Overview

Key Tax Provisions

What's Inside the One Big Beautiful Bill Act

July 2025

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INTRODUCTION

The Senate Finance Committee introduced its reconciliation tax legislation on June 16, 2025, addressing the expirations of the 2017 Tax Cuts and Jobs Act (TCJA) and making additional changes to US tax policy and spending. On June 27, 2025, the Senate released a new version of the legislative text for the One Big Beautiful Bill (OBBB). On July 1, 2025, the Senate passed the OBBB after minor adjustments, and the House of Representatives passed the identical bill on July 3, 2025. President Trump signed the bill into law on July 4, 2025.

The key provisions of the One Big Beautiful Bill Act , highlighting the most consequential policy changes and regulatory implications across multiple domains. The goal is to equip you with actionable insights that will help position your organization to respond effectively to this transformative legislation as it moves toward implementation.

Individual Tax Provisions

I- TAX RELATED PROVISIONS :

Standard Deduction :

TCJA standard deduction made permanent and raised in 2025 ($15,750 – single filers; $31,500 – joint filers), as inflation-indexed. Personal exemption remains repealed.

Child Tax Credit :

The existing expanded child tax credit is extended and enhanced. The credit amount is increased from $2,000 to $2,200. The maximum refundable credit amount is explicitly set at $1,400.

A Social Security Number is now required for both the taxpayer (or at least one spouse for a joint return) and the qualifying child for the credit to be allowed. The SSN must be issued to a U.S. citizen or under specific Social Security Act provisions, and before the return's due date.

For taxable years beginning after 2025, the $2,200 credit amount will also be increased by a cost-of-living adjustment, using 2024 as the base year for the calculation.

Individual Tax Provisions Contd

No Tax on Tips :

A new deduction allows individuals to deduct qualified cash tips, defined as those received in occupations customarily tipped on or before December 31, 2024. This deduction is capped at $25,000 annually and phases out for taxpayers with modified adjusted gross income exceeding $150,000 ($300,000 for joint filers) [R1]. These provisions are effective for taxable years beginning after December 31, 2024.

No Tax on Overtime :

The "No Tax on Overtime" provision introduces a new deduction for qualified overtime compensation, defined as amounts paid to an individual that are in excess of their regular rate, as required by Section 7 of the Fair Labor Standards Act of 1938.

This deduction is limited to $12,500 ($25,000 for joint filers) per year and phases out for modified adjusted gross incomes above $150,000 ($300,000 for joint filers).

Crucially, this deduction is available even for individuals who do not itemize their deductions.

Individual Tax Provisions Contd

No Tax on Car Loan Interest :

The "No Tax on Car Loan Interest" provision introduces a temporary deduction for qualified passenger vehicle loan interest. This interest must be incurred after December 31, 2024, and before January 1, 2029, for the purchase of an applicable passenger vehicle, secured by a first lien on that vehicle.

The deduction is subject to a dollar limit of $10,000 per taxable year and phases out(to reduce USD 200 for every USD 1000)for taxpayers with modified adjusted gross income exceeding $100,000 ($200,000 for joint filers).

A Vehicle Identification Number (VIN) must be included on the tax return to claim this deduction. This deduction is also available for individuals who do not itemize their deductions.

Above-the-Line Charitable Contributions :

A new provision permanently reinstates an "above-the-line" partial deduction for individuals who do not itemize their tax deductions. This deduction for charitable contributions is increased to $1,000 for individuals ($2,000 for joint filers) and is effective for taxable years beginning after December 31, 2025.

Individual Tax Provisions Contd

Trump Accounts :

The "Trump Accounts" provision establishes a new type of IRA for eligible individuals, primarily children under 18, with specific contribution limits and investment restrictions, requiring funds to be placed solely in "eligible investments" .

While contributions are generally not deductible before age 18, they are subject to an annual limit of $5,000 (inflation-adjusted from 2028), and employer contributions up to $2,500 (indexed) may be excluded from gross income.

A "Trump Accounts Contribution Pilot Program" also provides a $1,000 payment for eligible children born between December 31, 2024, and January 1, 2029.

Contributions not accepted before 12 months after enactment date.

Qualified Residence Interest :

The qualified residence interest deduction, previously expiring on January 1, 2026, is permanently extended by removing its previous sunset date of January 1, 2026. For the first time, mortgage insurance premiums are explicitly treated as interest for deduction purposes. These changes are effective for taxable years beginning after December 31, 2025.

Individual Tax Provisions Contd

Personal Casualty Loss :

The provision for Personal Casualty Losses permanently extends the deduction, removing its prior sunset date. It also expands the deduction's applicability to include losses from State-declared disasters. These changes are effective for taxable years beginning after December 31, 2025.

Extension and Modification of Qualified Transportation Fringe Benefits :

The provision for Qualified Transportation Fringe Benefits permanently extends the related tax provisions, removing their previous sunset date. It also modifies certain exclusions and deductions, including those for bicycle commuting reimbursements, and adjusts the inflation index base year for these benefits.

Individual Tax Provisions Contd

Extension and Modification of Deduction for Moving Expenses :

The provision for Moving Expenses permanently extends the deduction and exclusion by removing their January 1, 2026, sunset dates. It also expands both the deduction and exclusion to include employees and new appointees of the intelligence community (other than Armed Forces members) who relocate due to assignment changes. The amendments take effect on January 1, 2026.

Adjustment of Charitable Deduction for Certain Individuals :

As of 2026, itemizers can deduct charitable contributions only to the extent they exceed 0.5% of the taxpayer's contribution base. Carryforwards also allowed only if this 0.5% threshold is met. 60% AGI limit for cash gifts to public charities is retained.

Individual Tax Provisions Contd

Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees :

The provision for Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees raises the reporting threshold from $600 to $2,000 for various payments. The reporting period is changed from "taxable year" to "calendar year".

Gain from the Sale or Exchange of Qualified Farmland Property to Qualified Farmers :

The provision for Gain from the Sale or Exchange of Qualified Farmland Property to Qualified Farmers allows taxpayers to elect to pay the applicable net tax liability in four equal installments.

This applies to gain from the sale or exchange of qualified farmland property to a qualified farmer.

These changes are effective for sales or exchanges occurring in taxable years beginning after the date of the enactment of this Act.

Ordinary Income Tax Rates :

The rates that were previously temporary are now made permanent, subject to inflation adjustment.

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Individual Tax Provisions Contd

Expansion of Qualified Tuition Programs (529 Accounts) :

The ability to roll over funds from 529 accounts to ABLE accounts is permanently extended, effective for taxable years beginning after December 31, 2025.

The definition of "qualified higher education expense" is broadened to include a wider range of K-12 expenses, such as curriculum, books, online materials, and certain fees, for distributions made after the Act's enactment.

The annual limit on elementary and secondary school expenses for 529 accounts is increased from $10,000 to $20,000, applicable for taxable years beginning after December 31, 2025.

Qualified postsecondary credentialing expenses, including tuition, fees, and testing costs for recognized credential programs, are now also treated as qualified higher education expenses, effective for distributions made after the Act's enactment.

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Individual Tax Provisions Contd

Extension of Increased Alternative Minimum Tax Exemption and Modification of phaseout Threshold :

The sources indicate that the Alternative Minimum Tax (AMT) exemption amounts are permanently extended for taxable years beginning after December 31, 2025. The phaseout threshold is modified to 50 percent for certain amounts, with a $1,000,000 inflation-adjusted threshold for taxable years beginning after December 31, 2025.

Qualified Small Business Stock Exclusion :

For QSBS acquired after the applicable date ,tiered gain exclusion percentage is tiered based on the holding period: 50% for QSBS held for three years, 75% for four years and 100% for five years.

The per-issuer cap on eligible gain is increased. For stock acquired on or before the applicable date, the limit remains $10,000,000, reduced by previously excluded gains from that corporation. For stock acquired after the applicable date, the limit is increased to $15,000,000, also reduced by prior and current year excluded gains from that corporation. This $15,000,000 amount is subject to inflation adjustment for taxable years beginning after 2026, based on the cost-of-living adjustment from calendar year 2025.

Individual Tax Provisions Contd

A key detail is that if the eligible gain from post-applicable date stock dispositions exceeds the applicable dollar limit for a given taxable year, then the applicable dollar limit for any subsequent taxable year for that issuer shall be zero, notwithstanding further inflation adjustments.

Increases the aggregate gross asset limitation for issuing corporation to $75 million, inflation-indexed.

These changes apply to taxable years beginning after the date of the Act's enactment.

The provision clarifies that the QSBS exclusion continues to not be treated as an item of tax preference for AMT purposes for stock acquired on or before the enactment date of the Creating Small Business Jobs Act of 2010.

Individual Tax Provisions Contd

II- Health /Medicare Related Provisions for Individuals :

SNAP (Supplemental Nutrition Assistance Program) Provisions :

The SNAP provisions introduce several key effective changes to the program. Notably, the Thrifty Food Plan will undergo re-evaluation and annual inflation adjustments beginning October 1, 2025, though future market basket re-evaluations are prohibited from increasing its cost. Work requirements for able-bodied adults without dependents (ABAWDs) are modified with new exceptions, effective upon enactment. Additionally, internet service fees are now restricted from being included in the excess shelter expense deduction. A significant shift for states includes the federal share for administrative costs being reduced from 50 percent to 25 percent starting Fiscal Year 2027, complemented by new quality control incentives that can reduce federal funding for states with high payment error rates, also effective Fiscal Year 2027.

Limiting Medicare Coverage for Certain Individuals :

Eligibility for Medicare benefits is restricted to U.S. citizens or nationals, lawfully admitted permanent residents, Cuban and Haitian entrants, or individuals lawfully residing under a Compact of Free Association.

Individual Tax Provisions Contd

For those already enrolled, these new requirements will apply 18 months after the date of enactment. The Commissioner of Social Security is mandated to review current enrollees within one year of enactment and notify ineligible individuals of their impending termination.

Temporary Payment Increase for Physician Fee Schedule :

The legislation extends a temporary payment increase under the Medicare physician fee schedule to account for exceptional circumstances, applying it through 2026.

Expansion and Clarification of Orphan Drug Exclusion :

The exclusion for orphan drugs under the Drug Price Negotiation Program is modified. It now applies to drugs for "one or more rare diseases or conditions". Crucially, for drugs that were designated as orphan drugs, the clock for negotiation eligibility will begin the first day after they lose that orphan drug designation, rather than from their initial approval or licensure date. The effective date for this change is not explicitly stated in the provided text.

Individual Tax Provisions Contd

Premium Tax Credit :

The Premium Tax Credit (PTC) provisions introduce stricter eligibility and verification requirements. Starting for plan years and taxable years after December 31, 2026, the PTC will only be available to "eligible aliens" among those lawfully present, mandating immigration status verification. A key change, effective for taxable years after December 31, 2025, removes the PTC for individuals previously allowed it despite Medicaid ineligibility due to alien status. Furthermore, exchanges must verify eligibility for all aspects (income, family size, coverage) before a month counts for the credit, with this new process applying to taxable years beginning after December 31, 2027. Lastly, PTC will no longer be granted for plans enrolled during special enrollment periods based solely on income (effective plan years after December 31, 2025), and the limitation on the recapture of excess advance PTC payments is eliminated, meaning full repayment is now required for taxable years after December 31, 2025.

Individual Tax Provisions Contd

Expanded Access to HSAs for Patients with Bronze and Catastrophic-Level Plans :

It expands Health Savings Account (HSA) eligibility by allowing individuals with bronze and catastrophic plans from ACA Exchanges to qualify starting January 2026. It also permits HSA funds to be used for direct primary care arrangements, treating fixed periodic fees as qualified medical expenses. Additionally, the bill permanently allows high-deductible health plans to cover telehealth services on a pre-deductible basis, effective from plan years beginning after December 31, 2024. These changes broaden access to and flexibility of HSAs for a wider range of healthcare models.

Individual Tax Provisions Contd

III. Educational Provisions for Individuals

Exemption of Certain Assets from Financial Aid Calculations :

The Higher Education Act of 1965 is amended to exclude specific family-owned assets from federal financial aid eligibility calculations. Exempt assets now include: the family's primary residence farm, a family-owned small business with up to 100 employees, and family-controlled commercial fishing businesses (including vessels and permits). This change helps protect essential family livelihoods from reducing a student's aid eligibility. These amendments are effective starting July 1, 2026, and will apply to award year 2026–2027 and each subsequent award year.

Changes to Federal Student Loan Programs :

Significant changes impact graduate and parent loan programs starting July 1, 2026. Graduate/professional students will no longer be eligible for subsidized Stafford Loans (effective since July 1, 2012) or PLUS Loans (from July 2026). New borrowing caps will apply: graduate students may borrow up to $200,000 in unsubsidized loans, with a lifetime maximum aggregate of $257,500 for all loans (excluding Parent PLUS....

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Individual Tax Provisions Contd

…loans) and parents of dependent students are limited to $20,000 annually and aggregate ($65,000) limits for Federal Direct PLUS Loans. Institutions may set their own borrowing limits if applied consistently. Students already enrolled by June 30, 2026, will continue under previous loan limits for up to three academic years or until program completion.

Student Loan Repayment Overhaul :

A new repayment structure begins July 1, 2026, for federal student loans. Existing plans will sunset for new loans, which must instead follow either a fixed Standard Plan or a new Income-Based Repayment Assistance Plan (RAP). RAP ties monthly payments to Adjusted Gross Income—ranging from 2% for AGIs up to $30,000, up to 10% for AGIs above $100,000—with loan forgiveness after 30 years (360 payments). Borrowers making very low payments that reduce principal by less than $50 will have the difference adjusted by the Department of Education. Automatic annual recertification will use tax data, with an opt-out option. Federal Direct Consolidation Loans from July 2026 onward must follow these new plans. Also, unemployment and economic hardship deferments are eliminated for loans issued from July 1, 2027. An additional $1 billion is allocated for servicing and administering these loan programs.

Individual Tax Provisions Contd

Student Loan Forgiveness :

Discharged student loans on the account of death or disability is extended permanently. The exclusion applies to both "student loans" and "private education loans" . A modification introduced is the requirement for the taxpayer to include their social security number on the tax return for the taxable year in which the discharge occurs for the exclusion to apply.

Pell Grants and New Workforce Pell Program :

The Workforce Pell Grant program is introduced for short-term training (150–600 clock hours over 8–15 weeks) with strict eligibility criteria — minimum 70% completion and job placement rates, and cost not exceeding students' earnings benefit. Starting in award year 2026–2027, programs with poor earnings outcomes — defined as graduates earning below the median earnings of high school graduates in their state for at least two out of three consecutive years — will lose federal aid eligibility, though they may appeal or requalify after two years. Additionally, funding to address Pell Grant shortfalls increases significantly from $2.17 billion to $12.67 billion.

Individual Tax Provisions Contd

SSN Requirement for Education Tax Credits :

A new compliance measure requires taxpayers to include their Social Security Number to claim the American Opportunity or Lifetime Learning Credits. Without the SSN on the tax return, these education credits will be denied.

IV. Other Individual Impacting Provisions :

Excise Tax on Certain Remittance Transfers :

An excise tax of 1% will be imposed on certain remittance transfers. This tax specifically applies when the sender provides cash, money orders, cashier's checks, or similar physical instruments. However, it does not apply to transfers funded through bank accounts, debit cards, or credit cards issued in the United States. These changes will take effect for transfers made after December 31, 2025.

Individual Tax Provisions Contd

Immigration Fees for Individuals :

New and increased fees for various immigration applications and processes will be implemented starting Fiscal Year 2025, with annual inflation adjustments beginning in Fiscal Year 2026. These include significant charges for asylum applications, employment authorizations (for parolees, asylum applicants, and Temporary Protected Status holders), and immigration parole. Fees are also introduced for adjustment of status applications, various immigration court appeals and motions, and specific border encounters like in absentia removals or apprehensions of inadmissible aliens. Notably, most of these new fees cannot be waived or reduced.

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Individual Tax Provisions Contd

For a detailed breakdown of initial Fiscal Year 2025 fees and their specifics, please refer to the table below:

Fee Type	Initial FY 2025 Amount (or Minimum)	Notes
Asylum Application Fee	Greater of $100 or rule-established amount	Cannot be waived or reduced.
Employment Authorization Document (EAD) Fees		
- Asylum Applicants (Initial)	Greater of $550 or rule-established amount	Cannot be waived or reduced.
- Parolees (Initial)	Greater of $550 or rule-established amount	Valid for 1 year or duration of parole, whichever is shorter. Cannot be waived or reduced,.
- Temporary Protected Status (Initial)	Greater of $550 or rule-established amount	Valid for 1 year or duration of TPS, whichever is shorter. Cannot be waived or reduced,.
- Parolees (Renewal/Extension)	Greater of $275 or rule-established amount	Valid for 1 year or duration of parole, whichever is shorter. Cannot be waived or reduced,.
- Asylum Applicants (Renewal/Extension)	Not less than $275	Cannot be waived or reduced.
- Temporary Protected Status (Renewal/Extension)	Greater of $275 or rule-established amount	Valid for 1 year or duration of TPS, whichever is shorter. Cannot be waived or reduced,.

Individual Tax Provisions Contd

Fee Type	Initial FY 2025 Amount (or Minimum)	Notes
Immigration Parole Fee	*Greater of $1,000 or rule-established amount*	*Generally cannot be waived or reduced, with specific exceptions for certain circumstances (e.g., law enforcement/national security, humanitarian concerns, or insufficient time for normal visa process),.*
Special Immigrant Juvenile Fee	*Greater of $250 or rule-established amount*	-
Temporary Protected Status Fee (Overall Maximum)	*$500*	*This is an amendment to existing law. Cannot be waived or reduced.*
Visa Integrity Fee	*Greater of $250 or rule-established amount*	*Cannot be waived or reduced, though reimbursement is possible under specific conditions after visa expiration.*
Form I-94 Fee	*Greater of $24 or rule-established amount*	*Cannot be waived or reduced.*
Annual Asylum Fee	*Greater of $100 or rule-established amount*	*Applies for each calendar year an application remains pending. Cannot be waived or reduced,.*
Fees Related to Adjustment of Status Applications		
- Filing Application to Adjust Status to LPR	*Greater of $1,500 or rule-established amount*	

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Individual Tax Provisions Contd

Fee Type	Initial FY 2025 Amount (or Minimum)	Notes
- Filing Application for Waiver of Grounds of Inadmissibility	Greater of $1,050 or rule-established amount	
- Filing Application for Temporary Protected Status	Greater of $500 or rule-established amount	
- Filing an Appeal of an Immigration Judge Decision	Greater of $900 or rule-established amount	Does not apply to the appeal of a bond decision.
- Filing an Appeal from a DHS Officer Decision	Greater of $900 or rule-established amount	
- Filing an Appeal from a Disciplinary Case Decision (Practitioner)	Greater of $1,325 or rule-established amount	
- Filing a Motion to Reopen or Reconsider (Immigration Judge or BIA decision)	Greater of $900 or rule-established amount	Exceptions for motions to reopen certain in absentia removal/deportation orders.
- Filing Application for Suspension of Deportation	Greater of $600 or rule-established amount	
- Filing Application for Cancellation of Removal (Permanent Residents)	Greater of $600 or rule-established amount	
- Filing Application for Cancellation of Removal and Adjustment of Status (Nonpermanent Residents)	Greater of $1,500 or rule-established amount	

Individual Tax Provisions Contd

Fee Type	Initial FY 2025 Amount (or Minimum)	Notes
Electronic System for Travel Authorization (ESTA) Fee	*Not less than $10 (existing fee) plus not less than $13 per travel authorization*	
Electronic Visa Update System (EVUS) Fee	*Greater of $30 or rule-established amount*	*Cannot be waived or reduced.*
Fee for Aliens Ordered Removed in Absentia	*Greater of $5,000 or rule-established amount*	*Only applies if the alien is subsequently arrested by ICE. Exception if removal order was rescinded. Cannot be waived or reduced,*
Inadmissible Alien Apprehension Fee	*Greater of $5,000 or rule-established amount*	*Applies at the time of apprehension between ports of entry. Cannot be waived or reduced.*

General Note:

Unless explicitly stated in the "Notes" column for a specific fee, most of the new and increased fees described above cannot be waived or reduced. Additionally, fees collected for Adjustment of Status applications, immigration court appeals and motions, and certain other immigration court-related fees cannot be expended by the Executive Office for Immigration Review for the Legal Orientation Program, or any successor program. These fees are generally subject to annual inflation adjustments starting in Fiscal Year 2026.

Business Tax Provisions

Bonus Depreciation :

Makes 100% bonus depreciation permanent for certain qualified business property and construction must begin after Jan. 19, 2025 and before 1 January 2029; an additional first year depreciation deduction is available for manufacturing, production and refining property. Property must be new, used in U.S. production activities and not leased.

Business Tax Provisions Contd

Business Interest Limitation :

Modifies The prior limitation on business interest, which temporarily allowed the calculation of "adjusted taxable income" to be based on earnings before interest and taxes (EBIT), is made permanent and is effective for taxable years beginning after December 31, 2024.
Additionally, for taxable years beginning after December 31, 2025, the definition of "adjusted taxable income" for Section 163(j) purposes will explicitly include amounts from Sections 951(a) (Subpart F income), 951A(a) (Net CFC Tested Income, formerly GILTI), and 78 (gross-up for deemed paid foreign taxes). This also accounts for portions of deductions under Sections 245A(a) and 250(a)(1)(B) related to these inclusions.

Expensing Limits:

Increases Section 179 expensing limits for depreciable business assets to $2.5 million and the phase-out threshold to $4 million (subject to inflation adjustments).

Business Tax Provisions Contd

Production Property & Manufacturing Credit :

Introduces a special depreciation allowance for "qualified production property" (tangible personal property undergoing substantial U.S. transformation). It also enhances the Advanced Manufacturing Investment Credit from 25% to 35%.

Paid Family/Medical Leave Credit :

The Paid Family and Medical Leave Credit is extended from 2026, allowing employers to claim a credit based on wages paid during leave or premiums paid for qualifying leave insurance. Eligible employees must meet tenure, compensation, and hour thresholds. State-mandated leave counts toward total leave but not the credit amount. No double benefit is allowed for claimed wages or premiums.

Enhancement of Advanced Manufacturing Investment Credit :

Creating Helpful Incentives to Produce Semiconductors for America (CHIPS) Act tax credit increased from 25 percent to 35 percent for property placed in service after Dec. 31, 2025. The amendment does not extend the credit's termination date of Dec. 31, 2026, and does not expand eligibility of the credit.

Business Tax Provisions Contd

Research and Development :

Restores the ability to permanently deduct research or experimental expenditures paid or incurred after Dec. 31, 2024, but only Domestic R & D Expenses (instead of 5-year amortization), while foreign R&E remains on a 15-year schedule.

The small businesses (revenue of $30 million or less) can apply this change retroactively to expenditures after Dec. 31, 2021, and others can accelerate remaining deductions.

Childcare Credit :

Employer-provided childcare credits are further expanded from 25% to 40% (and up to 50% for eligible small businesses). The maximum annual credit is also increased from $150,000 to $500,000 for employers (up to $600,000 for eligible small businesses).

Charitable Contributions Floor :

A C corporation's charitable contributions are subject to a 1% floor. These changes apply to taxable years beginning after December 31, 2025.

Business Tax Provisions Contd

State and Local Tax Deduction :

The SALT deduction cap is made permanent , replacing the $10,000 limit with an "applicable limitation amount" that starts at $40,000 for 2025. This amount phases down by 30% for modified adjusted gross incomes exceeding $500,000, reverting to $10,000 after 2029, and applies to taxable years beginning after December 31, 2024.

Increase In Threshold For Requiring Information Reporting With Respect To Certain Payees :

Starting January 1, 2026, businesses will be required to file Form 1099-NEC only for payments of $2,000 or more made to non-employee contractors or service providers, up from the current threshold of $600. This new threshold is subject to annual inflation adjustments.

International Tax Provisions

Global Low-Taxed Income (GILTI)

Foreign-Derived Intangible Income (FDII)

Base Erosion Anit-Abuse Tax (BEAT)

Foreign Tax Credit

Other International Reforms

International Tax Provisions

Global Low-Taxed Income (GILTI) :

GILTI is renamed "Net CFC Tested Income". The GILTI deduction decreases from 50% to 40%, increasing effective tax rate from 10.5% to 12.6%.
Elimination of the 10% deemed tangible income return on CFC tangible property.
Key additional changes are the repeal of Qualified Business Asset Investment (QBAI), the elimination of most expense apportionment other than direct expenses, and a 10% haircut on Foreign Tax Credits.
These alterations to the net CFC tested income rules are set to apply to taxable years beginning after December 31, 2025.

Foreign-Derived Intangible Income (FDII) :

The term "foreign-derived intangible income" is renamed "foreign-derived deduction eligible income". Effective for taxable years beginning after December 31, 2025, the deduction percentages are reduced 37.5% to 33.34% and effective tax rates increased from 13.125% to 14%.
Additionally, the definition of "deduction eligible income" is expanded to include income/gains from sales of intangible and certain depreciable property (for sales after June 16, 2025), while only expense “directly related” to FDII gross income reduce FDII net income.

International Tax Provisions Contd

Base Erosion Anit-Abuse Tax (BEAT) :

The Effective for taxable years beginning after December 31, 2025, Section 59A(b)(1) is amended to change the BEAT rate from 10 percent to 10.5 percent.

Foreign Tax Credit :

- **Modifications related to foreign tax credit limitation :**

For foreign tax credit limitation purposes, deductions under Section 250(a)(1)(B) and related taxes are now allocated to foreign source net CFC tested income. Interest and R&D expenses are excluded, and other deductions apply only if directly allocable. Previously allocable deductions are shifted to U.S. source income.

- **Deemed Paid Credit :**

The deemed paid credit percentage increases from 80% to 90%, affecting Section 78 gross-up rules. However, 10% of foreign taxes on income excluded due to Section 951A(a) will be disallowed for credit if paid or accrued after June 28, 2025.

International Tax Provisions Contd

- **Sourcing Income from U.S.-Produced Inventory :**

Income from sales of U.S.-produced inventory via a foreign office for use abroad is now partly foreign-sourced — up to 50% of total income from such transactions. This applies for tax years starting after December 31, 2025.

Other International Reforms :

Includes a permanent extension of the "look-thru rule" for related controlled foreign corporations, repeals the 1-month deferral election for specified foreign corporations' taxable years, and restores a limitation on "downward attribution" of stock ownership from non-U.S. persons. It also introduces Section 951B, applying subpart F rules to "foreign controlled United States shareholders" and "foreign controlled foreign corporations“.

Other Relevant Provisions

Extension and enhancement of deduction for qualified business income :

It enhances Qualified Business Income (QBI) deduction by increasing the taxable income limitation phase-in amounts to $75,000 ($150,000 for joint filers) and establishing a $400 minimum deduction for active QBI. These changes apply to taxable years beginning after December 31, 2025.

Permenant renewal and enhancement of Opportunity Zones 2.0 :

It provides a permanent renewal and enhancement of the Opportunity Zones (OZ) program, with new designations beginning July 1, 2026, and each lasting for 10 years. Capital gains invested in Qualified Opportunity Funds (QOFs) after December 31, 2026, may be deferred for up to 5 years, with a 10% basis step-up for investments held at least 5 years, and full capital gain exclusion if held for 10 years.

For rural investments, the basis step-up increases to 30%, and the substantial improvement requirement is reduced to 50% of the adjusted basis. A “rural area” excludes cities or towns with populations over 50,000.

The provision introduces mandatory annual reporting by QOFs, including asset composition and employment data, with penalties for non-compliance. These changes modernize the OZ framework while promoting long-term investment and greater focus on underserved rural communities.

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Other Relevant Provisions Contd

Increased Excise Tax on Private University Endowments and Private Foundations :

The current 1.4% excise tax on net investment income of private colleges and universities is replaced with a tiered system based on an institution's "student-adjusted endowment".
The "applicable percentage" of tax is determined as follows:
1.4 percent for institutions with a student adjusted endowment of at least $500,000 but not exceeding $750,000.

4 percent for institutions with a student adjusted endowment exceeding $750,000 but not exceeding $2,000,000.

8 percent for institutions with a student adjusted endowment exceeding $2,000,000.

The scope of "net investment income" is expanded. It specifically includes interest income from student loans made by the institution (or related organizations) and Federally-subsidized royalty income. The tax applies to educational institutions that had at least 3,000 tuition-paying students during the preceding taxable year (with over 50% located in the U.S.) Assets and net investment income of related organizations are generally treated as assets and net investment income of the educational institution, with certain exceptions. These amendments apply to taxable years beginning after December 31, 2025.

Other Relevant Provisions Contd

Energy Tax Provisions :

The IRA clean electricity tax credit will begin to phase out after 2028 and finish by the end of 2031, including clean electricity production tax credits, clean electricity investment tax credits, and nuclear electricity production tax credits. Hydrogen production credits will be repealed for facilities beginning construction after 2025.
Clean Vehicle credits and qualified commercial clean vehicle credit will no longer available for vehicles acquired after 30th September ,2025.
Energy efficient home improvement credit and Residential clean energy credit will no longer be available for property placed in service after 31st December 2025.

Estate & Gift Tax :

The permanent increase of the estate and gift tax exemption to $15 million per individual provides a longer planning horizon for wealth transfers and may prompt individuals to revisit or expand gifting strategies. This is effective from 1st january ,2026.

Restoration of taxable REIT subsidiary asset test :

Taxable REIT subsidiaries may represent 25% of the value of the REIT's total assets (rather than 20% under current law).

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How OBBBA 2025 Transforms Major Economic Sectors :

How OBBBA 2025 Transforms Major Economic Sectors :

Agriculture & Nutrition: This sector faces major overhauls to food assistance programs, agricultural commodity support, and financial mechanisms, with stricter SNAP requirements, adjusted farm subsidies through 2031, and a shift in state cost-sharing for food allotments. Forestry funding is also significantly reduced.

Defense: The defense sector receives substantial new appropriations for military modernization, technological advancement in weaponry and cybersecurity, and supply chain resilience, with funds available until September 30, 2029. These investments aim to improve operational efficiency and capabilities across various defense areas, including military construction projects.

Banking, Housing, and Urban Affairs: This sector sees a reduction in funding and a shift in priorities for consumer financial protection and housing retrofit programs, specifically with a funding cap reduction for the Bureau of Consumer Financial Protection and rescinded funds for green housing initiatives. The SEC's internal Reserve Fund provisions are also modified, impacting its operational funding structure.

How OBBBA 2025 Transforms Major Economic Sectors : Contd

Agriculture & Nutrition: This sector faces major overhauls to food assistance programs, agricultural commodity support, and financial mechanisms, with stricter SNAP requirements, adjusted farm subsidies through 2031, and a shift in state cost-sharing for food allotments. Forestry funding is also significantly reduced.

Defense: The defense sector receives substantial new appropriations for military modernization, technological advancement in weaponry and cybersecurity, and supply chain resilience, with funds available until September 30, 2029. These investments aim to improve operational efficiency and capabilities across various defense areas, including military construction projects.

Banking, Housing, and Urban Affairs: This sector sees a reduction in funding and a shift in priorities for consumer financial protection and housing retrofit programs, specifically with a funding cap reduction for the Bureau of Consumer Financial Protection and rescinded funds for green housing initiatives. The SEC's internal Reserve Fund provisions are also modified, impacting its operational funding structure.

How OBBBA 2025 Transforms Major Economic Sectors : Contd

Commerce, Science, and Transportation: This sector is set to experience enhanced Coast Guard capabilities and significant changes in spectrum management with new reallocation efforts. The space industry will see new user fees for launch and reentry licensing and permitting, with fee increases through 2034.

Energy and Natural Resources: This sector mandates resumption of onshore and offshore oil and gas lease sales with specific timing and offering requirements, and repeals prior Inflation Reduction Act provisions related to royalties. It establishes new renewable energy fees on federal land, and allocates appropriations for the Strategic Petroleum Reserve and water conveyance enhancement projects.

Environmental and Public Works: This sector is primarily characterized by significant rescissions of various funding amounts for clean heavy-duty vehicles, the Greenhouse Gas Reduction Fund, and air pollution initiatives. It also introduces a provision for project sponsors to pay opt-in fees for environmental reviews to expedite the process.

How OBBBA 2025 Transforms Major Economic Sectors : Contd

Taxation (General Business & Income): Businesses will benefit from full expensing for domestic research and experimental expenditures and modifications to the business interest limitation. The advanced manufacturing investment credit is enhanced, and spaceports are treated like airports for exempt facility bond rules. On the individual side, new tax deductions for qualified tips and qualified overtime compensation are introduced, with reporting requirements.

Taxation (Energy-Specific): This sub-sector introduces terminations and restrictions on clean energy credits, particularly impacting wind and solar facilities, hydrogen production, and carbon oxide sequestration projects. These restrictions are often linked to prohibited foreign entities, domestic content requirements, and phase-out schedules.

Health (Medicaid/CHIP): The healthcare sector, particularly Medicaid and CHIP, faces significant administrative and eligibility changes, including a moratorium on certain new rules for eligibility and enrollment until September 30, 2034. New requirements are established for preventing duplicate enrollment across states and for more frequent eligibility redeterminations, incorporating community engagement requirements for certain individuals.

How OBBBA 2025 Transforms Major Economic Sectors : Contd

Education (Higher Education & Student Aid): The education sector aims to ease financial aid access for students from families with certain assets like farms or small businesses by exempting these assets from calculations. It also restructures student loan repayment options, including the sunset of certain deferments for loans made on or after July 1, 2027, and increases the maximum Pell Grant amount for award year 2026-2027 and succeeding years.

Homeland Security & Immigration: This sector receives massive funding for border control, detention, and technology enhancements, with tens of billions appropriated for border infrastructure, detention capacity, and border security technology. Simultaneously, it implements significantly increased and new fees for various immigration processes, subject to annual inflation adjustments starting fiscal year 2026.

Judiciary: The judiciary branch will receive funding to enhance data analysis and training related to the financial impact of legal claims against the federal government, specifically focusing on assessing the cost impact of judicial orders issuing non-party relief.

Social Programs (Other): This sector introduces a new 1% excise tax on certain remittance transfers, effective after December 31, 2025, which will be paid by the sender and collected by the remittance transfer provider.

JHS

Thank you

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