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PRIVATE WEALTH

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One Big Beautiful Bill: A Summary for Tax Planning

The recently passed tax and spending package includes several notable changes that could have significant tax implications for your financial plan.

A sweeping new tax bill—officially called the “One Big Beautiful Tax Bill”—has passed, bringing a mix of extensions, updates, and brand-new provisions that could shape your tax planning and financial strategy in the years ahead. Whether you’re focused on wealth preservation, retirement, or generational planning, here’s a quick look at some of what’s staying the same, what’s changing, and what’s completely new.

What’s Staying (Mostly) the Same

Several core provisions of the current tax code remain intact, with minor adjustments:

- **Tax Brackets:** The existing brackets (10%, 12%, 22%, 24%, 32%, 35%, 37%) stay in place, but inflation adjustments in 2026 will slightly shrink the 22% bracket.
- **Standard Deduction:** Modestly increased across all filing statuses in 2025 (e.g., Married Filing Jointly up to $31,500).
- **Filing Thresholds and Return Requirements:** No structural changes; thresholds remain inflation-adjusted.
- **Itemized Deductions:** Limits remain. Mortgage interest deduction is capped, and deductions for moving expenses, personal exemptions, and miscellaneous items continue to be repealed.
- **Mortgage Insurance Premiums:** Now treated as qualified residence interest and deductible.
- **Child Tax Credit:** The nonrefundable portion increases to $2,200 in 2026. The refundable portion ($1,700 in 2025) is now permanent and indexed for inflation.
- **QBI Deduction:** Extended with higher income phaseouts—$150,000 for joint filers, $75,000 for others.
- **Student Loans:** Debt discharged due to death or disability remains non-taxable. Employers can continue offering tax-free student loan repayment assistance.

- **ABLE Accounts:** Saver's Credit eligibility and rollover rules from 529 plans remain intact.
- **Education Assistance and Dependent Care Benefits:** Exclusion thresholds and rules unchanged.
- **Other Provisions:** Cash contribution limits, HSA rules, and Pass-Through Entity Taxes (PTETs) stay the same.
- **Combat Zone Tax Benefits:** No material changes but continue to apply.

What's Meaningfully Different

Several notable changes could impact higher earners, business owners, and families planning large gifts or charitable contributions:

- **State and Local Tax (SALT) Deduction:** Raised to $40,000 (or $20,000 for Married Filing Separately), with income-based phaseouts starting at $500,000 (or $250,000 for Married Filing Separately).
- **Alternative Minimum Tax (AMT):** More filers could be subject to AMT starting in 2026 as income thresholds revert to 2018 levels. Seven years of inflation adjustments have been removed for joint filers.
- **Itemized Deduction Limitation (Pease Rule):** Reinstated for taxpayers in the 37% bracket starting after 2025.
- **Adoption Credit:** Up to $5,000 will now be refundable starting in 2025.
- **Green Energy Credits:** Available through 2025 for clean vehicle and residential energy upgrades, with phased expiration timelines. Full list of terminated credits includes: Clean Vehicle Credit, Previously Owned Clean Vehicle Credit, Commercial Clean Vehicle Credit, Alternative Fuel Refueling Property Credit, Residential Clean Energy Credit, Energy Efficient Home Improvement Credit, and New Energy Efficient Home Credit.
- **Qualified Opportunity Zones:** New tiers for basis increases after five years—10% for regular zones, 30% for rural funds.
- **Bonus Depreciation & Section 179 Expensing:** Enhanced limits on both, including 100% expensing reinstated for property placed in service after January 20, 2025.
- **Qualified Small Business Stock (QSBS):** Tiered gain exclusions now based on holding period (up to 100%) with higher per-issuer caps and asset thresholds.
- **Exclusion of Interest on Rural or Agricultural Loans:** New provision allows interest income to be excluded for qualified lenders.

What's New (and Totally Different)

The bill introduces several brand-new deductions and planning opportunities, particularly aimed at seniors and middle-income taxpayers:

- **Senior Deduction:** Extra $6,000 deduction per qualifying individual age 65+ (phased out at higher incomes). Applies 2025–2028.
- **"No Tax on Tips" Deduction:** Up to $25,000 deductible for tips, with income-based phaseouts and anti-abuse rules. Does not apply to payroll taxes (FICA).
- **Overtime Deduction:** Similar $25,000 deduction for overtime income (with limits), phased out at $300,000 (Married Filing Jointly) / $150,000 (others).
- **Car Loan Interest:** Deduction up to $10,000 on new U.S.-assembled car loans (not leases), with strict limitations and income thresholds.
- **Charitable Deduction for Non-Itemizers:** Up to $2,000 for married couples giving cash, beginning in 2026.
- **New Cap on Itemized Deductions:** Itemized deductions can't exceed 35% of adjusted gross income (AGI) beginning in 2026.
- **AGI Floor for Charitable Contributions:** Must exceed 0.5% of AGI to qualify (starting 2026).
- **"Trump Accounts":** New child-focused savings accounts based on IRA rules with strict contribution and investment limits. Designed for dependents under age 18. Employer contributions and Treasury pilot funding included. Initial $1,000 seed for children born 2025–2028.

Other Notable Changes

- **Estate Tax Exemption:** Increased to $15 million per person in 2026, with portability and inflation adjustments.
- **Medicaid Changes:** New work and residency requirements, with major funding cuts effective 2026.
- **529 Plan Expansion:** Now includes a broader range of qualified K–12 education expenses, with the annual limit doubled to $20,000.
- **Student Loan Strategy:** Income-Based Repayment (IBR) and Public Service Loan Forgiveness (PSLF) remain viable options; Pay As You Earn (PAYE) may sunset post-2026 — borrowers should review their repayment strategies soon.
- **Educator Expenses:** Unreimbursed classroom costs now deductible again as miscellaneous itemized deductions.
- **Social Security Taxation:** No change—benefits remain taxable up to 85%; contrary to campaign promises, no exclusion or credit was enacted.

Final Thoughts: What It All Means for You

The One Big Beautiful Tax Bill brings a mix of changes—some permanent, some temporary—along with detailed updates to existing tax rules. Headlines have focused on features like tax relief for Social Security recipients and tax breaks on tips and overtime pay, as well as the especially contentious elements such as Medicaid funding cuts and concerns about the widening federal deficit. Regardless of where you stand politically, the bill is expected to affect taxpayers across the country. That said, the impact won't look the same for everyone—actual outcomes depend heavily on your income, filing status, and long-term goals.

To ensure you're planning appropriately, it's best to consult with your advisor for personalized tax planning and financial advice. Whether you're exploring charitable strategies, preparing for retirement, or navigating new deduction rules, we're here to help you make sense of it all.

If you have questions about how these changes might affect your plan, reach out to your advisor or connect with our team for a customized review of how the new tax law may shape your financial future.

Sources: Congress.gov. IRS.gov.