PacificCPE

COURSE
34352B

One Big Beautiful Bill: 2026 and Future Changes

Proactive planning starts with knowing what's coming. This updated course focuses on One Big Beautiful Bill Act provisions taking effect in 2026 and beyond, covering upcoming changes for both individual and business taxpayers. Understanding these future effective dates gives you the lead time to help clients restructure, reposition, and prepare before the changes arrive. Whether your practice leans individual, business, or both, this course equips you to get ahead of the shifts and build forward-looking tax strategies with confidence.

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

Start Course ↓ | 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

- Recall changes to the AMT thresholds and exemptions.
- Identify deductibility of mortgage insurance premiums.
- Recognize changes made to the –
  - Casualty loss deduction
  - Miscellaneous deductions subject to 2%
  - Transportation fringe benefits
  - Moving expense treatment
  - Deductibility of wagering losses
  - ABLE accounts
  - Savers credit
  - Child and dependent care tax credit
  - Dependent care assistance program
- Recall the reduction on itemized deductions.
- Identify the Trump account pilot program.
- Recognize the tax credit for contributions to scholarship granting organizations.
- Recall changes to the §529 distribution limit and education expense definition.
- Recall the partial charitable deduction for non-itemizers.
- Recognize the 1% remittance transfer tax.
- Recall the change in termination dates of –
  - Energy efficient home improvement credit

- Residential clean energy credit

- Recognize the tax changes made by the OBBBA with respect to –
  - Foreign taxes paid credit;
  - QBI deduction;
  - PFML credit;
  - Advanced manufacturing investment credit;
  - Child care credit;
  - New markets tax credit;
  - CFC look-thru rule; and
  - Dependent care assistance.

-

Recall the meal deduction for restaurants, caterers, fishing boats, and processers.

- Identify the changes in the –
  - Foreign tax credit limitations;
  - Foreign-derived deduction eligible income and net CFC tested income; and
  - Tax-free deemed return on foreign investments.
- Identify how the ATI definition increases the business interest expense deduction.
- Recognize how the taxes on high-endowment private colleges and universities are applied.

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INTRODUCTION

Sweeping new legislation passed on July 4, 2025 titled, “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14,” and referred to as the One Big Beautiful Bill Act (OBBBA), became law. The One Big Beautiful Bill Act Tax Provisions course, offering 6 CPE credits, examines the tax provisions of the Act, beginning with those provisions that are immediately effective for 2025, followed by provisions that become effective in 2026 and beyond. The new law makes permanent many of the tax provisions of the Tax Cuts and Jobs Act (TCJA) and makes changes to existing tax law, some permanent, and others temporary.

A brief explanation of existing tax law prior to the OBBBA’s passage is provided, and appropriate context is added to facilitate understanding of the pre-enactment environment and the impact of the legislative changes. The course will discuss both the individual and business tax provisions and is organized along effective date lines and whether the principal effect will be experienced by individual or business taxpayers. Accordingly, the course is segmented as follows:

Chapter 1 of course 34351B	Individual Taxpayers Provisions - 2025 Effective Date
Chapter 2 of course 34351B	Business Taxpayers Provisions - 2025 Effective Data
Chapter 3	Business Taxpayers Energy-Related Changes - 2025 Effective Date
Chapter 1	Individual Taxpayers Provisions - 2026 and Later Effective Date
Chapter 2	Business Taxpayers Provisions - 2026 and Later Effective Date

Chapter 1: INDIVIDUAL TAXPAYERS PROVISIONS – 2026 AND LATER EFFECTIVE DATE

Chapter Objective

After completing this chapter, you should be able to:

- Recall changes to the AMT thresholds and exemptions.
- Identify deductibility of mortgage insurance premiums.
- Recognize changes made to the –
    - Casualty loss deduction
    - Miscellaneous deductions subject to 2%
    - Transportation fringe benefits
    - Moving expense treatment
    - Deductibility of wagering losses
    - ABLE accounts
    - Savers credit
    - Child and dependent care tax credit
    - Dependent care assistance program
- Recall the reduction on itemized deductions.
- Identify the Trump account pilot program.
- Recognize the tax credit for contributions to scholarship granting organizations.
- Recall changes to the §529 distribution limit and education expense definition.
- Recall the partial charitable deduction for non-itemizers.
- Recognize the 1% remittance transfer tax.
- Recall the change in termination dates of –
    - Energy efficient home improvement credit
    - Residential clean energy credit

INTRODUCTION

Chapter 1 explains how the provisions of OBBBA that are effective beginning in 2026 affect individual taxpayers. Included among the changes are those affecting the AMT, casualty loss deduction, transportation fringe benefits, deductibility of wagering losses, ABLE accounts, Savers credit, child and dependent care tax credit, and the dependent care assistance program.

EXTENSION AND ENHANCEMENT OF INCREASED ESTATE AND GIFT TAX EXEMPTION AMOUNTS

Every taxpayer is entitled to give or bequeath assets during lifetime or at death tax free insofar as such assets do not exceed a basic exclusion amount. Before the Tax Cuts and Jobs Act of 2017 (TCJA) became law, the exclusion was scheduled to be $5.6 million. The TCJA increased the estate and gift tax exemption to $11.18 million applicable to decedents dying or gifts made in 2018, and it has increased to $13.99 million in 2025. However, the TCJA provision temporarily raising the exclusion was scheduled to sunset on December 31 2025, which would have caused the exclusion to revert to approximately $7 million in 2026.

Lifetime Estate and Gift Tax Exemption Increased

The OBBBA §70106 permanently increases the exclusion applicable to deaths occurring or gifts made in 2026 to $15 million and is indexed after 2026.

EXTENSION OF INCREASED AMT EXEMPTION AMOUNTS AND MODIFICATION OF PHASEOUT THRESHOLDS

Imposition of an alternative minimum tax was designed to ensure that at least a minimum amount of tax is paid by higher-income taxpayers who enjoy significant tax savings through the use of certain tax preference items. After the tax-preference items are added back into the taxpayer's income, the applicable alternative minimum taxable income (AMTI) exemption is subtracted.

Alternative Minimum Tax Exemption Amount Increased

The applicable AMTI exemption amounts [1] for 2026 are as follows:

Filing Status	Threshold for Phaseout of Exemption Amount	Complete Phaseout Amount	Alternative Minimum Taxable Income Exemption
Single or Head of Household	$500,000	$680,200	$90,100
Married Filing Jointly and Qualifying Surviving Spouse	$1,000,000	$1,280,400	$140,200
Married Filing Separately	$500,000	$640,200	$70,100

The AMTI exemption amount is reduced (but not below zero) by 25 percent of the amount by which the taxpayer's alternative minimum taxable income exceeds the phaseout threshold.

EXTENSION AND MODIFICATION OF QUALIFIED RESIDENCE INTEREST LIMITATION DEDUCTION

The TCJA made the following changes to the existing home mortgage interest deduction for taxable years 2018 through 2025 with respect to interest paid on:

- Home equity indebtedness—home equity loans and lines of credit, in other words—incurred after December 15, 2017, is not tax-deductible unless used to buy, build, or substantially improve the taxpayer's home that secures the loan;
- Acquisition debt incurred after December 15, 2017, less any acquisition debt incurred on or before December 15, 2017, is limited to interest paid on total acquisition indebtedness but only if the total of such mortgages is $750,000 or less ($375,000 or less if married filing separately); and
- Acquisition debt incurred on or before December 15, 2017 is limited to interest paid on acquisition indebtedness of $1,000,000 or less ($500,000 or less if married filing separately).

The OBBBA Makes Mortgage Insurance Premiums Deductible for Itemizers

The OBBBA §70108 makes two changes to the existing tax law, beginning in 2026:

- The temporary changes identified just above made by the TCJA are made permanent; and
- Mortgage insurance [2] premiums are included as qualified mortgage interest.

CASUALTY LOSS DEDUCTION LIMITATION EXTENSION AND MODIFICATION

Taxpayers normally have been able to deduct some or all of the losses they incur as a result of various casualties—fires, storms, shipwrecks, etc.—and thefts. Under the tax law prior to the passage of the TCJA, the tax deduction for a personal casualty or theft loss was limited to such losses, but only to the extent that:

- The amount of each separate casualty or theft loss was more than $100, and
- The total amount of all losses during the year, reduced by $100, was more than 10% of the taxpayer's adjusted gross income.

The tax treatment was changed under the TCJA by being limited in tax years 2018 through 2025 solely to losses attributable to federally-declared disasters. In addition, the rules were revised for net disaster losses occurring in 2016 and 2017 to increase the limitation applicable to each qualified federally-declared casualty from $100 to $500, and eliminate the 10% of AGI limitation for such taxpayers.

THE OBBBA MAKES PROVISIONS PERMANENT AND ELIMINATES NEED TO ITEMIZE

The OBBBA §70109 makes several changes to the casualty loss deduction:

- The provision of the TCJA that limited deductible casualty losses to federally-declared disasters is made permanent;
- The $100 per event deduction is made permanent;
- The 10% of AGI limitation is made permanent;
- A provision adds a deduction for tax years after December 31, 2025 for certain state-declared disasters;
- The requirement that the casualty loss exceed 10% of the taxpayer's AGI has been eliminated for "qualified disasters";
- The $100 limitation has been increased to $500 for casualty losses arising from a qualified federally-declared disaster for tax years after December 31, 2023; and
- The requirement that the taxpayer itemize deductions has been removed, permitting both itemizers and non-itemizers to deduct qualified disaster losses.

A federally-declared disaster means any disaster that is subsequently determined by the president of the United States to warrant assistance by the federal government under the Robert T Stafford Disaster Relief and Emergency Assistance Act. Additionally, personal casualty and theft losses attributable to a federally-declared disaster are subject to the $100 per casualty and 10% of adjusted gross income (AGI) reductions unless they are attributable to a "qualified disaster loss." Personal casualty and theft losses attributable to a qualified disaster loss are not subject to the 10% of the AGI reduction, and the $100 reduction is increased to $500. An exception to the rule above, limiting the personal casualty and theft loss deduction to losses attributable to a federally-declared disaster, applies if you have personal casualty gains for the tax year.

The term "state declared disaster" means, with respect to any state, any natural catastrophe (including any hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the state, which in the determination of the governor of such state (or the mayor, in the case of the District of Columbia) and the secretary causes damage of sufficient severity and magnitude to warrant the application of the rules of this section.

TERMINATION OF MISCELLANEOUS ITEMIZED DEDUCTIONS OTHER THAN EDUCATOR EXPENSES

Taxpayers who itemize their deductions prior to passage of the TCJA have been able to deduct certain expenses as miscellaneous itemized deductions on Schedule A (Form 1040) to the extent that, in the aggregate, they exceeded 2% of the taxpayer's AGI. Under the TCJA, these miscellaneous