The One Big Beautiful Bill Act: OBBBA
Key Provisions

Presented by:
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December 16, 2025

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MDCPA.CNF.IO

- Navigate to https://mdcpa.cnf.io and tap the session titled "OBBB: General Tax Provision Update"

- OR just point your phone’s camera at the QR code to join directly

Learning Objectives

- Understand the key provisions in the OBBBA, its impact, and relevance across four critical areas:
    - Individual
    - Estate and Trust
    - Business
    - Compensation and Benefits
- Develop practical talking points to communicate the impact and implications of the OBBBA

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Silent Polling Question

What is my current level of knowledge about the OBBBA?

A.) I have some knowledge of the OBBBA. I am excited that you are here to discuss the OBBBA and to learn more about the law changes that directly affect my tax situation.

B.) I was happy with the way things were with my taxes and was finally feeling comfortable. Now, I will need to learn new tax law, and I don't enjoy the fact that I will be affected by these changes.

C.) I know everything there is to know about the OBBBA. I will sit back and finalize my Christmas gift list.

D.) I didn't know that OBBBA tax legislation passed until I saw it on today's agenda.

The One Big Beautiful Bill Act

- The **One Big Beautiful Bill Act (OBBBA)**, passed on **July 4, 2025**, represents one of the most significant tax law updates since the Tax Cuts and Jobs Act (TCJA).
- It permanently extends many TCJA provisions, modifies others, and introduces new measures impacting:
    - Individuals
    - Estates and Trusts
    - Businesses
    - Compensation and Benefits

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TCJA Items Made Permanent for Individuals

TCJA Items are effective after 12/31/25

- Maintain income tax rates at current level
- **2%** Miscellaneous itemized deductions on Schedule A continued to be eliminated – no change
- Full mortgage interest deduction **capped at $750,000** of acquisition indebtedness for qualified residence; deduction for home equity interest remains eliminated – no change for both
- **20%** QBI Deduction for pass-through owners (partners and S-Corp shareholders) was extended but no increase to deduction percentage
    - House proposed a **23%** QBI Deduction but it did not pass
- Acceleration of Termination for Energy Efficient Home improvement credit under Biden's Inflation Reduction Act from ***12/31/32*** to ***12/31/25***

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TCJA Items Extended and Modified for Individuals

- **NEW:** SALT deduction limit increases from **$10,000** to **$40,000** for tax years after ***12/31/2024*** through ***12/31/28***
  - Phase-out begins when AGI exceeds $500,000
  - Deduction reverts to **$10,000** when AGI exceeds $600,000
  - Relief to middle income taxpayers
- Extension and Increase in Child Tax Credit from **$2,000** to **$2,200,** *Effective after* ***12/31/24*** **for qualifying dependent children under age 17**
  - **$500** nonrefundable Credit for Other Dependents made permanent (dependent children age 17 or older for full-time students under age 24.)

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Individuals - New Items

Charitable Contributions: *Effective after 12/31/25*

- Itemizers
  - **0.5%** AGI floor for all charitable contributions made
  - **60%** AGI limitation on cash gifts to public charities (all other % limitation remained unchanged)
- Non-Itemizers
  - **$1,000** single / **$2,000** married above-the-line deduction for cash gifts to public charities
- **NEW:** Pease limitation reinstated to limited overall itemized deductions
  - For taxpayers in 37% bracket **limited to 35%** of AGI
- Tax Credit for Contributions of Individuals to Scholarship Granting Organizations: *Effective after **12/31/26***
  - Creates a non-refundable credit **not to exceed $1,700** for qualified contributions to qualified scholarship-granting organizations.
  - State must certify organizations

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Individuals – New Items

Qualified Small Business Stock (QSBS): *Effective after 7/4/2025*

- Changes the QSBS exclusion to a tiered system (50%, 75%, or 100%) depending on the holding period (3, 4, or 5-years, respectively) for stock acquired after enactment.
- Raises per-issuer dollar cap exclusion from **$10 million** to **$15 million** for post enactment shares
- Raises corporate asset ceiling from **$50 million** to **$75 million** for stock issued after enactment.

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Individuals – New Items

- **Trump Campaign Promises that became law:** *Effective 1/1/25 until 12/31/28*
- **Temporary Above-the-Line Deductions**
  - A. Up to **$25,000** deduction for qualified tips
    - Tips received by occupations that customarily received tips (i.e., hotel staff, restaurant employees etc.)
    - **$25,000** amount phases out for incomes above **$150,000** for individuals and **$300,000** for joint returns
  - B. Up to **$12,500** for single filers and **$25,000** deductions for joint for qualified overtime compensation
    - **$12,500** and **$25,000** amounts phase out for incomes above **$150,000** for individuals and **$300,000** for MFJ
  - C. Up to **$10,000** deduction for qualified car loan interest for new U.S.-assembled vehicles
    - Phaseout starts for incomes above **$200,000** for MFJ and **$100,000** for all other taxpayers
    - Taxpayer must include the vehicle's VIN on the tax return

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Individuals – New Items

- **Temporary Above-the-Line Deductions**
  - **Senior Deduction**
    - Additional temporary **$6,000** personal exemption for taxpayers age 65+
      - **$12,000** for MFJ returns
    - Phased out at **$150,000** for MFJ and **$75,000** for Individuals.

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Schedule 1-A

SCHEDULE 1-A (Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2025
Attachment Sequence No. 1A

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b			1
2a	Enter any income from Puerto Rico that you excluded	2a		
b	Enter the amount from Form 2555, line 45	2b		
c	Enter the amount from Form 2555, line 50	2c		
d	Enter the amount from Form 4563, line 15	2d		
e	Add lines 2a, 2b, 2c, and 2d			2e
3	Add lines 1 and 2e			3

Part II No Tax on Tips

Caution: Fill out Part II only if you received qualified tips. These tips must have been received in an occupation listed at *IRS.gov/TippedOccupations*. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4	Qualified tips received as an employee. If you received tips as an employee with respect to employment with more than one employer, enter -0- on lines 4a and 4b and see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions.			
a	Enter qualified tips included on Form W-2, box 7, but see the instructions if Form W-2, box 5 is more than $176,100 or you received tips that are not subject to social security and Medicare taxes	4a		
b	Qualified tips included on Form 4137, line 1, row A, column (c). If Form 4137 is not filed, enter -0-	4b		
c	If you only received qualified tips as an employee with respect to employment with one employer, enter the larger of line 4a or line 4b. Otherwise, see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions			4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business or in more than one occupation, see instructions			5
6	Add lines 4c and 5			6
7	Enter the smaller of the amount on line 6 or $25,000			7
8	Enter the amount from line 3			8
9	Enter $150,000 ($300,000 if married filing jointly)			9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13			10
11	Divide line 10 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			11
12	Multiply line 11 by $100			12
13	**Qualified tips deduction.** Subtract line 12 from line 7. If zero or less, enter -0-			13

Part III No Tax on Overtime

Caution: Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

14a	Qualified overtime compensation included in Form W-2, box 1. If you received qualified overtime compensation not reported on Form W-2, box 1, see instructions	14a		
b	Qualified overtime compensation included in Form 1099-NEC, box 1, or Form 1099-MISC, box 3 (see instructions)	14b		
c	Add lines 14a and 14b			14c
15	Enter the smaller of the amount on line 14c or $12,500 ($25,000 if married filing jointly)			15
16	Enter the amount from line 3			16
17	Enter $150,000 ($300,000 if married filing jointly)			17
18	Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21			18
19	Divide line 18 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			19
20	Multiply line 19 by $100			20
21	**Qualified overtime compensation deduction.** Subtract line 20 from line 15. If zero or less, enter -0-			21

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 95872Q **Schedule 1-A (Form 1040) 2025** Created 11/4/25

Part IV No Tax on Car Loan Interest

Caution: Fill out Part IV only if you, or your spouse if married filing jointly, paid or accrued qualified passenger vehicle loan interest (QPVLI). Column (iii) is the total QPVLI paid in 2025 less the amounts reported in column (ii). See instructions.

22 Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.

	(i) Vehicle identification number (VIN)	Interest for this loan: (ii) Deducted on Schedule C, Schedule E, or Schedule F	(iii) Schedule 1-A
a			
b			

23	Add lines 22a and 22b, column (iii)	23	
24	Enter the smaller of the amount on line 23 or $10,000	24	
25	Enter the amount from line 3	25	
26	Enter $100,000 ($200,000 if married filing jointly)	26	
27	Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30	27	
28	Divide line 27 by $1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.)	28	
29	Multiply line 28 by $200	29	
30	**Qualified passenger vehicle loan interest deduction.** Subtract line 29 from line 24. If zero or less, enter -0-	30	

Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31	
32	Enter $75,000 ($150,000 if married filing jointly)	32	
33	Subtract line 32 from line 31. If zero or less, enter $6,000 on line 35	33	
34	Multiply line 33 by 6% (0.06)	34	
35	Subtract line 34 from $6,000. If zero or less, enter -0-	35	
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a	
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b	
37	**Enhanced deduction for seniors.** Add lines 36a and 36b	37	

Part VI Total Additional Deductions

38	Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38	

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Individuals – New Items

- **Trump Accounts (to begin July 2026)**
  - trumpaccounts.gov
  - For qualified children born between **2025** and **2028**:
    - U.S. Treasury will provide a one-time, **$1,000** contribution to a designated Trump Account on their behalf
  - There is an overall combined **$5,000** annual contribution limit for parents and family members
  - Contributions made by parents and family members are made on a post-tax basis and are **nondeductible**, similar to a Sec. 529 plan for higher education purposes
  - Withdrawals cannot be made until the child reaches age **18** allowing for tax free growth
  - Children can make qualified withdrawals from their account for future educational, home ownership and entrepreneurial expenses

Individuals – New Items

Taxation of Trump Accounts

- Qualified Withdrawals
    - The original contributions are a **return of capital** and are **not taxable,** but the investment earnings on the original contributions are taxed at ordinary income tax rates. Withdrawals will allocate tax free portion to contributions and taxable portion to earnings.
- Nonqualified Withdrawals
    - Withdrawals **after 18** and **before 59 ½** are nonqualified expenses if made for any purpose other than for education, first time home buying, entrepreneurial ventures and other exempt purposes to be defined
    - If a nonqualified withdrawal is made, the entire withdrawal is subject to income tax and **10% penalty** if the recipient is **before age 59 ½**

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Estate, Gift and Trusts

- The TCJA initially doubled the **lifetime estate exclusion** through 12/31/25 ($13,990,000 in 2025)
- The bill **permanently increases** the estate and gift tax exemption to **$15 million** for individuals ($30 million for both spouses) for 2026 and will be indexed for inflation thereafter
- **GST Tax Exemption**
    - Matches estate and gift exemption at **$15 million**
- TCJA brackets remain **permanent for trusts**, with the top rate at 37%
- **Do not pause** on your estate planning due to the permanent increase to the estate exemption
    - At 7% growth, $15M in 4 years is approx. $19.6M which is an additional $1.84M in federal estate tax

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Business

General Business Tax Benefits

- Interest Expense Limitation
  - *Effective for tax years beginning after 12/31/24*
  - Permanently reinstates the EBITDA limitation for the calculation of the deduction
- Qualified Small Business Stock
  - *Effective for taxable years after 7/4/2025*
  - Tiered structure (**50%** exclusion after **3 years**, **75%** exclusion after **4 years**, **100%** exclusion after **5 years**)
  - Gain exclusion for shareholders raised to **$15M**
- Charitable Contributions by Corporations
  - *Effective for taxable years after 12/31/25*
  - Limits charitable deductions to the extent the aggregate of corporate charitable contributions exceeds **1%** of taxable income and **does not** exceed **10%**

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Business

Increased Section 179 Expensing Limitation

- For property placed into service *after 12/31/24*
- Increases the maximum amount a taxpayer may expense to **$2.5 million**
- Increases the phaseout threshold amount to **$4 million**.

Sec. 168(k) Bonus Depreciation

- 100% Bonus Depreciation **reinstated** and made **permanent**
- Applicable to property acquired and placed into service *after 1/19/25*

Transitional Election Option

- For property placed in service during the first taxable year ending after 1/19/25, to apply **40%** rate or **60%** rate for long-term property or certain aircraft in lieu of the 100%

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Bonus Depreciation for Qualified Production Buildings

- Allows 100% bonus depreciation of:
  - Designated domestic new **factories**, **refineries**, or **buildings** used in agriculture or chemical production
  - Must involve the substantial transformation of a **tangible product**, certain **facility improvements** and **other structures**.
- Construction must:
  - *Begin after 1/19/25*, and *before 1/1/29*
  - Be placed in service after the date of enactment and *before 1/1/31*
- Applies to certain acquired property that was not previously used in qualified production activities during the period *beginning 1/1/21* and *ending 5/12/25.*

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Bonus Depreciation for Qualified Buildings

- The property must **not**:
    1. Have been used at any time prior to the acquisition
    2. Be acquired from a related party or acquired in certain transactions.
        - Recapture applies if property use changes within **10 years**.
- Excludes from qualified production property, food or beverages prepared in the same building as a retail establishment in which such property is sold.

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Research and Development (R&D) Expenses

- Permanently allows expensing for domestic R&D under Sec. 174A amounts paid or incurred in taxable years beginning *after 12/31/24*.
    - Taxpayers can choose to:
        1. Deduct domestic R&D expenses
        2. Elect to capitalize and amortize over a period of at **least 60 months**, starting from when the benefit is first realized
        3. Elect to capitalize and recover domestic R&D expenses over **10 years**

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Research and Development (R&D) Expenses

- Small business taxpayers with average gross receipts of **$31 million** or less can apply the change retroactively to taxable years starting *after 12/31/21*.
- All taxpayers who capitalized domestic R&D expenses in taxable years beginning *after 12/31/21*, and *before 1/1/25* may:
    - elect to accelerate any unamortized domestic R&D expenses over a **one**- or **two-year** period.
- Allows taxpayers to recover capitalized domestic research expenditures recovered upon:
    1. Disposition
    2. Retirement
    3. Abandonment

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Pass-Through Entity Provisions

- *Sec.199A Deduction made permanent*
  - *Effective for tax years beginning after 12/31/25*
  - Phase-in thresholds increased to **$75,000** for single and **$150,000** for MFJ
- REIT Asset Test:
  - Increased from **20%** to **25%** for taxable REIT subsidiaries *after 12/31/25*
- Excess Business Loss Limitation under Sec. 461 made permanent for non-corporate taxpayers
  - *Effective for tax years beginning after 12/31/26*

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Qualified Opportunity Zones:

- Made permanent with rolling **10-year** designations *for taxable years after 12/31/26*
    - Modifies the rules for deferral of gain invested in opportunity zone property by including in gross income in the taxable year that includes the earlier of:
        1. the sale or exchange date
        2. five years after the investment

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Business Meals:

- **100% deduction** *for taxable years after 12/31/25*
- Applies to expenses relating to:
  1. Goods or services sold by the taxpayer in a bona fide transaction for an adequate and full consideration
  2. Meals expenses for crews of certain commercial vessels, and meals provided on oil and gas platforms
  3. Meals for certain fishing boats and fish processing facilities

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Compensation and Benefits

Executive Compensation

- Sec. 162(m) aggregation rule now applies to controlled groups for the **$1M** cap on covered employees for taxable years *after 12/31/25*
- Tax on excess compensation within tax-exempt organizations
  - Imposes excise tax on compensation above thresholds for certain nonprofit executives

Student Loan Fringe Benefit

- Allows employer contributions toward employee student loan repayment
  - Effective for payments made *after 12/31/25*

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Compensation and Benefits

Effective for taxable years after 12/31/25.

- **Childcare**
  - Childcare credit for employers
  - Dependent care assistance income exclusion
  - Child and dependent care credit for individuals
- **Family and Medical Leave Credit**
  - Permanently extends and modifies the credit to allow it to be claimed for an applicable percentage of premiums paid or incurred by an eligible employer
    - Makes the credit available in all states
    - Lowers the minimum employee work requirement from one year to six-months
- **Employee Retention Credit**

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International

Effective for taxable years after 12/31/25

- **FDII** effective rate to ~14% and GILTI effective rate to 12.6%
- Deemed tangible income return (*i.e.*, QBAI) eliminated for both
- **GILTI** deemed paid taxes haircut reduced to 10%
- 14% foreign ETR hurdle
- Apportionment to FDII and GILTI generally limited to "directly allocable" deductions
- Sales of IP and other depreciable/amortizable/depletable property not eligible for FDII
- **BEAT** rate increased to 10.5%; post-2025 credit modification eliminated

Section 163(j): Deemed inclusions and related section 78 gross-ups not included in ATI

- *Effective after 12/31/24*

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Tax Exempt Organizations

Revenue Raising Provisions Affecting Tax-Exempt Organizations

- Increase in Excise Tax on Investment Income of Certain Private Colleges and Universities *Effective after 12/31/25*
- Excise Tax applies to private educational institutions that:
    1. had at least **3,000** tuition-paying students during the previous tax year
    2. **more than 50%** of the tuition-paying students are located in the United States
    3. is not a state college or university
    4. the adjusted endowment is at least **$500,000** per student
        - Includes interest from student loans and royalties from federally funded research in net investment income

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Tax Exempt Organizations

- **Tiered Excise Tax Rates Introduced**
  - Replaces the current flat **1.4%** excise tax on net investment income of certain private colleges and universities with a tiered structure:
    - **1.4%** for student-adjusted endowment per student over **$500,000** and up to **$750,000**
    - **4%** for over **$750,000** and up to **$2 million**
    - **8%** for over **$2 million**

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Summary of Key Provisions

- **OBBBA Enactment Date**
  - The One Big Beautiful Bill Act was enacted on 7/4/25, marking the start of new tax reforms
- **General Effective Dates**
  - While most tax law changes take effect for tax years after 2025, some begin this year, and others are delayed until after 2026. Knowing the effective dates is essential for navigating these new tax law changes
- **Early Effective Provisions**
  - Some provisions like 100% bonus depreciation take effect earlier for property acquired after 1/19/25.
- **Strategic Compliance Planning**
  - Stakeholders must coordinate tax and accounting teams to ensure compliance and optimize strategies under OBBBA.

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Presenters

Chris McLane is a director in the Private Client Services practice. He has over 25 years of experience providing comprehensive and proactive tax planning and compliance services for individuals, partnerships, corporations, trusts, and exempt organizations.
Chris' areas of concentration have focused on providing tax services to family privately owned businesses, family offices with complex family investments including trusts, and proactive tax planning for the individual family members. He also works extensively with high-net-worth individuals and business executives to provide tax planning and projection services. Chris' background includes working with clients on tax issues associated with legacy private foundations and non-profit organizations. Before joining Andersen, Chris was a tax partner at Chemel Kornick & Mooney (CKM).

Rob Frenz is part of the Private Client Services practice of Andersen. He has provided proactive tax planning and compliance services for individuals, partnerships, corporations and estates and trusts for over 16 years. During his career, his work has focused on closely held and family businesses and their owners, along with large family offices and other sophisticated businesses and investments. His experience also spans to the planning for tax compliance issues associated with start-up and growing corporations, estates and trusts, private foundations, and charitable trusts. Prior to Andersen, Rob was a tax manager with Chemel Kornick & Mooney, LLC. He is a graduate of Baldwin-Wallace University, Cleveland. He is active in many community activities in Cranberry Township.

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