

'One Big Beautiful Bill' Planning Considerations for Provisions



One Big Beautiful Bill represents one of the most significant U.S. tax code updates since the 2017 Tax Cuts in Jobs Act and has significant implications for the broader economy and business environment, and it will shape the U.S. tax landscape for the foreseeable future. One of the main components is the permanent renewal or revision of many 2017 Tax Cuts and Jobs Act provisions.

While these are the main provisions that will be the most impactful to the majority of taxpayers, there are other items not included that may impact your business and individual tax planning. Those items include many technical and industry-specific items, including international tax updates, foreign tax credit changes, and adjustments to business credits.

Permanence and extension of 'pro-growth' Tax Cuts and Jobs Act provisions

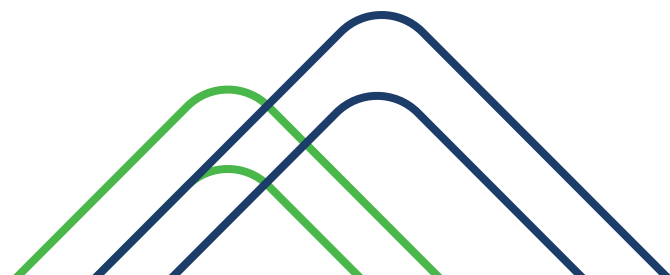
The law includes significant wins for business owners aimed at making it easier for businesses to grow and reinvest, forming a more attractive landscape for investment. **The following business provisions have been made permanent:**

- EBITDA limitation on interest deductions; adjusted taxable income would be computed without deduction of depreciation, amortization, and depletion beginning for tax years after Dec. 31, 2024, providing additional deductions beyond the existing allowable amount.
- 100 percent bonus depreciation for property acquired and placed in service on or after January 19, 2025
- Increase asset expensing maximums to \$2.5 million, reduced by the amount that the cost of qualifying property exceeds \$4 million



Key Takeaways

- The law extends and makes permanent expiring provisions from the Tax Cuts and Jobs Act, and adds new items like a bonus deduction for seniors, deductions for taxes on tips and overtime wages
- The law contains many favorable provisions for businesses including 100% bonus depreciation, changes to R&D expensing, and more
- Planning for these new provisions should begin as soon as possible to maximize benefit and fully utilize changes made by the law



- Immediate deduction of domestic research and development (R&D) or experimental expenditures paid or incurred in tax years after Dec. 31, 2024. R&D conducted outside of the United States would still require capitalization and amortization over 15 years
- Retroactive relief for businesses with \$31m in average gross receipts or less
 - In lieu of deducting unamortized R&D expenditures in 2025 or 2026, qualifying small businesses have ONE YEAR from the date of the law's enactment to retroactively deduct R&D expenses by amending their tax returns for 2022, 2023, and 2024 tax years.
- Increase to Advanced Manufacturing Investment Credit from 25 percent to 35 percent for property placed in service after Dec. 31, 2025
- Permanent renewal of the Opportunity Zone program to drive investment to certain communities
- Exception to percentage-of-completion requirement in Sec. 460(e) on certain residential construction contracts originated after effective date of the law
- Special depreciation allowance for qualified productions property, a benefit for manufacturing companies, subject to "definitional items" to determine the applicability to your manufacturing business

Individual tax reform: Retention of provisions from Tax Cuts and Jobs Act

One of the main priorities of the law was to extend and make permanent several expiring individual tax provisions from President Trump's first term. Some of those provisions are listed below (made permanent unless otherwise specified):

- Individual income tax rates remain at their current levels, ranging from 10 percent to 37 percent for the highest earners
- Increase the federal deduction for state and local (SALT) taxes to \$40,000 (up from \$10,000) adjusted for inflation. For 2026, it would be set at \$40,400 and then increase by one percent annually through 2029 before reverting to \$10,000 in 2030. This change would be effective for tax years after December 31, 2025
- Increased estate and gift tax exemptions of \$15 million for individuals and \$30 million for joint filers, adjusted for inflation each year beginning after 2025
- Alternative minimum tax exemption amounts and phaseout limits would revert to 2018 levels and the phaseout exemption amount would increase to 50 percent of the amount that the taxpayer's alternative minimum taxable income exceeds the limit
- Higher standard deduction amounts of \$15,750 for individuals and \$31,500 for joint filers (adjusted for inflation, for tax years after 2024) the increase would be effective from 2025 to 2028
- Bonus deduction of \$6,000 for individual taxpayers aged 65 or older with income thresholds of \$75,000 or more (\$150,000 for joint filers). This would be available from 2025 to 2028
- Nonrefundable child tax credit increases to \$2,200 per child (adjusted for inflation) and \$1,400 for the refundable child tax credit. It would revert back to \$2,000 after 2028, adjusted for inflation
 - Income limits would be set at \$200,000 for individuals and \$400,000 for those filing jointly, which would also apply to the \$500 non-refundable credit for dependents other than qualifying children



New provisions satisfy Trump campaign promises

In addition to making expiring provisions of the TCJA for both individuals and businesses permanent, the law includes new provisions and the elimination of previous legislation. The following provisions were pillars of Trump's campaign for re-election, including:

- Temporary above-the-line tax deduction on up to \$25,000 of qualified tips for individuals in a role that is expected to receive tips. The deduction will be permitted for both W-2 employees and independent contractors working under a 1099, 1099-NEC, or reporting tips on Form 4317.
 - This deduction would still be available for those utilizing the standard deduction, and would phase out for those exceeding \$150,000 in modified adjusted gross income or \$300,000 for joint filers. It would be in place from 2025 to 2028
- Temporary above-the-line deduction on up to \$12,500 of qualified overtime wages in a given tax year (\$25,000 for joint filers)
 - This deduction is only allowed for qualified overtime pay if the total amount of qualified overtime is reported separately on Form W-2 or 1099 if the worker is not an employee, and would only be available from 2025 to 2028
- Exclusion of qualified passenger vehicle loan interest from the definition of personal interest. Interest paid on or accrued during tax years after Dec. 31, 2024, for the purchase of an applicable passenger vehicle. Applicable vehicles are subject to many restrictions, including U.S. final assembly

The law also eliminates a significant number of clean energy tax incentives beginning as early as September 30, 2025, with the latest phase-out date of January 1, 2028.

In addition to tax revenue implications in the Bill, there are specific items of tax enforcement to reduce and eliminate fraud in the area of Medicare, Social Security, Medicaid, eligibility for government benefits, and other areas of concern for the administration.

Third-party network transaction and Form 1099 reporting revert to prior rules

The law would revert to the prior rule for Form 1099-K reporting, not requiring reporting unless the aggregate value of third-party network transactions with respect to the payee exceeds \$20,000 AND that payee has executed more than 200 transactions.

The threshold for information-reporting for persons engaged in trades or businesses and payments or remuneration of services would increase to \$2,000 in a calendar year and adjusted for inflation after 2026. Both of these thresholds currently sit at \$600.

Capitalize on favorable changes and plan for what's next

With clarity on tax policy for the foreseeable future, you can begin planning with confidence.



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