

# A Guide to the One Big Beautiful Bill

On July 4, 2025, President Trump signed the One Big Beautiful Bill (or OBBB for short). This legislation makes permanent or expands many of the provisions originally introduced under the 2017 Tax Cuts and Jobs act, which were previously set to expire after 2025.

**Below is a detailed look at what's included for individual taxpayers.**

## Lower Income Tax Rates Extended

- The individual income tax brackets introduced by the TCJA have now been made permanent.
- That includes the 37% top marginal rate (instead of returning to 39.6%) and lower rates across most tax brackets.
- The bracket thresholds have also been adjusted upward for inflation, which may help reduce your taxable income if your earnings have remained steady.

## Higher Standard Deduction

- The near-doubling of the standard deduction continues instead of ending after 2025.
- The standard deduction (\$15,750 for single filers and \$31,500 for married couples filing jointly in 2025) will be adjusted each year for inflation.
- This may mean fewer taxpayers will need to itemize deductions at all.

## Temporary "Senior Bonus" Deduction Introduced

- Americans age 65 and older may qualify for a temporary \$6,000 "bonus" tax deduction starting in 2025.
- The full amount is available to individuals with incomes of up to \$75,000 (\$150,000 for joint filers) and phases out for those with higher incomes.

## Expanded Child Tax Credit

- The CTC increases to a maximum of \$2,200 per child with a refundable amount of \$1,700 in 2025, indexed for inflation in subsequent years.
- Starting in 2026, eligibility for the full credit amount depends on several factors:
  - low-income families must owe at least \$1,700 in federal income taxes to receive the full benefit
  - credit phases out for individuals earning over \$200,000 and married couples filing jointly earning over \$400,000.
- A separate \$500 nonrefundable credit remains for other dependents who do not qualify for the full amount.

## New Car Loan Interest Deduction

- Starting in 2025, taxpayers may deduct up to \$10,000 in interest on new auto loans, though the benefit phases out for individuals earning over \$100,000 (\$200,000 for joint filers).
- The deduction applies only to vehicles with final assembly in the U.S. and is available through 2028.
- The deduction decreases by \$200 for every \$1,000 of income above the threshold. For example, a single filer earning \$120,000 could deduct \$6,000.

## Temporary Tax Break on Tip Income

- From 2025 through 2028, eligible workers can deduct up to \$25,000 per year in reported tip income from their federal taxable income.
- The break applies to employees who receive tips subject to payroll tax withholding and earn less than \$150,000 (\$300,000 for joint filers).
- A list of qualifying tip-based occupations will be published by the Treasury Department this fall.

## New Charitable Deduction for Non-Itemizers

- Effective in 2026, filers who use the standard deduction are now eligible for a charitable deduction of \$1,000 (single) or \$2,000 (MFJ)
- No phaseout or income limitation applies

## State and Local Tax Deduction Cap Increased

- The cap on SALT deductions was not eliminated, but it is getting a temporary boost.
- Beginning in 2025, the cap will rise from \$10,000 to \$40,000, offering potential relief to households in higher-tax states.
- However, the expanded deduction begins to phase out for taxpayers with incomes above \$500,000. The exact benefit will vary based on filing status and household income.

## Estate and Gift Tax Exemptions Increased Permanently

- The new tax law permanently raises the estate, gift, and generation-skipping transfer tax exemption from \$10 million to \$15 million per person (adjusted for inflation).
- This avoids the planned 2026 rollback and allows individuals to pass on more wealth tax-free.

## Capital Gains Brackets Adjusted for Inflation

- Capital gains tax brackets have been adjusted for inflation, allowing more investors to stay in the 0% or 15% tax range.
- For 2025, individuals can have up to \$48,350 in taxable income, and married couples filing jointly can have up to \$96,700, and still qualify for the 0% rate.
- This change offers added flexibility for individuals seeking to sell appreciated assets without incurring higher tax liabilities.

## Expanded Flexibility of 529 Plans

- Previously, qualified withdrawals from 529 plans were limited to a maximum of \$10,000 per year for K-12 tuition, in addition to covering eligible higher education expenses.
- The annual limit for K-12 qualified withdrawals increases to \$20,000 in 2026 and now includes books, materials, testing fees, dual enrollment fees, educational therapies, and tutoring costs.
- Other expenses eligible for qualified withdrawals include working towards a credential, training and certification for skilled trades and vocational careers, and preparation and exam fees for professional licenses and certifications.

## Some Other Noteworthy Changes

### Alternative Minimum Tax Relief Made Permanent

The new law permanently extends the higher AMT exemption levels set by the 2017 tax cuts, helping more households avoid the AMT. The exemptions will continue to be adjusted for inflation, but the phaseout rate for higher earners increases from 25% to 50%, meaning the benefit tapers off more quickly for high-income taxpayers.

### Major Medicaid Changes

OBBBA also includes major changes to Medicaid, including:

- Cuts of roughly \$1 trillion in federal Medicaid funding over the next decade.
- Work or volunteer requirements (80 hours/month) and frequent eligibility checks for U.S. citizen recipients.
- Tighter restrictions on who qualifies for coverage and what services are included.

### New “Trump Accounts” for Child Savings

In the new bill, children born in the United States between 2025 and 2028 who have a Social Security number will receive a one-time \$1,000 federal deposit into a new tax-advantaged savings account, nicknamed a “Trump account.” These accounts are opened automatically once a parent files taxes and meets eligibility requirements.

Parents can contribute up to \$5,000 annually, and employers may contribute up to \$2,500 without it being considered taxable income. Funds will be invested in a diversified U.S. stock index fund, which will grow tax-deferred. Withdrawals from these accounts will generally be subject to taxes. Many implementation details, such as precise eligibility, administration, and acceptable investment products, will require further clarification by forthcoming IRS and Treasury Department regulations.

### EV and Clean Energy Tax Credits Phased Out

Several popular clean energy tax credits are set to end under the new legislation. The \$7,500 credit for new electric vehicle purchases and the \$4,000 credit for used EVs will expire after September 30, 2025. Tax breaks for home energy-efficiency upgrades — such as solar panels, heat pumps, and efficient windows — will also be eliminated after December 31, 2025.

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