PUBLICATION

One Big Beautiful Bill Act: Estate and Energy Tax Overhaul

Authors: Laura Walker Plunkett, Peyton H. Lacoste
July 07, 2025

On July 3, 2025, Congress passed the "One Big Beautiful Bill Act" (the Act), which makes permanent certain provisions of 2017's Tax Cuts and Jobs Act (the 2017 TCJA) that would have expired this year and introduces significant changes to domestic and international tax regimes.

The following are notable changes:

- The Act increases the estate and gift tax exemption to $15 million on January 1, 2026 ($30 million for married filers), makes the exemption permanent, and indexes it for inflation.
- The Act makes modifications, phase-outs, and terminations to various tax credits for renewable energy, energy efficiency, and manufacturing. Additionally, the Act implemented higher thresholds for domestic content requirements for facilities that began construction on or after June 16, 2025, created less favorable depreciation schedules for renewable energy property, and implemented restrictions on investments involving "prohibited foreign entities."

    - The following are notable modifications to the energy credits:
        - New and Used Consumer and Commercial Clean Vehicle Credits (Sections 25E, 30D, and 45W) – Phased out for vehicles acquired after September 30, 2025.
        - Refueling Property Credit (Section 30C) – Phased out for property placed in service after June 20, 2026.
        - Energy Efficient Home Property Credit (Section 45L) – Phased out for homes acquired after June 30, 2026.
        - Residential Clean Energy Credit (Section 25D) – Phased out for expenditures made after December 31, 2025.
        - Energy Efficient Home Improvement Credit (Section 25C) – Phased out for property placed in service after December 31, 2025.
        - Energy Efficient Commercial Building Deduction (Section 179D) – Phased out for property that begins construction after June 30, 2026.
        - Clean Hydrogen Production Credit (Section 45V) – Terminated for facilities that begin construction after December 31, 2027.
        - Clean Electricity Production Credit (Section 45Y) – Phased out for facilities that begin construction after 2032. No credits are available for solar or wind projects that are placed in service after December 31, 2027, unless they begin construction within 12 months of enactment.
        - Clean Electricity Investment Credit (Section 48E) – Phased out for facilities that begin construction after 2032. No credits are available for solar or wind projects that are placed in service after December 31, 2027, unless they begin construction within 12 months of enactment.
        - Advanced Manufacturing Credit (Section 45X) – Wind components are not eligible for credits if they are produced and sold after December 31, 2027. Starting after December 31, 2026, an eligible component that is integrated into another component is eligible for the section 45X credit only if at least 65 percent of the total direct material costs of producing the secondary

component are attributable to primary components mined, produced, or manufactured in the U.S.
    - Clean Fuel Production Credit (Section 45Z) – Terminates for fuel sold after December 31, 2029. Also, after December 31, 2025, to qualify for credits, fuel must be from feedstock produced or grown in the U.S., Mexico, or Canada.
    - Advanced Manufacturing Investment Credit (Section 48D) – Credit percentage is increased to 35 percent from 25 percent.
    - Carbon Oxide Sequestration Credit (Section 45Q) – Base credit rate is now the same across the different uses of sequestered carbon oxide (including use as a tertiary injectant into oil wells).
- Individuals who itemize may take charitable deductions to the extent the charitable deductions exceed 0.5 percent of their contribution base (adjusted gross income).
- The Act creates a new charitable contribution deduction for non-itemizing taxpayers.
- The Act permits corporations a deduction for charitable contributions to the extent they exceed one percent of, and do not exceed 10 percent of, the taxable income of the corporation.
- The Act makes permanent the 2017 TCJA's bonus depreciation rules, which allow for an immediate 100 percent deduction of certain depreciable tangible property.
- Domestic research and experimentation expenses are deductible beginning in 2025.
- The Act makes the Opportunity Zone regime permanent, with modifications and special rules for rural areas.
- The cap on the deduction for state and local taxes (SALT) is raised from $10,000 to $40,000 in 2025 for individuals and married couples filing jointly earning less than $500,000 (based on modified adjusted gross income (MAGI)), with both the cap and the income limitation increasing by one percent each year through 2029. For individuals and married couples filing jointly with MAGI above $500,000, the deduction is phased down (decreased) by 30 percent of the difference between the taxpayer's MAGI and the applicable income limitation.
- For qualified small business stock, the Act implements a tiered exclusion based on the holding period of stock acquired after the date of enactment. After a three-year holding period, the exclusion is 50 percent; after four years, 75 percent; and after five years, 100 percent.
- Miscellaneous itemized deductions are permanently eliminated, which includes certain attorney fees and investment costs (which were also eliminated in 2018 by the 2017 TCJA).
- The value of itemized deductions are reduced to $0.35 on the dollar to the extent of an individual's income taxed at the highest marginal tax rate of 37 percent.
- The Act makes permanent the limitation on excess business losses of noncorporate taxpayers.
- The Act includes limited deductions for tips and overtime pay.
- The Act implements multiple international tax changes not discussed herein.

If you have questions regarding the tax implications for your organization, please contact Laura Walker Plunkett, Peyton H. Lacoste, or any member of our Tax Group.