

UNDERSTANDING THE 2025 ONE BIG BEAUTIFUL BILL: KEY FACTS FOR YOUR FINANCIAL FUTURE



AUGUST, 2025

The recently enacted One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, has introduced substantial changes to tax legislation, affecting individuals, families, seniors, and businesses alike. This summary highlights the essential components of the bill and the potential impacts on your financial and estate planning strategies.

Key Permanent Provisions:

Income Tax Brackets: The current seven tax brackets and lower tax rates from the 2017 Tax Cuts and Jobs Act (TCJA) have been made permanent, avoiding tax increases originally set for the end of 2025.

Standard Deduction: Elevated standard deductions are now permanent, starting at \$15,750 for single filers and \$31,500 for joint filers in 2025, adjusted annually for inflation.

Estate and Gift Tax Exemptions:

Permanently increased to \$15 million per individual (\$30 million for couples), adjusted for inflation.

Qualified Business Income Deduction: The 20% deduction for pass-through business income is permanently maintained, benefiting many small business owners.

Child Tax Credit: Permanently raised to \$2,200 per child beginning in tax year 2025, adjusted for inflation thereafter.

Charitable Contributions: Non-itemizing taxpayers can claim deductions for charitable contributions (\$1,000 for single filers, \$2,000 for joint filers) starting in 2026. For itemizers, a new deduction floor limits deductible contributions to amounts exceeding 0.5% of adjusted gross income.



Temporary Provisions (2025–2028):

SALT Deduction Increase: State and local tax (SALT) deduction cap temporarily rises from \$10,000 to \$40,000 through 2029, benefiting taxpayers in high-tax states but subject to income phaseouts.

Senior Tax Deduction: Individuals aged 65 and older may claim an additional deduction of \$6,000 (\$12,000 for married couples) for incomes below \$75,000 (\$150,000 for joint filers).

No Taxes on Tips or Overtime: New deductions available for up to \$25,000 in reported tip income and \$12,500 in overtime pay, subject to income phaseouts.

Auto Loan Interest Deduction: A deduction of up to \$10,000 annually for interest on loans for U.S.-assembled vehicles purchased between 2025–2028.

Family and Education Benefits:

Trump Accounts: A new "starter IRA" savings vehicle for minors under age 18 allows annual contributions of up to \$5,000, transitioning to traditional IRA rules at age 18. A federal pilot program provides an initial \$1,000 contribution for eligible newborns (2025–2028).

Expanded 529 Plan Uses: Permitted for broader educational expenses, including \$20,000 per year for K–12 tuition, certifications, licenses, and other credentialing programs.

Business and Investment Impacts:

Research and Development Expenses: Businesses can fully expense R&D and capital equipment purchases immediately, encouraging investment and potentially boosting economic growth.

Interest Expense Deduction: Businesses may deduct interest expenses up to 30% of EBITDA, enhancing tax efficiency particularly for firms with higher debt or depreciation.

Clean Energy Credit Phase-outs: Accelerated reduction of solar, wind, and electric vehicle incentives, redirecting focus to traditional energy investments.

Stay Connected

We encourage you to engage with us to review your financial strategy in light of these important legislative changes, ensuring your long-term financial objectives remain on track

Charlotte: (704) 644-0993
Lynchburg: (434) 385-6874

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