

2025 TAX LAW UPDATE: KEY CHANGES IN THE ONE BIG BEAUTIFUL BILL ACT

With the **One Big Beautiful Bill Act** now signed into law, major changes to the tax code are on the horizon. This side-by-side comparison outlines how the new law differs from previous tax rules, highlighting key impacts for individuals, businesses, and estates starting in 2025 and beyond.

BEFORE OBBBA	ENACTED OBBBA LAW
– INDIVIDUAL TAX –	
For 2026, tax brackets would have become 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.	The 2025 tax brackets of 10%, 12%, 22%, 24%, 32%, 35%, and 37% are permanent for 2026 and beyond. Also provides an adjustment to the 10% bracket, allowing for more income to fall into the 10% rather than the 12% bracket.
For 2026, the standard deduction would have become \$8,300 for single filers and \$16,600 for married couples (compared to pre-law change 2025 amounts of \$15,000 for single filers and \$30,000 for married couples).	The standard deduction is permanently increased. For 2025, the standard deduction edges up to \$15,750/single, \$31,500/married, and indexed for inflation thereafter.
Not applicable in the current law.	Seniors (age 65+) can claim an additional \$6,000 deduction per eligible filer for 2025 – 2028, subject to income limitations.
Taxpayers would be able to claim a personal exemption of \$5,300 per dependent beginning in 2026.	Personal exemptions are permanently repealed for 2026 and beyond.
The child tax credit would have been \$2,000 per qualifying child in 2025 and \$1,000 per qualifying child in 2026.	The credit will be permanently increased to \$2,200 in 2025 and indexed for inflation after 2025.
The maximum percentage for computing the dependent care credit was 35%.	Beginning in 2026, the maximum percentage for computing the dependent care credit will be 50%.
Individuals would have been able to claim state and local taxes as itemized deductions without limitation in 2026 (prior cap was \$10,000 for 2025).	Individuals can claim up to \$40,000 of state and local taxes in 2025. This limitation would increase by 1% annually from 2027 through 2029, then return to a \$10,000 cap in 2030. However, the SALT caps for 2025–2029 are lower if a taxpayer's gross income exceeds certain thresholds.
Mortgage interest on the first \$750,000 of debt can be claimed as an itemized deduction in 2025. This mortgage debt limit was scheduled to increase to \$1M in 2026.	The \$750,000 limit on mortgage debt is retained permanently. Additionally, certain mortgage insurance premiums can qualify as deductible mortgage interest.

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Interest paid on automobile loans is treated as nondeductible personal interest.	Individuals can claim up to \$10,000 of vehicle loan interest for loans incurred after 12/31/2024, subject to income limitations. The deduction only applies to new vehicles with a final assembly in the US, and the deduction would be allowed for tax years 2025 – 2028.
Casualty loss deductions are limited to federally declared disasters in 2025 but expand to any casualty loss in 2026.	Casualty losses are permanently limited to federally declared disasters and certain state-declared disasters.
Taxpayers must itemize their deductions to claim charitable contribution deductions.	Beginning in 2026, taxpayers can deduct \$1,000 (single)/\$2,000 (married joint) in addition to claiming a standard deduction. Additionally, individuals who do itemize will have their contribution deductions reduced by a 0.5% floor.
Miscellaneous itemized deductions, such as unreimbursed employee expenses, tax preparation fees, and investment-related expenses, would be deductible in 2026.	Permanently eliminates miscellaneous itemized deductions. Eligible educators may claim unreimbursed classroom expenses as an itemized deduction.
Overall itemized deductions are not limited in 2025, but beginning in 2026, there would have a phaseout on itemized deductions based on an individual's income.	Permanently eliminates the prior phaseout on itemized deduction but caps the overall tax benefit of itemized deductions to 35%.
Moving expenses would once again become deductible beginning in 2026.	Moving expenses are nondeductible except for active-duty Armed Forces and the Intelligence Community members.
Income earned from tips was considered taxable income.	A new deduction of up to \$25,000 is available for qualified tip income. The deduction may phase out based on an individual's gross income. The new deduction would be allowed for tax years 2025 – 2028.
Overtime pay was included in taxable income.	A new deduction of up to \$12,500 (single) or \$25,000 (married joint) is created for qualified overtime income. The deduction may phase out based on an individual's gross income. The new deduction would be allowed for tax years 2025 – 2028.
Individual tax credits for energy/green purchases, such as energy-efficient home improvements or electric cars, could be claimed.	Many of these tax credits are repealed during/after 2025.

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– BUSINESS TAX –

Owners in qualifying partnerships, S Corporations, and sole proprietors could take a 20% deduction (QBI deduction) in 2025. This QBI deduction would have been eliminated in 2026.	<p>The QBI deduction is made permanent at 20%.</p> <p>Taxpayers with at least \$1,000 of QBI from an active trade or business may receive a minimum deduction of \$400, indexed for inflation.</p>
Companies could claim 40% bonus depreciation on business property acquired in 2025. The bonus depreciation decreased to 20% in 2026, then further decreased to zero in 2027.	<p>Companies can claim 100% bonus depreciation on property acquired on or after 01/20/2025. The 40% bonus depreciation still applies for property acquired 1/1/2025 – 1/19/2025.</p> <p>The 100% bonus depreciation is made permanent.</p>
Businesses could elect to expense up to \$1.25M in asset additions (Sec 179 expense) in 2025, subject to phaseouts if total additions exceed \$3.13M.	<p>The Sec 179 expensing amount is increased to \$2.5M for 2025, phasing out if total 2025 additions are over \$4M. These amounts will be indexed for inflation.</p>
Companies with domestic research and development costs were required to capitalize and amortize those costs over five years.	<p>Companies can immediately expense domestic research and development costs beginning in 2025. This expensing provision is made permanent.</p> <p>Additionally, small businesses (average annual gross receipts of \$31M or less) can elect to claim this immediate expensing retroactively to 2022. The election must be made by 7/4/2026 via filing amended returns.</p>
Business interest expense is limited to 30% of a company's adjusted taxable income (earlier defined as earnings before interest and taxes).	<p>The definition of adjusted taxable income expands to earnings before interest, taxes, <i>depreciation</i>, and <i>amortization</i>. This definition would be permanent.</p>
The initial round of Opportunity Zones offered potential tax benefits of capital gain deferral, possible reduction of that capital gain income, and permanent exclusion on future appreciation from the investment in the Opportunity Zone. The initial round was set to expire after 12/31/2026.	<p>A permanent Opportunity Zone policy is created with rolling, ten-year designations beginning on January 1, 2027.</p> <p>The criteria for designating a “low-income community” as an opportunity zone have been made more restrictive. There are also more lucrative tax benefits if the opportunity zone is in a qualified rural area.</p>
<p>Qualified small business stock acquired after 9/27/2010 can have a 100% gain exclusion if held for more than five years.</p> <p>The gain exclusion is limited to the greater of \$10M or 10x the taxpayer's basis in the stock.</p> <p>The aggregate gross assets of the corporation at the time of issuance cannot exceed \$50M.</p>	<p>New qualified small business stock gain exclusion rules for acquisitions after 07/04/2025. The gain exclusion is:</p> <ul style="list-style-type: none"> • 50% for stock held for three years, • 75% for stock held for four years, and • 100% for stock held five years or more. <p>Additionally, the dollar limitation is now the greater of \$15M (indexed for inflation) or 10x the taxpayer's basis in the stock.</p> <p>The aggregate gross asset ceiling for the corporation is now \$75M (indexed for inflation).</p>

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Individuals are capped in the amount of excess business losses they can deduct. After 2028, individuals would not be limited by the amount of excess business losses deductible.

The limitations on excess business losses are made permanent.

A corporation could deduct charitable contributions up to 10% of its taxable income.

Beginning in 2026, corporations can only deduct charitable contributions that exceed 1% of their taxable income but do not exceed 10%.

The threshold for issuing 1099s was more than \$600 paid to a vendor during the year.

Beginning in 2026, the threshold for issuing 1099s is \$2,000 during the year.

– ESTATE TAX –

The estate tax exclusion of \$13.99M per decedent in 2025 was scheduled to revert to approximately \$7M per decedent in 2026.

The estate tax exclusion is permanently increased to \$15M per decedent in 2026, and indexed for inflation thereafter.

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