Advisor Insights

One Big Beautiful Bill Act (OBBBA / H.R. 1)

What California clients need to know

- **Signed into law:** July 4, 2025
- **Official title:** Public Law 119-21 – An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14
- **Also known as:** The "One Big Beautiful Bill Act" (OBBBA)
- **Purpose of the Bill:** The OBBBA was designed to extend or make permanent many provisions from the Tax Cuts and Jobs Act (TCJA) set to expire after 2025, incorporate certain proposals from the campaign trail, and repeal or revise some energy credits introduced under the Inflation Reduction Act (IRA) of 2022. P.L. 119-21 represents over 100 tax changes affecting individuals, businesses, and tax-exempt entities.

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Key provisions for individuals

- **Lower tax rates made permanent** – 37% top rate remains; the 39.6% bracket is eliminated.
- **Child tax credit** – $2,000 credit extended beyond 2025 (was scheduled to drop to $1,000). Will be $2,200 starting in 2025.
- **Itemized deductions & SALT Cap** – SALT cap increased to $40,000 starting in 2025 through 2029, with a phase-out.
- **New deductions** – e.g., deduction for tips and overtime allowed from AGI even if taxpayer doesn't itemize.
- **Energy credits** – Some individual credits end earlier than expected. Clean vehicle credits end 9/30/25 so must take possession by that date. Residential energy credits of Sections 25C and 25D end 12/31/25 so generally must be installed and paid for by that date.

Key provisions for businesses

- **Corporate & pass-through benefits** – Permanence of lower rates for individuals and the 20% qualified business income deduction.
- **Qualified Small Business Stock (QSBS)** – Expanded benefits for C-corp investors meeting QSBS rules (up to $75M in assets).
- **Depreciation & expensing** – Additional write-offs, including some for real property. 100% bonus depreciation made permanent for eligible assets placed in service after 1/19/25.
- **No change to Notice 2020-75** – Pass-through entity SALT workarounds remain intact.

Special considerations & cautions

- **Multiple versions in circulation** – Verify you're referencing the official Public Law 119-21 text, as earlier drafts differ. See https://www.congress.gov/bill/119th-congress/house-bill/1/text for text of the public law.
- **Not all provisions are permanent** – Some rules have unexpected phase-outs or retroactive effective dates (to early 2025 or earlier). Some new deductions are temporary, such as for tip and overtime income.
- **Complexity increases** – Over 100 tax provisions, some narrowly targeted, requiring careful application, and most in need of guidance from the IRS
- **State conformity issues** – California and other states may selectively adopt provisions; rolling conformity might opt to not follow all provisions, such as 100% bonus depreciation.

Next steps for clients

1. **Review impacts with your CPA** – Model your 2025 and future tax liabilities under the new rules.
2. **Watch for California Guidance** – State adoption of federal changes will vary.
3. **Plan ahead** – Consider timing of deductions, income recognition, and investments in light of new rules.