

# THE ONE BIG BEAUTIFUL BILL ACT

## (OBBBA)

**Tax Rates:** OBBBA permanently extends the current tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% for individuals. The rates are 10%, 24%, 35% and 37% for estates and trusts.

**Standard Deduction:** These have been raised for inflation to the following amounts for 2025: MFJ \$31,500; Single \$15,750; HOH \$23,625; MFS \$15,750

**Personal Exemptions:** The new law permanently terminates the personal exemption deduction.

**Senior Deduction:** For tax years 2025 through 2028, there is a new deduction for seniors. This is for taxpayers that have reached the age of 65 before the end of the year. The deduction can be as much as \$6,000 for each qualified taxpayer if their modified adjusted gross income (MAGI) does not exceed \$75,000 (\$150,000 MFJ). The deduction can reduce the amount of taxable social security benefits.

**Child Tax Credit:** For 2025, the child tax credit is \$2,200 for each qualifying child under the age of 17. After 2025, that credit will be adjusted for inflation.

**Qualified Business Income Deduction:** This has been made permanent. It is 20% of business income subject to phaseouts. Cannot be less than \$400.

**Estate and Gift Tax Exemption Amount:** For 2025, the amount is \$13,990,000. For 2026, that amount will increase to \$15,000,000. This amount will be adjusted annually for inflation. For 2025 and 2026, the annual gift tax exclusion amount is \$19,000.

**Casualty Loss Deduction Limitation:** For 2025, can only be used for a federal declared disaster area. Beginning in 2026, a state declared disaster can also be used.

**Gambling Losses:** After 2025, gambling losses will be limited to 90% of gambling losses up to gambling winnings.

**State and Local Tax Deduction (SALT):** Previously this was limited to \$10,000. For 2025, the limit is \$40,000 and raises thereafter until 2029. After that, the deduction goes back to \$10,000.

**Deduction for Qualified Tips:** For tax years 2025 through 2028, a deduction is allowed equal to the qualified tips a taxpayer receives that are included on a statement furnished by the employer. This amount is limited to \$25,000. This deduction is an income tax deduction. Employment taxes must still be paid on this tip income.

**Deduction for Qualified Overtime Pay:** For tax years 2025 through 2028, a deduction is allowed for qualified overtime compensation received during the tax year that is included on statements furnished to the taxpayer by the employer. This deduction is limited to \$12,500 per taxpayer. The overtime that is deductible is the overtime premium. Overtime is usually time and a half of hourly wage amounts. The premium amount is the “and a half”. **We will need to see the last paystub for the year to be able to take this deduction.**

**Deduction for Qualified Passenger Vehicle Loan Interest:** This is limited to \$10,000. The vehicle must be new, is made to run on roads and streets, has at least 2 wheels, and has a gross vehicle weight rating of less than 14,000 pounds. This vehicle must have the final assembly in the United States. The VIN number must be included on the tax return.

**TRUMP Accounts:** A new type of individual retirement account may be set up by parents and guardians for their children under the age of 18. There is a \$5,000 per year limit on the contribution. A pilot program where a contribution of \$1,000 for children born between January 1, 2025, and December 31, 2028, will be made to a TRUMP Account by the government. This will require the use of the Tax Form 4547. The government contribution will not be made until July of 2026.

**Bonus Depreciation:** For 2025, the Bonus Depreciation was schedule to be 40%. Now, for property acquired after January 19, 2025, the property can be expensed at 100%.

**Charitable Contributions:** Beginning in **2026**, taxpayers can deduct up to \$1,000 (\$2,000 MFJ) of cash charitable contributions without itemizing their deductions.

**Third Party Network Transactions:** For all tax years after 2023, the threshold for reporting these transactions is over \$20,000 in payments and over 200 transactions.

**Information Reporting for Businesses:** Through 2025, a 1099 was required to be filed by a business that made payments of \$600 or more to another person in the course of their trade or business. Effective for payments made after 2025, that threshold has been increased to \$2,000.

**Capital Gains from the Sale of Certain Farmland Property:** For sales of farmland after July 4, 2025, a taxpayer can elect to report the net income tax on gain from the sale of qualified farmland property sold to a qualified farmer over a 4-year period in equal installments.

**Clean Vehicle Credit:** The credit expires for vehicles acquired after September 30, 2025.

**Residential Energy Credits:** This credit expires with respect to any expenditures made after December 31, 2025.

**STATE OF INDIANA:** The Indiana Tax Credit for the Elderly is now able to be filed electronically through the INTIME website. Deadline is April 15, 2026.

