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ISCPA's "One Big Beautiful Bill Act* – What is in the New Law?"

Presented by Ed Zollars

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One Big Beautiful Bill Act - What is in the New Law?

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July 2025

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Disclaimer

- These materials are prepared to assist in learning about tax matters covered in the One Big Beautiful Bill Act.
- This document is **not tax advice** and is not meant to be relied upon by readers providing tax advice.
- Always consult the official legislative text and relevant guidance for specific client situations.
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Course Learning Objectives

Upon completion of this course, you will be able to:

- **Recognize and apply the permanent extensions and enhancements** to individual tax provisions, including **reduced tax rates**, **increased standard deductions**, and the **child tax credit**, as well as the **new temporary senior deduction**.
- **Understand and advise on the new, temporary individual deductions** for **qualified tips**, **overtime compensation**, and **car loan interest**, and the establishment of **Trump Accounts**.
- **Explain the permanent full expensing (100% bonus depreciation)** for qualified business property and the **full deduction for domestic research and experimental expenditures**..

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Course Learning Objectives

Upon completion of this course, you will be able to:

- **Identify and interpret the permanent America-First international tax reforms**, including **modifications to foreign tax credits**, changes to **Foreign-Derived Deduction Eligible Income (FDII)** and **Net CFC Tested Income (formerly GILTI) deductions**, and the **increased Base Erosion Minimum Tax (BEAT) rate**.
- **Analyze key changes impacting Premium Tax Credit eligibility and recapture rules**, the **expanded eligibility for Health Savings Accounts (HSAs)**, and the **permanent extension and enhancement of Opportunity Zones and the Qualified Small Business Stock (QSBS) gain exclusion**.

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Congress Delivers a Tax Bill Enacted July 4, 2025



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- House had passed its version of the bill in May
- The Senate deleted the House text, replaced it with a bill they drafted that had some significant differences
- The House did adopt the Senate bill, after setting two records
  - Longest time a vote was held open
  - Longest speech on the floor
- Signed into law July 4, 2025

The One Big Beautiful Bill Act (HR 1) Overview

- **Passed by Congress in July 2025**, delivered to the President before July 4, 2025.
- **Primary Purpose:** Primarily extends and generally makes permanent many provisions from the **Tax Cuts and Jobs Act (TCJA)** that were scheduled to expire in 2025.
- **Accelerated Expirations:** Accelerates the expiration of most **energy incentives** from the Inflation Reduction Act.
- **New Relief:** Includes **temporary, targeted tax relief** promised by the President during his campaign, among other provisions.
- The **Senate Bill** served as the ultimate source of language for this Act — many items are different from the initial bill the House passed in May

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Missing Bill Provisions

- No changes to state PTET SALT workarounds
- No expansion of PL 86-272 activities
- Section 899 "Revenge Tax" removed



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Key Items NOT Found in the Final Bill

- **Changes to State Passthrough Entity Tax (PTET) SALT Workarounds**
  - Initial House and Senate proposals included limits on how state PTET taxes could mitigate SALT cap effects.
  - Specifically, the House version aimed to prohibit SSTB owners from deducting PTET taxes as anything other than personal income taxes on Schedule A.
  - The Senate version proposed limits on all entities when PTET taxes passed to an individual exceeded $40,000.
  - **Neither of these provisions is present in the final enacted bill**, maintaining current PTET workaround utility.

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Key Items NOT Found in the Final Bill (Cont.)

- **Expansion of Activities Facilitating Solicitation Under PL 86-272**
  - A proposed amendment aimed to broaden **Public Law 86-272** significantly, which currently restricts states from levying net income tax on businesses solely engaged in soliciting orders for tangible personal property.
  - The amendment sought to redefine "protected solicitation" to encompass activities facilitating such solicitation, potentially nullifying state tax regulations aligned with MTC guidance on internet activities.
  - **Reason for Failure:** This provision failed due to the **Senate's Byrd Rule**. The Byrd Rule requires reconciliation bill provisions to have a demonstrable impact on federal revenue or spending, which this amendment lacked. This outcome was largely anticipated.

Key Items NOT Found in the Final Bill (Cont.)

- **Section 899 Revenge Tax**
  - A provision targeting **foreign-owned companies and investors** from nations with "unfair foreign taxes" on U.S. companies.
  - **Removed from the bill** at the Treasury Secretary's request, following agreements with several countries.

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Subtitle A — Tax

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Structure of the IRC

- **Section 62 - Adjusted Gross Income**
  - All deductions **allowed to an individual in computing adjusted gross income** are listed in this section
  - Any new "above the line" deduction has to be **added to this list**
- **Section 63 - Taxable Income**
  - Defined as **AGI - (either standard or itemized deductions) - exemptions - other deductions listed in Section 63 (mainly QBI under prior law)**
  - A lot of provisions get inserted here in this law - **not above the line but don't need to itemize**

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Structure of the IRC

- **Section 67 - Miscellaneous Itemized Deductions**
  - Itemized deductions are all deduction allowed for an individual **other than those listed in §§62 or 63**
  - Miscellaneous itemized deductions are all itemized deductions **except those as not miscellaneous itemized deductions in this section (so must be added to Section 67)**
  - **Miscellaneous itemized are no longer deductible**, so to be a deductible itemized deduction it must be one of those listed in this section as not an itemized deduction

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Chapter 1: Permanent Tax Relief for Middle-Class Families and Workers

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Permanent Extension & Enhancement of Individual Tax Provisions

- **Sec. 70101. Extension And Enhancement Of Reduced Rates.**
  - **Affected IRC Section: IRC Sec. 1(j)**.
  - **Key Change:** Makes the **reduced tax rates permanent** by striking the January 1, 2026, sunset date. Modifies inflation adjustment rules for certain rate bracket thresholds.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

Permanent Extension & Enhancement of Individual Tax Provisions (Cont.)

- **Sec. 70102. Extension And Enhancement Of Increased Standard Deduction.**
  - **Affected IRC Section: IRC Sec. 63(c)(7)**.
  - **Key Change:** The **increased standard deduction is made permanent**.
  - **Substantially Increased Amounts:**
    - Married Filing Jointly / Surviving Spouses: **$24,000 to $31,500**.
    - Head of Household: **$18,000 to $23,625**.
    - Single / Married Filing Separately: **$12,000 to $15,750**.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.
  - **CPA Insight:** This significantly reduces the number of taxpayers who itemize deductions, simplifying tax preparation for many.

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Personal Exemptions & New Senior Deduction

- **Sec. 70103. Termination Of Deduction For Personal Exemptions Other Than Temporary Senior Deduction.**
  - **Affected IRC Section: IRC Sec. 151(d)(5).**
  - **Key Change:** Generally **terminates the deduction for personal exemptions.**

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Personal Exemptions & New Senior Deduction

- **Sec. 70103. Termination Of Deduction For Personal Exemptions Other Than Temporary Senior Deduction.**
  - **New, Temporary Senior Deduction:** Introduces a **$6,000 deduction** for each "qualified individual" (taxpayer and/or spouse age 65+ by year-end) for taxable years **beginning before January 1, 2029**.
    - **Limitation:** Each $6,000 deduction is reduced by **6% of MAGI exceeding $75,000** ($150,000 for joint returns).
    - **Requirements:** Social Security Number (SSN) required, joint return for married individuals.
    - **CPA Insight:** This deduction is an imperfect substitute for excluding Social Security benefits from taxation due to the Byrd Rule. It applies regardless of Social Security receipt and may not fully offset taxable benefits for many seniors.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.

Child Tax Credit Enhancement

- **Sec. 70104. Extension And Enhancement Of Increased Child Tax Credit.**
  - **Affected IRC Section: IRC Sec. 24(h)**.
  - **Key Change:** The **increased child tax credit is extended permanently**.
  - **Credit Amount Increased:** From **$2,000 to $2,200**.
  - **Requirements:** SSN required for taxpayer/one spouse and qualifying child.
  - **Inflation Adjustments:**
    - For years after 2024, the **$1,400 refundable credit amount** is adjusted for inflation (2017 base).
    - For years after 2025, the **$2,200 credit amount** is adjusted for inflation (2024 base), rounded to the next lowest multiple of $100.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.

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Qualified Business Income (QBI) Deduction

- **Sec. 70105. Extension And Enhancement Of Deduction For Qualified Business Income.**
  - **Affected IRC Section: IRC Sec. 199A(i)**.
  - **Key Change:** Increases the **taxable income limitation phase-in amounts**.
    - From "$50,000 ($100,000 for joint returns)" to **"$75,000 ($150,000 for joint returns)"**.
  - **New Minimum Deduction:** Introduces a **new minimum deduction for active qualified business income**. For "applicable taxpayers" with at least $1,000 in aggregate QBI from active qualified trades/businesses with material participation, the deduction will be the greater of the amount otherwise determined or **$400**.
    - **Inflation Adjustment:** The $400 and $1,000 amounts will be adjusted for inflation for years after 2026.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Estate & Gift Tax and Alternative Minimum Tax (AMT)

- **Sec. 70106. Extension And Enhancement Of Increased Estate And Gift Tax Exemption Amounts.**
  - **Key Change:** Basic exclusion amount **increased from $5,000,000 to $15,000,000**. Inflation adjustment base year updated.
  - **Effective Date:** Estates of decedents dying and gifts made after **December 31, 2025**.
- **Sec. 70107. Extension Of Increased Alternative Minimum Tax Exemption Amounts And Modification Of Phaseout Thresholds.**
  - **Key Change:** Increased AMT exemption amounts **extended permanently**.
  - **Modifications:** Inflation adjustment for the $1,000,000 (MFJ) phaseout amount modified. **Phaseout percentage changed from 25% to 50%**.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

Itemized Deduction Modifications

- **Sec. 70108. Extension And Modification Of Limitation On Deduction For Qualified Residence Interest.**
  - **Affected IRC Section: IRC Sec. 163(h)**.
  - **Key Change:** Limitation on deduction for qualified residence interest **extended permanently**.
  - **Modification: Mortgage insurance premiums will again be treated as interest** for this deduction subject to pre-2022 rules.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
- **Sec. 70109. Extension And Modification Of Limitation On Casualty Loss Deduction.**
  - **Affected IRC Section: IRC Sec. 165(h)**.
  - **Key Change:** Limitation on casualty loss deduction **extended permanently**.
  - **Modification:** Deduction extended to losses from a **"State declared disaster"**.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Miscellaneous Itemized Deductions & Educator Expenses

- **Sec. 70110. Termination Of Miscellaneous Itemized Deductions Other Than Educator Expenses.**
  - **Affected IRC Section: IRC Sec. 67(g)**.
  - **Key Change:** Generally **terminates miscellaneous itemized deductions**.
  - **Exception:** Carves out a **permanent deduction for "educator expenses"** which it appears will be an other itemized deduction on Schedule A.
  - **Expanded Definition of "Educator Expenses":**
    - **Removes the dollar limitation** and exclusion for nonathletic supplies for health/physical education.
    - Changes requirement from "in the classroom" to "**as part of instructional activity**".
    - Expands eligible educators to include "**interscholastic sports administrator or coach**".
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** This makes the $0 miscellaneous itemized deductions (excluding educator expenses) permanent.

New Limitation on Itemized Deductions

- **Sec. 70111. Limitation On Tax Benefit Of Itemized Deductions.**
  - **Affected IRC Section: IRC Sec. 68**.
  - **Key Change:** Imposes a **new limitation on the tax benefit of itemized deductions**.
    - Amount of itemized deductions otherwise allowable will be **reduced by 2/37** of the *lesser* of the amount of itemized deductions, OR the taxpayer's adjusted taxable income exceeding the dollar amount where the 37% tax rate bracket begins.
    - **Important:** This limitation applies *after* any other limitations on specific itemized deductions.
    - **Exclusion:** This limitation **will not apply when determining the deduction for qualified business income** under Sec. 199A.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** This introduces a new phase-out calculation for itemized deductions, reminiscent of the Pease limitation, impacting high-income taxpayers.

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Fringe Benefits and Moving Expenses

- **Sec. 70112. Extension And Modification Of Qualified Transportation Fringe Benefits.**
  - **Affected IRC Section: IRC Sec. 132(f), 274(l)**.
  - **Key Change:** Removes references to qualified bicycle commuting reimbursements. Modifies the inflation adjustment base year.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
- **Sec. 70113. Extension And Modification Of Limitation On Deduction And Exclusion For Moving Expenses.**
  - **Affected IRC Section: IRC Sec. 217(k), 132(g)(2)**.
  - **Key Change:** Limitations on deduction and exclusion for moving expenses **extended permanently**.
  - **Modification:** Allows both deduction and exclusion for moving expenses for **members of the intelligence community** (excluding Armed Forces) relocating due to assignment changes.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

Wagering Losses & ABLE Accounts

- **Sec. 70114. Extension And Modification Of Limitation On Wagering Losses.**
  - **Affected IRC Section: IRC Sec. 165(d)**.
  - **Key Change:** Deduction for wagering losses limited to **90 percent of such losses**, but only to the extent of gains from wagering transactions.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
- **Sec. 70115. Extension And Enhancement Of Increased Limitation On Contributions To ABLE Accounts.**
  - **Affected IRC Section: IRC Sec. 2503(b), 529A(b)(2)(B)**.
  - **Key Change: Removes the January 1, 2026, limitation** on contributions, making increased limits permanent. Modifies inflation adjustment for gift tax annual exclusion when determining ABLE limits.
  - **Effective Date:** Contributions made after **December 31, 2025**, with inflation adjustment for years beginning after that date.

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State and Local Tax (SALT) Deduction Limitation

- **Sec. 70120. Limitation On Individual Deductions For Certain State And Local Taxes, Etc.**
  - **Affected IRC Section: IRC Sec. 164(b)(6)**.
  - **Key Change: Removes the sunset date**, making the SALT deduction limitation permanent.
  - **Modified Deduction Limit:** Replaces the fixed $10,000 ($5,000 for MFS) with a new **"applicable limitation amount"**:
    - **$40,000** for taxable years beginning in 2025.
    - **$40,400** for taxable years beginning in 2026.
    - **101% of preceding year's amount** for years 2027-2029.
    - **$10,000** for taxable years beginning after 2029.

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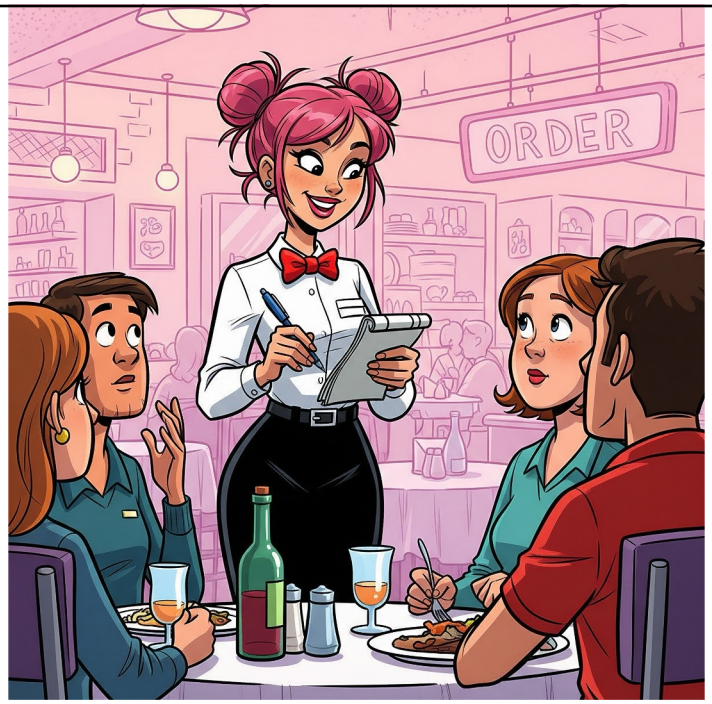
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State and Local Tax (SALT) Deduction Limitation

- **Sec. 70120. Limitation On Individual Deductions For Certain State And Local Taxes, Etc.**
  - **Phasedown based on Modified Adjusted Gross Income (MAGI):** For years before 2030, reduced by **30 percent** of the excess of MAGI over a "threshold amount" ($500,000 for 2025, increasing). Reduction cannot bring limit below $10,000.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.
  - **CPA Insight:** This is a significant change to the highly debated SALT cap, offering temporary relief at higher income levels but eventually reverting to the $10,000 limit. Planning for 2025 and beyond requires understanding this phased approach.

Chapter 2: Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief

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New Deduction for Qualified Tips

- **Sec. 70201. No Tax on Tips.**
  - **Affected IRC Section: New IRC Sec. 224**.
  - **Key Change:** Establishes a **new deduction for qualified tips** that are reported to the taxpayer.
  - **Maximum Deduction: $25,000** per taxable year.
  - **Phase-Out:** Reduced by $100 for each $1,000 by which taxpayer's **MAGI exceeds $150,000** ($300,000 for joint returns).
  - **"Qualified Tips" Definition:** Cash tips received in occupations customarily and regularly tipped on or before Dec 31, 2024, as determined by the Secretary; voluntary, not negotiated, not from "specified service trade or business".
  - **Requirements:** SSN required, joint return for married.

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New Deduction for Qualified Tips

- **Sec. 70201. No Tax on Tips.**
  - **Availability:** Allowed even for **non-itemizers**. Excluded from QBI for Sec. 199A. **Deduction is claimed below the line in the same manner as the §199A QBI deduction. (IRC §63(b))**
  - **Tip Credit Extension:** Extends tip credit (Sec. 45B) to beauty service businesses.
  - **Termination:** For taxable years beginning after **December 31, 2028**.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**. New reporting requirements.
  - **CPA Insight:** This is a novel deduction targeted at service industry workers, requiring new reporting and compliance considerations for both employers and taxpayers. The temporary nature necessitates short-term planning.

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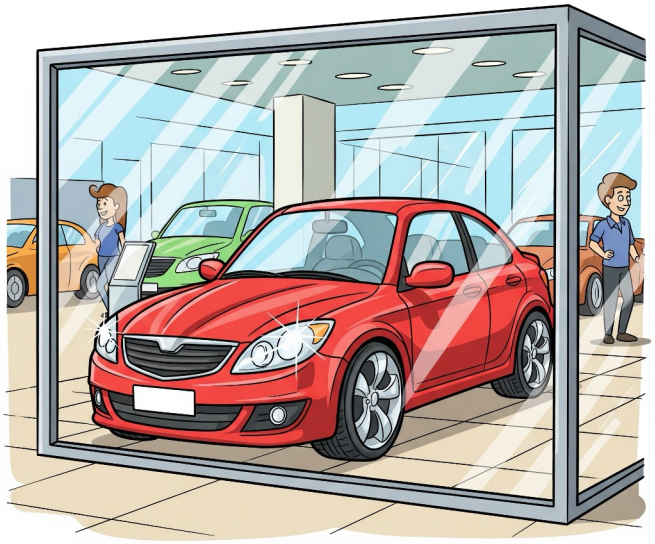
New Deduction for Qualified Overtime Compensation

- **Sec. 70202. No Tax on Overtime.**
  - **Affected IRC Section: New IRC Sec. 225**.
  - **Key Change:** Creates a **new deduction for qualified overtime compensation** received and reported.
  - **Maximum Deduction: $12,500** ($25,000 for joint returns).
  - **Phase-Out:** Reduced by $100 for each $1,000 by which **MAGI exceeds $150,000** ($300,000 for joint returns).
  - **"Qualified Overtime Compensation" Definition:** Overtime pay in excess of the regular rate as required by FLSA, excluding qualified tips.
  - **Requirements:** SSN required, joint return for married.

New Deduction for Qualified Overtime Compensation

- **Sec. 70202. No Tax on Overtime.**
  - **Availability:** Allowed even for **non-itemizers**. Deduction is claimed below the line in the same manner as the §199A QBI deduction. **(IRC §63(b))**
  - **Termination:** For taxable years beginning after **December 31, 2028**.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**. New employer reporting requirements on Form W-2.
  - **CPA Insight:** Another temporary, non-itemized deduction. Employers will need to adjust payroll systems to separately report qualified overtime compensation.

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New Deduction for Car Loan Interest

- **Sec. 70203. No Tax on Car Loan Interest.**
  - **Affected IRC Section: IRC Sec. 163(h)**.
  - **Key Change:** Modifies Sec. 163(h) to **exclude qualified passenger vehicle loan interest from "personal interest," making it deductible**.
  - **Deduction Period:** Taxable years beginning after **December 31, 2024, and before January 1, 2029**.
  - **"Qualified Passenger Vehicle Loan Interest":** Interest on indebtedness incurred *after* Dec 31, 2024, for purchase of, and secured by first lien on, an "applicable passenger vehicle" for personal use.
  - **Exclusions:** Loans for fleet sales, commercial vehicles, lease financing, salvage titles, scrap/parts.
  - **Maximum Interest: $10,000** per taxable year.

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New Deduction for Car Loan Interest

- **Sec. 70203. No Tax on Car Loan Interest.**
  - **Phase-Out:** Reduced by $200 for each $1,000 by which **MAGI exceeds $100,000** ($200,000 for joint returns).
  - **"Applicable Passenger Vehicle": New vehicle**, **final assembly occurred within the United States**, GVWR < 14,000 lbs. VIN required on return.
  - **Availability:** Allowed to **non-itemizers**. Deduction is claimed below the line in the same manner as the §199A QBI deduction. **(IRC §63(b))**
  - **New Reporting: New Code Sec. 6050AA** requires lenders to report $600+ interest received from individuals.
  - **Effective Date:** Indebtedness incurred after **December 31, 2024**.
  - **CPA Insight:** This introduces a new, temporary above-the-line deduction for car loan interest, but with strict limitations including a domestic assembly requirement and income phase-outs.

Trump Accounts: Overview & Structure

- **Sec. 70204. Trump Accounts and Contribution Pilot Program.**
  - **Affected IRC Section: New IRC Sec. 530A**.
  - **General Rule:** "Trump accounts" are treated generally like **Individual Retirement Accounts (IRAs)**, but *not* Roth IRAs.
    - Beneficiary must have an SSN issued before the election is made.
  - **Investment Focus:** Must be invested in a **"qualified index,"** such as the S&P 500 or other equity-based indices primarily composed of U.S. companies. Sector-specific indices are excluded.
  - **Contribution Limits:** Aggregate contributions (excluding rollovers, general contributions, pilot program payments) limited to **$5,000 per calendar year**. Inflation adjustments for years after 2027.
  - **Special Rules for Minors:** Contributions allowed for beneficiaries under age 18; standard IRA contribution timing rules do not apply before age 18 (no contributions after year end). Excess contributions for minors incur a 100% tax on net income.

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Trump Accounts: Overview & Structure

- **Sec. 70204. Trump Accounts and Contribution Pilot Program.**
  - **Rollovers:** Tax-free rollovers between Trump accounts for the same beneficiary. Also permits **qualified ABLE rollover contributions** when beneficiary attains age 17, transferring entire balance to an ABLE account.
  - **Reporting:** Trustees required to submit reports to Secretary and beneficiary, detailing contributions, distributions, FMV, and investment. Reporting ceases after beneficiary attains age 17.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** This creates a new type of savings vehicle with IRA-like rules but specific investment mandates and features for minors, potentially shifting family savings strategies.

Trump Accounts: Contributions & Pilot Program

- **Sec. 70204. Trump Accounts and Contribution Pilot Program.**
  - **Employer Contributions: New IRC Sec. 128**.
    - Excludes from gross income up to **$2,500** of employer contributions to an employee's (or dependent's) Trump account under a qualifying program. Inflation adjusted after 2027.
  - **Exclusion of General Contributions: New IRC Sec. 139J**.
    - Any **"qualified general contribution"** to a Trump account is **excluded from the gross income** of the account beneficiary.
    - "Qualified General Contributions" are made by qualifying entities (e.g., Sec. 170(c)(1) or 501(c)(3) organizations) to specific "qualified classes" of beneficiaries.

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Trump Accounts: Contributions & Pilot Program

- **Sec. 70204. Trump Accounts and Contribution Pilot Program.**
  - **Trump Accounts Contribution Pilot Program: New IRC Sec. 6434**.
    - Allows an individual to elect for an eligible child to receive a **$1,000 payment** (treated as a tax payment) directly into the child's Trump account.
    - **For children born in 2025-2028**
    - Requires **SSN of the eligible child** for election.
    - Payments **not subject to reduction or offset** by other federal debts or taxes.
    - **Penalties for Improper Claims: $500 penalty** for negligence/$1,000 for fraud. Omission of SSN treated as clerical error.
  - **Funding: $410,000,000** appropriated to Treasury to carry out these amendments.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** The pilot program effectively offers a government-funded initial contribution for children's accounts, similar to baby bonds, but tied to an SSN and with specific investment and reporting requirements. This could have broad implications for lower-income families.

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Chapter 3: Establishing Certainty and Competitiveness For American Job Creators

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Subchapter A: Permanent U.S. Business Tax Reform and Boosting Domestic Investment

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Full Expensing for Business Property (100% Bonus Depreciation)

- **Sec. 70301. Full Expensing For Certain Business Property.**
  - **Affected IRC Section: IRC Sec. 168(k)**.
  - **Key Change:** Makes the **100% bonus depreciation permanent** for qualified property.
    - Eliminates previous sunset provisions and phasedowns.
  - **Transition Rule:** For the first taxable year ending after January 19, 2025, a taxpayer may elect a transitional reduced bonus percentage (40% or 60% depending on property type).
  - **Effective Date:** Property acquired **after January 19, 2025**.
  - **CPA Insight:** This provides certainty for capital expenditure planning and significantly reduces taxable income in the year of asset acquisition for many businesses.

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Full Expensing of Domestic Research & Experimental (R&E) Expenditures

- **Sec. 70302. Full Expensing of Domestic Research and Experimental Expenditures.**
  - **Affected IRC Section: New IRC Sec. 174A, IRC Sec. 174, 41, 280C, etc.**.
  - **Key Change:** Creates **new Code Sec. 174A** to allow a **full deduction for domestic research or experimental (R&E) expenditures** paid or incurred during the taxable year.
  - **Definition:** "Domestic research or experimental expenditures" are those *not* attributable to foreign research.
  - **Foreign R&E: IRC Sec. 174 is now explicitly for "foreign research or experimental expenditures,"** which *must* be amortized over a 15-year period.

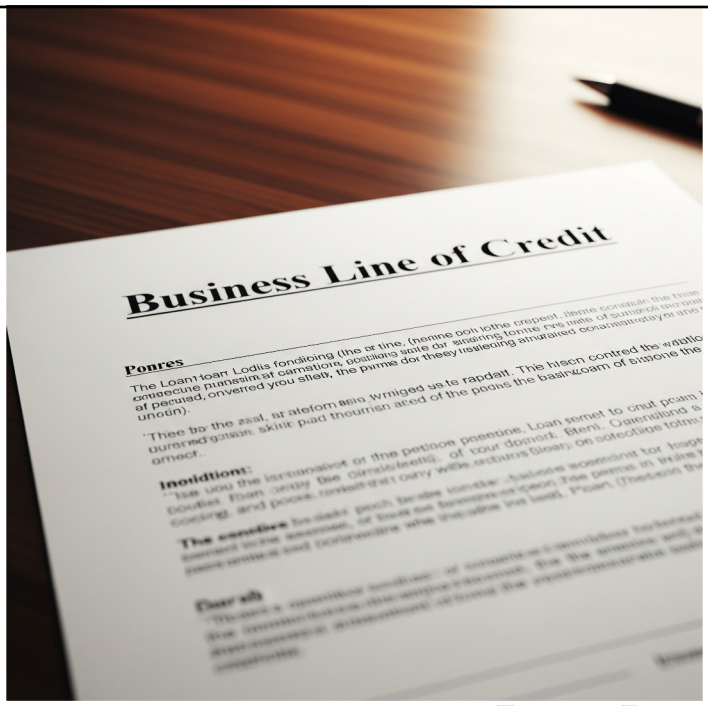
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Full Expensing of Domestic Research & Experimental (R&E) Expenditures

- **Sec. 70302. Full Expensing of Domestic Research and Experimental Expenditures.**
  - **Conforming Amendments:** Adjustments for research credit (Sec. 41) and reduction of domestic R&E deductions by the research credit allowed (Sec. 280C).
  - **Accounting Method Change:** Treated as a **change in accounting method** under Sec. 481, initiated by taxpayer with IRS consent, on a **cut-off basis** for expenditures in years beginning after Dec 31, 2024.
  - **Transition Rule:** Eligible small businesses can elect **retroactive application** to taxable years beginning after **December 31, 2021**.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.
  - **CPA Insight:** This is a major win for U.S. businesses engaged in R&D, reversing the mandatory capitalization enacted by TCJA that began in 2022. The retroactive election for small businesses is crucial for amended returns.

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Business Interest Limitation & Paid Leave Credit

- **Sec. 70303. Modification of Limitation on Business Interest.**
  - **Affected IRC Section: IRC Sec. 163(j)**.
  - Returns to the use of **EBITDA** for the computation of AGI, returning to how the provision worked in 2021
  - **Key Change:** Makes permanent the **exclusion of floor plan financing interest** from the Sec. 163(j) business interest limitation. Expands definition to include recreational trailers and campers.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.

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Business Meals & Section 179 Expensing

- **Sec. 70305. Exceptions From Limitations on Deduction for Business Meals.**
  - **Affected IRC Section: IRC Sec. 274(o)**.
  - **Key Change:** Provides exceptions to the general denial of deduction for business meals for expenses related to goods/services available to the general public or for certain meals not subject to the 50% limitation.
  - **Specific Exception:** Meals provided on **fishing vessels** or at certain **fish processing facilities** in specific northern U.S. locations are exempted from the 50% limitation.
  - **Effective Date:** Amounts paid or incurred after **December 31, 2025**.

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Business Meals & Section 179 Expensing

- **Sec. 70306. Increased Dollar Limitations For Expensing of Certain Depreciable Business Assets.**
  - **Affected IRC Section: IRC Sec. 179**.
  - **Key Change:** Significantly increases the **Sec. 179 expensing limits**.
    - Maximum deduction: from $1,000,000 to **$2,500,000**.
    - Phase-out threshold: from $2,500,000 to **$4,000,000**.
  - **Inflation Adjustment:** New amounts adjusted for inflation based on calendar year 2024.
  - **Effective Date:** Property placed in service in taxable years beginning after **December 31, 2024**.

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Special Depreciation for Qualified Production Property

- **Sec. 70307. Special Depreciation Allowance for Qualified Production Property.**
  - **Affected IRC Section: New IRC Sec. 168(n)**.
  - **Key Change:** Establishes a **new 100% depreciation deduction** for "qualified production property" in the year it's placed in service.
  - **"Qualified Production Property":** Nonresidential real property used as an integral part of a "qualified production activity" (manufacturing, production, or refining of a "qualified product" resulting in "substantial transformation").
    - Construction must begin after January 19, 2025, and before January 1, 2029.
    - Property must be placed in service before January 1, 2031.
    - Agricultural and chemical production specifically included; retail food/beverage excluded.
  - **Recapture Rule: 10-year recapture rule** applies if property ceases to be used in a qualified production activity.

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Special Depreciation for Qualified Production Property

- **Sec. 70307. Special Depreciation Allowance for Qualified Production Property.**
  - **AMT & Election:** Deduction allowed for AMT purposes without adjustment. Taxpayers must elect this deduction, generally irrevocable.
  - **Effective Date:** Property placed in service after the Act's **enactment date**.
  - **CPA Insight:** This is a substantial new incentive for domestic manufacturing investment, providing immediate write-offs for certain real property, a significant departure from standard depreciation for real estate.

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Subchapter B: Permanent America-First International Tax Reforms

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Part I: Foreign Tax Credit (FTC)

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Foreign Tax Credit (FTC) - Deemed Paid & Sourcing

- **Sec. 70313. Sourcing Certain Income From the Sale of Inventory Produced in the United States.**
  - **Affected IRC Section: IRC Sec. 863(b)**.
  - **Key Change:** For FTC limitation, income from sale *outside the U.S.* of **U.S.-produced inventory** for use outside U.S., attributable to a foreign office, is treated as **foreign source income, capped at 50% of total income** from the sale. This effectively **reinstates a 50/50 sourcing rule**.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Chapter 4: Investing in American Families, Communities, and Small Businesses

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Subchapter A—Permanent Investments In Families and Children

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Employer-Provided Child Care & Adoption Credits

- **Sec. 70401. Enhancement of Employer-Provided Child Care Credit**
  - **Affected IRC Section: IRC Sec. 45F**.
  - **Key Change:** Increased credit percentage (from 25% to **40%**, **50% for eligible small business**). Increased maximum credit (from $500,000 to $500,000, but **$600,000 for eligible small business**). Inflation adjustment for amounts.
  - **Effective Date:** Amounts paid or incurred after **December 31, 2025**.
- **Sec. 70402. Enhancement of Adoption Credit**
  - **Affected IRC Section: IRC Sec. 23**.
  - **Key Change:** A **$5,000 portion of the adoption credit would become refundable**. Inflation adjustment for dollar amounts.
  - **Effective Date:** Taxable years beginning after **December 31, 2024**.

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Dependent Care & Child/Dependent Care Credit

- **Sec. 70404. Enhancement of the Dependent Care Assistance Program**
  - **Affected IRC Section: IRC Sec. 129(a)(2)(A)**.
  - **Key Change:** Increased exclusion limit from $5,000 ($2,500 for MFS) to **$7,500 ($3,750 for MFS)**.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
- **Sec. 70405. Enhancement of Child and Dependent Care Tax Credit**
  - **Affected IRC Section: IRC Sec. 21**.
  - **Key Change:** Applicable percentage starts at **50 percent**, reduced (but not below 35%) by 1 percentage point for each $2,000 AGI over $15,000. Further reduced (but not below 20%) by 1 percentage point for each $2,000 ($4,000 joint) AGI over $75,000 ($150,000 joint).
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Subchapter B—Permanent Investments In Students and Reforms to Tax-Exempt Institutions

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Credit & Exclusion for Scholarship Granting Organizations

- **Sec. 70411. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations**
  - **Affected IRC Section: New IRC Sec. 25F, New IRC Sec. 139K**.
  - **New Credit (Sec. 25F):** Allowed against income tax for qualified cash contributions by individuals to scholarship granting organizations. Maximum credit **$1,700 per taxable year**. Reduced by state tax credit for same contributions. Unused credit can be carried forward 5 years. **No double benefit** with Sec. 170 deduction.

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Credit & Exclusion for Scholarship Granting Organizations

- **Sec. 70411. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations**
  - **Gross Income Exclusion (Sec. 139K):** Excludes from gross income any amounts received as a scholarship for qualified elementary or secondary education expenses from a scholarship granting organization.
  - **Effective Dates:**
    - Credit: Taxable years ending after **December 31, 2026**.
    - Exclusion: Amounts received after **December 31, 2026**, in taxable years ending after that date.
  - **CPA Insight:** This establishes a new, potentially significant, federal tax credit to incentivize private funding for K-12 education scholarships.

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Employer Student Loan Payments & 529 Account Expansions

- **Sec. 70412. Exclusion for Employer Payments of Student Loans**
  - **Affected IRC Section: IRC Sec. 127**.
  - **Key Change:** Makes the exclusion from gross income for employer payments of student loans **permanent**.
  - **Enhancement:** Inflation adjustment for the **$5,250 exclusion amount** for years after 2026.
  - **Effective Date:** Payments made after **December 31, 2025**.

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Employer Student Loan Payments & 529 Account Expansions

- **Sec. 70413. Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts**
  - **Affected IRC Section: IRC Sec. 529(c)(7), 529(e)(3).**
  - **Key Change:** Expands "qualified higher education expenses" for 529s to include various **elementary and secondary public, private, or religious school expenses** (e.g., tuition, curriculum, online materials, tutoring, tests, dual enrollment, educational therapies).
  - **Increased Limitation:** Existing $10,000 limitation on elementary and secondary tuition increased to **$20,000**.
  - **Effective Date:** Expanded expenses for distributions after **enactment date**. Increased limitation for taxable years beginning after **December 31, 2025**.

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529 Account Expansions (Cont.) & Tax-Exempt Institution Reforms

- **Sec. 70414. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts**
  - **Affected IRC Section: IRC Sec. 529(e)(3).**
  - **Key Change:** Further expands qualified higher education expenses for 529 accounts to include **"qualified postsecondary credentialing expenses"**.
  - **Effective Date:** Distributions made after July 4, 2025.

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Subchapter C—Permanent Investments In Community Development

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Opportunity Zones: Renewal & Designation Changes

- **Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones**
  - **Affected IRC Section: IRC Sec. 1400Z-1, 1400Z-2**.
  - **Key Change:** Opportunity zones would be **re-determined decennially**, with the "decennial determination date" set as **July 1, 2026**, and every 10 years thereafter.
  - **New Definition of Low-Income Community:** Revised criteria (median family income no more than 70% of statewide/metropolitan, OR poverty rate 20%+ AND median family income not exceeding 125%).
  - **Repeal of Contiguous Census Tracts Rule**.
  - **Fixed Designation Period:** Designation remains for **10 years** from the "applicable start date" (Jan 1 following certification).
  - **Effective Date for Designations:** Areas designated after July 4, 2025.
  - **CPA Insight:** The decennial re-determination provides ongoing revitalization potential but introduces uncertainty for long-term investments. The revised low-income criteria could change which areas qualify.

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Opportunity Zones: Capital Gains Rules Modified

- **Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones (Cont.)**
  - **Affected IRC Section: IRC Sec. 1400Z-2**.
  - **Key Change: Removes sunset date for making elections** to defer gain, allowing **permanent elections**.
  - **Modification of Gain Deferral Rules:**
    - **Year of Inclusion:** Deferred gain included in gross income in the taxable year that includes the **earlier of the date the investment is sold/exchanged or 5 years after the investment was made**. (Previous rule was inclusion in 2026).
    - **Basis Adjustments:** Basis is zero, increased by gain recognized at the 5-year inclusion date.
    - **10% Basis Step-Up:** For investments held **at least 5 years**, basis increases by **10 percent** of the deferred gain (applies *before* 5-year inclusion date). (Previous rule had 10% after 5 years, and 15% after 7 years).

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Opportunity Zones: Capital Gains Rules Modified

- **Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones (Cont.)**
  - **Modification of Gain Deferral Rules:**
    - **30% Basis Step-Up for Rural Opportunity Funds:** For investments in a **"qualified rural opportunity fund,"** the basis increase after 5 years is **30 percent** of the deferred gain.
    - **10-Year Hold Rule Modified:** For investments held at least 10 years, basis is FMV on date of sale/exchange (if sold before 30 years after investment) or on date 30 years after investment.
  - **Effective Dates for Capital Gains Rules:** Amounts invested in qualified opportunity funds after **December 31, 2026**.
  - **CPA Insight:** The 5-year gain inclusion is a major change, potentially accelerating the tax liability compared to the previous 2026 mandatory inclusion. The new 30% step-up for rural funds incentivizes specific types of investment.

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Opportunity Zones: Property & Reporting Changes

- **Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones (Cont.)**
  - **Affected IRC Section: IRC Sec. 1400Z-2, New IRC Sec. 6039K, 6039L.**
  - **Qualified Opportunity Zone Property:**
    - "Original use" rule updated to "applicable start date".
    - **Special Rule for Rural Area Improvement:** For property in rural OZs, "substantial improvement" test requires basis increase by **50 percent** (instead of 100%) within 30 months.
  - **New Extensive Information Reporting:**
    - **For Funds (Sec. 6039K):** Required to file annual returns with detailed information on assets, property held, investments in businesses (NAICS code, location, employment impact, residential units), and dispositions by investors. Statements to investors required. Applies to "qualified rural opportunity funds".
    - **From Businesses (Sec. 6039L):** Qualified opportunity zone businesses must furnish information to funds.

Opportunity Zones: Property & Reporting Changes

- **Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones (Cont.)**
  - **Penalties:** New penalties for failure to comply. Electronic filing required.
  - **Secretary Reporting of Data: $15,000,000** appropriated for public annual reports on funds, including aggregate assets, investments by NAICS code, employment impact, etc..
  - **Effective Dates:**
    - Rural substantial improvement: **July 4, 2025.**
    - Reporting: Taxable years beginning after **July 4, 2025.**
  - **CPA Insight:** The detailed new reporting requirements significantly increase the compliance burden for both Qualified Opportunity Funds and their underlying businesses. Practitioners will need to understand the new data points required.

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Charitable Contribution Deductions

- **Sec. 70424. Permanent and Expanded Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize**
  - **Affected IRC Section: IRC Sec. 170(p)**.
  - **Key Change:** Restores and increases the 2021 limit for non-itemizers from $300 ($600 for joint) to **$1,000 ($2,000 for joint filers)**. Made **permanent**.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Charitable Contribution Deductions

- **Sec. 70425. 0.5 Percent Floor on Deduction of Contributions Made by Individuals**
  - **Affected IRC Section: IRC Sec. 170(b)(1)**.
  - **Key Change:** Individual charitable contributions allowed **only to the extent their aggregate exceeds 0.5 percent of the taxpayer's "contribution base" (AGI computed without regard to any NOL carryback)**. Applies after other limitations.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

Charitable Contribution Deductions

- **Sec. 70426. 1-Percent Floor on Deduction of Charitable Contributions Made by Corporations**
  - **Affected IRC Section: IRC Sec. 170(b)(2)**.
  - **Key Change:** For corporations, contributions allowed **only to the extent their aggregate exceeds 1 percent of taxable income** and **does not exceed 10 percent** of taxable income.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** New floors for charitable deductions for both individuals and corporations could reduce the immediate tax benefit for some donors, requiring careful planning for contributions.

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Percentage of Completion Method & Qualified Small Business Stock (QSBS)

- **Sec. 70430. Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts**
  - **Affected IRC Section: IRC Sec. 460(e).**
  - **Key Change:** Exception applies to "residential construction contracts". For those not "home construction contracts," a **3-year lookback period** (instead of 2-year) applies. Also applies for AMT.
  - **Effective Date:** Contracts entered into in taxable years beginning after July 4, 2025.

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Percentage of Completion Method & Qualified Small Business Stock (QSBS)

- **Sec. 70431. Expansion of Qualified Small Business Stock Gain Exclusion**
  - **Affected IRC Section: IRC Sec. 1202**.
  - **Key Change:** For QSBS acquired **after the "applicable date" (July 4, 2025)**, phased increase in exclusion percentage:
    - **3 years:** 50%.
    - **4 years:** 75%.
    - **5 years or more: 100%**.

Percentage of Completion Method & Qualified Small Business Stock (QSBS)

- **Sec. 70431. Expansion of Qualified Small Business Stock Gain Exclusion**
  - **Reduced Holding Period:** The holding period for applying the exclusion for stock acquired after the applicable date is reduced to **at least 3 years** (from more than 5 years).
  - **Continued Non-Tax Preference:** Exclusion from AMT for QSBS gain continues.
  - **Effective Date:** Generally applies to taxable years beginning after July 4, 2025.
  - **CPA Insight:** This is a major enhancement to QSBS, making 100% exclusion achievable much sooner and significantly increasing the after-tax return for successful small business investors.

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QSBS Gain Exclusion (Cont.)

- **Sec. 70431. Expansion of Qualified Small Business Stock Gain Exclusion (Cont.)**
  - **Affected IRC Section: IRC Sec. 1202**.
  - **Increase in Per-Issuer Limitation:**
    - For stock acquired **on or before the applicable date**: **$10,000,000**.
    - For stock acquired **after the applicable date**: **$15,000,000**.
    - **Inflation Adjustment:** The $15,000,000 amount adjusted for inflation for years after 2026.
  - **Increase in Aggregate Gross Assets Limit:**
    - Maximum aggregate gross assets a corporation can have to be QSBS (Sec. 1202(d)(1)) increases from $50,000,000 to **$75,000,000**.
    - This $75,000,000 amount also inflation-adjusted for years after 2026..

QSBS Gain Exclusion (Cont.)

- **Sec. 70431. Expansion of Qualified Small Business Stock Gain Exclusion (Cont.)**
  - **Effective Dates:**
    - Per-issuer limitation increase: Taxable years beginning after **July 4, 2025.**
    - Aggregate gross assets limit increase: Stock issued after **July 4, 2025.**
  - **CPA Insight:** The increased per-issuer limit means more gains can be excluded, and the higher gross assets limit expands the universe of businesses that can qualify as QSBS, broadening the incentive's applicability.

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Third-Party Network & Misc. Information Reporting Thresholds

- **Sec. 70432. Repeal of Revision to De Minimis Rules for Third Party Network Transactions**
  - **Affected IRC Section: IRC Sec. 6050W(e)**.
  - **Key Change:** Reinstates prior law thresholds for third-party settlement organizations (e.g., Form 1099-K): reporting required only if aggregate amount **exceeds $20,000 AND aggregate number of transactions exceeds 200**.
    - **Effectively repeals the $600 threshold** enacted by the American Rescue Plan Act of 2021.
  - **Application:** Applies to backup withholding as well.
  - **Effective Date:** Reinstatement takes effect as if included in the American Rescue Plan Act. Backup withholding applies to calendar years beginning after **December 31, 2024**.
  - **CPA Insight:** This is a major relief for small businesses and individuals engaged in gig economy activities, reducing the burden of receiving numerous 1099-Ks.

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Third-Party Network & Misc. Information Reporting Thresholds

- **Sec. 70433. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees**
  - **Affected IRC Section: IRC Sec. 6041(a), 6041A(a)(2)**.
  - **Key Change:** General reporting threshold (e.g., Form 1099-NEC) for payments of income increases from $600 to **$2,000**. Inflation adjustment after 2026. Applies to remuneration for services/direct sales and backup withholding.
  - **Effective Date:** Payments made after **December 31, 2025**.

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Rural/Agricultural Loan Interest Exclusion

- **Sec. 70435. Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property**
  - **Key Change:** Gross income does **not include 25 percent of the interest** received by a "qualified lender" on any "qualified real estate loan".
  - **Definitions:** "Qualified lender" includes banks, insurance companies. "Qualified real estate loan" is secured by rural/agricultural real estate for agricultural production.
  - **Effective Date:** Taxable years ending after July 4, 2025.

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Firearms Tax, Farmland Gains, & Disaster Losses

- **Sec. 70436. Reduction of Transfer and Manufacturing Taxes for Certain Devices**
  - **Affected IRC Section: IRC Sec. 5811(a), 5821(a)**.
  - **Key Change:** Transfer tax and manufacturing tax reduced to **$0** for firearms that are *not* machineguns or destructive devices. The $200 rate remains for machineguns and destructive devices.
  - **Effective Date:** Calendar quarters beginning more than 90 days after July 4, 2025.
- **Sec. 70437. Treatment of Capital Gains from the Sale of Certain Farmland Property**
  - **Key Change:** Taxpayers can elect to pay "applicable net tax liability" from sale of "qualified farmland property" to a "qualified farmer" in **four equal installments**.

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Firearms Tax, Farmland Gains, & Disaster Losses

- **Sec. 70438. Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses**
  - **Key Change:** Extends the effective date of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, prolonging special relief for disasters occurring up to 60 days after OBBBA's July 4, 2025. Allows non-itemized deduction, exempt from 10% AGI limit.
  - **Effective Date:** Extends relief to new disasters.

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Chapter 5: Ending Green New Deal Spending, Promoting America-First Energy, and Other Reforms

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Subchapter A—Termination of Green New Deal Subsidies

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Termination of Clean Vehicle Credits

- **Sec. 70501. Termination of Previously-Owned Clean Vehicle Credit.**
  - **Affected IRC Section: IRC Sec. 25E(g)**.
  - **Key Change:** Terminates this credit by changing its sunset date from Dec 31, 2032, to **September 30, 2025**.
- **Sec. 70502. Termination of Clean Vehicle Credit.**
  - **Affected IRC Section: IRC Sec. 30D(h)**.
  - **Key Change:** Terminates this credit for vehicles acquired after **September 30, 2025**.
- **Sec. 70503. Termination of Qualified Commercial Clean Vehicles Credit.**
  - **Affected IRC Section: IRC Sec. 45W(g)**.
  - **Key Change:** Terminates this credit by changing its sunset date from Dec 31, 2032, to **September 30, 2025**.

Termination of Energy-Related Credits & Deductions (Residential & Commercial)

- **Sec. 70504. Termination of Alternative Fuel Vehicle Refueling Property Credit.**
  - **Affected IRC Section: IRC Sec. 30C(i)**.
  - **Key Change:** Terminates this credit by changing its sunset date from Dec 31, 2032, to **June 30, 2026**.
- **Sec. 70505. Termination of Energy Efficient Home Improvement Credit.**
  - **Affected IRC Section: IRC Sec. 25C(h)**.
  - **Key Change:** Terminates this credit for property placed in service after **December 31, 2025**.
- **Sec. 70506. Termination of Residential Clean Energy Credit.**
  - **Affected IRC Section: IRC Sec. 25D(h)**.
  - **Key Change:** Terminates this credit for expenditures made after **December 31, 2025**.

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Termination of Energy-Related Credits & Deductions (Residential & Commercial)

- **Sec. 70507. Termination of Energy Efficient Commercial Buildings Deduction.**
  - **Affected IRC Section: IRC Sec. 179D**.
  - **Key Change:** Terminates this deduction for property whose construction begins after **June 30, 2026**.
- **Sec. 70508. Termination of New Energy Efficient Home Credit.**
  - **Affected IRC Section: IRC Sec. 45L(h)**.
  - **Key Change:** Terminates this credit by changing its sunset date from Dec 31, 2032, to **June 30, 2026**.
- **Sec. 70509. Termination of Cost Recovery for Energy Property.**
  - **Affected IRC Section: IRC Sec. 168(e)(3)(B)(vi)**.
  - **Key Change:** Terminates certain cost recovery provisions for energy property for which construction begins after **December 31, 2024**.

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Subchapter B—Enhancement of America-First Energy Policy

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Carbon Oxide Sequestration Credit & IDCs for AFSI

- **Sec. 70523. Intangible Drilling and Development Costs Taken Into Account for Purposes of Computing Adjusted Financial Statement Income.**
  - **Affected IRC Section: IRC Sec. 56A(c)(13).**
  - **Key Change:** Requires **adjusted financial statement income (AFSI) to be reduced by depreciation (Sec. 167 for Sec. 168 property) and by deductions for intangible drilling and development costs (IDCs) under Sec. 263(c).** Also disregards depletion related to IDCs on the applicable financial statement when computing AFSI.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** This aims to align financial statement income with tax income for certain deductions, potentially impacting corporate alternative minimum tax (CAMT) calculations.

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Chapter 6: Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms

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Excess Business Losses & Partnership Payments

- **Sec. 70601. Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers.**
  - **Affected IRC Section: IRC Sec. 461(l)**.
  - **Key Change:** The limitation on excess business losses of noncorporate taxpayers is **made permanent** by striking the sunset date of "January 1, 2029".
  - **Adjustment:** Reference dates for calculation adjusted.
  - **Effective Date:** Permanent applies to taxable years beginning after **December 31, 2026**. Adjustments for years beginning after **December 31, 2025**.

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Excess Business Losses & Partnership Payments

- **Sec. 70602. Treatment of Payments From Partnerships to Partners for Property or Services.**
  - **Affected IRC Section: IRC Sec. 707(a)(2).**
  - **Key Change:** Amends introductory phrase from "Under regulations prescribed" to "**Except as provided**".
  - **Effective Date:** Services performed and property transferred after July 4, 2025.
  - **CPA Insight:** This change could suggest a more direct statutory application of Sec. 707(a) rules for partner payments, potentially reducing reliance on regulatory interpretation for certain transactions.

Excessive Employee Remuneration (Controlled Groups)

- **Sec. 70603. Excessive Employee Remuneration From Controlled Group Members and Allocation of Deduction.**
  - **Definitions:** "Specified covered employee" includes certain employees of the publicly held corporation or any employee who would qualify if all controlled group employees were considered. "Controlled group" aligns with Sec. 414 rules.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** This closes a potential loophole for compensating executives across controlled groups, ensuring the $1 million deduction limit is applied comprehensively.

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Excise Tax on Remittance Transfers

- **Sec. 70604. Excise Tax on Certain Remittance Transfers.**
  - **Affected IRC Section: New IRC Sec. 4475**.
  - **Key Change:** Imposes an **excise tax equal to 1 percent of the transfer amount** on any remittance transfer.
    - **Sender is responsible for paying** the tax; remittance transfer provider must collect and remit it quarterly. Provider is secondarily liable if not collected.
  - **Limited to Cash & Similar Instruments:** Applies only to transfers where sender provides **cash, money order, cashier's check, or similar physical instruments**.

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Excise Tax on Remittance Transfers

- **Sec. 70604. Excise Tax on Certain Remittance Transfers.**
  - **Exclusions:** Transfers funded by withdrawals from specified financial institution accounts or by U.S.-issued debit/credit card.
  - **Anti-Conduit Rules:** Multiple-party arrangements treated as financing transactions.
  - **Effective Date:** Transfers made after **December 31, 2025**.
  - **CPA Insight:** This new excise tax will impact individuals sending money, particularly to foreign countries, via cash or money order. Providers will need to implement new collection and reporting procedures.

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Enforcement Provisions for COVID-Related Employee Retention Credits (ERTCs)

- **Sec. 70605. Enforcement Provisions With Respect to COVID-Related Employee Retention Credits.**
  - **Key Change:**
    - **Penalty for Aiding and Abetting Understatement:** Refers to due diligence requirements similar to Sec. 6695(g) for ERTC documents.
    - **"COVID-ERTC Promoter" Definition:** Defines promoters based on providing aid/advice on ERTC documents, charging a fee based on refund/credit, and meeting gross receipts thresholds.
    - **Extension of Assessment Limitation:** Period for assessing amounts related to an ERTC claimed under Sec. 3134 **extended to 6 years**.

Enforcement Provisions for COVID-Related Employee Retention Credits (ERTCs)

- **Sec. 70605. Enforcement Provisions With Respect to COVID-Related Employee Retention Credits.**
  - **Key Change:**
    - **Improperly Claimed ERTC Wages:** Limitation period for credit/refund related to a deduction for "improperly claimed ERTC wages" will not expire before the assessment period.
    - **Penalty for Erroneous Claims:** Sec. 6676(a) amended to change "income tax" to "**income or employment tax**" for penalties.
  - **Effective Dates:** Provisions on aid/assistance and limitations on credits/refunds apply after **enactment date**. Assessment extension applies to assessments made after **enactment date**. Penalty amendment applies to claims after **enactment date**.
  - **CPA Insight:** The IRS is clearly bolstering its enforcement capabilities for ERTCs, putting promoters and claimants on notice with extended assessment periods and clearer penalties.

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Subtitle B — Health, Chapter 3 — Health Tax

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Subchapter A—Improving Eligibility Criteria

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PTC & Medicaid Ineligibility Due to Alien Status

- **Sec. 71302. Disallowing Premium Tax Credit During Periods Of Medicaid Ineligibility Due To Alien Status.**
  - **Affected IRC Section: IRC Sec. 36B(c)(1).**
  - **Key Change:** Amends Sec. 36B(c)(1) by **striking subparagraph (B).**
  - The Act eliminates a special rule in current law's Sec. 36B(c)(1)(B). This rule previously allowed legally present aliens with incomes below 100% of the poverty line, who were ineligible for Medicaid, to qualify for the PTC. As a result of this deletion, **these individuals will no longer be eligible for the PTC.**
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.

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Subchapter B—Preventing Waste, Fraud, And Abuse

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PTC Eligibility Verification & Recapture

- **Sec. 71303. Requiring Verification Of Eligibility For Premium Tax Credit.**
  - **Affected IRC Section: IRC Sec. 36B(c)**.
  - **Key Change:** New **pre-enrollment verification requirements** for individuals claiming PTC through an Exchange. A "coverage month" for PTC will **not include any month beginning before the Exchange verifies** eligibility.
  - **Effective Date:** Taxable years beginning after **December 31, 2027**.

PTC Eligibility Verification & Recapture

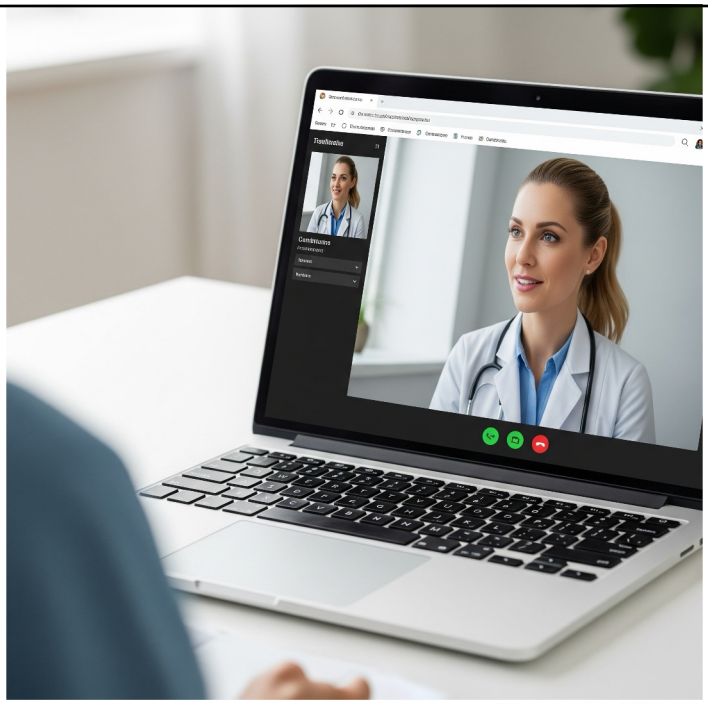
- **Sec. 71305. Eliminating Limitation On Recapture Of Advance Payment Of Premium Tax Credit.**
  - **Affected IRC Section: IRC Sec. 36B(f)(2)**.
  - **Key Change: Repeals the statutory ceiling** on the amount of advance PTC that must be repaid when actual credit is less than advance payments received.
  - **Effective Date:** Taxable years beginning after **December 31, 2025**.
  - **CPA Insight:** Eliminating the PTC recapture limitation means taxpayers with significant changes in income or family size could face much larger repayment obligations.

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Subchapter C—Enhancing Choice For Patients

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Telehealth, Bronze/Catastrophic HSA Eligibility & Direct Primary Care

- **Sec. 71306. Permanent Extension Of Safe Harbor For Absence Of Deductible For Telehealth Services.**
  - **Affected IRC Section: IRC Sec. 223(c)(2)(E)**.
  - **Key Change:** Makes permanent the rule that a plan **will not cease to qualify as an HDHP solely because it provides telehealth and other remote care services without requiring a deductible**.
  - **Effective Date:** Plan years beginning after **December 31, 2024**.

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Telehealth, Bronze/Catastrophic HSA Eligibility & Direct Primary Care

- **Sec. 71307. Allowance Of Bronze And Catastrophic Plans In Connection With Health Savings Accounts.**
  - **Affected IRC Section: IRC Sec. 223(c)(2)**.
  - **Key Change:** Deems any plan offered as individual coverage through an ACA Exchange and categorized as a **Bronze plan or a Catastrophic plan to be a "high deductible health plan"**. This allows individuals in such plans to contribute to HSAs.
  - **Effective Date:** Months beginning after **December 31, 2025**.
  - **CPA Insight:** This significantly expands HSA eligibility, allowing more individuals to leverage the tax benefits of HSAs with ACA Exchange plans that previously did not qualify.

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Direct Primary Care Service Arrangements

- **Sec. 71308. Treatment Of Direct Primary Care Service Arrangements.**
  - **Affected IRC Section: IRC Sec. 223(c)(1), (d)(2)(C).**
  - **Key Change:** A **Direct Primary Care (DPC) service arrangement will generally not be considered a "health plan"** for purposes of determining HDHP/HSA disqualifying coverage.
  - **Definition & Limitation:** DPC provides primary care services for a fixed periodic fee. Exclusion does not apply if aggregate monthly fees exceed **$150** ($300 for multiple individuals). Excludes certain services (e.g., general anesthesia, most prescription drugs).
  - **DPC Fees as Medical Expenses:** DPC fees are treated as **qualified medical expenses** that can be paid from an HSA.
  - **Effective Date:** Months beginning after **December 31, 2025**.
  - **CPA Insight:** This provides clarity and expands the utility of DPC arrangements for HSA holders, allowing them to benefit from both a DPC model and an HDHP/HSA without losing HSA eligibility.

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Title VII, Subtitle D — Unemployment

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Ending Unemployment Payments to Jobless Millionaires

- **Sec. 73001. Ending Unemployment Payments to Jobless Millionaires**
  - **Key Change:** Introduces a **prohibition on the use of Federal funds** for unemployment compensation (UC) benefits paid to individuals whose wages during their base period are **equal to or exceed $1,000,000**. Also prohibits Federal funds for associated administrative costs.
  - **Compliance Measures:**
    - **Self-Certification:** UC applications must include a procedure for applicant to certify base period wages are below $1,000,000.
    - **Verification:** State agencies required to use available systems to verify wage eligibility.
    - **Recovery of Overpayments:** State agencies must require repayment of amounts received when not entitled.
  - **"Base Period":** Defined by each state, typically first four of last five completed quarters; many states offer an "alternative base period".

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Ending Unemployment Payments to Jobless Millionaires

- **Sec. 73001. Ending Unemployment Payments to Jobless Millionaires**
  - **"Unemployment Compensation Program of the United States":** Includes federal civilian employees, ex-servicemembers, extended benefits, temporary federal extensions, and federal programs increasing weekly amounts.
  - **Effective Date:** Weeks of unemployment beginning on or after **July 4, 2025.**
  - **CPA Insight:** This is a direct policy change aimed at high-income individuals, preventing them from receiving federal unemployment benefits. It adds a new layer of verification for state agencies.

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Conclusion & Q&A

- Questions & Discussion

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One Big Beautiful Bill Act - What is in the New Law?

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