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Key Tax Provisions in the One Big Beautiful Bill Act: What Individuals and Businesses Need to Know

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The enactment of the One Big Beautiful Bill Act ("OBBBA") on July 4, 2025 is the first key piece of tax legislation passed during President Trump's second administration. While preserving much of the structure established under the Tax Cuts and Jobs Act ("TCJA") enacted during President Trump's first administration, OBBBA now generally makes much of the TCJA provisions that were set to expire at the end of 2025 permanent. OBBBA also makes strategic adjustments designed to expand deductions, enhance investment incentives, and provide long-term clarity for tax planning. This summary provides an overview of some of the key provisions impacting individuals and businesses. Please stay tuned for future articles in which Bilzin Sumberg does a deeper dive on topics such as the international updates within OBBBA affecting U.S. businesses doing business outside of the United States, the future of Qualified Opportunity Zones and the future of U.S. federal gift and estate tax planning for high net worth individuals.

Key Provisions for Individuals

Permanent Extension of TCJA Tax Brackets and Rates

OBBBA generally maintains the current individual income tax brackets set by the TCJA, ensuring no increase in the marginal rates. Thus, 37% remains the highest rate for ordinary income and 20% for long-term capital gains. Income tax brackets under 24% get an additional year of inflation adjustment.

Temporary Increase in SALT Deduction Cap

The $10,000 limit on the state and local tax ("SALT") deduction has been temporarily increased to $40,000 for joint filers from 2025 through 2029. This enhanced deduction is gradually phased out for taxpayers with modified adjusted gross income over $500,000, and the cap reverts to $10,000 in 2030. Taxpayers in high-tax states with state income tax will see a relief for the next 5 years.

Continued Suspension of Miscellaneous Itemized Deductions

OBBBA does not repeal the TCJA-era suspension of miscellaneous itemized deductions for individuals, meaning investment management fees and certain non-grantor trust administrative costs remain non-deductible. High-net-worth families and trustees must continue to structure portfolios and trusts with these limitations in mind.

Update to Qualified Mortgage Interest Deduction

The $750,000 ($375,000 for married filing separately) limitation for the itemized deduction for home mortgage acquisition indebtedness is made permanent, and the exclusion of interest on home equity indebtedness from the definition of qualified residence interest is made permanent. However, starting in 2026, OBBBA expands the definition of qualified residence interest to now include mortgage insurance premiums.

Updates to Charitable Income Tax Deduction

Beginning in 2026, OBBBA provides a permanent above-the-line deduction of up to $1,000 for individuals and $2,000 for married couples for charitable contributions made by taxpayers who do not elect to itemize their tax deductions for taxable years beginning after December 31, 2025.

Further, for those individuals who do itemize their deductions, charitable contributions only will be allowed for amounts exceeding 0.5% of the taxpayer's Adjusted Gross Income ("AGI"). This means that the first 0.5% of AGI in donations is not deductible. Additionally, OBBBA permanently extends the 60% of AGI limit for cash gifts to public charities. This means you can generally deduct up to 60% of your AGI for cash donations.

Limitation on Itemized Deductions

Beginning after 2025, OBBBA adds a new overall limitation on the tax benefit of itemized deductions. This provision would cap the value of otherwise allowable itemized deductions for those in the 37% income tax bracket at the 35% income tax rate bracket. In combination with the other limitations for certain deductions, individuals in the 37% income tax bracket could see increases to their overall income tax liability starting in 2026.

Expansion of Estate & Gift Tax Exemption

Beginning in 2026, for U.S. citizens and those domiciled in the United States, the U.S. federal estate and gift tax exemption (and in turn the generation skipping transfer tax exemption) increases to $15 million per individual, or $30 million per married couple, and will be indexed for inflation. This permanent expansion provides a renewed opportunity for lifetime gifting and multi-generational estate planning. Notably, the very limited $60,000 exemption against the U.S. federal estate tax for non-U.S. citizen individuals who are not U.S. domiciled remains intact. Please refer to our upcoming article discussing these changes in more detail.

New (But Narrowed) Remittance Tax

An originally broad proposal for a 5% remittance excise tax was largely scaled back in the final version of the law. OBBBA enacts a new remittance tax which imposes a 1% excise tax on all remittance transfers for which the sender provides cash, a money order, a cashier's check, or any other similar physical instrument to the remittance transfer provider. Transfers from accounts subject to the Bank Secrecy Act (e.g., financial institutions) or transfers funded with a debit card or credit card issued in the United States are exempt from the tax.

Key Provisions for Businesses

Permanent Extension and Expansion of Pass-Through Deduction

The popular 20% Qualified Business Income deduction is made permanent. While the House proposal increased the deduction to 23%, the legislation passed by keeping the threshold at 20%. OBBBA did, however, raise the phase-in thresholds for qualified businesses to $75,000 (single) and $150,000 (joint), and introduces a minimum $400 deduction for small businesses. This provides meaningful relief for individuals who do business through a wide range of pass-through entities such as partnerships, S corporations and certain trusts.

Enhanced Expensing and Depreciation Rules

Businesses will benefit from expanded capital investment incentives such as:

- Making permanent the ability to immediately deduct domestic research or experimental expenditures paid or incurred in taxable years beginning after Dec. 31, 2024. Small business taxpayers with annual gross revenues of $31 million or less are permitted to apply the change retroactively to 2022. Foreign R&D expenditures must still be capitalized over 15 years.
- Increasing the maximum amount of business assets a taxpayer may expense under Section 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million. This change will apply to property placed in service in taxable years beginning after December 31, 2024.
- Reinstating 100% bonus depreciation for qualifying property acquired and placed in service after January 19, 2025. Additionally, a first year depreciation deduction is available for manufacturing, production and refining property.

EBITDA-Based Business Interest Deduction Limit

The business interest deduction was amended to revert to the more favorable EBITDA-based limitation beginning in 2025, allowing businesses to deduct more interest expense than previously allowed under the EBIT standard. This shift is especially relevant for leveraged companies and those engaged in capital-intensive operations. Further, certain production-related capitalized interest is now excluded from the business interest deduction limitation. Finally, an ordering rule is imposed that requires calculation of the business interest deduction limitation generally before the application of any interest capitalization provision.

Qualified Opportunity Zone (QOZ) Program Extended and Expanded

The QOZ program, which offers tax deferred benefits for investments in designated low-income areas, was set to fully phase out by the end of 2026. OBBBA instituted new 10-year rounds of opportunity zones starting in 2027. The new rounds come with narrower eligibility requirements and some modifications (including special incentives for investments in "qualified rural opportunity funds" with higher basis step-up potential). These revisions make QOZs a continued tool for tax-deferred growth and real estate or fund development in underserved markets. Please refer to our upcoming article discussing these changes in more detail.

International Tax Adjustments – But No New §899

Amongst other changes, OBBBA modifies provisions related to GILTI, FDII, and BEAT, aligning U.S. rules more closely with international minimum tax standards. However, the proposed new Section 899 tax or "revenge tax", which would have addressed discriminatory foreign taxes against U.S. businesses, was excluded from the final version. Please refer to our upcoming article discussing these changes in more detail.

Qualified Small Business Stock (QSBS) Incentives Enhanced

For startup investors and founders, the QSBS gain exclusion was enhanced, which should continue making the use of C corporations for new start-ups very attractive. Under OBBBA, the five-year holding requirement to be eligible for QSBS benefits is eased by establishing a tiered system once the stock has been held for at least three years. Under the new rules, 50% of the gain is excluded for QSBS stock held for at least three years, 75% for four years, and 100% for five years or more. The OBBBA also increases the lifetime exclusion for QSBS gains from a single issuer from $10 million to $15 million and raises the gross asset limit for a corporation to qualify as a "qualified small business" from $50 million to $75 million. Both thresholds are indexed for inflation beginning. These changes would apply to tax years and to QSBS issued or acquired after the date of enactment of OBBBA (i.e., after July 4, 2025). Please refer to our upcoming article discussing these changes in more detail.

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