MBA Key Provisions of H.R. 1 (Public Law 119-21)

Provision	Prior Law	H.R. 1 (One Big Beautiful Bill Act or "OBBBA")
Tax Treatment of MSRs	Deferred Taxation of OMSRs.	No change
Tax Treatment of Gains on the Sale of Principal Residence	Excludes $500 ($250 for single filers) from tax.	No change
Tax Treatment of Like-kind Exchange	Deferred tax on real property exchange.	No change
Carried Interest	Taxed as capital gains.	No change
Individual Tax Rates	Reduced by TCJA. Set to expire after Dec 31, 2025	**Sec. 70101** Makes permanent the modified tax bracket schedule and the TCJA lower tax rates. Also adds an additional year of inflation adjustment to the 10, 12 and 22 percent tax brackets.
Standard Deduction	Increased by TCJA. Set to expire after Dec 31, 2025.	**Sec. 70102** Makes the TCJA increase permanent. For taxable years beginning after 2025, the standard deduction is increased (and adjusted for inflation) to: $16,000 for a single filer; $24,000 for a head of household; and $32,000 for married individuals filing jointly.
Bonus Depreciation for Certain Business Property	Set to expire after Dec 31, 2026.	**Sec. 70301** Permanently extends and modifies the TCJA additional first-year depreciation deduction. The allowance is increased to 100% for property acquired and placed in service on or after January 19, 2025.
Mortgage Interest Deduction	TCJA reduced mortgage indebtedness on which MID could be taken to $750,000 (which includes home equity loan interest used to acquire/build/improve). No deduction for home equity loan used for anything else. Set to expire after Dec 31, 2025.	**Sec. 70108** Makes the provision permanent.
Mortgage Insurance Premium Deduction	Expired on December 31, 2021	**Sec. 70108**

		Reinstates deduction for mortgage insurance premium and makes it permanent
Opportunity Zone (OZ)	Created by TCJA to provide certain tax benefits for investing in qualified opportunity zone (QOZ) funds. Set to expire after Dec 31, 2026.	**Sec. 70421** Makes the provision permanent and creates a rolling, 10-year OZ designations with revised criteria, beginning Jan 1, 2027. Modifies the definition of "low-income community" to include census tracts with at least a 20% poverty rate or median family income below 70% of the AMI and includes a new guardrail that excludes tracts where median family income is 125% or more of the AMI. Maintains the TCJA OZ designation process providing that at least 33% of designated OZs must be comprised entirely of a rural area. If there are fewer than 33%, all eligible rural areas must be designated. Creates a new "rural qualified opportunity funds" (RQOFs), where investments held within these funds for at least five years receive a 10% basis step-up, or 30% if made in rural areas. Allows taxpayers to invest up to $10,000 of after tax ordinary income into a QOF or RQOF.
Miscellaneous Itemized Deduction	TCJA eliminated the deduction. Set to expire Dec 31, 2025.	**Sec. 70110** Permanently eliminates these deductions; but excludes deduction for unreimbursed employee expenses for eligible educators from the list of miscellaneous itemized deductions.
Estate and Gift Tax Exemption	TCJA increased the exemption. Set to expire after Dec 31, 2025.	**Sec. 70106** Permanently sets the exemption at $30M ($15M for single filer), and indexes for inflation.
Alternative Minimum Tax (AMT) Exemption	TCJA increased AMT exemption and thresholds. Set to expire after Dec 31, 2025.	**Sec. 70107** Permanently extends the TCJA increased AMT exemption and thresholds.
Limitation on Excess Business Losses (EBL) of Noncorporate Taxpayers	Limits the amount of EBL noncorporate taxpayers are allowed to deduct for tax years before January 1, 2029 based on certain threshold amounts. Set to expire after Dec 31, 2028	**Sec. 70601** Makes the EBL limitation permanent. Any disallowed EBLs from tax years after December 31, 2024 must be carried forward and factored into future EBL calculations. Creates new rules that apply to EBLs upon termination of an estate or trust.
New Markets Tax Credit (NMTC)	Set to expire after Dec 31, 2025.	**Sec. 70423** Permanently extends the provision.
Low Income Housing Tax Credit (LIHTC)	A building must either receive a state credit	**Sec. 70422**

	allocation or be bond-financed to qualify for the LIHTC. In 2023, states received $2.75 per capita in allocation authority. Projects that are bond-financed must use tax-exempt bonds for at least 50% of the building and land costs. Projects in "Difficult Development Areas" (DDAs) (i.e., areas with high poverty or low median income) may also qualify for a basis boost	Permanently increases the LIHTC state allocation ceiling by 12% and lowers the bond-financing threshold to 25% for projects financed bonds with an issue date before 2030. Designates Indian and rural areas as DDA.
Limitation on State and Local Tax (SALT) Deduction and State Workarounds	TCJA limited individual deduction for SALT to $10,000 ($5,000 for married filing separate). No text on PTET or State Workarounds. Set to expire after Dec 31, 2025.	**<u>Sec. 70120</u>** Increases the SALT deduction to $40,000 ($20,000 for married filling separate), with an income limitation of $500,000. The deduction cap and income limit will increase by 1 percent every year through 2029, and then the deduction cap reverts back to $10,000 ($5,000) on Jan 1, 2030. Clarifies and modifies which taxes are subject to the cap or excluded from the cap; includes anti-avoidance measures; gives Treasury authority to prevent cap avoidance; and includes new PTET limit for individuals. Effective for tax years beginning after Dec 31, 2025.
Section 199A Qualified Business Income (QBI) Deduction	TCJA created a 20% pass through deduction for qualified trades or businesses (QTBs). The deduction cuts off for specified service trades or businesses (SSTBs) at applicable threshold, and starts to reduce for QT/Bs as certain thresholds are reached. Set to expire after Dec 31, 2025.	**<u>Sec. 70105</u>** Makes the deduction permanent and expands the phase-in threshold for deduction limits to $75,000 (non-joint filer) and $150,000 (joint filer), up from $50,000 and $100,000, respectively. Also reduces the impact of the limitations for SSTBs and entities subject to wage/investment limits. Includes a minimum deduction of $400 for any taxpayer in a qualified active T/B with QBI of at least $1000. The $400 deduction and $1000 income are both indexed for inflation.
Exclusion for Interest on Loans Secured by Rural Real Estate	No Provision	**<u>Sec. 70435</u>** Up to 25% exclusion of interest received by a qualified lender (i.e., a bank) on qualified real estate loan secured by rural or agricultural real estate.

Limitation on Business Interest Deduction	Uses earnings before income taxes (EBIT) to calculate “adjusted taxable income” for purposes of the limitation. Excludes real property trade or business. Set to expire after Dec 31, 2025.	**<u>Sec. 70303</u>** Increases the cap on the deductibility of business interest expense for taxable years beginning after December 31, 2024. Reinstates the use of earnings before interest, taxes, depreciation and amortization (EBITDA) for calculating “adjusted taxable income”.
Section 179 Expensing	Limits Section 179 expensing for qualifying property.	**<u>Sec. 70306</u>** Increases the maximum amount a taxpayer may expense to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million. Applies to properties placed in service in taxable years beginning after Dec 31, 2024 and adjusts these amounts for inflation for taxable years beginning after 2025.