

# What That One Big, Beautiful Bill Act May Mean for You or Your Business

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Depending on how you voted in 2024 or which media outlets you follow, you might think H.R.1, the [One Big, Beautiful Bill Act](#) (OBBBA), is either a historic win or a major letdown. Since clients have been asking for our take, we want to share what we know and believe about the bill.

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Passed by the U.S. House of Representatives on May 22, 2025, and approved by a narrow margin in U.S. Senate on the 1st of July (and at the time of this writing was on its way back to the House for a final vote before being sent to the President for his signature), the bill includes 343 provisions, including one that seeks to extend the provisions of the 2017 Tax Cuts and Jobs Act, which are set to expire at the end of 2025. But there's much more to it than that.

While changes are expected, many provisions will likely survive the legislative process. This summary covers the main individual and business tax provisions broken down into the following four sections:

- New above-the-line deductions (tips, overtime pay, and vehicle loan interest)
- Business depreciation and expensing provisions (to encourage new investments in production property and equipment)
- Business interest expense limitation (to prevent excessive interest deductions that would reduce a business's taxable income too aggressively)
- Clean energy credit rollbacks (to reduce subsidies for clean energy technologies)

## New Above-the-Line Deductions

President Trump's campaign promises are reflected in three above-the-line deductions proposed in the OBBBA. (An *above-the-line deduction* is one that reduces the adjusted gross income [AGI] used to calculate how much federal income tax is owed. It does not affect the amount of Social Security and Medicare tax owed.)

Here are the three new above-the-line deductions proposed in the OBBBA:

1. A tax deduction for tip income ("no tax on tips")
2. A tax deduction for overtime pay ("no tax on overtime")
3. A tax deduction for interest paid on loans used to buy certain vehicles manufactured in the United States

### *Tax Deduction for Tip Income*

The proposed "no tax on tips" deduction is for certain tips reported on W-2s and other tax forms. With one out of every 30 workers in the U.S. depending on tips to make ends meet, a tax deduction for tip income is an essential need for some.

Here are the requirements to qualify:

- Taxpayer must work in an occupation that customarily receives tips.
- Taxpayer must not be a "highly compensated employee" of any employer, meaning they must not have received an income in excess of \$160,000 from any employer for the applicable calendar year.
- Tips must be voluntary (not mandatory service charges).
- The employer can't be a "specified service business" (details to come from Treasury regulations).
- Social Security numbers must be included on tax returns (for both spouses if filing jointly).

And here are the limitations:

- If self-employed, only tips in excess of business costs (such as cost of goods sold and other expenses) are deductible.
- Deducted tips reduce eligibility for the Qualified Business Income (QBI) deduction.

### ***The SWC Take on Tax Deduction for Tip Income***

The Senate recently passed S.129, the No Tax on Tips Act. Since tips are no longer just the domain of restaurant workers, people earning \$160,000 or more in 2025 (adjusted annually for inflation) will be excluded from claiming the deduction. What that means is, if you have multiple streams of income, say a net positive real estate portfolio and income from tips, if you're earning \$160k or more, a tax deduction for tip income may not be the boondoggle you think it will be.

### **Tax Deduction for Overtime Income**

The tax deduction for overtime income doesn't eliminate the tax on overtime pay. It simply reduces the AGI by the amount of overtime income earned.

Requirements and limitations:

- Taxpayer must not be a "highly compensated employee" of any employer, meaning they must not have received an income from any employer in excess of \$160,000 for the applicable calendar year.
- Overtime must be reported separately on W-2s.
- Social Security numbers must be included on tax returns (for both spouses if filing jointly).

### ***The SWC Take on Tax Deduction for Overtime Income***

The House version of the bill includes a temporary federal income tax deduction on qualified wages. The Senate's proposal offers a \$12,500 deduction for individual filers and \$25,000 for joint filers, with phase-outs based on modified adjusted gross income. No matter which version passes, working overtime can raise your total annual income, and possibly move you into a higher tax bracket.

### ***Tax Deduction for Vehicle Loan Interest***

This provision provides a deduction for interest on auto loans for newly purchased vehicles (or refinanced original loans) made after Dec. 31, 2024.

Requirements and limitations:

- **Eligible vehicles:** Cars, SUVs, trucks, motorcycles, campers, trailers, and ATVs used on land and manufactured in the U.S. (Note that this applies only to vehicles where final assembly occurred in the U.S.)
- **Exclusions:** Fleet vehicles, commercial-only vehicles, personal loans using a car as collateral, lease financing, salvaged vehicles, and loans from related parties, and vehicles not assembled in the U.S.

- **Deduction cap:** \$10,000 per year across all vehicle loans.
- **Income phaseout:** Starts at \$100,000 (single)/\$200,000 (married filing jointly); fully phased out at \$150,000 (single)/\$250,000 (married).
- **Reporting requirement:** Lenders must issue a new IRS form (like a mortgage Form 1098) if interest exceeds \$600/year.

### **The SWC Take on Tax Deduction for Vehicle Loan Interest**

While this one looks great on paper, high net-worth individuals and others need to be careful. The income limitations (*i.e., the phase outs for those with a modified adjusted gross income (AGI) over \$100,000 for single filers and \$200,000 for married filers*) means this may not apply. Also, the Senate version of the bill is said to exclude used vehicles from the deduction.

## **Depreciation and Expensing Provisions for Businesses**

The One Big, Beautiful Bill Act (OBBBA) contains several updates aimed at making capital investment more tax-friendly for businesses. If passed and signed into law:

- 100 percent bonus depreciation will be extended.
- 100 percent bonus depreciation will be expanded to include sound recording productions.
- 100 percent bonus depreciation will be expanded to include qualified production property.
- Section 179 Expensing limits and thresholds will have been increased.

### **Extending 100% Bonus Depreciation**

OBBBA proposes to fully restore 100 percent bonus depreciation for qualified property placed in service from Jan. 20, 2025, to Dec. 31, 2029 (or through 2030/2031 for certain properties such as aircraft). It applies to new property acquired and placed in service after Jan. 19, 2025.

### **Expanding Bonus Depreciation to Qualified Sound Recordings**

OBBBA's sound recording provisions are targeted to boost investment, lower risk, and support creative jobs by letting producers deduct production costs faster. Specifically, it expands bonus depreciation to include sound recording productions made before 2029. Recordings that begin before 2026 may also be eligible for up to \$150,000 in special deductions. Part of the Internal Revenue Code (IRC) allows certain taxpayers to immediately deduct (or "expense") the costs of producing qualified media projects like films, TV shows, and live theatrical productions, rather than depreciating those costs over many years. Its purpose is to encourage domestic media production.

### ***New Category of Bonus Depreciation: Qualified Production Property***

OBBBA allows 100 percent bonus depreciation for certain parts of nonresidential real estate used in manufacturing, agriculture, chemical production, and refining. For example, a farm that builds a warehouse for fruit processing may be able to deduct the full cost immediately if it meets certain criteria, such as:

- The property must be newly constructed between Jan. 20, 2025, and Dec. 31, 2028.
- The property must be used in the U.S. and meet original-use requirements.
- The property cannot include office space, sales areas, or other non-production-related sections of a building.

### ***The SWC Take on New Category of Bonus Depreciation: Qualified Production Property***

If you're interested in taking advantage of the proposed 100 percent bonus depreciation for certain parts of nonresidential real estate used in manufacturing, agriculture, chemical production, and refining, keep in mind that the space may not include room for offices. That means your cost to build and maintain the property may actually be higher if you need to make room for meeting space and administrative offices, because those facilities will need to be built elsewhere. Two builds will be more expensive than one!

### ***Increased Section 179 Expensing***

Currently, Section 179 Expensing is limited to \$1.25 million with a \$3.13 million phaseout threshold. The proposed legislation does the following:

- Increases the limit to \$2.5 million.
- Raises the phaseout threshold to \$4 million.
- Adjusts the limit and phaseout threshold annually for inflation starting in 2026.

### ***Business Interest Expense Limitation***

Under the Internal Revenue Code, the deduction for business interest expense is generally limited to the sum of:

- Business interest income
- 30 percent of adjusted taxable income (ATI)
- Floor plan financing interest (the cost a business pays to borrow money for buying inventory – think big-ticket items like cars, boats, or appliances – before they're sold by the dealership or store)

Before 2022, ATI excluded depreciation, amortization, and depletion, resulting in a higher ATI and a larger interest deduction. After 2021, these deductions are included in ATI, reducing the deductible amount.

*Continued*

### **SWC's Take on *Business Interest Expense Limitation***

This provision would restore the pre-2022 ATI rule (excluding depreciation, amortization, and depletion) starting in tax years after 2024, allowing more interest to be deducted. It would also expand the definition of “motor vehicle” for floor plan financing to include trailers and campers used for temporary living and designed to be towed or attached to a vehicle. In certain circumstances, this may work to your advantage!

### **Clean Energy Credit Rollbacks**

The One Big Beautiful Bill Act (OBBBA) proposes to roll back or eliminate many energy credits passed under the Inflation Reduction Act. Under the OBBBA:

- New EV (electric vehicle) credit ends for vehicles placed in service after 2026 (also, the 200,000 cap is reinstated per vehicle manufacturer).
- Used EV credit ends after 2025.
- Commercial EV credit ends after 2025 unless under contract before May 12, 2025.
- EV charging station credit ends after 2025.
- Home energy efficiency credit ends after 2025.
- Residential solar credit ends after 2025.
- New energy-efficient home ends after 2025 (or after 2026 if construction began before May 12, 2025).
- Clean electricity investment and production credits end for new projects not started within 60 days of OBBBA's enactment or in service after 2028.

**SWC's Take on *Clean Energy Credit Rollbacks*:** We recommend that clients considering energy-efficient purchases (solar panels, EVs, insulation, etc.) should act before the end of 2025 to secure these tax benefits. Larger-scale energy producers may still receive revised credits under the legislation if passed by the Senate and signed into law by the President.

As we mentioned at the start of this singlette, the original version of the One Big Beautiful Bill Act (H.R.1) included nearly 345 separate provisions. Since we couldn't cover all of them here, please feel free to leave a comment or question below, or reach out through the [Contact Form](#) on our website if there's something that concerns you or you're curious to know more about. (*Note: Several provisions have already been ruled invalid by the Senate Parliamentarian for violating Senate rules.*) You can find a House Committee on Ways & Means summary [PDF version of the One Big Beautiful Bill Act here](#). For the full bill, see [H.R. 1 on Congress.gov using this link](#).

Here at SWC, we're committed to helping our clients minimize their tax burden while maximizing their wealth. The two go hand in hand. We will continue to monitor and report on updates to the One Big Beautiful Bill Act to keep you informed, so stay tuned.

Remember: The more money you save on taxes, the more you have at your disposal to build wealth and live a richer and more abundant life. We're here to help you do just that.

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