SIGNATURE
WEALTH MANAGEMENT

Highlights from the One Big Beautiful Bill Act (OBBBA)

On July 4, President Trump signed the "One Big Beautiful Bill Act," (OBBBA) a wide-ranging tax and financial package. It is a large piece of legislation, and within the pages are a number of provisions that may be impactful to you and your financial plans.

While this is not an exhaustive list, I wanted to highlight some of the key elements the financial planning community is paying attention to.

1. TCJA Tax Cuts Are Now Permanent

The current tax brackets, established by the Tax Cuts and Jobs Act (TCJA) in 2017 were set to sunset after this year, which would have led to tax increases across the board.

We've long told clients that, regardless of who came into power this year, we expected many of the brackets to be solidified and the OBBBA did indeed make those rates permanent *(at least until future legislation changes them again*).

While this has been widely expected since the election, the passing of the bill establishes more certainty around the tax code.

2. Higher SALT Deduction Cap

A major headline of the bill is a boost in the State and Local Tax (SALT) deduction cap. The TCJA capped SALT deductions at $10,000, but the new bill increases that available deduction up to **$40,000**, though this increased amount begins to phase out if your income exceeds $500,000.

This was one of the more hotly debated provisions, and taxpayers in high-tax states like Minnesota, California, and New York stand to benefit the most. This higher cap

holds through **2029**, after which it returns to the prior $10,000 cap.

3. New Senior Deduction for Ages 65+

Starting in 2025, anyone age 65 or older can claim an **extra $6,000 deduction**, whether they itemize or take the standard deduction. This is a nod to the campaign promise of "no taxes on Social Security".

This doesn't actually change your social security benefits at all (you don't even have to be claiming social security benefits to claim the deduction), but it will help many seniors reduce their tax bills.

Like the SALT deductions, this deduction comes with a phase-out, and you will start losing it as your income exceeds **$75,000 individual / $150,000 joint** income. This new deduction is on top of the existing bonus standard deduction of $1,600 for individuals age 65+.

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4. Standard Deduction Rises Again

The 2017 TCJA nearly doubled the standard deduction, when combined with the cap on SALT taxes led roughly 2/3 of people who had been itemizing to now file using the standard deduction. The standard deduction has been increasing with inflation, and the OBBBA gives it an additional boost, setting it at **$15,750 for individuals** and **$31,500 for joint filers** through **2028**.

Combined with the senior deductions, many households may now write off over $46,000 in income without filing itemized returns.

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5. Estate and Gift Tax Protections Strengthened

Federal estate taxes affect a small portion of the population, but for those that it does affect it is a serious planning concern. The TCJA had doubled the prior exemptions, and the OBBBA further increased the exemption to **$15 million per person** ($30 million per couple), indexed for inflation and makes these rates permanent.

Prior to the bill, the current exemption rates were set to drop in half at the end of the year, which was creating many planning concerns and opportunities. We were less sanguine that these rates would be made permanent even in the new administration, so this provision is a welcome reprieve for those affected and provides clarity when shaping an estate plan.

6. New Deductions for Middle-Income and Working Families

A handful of temporary deductions through 2028 can help working households keep more of what they earn:

- **Tips & Overtime Deduction**: Up to $25,000 in tips and $12,500 (single) or $25,000 (joint) in overtime can be deducted against income, with phase outs above **$150,000 individual / $300,000 joint**. Both deductions are available when claiming the standard deduction or itemizing.
- **Auto Loan Interest Deduction**: Up to **$10,000/year** interest on loans for U.S.-assembled passenger vehicles, if your adjusted gross income is below $200,000 joint.
- **Child Tax Credit** is also permanently increased to **$2,200 per qualifying child**, helping families afford growing costs.

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7. Trump Accounts for Young Children

Children born in 2024 and later will be eligible for a "Trump Account". For children born in 2025 and beyond there will be a **$1,000 federal contribution** at birth. Families may contribute up to $5,000/year and the accounts must be invested in low-expense index funds.

Earnings accumulate tax-deferred, and distributions after age 18 for qualified expenses such as education, home purchase, or business startup are taxed at the long-term capital gains rate.

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8. Expanded 529 and Education Benefits

- The list of qualified expenses for **529 plans** was expanded to cover additional items such as homeschooling supplies, standardized testing, tutoring, and more.
- **Employer-paid education assistance** of up to $5,250 per year towards student loans was made permanent and will be inflation-adjusted starting in 2026. This allows employers to help employees pay down their student loans in a tax-advantaged manner.

Permanent	Temporary
TCJA tax rates	$40K SALT cap
Child Tax Credit increase	Senior bonus deduction
Estate & gift exemptions	Tips & overtime deduction
Expanded 529 plan uses	Auto-loan interest deduction
ABLE account improvements	Trump Account seed credit
Trump Account structure	

This is an early analysis: some details remain unclear, and additional guidance will emerge from regulators. Meanwhile, if you'd like to talk through how any of these changes affect your situation we're here to dive in with you. Please reach out to set up a time to talk.

Full text of the bill can be found here:
https://www.congress.gov/bill/119th-congress/house-bill/1/text

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