EXTENSION

AGEC-339

One Big Beautiful Bill Act (OBBBA) tax update individual and farm provisions

September 2025

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. The act contains several tax law changes impacting farm and ranch families and businesses. This fact sheet highlights a part of OBBBA that will have a direct impact on Oklahoma farm and ranch families. There are many other parts of the bill not included in this publication. Individual tax items will be discussed first with the farm business items following.

Individual tax provisions

Individual income tax rates

The OBBBA will permanently retain, beginning with the 2025 tax year, the availability of the lower tax brackets that were enacted under the Tax Cuts and Jobs Act (TCJA) in 2017. The act includes an additional inflationary increase to the 10% and 12% brackets to reduce the tax burden on low-income taxpayers. The personal income tax brackets will remain at 10%, 12%, 22%, 24%, 32%, 35% and 37%.

Standard deduction

The larger standard deduction established by the TCJA was to sunset and revert to previous levels, beginning with the 2026 tax year. OBBBA made the increased standard deduction permanent and increased the amount of the deduction for 2025. The standard deduction for 2025 is $15,750 for those filing as single, $31,500 for married filing a joint return and $23,625 for heads of household filers. The standard deduction is also inflation adjusted for future tax years.

Temporary tax deduction for senior taxpayers

OBBBA included an additional temporary deduction for seniors that are 65 and older of $6,000. This applies to the 2025 through 2028 tax years only. A taxpayer filing as single or if only one spouse is 65 or older the amount of the deduction is limited to $6,000. For a married couple with both spouses being 65 or older, the combined deduction is $12,000. The deduction begins to phase out with incomes of $75,000 or more for single filers or $150,000 or more for couples that are married filing a joint return.

Standard deduction

Prior to the TCJA, individuals were able to take a personal exemption of $4,050 for the taxpayer, a spouse and each dependent reported on the tax return. This provision was suspended by the TCJA. The OBBBA has permanently eliminated the personal exemption for 2025 and future tax years.

Child tax credit and other dependent credit

The act permanently enhanced the child tax credit for 2025 with a higher amount of $2,200 for a qualifying child under the age of 17. Beginning in 2026, the credit amount will be adjusted for inflation. The act also made permanent the $500 credit for other dependents who do not qualify for the child tax credit as long as one parent has a social security number.

Qualified business income deduction

Beginning in 2026, the 20% Qualified Business Income Deduction for sole proprietors and pass-through business entities will be permanent. The act also increased the phase-in of the Specified Service Trade or Business and wage and investment limitations for a business. To increase the number of taxpayers who qualify for this deduction, the amount of income allowed before the phase-out of the deduction occurs was also increased. The act instituted a minimum $400 deduction for eligible taxpayers who 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

The OBBBA permanently increased the amount of the estate and gift tax exemption (often referred to as the basic exclusion). Beginning in 2026, the individual lifetime exemption will be increased to $15 million and will be annually indexed for inflation. The 2025 exemption amount remains at $13.9 million for an individual.

Casualty loss deduction

The act permanently limited the personal casualty or theft loss deduction to losses of personal property that are attributable to a federally declared disaster. In addition, the act now allows for a casualty or theft loss deduction when there is a “state declared disaster” area, not just a federally declared disaster.

Miscellaneous itemized deduction

The act made permanent the TCJA suspension of the miscellaneous itemized deductions subject to the 2% floor. Beginning in 2026, the act will provide a special deduction for unreimbursed educator expenses with no dollar limit.

Business tax provisions

Additional first year (bonus) depreciation

Bonus depreciation was set to end in 2027. OBBBA permanently increased the bonus depreciation to 100% basis for property acquired after Jan. 19, 2025. For property placed in service from Jan. 1–19, 2025, the amount of bonus depreciation allowed is 40% of the basis. A taxpayer can choose either the 40% or the 100% rate for property acquired after Jan. 19, 2025. Trees and vines that are planted or grafted continue to be eligible for bonus depreciation.

Section 179 expense enhancements

Like depreciation, the Section 179 expense election allows a taxpayer to deduct a large portion, if not all, of the cost of business use property in the year it is placed into service. For 2025, the maximum Section 179 deduction will be $1.25 million with an investment limit of $2.5 million.

The OBBBA permanently increased the maximum Code Section 179 expense deduction to $2.5 million and increased the phaseout threshold to $4 million for property placed in service following 2024. The deduction limit and the phaseout threshold values will be indexed for inflation, beginning in tax year 2026.

1099-MISC and 1099-NEC requirements

The current tax law requires anyone engaged in a trade or business to file an information return if they make a payment of $600 or more to anyone in the course of their trade or business. Beginning in 2026, the OBBBA will increase the threshold value to determine when a 1099-MISC and or 1099-NEC information return must be filed. For 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

The OBBBA created a new election that can be made when a producer sells farmland to another qualified producer, allowing the seller to spread the tax payment over four years. This election does not reduce the tax due but allows the seller of the farmland to pay the tax on the gain in four equal annual installments. To be eligible to use this election, the following conditions must be met:

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, and the buyer must also be a qualified farmer. A qualified farmer is an individual who is actively engaged in a farming business.
2. The property being sold must be subject to a covenant or other binding legal restriction that prohibits the property from being used for anything other than a farming activity for at least 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.
3. The sale or exchange of the property must occur after July 4, 2025.

Conclusion

These are just a few of the tax provisions implemented with the signing of the One Big Beautiful Bill Act on July 4, 2025. To access the entire bill, use the following link: https://www.congress.gov/bill/119th-congress/house-bill/1/text.

This information is intended for educational purposes only. You are encouraged to seek the advice of your tax advisor regarding the application of these general tax principles to your individual and business situation.

Peer Reviewed

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Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Director of Oklahoma Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President for Agricultural Programs and has been prepared and distributed at a cost of 20 cents per copy. 09 25 SB.