

What the "One Big Beautiful Bill" Means for Taxpayers

August 2025

After months of negotiations, a new tax and spending bill was approved by Congress and signed into law by President Trump on July 4th. This new act dubbed the "One Big Beautiful Bill Act" (OBBBA) is far-reaching, including making permanent many parts of the 2017 Tax Cuts and Jobs Act (TCJA), increasing state and local tax exemption amounts, extending the estate tax limits, and much more.

Taxes directly affect many aspects of personal financial planning, and some of the specific provisions in this act may have an immediate impact on your individual taxes depending on the makeup of your household and the unique details of your financial situation. We want to highlight a few provisions that we think may apply to you.

Tax rates: Current tax brackets will remain unchanged except for a small increase to the income thresholds for the 10% and 12% brackets. This means a bit more of your income will be taxed at the two lower rates, and a bit less will be taxed at higher rates.

Standard deduction: The standard deduction increases to \$15,750 (single), \$23,625 (head of household), and \$31,500 (joint). Beginning in 2026, these amounts will adjust for inflation.

SALT cap: The limit on the federal deduction for state and local taxes (SALT) will temporarily go up from \$10,000 to \$40,000 then will increase by a fixed 1% annually from 2026 to 2029. Starting in 2030, the deduction will revert to the current cap of \$10,000.

The act does include a phasedown provision which would begin to impact taxpayers with a modified adjusted gross income (MAGI) of over \$500,000 but the limit on the SALT deduction will not go below \$10,000.

Personal exemptions and senior deduction: The act permanently sets the deduction for personal exemptions at zero but does provide a temporary \$6,000 deduction through 2028 for individual taxpayers age 65 or older. The deduction is subject to a phaseout when MAGI exceeds \$75,000 (single) or \$150,000 (joint).

The act does not exempt Social Security income from taxation.

Child tax credit: The nonrefundable child tax credit is increased to \$2,200 per child and the \$1,700 refundable child tax credit is made permanent. Both will adjust for inflation beginning in 2026. TCJA's income-based phaseout of \$200,000 (single & head of household) and \$400,000 (joint) remains in place. (*Nonrefundable* means it can bring your tax liability to \$0, whereas *refundable* means you could get money back).

Estate and gift tax exemption amount: The act permanently increases the unified estate and lifetime gift tax exemption amount to \$15 million (single) or \$30 million (joint) in 2026 and will be annually indexed for inflation.

Alternative minimum tax exemption: The act permanently extends the TCJA's increased individual alternative minimum tax (AMT) exemption amounts and reverts the exemption phaseout thresholds to their 2018 levels of \$500,000 (single) or \$1 million (joint), indexed for inflation.

Mortgage interest deduction: The act permanently extends the TCJA's provision limiting the qualified residence interest deduction to the first \$750,000 in home mortgage acquisition debt and makes permanent the exclusion of interest on home-equity indebtedness when used for something other than building or improving the residence. However, it also restores the deductibility of certain mortgage insurance premiums.

Casualty loss deductions: The act expands the deduction of non-reimbursed losses from federally declared disasters to include state-declared disasters, as well.

Miscellaneous itemized deductions: The act makes permanent the TCJA's suspension of miscellaneous itemized deductions but adds unreimbursed employee expenses for eligible educators to *non-miscellaneous* itemized deductions beginning in 2026.

Itemized deductions limitation for the highest tax bracket: Beginning in 2026, the act will reduce allowable itemized deductions for taxpayers in the 37% tax bracket.

No tax on tips: Through 2028, the act provides a temporary deduction of up to \$25,000 for qualified tips with a phaseout beginning when MAGI exceeds \$150,000 (single) or \$300,000 (joint). A transition rule will allow employers required to furnish statements enumerating an individual's tips for tax year 2025 to use "any reasonable method" to estimate designated tip amounts.

Car loan interest: Through 2028, interest on auto loans taken after Dec. 31, 2024, and used to purchase new personal-use vehicles may be deductible, as long as the vehicle was assembled in the U.S. (verify by checking the Vehicle Identification Number or VIN, as it is not necessarily only American cars). The exclusion is capped at \$10,000 per year and will phase out for taxpayers with MAGI above \$100,000 (single) or \$200,000 (joint).

Trump accounts: Some elements still remain unclear, but beginning in July of 2026, parents can make non-deductible contributions on behalf of their child of up to \$5,000 per year (indexed for inflation),

without the requirement of the child having any earned income. Determining the taxability of future distributions will require working with a tax professional.

Parents of any U.S. citizen child born in 2025, 2026, or 2027 can elect to have a \$1,000 U.S. government credit paid into a “Trump account” on their behalf.

529 plans: The act expands the list of “qualified” education expenses across higher education, K-12, and postsecondary credentialing (i.e. CPA, CFP®, etc.), meaning more education expenses are eligible to be covered by tax-free distributions from 529 plans.

Charitable contribution deduction: The act creates a charitable contribution deduction for taxpayers who do not elect to itemize, allowing them to claim a deduction of up to \$1,000 (single filers) or \$2,000 (married filing jointly) for certain charitable contributions. For itemizers, the act imposes a floor of 0.5% of Adjusted Gross Income (AGI) on the deduction. This means that the amount of an individual’s charitable contributions for a tax year is reduced by 0.5% of the taxpayer’s AGI.