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# OBBBA Summary

Published July 2025

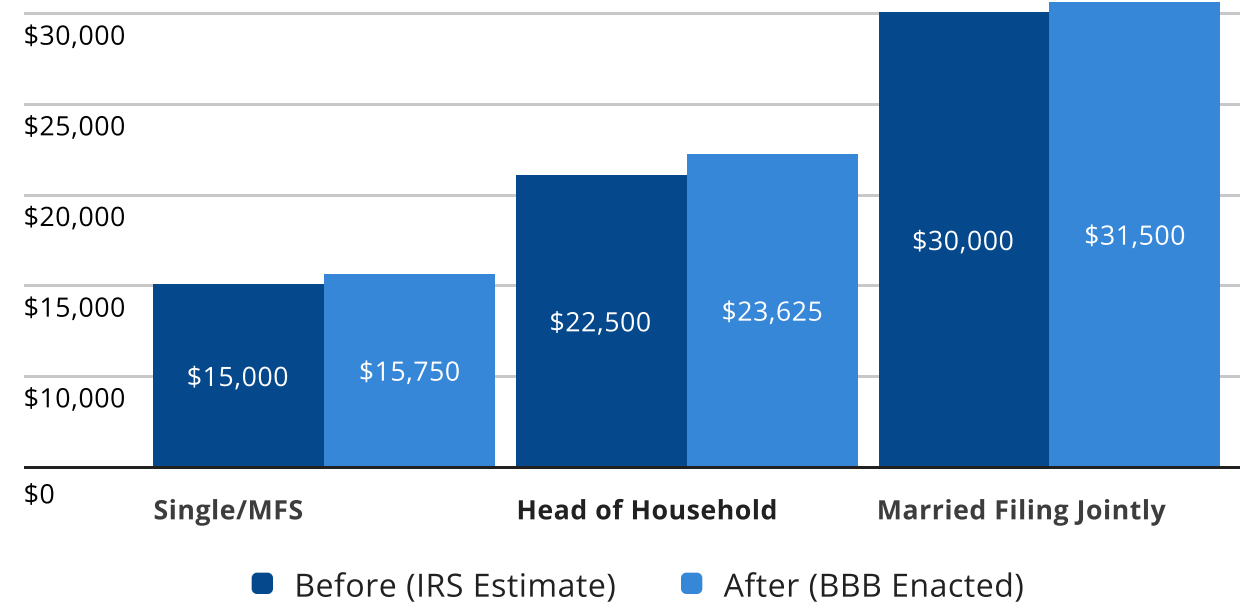
## OBBBA Summary 2025 Tax Year

### 2025 Summary

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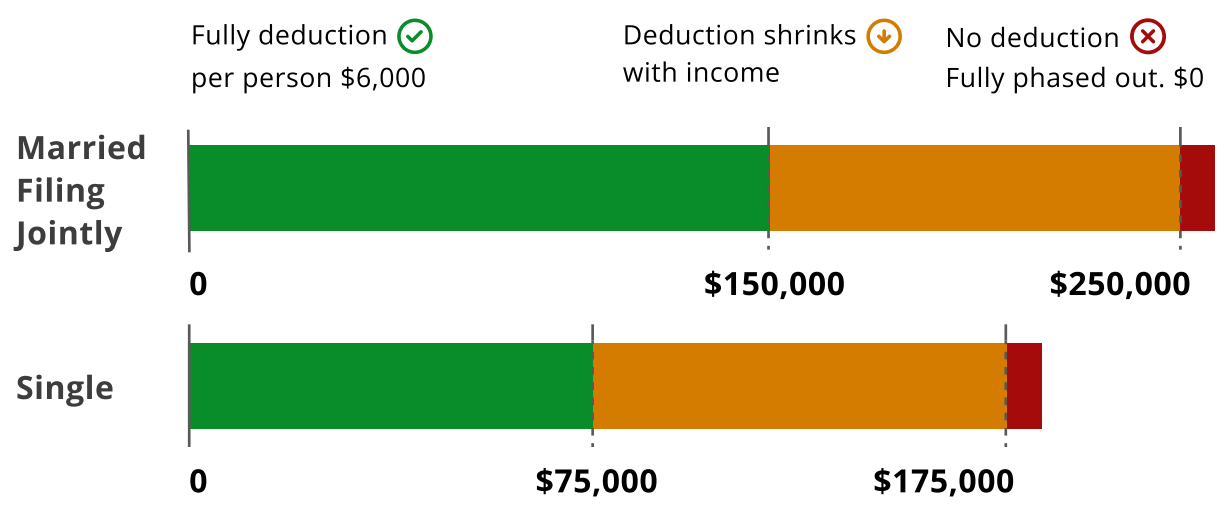
### 2025 Increased Standard Deduction

Ends after taxable year 2029.



### Senior Deduction

Starting taxable year 2025. Ends after taxable year 2029.






📊 Deduction calculation	Married Filing Joint MAGI E.g. \$180k
1 Determine maximum deduction possible	$\$6,000 \times 2 \text{ tax payers} = \$12,000 \text{ maximum deduction}$
2 Determine MAGI over threshold	$(\$180,000 \text{ MAGI}) - (\$150,000 \text{ MAGI threshold}) = \$30,000 \text{ MAGI in excess threshold}$
3 Calculate applicable reduction of deduction	$(\$30,000) \times 0.06 (6\%) = \$1,800 \text{ reduction} \times 2 = \$3,600 \text{ reduction of deduction}$
4 Calculate final deduction allowed	$\$12,000 - \$3,600 = \$8,400 \text{ final deduction allowed}$

## OBBBA Summary 2025 Tax Year

### Limitation on State and Local Tax (SALT) Deductions

Starting taxable year 2025. Ends after taxable year 2029.

Fully deduction  per return \$40,000      Deduction shrinks  with income      Deduction limited  to \$10,000




**Married Filing Separately** has a maximum deduction per return of \$20,000 and reduced phaseout ranges.



**MAGI** (Modified Adjusted Gross Income) starts with your **AGI** (Adjusted Gross Income), and then adds back certain exclusions such as tax exempt interest and deductible IRA contributions.

**Applies only if the client is itemizing deductions** (i.e., their itemized deductions exceed the standard deduction).

 Deduction calculation	Married Filing Joint MAGI E.g. \$550k
<b>1 Determine MAGI over threshold</b>	$(\$550,000 \text{ MAGI}) - (\$500,000 \text{ MAGI threshold}) = \mathbf{\$50,000 \text{ MAGI in excess threshold}}$
<b>2 Calculate applicable reduction of deduction</b>	$(\$50,000) \times 0.3 \text{ (30\%)} = \mathbf{\$15,000 \text{ reduction of deduction}}$
<b>3 Calculate final deduction allowed</b>	$\mathbf{\$40,000^* - \$15,000 = \$25,000 \text{ final deduction allowed}}$

Taxable Income **determines** Federal Bracket

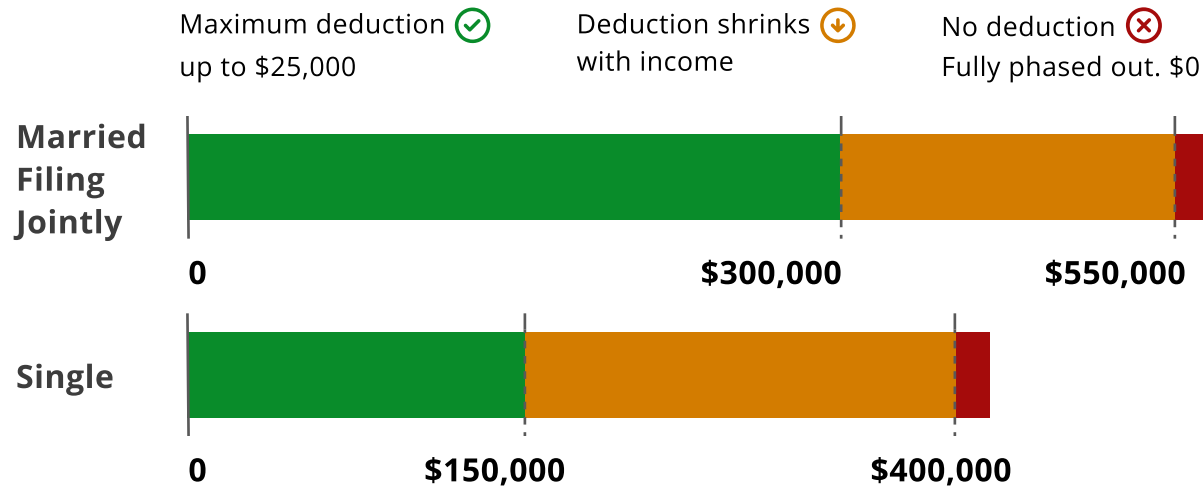
	Taxable Income	MAGI	Federal Bracket	SALT Deduction	Estimated SALT Tax Savings
Married Filing Jointly	\$585,000	\$615,000	35%	\$10,000	≈ \$3,500
	\$510,000	\$550,000	35%	\$25,000	≈ \$7,000
	\$430,000	\$490,000	32%	\$40,000	≈ \$12,800

MAGI determines SALT Deduction

## OBBBA Summary 2025 Tax Year

### No Tax on Tips

Starting taxable year 2025. Ends after taxable year 2028.

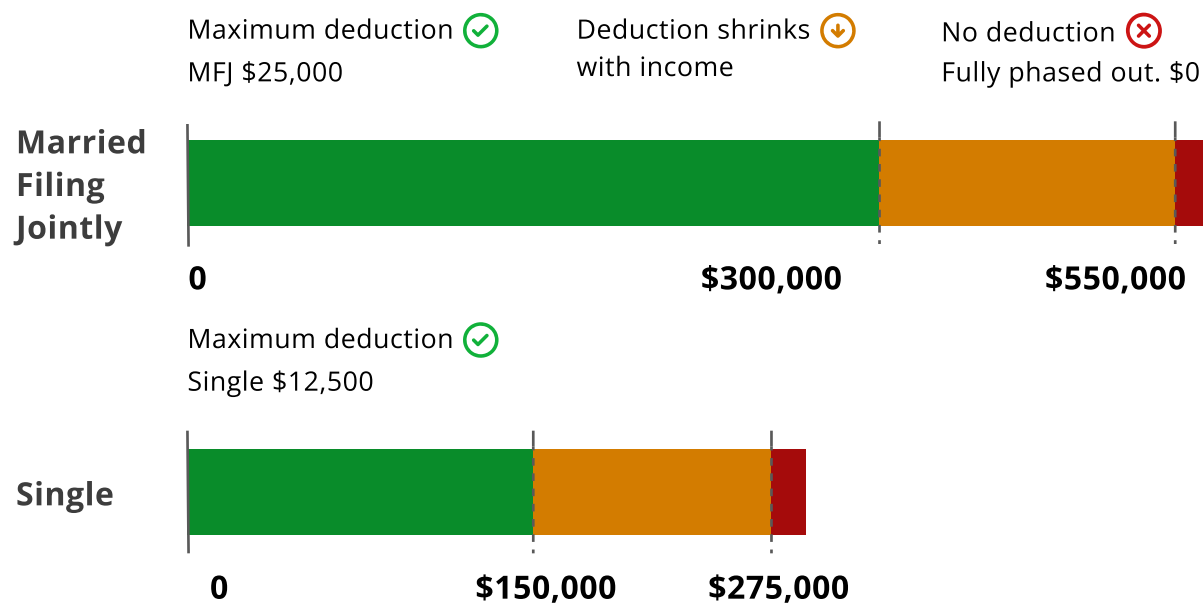


**This deduction can still be taken even if the taxpayer does not itemize.** It is added to the standard deduction if the standard deduction is used.

Deduction calculation	Married Filing Joint MAGI E.g. \$425k
1 Determine MAGI over threshold	$(\$425,000 \text{ MAGI}) - (\$300,000 \text{ MAGI threshold}) = \$125,000 \text{ MAGI in excess threshold}$
2 Divide excess MAGI by \$1,000	$(\$125,000 \text{ MAGI}) / \$1,000 = 125$
3 Calculate applicable reduction of deduction	$(125) \times \$100 = \$12,500 \text{ reduction of deduction}$
4 Calculate final deduction allowed	$\$25,000 - \$12,500 = \$12,500 \text{ final deduction allowed}$

### No Tax on Overtime

Starting taxable year 2025. Ends after taxable year 2028.



**This deduction can still be taken even if the taxpayer does not itemize.** It is added to the standard deduction if the standard deduction is used.

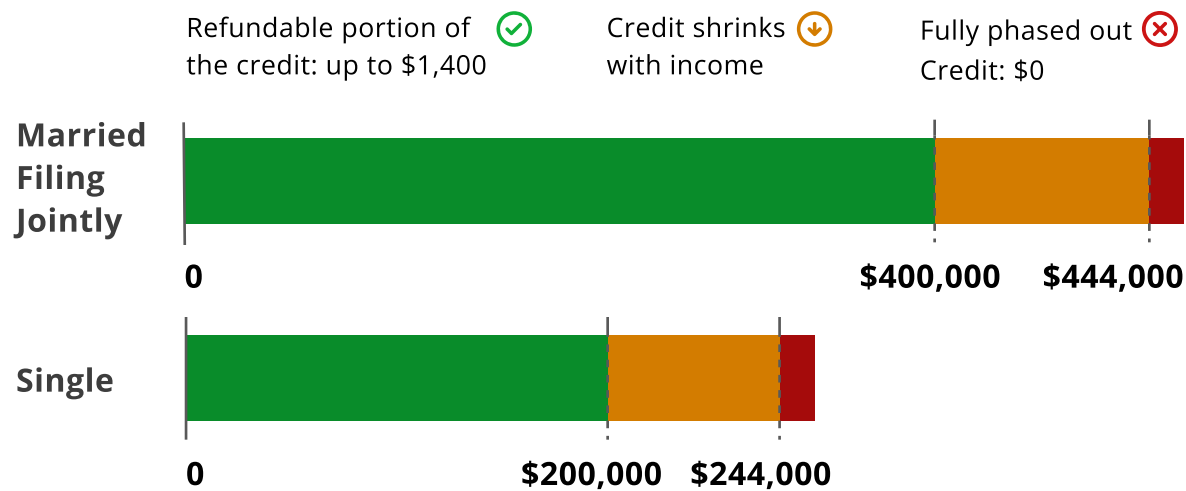
Deduction calculation	Single Filing MAGI E.g. \$200k
1 Determine MAGI over threshold	$(\$200,000 \text{ MAGI}) - (\$150,000 \text{ MAGI threshold}) = \$50,000 \text{ MAGI in excess threshold}$
2 Divide excess MAGI by \$1,000	$(\$50,000 \text{ MAGI}) / \$1,000 = 50$
3 Calculate applicable reduction of deduction	$(50) \times \$100 = \$5,000 \text{ reduction of deduction}$
4 Calculate final deduction allowed	$\$12,500 - \$5,000 = \$7,500 \text{ final deduction allowed}$

## OBBBA Summary 2025 Tax Year

### Child Tax Credit

Starting taxable year 2025

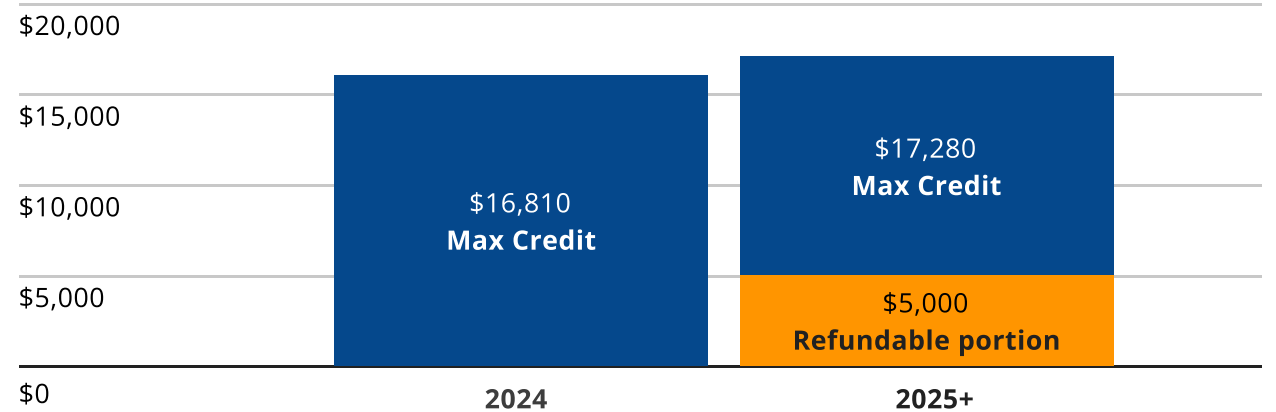
<b>Maximum Credit:</b> per qualifying child.  <b>\$2,000 → \$2,200</b>	<b>Maximum Refundable Credit:</b> remains per child.  <b>\$1,700</b>
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Deduction calculation	Married Filing Joint AGI E.g. \$425k
<b>1 Determine income over threshold</b>	$(\$425,000 \text{ AGI}) - (400,000 \text{ MAGI threshold}) = \text{\$25,000 MAGI in excess threshold}$
<b>2 Phaseout reduction</b>	$(\$25,000 \text{ MAGI} / \$1,000) \times \$50 = \text{\$1,250}$
<b>3 Total credit before phaseout</b>	$\text{😊 (2) children} \times \$2,200 = \text{\$4,400 credit}$
<b>4 Remaining credit</b>	$\text{\$4,400} - \text{\$1,250} = \text{\$3,150 final credit}$

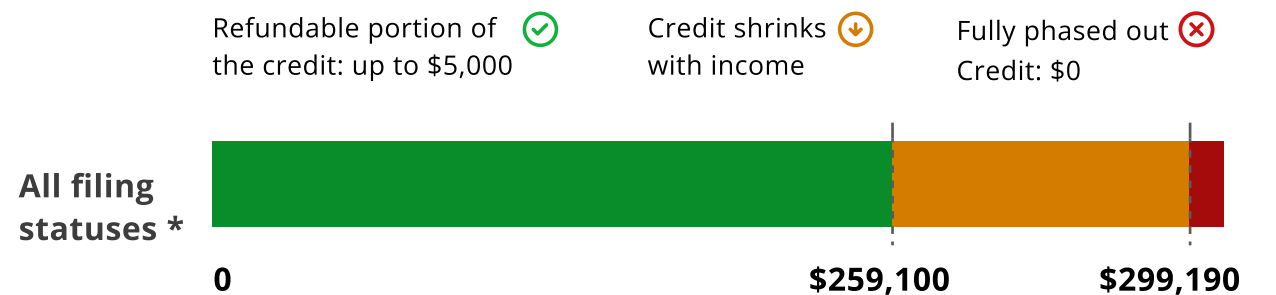
### Adoption Credit

Starting taxable year 2025



### MAGI Phaseout Range

(Applies to 2025+, subject to future adjustments)

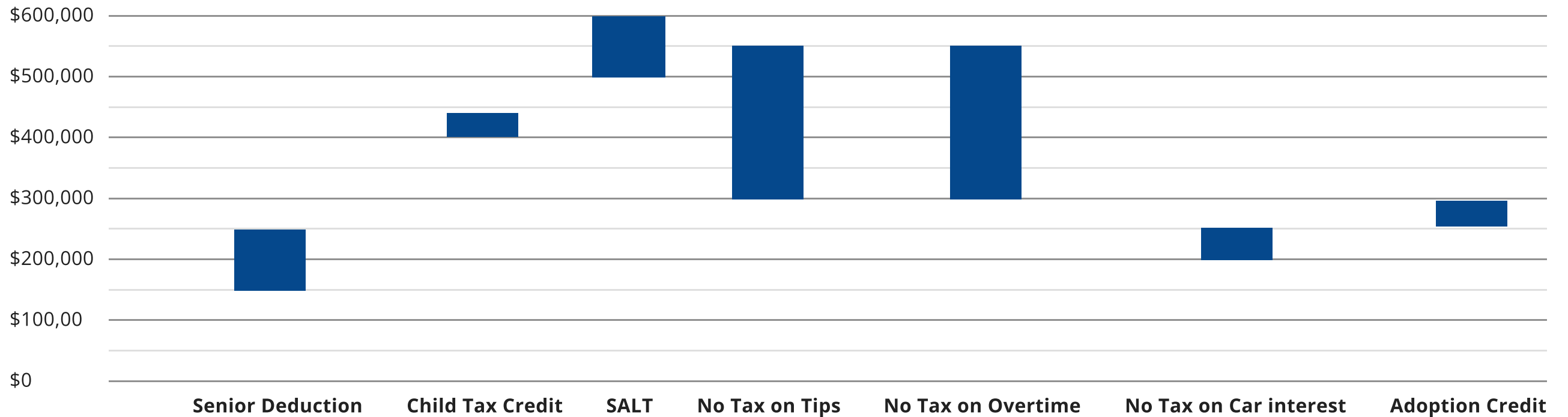


\* Not available to taxpayers using the married filing separately status.

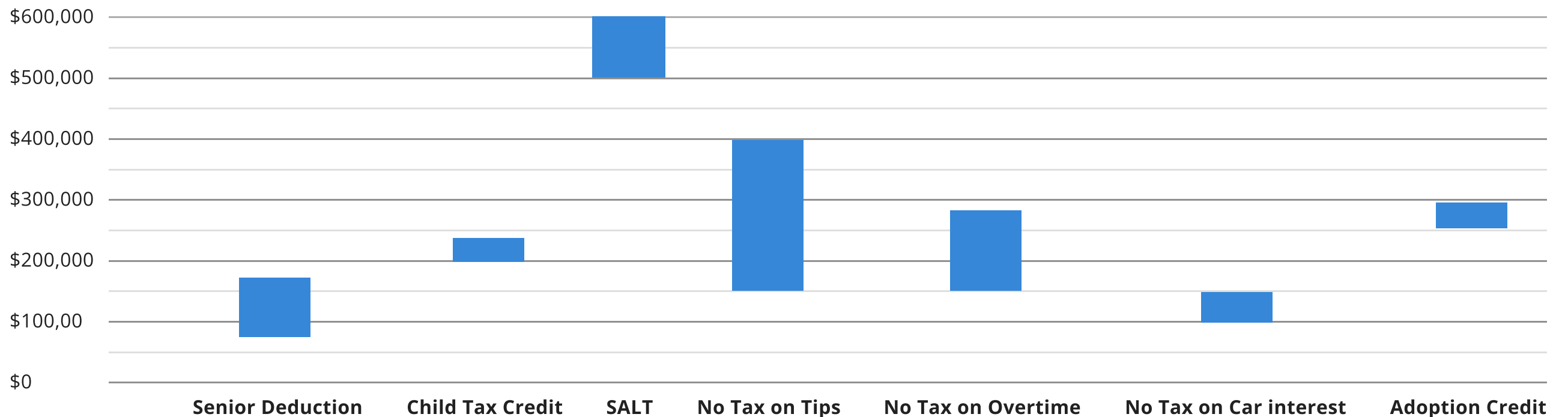
Unused credit can be carried forward for 5 years.

## OBBBA Summary 2025 Tax Year



















### 2025 MAGI Phaseouts - Married Filing Joint (MFJ)



### 2025 MAGI Phaseouts - Single Filing



## Deductions and Credits Scheduled for Termination After 2025

Law Prior to Bill Passage → New Law Under OBBBA	Law Prior to Bill Passage → New Law Under OBBBA
<p> <b>Residential Clean Energy</b></p> <p><b>Limit:</b> 30% of qualified expenses, including solar panels, geothermal, and battery storage. → <b>Eliminates the residential clean energy credit.</b></p> <p> <b>Effective date:</b> Applies to any expenditures made after Dec. 31, 2025</p> <p> <b>Set to expire:</b> after 2034</p>	<p> <b>Energy Efficient Home Improvement Credit</b></p> <p><b>Total annual cap:</b> up to \$3,200 overall. → <b>Eliminates the energy efficient home improvement credit.</b></p> <ul style="list-style-type: none"> <li>• <b>\$1,200</b> general aggregate</li> <li>• <b>\$2,000</b> for heat pumps, heat-pump water heaters, biomass stoves/boilers</li> <li>• <b>Itemized sub-limits:</b> e.g., \$600 windows/skylights, \$500 exterior doors, \$150 home-energy audits refundable credit for qualified clean energy expenditures.</li> </ul> <p> <b>Effective date:</b> Applies to property placed in service after Dec. 31, 2025</p> <p> <b>Before:</b> Jan. 1, 2033</p>
<p> <b>Previously - Owned Clean Vehicle Credit</b></p> <p><b>Credit amount:</b> 30% of sale price, max \$4,000 for used EVs bought through Sept 30, 2025 → <b>Eliminates previously-owned clean vehicle credit.</b></p> <p> <b>Effective date:</b> Applies to any vehicles acquired after Sep. 30, 2025</p> <p> <b>Before:</b> Jan. 1, 2033</p>	<p> <b>Miscellaneous Itemized Deductions</b></p> <p>Includes expenses like investment fees, unreimbursed employee costs, legal/tax prep fees, hobby expenses, safe deposit box rentals. → <b>Makes suspension of misc. deductions permanent post-2025, but keeps educator expense deduction.</b></p> <p> <b>Effective date:</b> Applies to taxable years beginning after Dec. 31, 2025</p> <p> <b>Suspended:</b> through 2025</p>
<p> <b>Clean Vehicle Credit</b></p> <p><b>Max credit:</b> up to \$7,500 per new EV, subject to eligibility criteria → <b>Eliminates the clean vehicle credit.</b></p> <p> <b>Effective date:</b> Applies to any vehicles acquired after Sep. 30, 2025</p> <p> <b>Before:</b> Jan. 1, 2033</p>	
<p> <b>Bicycle Commuting Reimbursement</b></p> <p>Previously non-taxable up to \$20/month (\$240/year). → <b>Eliminates the qualified bicycle commuting reimbursements</b></p> <p> <b>Effective date:</b> Applies to taxable years starting after Dec. 31, 2025</p> <p> <b>Effective date:</b> through 2025</p>	


## OBBBA Summary 2025 Tax Year

### Important Changes for Business Owners in 2025


Starting taxable year 2025 (Unless otherwise specified).

#### Full Expensing for Domestic Research and Experimental (R&D) Expenditures:

Businesses can fully deduct domestic R&D costs in the year incurred starting 2025.

 **Special election:** Small businesses may retroactively apply this to tax years starting **after Dec. 31, 2021**.

#### Increased Section 179 Expensing Limits:

Maximum Amount  a taxpayer can expense:

**\$1M → \$2.5M**

Phase-out threshold  begins at:


**\$2.5M → \$4M**

#### Qualified Small Business Stock (QSBS) Gain Exclusion Expansion:

 QSBS gain exclusion **phases increase**, with higher issuer / gross asset limits.

Applying to stock issued or tax years starting after enactment (**includes 2025**).

#### Full Expensing for Certain Business Property (Bonus Depreciation):


**100% bonus**  For qualified property depreciation returns acquired after **Jan. 19, 2025**.


Allowing full immediate deduction of the full cost of eligible depreciable business assets.

#### Exclusion of Interest on Qualified Farmland Property Loans:

Interest on certain loans for farmland under restrictive covenants is **excluded from gross income for sales/exchanges** in tax years after enactment.

#### Termination or Restrictions on Certain Energy - Related Tax Credits:

 Clean vehicle and commercial clean vehicle credits **end after Sept. 30, 2025**.

 Energy-efficient home improvement and residential clean energy credits **terminate after Dec. 31, 2025**.

Credits tied to prohibited foreign entities terminate for facilities /tax years after **Dec. 31, 2025**.

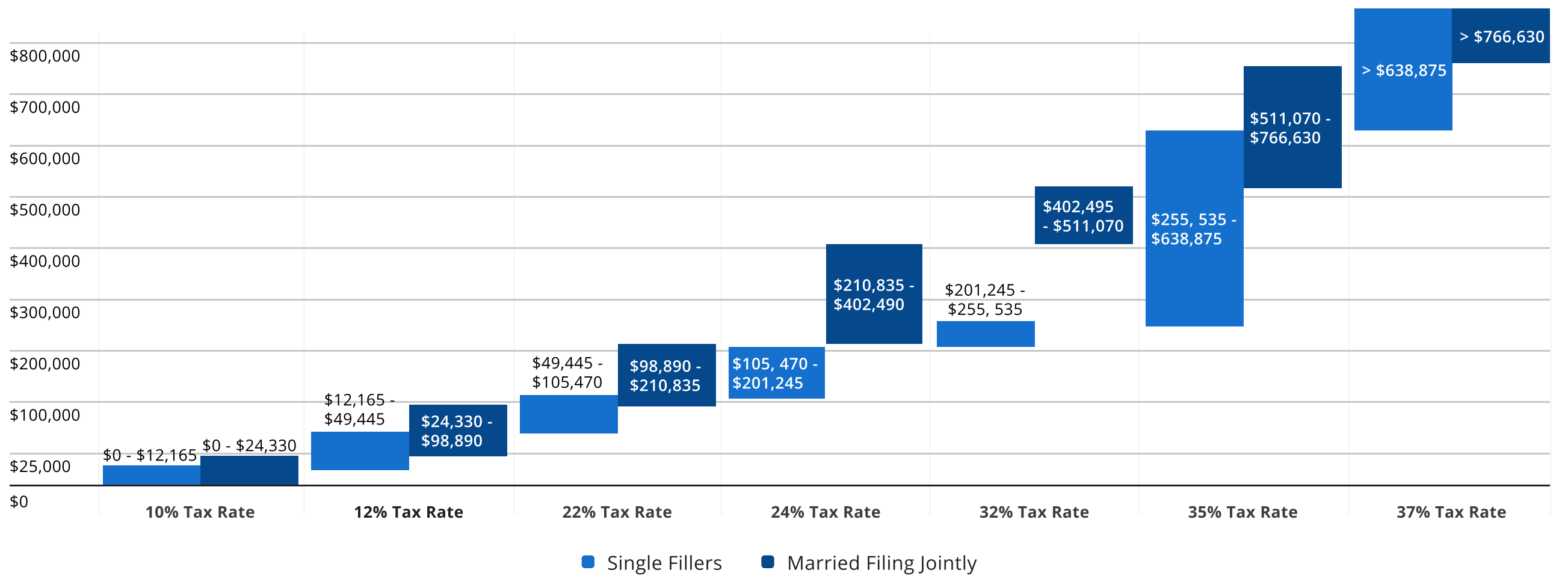
## OBBBA Summary 2026 Tax Year

### 2026 Summary

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### Reduced Income Tax Rates

Starting taxable year 2026 \*projected



## OBBBA Summary

2026 Tax Year

### Alternative Minimum Tax (AMT) Exemption Amounts

Starting taxable year 2026

#### Key AMT Components (MFJ in 2025 vs. 2026\* projected)

Feature	2025 (Pre-BBB)	2026 (BBB Enacted)
<b>Exemption Amount</b>	~ \$126,500 (indexed from \$109,400 base 2017)	~ <b>\$130,000</b> (indexed, base 2017 still applies)
<b>Exemption Phaseout Threshold</b>	~ \$1,156,500	~ \$1,156,500 (indexed)
<b>Phaseout Rate</b>	25%	<b>50% ↑</b>
<b>AMT Tax Rates</b>	26% / 28% (no change)	Same

### Summary

1. The higher phaseout rate (50%) means **higher-income filers lose their exemption faster**, increasing their AMT liability.
2. The **base exemption amounts remain generous**, and inflation adjustments still apply using 2017 as a base (so no rollback).
3. Net effect: High-income taxpayers (especially in \$1M+ range) may see **moderate AMT increases**.

### Trump Accounts and Contribution Pilot Program

Starting taxable year 2026

#### What are Trump Accounts?

**Trump Accounts are a new tax-deferred savings account for children and young adults.** The money grows tax-deferred, can be used for any purpose, and can eventually be rolled into a Roth IRA once the child has earned income. Unlike 529s or Coverdells, these accounts are not restricted to education expenses — making them a flexible way to jumpstart retirement or savings for kids.

#### Who can contribute and how much?

- Individual
- Employer
- Federal Government

**Trump Account Contribution Limit:** The aggregate amount of contributions (excluding rollovers, general funding, and pilot program contributions) for a calendar year **cannot exceed \$5,000** for contributions made before the beneficiary attains age 18.

- **Qualified General Contribution Exclusion:** Qualified general contributions to Trump accounts *are excluded from gross income*.
- **Employer Contribution Exclusion:** Gross income of an employee **does not include** amounts paid by the employer as a contribution to a Trump account, up to a **limit of \$2,500** (does count toward the 5k limit per year).
- **Trump Accounts Contribution Pilot Program:** An individual making an election for an eligible child results in a **\$1,000 payment from the government to the child's Trump account (does NOT count toward the 5k limit per year.)**

#### Which children are eligible?

A qualifying child (as defined in section 152 (c)) born after December 31, 2024, and before January 1, 2029, for whom no prior election has been made, and who is a U.S. citizen. An SSN of the eligible child is required.

**Penalties for Improper Claims:** \$500 for negligence / disregard, \$2,000 for fraud.

## OBBBA Summary 2026 Tax Year

### Limitation on Tax Benefit of Itemized Deductions

Starting taxable year 2026

#### Why 2/37?

This formula is a modernized nod to the Pease limitation, which used to reduce itemized deductions by 3% of AGI over a certain threshold, capped at 80% of deductions.

**Instead of reusing the Pease rules, Congress designed a flat-rate reduction that specifically**

- Targets taxpayers in the top marginal bracket (37%)
- Caps the total loss of deductions to about 5.4% of the itemized amount — thus limiting, but not eliminating, the value of deductions for high earners.

#### The Math Behind 2/37:

**It's structured to ensure that:**

- A taxpayer with just enough income to enter the 37% bracket loses only a small slice of deductions.
- A taxpayer well into the 37% bracket may lose the full ~5.4% of their deductions.
- This formula scales with income without needing cliffs or hard caps.

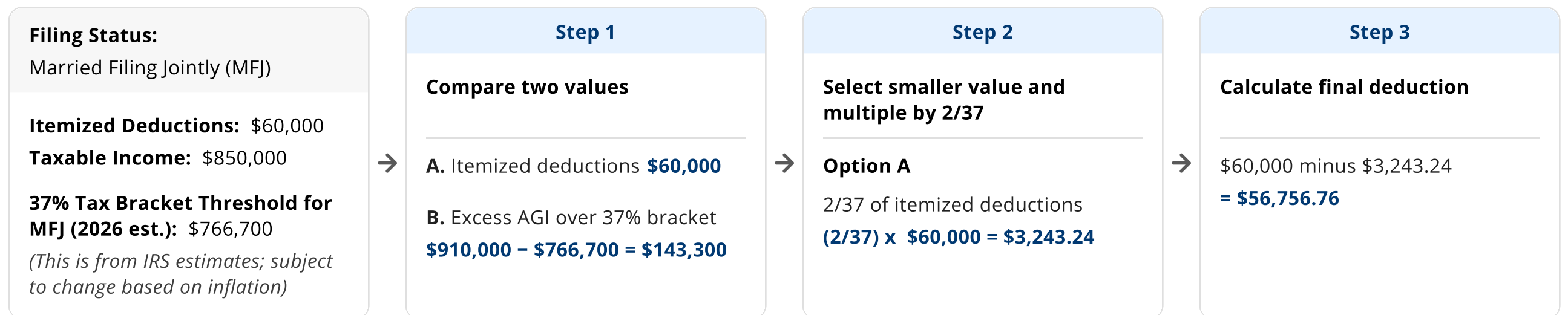
#### It's not arbitrary, but a crafted balance:

- **"2" is the adjustment factor** (reducing by a modest amount)
- **"37" reflects the top bracket** — subtly linking the penalty to the highest earners.

#### In Summary

**The 2/37 fraction** ties the limitation to wealthier taxpayers, and softly reduces their ability to benefit from itemized deductions — without creating a dramatic penalty like in older rules.

### Step-by-Step Calculation



**Final result:** The taxpayer's itemized deduction benefit is reduced by \$3,243.24, and only \$56,756.76 will be used when calculating taxable income.

## OBBBA Summary 2026 Tax Year

### Charitable Contributions by Non-Itemizers

Starting taxable year 2026

#### History and Changes

##### Previous Law (pre-BBB, during CARES Act era) \*

The deduction was **\$300 for individuals** and **\$600 for MFJ**.

No MAGI limit applied — all taxpayers who took the standard deduction could claim it.

Note: It was considered an "**above-the-line**" deduction on the Form 1040.

\*Note: When Congress temporarily allowed charitable deductions for non-itemizers (i.e., those taking the standard deduction) under the CARES Act (2020) and Consolidated Appropriations Act (2021)

##### New BBB Law





Raises the limit to **\$1,000 (single)** and **\$2,000 (MFJ)**. ↑

Intended to be **permanent**.\*

\*Note: The legislation **does not introduce a MAGI limit**, and it implies continuation of the same structure as the temporary laws (i.e., universally available to standard deduction filers).

### 0.5 Percent Floor on Individual Charitable Contributions

Starting taxable year 2026

 <b>The Rule</b>	Only <b>contributions above 0.5%</b> of your AGI <b>are deductible</b> .
 <b>Contribution Base</b>	Your AGI (Adjusted Gross Income) <b>without net operating loss</b> .
 <b>Order of Limits</b>	This rule applies after → <b>related to Capital gains or certain private foundations</b> .
 <b>Quick Math</b>	<b>Charitable Gift – (0.5% × AGI) = Deductible Amount</b>

#### Step-by-Step Example:

**MFJ** with 500k AGI and 20k of charitable contributions in a single year

##### Step 1

Determine 0.5% AGI Floor

$$0.5\% \times \$500,000 = \$2,500$$

The **first \$2,500** of charitable giving is not deductible

##### Step 2

Reduce Charitable Deduction

$$\$20,000 - \$2,500 = \$17,500 \text{ deductible}$$

\*Amounts from haircut can be carried forward only if the taxpayer exceeds the percentages limitation caps

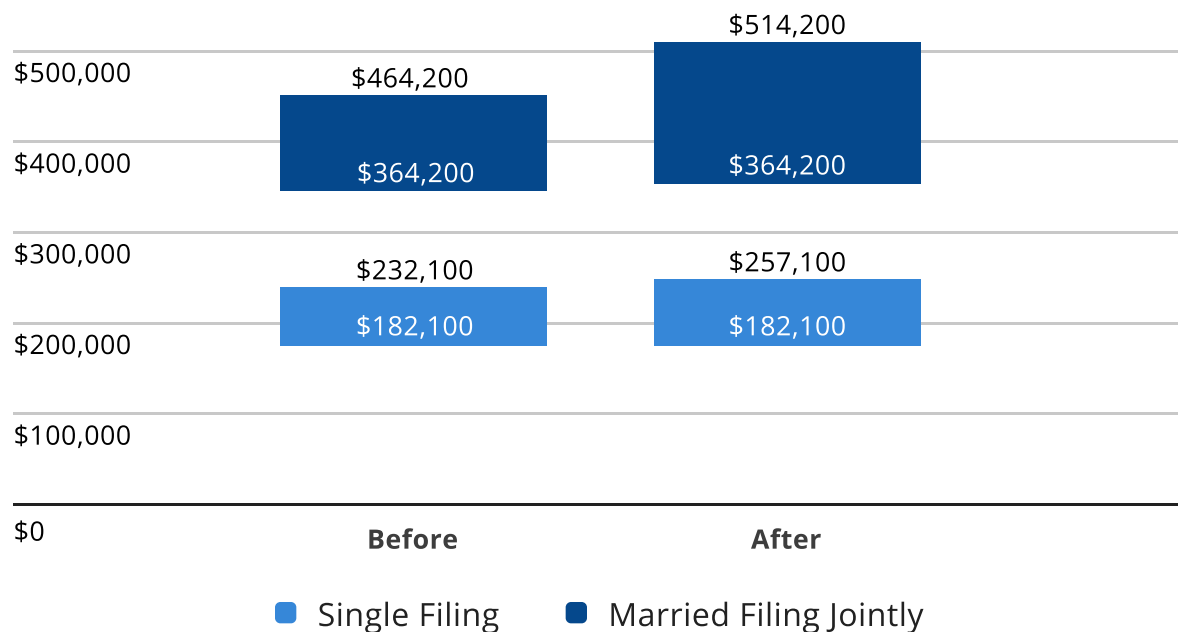
## OBBBA Summary 2026 Tax Year

### Important Changes for Business Owners in 2026

Starting taxable year 2026 (Unless otherwise specified).

#### Deduction for Qualified Business Income

Starting taxable year 2026



**\$400 Minimum deduction** For taxpayers with at least \$1,000 in active Qualified Business Income (QBI), even if phaseouts reduce their usual deduction.

#### Further Termination of Energy-Related Tax Credits:

- Refueling property credit and new energy-efficient home credit end after June 30, 2026.
- Energy-efficient commercial buildings deduction ends for construction starting after June 30, 2026.

#### Expanded Employer-Provided Child Care Credit:

Credit rises **25% → %40**  
(50% for small businesses)

Max credit increases **500k**  
(\$600K for small businesses).

#### Modifications to Foreign Tax Credit and International Tax Rules:

Foreign tax credit rules change:

**FDII deduction percentages reduced.**

**BEAT tax rate** increases: **10.5%**

"Look-thru rule" for controlled foreign corporations **is made permanent.**

#### Adjustments to Limitation on Excess Business Losses:

Formula for calculating excess business losses changes for tax years after Dec. 31, 2025.

#### Permanent Extension of New Markets Tax Credit:

Credit for investments in low-income communities **becomes permanent** for calendar years after Dec. 31, 2025.