PacificCPE

COURSE

34351B

One Big Beautiful Bill: 2025 Effective Provisions

Get up to speed on the One Big Beautiful Bill Act provisions already in effect. This updated course covers the 2025 effective date changes affecting individual taxpayers, business taxpayers, and business energy-related provisions. If your clients are asking what the new law means for them right now, this course gives you the practical knowledge to answer confidently. From individual tax adjustments to business updates and energy-related rule changes, you'll walk away ready to advise clients on what's already shaping their current tax picture.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

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Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recognize the new standard deduction amounts.
- Recall the new maximum state and local tax (SALT) deduction.
- Recall the new senior deduction.
- Identify how the OBBBA changed the Child Tax Credit.
- Recall the tax deductions for –
  - Tip income;
  - Overtime pay;
  - New car loan interest; and
- Identify certain clean energy incentives.
- Recall the changes made to third-party network transaction reporting.
- Identify the changes to bonus depreciation.
- Recognize the increased dollar limitations applicable to expensing certain depreciable assets.
- Recall the special depreciation allowance for qualified production property.
- Identify how businesses treat research and experimentation expenditures for tax purposes.
- Recognize the change in the business interest deduction limitation.
- Recall how the nuclear power production credit claimed by prohibited foreign entities is affected by the OBBBA.
- Identify how the OBBBA affects clean energy credits.

- Recognize the changes made to the advance manufacturing credit.
- Identify how the intangible drilling and development cost treatment is modified for calculation of adjusted financial statement income.
- Recognize how the definition of qualifying income for PTP is expanded.

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Chapter 1: INDIVIDUAL TAXPAYERS PROVISIONS – 2025 EFFECTIVE DATE

Chapter Objective

After completing this chapter, you should be able to:

- Recognize the new standard deduction amounts.
- Recall the new maximum state and local tax (SALT) deduction.
- Recall the new senior deduction.
- Identify how the OBBBA changed the Child Tax Credit.
- Recall the tax deductions for –
    - Tip income;
    - Overtime pay;
    - New car loan interest; and
- Identify certain clean energy incentives.

INTRODUCTION

The One Big Beautiful Bill Act (OBBBA) became law on July 4, 2025. Although the majority of its provisions become effective in 2026 or later, certain provisions are effective for 2025. This chapter will briefly discuss the OBBBA provisions that became effective in 2025 and which have a high probability of impacting individual tax planning and preparation.

STANDARD DEDUCTION INCREASED AND MADE PERMANENT

The standard deduction is an alternative available to taxpayers choosing not to itemize actual deductions on their income tax returns. The general rule with respect to deductions is that a taxpayer may choose to take a standard deduction or itemize his or her deductions. Although that general rule applies in the case of most taxpayers, certain taxpayers are ineligible to take the standard deduction and must itemize.

Standard Deduction Eligibility

Taxpayers who are ineligible to take the standard deduction are the following:

- Taxpayers whose filing status is “married filing separately” and whose spouse itemizes deductions;

- Taxpayers who are filing a tax return for a short tax year due to a change in their annual accounting period; and
- Taxpayers who were nonresident aliens or dual-status aliens during the year.

Standard Deduction Amounts

The OBBBA §70102 enhanced the standard deductions available to taxpayers not electing to itemize beginning in 2025. The standard deduction amounts for 2026 are:

- $32,200 for married couples whose filing status is "married filing jointly" and surviving spouses;
- $16,100 for singles and married couples whose filing status is "married filing separately"; and
- $24,150 for taxpayers whose filing status is "head of household."

A taxpayer who can be claimed as a dependent is generally limited to a smaller standard deduction, regardless of whether the individual is actually claimed as a dependent. For 2025 returns, the standard deduction for a dependent is the greater of:

- $1,350; or
- The dependent's earned income from work for the year plus $450 (but not more than the standard deduction amount, generally $16,100), if greater.

Standard Deduction for Blind and Senior Taxpayers

Elderly and/or blind taxpayers receive an additional standard deduction amount added to the basic standard deduction. The additional standard deduction for a blind taxpayer—a taxpayer whose vision is 20/200 or poorer with glasses or contact lenses or whose field of vision is 20 degrees or less—and for a taxpayer who is age 65 or older at the end of the year is:

- $1,650 for married individuals; and
- $2,050 for singles (other than a surviving spouse) and heads of household.

The additional standard deduction for taxpayers who are both age 65 or older at year-end and blind is double the additional amount for a taxpayer who is blind (but not age 65 or older) or age 65 (but not blind).

Standard Deduction Summary	2026	
Filing Status	**Standard**	**Blind/Age 65+ add**
Married filing jointly and surviving spouses	$32,200	$1,650
Unmarried (other than surviving spouses)	$16,100	$2,050
Married filing separately	$16,100	$1,650
Head of household	$24,150	$2,050
Dependent	$1,350 or earned income + $450	

In addition to increasing the standard deduction, the OBBBA §70102 makes permanent the standard deduction that was increased under the Tax Cuts and Jobs Act of 2017 and scheduled to end for tax years after 2025. The increase in the standard deduction is retroactive to 2025 and is adjusted for inflation in years after 2025.

DEDUCTION FOR STATE AND LOCAL TAXES TEMPORARILY INCREASED (SALT DEDUCTION)

The OBBBA §70120 temporarily increases the deduction for state and local taxes—frequently referred to as the "SALT deduction"—from $10,000 to $40,000 in 2025. The limit increases to $40,400 in 2026. For calendar years after 2026 and before 2030, the limitation is equal to 101% of the dollar amount in effect in the preceding calendar year.

For example, the amount in 2027 would be $40,400 times 1.01, and would, therefore, be $40,804. Thus, the SALT limitation for each year would be as shown in the chart below:

Year	SALT Limitation
2025	$40,000
2026	$40,400
2027	$40,804
2028	$41,212
2029	$41,624
2030	$10,000

Reduction of Limitation Based on Income

The SALT limitation is reduced for taxpayers with incomes in excess of $500,000 ($250,000 in the case of a married taxpayer filing a separate return), adjusted by 1% annually. The reduction in the SALT limitation is 30% of the amount by which the applicable MAGI exceeds the threshold. The applicable thresholds are shown in the chart below:

Year	Threshold	Married Filing Separately Threshold
2025	$500,000	$250,000
2026	$505,000	$252,500
2027	$510,050	$255,025
2028	$515,150	$257,575
2029	$520,302	$260,151
2030	Not applicable	Not applicable

The SALT limitation, reduced by the amount of a taxpayer's MAGI exceeding the applicable threshold, will never be less than $10,000.

MOST PERSONAL EXEMPTIONS PERMANENTLY ELIMINATED; SENIOR EXEMPTION AUTHORIZED

The OBBBA §70103 permanently eliminates the deduction for personal exemptions—exemptions that were temporarily eliminated under the Tax Cuts and Jobs Act of 2017—but authorizes a temporary senior deduction in calendar years 2025 through 2028.

The temporary deduction for seniors is equal to $6,000 for each qualified individual. A qualified individual is defined as an individual who has attained age 65 before the close of the taxable year. The deduction for qualified individuals is reduced, but not below zero, by 6% of the taxpayer's modified adjusted gross income (MAGI) exceeding $75,000 ($150,000 in the case of a joint return).

CHILD TAX CREDIT INCREASED

The OBBBA §70104 increased the Child Tax Credit from its prior maximum amount ($2,000) to $2,200. The Child Tax Credit is a nonrefundable credit that may reduce the taxpayer's tax up to $2,200 for each of the taxpayer's qualifying children. Since the Child Tax Credit is a nonrefundable tax credit, it is available in full only to taxpayers whose income tax liability is at least as great as the credit.

In addition to having a tax liability, a taxpayer must also have a qualifying child or children to be eligible for a Child Tax Credit. A qualifying child, for purposes of the Child Tax Credit, is a child who:

- Is the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendent of any of them;
- Was under age 17 at the end of the tax year;
- Did not provide more than one half of his or her own support during the year;
- Lived with the taxpayer for more than half of the year;
- Is claimed as a dependent on the taxpayer's return;
- Does not file a joint return for the year, or files it only as a claim for refund; and
- Was a U.S. citizen, a U.S. national, or a resident of the United States.

Child Tax Credit Phaseout and Nonrefundable Amounts

Although the maximum amount of Child Tax Credit a taxpayer may claim for each qualifying child is $2,200, that amount may be reduced if:

- The amount of the tax liability shown on the taxpayer's Form 1040, Form 1040-SR, or Form 1040-NR is less than the credit; or
- The taxpayer's modified adjusted gross income is more than –
  - $400,000 if married filing jointly, or
  - $200,000 if filing as other than married filing jointly.

The Child Tax Credit is $2,200 for each qualifying child, but the aggregate CTC is reduced by $50 for each $1,000 (or fraction) by which the taxpayer's MAGI exceeds the above threshold amounts.