



Tax Analysis of HR 1, “One Big Beautiful Bill Act”

July 31, 2025



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Agenda

- Individual Tax Provisions
 - Overview of individual tax provisions
 - What is most impactful for high-net-worth individuals?
- Business Income Tax Provisions
 - Overview of domestic and international provisions
 - What is most impactful for privately-held businesses?
- Opportunity Zone
- Nonprofit Provisions
- Estate Tax Provisions



Personal Tax Provisions Made Permanent-Taxpayer Favorable

- TCJA rate and brackets made permanent, with highest bracket of 37% starting at \$751K for MFJ vs. pre-TCJA highest rate of 39.6% starting at \$615K
- Larger standard deduction preserved (and slight increase to \$15,750, single and \$31,500, MFJ)
- Doubled child tax credit made permanent (and slight increase to \$2,200 per child, subject to phaseout starting at \$200K, single and \$400K, MFJ)
- Increased AMT exemption amounts (\$137K MFJ exemption- approx. \$50K higher than scheduled reversal to pre-TCJA levels, BUT phaseout levels reduced and compressed)
- Qualified business income deduction



Personal Tax Provisions Made Permanent-Taxpayer Unfavorable

- No personal exemption (new senior deduction)
- \$750K limit on qualified residence interest
- No deduction for misc. itemized deductions (i.e. tax prep and investment fees)
- Deduction for personal casualty losses limited to federally and state declared disasters
- Suspension of moving expense deduction
- Excess business loss limitation



New Personal Tax Provisions- With Phaseouts

- New \$6,000 senior deduction for those 65 and older with AGI below \$75K (or \$150K joint) and fully phased out after an additional \$100K of income
- Temporary deduction of up to \$10K of interest paid on loans for new cars assembled in the US (2025-2028)- phaseout starting at \$100K single, \$200K joint
- Temporary \$25,000 deduction for qualified tips, phasing out at gross income of \$150K, single and \$300K, joint
- Temporary deduction for overtime pay (only the premium portion) of \$12,500, single and \$25,000, joint, with same phaseouts



New Personal Tax Provisions-

Without phaseouts

- New itemized deduction for unreimbursed employee expenses for eligible educators (starting in 2026)
- Floor on taxpayer's charitable contribution base added of .5% of a taxpayer's AGI (starting in 2026)
- Non-itemizer charitable contribution up to \$1,000, single, \$2,000 joint
- "Trump account"
 - Tax deferred investment account, qualified withdrawals at cap gain rates
 - Begins in 2026
 - Limited to \$5,000 contribution annually (not tied to earned income), indexed for inflation and available up until 18 years
 - \$1,000 government contribution for babies born 2025-2028



Repealed Provisions

- Energy efficient home improvement credit (starting in 2026)
- Residential clean energy credit (starting in 2026)
- Clean vehicle credits (post 9/30/25)
- Alternative Fuel Vehicle Refueling Property Credit (post 6/30/26)
- Solar credits (starting in 2026)



Modifications/Enhancements

- SALT- \$40K Cap from 2025-2029 for those with <\$500K MAGI. Back to \$10K once MAGI hits \$600K
- Child and dependent care credit modified after 2025 (increased credit rate for taxpayers with <\$200K income)
- Adoption credit enhanced to include a refundable portion up to \$5K
- In lieu of return of "Pease" limitation, new 2% reduction in benefit received for itemized deductions for taxpayers in the top marginal bracket
- Sec. 529 distribution limit for K-12 expenses doubles to \$20K starting in 2026
- Modifications to Opportunity Zone tax benefits
- Enhancement to exclusion of gain for certain small business investments (QSBS)

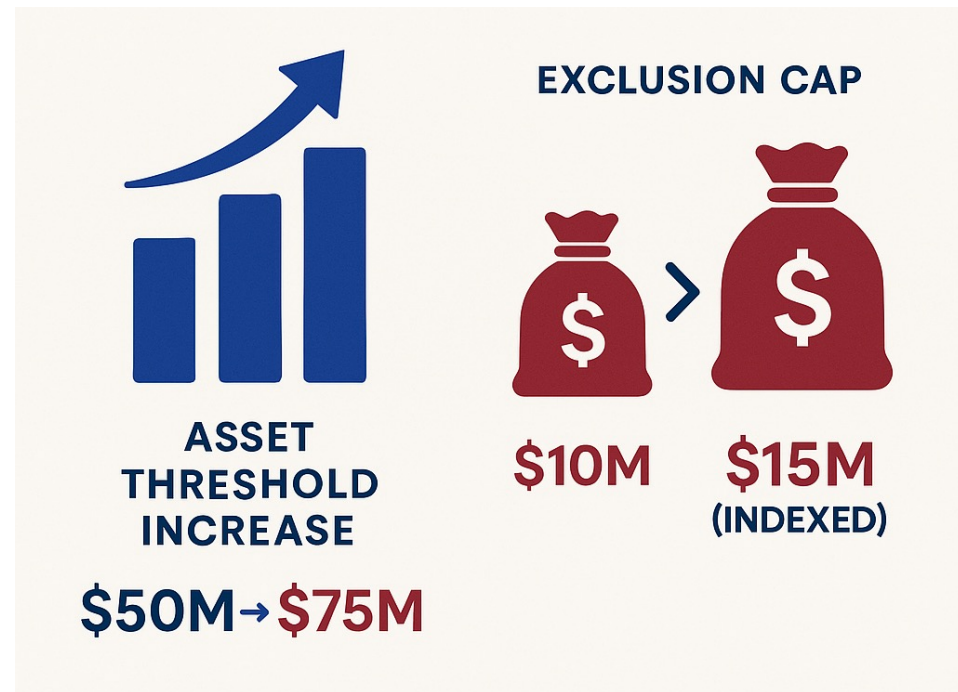
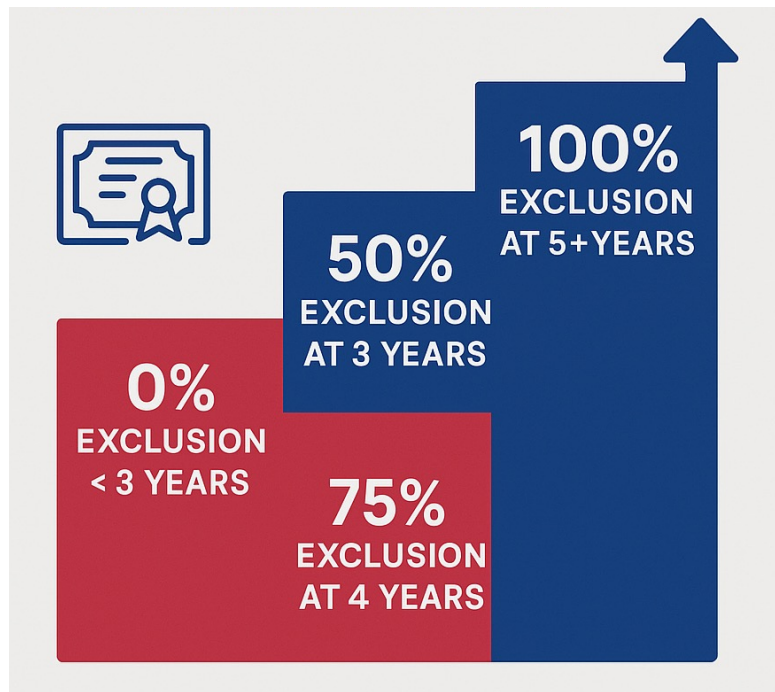


QSBS Benefits- Current law (stock acquired before July 4, 2025)

- Holding Period for Exclusion
 - 0% gain exclusion if QSBS held 5 years or less
 - 100% gain exclusion if QSBS held more than 5 years
- Per-Issuer Gain Exclusion Cap for Each Taxpayer
 - Greater of:
 - \$10 million (MFJ) | \$5 million (S)
 - 10x aggregate adjusted basis
- Qualified Small Business Asset Threshold
 - \$50 million or less in aggregate gross assets



QSBS Enhancements- for stock acquired after July 4, 2025



Key Provisions for High-Net-Worth Individuals

- Rates, brackets and AMT exemption won't revert to pre-TCJA levels
- Enhanced QSBS exclusion potential
- Charitable contribution floor
- New itemized deduction limitations
- Excess business loss limitation stays
- Qualified Business Income (QBI) deduction uncertainty resolved



Deduction	Pre-TCJA Rules	TCJA Rules	OBBBA Rules	Effective Date
Medical & Dental Expenses	Deductible over 7.5% of AGI	Same	Same	N/A
State & Local Taxes (SALT)	No cap	Capped at \$10K	Cap increased to \$40,000 (joint) in 2025, indexed 1%/yr until 2029; phase-out over \$500K MAGI; reverts to \$10K in 2030	2025-2029
Mortgage Interest	Deductible on up to \$1M mortgage debt	Limited to first \$750,000 of acquisition debt; home equity loan interest not deductible	TCJA limit permanent; includes mortgage insurance premiums as qualified interest	2026
Charitable Contributions	Limits: cash gifts 50% of AGI (public charities); cap for others	Cash gifts up to 60% of AGI ; capital gain gifts up to 50% of AGI	Deduction reduced by 0.5% of AGI for itemizers; carry-forward limited; non-itemizers get a \$1 K (single)/\$2 K (joint) deduction; retains 60% limit for cash gifts	2026
Casualty & Theft Losses	Deductible for losses from any qualified casualty/theft	Deductible only for federally declared disasters plus wagering losses up to winnings	Expanded to include state- or municipally declared disasters; wagering loss deductible only up to 90% of gains	2026
Miscellaneous Itemized Deductions	Subject to 2% of AGI floor (e.g., unreimbursed job expenses)	Suspended entirely (i.e. disallowed through 2025)	Suspended permanently <i>except</i> unreimbursed educator expenses deductible	2026
Overall Itemized Deduction Limit	Pease limitation reduced itemized deductions above an AGI threshold	Pease suspended (no limit) through 2025	New cap: itemized deductions reduced to 35% benefit for taxpayers in highest tax bracket	2026



Key International Tax Provisions

- GILTI changes- impacts US shareholders owning more than 10% in controlled foreign corporations
- FDII changes- impacts US corporations with foreign sales
- BEAT changes- impacts large multinational corporations
- A 1% excise tax introduced for certain cash transfers to foreign recipients that are not done through a US bank beginning in 2026



Key Provisions Impacting Businesses

- Reinstatement of research deduction (R&D)
 - Immediate expensing for R&D costs restored for 2022 & 2023, with retroactive relief for qualifying businesses
 - Deduction on unamortized domestic R&D costs from prior years in 2025 or split them between 2025 & 2026.
 - Smaller taxpayers (<\$31M of average gross receipts) have the option to amend prior returns
- QBI permanency and increased phase in limitation
- Excess business loss limitation
- Sec. 163(j) amended to use EBITDA for determining limit on deductible business interest expense
- Employer provided meals



Key Provisions Impacting Businesses

- Depreciation:
 - 100% bonus depreciation for property acquired post 1/19/25
 - Enhanced Sec. 179 expensing (deduction cap doubled to \$2.5M starting in 2025 and phase-out threshold increased to \$4M)
 - New Code 168(n) expensing provision for nonresidential real property used in production
 - Elimination of 5 year depreciation classification for new energy property



Reporting Simplification

- 1099-K reverts to old rule, requiring reporting for payments over 20K, with over 200 transactions
- 1099 reporting requirement increases to \$2,000 (was \$600) starting in 2026

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0116 Form 1099-NEC (Rev. April 2025) For calendar year _____		Nonemployee Compensation
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$ _____		Copy B For Recipient <small>This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.</small>
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
Street address (including apt. no.)		3 Excess golden parachute payments \$ _____		
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$ _____		
Account number (see instructions)		5 State tax withheld \$ _____ 6 State/Payer's state no. _____		
		7 State income \$ _____		

Form **1099-NEC** (Rev. 4-2025) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service



Opportunity Zones

- Current OZ Investments do not appear to be affected (awaiting regulations)
 - Current zones expire at end of 2026
- OBBBA makes OZ provisions permanent
 - Every 10 years new zones are implemented based on state recommendations
 - New designations start on 1/1/27
 - 5-year deferral of eligible capital gain invested in an OZ fund
 - Eligible gain is gain recognized in the 10-year zone designation cycle (e.g., 1/1/27 through 12/31/36 for next cycle)
 - 10% basis step up if hold for 5 years
 - Gain elimination if hold for more than 10 years
 - 2047 sunset provision eliminated (replaced with freeze on gain after 30 years)
 - New reporting requirements



Opportunity Zones

- Stricter criteria for OZ designations
 - Current rules measure OZ designations based on New Markets Tax Credit definition of low-income community – generally poverty rate of at least 20% or median family income not exceeding 80% of the state or area median family income.
 - Starting with 1/1/27:
 - Family income test drops to 70%
 - An anti-gentrification trigger is added to the 20% poverty test (125% of applicable median family income)
 - Contiguous tract rule repealed
 - Puerto Rico designation for all low-income communities is repealed



Opportunity Zones

- New Qualified Rural Opportunity Funds
 - 90% good asset test requires assets to be invested entirely in rural areas
 - 30% basis step up after 5 years (rather than 10%)
 - Substantial improvement requirement reduced to 50% of adjusted basis (rather than 100%).



Nonprofits

- **Corporate Giving Limits:** The OBBBA introduces a 1% floor on the deduction for charitable contributions made by corporations, allowing any disallowed deductions to be carried forward for up to five years.
- **Excise Tax for Highly Compensated Nonprofit Employees:** The 21% excise tax on excess compensation paid by nonprofits is significantly expanded. Currently, this excise tax applies only to the top five highest-paid employees earning over \$1 million annually. The OBBBA would remove this top-five-earners limitation and instead apply the tax to all current and former employees who receive compensation exceeding \$1 million in a taxable year.



Nonprofits

- **College and University Endowment Taxes:** The OBBBA significantly increases excise taxes on college and university endowments through a tiered system. Institutions with a “student-adjusted endowment” between \$500 thousand and \$750 thousand would face a 1.4% tax, \$750 thousand to \$2M at 4%, escalating to 8% for endowments exceeding \$2 million per student. This change significantly increases the tax for highly endowed institutions, reducing funds available for educational programs and resources.
- **Tax Credit for Donations to Scholarship-Granting Organizations:** The legislation introduces a nonrefundable tax credit of up to \$1,700 for contributions to state-approved scholarship-granting organizations. This credit is effective December 31, 2026.



Nonprofits

- **Itemized charitable deduction limitation:** Introduction of floor of .5%, and caps on itemized deductions for high-income taxpayers, reducing the effective value of charitable deductions for those in the top 37% tax bracket to approximately 35%.
- **Universal Charitable Deduction:** Makes permanent a universal charitable deduction available to all taxpayers, including non-itemizers: \$1,000 for individuals, \$2,000 joint returns.
- Permanency of 60% of AGI deduction for cash gifts to public charities.



Estate Tax Changes

Under the TCJA:

- Individuals currently have a \$13.99 Million lifetime estate & gift tax exemption, and a \$13.99 Million generation skipping transfer (GST) tax exemption (2025)
- Amounts were scheduled to sunset at end of 2025 (to revert to \$5 Million per person, with inflationary adjustment)

Under OBBBA:

- Permanent increases, with inflationary adjustments, starting in 2026, including:
 - \$15 Million lifetime estate & gift tax exemption per individual (\$30 Million for married couples)
 - \$15 Million GST tax exemption per individual



Estate, Gift and Fiduciary Planning Implications

- Greater certainty for estate tax planning purposes
 - Gifting strategies still relevant
- Income tax planning opportunities via Non-Grantor Trusts
 - Increased SALT Deduction Cap: Each non-grantor trust can claim its own SALT deduction, up to the annual cap
 - QSBS Planning: By gifting QSBS to non-grantor trust(s), each trust can potentially qualify for its own \$15 Million exclusion
 - Potential "stacking" of tax benefits





Questions?





Appendix



Key International Tax Provisions

- GILTI is now Net CFC Tested Income
- GILTI was scheduled to increase to 13.125%- now 12.6%
- Existing law required 20% haircut on FTCs against GILTI- now just 10% and expense apportionment now just direct GILTI expenses
- QBAI reduces the amount of income subject to GILTI- now repealed



Key International Tax Provisions

- FDII is now “Foreign Derived Deduction Eligible Income”
- FDII rate was scheduled to increase to 16.406%, now 14%
- FDII changes aimed at preventing offshoring of intangible property
- Under new law, expense apportionment against DEI limited to deductions directly relates to DEI
- Repeals QBAI, increasing FDII benefits



Key International Tax Provisions

- Sec. 863(b)- Source of inventory
- Sec. 898(c)(2)- CFC tax year election repealed to avoid tax deferral planning
- Sec. 951(a)(2)- CFC inclusion applies to every US shareholder at any time during the year and no longer just as of last day of year
- Sec. 954(c)(6)- Look through exception made permanent
- Sec. 958(b)(4)- Reinstated to avoid downward attribution with new provision to be more targeted in addressing certain foreign ownership structures
- Excise tax- 1% on cash transfers not made from a qualifying bank or US credit card
- Foreign decedents from treaty countries can claim US estate tax exemption

