



Understanding the Impacts of the One Big Beautiful Bill Act (OBBBA): Businesses & Individuals

August 21, 2025



Welcome

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- Submit any questions throughout the presentation using the Q&A feature at the bottom of your screen

AIU	HJI	WWE	PLO	EER	ORT
1,822	20,369	890	6,350	10,985	665
(-35)	(+580)	(-20)	(-200)	(+580)	(-15)
MBC	LJH	MJB	PON	NFR	UGH
3,405	9,542	2,609	7,654	4,522	1,632
(+210)	(+128)	(+35)	(+169)	(+122)	(+56)
YBV	QMN	MMJ	IT	KLM	CCX
3,204	5,211	7,100	7,150	782	1,901
(-33)	(+156)	(-60)	(-150)	(-74)	(+101)
MBB	WFF	HJM	OL	SDH	
3,320	712	134	2,022	631	6,287
(+90)	(+12)	(-5)	(-18)	(-40)	





Presenters & Panelists



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Agenda

- I. Key Provisions Impacting Businesses
- II. Key Provisions Impacting Individuals
- III. Panel Discussion





Key Provisions Impacting Businesses

§163(j) Interest Expense Limitation: Background (TCJA)

- Business interest expense is subject to limitation for businesses over average annual gross receipts test (A) of \$31 Million for 2025
- Company's interest expense can be limited if the amount exceeds sum of 30% of taxpayer's adjusted taxable income (ATI) for the taxable year
 - Tax years 2018 – 2021: Adjusted Taxable Income was defined as taxable income before interest income, interest expense, and depreciation and amortization. (similar to EBITDA)
 - Tax years 2022 – 2024: Adjusted Taxable Income = taxable income before interest income and interest expense

(A) Need to also consider the tax shelter rules.

§163(j) Interest Expense Limitation: Changes under OBBBA

- Changed the calculation rules for Section 163(j)
- While there is still a limitation, the limitation formula will now include the favorable addback of depreciation, amortization, and depletion
 - Back to initial rules for calculating adjusted taxable income like it was in 2018 through 2021
- Effective for **tax years beginning after 12/31/2024**
- Special rules may apply for short taxable years (guidance is to be provided)

§163(j) Interest Expense Limitation: Example

- ABC Company Facts:
 - Taxable Income before the limitation of \$600,000
 - Interest income: \$10,000
 - Interest Expense: \$400,000
 - Tax Depreciation: \$500,000
- 2024 ATI: $600,000 - 10,000 + 400,000 = 990,000$ *30% = **297,000**
- $400,000 - 297,000 = \$103,000$ of interest expense is not allowed as a deduction
- **Taxable Income is now: \$703,000**
- Same Facts
- 2025 ATI: $600,000 - 10,000 + 400,000 + 500,000 = 1,490,000$ *30% = **447,000**
- The entire \$400,000 of interest expense would be allowed as a deduction.
- **Taxable Income is still \$600,000**
- **Also note that in this 2025 scenario, there would be an additional \$47,000 allowed as in interest deduction if there are carryforwards available. (ATI of 447k and interest is only \$400k)

§174: Background (TCJA)

- For tax years beginning after 12/31/21, businesses were no longer allowed to expense specified research and experimental (SRE) expenditures as incurred.
 - Capitalized and amortized over 5 years (domestic)
 - Capitalized and amortized over 15 years (foreign)
- Section 174 expenses covered more than just qualified research expenses for the R&D Credit
 - Overhead costs, additional compensation costs, travel costs, and patent costs and it includes software development costs

§174: Changes under OBBBA

- Effective for **tax years beginning after 12/31/2024**
- **Domestic** research expenses are fully deductible in the year incurred (as it was before TCJA)
 - Any foreign research under Section 174 will still have to be capitalized and amortized over 15 years.
- Software expenses are still tied to §174
- OPTIONAL annual election: R&E Expenditures can still be capitalized and amortized over 60 months (as it was before 2022).

§174: Transition

- We will need IRS guidance to properly implement the transition
- Change in Accounting Method
 - Could be an accounting method change on Form 3115, could be a statement (IRS guidance needed)
- ALL TAXPAYERS: Start deducting domestic 174 Research Expenses on the 2025 Tax Return as incurred
- ALL TAXPAYERS: Options for Unamortized Costs from 2022-2024
 - Continue to amortize costs capitalized from 2022-2024
 - Elect to accelerate the remaining unamortized costs in one year (2025 tax return)
 - Elect to accelerate the remaining unamortized costs over two years, ratably (2025 & 2026 tax returns)

§174: Transition

- ****Small Business Taxpayer Only**** - Additional Option for Unamortized Costs from 2022-2024
 - **Amend all years for which TCJA rule was in effect**
 - All returns need to be amended within 1 year of OBBBA enactment date
 - Consider changes to R&D Credit
 - Definition of a Small Business Taxpayer: Gross Receipts (A) less than \$31 million

(A) Need to also consider the tax shelter rules.

§174: Transition

- Unknowns
 - Details of the relief options & implementation
 - State tax treatment



§174: Next Steps

1. Determine if a small business taxpayer
2. Model and evaluate each option
3. Wait for IRS guidance, state conformity

Opportunity: Immediate expensing of Fixed Assets

- Section 179
 - Effective for **assets placed in service after 12/31/24**
 - Section 179 depreciation deduction is increased to \$2,500,000 (from \$1,022,000)
 - Acquisition threshold increases to \$4,000,000 (from \$3,050,000)
 - EXAMPLE: Taxpayer has fixed asset additions of \$2,000,000
- Bonus Depreciation
 - Effective **after 1/19/25**, Bonus Depreciation is back to 100%
 - Had been slated to be 40% in 2025 and 20% in 2026
 - Note that assets placed in service from 1/1/25 – 1/19/25 have the 40% bonus depreciation

Opportunity: Immediate expensing of Qualified Production Property

- Qualified Production Property (QPP) = Buildings used in production
 - Nonresidential real estate
 - Must be placed in service in the U.S. or a U.S. territory
 - **Construction begins after 1/19/25 and before 1/1/29**
 - **Placed in service before 1/1/2031**
 - Must be used by the taxpayer for a qualified production activity
 - *Lessor of the property is not considered to be the user*

IRS guidance will be needed!

Opportunity: Immediate expensing of Qualified Production Property

- What is a qualified production activity?
 - Manufacturing, production, or refining a qualified product. There must be “substantial transformation” of the product.
 - A qualified product is any tangible personal property except for food or beverage prepared in the same building as a retail establishment in which it is sold – i.e. restaurants.
 - Production is defined as agricultural production and chemical production.
- QPP excludes space used for offices, research, parking, and other nonproduction areas.
 - Cost Segregation Study

Opportunity: Credits

- Tip Credit has been expanded to the beauty industry
 - Credit for the employer share of Social Security and Medicare taxes on certain employee tips
 - Barbering and hair care, nail care, esthetics, body and spa treatments
- Employer-provided childcare credit expanded to 40% of qualified expenditures with a maximum credit increased to \$500,000 **starting in 2026**. (previously 25% and \$150,000)
 - To claim the full amount, a business must spend at least \$1.25 million in a year on childcare services.
- Employer credit for paid family and medical leave is now permanent. For **tax years beginning after 12/31/2025**, more expenses qualify for the credit and the minimum work requirement for employees to qualify is reduced.

Charitable Contributions – C Corp. Impacts

- Effective for **tax years beginning after 12/31/25**
- Can only deduct charitable contributions in excess of 1% of taxable income
- The 10% ceiling is still in effect
- This effectively caps charitable contributions to 9% of taxable income.
- IRS guidance is expected to properly implement the carryforward rules.

Qualified Business Income (QBI)

- QBI 20% deduction made permanent!
- The deduction was set to expire after tax year 2025
- Made **permanent for tax year 2026 & forward**
- Other enhancements to QBI:
 - Increase phase-in range for SSTBs:
 - Was \$50,000/\$100,000 and now \$75,000/\$150,000 (single/MFJ)
 - NEW \$400 minimum QBI deduction

**SSTB = Specified Service Trade or Business (law, accounting, financial services, etc.)

A large, light gray, stylized graphic of a hand holding a heart shape is positioned in the background. The hand is open, with fingers slightly curled, and the heart is centered in the palm. The overall design is clean and modern, with a white background and a dark blue footer bar at the bottom.

Key Provisions Impacting Individuals

Above-the-Line Deductions

"No Tax on Tips":

- **NEW** deduction of up to \$25,000 for qualified tips received by an individual in an occupation that customarily and regularly receive tips
- Will be reported on Form W-2, Form 1099, or other specified statement furnished to the individual or reported directly by individual on Form 4137
- Phase-out begins for taxpayers with MAGI over \$150,000/ \$300,000 (single/MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision

Above-the-Line Deductions

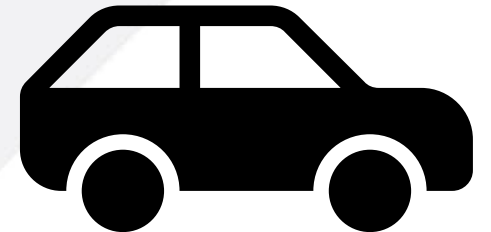
"No Tax on Overtime":

- **NEW** deduction of up to \$12,500/ \$25,000 (single/ MFJ) for qualified overtime compensation in the amount of pay that exceeds regular rate of pay
- Will be reported on Form W-2, Form 1099, or other specified statement furnished to the individual
- Phase-out begins for taxpayers with MAGI over \$150,000/ \$300,000 (single/ MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision

Above-the-Line Deductions

No Tax on Car Loan Interest:

- **NEW** deduction of up to \$10,000 for interest paid on a loan used to purchase a qualified vehicle
- For loans that originated after 12/31/2024
- Phase-out begins for taxpayers with MAGI over \$100,000/ \$200,000 (single/MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision



Below-the-Line Deductions

Standard Deduction:

- Increased standard deduction amounts for 2025!
- Increased amounts made **permanent for tax year 2026 & forward**
- Will continue to be indexed for inflation for 2026 & forward

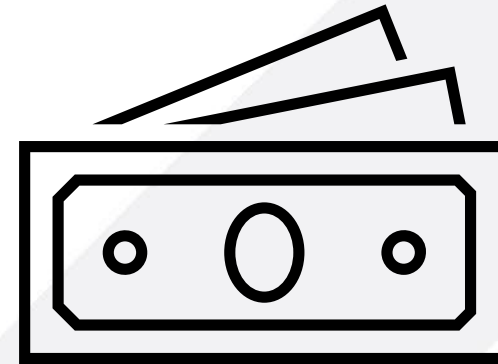
Filing status	Deduction amount
Single	\$15,750.
Married filing separately	\$15,750.
Head of household	\$23,625.
Married filing jointly	\$31,500.
Surviving spouses	\$31,500.

Below-the-Line Deductions

Impact on
Nonprofit
Organizations

Cash Charitable Contribution Deduction for Non-Itemizers:

- **NEW** deduction of up to \$1,000/ \$2,000 (single/MFJ) for **cash** charitable contributions made when taxpayer does not itemize
- Will **start for tax year 2026**
- **Permanent** provision



Below-the-Line Deductions

Impact on
Nonprofit
Organizations

Cash Charitable Contribution Deduction 60%-of-AGI Ceiling:

- Increased 60% ceiling is here to stay!
- Increased percentage made **permanent for tax year 2026 & forward**
 - 2025 is still 60%
- This ceiling will also apply to the NEW cash charitable contribution deduction allowed for non-itemizers (previous slide)

Below-the-Line Deductions

Impact on
Nonprofit
Organizations

Charitable Contribution Deduction 0.5%-of-AGI Floor:

- **NEW** 0.5%-of-AGI floor for all charitable contributions
 - This means charitable contributions that will be allowed as deduction will only be the portion that exceeds 0.5%-of-AGI
 - This is only for taxpayers who itemize
 - IRS guidance is expected to properly implement the carryforward rules
- Will **start for tax year 2026**
- **Permanent** provision

Below-the-Line Deductions

SALT Cap:

- Increased to \$40,000 from \$10,000 starting tax year 2025!
 - This is only for taxpayers who itemize
- Phase-out for taxpayers with MAGI over \$500,000, but cannot go below \$10,000
- The cap and phase-out amount will increase by 1% annually
- Will **start for tax year 2025 and go through 2029**
- **Temporary** provision
- But now we have a **permanent** SALT cap...



Below-the-Line Deductions

Home Loan Interest Deduction:

- For the qualified residence interest deduction, the limited \$750,000 in home mortgage acquisition debt is here to stay permanently
 - This is only for taxpayers who itemize
- Only for mortgages taken out after 12/15/2017
- Made **permanent for tax year 2026 & forward**



Below-the-Line Deductions

Wagering Losses:

- **NEW** limitation on losses from wagering transactions -
> limited to 90%, not to exceed winnings
- Made **permanent** for tax year 2026 & forward



Below-the-Line Deductions

Moving Expenses:

- Has now been **permanently eliminated**
- **Exception** still for active-duty service members & **NEW exception** for intelligence community members

Miscellaneous Itemized Deductions:

- Has now been **permanently eliminated**
- **NEW exception** for educator expenses

Personal Exemptions:

- Has now been **permanently eliminated**
- But... **NEW temporary \$6,000 deduction for seniors starting in tax year 2025 and go through 2028**

Below-the-Line Deductions

2025 37% Tax

Bracket:

Single = \$626,350 +

MFJ = \$751,600 +

PEASE Limitation:

- Has now been **permanently eliminated**
- But... **NEW** overall limit on itemized deductions for taxpayers



Itemized Deduction Limitation:

- 2% overall limit on itemized deductions for taxpayers in the top marginal tax bracket (37%)
- Made **permanent for tax year 2026 & forward**

Tax

Alternative Minimum Tax (AMT):

- Increased exemption amounts are here to stay!
- Made **permanent for tax year 2026 & forward**

Tax Rates:

- Lower tax rates are here to stay!
- Rates will stay at: 10%, 12%, 22%, 24%, 32%, 35%, & **37%**
- Made **permanent for tax year 2026 & forward**

Credits

Child Tax Credit (CTC):

- Increased credit amount of \$2,200 for **2025!**
 - \$1,700 of the credit is refundable
- Both will continue to be indexed for inflation for 2026 & forward
- Made **permanent for tax year 2026 & forward**
- \$500 Credit for Other Dependents is **made permanent**
 - Still not indexed for inflation
 - Still nonrefundable

Credits

Child and Dependent Care Expenses Credit:

- Increased maximum credit rate to 50% from 35%!
- Made **permanent for tax year 2026 & forward**

Credits

Impact on
Nonprofit
Organizations

Credit for Contributions to Scholarship-Granting Organizations (SGOs):

- **NEW** nonrefundable credit up to \$1,700 for any taxpayer who makes a qualified cash charitable contribution to a SGO
- Dollar-for-dollar credit
- Made **permanent for tax year 2027 & forward**
- Other items to note on SGO Credit:
 - SGOs will need to be operating in states that elect to participate in the program
 - SGOs will have a strict requirements to meet to qualify as a SGO under this law

Other Provisions

529 Plan Expenses:

- Qualified expenses allowed as tax-free distributions has been **expanded** to now include books, materials, testing fees, dual enrollment fees, educational therapies, and tutoring costs in addition to the already allowed tuition costs
- Increase annual limit amount allowed to \$20,000 from \$10,000
- Qualified postsecondary credential expenses will also now qualify
- Made **permanent for tax year 2026 & forward**

Other Provisions

Unified (Lifetime) Estate & Gift Tax Exclusion:

- Increased lifetime exclusion amounts are now made permanent!
- Amounts were set to revert back to pre-TCJA levels for tax year 2026
 - 2025 = \$13.99 million (*set*)
 - 2026 = \$15 million (*new*)
- Increased amounts made **permanent for tax year 2026 & forward**
- Will continue to be indexed for inflation for 2027 & forward



Other Provisions

Trump Accounts:

- **NEW** tax-deferred investment account (IRA account) for an individual who is under the age of 18
- \$5,000 annual contribution allowed per year, per beneficiary, up to the calendar year before the beneficiary turns 18
- Once the beneficiary turns 18, the funds will be rolled into a traditional IRA and will be subject to those rules
- Distributions can start the calendar year the beneficiary turns 18
- A one-time government contribution of \$1,000 will be made to the account for every qualifying child born after between **2025 and 2028 (temporary)**
- Made **permanent for tax year 2026 & forward**



PANEL DISCUSSION

THANK YOU



Wegner CPAs