The One Big Beautiful Bill Act (OB3A)

Public Law 119-21 (Individual Provisions)

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Ground Rules & Disclaimers

- This slide deck provides an overview of key individual provisions of the 2025 legislation known as “The One Big Beautiful Bill Act” (Public Law 119-21)

- The content in this briefing is based on current information available on IRS.gov as of November 25, 2025, along with the statutory legislative language:

- One, Big, Beautiful Bill provisions | Internal Revenue Service

- Text - H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | Congress.gov | Library of Congress

Objectives

- Explain the new individual tax provisions under the One Big Beautiful Act (OB3A).
- Describe how OB3A individual provisions change or extend parts of the 2017 Tax Cuts and Jobs Act (TCJA).
- Identify OB3A individual provisions that take effect after the expiration of “Clean Energy” provisions under the Inflation Reduction Act

"No Tax on Tips"

§70201 of Public Law 119-21

- Employees and Self-Employed may deduct qualified tips received in occupations listed by the IRS as customarily receiving tips on or before December 31, 2024, that is reported on Form W-2, 1099 or 4137 up to $25,000.
- Qualified tips are voluntary cash or charged tips received from customers or through tip sharing.
- Deduction may not exceed individual's net income (without regard to the deduction in which the tips were earned.
- Phases out for taxpayers with modified adjusted gross income over $150,000 for single and $300,000 for married filing jointly.
- Only available from 2025 through 2028,

"No Tax on Tips" (Continued)

Taxpayer Eligibility:

- Deduction is available for itemizing and non-itemizing taxpayers
- Taxpayers must include their social security number on the return
- Taxpayers filing married separately are not eligible to claim the deduction

"No Tax on Tips" (Continued 1)

Taxpayer Eligibility:

- Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible.
- Employees whose employer is in a SSTB also are not eligible
- A "Specified Service Trade or Business" (SSTB) is a business where most of the value comes from the skill or reputation of the owner or employees.

"No Tax on Tips" (Continued 2)

A Specified Service Trade or Business (SSTB) is a business where most of the value comes from the skill or reputation of the owner or employees.

SSTBs include:

- Health (doctors, nurses, dentists)
- Law (lawyers, paralegals)
- Athletics (professional athletes, coaches)
- Financial Services (Advisors, Brokers)
- Accounting
- Actuarial Science
- Consulting

"No Tax on Tips" (Continued 3)

IR-2025-92, Sept. 19, 2025

"Treasury, IRS issue guidance listing occupations where workers customarily and regularly receive tips under the One, Big, Beautiful Bill"

WASHINGTON — The Department of the Treasury and the Internal Revenue Service provided guidance on "no tax on tips" provision. The One, Big, Beautiful Bill proposed regulations identify occupations customarily and regularly receive tips and define "qualified tips" eligible taxpayers may claim as a deduction. The proposed regulations list nearly 70 separate occupations of tipped workers, from bartenders to water taxi operators.

Treasury and IRS request comments from the public within 30 days to be made through Regulations.gov. Complete instructions on submitting comments can be found in the proposed regulations. Comments on the proposed regulations are due by Oct. 23, 2025.

"No Tax on Tips" (Continued 4)

IR-2025-92, Sept. 19, 2025

List of occupations that receive tips

Treasury Tipped Occupation Code, provides a three-digit code and descriptions for the occupations listed within the proposed regulations. The proposed regulations group the occupations into eight categories:

- 100s – Beverage and Food Service
- 200s – Entertainment and Events
- 300s – Hospitality and Guest Services
- 400s – Home Services
- 500s – Personal Services
- 600s – Personal Appearance and Wellness
- 700s – Recreation and Instruction
- 800s – Transportation and Delivery

“No Tax on Tips” (Continued 5)

IR-2025-92, Sept. 19, 2025

Definition of qualified tips

In order to claim the deduction, a worker must both be in an occupation on the list and receive qualified tips. The proposed regulations provide a definition of qualified and not qualified tips which includes the following factors:

- Qualified tips must be paid in cash or an equivalent medium, such as check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash, or another form of electronic settlement or mobile payment application (excluding most digital assets) denominated in cash.

"No Tax on Tips" (Continued 6)

IR-2025-92, Sept. 19, 2025

- Qualified tips must be received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement, such as a tip pool.

- Qualified tips must be paid voluntarily by the customer and not be subject to negotiation. Qualified tips do not include some service charges. For instance, in the case of a restaurant that imposes an automatic 18% service charge for large parties and distributes that amount to waiters, bussers and kitchen staff; if the charge is added with no option for the customer to disregard or modify it, the amounts distributed to the workers from it are not qualified tips.

- Any amount received for illegal activity, prostitution services, or pornographic activity is not a qualified tip.

"No Tax on Tips" (Continued 7)

Tax Year 2025

Forms W-2 remain the same -

- Employers will continue to use the current W-2 – there are no new boxes or codes for reporting tax free tips or overtime.

Transition Relief Applies -

- IRS will not impose penalties in 2025 for good-faith efforts if employers cannot separately capture tax-free tips of overtime on the W-2.

Employer Action -

- Keep normal reporting practices.
- Maintain internal records of tips and overtime that may qualify for exclusion to be ready for 2026.

“No Tax on Tips” (Continued 8)

Tax Year 2026

New Draft W2 Released –

- Employers will begin using a revised W-2 Form with new entries:
  - **Box 12 – Code TP**: Qualified tips (eligible for exclusion)
  - **Box 12 – Code TT:** Qualified overtime pay (eligible for exclusion)
  - **Box 14b –** Occupation Code for tipped employees (from Treasury’s approved list)

Employer Action –

- Update payroll systems and train staff to code income correctly starting in 2026.

"No Tax on Overtime"

§70202 of Public Law 119-21

- Workers, who receive qualified overtime compensation may deduct the pay that exceeds their regular pay like time and a half that is required by the Fair Labor Standards Act (FLSA) and reported on a Form W-2, 1099, or other specified statement furnished.
- Maximum annual deduction is $12,500 ($25,000 for married filing jointly).
- Deduction phases out for taxpayers with modified adjusted gross income over $150,000 for single and $300,000 for married filing jointly.
- Only available from 2025 through 2028,

"No Tax on Overtime" (Cont.)

Taxpayer Eligibility:

- Deduction is available for itemizing and non-itemizing taxpayers.
- Taxpayers must include their social security number on the return.
- Taxpayers filing married separately are not eligible to claim the deduction.

Reporting:

- Employers and other payors are required to file information returns with the IRS (or W-2s with Social Security Administration (SSA) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

"No Tax on Tip & Overtime" (Cont.)

Year	Form W-2	IRS Approach
2025	No changes- Continue current form	Transition relief; no penalties for missing tip/overtime reporting if good-faith effort shown
2026	New W-2 with Codes: • Box 12 - TP, • Box 12 - TT • Box 14b – Treasury Occupation Code	

"No Tax on Car Loan Interest"

§70203 of Public Law 119-21

- Individuals may deduct interest paid on a loan used to purchase a new qualified vehicle for personal use (lease payments do not qualify).
- Maximum deduction is $10,000.
- Deduction phases out for taxpayers with a modified adjusted gross income over $100,000 ($200,000 for joint filers).
- Deduction is available for both itemizers and non-itemizers.

"No Tax on Car Loan Interest"(Cont.)

Qualified Interest - To qualify for the deduction, the interest must be paid on a loan that is:

- **Originated after December 31, 2024.**
- **New vehicle purchased for personal usage (used vehicles do not qualify).**
- **Secured by a lien on the vehicle.**
- **Generally, interest paid on a refinanced qualifying vehicle loan is eligible for the deduction**

"No Tax on Car Loan Interest"(Continued)

Qualified Vehicle – A qualified vehicle includes a car, minivan, van, SUV, pick-up truck or motorcycle with a gross weight rating of less than 14,000 pounds and has undergone final assembly in the United States.

To determine if a vehicle had final assembly in the United States check:

- The information label attached to the vehicle on a dealer's premises
- The Vehicle Identification Number (VIN)
- The National Highway Traffic Safety Administration (NHTSA) VIN Decoder.

"No Tax on Car Loan Interest"(Continued 1)

Reporting:

- Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.

Guidance:

- The IRS will provide transition relief for tax year 2025 for interest recipients subject to the new reporting requirements.

"Enhanced Deduction for Seniors"

§70103 of Public Law 119-21

- Individuals who are age 65 and older on or before the last day of the taxable year can claim an additional deduction of $6,000 if single, $12,000 married jointly. (2025–2028).

- Deduction phases out for taxpayers with a modified adjusted gross income over $75,000 ($150,000 for joint filers).

"Enhanced Deduction for Seniors" (Cont.)

- Deduction is available for both itemizers and non-itemizers.
- Taxpayers must include their social security number on the return.
- Taxpayers filing married separately are not eligible to claim the deduction.

Draft Schedule 1-A (Form 1040)

TREASURY/IRS AND OMB USE ONLY DRAFT

SCHEDULE 1-A (Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2025
Attachment Sequence No. 1A

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b			1
2a	Enter any income from Puerto Rico that you excluded	2a		
b	Enter the amount from Form 2555, line 45	2b		
c	Enter the amount from Form 2555, line 50	2c		
d	Enter the amount from Form 4563, line 15	2d		
e	Add lines 2a, 2b, 2c, and 2d			2e
3	Add lines 1 and 2e			3

Part II No Tax on Tips

Caution: Fill out Part II only if you received qualified tips. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4	Qualified tips received as an employee.			
a	If Form W-2, box 5, is $176,100 or less, enter qualified tips included in Form W-2, box 7. Otherwise, see instructions	4a		
b	Qualified tips included on Form 4137, line 1(c). If Form 4137 is not filed, enter -0-	4b		
c	If you only received qualified tips from one employer, enter the larger of line 4a or line 4b. Otherwise, see instructions			4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business, see instructions			5
6	Add lines 4c and 5			6
7	Enter the smaller of the amount on line 6 or $25,000			7
8	Enter the amount from line 3			8
9	Enter $150,000 ($300,000 if married filing jointly)			9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13			10
11	Divide line 10 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			11
12	Multiply line 11 by $100			12
13	**Qualified tips deduction.** Subtract line 12 from line 7. If zero or less, enter -0-			13

Part III No Tax on Overtime

Caution: Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

14a	Qualified overtime compensation included on Form W-2, box 1 (see instructions)	14a		
b	Qualified overtime compensation included on Form 1099-NEC, box 1 or Form 1099-MISC, box 3 (see instructions)	14b		
c	Add lines 14a and 14b			14c
15	Enter the smaller of the amount on line 14c or $12,500 ($25,000 if married filing jointly)			15
16	Enter the amount from line 3			16
17	Enter $150,000 ($300,000 if married filing jointly)			17
18	Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21			18
19	Divide line 18 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			19
20	Multiply line 19 by $100			20
21	**Qualified overtime compensation deduction.** Subtract line 20 from line 15. If zero or less, enter -0-			21

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 95872Q **Schedule 1-A (Form 1040) 2025** Created 9/4/25

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^Six Part Schedule

Draft Schedule 1-A (Form 1040) Page 2

Part IV No Tax on Car Loan Interest

Caution: Fill out Part IV only if you paid or accrued qualified passenger vehicle loan interest. See instructions to learn more about what is an applicable passenger vehicle.

22 Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.

	(i) Vehicle identification number (VIN)	Interest for this loan: (ii) Deducted on Schedule C, Schedule E, or Schedule F	Interest for this loan: (iii) Schedule 1-A
a			
b			

23	Add lines 22a and 22b, column (iii)	23	
24	Enter the smaller of the amount on line 23 or $10,000	24	
25	Enter the amount from line 3	25	
26	Enter $100,000 ($200,000 if married filing jointly)	26	
27	Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30	27	
28	Divide line 27 by $1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.)	28	
29	Multiply line 28 by $200	29	
30	**Qualified car loan interest deduction.** Subtract line 29 from line 24. If zero or less, enter -0-	30	

Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31	
32	Enter $75,000 ($150,000 if married filing jointly)	32	
33	Subtract line 32 from line 31. If zero or less, enter $6,000 on line 35	33	
34	Multiply line 33 by 6% (0.06)	34	
35	Subtract line 34 from $6,000. If zero or less, enter -0-	35	
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a	
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b	
37	**Enhanced deduction for seniors.** Add lines 36a and 36b	37	

Part VI Total Additional Deductions

38	Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38	

Part VI, Line 38 carries total additional deductions to Form 1040 or 1040-SR line 13b, or Form 1040-NR line 13c.

Draft Form 1040

TREASURY/IRS AND OMB USE ONLY DRAFT

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Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name / Foreign province/state/county / Foreign postal code		

Filing Status Check only one box.

☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Dependents (see instructions)

If more than four dependents, see instructions and check here ☐

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

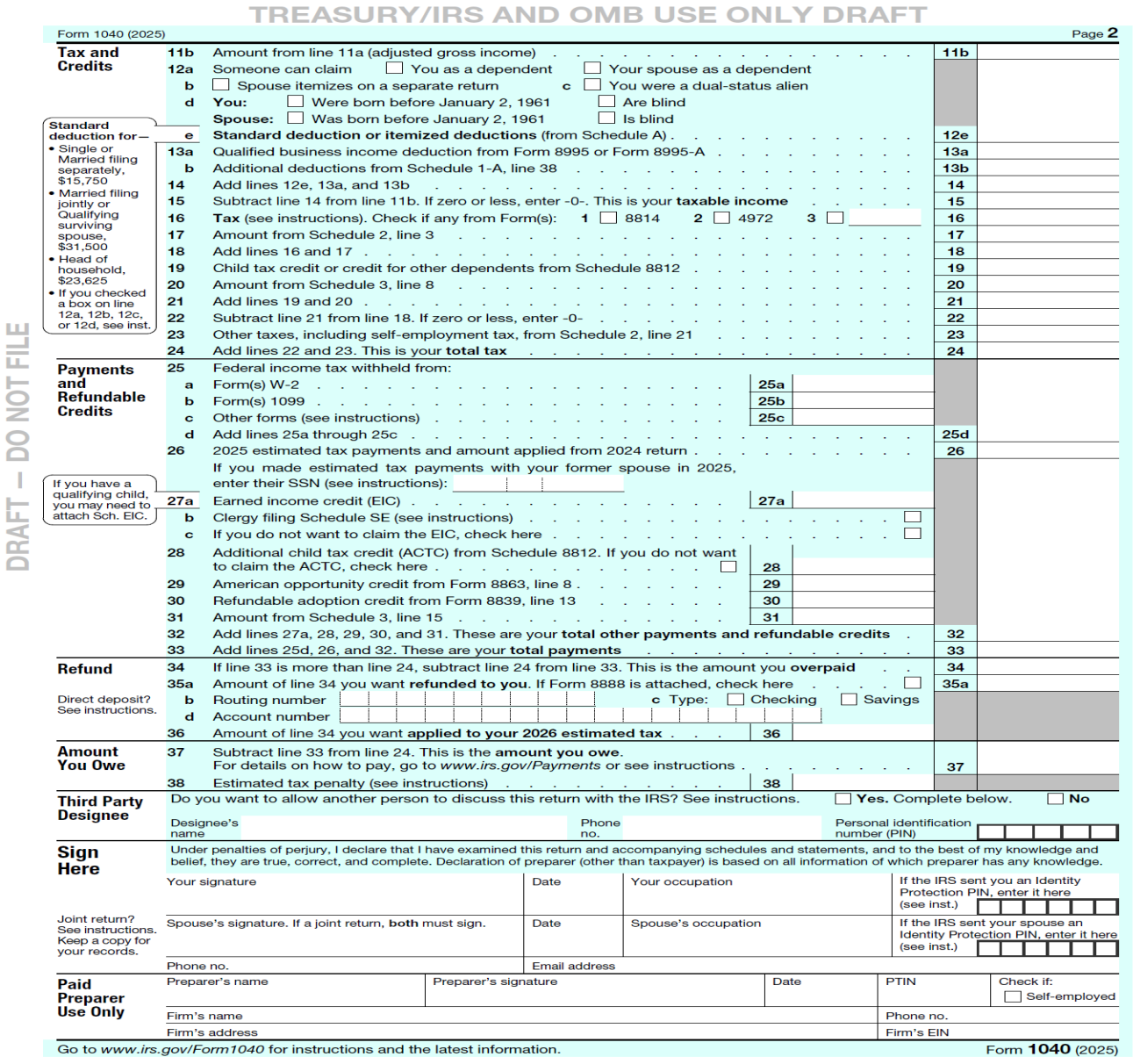
Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 31			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions). Enter type and amount:			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
c	Check if your child's dividends are included in 1 ☐ Line 3a		2 ☐ Line 3b		
4a	IRA distributions	4a	b Taxable amount	4b	
c	Check if (see instructions) 1 ☐ Rollover		2 ☐ QCD 3 ☐		
5a	Pensions and annuities	5a	b Taxable amount	5b	
c	Check if (see instructions) 1 ☐ Rollover		2 ☐ PSO 3 ☐		
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
d	If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐			7a	
7a	Capital gain or (loss). Attach Schedule D if required				
b	Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss)				
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11a	Subtract line 10 from line 9. This is your **adjusted gross income**			11a	

Attach Sch. B if required.

Draft Form 1040, Page 2



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Form 1040 (2025) Page 2

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Tax and Credits

	11b	Amount from line 11a (adjusted gross income)	11b
	12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent	
	b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien	
	d	You: ☐ Were born before January 2, 1961 ☐ Are blind	
		Spouse: ☐ Was born before January 2, 1961 ☐ Is blind	
Standard deduction for— • Single or Married filing separately, $15,750 • Married filing jointly or Qualifying surviving spouse, $31,500 • Head of household, $23,625 • If you checked a box on line 12a, 12b, 12c, or 12d, see inst.	e	**Standard deduction or itemized deductions** (from Schedule A)	12e
	13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a
	b	Additional deductions from Schedule 1-A, line 38	13b
	14	Add lines 12e, 13a, and 13b	14
	15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**	15
	16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16
	17	Amount from Schedule 2, line 3	17
	18	Add lines 16 and 17	18
	19	Child tax credit or credit for other dependents from Schedule 8812	19
	20	Amount from Schedule 3, line 8	20
	21	Add lines 19 and 20	21
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
	24	Add lines 22 and 23. This is your **total tax**	24

Payments and Refundable Credits

	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c		25d
	26	2025 estimated tax payments and amount applied from 2024 return		26
		If you made estimated tax payments with your former spouse in 2025, enter their SSN (see instructions):		
If you have a qualifying child, you may need to attach Sch. EIC.	27a	Earned income credit (EIC)	27a	
	b	Clergy filing Schedule SE (see instructions) ☐		
	c	If you do not want to claim the EIC, check here ☐		
	28	Additional child tax credit (ACTC) from Schedule 8812. If you do not want to claim the ACTC, check here ☐	28	
	29	American opportunity credit from Form 8863, line 8	29	
	30	Refundable adoption credit from Form 8839, line 13	30	
	31	Amount from Schedule 3, line 15	31	
	32	Add lines 27a, 28, 29, 30, and 31. These are your **total other payments and refundable credits**		32
	33	Add lines 25d, 26, and 32. These are your **total payments**		33

Refund

	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**		34
	35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐		35a
Direct deposit? See instructions.	b	Routing number c Type: ☐ Checking ☐ Savings		
	d	Account number		
	36	Amount of line 34 you want **applied to your 2026 estimated tax**	36	

Amount You Owe

	37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions		37
	38	Estimated tax penalty (see instructions)	38	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions. ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Joint return? See instructions. Keep a copy for your records. Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name			Phone no.	
Firm's address			Firm's EIN	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2025)

Form 1040, Line 13 b, represents the below the line deduction.

Other Individual Tax Provisions - Highlights

- **Lower Tax Rates - The current income tax brackets (10% to 37%) will stay in place permanently. The TCJA provision was set to expire after 2025 (§70101).**
- **Higher Standard Deduction - Starting in 2025, the standard deduction will permanently increase to $15,750 for individuals, $23,625 for Head of Household, and $31,500 for married filing jointly (§70102).**
- **No More Personal Exemptions - The $4,050 personal exemption is permanently eliminated (§70103).**

Other Individual Tax Provisions – Cont. (2)

- Mortgage Interest Deduction - Starting in 2026, the provision permanently disallows the deduction for home equity indebtedness (§70108).
  - Limits mortgage interest deductions for acquisition indebtedness to $750,000 ($375,000 for married filing separately).
  - Treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence
- State and Local Tax (SALT) Deduction Cap - From 2025 to 2029, the cap increases to $40,000 for most taxpayers. In 2030, it returns to $10,000 (§70120).

Other Individual Tax Provisions – Cont. (3)

- Child Tax Credit - The child tax credit goes up from $2,000 to $2,200 in 2025 and adjusts with inflation. Children must have valid Social Security numbers (§70104).

- Child & Dependent Care Credit - The credit rate increases to 50%, and more low-to-middle income families will qualify starting in 2026 (§70405).

- Flexible Spending for Dependent Care - You can set aside up to $7,500 (or $3,750 if married filing separately) tax-free starting in 2026 (§70404).

Other Individual Tax Provisions – Cont. (4)

- **Charitable Donations - The first 0.5% of donations isn't deductible. But a special deduction allows up to $1,000 (individual) or $2,000 (couple) above the line. (§70425).**
- **Misc. Deductions - Job-related expenses like tax prep fees are permanently not deductible. Teachers can still deduct supplies with expanded rules. (§70110).**
- **Trump Accounts (New) – Provides for tax exempt accounts for children like an IRA (§70204).**
  - Annual contributions are limited to up to $5,000 a year.
  - U.S. citizens born between January 1, 2025. through December 31, 2028, may get a matching $1,000 from the government.

**** All three provisions effective starting on January 1, 2026***

Other Individual Tax Provisions – Cont. (5)

- 529 Education Plans - Amends definition of "qualified higher education expense" to include certain expenses in connection with enrollment, or attendance at an elementary, secondary public, private, or religious school (§70413):
  - For tax years beginning after Dec. 31, 2025,the amount increases the annual aggregate per beneficiary distribution limitation from $10,000 to $20,000 and covers more expenses like tutoring and testing.

Other Individual Tax Provisions – Cont. (6)

- Adoption Credit - Now refundable (up to $5,000) for adoption expenses, which cannot be carried forward (§70402).
  - Allows Indian Tribal governments and states to determine whether a child qualifies as “special-needs (§70403)”

Other Individual Tax Provisions – Cont. (7)

- Disaster Losses - The special rules for claiming qualified disaster-related personal casualty losses now apply to any area declared a major disaster by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 100-707).
- These rules cover disasters declared between January 1, 2020, and September 2, 2025, if the incident period began on or after December 28, 2019, and before September 2, 2025 (per Section 70438 of the One Big Beautiful Bill Act).
- The temporary rule limiting personal casualty and theft loss deductions to federally declared disasters is now made permanent and expanded to include certain state-declared disasters, per Section 245 of the Act. (§70438).

Other Individual Tax Provisions – Cont. (8)

IRA Clean Vehicle Credits Expiring

- **Clean Vehicle Credit (IRC 30D): terminated for vehicles acquired after September 30, 2025 (§70502).**
- **Previously-Owned Clean Vehicle Credit (25E): terminated for vehicles acquired after September 30, 2025 (§70501).**
  - See IRS Fact Sheet 2025-05 (August 21, 2025).

Other Individual Tax Provisions – Cont. (9)

IRA Home Energy Credits Expiring

- **Energy Efficient Home Improvement Credit (25C): expires for property placed in service after December 31, 2025 (§70505).**
- **Residential Clean Energy Credit (25D): expires for expenditures after December 31, 2025 (§70506).**
  - See IRS Fact Sheet 2025-05 (August 21, 2025).

Other Individual Tax Provisions – Cont. (10)

- Gambling Losses - You can only deduct 90% of gambling losses, and only up to your total winnings effective after December 31, 2025 (§70114).
- Saver's Credit for ABLE Accounts - The rule allowing extra contributions to an ABLE account by the designated beneficiary is now permanent, subject to existing annual limits.
  - These contributions are also permanently treated as eligible for the Retirement Savings Contributions Credit (Saver's Credit).
  - Starting in tax years after 2026, the maximum Saver's Credit increases to $2,100.

Other Individual Tax Provisions – Cont. (11)

- **Military Combat Zones - Tax-free combat pay effective after December 31, 2025, for more countries like Kenya and Mali (§70118).**

- **Student Loan Forgiveness - Permanently extends exclusion from gross income for student loans and private education loans discharged on account of a taxpayer's death or disability effective after December 31, 2025 (§70119).**

Other Individual Tax Provisions – Cont. (12)

- **School Scholarships - You can get a credit of up to $1,700 credit for cash contributions to organizations that grant scholarship for qualified elementary or secondary education expenses.**
  - Allows carry forward credit up to five years (§70411).
  - Creates income exclusion for qualified elementary and secondary education scholarships from scholarship-granting organizations.
  - The credit is effective after December 31, 2026.
  - Exclusion applies to amounts received after December 31, 2026

Other Individual Tax Provisions – Cont. (13)

- **Employer Student Loan Help - Employers can keep giving up to $5,250 tax-free per year toward your student loan payments made after December 31, 2025 (§70412).**

- **Education Credits - To claim credits like American Opportunity Tax Credit (AOTC) or Lifetime Learning Credit (LLC), you must include valid SSNs and school IDs effective after December 31, 2025 (§70606).**

The One Big Beautiful Bill Act (OB3A)

Public Law 119-21 (Business Provisions)

Richard Furlong, Jr.
Senior Stakeholder Liaison

Accountant-Lawyer Alliance Webinar
November 25, 2025

Ground Rules & Disclaimers

- This slide deck provides an overview of key **business** provisions of the 2025 legislation known as “The One Big Beautiful Bill Act” (Public Law 119-21).
- The content in this briefing is based on current information available on IRS.gov as of November 25, 2025, along with the statutory legislative language.
- One, Big, Beautiful Bill provisions | Internal Revenue Service
- Text - H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | Congress.gov | Library of Congress

Objectives

- Explain the new business tax provisions under the One Big Beautiful Act (OB3A).
- Describe how OB3A business provisions change or extend parts of the 2017 Tax Cuts and Jobs Act (TCJA).
- Identify OB3A business provisions that take effect after the expiration of “Clean Energy” provisions under the Inflation Reduction Act

Businesses – OB3A New Tax Provisions

Repeal of Revision to De Minimis Rules for Third Party Network Transactions

§70432 of Public Law 119-21

I.R.C. §6050W

- The American Rescue Plan Act of 2021 changed the Form 1099-K reporting threshold to payments over $600 beginning in calendar year 2022.
- The de minimis exception to the Form 1099-K reporting threshold is restored.

Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees

§70433 of Public Law 119-21

I.R.C. §6041(a), 6041A, 6050W

- Raises the threshold from $600 to $2,000 for information reporting for many reportable payments, as well as for backup withholding, indexed annually for inflation.
- 1099-NEC & 1099-MISC forms will be revised for 2026.

Special Depreciation Allowance for Qualified Production Property (QPP)

§70307 of Public Law 119-21

I.R.C. §168(n)

- There is a new depreciation election for real property used to produce tangible personal property.
- New I.R.C. §168(n) allows a special depreciation deduction for qualified production property (QPP). A taxpayer can make an election in the year that the QPP is placed in service to claim a depreciation deduction that is 100% of the QPP's adjusted basis.

Special Depreciation Allowance for Qualified Production Property (QPP) Continued

§70307 of Public Law 119-21, I.R.C. §168(n)

QPP is that portion of any nonresidential real property that meets these requirements:

- The taxpayer uses the property as an integral part of a qualified production activity.
- The property is placed in service in the United States or any possession of the United States.
- The original use of the property commences with the taxpayer.
- The construction begins after January 19, 2025, and before January 1, 2029.
- The taxpayer makes the §168(n) election for the property.
- The property is placed in service before January 1, 2031.

Exceptions from Limitations on Deduction for Business Meals

§70305 of Public Law 119-21, I.R.C. §274

- Expenses for meals provided on a fishing vessel or at certain fish processing facilities are deductible.
- There is a 100% deduction for meals that are provided on a fishing vessel, fish processing vessel, or fish tender vessel or at a facility for the processing of fish for commercial use or consumption that is located in the United States north of 50 degrees latitude and not located in a metropolitan statistical area.
- This provision applies to amounts paid or incurred after December 31, 2025.

Installment Treatment for Capital Gains from the Sale of Certain Farmland Property

§70437 of Public Law 119-21

I.R.C. §1062

- In tax years beginning after July 4, 2025, taxpayers can elect to pay tax on the gain from the sale or exchange of "*qualified farmland property*" in installments.
- ***Qualified farmland property*** means real property located in the United States that the taxpayer used as a farm for farming purposes, or leased to a qualified farmer for farming purposes, during substantially all of the 10-year period ending on the date of the qualified sale or exchange.

Businesses –
OB3A Tax Provisions Amended

Enhancement of Dependent Care Assistance Program

§70404 of Public Law 119-21

I.R.C. §129

Prior Law:

- Employer payments for dependent care assistance are excluded from employee's taxable income.
- Exclusion limited to $5,000 per year ($2500 for MFS).

OB3A Revision:

- Excludable benefits increase to $7,500 per year ($,3750 MFS).
- Effective for tax years beginning after December 31, 2025.

Definition of Adjusted Taxable Income for Business Interest Limitation

§70342 of Public Law 119-21, I.R.C. §163(j)

- For tax years beginning after December 31, 2025, when calculating adjusted taxable income (ATI) for the business interest limitation, the taxpayer must add back certain items.
- I.R.C. §951(a) controlled foreign corporation amounts, §951A(a) global intangible low- taxed income, and portions of §78 gross up for deemed paid foreign tax credit are added to arrive at ATI. Taxpayers must also add back the portion of certain deductions allowed under the I.R.C. §245A(a) deduction for foreign source-portion of dividends received by domestic corporations from specified 10% owned foreign corporations.

Coordination of Business Interest Limitation

§70341 of Public Law 119-21

I.R.C. §163(j)

- For tax years beginning after December 31, 2025, the §163(j) business interest limitation is applied before applying the interest capitalization rules.

Modification of Limitation on Business Interest

§70303 of Public Law 119-21, I.R.C. §163(j)

- The calculation of adjusted taxable income for the business interest limitation is modified.
- The deduction for business interest expense is generally limited to the sum of (1) business interest income of the taxpayer for the tax year, (2) 30% percent of the adjusted taxable income (ATI) for the tax year (not less than zero), and (3) floor plan financing interest. Thus, other than floor plan financing interest, business interest expense in excess of business interest income is generally deductible only to the extent of 30% of ATI.
- The floor plan financing exception is extended to apply to certain trailers and campers that are designed to provide temporary living quarters for recreational, camping, or seasonal use and are designed to be towed by, or affixed to, a motor vehicle. The amendments apply to tax years beginning after December 31, 2024.

Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets §70306 of Public Law 119-21, I.R.C. §179

- The maximum §179 annual deduction amount is increased
- Subject to certain limitations, a taxpayer may elect under §179 to deduct the cost of qualifying property, rather than to recover such costs through depreciation deductions.
- I.R.C. §179(b) is amended to increase the annual statutory limit to $2,500,000 and the phaseout threshold is increased to $4,000,000.
- The $2,500,000 and $4,000,000 amounts are indexed for inflation for tax years beginning after 2025 with a 2025 base year.

Treatment of Payments from Partnerships to Partners for Property or Services

§70602 of Public Law 119-21

I.R.C. §707

- The OB3A amends I.R.C. §707(a)(2) by striking “under regulations prescribed” and inserting “except as provided.” This change allows the recharacterization of payments or a distribution of property to a partner for services automatic for services performed, and property transferred, after July 4, 2025.

Expansion of Qualified Small Business Stock Gain Exclusion

§70431 of Public Law 119-21

I.R.C. § 1202

- There is a phased increase in the exclusion for gain from qualified small business stock. For a taxpayer other than a corporation, gross income does not include 50% of any gain from the sale or exchange of qualified small business stock acquired on or before the July 4, 2025, and held for more than 5 years.
- The applicable percentage of any gain excluded on the sale or exchange of qualified small business stock acquired after July 4, 2025, is determined under the following table on the next slide.

§70431 of Public Law 119-21
I.R.C. § 1202

Years Stock Held	Applicable Percentage
3 Years	50%
4 Years	75%
5 Years or more	100%

For stock acquired after July 4, 2025, the aggregate amount of excluded gain per issuer is $15,000,000 (up from $10,000,000).

Businesses –

OB3A Tax Provisions Extended with Amendments

Extension and Enhancement of Deduction for Qualified Business Income (QBID)

§70105 of Public Law 119-21

I.R.C. §199A

QBID was enacted in the 2017 Tax Cuts & Jobs Act (TCJA):

- Eligible owners of certain businesses are allowed to deduct up to 20 percent of their qualified business income plus 20 percent of qualified REIT dividends and PTP income pursuant to §199A. The deduction is available for taxable years beginning after December 31, 2017, and before January 1, 2026. There are limitations.
- The OB3A changes to I.R.C. §199A are on the next slide…

Extension and Enhancement of Deduction for Qualified Business Income (QBID)

§70105 of Public Law 119-21

I.R.C. §199A

- Permanently extends 20% deduction for QBI, increases phase-in income limitations, and adds inflation-adjusted minimum deduction of $400 for taxpayers with at least $1,000 of qualifying income from active qualified trades or businesses.
- Applies to taxable years beginning after December 31, 2025 (the $400/$1,000 amounts are adjusted for inflation each year).

Draft Form 1040

TREASURY/IRS AND OMB USE ONLY DRAFT

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Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
Foreign country name / Foreign province/state/county / Foreign postal code		

Filing Status Check only one box.

☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Dependents (see instructions) If more than four dependents, see instructions and check here ☐

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

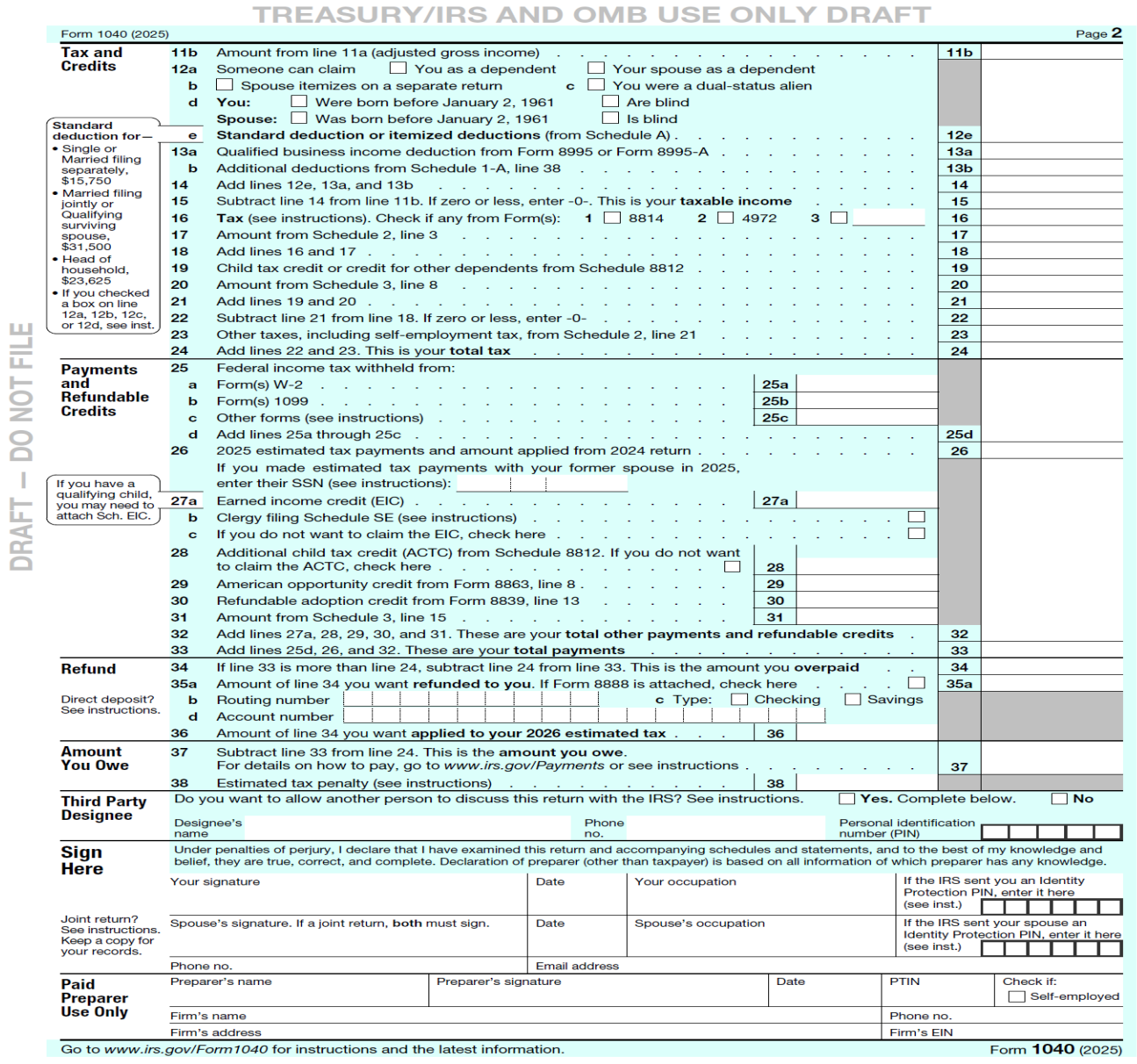
Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 31			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions). Enter type and amount:			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
c	Check if your child's dividends are included in 1 ☐ Line 3a		2 ☐ Line 3b		
4a	IRA distributions	4a	b Taxable amount	4b	
c	Check if (see instructions) 1 ☐ Rollover		2 ☐ QCD 3 ☐		
5a	Pensions and annuities	5a	b Taxable amount	5b	
c	Check if (see instructions) 1 ☐ Rollover		2 ☐ PSO 3 ☐		
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
d	If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐			7a	
7a	Capital gain or (loss). Attach Schedule D if required				
b	Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss)				
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11a	Subtract line 10 from line 9. This is your **adjusted gross income**			11a	

Attach Sch. B if required.

Draft Form 1040, Page 2



TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 (2025) Page 2

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Tax and Credits

	11b	Amount from line 11a (adjusted gross income)	11b
	12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent	
	b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien	
	d	**You:** ☐ Were born before January 2, 1961 ☐ Are blind	
		Spouse: ☐ Was born before January 2, 1961 ☐ Is blind	
Standard deduction for— • Single or Married filing separately, $15,750 • Married filing jointly or Qualifying surviving spouse, $31,500 • Head of household, $23,625 • If you checked a box on line 12a, 12b, 12c, or 12d, see inst.	e	**Standard deduction or itemized deductions** (from Schedule A)	12e
	13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a
	b	Additional deductions from Schedule 1-A, line 38	13b
	14	Add lines 12e, 13a, and 13b	14
	15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**	15
	16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16
	17	Amount from Schedule 2, line 3	17
	18	Add lines 16 and 17	18
	19	Child tax credit or credit for other dependents from Schedule 8812	19
	20	Amount from Schedule 3, line 8	20
	21	Add lines 19 and 20	21
	22	Subtract line 21 from line 18. If zero or less, enter -0-	22
	23	Other taxes, including self-employment tax, from Schedule 2, line 21	23
	24	Add lines 22 and 23. This is your **total tax**	24

Payments and Refundable Credits

	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c		25d
	26	2025 estimated tax payments and amount applied from 2024 return		26
		If you made estimated tax payments with your former spouse in 2025, enter their SSN (see instructions):		
If you have a qualifying child, you may need to attach Sch. EIC.	27a	Earned income credit (EIC)	27a	
	b	Clergy filing Schedule SE (see instructions) ☐		
	c	If you do not want to claim the EIC, check here ☐		
	28	Additional child tax credit (ACTC) from Schedule 8812. If you do not want to claim the ACTC, check here ☐	28	
	29	American opportunity credit from Form 8863, line 8	29	
	30	Refundable adoption credit from Form 8839, line 13	30	
	31	Amount from Schedule 3, line 15	31	
	32	Add lines 27a, 28, 29, 30, and 31. These are your **total other payments and refundable credits**		32
	33	Add lines 25d, 26, and 32. These are your **total payments**		33

Refund

	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**		34
	35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐		35a
Direct deposit? See instructions.	b	Routing number c Type: ☐ Checking ☐ Savings		
	d	Account number		
	36	Amount of line 34 you want **applied to your 2026 estimated tax**	36	

Amount You Owe

	37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions		37
	38	Estimated tax penalty (see instructions)	38	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions. ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Joint return? See instructions. Keep a copy for your records. Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name			Phone no.	
Firm's address			Firm's EIN	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2025)

Qualified Business Income Deduction (QBID) Form 1040, Line 13 a

Enhancement of Employer-Provided Child Care Credit

§70401 of Public Law 119-21, I.R.C. §45F

- Employers may claim a general business credit for certain expenses associated with providing childcare for their employees.
- The amount of qualified childcare expenditures taken into account to determine the childcare credit is increased from 25% to 40% (50% for an eligible small business).
- The maximum credit amount for a tax year cannot exceed $500,000 ($600,000 for an eligible small business).
- For tax years beginning after 2026, the $500,000 and $600,000 limits are adjusted for inflation.

Extension and Enhancement of Paid Family and Medical Leave Credit

§70304 of Public Law 119-21, I.R.C. §45S

- Eligible employers may claim a general business credit under I.R.C. §45S, equal to 12.5% of eligible wages (based on the normal hourly wage rate) paid to qualifying employees during any period in which such employees are on family and medical leave if the rate of payment under the program is 50% of the wages normally paid to an employee for actual services performed for the employer.
- The credit is increased by 0.25% (but not above 25% percent) for each percentage point by which the rate of payment exceeds 50%.
- The maximum amount of family and medical leave that may be considered with respect to any qualifying employee for any tax year is 12 weeks.

Extension and Enhancement of Paid Family and Medical Leave Credit Continued

§70304 of Public Law 119-21, I.R.C. §45S

I.R.C. §45S is amended to make the paid family and medical leave credit permanent and to provide that for an eligible employer, the paid family and medical leave credit is an amount equal to either of the following (as elected by such employer):

1) The applicable percentage of the wages paid to qualifying employees with respect to any period in which such employees are on family and medical leave

2) If the employer has in effect a stand-alone insurance policy that covers paid family and medical leave, the applicable percentage of the total amount of premiums paid or incurred for the insurance policy, regardless of whether leave is taken

Expanding Application of Tax on Excess Compensation within Tax-Exempt Organizations

§70416 of Public Law 119-21

I.R.C. §4960

- I.R.C. §4960(c)(2) amends the definition of a *covered employee* for purposes of determining whether there is an excise tax on excess compensation paid to tax-exempt organization executives.
- For purposes of this section the term *covered employee* means any employee of an applicable tax-exempt organization (or any predecessor of such an organization) and any former employee of such an organization (or predecessor) who was such an employee during any tax year beginning after December 31, 2016.

1% Floor on Deduction of Charitable Contributions Made by Corporations

§70246 of Public Law 119-21, I.R.C. §168(n)

- There is a 1% floor and a 10% cap on corporate charitable contribution deductions.
- I.R.C. §170(b)(2)(A) is amended to allow a charitable contribution deduction for a corporation only to the extent that the aggregate of such contributions exceeds 1% of the corporation's tax- able income (before the charitable contribution) for the tax year and does not exceed 10% of the corporation's taxable income for the tax year. A disallowed charitable contribution deduction can be carried forward 5 years.
- Only contributions that are disallowed because they exceed the 10% cap are eligible for the full carryforward.

Permanent Renewal and Enhancement of Opportunity Zones

§70421 of Public Law 119-21, I.R.C. §1400Z-1 and 1400Z-2

- Congress established Opportunity Zones as a part of the Tax Cuts and Jobs Act of 2017.
- Opportunity Zones are an economic development tool designed to encourage long-term investment and job creation in low-income communities throughout the country.
- Opportunity Zones encourage investment by providing tax benefits to investors.
- Investors invest in Qualified Opportunity Funds by using eligible capital gains and electing to defer paying tax on those gains.
- Qualified Opportunity Funds invest in eligible property and businesses located in Opportunity Zones.
- Investors receive the tax benefits without having to live, work or have a business in an Opportunity Zone..

Permanent Renewal and Enhancement of Opportunity Zones Continued

§70421 of Public Law 119-21

I.R.C. §1400Z-1 and 1400Z-2

- The OB3A establishes a fixed, decennial schedule for opportunity zone designations. The decennial determination date is July 1, 2026, and each July 1 of the year that is 10 years after the preceding decennial determination date.
- Notice 2025-96 issued on September 30, 2025:

1) Defines “Rural Area” for Qualified Opportunity Zone (QOZ)

2) Modifies “Substantial Improvement Threshold” for rural QOZ investments.

Modification and Extension on Limitation on Excess Business Losses of Noncorporate Taxpayers

§70601 of Public Law 119-21, I.R.C. §461

- The excess business loss rules are made permanent.
- An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trades or businesses over the sum of aggregate gross income or gain attributable to the taxpayer's trades or businesses plus a threshold amount.
- The threshold amount is indexed for inflation for tax years beginning after 2018. The thresh- old amount for a tax year beginning in 2025 is $313,000 ($626,000 MFJ) as indexed. There is a change in the inflation adjustment calculation that applies to tax years beginning after December 31, 2025.

Businesses –
OB3A Tax Provisions Reinstated

Full Expensing for Certain Business Property

§70301 of Public Law 119-21, I.R.C. §168

- The 100% bonus depreciation for qualified property is made permanent
- I.R.C. §168(k) is amended to permanently allow 100% additional first year (bonus) depreciation for qualified property and the additional depreciation for certain plants bearing fruit or nuts
- A transition rule allows the election of the reduced percentage. For the first tax year ending after January 19, 2025, taxpayers can elect the following reduced bonus depreciation rates:
  - 40% for general qualified property.
  - 60% for longer production period or certain aircraft property.
  - 40% for specified plants.

Full Expensing of Domestic Research and Experimental Expenditures Continued

§70302 of Public Law 119-21

I.R.C. §174A

- New I.R.C. §174A provides a deduction for any domestic research or experimental expenditures paid or incurred by the taxpayer during the tax year.
- At the taxpayer's election, the taxpayer can charge such expenditures to a capital account and amortize the expenditures.

Businesses –
OB3A Tax Provisions Terminated

Termination of Qualified Commercial Clean Vehicle Credit

§70503 of Public Law 119-21

I.R.C. §45W

- The I.R.C. §45W(g) commercial clean vehicle credit that was originally set to expire on December 31, 2032, now expires on September 30,2025.

Termination of Cost Recovery for Energy Property

§70500 of Public Law 119-21

I.R.C. §168(e)

- The I.R.C. §168(e)(3)(B)(vi) 5-year cost recovery for energy property is eliminated. The amendments apply to property for which construction begins after December 31, 2024.

Phaseout and Restrictions on Advance Manufacturing Production Credit

§70514 of Public Law 119-21, I.R.C. §45X

- A credit is available for eligible components that the taxpayer produces and sells to an unrelated person during the tax year. Eligible components include solar energy components, wind energy components, certain inverters, any qualifying battery component, and any applicable critical mineral. The production and sale of eligible components must be in the taxpayer's trade or business.
- The new law adds several restrictions to and accelerates the termination of the advanced manufacturing production credit. The definition of a "component" for I.R.C. §45X advanced manufacturing production credit is limited and no longer includes property that is produced with material assistance from a prohibited foreign entity.

Termination and Restrictions on Clean Electricity Production Credit

§70512 of Public Law 119-21, I.R.C. §45Y

- The I.R.C. §45Y(d) clean electricity production credit is available for electricity produced by the taxpayer at a qualified facility and sold to an unrelated person during the tax year. The credit is also available where the taxpayer consumes or stores the electricity and there is no third-party sale, but only if the qualified facility is equipped with a metering device owned and operated by an unrelated person.
- The credit for wind and solar facilities termination date is changed, and the credit will not apply to any applicable facility placed in service after December 31, 2027.

Termination and Restrictions on Clean Electricity Investment Credit

§70513 of Public Law 119-21

I.R.C. §48E

- The I.R.C. §48E(e) clean electricity investment credit is a business energy credit for the applicable percentage of qualified investment in any qualified facility and any energy storage technology.
- For wind and solar facilities, the credit termination date is changed, and the credit will not apply to any applicable facility placed in service after December 31, 2027.

Termination of New Energy Efficient Home Credit

§70508 of Public Law 119-21

I.R.C. §45L

- The I.R.C. §45L(h) new energy efficient home credit is amended, and the credit for constructing a new energy efficient home that was originally set to expire on December 31, 2032, is not available for homes acquired after June 30, 2026. [OB3A §70508]

Termination of Energy Efficient Commercial Buildings Deduction

§70507 of Public Law 119-21

I.R.C. §179(D)

- The energy efficient commercial buildings deduction is terminated for construction starting after June 30, 2026.

Enforcement Provisions with Respect to Covid-Related Employee Retention Credits

§70605 of Public Law 119-21, I.R.C. §6695

- OB3A requires any Employee Retention Credit (ERC) credit or refund claims to be field before February 1, 2024.
- $1,000 penalty imposed on any promoter who fails to exercise due diligence in aiding or advising clients on ERC documents.
- Effective after July 4, 2025.

OB3A Resources

- One, Big, Beautiful Bill provisions | Internal Revenue Service
- Text - H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | Congress.gov | Library of Congress

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