One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act, Pub. L. 119-21 (the Act or the BBB). Below is a brief overview of selected provisions of the BBB.

Extensions and modifications

Lower income tax rates
The lower income tax rates set by the Tax Cuts and Jobs Act of 2017 (TCJA) were made permanent for tax years beginning after December 31, 2025.

Increased standard deduction
For 2025, the standard deduction has been increased to $31,500 for married taxpayers filing jointly (and surviving spouses), $23,625 for heads of household and $15,750 for all other taxpayers. These amounts are indexed for inflation in future years.

Elimination of personal exemptions
Personal exemptions have been permanently eliminated. For tax years beginning before January 1, 2029, individuals age 65 and older (and for joint filers, spouses age 65 and older) are allowed a $6,000 deduction, which begins to phase out when the taxpayer's modified adjusted gross income (AGI) exceeds $75,000 (for joint filers, $150,000).

Increased child tax credit
The child tax credit for 2025 has been increased to $2,200. The higher phase-out limit enacted in TCJA is now permanent. Beginning in 2026, the total credit amount will be indexed for inflation, but the refundable portion of the credit is capped at $1,400, indexed for inflation (for 2025, $1,700).

Deduction for qualified business income (QBI)
The deduction for 20% of QBI is now permanent. For taxpayers over the threshold amounts of $394,600 (in 2025) for married taxpayers filing jointly and $197,300 for all other taxpayers, the amount at which the deduction phases out has been increased from $50,000 ($100,000 for joint returns) to $75,000 ($150,000 for joint returns). A new minimum deduction of $400 for taxpayers with at least $1,000 of income from a qualified trade or business in which the taxpayer materially participates has been added. Amounts will be indexed for inflation beginning in 2027.

The BBB made many significant changes to the IRC and impacts the taxation of individuals and businesses.
It is important to understand how the BBB could impact your individual tax and financial situation.

Limitations on certain itemized deductions
Miscellaneous itemized deductions that were temporarily eliminated by TCJA have been permanently eliminated, except for some educator expenses. For taxpayers in the 37% bracket, the benefit of itemized deductions is limited to 35%.

Estate and gift tax
The basic exclusion amount has been increased to $15 million (effectively, $30 million for married couples) for 2026, without any expiration date, and is indexed for inflation.

Alternative minimum tax (AMT)
The increased individual AMT exemption amount is now permanent. The exemption phaseout threshold has been returned to the 2018 amount of $500,000 ($1 million for a joint return), indexed for inflation. The phaseout will occur beginning in 2026 at 50% of the amount by which AMT income exceeds the threshold amount.

Mortgage interest
The elimination of the deduction for qualified interest on residential mortgages that exceed $750,000 for married couples filing jointly and $375,000 for those filing separately is now permanent. Premiums on mortgage insurance return to being treated as interest in 2026.

Casualty losses
Only personal casualty losses sustained in a federally declared disaster and certain state-declared disasters can be deducted.

Moving expenses
The ability to deduct moving expenses is limited to certain members of the U.S. armed forces and certain members of the intelligence community.

Achieving a Better Life Experience (ABLE) accounts
The increased limits for contributions to ABLE accounts are now permanent. The extension of the saver's credit for certain contributions to an ABLE account is also permanent. The ability to roll over some (or all) of a 529 plan to an ABLE account for the designated beneficiary of the 529 plan or a member of such person's family has been continued.

Modification of the deduction for state and local taxes (SALT)

The SALT deduction limit has been temporarily raised to $40,000 for 2025, $40,400 for 2026 and to 101% of the preceding year's deduction amount for 2027 through 2029. The amount of the deduction is reduced, but not below $10,000, by 30% of the amount by which modified AGI exceeds $500,000 for 2025, $505,000 for 2026 and 101% of the preceding year's amount for 2027 through 2029. Beginning in 2030, the SALT deduction will be capped as it was under TCJA at $10,000. Deduction and threshold amounts are halved for married taxpayers filing separate returns.

The basic exclusion amount for estate and gift tax has been increased to $15 million (effectively, $30 million for married couples) for 2026, without any expiration date, and is indexed for inflation.

Education initiatives

Expansion of 529 plans
After July 4, 2025, in addition to tuition, distributions from 529 plans can be used to cover up to $10,000 in additional education-related expenses for students enrolled at or attending an elementary or secondary public, private or religious school without incurring an income tax. Beginning on January 1, 2026, the $10,000 cap for such expenses increases to $20,000. After July 4, 2025, distributions from a 529 plan can be used, without incurring an income tax, to pay the expenses for postsecondary credentialing programs, including fees for testing which is required to obtain or maintain a recognized postsecondary credential and fees for continuing education which is required to maintain a recognized postsecondary credential.

Tax credit for contributions to scholarship-granting organizations
Beginning in 2027, a citizen or resident of the United States will be allowed a credit against income tax of up to $1,700 for contributions to a scholarship-granting organization (meeting specified qualifications), which grants scholarships to eligible students within the state that qualifies that organization. States must opt into the program and prepare a list of scholarship-granting organizations. The amount of the credit is reduced by any credit allowed on a state tax return of the taxpayer. Any unused credit may be carried forward for up to five years. A charitable contribution deduction cannot be taken for any amount for which the credit is allowed.

Income tax deduction for charitable contributions

Beginning in 2026, taxpayers who do not elect to itemize deductions will be permitted a deduction of $1,000 ($2,000 for joint filers) for cash contributions to certain charitable organizations. A deduction for charitable contributions is allowed only to the extent that the total amount of the contributions exceeds 0.5% of the taxpayer's contribution base (AGI with certain modifications) for the year. The limit on deductibility for cash gifts made to certain charities (generally, public charities) of 60% of a taxpayer's contribution base is now permanent. The floor to deduct charitable contributions is 1% for corporations.

Other selected tax benefits for families

Adoption credit
Beginning in 2025, up to $5,000 of the tax credit for qualified adoption expenses (which is currently capped at $10,000) has been made refundable. The credit cap and phaseout amounts are indexed. The refundable portion of the credit is indexed for inflation beginning in 2026. The refundable portion of the credit may not be carried forward.

Dependent care benefit
Beginning in 2026, the cap on the amount excluded from an employee's gross income for a dependent care assistance program provided by an employer has been increased to $7,500 ($3,750 in the case of a separate return by a married individual).

After July 4, 2025, in addition to tuition, distributions from 529 plans can be used to cover up to $10,000 in additional education-related expenses for students enrolled at or attending an elementary or secondary public, private or religious school without incurring an income tax. Beginning on January 1, 2026, the $10,000 limitation is increased to $20,000.

Child/dependent care credit

The percentage of expenses allowed under the child and dependent care credit has been increased to 50%. The credit is reduced by 1%, but not below 35%, for each $2,000 (or fraction thereof) by which the taxpayer's AGI exceeds $15,000, and is further reduced by 1%, but not below 20%, for each $2,000 ($4,000 in the case of a joint return) by which the taxpayer's AGI exceeds $75,000 ($150,000 in the case of a joint return). All other phaseouts and rules continue to apply.

Trump Accounts

The Act created a new tax-advantaged savings account, known as a Trump Account, beginning in 2026. The accounts are intended to provide tax-deferred savings, much like a traditional individual retirement account (IRA), but for minors.

Children born in 2025 through 2028 are automatically enrolled. To qualify, the child must be a U.S. citizen and provide a Social Security number. Under the Trump Account Pilot Program, the Treasury will pay a one-time $1,000 tax refund to an eligible child's Trump Account. An eligible child is a U.S. citizen born after December 31, 2024, and before January 1, 2029. Qualified general contributions are not included in the account beneficiary's gross income.

Contributions are generally made with after-tax dollars and subject to exceptions, may not exceed $5,000 in any calendar year. Beginning in 2028, the $5,000 limit on contributions will be indexed for inflation. Generally, subject to limited exceptions, distributions may not be made from a Trump Account before the first day of the year in which the account beneficiary turns 18.

Tip income

Starting in 2025 and extending through 2028, taxpayers (including non-itemizers) working in industries that normally receive tip income (including some people working in the beauty industry), will be able to deduct up to $25,000 of qualified tip income. The amount allowed as a deduction begins to phase out when the taxpayer's modified AGI exceeds $150,000 ($300,000 for joint filers).

Overtime compensation

Beginning in 2025 and extending through 2028, with some limitations, taxpayers (including non-itemizers) will be able to deduct up to $12,500 ($25,000 for joint filers) of qualified overtime income (excluding qualified tips). The amount allowed as a deduction begins to phase out when the taxpayer's modified AGI exceeds $150,000 ($300,000 for joint filers).

Car loan interest

This provision introduces a new limited deduction for certain car loans. Beginning in 2025 and extending through 2028, qualified passenger vehicle loan interest (QPVI), which generally means any interest which is paid or accrued during the taxable year on indebtedness (secured by a first lien) incurred by the taxpayer after December 31, 2024, for the purchase of a passenger vehicle for personal use. The deduction is limited to $10,000 and starts to phase out when the taxpayer's modified AGI exceeds $100,000 ($200,000 in the case of a joint return).

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Selected provisions for business owners

Qualified small business stock (QSBS) gain exclusion
Gains from the sale of QSBS acquired after July 4, 2025, will be excluded from income as follows:

- 50% for QSBS held at least three years;
- 75% for QSBS held at least four years; and
- 100% for QSBS held at least five years.

For tax years beginning after July 4, 2025, the BBB increases the per-issuer limitation from $10 million to $15 million for QSBS acquired after July 4, 2025 (indexed for inflation beginning in 2027). The per-issuer limit for married taxpayers filing separate returns is one-half of the per-issuer limit (as indexed). If for any tax year a taxpayer's qualified dispositions of QSBS reaches the per-issuer limit, no further exclusions of gain with respect to any other stock of such issuer will be allowed. For stock issued after July 4, 2025, the $50 million limitation of aggregate gross assets of the stock-issuing corporation immediately before and after the issuance of stock increases to $75 million (indexed for inflation beginning in 2027).

Capital gains from the sale of certain farmland
For sales and exchanges in tax years beginning after July 4, 2025, qualified farmers selling qualified farmland can elect to pay the capital gains tax in four equal installments with the first installment being paid on the date (without considering extensions) that the income tax return for the year of the sale is due.

Business losses of non-corporate taxpayers
After 2026, the ability of non-corporate taxpayers to deduct excess business losses is permanently disallowed.

Other selected business tax provisions

The BBB made several changes to the taxation of businesses, some of which are noted below.

- 100% bonus depreciation will apply to property acquired and placed in service after January 19, 2025.
- For tax years beginning after December 31, 2024, the BBB has restored the election that certain domestic research and experimental expenditures may be expensed as paid or incurred during the taxable year. Certain small businesses can apply this change retroactively to expenditures made after December 31, 2021. Other options are available with respect to capitalization and amortization of such expenses.
- The rules for deducting business interest expense have been changed.
- Specific qualified production property may receive a 100% depreciation allowance.

For sales and exchanges in tax years beginning after July 4, 2025, qualified farmers selling qualified farmland can elect to pay the capital gains tax in four equal installments with the first installment being paid on the date (without considering extensions) that the income tax return for the year of the sale is due.

Qualified opportunity zones (QOZs)

Taxpayers may defer the inclusion of a capital gain from gross income by investing the gain in a qualified opportunity fund (QOF). The gain may be deferred for up to five years and will be included in gross income in the year which includes the earlier of the sale such QOF, or five years after the date of the investment in the QOF. The amount of gain included in gross income is the amount by which the lesser of the previously excluded gain or the value of the investment in the QOF exceeds the basis of the QOF. The basis in the QOF investment shall be zero. The basis is increased by any gain recognized upon the expiration of the five-year holding period. The basis for QOF investments held for five years will be increased by 10% of the amount of the gain originally deferred, except in the case of a qualified rural opportunity fund, for which the increase shall be 30% of such amount. For QOF investments held for at least 10 years but less than 30 years, if the taxpayer elects, basis in the investment shall equal its value, so that any deferred gain is eliminated. For investments held for more than 30 years, if the taxpayer elects, the basis of the investment shall be its fair market value on the date that is 30 years after the date of the investment.

Termination of certain tax credits

The following tax credits were among those eliminated or reduced by the BBB:

Credit	No Longer Allowed For
Previously Owned Clean Vehicle	Vehicles acquired after September 30, 2025
Clean Vehicle	Vehicles placed in service after September 30, 2025
Qualified Commercial Clean Vehicle	Vehicles placed in service after September 30, 2025
Energy Efficient Home Improvement	Property placed in service after December 31, 2025
Residential Clean Energy	Expenditures made after December 31, 2025
New Energy Efficient Home	New energy efficient home acquired after June 30, 2026

Taxpayers may defer the inclusion of a capital gain from gross income by investing the gain in a QOF. The gain may be deferred for up to five years and will be included in gross income in the year which includes the earlier of the sale such QOF, or five years after the date of the investment in the QOF.

Transfer payments

Beginning in 2026, the BBB imposes a 1% excise tax on remittance transfers. This tax is collected and paid to the U.S. Treasury by the remittance provider. The tax is imposed on remittance transfers of cash and similar instruments, including money orders and cashier's checks. The tax does not apply to a remittance transfer of funds withdrawn from an account held in a financial institution or funded with a credit card issued in the United States.

Seek advice

The BBB made many significant changes to the IRC and impacts the taxation of individuals and businesses. It is important to understand how the BBB could impact your individual tax and financial situation. Careful planning may be able to help you take advantage of or mitigate unfavorable results resulting from these changes. Your PNC team can work with your tax, legal and other advisors to help you achieve your financial goals and objectives considering these law changes. For more information, contact any member of your PNC team.

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