

OBBBA Tax Changes

*Strategic Planning for Farm Operations
in 2025 and Beyond*



College of Agricultural,
Consumer &
Environmental Sciences

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Terms and Abbreviations

179 deduction: Allows businesses to immediately deduct the full cost of qualifying equipment and property purchases rather than depreciating them over time.

1099: Tax form reporting various types of income paid to non-employees, such as contract work, interest, or dividends.

1099-K: Tax form reporting payment card and third-party network transactions, typically for businesses receiving electronic payments.

Terms and Abbreviations

AGI: Adjusted Gross Income

Your total income minus specific deductions, used as the basis for calculating tax liability.

MFJ: Married Filing Jointly

Tax filing status for married couples filing a combined return, typically offering lower tax rates.

TCJA: Tax Cuts and Jobs Act

2017 tax reform law that reduced individual and corporate tax rates, increased standard deduction, and made other significant changes.

QBID: Qualified Business Income Deduction

Legislation Key Dates 2025

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

May 22
Passed House
215-214

	Yeas	Nays
Republican	215	2
Democratic	0	212

July 3
Passed House
218-214

	Yeas	Nays
Republican	218	2
Democratic	0	212

	Yeas	Nays
Republican	50	3
Democratic	0	47

VP cast a tie-breaking vote

July 1
Passed Senate
51-50

July 4
Signed by
President Trump

Individual Provisions – Effective for 2025

Generally, TCJA (Tax Cuts and Jobs Act) provisions that were set to expire 12/31/2025 are extended or made permanent

- **Current reduced income tax rates extended**
10%, 12%, 22%, 24%, 28%, 35%, 37%
- **Higher standard deduction extended**
Single \$15,750 Married Filing Jointly (MFJ) \$31,500
Applies to taxable years beginning after December 31, 2024
- **New senior deduction (addition to standard deduction)**
\$6,000 per taxpayer, reduced by 6% if AGI > \$75k (\$150k MFJ)
- **Child tax credit up to \$2,200 from \$2,000**

Individual Provisions – Effective for 2025

- State & local tax deduction up to \$40,000
\$500k threshold, 30% excess reduces 40k
- No tax on tips up to \$25,000
For tips & overtime, a new deduction on Schedule 1
- No tax on overtime up to \$12,500
- Passenger car loan interest deductible up to \$10,000
Original use, at least 2 wheels, GVW < 14,000 pounds

Business Provisions – Effective for 2025

Bonus depreciation permanent at 100%

- **Purchases made after January 19, 2025**

- Taxpayer option to claim 40% in 2025

179 deduction up to \$2.5 million (was \$1.25M)

- Purchase phaseout begins @ \$4 million (was \$3.13M)
- No 179 deduction at purchases of \$6.5 million (was \$4.38M)
- **Property placed in service in taxable years beginning after December 31, 2024**
- Entities with fiscal year end (not Dec 31) have delayed implementation

Business Provisions – Effective for 2025

Qualified research & experimental expenditures

- Fully deductible (no longer amortized over 5 years)
- Transition rule – can elect for 2022, 2023, 2024 expenses to also not be amortized
- Must elect by July 4, 2026
- A taxpayer eligible to make this election is one that has gross receipts under \$31,000,000.
- This is the average gross receipts (not reduced by refunds or cost of goods sold) for 2022, 2023, and 2024.
- Any R & D credit amount also reduces Schedule F expenses
- Amended returns required if adopted for prior years

Business Provisions – Effective July 4, 2025

Banks will receive 25% deduction on interest income

- For qualified real estate loans
- Farm Credit too, but no value if no income tax paid
- Refinancing loans made before 7/4/25 are not eligible
- Any real property which is substantially used to produce 1 or more agricultural products
- Applies to loans made after 7/4/2025
 - 6% loan rate = tax deduction of 1.5%; if 30% tax rate = 45 basis points

Individual Provisions – Effective for 2026

- Qualified Business Income Deduction (QBID) stays @ 20%, and new minimum QBID \$400
- Estate tax exemption \$15 million (now \$13.99M)
- Expenses paid by a coach are educator expense (\$300 deduction)
- Gambling losses only allowed at 90% of loss amount
- Dependent care flex account limit up to \$7,500 (now \$5,000)
- Childcare tax credit max: 50% (now 35%) min: 35%, now 20%

Individual Provisions – Effective for 2026

New Trump Accounts

- A non-Roth IRA
- For individuals under age 18
- Up to \$5,000 annual nondeductible contribution
- Excluded from gross income if paid by employer
 - Up to \$2500

Individual Provisions – Effective for 2026

Charitable contributions allowed for non itemizers

\$1,000 per person / \$2,000 MFJ

1099k reporting only if \$20,000 amount & 200 transactions

Retroactive to 2025 payments

1099 reporting for payments of \$2,000 or more

For payments made after 12/31/2025

Tax on farmland sold to farmer paid in 4 equal installments

Farm Bill Tax Provisions – Effective for 2025

- Payment limit up to \$155,000 (was \$125,000)
- Qualified pass-through entities can get multiple limits
 - S corps & LLC partnerships formerly were limited to 1 limit
 - Formerly only general partnerships could get multiple limits
- When 75% of average gross income is from farming
 - No AGI limitation on receiving payment
 - Farm equipment sales now qualify as gross income from farming

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