



**The One Big Beautiful Bill Act
of 2025**



DISCLOSURE

The content shared is for informational and educational purposes only. While we're diving into the One Big Beautiful Bill Act, nothing you hear today should be taken as tax, legal, or financial advice.

Policies can change, interpretations can vary, and your situation is unique, so always consult with a qualified advisor before making any moves.

How did we get here?

APRIL 2025

The house unveiled the Bill starting back in April 2025 with defense provisions and the tax provision followed in May.

MAY 2025

House passed their version on May 22, 2025

In the **Senate**, the bill was debated on and changed from the House version.

JULY 2025

Final vote in the Senate occurred July 1, 2025

House passed the Bill on July 3, 2025

President Trump signed the Bill on July 4, 2025



Agenda

1. Individual Changes
2. Business Changes
3. Payroll Changes
4. Energy Credit Changes
5. Misc Items
6. Questions

Acronyms Guide

- **TCJA** – Tax Cuts and Jobs act of 2017
- **OBBB / OBBBA** – One Big Beautiful Bill Act of 2025 – may refer this as the “Bill”, or “The Act” as well
- **SALT** – State and Local Tax
- **QBID** – Qualified Business Income Deduction
- **QPP** – Qualified Production Property

1. Individual Tax Changes

Tax Rate

Income Tax Rates

The legislation generally makes permanent the seven rates created by the TCJA, with an initial inflation adjustment in 2026 for the first two brackets (10%, 12%).

- **The permanent individual brackets are:** 10%, 12%, 22%, 24%, 32%, 35% and 37%.
- **Permanent Trust brackets are:** 10%, 24%, 35% and 37%.
- **Capital gains rates remain:** 0%, 15%, 20%
- **Corporate Rate:** still 21%

Standard Deduction

Increase and Modification to Standard Deduction

Makes the standard deduction created under the TCJA permanent. Also permanently eliminates personal exemptions.

The amounts for 2025 are slightly expanded.

- **Single or Married Filing Separately — \$15,750**
- **Head of Household — \$23,625**
- **Married Filing Jointly or Qualifying Surviving Spouse — \$31,500**

Standard Deduction

(continued)

Effective: 2025–2028 Taxpayers 65 and older will be able to reduce their taxable income by an additional \$6,000.

- Starts to decrease for taxpayers with a Modified Adjusted Gross Income (MAGI) over \$75,000 (single) / \$150,000 (joint).
- Requires a valid Social Security number to work.
- Not available for those using the Married Filing Separately status.

Standard Deduction

Charity of Non-Itemizers

For the 2021 tax year, taxpayers could deduct up to \$600 for MFJ joint filers and \$300 for all other filers provided:

- They did not itemize
- The contributions were cash to public charities

Starting in 2026, this deduction is permanent and enhanced to:

- \$2,000 for joint filers
- \$1,000 for all other filers

Itemized Deductions

Current Itemized deduction laws made permanent:

Mortgage Interest Deduction

The cap on mortgage interest deduction is set at loans of up to \$750,000.

Miscellaneous Deductions

The repeal of miscellaneous itemized deductions, excluding some educator expenses, changes tax filing processes.

Home Equity Loans

Deductions for interest on home equity loans have been repealed unless used for a substantial addition to the home, affecting homeowners' tax strategies.

Itemized Deductions

Changes to State and Local Tax (SALT) Cap



- **Current cap on SALT is \$10,000.**
- The amount is increased to 40,000 with an annual 1% increase **BUT** it is phased down to \$10,000 based on your AGI. Phase-out starts at \$500,000 AGI for individuals. Deduction fully phases out at \$600,000 AGI.
- This is a **temporary increase** and slated to return to the **\$10,000 limit in 2030.**
- No changes to pass through entity tax regulations.

Itemized Deductions

Changes to Charitable Deductions



- **0.5% floor** imposed on itemized charitable contributions
- **Effective from the 2026 tax year onward**
- Deductions allowed only **exceeding 0.5% of AGI.**
- **Example** – Taxpayer with \$500,000 AGI
 - $\$500,000 \times .5\% = \$2,500$
 - Taxpayer can only deduct charity in excess of \$2,500. Anything not deductible is carried forward.
- Permanent extension of 60% AGI limit.

Estate & Gift Changes

BRIEF HISTORY

The TCJA **temporarily doubled** the 2017 estate exemption starting in 2018 and indexed it for inflation.

For 2025, the exemption rose to \$13.99M per taxpayer **BUT** was slated to go back to pre TCJA amounts of roughly \$5M (indexed for inflation to be about 7M)

Estate & Gift Changes

BUT STARTING IN 2026...

OBBBA permanently establishes the exemption to **\$15M per taxpayer** and will adjust each year for inflation. Great news for wealth transfer strategies to be formed without a need to rush into them.

2. Business Tax Changes

Qualified Business Income Deduction

The TCJA added a temporary 20% deduction for qualified entities to “bridge the gap” between individual and corporate tax rates.

This deduction was slated to go away for tax years starting in 2026.

HOWEVER

OBBBA makes the deduction permanent and also introduced a \$400 minimum deduction for some taxpayers (still waiting on guidance on this item)

Research & Development Deductions



Prior law required taxpayers amortize R&D expenses of a 5-year period **HOWEVER** deductions for domestic R&D expenses are reinstated starting in 2025.

- Foreign costs continue to require 15-year amortization.

Remaining R&D from previous years can be deducted in 2025 or in 2025/2026. Small taxpayers (3-year average receipts of \$31M or less) can amend returns to remove R&D capitalization.

- **Software development expenses** are now treated as research expenses.
- Changes to research credits and AMT adjustments are also included.

Interest Expense Deduction Changes

- **IRC 163(j)** was introduced by the TCJA to limit the amount interest that can be deducted in a given year.
- Anything limited is carried forward.
- Limit was based on 30% of EBITDA for several years then EBIT to date.

OBBBA restores Section 163(j) to its initial limitation form of EBITDA.

- Great planning opportunity for tax payments as prior suspended interest deductions may become available.

Depreciation Changes

Section 168(k) - Bonus Depreciation

The TCJA temporarily put bonus depreciation at 100% of the cost.
Starting in 2023, the bonus percentage starting dropping by 20% per year with the remaining balance was depreciated over the life of the property.
The OBBBA permanently extended the bonus depreciation to 100% - effective for additions after January 19, 2025.

Section 179 Depreciation

Section 179 expensing **doubled from 1.25M to 2.5M**
Ability to take the deduction is **phased out at \$6.5M** of acquired property.

Incentives for Qualified Production Property (QPP)

New 100% deduction for Qualified Production Property.

- Without the 100% deduction, the property is depreciated over 39 years

To qualify:

- Property must be nonresidential
- Used in qualified production activities
- Mostly new property but some used properties can qualify
- Must be constructed between certain dates

If the property is misused within a 10-year window from in service date, recapture may apply.

Waiting on further guidance on applicability.



Increased 1099 reporting threshold

The current threshold for 1099 reporting is \$600. **BUT** OBBBA raises the threshold to \$2,000 **starting in 2026**. The new threshold will be indexed for inflation from 2027.



3. Payroll Changes

No Tax on Tips – sort of...

Prior to the bill, all tips were taxed!

The 2025 Act creates a temporary deduction for individuals who receive cash tips in occupations where tipping is customary to offset **up to \$25,000** of tipped income.

- IRS to create list of eligible occupations
- **Applies to tax years beginning after 12/31/2024 through 2028**

The deduction phases out for taxpayers with modified AGI over \$150,000 (\$300,000 for joint filers).



No tax on overtime – sort of....



Prior to the bill, all overtime was taxed.

A temporary change to the law allows taxpayers to deduct up to **\$12,500 (\$25,000 on a joint return)** per year of overtime pay **through 2028**. Married taxpayers must file joint to get the deduction.

The deduction phases out for taxpayers with modified AGI over \$150,000 (\$300,000 for joint filers).

This deduction is applicable for tax years beginning after 12/31/2024.

4. Energy Credits

Energy Credits

- 1 Energy Efficient Commercial Buildings Deduction (179D deduction)**
 - Deduction based on commercial property's components (Lighting, HVAC and shell)
 - Terminated for property with a construction start date after 6/30/2026
- 2 Energy Efficient Home Improvement Credit (25C, 25D)**
 - 30% credit for various home improvements
 - Terminated for property placed in service after 12/31/2025
- 3 Clean Vehicle Credit (20D, 25E, 45W)**
 - Applies to new, used and commercial credits
 - Terminates for vehicles acquired after 9/30/2025
- 4 Solar Tax Credit (48E)**
 - 30% credit for solar projects.
 - Property must be placed into service by 12/31/2027 or construction begins by 7/4/2026.

5. Miscellaneous Changes

Misc. Changes

Deduction for car loan interest (2025-2028):

\$10,000 deduction available – limited to AGI - \$100k for single and \$200k for MFJ.
Final assembly must taken place in the United States

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XXXX				<input type="checkbox"/> VOID		<input type="checkbox"/> CORRECTED	
RECIPIENT'S/LENDER'S name				OMB No. 1545-XXXX Form 1098-VLI (December 2026) For calendar year _____		Vehicle Loan Interest Statement	
Street address			Room/suite no.				
City/town	State/province	Country	ZIP/foreign code				
Telephone number:				1 Vehicle loan interest received by lender		Copy A For Internal Revenue Service Center For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the General Instructions for Certain Information Returns. www.irs.gov/Form1099	
RECIPIENT'S/LENDER'S TIN		BORROWER'S/PAYER'S TIN		\$			
BORROWER'S/PAYER'S name				2a Year	2b Make		
Street address			Apt. no.	2c Model	2d VIN		
City/town	State/province	Country	ZIP/foreign code	3a Loan origination date	3b Loan acquisition date		
Account number (see instructions)				4 Outstanding principal	5 Refund of overpaid interest		
				\$	\$		

Form **1098-VLI** (12-2026) Created 10/16/25 Cat. No. 958681 www.irs.gov/Form1098VLI Department of the Treasury - Internal Revenue Service

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Misc. Changes

Child Tax Credit: OBBBA makes the TCJA expansion permanent and increases the credit to \$2,200 starting in 2025.

Casualty Loss Deduction: OBBBA permanently extends casualty loss deductions, allowing claims for presidentially declared disasters. Starting in 2026, the allowance will expand to state-declared disasters which will include more taxpayers.

New Limitation on wagering losses: can only offset 90% of winnings.

529 Plans: Starting in 2025, can now cover books, instructional materials, tutoring, and standardized test fees for both college and K-12 students. Starting in 2026, withdrawal limit increased to \$20,000 per year for K-12 expenses.

Misc. Changes

Creation of tax deferred savings accounts – “Trump” accounts

- Applies to children **under 18 years old**.
- The contributions can come from **parents, relatives, employers etc.**
- The max amount in a given year **cannot exceed \$5,000** which won't be treated as gift.
- Children born between **1/1/2025 through 12/31/2028** can get a \$1,000 deposit from the government into a similar account.
 - Will still be eligible for the additional \$5,000
- The program starts on July 4, 2026.

More guidance to follow on this area.



Dealership Succession Planning



Dealership Succession

Common Routes

- **SALE**
 - Assets
 - Stock
- **GIFT**
 - To Individual
 - To Trust for Individual(s)

Gift and Estate Taxes

- Annual Gift Tax Exclusion: \$19,000 per individual.
- Lifetime Gift Tax Exclusion: \$15M
- Estate Tax Exemption: \$15M less prior gifts.
- Highest Estate Tax Rate: 40%

Scenario #1

No Gifting. Single owner dies in 10 years. Dealership sold at death.

	NOW	IN 10 YEARS		
Cash and other assets	5,000,000	7,000,000		
Real Estate	10,000,000	15,000,000		
Dealership (\$10M Basis)	20,000,000	40,000,000		
Value of Estate	35,000,000	62,000,000		
ESTATE TAX:			INCOME TAX:	
Value of Estate	62,000,000		Sale Price	40,000,000
Lifetime Exemption	(15,000,000)		Original Basis	(10,000,000)
Prior Gifts	-		Step-up Basis at Death	(30,000,000)
Taxable Estate	47,000,000			-
Tax Rate	40.00%		Tax Rate	20%
Estate Tax	18,800,000		Income Tax	-

The estate tax rate ranges from 18-40%. The 40% rate applies to value in excess of \$1M. The example uses 40% for simplicity. Discounts for lack of control and marketability have been excluded for simplicity.

Scenario #2

Single owner gifts 50% of dealership and dies in 10 years. Dealership sold at death.

	NOW	IN 10 YEARS			
Cash and other assets	5,000,000	7,000,000			
Real Estate	10,000,000	15,000,000			
Dealership (\$10M Basis)	20,000,000	40,000,000			
Gift 50% of Dealership	(10,000,000)	(20,000,000)			
Value of Estate	25,000,000	42,000,000			
ESTATE TAX:			INCOME TAX:		
				Estate	Donee
Value of Estate	42,000,000		Sale Price	20,000,000	20,000,000
Lifetime Exemption	(15,000,000)		Original Basis	(5,000,000)	(5,000,000)
Prior Gifts	10,000,000		Step-up Basis at Death	(15,000,000)	-
Taxable Estate	37,000,000			-	15,000,000
Tax Rate	40.00%		Tax Rate	20%	20%
Estate Tax	14,800,000		Income Tax:	-	3,000,000

The estate tax rate ranges from 18-40%. The 40% rate applies to value in excess of \$1M. The example uses 40% for simplicity. Discounts for lack of control and marketability have been excluded for simplicity.

THANK YOU!

QUESTIONS?



askus@lgt-cpa.com

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