

One Big Beautiful Bill: The Opportunities, Challenges and Realities

With the passing of the One Big Beautiful Bill Act, there are several changes that could have an impact on your clients’ financial plans — including taxes, estate plans and student loans. Below you will find a summary of some key highlights from the bill, plus considerations to discuss with your clients.

Considerations for People Age 65 and Older

Additional Deduction for Seniors

WHAT IT IS: Individuals age 65 and older will receive an additional senior deduction of \$6,000 per individual for tax years 2025 to 2028. This is in addition to the standard deduction and extra standard deduction. Individuals do not need to be receiving Social Security benefits to qualify for this deduction. This brings the total standard deduction in 2025 to \$23,750 for single filers age 65 and older (\$46,700 if married and both spouses are age 65 and older). The senior deduction begins to phase out when the taxpayer’s modified adjusted gross income exceeds \$75,000 (\$150,000 in the case of a joint return).

WHAT IT MEANS: This deduction provides some clients with the opportunity to minimize their taxes. The options will vary depending on the tax location of their assets, Social Security benefits and Medicare Parts B and D premiums. Make sure to discuss these options with your client and their tax advisor. In addition, changes to Social Security are not part of the budget reconciliation process. While taxes will not be eliminated on Social Security benefits, this additional deduction helps to offset the taxation of Social Security benefits.

Estate and Gift Taxes

WHAT IT IS: Gift and estate tax exemptions increased to \$15 million for individuals and \$30 million for those married and filing jointly. Exemptions will be indexed to inflation going forward. Without congressional action, the exemption would have dropped to \$7 million per person. The generation-skipping tax (GST) exemption matches the new estate exemption. Transfers made before death to grandchildren now have the same exemption level. The stepped up basis at death is preserved.

Comparison of estate tax exemptions

FEATURE	2025	2026+
Exemption per person	\$13.99 million	\$15 million, indexed
Exemption for married couples	~\$27.98 million	~\$30 million
GST exemption	Matches estate level	Matches \$15 million per person

WHAT IT MEANS: Making these exemptions permanent provides further clarity for estate and gift planning. Estate taxes at the state level may be lower than the federal estate tax. This may be a strategic time to conduct a review of clients’ beneficiaries and legacy plans.

Considerations for Parents

Trump Accounts

WHAT IT IS: Starting January 1, 2026, parents may open a new savings account, known as the Trump account, for any child under the age of eight years old. Additionally, newborns born January 1, 2024 to December 31, 2028, are eligible to receive a one-time \$1,000 contribution by the US government in a Trump account. Contributions will be invested in a diversified fund that tracks an index of US equities. Families can contribute up to \$5,000 annually (indexed to inflation). Withdrawals are allowed when the child reaches 18, and qualified withdrawals would be taxed as long-term capital gains. Qualified withdrawals are allowed for education expenses, home purchases and business start-up expenses. Non-qualified distributions are penalized and taxed as ordinary income. The account terminates when the child reaches age 31 and is taxed as if it were distributed.

WHAT IT MEANS: This account provides another means of long-term savings for eligible families. While unlikely to provide the same benefits as contributing to a 529 plan, for example, it may provide a benefit to parents with children born within the pilot program timeframe of January 1, 2024, to December 31, 2028.

Increased Uses For 529 Plans

WHAT IT IS: The bill expanded qualified distributions for K-12 expenses to include curriculum materials, tutoring, standardized testing fees and some homeschooling expenses. It also allows for post secondary licenses and credentials, as well as educational therapies for students with disabilities. It makes the rollover provision from 529 plans to ABLE accounts permanent.

WHAT IT MEANS: The additional eligible expenses for 529 savings plans expand their usefulness.

Child Tax Credit

WHAT IT IS: The child tax credit permanently increases to \$2,200 per qualifying child. To qualify, both parents must have a Social Security number. The credit phases out for high income tax payers.

WHAT IT MEANS: The additional tax savings could be an opportunity to discuss 529 funding for families with children.

Achieving a Better Life Experience (ABLE) Adjustment Act

WHAT IT IS: A working beneficiary can contribute more than the standard annual limit if they don't participate in an employer-sponsored retirement plan. The additional contribution is the lower of earned income or 100% of the federal poverty level for a one-person household in their state.

WHAT IT MEANS: This expands eligibility to anyone disabled before the age of 46 (up from age 26). ABLE account contributions will be eligible for the Saver's credit, and 529s can be rolled into an ABLE account for the beneficiary or eligible family members.

Considerations for Workers

Student Loan Payments

WHAT IT IS: Up to \$5,250 of education assistance annually provided by the employer can be excluded from gross income and from wages for employment tax purposes. Educational expenses are defined as: tuition, fees and similar payments, books, supplies and equipment. This will be inflation adjusted beginning in 2026.

WHAT IT MEANS: This offers decreased tax responsibility for employees and workers as they work to pay down student debt, which may result in an ability to contribute more to retirement savings.

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No Income Tax on Tips or Overtime

WHAT IT IS: For no tax on tips, individuals can now deduct up to \$25,000 for qualified tips, which is allowed for both itemizers and non-itemizers. To be considered a qualified tip, the tip amount must be paid voluntarily, not subject to negotiation and is determined by the payor. No tax on overtime provides a deduction of up to \$12,500 (\$25,000 joint) for qualified overtime compensation received during a given tax year for both itemizers and non-itemizers. Qualified overtime compensation is overtime compensation that is in excess of the regular rate.

The deductions begin to phase out when modified adjusted gross income exceeds \$150,000 (\$300,000 joint). The deductions will be permitted from taxable years 2025 to 2028.

WHAT IT MEANS: This means lower tax responsibility for employees and workers but will be phased out for higher earners and constrained to the 2025 to 2028 tax years.

Other considerations

State and Local Tax (SALT) Deductions

WHAT IT IS: Itemized deductions for SALT are capped at \$40,000. The cap is scheduled to revert to \$10,000 in five years. The increased SALT cap phases out for high-income taxpayers, starting at \$500,000.

WHAT IT MEANS: The introduction of the SALT cap in 2017 increased the percentage of households who take the standard deduction versus itemizing their deductions. Tax strategies that don't rely on taking the itemized deduction, such as a qualified charitable distribution, could be applicable to more people.

Auto Loan Interest Deduction

WHAT IT IS: During a given taxable year, individuals can deduct up to \$10,000 for passenger vehicle loan interest. This is available for passenger vehicles that have final assembly in the US and are purchased between January 1, 2025 and December 31, 2028. This also eliminates the \$7,500 tax credit for electric car purchases that was implemented under the Inflation Reduction Act.

WHAT IT MEANS: The deduction is meant to encourage investment in US auto manufacturing.

Permanent versus temporary provisions

PERMANENT	TEMPORARY
Trump account	Trump account tax credit
Estate and gift tax exemption	Additional standard deduction for age 65+ for tax years 2025–2028
Child tax credit	No tax on tips and overtime for tax years 2025–2028
ABLE account enhancements	Passenger vehicle loan interest deduction for tax years 2025–2028
Additional qualified education expenses for 529 plans	SALT deduction cap increase
Student loan payment exemption	

Helping your clients work toward their financial goals means considering — and discussing — all stages of their lives. The provisions of the One Big Beautiful Bill Act can help you open up conversations about education, retirement and estate planning.

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Source: Congress.gov, "H.R.1 - One Big Beautiful Bill Act," enacted July 4, 2025.

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