Moore Financial Strategies
Tax-Saving Tips

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OBBBA Restores and Creates New 100 Percent Deductions for You, Now

If you plan to buy equipment, furniture, computers, or other personal property for your business, the recently enacted One Big Beautiful Bill Act (OBBBA) delivers great news.

You can now deduct the full cost of such property in a single year—without limit.

For manufacturers, the OBBBA goes even further by creating a new 100 percent deduction for factories and other production-related real estate.

100 Percent Bonus Depreciation Returns

Bonus depreciation lets you deduct a property's cost in the year you place it in service, instead of spreading the deduction over several years. You can apply it to most personal business property, off-the-shelf software, and land improvements such as landscaping.

The OBBBA increases bonus depreciation to 100 percent for property acquired and placed in service on or after January 20, 2025. Previously, bonus depreciation had dropped to 60 percent in 2024 and fell to 40 percent from January 1 through January 19. The new law makes the 100 percent deduction permanent.

This change makes bonus depreciation the primary method for deducting personal property. You may deduct the entire cost of a qualifying property in one year if you use it exclusively for business. The only exception is listed property, primarily passenger automobiles, which remain subject to an annual cap of $8,000.

There is no overall limit on bonus depreciation deductions, even if they create a loss. You can carry unused deductions forward to future years. If you prefer not to use bonus depreciation, you must opt out for the entire class of assets.

Enhanced Section 179 Deduction

Section 179 expensing overlaps with bonus depreciation but comes with annual limits.

The OBBBA raised the Section 179 limit to $2.5 million for 2025, with a phaseout beginning at $4 million of property placed in service.

Because of the new, permanent 100 percent bonus depreciation, most businesses will rely less on Section 179. Unlike bonus depreciation, Section 179

- requires business use of at least 51 percent,
- cannot create a loss, and
- carries annual caps.

However, Section 179 allows you to pick and choose specific assets to expense, which can be beneficial for planning purposes.

New Deduction for Qualified Production Property

The OBBBA also created a temporary 100 percent deduction for real property used in manufacturing tangible goods, such as factories, refining halls, and assembly lines.

Typically, businesses depreciate such property over a period of 39 years.

Now, you may deduct the entire cost in one year if you build the property between January 20, 2025, and December 31, 2028, and place it in service by January 1, 2031. Specific existing property may also qualify if it was not in service as qualified production property between January 1, 2021, and May 12, 2025.

OBBBA: No Tax on Overtime? Not Really, but We'll Take It!

Do you regularly earn overtime pay? If so, the One Big Beautiful Bill Act may help lower your federal income tax bill.

New Overtime Deduction

Before 2025, the IRS taxed every dollar of your overtime pay as ordinary income. Beginning this year (2025) and continuing through 2028, the OBBBA allows a new temporary deduction for qualified overtime income:

- Up to $12,500 each year for single filers
- Up to $25,000 each year for married joint-filers

This deduction applies whether or not you itemize deductions.

What Counts as Qualified Overtime Income

Qualified overtime income includes only the extra pay you earn for overtime hours—generally, the portion above your regular hourly rate under the Fair Labor Standards Act. For example, if your regular rate is $25 per hour and you receive $37.50 for overtime, the extra $12.50 per hour counts as qualified overtime income.

Important: This deduction does not reduce your adjusted gross income (AGI). It also does not exempt your overtime pay from payroll taxes or, in many cases, state and local taxes.

Income Phaseouts

The deduction begins to phase out when your modified adjusted gross income (MAGI) exceeds

- $150,000 for single filers, or
- $300,000 for married joint-filers.

The deduction decreases by $100 for every $1,000 of income above these thresholds. Phaseout ends at $275,000 for single filers and $550,000 for joint filers.

Because these thresholds are high, most overtime earners will qualify for the full deduction.

Key Restrictions and Requirements

- You must file jointly to claim the $25,000 married joint-filer deduction.
- You must include your valid Social Security number on your tax return.
- Your employer must report your qualified overtime income on your W-2 or another IRS-specified statement.
- Business owners cannot pay themselves "overtime" to claim the deduction, since overtime law excludes owners who actively manage their corporations.

OBBBA: How Itemizers Can Win

The One Big Beautiful Bill Act includes several permanent changes that directly affect taxpayers who itemize deductions. Some provisions take away opportunities, while others preserve valuable tax breaks.

Here's what you need to know—and how you can plan to win.

Permanent Repeal of Miscellaneous Itemized Deductions

The Tax Cuts and Jobs Act (TCJA) suspended miscellaneous itemized deductions for 2018-2025.

The OBBBA makes that suspension permanent. This means you can no longer deduct unreimbursed employee business expenses, investment expenses, or other items previously subject to the 2 percent AGI floor. If you incur employee business expenses, the solution is straightforward: have your corporation reimburse you so the expense gets properly deducted.

Itemized Deductions That Remain

Many important deductions remain available. You may still claim

- mortgage interest;
- state and local taxes (SALT);
- charitable contributions;
- medical expenses, including health insurance premiums; and
- personal casualty and theft losses.

These deductions continue to appear on Schedule A of Form 1040, subject to existing limits.

New Limits for High-Income Taxpayers

Starting in 2026, high-income taxpayers in the 37 percent bracket face a new reduction in itemized deductions. The OBBBA caps the benefit of itemized deductions at no more than 35 percent of their value.

For example:

- If your taxable income barely crosses into the 37 percent bracket, your deductions will be reduced modestly.
- If you have significant income, your deductions may be reduced or even eliminated.

In short, the higher your income is above the 37 percent threshold, the greater the haircut on your itemized deductions.

Planning Strategies

To protect your deductions, use these strategies:

- Avoid unreimbursed employee expenses by arranging corporate reimbursements.

- Monitor your taxable income to reduce the risk of crossing into the 37 percent bracket. For 2025, this threshold starts at $626,350 for single filers and $751,600 for joint filers (adjusted annually for inflation).

Takeaway

The OBBBA reshapes itemized deductions for the long term. While some opportunities have disappeared, key deductions remain, and planning strategies still exist to maximize your tax benefit. By structuring expenses properly and managing taxable income, you can continue to win under the new rules.

OBBBA Enhances Tax Breaks for Qualified Small Business Stock

Do you own stock in a high-growth small business? Or are you a founder, an investor, or an employee of one? If so, you need to understand how the One Big Beautiful Bill Act expands the tax benefits of qualified small business stock (QSBS).

What QSBS Is

"QSBS" refers to stock issued by regular C corporations. When the corporation and the shareholder meet specific requirements, QSBS owners can avoid federal tax on most or all of their gains when they sell the stock. This can mean tax-free profits worth tens of millions of dollars.

Which Companies Qualify

Not all businesses may issue QSBS. The law excludes certain industries, including finance, insurance, farming, professional services (such as law, accounting, and consulting), and hospitality.

Additionally, only smaller companies are eligible. Previously, a company could not exceed $50 million in total assets when issuing QSBS. The OBBBA raises that cap to $75 million, giving larger businesses access to this powerful tax benefit.

New Holding Period Rules

You must hold QSBS for a minimum period before you can exclude gains from tax. The five-year requirement remains in place for the full 100 percent tax exclusion.

However, the OBBBA introduces new flexibility for OBBBA-qualified QSBS: you can now receive partial exclusions if you hold stock for only three or four years.

Higher Exclusion Limits

Before the OBBBA, the law allowed you to exclude from tax the greater of $10 million or 10 times your basis in the stock. The OBBBA increases the dollar limit to $15 million while keeping the 10-times-basis rule. This change delivers another significant win for QSBS owners.

Effective Date

All these enhancements apply to QSBS issued on or after July 5. Together, they represent the most significant upgrade to QSBS benefits in more than a decade. For many investors, these rules could transform successful small business investments into tax-free windfalls.

Example. Suppose you invest $100,000 in QSBS shares in 2026 and sell them in 2031 for $1.1 million. Because you held the stock for five years, you can exclude your $1 million gain from federal tax. This saves you from paying both the 20 percent federal long-term capital gains tax and the 3.8 percent net investment income tax—$238,000 in tax savings.

OBBBA Cheats Gamblers—Taxes Fictional Income

Do you like to gamble? If so, Congress has some bad news for you.

The One Big Beautiful Bill Act limits how much you can deduct for gambling losses starting in 2026.

Both casual and professional gamblers may deduct only 90 percent of their losses against their winnings. The remaining 10 percent of losses disappear permanently—you can't use them in future years.

Congress added this last-minute change to the OBBBA, which could significantly impact gamblers.

What This Means for You

Right now, gamblers may deduct losses only up to the amount of their winnings. Casual gamblers may deduct losses only if they itemize personal deductions. Beginning in 2026, you won't even deduct all your losses.

This rule could force you to pay tax on "fictional income"—money you never really earned. For example, if you win $10,000 and lose $10,000 in 2026, you'll report $10,000 in gambling income but deduct only $9,000 in losses. That leaves you with $1,000 in taxable income, even though you broke even.

Current Efforts to Reverse the Law

Gamblers across the country have expressed outrage, and lawmakers have already introduced three bills to eliminate this 10 percent haircut. Whether Congress will act remains uncertain.

What You Should Do Now

Regardless of what happens in Congress, you need accurate records of your gambling activity. Keep detailed records of your wins and losses, especially losses.

Track your gambling by session, not by individual bet. At year's end, add up all winning sessions separately from all losing sessions.

Don't rely on casino win/loss statements—they often inflate winnings and underreport losses.