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Insights

One Big Beautiful Bill Act — Key Impacts for Financial Institutions

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On July 4, 2025, President Trump signed the "One Big Beautiful Bill Act" ("OBBBA") into law. The OBBA is sweeping legislation that introduces significant reforms across multiple sectors, including financial services, agriculture, education, energy, and consumer protection. This alert highlights the key provisions of the Act that impact financial institutions and outlines the strategic considerations for compliance and opportunity.

1. CFPB Funding Cut

Section 30001 of the OBBBA amends the Dodd-Frank Act to significantly reduce the Consumer Financial Protection Bureau's ("CFPB" or the "Bureau") funding. The cap on funding from the Federal Reserve System is reduced from 12% to 6.5% of the Fed's inflation-adjusted 2009 operating expenses. This move aligns with the Trump administration's broader deregulatory agenda. The 46% cut in funding has been argued to make the CFPB more accountable and fiscally responsible, but critics, such as U.S. Senator Elizabeth Warren, argue it undermines the CFPB's ability to protect consumers in financial transactions.

Impact: This reduction in funding will further limit the already constrained CFPB rulemaking and enforcement capacity under the Trump administration. However, we anticipate this regulatory vacuum will be filled by state level regulatory enforcement efforts and private litigation against financial institutions.

2. Student Loan Changes

The OBBBA ends the Graduate PLUS Loan program and introduces caps on Parent PLUS loans beginning July 1, 2026. It also establishes new annual and aggregate loan borrowing limits for graduate and professional students. Parents will be limited to borrowing a maximum of $20,000 per year (lifetime cap of $65,000 per child). Graduate student loans are capped at $20,500 annually ($100,000 in aggregate) and professional student loans (e.g., medicine and law) are capped at $50,000 annually ($200,000 in aggregate). These amounts may not be sufficient to cover tuition at private institutions, out-of-state public universities, and certain in-state public universities. The elimination of Grad PLUS Loan program and the new cap on Graduate/Professional student loans means many students may need to find alternative financing options their graduate education, such as higher cost private loans.

The OBBBA also transitions borrowers into income-based repayment plans and introduces stricter eligibility and accountability standards for educational institutions.

Impact**:** Financial institutions that originate and/or service student loans must prepare for operational changes, including revised origination, servicing, and compliance procedures. Financial institutions that offer private student loans may see an increased volume in loan applications due to the more limited availability of federally subsidized loans. If more students turn to higher-cost private loans, it may also lead to a rise in credit risk and borrower default rates.

3. Trump Accounts and Tax-Advantaged Savings

The OBBBA establishes "Trump Accounts," a new tax-advantaged savings vehicle for eligible minors. Contributions are capped at $5,000 annually, with strict investment and distribution rules. For children born on or between January 1, 2025 and December 31, 2028, the federal government will provide an initial contribution of $1,000 to each child's Trump Account. Employer contributions up to $2,500 are excluded from gross income.

Impact: Financial institutions offering custodial accounts may consider developing Trump Account-compliant products and educating clients on eligibility and tax treatment.

4. Agricultural Finance and Insurance Expansion

The OBBBA brings significant changes to U.S. agricultural policy. The bill raises reference prices for key crops beginning in 2025, enhancing the financial assistance provided to farmers under commodity programs administered by the Farm Service Agency. It also authorizes the allocation of up to 30 million new base acres starting in 2026, allowing more farms to qualify for federal support based on the planting history from 2019–2023. Payment limits for commodity programs increase from $125,000 to $155,000, and the Adjusted Gross Income limitation of $900,000 has been removed for producers earning over 75% of their income from agriculture. Other key changes include: the extension of certain financial assistance to dairy farmers, increases in livestock indemnity payments; expansion of emergency assistance to include bird predation on farm-raised fish as a covered cause of loss; enhanced premium support for crop insurance; and a pilot insurance program for contract poultry growers to offset utility cost spikes from extreme weather.

Impact: Financial institutions with agricultural clients may benefit from this additional federal support to farmers. They should assess the impact of expanded federal support on underwriting standards, risk models, loan-to-value ratios, and product offerings to agriculture businesses.

5. Tax Reforms and Incentives (Businesses)

The OBBBA enacts the following tax reforms and incentives impacting businesses:

- Qualified Opportunity Zones: The OBBBA made certain changes that offer substantial tax benefits designed to encourage increased investment in underserved areas and economically distressed areas. Under the current law, income tax benefits are available for taxpayers investing capital gain realized on or before December 31, 2026 into a qualified opportunity zone ("QOZ"). Capital gain recognition is deferred to no later than December 31, 2026, but taxpayers may obtain an exemption from federal income tax on capital gains from the sale of any QOZ investment if the 10-year holding period (along with other requirements) is met. The OBBBA makes the QOZ incentive permanent, including the 180-day limitation for making a QOZ investment. In addition, the OBBBA amends the recognition date for deferred capital gains invested in a QOZ, on or after January 1, 2027, to a date that is five years after the date of the QOZ investment. Taxpayers are also afforded a 10% step-up in basis for investments made in QOZs on or after January 1, 2027, once the investment has been held for at least five years. Certain additional benefits are available for investments made in Qualified Rural Opportunity Funds ("QROF"), including a 30% step-up in basis for QROF investments held for at least five years.
- Exclusion of Interest on Rural or Agricultural Real Estate Loans: The OBBBA provides for a new permanent tax provision allowing "qualified lenders" to exclude 25% of interest income from gross income for certain loans secured by rural or agricultural real estate. The exclusion is applicable to loans made after the

OBBBA's enactment for taxable years ending after July 4, 2025. Loans whose proceeds are used to refinance a loan made on or before July 4, 2025, are not eligible for the exclusion.

- Bonus Depreciation: The OBBBA permanently reinstates 100% bonus depreciation for most qualified business assets placed into service after January 19, 2025. This allows businesses to fully deduct the cost of eligible assets in the year they are placed in service, replacing the previously scheduled phase-down of bonus depreciation that began in 2023. The return of 100% bonus depreciation is expected to significantly influence tax planning strategies and encourage increased asset acquisitions in M&A transactions.
- Section 179 Deduction: Section 179 of the U.S. Internal Revenue Code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during a tax year. The OBBBA increases the deduction limit for Section 179 deductions to $2.5 million, with the phase-out threshold also increasing to $4 million. This may encourage businesses to spend and invest in more assets, creating opportunities for financial institutions to provide financing.
- Research & Development Expenses: Beginning with tax years after December 31, 2024, businesses will be permitted to immediately deduct domestic research and development expenses in the year they are incurred. In addition, qualified taxpayers may retroactively deduct previously capitalized expenses incurred between 2022 and 2024 over a 1-2 year period.
- Business Interest Deductions: Presently, the business interest expense deduction is generally limited to 30% of the taxpayer's adjusted taxable income (ATI). Under current law, depreciation and amortization are excluded from the calculation of ATI. After December 31, 2025, the calculation of ATI will include an add-back for depreciation and amortization, which effectively increases ATI and the corresponding business interest expense deduction that a business can take.
- New Markets Tax Credit: The New Market Tax Credit Program, previously set to expire at the end of 2025, is made permanent. This ensures the continued availability of incentives for individuals and corporations to invest in low-income communities through equity investments in Community Development Entities.
- Low Income Housing Tax Credits: The OBBBA revises the threshold requirements for private activity bond financing for certain Low Income Housing Tax Credit ("LIHTC") projects, making it easier for more LIHTC projects to qualify for 4% tax credits. Additionally, the OBBBA provides for a permanent annual increase of 12% for certain LIHTC allocations.
- Qualified Small Business Stock ("QSBS"): Section 1202 exclusion QSBS allows non-corporate taxpayers to potentially exclude a percentage of gain realized on the sale or exchange of QSBS from federal income tax. For stock issued on or after July 4, 2025, the cap on the gain exclusion under Section 1202 has increased to $15 million, with annual inflation adjustments starting in 2027. The OBBBA also introduces a tiered gain exclusion based on the holding period of the QSBS: 50% of the gain may be excluded for stock held at least three years; 75% of the gain may be excluded for stock held at least four years; and 100% of the gain may be excluded for stock held at least five years. Additionally, the maximum asset threshold for companies issuing QSBS has been raised to $75 million. We expect that these changes will enhance the appeal of growth-stage companies and encourage entrepreneurs to structure their businesses to qualify for QSBS treatment. In addition, the higher exclusion cap and expanded eligibility for gain exclusion are likely to make QSBS a more widely utilized tool for tax planning and tax-efficient investment strategies.
- Section 199A Qualified Business Income Deduction: The Qualified Business Income ("QBI") deduction allows eligible taxpayers to deduct up to 20% of their QBI, plus 20% of qualified real estate investment trust dividends. The OBBBA has made the QBI deduction permanent. Beginning January 1, 2026, a new

minimum $400 deduction (adjusted for inflation beginning in 2027) is available for taxpayers with at least $1,000 of QBI from active qualified trades or businesses in which they materially participate. The OBBBA also increases the phase-in limits for the QBI deduction to $75,000 for individual filers and $150,000 for joint filers.

- Excess Business Losses: The limitation on excess business losses for non-corporate taxpayers (i.e., individuals, partnerships, S corporations, etc.) is made permanent for tax years beginning after December 31, 2024. Taxpayers who have business losses in excess of the applicable threshold amounts cannot deduct the excess amount in the current year and must carry it forward as a net operating loss ("NOL") to offset a portion of future income. No changes have been made to the NOL carryforward rules.
- Corporate Charitable Contributions: Corporations will only be permitted to deduct charitable contributions that exceed 1% of taxable income. Contributions below the 1% threshold are not deductible, while contributions in excess of the 10% of the corporation's taxable income may be carried forward for five years. This may result in a reduction in charitable corporate contributions.

***Impact*:** The various business-related tax and incentive reforms under the OBBBA are intended to increase business cash flow, encourage reinvestment, and increase business spending on assets and operations. Financial institutions should assess the impact of these changes on tax planning and investment strategies, and client advisory services offered to their customers.

6. Tax Reforms and Incentives (Individuals)

The OBBBA enacts the following tax reforms and incentives impacting individual taxpayers:

- Individual Tax Rates: The ordinary income rate brackets for individual taxpayers established by Tax Cuts and Jobs Act ("TCJA") have been made permanent under the OBBBA with an initial inflation adjustment in 2026 for the first two brackets (10% & 12%). The permanent brackets are: 10%, 12%, 22%, 24%, 32%, 35% and 37%.
- Standard Deduction: The standard deductions, initially increased under the TCJA, were further increased by the OBBBA for tax year 2025 and made permanent as follows:
    - Single or Married Filing Separately – $15,750
    - Head of Household – $23,625
    - Married Filing Jointly or Qualifying Surviving Spouse – $31,500.

Beginning in tax year 2026, these amounts will be adjusted annually for inflation.

- SALT Deduction Limitation: For tax year 2025 through tax year 2029, the OBBBA temporarily raises the state and local tax ("SALT") deduction limits to $40,000 ($20,000 for those married and filing separately) through December 31, 2029, subject to a deduction phase out for high income taxpayers. The SALT deduction is subject to a 1% inflation adjustment through tax year 2029, after which the deduction is scheduled to revert back to pre-OBBBA limits.
- Alternative Minimum Tax: The OBBBA permanently extends the Alternative Minimum Tax ("AMT") exemption amounts. However, the phase-out rate is increased from 25% to 50% at higher income levels, which means that higher-net-worth individuals with substantial income subject to AMT may have increased AMT liabilities.
- Child Tax Credit and Other Dependents Credit: Beginning for tax year 2025, the child tax credit is permanently increased to $2,200 per qualifying child under 17 years of age, subject to income-based

phaseouts and annual inflation adjustments. The $500 credit for a dependent who is not a qualifying child (e.g., non-minor children and elderly parents) has also been made permanent.

- Mortgage Interest Deduction: The OBBBA makes permanent the current limits on the home mortgage interest deduction: taxpayers may deduct home mortgage interest on up to $750,000 of indebtedness ($375,000 if married filing separately), and up to $1 million of indebtedness ($500,000 if married filing separately) for debt incurred prior to December 16, 2017. Beginning in 2026, mortgage insurance premiums will also be deductible, allowing for a larger overall deduction for borrowers who paid less than a 20% down payment. However, interest paid on Home Equity Lines of Credit ("HELOCs") will only be deductible if the loan proceeds are used to buy, build or substantially improve the home. Interest paid on HELOCs used for other purposes will not be deductible.
- Charitable Deduction for Non-Itemizers: The charitable deduction for taxpayers who do not itemize their deductions is permanently restored and increased up to $2,000 for joint filers ($1,000 for single filers) starting in tax year 2026. This deduction is not subject to income limits or phase out. However, in order to be permitted to take a deduction, the charitable contribution must be in cash only and made to a qualified 501(c)(3) public charity.
- Tips and Overtime Pay: While income from tips are still subject to payroll tax and federal and state income tax, new temporary "above-the-line" deductions are available for qualifying tips (up to $25,000 for both single and joint filers) and qualifying overtime pay (up to $25,000 for joint filers and $12,500 for single filers), with both deductions phasing out for higher income earners. "Above-the-line" deductions can be claimed even if the taxpayer does not itemize deductions. The deductions are available for tax years 2025-2028.
- Estate and Gift Tax Exemption: The current estate and gift tax exemption previously introduced by the TCJA was expected to sunset to $7 million per individual in 2026. However, the OBBBA has permanently increased the exemption to $15 million per individual ($30 million for married couples), with annual inflation adjustments beginning in tax year 2026.
- Car Loan Interest Deduction: Temporary "above-the-line" deduction for up to $10,000 annually in interest paid on qualifying car loans. The vehicle must be new, purchased for personal use, and with final assembly taking place in the United States. The deduction phases out for single filers with modified adjusted gross income ("MAGI") over $100,000 and joint filers over $200,000. It is eliminated completely at a MAGI of $150,000 for single filers and $250,000 for joint filers. The deduction is available for tax years 2025 through 2028.
- Senior Deduction: For individuals aged 65 and older, temporary "above-the-line" deduction up to $6,000 per person ($12,000 for couples filing jointly) whether itemizing deductions or taking the standard deduction. The deduction phases out for single filers with MAGI over $75,000, and for joint filers with MAGI over $150,000. It is eliminated completely at a MAGI of $175,000 for single filers and $250,000 for joint filers. The deduction is available for tax years 2025 through 2028.

***Impact*:** Financial institutions should evaluate the impact on tax planning, investment strategies, products and services, and client advisory services provided to individuals.

7. Restrictions on Foreign Entities of Concern

The OBBBA imposes new restrictions on energy (wind, solar and battery components) and manufacturing tax credits for entities receiving material assistance from "foreign entities of concern" ("FEOCs"), also known "prohibited foreign entities." The new law includes detailed compliance requirements for entities controlled or influenced by certain foreign governments, such as China, North Korea, Russia, and Iran. These restrictions are intended to reduce or eliminate tax credits (and therefore, incentives) for projects involving FEOCs or those receiving material assistance from a FEOCs.

Implication: Financial institutions financing or investing in clean energy and manufacturing must conduct enhanced due diligence to ensure eligibility for federal incentives.

Final Thoughts

The OBBBA represents a substantial shift in federal policy with wide-ranging implications for financial institutions. While the reduction in regulatory burdens may offer short-term relief, the complexity and breadth of the OBBBA demands proactive strategic planning. The table below concisely summarizes the OBBBA's provisions discussed above.

For assistance or additional guidance on the impacts of the OBBBA on your institution, please contact any member of Krieg DeVault's Financial Institutions practice group.

Summary Table of Key OBBBA Provisions

Provision Type	**Description**	**Duration**	**Additional Information**
CFPB Funding Cut	Reduced from 12% to 6.5% of Fed's operating expenses	Permanent	-
Student Loans Caps	Parents – $20,000 annually; $65,000 in aggregate (per child) Nonprofessional Graduate – $20,500 annually; $100,000 in aggregate Professional –$50,000 annually; $200,000 in aggregate	Permanent	-
Agriculture Support	Increase reference prices for key crops; enhanced federal support for farms; and other enhancements.	Permanent	-
Trump Account Savings	Up to $5,000/year, $1,000 federal seed for newborns 2025–2028	Ongoing	Converts to IRA at 18

Business Tax - Qualified Opportunity Zones (QOZ)	QOZ incentive made permanent; extends recognition date for deferred capital gain1; 10% step up basis 5 year holding period; additional benefits for Qualified Rural Opportunity Funds investments	Permanent	-
Business Tax – Interest Exclusion for Rural or Ag RE Loans	25% interest income exclusion for loans secured by rural or agricultural real estate.	Permanent	Loans must originate after July 4, 2025; refinances of loans made before July 5, 2025 are ineligible.
Business Tax - Bonus Depreciation	Reinstates 100% bonus depreciation for most qualified business assets placed into service after January 19, 2025	Permanent	-
Business Tax - Section 179 Deduction	Increases the deduction limit $2.5 million, with the phase-out threshold increasing to $4 million	Permanent	-
Business Tax - R&D	Immediate deduction of domestic research and development expenses; retractive deduction for years 2022 to 2024	Permanent	-
Business Tax - Interest Deductions	Effective increase in business interest deduction	Permanent	-
Business Tax - New Market Tax Credit	Previously set to expire in 2025 but has been extended permanently.	Permanent	-
Business Tax - QSBS Gain Exclusion	Increases cap on Qualified Small Business Stock gain exclusion to $15M (annual inflation adjustments) subject to tied percentages of excludable gain based on holding periods; increased maximum asset threshold to $75	Permanent	-
Business Tax - QBI Deduction	New minimum $400 Qualified Business Income deduction (annual inflation adjustment); increases the phase in limits where the deduction may be limited ($75,000 single and $150,000 joint)	Permanent	-

Business Tax - Excess Business Loss	Makes permanent the excess business loss limitation for noncorporate taxpayers	Permanent	-
Business Tax - Charitable Contributions	Allow corporations to deduct charitable contributions that exceed 1% of taxable income; excess contributions may be carried forward	Permanent	-
Individual Tax - Tax Brackets	7 brackets (10%, 12%, 22%, 24%, 32%, 35% and 37%); inflation adjustment in 2026 for first two brackets	Permanent	-
Individual Tax - Standard Deduction	Increases to $15,750 single, $31,500 joint, adjusted for inflation after 2025	Permanent	-
Individual Tax - SALT Deduction	Cap increases to $40,000 ($20,000 married filing separately)	Temporary; reverts to $10,000 in 2030	Phases out above $500,000/$250,000, indexed 2026–2029
Individual Tax -AMT	Extension of AMT exemption amounts.	Permanent	Phase-out rate is increased from 25% to 50% at higher income levels
Individual Tax - Child Tax Credit	Increases to $2,200 per child	Permanent	credit for non-child dependent has also been made permanent.
Individual Tax - Mortgage Interest Deduction	Limit at $375,000 single, $750,000 joint	Permanent	-
Individual Tax - Charitable Deductions	$1,000 single, $2,000 joint, floor at 0.5% AGI, 35% cap for 37% bracket	Permanent	Must be in cash to a qualified 501(c)(3) public charity
Individual Tax - Tips/Overtime “Above-The-Line” Deduction	Up to $25,000 tipped, $12,500 overtime ($25,000 joint)	2025 to 2028	Phases out for incomes of $150,000 single and $300,000 joint

Individual Tax - Gift/Estate Tax Exclusions	Increases to $15M single, $30M joint, adjusted for inflation	Permanent	-
Individual Tax - Car Loan Interest “Above-The-Line” Deduction	Up to $10,000	2025–2028	Phases out for incomes of $100,000 single and $200,000 joint Only for new vehicles for personal use with final assembly in U.S.
Individual Tax - Senior “Above-The-Line” Deduction	Additional $6,000 for age 65+	2025–2028	Phases out for incomes of $75,000 single and $150,000 joint
Foreign Entities of Concern	Restrictions and elimination of tax credits for energy projects (wind, solar and battery components) involving foreign entities of concern (i.e., China, North Korea, Russia, and Iran)	Permanent	-

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