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ONE BIG BEAUTIFUL BILL BECOMES LAW: WHAT THE SWEEPING TAX REFORM MEANS FOR YOU AND YOUR BUSINESS

The U.S. tax code just underwent its most significant overhaul since 2017. On July 4, 2025, President Donald J. Trump signed the One Big Beautiful Bill (OBBB) into law, a far-reaching tax reform law that touches nearly every corner of the tax system, including estate and gift taxes, business deductions, international provisions, and individual income tax rules.

Some provisions apply as early as tax year 2025. Others begin in 2026 or later, making it important to understand the timing of each change. Here is a high-level look at what taxpayers should pay attention to.

Estate and Gift Taxes: A Bigger Exemption Made Permanent

The OBBB increases the federal estate, gift, and generation-skipping transfer (GST) tax exemption to $15 million per person (indexed for inflation) effective January 1, 2026. This change avoids the previously scheduled sunset that would have reduced the exemption to around $7 million.

Taxpayers with existing estate plans, particularly those involving trusts or lifetime gifting strategies, should revisit their plans to evaluate whether new opportunities exist under the expanded exemption.

Business Tax: Expensing, 199A, QSBS, and Opportunity Zones

The One Big Beautiful Bill makes several taxpayer-friendly business provisions permanent or more generous:

- **100% Bonus Depreciation** is restored and made permanent for qualified property placed in service after January 19, 2025.
- **Section 179 Expensing** is increased to a $2.5 million cap with a $4 million phaseout.
- **Section 199A (Qualified Business Income – QBI) Deduction** is made permanent, with expanded eligibility thresholds and a minimum deduction for small business owners with modest income.

- **Opportunity Zones** are renewed permanently, with rolling 10-year designations and added compliance requirements.
- **QSBS (Qualified Small Business Stock**) benefits are expanded, with a higher exclusion cap and a shorter holding period to qualify for partial gains exclusion.

Businesses will also benefit from broader R&D expensing options, changes to the business interest limitation, and permanent extension of the New Markets Tax Credit.

Individual Tax Provisions: Some Relief, Some Phaseouts

For individuals, the One Big Beautiful Bill makes the Tax Cuts and Jobs Act's income tax rate structure permanent and provides several new deductions and enhancements:

- **Standard deduction increases** remain and are further enhanced, with inflation adjustments.
- **Child Tax Credit** increases to $2,200 in 2026 and remains inflation-adjusted.
- **SALT (State and Local Tax) Cap rises** temporarily to $40,000 (2025 through 2029) for joint filers before dropping back to $10,000.
- **New above-the-line deductions** are added for tip income, overtime wages, and certain auto loan interest.
- A **new $6,000 senior deduction** is available from 2025 through 2028, subject to AGI limits.
- **Charitable deduction changes** include a modest above-the-line deduction and new floors for itemizers.

International Tax and Compliance

The One Big Beautiful Bill also overhauls international tax rules by renaming and restructuring GILTI (Global Intangible Low-Taxed Income, now NCTI), FDII (Foreign-Derived Intangible Income, now Foreign-Derived Deduction Eligible Income, or FDDEI), and BEAT (Base Erosion and Anti-Abuse Tax), while adjusting effective rates and deduction formulas. It reinstates the Section 958(b)(4) rule, expands deemed-paid foreign tax credits, and introduces a 1% excise tax on certain cross-border remittances.

For multinational businesses, these changes will require careful modeling, particularly with respect to foreign tax creditability, sourcing rules, and reporting obligations.

Other Noteworthy Items

- **ERC (Employee Retention Credit) Claims Denied after January 31, 2024**: Any COVID-era ERC claim filed after this date is barred, even if it would have been timely under prior law.
- **Excess Business Loss Limitation**: Made permanent and modified.
- **Affordable Care Act (ACA) Verification Requirements**: Tighter rules and loss of premium assistance for certain special enrollment circumstances.

- **Expanded Low-Income Housing and Rural Loan Incentives**: Targeted to promote investment in underserved areas.

What You Should Do Now

While many provisions do not kick in until 2026, now is the time to get ahead:

- Evaluate gifting strategies considering the expanded estate exemption.
- Review business depreciation schedules and capital investment plans.
- Confirm eligibility for the 199A deduction under the new thresholds.
- Consider re-evaluating trust structures, charitable planning, and cross-border operations in light of compliance and tax rate changes.

Implementation will unfold over the next several years. Guidance from Treasury and the IRS will continue to shape how these changes apply. Our team will continue to monitor developments and provide additional guidance as regulations roll out.

Discuss how these changes may affect your personal or business tax planning with us. Contact us, the O’Neil Cannon Tax Team, for assistance.