ONE BIG BEAUTIFUL BOOKLET

60 Key Reforms in the One Big Beautiful Bill

ADVANCING AMERICAN FREEDOM

April 2026

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Executive Summary

Congress passed The One Big Beautiful Bill (OBBB) Act on July 3, 2025, and President Donald Trump signed it into law on July 4th. It is the signature achievement of the 119th Congress, and the most consequential legislation passed since *at least* 2022. Despite OBBB's many successes, it was perhaps destined to be underappreciated because its greatest accomplishments were not in the visible changes it made, but in the imminent disasters it quietly prevented.

In 2025, with the 2017 Tax Cuts and Jobs Act (TCJA) set to expire at the end of the year, the country was about to face a historic, devastating tax increase. Most Americans had no idea what was coming.

The economy was like an unstoppable train, barreling down the tracks toward a broken rail line. The American people, the passengers on the imperiled train, would certainly have noticed if the train had derailed, if a sudden spike in taxes had cratered the economy. But when, with moments to spare, the OBBB repaired the track and the train chugged on without incident, it seemed as though nothing had happened. Few realized just how close to disaster the country had come.

Most of the public have only a surface-level understanding of what OBBB did. That's understandable—it is a 331-page piece of legislation that spans a wide range of policy areas. The OBBB's lack of widespread acclaim doesn't diminish its importance. But at a time when Americans are increasingly cynical about the political and legislative processes, it is worthwhile to highlight when lawmakers craft and pass legislation that will significantly improve the lives of their constituents.

This booklet describes many of the disastrous tax increases that OBBB prevented, its positive *new* reforms, and a few provisions that lawmakers got wrong. For most of the **60 key OBBB provisions** this booklet covers, we include a brief background, a few bullet points describing what OBBB did, a few bullets on the relevance of the changes, references showing where the changes can be found in the act and in statute, and a bottom-line conclusion. Most of the provisions are summarized in a single page memo, or a two-page memo with helpful charts and graphs.

The booklet also addresses certain high-level topics related to OBBB. It discusses the total size and scope of the bill's spending cuts, describes the impact of taxes on growth, compares OBBB to previous tax legislation, answers frequently asked questions, and debunks the notion that the bill was just a tax cut for the rich.

This resource will help lawmakers, Hill staff, and the public to understand just how significant OBBB really was.

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Americans faced a massive $4 trillion tax hike (over 10 years) starting in 2026 if Congress had allowed the 2017 TCJA to expire. Thanks to OBBB, that won't happen, as OBBB made TCJA's key tax cuts and reforms permanent. As a result, American families and businesses will avoid (among other things):

- Higher **individual tax rates** (nearly across-the-board),
- A substantially reduced **standard deduction**,
- A $1,000 reduction in the **Child Tax Credit**,
- A major expansion of the **Alternative Minimum Tax**,
- The return of punitive tax treatment for businesses purchasing **equipment and machinery**,
- A major broadening of the **Death Tax**, and
- A tax hike of up to 20% on **pass-through businesses** (mostly smaller businesses).

Instead of allowing that enormous tax hike, Congress and President Donald Trump passed and signed into law OBBB, which *cuts* taxes for American families and businesses by about $800 billion between 2025 and 2030 (compared to the policies previously in effect *in 2025*), according to the Joint Committee on Taxation. That works out to an average of more than $6,000 per U.S. household over the six years.

But OBBB didn't just extend and add to tax cuts, it also reduced spending, addressed waste, fraud, and abuse, slashed corporate welfare, and freed up the conventional energy resources that are needed to power the modern economy.

The *new* tax cuts in OBBB include changes to the core individual tax structure, such as further expansions of the **standard deduction** and **Child Tax Credit**. OBBB also created new individual tax deductions for **tips**, **overtime**, **car loan interest**, and **seniors**. The bill also expanded two types of tax savings accounts—**529 educational plans** and **Health Savings Accounts**—and created the new **Trump Accounts**.

Businesses will benefit from the elimination of harmful tax treatment related to investments in **research and development** and the construction of **factories**.

OBBB defended the **right to life** by removing federal funding for Planned Parenthood for one year. It defended the **Second Amendment** by zeroing out steep excise taxes on the registration or transfer of suppressors and certain firearms.

The act will help unleash energy abundance and growth by accelerating **permitting**, requiring auctions of **spectrum,** and providing for additional leasing of federal lands for the development of **coal**, as well as **onshore** and **offshore** energy. At the same time, OBBB rolled back many of the wasteful provisions of the Green New Deal, including subsidies for **electric vehicles**, **wind**, and **solar power** generation.

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From the outset, OBBB faced a narrow legislative path because of slim Republican majorities in the House and Senate. Congress passed OBBB through the budget reconciliation process, which allows bills to pass the Senate with a simple majority (avoiding the 60-vote Senate filibuster). Reconciliation was the only viable way that the Republican majority could fully extend TCJA or pass any conservative tax legislation. At the time of OBBB's passage, Republicans held a 53-47 majority in the Senate and a 220-212 majority in the House (with 3 vacant seats). The legislation passed on a razor-thin, near party-line vote of 51-50 in the Senate (with Vice President JD Vance casting the tiebreaking vote) and 218-214 in the House.

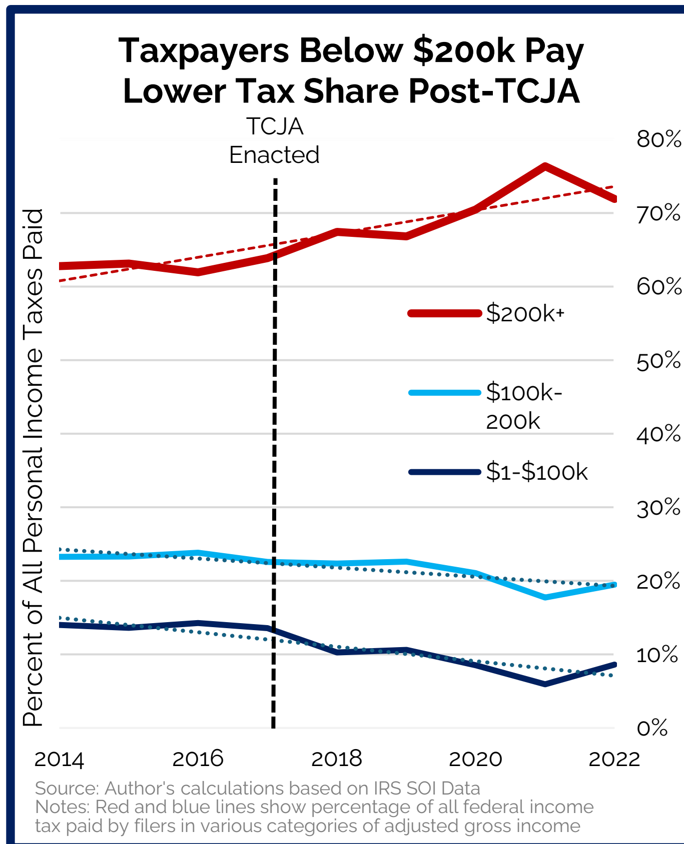
Because the majority had very little margin for error, OBBB necessarily included some compromises that many members may consider regrettable. Conservatives disagree among themselves about some of the bill's provisions, just as some may disagree with certain bottom-line conclusions in this booklet. Such disagreements are to be expected when free-thinking people consider 60 different policies.

As Americans navigate the 2026 tax season, federal taxes have changed significantly thanks to the One Big Beautiful Bill. A fuller understanding of what OBBB changed *and what it prevented* will help bring more appreciation for this historic legislation.

DEBUNKING THE TAX CUTS FOR THE RICH MYTH

TOPLINE: The share of income taxes paid by taxpayers with low to moderate incomes will fall under the One Big Beautiful Bill, as happened with the 2017 tax cuts.

BACKGROUND: Critics of the 2017 Tax Cuts and Jobs Act (TCJA) attacked the legislation as being "tax cuts for the rich." In reality, not only did TCJA reduce the *amount* of taxes paid by low- and middle-income taxpayers, but it also reduced the *share* of income taxes they paid.



Source: Author's calculations based on IRS SOI Data
Notes: Red and blue lines show percentage of all federal income tax paid by filers in various categories of adjusted gross income

Facts and Figures

- In the year after TCJA, the share of income taxes paid by those making less than $100,000 fell from **13.6%** to **10.2%,** a **3.4%** drop.
- The same group's tax share only fell by about **0.4%** *total* in the ***3*** years before TCJA.
- The tax share of those making $200,000+ *rose* by **3.5%** from **63.9%** to **67.4%** the year TCJA was enacted, despite only rising by 1.1% the previous **3** years.
- Despite comprising only **8%** of all taxpayers in 2022, taxpayers making $200,000+ *paid* **72%** of all personal income taxes.

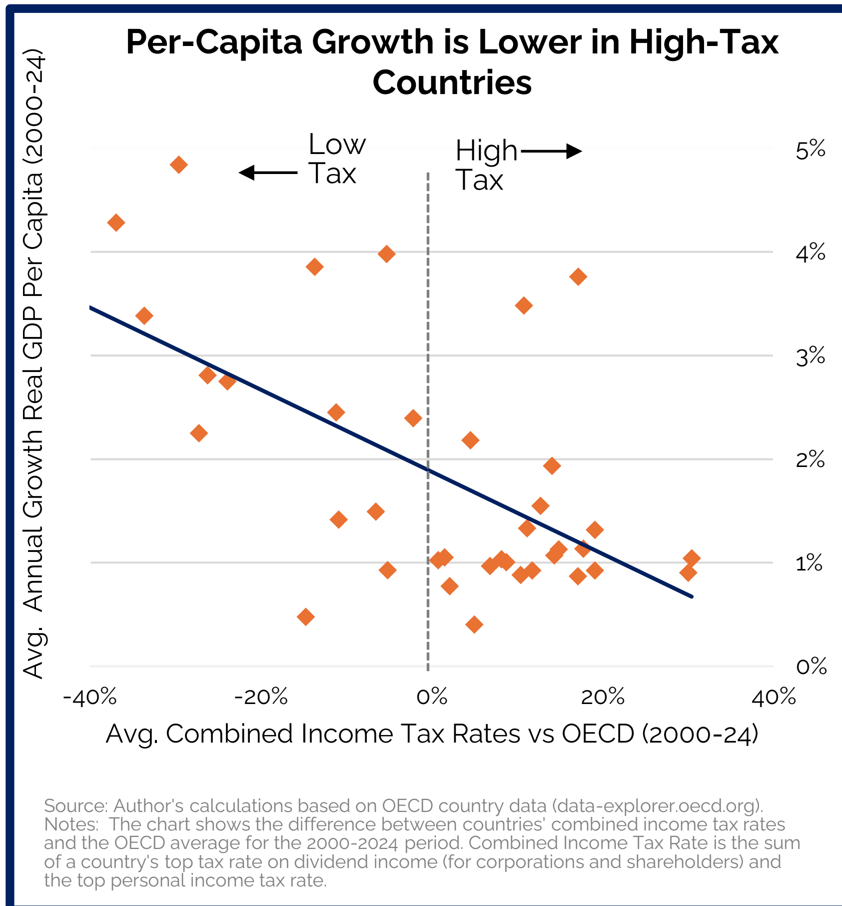
OBBB Extended TCJA Changes and Further Reduces Middle-Income Taxes

OBBB extended TCJA's individual income tax cuts that, as described above, disproportionately reduced taxes paid by low- and middle-income Americans. Most of OBBB's significant *new* or *expanded* tax cuts will further reduce the tax share of low- and middle-income earners, including a further increase to the standard deduction, the Child Tax Credit increase, adjustments to the bottom two tax brackets, No Tax on Overtime, No Tax on Tips, No Tax on Car Loan Interest, the senior deduction, and changes to charitable deductions.

BOTTOMLINE: High-income Americans pay a disproportionate share of taxes. That won't change under OBBB.

TAXES AND ECONOMIC GROWTH

TOPLINE: High taxes impede economic growth. The 2017 Tax Cuts and Jobs Act and the One Big Beautiful Bill promote faster economic growth in the U.S. by cutting taxes and reducing the growth of government spending.



High Tax, Slow Growth

- 20 of the 23 OECD countries with above average combined income tax rates from 2000 to 2024 averaged less than 2% growth in Real GDP per capita in that period.
- Only 4 of 15 OECD countries with below average tax rates averaged less than 2% growth.

Note: Combined income tax rate refers to tax rate on dividends (corporate and investor level), plus the top personal income tax rate.

CAVEATS: Differences in regulations, demographics, geopolitical events, spending, and deficits can all affect growth. Furthermore, countries that adopt low tax rates are more likely to adopt other pro-growth policies, meaning the chart above shouldn't be viewed as showing a causal relationship. But it's also worth noting that combined statutory income tax rates only explain part of the burden of taxes, and, statistically, a more comprehensive measure of tax burden would likely strengthen the negative correlation between taxes and growth.

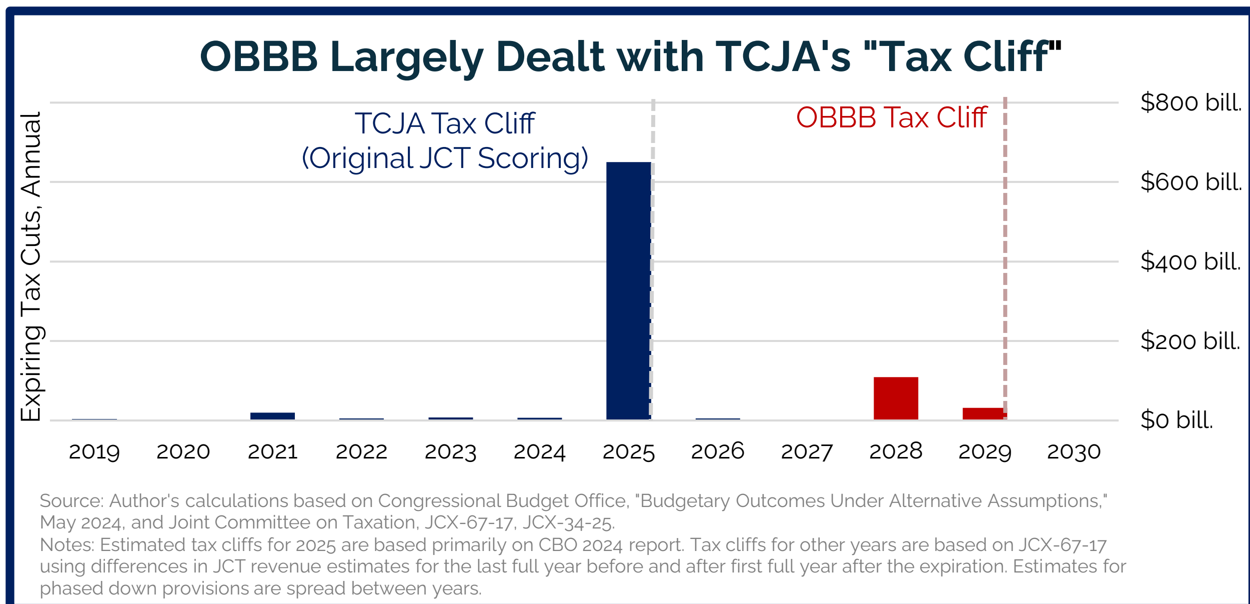
Compared to the Rest of the OECD, the U.S. has Grown More Quickly Since TCJA

- Before TCJA, the U.S. real GDP growth rate was below the average growth rate of the 38 OECD countries in 13 of the previous 18 years.
- Since TCJA (through 2024), the U.S. real GDP annual growth rate has been an average of about 0.5% higher than the average of all other OECD countries.

PERMANENCE MATTERS: FINISHING WHAT TCJA STARTED

TOPLINE: The One Big Beautiful Bill (OBBB) relied far less on temporary provisions than the 2017 Tax Cuts and Jobs Act (TCJA) did, permanently locking in the vast majority of the tax cuts that were due to expire. This gives individual and business taxpayers far more certainty and stability.

BACKGROUND: TCJA enacted many key tax reforms, but one big flaw was that many of the tax cuts were temporary. Most expirations would have occurred at the end of 2025, eight years after enactment, if OBBB hadn't passed. That would have included changes to individual tax rates, the standard deduction, the Alternative Minimum Tax, the Child Tax Credit, the pass-through deduction, and the Death Tax. In addition, a key business provision, expensing for equipment and machinery, had already begun phasing out. In 2024, the Congressional Budget Office and Joint Committee on Taxation (JCT) estimated these added up to about **$650 billion** in tax increases (annual) from 2025 to 2026 (partly offset by about $300 billion in expiring pay-fors).

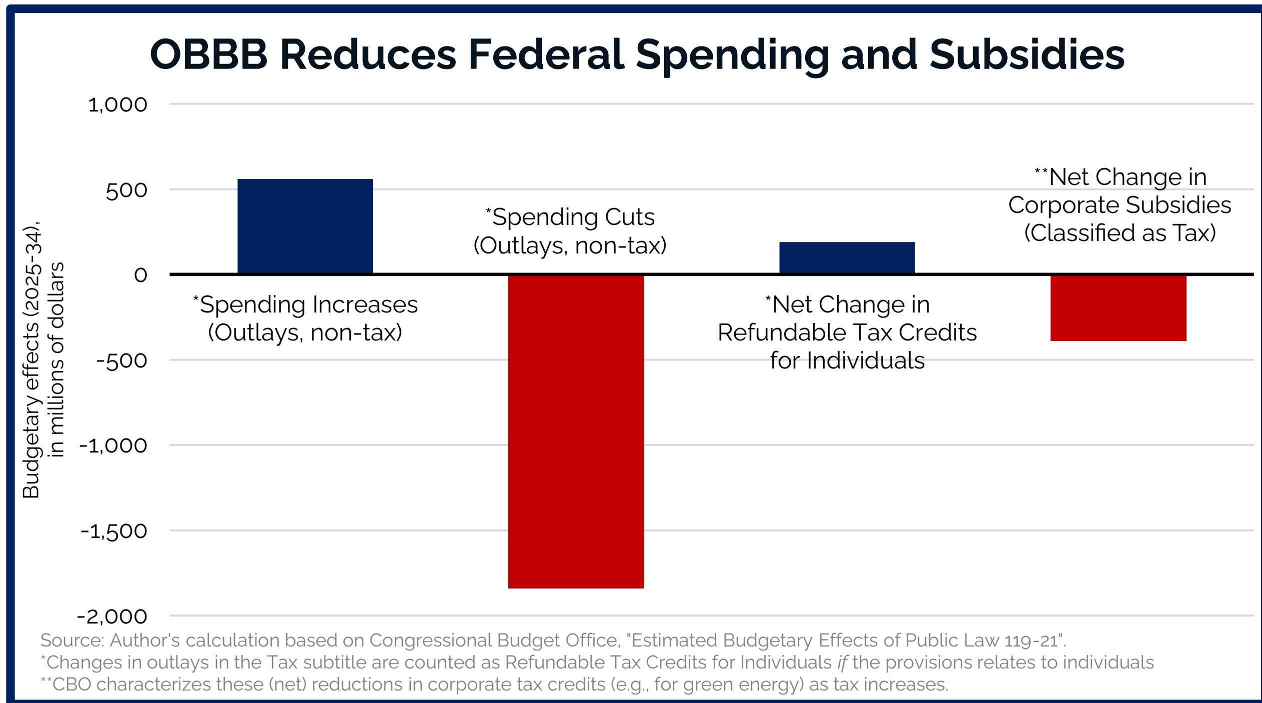


The Tall Task OBBB Faced: Making TCJA permanent was a priority, and OBBB succeeded in that task. The budget reconciliation rules make it difficult to enact permanent tax cuts. Bills that "score" as increasing permanent deficits cannot pass through the budget reconciliation process, which allows passage by a simple majority in the Senate. But the rules governing the scoring process ignore the economic growth effects of pro-growth tax cuts, leading to less favorable scoring.

OBBB's Smaller Tax Cliff: OBBB's expiring tax cuts (compared to 2025 policy) are shown in the red bars in the chart above and include: expensing for factory construction (a $34 billion per year tax cut at its peak), the state and local tax deduction ($32 b), the senior deduction ($23 b), No Tax on Overtime ($23 b), No Tax on Car Loan Interest ($10 b), No Tax on Tips ($8 b), and Trump Accounts ($4 b).

Reducing Spending Growth While Funding Defense, Homeland

TOPLINE: The One Big Beautiful Bill (OBBB) reduced the projected growth of federal spending and cut corporate subsidies in the tax code. At the same time, it increased funding for the military, homeland security, and the judiciary.



Facts and Figures

- According to CBO scoring, OBBB reduces net outlays by an estimated **$1.1 trillion**.
- The net reduction in outlays would be higher by about **$190 billion** if not for changes to refundable tax credits (e.g., child tax credit) and other tax outlays for individuals counted as increased outlays.
- OBBB also reduced corporate tax subsidies like Green New Deal tax credits by about **$390 billion** (net). CBO classifies these changes as tax increases.

Outlay Changes, by Committee (2025-34), $ Billions

Committee	Budget Impact
Armed Services	+150
Homeland Security, Government Affairs	+129
Judiciary	+46
All Others	-1,416
Total	**-1,091**

Source: Author's calculation, based on Congressional Budget Office, "Estimated Budgetary Effects of Public Law 119-21".

BOTTOMLINE: Between reduced outlays and reduced corporate tax subsidies, OBBB included more than **$2 trillion** in "pay-fors" (gross) and nearly **$1.5 trillion** on net. These reductions are among the largest ever in absolute terms, assuming Congress follows through and keeps the changes in place over the long term. Still, these changes pale in comparison to the national debt, which now exceeds **$39 trillion**.

Frequently Asked Questions

Why was it important for Congress to pass the One Big Beautiful Bill?
Individuals and businesses faced a massive tax increase in 2025 if Congress didn't act, as nearly $4 trillion in tax cuts in the 2017 Tax Cuts and Jobs Act (TCJA) were set to expire at the end of 2025. Many of these tax increases would have been especially punitive on economic and job growth.

Why did the One Big Beautiful Bill have to be in *one* big bill?
The bill was passed under the budget reconciliation process. This allowed it to pass with a simple majority in the Senate, instead of needing 60 votes to break a Senate filibuster. The last major tax reform bill to pass without budget reconciliation was back in 1986 (the Obamacare tax *increase* also passed without reconciliation in 2009). Under Congressional rules, budget reconciliation can only be used easily once per fiscal year.

How big is the bill?
331 pages. That's 57 more pages than the last budget reconciliation act, the Inflation Reduction Act of 2022 (274 pages).

Are the tax cuts in this bill permanent?
Mostly, yes. The expiring tax cuts from the 2017 TCJA were made permanent. A few of the new tax cuts, including No Tax on Tips, No Tax on Overtime, the senior deduction, and expensing for factory construction are scheduled to expire after 2028 or 2029.

When do/did the tax changes go into effect?
Most of the tax provisions are in effect now. Most of the new individual tax cuts went into effect for the 2025 tax year and are or will be reflected in tax returns filed in 2026. The extensions of TCJA's tax cuts mostly prevent tax increases that would have gone into effect in the 2026 tax year (and 2027 filing year).

Is the One Big Beautiful Bill the biggest tax cut in recent history?
By most measures, no. Based on JCT estimates, about 84% of the net "tax cut" came from extending TCJA. Instead, it's more accurate to say that if lawmakers had allowed TCJA to expire, Americans would have faced the largest increase in at least 75 years going back to the Korean War, other than a short-term (15 month) measure to fund the Vietnam War in the late 1960s.

Will my taxes go up or down because of OBBB?
For a few individuals or businesses that were taking advantage of Green New Deal tax credits, their taxes may increase because of OBBB (due to the reduction of subsidies that were being delivered through the tax code). But for almost everyone else, OBBB very likely reduced your taxes, regardless of your income level.

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Does the One Big Beautiful Bill reduce spending?

It reduces the growth *rate* of spending. Projected outlays for the 10-year period 2025-34 are about $1.1 trillion lower than projected in the previous budget baseline. However, total federal spending levels will continue to rise.

Will this blow up the deficit?

Relative to the policies that were in place before, OBBB cuts spending by significantly more than it cuts taxes, according to JCT and CBO estimates. Reports of increased deficits are in comparison to if TCJA were allowed to fully expire. Furthermore, deficit increases from tax cuts do not increase the size of government, whereas spending-driven deficits expand the government and crowd out productive economic growth and activity in the private sector. OBBB beat investors' expectations for fiscal responsibility, as reflected by the significant *drop* in interest rates on long-term U.S. treasuries that occurred during and after the debate and passage of OBBB. Still, the long-term debt outlook remains bleak.

Does OBBB cut corporate tax rates?

No. (Not that it would be a bad thing if it had!) TCJA already permanently reduced the corporate tax rate from 35% to 21% to make the U.S. rate competitive with the rest of the world (previously, the U.S. had the second highest corporate tax rate in the 38-country OECD). OBBB left the corporate tax rate alone but reduced other taxes on businesses with a focus on small businesses, companies that invest in their domestic operations, and companies constructing new factories.

Will OBBB help or hurt affordability?

OBBB helps make life more affordable for Americans by allowing them to keep more of their own money. Business tax cuts such as full and immediate expensing for equipment and machinery, R&D, and factories will encourage investment, helping to expand the supply of goods and keep prices down.

Did the bill cut Social Security?

NO!

Did the bill end Biden's Green New Deal programs?

It terminates some, but not all, of the Green New Deal programs enacted into law in the 2022 Inflation Reduction Act. OBBB puts other Green New Deal subsidies on an accelerated path to elimination. Still other subsidies were left intact.

What's the difference between a tax credit and a tax deduction?

Tax credits enable dollar-for-dollar reductions in tax liability (e.g., a $2,000 tax credit could reduce a $5,000 tax bill to $3,000). Tax deductions allow reductions in taxable income before applying the tax rate(s). The value of a tax deduction to a taxpayer depends on his tax rate. (For example, a $2,000 tax deduction might only reduce taxes by $200 for a taxpayer in the 10% tax bracket).

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What's the difference between refundable and non-refundable tax credits?
A non-refundable tax credit can only go be used to reduce the amount a filer owes in taxes to zero, not beyond that. However, a *refundable* tax credit can be claimed in full, even if the amount goes beyond what the filer owes in taxes (their tax liability), resulting in the filer receiving money from the government. For example, if a filer would otherwise owe $3,000 in taxes and has a $5,000 nonrefundable credit, then he may only take $3,000 out of the $5,000 credit. This would result in him owing nothing in taxes, but this filer would also not receive money from the government. If this $5,000 credit were, instead, fully refundable, then the filer could claim the whole credit, resulting in a tax liability of -$2,000, meaning that they would not only not pay any taxes, but would receive a $2,000 benefit from the government. In this manner, refundable credits can look like they merely reduce taxes but can actually serve as a form of wealth redistribution.

What does the bill mean for America's military preparedness?
OBBB increases funding for the armed services. It provides nearly $180 billion in new budget authority for the military including, for example: $28 billion for shipbuilding, $25 billion for the Coast Guard, $24 billion for air and missile defense, and $25 billion for other weapons systems. It also funds modernized shipyards and aircraft and expanded production of B-21 long-range bombers.

What does OBBB do for border and homeland security?
It provides more than $130 billion in additional budget authority including: $47 billion for border infrastructure and the border wall; $45 billion for detention capacity; $13 billion to FEMA for state and local assistance; $12 billion for U.S. Customs and Border Protection personnel, vehicles, and facilities; and $6 billion for border inspection and surveillance equipment rapid response capabilities, vetting, and drug trafficking prevention.

Besides the armed services and border and homeland security, what other non-tax programs received notable *increases* in federal funding?
Some of the programs receiving boosts in funding include: commodity support and crop insurance programs, air traffic control, rural hospitals and health providers, missions to Mars and the moon, the Strategic Petroleum Reserve, immigration and customs enforcement, federal prisons and law enforcement training, and the Secret Service.

Core Individual Tax Structure

Individual Tax Rates

Standard Deduction

Child Tax Credit

Alternative Minimum Tax

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LOWER INDIVIDUAL TAX RATES

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) changes to individual tax brackets. Almost all working Americans are in a lower tax bracket than if TCJA had expired. This includes small businesses that file individual taxes as pass-through entities.

Single taxpayers (standard return, no credits) **

2026 Taxes if TCJA had expired	
* Income Range	Marginal Tax Rate
$0 – 13,900	No tax
$13,901 - 26,400	10%
$26,401 - 64,650	15%
$64,651 - 136,850	25%
$136,851 - 270,300	28%
$270,301 - 571,350	33%
$571,351 - 573,650	35%
$573,651+	39.6%

2026 Tax Brackets Under OBBB	
* Income Range	Marginal Tax Rate
$0 - 16,100	No tax
$16,101 - 28,500	10%
$28,501 - 66,500	12%
$66,501 - 121,800	22%
$121,801 - 217,875	24%
$217,876 - 272,325	32%
$272,326 - 656,700	35%
$656,701+	37%

** Note: Assumes no tax for income up to standard deduction amount plus (where applicable) one personal exemption. Income ranges for TCJA expiration hypothetical are approximate.

Married Joint Filers (standard return, no credits) ***

If TCJA had expired	
* Income Range	Marginal Tax Rate
$0 - 27,800	No tax
$27,801 – 52,800	10%
$52,801 – 129,300	15%
$129,301 – 232,600	25%
$232,601 – 340,000	28%
$340,001 – 585,300	33%
$585,301 – 657,500	35%
$657,501+	39.6%

Permanent Tax Rates Under OBBB	
* Income Range	Marginal Tax Rate
$0 - 32,200	No tax
$32,201 – 57,000	10%
$57,001 - 133,000	12%
$133,001 - 243,600	22%
$243,601 - 435,750	24%
$435,751 - 544,650	32%
$544,651 - 800,900	35%
$800,901+	37%

*** Note: Assumes no tax on income up to standard deduction amount plus (where applicable) two personal exemptions. Income ranges for the TCJA expiration hypothetical are approximate.

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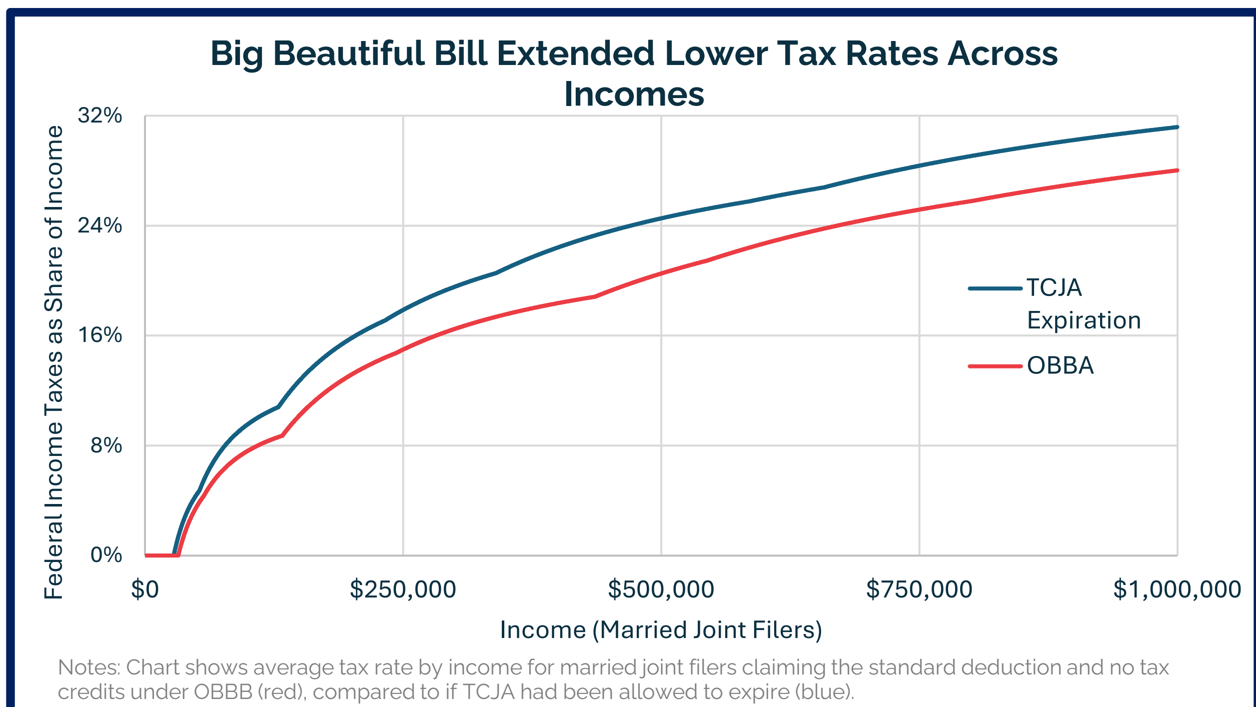
BACKGROUND: TCJA reduced individual tax rates and adjusted tax brackets such that the vast majority of taxpayers received tax cuts regardless of their income. The small number of individual taxpayers who paid more taxes as a result of TCJA were primarily high-income taxpayers who had claimed high amounts of itemized deductions. TCJA eliminated and capped many itemized deductions, moving toward lower tax rates and a broader base. TCJA also streamlined the standard deduction-personal exemption system by suspending personal exemptions but more than made up for it by nearly doubling the standard deduction and increasing the Child Tax Credit. These changes were scheduled to expire after 2025.

What OBBB Did:

- Ensured that taxpayers at all income levels avoided a tax hike in 2026.
- Made permanent TCJA's changes to tax rates, brackets, the standard deduction, and personal exemptions.
- Built on TCJA's nearly doubled standard deduction by adding further to it.



Notes: Chart shows average tax rate by income for married joint filers claiming the standard deduction and no tax credits under OBBB (red), compared to if TCJA had been allowed to expire (blue).

Why It Matters?

- The tax code remains highly progressive, with high-income individuals paying a larger share of their incomes in taxes than low-income Americans (see chart).
- High marginal tax rates discourage work and entrepreneurship.
- OBBB's reductions in tax rates represent a tax cut of about ***$2.2 trillion*** over nine years (2026-34).
- This reform also reduces taxes for small businesses that file as pass-throughs.

Where Can I Find the Changes? OBBB Section 70101-70103;
26 U.S.C. § 1(f), 63(j), 151(d).

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INCREASED STANDARD DEDUCTION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) increase in the standard deduction and further added to it. The 2026 standard deduction is nearly double what it would have been if TCJA had expired.

BACKGROUND: When the income tax was enacted in 1913, it allowed a generous exemption of $3,000 of income for single taxpayers or $4,000 for married couples. In 1913, that was high enough to exclude about 99% of Americans from any income tax (then only a 1% tax on net income). For those with incomes beyond the exemption amount, there was no standard deduction—itemizing deductions was the only option.

Congress soon reduced the income tax exemption and raised tax rates. The income tax became the cash cow that funded World War I and II. The tax came to apply to most Americans, not just the rich. In 1944, Congress created a version of the standard deduction, saving some Americans from the hassle of itemizing. But the standard deduction was paired with $500 personal exemptions for each qualifying person (self, spouse, and dependents). That more complicated framework of personal exemptions *plus* either itemized deductions or a standard deduction persisted until 2017.

The 2017 TCJA suspended personal exemptions (then $4,050 per person) and increased the standard deduction from $6,350/$12,700 (single/married joint filers) in 2017 to $12,000/24,000 in 2018. It also increased the Child Tax Credit and suspended or capped many itemized deductions. This reduced the burden of taxes by cutting taxes *and* simplifying tax filing. These positive reforms would have expired after 2025.

What OBBB Did:

- Made permanent TCJA's increase in the standard deduction (and suspended personal exemptions). Also added about $750/$1,500 to what the deduction would have been as of 2026 if TCJA was extended with no change.
- Resulted in a 2026 standard deduction of $16,100/$32,200 instead of about $8,500/$17,000 (the inflation-adjusted standard deduction if TCJA had expired).

Why It Matters?

- It saves tens of millions of Americans from the hassle of itemizing their deductions.
- Tax simplification will save Americans hundreds of millions of hours on tax filing.

Where Are the Changes? OBBB Section 70102-70103; 26 U.S.C. § 63(c), 151(d).

BOTTOMLINE: Congress should be applauded for streamlining tax filing. The larger standard deduction and Child Tax Credit more than make up for the loss of personal exemptions.

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CHILD TAX CREDIT CHANGES

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) Child Tax Credit changes, including its doubling of the credit amount and less restrictive phase-in and phase-out. OBBB also added $200 more to the credit and added an automatic inflation adjustment to the credit amount.

BACKGROUND: Prior to the 2017 tax bill, the tax code allowed individuals to claim a $1,000 tax credit per qualifying child ages 16 and under. The credit was partially refundable, meaning that some taxpayers with no net income tax liability could claim part (or in some cases all) of the credit amount, getting a tax "refund" that was greater than the income taxes they paid during the year. The Child Tax Credit effectively began phasing in for taxpayers with at least $3,000 of earned income and phased in at a rate of 15% for earned income above that amount until maxing out at $1,000 per child. The Child Tax Credit then began phasing out at a 5% rate for income beyond a threshold of $75,000/$110,000 (single/married joint filers).

For the tax years 2018 through 2025, TCJA:

- Doubled the Child Tax Credit amount from $1,000 to $2,000;
- Set the refundable portion of the credit to $1,400 in 2018 but also included an inflation adjustment that allowed this amount to increase to $1,700 by 2025;
- Lowered the start of the phase-in of the refundable credit from $3,000 to $2,500 of earned income; and
- Raised the income threshold at which the Child Tax Credit began to phase-out from $75,000/$110,000 to $200,000/$400,000.

What OBBB Did:

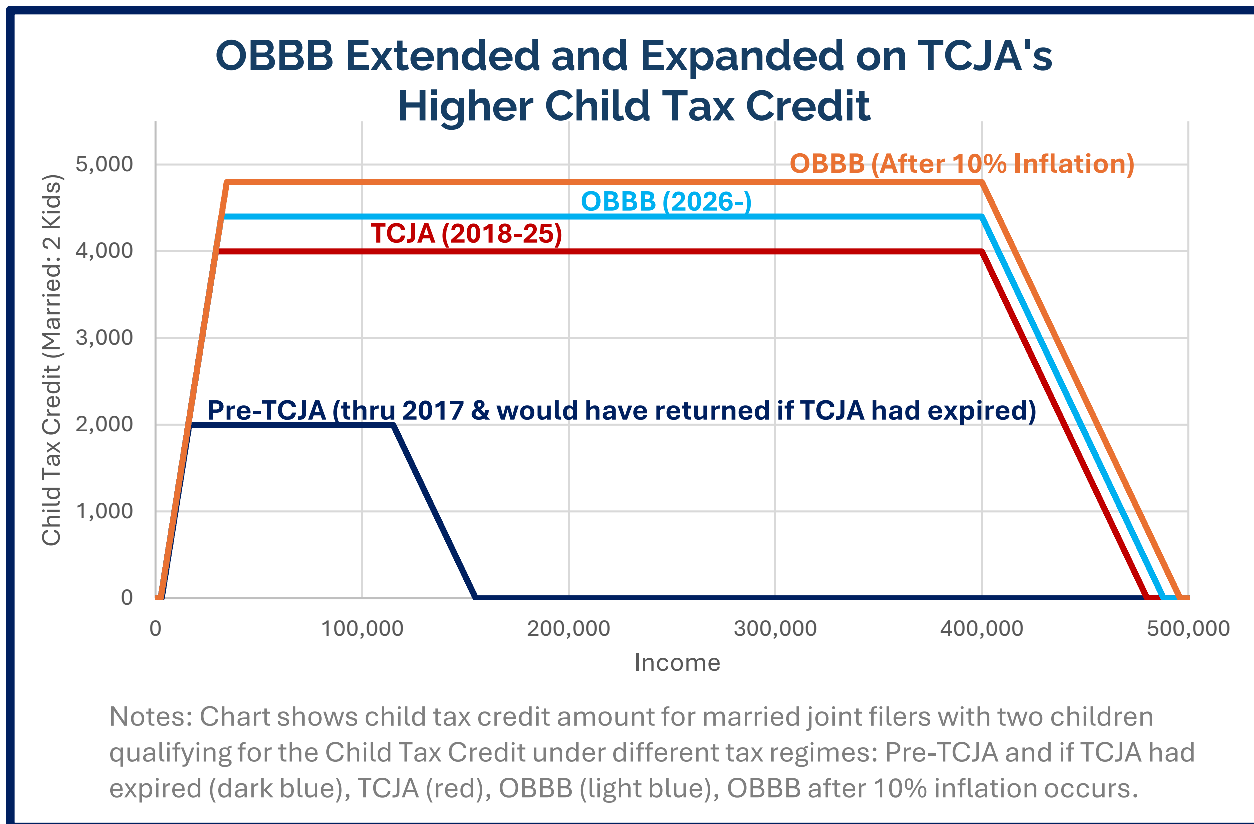
- Prevented the Child Tax Credit from reverting from $2,000 to $1,000 upon the expiration of TCJA at the end of 2025.
- Further increased the Child Tax Credit amount to $2,200 (per child).
- Added an annual cost-of-living adjustment to periodically increase the child tax credit amount in $100 increments (subject to rounding).
- Permanently extended TCJA's $1,700 refundable portion of the credit (with cost-of-living adjustments).
- Required that parents have a valid Social Security Number to be eligible for the credit to reduce fraud and avoid the credit being claimed by illegal immigrants.

Where Can I Find the Changes? OBBB Section 70104; 26 U.S.C. § 24(h)-(i).

Continued on next page

Why It Matters?

- More than 50 million Americans claim the Child Tax Credit each year.
- JCT estimated the Child Tax Credit Changes will reduce taxes and increase outlays by ***$817 billion*** from 2026-2034.
- The Child Tax Credit's size and refundability leads many Americans to receive income tax refunds that exceed their taxes paid. About 40% of Americans pay zero (or negative) federal income tax in a typical year (that figure hit 57% in 2021, when federal stimulus checks were issued en masse).



Notes: Chart shows child tax credit amount for married joint filers with two children qualifying for the Child Tax Credit under different tax regimes: Pre-TCJA and if TCJA had expired (dark blue), TCJA (red), OBBB (light blue), OBBB after 10% inflation occurs.

BOTTOMLINE: It makes sense for the tax code to have a Child Tax Credit or some other mechanism to reduce taxes for larger families, given the level of progressivity in the U.S. tax brackets. The strain on families' financial resources increases as the number of mouths to feed increases. However, the Child Tax Credit is now large enough that the tax code is more favorable to taxpayers with children than to those without, all else being equal. Adding to the Child Tax Credit beyond OBBB's changes would go too far. Many childless young couples want to have children one day—the tax code shouldn't be biased against them in the meantime.

In theory, the Internal *Revenue* Service exists to collect tax revenue, *not* to administer benefits. Refundable tax credits like the Earned Income Tax Credit, the refundable portion of the Child Tax Credit, and various recent stimulus payments administered by the IRS have blurred that distinction as some taxpayers' tax "refund" checks dwarf the taxes they pay.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

ALTERNATIVE MINIMUM TAX CHANGES

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) changes to the alternative minimum tax (AMT) (with modest changes), greatly reducing the reach of what is, in effect, a second income tax system.

BACKGROUND: The AMT is a parallel tax system to the regular income tax. Taxpayers must pay the AMT if it would result in a higher tax liability than their standard income tax calculation. The AMT allows a large exemption but fewer deductions than the regular tax system. The AMT has only two tax rates: 26% and 28%, compared to seven for the regular tax system, ranging from 10% to 37%. Once the AMT phases in, it's designed to be a flatter tax system with a broader base than the regular income tax.

TCJA increased the AMT exemption from $54,300/$84,500 (single/married joint filers) to $70,300/$109,400 between 2017 and 2018. With inflation adjustments, the exemption had risen to $88,100/$137,000 as of 2025. TCJA also pushed the exemption phase-out into much higher incomes. The AMT exemption phase-out began at an alternative minimum taxable income (AMTI) of $120,700/$160,900 in 2017, but was $626,350/$1,252,700 as of 2025. The exemption phased out at a rate of 25%.

What OBBB Did:

- Largely preserved TCJA's changes to the AMT and made them permanent.
- Set the AMT exemption amount at $90,100/$140,200 for 2026 and set the phase-out to begin at $500,000/$1 million.
- Increased the exemption phase-out rate from 25% to 50%.

Why It Matters?

- Americans could have faced a $1.4 trillion tax hike (2026-34) from AMT changes.
- If Congress hadn't acted, the number of Americans paying AMT would have jumped from about 300,000 in 2025 to about 7.3 million in 2026.
- Forcing Americans to calculate their taxes in two different ways and making them pay the higher of the two is an unnecessary burden on their time and resources.

Where Can I Find the Changes? OBBB Section 70107; 26 U.S.C. § 55(d.)

BOTTOMLINE: The federal income tax could be designed much like the AMT, and it could be a better system. The AMT has a lower top-tax rate and fewer carveouts than the regular income tax, making it simpler and less distortionary. But in conjunction with the regular income tax, the AMT introduces complications and distortions. Congress was right to save millions of Americans from the burden of calculating taxes twice.

Individual Tax Deductions

Mortgage Interest Deduction

No Tax on Car Loan Interest

No Tax on Overtime

No Tax on Tips

State and Local Tax (SALT) Deduction

Senior Deduction

Itemized Deduction Limitation

Plymouth Institute for Free Enterprise

Mortgage Interest Deduction

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) changes to the mortgage interest deduction, which included limiting the deduction to the first $750,000 of mortgage debt.

BACKGROUND: Until 1986, the tax code generally allowed individual taxpayers to deduct interest payments related to loans for individuals and families, including home mortgages. There was no cap on the amount of mortgage debt qualifying for the deduction until 1987, when the Tax Reform Act of 1986 limited the deduction to $1 million of mortgage debt.

Then, in 2017, TCJA further lowered the cap on deductible interest on home mortgage debt to $750,000, but the cap was scheduled to revert to $1 million after 2025. TCJA also eliminated or capped most other itemized tax deductions for individuals, while nearly doubling the standard deduction. Together these changes simplified tax filing for individuals, as about 90% of taxpayers would be able to claim the standard deduction instead of itemizing.

What OBBB Did:

- Permanently extended TCJA's limitation on deductible interest to the first $750,000 of mortgage debt.
- Allowed mortgage insurance premiums to be treated as deductible and counted as interest for purposes of the limitation on mortgage interest.

Why It Matters?

- The mortgage interest deduction is one of three key itemized deductions that survived TCJA's base broadening reforms (the other two are the SALT deduction and the charitable giving deduction).
- Tax returns filed in 2023 included about $145 billion of mortgage interest deductions, about 22% of all itemized deductions according to IRS data.

Where Can I Find the Changes? OBBB Section 70108; 26 U.S.C. § 163(h).

BOTTOMLINE: Generally, a broad tax base with few deductions is preferable, as it allows for lower tax rates and a simpler tax code. However, there is a good case for allowing deductions on interest payments, insofar as the corresponding interest *income* received by mortgage financing companies is taxed. Going forward, lawmakers should work toward more consistent tax treatment of interest, while also simplifying tax filing.

Advancing American Freedom Foundation is a nonprofit institution that promotes and defends policies that elevate traditional American values.

Plymouth Institute for Free Enterprise

No Tax on Car Loan Interest

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) allows borrowers to deduct interest payments for domestic car loans, colloquially known as "No Tax on Car Loan Interest."

BACKGROUND: Until 1986, the tax code generally allowed individual taxpayers to deduct interest payments related to consumer loans, including car loans. The Tax Reform Act of 1986 lowered tax rates while eliminating many tax deductions, including the deductions for interest payments on car loans and most other consumer loans (though the deductibility of home mortgages was retained).

Most personal deductions can only be claimed if taxpayers choose to itemize instead of taking the standard deduction. The standard deduction amount is (as of 2026) equal to $16,100/$32,200 (single/married joint filers). Most middle-income families choose the standard deduction because for them it typically dwarfs the amount of itemizable deductions they can claim. However, unlike other deductions, ***above-the-line*** deductions can be claimed even if taxpayers choose the standard deduction.

What OBBB Did:

- Created a new above-the-line deduction for up to $10,000 of car loan interest payments related to passenger vehicles purchased between 2025 and 2028.
- Required final assembly of the vehicle to have occurred in the U.S. to qualify.
- Set up the tax deduction to begin phasing out for taxpayers with modified adjusted gross income of $100,000/$200,000 (single/married joint filer).

Why It Matters?

- The tax code's treatment of interest income and interest payments was inconsistent as interest income received by auto loan financers was taxed, but consumer interest payments were non-deductible, causing double taxation.
- Americans have more than 100 million auto loans, according to estimates from the New York Fed.
- JCT estimated "No Tax on Car Loan Interest" is a ***$31 billion*** tax cut over four years.

Where Can I Find the Changes? OBBB Section 70203; 26 U.S.C. § 163(h).

BOTTOMLINE: Generally, a broad tax base with few deductions is preferable, as it allows for lower tax rates and a simpler tax code.

However, there is a strong case for allowing deductions for interest payments because interest *income* received by consumer loan financing companies *is taxable*. No Tax on Car Loan Interest helps ensure that the IRS can't collect more taxes simply because one party takes out a car loan from another party.

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NO TAX ON OVERTIME

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) added a new tax deduction for qualified overtime income, colloquially known as "No Tax on Overtime."

BACKGROUND: Under the Fair Labor Standards Act (FLSA), covered employers must report and pay overtime to most workers they pay hourly (and certain salaried workers) who work more than 40 hours in a given workweek. Overtime pay is "time-and-a-half" (150% of workers' regular rate of pay). The overtime pay mandate leads to overtime workers receiving higher pay for those hours (if they still work those hours) but also allows the federal government to collect taxes on the extra mandated overtime pay.

The federal income tax code applies to all income "from whatever source derived," unless otherwise stipulated. That includes personal business income, interest income, rents, royalties, dividends, and paid compensation (though certain employee benefits are exempt from income tax). Prior to OBBB, the income tax made no distinction between overtime income and regular paid compensation. In addition to federal income tax, overtime pay is also subject to federal payroll tax.

What OBBB Did:

- Created an *above-the-line* deduction (meaning it can be claimed even if taking the standard deduction) for up to $12,500/$25,000 (single/married joint filers) of qualified overtime pay for tax years 2025 through 2028, effectively eliminating most income tax on "the half" of "time and a half."
- Set up the tax deduction to begin phasing out for taxpayers with modified adjusted gross income of $150,000/$300,000.
- Aligned the overtime tax deduction with the FLSA regulations to prevent abuse.
- Left intact payroll taxes on overtime pay.

Why It Matters?

- No Tax on Overtime helps ensure that only workers get paid for mandated overtime work—not the IRS.
- According to the Yale Budget Lab, about 98 million Americans work in occupations that are *eligible for* overtime pay.
- JCT estimated "No Tax on Overtime" is a ***$90 billion*** tax cut over four years.

Where Can I Find the Changes? OBBB Section 70202; 26 U.S.C. § 225.

BOTTOMLINE: Federal mandates that stipulate how much employers must pay employees are harmful and reduce labor demand. By mitigating some of the downsides of the FLSA mandates, No Tax on Overtime helps give hourly wage workers more freedom to take on a long work week if it's right for them and their families.

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NO TAX ON TIPS

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) added a new tax deduction for qualified tipped income, colloquially known as "No Tax on Tips."

BACKGROUND: The federal income tax code applies to all income "from whatever source derived" unless otherwise stipulated. That includes personal business income, interest income, rents, royalties, dividends, and paid compensation. Prior to OBBB, tipped income was included in the federal income tax base, just like any other paid compensation—at least in theory.

Tip income is more informal than wage income and is more likely to go unreported. Unlike with wage and salary income (where employers are responsible for tracking and reporting to the IRS the compensation they pay to employees), with tipped income the primary IRS reporting requirement falls on workers. The IRS has devoted significant resources to ensuring tip income reporting compliance. Tipped income is subject to federal payroll tax, in addition to federal income tax.

What OBBB Did:

- Created an *above-the-line deduction* (meaning it can be claimed by taxpayers who take the standard deduction) for up to $25,000 of qualified tips for tax years 2025 through 2028, which effectively eliminates income tax on most tips.
- Set up the tax deduction to begin phasing out for taxpayers with modified adjusted gross income of $150,000/$300,000 (single/married joint filers).
- Required that qualified tips must be received from work in an occupation that traditionally receives tips, (as defined by the IRS).
- Left intact payroll taxes on tipped income.

Why It Matters?

- About 4 million Americans worked in occupations that could allow them to benefit from "No Tax on Tips," though many don't earn enough to owe any income tax.
- "No Tax on Tips" is a ***$32 billion*** tax cut over four years, according to JCT estimates.
- It shifts incentives for employers, workers, and customers in favor of more tipping.

Where Can I Find the Changes? OBBB Section 70201; 26 U.S.C. § 224.

BOTTOMLINE: Ideally, the tax code shouldn't favor tipped income over wage and salary income. Fortunately, by capping the tips deduction, limiting qualifying occupations, and adding a phaseout, Congress put guardrails in place to make it harder for people to exploit the deduction for unintended purposes.

Plymouth Institute for Free Enterprise

State and Local Tax (SALT) Deduction

Preston Brashers, Research Fellow

April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) capped state and local tax (SALT) deductions at about $40,000 (single/married joint filers) for tax years 2025-2029 and $10,000 beginning in 2030.

BACKGROUND: Taxpayers can deduct certain state and local tax payments when determining their taxable income on their federal tax returns. Taxpayers may deduct property taxes, and they may either deduct income taxes or sales taxes (but not both). A taxpayer in the 28% tax bracket claiming a deduction for $10,000 of state and local taxes paid could, for example, reduce his federal tax liability by as much as $2,800. This creates a perverse incentive, in which states, cities, and counties can *reduce* the federal tax liability of their residents by *raising* their state or local taxes. Low-tax states are effectively forced to foot part of the bill when high-tax states raise their taxes.

Recognizing the pitfalls of the SALT deduction, lawmakers enacted a $10,000 limit on SALT deductions in the 2017 Tax Cuts and Jobs Act (previously SALT deductions were uncapped). However, the $10,000 cap was set to expire after 2025, and the SALT deduction would have reverted to being uncapped starting in 2026.

What OBBB Did:

- Set the cap on the SALT deduction at $40,000 for tax year 2025, with a 1% annual increase in the cap for each year through 2029.
- Added an income-based phasedown starting at $500,000 in income, so that the highest-income taxpayers can still only claim a $10,000 SALT cap in 2025-2029.
- Scheduled the SALT cap to revert to $10,000 beginning in 2030.

Why It Matters?

- Tax returns filed in 2017 (before the cap) included about ***$625 billion*** of SALT deductions, nearly as much as *all* itemized deductions in 2019 (post-TCJA).
- The SALT deduction cap was the single biggest pay-for in both TCJA and OBBB.
    - Based on JCT estimates, compared to unlimited SALT, the cap could *reduce* the deficit by as much as about ***$80 billion*** per year when the $40,000 cap is in effect, and by about ***$140 billion*** per year after that.

Where Can I Find the Changes? OBBB Section 70120; 26 U.S.C. § 164(b)(6)-(7).

BOTTOMLINE: The SALT cap was the most contentious provision in OBBB. While conservatives may oppose the temporary SALT cap increase, some SALT compromise may have been necessary to ensure OBBB passed. If OBBB didn't pass, TCJA would have expired, and SALT deductions would now be unlimited.

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SENIOR DEDUCTION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) provides a $6,000 tax deduction for taxpayers aged 65 and over ($12,000 in the case of married seniors).

BACKGROUND: The 2017 Tax Cuts and Jobs Act (TCJA) doubled the standard deduction for tax years 2017 through 2025. OBBB made that change permanent and increased the deduction amount further, so that in 2026 non-itemizing taxpayers can take a $16,100/$32,200 (single/married joint filers) standard deduction.

In addition to the regular standard deduction, there is a long-standing provision in the tax code called the "additional standard deduction for aged and blind," which (as of 2026) adds an additional $1,650 deduction *per filer* for a married filer who is aged 65 or over (or $2,050 in the case of a single filer who is aged 65 or over).

Above-the-line tax deductions (like the new senior deduction) are special deductions that can be claimed regardless of whether a taxpayer chooses to itemize or claim the standard deduction.

What OBBB Did:

- Created a *new* senior tax deduction of $6,000/$12,000 for single/married joint filers, for the tax years 2025 through 2028.
- Made the new senior deduction an "above-the-line" tax deduction that can be claimed both by itemizers and non-itemizers.
- Set up the tax deduction to begin phasing out for taxpayers with modified adjusted gross income of $75,000/$150,000.
- Kept in place the additional standard deduction for aged and blind.

Why It Matters?

- About 43% of America's $6 trillion federal budget (excluding interest payments) goes to Social Security and Medicare, programs mostly benefitting seniors.
- The deduction expanded the coalition of support for the One Big Beautiful Bill, as senior citizens account for nearly a quarter of the adult population in the U.S.
- The new senior tax deduction is a $93 billion tax cut over four years, according to JCT estimates.

Where Can I Find the Changes? OBBB Section 70103; 26 U.S.C. § 151(d)(5).

BOTTOMLINE: Age should not factor into tax liability. The unavoidable result of an advantage granted to one group based on age is a disadvantage for other groups based on age. Instead of targeting specific age groups for tax cuts, Congress should focus on reducing spending and taxes for all.

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ITEMIZED DEDUCTION LIMITATION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) changed the limitation on itemized deductions so that it only applies to taxpayers in the top income tax bracket.

BACKGROUND: The Pease Limitation was enacted in the early-1990s and reduced taxpayers' itemized deductions as their adjusted gross income (AGI) increased. For every $100 the taxpayer's income rose above an upper-middle-income AGI threshold, the Pease Limitation reduced deductions by $3. So, taxpayers in the limitation range were effectively taxed on $103 of income for every additional $100 they earned. The Pease Limitation was designed such that it would reduce taxpayers' itemized deductions by 80%, but no further.

The 2017 TCJA streamlined individual taxes by lowering tax rates and eliminating many itemized deductions *and* the Pease Limitation. However, the elimination of the Pease Limitation was temporary, and it was scheduled to return in 2026.

What OBBB Did:

- Replaced the Pease Limitation with a permanent new itemized deduction limitation in 2026.
  - The new limitation reduces taxpayers' itemized deductions if they are in the top tax bracket.
  - The limitation is 2/37 × the lesser of (a taxpayer's itemized deductions or the taxpayer's taxable income earned in the top tax bracket).

EXAMPLE:

Consider a single taxpayer with $100,000 of itemized deductions.

- The top tax bracket (single) starts at $640,600 of taxable income.
- Once the taxpayer reaches $640,600 of taxable income, for every $37 of additional income he earned, he would lose $2 of itemized deductions.
- Once his income reaches $740,600 ($100,000 in the top bracket), his itemized deductions would be less than his top-tax-bracket income.
- Beyond that, he could earn more income without reducing itemized deductions, but he could only claim $35 out of each additional $37 in itemized deductions.

Why It Matters?

- Itemized deduction limitations that are income-based act like a higher marginal tax rate and discourage work.

Where Can I Find the Changes? OBBB Section 70111; 26 U.S.C. § 68.

BOTTOMLINE: The limitation is a hidden 39% tax bracket inside the 37% tax bracket.

Tax Savings Accounts

529 Educational Savings Accounts

Health Savings Accounts (HSAs)

Trump Accounts

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MORE FLEXIBLE 529 SAVINGS ACCOUNTS

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Preston Brashers, Research Fellow
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) gives families more flexibility in taking tax-free withdrawals from 529 savings plans for K-12 expenses, also allowing distributions for expenses related to obtaining professional licenses and credentials.

BACKGROUND: Congress has established various "tax-advantaged" savings accounts meant to encourage Americans to save and invest. That includes 529 savings plans, which are intended for certain education expenses. Without such "tax-advantaged" savings accounts, the U.S. income tax system would *penalize* saving and investment. When workers earn money and spend it immediately, they generally owe federal income tax only on their salary. However, if they save and invest their earnings outside of tax-advantaged accounts, they face additional tax on any investment gains.

529 plans are like Roth IRAs in that there is no federal tax advantage on amounts contributed to the accounts, but qualifying gains in 529 accounts are tax free. Therefore, earned income that is invested in 529 plans for qualifying educational spending faces comparable taxes to earned income that is immediately spent. Distributions can be taken tax-free from 529 accounts for most higher education expenses (including fees, room and board, and books) at institutions eligible for federal student aid. For K-12 education, distributions were (before OBBB) limited to $10,000 per child per year and were limited to tuition only.

What OBBB Did:

- Doubled the limit on tax-free distributions from 529 plans for K-12 expenses from $10,000 per child per year to $20,000 per child per year.
- Allowed tax-free distributions for K-12 to be used for books, tutoring, curriculum, online educational materials, testing fees, and other expenses beyond tuition.
- Allowed distributions for non-degree training, credentials, and licensing regardless of an institution's eligibility for federal student aid.

Why It Matters?

- According to CSPN, about 17 million Americans use 529 plans to build wealth and avoid harmful secondary layers of taxes on income saved for education. They should be free to choose how to use the money they set aside for education without being pushed into particular kinds of programs like four-year colleges.

Where Can I Find the Changes? OBBB Section 70413-70414; 26 U.S.C. § 529(e),(f).

BOTTOMLINE: Giving Americans more control over their own money is generally a good move. Families will make better educational choices than the government.

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HEALTH SAVINGS ACCOUNT (HSA) EXPANSION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expanded access to tax-advantaged Health Savings Accounts (HSAs), promoting saving and investment and more cost-consciousness to help bend down the health care cost curve.

BACKGROUND: HSAs were established in a 2003 law as a more flexible way of allowing people to save for medical expenses with favorable tax treatment. Individuals can contribute to their own HSAs, and often employers contribute to HSAs on behalf of their employees up to limits that are adjusted annually for inflation. Individuals must have qualifying high-deductible health insurance to be eligible to make or receive HSA contributions. When employers contribute to their employees' HSA accounts, the contributions avoid payroll taxes (employer- and employee-side) and individual income taxes that would be owed if the employer had paid additional wages instead. If HSA funds are withdrawn for qualifying medical expenses, investment gains in the accounts are also untaxed. HSAs are therefore considered "triple-tax-advantaged."

HSAs, paired with high-deductible insurance plans, encourage cost consciousness, because individuals can keep and invest "unused" funds contributed to their accounts.

What OBBB Did:

- Expanded HSA eligibility beginning in 2026 to individuals enrolled in certain high-deductible bronze-level or catastrophic health plans from Obamacare exchanges.
- Expanded eligibility to include individuals with health plans that cover telehealth services before the deductible is reached.

Why It Matters?

- HSAs reduce reliance on direct federal and state outlays on health care.
- Health care spending accounts for about one-third of non-interest federal outlays.
- U.S. health care spending accounts for 18% of all spending in the economy, more than double its share of the economy in 1980.
- The tax code has long provided significant tax advantages for generous employer-provided health insurance (low deductibles, copays, and coinsurance).
- Compared to other options, HSAs (paired with high-deductible plans) increase cost-consciousness and help bend down the health care cost curve.

Where Can I Find the Changes? OBBB Section 71306-71308; 26 U.S.C. § 223(c).

BOTTOMLINE: The government controls an enormous amount of the health care sector. HSA expansions, like those in the OBBB, help shift the industry toward a functional *private* health care system based on consumer choice.

Plymouth Institute for Free Enterprise

Trump Accounts

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) created tax-advantaged Trump Accounts for children under age 18. It also provided $1,000 of seed money for the accounts of children born between January 2025 and December 2028.

BACKGROUND: Congress has created numerous "tax-advantaged" savings accounts to encourage Americans to save and invest. Workers contribute money or receive contributions from employers and use the accounts to invest while limiting double taxation. Outside such "tax-advantaged" savings accounts, the U.S. income tax system penalizes saving and investment relative to just spending money when it's earned.

Some accounts allow tax-free or deductible contributions but then are taxed on the back end upon distribution (e.g., traditional Individual Retirement Account (IRAs)). Other accounts include the tax on the front end when income is earned and contributed, but then allow tax-free distributions (e.g., Roth IRAs).

What Trump Accounts Are and How They Work:

- Trump Accounts are tax-advantaged savings accounts for children under age 18.
- The Treasury Department will provide $1,000 "seed" contributions into Trump Accounts for children born between 2025 and 2028.
- Investments made in Trump Accounts are untaxed until the beneficiary distributes funds from the account. Investment gains are taxed upon distribution.
- Up to $5,000 (inflation-adjusted) can be contributed into Trump Accounts each year until the child reaches age 18.
- When the beneficiary reaches age 18, the account becomes subject to the distribution rules of a traditional IRA.
- Relatives, philanthropists, and community leaders can contribute funds to one or a group of accounts (e.g., based on ZIP code).

Why It Matters?

- Michael and Susan Dell pledged ***$6.25 billion*** to contribute $250 into the Trump Accounts of ***25 million children*** age 10 and under.
- Millions of children will start life as capital holders and be encouraged to learn financial literacy while seeing wealth creation work in our free enterprise system.

Where Can I Find the Changes? OBBB Section 70204; 26 U.S.C. § 530A.

BOTTOMLINE: Fiscal conservatives may bristle at Treasury's $1,000 seed contributions, but Trump Accounts could become an important tool for financial education and allowing the older generation to give back and help young people start life on a strong financial footing.

Reforms for Businesses and Business Owners

Business Interest Limitation

Business Loss Limitation

Death Tax Exemption

Expensing for Equipment and Machinery

Expensing for Factories

Expensing for Research and Development

Expensing for Roofs and Building Systems

Farmland Sale Capital Gains Treatment

Small Business Pass-through Deduction

Small Company Business Stock Exclusion

Plymouth Institute for Free Enterprise

Business Interest Limitation Extension

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) fixes a feature of the tax deduction for business interest expenses that penalized companies for taking out loans to invest in things like new equipment, factories, and research and development.

BACKGROUND: The 2017 Tax Cuts and Jobs Act limited business taxpayers' deductions on interest expenses to no more than 30% of "adjusted taxable income" (ATI). In addition to acting as a revenue-raising provision, the purpose of the limitation was to discourage companies from taking on excessive debt financing and to eliminate tax incentives that sometimes exist to do so. The limitation is a blunt tool for addressing a real issue (that the tax code tends to favor debt financing over equity financing). But it fails to address any bias that may exist for companies whose interest expenditures are below the ATI threshold, and it may lead to the opposite bias for companies above the ATI threshold.

A concerning aspect of the provision kicked in starting in 2022 when the definition of ATI changed to subtract off depreciation and amortization. Not only did this limit deductions for interest costs, but it also meant that investments in productive capital or intellectual property *caused* reductions in companies' interest deductions.

What OBBB Did:

- Permanently returned the interest deduction limitation to the preferred ATI threshold of 30% of earnings before interest, taxes, depreciation and amortization (EBITDA), instead of 30% of earnings before interest and taxes (EBIT).
- Retroactively fixed the threshold for the tax years 2022—2024 for taxpayers who were harmed by the change in ATI definition.
- Excludes certain foreign income from the interest deduction limitation calculation.

Why It Matters?

- Business investment is a key driver of economic growth.
- Key provisions in OBBB and TCJA were designed to remove tax barriers that discourage investment.
- Under the 2022-2024 definition of ATI, the business interest limitation would have worked against other provisions' purpose of encouraging business investment.
- Fixing the business interest limitation is a $61 billion tax cut over 10 years.

Where Can I Find the Changes? OBBB Sec. 70303, 70341-42; 26 U.S.C. § 163(j).

BOTTOMLINE: Thoughtful improvements to the business tax code—like changing how the limitation on business interest is calculated to *not* penalize investment—are helping drive the economic successes of the One Big Beautiful Bill.

Advancing American Freedom Foundation is a nonprofit institution that promotes and defends policies that elevate traditional American values.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

BUSINESS LOSS LIMITATION EXTENSION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) limitation on deductions for business losses.

BACKGROUND: Individual taxpayers with business income or losses must include that income or loss on their individual tax returns. Business income is added to other ordinary income and taxed at the same rate (ranging from 10% to 37% depending on the taxpayer's income). Prior to TCJA, active business owners with net business *losses* could use those losses to offset an unlimited amount of other income. So, for example, a taxpayer who suffered a $1.5 million business loss in the same year as he earned $1 million in wages would have no net income to be taxed and he would be able to carry a $500,000 loss forward to the next year's return.

TCJA limited business losses to an inflation-adjusted $250,000/$500,000 (single/married filing jointly) in the 2018 tax year (though the COVID-era CARES Act retroactively pushed the start of the limitation to 2021), with the limitation amount inflation-adjusted each year. Under TCJA, a single taxpayer with $1 million in wages and a $1.5 million business loss would only be allowed to deduct the first $250,000 of business loss, leaving him with $750,000 in taxable income for the year. However, any business losses disallowed could be carried forward to future years. TCJA set the business loss limitation provision to expire after 2025, but the expiration date was later pushed back to 2026 and then to 2028.

What OBBB Did:

- Made TCJA's business loss limitation permanent law.
- Reset the business loss limitation inflation adjustment, effectively reducing the limitation.
    - Reduced the limitation from $313,000/$626,000 in 2025 to $256,000/$512,000 in 2026.

Why It Matters?

- Overtaxing business owners after they suffer losses is bad policy. It further discourages entrepreneurs from taking risks that are necessary for success.
- This policy is effectively an $18 billion tax increase between 2029 and 2034.

Where Can I Find the Changes? OBBB Section 70601; 26 U.S.C. § 461(l).

BOTTOMLINE: Congress faced difficult tradeoffs in extending TCJA's tax cuts without exacerbating the deficit. The extension of the business loss limitation isn't ideal, though it should be considered in the context of a strong overall tax package.

Plymouth Institute for Free Enterprise

Increased Death Tax Exemption

Preston Brashers, Research Fellow
April 2026

Advancing American Freedom Foundation

TOPLINE: The One Big Beautiful Bill (OBBB) increased the amount of assets that are exempt from the 40% Death Tax from about $7 million to $15 million.

BACKGROUND: Death Tax is a more descriptive name that encompasses the Estate Tax and the Gift Tax. The Estate Tax is imposed on assets that are handed down at death (applied to the deceased's estate). The Gift Tax, on the other hand, applies to assets that one gifts to others throughout one's life. The tax rate for the Death Tax is 40%, except for the first $1 million of taxable estates and/or lifetime gifts (above the exemption). For the first $1 million of non-exempt transfers, tax rates ramp up from 18% to 40%.

Prior to the 2017 Tax Cuts and Jobs Act (TCJA), the Death Tax exemption amount was about $5 million and adjusted annually for inflation. TCJA doubled the exemption, so that by 2025 the exemption was roughly $14 million including inflation adjustments, but that change would have expired and reverted to $7 million on January 1, 2026.

What OBBB Did:

- Prevented the Death Tax exemption amount from being cut in half from roughly $14 million to $7 million when TCJA was scheduled to expire at the end of 2025.
- Further increased the Death Tax exemption amount to $15 million, effective January 1, 2026.

Why It Matters?

- After a lifetime of paying taxes, death shouldn't be one last taxable event.
- The Death Tax is a barrier to building intergenerational wealth and is incompatible with the principle of private property rights.
- Because family farms and businesses aren't easily divisible, the Death Tax forces some to sell off businesses instead of leaving a legacy to kids and grandkids.
- The federal government raises only about 0.6% of its revenue from the Death Tax, even before considering the lost revenue from the economic harm it causes.
- Death Tax revenues were 40+% *higher* within 5 years of TCJA doubling the exemption.
- If TCJA had expired, Americans would have faced a roughly $200 billion Death Tax increase over nine years.

Where Can I Find the Changes? OBBB Section 70106; 26 U.S.C. § 2010(c).

BOTTOMLINE: The Death Tax isn't just economically harmful, it's immoral. Congress should repeal the Death Tax or at least reduce the punitive 40% tax rate. Congress should be applauded for increasing the Death Tax exemption in OBBB.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

EXPENSING FOR EQUIPMENT AND MACHINERY

Preston Brashers, Research Fellow
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) locks in full and immediate expensing for equipment and machinery to ensure the tax code doesn't penalize companies that make the sorts of physical investments that advance worker productivity, growth, and wages.

BACKGROUND: One of the key business reforms of the 2017 Tax Cuts and Jobs Act (TCJA) was to allow full and immediate expensing of equipment and machinery costs. (to deduct these costs from taxes in full and in the year the spending occurred). Previously, instead of allowing companies to deduct the costs associated with acquiring and deploying equipment and machinery (as is allowed for other legitimate expenses), the tax code required companies to capitalize those costs following convoluted depreciation schedules of 3, 5, 7, 10, 15, or even 20 years. By the time that taxpayers were allowed to fully deduct such costs, inflation and the time value of money would erode the value of these delayed deductions.

TCJA allowed businesses to fully and immediately deduct the cost of equipment and machinery placed in service between 2018 and 2022. Full and immediate expensing was in the process of phasing down beginning in 2023 and fully expiring in 2027.

What OBBB Did:

- Reinstated full and immediate expensing for equipment and machinery and made it permanent.

Why It Matters?

- It fixed a key flaw of the business tax system that double taxed and discouraged investing in new productive capacity, a key driver of economic growth.
- Many considered full and immediate expensing for equipment and machinery to have been the most pro-growth provision in TCJA.
- OBBB improved on TCJA by not only extending full and immediate expensing, but by making it permanent.
- Full and immediate expensing for equipment and machinery is a **$363 billion** tax cut over 10 years, according to JCT estimates.

Where Can I Find the Changes? OBBB Sec. 70301; 26 U.S.C. § 168(j).

BOTTOMLINE: Full and immediate expensing for equipment and machinery is the correct tax policy. It simplifies business taxes and avoids penalizing companies that invest in the productivity of their workers by purchasing new equipment and machinery. By making full expensing permanent, companies can plan investments as far in advance as they like without worrying about the provision sunsetting.

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Plymouth Institute for Free Enterprise

Expensing for Factories

Preston Brashers, Research Fellow

April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) allows full and immediate expensing for construction costs for new factories, refineries, and certain other structures to ensure the tax code doesn't penalize companies that make physical investments that create American jobs.

BACKGROUND: A business income tax—if properly designed—shouldn't apply the tax rate to an amount that is *greater* than a company's profits. Therefore, the income tax usually allows companies to deduct legitimate business expenses. Historically, the tax code did ***not*** allow full and immediate deductions (expensing) for capital property. Instead, when companies bought and placed into service new property, they followed convoluted depreciation schedules loosely based on the expected life of the asset. By the time that taxpayers were allowed to fully deduct such costs, inflation and the time value of money would erode the value of such deferred deductions.

A key business reform in the 2017 Tax Cuts and Jobs Act (TCJA) was full and immediate expensing of equipment and machinery costs. However, TCJA left in place 39-year straight-line depreciation for factories and other structures, meaning companies could only deduct roughly 2.5% of such capital expenditures per year for 39 years.

What OBBB Did:

- Established full and immediate expensing for costs related to the construction of a factory or other structure that will be used in the manufacturing, production, or refining of tangible property (excluding food preparation for retail sales).
    - To qualify for the immediate deduction, construction on the structure must begin between January 20, 2025, and December 31, 2028, and the structure must be placed in service by December 31, 2030.

Why It Matters?

- The change explicitly addresses a key flaw in the business tax system that discourages investment in domestic manufacturing and production facilities.
- Expensing for factories and other production facilities is one of the most pro-growth provisions in OBBB, especially if Congress makes it permanent.
- Full and immediate expensing for factories and other structures for roughly four years is a **$141 billion** tax cut over 10 years, according to JCT estimates.

Where Can I Find the Changes? OBBB Sec. 70307; 26 U.S.C. § 168(n).

BOTTOMLINE: Full and immediate expensing for factories and other structures is the correct tax policy and should be made permanent. It would simplify business taxes and help ensure companies aren't punished for investing in expanded U.S. production.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

EXPENSING FOR RESEARCH AND DEVELOPMENT

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) brings back full and immediate expensing of businesses' research and development (R&D) expenditures to ensure the tax code doesn't penalize innovation.

BACKGROUND: The 2017 Tax Cuts and Jobs Act (TCJA) got most things right, but amortization of R&D was one mistake. Prior to TCJA, businesses could fully and immediately deduct all R&D expenses in the same tax year as the costs were incurred. But to secure more favorable government revenue estimates and avoid running afoul of the Senate's budget reconciliation rules, Congress included in TCJA a scheduled change that would require companies to amortize R&D over five years beginning with tax year 2022. Amortization followed a straight-line method, such that 20% of the cost could be deducted per year (though because of the midpoint convention, only 10% of the cost was deductible in the first tax year and the final 10% wasn't deductible until year six). R&D conducted outside the U.S. faced *15-year* amortization.

Lawmakers in 2017 likely didn't intend for R&D amortization to ever take effect. The general expectation was that Congress would fix or defer the R&D provision before it took effect. Unfortunately, Congress failed to act before R&D amortization took effect in 2022. It was still the law of the land until OBBB was enacted.

What OBBB Did:

- Permanently returned to allowing full and immediate expensing for R&D conducted in the U.S.
- Made the change fully retroactive to when R&D amortization took effect in 2022.
- Left in place 15-year amortization for R&D conducted outside the U.S.

Why It Matters?

- Full and immediate expensing for R&D is a **$141 billion** pro-growth business tax cut over 10 years, according to JCT estimates.
- Ending amortization of R&D especially helps startups and smaller businesses that struggle more with cash flow issues than large businesses who have easier access to capital.

Where Can I Find the Changes? OBBB Section 70302; 26 U.S.C. § 174A.

BOTTOMLINE: America has the world's greatest innovation economy. OBBB reversed a bad R&D tax policy before it had time to do too much damage to American dynamism. The 15-year amortization of R&D conducted outside the U.S. should also be replaced with full expensing.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

EXPENSING FOR ROOFS AND BUILDING SYSTEMS

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) ensures that midsize businesses can fully and immediately expense costs related to certain building improvements such as roofs, HVAC systems, security systems, and fire protection and alarm systems.

BACKGROUND: The "Section 179 deduction" is arguably the precursor to the better-known full expensing for equipment and machinery provision (Section 168(k)) that was a centerpiece of the 2017 Tax Cuts and Jobs Act (TCJA). Section 179 began in 1958 as 20% bonus depreciation on the first $10,000 spent on certain new or *used* business equipment and machinery with a useful life of at least six years. The 1981 tax reform changed it to (100%) full and immediate expensing on up to $5,000 of expenditures. Congress substantially increased the expensing amount in the 2000s and 2010s, especially in TCJA, which allowed $1 million in immediate deductions. It also had an (inflation-adjusted) $2.5 million phaseout threshold, so taxpayers purchasing qualified assets above the threshold would not qualify for the full $1 million of Section 179 expensing. TCJA expanded the provision to explicitly include building improvements related to roofs, HVACs, security systems, and fire protection and alarm systems, which are not captured under TCJA's other key expensing provision (Section 168(k)).

What OBBB Did:

- Raised the maximum amount of costs related to Section 179 property (e.g., improvements to roofs and installation of HVAC, security, and fire alarm systems) for which a company can claim a full and immediate deduction from $1.25 million per tax year to $2.5 million, effective 2025.
- Extended out the annual cost threshold where the Section 179 deduction phaseout begins from $3.13 million to $4.0 million, effective 2025.

Why It Matters?

- Many small and midsize businesses elected to claim Section 179 deductions rather than the unlimited Section 168(k) deduction because Section 179 can be applied more flexibly and Section 168(k) *had been* scheduled to expire. Raising the threshold allows them more continuity in their taxes and accounting.
- Section 179 captures some major business spending items that would otherwise be disincentivized by delaying tax deductions for years after the expenditure.
- This provision is a **$25 billion** tax cut over 10 years, according to JCT estimates.

Where Can I Find the Changes? OBBB Sec. 70306; 26 U.S.C. § 179(b).

BOTTOMLINE: Lawmakers should build on TCJA and OBBB by allowing full and immediate expensing for *all* capital assets. It would simplify taxes and avoid penalizing companies for making capital investments.

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PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

FARMLAND SALE CAPITAL GAINS TREATMENT

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) allows taxpayers to pay capital gains on certain farmland sales in installments over 4 years.

BACKGROUND: When individuals and businesses sell property that has increased in value since they acquired it, the gain on that property is potentially subject to capital gains taxes. Capital gains taxes apply to most properties: from stocks to art collections to farmland. Most long-term capital gains on farmland sales are taxed at a 15% or 20% federal rate (potentially higher for short-term gains and sales of passive investments).

How Capital Gains Taxes Hurt Farmers:
One issue with capital gains taxes is that they don't distinguish between real increases in property value versus increases in property value that reflect economywide price changes. Consider a farm owner who acquired $300,000 of farmland in 1975 who sells the same land for $2.3 million in 2025. That would be a $2 million gain for tax purposes. But after adjusting for inflation, the $300,000 the taxpayer put down on the farmland in 1975 would be worth about $1.8 million today, meaning the real gain on the property would only be about $500,000 in today's dollars. So, the taxpayer would effectively be paying capital gains taxes on $1.5 million worth of inflation.

What OBBB Did:
- Allowed taxpayers to elect to pay capital gains on U.S. farmland sales in equal installments over 4 tax years if the property and sale meet certain requirements.
  - The land must have been used by the seller for farming (including leases to other farmers) for substantially all of the previous 10 years.
  - The sold property must be subject to a legally binding restriction that it cannot be used for non-farm purposes for at least 10 years after the sale.

Why It Matters?
- Capital gains taxes on farmland sales can be a major imposition on farming families, especially when the gains are driven by inflation, not real value.
  - Allowing taxes to be paid in 4-year installments helps soften the blow.
- At current debt levels, inflation will likely be a persistent problem for decades.
- According to JCT estimates, this provision cuts taxes by about $7 billion over 10 years.

Where Can I Find the Changes? OBBB Section 70437; 26 U.S.C. § 1062.

BOTTOMLINE: A more comprehensive fix to the tax code to index capital gains for inflation would be ideal. In the meantime, allowing capital gains taxes on long-term assets like farmland to be paid over 4 years is at least moving in the right direction.

Plymouth Institute for Free Enterprise

Small Business Pass-Through Deduction

Preston Brashers, Research Fellow

April 2026

Advancing American Freedom Foundation

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the expiring pass-through deduction for mostly small business owners, avoiding a looming tax hike of up to 20% on business income.

BACKGROUND: For tax purposes, there are two main types of businesses. Publicly traded companies with more than 100 shareholders are typically organized as corporations, while most smaller companies (e.g., sole proprietors, partnerships, and "S-corporations) are "pass-through" businesses. The tax code offers different tax treatments for each. Corporations pay corporate profits, and then when the after-tax returns are ultimately transferred to shareholders, they are taxed again at the investor level as capital gains or dividends. On the other hand, pass-through profits "pass through" to the shareholders as the profits are earned and are immediately taxed as business income on their individual returns—there is no extra investor-level tax.

The 2017 Tax Cuts and Jobs Act (TCJA) reduced the corporate tax rate from 35% (near the highest in the developed world) to 21%, but left in place the top tax rate on long-term investor gains of 23.8%. TCJA reduced taxes for individuals with pass-through business income in two ways: (1) It reduced individual tax rates, including the top tax rate from 39.6% to 37%; and (2) it added a 20% qualified business income deduction (QBID). TCJA's changes reduced the top effective tax rate on qualified pass-through income from 39.6% to 29.6%. Individuals with business income from certain service industries where the main asset is the talent and reputation of employees faced special limitations, where QBID started phasing out for those with (inflation-adjusted) incomes of more than $157,500/$315,000 (single/married joint filers) of such service income and fully phased out over a range $50,000/$100,000 above that threshold.

What OBBB Did:

- Made permanent the expiring 20% pass-through deduction for non-corporate taxpayers. Combined with changes to brackets, OBBB reduced the top effective federal rate on qualified business income from 39.6% to 29.6% beginning in 2026.
- Widened the QBID phase-out range for the specified services facing the special QBID limitation, so that the limitation phases out over a $75,000/$150,000 (single/married joint filer) range instead of $50,000/$100,000.
    - The 2026 limitation phases out QBID between incomes of about $200,000-$275,000 (single) and $400,000-$550,000 (married).
- Added a minimum $400 pass-through deduction, allowing some individuals with a very small amount of business income to claim a small deduction without dealing with some of the complications of the mechanics of the deduction.

Continued on next page

Where Can I Find the Changes? OBBB Sec. 70105; 26 U.S.C. § 199A.

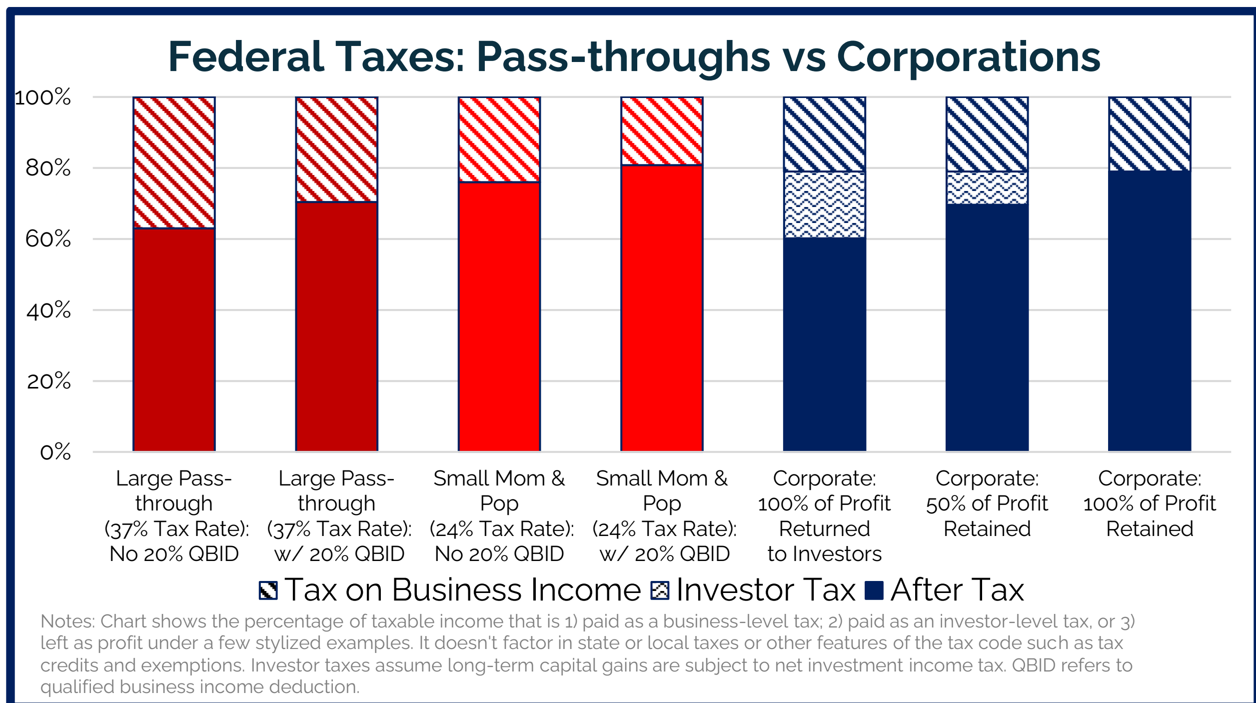
Why It Matters?

- Excessive business taxes discourage entrepreneurship and drive up the cost of living for everyday Americans.
- The extension prevented a **$730 billion** tax hike on mostly small businesses between 2026 and 2034.
- The TCJA extension prevented the effective federal tax rate on many small businesses from soaring from 29.6% to 39.6%. State and local taxes can add more than 13% in places like California or more than 14% in New York City.

Taxes and Conditions May Vary

The effective tax rate of pass-through business owners depends on their taxable income and whether they qualify for the pass-through deduction. Corporations face a flat federal corporate tax rate, but investor-level tax rates depend on income and whether gains are short or long-term. When corporations retain earnings or reinvest into the company, it allows shareholders to defer investment taxes (temporarily).

Pass-through tax treatment is more favorable than corporate tax treatment in many—but not all—situations. The chart below illustrates a few cases.



Notes: Chart shows the percentage of taxable income that is 1) paid as a business-level tax; 2) paid as an investor-level tax, or 3) left as profit under a few stylized examples. It doesn't factor in state or local taxes or other features of the tax code such as tax credits and exemptions. Investor taxes assume long-term capital gains are subject to net investment income tax. QBID refers to qualified business income deduction.

BOTTOMLINE: The pass-through deduction is complicated and not ideal policy. It's a workaround that allowed Congress to cut taxes in 2017 to a comparable degree for pass-throughs as they did for corporations. But whatever the deduction's shortcomings, allowing a major tax increase on businesses wasn't the answer. Many small business owners are breathing a major sigh of relief that Congress extended the deduction. Going forward, Congress should strive for corporate integration—alignment of the tax treatment of pass-through businesses and corporations.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

SMALL BUSINESS STOCK EXCLUSION

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) relaxed certain rules regarding what counts as qualified small business stock (QSBS), allowing more QSBS sales by original-issue shareholders to qualify for capital gains exclusions.

BACKGROUND: The tax code excludes from capital gains taxes certain sales of qualifying original-issue stock of smaller corporations. To qualify for the exclusion, certain conditions must be met. The stock of the small corporation must have been sold by an individual (or other non-corporate taxpayer) who acquired it as part of the original issue of the corporation's stock (e.g., equity stakes of original investors or stock-based compensation of founding employees of a small corporation). At least 80% of the company's assets must be used in the qualifying trade or business (but certain service businesses such as in health, law, or engineering where "the principal asset… is the reputation or skill… of its employees" do *not* qualify).

Prior to OBBB, the exclusion could only apply if the corporation had less than $50 million in gross assets at the time of the original stock issuance and if the stock was held for at least 5 years. The maximum exclusion (prior to OBBB) was the greater of $10 million or 10-times the taxpayer's basis in the property.

What OBBB Did:

- Relaxed the threshold for qualifying for the QSBS exclusion from $50 million in gross assets at the time of the stock issuance to $75 million in gross assets.
- Increased the maximum exclusion amount from $10 million to $15 million.
- Added inflation adjustments to both the gross asset threshold and the maximum exclusion amount.
- Added a phase in, so QSBS held for 3 years qualifies for a 50% exclusion and QSBS held for 4 years qualifies for a 75% exclusion (keeping a 100% exclusion for 5 years).
- Made the changes apply to stock issued after July 4, 2025.

Why It Matters?

- Corporate profits are taxed at 21% (plus state taxes). An extra 20% capital gains tax (plus state taxes) on investors and entrepreneurs who help start new corporations reduces American dynamism by making the risk seem greater than the reward.
- OBBB's expansion of the small business stock gain exclusion is a $17 billion tax cut over 10 years, according to JCT estimates.

Where Can I Find the Changes? OBBB Sec. 70431; 26 U.S.C. § 1202.

BOTTOMLINE: New corporations create jobs, pay wages, and provide competition and innovation that help drive down consumer prices. Congress should continue reducing the tax and regulatory burdens that stand in businesses' way.

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Fundamental Rights

Defunding Planned Parenthood

Firearm and Suppressor Excise Tax (Zeroing Out)

POLICY DEPARTMENT

DEFUNDING PLANNED PARENTHOOD

John Shelton, Vice President
APRIL 2026

ADVANCING AMERICAN FREEDOM FOUNDATION

TOPLINE: The One Big Beautiful Bill blocked abortion providers from receiving Medicaid through July 4, 2026. Although temporary, defunding Planned Parenthood was a praiseworthy step in the long struggle to end federal funding for abortion.

Majority of Country Opposes Taxpayer Funding for Abortion

- 54% of Americans oppose using tax dollars to pay for abortion (Marist, 2026).
    - 81% of Republicans and 52% of Independents oppose tax-funded abortions.
    - While a majority of Democrats now support federal subsidies for abortion, this is a relatively recent phenomenon.

Until OBBB, Taxpayers Continued to Fund Some Abortions

- After the *Roe v. Wade* (1973) decision, the federal government was directly financing around 300,000 abortions a year.
- The Hyde Amendment (first enacted in 1976) prohibited most direct federal funding for abortion but did not prevent taxpayer dollars from going to abortion providers through Medicaid, Title X, and other federal programs.
    - E.g., while Hyde explicitly prohibits federal funding of abortion, Planned Parenthood (the nation's largest provider of abortions) could still receive Title X funding for providing child-killing abortifacients (misleadingly classified as "contraceptives"), even while performing *de jure* abortions down the hallway.
- In 2007, Congressman Mike Pence introduced the first bill to stop abortion clinics from receiving any Title X money, even indirectly (eventually introducing legislation to bar abortionists from federal funding completely).
- A decade later, those legislative ambitions came full circle as a freshly inaugurated Vice President Pence cast the tie-breaking vote in the Senate allowing states to defund Title X.
    - Even still, Title X only accounted for 13% of Planned Parenthood's federal funding. Almost all the rest came from Medicaid.

OBBB Ended Federal Funding for Abortion through Medicaid for One Year

- Previous efforts to fully eliminate federal funding for abortion have always failed.
- While the initial version of OBBB (blocking Planned Parenthood from receiving Medicaid funding for 10 years) failed, a shorter, one-year version passed muster.
- Roughly $792 million in federal funds are no longer flowing to abortion providers.
- Scores of Planned Parenthood clinics have closed as a result of OBBB.

Where Can I Find the Changes? OBBB Section 71113.

What's Next? Congress must act to ensure that Medicaid funding for abortions doesn't restart on July 4, 2026.

EDWIN MEESE III INSTITUTE FOR THE RULE OF LAW

ZEROING OUT FIREARM & SUPPRESSOR TAX

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Amy E. Swearer, Senior Legal Fellow
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) zeroes out the cost of constitutionally suspect taxes imposed by the National Firearms Act (NFA) on the registration or transfer of suppressors, short-barrel rifles, and short-barrel shotguns.

BACKGROUND: The National Firearms Act of 1934 heavily regulated the civilian possession of suppressors, short-barrel rifles, and short-barrel shotguns, including by the imposition of a $200 tax on their registration or transfer. That tax was originally intended to make civilian ownership of certain weapons prohibitively expensive. Congress never adjusted the tax to keep pace with inflation, but it remains the relic of a vindictive effort to circumvent the Second Amendment's protection of the right to keep and bear arms.

What OBBB Did: Reduced to $0 the tax imposed on the registration or transfer of suppressors, short-barrel rifles, and short-barrel shotguns.

Why It Matters?

- In 2024 alone, law-abiding American gun owners paid over $145 million in arbitrary NFA registration and transfer taxes, a hefty penalty on their exercise of the right to keep and bear arms.
- Short-barrel rifles and short-barrel shotguns are functionally identical to other semiautomatic firearms and are clearly among the types of bearable small arms that lie at the core of the Second Amendment's protections.
- Suppressors help prevent immediate and long-term hearing loss, especially when used in tandem with other forms of ear protection. Many countries with restrictive gun laws actively encourage the use of suppressors by lawful gun owners.

Where Can I Find the Changes? OBBB Sec. 70436; 26 U.S.C. §§ 5811(a), 5821(a).

BOTTOMLINE: By zeroing out taxes imposed on the possession of suppressors, short-barrel rifles, and short-barrel shotguns, the OBBB removes arbitrary and constitutionally suspect burdens on the right of ordinary and law-abiding Americans to keep and bear arms.

Unleashing Growth Through Auctions, Leases, and Deregulation

CAFE Standards

Faster Environmental Reviews

Spectrum Auctions

Timber Sales

Coal for Energy Affordability

Unleashing Offshore Energy

Unleashing Onshore Energy

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CAFE STANDARDS - CONSUMER CHOICE FOR CARS

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Austin Gae, Policy Analyst
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) eliminated civil penalties for noncompliance with the Corporate Average Fuel Economy (CAFE) standards.

BACKGROUND: The CAFE standards are federal regulations on how far vehicles must be able to travel on a gallon of fuel. Congress created these standards in 1975 to reduce dependence on foreign oil when the United States was a major importer of petroleum. That justification is much weaker today because the United States is now a net exporter of petroleum. At the same time, fuel economy standards raise the cost of producing new vehicles, which increases car prices and pushes many Americans out of the new car market. The 2024 noncompliance penalties (after inflation adjustments) were $17 per vehicle for each tenth of a mile per gallon that a manufacturer's average fuel economy fell below the government standard.

What OBBB Did:

- Set the civil penalty to $0 for noncompliance with the CAFE standards.

Why It Matters?

- Car manufacturers paid over $1 billion in civil penalties for CAFE noncompliance from model year 2010 to 2020 (the latest year available in data).
    - Companies should not be penalized for making vehicles that don't meet Washington's political preferences.
- Defanging the CAFE standards will lead to greater choice in the vehicles Americans drive. Instead of conforming their fleets to the preferences of federal regulators, automakers will have more freedom to design and produce vehicles that meet consumers' preferences, which consider price, reliability, performance, fuel efficiency, design, size, brand, and color.
- This reform may alleviate the pressure on new vehicle prices, which currently average $49,000.

Where Can I Find the Changes? OBBB Section 40006; 49 U.S.C § 32912.

BOTTOMLINE: American consumers and producers have limited resources and therefore face tradeoffs. When the federal government requires that consumers buy cars with specific features (like meeting fleetwide mileage standards), that comes at the cost of other features or simply higher prices. Consumers should be free to choose and drive the vehicles that best suit their needs and preferences. Congress was therefore right to eliminate the CAFE noncompliance penalty, which largely defangs the requirement, but it should go further by repealing the CAFE program altogether.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

FASTER ENVIRONMENTAL REVIEWS

Austin Gae, Policy Analyst
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) allows companies to expedite the deadlines for completing environmental reviews for projects in the U.S.

BACKGROUND: The National Environmental Policy Act (NEPA), which was signed into law in 1970, is ostensibly meant to "encourage productive and enjoyable harmony between man and his environment." Under the regulations (prior to OBBB), an agency had to complete an environmental impact statement within two years when a proposed action was expected to have significant effects on the environment. The environmental assessment had to be completed within one year if the proposed action would not have a significant effect or would have an unknown impact. NEPA is a purely procedural statute that "does not mandate particular results, but simply prescribes the necessary process for an agency's environmental review of a project."

What OBBB Does:

- Allows project sponsors to pay a fee to expedite the deadlines for completing an environmental impact statement to one year, or for an environmental assessment to 180 days.
    - The fee is 125% of the anticipated cost of the environmental review.

Why It Matters?

- The median time to complete an environmental impact statement between 2010 and 2024 was 2.2 years.
- OBBB's change will save building projects from unnecessarily slow and burdensome environmental reviews that discourage economic development.

Where Can I Find the Changes? OBBB Section 60026; 42 U.S.C. § 4336f.

BOTTOMLINE: The federal bureaucracy should not be the obstacle hindering building projects from moving forward. Giving developers the option of paying a fee to expedite environmental reviews will help important projects move more quickly from planning stages to completion. Congress should be applauded for this change, but it should further cut red tape with, for example, by coupling this change with broader permitting reforms.

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SPECTRUM AUCTIONS

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) reinstates authorization for the Federal Communications Commission (FCC) to hold competitive spectrum auctions and opens more spectrum for private use.

BACKGROUND: Radio and TV broadcasts, mobile cell networks, 5G broadband, GPS, and satellite communications all transmit signals within some band of the radio spectrum. Different bands are distinguished by the frequency of the signal in cycles per second (i.e., hertz, kilohertz, megahertz, or gigahertz). Since 1934, the FCC has managed the use of radio frequencies for nonfederal radio communications. In 1993, Congress authorized the FCC to hold competitive auctions of spectrum licenses for fixed time periods. Congress periodically renewed and extended that authority for 20 years before it ultimately lapsed on March 9, 2023.

What OBBB Did:

- Reauthorizes the FCC to conduct competitive auctions of spectrum beginning September 30, 2025, while reserving certain bandwidth for military and core governmental purposes.
- Requires the FCC to auction and license at least 300 MHz of spectrum within two years. That must include 100 MHz of the "upper C-band," an underutilized spectrum band that is attractive for expansion of 5G and satellite communications.
- Requires federal agencies to identify 500 MHz of spectrum that is now limited to federal use to be redesignated and auctioned within eight years. At least 200 MHz of such spectrum must be auctioned within four years.

Why It Matters?

- Businesses and individuals in the modern information economy send and receive vast quantities of information every second.
- The proliferation of artificial intelligence will only increase private demand for spectrum and improved communication networks.
- Competitive spectrum auctions are an efficient, market-based solution to help ensure that this limited resource is put to its best use, as those who assign the highest value to the spectrum licenses win the rights to use them.
- In 2020, FCC auctions of C-band spectrum raised $81 billion, five-times more than the $15.4 billion that CBO had projected for a bill introduced the prior year.

Where Can I Find the Changes? OBBB Section 40002; 47 U.S.C. § 309(j)(11).

BOTTOMLINE: Authorization of spectrum auctions is a hidden gem (one might even say invisible to the human eye) that will facilitate more growth and innovation, helping America stay ahead of its adversaries.

Plymouth Institute for Free Enterprise

Timber Sales

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) requires the Department of the Interior to significantly boost timber sales on public lands each year through 2034 and to enter contracts to remove vegetation (which can increase wildfire risk).

BACKGROUND: Timber is a critical, but underutilized, renewable natural resource for the construction industry and the production of paper, furniture, and countless other products. Logging is an important part of the economies of states like Oregon, Washington, Georgia, and Alabama. America has vast forestlands. Based on U.S. Department of Agriculture data, the U.S has about 45 million more acres of forest than it did in 1920. Moreover, forests today, particularly in the west, are much denser on average than they were historically. Higher density forests face higher wildfire risk.

Forest products harvested from U.S. Forest Service lands were dramatically reduced in the late-1980s and early-1990s and remain far below historical norms. In 1987, 12.7 billion board feet of timber was cut on USFS lands. In 2025, only 2.5 billion board feet of timber was cut, about 80% less than in 1987.

What OBBB Does:

- Requires the USFS to increase sales of timber on public lands by at least 250 million board feet each year from 2026 through 2034.
- Requires the Bureau of Land Management (BLM) to increase sales of timber on public lands by at least 20 million board feet each year from 2026 through 2034.
- Requires the USFS to enter into at least 40 20-year contracts and the BLM to enter at least five 20-year contracts for the removal of vegetative materials from public lands.

Why It Matters?

- Despite abundant timber, the U.S. imported 42% more forest products in 2024 from other countries than it exported (U.S. International Trade Commission data).
- Construction material costs increased by 41% between 2020 and 2025. Expanded timber sales will help ease construction costs and make housing more affordable.
- Annual timber sales on U.S. lands will increase by more than 2 billion board feet by 2034 under OBBB. That's a significant increase, doubling or nearly doubling the timber harvest on public lands (but still much less public timber harvest than in prior decades).

Where Can I Find the Changes? OBBB Section 50301.

BOTTOMLINE: Responsibly harvesting a sufficient amount of America's timber resources ensures that they go to good use instead of (literally) going up in smoke.

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MORE COAL FOR ENERGY AFFORDABILITY

Austin Gae, Policy Analyst
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expands access to reliable coal resources on federal lands to help ease electricity costs for American households and businesses.

BACKGROUND: Coal has been the world's leading source of electricity for more than 50 years. It is a crucial resource for the United States, as the U.S. possesses the world's largest coal reserves, about 20% of the global total. Coal is and will remain a reliable energy source for powering America's homes and businesses. Coal accounts for about 15% of total U.S. electricity and has proven dependable during extreme weather events, most recently during January's Winter Storm Fern that swept across much of the country. Currently, about 405,000 acres of federal land are leased for coal mining, and nearly half of U.S. coal production happens on federal land.

What OBBB Did:

- Requires the Interior Secretary to make at least 4 million acres of federal land available for leasing coal resources.
- Decreases the coal royalty rate from 12.5% to 7% until 2034.

Why It Matters?

- With the proliferation of artificial intelligence (AI) and data centers, the demand for inexpensive, reliable energy sources is growing rapidly.
- More coal leases at a lower royalty rate will allow businesses to expand coal supply to meet demand, helping to ease electricity costs.
- Roughly 44,000 Americans are employed at coal mines as of 2024. Making coal resources on federal lands available helps support job creation in the coal industry.
- Coal is a critical input in the production of both electricity and steel. Unleashing American coal is good for American manufacturing.

Where Can I Find the Changes? OBBB Section 50201-50204.

BOTTOMLINE: For decades, lawmakers have sought to regulate and tax the coal industry out of existence while funneling subsidies to politically favored energy sources. With OBBB's expanded access to coal mining on federal lands, Congress is helping support reliable, affordable energy and rejecting misguided government schemes to prop up alternatives to coal at taxpayers' expense.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

UNLEASHING AMERICA'S OFFSHORE ENERGY

Austin Gae, Policy Analyst
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) unleashes American energy by requiring 36 oil and gas lease sales in the Gulf of America and the Cook Inlet of Alaska through 2040.

BACKGROUND: Offshore oil and gas production delivers substantial economic and energy benefits to Americans, contributing $30 billion to GDP in fiscal year 2024. Offshore drilling supplies about 668 million barrels of oil (14% of total domestic output) and 700 billion cubic feet of natural gas (2% of total domestic output) per year. Government revenue from offshore oil and gas activities was $5.8 billion in fiscal year 2025, benefiting American taxpayers. Leases are issued for five to 10 years and then may be extended for decades if the leases produce reliable energy for Americans.

What OBBB Does:

- Requires 30 oil and gas lease sales in the Gulf of America through 2040.
- Requires six oil and gas lease sales in Cook Inlet of Alaska through 2032.
- Lowers the royalty rate that oil and gas companies must pay from between 16.66% and 18.75% to between 12.5% and 16.66%.

Why It Matters?

- More offshore oil and gas leases will create additional jobs beyond the 266,000 positions that offshore oil and gas already provides.
- Natural gas is responsible for about 40% of U.S. electricity generation, so expanded offshore energy production is an important contributor to affordable electricity prices.
- Each barrel of crude oil produces about 20 gallons of gasoline, 12 gallons of diesel, 4 gallons of jet fuel, and other oil products. Expanding the supply of oil and gas improves the affordability of everyday goods and services like groceries, clothing, and airfare.
- Harnessing America's natural resources increases its energy security and shields the country from price volatility due to foreign conflicts and disasters.

Where Can I Find the Changes? OBBB Section 50102; 43 U.S.C. § 1331, 1337.

BOTTOMLINE: Abundant energy is a key driver of economic dynamism, affordability, and energy security. Expanding the energy supply by simply opening more opportunities to explore and drill for oil and gas is a win-win for American consumers, workers, and companies alike.

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Plymouth Institute for Free Enterprise

Unleashing Onshore Energy

Austin Gae, Policy Analyst
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) unlocks America's onshore energy potential by requiring additional oil and gas leases on public land.

BACKGROUND: The U.S. is abundantly endowed with energy resources, including an estimated 29 billion barrels of oil, 392 trillion cubic feet of natural gas, and 8.4 billion barrels of natural gas liquids located on federal lands. Alaska, New Mexico, Nevada, Wyoming, and Texas hold the largest oil resources on federal lands while Alaska, New Mexico, Colorado, Wyoming, and Texas lead in natural gas resources. Federal lands accounted for 14% of U.S. oil production and 10% of natural gas production in FY 2024, making a meaningful contribution to reliable and affordable American energy.

What OBBB Does:

- Decreases the minimum oil and gas royalty rate from 16.66% to 12.5%.
- Requires at least four oil and gas lease sales each fiscal year in each of these states: Wyoming, New Mexico, Colorado, Utah, Montana, North Dakota, Oklahoma, Nevada, and Alaska.
- Requires at least four oil and gas lease sales in the Coastal Plain region in Alaska and at least five in the National Petroleum Reserve in Alaska within 10 years.

Why It Matters?

- More oil supply makes goods and services more affordable. Each barrel of crude oil produces about 20 gallons of gasoline, 12 gallons of diesel, 4 gallons of jet fuel, and other petroleum products.
    - Lower costs are reflected in everything from food prices to shipping costs to air travel.
- Onshore oil and gas development on federal lands provided almost 250,000 U.S. jobs as of 2022. Expanding onshore oil leases will expand American job opportunities.
- States benefit, receiving 50% of bid payments, production royalties, and other revenues from federal oil and gas leases. These funds help finance government services to Americans or reduced state taxes.

Where Can I Find the Changes? OBBB Section 50101, 50104-50105;
30 U.S.C. § 226, 16 U.S.C § 3143, 42 U.S.C. § 6506a.

BOTTOMLINE: Congress helped American workers and consumers by unlocking more lands for oil and gas development, prioritizing energy affordability and quality American jobs.

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ROLLING BACK THE GREEN NEW DEAL

Rollback of Green Energy Subsidies (Overview)

Electric Vehicle Subsidies (Repeal)

Green Manufacturing Production Subsidies (Rollback)

Home Energy Subsidies (Repeal)

Hydrogen Subsidies (Phaseout)

Rescissions of Climate Funding

Wind and Solar Energy Subsidies (Rollback)

Plymouth Institute for Free Enterprise

Rollback of Green Energy Subsidies

Austin Gae, Policy Analyst
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) rolled back about $500 billion in planned green energy subsidies over the next 10 years and helped put the American people and businesses back in control of their own energy choices.

BACKGROUND: The Inflation Reduction Act (IRA), signed by President Biden in 2022, pushed a forced energy transition on Americans through expansive clean energy subsidies that would have cost an estimated $1 trillion or more over 10 years. Against this backdrop, OBBB represents a necessary course correction, reining in costly subsidies and allowing energy choices to be driven by businesses and consumers rather than Washington.

What OBBB Did:

- Terminated electric vehicle subsidies, saving about $190 billion.
- Restricted the advanced manufacturing production subsidy, saving about $50 billion.
    - Eliminated the subsidy for unreliable wind energy components after 2027.
- Terminated home energy subsidies, saving about $100 billion.
- Repealed the clean hydrogen subsidy after 2027, saving nearly $6 billion.
- Rescinded about $20 billion in IRA climate funding.
- Restricted wind and solar electricity subsidies, saving about $190 billion.
    - Ended wind and solar subsidies, except for projects placed in service before the end of 2027 or that start construction by July 2026.

Why It Matters?

- These changes reduce the 10-year (2025-2034) deficit by about $500 billion.
- Repealing subsidies prevents politicians from picking energy winners and losers, putting energy decisions back in the hands of American consumers and businesses.
- Green energy subsidies have a negligible impact on the climate—even a complete elimination of U.S. carbon emissions would reduce global temperatures by only 0.23°C by 2100.

Where Can I Find the Changes? OBBB Sec. 70501 - 70515,
26 U.S. Code § 25C-25E, 30D, 45L, 45V-45Y, 48E.

BOTTOMLINE: Congress was right to repeal and restrict the green energy subsidies in the One Big Beautiful Bill, saving taxpayers from costly political favoritism in energy policy that would indirectly starve investment in cutting-edge industries.

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REPEAL OF ELECTRIC VEHICLE SUBSIDIES

Austin Gae, Policy Analyst
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) repealed about $190 billion in electric vehicle (EV) subsidies that would have mostly benefited high-income households.

BACKGROUND: The Inflation Reduction Act of 2022 expanded subsidies that incentivize typically wealthier consumers to purchase EVs over gasoline-powered vehicles. At the same time, these subsidies steer American automakers to build cars based on political incentives rather than consumer demand. If retained over the long run, the subsidies would have left an important American industry dependent on continued government support.

What the OBBB Did:

- Repealed the new EV subsidy of up to $7,500, effective September 30, 2025.
- Repealed the used EV subsidy of up to $4,000, effective September 30, 2025.
- Repealed the commercial EV subsidy of up to $40,000, effective September 30, 2025.
- Pushed forward the expiration of the subsidy (of up to 30%) for EV charging stations and other alternative fuel vehicle refueling properties from December 31, 2032 to June 30, 2026.

Why It Matters?

- These terminations will reduce the deficit by about $190 billion over a 10-year period from 2025 to 2034.
- These repeals help prevent politicians and lobbyists from meddling in decisions about which vehicles consumers purchase and what type of vehicles automakers manufacture, returning those decisions back to the people.
- Automakers can now focus on market conditions and consumer demand, instead of changing their business to chase government subsidies.

Where Can I Find the Changes? OBBB Sec. 70501-70503;
26 U.S. Code § 25E, 30C, 30D, 45W.

BOTTOMLINE: Consumers should be free to buy EVs if it fits their budget and their preferences, but forcing other Americans to subsidize such purchases is harmful and wrong. Congress should be applauded for repealing these special interest subsidies.

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GREEN MANUFACTURING SUBSIDY ROLLBACK

Austin Gae, Policy Analyst

APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) restricted about $50 billion in green manufacturing production subsidies for politically favored solar, wind, batteries, inverters, and critical minerals.

BACKGROUND: The 2022 Inflation Reduction Act created the misnamed Advanced Manufacturing Production Credit to incentivize the production of solar panel components, wind turbine components, battery components, inverters, and minerals designated as "critical" to the government's heavy-handed push for a green energy transition. The subsidy amount is specific to the unique component. The subsidy phases out for components by 2032, except for the production of critical minerals (which were not given a sunset date).

What OBBB Does:

- Phases out the subsidy for minerals deemed critical for green energy by 2033.
- Accelerates the termination of the subsidy for wind energy components to December 31, 2027.
- Denies the subsidy for products and minerals that rely too heavily on Chinese inputs.

Why It Matters?

- The subsidy diverts capital investment toward green energy manufacturing, benefiting less than 1% of the U.S. manufacturing sector at the expense of the other 99%.
- Government shouldn't subsidize the production of unreliable energy technologies like solar panels, wind turbines, and short-duration batteries at the expense of reliable energy sources.
    - Subsidies for less reliable energy contribute to grid unreliability.
- OBBB's restrictions on these subsidies will reduce the deficit by about $50 billion over a 10-year period (2025-2034), according to JCT estimates.

Where Can I Find the Changes? OBBB Section 70514; 26 U.S. Code § 45X.

BOTTOMLINE: Left to their own devices, American businesses are free to produce the goods that consumers demand, instead of those favored by politicians. Federal interventions like the Advanced Manufacturing Production Credit make companies focus on what the government wants instead of what consumers want. Ideally, Congress should have ended the subsidy immediately, but Congress should be applauded for rolling back these subsidies.

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Plymouth Institute for Free Enterprise

Repeal of Home Energy Subsidies

Austin Gae, Policy Analyst
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) repealed about $100 billion in subsidies for home energy modifications that would have mostly benefited upper middle-income households at the expense of other Americans.

BACKGROUND: The Inflation Reduction Act (IRA) of 2022, shifted the cost of certain government-favored home energy products away from the households that purchase them and onto other Americans. The Residential Clean Energy Credit offset 30% of the costs of government favored products such as solar panels, solar water heaters, wind turbines, geothermal heat pumps, fuel cells, and batteries. The Energy Efficient Home Improvement Credit offset 30% of the costs of politically favored energy efficient technologies with annual limits. The New Energy Efficient Home Credit subsidized up to $5,000 related to building houses that meet certain energy standards of the federal government.

What OBBB Did:

- Repealed the Residential Clean Energy Credit as of December 31, 2025.
- Repealed the Energy Efficient Home Improvement Credit as of December 31, 2025.
- Repeals the New Energy Efficient Home Credit on June 30, 2026.

Why It Matters?

- Rolling back these subsidies will reduce the deficit by about $100 billion over a 10-year period (2025-2034), according to JCT estimates.
- Whenever the tax code advantages one set of people or businesses, others are put at a relative disadvantage. In this case, the burden falls on households that do not use politically favored household energy products.

Where Can I Find the Changes? OBBB Section 70505-70506, 70508;
26 U.S. Code § 25C, 25D, 45L.

BOTTOMLINE: People should be free to build or modify their homes based on their own preferences, but other Americans should not be forced to subsidize those decisions. In 2022, lawmakers who passed the IRA were wrong to impose the government's home energy preferences on families. Last year, Congress was right to reverse the subsidies.

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Plymouth Institute for Free Enterprise

Phaseout of the Hydrogen Subsidy

Austin Gae, Policy Analyst
April 2026

Advancing American Freedom Foundation

TOPLINE: The One Big Beautiful Bill (OBBB) accelerates the phaseout of a subsidy for the production of green hydrogen.

BACKGROUND: Hydrogen energy is used mainly for refining petroleum and producing fertilizer. Hydrogen is commonly produced through a process in which methane reacts with hot steam to produce hydrogen and carbon monoxide, which reacts again with steam to produce more hydrogen and carbon dioxide. Another process is the use of electricity to split water atoms to create hydrogen. The Inflation Reduction Act (IRA) created the Clean Hydrogen Production Credit, which can be claimed for up to 10 years from the time a facility is placed in service, to incentivize hydrogen produced with low lifecycle greenhouse gas emissions.

What OBBB Does:

- Accelerates the phaseout of the hydrogen subsidy, so that the subsidy only applies to facilities for which construction begins before January 1, 2028 (instead of January 1, 2033).

Why It Matters?

- The subsidy distorts business decisions on how to produce hydrogen, pushing companies to create energy through politically favored methods instead of more cost-competitive ways.
    - The production of green hydrogen is three times more expensive than hydrogen from fossil fuel.
- The longer Congress leaves open the window to the subsidies, the more likely they are to be extended indefinitely. As Milton Friedman once said, "Nothing is so permanent as a temporary government program."
- This phaseout reduces the deficit by about $6 billion over a 10-year period (2025-2034), according to estimates from JCT.

Where Can I Find the Changes? OBBB Section 70511; 26 U.S.C. § 45V.

BOTTOMLINE: The government shouldn't meddle in how hydrogen is produced. Whether hydrogen is produced through steam-methane reforming, electrolysis, or other methods, those decisions are best left to the innovators in the private sector who understand their industry. Congress took an important step in accelerating the expiration of the subsidies. Ideally, lawmakers should finish the job by immediately terminating the subsidies.

Plymouth Institute for Free Enterprise

Rescissions of Climate Funding

Austin Gae, Policy Analyst
April 2026

Advancing American Freedom *Foundation*

TOPLINE: The One Big Beautiful Bill (OBBB) rescinded about $20 billion in taxpayer dollars that would otherwise have been used to fund wasteful climate programs.

BACKGROUND: The 2022 Inflation Reduction Act authorized about $120 billion in grants and loans for energy and climate programs for certain businesses, state and local governments, and other entities, at the expense of American taxpayers. These subsidies significantly expanded the federal government's involvement in directing capital toward green energy, greenhouse gas emissions-reduction efforts, and other climate-related projects.

What OBBB Did:

- Rescinded about $14.5 billion in taxpayer-funded environmental and climate spending, including green energy loans and loan guarantees, so-called environmental and climate justice block grants, and methane reduction incentives.
- Rescinded over $1 billion in funding for "green" upgrades to government buildings and certain housing, and for measuring and labeling the greenhouse gas emissions of construction materials and products.
- Rescinded nearly $5 billion in funding for transportation programs that direct taxpayer dollars toward zero-emission medium- and heavy-duty vehicles, low-carbon transportation materials, sustainable aviation fuel, and other politically favored initiatives.

Why It Matters?

- Government favoritism weakens market competition and innovation and spreads costs across American taxpayers while concentrating gains for a few.
- These rescissions scaled back government transfers of taxpayer dollars to politically favored interest groups through climate and environmental programs.
- Rescinding wasteful spending sets an important precedent. All too often, lawmakers treat government spending programs as irrevocable.

Where Can I Find the Changes? OBBB Section 10201, 30002, 40008, 40010, 50304, 50402, 60001-60024.

BOTTOMLINE: The national debt is over $39 trillion. While the scale of OBBB's rescissions is modest in comparison, getting the nation's fiscal house in order must start with the low-hanging fruit—like eliminating frivolous spending that wastes taxpayer dollars and undermines free-market competition.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

ROLLBACK OF WIND AND SOLAR SUBSIDIES

Austin Gae, Policy Analyst
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) cuts $190 billion in electricity subsidies for unreliable solar and wind projects.

BACKGROUND: The Inflation Reduction Act (IRA) created the "Clean Electricity Investment Tax Credit" (ITC) and "Clean Electricity Production Tax Credit" (PTC). The Clean Electricity ITC subsidizes investments related to electricity-generating facilities with no greenhouse gas emissions and energy storage technologies. The Clean Electricity PTC subsidizes electricity production with no greenhouse gas emissions for a facility's first 10 years. Under the IRA, the subsidies would start to phase out in 2033 or when greenhouse gas emissions from the electricity sector fell to 25% of 2022 emissions, whichever comes later (likely extending the subsidies well beyond 2033).

What OBBB Does:

- Eliminates the subsidies for wind and solar projects unless they start construction by July 4, 2026, or are placed in service by December 31, 2027.
- Denies the subsidy to projects that rely on significant amounts of Chinese inputs.

Why It Matters?

- The reliability of the electric grid depends on energy production that is reliable enough to consistently meet energy demand.
- Subsidies drive overinvestment in intermittent wind and solar and short-duration batteries. In 2026, renewables and batteries had been projected to make up about 99% of the planned net change in capacity, contributing to grid unreliability.
- Rolling back these subsidies will reduce the deficit by an estimated $190 billion over 10 years, according to the JCT.
- The U.S. should not follow Germany and the United Kingdom, where the green energy transition has resulted in electricity prices that are about twice as high as those in the U.S.

Where Can I Find the Changes? OBBB Section 70512-70513; 26 U.S.C. § 45Y, 48E.

BOTTOMLINE: Renewables should compete on a level playing field with natural gas, coal, and other energy sources. Subsidizing unreliable energy at the expense of reliable sources weakens competition, hurts taxpayers, and threatens the grid in the long run. While immediate repeal is ideal, Congress took a huge positive step in restricting these electricity subsidies in OBBB.

Waste, Abuse, and Federal Administration

Provider Tax

Reducing Waste, Fraud, and Abuse

Relaxed IRS Reporting Rules

Welfare Work Requirements

Plymouth Institute for Free Enterprise

Provider Taxes & State Medicaid Abuse

Richard Stern, Vice President

April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) reins in provider tax schemes, in which states exploit a loophole in the Federal Medical Assistance Percentage (FMAP) to funnel in extra federal tax dollars.

BACKGROUND: Medicaid requires states to pay for a portion of total program costs with the remainder being paid for with federal tax dollars. The federal share is the FMAP. The FMAP is higher for states with higher poverty levels and differs for different covered populations. Currently, these rates are between 50% and 77%, meaning that the federal government will generally give states an extra $1 to $3.35, respectively, for each $1 a state contributes. This creates a loophole whereby states could tax healthcare providers, contribute that money to Medicaid spending, and then receive extra money from the federal government to ultimately pay healthcare providers more than what they just paid in provider taxes. States began taking advantage of this scheme in the mid-1980s and then Congress moved to limit this abuse. This loophole became even more lucrative for providers to the Affordable Care Act (ACA) expansion population (able-bodied adults without dependents), for whom the FMAP is 90% (meaning that the federal government will contribute $9 for every $1 spent by states).

What OBBB Did:

- Prevents states and localities from taking additional federal matching funds if they impose new or increased provider taxes only to return the funds back to the providers through higher Medicaid contributions.
- Reduces the maximum provider tax for states with existing provider taxes from 6% of net patient revenue to 3.5%, by 0.5% increments between 2028 and 2032.

Why It Matters?

- Many state governments have used this loophole to game the FMAP and inappropriately rake in tens of billions of taxpayer dollars. Limiting provider taxes undoes this loophole and protects taxpayers.
- Recently, the provider tax loophole has been used mostly to increase federal taxpayer dollars going to able-bodied adults without dependents, as opposed to focusing on the vulnerable populations Medicaid was created to service.

Where Can I Find the Changes? OBBB Section 71115; 42 U.S.C. § 1396b(w)(4).

BOTTOMLINE: When states can push off all the cost of Medicaid expansions onto federal taxpayers, they have little incentive to contain waste, fraud, and abuse.

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Plymouth Institute for Free Enterprise

Reducing Waste, Fraud, and Abuse

Rachel Greszler, Senior Research Fellow

April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) drastically restricts federal taxpayers' tab for improper payments in the two largest state-administered federal welfare programs: Medicaid and Food Stamps (SNAP).

BACKGROUND: The federal government issued $1.9 trillion in improper payments over the past decade, including $184 billion—roughly $1,400 per household—in FY 2025 alone. Actual amounts are significantly higher—Medicaid, for example, may have had $541 billion more than reported over the past decade. Improper payments are especially high in state-administered programs because states are detached from the costs, shielded from the consequences, and rewarded for increasing spending rather than safeguarding taxpayers' dollars.

What OBBB Does in Medicaid:

- Requires states, by the end of 2026, to conduct eligibility redeterminations every six months instead of every 12 months for "expansion enrollees," who are able-bodied adults without dependents, and for whom the federal government pays 90% of Medicaid costs.
- Restricts states, beginning in 2030, from receiving "good faith" waivers for their eligibility-related improper payments that exceed three percent.

What OBBB Does in Food Stamps:

- Requires states, beginning in 2028, to pay for a portion of SNAP benefits when their improper payments exceed specified thresholds.
- Increases states' share of administrative costs from 25% to 50%, beginning in FY 2027.

Cost Sharing for SNAP Improper Payments	
State Share of SNAP Benefit Costs	**Improper Payment Rate**
0%	Under 6.0%
5%	6.0% - 7.99%
10%	8.0% - 9.99%
15%	10% and over

Why It Matters?

- Improper payments are enormous, incentives are misaligned, and taxpayers should not have to pay for fraud, abuse, and reckless errors.
- CBO estimated 10-year savings of $62.6 billion from Medicaid redeterminations, $7.6 billion from waiver restrictions, and $68.6 billion from SNAP cost sharing.

Where Can I Find the Changes? OBBB Sections 10105, 71106, and 71107; 7 U.S.C. § 2025 and 42 U.S.C. § 1396a-b.

BOTTOMLINE: By requiring states to have skin in the game, these provisions will reduce incentives that invite waste, fraud, and abuse of taxpayer dollars.

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RELAXED IRS REPORTING RULES

Preston Brashers, Research Fellow

APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) raised the annual threshold above which third-party settlement companies are required to report payment transactions between parties to the IRS. This change helps ensure that things like small Venmo payments between friends aren't swept into IRS reporting requirements.

BACKGROUND: Historically, third party payment settlement companies like Venmo, PayPal, eBay, and Etsy only had to report to the IRS payment transactions if a payee had more than 200 transactions that added up to more than $20,000 in a year (Form 1099-K). The 2021 American Rescue Plan eliminated the 200 transaction threshold and lowered the dollar threshold from $20,000 to $600. This push to give the IRS more visibility into small transactions coincided with a push to bolster IRS funding and expand audits and enforcement against Americans (the next year Congress voted to give the IRS $80 billion in extra supplementary funding). Facing public backlash over the proposed changes to 1099-K reporting, the IRS delayed implementation of the lower threshold multiple times and through administrative rulings scheduled a gradual transition to the lower $600 threshold ($5,000 in 2024 and $2,500 in 2025).

What OBBB Did:

- Increased the statutory reporting threshold for third-party payment settlement companies from $600 per payee per year back to $20,000 per payee per year.
- Reinstated the pre-2021 threshold that only required payment settlement companies to report transactions for individual payees with 200+ transactions in a year.
- Made changes retroactively to eliminate any doubt about the validity of IRS rules that effectively waived or changed reporting requirements for 2022 - 2025.

Why It Matters?

- There were 13 million 1099-K Forms in 2022 before the lower threshold took effect. The IRS anticipated an estimated 44 million forms with the lower $600 threshold.
- Danny Werfel, the Biden-appointed IRS Commissioner, testified under oath that the lower threshold would be complicated to administer for the IRS (let alone for all the affected companies and individuals).
- JCT estimated stricter reporting would have raised taxes by $4 billion in 9 years.

Where Can I Find the Changes? OBBB Section 70432 - 70433; 26 U.S.C. § 6050W.

BOTTOMLINE: The IRS could only delay implementation of the unpopular reporting changes for so long. Fortunately, the 119th Congress fixed the 117th Congress's mistake with OBBB.

Plymouth Institute for Free Enterprise

Welfare Work Requirements

ADVANCING AMERICAN FREEDOM FOUNDATION

Rachel Greszler, Senior Research Fellow

April 2026

TOPLINE: The One Big Beautiful Bill (OBBB) imposed new work requirements and expanded existing ones for able-bodied adults in the two largest state-administered federal welfare programs (Medicaid and Food Stamps) saving roughly $400 billion.

BACKGROUND: As welfare programs, enrollment in and spending on Medicaid and Food Stamps should rise during recessions and fall during economic expansions. Yet, more people received food stamps and, even after adjusting for inflation, more money was spent on them in 2025 when the unemployment rate averaged 4.3% than in 2010 when it averaged 9.6%. Similarly, Medicaid enrollment is up about 30% and inflation-adjusted spending has increased more than 50% since 2010. The expansion of Medicaid to able-bodied adults without children or other dependents and growing exemptions from food stamp work requirements are major reasons for excessive growth in these programs.

What OBBB Does:

- **Medicaid**. Beginning in 2027, able-bodied adults (ages 19-64) without dependents under age 14 will have to spend at least 80 hours per month in community engagement—including work, job training, education, or community service—to receive Medicaid benefits.
- **SNAP.** Beginning in 2027, states will not be able to exempt as many people from SNAP's work requirement of 80 hours per month in community engagement. Exemptions will generally not be allowed for individuals who are able-bodied adults ages 19-64 without dependents under age 14.

Why It Matters?

- Welfare should be for those in need. Working families should not have to give up part of their paychecks to support idleness among able-bodied, working-age adults without dependents.
- By increasing employment, work requirements help grow incomes, output, and the economy while promoting human flourishing through the dignity of work.
- CBO estimates these provisions will save roughly $400 billion over 10 years, including $69 billion in SNAP and $326 billion in Medicaid.

Where Can I Find the Changes? OBBB Sections 10102 and 71119; 7 U.S.C. § 2015 and 42 U.S.C. § 1396a.

BOTTOMLINE: These commonsense work requirements preserve welfare for those in need, save taxpayers $400 billion, and promote human flourishing through the dignity of work.

Subsidies and Expanded Tax Credits

Carbon Oxide Sequestration Subsidy

Tax Credits for Child and Dependent Care

Tax Credits for CHIPS Investments

Clean Fuel Production Subsidy

Low-Income Housing Tax Credit

Paid Family and Medical Leave Tax Credit

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CARBON OXIDE SEQUESTRATION SUBSIDY

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Austin Gae, Policy Analyst
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) expanded subsidies for carbon oxide sequestration.

BACKGROUND: The Carbon Oxide Sequestration Credit subsidizes carbon oxide (including carbon dioxide) captured from direct air capture facilities, power plants, and other industrial sources and then geologically stored or put to commercial use. The subsidy value varies based on the method of capture and how the carbon oxide is ultimately used. Construction of the carbon capture equipment must start before January 1, 2033 to qualify, and the subsidy can be claimed for a 12-year period after the technology is placed in service.

What OBBB Did:

- Made the $85-per-ton subsidy amount ($180-per-ton for direct air capture), which was previously available for carbon oxide geologically stored and not used, also apply to carbon oxide that is either used and stored or used in other qualifying ways.

Why It Matters?

- Carbon capture requires government support to remain viable. The Energy Information Administration projected carbon capture would expand in the 2030s because of the subsidy before cratering in the 2040s and 2050s, assuming the subsidy is allowed to expire.
- This subsidy was created in 2008 and has been extended multiple times. If Congress does not repeal it soon, subsidy-driven investment and job growth in the carbon capture industry will intensify political pressure for further extensions, making eventual repeal more disruptive and less likely.
- The carbon sequestration subsidy has minimal impact on U.S. carbon emissions (a fraction of a percentage), let alone global temperatures.
- OBBB's modifications increase the federal deficit by $14 billion over a ten-year period (2025-2034).

Where Can I Find the Changes? OBBB Section 70522; 26 U.S.C. § 45Q.

BOTTOMLINE: Subsidies to capture carbon dioxide have a negligible effect on emissions, making them ineffective at improving the environment, while they are also costly to American taxpayers. Congress should terminate this subsidy before it creates an entire industry that cannot survive without permanent government support.

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TAX CREDITS FOR CHILD AND DEPENDENT CARE

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expanded: (1) The Employer-Provided Child Care Credit, (2) The Dependent Care Assistance Program (DCAP) exclusion, and (3) The Child and Dependent Care Tax Credit (CDCTC).

BACKGROUND: The Employer-Provided Child Care Credit offsets a portion of the expenses of *employers* who provide child care to their employees.

DCAPs are benefits that employers provide or pay for employees to assist with household and dependent care services that are necessary for employment. The exclusion allows employees to exclude DCAP benefits from income for tax purposes.

The CDCTC is a non-refundable tax credit for workers and job seekers that offsets expenses related to caring for children under 13 and dependents who are incapable of self-care. Qualifying services may include daycare, pre-school, after-school care, in-home care, and others. Before OBBB, the credit was limited to $3,000 of expenses for one qualifying child or individual or $6,000 for two or more qualifying individuals.

What OBBB Did:

- Increased the Employer-Provided Child Care Credit from 25% to 40% for eligible expenses (50% for eligible small businesses), beginning in 2026.
- Increased the maximum DCAP exclusion amount from $5,000 to $7,500 in 2026.
- Made the CDCTC credit phase out at higher incomes. For married filers:
  Pre-OBBB credit: 35% phasing down to 20% between $15,000 - $43,000 AGI;
  Credit starting 2026: 50% phasing down to 35% between $15,000 - $43,000 AGI, then phasing down to 20% between incomes of $150,000 & $206,000.

Why It Matters?

- The federal government shouldn't subsidize formal child care over other arrangements like a stay-at-home parent, relatives or nannies caring for children.
- According to an IFS study, only 11% of parents of kids ages 0-4 report preferring full-time center-based childcare to other options.

Where Can I Find the Changes? OBBB Section 70401, 70404, 70405;
26 U.S.C. § 45F, § 129(a), § 21(a).

BOTTOMLINE: When the government tries to help families, it usually does the opposite. Parents know better than government what arrangements are right for their children and their family.

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INCREASED TAX CREDIT FOR CHIPS INVESTMENTS

Preston Brashers, Research Fellow

APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) increased the CHIPS Tax Credit for business investments in semiconductor manufacturing equipment and the construction of semiconductor manufacturing facilities.

BACKGROUND: The CHIPS and Science Act of 2022 included various incentives for investments in facilities that produce semiconductors in the United States, including grants, loans, and the CHIPS Tax Credit. The CHIPS Tax Credit (also known as the Advanced Manufacturing Investment Credit) offset 25% (prior to OBBB) of qualifying investments in buildings, structural components, and tangible property for which the main purpose is manufacturing semiconductors or semiconductor manufacturing equipment in the United States. Foreign entities of concern (e.g., Chinese companies) are prohibited from receiving the credit. The credit was made available only for property for which construction begins before December 31, 2026. The Congressional Budget Office published estimates suggesting that the original CHIPS Tax Credit would reduce business taxes by about $24 billion through FY 2031

What OBBB Did:

- Raised the CHIPS Tax Credit percentage from 25% to 35% of qualifying investments for property in which construction begins after December 31, 2025.
- Kept in place the credit's original expiration date, meaning the CHIPS Tax Credit only applies to property for which construction begins by December 31, 2026.

Why It Matters?

- Semiconductors are an integral part of many modern products.
- With the proliferation of artificial intelligence (AI) technology, semiconductor manufacturing has boomed. McKinsey estimated that the value of the global semiconductor market would grow from $775 billion in 2024 to $1.6 trillion in 2030.
- The increased CHIPS Tax Credit is a **$15 billion** expansion of the tax preference.
- Heavy-handed industrial policies can weaken domestic industry instead of strengthening it, making companies dependent on continued government subsidization, ultimately reducing innovation.

Where Can I Find the Changes? OBBB Sec. 70308; 26 U.S.C. § 48D(a).

BOTTOMLINE: A tax credit that is large enough to meaningfully increase a specific type of investment is a tax credit large enough to distort markets and business decisions. Congress should *not* further expand or extend the CHIPS Tax Credit.

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Expansion of Clean Fuel Production Subsidy

Austin Gae, Analyst
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expanded the clean fuel production credit.

BACKGROUND: The Inflation Reduction Act (IRA) enacted the clean fuel production credit, which subsidizes the production of transportation fuels with zero to low greenhouse gas (GHG) emissions for highway vehicles or aircraft through the end of 2027. Fuels that qualify include ethanol, biodiesel, renewable diesel, renewable natural gas, propane, naphtha, hydrogen, and sustainable aviation fuel (SAF). The IRA allowed producers of non-aviation fuels to receive up to $1.00 per gallon and producers of aviation fuels up to $1.75 per gallon, but the amount decreases as the fuel's lifecycle greenhouse gas (GHG) emissions increase. Under the IRA, the lifecycle GHG emission calculation factors in not only direct emissions but estimates of indirect emissions related to the conversion of land to cropland to produce biofuel feedstock.

What OBBB Does:

- Extends the clean fuel subsidy to the end of 2029.
- Requires that the fuel's feedstock be sourced in the United States, Mexico, or Canada.
- Excludes emissions related to the conversion of land to cropland to produce biofuel feedstocks like corn from the calculation of lifecycle GHG emissions.

Why It Matters?

- The change in the calculation of GHG emissions will make the credit more readily available for land-intensive biofuels like corn ethanol and soy biodiesel.
- The government does not need to subsidize biofuels like ethanol, which has been a beneficial additive to gasoline since before government intervened in this market. The private sector would, on its own, produce biofuels based on their benefits to American consumers and businesses.
- The subsidy expansion increases the deficit by about $25 billion over a 10-year period from 2025 to 2034, according to the Joint Committee on Taxation.

Where Can I Find the Changes? OBBB Sec. 70721; 26 U.S.C. § 45Z.

BOTTOMLINE: OBBB's changes extend the clean fuel credit, simplify its calculation, and make it more readily available for ethanol producers. The problem is that this expands a subsidy that distorts transportation fuel markets. Congress should eliminate all federal energy-related subsidies, including the clean fuel production subsidy.

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Low-Income Housing Tax Credit Changes

Preston Brashers, Research Fellow

April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expanded housing developers' access to Low-Income Housing Tax Credits (LIHTCs).

BACKGROUND: The Tax Reform Act of 1986 created the LIHTC with the intention of incentivizing housing developers to build or rehabilitate "affordable housing." Roughly speaking, the LIHTC includes two alternative types of credits—the "9 percent credit," and the "4 percent credit"—that developers can claim each year for 10 years. Both credits are distributed by state housing agencies to developers. Each state receives an allocation of 9 percent LIHTCs based on population (with a fixed minimum for small states). To qualify for the 4 percent credits, at least 50% of the basis in the building had to be financed with tax-exempt private activity bonds. Therefore, state and local governments (ultimately taxpayers) shared some of the cost of 4 percent credits.

The LIHTC is only allowed for the share of units rented by low-income residents, so receiving the subsidy depends on income verification of tenants. The credits are governed by complicated federal and state rules. In 2023, the Novogradac & Company LLP published a 1,798-page LIHTC Handbook to help developers navigate the credit.

What OBBB Did:

- Increased LIHTC allocations based on state population (9 percent credits) by 12%.
- Increased the federal share of the 4 percent credits by relaxing the tax-exempt bond threshold from 50% to 25% to qualify for the lower 4% credit rate.

Facts, Figures, and Things to Know

- LIHTC subsidies are paid to housing developers, not low-income households.
- The subsidies haven't led to discernable improvements in housing supply or rents.
- In 1985 and 1986 (when the LIHTC was established), 1.7 million housing units were completed each year, and that figure had risen five straight years.
    - After the LIHTC was enacted, the number of units completed fell each of the next five years.
    - In the past 40 years, only in 2004-2006 (before the housing crash) did the number of new private units completed exceed the 1985-1986 level.
- Rents have risen 24% *more* than overall prices since the LIHTC was created.

Where Can I Find the Changes? OBBB Sec. 70422; 26 U.S.C. § 42(h).

BOTTOMLINE: The LIHTC is bad policy that enables state housing agencies to dole out subsidies. Most conservatives oppose LIHTC expansions, but the unfortunate compromise on this $15.7 billion subsidy expansion shouldn't overshadow the passage of several ***trillion*** dollars of good tax policy in OBBB.

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Paid Family and Medical Leave Tax Credit

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Preston Brashers, Research Fellow
April 2026

TOPLINE: The One Big Beautiful Bill (OBBB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) Paid Family and Medical Leave Tax Credit for employers who provide paid leave. OBBB also expanded the credit to cover qualifying paid family and medical leave *insurance premiums*.

BACKGROUND: TCJA created a tax credit for employers who provided qualifying paid family and medical leave beginning in tax years 2018-2025. To qualify for the credit, employers must have provided at least two weeks of qualified paid family and medical leave that replaced at least 50% of regular employee wages. The amount of the credit ramped up from 12.5% to 25% of qualifying replaced wages for employers whose paid leave replaced between 50% and 100% of regular wages. The credit could be applied to up to the first 12 weeks of leave. The credit was scheduled to expire after 2025.

Some small business advocates criticized the credit in TCJA because it primarily benefited bigger businesses, who are more likely to offer qualified paid leave. It's harder for small employers to accommodate unplanned absences, so they tend to offer informal paid leave that lets them balance both the workers' and the business' needs. *Qualified* paid leave requirements can be prohibitive for small employers.

What OBBB Did:

- Permanently extended TCJA's 12.5% - 25% Paid Family and Medical Leave Tax Credit for tax years in 2026 and beyond.
- Broadened the tax credit to cover premiums paid by employers for qualifying paid family and medical leave insurance.
    - Paid family and medical leave insurance is a good option for many *small employers* for whom offering paid leave directly would be difficult.

Why It Matters?

- The tax code treats wages and benefits inconsistently. Wages are subject to income and payroll tax, while benefits like health insurance are exempt from both.
- Paid leave is subject to both income and payroll taxes. The Paid Family and Medical Leave Credit makes paid leave tax-advantaged compared to wages but leaves it tax-disadvantaged compared to most non-monetary benefits.

Where Can I Find the Changes? OBBB Section 70304; 26 U.S.C. § 45S

BOTTOMLINE: Congress should reduce the tax code's bias that works against employers who pay generous wages instead of providing generous benefits.

Nonprofits and Education

Charitable Contributions

Employer Educational Assistance

Large College Endowment Tax

Tax on “Excessive” Employee Remuneration

Scholarship Tax Credit

Plymouth Institute for Free Enterprise

Charitable Contribution Changes

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) will allow those who claim the standard deduction to deduct up to $1,000/$2,000 (single/married joint filers) of charitable giving beginning in 2026.

BACKGROUND: Itemizing charitable deductions has long been a fixture of tax season for high-income Americans. However, middle-income Americans have seldom used the deduction, because it historically hasn't been available to filers claiming the standard deduction instead of itemizing. Most middle-income families choose the standard deduction, because the flat standard deduction amount ($32,200 for married joint filers as of 2026) dwarfs the amount of itemizable deductions the typical family could claim.

Prior to OBBB, corporations could also deduct charitable contributions, up to 10% of their taxable income.

What OBBB Does:

- Creates an "above-the-line" deduction for charitable contributions of up to $1,000/$2,000 that is available specifically to non-itemizers (beginning 2026).
- Sets a floor on charitable deductions for itemizers, such that contributions don't become deductible until they reach 0.5% of adjusted gross income (2026).
- Sets a floor on charitable deductions for corporations, such that contributions don't become deductible until they reach 1% of net income (beginning 2026).

Why It Matters?

- Before OBBB, about 90% of individual taxpayers couldn't deduct any charitable giving because they claimed the standard deduction.
- A 2005 study by the Center on Philanthropy at Indiana University showed that Americans making less than $100,000 gave 67% of donations to churches or religious causes, compared to 17% for those making $1 million or more (and corporations likely give even less to religious causes).
- Shifting a modest amount of the tax advantage of charitable giving to middle-income Americans may modestly align the nation's giving with Americans' religious and socially conservative character.

Where Can I Find the Changes? OBBB Section 70424-70426; 26 U.S.C. § 170.

BOTTOMLINE: The above-the-line charitable deduction for non-itemizers is a modest incentive to middle-income Americans to give to causes that matter to them. By pairing the change with floors on charitable deductions for itemizers and corporations, Congress expanded incentives to give to good causes with no net deficit impact.

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EMPLOYER EDUCATIONAL ASSISTANCE

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Preston Brashers, Research Fellow
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) ensured that employers can continue providing up to $5,250 in student loan assistance to employees per year without the employees incurring additional taxes. It also added an inflation adjustment for that amount, which also applies to other excludable employer educational assistance.

BACKGROUND: Individuals can exclude from taxable income certain amounts of educational assistance benefits received from their employer. Educational assistance may include tuition, fees, supplies and equipment, and (more recently) assistance with student loan repayments. The exclusion only applies to employers with written education assistance programs who follow restrictions that ensure that the plan doesn't favor highly compensated employees or major shareholders of the company.

The Revenue Act of 1978 created the exclusion as a temporary provision, but Congress kept extending it until 2012 when the exclusion became permanent law. But the maximum amount of the exclusion was not inflation-adjusted and remained at $5,250 from 1987 through 2026. The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 temporarily expanded the exclusion to allow student loan assistance, and the Consolidated Appropriations Act of 2021 then extended that change through 2025.

What OBBB Did:

- Extended permanently the expiring TCJA exclusion that allows employers to provide student loan payment assistance to employees of up to $5,250 before such amounts become taxable to employees (both income tax *and* payroll tax).
- Added an inflation adjustment to the $5,250 exclusion amount that applies to all employer-provided educational assistance, beginning in 2027.

Why Tying the Exclusion to Employers Makes Sense

- Deductions or exclusions for educational expenses are justifiable insofar as the educational expenses act as a form of investment (in human capital).
    - Some educational expenses equip students to be better workers or better citizens, while others don't (or even work against such objectives).
- The employer educational assistance exclusion requires, in effect, an employer sponsor and so tends to be connected to valued human capital investments.

Where Can I Find the Changes? OBBB Section 70412; 26 U.S.C. § 127.

BOTTOMLINE: A lot of government support for higher education through grants, loans, and tax credits is haphazard and may support students that are simply having a good time and putting off the real world. But the employer educational assistance exclusion is made for students who make the most of their educational opportunities.

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TAX ON LARGE COLLEGE ENDOWMENTS

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) increased federal taxes on large private college and university endowments.

BACKGROUND: Most private colleges and universities are organized as nonprofit entities. Unlike for-profit companies, nonprofits have no shareholders and don't pay dividends or distribute profits. Some colleges have developed large endowments over the years—permanent funds set aside for specific purposes. Harvard University, for example, reported having a $56.9 billion endowment in June 2025, the largest of any private college. That endowment generated an 11.9% return in 2025. A portion of that return was distributed and used as part of the university's annual operating budget, and the remaining portion represented growth in the endowment.

As nonprofit 501(c)(3) entities, colleges' returns on their endowments historically weren't taxed. In contrast, individuals with long-term capital gains face federal tax rates of 15%, 20%, or 23.8%, while corporate capital gains are taxed at a 21% rate. Then, in 2017, the Tax Cuts and Jobs Act imposed a flat 1.4% excise tax on the net investment income of private colleges with at least 500 students *and* an endowment that is greater than $500,000 per student.

What OBBB Did:

- Replaced the previous single-rate endowment excise tax with a 3-bracket structure applying tax rates of 1.4%, 4.0%, and 8.0% to net investment income:
    - The 1.4% tax applies to institutions with endowments of $500,000 - $750,000 per student.
    - The 4.0% tax applies to institutions with endowments of $750,000 - $2 million per student.
    - The 8.0% tax applies to institutions with endowments of more than $2 million per student.

Why It Matters?

- Individuals with long-term capital gains face federal tax rates of 15%, 20%, or 23.8%.
- The tax rate on corporate income (including investment income) is 21%.
- JCT estimates the endowment tax increase will raise $761 million over 10 years (accounting for less than 0.2% of federal revenue).

Where Can I Find the Changes? OBBB Sec. 70415; 26 U.S.C. § 4968.

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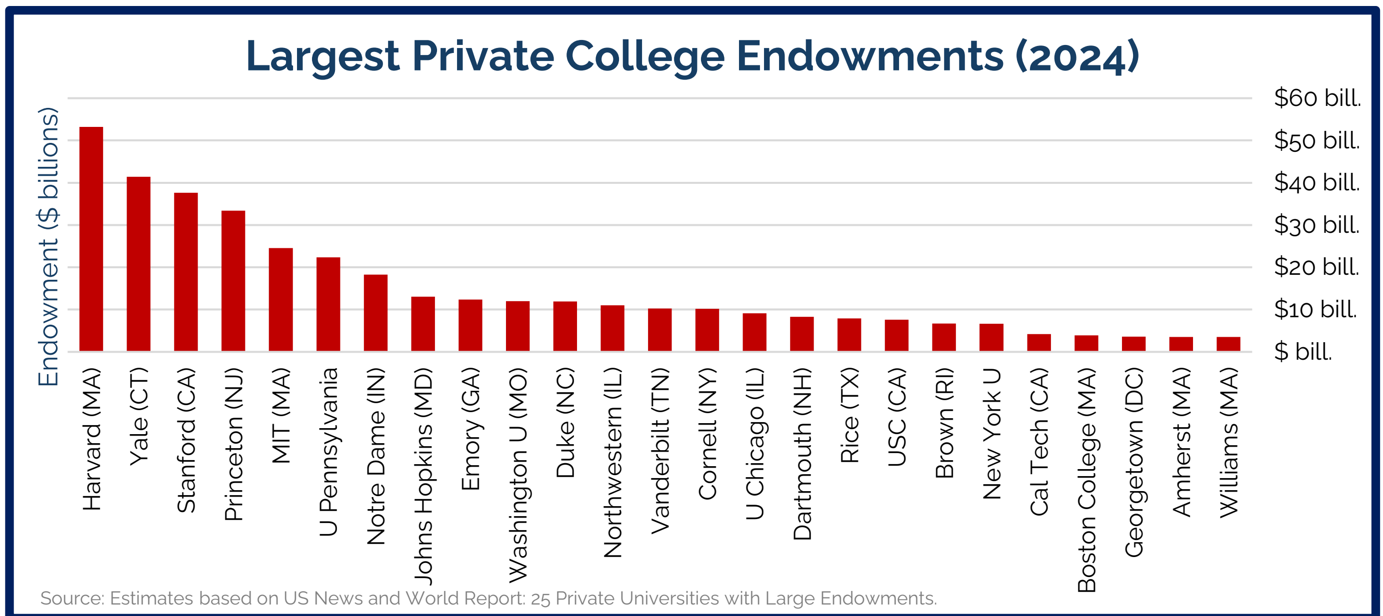

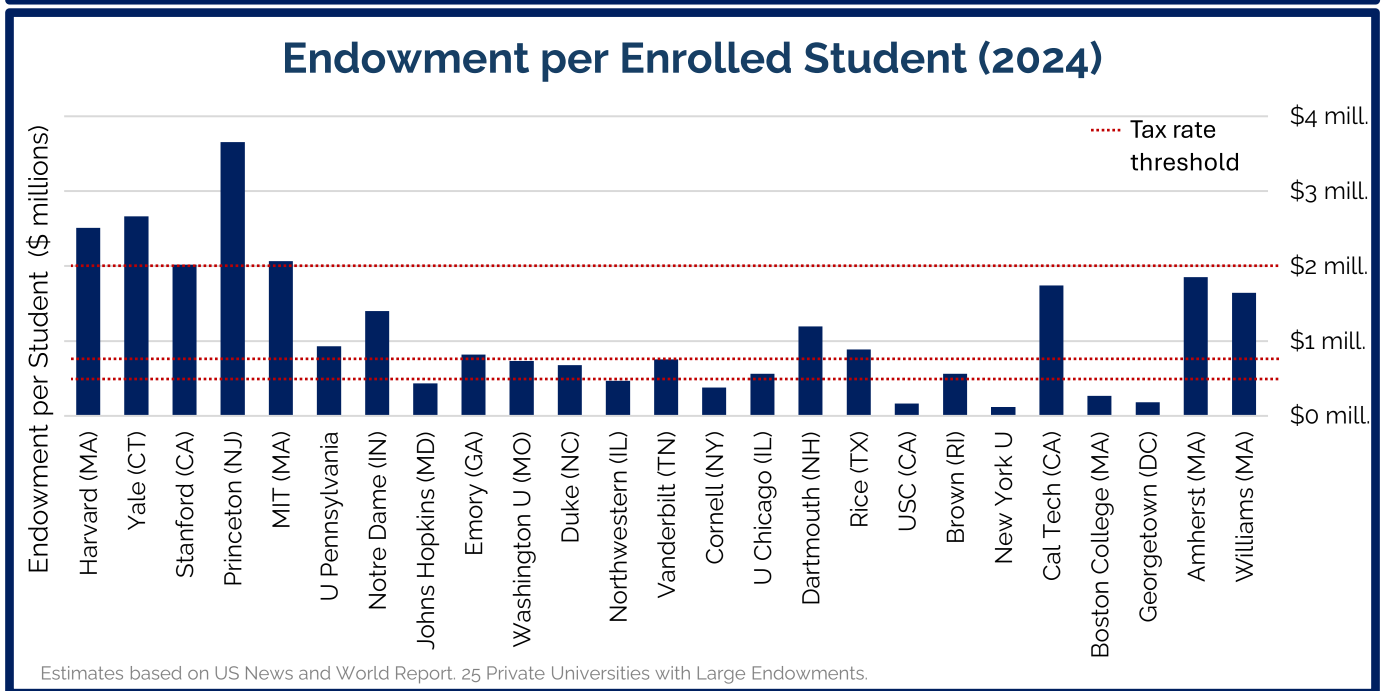

BOTTOMLINE: The distinction between nonprofit organizations and for-profit companies is more about organization than about having a positive, charitable mission. Many private colleges have lost the public's goodwill by indoctrinating students in a leftwing ideology that is hostile to America's founding and Judeo-Christian values. Pushback against their favored tax treatment is then hardly surprising. However, conservative lawmakers should bear in mind that taxes on investment income also affect capital markets, making it harder for businesses looking for equity financing to find it. Ideally, any increase in tax on nonprofit endowments would be at least offset by other tax cuts on capital income.

Plymouth Institute for Free Enterprise

Tax on "Excessive" Employee Compensation

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) expanded the tax on "excess" compensation paid by nonprofit organizations to highly paid employees. For covered organizations, the tax was expanded to apply to *all* current and recent employees making more than $1 million, instead of a more limited group of highly paid top executives and employees.

BACKGROUND: A 1993 law prohibited publicly-held corporations from deducting more than $1 million of the remuneration of the Chief Executive Officer (CEO) or any of the company's four other highest-compensated officers. The 2017 Tax Cuts and Jobs Act (TCJA) amended that limitation so it explicitly applied to the Chief Financial Officer (and the *three* other highest-compensated officers) and made it so any employee once covered by the limitation in 2017 would always be covered by the limitation.

TCJA also created a parallel "excise" tax for nonprofit organizations on annual compensation above $1 million (per employee) paid to their top-five compensated employees. To make it comparable to the limitation on deductions for highly compensated *corporate* employees, the tax rate on top-compensated nonprofit employees was set equal to the corporate tax rate of 21%.

What OBBB Did:

- Broadened the 21% tax on certain highly compensated nonprofit employees, so it isn't limited to the top-five compensated employees of an organization but instead applies to *any* employee of the organization receiving more than $1 million in annual compensation.
    - The tax applies only to the portion of compensation exceeding $1 million.

Why It Matters?

- A Tax Foundation study estimates the nonprofit sector comprises 15% of GDP.
- The *effective* marginal tax rate (not counting state and local tax) on certain highly compensated corporate employees whose marginal compensation is not deductible to the employer is about 53%. The tax on "excess" compensation of certain nonprofit employees makes their effective marginal tax rate 53% also.

Where Can I Find the Changes? OBBB Sec. 70416; 26 U.S.C. § 4960.

BOTTOMLINE: The government shouldn't be in the business of deciding what constitutes excessive compensation. However, to the extent that tax penalties on highly-paid corporate employees exist, parallel provisions for nonprofit organizations avoid pushing executives from corporations to nonprofits.

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SCHOLARSHIP TAX CREDIT

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) allows a $1,700 tax credit for contributions individuals make to (nonprofit) scholarship granting organizations (SGOs) that help fund K-12 educational expenses.

BACKGROUND: Total spending on public K-12 education is approaching $1 trillion per year. Most of that funding comes from state and local governments and is reflected in higher property taxes across the United States. Most public schools aren't starving for resources. Census estimated that nationwide, public school funding averaged nearly $16,000 per pupil, *as of 2022*. According to Pew estimates, the federal government covers about 13.6% of the cost of K-12 education nationally, including programs like school lunch and breakfast. However, the federal government has used those funds to exert outsized influence on local public-school curricula. Educational outcomes, like reading test scores of public school students have dropped considerably in the past decade, while homeschooled students and students in private schools have overachieved. This has helped spark the school choice movement.

How the Scholarship Tax Credit Works:

- Beginning in 2027, individuals will be able to claim the non-refundable Scholarship Tax Credit for up to $1,700 contributed to qualifying SGOs.
- It allows a 100% dollar-for-dollar offset of taxes up to the $1,700 contribution limit, but it can't be used to reduce taxes below $0.
- States must voluntarily elect to be covered under the Scholarship Tax Credit.
- Each year, covered states must submit a list of qualifying SGOs in their state.
- SGOs must use 90% of their income toward qualifying K-12 scholarships.
- Scholarship funds must be used for K-12 expenses including tuition, fees, tutoring, books, special needs services, books, supplies, and certain other expenses.
- Scholarships may not go to students in households making more than 300% of the median area income.

Why It Matters?

- 100% tax credits don't drive thoughtful giving, as donations can be fully offset.
- Allowing governors to list organizations that qualify as SGOs gives them power to control which private educational organizations succeed or fail.
- JCT estimates the Scholarship Tax Credit will offset $26 billion in taxes in 7 years.

Where Can I Find the Changes? OBBB Section 70411; 26 U.S.C. § 25F.

BOTTOMLINE: Many public schools are broken but throwing federal money at private K-12 options risks breaking the educational options that have been working best.

Advancing American Freedom Foundation is a nonprofit institution that promotes and defends policies that elevate traditional American values.

Immigration-Related Provisions

Remittance Tax

Stopping Benefits for Illegal Immigrants

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

REMITTANCE TAX

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: The One Big Beautiful Bill (OBBB) established a 1% excise tax on remittances out of the U.S. to persons in other countries.

BACKGROUND: Pew Research estimates that in 2023 there were 14 million illegal immigrants living in the United States. That figure exploded during the presidency of Joe Biden whose administration failed to secure the border and enforce the country's immigration laws. The Trump Administration's border policies have since stemmed the flow of new illegal immigrants into the country.

Many immigrants (legal and illegal) remit some of the money they earn or receive in the U.S. to relatives abroad.

What OBBB Did:

- Imposed a 1% excise tax on remittance transfers such as cash, money orders, and cashier's checks sent to people in other countries, beginning in 2026.
  - The tax applies to traditional person-to-person cash wiring services like Western Union and Remitly.
  - The tax doesn't apply to U.S. issued debit or credit card payments or funds sent from regulated U.S. banks or credit unions, or certain other firm and organization types listed in 26 U.S.C. § 5312(2).
  - The tax applies to the sender of the funds and is collected by the service provider who transfers the funds.
  - The tax applies irrespective of citizenship or immigrant status.

Why It Matters?

- There were nearly $56 billion in remittances from the U.S. to Mexico in 2022, according to the Dallas Fed.
- Remittances were more than 20% of the 2023 national GDP of some countries like Honduras and El Salvador, according to World Bank estimates.
- A 2008 Census Survey showed that 27% of households with at least one foreign-born member sent remittances, compared to 1% of other households.
- However, this includes U.S. citizens sending gifts or support to family living abroad.

Where Can I Find the Changes? OBBB Section 70604; 26 U.S.C. § 4475.

BOTTOMLINE: The remittance tax isn't airtight. Illegal immigrants who transmit money out of the U.S. can avoid the tax, and the higher the tax is, the more incentive they'll have to do so. The tax also captures some unintended transactions, like U.S-born parents wiring funds to a child studying abroad.

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

STOPPING BENEFITS FOR ILLEGAL IMMIGRANTS

Preston Brashers, Research Fellow
APRIL 2026

ADVANCING AMERICAN FREEDOM *FOUNDATION*

TOPLINE: To avoid benefits going to illegal immigrants, the One Big Beautiful Bill (OBBB) required that taxpayers provide a work-eligible Social Security Number (SSN) for themselves and their spouse for eligibility to receive the Child Tax Credit (CTC) and certain other benefits and tax advantages.

BACKGROUND: More than 150 million U.S. citizens and non-citizens file tax returns per year. Most filers have positive tax liabilities, but some with lower incomes who receive "refundable" tax credits like the Earned Income Tax Credit or CTC can receive larger tax credits than what they paid in taxes, resulting in those filers receiving benefits.

Illegal immigrants can and do receive certain federal and state benefits, including certain tax benefits administered by the IRS. Non-citizens who receive income in the U.S. are required to file U.S. income tax returns (though under-the-table income does go unreported). To limit illegal immigrants' access to the CTC, the 2017 Tax Cuts and Jobs Act (TCJA) required filers to provide the SSN of any child for whom they claimed a credit. However, it didn't require an SSN for the parent (or *parents*), so illegal immigrants could still claim credits if the child was a citizen but the parents weren't.

What OBBB Did:

- Added a requirement that taxpayers receiving the CTC provide a work-eligible SSN for themselves and their spouses if filing jointly.
- Required a work-eligible SSN for the following other tax deductions and credits:
    - No Tax on Tips, No Tax on Overtime, and Senior Deduction
    - Trump Accounts
    - American Opportunity Tax Credit (a credit of up to $2,500 for higher education expenses for up to 4 years)
    - Lifetime Learning Credit (for higher education, up to $2,000, no time limit)
- Denies Medicaid payments to states for people who aren't citizens or legal aliens.

Why It Matters?

- Pew Research estimates that in 2023 alone, about 300,000 children were born in the U.S. to illegal immigrants. Many of these children received SSNs, and the parents could be eligible to receive the CTC if not for OBBB.
- Treasury estimates 14% of refundable CTC payments were improper in 2023.

Where Can I Find the Changes? OBBB Sections: *Several*; U.S. Code Sections: *Several*.

BOTTOMLINE: Illegal immigrants aren't entitled to benefits on the taxpayer dime. Lawmakers should build on the changes in TCJA and OBBB and should further restrict tax and welfare benefits from going to illegal immigrants.

International and Place-Based

Base Erosion and Anti-Abuse Tax (BEAT)

International: Foreign-Derived Intangible Income (FDII) and Net CFC Tested Income (NCTI)

Opportunity Zones

Plymouth Institute for Free Enterprise

Base Erosion Anti-abuse Tax (BEAT)

Preston Brashers, Research Fellow
April 2026

ADVANCING AMERICAN FREEDOM FOUNDATION

TOPLINE: The One Big Beautiful Bill (OBBB) (mostly) prevented a harmful increase to a complicated and inefficient extra tax on U.S. multinational corporations, known an as the Base Erosion Anti-abuse Tax (BEAT).

BACKGROUND: The 2017 Tax Cuts and Jobs Act (TCJA) improved the flawed corporate and international tax code but put in place a (less) flawed patchwork of international tax provisions, including BEAT. Prior to TCJA, U.S.-based multinational companies would generally owe U.S. taxes on foreign-earned profits that their foreign affiliates sent to the U.S. parent. Double taxation was common for many U.S.-based companies because of this "worldwide" tax system. This incentivized corporate inversions, in which corporations "inverted" to become foreign-parented multinationals to avoid the punitive U.S. taxes. TCJA shifted the corporate tax code away from a worldwide system toward a more territorial system, in which profits tend to be taxed only where they are earned (consistent with most other countries' tax systems).

Under the new territorial income tax system, lawmakers wanted to ensure that U.S. multinationals did not artificially shift profits (and therefore taxes) out of the U.S. and into foreign affiliates in low-tax countries. BEAT is one tool meant to prevent such profit shifting. TCJA enacted BEAT as a tax on certain intercompany payments made by multinationals with at least $500 million of company-wide gross receipts if those intercompany payments exceeded 3% of the company's total deductions. BEAT has proven to be a ham-fisted and ineffective way of trying to tax foreign-shifted profit.

What OBBB Did:

- Prevented a scheduled increase in the BEAT tax rate from 10% to 12.5%.
- Set the BEAT tax rate at 10.5% instead.

Why It Matters?

- IRS estimates suggest that in 2022 BEAT raised only about 6% of the revenue JCT originally forecast. The tax is more compliance trouble than it's worth.
- If lawmakers choose to keep BEAT as a tool to reduce profit shifting, it should be redesigned so that it is limited only to payments to affiliates in low-tax countries.

Where Can I Find the Changes? OBBB Section 70331; 26 U.S.C. § 59A.

BOTTOMLINE: America must make itself the most attractive place in the world for companies to locate. BEAT, a special tax on legitimate intercompany services, is counterproductive to that goal. U.S. multinationals are better off because of OBBB's reduction in the BEAT tax rate, but they' be even better off if BEAT was eliminated.

Plymouth Institute for Free Enterprise

FDII and NCTI (International Tax)

ADVANCING AMERICAN FREEDOM FOUNDATION

Preston Brashers, Research Fellow

April 2026

TOPLINE: The One Big Beautiful Bill (OBBB) mitigated scheduled tax increases in the international tax code.

BACKGROUND: The 2017 Tax Cuts and Jobs Act (TCJA) improved the U.S.'s international tax system. Before TCJA, U.S.-based multinational companies would, by default, owe U.S. taxes on foreign-earned profits that were repatriated to the U.S. parent. Double taxation was inherent under this "worldwide" tax regime (though foreign tax credits reduced it), incentivizing corporations to "invert" to become foreign-parented multinationals to avoid the punitive U.S. taxes or to simply never repatriate foreign income to the U.S. TCJA shifted toward a territorial tax system in which profits tend to be taxed only where they are earned (consistent with most other countries' tax systems). However, TCJA added in a patchwork of narrower international tax provisions in place of the worldwide system, including foreign-derived intangible income (FDII) and global intangible low-taxed income (GILTI), two provisions that were meant to encourage companies to keep valuable intellectual property (IP) in the U.S.

FDII was meant to act as a carrot to reward companies that earned high returns in the U.S. from property or services sold outside the U.S. (theoretically because of U.S.-owned IP). Instead of paying the full 21% corporate tax rate on FDII, the effective tax rate was 13.125% (and scheduled to rise to 16.406% in 2026). GILTI, on the other hand, was meant to act as a stick to penalize U.S. multinationals earning above-normal returns in low-taxed foreign countries. GILTI brought the effective tax rate on low-taxed foreign income up as high as 13.125% (and scheduled to rise to 16.406% in 2026.)

What OBBB Did:

- Renamed GILTI to "Net CFC Tested Income" (NCTI) and changed the calculation of the tax so it no longer allows for a "normal" profit to be exempt from tax.
- Mitigated the scheduled increase in the effective tax rates on GILTI and FDII, so that the effective top tax rate for NCTI and the effective rate for FDII is about 14.0%.

Why It Matters?

- The changes averted $100 billion in tax increases versus if TCJA expired outright.

Where Can I Find the Changes? OBBB Section 70311-70313, 70321-70323; 26 U.S.C. § 250(a) & 951A.

BOTTOMLINE: The current versions of FDII and NCTI remain flawed mechanisms for discouraging offshoring, but OBBB's mitigation of the scheduled tax increases reduced the harm.

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OPPORTUNITY ZONES

ADVANCING AMERICAN FREEDOM *FOUNDATION*

Preston Brashers, Research Fellow
APRIL 2026

TOPLINE: The One Big Beautiful Bill (OBBB) authorized Opportunity Zone (OZ) designations by state governors once every 10 years to allow tax advantages for investments in areas with high poverty rates or low median family incomes. Previously, OZs were established as a temporary program. OBBB amended the OZ program to focus more on the poorest areas, with more generous tax advantages in rural areas.

BACKGROUND: The 2017 Tax Cuts and Jobs Act (TCJA) created the OZ program. It authorized governors and the D.C. mayor to select high-poverty or low median family income census tracts in their states in 2018 to be OZs. Qualifying investments made in designated OZs through OZ Funds received certain tax advantages. Investments made by 2021 and kept within OZ funds for five or more years could receive a 10% step up in basis (basically allowing the first 10% gain on investment to go untaxed). Seven-year investments made by the end of 2019 would receive an *additional* 5% step up in basis. Ten-year investments could qualify to have the basis on an investment adjusted up to the fair market value upon sale. Under TCJA, most OZ tax incentives would be available only through 2026, and no new OZ designations occurred after 2018.

What OBBB Did:

- Allowed governors to designate new OZs starting July 2026 and at 10-year intervals thereafter, instead of allowing the OZ program to phase out and expire.
- Established stricter income threshold requirements, so that a census tract can only be designated as an OZ if at least one of two criteria is met:
    - The poverty rate in the tract is at least 20% (same as pre-OBBB), or
    - The median family income of the census tract is less than 70% (previously 80%) of the metropolitan area median family income or less than 70% (previously 80%) of the statewide median family income in the case of non-metropolitan tracts.
- Provided for the creation of rural opportunity funds (in areas not in or adjoining cities with populations greater than 50,000). Investments in these funds qualify for a special 30% step-up in basis for investments maintained for at least five years.

Where Were the Original Opportunity Zones?

- More than 10% of Census tracts are OZs under the original program. HUD has a map of OZs here: https://www.hud.gov/opportunity-zones (gray areas).

Where Can I Find the Changes? OBBB Sec. 70421; 26 U.S.C. § 1400Z.

BOTTOMLINE: Instead of special tax breaks for investments in particular places, lawmakers should reduce taxes on all investments.

Advancing American Freedom Foundation is a nonprofit institution that promotes and defends policies that elevate traditional American values.

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