TAX LAW
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Top 10 Tax Takeaways from the One Big Beautiful Bill Act

On May 22, 2025, the U.S. House of Representatives passed federal reconciliation bill H.R. 1, commonly known as the “One Big Beautiful Bill Act,” which will now move to the U.S. Senate for consideration. While the U.S. Senate may propose amendments to the bill, below is a summary of the top 10 tax takeaways from the bill as it exists on the date of this article.

1. **Extension of certain tax provisions enacted in the Tax Cuts and Jobs Act of 2017 (“TCJA”).** Many of the provisions of the TCJA are scheduled to expire on December 31, 2025 but, under the bill, would be made permanent, including: reduced individual tax rates, increased standard deductions, elimination of the personal exemption, reduced ceiling on mortgage interest deduction, and termination of miscellaneous itemized deductions.

2. **Increased State and Local Tax (“SALT”) deduction.** The bill would increase the cap on the individual deduction for state and local taxes from $10,000 to $40,000 (or half of that amount for married taxpayers filing separate returns) for tax year 2025. The cap would be phased down to not less than $10,000 (or half of that amount for married taxpayers filing separate returns) by 30% of the excess of a taxpayer’s modified adjusted gross income over $500,000 (or half of that amount for married taxpayers filing separate returns). Between January 1, 2026 and December 31, 2033, the cap and income thresholds described above would increase by 1% each year and then continue at the 2033 level.

3. **No income taxes on qualified tips and overtime compensation.** The bill would allow an above-the-line deduction for amounts received as qualified tips and overtime compensation, subject to certain limitations based on overall amount of compensation. Taxpayers would not be required to itemize in order to claim these deductions. These deductions would expire December 31, 2028.

4. **Deduction for automobile loan interest.** The bill would allow a deduction of up to $10,000 for interest paid on an automobile loan generated after December 31, 2024 and used to purchase a passenger vehicle, the final assembly of which occurred in the U.S., subject to certain limitations based on modified adjusted gross income. Taxpayers would not be required to itemize in order to claim this deduction. This deduction would expire December 31, 2028.

5. **“Trump Accounts.”** The bill would create tax-favored accounts for U.S. citizen children born between January 1, 2025 and December 31, 2028. These “Trump Accounts” would be initially funded with $1,000 of taxpayer dollars and would allow individuals to contribute up to $5,000 per year. When the children attain the age of 18 or older, they would be able to withdraw the funds subject to capital gains tax if used for qualified expenses (including tuition, first home purchase, or small business expenses) or ordinary income tax plus a 10% penalty if used for any other purpose.

6. **Extension and increase of Qualified Business Income (“QBI”) deduction.** The bill would make permanent the QBI deduction, which was created under the TCJA and is otherwise set to expire on

December 31, 2025, and would increase the deduction from 20% to 23%, among other changes to certain limitations and qualifications for the deduction.

7. **Bonus depreciation and increased business interest deduction.** The bill would allow a 100% bonus depreciation deduction for property acquired between January 19, 2025 and December 31, 2029. The bill would also, between January 1, 2025 and December 31, 2029, increase the business interest deduction by calculating the amount of the interest deduction using earnings before interest, taxes, depreciation, and amortization rather than using earnings before only interest and taxes.

8. **Increased federal estate and gift tax exemption amount.** The bill would, effective January 1, 2026, permanently increase the federal estate and gift tax exemption amount to $15 million, indexed annually for inflation.

9. **Termination of various Inflation Reduction Act ("IRA") tax credits.** The bill would fully repeal certain IRA tax credits, such as those for electric vehicles, and would restrict or provide for an early sunset of other IRA tax credits, such as those for clean electricity, fuel, and hydrogen production and investment.

10. **New taxes on private college or university endowments and private foundations.** The bill would create a tiered system of taxation, based upon "student adjusted endowment," for net investment income of certain private colleges and universities. Specifically, the lowest tier, consistent with the TCJA, would impose a 1.4% tax on the net investment income of a college or university with a student adjusted endowment of more than $500,000 but less than $750,000; the second tier would impose a 7% tax on the net investment income of a college or university with a student adjusted endowment of more than $750,000 but less than $1,250,000; the third tier would impose a 14% tax on the net investment income of a college or university with a student adjusted endowment of more than $1,250,000 but less than $2 million; and the top tier would impose a 21% tax, the same as the current federal corporate tax rate, on the net investment income of a college or university with a student adjusted endowment of more than $2 million. In addition, the bill would create a tiered system of taxation, based upon total asset value, for net investment income of private foundations. Specifically, the lowest tier would impose a 1.39% tax on the net investment income of a private foundation with a total asset value of less than $50 million; the second tier would impose a 2.78% tax on the net investment income of a private foundation with a total asset value of more than $50 million but less than $250 million; the third tier would impose a 5% tax on the net investment income of a private foundation with a total asset value of more than $250 million but less than $5 billion; and the top tier would impose a 10% tax on the net investment income of a private foundation with a total asset value of more than $5 billion.

Bond, Schoeneck & King, PLLC will continue to monitor the bill as it progresses through the U.S. Senate. If you have any questions or concerns related to the foregoing, please contact Frank C. Mayer, chair of Bond's tax law practice group, Jessica M. Blanchette, or the Bond attorney with whom you are regularly in contact.

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