

Highlights of OBBBA July 11,2025

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The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on July 4, 2025, extends numerous provisions from the 2017 Tax Cuts and Jobs Act (TCJA) and introduces significant changes across various sectors this presentation concentrates on tax policy only.

- **SALT \$40,000-** The bill increases the State and Local Tax (SALT) deduction cap to \$40,000 for five years starting in 2025, with a phaseout for incomes at \$500,000. Under the new law, the \$40,000 SALT deduction cap has income limits and a phase-out. Taxpayers with a modified adjusted gross income (MAGI) up to \$500,000 can deduct the full \$40,000. For incomes over \$500,000, the deduction phases out, reducing the \$40,000 cap by 30% of the MAGI above \$500,000 until it reaches a minimum of \$10,000 for incomes at or above \$600,000. The \$40,000 cap and the \$500,000 income threshold will be adjusted for inflation by 1% annually from 2026 to 2029.
- **Gift and Estate Tax-** The OBBBA permanently increases the federal estate, gift, and generation-skipping transfer (GST) tax exemption to \$15 million per individual, up from \$13.99 million in 2025. This allows married couples to transfer up to \$30 million tax-free with proper planning and portability elections
- **Annual Gift Tax Exclusion-** The annual gift tax exclusion remains at \$19,000 per recipient for 2025, which means individuals can give up to \$19,000 to as many people as they choose without incurring gift tax or reporting requirements. For married couples who choose to split gifts, the annual exclusion doubles to \$38,000 per recipient. The annual gift tax exclusion is the amount of money or property an individual can give to another person each year without triggering the gift tax or the need to file a gift tax return (IRS Form 709).
- **Research & Development-** Allowing immediate expense of domestic Research & Development (R&D) costs. The OBBB Act allows for the immediate expensing of qualifying domestic R&D costs for tax years beginning after December 31, 2024. Taxpayers can also elect to capitalize and amortize these expenses over at least 60 months.

- **The qualified business income (QBI)-** deduction under Section 199A was set to expire at the end of 2025 but has been made permanent by the One Big Beautiful Bill (OBBB). The deduction allows eligible owners of pass-through businesses (sole proprietorships, partnerships, S corporations, and certain trusts and estates) to deduct up to 20% of their QBI.
- **Bonus depreciation for businesses-** Restored 100% bonus depreciation: The OBBB reinstated the ability for businesses to deduct 100% of the cost of most tangible personal property placed in service after January 19, 2025, in the year the property is placed in service.
- **Section 179-** Increased Section 179 expensing: The OBBB also increased the maximum amount a taxpayer may expense under Section 179 from \$1.25 million to \$2.5 million and the phase-out threshold from \$3.13 million to \$4 million, effective for tax years beginning after December 31, 2024.
- **Cash Charitable Donations for Non-Itemizers** for Tax Years Starting After 2025- The above-the-line deduction for cash contributions made by individuals who claim the standard deduction. The deduction limit is increased to \$1,000 for single filers and \$2,000 for married couples filing jointly.
- **No Tax on Tips-** It's a deduction, not an exemption The bill introduces an above-the-line deduction, meaning eligible workers can reduce their taxable income by up to \$25,000. It's temporary the deduction is applicable for the tax years 2025 through 2028. Income thresholds the full deduction is available for individuals with Adjusted Gross Income (AGI) under \$150,000 (\$300,000 for those filing jointly). The deduction gradually phases out for those earning above these thresholds. FICA and income tax withholding still apply the deduction applies to federal income tax, but Social Security and Medicare taxes (FICA) are still levied on tips.
- **No Tax on Overtime-** Federal Income Tax Deduction, the OBBB allows employees to deduct a portion of their qualified overtime compensation from their income subject to federal income tax. Deduction Limits for single filers the maximum deduction is \$12,500 per year for joint filers, \$25,000 per year. Income Thresholds and Phase-Outs, the deduction begins to phase out for individuals with adjusted gross incomes exceeding \$150,000 (\$300,000 for joint filers). No Impact on Payroll Taxes, this deduction does not affect payroll taxes, including Social

Security and Medicare taxes, on overtime earnings. is now an above-the-line deduction for tax years 2025 through 2028.

- **Social Security benefits for Eligible Seniors-** The OBBB provides a specific tax benefit for a portion of seniors, but it does not remove the general requirement to pay Social Security taxes or eliminate the potential for federal income tax on benefit. A significant benefit for seniors over age 65 in the form of a temporary tax deduction. Seniors aged 65 and older can claim an additional \$6,000 deduction on their federal income taxes. Eligibility: This deduction is available to single filers with a taxable income under \$75,000 annually and married couples with a taxable income under \$150,000 jointly. Phase-out the deduction gradually reduces as income increases and is eliminated entirely at \$175,000 for single filers and \$250,000 for married couples. It's an additional deduction for taxpayers age 65 or older. It is available whether you take the standard deduction or itemize your deduction. Amount up to \$6,000 per eligible individual \$12,000 for married couples filing jointly if both are 65 plus. The new senior deduction is available even if you don't itemize it, meaning it is effectively an above-the-line deduction for the 2025-2028 tax years.

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