One Big Beautiful Bill Impact on Businesses

And Other Provisions

Major Deductions Locked In

- Qualified Business Income (QBI) Deduction: The 20% deduction for pass-through businesses (LLCs, S corps, sole proprietors) is now permanent.
- Bonus Depreciation: 100% expensing is restored and permanent for eligible property placed in service after January 19, 2025.
- Section 179 Expensing: You can now expense up to $2.5 million per year, with phase-outs starting at $4 million. Both amounts will adjust for inflation over time.

Research and Development Expenses

- U.S.-based R&D can be fully deducted in the year incurred; foreign R&D expenses must still be spread over 15 years.

Losses and Interest Deductions

- The excess business loss limitation is permanent, and unused losses continue to carry forward.
- Business interest deductions have returned to being based on EBITDA (earnings before interest, taxes, depreciation, and amortization) which is more favorable for many companies than the previous EBIT method.

Simplified Reporting for Third-Party Payments

- 1099-K (for platforms like PayPal, Venmo, etc.) now returns to the old threshold. The form is only required if payments exceed $20,000 and 200+ transactions.
- 1099-NEC and 1099-MISC for contractors now required only for payments of $2,000 or more, up from $600. This kicks in starting 2026, and will be adjusted for inflation after 2027.

Long-Term Investment Zones

- Opportunity Zones are now a permanent part of the tax code but with stricter definitions for qualifying "low-income communities." These changes roll out beginning in 2027.

Qualified Small Business Stock (QSBS)

- Now offers tiered gain exclusions based on holding period: 50% at 3 years, 75% at 4, and 100% at 5 years. Caps and income limits also expanded.

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One Big Beautiful Bill Impact on Individuals

Permanent Lower Tax Rates and Higher Deductions

- The TCJA's tax brackets are now permanent (ranging from 10% to 37%).
- The standard deduction is fixed and indexed for inflation:
  $15,750 (single); $23,625 (head of household); and $31,500 (married filing jointly).

Temporary Deductions Available (2025–2028)

- Tips Deduction: Up to $25,000/year in eligible tips can be deducted, with limits.
- Overtime Deduction: Up to $12,500 for single filers and $25,000 for joint filers in qualified overtime pay can be deducted, with limits.
- Car Loan Interest: Interest on loans for new U.S. assembled vehicles may be deductible, capped at $10,000 annually and subject to income limitations.
- Senior Deduction: Additional $6,000 deduction for individuals 65 and older with income under $75,000 (or $150,000 for couples).

Credits for Families and Donors

- Child Tax Credit: Raised to $2,200 per child, permanently, and indexed for inflation.
- Charitable Contribution Deduction: Starting in 2026, non-itemizers can deduct up to $1,000 ($2,000 for joint filers) above the line.
- Adoption Credit: Up to $5,000 is now refundable, providing a cash benefit even if no tax is **owed.**

Retirement and Savings Incentives

- Trump Accounts: A new tax-deferred savings vehicle for minors, with contributions allowed from parents, employers, and the Treasury. Withdrawals allowed at age 18.

Health and Dependent Care Enhancements

- HSA Flexibility Expanded: Covers more health plans (e.g., Bronze and Catastrophic plans).
  Telehealth and Direct Primary Care fees now qualify as medical expenses.
  Dependent Care FSA Cap Increased: From $5,000 to $7,500 starting in 2026.
- Employer Student Loan Assistance: Employers can permanently offer up to $5,250 per year tax-free toward employee student loans.

Clean Energy Credits Cut

- Several clean energy tax incentives from the Inflation Reduction Act (IRA), such as clean vehicle and energy-efficient home credits, are being phased out or eliminated. If you're considering a solar installation or EV purchase, timing will matter.