

One Big Beautiful Bill Act (OBBBA) Update

RISK & PROFIT – AUGUST 2025

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One Big Beautiful Bill Act

- Signed by President Trump on July 4, 2025
- Extended or made permanent some existing tax provisions
- Congressional Budget Office projections:
 - \$12.9 trillion tax provisions
 - \$66 billion in commodity and ag program spending
 - \$120 billion overall decrease in ag provisions (primarily SNAP reductions)
 - \$3.4 trillion increase federal deficit
- Passed by Congress through reconciliation



Individual Income Tax – 2025



Individual Income Tax – 2025

- **Lower TCJA income tax rates made permanent (2025)**
 - OBBBA: 10%, 12%, 22%, 24%, 32%, 35%, 37%
 - Pre-TCJA: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%
 - Extra inflation adjustment year for 10% and 12% brackets (2025)
- **Higher TCJA standard deductions made permanent (2025)**
 - MFJ = \$31,500, single = \$15,750
- **Personal exemptions permanently eliminated, except \$6,000 exemption for taxpayer and spouse >65 years old (2025-2028)**
 - Reduced by 6% of MAGI that exceeds \$150,000 (MFJ) or \$75,000 (single)



Individual Income Tax – 2025

- Changes to home mortgage interest deduction made permanent
 - Deduction limited to acquisition debt up to \$750,000
 - No deduction for home equity interest unless used to remodel/purchase
 - Premiums for mortgage insurance are treated as mortgage interest (2026)
- Permanently removed deduction for >2% of AGI miscellaneous itemized expenses (2025) (hobby or investment expenses)



Individual Income Tax – 2025

- SALT deduction limit made permanent but increased in the short-term
 - Increased to \$40,000 for 2025 (annually increased by 101% until 2029)
 - Deduction reduced by 30% for MAGI over \$500,000 (annually increased by 101% until 2029)
 - Not reduced below \$10,000
 - Drops to \$10,000 after 2029
 - No impact on pass-through entity tax for S-corporations or partnerships in Kansas



Individual Income Tax – 2025

- Deduction for qualified tips for 2025-2028
 - Not an itemized deduction
 - Limited to \$25,000
 - Phased out \$300,00 (MFJ) or \$150,000 (single)
 - Qualified tips are cash or credit card transactions received by worker in an occupation which customarily and regularly receives tips after 12/31/24
 - Qualified tips does not include tips from specified service trade or business (QBID rules)
 - Employers must report qualified tips on W2



Individual Income Tax – 2025

- Deduction for qualified overtime compensation for 2025-2028
 - Not an itemized deduction
 - Limited to \$25,000 (MFJ) or \$12,500 (single)
 - Phased out \$300,00 (MFJ) or \$150,000 (single)
 - Qualified overtime compensation must be required by Section 7 of Fair Labor Standards Act
 - Deduction applies only to overtime compensation in excess of regular compensation
 - Employers must report qualified tips on W2, but IRS will not update 2025 W2 to allow reporting



Individual Income Tax – 2025

- Qualified passenger vehicle loan interest deduction (2025-2028)
 - Not an itemized deduction
 - Limited to \$10,000
 - Phased out \$200,00 (MFJ) or \$100,000 (single)
 - Qualified passenger vehicle loan interest:
 - New vehicle only, purchase after 2024
 - At least 2 wheels, manufactured for use on public streets, roads
 - Car, minivan, van, SUV, pickup truck, motorcycle
 - GVWR less than 14,000 pounds
 - Final assembly in US



Individual Income Tax – 2025

- Child tax credit is \$2,200 (2025) and annually adjusted for inflation after 2025
 - Retains higher income phaseouts of \$400,000 (MFJ) or \$200,000 (single)
 - Refundable portion (\$1,400) made permanent and adjusted for inflation
- Other dependent credit (\$500) made permanent
- Clean vehicle credits terminated (October 2025)
- Energy efficient credits terminated (mostly 2026)



Individual Income Tax – 2026



Individual Income Tax – 2026

- *Itemized deduction* for educator expenses (2026)
 - Because it is itemized, not limited to \$300
 - Expands allowable expenses
- Personal casualty losses deductible if in a federally declared or *state declared* disaster area (2026)
- Charitable contribution deduction up to \$2,000 (MFJ) or \$1,000 (single) without itemizing (2026)
- Only charitable contributions exceeding 0.5% of AGI are deductible (2026)



Individual Income Tax – 2026

- Itemized deductions phase out when income exceeds bottom of 37% bracket (2026)
 - Phase-out is 2/37 of smaller of:
 - Itemized deduction otherwise allowed
 - Taxable income (without reduced itemized deduction) above bottom of 37% bracket
- Gambling loss deduction limited to 90% of losses and only to extend of gains (2026)



Individual Income Tax – 2026

- Estate tax exemption \$15,000,000 (2026) and adjusted for inflation after 2026
 - Still \$13.99 million for 2025
- Alternative Minimum Tax (AMT) exemption and phase out made permanent and annually adjusted for inflation



Individual Income Tax – 2026

- **Child and dependent care credit (2026)**
 - Credit = 50% at \$15,000 AGI or less, phased reduction to 20% if AGI over \$206,000 (MFJ) or \$103,000 (single)
 - No change to qualifying expense limit (\$3,000 for 1 child or \$6,000 for 2+ children)
- **Premium Tax Credit (PTC) (2026)**
 - Advance payments required to be paid back no longer limited



Individual Income Tax – 2026

- **Trump Accounts (2026)**
 - Type of individual retirement arrangement (IRA)
 - Parent or other relatives can contribute for a beneficiary under 18
 - No deduction for contribution
 - No contribution before 7/4/26
 - Contribution limited to \$5,000 per year
 - Earnings grow tax deferred, taxed at distribution
 - No distributions before age 18
 - Employers can make excluded contribution for employees under age 18
 - Pilot program allows IRS to make \$1,000 contribution on behalf of beneficiaries born 1/1/25 to 12/31/28 (\$410,000,000 funds for pilot)



Business Income Tax



Business Income Tax

- **Qualified Business Income Deduction (QBID) made permanent**
 - Phase out range for high income earners increased to \$150,000 (MFJ) or \$75,000 (single) (2026)
 - Minimum deduction of \$400 for trade or business with material participation (2026)
 - Minimum requires aggregate qualified business income of at least \$1,000
- **Special depreciation allowance (bonus depreciation)**
 - Property in service >1/19/25 bonus rate = 100%, can elect 40% or 0%
 - Property in service <1/20/25 bonus rate = 40%, can elect 0%
 - Elections apply per class



Business Income Tax

- **Qualified production property special depreciation allowance**
 - New property class (was non-residential real property 39-years)
 - Manufacturing, production, refining property
 - Not offices, admin, lodging, parking, sales, research
 - Construction began >1/19/25 and before 1/1/29
 - Placed in service >7/4/25



Business Income Tax

- **Section 179 deduction (2025)**
 - Deduction limit of \$2.5 million
 - Investment limit of \$4.0 million
 - Both limits annually adjusted for inflation
- **Business meals for employees (2026)**
 - Meals through eating facilities and provided for employer's convenience are no longer deductible except
 - Restaurants providing meals to employees
 - Meals required to be provided by commercial vessels
 - Meals 50% deductible in 2025



Business Income Tax

- **Research & Development Credit**
 - Research and development expenses can be immediately deducted instead of amortizing (can elect to amortize)
 - Applies to expenses after 2021
 - Can deduct remaining unamortized expenses from 2021 to 2024
- **Employer credit for paid family and medical leave**
 - 12.5% to 25% of wages paid during leave for
 - Child's birth, adoption, or foster care
 - Care for spouse, child, parent with serious health condition
 - Employee's serious health condition



Business Income Tax

- **Employer provided childcare credit (2026)**
 - Credit of 50% of qualified childcare facility expense for eligible small businesses (5-year average gross <\$25 million)
- **Dependent care assistance (2026)**
 - Assistance paid by employer is excluded from employee's income
 - Limit of \$7,500 excludable
- **Excludable education assistance can include student loan payments (2026)**



Business Income Tax

- Information reporting (2026)
 - \$600 threshold for 1099 reporting increased to \$2,000 and adjusted for inflation after 2026
- Farmland sale tax installment
 - Farmland sold >7/4/25
 - Election to *pay tax* over 4 years in equal installments
 - Property must have been used for farming purposes (or leased to farmer) for substantially all of 10-year period prior to sale
 - Property must be sold to a qualified farmer and be subject to covenant that prohibits use for any purpose other than farming for at >=10-years
 - Individuals, trusts, entities



Business Income Tax

- Exclusion of interest on ag loans
 - Banks can exclude from income 25% of interest income from loans secured by
 - For taxable years ending >7/4/25



Agricultural Title/Farm Bill



Agricultural Title – Nutrition

- Cost sharing between states and federal government for Supplemental Nutrition Assistance Program (SNAP) (FY 2028)
 - Up to 15% of cost shifted to states
 - Based on state payment error rate
- Administrative costs shifted to states
 - 75% state cost versus 50% current
- SNAP work requirement
 - ~20 hours per week for able bodied adults age 18-64 without dependents
 - Upper age increased from 55
 - Dependent definition is now under age 14 rather than under age 18
 - Removes exceptions for work requirement for homeless, veterans



Agricultural Title – Commodity

- Increased reference prices beginning with 2025 crop year
 - Wheat 5.50 to 6.35
 - Corn 3.70 to 4.10
 - Soybeans 8.40 to 10.00
 - Grain sorghum 3.95 to 4.40
 - Beginning 2031, prices increase by 0.5% per year
- Increased loan rates
 - Wheat 3.38 to 3.72
 - Corn 2.20 to 2.42
 - Soybeans 6.20 to 6.82



Agricultural Title – Commodity

- PLC payment when effective reference price > MYA price
- OBBBA PLC effective reference price is lesser of
 - 115% reference price
 - Greater of
 - Reference price
 - 88% (was 85%) of 5-year Olympic marketing year average
- UT's estimated corn 2025/26 *effective reference price* \$4.42 under OBBBA versus \$4.26 under old rules
- August WASDE estimated corn 2025/26 MYA price is \$3.90
- For more details, see Ifft and Reid session
 - *From the Capitol to the Combine: 2025 Farm Policy Changes Unpacked*



Agricultural Title – Commodity

- One-time option to update base acres for 2026 crop year
 - Eligible if 2019-23 average planted/prevented plant acres > base acres
 - If national increase exceeds 30 million acres, increase reduced pro rata
- Producers automatically receive higher of ARC or PLC for 2025 crop year (paid in October 2026)
- ARC/PLC election for 2026-2031 crop years
- SCO available with either ARC or PLC (previously only with PLC)
- ARC coverage guarantee increased to 90% (previously 86%)
- ARC benchmark revenue cap to 12% (previously 10%)



Agricultural Title – Commodity

- “Qualified pass-through” entities treated like general partnerships for payment limitation purposes
 - All pass-through entities receive one payment limitation for each actively participating partner/member/shareholder
 - Previously only applied to general partnership
 - Previously LLC or S-corp received one payment limitation, regardless of number of actively participating owners
- Payment limitation increased from \$125,000 to \$155,000
- Program eligibility limited if average AGI exceeds \$900,000 unless a “qualifying farmer” (75% of AGI from farming)
 - New definition of farm income includes machinery sales



Agricultural Title – Crop Insurance

- Increased premium assistance for beginning farmers or ranchers
- Increased beginning farmer or rancher qualification to 10 years (up from 5 years)
- Overall increased premium subsidy



Agricultural Title – General

- Increased conservation funding (EQIP, CSP, etc)
- Funding for development of export markets
- Funding to support specialty crops
- Funding for animal disease prevention



Questions?

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