



# One Big Beautiful Bill Act (OBBBA)

## Individual and Business Tax Provisions

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# Rural Tax Education

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RuralTax.org



- Website hosted by Utah State University
- Material developed, managed, and owned by the **National Farm Income Tax Committee**
- Informational Material on Ag, Timber, and Rural Tax topics include but not limited to:
  - Disaster/Weather Losses
  - Treatment of Government Payments
  - Farm Losses and Hobby Rules
  - Self-Employment Taxes
  - Estate and Gift Taxes
  - Like Kind Exchanges
  - Depreciation
  - Etc...



# Acknowledgement

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# Disclaimer

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None of what is found within this presentation or discussed today should be considered formal legal or tax advice. This is for educational purposes only.



For legal & tax advice please visit with a professional attorney or tax professional that knows the subject matter and that you feel comfortable with.



Everything discussed today and in this presentation is “general”. Every tax and legal situation may vary and be very different based on facts and circumstances, as well as any further guidance provided by the IRS or law changes.

# Program Agenda

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Discuss Specific Tax Areas of the Greatest Interest to Farmers, Ranchers, and Timberland Owners

- Items affecting the Individual
- Items affecting the Business

# Modified Individual Tax Items

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Permanently extends individual marginal tax rates

2017

- 10%
- 15%
- 25%
- 28%
- 33%
- 35%
- 39.6%

2026

- 10%
- 12%
- 22%
- 24%
- 32%
- 35%
- 37%

# Modified Individual Tax Items

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## Standard Deduction

- Permanently extends the larger amounts
- Deduction amount was also increased for 2025
  - 2025: \$15,750 single      \$31,500 married filing joint  
\$23,635 head of household

## Personal Exemption

- Permanently repealed (gone forever or until reinstated)

# Modified Individual Tax Items

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## Deduction for seniors, 65 years of age or older

- 2025 through 2028: \$6,000 for qualifying individual
- Subject to a 6% phaseout if Modified Adjusted Gross Income exceeds \$75,000 for single filers and \$150,000 for married filing joint.



# Modified Individual Tax Items

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## Child Tax Credit was enhanced

- For 2025, amount is \$2,200 (was \$2,000)
- Indexed for inflation beginning in 2026

# Modified Individual Tax Items

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## 20% Qualified Business Income (QBI) Deduction (QBID)

- Made permanent
- Enhancements will go into effect beginning in 2026
  - 2026 minimum deduction is \$400 if there is at least \$1,000 of active qualified business income
  - Indexed for inflation for future years

# Modified Individual Tax Items

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## Casualty Loss Deduction

- Permanent limitation of casualty and theft losses for personal use property
- Prior law required an area to have a federal disaster declaration for a personal property casualty loss to be deductible
- Now an area can receive a federal disaster declaration OR a state disaster declaration which allows for a deductible casualty loss

# Modified Individual Tax Items

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## Miscellaneous Itemized Deductions

- Permanent suspension of the miscellaneous itemized deductions
- Other items such as investment interest expense and gambling losses remain deductible subject to limitations
- Refer to IRS Publication 529, Miscellaneous Deductions for additional information

# Modified Individual Tax Items

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## Estate and Gift Tax Exemption

- Permanent retention of the higher exemption from TCJA
- Individual Exemption is \$13.99 million for 2025
- Individual Exemption is \$15.00 million for 2026
- The deceased spouse unused exemption carryforward has been retained for use by the surviving spouse
- Exemption amount is to be indexed annually for inflation beginning in 2027

# Business Tax Items

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## Additional First Year (Bonus) Depreciation

- Made permanent 100% bonus depreciation (no phase-out)
- Qualified property acquired and placed in service:
  - Before January 20, 2025, must use 40%
  - After January 19, 2025, taxpayer can choose either 40% or 100%
  - After December 31, 2025, must use 100%
- Continues to include/allow trees and vines planted or grafted
- Applies to business property as well as investment property and can offset other taxable income

# Business Tax Items

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## Section 179 Expensing Election

- 2025 deduction limit was increased to \$2,500,000 from \$1,250,000
- 2025 phase-out threshold was raised to \$4,000,000 from \$3,300,000
- Indexed annually for inflation beginning in 2026
- Can only reduce business income (Schedule F or Schedule C) but not below zero (cannot create a loss)

# Business Tax Items

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## 1099-MISC and 1099-NEC Requirements

- Payment threshold for reporting increased from \$600 to \$2,000 beginning with payments made in 2026
- A 1099-MISC or 1099-NEC form must be provided when payment(s) to a single payee is \$2,000 or more in a tax year
- Reduces the number of Forms 1099-MISC and 1099-NEC that must be filed by a payor



# Business Tax Items

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Gain on sale or exchange of farmland (qualified farmers)

Seller's requirements:

- Election made when selling farmland to a qualified farmer
- Seller can pay tax on the gain over 4 equal annual installments
- Seller must have farmed or leased the property to a qualified farmer for 10 years prior to the sale
- AND

# Business Tax Items

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Gain on sale or exchange of farmland (qualified farmers)

Buyer's requirements:

- Purchaser must agree to a covenant requiring the property be used only for farming activities for 10 years after the sale
- A copy of the covenant must be filed with the buyer's tax return for the year of sale
- Allowed for sales occurring after July 4, 2025

# Business Tax Items

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## Paid Family Medical Leave (FMLA) Business Credit

- This act makes permanent the general business credit of 12.5% to 25% of wages paid to qualifying employees on family medical leave for up to 12 weeks
- Please refer to U.S. Department of Labor's Family and Medical Leave information for further details about FMLA and I.R.C. § 45S
- There are a number of very specific nuances for the employee and employer to be eligible

# Business Tax Items – For the Employee!

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## Deduction for Qualified Overtime Compensation

- Overtime on most farms and ranches is not required to be paid under the Fair Labor Standards Act (FLSA)
  - Workers on farms and ranches may not be eligible to claim a deduction for the qualified overtime compensation
- NOTE: the overtime compensation deduction does not include the entire overtime wage
  - Only the value above the normal hourly wage is eligible for the deduction
  - The deduction limitation is set at \$12,500 for a single taxpayer and \$25,000 for a married filing joint taxpayer
  - A phase out begins at a MAGI of \$150,000 for a single payer and \$300,000 for married filing joint taxpayer

# Resources

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- H.R. 1, One Big Beautiful Bill Act (OBBBA) Tax Update Affecting Farms and Ranches
  - <https://extension.usu.edu/ruraltax/tax-topics/OBBBA>
- One Big Beautiful Bill Act Implements Significant Tax Package
  - <https://www.calt.iastate.edu/post/one-big-beautiful-bill-act-implements-significant-tax-package>
- Disaster Losses and Related Tax Rules
  - <https://extension.usu.edu/ruraltax/tax-topics/disaster-losses>
- Form 1099 Information Returns
  - <https://extension.usu.edu/ruraltax/tax-topics/form-1099-information-returns>
- Depreciation: An Introduction
  - <https://extension.usu.edu/ruraltax/tax-topics/DepreciationIntro>
- Other Tax Related Publications and information:
  - <https://ruraltax.org>

# Questions and Comments

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