



One Big Beautiful Bill Passes Key Committee Vote

Just ahead of President Trump’s deadline the House of Representatives passed on Thursday July 3 the bill known as the “One Big, Beautiful Bill,” by a vote of 218-214, with every Democrat and two Republicans voting against it. The Senate narrowly approved the bill following a tie-breaking vote from Vice President Vance. The bill was signed into law on July 4th at an Independence Day celebration.

Following are some of the key provisions of interest to financial advisors:

| Current Provision | Automatic Change 2026 | One Big Beautiful Bill Signed into Law |
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| <p>Individual income tax brackets Current U.S. individual tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.</p> | <p>Unless Congress takes action to extend rates or make other changes the tax rates will revert back to the pre-2018 structure with rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. Bracket entry points also revert to pre-2018 lower levels, as adjusted for inflation.</p> | <p>Makes permanent the income tax bracket schedule and lower rates created by TCJA. It also adds an additional year of inflation adjustment to the 10, 12 and 22 percent brackets effective beginning 2026.</p> |
| <p>Personal exemption The personal exemption, which was a specific amount of income that taxpayers could deduct for themselves and each of their dependents, is suspended for tax years 2018 through 2025.</p> | <p>Reinstate deduction for individual exemptions, including exemptions for the taxpayer, the taxpayer’s spouse, and any dependents (\$5,050 for 2024). This amount is indexed for inflation.</p> | <p>The personal exemption deduction is permanently repealed. But see enhanced deduction for seniors.</p> |
| <p>Standard deduction Standard deduction for 2025 is:</p> <ul style="list-style-type: none"> \$15,000 for a taxpayer filing as single or married filing separately, \$22,500 for a taxpayer filing as head of household, and \$30,000 for taxpayers filing as married filing jointly (and surviving spouses). <p>These amounts will be adjusted for inflation.</p> | <p>Reverts to pre-TCJA levels which were scheduled for 2018 to equal:</p> <ul style="list-style-type: none"> \$6,500 for a taxpayer filing as single or married filing separately, \$9,550 for a taxpayer filing as head of household, \$13,000 for taxpayers filing as married filing jointly. <p>These 2018 amounts will be adjusted for inflation.</p> | <p>Increases and makes permanent the following standard deductions:</p> <ul style="list-style-type: none"> \$15,750 for single or married filing separately, \$23,625 for head of household, and \$31,500 for married filing jointly <p>The amounts are adjusted for inflation after 2025.</p> |

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| <p>Individual alternative minimum tax (AMT) Current law AMT exemption amounts and the phase-out thresholds for individuals are:</p> <ul style="list-style-type: none"> • For married taxpayers filing a joint return (or for a surviving spouse): The AMT exemption amount for 2025 is \$137,000. The phase-out threshold increased to \$1,252,700. • For married taxpayers filing a separate return: The AMT exemption amount for 2024 is \$68,500. The phase-out threshold increased to \$626,350. • For all other individual taxpayers: The exemption amount for 2025 increased to \$88,100. The phase-out threshold increased to \$626,350. | <p>AMT exemption amounts and the phase-out thresholds for individuals will return to pre-TCJA levels which were scheduled for 2018 to equal:</p> <ul style="list-style-type: none"> • For married taxpayers filing a joint return (or for a surviving spouse): The AMT exemption amount is \$86,200 and the phase-out threshold is \$164,100. • For married taxpayers filing a separate return: The AMT exemption amount is \$43,100 and the phase-out threshold is \$82,050. • For all other individual taxpayers: The exemption amount is \$55,400 and the phase-out threshold is \$123,100. | <p>Permanently extends the higher individual AMT exemption amounts and phase-out thresholds, but doubles the phaseout rate from 25% to 50% which means the exemption phases out more quickly as income rises causing high-income earners to lose the exemption thus face higher AMT liability.</p> <p>In addition, the exemption phaseout thresholds would revert to 2018 levels of \$500,000 (\$1 million in the case of a joint return), indexed for inflation after 2025.</p> |
| <p>Child tax credit (CTC) In 2024, a CTC of up to \$2,000 (not indexed for inflation) per qualifying child is available. Up to \$1,700 (indexed for inflation) of the CTC is refundable (the additional CTC, or ACTC). There is a \$2,500 earned income threshold for the ACTC.</p> <p>The modified adjusted gross income (MAGI) phase-out thresholds are \$400,000 (joint filers) and \$200,000 (all other filers) and are not indexed for inflation. If the income exceeds these thresholds the credit is reduced \$50 for each \$1000 of income above the limit until it phases out completely.</p> <p>No credit is allowed unless the taxpayer includes the qualifying child’s Social Security Number (SSN), issued on or before the due date of the return, on the tax return.</p> | <p>Reverts to the pre-TCJA CTC of \$1,000 per qualifying child. Fewer American families will qualify for the credit as the income phase-out levels return to much lower thresholds- \$75,000 for singles and \$110,000 for married filing joint. Finally, the child’s Social Security number (SSN) requirement will be eliminated.</p> | <p>Legislation permanently: (i) increase the amount of the nonrefundable child tax credit to \$2,200 per child beginning in 2025 (and inflation adjusted thereafter); (ii) extend the increased income phaseout threshold amount from TCJA of \$200,000 (\$400,000 in the case of a joint return) not indexed for inflation; (iii) extend the \$1,400 refundable child tax credit, inflation-adjusted after 2017 (i.e., \$1,700 for 2025).</p> <p>The credit is reduced \$50 for each \$1,000 of income above the limit until it phases out completely. Requires the SSN numbers of the child, taxpayer and at least 1 spouse. Effective beginning 2025.</p> |
| <p>Credit for other dependents A \$500 nonrefundable credit is available for qualifying dependents other than a qualifying child under the age of 17 eligible for the CTC. Like the CTC, the credit for other dependents begins to phase out when a taxpayer’s MAGI is more than \$400,000 (married couples filing jointly) or \$200,000 for other taxpayers. The \$500 credit and the phase-out thresholds are not indexed for inflation.</p> | <p>No provision—the \$500 nonrefundable credit for qualifying dependents other than qualifying children would not be available.</p> | <p>This provision is maintained and made permanent. The dependent’s Social Security Number as well as the taxpayer’s and spouse’s Social Security Number are required to claim the credit.</p> |



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| <p>Limitation on deduction for state and local taxes (SALT) Itemized deductions for state and local income taxes, state and local property taxes, and sales taxes are limited to \$10,000 in the aggregate (not indexed for inflation).</p> | <p>Cap on SALT deductions is eliminated. The limitation on deductions for state and local tax expires for tax years beginning on or after January 1, 2026, but may be subject to the Pease limitation discussed below.</p> | <p>Temporarily increases the SALT cap to \$40,000 in 2025, \$40,400 in 2026 and increases it by 1% annually from 2027 through 2029. The cap reverts back to \$10,000 in 2030. In the case of a taxpayer with modified adjusted gross income (MAGI) over \$500,000 (\$250,000 for a married taxpayer filing a separate return), the cap would phase down by 30 percent of the excess of MAGI over the threshold until it reaches \$10,000 (\$5,000 for a married taxpayer filing a separate return). The threshold would increase to \$505,000 in 2026 and increase 1% annually thereafter.</p> |
| <p>Suspension of overall limitation on itemized deductions (“Pease”) The overall limitation on itemized deductions is eliminated for years 2018–2025.</p> | <p>The overall limitation on itemized deductions is reinstated. The limitation provides that the total amount of allowable itemized deductions (with the exception of medical expenses, investment interest, and casualty, theft or gambling losses) is reduced by 3% of the amount by which the taxpayer’s AGI exceeds a threshold amount (referred to as the “Pease” limitation). In 2026 the threshold is expected to apply to taxpayers with adjusted gross income above the following thresholds: \$339,850 for single filers, \$373,850 for head of household filers, and \$407,850 for married joint filers. The threshold amounts are indexed for inflation.</p> | <p>Permanently repeals the Pease limitation and replaces it with a new overall limitation on itemized deductions. This provision caps the value of each dollar of itemized deductions at \$0.35, in most cases, and applies only to taxpayers in the highest individual income tax bracket. This new limitation is effective for taxable years beginning after December 31, 2025.</p> |
| <p>Mortgage interest deduction Home mortgage interest deduction Home mortgage interest deduction limited to interest on \$750,000 of acquisition debt incurred on or after December 15, 2017 (\$375,000 if married filing separate return); no deduction for interest paid for home equity indebtedness interest expense unless proceeds are used to buy, build, or substantially improve the taxpayer’s home.</p> | <p>For tax years beginning on or after January 1, 2026, the \$750,000/\$375,000 debt limitation for the home mortgage interest deduction increases to \$1 million. Interest on qualifying home equity indebtedness is deductible on up to \$100,000 of home equity debt, regardless of how the proceeds of the debt are used (special AMT rules), for tax years beginning on or after January 1, 2026.</p> | <p>Permanently lowers the deduction for qualified residence interest to the first \$750,000 in home mortgage acquisition debt.</p> |
| <p>Exclusion from gross income discharge of indebtedness of student loans due to death or disability Any income resulting from the discharge of student debt on account of death or total disability of the student is excluded from taxable income.</p> | <p>For tax years beginning after January 1, 2026 taxpayers would recognize income.</p> | <p>Permanently extends the exclusion from income. Adds requirement that the student’s SSN must be provided to claim this exclusion.</p> |



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| <p>Charitable deduction for non-itemizers and limitation on charitable contributions and above the line deduction for non-itemizers</p> <p>Current law only provides a charitable deduction if an individual is able to itemize. Also, the law permits itemizers a deduction of up to 60% of adjusted gross income (AGI) for charitable contributions of cash made by individuals to public charities and certain private foundations.</p> | <p>For charitable contributions of cash AGI limitation will decrease from 60% to 50%.</p> | <p>The legislation permits taxpayers who do not elect to itemize an above-the-line deduction for charitable contributions of up to \$1,000 for single filers (\$2,000 joint filers). In addition, for itemizers the 60% pf AGI for cash gifts to qualified charities is made permanent. Finally, the legislation added a .5% for itemized charitable deductions, meaning itemizers only receive a deduction for charitable giving that exceed .05% of their AGI. All provisions would apply for tax years beginning 2026 and are permanent.</p> |
| <p>Suspension of miscellaneous itemized deductions subject to 2% floor</p> <p>The ability to deduct all miscellaneous itemized deductions that are subject to the 2% floor is eliminated for years 2018–2025.</p> | <p>For tax years beginning on or after January 1, 2026, taxpayers may claim certain miscellaneous itemized deductions subject to the 2% floor. Such deductions may include: investment fees, tax preparation fees, certain repayments of income, safe deposit box rental fees, and certain unreimbursed employee business expenses.</p> | <p>Permanently eliminates miscellaneous itemized deductions.</p> |
| <p>Estate, gift, and generation-skipping transfer taxes</p> <p>The basic exclusion amount is \$10 million per individual (\$13.99 million per individual in 2025, as indexed for inflation). This enhanced exclusion applies to estates of decedents dying, gifts made, and generation-skipping transfers made.</p> | <p>Exemption amount will revert to pre-TCJA amount which was \$5 million per individual (as indexed for inflation) (estimated to be approximately \$7 million in 2026).</p> | <p>The proposal permanently extends the estate and gift exemption and increases it to \$15 million for single taxpayers (\$30 million for couple) in 2026 and indexes the exemption going forward. Effective for decedents dying and gifts made after 12/31/25.</p> |
| <p>Qualified opportunity zones. (OZ)</p> <p>Qualified opportunity zone incentives are federal tax incentives designed to spur investment in economically distressed communities. Investors can defer tax on any prior gains invested in a qualified opportunity fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than five years, there is a 10% exclusion of the deferred gain, and if held for more than seven years, the exclusion is 15%. Additionally, if the investor holds the investment in the Opportunity Fund for at least 10 years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.</p> | <p>No further gain deferral is available after December 31, 2026, and there is no exclusion available for five or seven-year investments in qualified opportunity zones that have not reached that mark by December 31, 2026.</p> | <p>The bill would make the Opportunity Zone (OZ) incentive permanent. New OZs, as designated by state governors, will go into effect on January 1, 2027 for a 10-year period, after which redesignations will happen every 10 years. Tax on capital gains invested in qualified funds that invest in OZs is deferred for five years. Investments in OZs can receive a basis step-up of up to 10 percent depending on the holding period, and investments in newly-created Rural OZs can receive up to a 30 percent basis step up.</p> |



Additional Individual Provisions (Including Notable Campaign Pledges)

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| No tax on tips for tax years 2025 through 2028 | The legislation includes an above-the-line deduction for qualified tips received by an individual in an occupation which traditionally and customarily receives tips. The deduction is limited to \$25,000 and further reduced by \$100 for every \$1,000 by which a taxpayer's MAGI exceeds \$150,000 (\$300,000 joint return). Social Security number of taxpayer and spouse are required to claim the deduction. |
| No tax on overtime for tax years 2025 through 2028 | The legislation establishes an above-the-line deduction up to \$12,500 (\$25,000 joint) for qualified overtime compensation received during a tax year. Qualified overtime compensation means overtime compensation paid to an individual required under Section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate. The \$12,500 (\$25,000 joint) limits are reduced by \$100 for every \$1,000 by which a taxpayer's MAGI exceeds \$150,000 (\$300,000 joint return). Social Security numbers of taxpayer and spouse are required to claim. |
| Enhanced deduction for seniors for tax years 2025 through 2028 | Includes a temporary enhanced standard deduction for eligible seniors (age 65 or older) of \$6,000 single (\$12,000 couple), but this amount is reduced by 6% of the amount taxpayer's MAGI exceeds \$75,000 for single filers (\$150,000 for married filing jointly) disappearing entirely for incomes above \$175,000 for single (\$250,000 joint). The existing \$2,000 single (\$3,600 couple) senior deduction is retained. Return must include SSN of taxpayer and spouse if also claiming a deduction for the spouse. |
| No tax on car loan interest for tax years 2025 through 2028 | The proposal creates an above-the-line deduction of up to \$10,000 for qualified passenger vehicle loan interest during a given taxable year. The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds \$100,000 (\$200,000 in the case of a joint return). To qualify the final assembly must occur in the U.S. |
| Trump accounts for children | Legislation establishes a new kind of account akin to an individual retirement account available for individuals under the age of 18. Contributions, are not to begin until one year after enactment and can be made until the calendar year before an individual turns 18. Contributions are capped at \$5,000 per year (indexed after 2027). Employer contributions to Trump Accounts will not be considered income to employees. There are also provisions that allow for governmental and charitable contributions to classes or categories of eligible beneficiaries. Distributions from Trump Accounts can begin in the calendar year an individual turns 18. Distributions are taxed as ordinary income. |
| Trump accounts for child born between January 1, 2024, and December 31, 2028 | For U.S. citizens born between January 1, 2025, and December 31, 2028, the federal government will provide a one-time tax-credit of \$1,000 per child for every eligible account opened. To be eligible to claim the credit the child must be a U.S. citizen and both parents must provide their SSNs and be considered work-eligible. |



Business Provisions

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| <p>Qualified business income deduction (sec. 199A) A 20% deduction may be taken against “qualified business income” from a partnership, S corporation or sole proprietorship; numerous limitations apply, including limits based on wages paid and/or capital investment; service businesses generally excluded with special rules for taxpayers with taxable income below \$157,500 (single) or \$315,000 (married filing jointly), indexed for inflation (e.g., \$197,300 (single) or \$394,600 (married filing jointly) for 2025).</p> | <p>Deduction ends for tax years beginning after December 31, 2025.</p> | <p>The legislation permanently extends the 20% QBI deduction. In addition, it expands the taxable income phase-out limitations by increasing the current \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively. Additionally, this provision introduces a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of QBI from one or more active trades or businesses in which the taxpayer materially participates. This provision would be applicable to taxable years beginning after December 31, 2025.</p> |
| <p>Bonus depreciation (sec. 168(k)) Increased expensing is generally available under section 168(k) for investments in certain new or used depreciable property and the planting or grafting of specified plants. The bonus depreciation percentage is 100% for property acquired and placed in service (or specified plants planted or grafted) after September 27, 2017, and before 2023, 80% for 2023, 60% for 2024, 40% for 2025, and 20% for 2026 (certain longer-lived and transportation property are subject to a phase-down in 2024–2027).</p> | <p>Section 168(k) bonus depreciation expires for property acquired and placed in service (or specified plants planted or grafted) after December 31, 2026 (after December 31, 2027, for certain longer-lived and transportation property).</p> | <p>Includes an extension and modification of bonus depreciation. In general, the proposal extends bonus depreciation deduction through 2029 with 100% depreciation being restored for qualified property acquired and placed into service after 1/19/25 and before 1/1/30.</p> |
| <p>Expensing of certain depreciable property (sec 179) Taxpayer may elect to expense the cost of qualifying property, rather than to recover such costs through tax depreciation deductions, subject to limitation. Under current law, the maximum amount a taxpayer may expense is \$1million. The \$1 million amount is reduced by the amount by which the cost of such property placed in service during the taxable year exceeds \$2.5 million. The \$1 millions and \$2 million are adjusted for inflation and are \$1.25 million and \$3.13 million for 2025.</p> | <p>No expiration.</p> | <p>The legislation increases the maximum amount a taxpayer may expense under IRC section 179 to \$2.5 million, reduced by the amount by which the cost of qualifying property exceeds \$4 million. The \$2.5 million and \$4 million amounts are adjusted for inflation for taxable years beginning after 2025. The proposal applies to property placed in service in taxable years beginning after December 31, 2024.</p> |

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