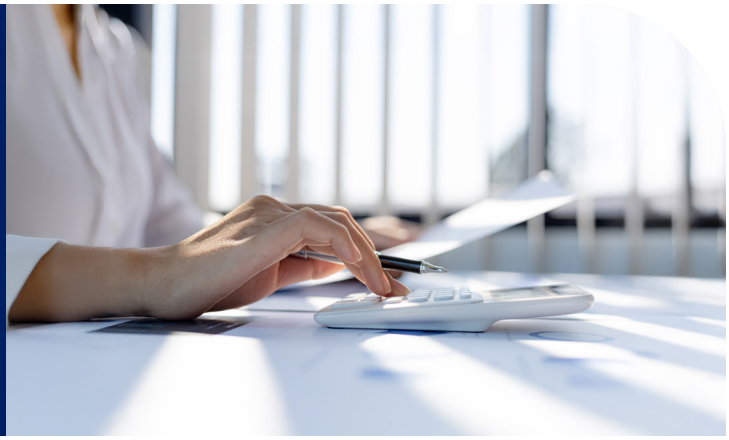
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Key Planning Strategies for the One Big Beautiful Bill Act



On July 4, 2025, the *One Big Beautiful Bill Act* (OBBBA) was signed into law, representing the most comprehensive tax legislation since the Tax Cuts and Jobs Act (TCJA) was passed in late 2017. The new law provides much-needed clarity for investors by extending key tax provisions which were due to expire at the end of 2025, such as income tax rates and brackets. Many provisions first took effect in 2025 and remain relevant for 2026 tax planning and beyond. Lastly, the tax changes are part of a broader package, which includes spending reductions. It also raises the federal debt ceiling.

Here are some of the highlights of the new law

- The current income tax rates and brackets are extended permanently. Of course, a future Congress could make changes, but there is no "sunset" within the new law for these rates to expire in the future.
- The standard deduction, which was doubled under the TCJA, is extended permanently and includes adjustments for inflation.
- The cap on deducting state and local taxes (SALT) increases from $10,000 to $40,000 beginning in 2025 and continuing through the end of 2029, indexed for inflation.
- Temporary tax deductions for overtime pay, tips and auto loan interest are included.
- There is no reduction in taxes on Social Security. However, the law includes an extra $6,000 deduction for seniors beginning in 2025 through the end of 2028.
- The lifetime exclusion for gift and estate taxes increases to $15 million per person beginning in 2026, and is permanent.
- Many clean energy tax preferences introduced during the Biden administration were rolled back, such as tax credits for buying electric vehicles.
- Qualified Opportunity Zones (QOZs) were renewed, expanded and made permanent beginning in 2027. This program provides potential tax benefits for eligible taxpayers who invest capital gains in a Qualified Opportunity Fund that invests in designated Opportunity Zones.
- There were no changes to the tax treatment of municipal bonds, including private activity bonds.
- The OBBBA created new savings accounts for those under age 18, called "Trump accounts."

Not FDIC Insured | No Bank Guarantee | May Lose Value

Extension of Income Tax Provisions that Were Due to Expire

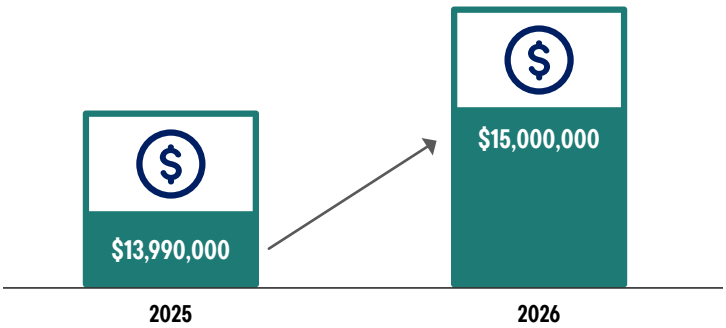
Provision	Details
Income tax rates and brackets	Extended permanently with an extra inflation adjustment in 2026 applied to the 10% and 12% brackets.
Standard deduction	Extended permanently and increased slightly for 2026 ($16,100 for single filers, $32,200 for married couples filing a joint tax return).
SALT deduction cap	Increased from $10,000 to $40,400 for 2026, with the same limit applying for single filers and married couples. The increase in the cap is subject to a phase-out once modified adjusted gross income (MAGI) exceeds $505,000. At $606,333, the increase in the deduction cap is fully phased out, and a $10,000 cap applies.
Child tax credit (CTC)	The tax credit, which was increased by the TCJA to $2,000 per qualified child, is extended permanently. The CTC is increased slightly to $2,200 and indexed for inflation going forward. The other dependent credit of $500 is made permanent. This includes dependents who do not qualify for the CTC, such as dependent children who are 17 or older.
Itemized deductions	The scale-back for these deductions as a result of the TCJA is made permanent (limits on deducting mortgage interest, elimination of miscellaneous 2% deductions). The tax benefit of itemized deductions is now capped at the 35% tax bracket.
Alternative minimum tax (AMT)	The higher AMT exemption and phase-out of the exemption established by the TCJA are made permanent. This avoids a dramatic expansion of the AMT applying to more taxpayers.
Qualified opportunity zones (QOZs)	While the QOZ program created by the TCJA expires at the end of 2026, the new law creates permanent, 10-year rolling QOZ investment programs beginning in 2027. QOZs allow taxpayers to defer recognition of certain capital gains by investing those gains in a Qualified Opportunity Fund. Depending on the holding period of the investment and other requirements, there may be additional tax benefits.

Source: H.R.1 – 119th Congress (2025–2026): One Big Beautiful Bill Act. July 4, 2025.

Estate and Gift Tax Levels Extended Permanently

Under the TCJA, the lifetime exclusion for gifts and estates was scheduled to be reduced roughly in half. The new law increases the amount slightly for 2026 and applies annual inflation adjustments going forward. The new law does not change the existing rules governing the annual gift tax exclusion.

Federal Unified Gift and Estate Tax Lifetime Exclusion



Source: IRS 2026 tax figures, One Big Beautiful Bill Act. Beginning in 2026 the unified, lifetime exclusion for gifts and estates increases to $15 million per person and is indexed for inflation for future years. The portability provision still applies.

The New Tax Law Introduces a Number of New Provisions

Provision	Details
Deduction for seniors age 65+	For tax years 2025 through 2028, an extra $6,000 deduction per individual is available whether or not the taxpayer itemizes deductions. The deduction is subject to a phase-out once MAGI exceeds $75,000 ($150,000 for married couples filing a joint tax return).
Deduction for qualified tips	A maximum of $25,000 of tips can be deducted for tax years 2025 through 2028, which may apply to W-2 workers and independent contractors. The deduction is available whether or not the taxpayer itemizes deductions and is subject to a phase-out once MAGI exceeds $150,000 ($300,000 for married couples filing a joint tax return).
Deduction for overtime pay	A maximum of $12,500 ($25,000 for couples) in overtime pay can be deducted from taxable income for tax years 2025 through 2028. The deduction is available whether or not the taxpayer itemizes deductions and is subject to a phase-out once income exceeds $150,000 ($300,000 for couples). Only the overtime portion of pay can be deducted (i.e., for time-and-a-half pay, only the "half" can be deducted).
Deduction for auto loan interest	A maximum of $10,000 can be deducted for tax years 2025 through 2028 for qualified loan interest for passenger cars where final assembly occurs in the United States. The deduction is available whether or not the taxpayer itemizes deductions and is subject to a phase-out once income exceeds $100,000 ($200,000 for couples).
Trump accounts	New savings accounts introduced for children under age 18, which receive the same tax treatment as IRAs (although no deduction is allowed for contributions). The account can be funded with annual, after-tax contributions of up to $5,000 (employer contributions of up to $2,500 are also allowed and count toward the $5,000 limit). Distributions, which follow IRA rules, are available beginning with the calendar year the child turns 18. As part of a pilot program, the federal government will fund $1,000 into these accounts for US citizens born in 2025 through the end of 2028.

Changes to Tax Benefits for Charitable Contributions

The new law introduces a couple of provisions, one that is positive for taxpayers and another that will limit the tax benefit of charitable deductions for some. First, taxpayers claiming the standard deduction can deduct up to $1,000 ($2,000 for couples) of charitable contributions on their return. To qualify, contributions must be made in cash to a qualified charity (no donor advised funds or foundations). Also, taxpayers itemizing deductions do not benefit tax-wise from making a charitable contribution until the amount of the donation exceeds 0.5% of their adjusted gross income (AGI).

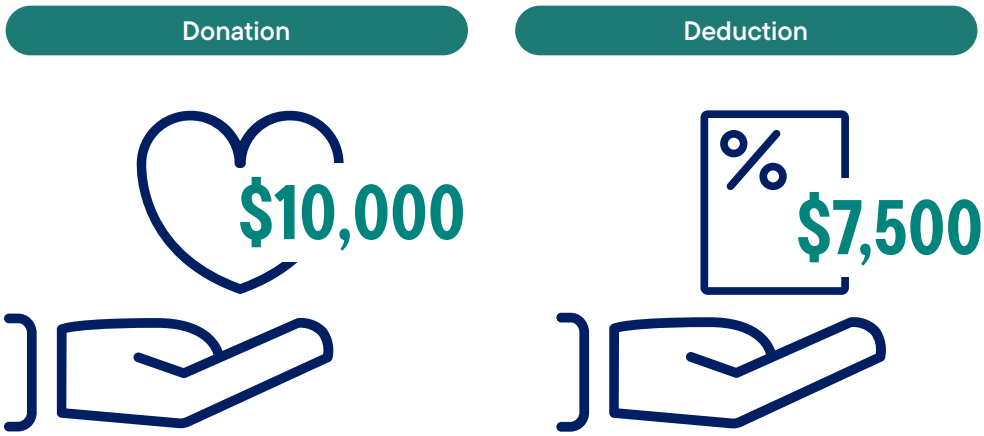
New charitable deduction for non-itemizers



New limit on itemized charitable deductions

Charitable deductions are subject to a 0.5% "floor"

Example: Adjusted gross income $500,000



Source: H.R.1 – 119th Congress (2025–2026): One Big Beautiful Bill Act. July 4, 2025.

Enhancements to 529 Savings Plans

The TCJA expanded the definition of "qualified expenses" for 529 plans to include K-12 tuition. This new law allows other K-12 expenses to be considered qualified, such as books, online educational materials, fees, tutoring and testing fees. The annual limit on qualified K-12 expenses is $20,000. Additionally, 529 plans can now be used for "qualified postsecondary credentialing expenses."

It is important to note that some state 529 programs may not recognize certain K-12 expenses as qualified expenses. Consult with your state's 529 program for more information.

Tax Benefits for Business Owners

Provision	Details
Deduction for Qualified Business Income (QBI) made permanent	Instead of expiring at the end of 2025, the 20% QBI deduction is extended permanently. This deduction applies to certain pass-through businesses (e.g., partnerships, sole proprietorships and S corporations). The current phase-out limits on claiming the deduction are $403,500 for MFJ and $201,750 for single filers and are based on taxable income.
100% bonus depreciation for certain property placed into service	For qualified property acquired on or after January 19, 2025, business owners can fully deduct the expense in the current tax year. Prior to the new law, there were limits to what a business could deduct in the same tax year (40% of the expense in 2025 with a scheduled reduction to 20% in 2026).
Immediate expensing of new production facilities	Businesses can fully deduct the cost of building new domestic manufacturing, production or refining facilities in the same tax year on construction that started after January 19, 2025, through the end of 2028. This allows companies to avoid amortizing the cost over many years for tax purposes.
Immediate expensing of research costs	Businesses can fully deduct the cost of qualified domestic research and experimental investments in the same year beginning in 2025.
Increase in the Section 179 deduction for small businesses	This provision allows small businesses to deduct the full cost of acquiring property in that tax year instead of spreading the cost over multiple years. In 2026, the maximum deduction is $2.56 million and the phase-out threshold is $4.09 million. Examples of eligible expenses include tangible property such as machinery, office equipment, computers, vehicles and improvements to buildings.
Enhancements to the exclusion for Qualified Small Business Stock (QSBS)	This tax provision, available to certain businesses structured as C corporations, allows a capital gains exclusion on the sale of stock. For QSBS acquired after July 4, 2025, the cap on excluding capital gains is increased from $10 million to $15 million. While stock still must be held at least five years to benefit from the full exclusion, partial exclusion from capital gains is allowed (50% exclusion allowed for stock held three years, 75% exclusion for stock held four years).

Planning Considerations for the New Tax Law

Given the scope of these changes to the tax code, there may be important considerations for planning based on individual circumstances. Explore four planning considerations related to the new tax law.

1 Managing Income Around Tax Deduction Phase-Outs

While the new law introduces some valuable tax deductions, these benefits eventually phase out once income exceeds certain thresholds. Being aware of these thresholds, and managing income to avoid them if possible, may help preserve certain tax benefits. The increase in the SALT deduction cap from $10,000 to $40,400 is a key benefit for certain taxpayers living in higher-taxed states. However, the phase-out in the deduction increases rapidly. For taxpayers with income at the phase-out level ($505,000 in modified adjusted gross income; at $606,333 the increased deduction is fully phased out) there may be planning considerations to avoid or reduce income to maximize the deduction.

Income Phase-Outs of New Tax Deductions

Provision	Phase-Out	
Increased SALT deduction cap	**$505k–$606k** (Single and MFJ)	
Deduction for seniors	**$75k–$175k** (Single)	**$150k–$250k** (MFJ)
Deduction on qualified tips	**$150k–$400k** (Single)	**$300k–$550k** (MFJ)
Deduction for qualified OT	**$150k–$275k** (Single)	**$300k–$550k** (MFJ)
Deduction for auto loan interest	**$100k–$150k** (Single)	**$200k–$250k** (MFJ)

2 Consider Tax-Smart Charitable Giving Strategies

For those claiming the standard deduction, consider the new provision, which allows a charitable deduction for non-itemizers ($1,000 for single filers, $2,000 for married couples filing a joint tax return). Additionally, those over the age of 70½ can make a qualified charitable deduction out of their IRA, which allows for a tax-free distribution if funds are directed to a qualified charity. This includes required minimum distributions (RMDs). For 2026, the maximum QCD is $111,000 per taxpayer. Married couples filing jointly may make up to a combined $222,000 of QCDs.

Those making larger charitable contributions may want to consider using a donor-advised fund (DAF) to "lump" several years' worth of donations into a single tax year. For example, this lumping strategy may allow a taxpayer to itemize deductions in a single year while taking the standard deduction in other years. Timing larger charitable contributions in a year when income is expected to be higher may provide additional tax benefits, depending on individual circumstances.

3 Explore Strategies Such as Roth Conversions to Achieve Tax Diversification

While the lower tax rates and brackets introduced by the TCJA in 2017 were extended permanently by the new tax law, there is really no such thing as "permanent" tax law since it's only permanent until a future Congress makes changes. Given rising federal budget deficits and solvency challenges for major federal programs such as Social Security, it's reasonable that taxes may increase for some taxpayers in the future. Tax diversification—holding investable assets over a mix of taxable, tax-deferred and tax-free accounts—may allow a taxpayer to better manage their tax bill in retirement based on their current tax bracket and income needs. For example, if a higher tax bracket applies for a certain year, one could consider drawing income from a Roth IRA and avoid taking additional income from a traditional, pre-tax IRA. Given current tax rates and brackets, Roth conversions may remain a planning consideration for some taxpayers.

4 Efficient Wealth Transfer Focuses More on Income Taxes than Estate Taxes

With the lifetime exclusion for gifts and estates increasing to $15 million per individual in 2026 and made permanent, most taxpayers will not be subject to federal estate tax under the current lifetime exclusion. Higher-net-worth households under the threshold looking to transfer wealth to the next generation may want to consider strategies to manage potential income tax consequences, such as:

- **Pass highly appreciated assets in taxable accounts at death.** This may allow heirs to benefit from a step-up in cost basis, potentially reducing capital gains taxes if the assets are later sold. This is in contrast to gifting while living, where the recipient inherits the original cost basis of when the asset was acquired for tax purposes.
- **Leave a greater portion of tax-deferred savings like IRAs to heirs in lower or moderate tax brackets.** With some limited exceptions, non-spouses who inherit an IRA or retirement account are required to distribute those funds within a 10-year period. For inherited pre-tax accounts, this might result in a significant tax bill for beneficiaries. It may be more tax-efficient to name heirs likely to be in lower or moderate tax brackets as beneficiaries of traditional, pre-tax retirement savings accounts. Higher-income beneficiaries may potentially be subject to more taxes when distributing funds from an inherited retirement account.
- **Build flexibility into estate plans if needs or tax laws change in the future.** For example, a 'swapping power' under IRC §675 may allow assets inside of an irrevocable trust to be exchanged for other assets of equal value (such as cash, for example). This may allow removing highly appreciated assets from an irrevocable trust that would not generally benefit from a step-up in cost basis upon the death of the individual who placed assets inside the trust. Once the highly appreciated asset is removed from the trust, a step-up in cost basis upon the death of the owner may apply. Consult with an estate planning professional for other techniques to build flexibility into a plan.

Tax Law Changes Require Careful Review

Individual taxpayers and business owners should consult with a qualified tax professional to understand how these new changes affect their specific circumstances. There may be opportunities to take advantage of certain provisions or considerations for timing or realizing income. Working with a qualified financial professional may help uncover these types of opportunities.

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