One Mission. Community Banks.

Community Bank-Relevant Provisions of H.R. 1

H.R. 1 was signed into law on July 4, 2025. Below are the provisions of relevance to community banks.

Permanent extension of expiring Tax Cuts and Jobs Act provisions, including:

- Individual rate structure.
- Section 199A deduction of 20 percent for certain passthrough businesses, including Subchapter S banks.
- Estate tax deduction slightly increased to $15 million per individual ($30 million per married couple). Future increases are indexed.
- Higher AMT exemption.
- Mortgage interest deduction for loans with principal of less than $750,000. (Not indexed.)

SALT deduction

- Capped at $40,000 per taxpayer in 2025, increasing by 1 percent per year through 2029. Deduction phases out for taxpayers with income above $500,000. Cap drops to $10,000 without indexing in 2030.
- No changes to corporate SALT or state law “workarounds” used by pass-throughs.

ACRE

- 25 percent exclusion for interest earned on loans secured by agricultural land.
- Available to loans made after the date of enactment.
- Provision is permanent law.
- Refinancings. A loan does not qualify for the ACRE exclusion if the proceeds of the loan are used to refinance a loan made before the date of enactment, or, in the case of any series of refinancings, the original loan was made on or before such date.

Business provisions

The provisions below are permanent law.

- Section 179 expensing cap approximately doubled to $2.5 million, indexed. Phasedown begins when the cost of the property exceeds $4 million.
- R&D expensing. Smaller businesses (gross receipts of $31 million or less) can retroactively expense back to 12/31/2021.

- Bonus depreciation for short-lived investments.
- EBITDA-based limitation (as opposed to EBIT) on business interest deduction. Deduction may not exceed 30 percent of EBITDA for businesses with gross receipts of more than $25 million.
- 100 percent expensing of qualifying structures, with the beginning of construction occurring after Jan. 19, 2025, and before Jan. 19, 2029, and placed in service before Jan. 1, 2031.

Remittance tax carveout for banks

- H.R. 1 applies a 1 percent tax on all remittances (not only those sent by non-citizens) to be collected by the sender and remitted to Treasury.
- The tax does not apply to remittances funded by a deposit held at a financial institution or by a U.S. issued debit or credit card.

Opportunity Zones and New Markets Tax Credit Program Are Permanently Extended

New tax relief for individuals

All below provisions expire at year end 2028.

- **Tips**. Above-the-line deduction of $25,000. Phases out at $150,000 income ($300,000 for joint returns).
- **Overtime**. Above-the-line deduction of $12,500 ($25,000 for joint returns). Phases out at $150,000 income ($300,000 for joint returns).
- **Car loan interest**. Above-the-line deduction of $10,000 on new cars "finally assembled in the U.S." Phases out for single taxpayers at $100, 000 or $200,000 for joint returns. Lenders will be required to send Form 1098 to borrowers.
- **Senior deduction**. Additional $6,000 deduction per individual over age 65. Phases out at $75,000 ($150,00 for joint returns).

Trump Accounts

- Trump Accounts are new tax-advantaged savings accounts for children under the age of 18. The accounts become available in July 2026.
- Accounts may be funded by parents or employers up to $5,000 per year. Parent contributions are not deductible, but employer contributions are deductible up to $2,500 per year.
- Children born between 2025 and year-end 2028 are eligible for a $1,000 federal contribution.
- Earnings grow tax free. Withdrawals are taxed at ordinary income tax rates for eligible expenses (e.g., education, first home purchase). Otherwise, an additional 10 percent penalty applies.
- IRS guidance is needed to define how the accounts will be established and funded.

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