

On July 4, 2025, President Donald Trump signed HR 1 into law, known as the “One Big Beautiful Bill Act.” Below is a summary of the key tax law changes, along with corresponding effective dates and summaries of the relevant parts of the law in effect prior to July 4, 2025.

Individuals Key Provisions

TAX PROVISION	OLD LAW	NEW LAW	EFFECTIVE DATE
Estate			
Estate and Gift Tax Exemption Amount	The estate and gift tax exemption amount was temporarily increased for decedents dying and gifts made from 2018 through 2025, indexed annually for inflation. The 2025 exemption is \$13.99 million and was scheduled to revert to approximately \$5 million in 2026.	Permanently increases the estate, generation-skipping and gift tax exemption amount to \$15 million, and \$30 million for a married couple, indexed annually for inflation beginning in 2026.	Estates of decedents dying and gifts made after December 31, 2025.
Computation of Tax			
Individual Income Tax Rates	Lowered income tax rates and thresholds for individuals, estates and trusts from 2018 through 2025. Seven tax brackets: 10%, 12%, 22%, 24%, 32 %, 35% and 37%.	Makes TCJA income tax rate and threshold decreases permanent. Applies inflation adjustment to 10%, 12% and 22% brackets.	Beginning with 2026 tax year.
Personal Exemptions	Temporarily suspended this deduction from 2018 through 2025, and was set to be reinstated in 2026.	Eliminates personal exemption deduction.	Beginning with 2025 tax year.
Alternative Minimum Tax (AMT) Exemption and Phaseout	Increased exemption and phaseout amounts for the AMT exemption for noncorporate taxpayers were set to expire after 2025.	Permanently extends the increased AMT exemption amounts, increases phaseout amount from 25% to 50%, steepening the clawback for higher-income taxpayers.	Beginning with 2026 tax year.
Standard Deduction	Increased the standard deduction from 2018 through 2025. Scheduled to revert to pre-TCJA levels in 2026.	Permanently increases standard deduction from \$15,000 to \$15,750 for individuals, from \$22,500 to \$23,625 for head of household, and from \$30,000 to \$31,500 for married couples filing jointly, indexed for inflation.	Beginning with 2025 tax year.

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Employer Payments of Student Loans	Allowed a \$5,250 exclusion from gross income for employer payments of student loans under educational assistance programs from 2018-2025.	Assistance programs made permanent and adjusted for inflation beginning after 2026.	Beginning with 2026 tax year.
New Deductions			
No Tax on Tips	Not applicable – did not exist.	Allows a deduction of up to \$25,000 for qualified tips for individuals in traditionally and customarily tipped industries. Deduction is phased out for joint filers with AGI over \$300,000 (\$150,000 for others). Available to both itemizers and nonitemizers.	2025-2028 tax years.
No Tax on Overtime	Not applicable – did not exist.	Allows a deduction for qualified overtime compensation of \$12,500 of qualified overtime income (\$25,000 for joint returns). Available to itemizers and nonitemizers.	2025-2028 tax years.
No Tax on Car Loan Interest	Not applicable – did not exist.	Allows a deduction for up to \$10,000 of interest on new car loans on U.S.-assembled vehicles. Subject to phaseout for AGI above \$200,000 for joint filers, \$100,000 for single filers. Available to itemizers and nonitemizers.	2025-2028 tax years.
Charitable Contribution Deduction for Nonitemizers	In 2020 and 2021 there was a charitable contribution deduction of up to \$300 (\$600 for joint returns) for cash contributions by nonitemizers.	Creates a similar, permanent, nonitemizer charitable contribution deduction and increases it to a maximum of \$1,000 (\$2,000 for joint returns).	Beginning with 2026 tax year.
Enhanced Deduction for Seniors	Not applicable – did not exist.	In addition to the increased standard deduction for those 65 or older, the law creates a \$6,000 deduction for seniors (age 65 before the end of the taxable year). Deduction is phased out by 6% of AGI exceeding \$75,000 (\$150,000 joint).	2025-2028 tax years.

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Itemized Deductions			
State and Local Tax (SALT) Cap	For 2018-2025, the TCJA temporarily limited the deduction for state and local sales, income and property taxes to \$10,000 (\$5,000 for married filing separately). Was set to become unlimited in 2026.	Increases limitation on SALT deduction to \$40,000 for 2025 and \$40,400 for 2026, increasing by 1% each year until 2029, and reverting to \$10,000 for 2030 and beyond. The \$30,000 of additional limitation is subject to phaseout beginning at \$500,000 (\$250,000 for married filing separately) for 2025 increasing by 1% each year through 2029. Phaseout does not reduce the deduction below \$10,000.	Beginning with 2025 tax year.
0.5% Floor on Deduction for Charitable Contributions Itemizers	Not applicable – did not exist.	Reduces itemized charitable contribution deduction by only allowing deductions in excess of 0.5% of the taxpayer's AGI for the taxable year.	Beginning with 2026 tax year.
Limitations on Itemized Deductions	The TCJA temporarily suspended the Pease limitation for individual taxpayers itemizing deductions from 2018 through 2025.	Repeals Pease itemized deduction limitation and limits itemized deductions for those in the top bracket to an effective 35%.	Beginning with 2026 tax year.
Mortgage Interest Deduction	The TCJA limited the deduction for mortgage interest to interest for acquisition indebtedness to \$750,000 or less (\$375,000 for married individuals filing separately) from 2018 to 2025 and suspended the deduction of interest on home equity indebtedness.	Makes \$750,000 (\$375,000 for married filing separately) limitation permanent and permanently disallows mortgage interest deduction for home equity indebtedness. Expands the deduction by treating certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest.	Beginning with 2026 tax year.
Miscellaneous Itemized Deductions	The TCJA temporarily suspended miscellaneous itemized deduction for taxable years from 2018 to 2025.	Permanently eliminates deduction of miscellaneous itemized expenses.	Beginning with 2026 tax year.
Wagering Losses	The TCJA temporarily limited the deductions for the actual cost of wagers and deductible expenses incurred with gambling activity to the extent of gambling gains from 2018-2025.	Makes deduction limitation permanent and further limits deduction to 90% of losses to the extent of gains from wagering transactions.	Beginning with 2026 tax year.

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Casualty Losses	The TCJA temporarily limited casualty loss deductions to losses sustained from federally declared disasters from 2018-2025.	The limitation to federally declared disasters is made permanent but is expanded to include certain state-declared disasters.	Disasters declared on or after July 4, 2025.
Other Provisions			
Broadened 529 Account Disbursements for Elementary, Secondary, Homeschooling and Postsecondary Credentialing Expenses	Treated certain primary and secondary education expenses as qualified higher education expenses.	Expands definition of “qualified higher education expense” to include certain expenses in connection with enrollment in or attendance at an elementary or secondary public, private or religious school. For tax years beginning after December 31, 2025, increases the annual aggregate per-beneficiary distribution limitation from \$10,000 to \$20,000. Also amends the definition of “qualified higher education expense” to include qualified postsecondary credentialing expenses and provides definitions related to postsecondary credentialing.	Distributions made after July 4, 2025.
Qualified Opportunity Zones (QOZs)	The TCJA temporarily provided for designation of QOZs and related tax benefits from 2018 to 2025.	Opportunity zones are permanently extended, and creates a rolling 10-year OZ program. New investment opportunities for capital gains (and up to \$10,000 of ordinary income) invested after December 31, 2027. New zones will be designated, with stricter requirements and more emphasis on rural zones. Gain will be recognized in earlier of year of disposition or five years after investment in the qualified opportunity fund. After five years, investment basis in the QOPH is increased by 10% (30% for qualified rural opportunity funds). After 10 years, basis is increased to fair market value on date the investment is sold or exchanged resulting in no gain.	Generally, new OZ rules apply to amounts invested in QOZs beginning in 2027. Several special rules for existing programs apply July 4, 2025.

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Trump Accounts	Not applicable – did not exist.	Creates tax-exempt "Trump accounts" for qualifying children allowing for annual contributions of up to \$5,000, indexed annually for inflation, with exceptions for certain exempt contributions. For children born in 2025-2028, a pilot program will include an initial government contribution of \$1,000.	Beginning with 2026 tax year.
Moving Expenses Deduction	Temporarily suspended from 2018-2025 except for members of the armed forces. Expected to be reinstated in 2026.	Moving expense deduction is permanently eliminated, except for active-duty military members moving due to a military order and permanent change of station. The deduction has also been expanded to include members of the intelligence community.	Beginning with 2026 tax year.
Excise Tax on Remittance Transfers	Not applicable – did not exist.	Introduces a new 1% excise tax on remittance transfers made after 2025 from individuals to foreign recipients where the sender provides cash, money order, cashier's check or similar physical instruments.	Beginning with 2026 tax year.
Individual Tax Credit Modifications			
Child Tax Credit	The TCJA allowed a child tax credit of \$2,000 per qualifying child (up to \$1,400 refundable per child) and a \$500 credit for other dependents, phasing out above \$400,000 for joint filers and \$200,000 for single filers. In 2026, the child tax credit was scheduled to revert to \$1,000 and the other dependent credit was scheduled to expire.	Increases the child tax credit to \$2,200 per qualifying child, indexed annually for inflation. Makes permanent the refundable portion and TCJA-enacted phaseout thresholds. Makes permanent the \$500 other dependent credit.	Beginning with 2025 tax year.
Adoption Credit	Nonrefundable tax credit for qualified adoption expenses on a permanent basis.	Makes credit for adoption expenses of up to \$5,000 refundable, adjusted annually for inflation.	Beginning with 2025 tax year.
Terminated Individual Energy Credits			
Energy Efficient Home Improvement Credit	30% credit, up to \$1,200 annually, for amounts paid or incurred for qualified energy efficiency improvements installed, residential energy property expenditures or home energy audits, set to expire after 2032.	Eliminates the energy efficient home improvement credit.	Property must be placed in service by December 31, 2025, to claim credit.

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Residential Clean Energy Credit	30% nonrefundable personal residential clean energy credit for qualified clean energy expenditures, set to expire after 2034.	Eliminates the residential clean energy credit.	Expenditures must be made by December 31, 2025, to claim credit.
Previously Owned Clean Vehicle Credit	Up to \$4,000 credit for qualified buyers who purchase a previously owned clean vehicle, set to expire after 2032.	Eliminates the previously owned clean vehicle credit.	Vehicles must be acquired by December 31, 2025, to claim credit.
Clean Vehicle Credit	Up to \$7,500 credit for new electric vehicles meeting certain standards, including final assembly in North America, set to expire after 2032.	Eliminates the clean vehicle credit.	Vehicles must be acquired by September 30, 2025, to claim credit.
New Energy Efficient Home Credit	Up to \$5,000 credit for a qualified new energy efficient home, set to expire after 2032.	Eliminates the credit for qualified new energy efficient homes.	Homes must be acquired by June 30, 2026, to claim credit.

Businesses Key Provisions

TAX PROVISION	OLD LAW	NEW LAW	EFFECTIVE DATE
Changes to Key Deductions			
Qualified Business Income Deduction	For 2018 to 2025, the TCJA created a qualified business income (QBI) deduction for noncorporate taxpayers generally equal to 20% of QBI earned in a qualified trade or business, plus 20% of qualified real estate investment trust dividends and qualified publicly traded partnership income.	Permanently extends 20% deduction for QBI, increases phase-in income limitations and adds inflation-adjusted minimum deduction of \$400 for taxpayers with at least \$1,000 of qualifying income from active qualified trades or businesses.	Tax years beginning after December 31, 2025.
Depreciation for Qualified Production Property	Not applicable – did not exist.	Provides a 100% bonus depreciation deduction for certain manufacturing property placed in service before January 1, 2031, and construction beginning after January 19, 2025, and before January 1, 2019.	Property placed in service after July 4, 2025.
Bonus Depreciation	100% bonus depreciation was available from September 28, 2017, through the end of 2022, and stepping down as follows: 2023 – 80% 2024 – 60% 2025 – 40% 2026 – 20% after 2026 – 0%	Permanently reinstates 100% bonus depreciation.	Property acquired after January 19, 2025.
Section 179 – Enhanced Small Business Expensing	Section 179 allows businesses to expense up to \$1.25 million of qualifying property in 2025, which is reduced once property placed in service during the year exceeds \$3.13 million.	The maximum amount a taxpayer can expense in 2025 has increased to \$2.5 million, along with a phaseout threshold of \$4 million.	Property acquired after December 31, 2024.

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Deduction for Research and Experimental Expenditures (R&D)	Required amortization and capitalization over five years for domestic R&D costs and 15 years for research performed outside the United States.	Permanently reinstates immediate expensing of domestic R&D costs, with an election to amortize certain expenditures previously amortized. Foreign R&D costs remain at 15-year amortizations.	Tax years beginning after December 31, 2024.
Modified Adjusted Taxable Income Calculation for Business Interest Deduction	The TCJA limited the deduction for net business interest expense based on a percentage of the taxpayer's adjusted taxable income (ATI), which, in 2021 and earlier tax years, was computed without regard to depreciation, amortization or depletion.	Makes permanent that ATI is not reduced by deductions for depreciation, amortization or depletion.	Tax years beginning after December 31, 2024.
Definition of Adjusted Taxable Income for Business Interest Limitation	Not applicable – did not exist.	In addition, in calculation of ATI, the new law excludes subpart F income, GILTI inclusions and Section 78 gross ups.	Tax years beginning after December 31, 2025.
Business Interest Limitation and Interest Capitalization	Not applicable – did not exist.	Certain capitalized interest under Section 263(g) (regarding interest allocable to personal property that is part of a straddle) and Section 263A(f) (regarding interest allocated to property produced by the taxpayer) is now treated a business interest expense, subject to the Section 163(j) limitation.	Tax years beginning after December 31, 2025.
Limitation on Excess Business Losses of Noncorporate Taxpayers	The TCJA temporarily disallowed a deduction for "excess business losses" for taxable years 2021 through 2028. Excess business losses, where net loss exceeds \$250,000 (doubled for a joint return), is disallowed and carried forward to succeeding years, subject to Net Operating Loss rules.	Permanently extends the disallowance of a deduction for excess business losses. Indexes the \$250,000 threshold for inflation and retains the existing carryover rules.	Loss disallowance applies to tax years beginning after December 31, 2026. Inflation adjustment applies to tax years beginning after December 31, 2025.
Corporate Charitable Deduction	Deduction allowed for charitable contributions up to 10% of taxable income.	Establishes 1% floor, so charitable contributions are only deductible to the extent they exceed 1% of taxable income. Remains subject to the 10% limit.	Tax years beginning after December 31, 2025.

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Changes to Key Exclusions and Credits			
Small Business Stock Gain Exclusion	Excludes gain from the sale or exchange of qualified small business stock (QSBS) held for more than five years. For QSBS acquired after September 27, 2010, the exclusion was 100%. For QSBS acquired before September 27, 2010, the exclusion was between 50% and 75%. The stockholder's gain exclusion was limited to \$10 million per-issuer.	Allows an exclusion from gross income of 50% of gain from the sale or exchange of QSBS held for at least three years and acquired after July 4, 2025, 75% for stock held at least four years and 100% for stock held at least five years. The maximum amount of gain eligible for exclusion for each shareholder of stock is increased to the greater of \$15 million or 10 times the shareholder's basis in the stock. Limits the qualified small business gross asset to \$50 million for stock issued on or before July 4, 2025, and \$75 million for stock issued after July 4, 2025. Both the \$15 million gain limitation figure and \$75 million gross asset limit are adjusted annually for inflation beginning in 2027.	For QSBS acquired after July 4, 2025.
New Markets Tax Credit	These credits are intended to encourage private investment in certain low-income communities and were temporarily extended through December 31, 2025, as part of the Taxpayer Certainty and Disaster Tax Relief Act of 2020.	Permanently extends the New Markets Tax Credit and allows for a five-year carryover of unused limitation.	Tax years beginning after December 31, 2025.
Low-Income Housing Tax Credit (LIHTC)	Required developers seeking 4% LIHTCs to finance at least 50% of the project with tax-exempt bonds.	Lowers bond financing threshold so that developers seeking 4% LIHTCs (projects financed by tax-exempt bonds) need only finance 25% of the project. Permanently increases the state housing credit allocation by 12%.	Tax years beginning after December 31, 2025.
Employer-Provided Childcare Credit	A credit is allowed for 25% of qualified expenses, up to a maximum credit of \$150,000.	Increases the credit to 40% of qualified expenses, with a maximum credit of \$500,000. For small business, the credit is increased to 50% of qualified expenses, with a maximum credit of \$600,000. Maximum credit amounts are indexed for inflation.	Tax years beginning after December 31, 2025.
Employee Retention Credit	Employers had until April 15, 2025, to file claims for the 2021 year, and the IRS had a five-year statute of limitations to audit 3Q and 4Q of 2021 claims.	Prohibits payment of 3Q 2021 and 4Q 2021 claims filed on or after January 31, 2024. Also targets aggressive promoters of ERC claims and extends the statute of limitations on enforcement for improper claims related to these quarters.	Effective immediately.

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Changes to Business Energy Provisions			
Clean Electricity Investment Credit	Allowed a credit for investments in zero-emissions electricity generation facilities (commonly used for solar projects), interconnection property, and energy storage technology. Credit generally phased out after 2033.	Eliminates credit for wind and solar facilities placed in service after December 31, 2027, if construction begins more than one year after July 4, 2025. Credit termination does not apply to energy storage technology placed in service at wind and solar facilities. Denies credit for facilities, interconnection property and energy storage technology that begin construction, reconstruction or erection after December 31, 2025. New restriction for foreign entities.	Solar/wind property must be placed in service by December 31, 2027, to claim credit.
Alternative Fuel Vehicle Refueling Property Credit	Allowed a credit for certain qualified alternative fuel vehicle refueling property, such as electric chargers, placed in service before January 1, 2033, located in either a low-income community or a nonurban census tract.	Eliminates alternative vehicle refueling property credit.	Property must be placed in service by June 30, 2026, to claim credit.
Clean Hydrogen Production Credit	Allowed a credit for production of clean hydrogen at a qualified clean hydrogen production facility for any taxable year. Construction must have begun before January 1, 2033.	Eliminates the clean hydrogen production credit.	Facilities must begin construction by December 31, 2027, to claim credit.
Commercial Clean Vehicle Credit	Allowed a credit for certain qualified commercial clean vehicles placed in service after December 31, 2022, and before January 1, 2033.	Eliminates the commercial clean vehicle credit.	Vehicles must be acquired by September 30, 2025, to claim credit.
Cost Recovery for Qualified Clean Energy Property	Included “solar or wind energy” property in five-year property under MACRS depreciation classifications.	Removes solar or wind energy property from the definition of five-year property.	Property beginning construction after December 31, 2024.
Energy Efficient Commercial Buildings Deduction	Allowed a deduction for the cost of energy efficient commercial building property placed in service during the taxable year.	Eliminates the deduction for new energy efficient commercial buildings.	Property must begin construction by June 30, 2026, to be eligible for deduction.

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International Provisions			
Foreign-Derived Intangible Income (FDII) deductions	2026 IRC 250(a) deduction of 21.875%, resulting in an effective tax rate of 16.406%.	Increases the 2026 IRC 250(a) deduction to 33.34%, resulting in a reduced effective tax rate of 14%. Also renames FDII to “foreign-derived deduction eligible income” (FDDEI).	Tax years beginning after December 31, 2025.
Global Intangible Low-Taxed Income (GILTI) deductions	2026 IRC 250(a) deduction of 37.5%, resulting in an effective tax rate of 13.125%.	Increases the 2026 IRC 250(a) deduction to 40%, resulting in a reduced effective tax rate of 12.6%. Also renames GILTI to “net CFC-tested income” (NCTI).	Tax years beginning after December 31, 2025.
Base Erosion and Anti-Abuse Tax (BEAT)	BEAT tax rate was scheduled to increase from 10% to 12.5% in 2026.	2026 tax rate would rise to 10.5% rather than 12.5%.	Tax years beginning after December 31, 2025.
Foreign Tax Credit	Not applicable – did not exist.	Limits deductions allocated to NCTI for foreign tax credit purposes, allowing more taxpayers to claim the credit in larger dollar amounts.	Tax years beginning after December 31, 2025.
Information Reporting Requirements			
Information Reporting Threshold for Certain Payees	Business required to issue information returns for payments to vendors of \$600 or more in a tax year.	Raises the threshold from \$600 to \$2,000 for information reporting for many reportable payments, as well as for backup withholding, indexed annually for inflation.	Payments made after December 31, 2025.
De Minimis Rules for Third-Party Network Transactions	Provided a \$600 de minimis exception to the threshold for third-party settlement organizations (such as Venmo, PayPal, Etsy, Airbnb, Uber, etc.) required to issue Form 1099-K.	Reinstates an earlier exception for de minimis payments by third-party settlement organizations for aggregate number of transactions not exceeding 200 with an aggregate amount not exceeding \$20,000.	Calendar years beginning after December 31, 2024.

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