# It's "Final Lap Week" for the OBBB

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This is a big week in the tax world. The Congress is presently close to passing the Reconciliation bill ("The One Big, Beautiful Bill" (OBBB)). The primary component of the legislation is to prevent a massive tax hike for tax years beginning after 2025 on businesses other than C corporations and taxpaying individuals by virtue of the sunset of many portions of the 2017 Tax Cuts and Jobs Act) TCJA). Failing to pass the legislation would have negative consequences for the U.S. economy.

Because the one of the primary beneficiary groups of the TCJA was the lower end of the taxpaying scale, that group stands to get hit hard if the bill doesn't pass. Those presently in the 12 percent tax bracket (from about $25,000 taxable income to $95,000 (MFJ)) will see a 25% bracket rate increase for 2026 compared to 2025. Also, the child tax credit would be cut in half. And, small businesses (other than C corporations) would lose a 20 percent deduction on business income. For such a business that's presently in the 22 percent bracket the effective tax rate next year would be 42.4 percent higher. That would be devastating to many small businesses, including farms and ranches.

I have worked up returns for several sample individual taxpayers and the results show the following:

**Scenario 1:**

**Assumption:** Single mom with 3 children under age 17 and $50,000 in taxable income for 2025 and 2026 (HOH filing status)

- Current law (2025) tax liability: $0
- If OBBB not passed, 2026 tax liability: Also zero, but loses $2,440 in refundable child tax credit

The result is a loss of $203.33 per month.

**Scenario 2:**

**Assumption:** Family of four (including two children under age 17) with taxable income of $85,000 for 2025 and 2026

- 2025 tax liability (MFJ): $2,232.00
- 2026 tax liability (MFJ): $5,292.50

The result is an increase in tax liability of $3,060.50 ($255.04/month). The percentage increase in tax liability is 137 percent.

**Scenario 3:**

**Assumption:** Married couple with $350,000 of AGI for 2025 and 2026, but with no qualified children and $40,000 in itemized deductions, including state and local taxes of $12,000 (note – itemized deductions are applied to AGI)

- 2025 tax liability: $61,012
- 2026 tax liability: $75,121

The result is an increase in tax liability of $14,109 ($1,175.75/month). The percentage increase in tax liability is 23.1 percent.

This is a good illustration of what the Congress is trying to prevent from happening. When applied to non-C corp. farming and ranching operations, the loss of the 20 percent deduction under I.R.C. sec. 199A would be very negatively impactful. It will be an interesting next few days as the horse trading heats up and a final bill is produced for final vote.

For my Substack subscribers, if the bill passes, I'll be doing a series of videos discussing the various aspects of the bill and what it means for farmers and ranchers in particular. You can find my Substack at mceowenaglawandtax.substack.com