Texas Capital

Texas Capital Bulletin

One Big Beautiful Bill Act

September 2025

Texas Capital Bulletin: One Big Beautiful Bill Act

PRIVATE BANK

The One Big Beautiful Bill Act (OBBBA), passed in July 2025, represents a sweeping overhaul of the U.S. tax code with long-lasting implications for individuals, families and businesses. In this primer, we outline the major provisions of the Act — across income tax, family and child benefits, education and savings and business and investment, as well as green and energy provisions. Building on and expanding many elements of the Tax Cuts and Jobs Act (TCJA), OBBBA introduces new deductions, credits and limitations. From making reduced tax rates permanent to enhancing child and dependent care benefits, OBBBA aims to simplify tax filing, promote economic growth and offer targeted relief to taxpayers across income levels. Consider how these changes may affect your personal or business tax strategy in the years ahead.

INCOME TAX PROVISIONS

- **Individual Tax Rates and Brackets:** The reduced individual tax rates and brackets from the TCJA are now permanent, preventing a return to the higher pre-2018 rates and brackets. This is also a continuation promoting fairness for those filing as married, helping further remove what was previously known as the marriage penalty in the prior individual tax rate structure.
- **Capital Gains and Qualified Dividends Tax Rates:** Continuation of the tax rates remains.
- **Standard Deduction:** The increased basic standard deduction from the TCJA is further increased and is now permanent, preventing a return to the lower pre-2018 deduction. It is increased to $15,750 for unmarried and married filing separate, $23,625 for heads of household and $31,500 for married filing joint and surviving spouses.
- **Overall Limitation on Itemized Deductions:** The introduction of a deduction limitation for taxpayers in the top tax bracket (37%). Generally, for an individual, it is a 2/37 reduction of the lesser of (a) the amount of itemized deductions, or (b) taxable income exceeding the dollar amount at which the 37% rate bracket begins for the taxpayer. 199A Deductions for Qualified Business Deductions are excluded from the limitation.
- **Miscellaneous Itemized Deductions:** The suspension of miscellaneous itemized deductions is now permanent, except for expanded educator expenses (coaches and non-athletic supplies are included), which are still allowed.
- **Personal Exemptions:** Taxpayers age 65 or older can claim a $6,000 deduction for tax years 2025-2028, reduced by 6% if adjusted gross income (AGI) exceeds $75,000 ($150,000 for married joint filers). Personal exemptions are otherwise permanently eliminated.
- **State and Local Tax (SALT):** The tax deduction cap is retroactively raised to $40,000 for 2025 and 2026 and will increase 1% in 2027, 2028 and 2029. SALT deduction begins to phase out for those with a modified adjusted gross income (MAGI) threshold of $500,000 in 2025, $505,000 in 2026 and by an additional 1% until 2029. SALT deduction cap is reduced by 30% of excess of MAGI over the threshold amount, not to be reduced below $10,000. The deduction will revert to $10,000 after 2029.
- **Car Loan Interest:** For tax years 2025-2028, individuals can deduct up to $10,000 of car loan interest per year for qualifying personal-use vehicles and subject to phaseout at $100,000 ($200,000 for married joint filers).
- **Alternative Minimum Tax (AMT):** The increased alternative minimum tax exemption and phaseout thresholds have been made permanent, with modifications to inflation adjustments and phaseout rates. The AMT exemption phaseout threshold is set at $500,000 for individuals ($1,000,000 for joint filers) in 2026.
- **Qualified Residence Interest Deduction:** The mortgage interest deduction permanently decreases the qualified residence interest to $750,000 in home mortgage acquisition debt. Certain mortgage insurance premiums may be treated as qualified residence interest.
- **Trust and Estates Tax Rates and Brackets:** The reduced trust and estate tax rates and brackets from the TCJA are now permanent, preventing a return to the higher pre-2018 rates and brackets.
- **Estate and Lifetime Gift Tax Exemption:** The exemption increases to $15 million and is made permanent (adjusted for inflation as before), preventing return to the lower pre-2018 rates.
- **Individuals' Charitable Deductions:** A floor of 0.5% of taxpayer's contribution base, usually calculated as AGI, is to be incorporated into deduction calculations, meaning an otherwise charitable contribution must be reduced by 0.5% of the taxpayer's base for the tax year.
- **Non-Itemizers' Charitable Deductions:** Taxpayers who do not itemize deductions may claim eligible charitable cash donations of up to $1,000 for individuals ($2,000 for joint filers).

- **Qualified Business Income (QBI) Deduction (Section 199A):** The new phase-in threshold increases to $75,000 for individuals ($150,000 for joint filers), up from $50,000 for individuals and $100,000 for joint filers. There is also now a $400 minimum deduction for active business income, with a minimum of $1,000 QBI.
- **Casualty Loss Deduction:** Permanently establishes personal casualty losses to now include certain state-declared disasters in addition to federally declared disasters.
- **No Tax on Tips:** Temporary deduction for qualified tips. The deduction is up to $25,000, and the deduction will phase out by $100 for every $1,000 of MAGI above $150,000 for single filers ($300,000 for joint filers). Effective beginning after December 31, 2024, and set to expire beginning December 31, 2028.
- **No Taxation of Overtime Pay:** Temporary deduction for qualified overtime pay. The deduction is capped at $12,500 for single filers and $25,000 for joint filers. Deduction phases out by $100 for every $1,000 of MAGI above $150,000 for single filers and $300,000 for married joint filers. Effective beginning after December 31, 2024, and set to expire beginning December 31, 2028.

FAMILY AND CHILD BENEFITS PROVISIONS

- **Child and Dependent Care Credit:** The available credit increases to a maximum amount of 50% of qualifying expenses for a taxpayer whose AGI is less than $15,000. Then, beginning at $15,000 AGI, the credit phases down by 1% for every $2,000 above that $15,000 AGI, but not below 35%. Similarly, beginning at $75,000 AGI, the credit continues to phase down to 20%.
- **Child Tax Credit:** The child tax credit in the TCJA is made permanent, preventing a return to the lower pre-2018 rates. In addition, the nonrefundable credit is increased to $2,200 per child, with inflation adjustments. Credit begins to phase out at $400,000 MAGI for joint filers ($200,000 for others).
- **Credit for Other Dependents:** The TCJA allows for a $500 nonrefundable credit, which is now made permanent, preventing return to the lower pre-2018 rates. Credit begins to phase out at $400,000 for joint filers ($200,000 for others).
- **Tax-Deferred Investment Accounts for Children:** The Act creates a new tax-deferred investment account called the Trump Account, allowing receipt of contributions. Trump Account funds must be invested in a diversified fund, tracking an established index of U.S. equities, limited to $5,000 annually of contributor's after-tax dollars, to be indexed for inflation. In the event contributions are from a tax-exempt entity, contributions are not limited to the $5,000 limit. Contributions are to stop upon child attaining age 18. The federal government will contribute $1,000 for each newborn born between January 1, 2025, and December 31, 2028.
- **Adoption Credit:** The credit is enhanced to allow for a refundable portion up to $5,000 of the maximum credit amount of $17,280 per child. While the refundable portion is adjusted for inflation, it is not eligible for carryforward treatment.
- **ABLE Accounts:** Achieving a Better Life Experience accounts for employed individuals with disabilities are now permanently allowed to receive additional contributions subject to identified limitations, allowing beneficiaries to qualify for the Saver's Credit and rollovers from 529 qualified tuition plans.
- **Dependent Care Assistance Program:** Increase of the maximum exclusion to $7,000 annually ($3,750 for married filing separately) for dependent care expenditures. Effective after December 31, 2025.

EDUCATION AND SAVINGS PROVISIONS

- **Contributions to Scholarship-Granting Organizations:** A new federal credit is available for contributions to in-state scholarship programs, allowing a $1,700 federal credit for individual contributions to state-approved scholarship-granting organizations for eligible students of elementary or secondary education schools. Credits in excess of limit can be carried forward for five years.
- **529 Accounts K-12 Education:** 529 accounts can now be used for a broader range of educational expenses at the elementary or secondary levels, with a higher annual distribution limit of $20,000.
- **529 Accounts Postsecondary Education:** 529 accounts may be used for postsecondary credential programs, including fees, testing,and continuing education to maintain the credential.

Texas Capital Bulletin: One Big Beautiful Bill Act

PRIVATE BANK

BUSINESS AND INVESTMENT PROVISIONS

- **Bonus Depreciation (Section 168(k)):** The 100% bonus depreciation for qualified business property is now permanent.
- **Expensing Limits (Section 179):** Limits for expensing deductions of certain business property have been increased and indexed for inflation, with an increase of the expense limit to $2.5 million and with a phase-down when property placed in service exceeds the increased threshold amount of $4 million.
- **Real Property Depreciation Used in Tangible Property Production (New Section 168(n)):** Taxpayers may now deduct 100% depreciation for qualified production property (QPP) for certain nonresidential real property used in qualified production activities (QPA), subject to a 10-year recapture period. QPP construction must start before December 31, 2029, and be placed in service before January 1, 2031.
- **Business Interest Limitation with Interest Capitalization (Section 163(j)):** The limitation on the amount of interest a business may deduct is to be calculated prior to the application of any interest capitalization provision. After applying the limitation, any interest is to be first allocated to the amounts to be capitalized, and any remainder is to be allocated to amounts to be deducted. Interest carried forward is not subject to interest capitalization provisions.
- **Definition Update of Adjusted Taxable Income for Business Interest Limitation:** The Act includes new amounts to be added back into the adjusted taxable income calculation for purposes of the business interest deduction limit.
- **De Minimis Exception Form 1099-K for Third-Party Networks:** Reporting requirements revert to pre-American Rescue Plan Act of 2021 requirements, meaning annual aggregate transactions exceeding both $20,000 and 200 transactions are to be reported.
- **Paid Family and Medical Leave Credit:** The Act allows for a credit of applicable premiums paid by an employer for an insurance policy for paid family and medical leave, and the credit is made permanent.
- **Qualified Small Business Stock (QSBS) Gain Exclusion:** The gain exclusion phases in earlier in the ownership timeline — 50% at three years, 75% at four years, 100% at five years. The limitation on gain exclusion is amended so that it is the applicable dollar limit, which is (a) up to $10 million for stock acquired before the appliable date, and (b) up to $15 million, for stock acquired after the applicable date, which will be adjusted for inflation. The corporation aggregate gross asset limit, impacting the taxpayer's ability to qualify for such gain exclusion, is increased from $50 million to $75 million. The applicable date is July 4, 2025.
- **Advanced Manufacturing Credit:** Credit for eligible taxpayers increases to 35% for qualifying property placed in service, up from the previous 25%, after December 31, 2025.
- **Reporting Threshold for Certain Taxpayers:** The general reporting threshold for non-employees engaged in a trade or business and required to file an information return (form 1099) increases to $2,000, from $600, to be adjusted for inflation.
- **Corporate Charitable Deductions:** Corporations now may only deduct charitable contributions exceeding a 1% threshold of taxable income, up to 10% maximum. Contributions disallowed for either not reaching threshold or exceeding the maximum can be carried forward for five years.
- **Sale of Certain Farmland Property:** Sellers of qualified farmland may elect to pay capital gains tax over four equal annual installments. Qualified farmland is U.S. property used as a farm or leased to a farmer that was substantively used for farming for 10 years preceding sale and must be subject to prohibitions of non-farm use for at least 10 years after the sale. In the event an individual dies before payment of all four installments, unpaid amounts are due with the last year's return. In the event taxpayer is a C Corp, trust or estate and there is a cessation of business, sale of substantially all assets or complete liquidation, unpaid installments are due immediately.
- **Partnerships to Partners Payments:** Language recharacterizing disguised sales and allocations and distributions of property or services from partnership to partner is to be implemented by the IRS, without issuing regulations, for transactions after July 4, 2025.
- **Deduction of Compensation of Certain Top Executives (Section 162(m)):** Compensation deduction is limited for certain specified covered employees of publicly held corporations. The specified covered employees is expanded to include both the publicly-held corporation's controlled group and affiliated service group, which may include unincorporated entities under common control.
- **Deductions of Employer Provided Business Meals:** The Act provides exceptions to the upcoming TCJA (Section 274(o)) deduction disallowance for the employer-taxpayer providing food to employees in an employer-operated area. Exception of the deduction limitation on food and beverage business expenses applies to certain eating areas that (a) also sell food to customers and (b) are located on certain fishing vessels or certain commercial fishing facilities.

- **Limit on Excess Business Losses:** The limitation on excess business losses (EBLs) for noncorporate taxpayers is $313,000 for single filers in 2025 ($626,000 for joint filers), made permanent and adjusts with inflation.
- **COVID-Related Employee Retention Costs:** The Act further defines a person or organization who is eligible to receive a refundable payroll tax credit for qualified COVID-related employee retention expenditures.
- **Employer-Provided Child Care Credit:** Increase of the employer-provided child care credit percentage to 40% (maximum of $500,000) for regular businesses and 50% (maximum of $600,000) for eligible small businesses, subject to inflation.
- **Qualified Bicycle Commuting:** Permanently eliminates the qualified bicycle commuting reimbursement exclusion when received by an employee from an employer.
- **Employer Payments of Student Loans:** The Act makes permanent the employee exclusion for qualified employers who pay student loans of an employee. Applies for payments made after December 31, 2025.

ENERGY AND GREEN PROVISIONS

- **Cost Recovery for Energy Property:** The Act removes the five-year accelerated depreciation cost recovery for newly constructed energy property.
- **Energy Efficient Home Improvement Credit:** The Act terminates the home improvement energy efficient credit for qualified energy efficient home improvements after December 31, 2025.
- **Residential Clean Energy Credits:** The Act terminates the residential clean energy credit for qualified clean energy expenditures after December 31, 2025.
- **Energy Efficient Home Credit:** The Act accelerates the credit's expiration date to June 30, 2026, from its original expiration date in 2032. As a result, builders and developers will no longer be eligible to claim the credit for homes acquired after that date.
- **Energy Efficient Commercial Buildings Deduction:** The Act terminates the energy efficient commercial building deduction for construction beginning after June 30, 2026, relating to the cost of energy efficient commercial building property.
- **Wind Energy and Advanced Manufacturing Production Credit:** (1) The Act terminates the credit for wind energy components after December 31, 2027. (2) The Act further narrows the credit for the subcomponent rule requiring that (a) the eligible main component qualifying for the credit be produced in the same facility as the subcomponent and (b) that 65% of the material costs to produce the component are attributable to subcomponents mined, produced or manufactured in the U.S. (3) The Act adds metallurgical coal (for production of steel) as an applicable mineral category of eligible components at a credit rate of 2.5% produced before January 1, 2030. (4) The Act subjects critical minerals for credit phaseout by 2034.
- **Qualified Commercial Clean Vehicle Credit:** The Act accelerates the credit's expiration date to September 30, 2025, from the prior law's expiration date in 2032. Eligible taxpayers purchasing a qualified commercial clean vehicle will no longer be eligible for the credit after this date.
- **EV Tax Credit:** The Act accelerates the credit's expiration date to September 30, 2025, from the prior law's expiration date in 2032. Eligible taxpayers purchasing a qualified clean vehicle will no longer be eligible for the credit after this date.
- **Pre-Owned Clean Vehicle Credit:** The Act accelerates the credit's expiration date to September 30, 2025, from the prior law's expiration date in 2032. Taxpayers purchasing a pre-owned qualified clean vehicle will no longer be eligible for the credit after this date.
- **Alternative Fuel Vehicle Refueling Property Credit:** The Act accelerates the credit's expiration date to June 30, 2026, from the law's prior expiration date in 2032.

The One Big Beautiful Bill Act delivers a comprehensive set of reforms that will reshape the tax landscape with lasting effects on individuals, families and businesses. While it offers expanded benefits and streamlines filing, it also introduces new limitations and phases out certain incentives. Understanding these shifts is essential for effective tax and financial planning. For personalized guidance tailored to your financial goals, reach out to a Texas Capital Private Bank advisor[1] in your area to explore tailored strategies.

[1] *https://texascapitalbank.com/private-bank/meet-our-advisors*