

One Big Beautiful Bill Act (OBBBA) What 1099 Clinicians Need to Know

Key Takeaways

- *The OBBBA has increased the phase-in range, boosting opportunities for 1099 physicians to claim partial deductions, effective in 2026. Although the SSTB classification remains, the minimum deduction of \$400 applies regardless of income limitations if QBI meets the \$1,000 requirement.*
- *Permanent telehealth relief allows HDHPs to cover pre-deductibles. There are expansions for HSAs related to DPC arrangements, and student loan repayment rules are now permanent. The 1099 reporting threshold increases from 2026, affecting payer reporting but not necessarily the physicians' payee status. Overall, these changes seem beneficial for self-employed practitioners. (U.S. federal rules; calendar-year taxpayers; law as in force on 9-19-2025)*
- *Physicians may still see the QBID vanish at high incomes, specifically above \$544,600 for married couples starting in 2026, despite OBBBA changes. It's important to plan around this by deferring income and maximizing retirement contributions. The Additional Medicare Tax and NIIT remain unchanged. The 1099 reporting threshold will rise from \$600 to \$2,000, and telehealth coverage can maintain HSA contributions. Key changes include the minimum deduction of \$400 and the treatment of excess business losses as permanent. I'll provide a detailed timeline and planning options now.*

1. Section 199A Qualified Business Income (QBI) Deduction

Item	2025 return (old TCJA rules)	2026-forward (OBBBA)
Deduction rate	20 %	20 % (House-proposed 23 % was not adopted) ^[1b]
Sunset	Scheduled to expire after 2025	Made permanent ^[2c]
You are an SSTB?	Yes – the practice of medicine is a “specified service trade or business,” so the deduction is <i>subject to income phase-out</i> ^[2i]	
Income phase-in range (MFJ / all others)	\$100 000 / \$50 000 wide → deduction fully gone at \$494 600 / \$247 300 (inflation-adj.) ^[2k]	Range widened to \$150 000 / \$75 000 → with the same 2025 threshold (\$394 600 / \$197 300) the deduction would not disappear until \$544 600 / \$272 300 ^{[2p] [2q]}
New minimum deduction	n/a	\$400 if you (i) have ≥ \$1 000 of QBI and (ii) materially participate ^[9b]
First year the new rules apply	n/a	Tax years beginning after 12-31-2025 (i.e., your 2026 return) ^[2p]

Practical effect for high-earning 1099 clinicians

- 2025: deduction begins to phase out once taxable income exceeds \$394 600 (MFJ) or \$197 300 (single); gone by \$494 600 / \$247 300.
- 2026: same thresholds (plus inflation) but the phase-out window is larger, so partial deductions survive up to roughly \$544 600 / \$272 300. Even above that level you will still get the new \$400 minimum.

Planning pointers

- Shifting income or accelerating deductions into 2026 (when the phase-out window is wider) can preserve a larger QBI benefit.
- Ensure the practice pays **w-2 wages** (or holds depreciable property) when you are in the phase-in window; the wage/UBIA limitation continues unchanged. ^[2h]

2. Self-Employment & Additional Taxes – Unchanged

OBBBA did not alter:

- 12.4 % Social Security SECA tax (capped at the Social Security wage base: \$176 100 for 2025). ^[16b]
- 2.9 % Medicare SECA tax + 0.9 % **Additional Medicare Tax** on self-employment income above \$200 000 single / \$250 000 MFJ. ^{[16c] [16d]}
- 3.8 % Net Investment Income Tax (NIIT); “active” medical income already escapes NIIT under the self-employment exception. ^{[34b] [35a]}

3. 1099 Reporting Threshold

Payers (hospitals, locum-tenens agencies, telehealth platforms) must currently issue Form 1099-NEC for payments \geq \$600. OB BBA **raises that threshold to \$2 000 for payments made on or after 1-1-2026.** ^[10e] ^[11b]

Implications for clinicians

- *Your 2026 income reporting burden does **not** change—you must still report all income—but you may receive fewer forms.*
- *Practices that hire independent PAs/NPs will enjoy reduced 1099 filing volume.*

4. Health-Related Fringe & Deduction Changes Relevant to the Self-Employed

- **Telehealth first-dollar coverage** – HDHPs may cover telehealth pre-deductible **permanently (retroactive to 2025)** without killing HSA eligibility. ^[14c] ^[22c]
- **Direct Primary Care (DPC) membership** – from 2026, paying up to \$150/mo. (single) or \$300/mo. (family) for a DPC arrangement **no longer disqualifies** you from HSA contributions, and the fees are HSA-reimbursable. ^[14e] ^[22d] ^[22e]
- **Bronze & Catastrophic Exchange plans** now count as HSA-compatible HDHPs (2025 forward). ^[14d] ^[19c]
- Self-employed health-insurance deduction (§ 162(l)) is otherwise unchanged.

5. Excess Business Loss (EBL) Limitation Made Permanent

Large, loss-generating practices (common with high equipment write-offs or buy-ins) remain subject to § 461(l). OBBBA removes the 2029 sunset, so the loss cap—\$313 000 single / \$626 000 MFJ for 2025, inflation-adjusted thereafter—now applies indefinitely. ^[9d]

6. What Did Not Make It Into the Final Law

- *The 23 % QBI rate, alternative two-step wage/property test, and BDC interest dividend expansion reported in earlier proposals were **dropped**.* ^{[1b] [3b]}
- *No changes to the Additional Medicare Tax or NIIT thresholds.* ^[30b]
- *No special relief for malpractice insurance, CME, or other profession-specific deductions.*

Action Checklist for 1099 Clinicians

- **Model 2025 vs. 2026 taxable income** to see whether the wider phase-out window increases your Section 199A benefit.
- **Confirm W-2 wage/UBIA levels** in any S-corporation structure before 2026.
- **For telehealth-heavy practices**, consider offering or purchasing an HDHP with first-dollar telehealth to preserve HSA contributions.
- **If you issue 1099s (e.g., to subcontracted PAs)**, update accounts-payable systems for the \$2 000 threshold starting 2026.
- **For loss-generating startup practices**, plan around the now-permanent § 461(l) cap.

Keeping these items on your year-end planning agenda will ensure you capture every new benefit—and avoid surprises—under the One Big Beautiful Bill Act.

References:

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- [2h] - <https://www.jdsupra.com/legalnews/one-big-beautiful-bill-act-h-r-1-119th-1355368/>
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- [2p] - <https://www.jdsupra.com/legalnews/one-big-beautiful-bill-act-h-r-1-119th-1355368/>
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- [3b] - <https://www.currentfederaltaxdevelopments.com/blog/2025/5/14/key-modifications-to-the-section-199a-qualified-business-income-deduction-in-the-proposed-one-big-beautiful-bill>
- [9b] - <https://app.accordance.ai/library/obbb>
- [9d] - <https://app.accordance.ai/library/obbb>
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