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One Big Beautiful Bill Act – Summary for Business Owners
Signed into Law: July 4, 2025
Effective: Most provisions apply beginning January 1, 2025

TAX & BUSINESS CHANGES

1. Individual Tax Provisions

This section includes tax changes that directly impact small business owners who file through their personal returns (Schedule C or K-1).

- **Tax Rates Made Permanent**: The reduced individual rates from the 2017 Tax Cuts and Jobs Act (TCJA), a major federal tax overhaul passed in 2017, are now permanent. This means lower tax brackets will remain in place, which benefits business owners who report their profits on personal returns.
- **Standard Deduction**: Slightly increased to around $15,000 for single filers (up from ~$12,950, a ≈16% increase) and $30,000 for married couples filing jointly (up from ~$25,900, also ~16%). This reduces taxable income for many families and business owners.
- **Child Tax Credit (CTC)**: Increased to $2,200 per child—up from $2,000 under current law, a 10% increase—and made permanent. This provides tax relief for working parents, including self-employed individuals.
- **Senior Deduction**: A new $6,000 deduction for taxpayers age 65+ with income below $75K (single) or $150K (joint). Helpful for retired or semi-retired business owners.
- **Tip Deduction "No tax on tips" (above-the-line deduction)**:
  - **Maximum Deduction**: Up to **$25,000** of reported cash tip income per taxpayer (2025–2028). Only **cash tips** are deductible; electronic tip payments remain taxable.
  - **Eligibility Limit**: Phases out for taxpayers with modified adjusted gross income (MAGI) above **$150,000** (single) or **$300,000** (married filing jointly); inflation-adjusted.
  - **Qualifying Occupations**: Applies only to "customarily tipped" roles (e.g., servers, bartenders), with finalized definitions due from Treasury/IRS within 90 days
  - **Reporting & Withholding**: Employers continue standard withholding, and W-2s must separately report tip amounts.
- **Overtime Deduction "No tax on overtime" (above-the-line deduction)**:
  - **Maximum Deduction**: Up to **$12,500** for individuals or **$25,000** for married filing jointly, per year (2025–2028).

- **Eligibility Limit**: Same MAGI thresholds as tips—phasing out above **$150K / $300K MAGI.**
- **Qualified Overtime**: Must be **FLSA-mandated overtime premium pay** (time-and-a-half over standard rate), reported separately on W-2.
- **Reporting & Payroll Impact**: Employers must report overtime compensation as a distinct W-2 line using "reasonable method" guidelines from Treasury.

- **Auto Loan Interest Deduction (2025–2028)**: Interest on **new** vehicle loans for U.S.-assembled cars may be deducted (up to $10,000 per year). Applies only to loans originated in 2025 or later. Business owners buying new vehicles may want to structure purchases carefully.
📌 *This creates a new deduction opportunity where none existed under prior law.*
- **SALT Deduction Cap**: Households earning under $500,000 can now deduct up to $40,000 in combined state and local taxes through 2029. Previously, this deduction was capped at $10,000 per year for all households, regardless of income.
📌 *For California business owners, this is particularly valuable due to high income and property taxes. It allows more of those payments to be deducted at the federal level, lowering your total tax burden. This is a 4x increase for qualifying households.*

🏢 2. Business & Investment Provisions

- **20% Deduction for Business Income (Section 199A / QBI)**: Business owners who operate as an S Corporation, sole proprietorship, partnership, or LLC can deduct 20% of their business profits from taxable income.
  - This applies to the business's net profit—not wages paid to the owner.
  - 📌 *QBI stands for "Qualified Business Income," and this deduction was created to ensure pass-through businesses (which don't pay corporate taxes) get a similar benefit to corporations.*
  - 🆕 *What changed: This deduction was originally set to expire in 2025 under prior law, but the new bill makes it permanent. Business owners can now rely on this deduction as a stable part of long-term tax planning.*
- **Section 179 Expensing**: The amount a business can fully write off in the year an asset is purchased is now $2.5M, with a phaseout starting at $4M. This includes equipment, vehicles, office furniture, and software.
📌 *This nearly doubles the prior 2024 limits of $1.22M (with phaseout at $3.05M).*
- **Bonus Depreciation**: 100% expensing continues for newly purchased qualified business assets. This allows full write-offs in year one, rather than spreading them out over multiple years.
  - 🆕 *What changed: Under the 2017 TCJA, bonus depreciation was scheduled to phase down from 100% to 80% in 2023, 60% in 2024, and 40% in 2025, before phasing out entirely by 2027. This*

bill reverses that phaseout and restores 100% bonus depreciation for qualified property placed in service after January 19, 2025, through at least December 31, 2029 (and later for some long-production assets).

- **Estate & Gift Tax**: The exemption for passing wealth—such as shares in a business or real estate—was raised to $15 million per person and made permanent.
  📌 *This is more than double the $6.8M per-person exemption that would have returned under pre-TCJA rules in 2026.*
- **International Tax Reform**: Reduces U.S. taxes on overseas profits by updating the tax calculation method. Mostly applies to larger or international businesses.
  - 📌 For clients with international operations, this change simplifies how foreign income is taxed and may reduce double taxation risks. It could encourage expansion into global markets or restructuring to take advantage of favorable tax treatment. Businesses involved in foreign partnerships, licensing, or exports may see improved tax efficiency.
- **R&D Deduction Restored:** Starting in 2025, businesses can fully deduct research and development (R&D) expenses in the year they are incurred, reversing a prior rule that required amortization over five years.
  - 📌 This is especially valuable for startups, manufacturers, and tech firms investing in innovation. It lowers the upfront cost of developing new products, systems, or technologies.
- **1099-K Reporting Delay:** The IRS postponed the $600 reporting threshold for third-party platforms (like Venmo, PayPal, and Stripe) until 2026. For 2024, the reporting threshold is $5,000.
  - 📌 This change delays the rollout of low-threshold 1099-K forms for small businesses and gig workers, giving them more time to prepare.
- **IRS Budget Cuts**: $17 billion in enforcement funding was cut. While this reduces audit frequency, electronic filing and compliance requirements will still be enforced.
  - 📌 For small businesses, fewer audits might feel like relief—but don't get too comfortable. The IRS will continue using automated systems and data analytics to flag noncompliance. Businesses should still maintain organized records and adhere to reporting rules, especially with expanded 1099-K reporting thresholds and tip/overtime tracking starting in 2025.

🏥 HEALTHCARE & SAFETY NET CHANGES

- **Medicaid Work Requirements**: Most adults ages 19–64 must work 80 hours/month (exceptions for people with disabilities). These changes begin in 2026. The Congressional Budget Office estimates **8 million people** could lose coverage by 2034 due to eligibility or paperwork challenges.

📌 *These requirements had been waived or loosened in prior years. The reinstatement marks a significant shift in eligibility enforcement.*

- **SNAP (Food Assistance)**: Parents with kids over age 14 must meet work requirements. Estimated **2–3 million** could lose benefits by 2028.
- **ACA Marketplace Insurance Plans**: People who buy coverage on Healthcare.gov or state exchanges will have to verify income twice per year instead of once. Auto-renewals are being phased out. **3–4 million** people could lose access due to failure to update their information.
- **Combined Impact**: Overall, **11–12 million people** could lose some form of government-backed health coverage over the next decade. Some may move to employer plans, but others may go without insurance.
- **Rural Health Funding**: A new $50B fund will help small hospitals, mobile clinics, and emergency transport programs in underserved areas.

🏛 IMMIGRATION, BORDER & TRADE

- **Border Wall and Security Spending**: $46.5 billion to expand and maintain the border wall, plus $6.2B for drones and surveillance. States will be reimbursed $13B for prior spending.
- **Staffing**: 10,000 new ICE agents and 3,000 Customs & Border Protection officers will be hired. More detention space is being built.
- **Tariffs & Trade Revenue**:
  - Ends the $800 tax-free limit on imports, meaning more goods will now be taxed at the border.
  - Adds a 1% fee to money wired abroad.
  - Increases tariffs on many products such as electronics, EVs, batteries, and steel.
  - **Impact on Businesses**: Importers and retailers could face higher costs, especially those depending on foreign-made goods. Price increases may be passed on to consumers.
  - These measures are projected to raise $150B–$400B per year, helping to cover the cost of tax breaks and spending increases.

📊 FISCAL IMPACT

- **Debt Ceiling Raised**: The federal borrowing limit was increased by $5 trillion to allow for future spending.
- **Budget Deficit**: The bill is expected to increase the national debt by $4.6 trillion over 10 years, according to the Congressional Budget Office.
- **Revenue Mismatch**: While tariffs and other changes raise revenue, they only offset 10–15% of the new spending. The rest adds to the debt.

- **Sunsetting Provisions**: Some benefits—like the tip/overtime deduction, auto loan deduction, and senior deduction—are set to expire after 2028 unless extended. Business owners should plan ahead in case these are not renewed.

OTHER NOTABLE INCLUSIONS

- **Rural Economic Pilots**: New programs will test broadband expansion, mobile clinics, and small-town financial services.
- **College Oversight**: Colleges with large endowments must provide more transparency in spending and fundraising.
- **"Made in USA" Rule Tightening**: Stricter criteria for labeling products as American-made, which may affect manufacturing and advertising.
- **Student Loan Overhaul & Caps**: Effective July 2026, the bill consolidates repayment plans into two new ones (a 1–10% income-based RAP with 30-year forgiveness and a 10–25-year fixed schedule), eliminates hardship/unemployment deferments, and imposes lifetime borrowing caps—$100K for graduate studies, $200K for professional degrees, and $65K on PLUS loans. Programs with low graduate earnings may lose federal loan eligibility.
- **"Trump Account" Pilot Program:** A new savings initiative for children born between 2025 and 2028 offers a one-time $1,000 federal deposit and allows annual contributions of up to $5,000 per child (plus $2,500/year from employers) starting in 2026. Funds grow tax-deferred and cannot be withdrawn before age 18, with unrestricted access beginning at age 30. Though experimental, it may impact long-term financial planning for parents and businesses offering employee benefits.
- **Clean-Energy Credit Repeals:** Several renewable energy tax incentives from the Inflation Reduction Act were rolled back. While this mostly affects energy and manufacturing sectors, ripple effects may increase costs in construction and commercial real estate.