NAVIGATING THE ONE BIG BEAUTIFUL BILL ACT OF 2025

A Resource For Restaurant Owners Like You

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Welcome to Your One Big Beautiful Bill Guide

You own a restaurant. You're running the show—whether in the front of house, back of house, or both. And when tax laws change, you need to know what matters *fast*.

This guide was created for restaurant owners like you. It cuts through the clutter and focuses on the financial details that matter most to your business. Whether you run a single location, manage multiple restaurants, or are growing your team, we'll break down the changes, explain what they mean, and show you how to take action.

What is the One Big Beautiful Bill Act?

Passed in July 2025, the One Big Beautiful Bill Act made sweeping changes to the tax code, many of which directly impact taxpayers and business owners. Some provisions became permanent, while others offer short-term savings. We've built this guide to highlight the ones that matter most to you.

Scan the QR Code to Read More Abacus! OBBBA Guidance Online

or click this link:
https://abacuspro.com/obbba-restaurant

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No Tax on Tips Deduction

For the first time, tipped employees in restaurants receive a direct tax break on their earnings. The One Big Beautiful Bill Act (OBBBA) allows eligible workers to deduct up to **$25,000 of reported tips** from federal income taxes for tax years **2025 through 2028**. The first year this applies is 2025, with the deduction available when employees file their 2025 returns.

While income phase-outs apply, this deduction is designed to help front-of-house employees—like servers, bartenders, and bussers—keep more of what they earn. The IRS will issue additional guidance on exactly which roles qualify, so restaurant owners should be prepared for updates.

Action to Take

Restaurant owners should make sure their payroll and point-of-sale systems are accurately capturing and reporting tips. Employees only benefit if their tips are reported, so clear policies and consistent communication are key. Supporting your team in understanding and tracking tips correctly ensures they can take full advantage of this new deduction.

Better Guidance Tip

This deduction is temporary, available only through 2028. By reinforcing accurate reporting practices now, you'll not only keep your restaurant compliant but also help your employees maximize a valuable, time-limited tax benefit.

No Tax on Overtime Deduction

The tax code creates a new tax break for employees who earn overtime pay. For tax years **2025 through 2028**, workers can deduct qualified overtime pay—up to $12,500 for single filers or $25,000 for joint filers—from their federal income taxes. The first year this applies is 2025, with deductions available when employees file their 2025 returns.

It's important to note that the deduction applies only to the overtime premium (the "time-and-a-half" portion), not the employee's regular hourly wage. This distinction makes accurate payroll reporting especially important.

Single Filers

Overtime Deduction: up to $12,500

Joint Filers

Overtime Deduction: $25,000

Action to Take

Restaurant owners should confirm that their payroll systems clearly separate regular wages from overtime premiums. This ensures employees can benefit from the deduction while keeping records that meet IRS requirements. Communicating this distinction to your staff will also help them understand what portion of their pay qualifies for tax savings.

Better Guidance Tip

Like the new tip deduction, this overtime deduction is temporary. Helping employees understand how it works, and making sure your systems track it correctly, will allow your team to keep more of their hard-earned pay while it lasts.

FICA Tip Credit Preserved

The long-standing credit that offsets the employer's share of FICA taxes on employee tips is now preserved—an important benefit for restaurants. Beginning in tax year 2025, the credit remains in place for food and beverage operators and is also expanded to cover certain non-restaurant service businesses, such as salons and spas. Practitioner summaries describe this expansion as permanent, creating new opportunities for multi-concept operators.

Action to Take

Ensure that all reported tips are captured accurately in your payroll system and properly reflected on tax filings.

Better Guidance Tip

Strong payroll and POS records are your best ally. Accurate reporting not only helps you claim the credit in full but also protects you in the event of an IRS review.

Employee Retention Credit (ERC) Clean-Up & Cutoff

OBBBA puts an end to late ERC filings for Q3–Q4 2021. Any claims filed after January 31, 2024 will not be processed. Timely claims submitted before that date will still move forward.

Starting July 4, 2025, the IRS also receives stronger enforcement tools. This includes expanded penalty authority under Section 6676, which applies to refund claims made after that date. If you are still cleaning up old ERC filings, this makes accuracy more important than ever.

Action to Take

If you filed ERC claims for 2021, confirm whether they were submitted before the January 31, 2024 deadline. For claims still pending, prepare for closer IRS scrutiny once the new penalty rules take effect in July 2025. It's important to work with a tax professional to review any outstanding ERC issues and to maintain complete documentation in case questions arise.

Better Guidance Tip

Don't assume "no news is good news." If you claimed ERC, track the status and keep communication with your advisor active. Stronger IRS penalties mean mistakes could

Work Opportunity Credit Not Extended

OBBBA did not extend the Work Opportunity Tax Credit (WOTC). As of now, the credit remains available through December 31, 2025, under prior law. WOTC provides valuable savings for restaurant owners who hire employees from certain targeted groups, such as veterans, long-term unemployed individuals, or those receiving government assistance.

Unless Congress takes separate action to extend it, WOTC will expire after 2025. Restaurant owners planning to expand their teams or fill high-turnover roles should take advantage of this incentive while it is still available.

Action to Take

If you are planning new hires, consider whether they may qualify for WOTC before the current program deadline. Work with your payroll provider or HR team to ensure proper certification and documentation, since the credit is only available if the paperwork is filed correctly and on time.

Better Guidance Tip

Don't wait until the year-end to evaluate hiring credits. Build WOTC screening into your onboarding process now, so you can capture every opportunity while the credit is still available.

Meals and Entertainment

The long-standing rules for meals and entertainment did not change under the OBBBA. Business meals remain 50% deductible under current law. The temporary 100% deduction for restaurant meals, which applied in prior years, was not reinstated.

For restaurant owners, this means meals with clients, vendors, or business partners are still deductible, but only at the 50% level. Entertainment expenses, such as sporting events or concerts, generally remain non-deductible.

Action to Take

Continue to track meals carefully, including the date, amount, place, and business purpose. Keep receipts and notes on who attended and why the meal was business-related. Accurate documentation remains the key to securing the deduction and protecting yourself in the event of an IRS review.

Better Guidance Tip

Think of your meal deductions like your menu—specific details matter. A receipt with clear notes can make the difference between keeping your deduction and losing it under audit.

1099 Reporting Threshold

The 1099-NEC reporting threshold has increased from **$600** to **$2,000**. This change means fewer filing requirements when you pay contractors. However, you still need to track these expenses because they remain deductible, even if a 1099 isn't issued.

Action to Take

Maintain accurate records of all contractor payments. Set up accounting software to manage payments.

Better Guidance Tip

Just because you're not required to file a 1099 doesn't mean you shouldn't track every expense.

Form 1099-NEC

Purpose: Business owners issue this form when they pay independent contractors for services.

Previous Threshold: $600

New Threshold: $2,000

Benefit: Higher threshold = less paperwork for business owners.

Form 1099-K

Purpose: Third-party payment companies (PayPal, Uber, Venmo, Square, etc.) issue this form to individuals that are sent a certain amount of money through the app.

Previous Threshold: $600

New Threshold: $20,000 AND 200 Transactions

Benefit: Higher threshold = fewer forms issued for smaller transactions.

Standard Deduction

The tax code now makes higher standard deduction amounts permanent. It also makes the current income tax brackets permanent. A higher standard deduction is good news for most taxpayers, because it allows you to deduct a larger amount without tracking itemized expenses. It is still smart to compare the standard deduction to your itemized deductions each year, as you'll take whichever is higher as your deduction.

The tax brackets created by the 2017 Tax Cuts and Jobs Act (TCJA) reduce the amount of income tax paid for most taxpayers.

Single Taxpayers

Previous Standard Deduction: $15,000

New Standard Deduction: $15,750

Head of Household

Previous Standard Deduction: $22,500

New Standard Deduction: $24,000

Married Filing Jointly or Qualifying Surviving Spouse

Previous Standard Deduction: $30,000

New Standard Deduction: $31,500

Action to Take

Gather your itemized deduction details such as mortgage interest, property taxes, and charitable contributions. Comparing them could reveal the best option for your return.

Better Guidance Tip

Even if you plan to take the standard deduction, provide your potential itemized deductions to your tax preparer. You could be leaving money behind.

Equipment Depreciation

There's good news when it comes to deducting the cost of your equipment. 100% bonus depreciation has returned, and Section 179 limits have increased. Both options allow you to write off the cost of new or qualifying used equipment like kitchen equipment or point-of-sale improvements, but they work differently. 100% bonus depreciation lets you deduct the entire amount in the year of purchase, even if that creates a business loss. Section 179 gives you more control, allowing partial deductions while avoiding a negative impact on your return.

Can I Use Both For Deducting the Cost of Equipment?

Yes, you can use both. Section 179 gets applied first, then bonus depreciation covers the rest.

Action to Take

If you're planning to purchase or finance equipment, talk with a tax professional first. Make the purchase before year-end to ensure you qualify under this year's rules.

Better Guidance Tip

Bigger deductions aren't always better. Sometimes spreading it out can be the smarter move for your business.

100% Bonus Depreciation

100% bonus depreciation is back, meaning if you buy qualifying business equipment, like machines or furniture, on or after January 19, 2025, you can write off the full cost right away.

Key Considerations

- Applies to both new and used business equipment (like machines or furniture).
- Allows you to deduct 100% of the cost up-front, reducing your taxable income.
- Can create a business loss, which you can carry forward to future years.
- Applies automatically to all similar assets purchased in a year.

Use If...

- You want the largest deduction possible this year.
- You're buying multiple assets or real estate.
- You're okay creating a loss to offset future profits.
- The value of assets you're purchasing exceeds $2.5 million.

vs.

Section 179 Expensing

Section 179 gives you more control. You can choose which assets to deduct and how much to deduct, as long as it doesn't create a loss. That makes it useful if you're trying to hit a specific income level or stay under certain tax thresholds.

Key Considerations

- Allows you to deduct the full cost of qualifying equipment in the year you buy it.
- Maximum deduction increased to $2.5 million.
- Phases out once total equipment purchases exceed $4 million in a year.
- You can choose specific assets to expense.
- Cannot create a business loss, limited to your net income (excess carries forward).
- Offers more flexibility and control than bonus depreciation.
- Does not reduce self-employment tax, only income tax.

Use If...

- You're profitable and want to lower your tax bill without dipping into a loss.
- Your equipment purchases are under $2.5 million.
- You want more control over how much profit you report.

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Qualified Business Income Deduction (QBID)

The Qualified Business Income Deduction is now permanent. This 20% deduction, originally introduced as a temporary benefit, is available for eligible restaurant owners. If you're operating as a sole proprietor, single-member LLC, or S-Corporation, you may be able to deduct 20% of your qualified business income from your taxable income. This can lead to significant tax savings, especially if your business is growing.

Action to Take

Review your business structure to ensure it's still the best fit for your income level and future goals. If you've been operating as a sole proprietor and your income is growing, it may be time to consider an LLC or S-Corp election. Schedule time with a tax professional before year-end to review your numbers and run a side-by-side comparison.

Benefits of QBID

- Allows small business owners to earn more and still deduct 20%.
- Creates long-lasting certainty in future financial planning.
- Simplifies tax calculations.

New Minimum QBID

The new minimum QBID is $400 (adjusted for inflation), available to taxpayers with at least $1,000 in total qualified business income.

Not Sure Which Business Entity Is Right For You?

See Pages 14-16 for resources to help you determine which entity is right for your business.

Better Guidance Tip

Don't guess. Have your numbers reviewed so you can see the actual tax difference between business structures.

State & Local Tax (SALT) Increase

For a limited time, the maximum SALT deduction has increased from $10,000 to $40,000 per household, offering a valuable tax-saving opportunity, especially for taxpayers in high-tax states. If you pay significant state income or property taxes, common in places like California, New York, Illinois, or Texas, this higher cap could make itemizing more beneficial than taking the standard deduction.

SALT Cap Conditions

Previous Cap: $10,000 per household

New Cap (Temporary): $40,000 per household, indexed at 1% annually

Timeline: Effective Tax Years 2025-2029

Limitations: Reduced for taxpayers with income greater than $500,000

Action to Take

Track all your state income taxes, property taxes, and other local taxes throughout the year. If you're in a high-tax state or have a more complex business setup, talk with a tax professional about what makes sense for you.

Better Guidance Tip

This higher cap won't last forever. It's set to drop back to $10,000 in 2030, so now is the time to see how it fits into your long-term planning.

Auto Loan Interest Deduction

Interest paid on a personal vehicle loan may now be deductible from 2025 through 2028. This is an above-the-line deduction, meaning it can be claimed even if you take the standard deduction. It only applies to your personal vehicle, such as a car or pickup. Interest on business-use vehicles like semis is already fully deductible as a business expense.

Deduction Qualifications

- New (NOT used) vehicle
- Purchased after December 31, 2024
- Made in the USA
- Deduction capped at $10,000 interest paid per year
- High Earners: Deduction eliminated for individuals earning over $100,000 and couples earning over $200,000

Action to Take

If you're considering a new personal vehicle, make sure it meets the requirements. Keep clear documentation of the purchase, financing, and interest paid each year.

Better Guidance Tip

Don't overlook personal deductions. If your new vehicle qualifies, this one could lower your taxable income without changing how you file.

Charitable Deduction for Non-Itemizers

Taxpayers who take the standard deduction can also deduct charitable contributions, up to $1,000 for individuals or $2,000 for married couples filing jointly. This adjustment means you can receive a tax benefit for giving, even if you don't itemize your deductions.

Action to Take

Review your charitable giving plan and keep documentation of every donation. Make sure any organization you support is officially recognized by the IRS as a qualified nonprofit.

Better Guidance Tip

Generosity just got a little more rewarding. With this deduction, even standard filers can turn charitable giving into tax savings.

Summary of OBBBA

For Restaurant Employees:

- No Tax on Tips Deduction – Deduct up to $25,000 of reported tips (2025–2028). First applies to 2025 returns filed in 2026.
- No Tax on Overtime Deduction – Deduct overtime premiums up to $12,500 (single) / $25,000 (joint) (2025–2028).

For Restaurant Owners:

- FICA Tip Credit Preserved – Continues for restaurants; expanded to salons/spas in 2025 and beyond.
- Employee Retention Credit (ERC) Clean-Up – No late claims for Q3–Q4 2021 after Jan. 31, 2024; stronger IRS penalties effective July 4, 2025.
- Work Opportunity Tax Credit (WOTC) – Still available through Dec. 31, 2025; not extended by OBBBA.
- Meals & Entertainment – Meals remain 50% deductible; no return of 100% deduction.
- QBI Deduction Made Permanent – 20% deduction for pass through income stays for good.
- 100% Bonus Depreciation Extended – Immediate write-offs.
- Section 179 Expensing Expanded – Higher limits for upfront deductions on business purchases.

For Individuals & Families:

- Lower Tax Rates Stay – No sunset in 2025; top rate remains 37%.
- High Standard Deduction is Permanent – Plus, an extra bump for 2025–2028.
- Personal Exemptions Remain Eliminated – No return of dependent-based exemptions.
- Child Tax Credit Increased to $2,200 – With inflation adjustments going forward.
- 20% QBI Deduction Applies to Individuals – Big help for freelancers and self-employed.
- SALT Deduction Cap Temporarily Raised – Up to $40,000 for 2025, then phased back down.
- No Tax on Tips and Overtime (Temporarily) – Partial exemption for 2025–2028.
- Mortgage Interest Deduction Limits Stay at $750,000 – No return to $1M cap.
- Home Equity Loan Interest Still Not Deductible – Unless used for home improvements.
- Extra $6,000 Deduction for Seniors (2025–2028) – Phased out at higher incomes.
- Charitable Deduction Returns for Non-Itemizers – Up to $1,000 (or $2,000 jointly).
- Expanded 529 and ABLE Account Rules – More flexibility and rollover options.
- New "Trump Accounts" for Kids – Government-funded savings for babies born 2025–2028.
- Deduction for Car Loan Interest (2025–2028) – Up to $10,000 with income limits.

Tax Solutions for Restaurant Owners Like You!

The new rules in the One Big Beautiful Bill are full of opportunity, but also full of decisions. Choosing the right business entity, understanding new deductions, and staying on top of changing requirements can feel overwhelming without the right partner.

That's where Abacus! comes in.

Since 1998, we've been helping individuals and business owners like you make confident, informed decisions that support long-term success. Our experienced team understands the unique challenges taxpayers face and knows how to keep you focused, compliant, and profitable.

The next few pages outline the kind of Better Guidance we provide along with services that can help you build a stronger, more profitable business.

Whether you're just getting started or ready to level up, Abacus! is is here to support you every step of the way.

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Sole Proprietorship (no LLC)

A sole proprietorship consists of one individual who carries on an unincorporated trade or business. It is the easiest business to organize. Intermingling of business and personal funds is allowed, but not recommended. Business income is reported on a Schedule C, which is part of the owner's Federal Income Tax Form 1040.

Advantages

- Minimum legal restrictions
- Easy to discontinue

Disadvantages

- Unlimited liability
- May not bring in new owners or outside capital

Single Member Limited Liability Company (LLC)

An LLC is a liability–limiting entity formed under state law. For tax purposes, an LLC is viewed as a disregarded entity. Like a sole proprietorship, business income is reported on a Schedule C of the single member's (owner) Federal Income Tax Form 1040.

Advantages

- Limited Liability Protection for owner without all the expense and complexity of a corporation
- Avoids many of the restrictions that corporations have
- Avoids double taxation of profits that is possible with a corporation
- Relatively simple and inexpensive to set-up and maintain

Disadvantages

- Inconsistent treatment state-to-state
- New type of entity, so case law and state statute/regulations are limited

Multi-Member Limited Liability Company (LLC)

Very similar to a single member LLC in that it has the liability protection for each member (partner), but has all the other characteristics of a partnership. See below for additional information regarding partnerships.

Partnership

A partnership is an organization having two or more owners that functions as a trade or business. A joint undertaking merely to share expenses or ownership of property does not necessarily constitute a partnership. Partnership income and expense flow through to the partners. Income is taxed to the partner whether or not it is distributed to the partner. A partnership is easy to organize. A written partnership operating agreement is strongly recommended.

Advantages

- A partnership combines the skills and/or financial abilities of several people
- Easy to establish
- Business usually benefits from partners who have complimentary skills

Disadvantages

- A partnership is often easier to get into than out of
- Partners are liable for actions of the other partners (unlimited liability)
- Sharing of profits
- Disagreements in decision making

C-Corporation

A corporation is a business entity formed under state law that carries its own legal status, separate and distinct from its owners. A C–Corporation pays tax on its profits. When shareholders take profits from the corporation, the distributions are usually taxable dividends (double taxation). Shareholders who perform services for a corporation must be treated as employees. Wages to shareholder/employees must be reasonable. A corporation is difficult and expensive to organize. Corporations must hold periodic board meetings and keep meeting minutes. Corporations must comply with federal and state regulations.

Advantages

- Limited Liability
- Perpetual Life
- Ease of Ownership Transfer

Disadvantages

- Double taxation of profits
- Subject to various state and federal law
- Difficult and expensive to organize and maintain

S-Corporation

An LLC or a C-Coporation can elect with the IRS to be taxed as an S–Corporation which is similar to a partnership. Income and expenses flow through to the shareholders eliminating double taxation. An employee shareholder of an S–Corporation must still receive wages for services rendered and the wages must be reasonable.

Advantages

- Limited liability
- Perpetual life
- Avoids double taxation of profit
- Profits passed through are not subject to self-employment tax as in a partnership

Disadvantages

- Shareholders pay tax on earnings even if the profit is undistributed

At Abacus!, we believe our job is to give you the confidence and clarity to focus on what you do best. We offer different service levels, Growth, Trust, Confidence, and Compliance, so you can choose the support that fits your needs.

Partnering With Abacus! Means...

- An Abacus! Professional who knows your business
- Experience Agreements with clear, upfront service details
- Going beyond just the numbers to set you up for success
- Proactive advice and guidance when it counts
- Business Growth Planning, Tax preparation, Tax planning, LLC setup, Consulting, Audit Protection, Strategic Planning, and more!

SERVICES:	GROWTH	TRUST	CONFIDENCE	COMPLIANCE
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Payroll Processing	✓	✓	✓	✓
Federal and State Income Tax return preparation	✓	✓	✓	✓
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Annual budgeting and benchmarking	✓			
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