



December 2025 --- President Trump's "One Big Beautiful Bill Act"

<https://www.whitehouse.gov/obbb>

Clients and Friends:

Recently, the House of Representatives and United States Senate passed our substantial budget reconciliation bill officially known as President Trump's One Big Beautiful Bill Act (OBBBA; H.R. 1). President Trump's desire to pass the "Big Beautiful Bill" by July 4, 2025, was indeed accomplished in time for the signing on our Nation's 249th Independence Day of July 4, 2025.

This 870-page One Big Beautiful Bill came out in the Senate this week and with it came a host of positive tax implications. A great deal of the impact comes from provisions in the multiple Tax Cuts and Jobs Act, which were previously set to sunset at the end of this year (2025). However, they are now being made mostly permanent (with some modifications). As the One Big Beautiful Bill is extremely complex, this flyer is a quick summary for provisions which may affect you and your family, and/or your business. We plan to continue to update you as the amendments play out.

TAX IMPACT FOR BUSINESS:

- **QUALIFIED BUSINESS INCOME (QBI) DEDUCTION:** These will now be made permanent – 20% deduction for QBI (Sole Proprietorships, Partnerships, and S Corporations).
- **QUALIFIED OPPORTUNITY ZONES:** This entails a permanent renewal (with some perhaps necessary modifications) of the QOZ program. This program offers many tax incentives to investors who are investing in deferred capital gain with some qualifying opportunity zones.
- **R&E EXPENSES:** Regarding Immediate Expensing of our Domestic R&E Expenses (Foreign R&E Expenses will still be required to be amortized over the 15 years). There is potential for a "catch-up" or for a special amendment that may be possible for Capitalized R&E Expenses affecting returns for tax years following 2021 that have previously been filed.
- **BONUS DEPRECIATION:** Businesses will enjoy a reinstatement of the permanent 100% first year "bonus depreciation". There is a deduction cap in Section 179, for investment in qualified equipment and many other assets. The deduction cap is increased from a mere \$1 million to \$2.5 million.
- **STATE & LOCAL TAX CAPS:** Temporary increases in deduction limits for payments of our state and local taxes (SALT caps) from \$10,000 to \$40,000. These are adjusted annually for inflation to year 2029. There are no restrictions for pass-through entity's tax-elective taxes.
- **QUALIFIED SMALL BUSINESS STOCK:** There are three significant expansions to Section 1202 regarding Qualified Small Business Stock (QSBS) benefits. This aims to reduce the previous required holding period from the required five years to just three years. And now will increase capital gain exclusion from \$10 million to \$15 million and increase gross asset limit from \$50 million to \$75 million.

TAX IMPACT FOR INDIVIDUALS:

- **TCJA TAX RATES:** Individual rate reductions (from the 2017 TCJA) are no longer set to expire in the year 2025. Brackets and standard deduction will remain high.
- **CHILD TAX CREDIT:** Increased child tax credit to \$2,200 per child and is no longer set to expire.
- **AUTO LOAN INTEREST DEDUCTION:** Auto loan up to \$10,000 deductible for U.S.-built car loans. This will phase out at \$100,000 AGI for an individual, or at \$200,000 for a joint return.
- **SOCIAL SECURITY RELIEF:** Seniors with an income less than \$75,000 (single) or \$150,000 (joint) will now be able to deduct up to \$6,000 (single) or \$12,000 (joint) of their Social Security incomes until 2028.



- **TAX EXEMPT DISTRIBUTIONS FROM SEC 529 ACCOUNTS:** for homeschooling as well as public and private elementary & secondary school costs.
- **NEW: 'MINOR IRA ACCOUNTS':** (age 18 or less) (aka Trump Investment accounts) up to \$5,000 for married filing joint contributions / up to \$2,500 employer contribution.
- **PILOT PROGRAM - RECEIVE \$1,000 FROM FEDERAL GOVERNMENT:** for babies born between 2025 -2028 (U.S. Citizen & social security number required).

EMPLOYEE & EMPLOYER TAX IMPACT:

- **FAMILY & MEDICAL LEAVE CREDITS:** Paid family and medical leave credits previously established under the Tax Cuts and Jobs Act will now be permanent under the OBBBA. Employers that will be offering this benefit can easily offset the costs with credits, excluding benefits mandated or paid for by State or local government.
- **HEALTH SAVINGS ACCOUNTS:** There are fewer exclusions for employees seeking to qualify for an HSA, starting in 2026.
- **EMPLOYEE RETENTION CREDITS:** Effective upon enactment, this bill will modify enforcement of COVID-related ERCs. This ensures denial of all refunds requested after January 31, 2024, regardless of the claim being filed timely in accordance with the laws at the time. The OBBBA also substantially extends the statute of limitations for most employers who have claimed the ERC.
- **TIPS & OVERTIME:** This bill temporarily allows for deductions up to \$25,000 for qualified tips received in occupations that customarily and regularly receive tips from 2025 through 2028. The bill also provides temporary deductions of up to \$12,500 (\$25,000 for joint returns) for qualified overtime compensation received in a tax year. This phases out beginning with MAGI over \$150,000 (\$300,000 for joint returns).
- **DEPENDENT CARE FLEX SPENDING ACCOUNT:** contributions increased for the first time in a while to \$7,500 (joint) and \$3,750 (single).
- **RESEARCH & EXPERIMENTAL EXPENSES:** You can either amend your tax returns for 2022-2024 or take catch-up of remaining unamortized expenses. Catch-ups can be taken all at one time in 2025, or by allocating within a 2-year period (2025-2026). This requires a change in accounting method Form 3115 (the IRS doesn't have the new DCN code for automatic approval yet).

ESTATE & GIFT TAX:

- **ESTATE, GIFT TAX & GSTT IMPACT:** The unified credit for estate and gift taxes and the generation skipping transfer tax (GSTT) exemption will be permanently increased from \$10 million to \$15 million per person. These taxes are indexed for inflation starting in 2026. This bonus exemption established by the Tax Cuts and Jobs Act was previously set to sunset at the end of 2025.

OTHER UPCOMING ITEMS:

- **There are also some changes coming to charitable contributions in 2026.**
 - .5% floor on individuals that itemize deductions and 1% floor on businesses.
 - \$1,000 (single) and \$2,000 (joint) deduction for charitable donations whether you itemize or not.

In closing, you may have specific questions regarding this bill and how it relates to you and your circumstances.

Please do not hesitate to reach out to our office at AZ Southwest CPA Services, PLLC. We will be happy to partner with you and help you successfully navigate through each tax law and each tax deduction.

Address: 6860 N. Oracle Road Suite 160, Tucson, AZ 85704 **Mail To:** P.O. Box 36837, Tucson, AZ 85740-6837
Phone: 520-888-3696 **Fax:** 520-888-3685 **Email:** trooney@azswcpa.com **Website:** www.azswcpa.com