

GOELZER

INVESTMENT MANAGEMENT

WEALTH PLANNING

The New Tax Landscape: Highlights of the One Big Beautiful Bill

The One Big Beautiful Bill (OB BB) signed into law on July 4, 2025, extends many of the provisions of the 2017 Tax Cuts and Jobs Act (TCJA).

1. **Extension of Current Tax Brackets:** The bill makes the 2017 TCJA's individual income tax brackets permanent.
2. **Increased Gift & Estate Tax Exemption:** The exemption amount is raised to \$15 million per individual (\$30 million for couples) in 2026 and indexes the exemption amount annually for inflation going forward.¹

Many of the provisions in the new law include income-based phase-outs, making strategic tax planning essential, especially for high income and high net worth families. Listed below are some of the most pertinent provisions that will affect individual taxpayers.

Standard Deduction

The TCJA's standard deduction amounts are permanent effective January 1, 2025. The standard deduction amounts are:

- **Single & Married Filing Separately (MFS):** \$15,750 (indexed)
- **Head of Household (HoH):** \$23,625 (indexed)
- **Married Filing Jointly (MFJ):** \$31,500 (indexed)

The standard deduction will be indexed annually to inflation going forward.

The new law also provides a bonus deduction of \$6,000 for seniors aged 65+ for a limited time (2025-2028.) The deduction phases out as modified adjusted gross income (MAGI) exceeds \$75,000 (\$150,000 in the case of a joint return).²

Itemized Deductions

Itemized Deduction Phase Outs: All itemized deductions, including state and local taxes (SALT) yield a \$0.35 tax benefit per \$1 deducted for top-bracket taxpayers, and the law excludes the Sec. 199A pass-through deduction from this limitation.³ In other words, if you're in the top tax bracket (37%), each dollar of itemized deductions will only reduce your tax bill by 35 cents.

SALT Deduction: The federal deduction for state and local taxes is temporarily increased to \$40,000 (from the current \$10,000). In 2026, the cap will be \$40,400, and will then increase by 1% annually, through 2029. In 2030, it will revert to the current \$10,000. Taxpayers with modified adjusted gross income (MAGI) over \$500,000 in 2025 are subject to a phase out. Current workarounds used at the state level to bypass the SALT cap via pass-through entity taxes were not restricted (PTET).⁴

Charitable Contributions: Beginning in 2026, taxpayers who don't itemize can claim a charitable deduction of \$1,000 for (single) and \$2,000 (married filing jointly.) For those who itemize deductions, only charitable contributions exceeding 0.5% of Adjusted Gross Income (AGI) are deductible. For example, if your AGI is \$400,000, and you make a \$10,000 charitable contribution, only \$8,000 is deductible ($\$400,000 \times 0.5\% = \2000 . $\$10,000 - \$2000 = \$8,000$).

Mortgage Interest Deduction: The \$750,000 cap on home mortgage acquisition debt becomes permanent and makes certain mortgage insurance premiums eligible for inclusion in the definition of qualified residence interest. Interest on home equity debt will be non-deductible.



Qualified Business Income Deduction – Sec. 199A

The current 20% Section 199A deduction for qualified business income (QBI) becomes permanent. Key provisions include:

- **Minimum Deduction:** Minimum deduction of \$400 for taxpayers with at least \$1,000 in QBI.
- **Increase of Phase Out Amounts:** QBI deduction limit phase-in range expanded by increasing the single filer amount to \$75,000 and the married filing jointly amount to \$150,000.⁵

Other Notable Provisions

Child Tax Credit: Starting in 2025, the bill permanently increases the Child Tax Credit to \$2,200 per child annually with \$1,700 refundable.⁶ The credit amount will be adjusted annually for inflation and is subject to phase-out when MAGI exceeds \$200,000 (\$400,000 for MFJ).

No Tax on Tips or Overtime: For tax years 2025-2028, a deduction of \$25,000 is available for qualified tips and an above the line deduction of up to \$12,500 (\$25,000 for joint filers) is available for qualified overtime compensation.⁷ Both are subject to phase-outs when MAGI exceeds \$150,000 for individual taxpayers and \$300,000 for MFJ.

Auto Loan Interest: For tax years 2025-2028, a deduction of up to \$10,000 of loan interest is available on qualified passenger vehicles assembled in the U.S. Note that the vehicle must be collateral for the loan.⁸ This deduction is phased out with MAGI exceeding \$100,000 (\$200,000 for MFJ).

“Trump” Accounts for Children: New tax-advantaged savings account for children– per Section 408(a) – that are not designated as a Roth IRA. Contributions are subject to a \$5,000 annual limit for beneficiaries under age 18. Other employer- or rollover-contributions would be allowed and not subject to the \$5,000 limit.⁹ A \$1,000 tax credit will be provided for those opening an account for a child born in 2025-2028.¹⁰ After age 18, beneficiaries can distribute the funds for qualified uses, including education, starting a business, or other eligible purposes.

Summary

The One Big Beautiful Bill contains a plethora of individual and business tax provisions that may have an impact on your financial goals. In conjunction with your legal and tax advisors, please consult your Goelzer Wealth Advisor for personalized guidance.

¹ Alistair M. Nevius, J.D. “Tax provisions in the One Big Beautiful Bill Act”, July 4, 2025, journalofaccountancy.com/news/2025/jun/tax-changes-in-senate-budget-reconciliation-bill.

² Ibid.

³ Personal Financial Planning Considerations — Final Legislation with Comparison Across 2025 Reconciliation Bills, aicpa-cima.com/resources/download/key-tax-provisions-compared-current-law-vs-one-big-beautiful-bill-act, July 3, 2025.

⁴ Ibid.

⁵ Ibid.

⁶ Key Tax Provisions — Final Legislation with Comparison Across 2025 Reconciliation Bills, aicpa-cima.com/resources/download/key-tax-provisions-compared-current-law-vs-one-big-beautiful-bill-act, July 3, 2025.

⁷ Ibid.

⁸ See fn. 3.

⁹ “One Big Beautiful Bill Passed By Congress”, Sikich, July 3, 2025, sikich.com/insight/one-big-beautiful-bill-passed-by-congress.

¹⁰ Alistair M. Nevius, J.D. “Tax provisions in the One Big Beautiful Bill Act”, July 4, 2025, journalofaccountancy.com/news/2025/jun/tax-changes-in-senate-budget-reconciliation-bill.

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