The One, Big, Beautiful Bill, also known as the American Relief Act of 2025, aims to provide tax relief and support for farmers and ranchers, offering both positive and negative impacts.

Pros:

Permanent and Increased Estate Tax Exemption:
The bill makes permanent and increases the doubled death tax exemption, helping family farms and small businesses pass down assets to future generations.

Small Business Tax Benefits:
It extends and increases the small business deduction, and doubles the small business expensing, with a significant portion used by the agricultural industry.

Immediate Expensing:
The bill provides for immediate expensing of new buildings and other agricultural structures, incentivizing investment.

Lowered Borrowing Costs:
It reduces the tax burden on interest income from loans secured by agricultural property, making borrowing more affordable for farmers.

Simplified Tax Reporting:
The bill raises the threshold for reporting on 1099-MISC forms, reducing the administrative burden for farmers employing temporary workers.

Increased Disaster Aid:
The bill includes significant funding for natural and economic disaster aid for farmers and ranchers.

Improved Crop Insurance:
It extends and improves crop insurance programs, providing greater support for farmers, especially small and mid-sized farmers.

Incentivized Investments:
By allowing for immediate expensing of investments, the bill encourages farmers to invest in their operations, leading to increased efficiency and productivity.

Cons:

Increased Deficit:
The bill is projected to increase the national deficit by $4.5 trillion over the next decade, potentially leading to increased borrowing costs and economic instability.

Potential for Tax Increases:
While the bill includes tax cuts for some, it also includes provisions that could lead to tax increases for others, particularly if spending cuts don't meet the required targets.

Complexity of the Tax Code:
The bill introduces new provisions and complicates the tax code, potentially increasing the administrative burden for taxpayers and tax professionals.

Negative Impacts on Certain Sectors:
While the bill includes provisions for agriculture, it also includes provisions that could negatively impact other sectors, potentially offsetting some of the benefits for farmers.

Limited Pro-Growth Provisions:
The bill's pro-growth provisions are not made permanent, and some, like bonus depreciation, are sunsetted, which could limit long-term economic growth.

The One, Big, Beautiful Bill, if passed, would significantly affect farmers through permanent tax cuts, including increased and permanent estate tax exemptions for family farms. It also proposes increasing and making permanent the small business deduction and extends 100% immediate expensing, which benefits the agriculture industry.

Here's a more detailed look:

Tax Relief:

Permanent Tax Cuts:
The bill aims to make permanent the 2017 Trump tax cuts, including lower tax rates and increased deductions for individuals and businesses.

Enhanced Death Tax Relief:
It proposes making the doubled Death Tax exemption permanent, preventing potential halving of the exemption for family farms and allowing them to pass down to the next generation.

Small Business Deduction:
The bill seeks to increase and make permanent the small business deduction, further benefiting family farms and other small businesses.

100% Immediate Expensing:
It extends the 100% immediate expensing provision, allowing businesses to deduct the full cost of equipment and other assets in the year of purchase.

Doubling Small Business Expensing:
The bill doubles the amount of small business expensing, with a significant portion utilized by the agriculture industry.

Impact on Agriculture:

Reduced Tax Burden:
The overall effect of these tax reforms is projected to lower taxes on American farmers by over $10 billion.

Increased Economic Stability:
The tax cuts and expanded deductions are expected to provide more financial stability for family farms, making it easier to invest, expand, and plan for the future.

Family Farm Preservation:
The enhanced Death Tax exemption is crucial for ensuring family farms and ranches can be passed down to the next generation, preventing potential sales or losses of farmland due to high estate taxes.

Investment in Technology:
The 100% immediate expensing provision can encourage farmers to invest in new technologies and equipment, improving efficiency and productivity.

The Good, the Bad, and the Ugly in the One, Big, Beautiful Bill

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By: **Daniel Bunn, Alex Muresianu, William McBride**

SEE FULL ANALYSIS

House Republicans have advanced legislation to extend many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) alongside dozens of new provisions, and the Senate will now take it up as part of the reconciliation process. Any comprehensive tax legislation is going to have its wrinkles, and the "One, Big, Beautiful Bill" is no different. We have previously published our estimates of the budgetary, economic, and distributional impacts, and this post will dive into the good, the bad, and the ugly of it.

The Good

The bill makes some smart tax cuts and revenue increases.

Most of the good tax policy aligns with Tax Foundation's principle of stability. It permanently extends the rates and brackets of the 2017 individual tax cuts. This provides certainty for households and stability to this portion of the tax code. The bill permanently extends the larger standard deduction and the alternative minimum tax threshold that were only temporary in the TCJA. These two provisions have greatly simplified the tax code for millions of taxpayers.

Lawmakers also provide a permanently higher threshold for expensing certain equipment for smaller businesses and investment amounts (Section 179 expensing).

Regarding the estate and gift tax, the bill institutes a permanent (and inflation-adjusted) exemption level of $15 million begins in 2026, enhancing stability here as well.

The bill provides a degree of certainty and stability in the international tax code, while removing the threat of substantially higher taxes at the end of this year for US-based multinational companies by permanently extending a slightly less generous version of current policy for the international regime (GILTI, FDII, and BEAT).

Moving away from some of the permanent changes, the bill makes improvements to cost recovery for US businesses relative to current law from 2025 to 2029. The bill reintroduces expensing for investment in equipment and other short-lived assets and domestic research and development (R&D). As a new policy, certain qualified structures are eligible for expensing. The TCJA's less restrictive limitation on interest deductions is also brought back. These are important policies that would greatly increase business investment and the economic benefits of the bill if they were made permanent.

The bill also has some good policies that raise revenue relative to current law by reducing some of the tax code's many tax credits, deductions, and other preferences. The largest area of reform is the Inflation Reduction Act's (IRA) green energy tax credits; the bill raises about $500 billion over a decade, reducing the cost of these credits by about half. Several IRA credits are also repealed—like those for electric vehicles (EVs) and residential energy products, which are expensive and ineffective—while most of the others are restricted or phased out quicker. However, the bill expands and extends the clean fuel production tax credit and introduces additional compliance challenges for many of the credits.

Health insurance premium tax credits, projected to cost about $1 trillion over the next decade, are pared back about 20 percent by tightening eligibility rules and reducing improper payments. The bill also tightens some of the tax-exempt rules, such as for unrelated business income.

The bill also permanently extends some of the TCJA's limits on some itemized deductions, such as for mortgage interest, and limits each dollar of itemized deductions for top earners. However, the bill waters down the TCJA's $10,000 cap on deductions for state and local taxes (SALT), raising it to $40,000 for taxpayers earning less than

$500,000.

The Bad

Rather than making the most pro-growth features permanent, the bill spends far too much money on political gimmicks and carveouts, resulting in a package that provides a modest boost to the economy but at a huge fiscal cost. It introduces tax exemptions for overtime pay and tips, as well as a deduction for auto loan interest and a new additional standard deduction available for all seniors, all of which violate basic tax principles of treating taxpayers equally. Combined, these four provisions cost about $300 billion over the four years they are in effect, and if eventually extended beyond that date, the cost would more than double over the next decade. Complicated eligibility restrictions reduce the cost somewhat, but it would be better to not introduce these bad ideas in the first place.

Another costly mistake is the route lawmakers have taken on the treatment of non-corporate businesses. In 2017, lawmakers introduced a 20 percent deduction for business income that is taxed on the individual rate schedule and not at the corporate tax rate of 21 percent. Taxes on dividends and capital gains are a second layer of tax on corporate income. The non-corporate businesses (also known as "pass-throughs") face a few changes in this bill, but the main change is that the deduction is made permanent and increased to 23 percent, which costs more than $700 billion over the next decade ($800 billion according to the Joint Committee on Taxation). This will further decrease the effective tax rates that pass-throughs face on their income relative to corporate profits, making the tax code less neutral with respect to business form.

Unfortunately, lawmakers chose these tax cuts over more effective measures to grow the economy, such as permanence for the business cost recovery provisions. We estimate that making permanent 100 bonus depreciation, expensing for domestic R&D and qualified structures, and the TCJA's less restrictive interest limitation would more than double the growth impact of the bill, resulting in an increase in long-run GDP of 1.6 percent. Adding permanence for these provisions would increase the revenue cost, conventionally measured by about $600 billion over a decade, but after accounting for economic growth, the incremental dynamic revenue cost drops to about $200 billion.

Lawmakers could have reduced the cost of the bill, including these pro-growth measures, by trillions of dollars through further base-broadening and cleaning up the tax code. For example, lawmakers could have gone further than the TCJA's limitations on itemized deductions, rolled back tax exclusions for various types of employer-sponsored benefits (including but not limited to the tax exclusion for employer-sponsored health insurance), and repealed several tax expenditures, such as the credit union exemption and the low-income housing tax credit (which instead gets extended in the bill).

The Ugly

The bill further complicates the tax code in several ways, sending taxpayers through a maze of new rules and compliance costs that in many cases probably outweigh any potential tax benefits. No tax on tips, overtime, and car loans comes with various conditions and guard rails that, if enacted, will likely require hundreds of pages of IRS guidance to interpret. The changes to the IRA credits, while commendable in many ways, keep in place some of the most complicated rules, e.g., bonus credits for meeting prevailing wage and apprenticeship requirements, and add new "foreign entity of concern" restrictions that may make many of the credits cost prohibitive.

While the bill provides new incentives for saving, the rules are so complex and narrowly targeted that few taxpayers will choose to go through the ordeal. The tax code is already littered with a confusing array of special preferences for savers, including tax-preferred accounts for education, health, retirement, and other purposes that go largely unused by low- and middle-income households. Rather than simplifying these rules and liberalizing them to allow saving for any purpose without penalty (universal savings accounts), the bill expands health savings accounts, and to a lesser degree savings account for higher education (529 accounts) and for individuals with disabilities (ABLE accounts), drawing new lines to define eligible expenses and allowing larger contributions under certain conditions.

The bill also adds something called Trump accounts, an entirely new type of incentive that includes a $1,000 baby bonus for children born over the next four years, courtesy of Uncle Sam (taxpayers). The accounts encourage saving by allowing taxpayer contributions up to $5,000 a year that can grow tax-free until the beneficiary withdraws the money at age 18 or older, at which point the withdrawal is subject to capital gains tax if used for qualified expenses (including tuition, first home purchase, or small business expenses) or otherwise ordinary income tax plus a 10 percent penalty. Various other rules and conditions apply. This is a more limited and restricted tax benefit than any of the existing saving incentives, such as 529 accounts, and is unlikely to be used to any great extent as a saving vehicle. The major effect is to introduce a new baby bonus entitlement that requires taxpayers to track yet another small dollar account for 18+ years. This is a missed opportunity to simplify saving and improve financial security for all Americans.

However, the bill also allows certain tax-exempt entities to contribute to Trump accounts, under rules to be established by the Treasury Secretary, which could lead to substantial benefits for some account holders. As well, the bill establishes a new tax credit for donations to scholarship-granting organizations, limited to $5,000 per individual annually through 2029, which may be intended to work in tandem with Trump accounts. This could help many low-income and disadvantaged children receive a better education, but it requires a lot of rulemaking and administration by the Treasury Department and IRS, which is already overwhelmed with the task of administering our complicated tax code and multiple benefit programs under current law.