



OBBBA 2025: KEY TAX, FISCAL, AND ECONOMIC PROVISIONS FOR INDIVIDUALS AND BUSINESSES

Key Takeaways

- The OBBBA provides approximately **0.3%–0.8%** of fiscal stimulus to GDP growth from 2025 through 2028.
- Starting in 2029, fiscal drag begins as certain individual tax cuts expire and most spending reductions take effect.
- The legislation increases federal deficits by an estimated **\$3.3 trillion over 10 years**, adding to the current **\$36 trillion national debt** (about 120% of GDP).
- Annual budget deficits are projected to remain in the **6%–7% of GDP** range over the next decade, roughly double to two-and-a-half times pre-financial crisis levels.
- Interest payments on federal debt already consume about **20% of tax revenues** and could **surpass 5% of GDP** by as early as 2027.
- Cuts to Medicaid may affect health coverage for up to **17 million Americans**, putting financial pressure on rural hospitals and affecting the credit quality of some state and nonprofit hospital municipal bonds.
- The bill increases the federal debt ceiling by **\$5 trillion**, likely postponing another debt-limit confrontation until late 2026 or early 2027.

Notable Provisions

INDIVIDUAL RATES

- Makes current individual income tax brackets permanent, including the **37% top marginal rate**, effective after December 31, 2025.

ESTATE AND GIFT TAX EXEMPTION

- Permanently extends the higher unified estate and gift tax exemptions, raising them to an inflation-adjusted **\$15 million** for single filers and **\$30 million** for joint filers, effective after December 31, 2025.

STATE AND LOCAL TAX (SALT) DEDUCTION

- Retroactively increases the SALT deduction cap from **\$10,000 to \$40,000** for 2025, with annual 1% increases from 2026 through 2029.
- Beginning in 2030, the SALT deduction cap returns to **\$10,000**.
- Full deduction is available for taxpayers with modified adjusted gross income (MAGI) under **\$500,000** (single or joint). Above that threshold, the deduction phases out by 30% of the excess MAGI, but no less than **\$10,000** may be claimed.

STANDARD DEDUCTION

- Permanently extends the expanded standard deduction introduced by the 2017 Tax Cuts and Jobs Act. Amounts are increased to **\$15,750** (single), **\$23,625** (head of household), and **\$31,500** (married filing jointly), indexed annually for inflation, effective after December 31, 2024.

LIMITATION ON ITEMIZED DEDUCTIONS

- For taxpayers subject to the **37%** top rate, the tax benefit of itemized deductions is capped at **35%**, effective after December 31, 2025.

CHILD TAX CREDIT

- Permanently increases the child tax credit from **\$2,000 to \$2,200** starting in 2025, with inflation indexing thereafter.
- Phases out for incomes above **\$200,000** (single) or **\$400,000** (joint).
- Both taxpayers and dependents must provide a valid Social Security number to qualify.

REMITTANCE TRANSFERS TAX

- Finalizes a **1% tax** on remittance transfers initiated at institutions not covered by the Bank Secrecy Act, regardless of the sender's legal status.
- Applies only to transfers funded by cash, money orders, cashier's checks, or other similar physical instruments.
- Adds thrift institutions to the list of exempt financial entities. Transfers from accounts held at insured banks, commercial banks, trust companies, private bankers, U.S. branches of foreign banks, thrifts, and licensed securities/commodities broker-dealers remain exempt.
- Transfers funded by U.S.-issued debit or credit cards are also exempt.

UNIVERSITY ENDOWMENT EXCISE TAX

- Replaces the flat **1.4%** rate with a three-tier excise tax structure, with a top marginal rate of **8%**.
- Exempts institutions with fewer than **3,000 students**.

CHARITABLE CONTRIBUTIONS

- Corporate charitable deductions allowed only to the extent contributions exceed **1% of taxable income**, but no more than **10% of taxable income**, effective after December 31, 2025.
- Introduces a **0.5% minimum floor** for itemized charitable deductions, effective after December 31, 2025.
- Creates a permanent universal charitable deduction for non-itemizers: up to **\$1,000 for single filers** and **\$2,000 for joint filers**.

20% PASS-THROUGH DEDUCTION (SECTION 199A)

- Makes permanent the current **20% deduction** for qualified pass-through business income.
- Expands the phase-in thresholds to **\$75,000** (single) and **\$150,000** (joint), effective after December 31, 2025.

BONUS DEPRECIATION (IRC §168(K))

- Makes permanent **100% bonus depreciation** for property acquired and placed in service on or after January 19, 2025.

R&D/R&E EXPENDITURES (IRC §174)

- Allows immediate expensing of domestic research and experimental expenditures incurred after December 31, 2024.
- Small businesses with annual gross receipts of **\$31 million** or less may retroactively apply the rule back to 2022.
- Foreign R&D costs must still be amortized **over 15 years**.

BUSINESS INTEREST EXPENSE (IRC §163(J))

- Reinstates the more generous EBITDA-based limitation on business interest deductibility, effective after December 31, 2024.

SECTION 179 EXPENSING

- Raises the maximum deduction under Section 179 to **\$2.5 million**, with a phase-out threshold of **\$4 million**.
- Thresholds will be indexed for inflation beginning in 2026.
- Applies to property placed in service after December 31, 2024.

IRA ENERGY TAX CREDITS

- Terminates credits for wind and solar projects (IRC §§45Y, 48E) for facilities placed in service after 2027, unless construction begins within one year of enactment (safe harbor).
- Extends phaseouts for hydropower, nuclear, and geothermal credits to between 2034 and 2036.
- Ends the clean commercial vehicle credit after September 30, 2025.
- Extends the clean hydrogen production credit (IRC §45V) through 2027, expiring for projects starting after December 31, 2027.
- Raises the advanced manufacturing investment credit (IRC §48D) for semiconductors and renewable energy to **35%** for property placed in service after 2025.

INTERNATIONAL TAX PROVISIONS

- GILTI renamed to Net CFC Tested Income with an effective rate of **12.6%–14%** after foreign tax credit.
- FDII renamed to Foreign-Derived Deduction Eligible Income (FDDEI), with a **14% rate**.
- BEAT rate raised to **10.5%**, while continuing to allow current U.S. tax credits.
- CFC Look-Through Rule made permanent.

OPPORTUNITY ZONES

- Makes the Opportunity Zone program permanent, with enhancements beginning January 1, 2027.

LOW-INCOME HOUSING TAX CREDIT (LIHTC)

- Permanently increases state credit allocations by **12%** and reduces the bond-financing requirement to **25%**, effective in 2026.

NEW MARKETS TAX CREDIT (NMTC)

- Permanently extends NMTC with a **\$5 billion annual allocation**, indexed for inflation starting in 2026.

HEALTH SAVINGS ACCOUNTS (HSAS)

- Allows bronze and catastrophic ACA marketplace plans to qualify as high-deductible health plans for HSA purposes, effective after December 31, 2024.
- Permanently extends HSA eligibility to certain telehealth services and direct primary care arrangements, beginning in 2026.

NO TAX ON CAR LOAN INTEREST

- Exempts interest on new car loans through 2028 if the vehicle's first use begins with the taxpayer, provided the car is U.S.-assembled and for personal use.
- Requires lenders to report qualifying interest payments.
- Phases out for incomes above **\$100,000** (single) or **\$200,000** (joint).
- Includes other limits and exceptions.

NO TAX ON TIPS

- Creates a deduction of up to **\$25,000** for reported tips, available to both itemizers and standard deduction filers, effective 2025–2028.
- Subject to income and occupation restrictions.

NO TAX ON OVERTIME

- Allows a deduction of up to **\$12,500** (single) or **\$25,000** (joint) for overtime wages, effective 2025–2028.
- Phases out for incomes above **\$150,000** (single) or **\$300,000** (joint).

SENIOR BONUS DEDUCTION

- Adds a **\$6,000 deduction for individuals age 65+**, effective after December 31, 2024, through 2028.
- Phases out at **\$75,000 MAGI** (single) or **\$150,000** (joint).

TRUMP ACCOUNTS

- Creates new "Trump Accounts" for dependents under age 18, with a **\$5,000** annual contribution limit.
- Pilot program provides a one-time \$1,000 federal credit for each eligible child born between 2025 and 2028.
- Beneficiary must be a U.S. citizen with a valid Social Security number.

What Was Not Included

- No changes to SALT treatment for businesses or pass-throughs.
- No extension of Section 199A deduction to business development company (BDC) dividends.
- Section 899 "revenge tax" excluded.
- No excise tax on solar or wind projects supported by foreign entities.
- No increase in private foundation excise taxes.
- No changes to top individual income tax brackets.
- No changes to municipal bond tax exemption.
- No revisions to carried interest rules.
- No changes to capital gains tax rates.
- No increase in the stock buyback excise tax rate.
- No major revisions to executive compensation limits under IRC §162(m).



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