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Trump's 'One Big Beautiful Bill': Major Tax Changes for 2025-2026

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As the new year begins, regulatory drafting, implementation process approval, and legislative oversight and review are now at a fever pitch for the One Big Beautiful Bill Act (OBBA), signed into law by President Donald Trump on July 4, 2025. The sweeping package provides tax law changes to individuals and businesses, while cutting various programs and credits. Most of these new tax changes start in 2026, with some affecting 2025 taxes filed in 2026 and some becoming effective later. The biggest part of the package is a permanent extension of the temporary tax rates established under the Tax Cuts and Jobs Act of 2017 (TCJA).

Holland & Hart has been advising clients on the law for over six months, as the Internal Revenue Service (IRS), U.S. Department of Treasury (Treasury), and the White House develop regulations and implementation policies. The Administration's earliest efforts focused on political efforts such as Trump Accounts for children, "no tax on tips" and "no tax on overtime," and the new emphasis on rural Opportunity Zones. More matters are still to be finalized, such as foreign-entity-of-concern restrictions on clean energy credits, the status of Greenhouse Gas Reporting Program tied to 45Q and 45Z credits, and (as recently announced) guidance to resolve conflicts arising after the OBBA passage to allow for retroactive application of the new international tax transition rules. After IRS and Treasury efforts, the White House's Office of Information and Regulatory Affairs (OIRA) will weigh in. Congress, meanwhile, is engaged in oversight and hearing from constituents on the effects of the law. The relevant Committees will be preparing for a potential technical corrections bill, either bipartisan or through the same partisan reconciliation process the OBBA passed under last year.

Key Takeaways:

- TCJA individual tax rates made permanent.
- Tips and overtime premium pay deductible through 2028 with income caps.
- Qualified Small Business Stock capital gain exemptions revised.
- Most IRA clean energy credits repealed, including EV and residential credits, with various effective dates.
- Opportunity Zones permanent with stricter rules and 30% rural basis step-up.
- Permanent bonus depreciation, R&D expensing, and EBITDA

business interest expense limitation.

Individuals

The law generally makes the seven rates created by the TCJA permanent.

Income Bracket	Tax Rate
Income over \$640,600 (single) \$768,700 (married filing)	37%
Income over \$256,225 (single) \$512,450 (married filing)	35%
Income over \$201,775 (single) \$403,550 (married filing)	32%
Income over \$105,700 (single) \$211,400 (married filing)	24%
Income over \$50,400 (single) \$100,800 (married filing)	22%
Income over \$12,400 (single) \$24,800 (married filing)	12%
Income up to \$12,400 (single) \$24,800 (married filing)	10%

Itemized Deductions

The temporary increase in the basic standard deduction passed in 2017 is made permanent in the OBBBA. The standard deductions are for married filing jointly \$31,500, heads of household \$23,625, and single filers and married filing separately \$15,750. The itemized deduction limit for state and local taxes was raised temporarily to \$40,000 for married and individual filers (\$20,000 for married filing separately) beginning in 2025 and phases out above certain income levels. In 2030, the cap reverts to \$10,000.

No Tax on Tips

Beginning with 2025 and continuing through 2028, workers in both traditional employment and self-employment arrangements can claim a deduction for qualifying tips earned in job categories identified as customarily tip-receiving positions, which categories the IRS proposed on September 19, 2025. This deduction applies to tips documented on W-2 forms, 1099 forms, other qualifying tax statements provided to the worker, or those self-reported using Form 4137.

No Tax on Overtime

From 2025 to 2028, workers earning qualifying overtime wages can deduct the premium portion of their overtime compensation. Specifically, the

additional pay above their standard hourly rate (for example, the extra "half" in time-and-a-half pay) as mandated by Fair Labor Standards Act requirements and documented on W-2s, 1099s, or other qualifying tax forms. The deduction is capped at \$12,500 annually for individual filers and \$25,000 for married couples filing jointly. And the deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

Business

Holland & Hart has been advising clients on the tax changes since OBBBA enactment. The new and extended business rates include revival and permanency of the 100% bonus depreciation for equipment; revival and permanency of domestic R&E expensing along with some retroactive R&D expensing back to 2021 in certain cases; new international tax rates and rules; allowing the expensing of factories through 2028; extending and modifying the Clean Fuel Tax Credit; and enhanced Low-Income Housing Credit and New Markets Tax Credit.

The other side of the ledger is primarily from restricting and phasing out tax credits for clean energy, electric vehicles, and advanced manufacturing and energy production enacted by the Inflation Reduction Act (IRA), but also includes new floors for charitable deductions; sunsetting duty-free "de minimis" treatment for imports; and expanded reach of the executive compensation deduction limit.

Clean Energy

The changes to the IRA tax credits can be split into three categories: 1) repeals to consumer-focused credits related to electrifying vehicles and buildings; 2) more complex phaseouts and restrictions for power generation and other business-related credits; and 3) expansions to the clean fuel and carbon oxide sequestration credits.

The OBBBA permanently eliminated the new and used Clean Vehicle Credit. Additionally, it repeals the Energy Efficiency Home Improvement Credit and the Residential Clean Energy Credit. The alternative fuel vehicle refueling property credit is terminated for property placed in service after June 30, 2026.

With January 1, 2025 behind us, many tax credit projects that "begin construction" under IRS rules from here on will be required to prove that their projects do not have material assistance from prohibited foreign entities. While President Trump ordered Treasury to provide guidance in this area within 45 days of July 7, 2025, IRS and Treasury continue work on these new foreign-entity-of-concern provisions. (Holland & Hart continues to advise clients on the statutory rules and is available to potentially influence the ongoing development of the guidance.)

Qualified Opportunity Zones

The law made the Opportunity Zones (OZ) program a permanent part of the tax code, tightened eligibility criteria and reporting rules, and added

new incentives for rural areas. The current 8,764 OZ designations in the U.S. will end on December 31, 2026. All 50 governors will select new OZs starting July 1, 2026 (and every 10 years thereafter), and designations will take effect at the beginning of 2027.

New OZ eligibility requirements include a necessity for lower median incomes and elimination of the “contiguous tracts” exception. Opportunity Funds must now disclose total assets held, investment amounts, and data on employment and housing. Treasury will also now publish annual reports on OZ investments and economic performance. Rural Zones will now receive a 30% step-up in basis benefit (the standard is 10%) and require a lower level of improvement.

What's Next?

Typically, after large tax packages are signed into law, decisions by the various Departments and agencies greatly impact the implementation. Congress often continues to make adjustments and technical corrections.

Holland & Hart's experienced tax attorneys help clients navigate and remain compliant with evolving regulatory frameworks, including changes made by the OBBBA. Our Federal Affairs team helps clients develop strategies to influence ongoing development, administration, and anticipated revisions of legislation like the OBBBA.

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