

Major Tax Reform: What the One Big Beautiful Bill Act Means for Your Financial Plan

Signed into law on July 4, 2025, the One Big Beautiful Bill Act (OBBA) represents the most significant tax reform since the Tax Cuts and Jobs Act of 2017. Here's what you need to know about how these changes affect your financial planning strategy.

Permanent Tax Relief for All Taxpayers

The OBBA makes several key provisions permanent, providing long-term planning certainty:

Enhanced Standard Deductions: Standard deductions have been permanently increased to \$15,750 (single), \$31,500 (married filing jointly), and \$23,625 (head of household), with annual inflation adjustments.

Tax Bracket Extensions: The popular 10% and 12% tax brackets from the 2017 TCJA have been permanently extended and expanded by one year of inflation, keeping more of your income in lower tax brackets.

Business Owner Benefits: The Section 199A qualified business income (QBI) deduction is now permanent at 20% (with a \$400 minimum), providing reliable tax savings for self-employed individuals and business owners.

Special Benefits for Different Life Stages

Seniors (Age 65+)

A new \$6,000 additional deduction is available through 2028, even if you itemize deductions. This benefit phases out for incomes above \$75,000 (single) or \$150,000 (married), reducing by 1% for every \$1,000 over the threshold.

Families with Children

The Child Tax Credit increases to \$2,200 in 2026, with inflation adjustments thereafter. The credit phases out for incomes above \$200,000 (single) or \$400,000 (married filing jointly).

New Parents

"Trump Accounts" provide \$1,000 from the IRS for babies born between 2025 and 2028, with the ability to contribute up to \$5,000 annually per account.

Significant Deduction Opportunities

State and Local Tax (SALT) Relief

The SALT deduction cap temporarily increases to \$40,000 (growing 1% annually) through 2029. However, this benefit phases out for incomes over \$500,000, providing the most relief to middle and upper-middle-class taxpayers in high-tax states.

Charitable Giving

A permanent above-the-line deduction of \$1,000 (single) or \$2,000 (married) for charitable contributions means you can claim this deduction even if you don't itemize.

Industry-Specific Benefits

- **Service Workers:** Up to \$25,000 of tip income is deductible through 2028 for specified industries, phasing out above \$150,000/\$300,000
- **Overtime Workers:** \$12,500 of overtime pay is deductible through 2028 for those earning below \$150,000/\$300,000
- **Auto Buyers:** Up to \$10,000 of auto loan interest is deductible if the vehicle is assembled in the USA, with phase-outs between \$100,000-\$200,000 (single) and \$150,000-\$250,000 (married)

Estate Planning Impact

The unified credit permanently increases to \$15,000,000 (adjusted for inflation) starting in 2026, significantly reducing estate tax concerns for many families and creating new planning opportunities.

Healthcare and ACA Changes

Several important changes affect health insurance planning:

- **Shorter enrollment periods:** Open enrollment must be completed by December 15th
- **Income verification:** Starting with 2028 plan years, household income must be pre-verified
- **No auto-renewal:** Plans will no longer automatically renew
- **Premium tax credit changes:** Beginning in 2026, excess premium tax credits must be repaid regardless of income level
- **HSA eligibility:** All Bronze and Catastrophic plans automatically qualify as High Deductible Health Plans for HSA contributions

Planning Strategies and Timing Considerations

Act Before Expiration Dates

Several provisions expire in 2028-2029, creating important planning windows:

- Senior taxpayer additional deduction (expires 2028)
- SALT cap increase (expires 2029)
- Tip and overtime income deductions (expire 2028)

Income Management

With multiple phase-outs at different income levels, careful income timing becomes crucial. Consider strategies like:

- Roth IRA conversions in lower-income years
- Timing of capital gains realizations

- Accelerating or deferring income based on phase-out thresholds

State Tax Planning

The temporary SALT cap increase creates opportunities for residents of high-tax states to accelerate state tax payments while the higher deduction is available.

Next Steps for Your Financial Plan

These comprehensive changes create both opportunities and complexities that require careful coordination across tax, estate, and benefits planning strategies. The key is understanding how these provisions interact with your specific financial situation and long-term goals.

We recommend reviewing your current financial plan to identify how these changes might benefit you and what adjustments might be needed to optimize your tax situation under the new law.

This article provides general information about tax law changes and should not be considered personalized tax advice. Please consult with your tax professional about how these changes apply to your specific situation.

Sources: 1. Thune: Small Businesses Are the Backbone of Our Economy - Press Releases, <https://www.thune.senate.gov/public/index.cfm/2025/5/thune-small-businesses-are-the-backbone-of-our-economy> 2. Tax Bill Will Deliver Permanent Relief for Small Businesses | U.S. ..., <https://www.uschamber.com/small-business/senate-bill-one-big-beautiful-bill-act-small-business> 3. The One, Big, Beautiful Bill Delivers on President Trump's Priorities ..., <https://waysandmeans.house.gov/2025/05/12/the-one-big-beautiful-bill-delivers-on-president-trumps-priorities-to-restore-and-expand-trump-era-growth-and-relief-for-families-workers-and-small-businesses/> 4. The 2025 Tax Bill: Additional \$4,000 Deduction for Seniors ..., <https://bipartisanpolicy.org/explainer/the-2025-tax-bill-additional-4000-deduction-for-seniors-simplified/> 5. Tax Reform Small Business Initiative | Internal Revenue Service, <https://www.irs.gov/tax-reform-small-business-initiative> 6. 10 Egregious Things You May Not Know About the One Big Beautiful Bill Act, <https://www.americanprogress.org/article/10-egregious-things-you-may-not-know-about-the-one-big-beautiful-bill-act/>

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