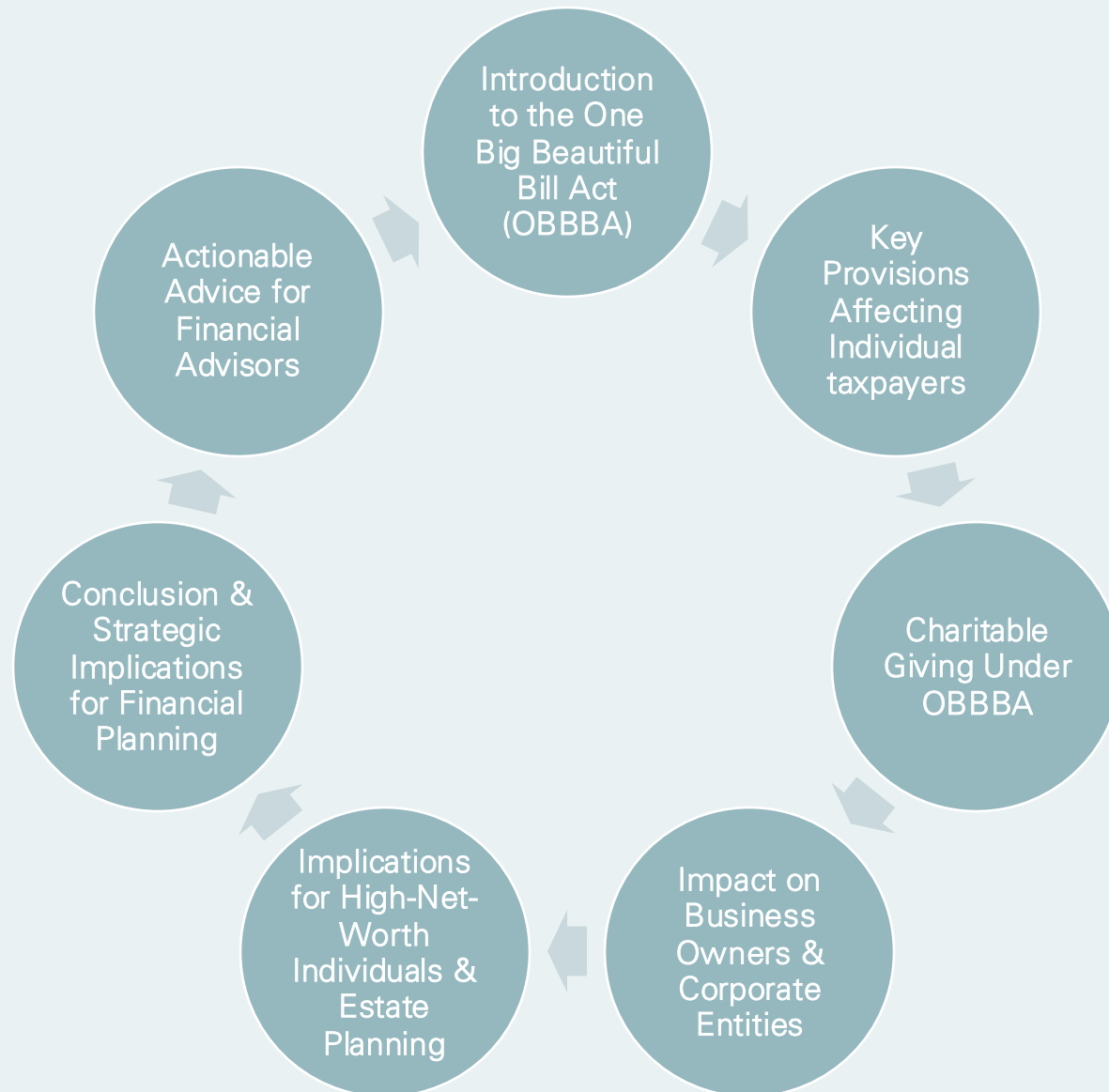


Unpacking The One Big Beautiful Bill

Agenda



Introduction to the One Big Beautiful Bill Act (OBBBA)



What is the OBBBA?

- Officially known as the "One Big Beautiful Bill Act" or the "2025 Act"
- Signed into law by President Donald J. Trump on July 4, 2025



Primary Objective:

- Simplify key tax provisions
- Highlight planning opportunities for clients



Focus Areas:

- Financial Planning
- Charitable Giving
- Business Tax Strategy



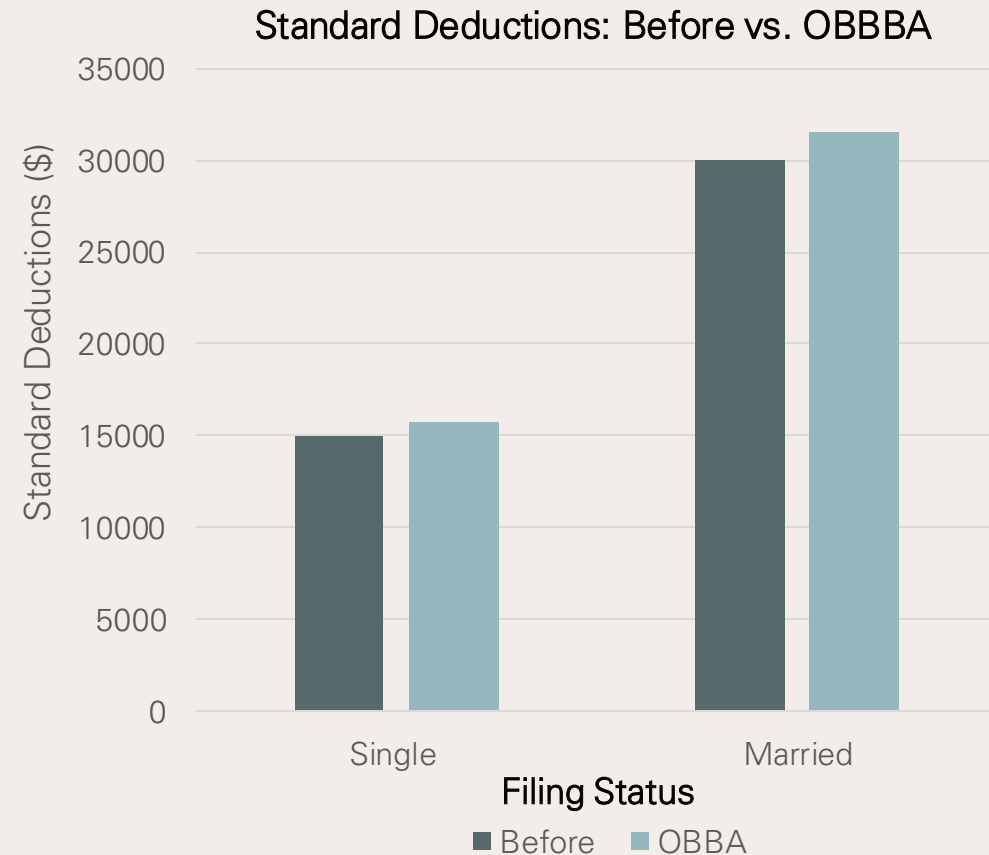
Why it's Significant:

- Addresses 2026 "tax cliff" from expiring TCJA provisions
- Makes major TCJA tax cuts **permanent**
- Introduces new and expanded deductions, credits, and savings tools
- Creates **long-term clarity** for individuals, families, and businesses

Key Provisions Affecting Individual Taxpayers

Reduction in Value of Itemized Deductions for High-Income Taxpayers

- Applies to taxpayers in the **37% bracket**
- **Non-state itemized deductions** reduce tax liability at **35%** (vs. 37%)
- **State and local tax deductions** reduce tax liability at **32%**
- Effectively reduces the **tax-saving value** of deductions for top earners



Comparison: Individual Tax Rates & Standard Deduction



Top Marginal Rate Lowered

The top individual income tax rate remains at 37%, made permanent under the bill. This avoids the scheduled 2026 increase to 39.6%, offering continued relief to high earners and supporting investment-driven income planning.



Permanently Extended Brackets & Inflation Adjustments

The seven-tier bracket structure from the TCJA is now permanent, with chained CPI inflation indexing locked in beyond 2025. This includes added protections for the lower brackets (10%, 12%, 22%), helping all income levels maintain bracket placement over time.



Impact: Predictability & Reduced Liabilities

With the top rate and brackets made permanent and indexed, individuals and businesses gain long-term clarity on tax liabilities. This stability improves financial forecasting, estate planning, and pass-through business strategy, especially for high-net-worth and self-employed filers.



Enhanced & Permanent Standard Deduction

Beginning with the 2025 tax year (filed in 2026), the standard deduction increases to \$15,750 for single filers and \$31,500 for married couples filing jointly, with permanent inflation indexing. This simplifies filing for millions of taxpayers, reduces taxable income, and further discourages itemization.

Key Individual Tax Provisions: Before vs. After OBBBA

Provision	Before OBBBA (TCJA 2017)	After OBBBA (2025/2026+)	Category
Individual Income Tax Brackets	7 brackets, 10%-37% top rate	Permanent 7 brackets, 10%-37% top rate	Extended & Permanent
Standard Deduction (MFJ)	\$29,200 (2024, indexed)	\$31,500 (2025), indexed to inflation (increases SD by an additional \$2,000)	Modified & Enhanced
Standard Deduction (Single)	\$14,600 (2024, indexed)	\$15,750 (2025), indexed to inflation (increases SD by an additional \$1,500)	Modified & Enhanced
SALT Deduction Cap (Joint)	\$10,000	\$40,000, with MAGI-based phaseout	Modified & Enhanced
Child Tax Credit (per child)	\$2,000 (through 2025)	\$2,500 credit/child from 2025-2028; then \$2,000 (indexed) permanently	Modified & Enhanced
Exemption for Tips	N/A	Allows up to \$25,000/year deduction for service & hourly workers	New & Temporary (2025-2028)
Exemption for OT	N/A	Allows up to \$12,500/year deduction for single filers and \$25,000 for joint filers	New & Temporary (2025-2028)
"Trump Account" for Newborns	N/A	New account with \$1,000 seed and up to \$5,000/year for babies/kids can be used for college, home buying, or business startups	New & Temporary (2025-2028)

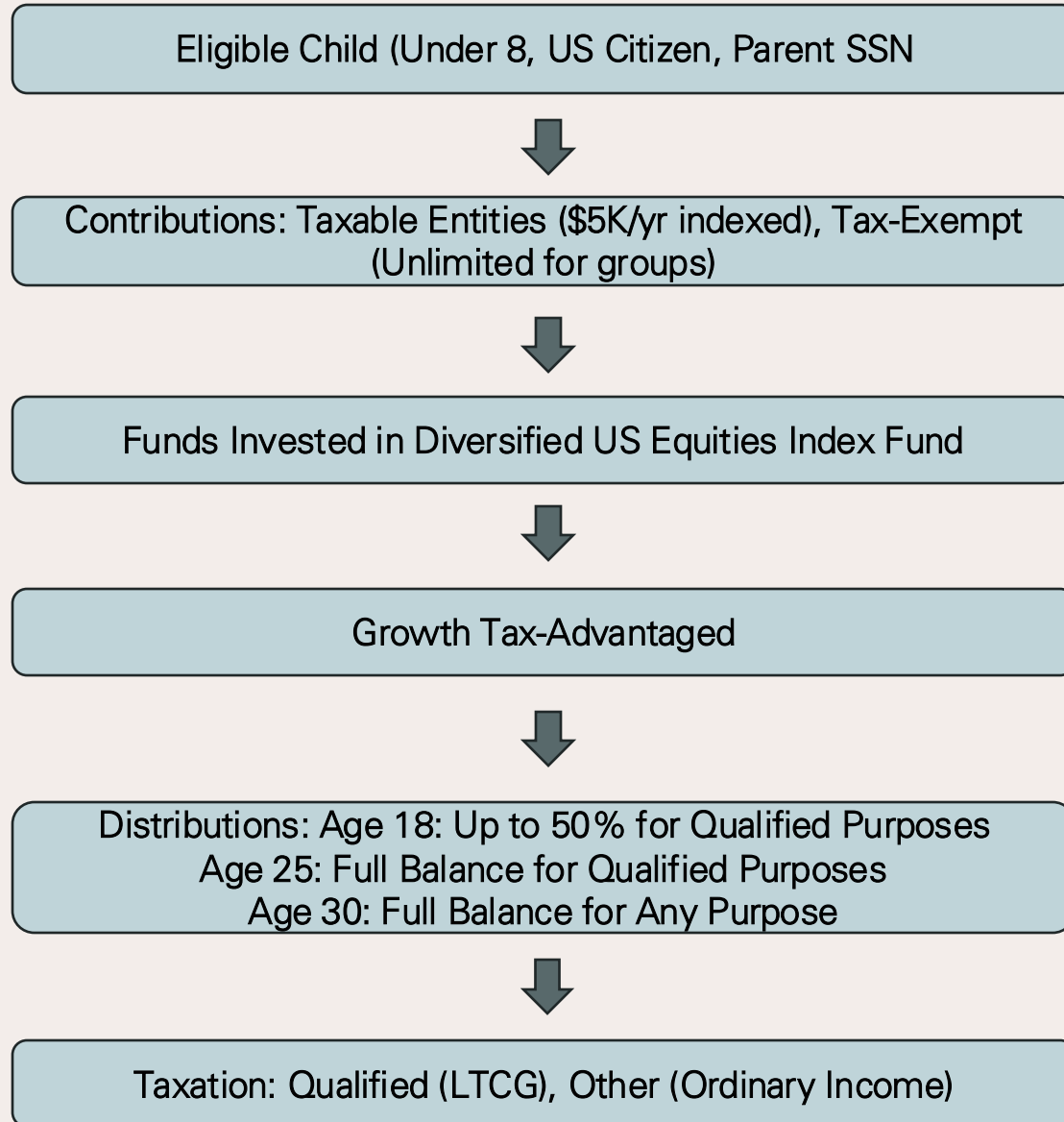
State & Local Tax (SALT) Deduction Cap

Aspect	Before (Through 2025)	After (New Bill, 2025–2029)
SALT Deduction Cap	\$10,000 per year (\$5,000 MFS)	Increased to \$40,000 per year (\$20,000 MFS)
Phase-Out Threshold	No phase-out	Deduction reduced by 30% of MAGI above \$500,000 (\$250,000 MFS), capped at \$30,000 (\$15,000 MFS)
Minimum Deduction Floor	\$0	Minimum deduction floor of \$10,000 (\$5,000 MFS) after phase-out applies
Annual Increase	None	Cap and thresholds increase by 1% annually through 2029
Expiration	Expires after 2025	New cap and phase-down effective through 2029; reverts to current \$10,000 (\$5,000 MFS) in 2030
Passthrough Entity Tax (PTET) Treatment	Existing PTET state taxes deducted at entity level; federal treatment unchanged	No change to federal tax treatment of PTET and passthrough state taxes

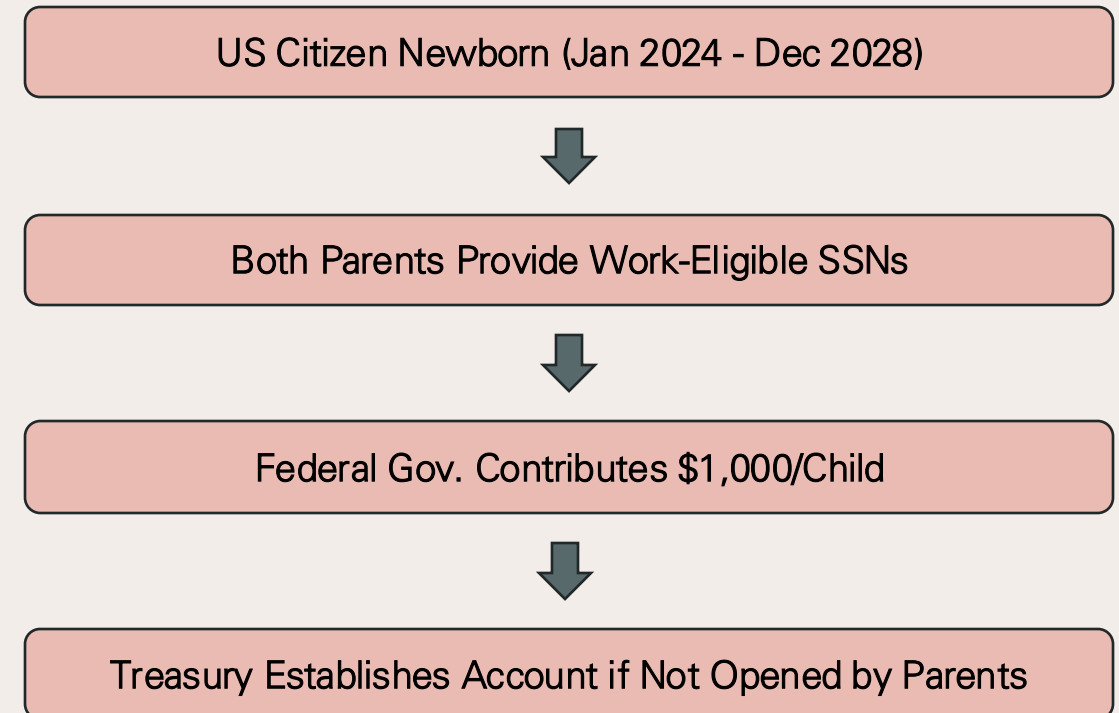
Limiting the Tax Benefit of Itemized Deductions

Aspect	Before (Pease)	After (35% Cap)
Deduction Phase-out	3% of income above threshold	None
Tax Benefit Value	Based on marginal rate (up to 37%)	Flat cap at 35%
Complexity	High – complex phase-out formula	Lower – flat-rate cap is simpler
Affected Taxpayers	High earners above income thresholds	Only those in top marginal bracket

"Trump Account" Structure & Contribution Flow



MAGA Newborn Pilot Program (2024-2028)



Charitable Giving Under OBBBA – Non-Itemizers & Itemizers

For Non-Itemizers:

- **Permanent Above-the-Line Charitable Deduction:** Reintroduces a permanent deduction for non-itemizers.
 - \$1,000 for Single filers
 - \$2,000 for Joint filers
- **Applies to Cash Contributions Only:** This deduction is limited to cash contributions made to qualified charities.

For Itemizers:

- **0.5% AGI Floor Introduced:** A new floor is introduced for deductibility, meaning deductions are allowed only to the extent they exceed 0.5% of the individual's Adjusted Gross Income (AGI).
- **60% AGI Limit for Cash Gifts Retained:** The existing 60% of AGI limit for cash contributions to public charities remains in place.
- **Carryforwards Only Usable When AGI Floor is Met:** Any excess contributions that are carried forward to future years can only be deducted in those years if the AGI floor is met.

Charitable Giving – Corporate Giving & Structural Changes

Corporate Charitable Contributions:

New Minimum Threshold for Deductibility: Corporate gifts must now exceed 1% of taxable income to be deductible.

10% Deductibility Cap Remains Unchanged: The existing % of taxable income deductibility cap continues to apply.

Increased Focus on Large-Scale Giving: This new threshold may impact smaller annual contributions, encouraging a greater focus on large-scale, substantiated giving.

Tax Credit Introduced:

\$1,700 Credit for Scholarship-Granting Organizations: Beginning 2027, donors receive a \$1,700 nonrefundable tax credit for qualified donations to scholarship-granting organizations.

Client Giving Strategies: Risk Levels

Traditional Annual Giving (Smaller Amounts): High Risk (for deductibility)

Large, Infrequent Gifts (Itemizers): Medium Risk (due to AGI floor/cap interaction)

DAF/Foundation Bunching: Low Risk (optimized for deductibility)

Targeted Scholarship Donations (2027-2028): Low Risk (direct credit)

Charitable Giving – Sector Implications

Excise Tax on University Endowments Raised

The excise tax on university endowments is increased sharply ranging from 1.4% to 8% for educational institutions with over 3,000 students and an endowment exceeding \$500,000 per student.

<u>Sector</u>	<u>OBBBA Impact</u>
Private Foundations	No NIIT surcharge (relief from proposed change)
University Endowments	Excise tax raised from 1.4% to 8%
Scholarship-Granting Orgs	New \$1,700 donor tax credit (2027-2028)
C Corporations	Charitable deductions reduced by 1% of their income, with no carryforward (commencing in 2026)

Impact on Business Owners – Corporate Rate & QBI Deduction

Corporate Tax Rate:

Corporate Tax Rate Remains at 21 %: The flat 21% corporate tax rate, established by the TCJA, is maintained, providing long-term stability for corporate financial planning.

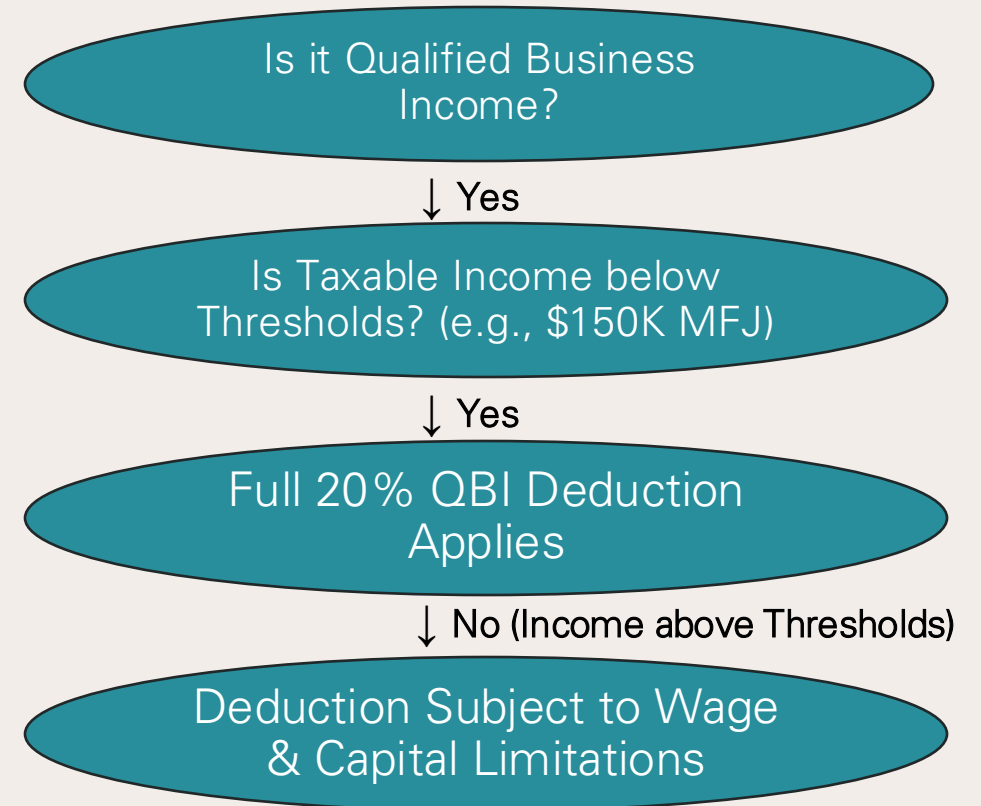
Qualified Business Income (QBI) Deduction:

20% Deduction Made Permanent: The 20% deduction for qualified pass-through business income (Section 199A) is now permanent, offering consistent tax advantages for owners of sole proprietorships, partnerships, and S-corporations.

Full Benefit Extended: The full benefit of the QBI deduction is extended to \$150,000 for Married Filing Jointly (MFJ), with phased thresholds for higher income levels.

Threshold Type	2024 (TCJA)	2025+ (OBBBA)
Full Benefit Ends At	~\$364,200	\$150,000
Deduction Phases Out By	~\$464,200	Varies by income, subject to limitations

QBI Deduction Eligibility Flowchart (Simplified)



Section 1202 (QSBS) Stock Enhancements

The OBBBA introduces substantial improvements to the Section 1202 Qualified Small Business Stock (QSBS) exclusion, making it an even more attractive incentive for investing in and growing small businesses.

Key Enhancements:

Phased Exclusion of Gain

- ❖ For stock acquired after July 4, 2025, the exclusion of *gain is now phased in based on holding period:*

50% exclusion after three years

75% exclusion after four years

100% exclusion after five years

Increased Minimum Exclusion

- ❖ The minimum exclusion amount is raised from \$10 million to **\$15 million**, indexed for inflation after 2026.

Raised Permitted Gross Asset Test

- ❖ The permitted gross asset test for a qualified small business is increased from \$50 million to **\$75 million**, also indexed for inflation after 2026.

QSBS Key Changes: Before vs. After OBBBA

Provision	Before OBBBA	After OBBBA (Stock acquired after July 4, 2025)
Exclusion Phase-in	Generally, 100% after 5 years (for certain stock)	50% (3 yrs), 75% (4 yrs), 100% (5 yrs)
Minimum Exclusion Limit	\$10 Million	\$15 Million (indexed for inflation after 2026)
Gross Asset Test Limit	\$50 Million	\$75 Million (indexed for inflation after 2026)

Provisions: Agriculture, Transportation, and Disaster Relief

Exclusion of Interest on Agricultural Land Loans

Banks and insurance companies can exclude 25% of the interest income they receive on new loans (not refinances) made after July 4, 2025, if the loan is secured by U.S. agricultural real property

Deduction for Interest to Purchase Vehicles (2025-2028)

Allows an above-the-line deduction of up to \$10,000/year for interest on auto loans, if the vehicle is U.S.-assembled, under 14,000 lbs., used personally, and secured by a first lien. Phases out for AGI above \$100,000 (single) or \$200,000 (joint).

Casualty Loss Deduction

The deduction for personal losses from federally declared disasters is now permanent (was set to expire in 2025). It now extends to state-declared disasters, if approved by both the governor and the Treasury Secretary.

Opportunity Zones: Permanently Reshaped (Effective 2027)

July 1, 2026

- Opportunity Zones redrawn every 10 years
- QOFs must acquire/improve property only in new Zones designated after 2026

2026-2027

- New rules apply to investments in QOFs made after 2027
- 2026 gains can qualify if investment made within 180 days in 2027

After 2026

- QOFs must acquire or substantially improve property after 2026
- Investing in a QOF with pre-2027 property does not qualify, even if it remains in a re-designated zone

Starting 2025

- QOFs must file electronic reports with the IRS
- Must also provide reports to investors upon sale of their QOF interest
- Substantial penalties apply for non-compliance

Investor Benefits

- ❑ **5 years:** Deferred gain recognized; 10% gain reduction applies
- ❑ **7 years:** Previous 15% gain reduction removed
- ❑ **5-year rural QOFs:** 30% exclusion if $\geq 90\%$ assets in rural zones
- ❑ **10+ years:** No tax on QOF interest sales (up to 30 years)
- ❑ **After 30 years:** Basis locks at market value

Accelerated Depreciation: Supercharged Write-Offs

01

100% Bonus Depreciation (Section 168(k))

Deduct 100% of almost all new or used 'Qualified Property' with NO LIMIT.

Applies to contracts after Jan 19, 2025, placed in service.

02

Broad Coverage

Includes most tangible personal property for trade/business, plus U.S.-shot films.

03

100% Deduction for Certain Buildings

100% deduction for purchasing or constructing qualifying U.S. buildings. Costs after July 4, 2025.

04

Key Criteria for 'Qualified Use'

Manufacturing, production, or refining of tangible personal property.

Purchase/construction: Jan 19, 2025 - Dec 31, 2028. Placed in service: Before 2031.

Recapture possible if 'Qualified Use' ceases within 10 years.

05

Section 179 Expensing: Higher Ceilings

Max expense: \$2.5 Million | Phase-out: \$4 Million. Commencing 2025.

06

Inflation Adjusted & Specific Application

Amounts indexed for inflation after 2025. Primarily for tangible personal property affixed to buildings, complementing 168(k).

Business Deductions, Loss Limits & Reporting



Permanent Cap on Excess Business Losses

Non-corporate taxpayers (e.g., LLC members, sole proprietors) face a permanent limit on business losses deducted against non-business income. 2025 Limits: \$313K (single) / \$626K (joint) — inflation-adjusted.



Expanded Interest Deduction (2025 Onward)

More generous cap: Now includes depreciation, amortization, depletion & Subpart F income. Result: Greater interest deductibility for leveraged and asset-heavy businesses.



Section 179 Expensing Boost

Deduction limit rises to \$2.5M (phase-out at \$4M), inflation-indexed after 2025. Relevance: Complements 100% bonus depreciation for business property investments.



Business Payment Reporting Simplified

1099 Threshold Raised: From \$600 → \$2,000 (starting 2026). Future increases tied to inflation. Less admin burden for high-volume payers.

Global Tax Shifts, Cross-Border Transfers & Attribution Rules

New Excise Tax on Foreign Fund Transfers (2026)

- 1% tax on U.S. outbound transfers by **cash, check, or money order** (excluding banks/credit cards)
- Applies to both the **sender and processor**

C Corp Foreign Tax Rates Rise (Post-2025)

- **FDDEI (was FDII)**: Tax rate up from 13.125% → 14%
- **Net CFC Income (was GILTI)**: 10.5% → 12.6%
- *Planning Insight*: Offshore income becomes slightly less tax-advantaged

Inventory Sales Rule (2026)

- U.S.-made inventory sold abroad via a foreign branch = treated as a **50% foreign-source income**
- *Boosts FTC use and international structuring options*

Subpart F Attribution Tightened

- Attribution from **foreign owners to U.S. taxpayers no longer causes CFC status**.
- However, **downward attribution** from foreign parent to U.S. sub still applies.
- *Net Result*: Less risk of unexpected CFC classification, but strategic structure still critical

Expanded Uses of 529 Plans Under OBBA

K-12 and Homeschool Expansion

529 withdrawals can now be used tax-free for additional elementary, secondary, and home school expenses, including:

- Curriculum & curricular materials
- Books & instructional materials
- Online education tools
- Tutoring or external educational classes
- Testing fees (e.g., SAT, ACT)
- Dual enrollment tuition at colleges
- Educational therapies for students with disabilities

K-12 Yearly Withdrawal Cap Increase

K-12 yearly withdrawal cap increased from \$10,000 to \$20,000, allowing families greater flexibility in funding education expenses.

Postsecondary Credentialing

529 funds may also cover postsecondary credentialing expenses, such as:

- Tuition and costs for recognized credential programs
- Licensing or certification prep tied to professional education or job training

ABLE Account Rollover Made Permanent

Previously set to expire in 2025, the ability to roll over 529 balances tax-free into ABLE accounts is now permanent. Enhances planning for families supporting individuals with disabilities.

Manufacturing & Research Incentives

- 01 Increased Expensing Limits**

IRC section 179 expensing limits increased to \$2.5 million, reduced by \$4 million in qualifying property costs. Applies to property placed in service after December 31, 2024, and indexed for inflation.
- 02 Research Deduction Changes**

Immediate deduction allowed for domestic research or experimental expenditures paid or incurred after December 31, 2024, through December 31, 2029, replacing the previous 5-year amortization period.
- 03 Small Manufacturing Thresholds Raised**

Gross receipts threshold for small manufacturers increased from \$25 million to \$80 million (indexed to inflation), effective for taxable years beginning after December 31, 2025.

Clean Energy Credit Terminations

Clean Vehicle Credit Expirations

The clean vehicle tax credits for new and previously-owned vehicles expire December 31, 2025, with special rules for manufacturers that have sold fewer than 200,000 clean vehicles by the end of 2025.

Other Energy Credits Ending

Credits for alternative fuel vehicle refueling, energy efficient home improvements, residential clean energy, and clean hydrogen production are accelerated to expire December 31, 2025.

Clean Energy Production & Investment

Clean electricity production and investment credits face phased reductions starting in 2029, with full expiration by the end of 2031. Transferability provisions are repealed for facilities with construction beginning two years after enactment.

Restrictions on Credits

Access to credits is restricted for prohibited foreign entities, with multiple provisions barring credits for entities involved with certain foreign governments or activities.

Tax Enforcement & Fraud Prevention



Earned Income Tax Credit Reforms

Phased system to detect duplicate EITC claims starting in 2024, including IRS notices, refund holds, and a pre-certification process to reduce errors. Task force to recommend improvements and extra credits for Purple Heart recipients.



AI Tools for Medicare Fraud Detection

\$25 million allocated for AI experts to analyze Medicare improper payments and recover overpayments. Progress reports to Congress required.



COVID-ERTC Enforcement & Penalties

Increased penalties for COVID Employee Retention Tax Credit promoters, due diligence requirements, and limits on IRS issuing unpaid claims after January 31, 2024.

Key Immigration Tax & Fee Changes in OBBBA

Child Tax Credit Restrictions

U.S.-citizen children of undocumented parents will no longer qualify for the \$2,200 per-child credit. Estimated to impact about 2.6 million children.

ACA Subsidies Eliminated for Non-Citizens

Recipients of DACA, work visas, humanitarian parole, and other non-citizen categories will lose eligibility for Affordable Care Act premium subsidies.

Bans on Public Benefit Eligibility

New citizens and asylum recipients will be blocked from accessing programs such as Medicare, Medicaid, and food stamps.

New Application & Permit Fees

Starting Fiscal Year 2025: \$100 fee to apply for asylum, \$100 annual processing charge while awaiting asylum, \$550 annually to renew work permits, \$900 for appeal of denied cases.

Visa Integrity Fee

All non-immigrant visa applicants (student, work, tourist visas) now pay a \$250 fee, re-labeled as a “visa integrity” fee.

Remittance Tax & Court No-Show Penalty

\$5,000 fee is now mandatory for undocumented immigrants detained at court or for missing scheduled immigration hearings—criminal charges possible for non-payment.

Thank
you