

Key Tax Provisions | *Current Law & New Law Comparisons*

Individual Key Provisions

Tax Provision	Current Law	OBBBA Law
Individual income tax rates	<p>Tax Cuts and Jobs Act (TCJA) rates (lowered rates) expire after 2025; rates revert to pre- TCJA levels.</p> <p>Seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35% and 37%.</p> <p>Bracket thresholds are adjusted annually for inflation.</p>	<p>Seven permanent tax brackets: 10%, 12%, 22%, 24%, 32%, 35% and 37%. All brackets continue to be indexed for inflation after 2025.</p> <p>Also adds an additional year of inflation adjustment to the end of the 10% and 12% brackets (where the 22% bracket begins). This will result in more income falling into the 10% bracket starting in 2026.</p>
No tax on tips	Tips are taxable income.	<p>Temporary (2025 - 2028) - Deduction equal to amount of qualified tips not to exceed \$25,000 per year. Deduction is reduced by \$100 for each \$1,000 of MAGI that exceeds \$150,000 (\$300,000 MFJ) resulting in complete phaseout when MAGI reaches \$400,000 (\$550,000 MFJ).</p> <p>Qualified tips - cash tips received in an occupation in which tips were customary before Dec 31, 2024. Treasury Secretary must publish a list of occupations before Oct 2, 2025.</p>
No tax on overtime	Overtime pay is taxable income.	<p>Temporary (2025 - 2028) - Deduction not to exceed \$12,500 (\$25,000 MFJ) per year. Deduction is reduced by \$100 for each \$1,000 of MAGI that exceeds \$150,000 (\$300,000 MFJ) resulting in complete phaseout when MAGI reaches \$275,000 (\$550,000 MFJ).</p> <p>Qualified overtime - overtime paid under section 7 of the FLSA that is in excess of the regular rate at which the individual is employed.</p>
Standard deduction	Increased standard deduction (TCJA) expires after 2025; reverts to lower pre- TCJA levels.	<p>Permanently increased the standard deduction indexed for inflation. Effective as of Jan. 1, 2025:</p> <p>Single & MFS: \$15,750</p> <p>Head of Household: \$23,625</p> <p>MFJ: \$31,500</p>
Enhanced/Bonus deduction for seniors	Additional standard deduction for age 65+.	Temporary (2025 - 2028) - \$6,000 bonus deduction for seniors. Deduction phased out at higher incomes with MAGI up to \$75,000 (\$150,000 MFJ).
Charitable deduction for non-itemizers (Cash deductions only)	Not available after 2021.	Starting in 2026, charitable contribution deduction of \$1,000 for single filers or \$2,000 for MFJ for certain charitable contributions.
Charitable deduction for individuals who itemize (Cash deductions only)	Taxpayers who itemize can deduct a portion of their qualified charitable contributions, subject to a specified limitation based on the type of contribution.	Starting in 2026, charitable deduction for taxpayers who itemize will be subject to 0.5% floor for deducting contributions. Contribution carryovers from 2025 or prior, will not be subject to the 0.5% floor.
No tax on car loan interest	Personal interest on car loans not deductible.	<p>Temporary (2025 - 2028) - Allows deduction for up to \$10,000 of interest on new car loans. Vehicle must be a US- assembled passenger vehicle with the vehicle serving as security for the loan.</p> <p>Limitations on what loans qualify (leases do not qualify) and what is considered an applicable passenger vehicle.</p>
Wagering losses	Limited to itemized deduction based on the amount of winnings through 2025 (TCJA).	Losses from wagering (gambling) transactions are limited to 90% of the amount of such losses to the extent of winnings.



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State and local tax (SALT) cap	\$10,000 cap.	<p>Temporary (2025 - 2029) - Retroactively increases the individual SALT limit from \$10,000 to \$40,000 for 2025 and \$40,400 for 2026, followed by 1% increases for 2027, 2028, and 2029. Beginning in 2030, the cap would revert to \$10,000.</p> <p>Deductions subject to a phaseout for MAGI greater than \$500,000 in 2025, \$505,000 in 2026, and similar 1% increases thereafter, but the deduction will not be reduced below \$10,000.</p> <p>No SALT limitation for pass-through entities.</p>
Pease limitation (itemized deductions phaseouts)	Suspended 2018-2025 (TCJA); Reinstated in 2026.	<p>All itemized deductions are reduced by 2/37 of the lesser of the taxpayer's itemized deductions or the taxpayers taxable income for the year that exceeds the dollar amount at which the taxpayer's 37% bracket begins.</p> <p>Effectively yielding \$0.35 tax benefit per \$1 deducted for taxpayers in the top income tax brackets.</p> <p>QBI is calculated without regard to the itemized deduction limitation phaseout.</p>
Child Tax Credit (CTC)	\$2,000 per child (TCJA), reverts to \$1,000 after 2025.	<p>Credit of \$2,200 per child, with \$1,700 refundable with inflation adjustments.</p> <p>SSNs reporting requirements for the child and the person claiming the CTC. If the taxpayer is married, only one spouse needs to report their SSN.</p>
Estate and gift tax exemption	\$13.61 million (2024, inflation adjusted); reverts to ~\$5 million (indexed) after 2025.	Estate exemption is \$15 million indexed for inflation.
Sec. 127, Employer payments of student loans under educational assistance programs	\$5,250 maximum exclusion includes employer payment of qualified student loan payments. Set to expire after 2025.	\$5,250 maximum exclusion for employer payment of qualified student loan payments adjusted annually for inflation.
529 plan qualified expenses	Limited to higher education and \$10,000 K-12 tuition.	<p>Expanded qualifying education expenses for elementary and secondary school students and increased annual limit to \$20,000 per year.</p> <p>Expanded post-secondary credentialing expenses including fees for testing and continuing education.</p>
Trump Accounts	N/ A - did not exist.	<p>Tax advantaged savings account for children created or organized by the Treasury Secretary for a child who has not reached the age of 18 by the end of the calendar year. Account must be designated as a Trump account when it is established, governed by written instruments around contributions and distributions, and the account is a traditional IRA.</p> <p>Employers can contribute up to \$2,500 to an employee or an employee's dependent Trump account and the contribution will not be included in the employee's gross income.</p> <p>One time \$1,000 contributions will be made to Trump accounts for an eligible child if an election is made. An eligible child is born between Dec 31, 2024 and Jan 1, 2029, is a US citizen, no prior elections made, the child has an SSN, and at least one parent was US citizen at time of child's birth.</p>

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Business Key Provisions

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Sec. 199A, Qualified Business Income deduction (QBIID)	<p>20% deduction for pass-through income, expires after 2025.</p> <p>Deduction subject to phaseout for specified service trades or businesses (SSTBs). Deduction limitations based on taxable income, wages paid and the presence of SSTBs.</p>	<p>Permanent 20% deduction.</p> <p>Phase-out amounts are increased to \$75,000 (\$150,000 MFJ) expanding the deduction limit phase-in range.</p> <p>\$400 minimum QBIID for taxpayers with at least \$1,000 in QBI.</p>
Bonus depreciation	<p>Allows 80% bonus depreciation for qualified property placed in service in 2023, phasing down by 20 percentage points each year until it sunsets after 2026.</p>	<p>Additional first year depreciation deduction allowance of 100% for property acquired and placed in service after Jan 19, 2025.</p> <p>Property acquired or placed in service before Jan 20, 2025 are subject to limitations for year property placed in service (40% 2024 and 20% 2025).</p>
Sec. 179, Enhanced Small Business Expensing	<p>Sec. 179 allows businesses to expense up to \$1,160,000 of qualifying property, with a phase-out threshold beginning at \$2,890,000, both indexed for inflation.</p>	<p>For 2025, the maximum amount the taxpayer may expense under Section 179 is \$2,500,000 with phaseout threshold amount of \$4,000,000. Adjusted for inflation annually.</p>
Pass-through entity tax (PTET) SALT deduction	<p>Individual SALT deduction capped at \$10,000. 36 states and 1 locality implemented a PTET SALT deduction that is allowed under approved IRS Notice 2020-75.</p>	<p>Individual SALT deduction is \$40,000 for most filers. Additionally, there is no SALT limitation for pass-through entities.</p>
Research and experimental (R&E) expensing	<p>Amortization over 5 years for domestic R&E costs and 15 years for foreign R&E costs.</p>	<p>Full expensing of domestic R&D expenditures in year paid or accrued. Foreign R&D is amortized over 15 years.</p> <p>Small business taxpayers with average annual gross receipts of \$31 million or less may retroactively apply this change to tax years beginning after Dec 31, 2021.</p> <p>Taxpayers with R&D expenditures after Dec 31, 2021 and before Jan 1, 2025 may elect to accelerate remaining deductions over one year or ratably over two years.</p>
Employer-Provided Meals	<p>Employers may deduct expenses for meals provided to employees and employees may exclude from gross income.</p>	<p>Starting in 2026, business expense deductions are disallowed for employer-provided meals that are excludable from an employee's income or are de minimis fringe benefits.</p>
Charitable deduction for corporations	<p>10% of taxable income.</p>	<p>Corporation deduction allowed for charitable contributions for contributions in excess of 1% of taxable income not to exceed 10% of taxable income. Contributions in excess of 10% may be carried forward to 5 subsequent years.</p>
Sec. 163(j), Business interest limitation	<p>Based on earnings before interest and taxes (EBIT) through 2021, then earnings before interest, taxes, depreciation, and amortization (EBITDA).</p>	<p>EBITDA calculation with no expiration.</p>
Employee retention credit (ERC)	<p>Employers had until April 15, 2024, to file ERC claims for 2020, and until April 15, 2025, to file ERC claims for 2021. The IRS has a 3 year statute of limitations for 2020 and early 2021 claims, and a 5 year statute of limitations for Q3 and Q4 2021 claims.</p>	<p>The bill prohibits the payment of Q3 2021 and Q4 2021 claims as of Jan. 31, 2024, and increases enforcement mechanisms for noncompliant parties.</p>



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Opportunity Zones (OZs)	OZs designated under TCJA remain in effect through Dec. 31, 2028, allowing investors to defer and potentially exclude capital gains by investing in Qualified Opportunity Funds (QOFs) that support development in low-income communities.	<p>Permanent rolling 10-year opportunity zones beginning Jan 1, 2027. Maintains OZ designation process and strengthens eligibility requirements.</p> <p>For each year invested in OZ, basis in the fund is increased with gain recognition in Year 7. 1% increase Years 1 - 3, 2% increase in Years 4 - 5, 3% increase in Year 6.</p> <p>Added qualified rural opportunity funds that invest solely in rural areas and will receive an increase in basis triple that of OZ funds.</p>
Form 1099 information reporting	The general Form 1099 reporting threshold remains at \$600 and applies to payments made in the course of a trade or business.	Starting in 2026, the information reporting threshold for certain payments to persons engaged in a trade or business and payments of for services is \$2,000 in a calendar year (up from \$600). The threshold amount will be indexed annually for inflation in calendar years after 2026.
Sec. 1202, Qualified Small Business Stock Exclusion	Section 1202 provides for the partial exclusion of gain on the sale of qualified small business stock (QSBS) held for more than five years. For stock acquired after September 27, 2010, the exclusion is 100%; for stock acquired in earlier periods, the exclusion is 50% or 75%, depending on the acquisition date.	<p>QSBS exclusion is tiered based on the years the taxpayer holds the QSBS for acquisitions after July 4, 2025:</p> <ul style="list-style-type: none">• 50% exclusion if held for three years;• 75% exclusion if held for four years; and• 100% exclusion if held for five or more years. <p>The bill also increases eligibility for the exclusion by increasing the eligibility limit on the corporation's aggregate gross assets at the time of issuance from a \$50 million to a \$75 million limit.</p>
Tip credit	Applies to the food and beverage industry only; provides a credit for the FICA paid by the employer on tips.	Beauty service industry eligible for tip credit starting in 2025 in addition to food and beverage service industry.



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Clean Energy Credit Cuts

Tax Provision	Current Law	OBBBA Law
Sec. 179D, Energy efficient commercial buildings deduction	Deduction based on the cost of energy efficient commercial building property, up to a maximum amount per square foot (ranging from \$0.50 to \$5.00 per square foot).	Terminated deduction for property that begins construction after June 30, 2026.
Sec. 25C, Energy Efficient Home Improvement Credit	30% of qualified costs, \$1,200 annual limit, expires 2032.	Terminated for property placed in service after December 31, 2025.
Sec. 25D, Residential Clean Energy Credit	30% of qualified costs, phases down after 2032, expires 2034.	Terminated for property placed in service after December 31, 2025.
Sec. 25E, Previously Owned Clean Vehicle Credit	Up to \$4,000, expires 2032.	Terminated for expenditures made after Sept. 30, 2025.
Sec. 30C, Alternative Fuel Refueling Property Credit	30% of cost up to \$100,000, expires 2032.	Terminated for property acquired after June 30, 2026.
Sec. 30D, Clean Vehicle Credit	Up to \$7,500 per new clean vehicle, expires 2032.	Terminated for vehicles acquired after Sept. 30, 2025.
Sec. 45L, New Energy Efficient Home Credit	Up to \$5,000 per home, expires 2032.	Terminated for homes acquired after June 30, 2026.
Sec. 45W, Commercial Clean Vehicle Credit	Up to \$40,000, expires 2032.	Terminated for vehicles acquired after Sept. 30, 2025.
Sec. 45Y, Clean Electricity Production Credit	No expiration, based on beginning of construction.	Terminated for wind and solar facilities PIS after 12/31/27 and all other facilities after 2032. New foreign entity restrictions.
Sec. 48E, Clean Investment Credit	No expiration, based on beginning of construction.	Terminated for wind and solar facilities PIS after 2027 and all other facilities after 2032. New foreign entity restrictions.