Key Wealth

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Key Wealth Institute

Key Questions: What is in the One Big Beautiful Bill Act and how does it compare to current law?

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On July 4, President Trump signed into law H.R. 1 (House bill), the budget reconciliation bill known as the "One Big Beautiful Bill Act," the massive bill that reflects his tax and spending priorities. The new law implements significant changes to current provisions, including extending many expiring provisions in the Tax Cuts and Jobs Act of 2017.

Below is a chart comparing Key individual, business, trust, estate and tax-exempt provisions under current law with final provisions signed into law.

Individual provisions

Tax item	Current law	OBBB law
Individual income tax rates	The top marginal tax rate is 37% for income over $626,350 for individuals and $751,600 for married individuals filing jointly. Rates are scheduled to increase to pre-Tax Cuts and Jobs Act (TCJA) amounts after 2025.	Makes TCJA rates permanent and adds an additional year of inflation adjustments to the lower tax brackets (10% and 12%).
Standard deduction	The standard deduction for married individuals filing jointly is $30,000. After 2025, the basic standard deduction is scheduled to sunset to pre-TCJA amounts.	Permanently increases the standard deduction, starting in 2025, at $31,500 for joint filers.
Personal exemptions	The TCJA suspended the personal exemptions deduction through 2025.	Permanently eliminates deduction for personal exemptions.
Child Tax Credit (CTC)	The maximum child tax credit is $2,000 and only a portion ($1,700) is currently refundable. This credit will revert to $1,000 after 2025.	Permanently increases the maximum credit to $2,200 per child, with $1,700 refundable.
Pass-through business deduction	Under Section 199A, individuals, estates, and trusts can deduct 20% of qualified business income from pass-through businesses like partnerships and S corporations, subject to certain limits.	Makes deduction permanent at 20%, with higher phase-outs and adds a new $400 minimum deduction.

Individual provisions (continued)

Tax item	Current law	OBBB law
Alternative Minimum Tax (AMT) exemption	The TCJA increased the exemption amounts and the exemption amount phase-out thresholds for the individual AMT.	Makes higher exemption and phase-out thresholds permanent and increases phase-out rate to 50%.
Mortgage interest deduction	$750,000 acquisition indebtedness limit (TCJA) expires after 2025.	Makes $750,000 limit permanent and adds a deduction for mortgage insurance premiums.
Casualty loss deduction	Limited deduction to federally declared disasters only (TCJA) through 2025.	Makes limitation permanent and adds deduction for certain state-declared disasters.
Miscellaneous itemized deductions	Suspended most personal deductions through 2025 (TCJA); scheduled to return in 2026.	Permanently terminates deduction, except for educator expenses.
Pease limitation (itemized deductions phase-outs)	Suspended through 2025 (TCJA); scheduled to return in 2026.	Make permanent the repeal of Pease limitation beginning in 2026 and replaces the limitation with simpler calculation.
Moving expenses deduction	Suspended for most from 2018–2025 (TCJA); returns in 2026.	Permanently terminates deduction except for military.
Wagering losses	Limited to itemized deduction based on the amount of winnings through 2025.	Further limits wagering losses, to 90% of the losses deductible only to the extent of winnings.
Charitable deduction for non-itemizers	Deduction not available after 2021.	Creates a permanent $1,000 ($2,000 for joint filers) above-the-line deduction for certain charitable contributions starting in 2026.
Charitable deduction for taxpayers who itemize	Taxpayers who itemize can deduct qualified charitable contributions subject to limitations.	Limits charitable deduction for those who to itemize to the extent contributions exceed 0.5% of the individual's adjusted gross income for the year; makes permanent 60% AGI limitation for cash gifts.
No tax on tips	Tips are subject to taxation.	Temporarily makes tip income up to $25,000 deductible through tax year 2028, subject to income limitation.
No tax on overtime	Overtime pay is taxable income.	Temporarily makes overtime income up to $12,500, per taxpayer, deductible through tax year 2028, subject to income limitation.
Enhanced deduction for seniors	Additional standard deduction up to $2,000 is available for those older than 65.	Temporarily, for tax years 2025–2028, adds a senior deduction of $6,000 for each qualifying individual, subject to income phaseouts.

Individual provisions (continued)

Tax item	Current law	OBBB law
No tax on car loan interest	Personal interest on car loans currently not deductible.	Allows deduction for up to $10,000 of interest on new car loans; final assembly must take place in United States; for tax years 2025–2028.
Adoption credit	Credit is nonrefundable.	Makes $5,000 of the credit refundable.
529 plan qualified expenses	Limited to higher education and $10,000 K-12 tuition.	Expands to include more K-12 and homeschool expenses as well as additional qualified postsecondary credentialing expenses.
State and local tax (SALT) deduction	Currently capped at $10,000.	Temporarily increases the limit on the federal deduction for state and local taxes to $40,000 (from $10,000) and adjusts it for inflation. In 2026, the cap will be $40,400, and then will increase by 1% annually, through 2029. Starting in 2030, it will revert to the current $10,000.

Business provisions

Tax item	Current law	OBBB law
Employer-Provided Childcare Credit	Tax credit up to $150,000 per year to offset 25% of qualified childcare expenditures.	Increases credit to 40% (50% for small businesses) with maximum credits of $500,000 ($600,000 for small businesses).
Paid Family and Medical Leave Credit	Temporary, expires after 2025.	Extends and enhances credit.
Research and experimental (R&E)	Generally requires amortization over five years for domestic R&E.	Permanently reinstates full expensing of domestic R&E from January 1, 2025; foreign R&E remains at 15-year amortization.
Bonus depreciation	Deduction limited to 40% in 2025 for qualified purchases, phases down to 20% in 2026 and 0% in 2027.	Permanently restores 100% bonus depreciation for property placed in service on or after January 19, 2025.
Bonus depreciation — qualified production property	Does not exist.	Create a new, special 100% depreciation deduction for manufacturing property where construction begins after January 19, 2025, and before January 1, 2029, and must be placed in service prior to 2031.

Business provisions (continued)

Tax item	Current law	OBBB law
Sec. 179, immediate expensing of business property	Allows for an expense up to $1,160,000 of qualifying property with phase-out threshold beginning at $2,890,000.	Increases the maximum amount a taxpayer may expense under Sec. 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million.
Business interest deduction limitation (Sec. 163j)	Business interest deductions generally are limited to 30% of taxpayer's adjusted taxable income.	Permanently reinstates the EBITA-based calculation.
Form 1099 information reporting	The Form 1099 reporting threshold is $600 and applies to payments made in the ordinary course of business.	Increases the reporting threshold to $2,000 for certain payments to persons engaged in a business.

Trust, estate, and tax-exempt provisions

Tax item	Current law	OBBB law
Trust tax rates	For 2025, highest tax rate is 37% (for incomes greater than $3,777); rate set to increase to 39.6% in 2026.	Makes permanent current tax rates for trusts and estates, including highest rate at 37%.
State and local tax (SALT) deduction	Currently capped at $10,000.	Makes SALT cap rules that apply to individuals to also apply to trusts and estates.
Estate and gift tax exemption	For 2025, the estate and gift tax exemption is $13.99 million. This amount is scheduled to revert to $5 million in 2026.	Permanently increases the estate and lifetime gift exemption to $15 million per taxpayer.
Excise tax on private foundations	Excise tax on net investment income is 1.39%.	Establishes a multi-tiered rate structure based on school's student adjusted endowment; exception exists for smaller schools.

For more information, please contact your advisor.

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About the Author

As the National Tax Director, Joe is responsible for coordinating the tax activities of the Trust Tax department in the production of tax reporting for Key Wealth's fiduciary and individual tax clients.

Joe draws on more than 25 years of experience as a trusted business partner to family-owned companies and high-net-worth individuals by delivering comprehensive tax, financial planning, and management advisory services to clients to maximize capital preservation and minimize income taxes. He has extensive experience with S Corporations, partnerships, gift, trusts, and individual taxation.

Joe received his B.B.A. in Accounting from Cleveland State University and is a member of the American Institute and Ohio Society of CPAs.

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