

## H.R. 1, One Big Beautiful Bill Act (OBBBA) Tax Update Affecting Farms and Ranches\*

*Dr. Adam J. Kantrovich, Extension Specialist of Agribusiness, Assistant Director of Agribusiness Team, and Director of the Clemson Tax School, Clemson University*

### Introduction

H.R. 1, the One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. The act contains a significant number of tax law changes totaling nearly \$13 trillion dollars in tax provisions. The tax title of the OBBBA (as of this writing) is estimated by the Congressional Budget Office (CBO), to add \$4 trillion to the U.S. national debt, just from the tax title of the act.

This publication highlights only a part of the tax title of the OBBBA that will be the most common features to have a direct impact on farm and ranch families. There are many other parts of the OBBBA that may also affect farms and ranches in a more limited manner, but is not summarized in this publication.

What is found in this publication is an interpretation of what is found in the OBBBA legislation. The information found within this publication may change based on further guidance from the Internal Revenue Service (IRS). **This information is not to be considered professional tax and/or legal advice and is produced for educational purposes only.** Please work with a trusted tax and/or legal professional for your unique circumstances and situation and how the tax title of the OBBBA will affect an individual farm or ranch.

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## **Individual Income Tax Rates (OBBBA Sec. 70101)**

The lower tax brackets that were enacted under the Tax Cuts and Jobs Act (TCJA) of 2017 have been made permanent, and add an additional inflationary increase to the 10% and 12% brackets. The graduated income tax brackets are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

## **Standard Deduction & Personal Exemption (OBBBA Sec. 70102 & 70103)**

The standard deduction was increased by the TCJA and was set to sunset and revert to previous levels for the 2026 tax year. OBBBA made the increased standard deduction permanent and has increased the deduction for 2025. The standard deduction for 2025 is \$15,750 for singles, \$23,625 for Heads of Household, and \$31,500 for Married Filing Joint.

Prior to the TCJA, individuals were able to take a personal exemption (\$4,050) for the taxpayer, a spouse, and each dependent. This was suspended by TCJA. The OBBBA has permanently repealed the personal exemption.

OBBBA has included an additional deduction for eligible seniors (65 and older) which sunsets following the 2028 tax year. The deduction begins to phase out with incomes of \$75,000 for singles or \$150,000 for couples filing married filing joint.

## **Qualified Business Income Deduction (QBID) (OBBBA Sec. 70105)**

Beginning in 2026, the 20% QBID for sole proprietors and pass-through business entities, Internal Revenue Code (IRC) §199A and I.R.C. §199A(g), has been made permanent. The act also increased the phase-in range of the SSTB, wage, and investment limitations. The SSTB phase-in range that applies to the income phase-out increased from \$50,000 to \$75,000 for singles, and increased the married filing joint from \$100,000 to \$150,000. The act instituted a minimum \$400 deduction for eligible taxpayers that materially participate in the business and have at least \$1,000 of active qualified business income. These values will be indexed to inflation moving forward.

## **Estate and Gift Tax Exemption (OBBBA Sec. 70106)**

TCJA doubled the Estate Gift Tax Exemption, which was to sunset beginning with the 2026 tax year. The OBBBA has made this increase permanent. Beginning January 1, 2026, the individual lifetime exemption will be increased to \$15 million, and will continue to be indexed to inflation in following years.

## **Casualty Loss Deduction (OBBBA Sec. 70109)**

The act makes the changes that were made under TCJA permanent, along with a few other changes. One of the more notable changes is to qualify for the Casualty Loss Deduction, the disaster can be a “State declared disaster” instead of being limited to only Federally declared disasters.

## **Miscellaneous Itemized Deduction (OBBBA Sec. 70110)**

The act makes the TCJA suspension of the miscellaneous itemized deductions permanent. The act also provides a deduction for unreimbursed out-of-pocket expenses by educators and coaches (for non-instructional athletic equipment) with no dollar limit to the deduction to be itemized. The \$300 above-the-line deduction continues to be available for use, I.R.C. § 62.

## **Deduction for Qualified Overtime Compensation (OBBBA Sec. 70202)**

There has been a great deal of attention paid to the deduction for qualified overtime compensation. This publication will not go into detail about this, but needs to make a special note for agricultural labor that routinely works overtime on farms and ranches. It is important to note that since overtime on most farms and ranches are not required to be paid an overtime wage by the Fair Labor Standards Act (FLSA), the overtime paid to workers on farms and ranches are not eligible for the worker to claim a deduction for the qualified overtime compensation.

It should also be noted that the deduction is not for the entire overtime wage, but only the actual overtime value paid above the normal hourly wage. The deduction limitation is set at \$12,500 for a single taxpayer and \$25,000 for married filing joint taxpayer, with a phase out beginning with a MAGI of \$150,000 for a single payer and \$300,000 for married filing joint.

## **Paid Family Medical Leave (FMLA) (OBBBA Sec. 70304)**

This act makes permanent I.R.C. § 45S, which provides a 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.

## **Exception from Limit on Business Meal Deduction (OBBBA Sec. 70305)**

The business meal deduction was set to expire to not allow any business meal deduction following the 2025 tax year, which is currently limited to 50%. The OBBBA amends the rules for I.R.C. §

274(o). Meals that are included as employee compensation under §274(e)(8) or as stated in §274(n)(2)(C) may be eligible for a deduction.

Very specific designated industries may be eligible for a 100% deduction; this includes commercial fishing vessels, fish processing vessels, fish tender vessels, and meals served in fish processing facilities that are located in remote and isolated northern areas of the U.S. This is effective for expenses incurred after December 31, 2025.

### **Additional First Year (Bonus) Depreciation (OBBBA Sec. 70301)**

Bonus depreciation was set to expire in 2027. OBBBA permanently increases the bonus depreciation to 100% of the purchase price for property acquired after January 19, 2025. For the 2025 tax year, the taxpayer can choose the 40% or the 100% rate, but only for property acquired after January 19, 2025. Trees and vines that are planted or grafted continue to be eligible for bonus depreciation.

### **Section 179 Expense Enhancements (OBBBA Sec. 70306)**

The act has permanently increased the maximum §179 deduction to \$2,500,000, and increases the phase-out threshold to \$4,000,000 for property placed in service following 2024. These values will be indexed to inflation.

### **Form 1099-K Requirements (OBBBA Sec. 70432)**

For returns filed after 2021 (I.R.C. § 6050W), *Form 1099-K, Payment Card and Third-Party Transactions* must be filed by third-party settlement organizations for transactions for an individual payee that exceeds \$20,000 and exceed 200 transactions within a year.

### **Form 1099-MISC and Form 1099-NEC Requirements (OBBBA Sec. 70433)**

Beginning with the 2026 tax year, the OBBBA has increased the threshold value to determine when a *Form 1099-MISC, Miscellaneous Information* or *Form 1099-NEC, Nonemployee Information* return must be filed. Beginning in 2026, the threshold value increased from \$600 to \$2,000. The value will be indexed to inflation beginning with the 2027 tax year.

## **Gain from the Sale or Exchange of Farmland Property to Qualified Farmers (OBBBA Sec. 70437)**

The OBBBA developed a new election that can be made when selling farmland to a qualified farmer. The seller of the property may elect to pay their taxes on the gain of the sale of the farmland in four equal installments. To be eligible for the election for individuals, trusts, and entities:

1. The property must have been farmed by the seller or have been leased to a qualified farmer and farmed for 10 years prior to the sale.
2. The property being sold must be subject to a covenant or other legal restriction(s) that prohibits/restricts the property of all other uses except for a farming activity for 10 years following the sale or exchange of the property. In addition, a copy of the covenant must be filed with the first tax return.

### **Citations**

- H.R. 1, One Big Beautiful Bill Act, July 4, 2025
- Internal Revenue Code

### **Additional Topics**

This fact sheet was written as part of Rural Tax Education, a national effort including Cooperative Extension programs at participating land-grant universities to provide income tax education materials to farmers, ranchers, and other agricultural producers. For a list of universities involved, other fact sheets and additional information related to agricultural income tax please see [RuralTax.org](http://RuralTax.org).

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