Here are some brief descriptions of the new provisions from the **One Big Beautiful Bill Act** (also known as OBBB, also know as the Full Employment Act for Tax Professionals and Tax Attorneys of 2025), signed into law on July 4, 2025, as Public Law 119-21, that go into effect for 2025.

This brief summary should not be regarded as legal authority: Considerable effort has been spent preparing this outline, but errors may be present. This material is not intended to be a complete coverage of all tax-related topics that might be relevant to a particular client. Such discussions are intended to present general information, and are not intended to be legal advice or authoritative commentary.

As I put this together, Congress is writing bills that would change OBBB, before or after it goes into effect.

Also Oregon Legislators are in session and they could decide not to go along with these changes that effect the Oregon income tax.

Extension of tax rates

The income tax rates will remain as 10%, 12%, 22%, 24%, 32% 35%, and 37% and become permanent. Without the OBBB, the rates would have returned to 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. This would have increased Federal taxes for most everyone.

Many clean-energy tax breaks in the 2022 Inflation Reduction Act will end.

The up-to-$7,500 tax credit for buying an electric vehicle expires after Sept. 30, 2025. So if you want this credit, act fast. Sale must be final and in you hands by Sept. 30, 2025.

Two tax credits for energy-efficient home improvements end after 2025.
The residential clean-energy credit is for people who install in their homes an alternative energy system that relies on a renewable energy source, such as solar, wind or geothermal. Think solar panels and the like. The credit equals 30% of the cost of materials and installation of such systems that you add to your residence.
The energy-efficient home improvement credit is for homeowners who make smaller energy-saving upgrades, such as central air-conditioning systems, exterior doors and windows, heat pumps, water heaters, boilers, insulation and more.

Both these credits are repealed for property placed in service after 2025.
So if you're thinking of making home energy-saving upgrades and want a tax break, you will need to pay for them and get them completed before the end of this year.

"No Tax on Tips"

New deduction: Effective for 2025 through 2028, employees and self-employed individuals may deduct qualified tips received in occupations that are listed by the IRS as customarily and regularly receiving tips on or before December 31, 2024, and that are reported on a Form W-2, Form 1099, or other specified statement furnished to the individual or reported directly by the individual on Form 4137.

"Qualified tips" are voluntary cash or charged tips received from customers or through tip sharing.

Maximum annual deduction is $25,000; for self-employed, deduction may not exceed individual's net income (without regard to this deduction) from the trade or business in which the tips were earned.

Deduction phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible. Employees whose employer is in an SSTB also are not eligible.

Reporting: Employers and other payors must file information returns with the IRS (or SSA) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tip recipient.

Guidance: By October 2, 2025, the IRS must publish a list of occupations that "customarily and regularly" received tips on or before December 31, 2024.

The IRS will provide transition relief for tax year 2025 for taxpayers claiming the deduction and for employers and payors subject to the new reporting requirements.

“No Tax on Overtime”

New deduction: Effective for 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay – such as the “half” portion of “time-and-a-half” compensation -- that is required by the Fair Labor Standards Act (FLSA) and that is reported on a Form W-2, Form 1099, or other specified statement furnished to the individual.

Maximum annual deduction is $12,500 ($25,000 for joint filers).

Deduction phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

Reporting: Employers and other payors are required to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

“No Tax on Car Loan Interest”

New deduction: Effective for 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. (Lease payments do not qualify.)

Maximum annual deduction is $10,000.

Deduction phases out for taxpayers with modified adjusted gross income over $100,000 ($200,000 for joint filers).

Qualified interest: To qualify for the deduction, the interest must be paid on a loan that is originated after December 31, 2024, used to purchase a vehicle, the original use of which starts with the taxpayer (used vehicles do not qualify), for a personal use vehicle (not for business or commercial use) and secured by a lien on the vehicle.

If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction.

Qualified vehicle: A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

The taxpayer must include the Vehicle Identification Number (VIN) of the qualified vehicle on the tax return for any year in which the deduction is claimed.

Reporting: Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.

Guidance: The IRS will provide transition relief for tax year 2025 for interest recipients subject to the new reporting requirements.

Deduction for Seniors

New deduction: Effective for 2025 through 2028, individuals who are age 65 and older may claim an additional deduction of $6,000. This new deduction is in addition to the current additional standard deduction for seniors under existing law.

The $6,000 senior deduction is per eligible individual (i.e., $12,000 total for a married couple where both spouses qualify).

Deduction phases out for taxpayers with modified adjusted gross income over $75,000 ($150,000 for joint filers).

Qualifying taxpayers: To qualify for the additional deduction, a taxpayer must attain age 65 on or before the last day of the taxable year.

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

This senior's deduction does not pass through to the Oregon tax return.

“Other changes for 2025 and beyond”

The child tax credit rises to $2,200 per qualifying child…up from $2,000… beginning with 2025 returns, and will be annually adjusted for inflation.
The refundable part for lower-incomers is $1,700. Filers need Social Security numbers to claim the child credit. On joint returns, at least one spouse must have an SSN.

The child and dependent care credit for 2025 is $1,050 for one dependent and $2,100 for two or more dependents.
The OBBB increases the top credit to $1,500…$3,000 for two or more dependents.
Working parents can contribute up to $7,500 to a dependent care FSA, beginning in 2026. The 2025 cap for this type of flexible spending account is $5,000.

The cap on deducting state and local taxes on Schedule A rises to $40,000 for 2025 through 2029. It goes back down to $10,000 beginning in 2030.
There is also an income limit. For 2025, the SALT deduction begins to phase out…but not below $10,000…for filers with modified AGIs over $500,000… $250,000 for separate filers. The cap and income limit increase 1% each year through 2029.

Gambling losses, starting in 2026

Starting in tax years after 2025, the deduction for gambling losses will be further limited to 90% of such losses incurred during the year, while still being capped at the amount of gambling gains for the year.

For both casual and professional gamblers, accurate records must be maintained to substantiate losses and winnings.

Charitable Contributions, starting in 2026

There’s mixed news for taxpayers who make charitable donations.
Nonitemizers can deduct up to $1,000 of charitable cash contributions, starting with 2026 returns filed in 2027. The amount is $2,000 for joint filers.
But itemizers who make charitable gifts don’t fare as well, beginning in 2026.
Charitable donations claimed on Schedule A are subject to a haircut.
They are deductible only to the extent they exceed 0.5% of adjusted gross income.

If you qualify for QCD (Qualified Charitable Distributions), it just became more valuable.

529 college savings accounts

529 college savings accounts are expanded in three important ways.
First, you can withdraw up to $20,000 per year tax-free for K-12 schooling, an increase of $10,000 from the current annual cap.
As always, there is no limit on the amount of tax-free withdrawals used to pay for college.
Second, more K-12 expenses are covered. It used to be that distributions for K-12 education were tax-free only if used to cover tuition. Now covered are costs of tuition, materials for curricula and online studying, books, educational tutoring, fees for taking an advanced placement test or any exam related to college admission, and educational therapies provided by a licensed provider to students with disabilities.
Third, certain post-high-school credentialing program costs are 529-eligible.

NEW TRUMP CHILD SAVINGS ACCOUNTS

The Trump account for children under age of 18. Up to $5,000 can be contributed to the account each year. The federal government would automatically put in $1,000 for each child born after 2024 and before 2029.
Contributions aren’t deductible.
Income tax on the earnings is deferred until the account owner takes distributions.

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