



ACCOUNTANTS
& ADVISORS

OBBBA Tax Implications

Overview for Businesses & Individuals



On July 4, President Trump signed the [One Big Beautiful Bill Act](#) (OBBBA) into law, ushering in a major overhaul of federal tax policy and prioritizing domestic economic growth. PYA explains OBBBA's business tax and individual tax implications.

OBBBA makes permanent many provisions from the Tax Cuts and Jobs Act (TCJA) and subsequent legislation that were either set to expire or lacked a sunset date. It also introduces new incentives aimed at middle-class families, positioning the bill as the largest tax cut in history for working- and middle-class Americans. In addition, the law strengthens pro-business tax incentives, particularly for manufacturers and related industries.



Business Tax Highlights

100% Bonus Depreciation Restored

Businesses can once again immediately expense qualifying assets placed in service after Inauguration Day, January 20, 2025, reversing the phasedown of bonus depreciation. Now a permanent part of the tax code, this provision is expected to spur accelerated capital investment across a wide range of industries.

Section 179 Expensing Cap Increased

Businesses now have expanded flexibility under §179 to purchase and expense assets. The expensing limit is increasing significantly from \$1.16 million to \$2.5 million, with the phase-out threshold rising to \$4 million. Both amounts will be indexed for inflation annually. This change enhances companies' ability to forecast cash flow, offering a particularly positive outlook for capital-intensive industries.

Domestic Research & Development (R&D) Overhauled

Domestic R&D expenses, including software development costs, are now fully deductible under the new tax code §174A. Taxpayers are presented with several strategic planning opportunities. These include electing to continue capitalizing and amortizing such expenses over 60 months in accordance with prior law. Alternatively, taxpayers may choose to catch up amortization for tax years 2022 through 2024 on their 2025 tax return or elect to amend previously filed returns to fully expense the costs in the years they were incurred.

Energy Tax Credits Revised

OBBBA introduces significant revisions to energy tax credits, impacting nearly every clean energy incentive established or expanded under President Biden's Inflation Reduction Act. Key changes include accelerated phase-outs and new restrictions on eligibility, particularly for projects involving assistance or ownership by certain foreign entities.



Business Tax Highlights cont.

Other Important Business Tax Provisions

- §163(j) Business Interest Limitation
- §1202 Qualified Small Business Stock
- Opportunity Zone Extensions
- Charitable Contributions for Corporations
- Low-Income Housing Tax Credits
- Tax Exempt Entities



Individual Tax Highlights

Individual Income Tax Rates Updated

Originally set to expire at the end of 2025, the TCJA's individual tax rates and brackets have been made permanent under OBBBA. These brackets will continue to be adjusted annually for inflation.

Standard Deduction Raised

OBBBA also makes permanent the increased standard deduction introduced by TCJA. The standard deduction for 2025 will be \$15,750 for single filers and \$31,500 for married filing jointly filers. These amounts will be adjusted for inflation starting in tax year 2026. For those filers aged 65 and older, an additional deduction of \$6,000 per person will be added. This additional deduction is phased out for individuals with adjusted income exceeding \$75,000 for single filers and \$150,000 for married filers.

State and Local Tax (SALT) Deduction Increased

The SALT deduction limit increases from \$10,000 to \$40,000 (\$20,000 for married individuals filing separately) and will be indexed for inflation through the end of 2029. After that, the limitation will revert to \$10,000 (\$5,000 for separate filers).

A phase-down applies to taxpayers with modified adjusted gross income (MAGI) over \$500,000. This reduces the allowable deduction by 30% of the amount by which MAGI exceeds the threshold. The deduction, however, cannot be reduced below \$10,000. The deduction cap and income phase-out levels will increase by 1% each year for tax years 2026-2029 before reverting back to the \$10,000 limit in 2030.

Tips and Overtime Pay Revamped

For tax years 2025 through 2028, individuals will be able to claim above-the-line deductions for tips (up to \$25,000 per individual) and overtime pay (up to \$12,500 per individual or \$25,000 for joint filers). These deductions begin to phase out once modified adjusted gross income exceeds \$150,000 for individuals or \$300,000 for joint filers.

OBBBA also includes changes to several other individual tax areas:

- Child Tax Credits
- Mortgage Interest Deductions
- Car Loan Interest
- Estate and Gift Taxes

Contact PYA's Tax experts for assistance in managing the changes to business tax and individual tax policy.