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# One Big Beautiful Bill Act of 2025

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On July 4, 2025, President Donald J. Trump signed into law the One Big Beautiful Bill Act of 2025 (OBBBA). The following is a high-level summary of several major provisions of the Act.

The majority of the provisions of the Tax Cuts and Jobs Act (TCJA) included expiration dates. Lower individual tax rates, higher standard deduction, elimination of the personal exemption, the cap on the deduction of State and Local Taxes (SALT), changes to the Alternative Minimum Tax (AMT) and many other provisions were all set to expire at the end of 2025.

Many of the provisions of this bill were to make these items permanent.

## Individual income tax

The **individual tax rates** that were implemented as part of the TCJA are now permanent.

The **standard deduction** for 2025 was set at \$30,000 for joint filers, \$22,500 for heads of household, and \$15,000 for all other taxpayers. The additional standard deduction for the elderly and blind remained the same. These were set to expire at the end of 2025. Under the OBBBA for tax years beginning after 2024, the standard deduction is increased to \$15,750 for a single filer, \$23,625 for a head of household, and \$31,500 for married individuals filing jointly; adjusted for inflation thereafter.

Beginning in 2025 there is an additional **senior deduction** of \$6,000 for taxpayers who have reached age 65 before the end of the tax year. For joint returns, the taxpayer's spouse can also qualify if they reach age 65. This deduction begins to phase out once the modified adjusted gross income (MAGI) exceeds \$75,000, \$150,000 for married filing joint. This additional deduction expires for tax years beginning after 2028.

**Personal exemptions** which were temporarily repealed under the TCJA until 2025 are now permanently repealed.

The **SALT deduction** for 2025 was limited to \$10,000. The OBBBA limits the SALT deduction to \$40,000, \$20,000 for married filing separate, for households earning less than threshold of \$500,000. The deduction is reduced by 30% of the income in excess of the threshold until the deduction is reduced to \$10,000 and then remains at that level. The threshold amount increases by 1% over the previous year's amount from 2027 through 2029. For 2026 the threshold amount would be \$505,000 for all filing status except married filing separately, which would be \$252,500. This deduction reverts to \$10,000 in 2030.

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The **Child tax credit** increases to a maximum of \$2,200 per qualifying child, from \$2,000, under the age of 17 for 2025 and is adjusted for inflation.

Individuals can claim a **qualified tip deduction** for qualified tips received in tax years 2025 through 2028 up to a maximum of \$25,000 per year. This amount is phased out for MAGI above \$150,000, \$300,000 for married filing joint. The amount phases out completely when the taxpayer's MAGI reaches \$400,000, \$550,000 for married filing joint. This deduction is available regardless of whether the taxpayer itemizes deductions or not.

Individuals can claim a **qualified overtime pay deduction** for overtime received in tax years 2025 through 2028. This deduction is limited to \$12,500, \$25,000 for married filing joint. This amount is phased out by \$100 for each \$1,000 which the filers MAGI exceeds \$150,000, \$300,000 for married filing joint. The amount phases out completely when the taxpayer's MAGI reaches \$275,000, \$550,000 for married filing joint. This deduction is available regardless of whether the taxpayer itemizes deductions or not.

A **car loan interest deduction** is available to taxpayers where they can claim up to \$10,000 for interest paid, or accrued, on a loan originated between 2025 and 2028. A qualified passenger vehicle includes new cars, minivans, vans, SUVs, pickup trucks, or motorcycles that are assembled in the United States. The deduction is not applicable to used or imported vehicles, all-terrain vehicles, trailers, or campers. The deduction is phased out by \$200 for each \$1,000 that a taxpayer's MAGI exceeds \$100,000, \$200,000 for married filing joint. This deduction is available regardless of whether the taxpayer itemizes deductions or not.

The limitation on **itemized deductions**, known as the Pease limitation, is permanently repealed for tax years beginning in 2026. The new legislation reduces itemized deductions by  $\frac{2}{37}$  of the lesser of itemized deductions or the amount of taxable income that exceeds the amount at which the 37% tax bracket begins.

A taxpayer who does not itemize deductions can deduct **charitable contributions** made in cash for tax years beginning in 2026, up to \$1,000, \$2,000 for married filing joint. The deduction is used in calculating taxable income and not as an above-the-line deduction in calculating Adjusted Gross Income (AGI). For those taxpayers who itemize deductions, there is a .5% floor

The **Alternative Minimum Tax (AMT)** threshold amount for married taxpayers filing jointly and surviving spouses for tax years beginning in 2026 is reset to \$1,000,000. This amount is

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adjusted annually for inflation. This amount for tax years beginning in 2025 remains at \$1,252,700. Phaseout thresholds for all other filers remains the same and are adjusted for inflation based on the 2018 amounts.

The OBBBA has repealed the following credits generally ending in tax years beginning in 2026:

- **Energy Efficient Home Improvement Credit**
- **Residential Clean Energy Credit**
- **Previously owned clean vehicle credit**
- **Clean vehicle credit**
- **Qualified commercial clean vehicle credit**
- **Alternative fuel refueling property credit**
- **New energy efficient home credit**

### Estate and gift taxes

The exemption amount for the **Generation-Skipping transfer tax (GSTT)** is increased from \$13,990,000 for tax years beginning in 2025 to \$15,000,000 for tax years beginning in 2026. This amount is indexed for inflation using 2025 as the base year.

The **Estate tax exclusion amount** is also increased from \$13,990,000 for tax years beginning in 2025 to \$15,000,000 for tax years beginning in 2026. This amount is indexed for inflation using 2025 as the base year.

### Student Loans

**Grad Plus** loans have been eliminated for new borrowers beginning July 1, 2026. **Parent PLUS** loans now have an annual borrowing limit of \$20,000 per student with a lifetime limit of \$65,000 per student beginning July 1, 2026. Most graduate students will be limited to a lifetime borrowing limit of \$100,000. For those students enrolled in professional graduate programs, the lifetime borrowing limit is \$200,000.

Existing **student repayment plans** have been replaced by two new plans for new borrowers as of July 1, 2026; 10 year standard and 30 year Revised Affordable Plans (RAP). The standard plan offers fixed payments over a period. The RAP offers payment plans based on the income of the borrowers. Under the RAP, balances at the end of 30 years, if any, are forgiven.

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## Medicaid

The OBBBA introduces a federal work mandate of 80 hours per month with applications filed on or after December 31, 2026. This requirement applies to “able-bodied” adults between 19 and 64. The work mandate can be satisfied with paid work, job training, attending school or volunteer work. Any combination of these activities will qualify.

Note: Some provisions are subject to Treasury regulations or IRS guidance for implementation. The law contains many more elements affecting business taxation, healthcare, agriculture, and telecommunications that are not summarized here.

## Seek Professional Guidance

Many of the provisions of the One Big Beautiful Bill Act involve complex areas of federal and state law. To receive maximum benefit from this new legislation, the advice and guidance of trained, experienced tax, and legal professionals is highly recommended.

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# Disclosure Notice

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