TAX LAW

INFORMATION MEMO

JULY 10, 2025

Top 10 Tax Takeaways as Enacted in the Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the legislation commonly referred to as the "One Big Beautiful Bill Act." In follow up to our previous article, which discusses the bill as passed by the U.S. House of Representatives, below is an update on the legislation as modified by the U.S. Senate and ultimately enacted into law. This is the first of a series of information memos to be issued by Bond that discusses the new law.

1. Extension of certain tax provisions enacted in the Tax Cuts and Jobs Act of 2017 ("TCJA"). The law makes many of the provisions of the TCJA 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 law increases 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 is 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 Jan. 1, 2026 and Dec. 31, 2029, the cap and income thresholds described above will increase by 1% each year, after which, the cap will return to the current level of $10,000 (or half of that amount for married taxpayers filing separate returns).

3. No income taxes on qualified tips and overtime compensation. The law allows, between Jan. 1, 2025 and Dec. 31, 2028, an above-the-line deduction for amounts received as qualified tips, not to exceed $25,000, and for qualified overtime compensation, not to exceed $12,500 (or $25,000 for married taxpayers filing jointly). That said, each deduction will be reduced by $100 for each $1,000 by which a taxpayer's modified adjusted gross income exceeds $150,000 (or $300,000 for married taxpayers filing jointly). Taxpayers are not required to itemize in order to claim these deductions.

4. Deduction for automobile loan interest. The law allows, between Jan. 1, 2025 and Dec. 31, 2028, a deduction of up to $10,000 for interest paid on an automobile loan generated on or after Jan. 1, 2025 and used to purchase a new passenger vehicle, the final assembly of which occurs in the U.S. This deduction will be reduced by $200 for each $1,000 by which a taxpayer's modified adjusted gross income exceeds $100,000 (or $200,000 for married taxpayers filing jointly). Taxpayers are not required to itemize in order to claim this deduction.

5. "Trump Accounts." The law creates tax-favored accounts for U.S. citizen children born between Jan. 1, 2025 and Dec. 31, 2028. These "Trump Accounts" will be initially funded with $1,000 of taxpayer dollars and allow individuals to contribute up to $5,000 per year, indexed for inflation. In addition, the law allows an employer to contribute to an employee's or an employee's dependent's "Trump Account" up to $2,500 per year, indexed for inflation.

6. Extension and increase of Qualified Business Income ("QBI") deduction. The law makes permanent the QBI deduction which was created under the TCJA at its current level of 20%, among other changes to certain limitations and qualifications for the deduction. The law also establishes an inflation-adjusted minimum deduction of $400 for taxpayers with at least $1,000 of qualifying income from active trades or businesses.

7. Bonus depreciation and increased business interest deduction. The law permanently allows a 100% bonus depreciation deduction for certain business property. The law also, for tax years beginning after Dec. 31, 2024, permanently increases 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 law, effective Jan. 1, 2026, permanently increases 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 law fully repeals certain IRA tax credits, such as those for electric vehicles, and restricts or provides for an early sunset of other IRA tax credits, such as those for clean electricity, fuel, hydrogen production and investment.

10. New taxes on private college or university endowments. The law creates a tiered system of taxation for taxable years beginning after Dec. 31, 2025, based upon "student adjusted endowment," for net investment income of certain private colleges and universities. Specifically, the lowest tier, consistent with the TCJA, imposes 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 imposes a 4% tax on the net investment income of a college or university with a student adjusted endowment of more than $750,000 but less than $2,000,000; and the third tier imposes an 8% tax on the net investment income of a college or university with a student adjusted endowment of more than $2,000,000.

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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