

## 2025 ONE BIG BEAUTIFUL BILL ACT

The One Big Beautiful Bill Act (“Act”) was signed into law on July 4, 2025. The Act makes significant changes to the federal tax law and also affects the 2017 Tax Cuts and Jobs Act (“TCJA”). Many TCJA provisions were scheduled to expire in 2025. The Act extends many TCJA provisions as well as provides new tax provisions. Please contact our office if you would like to talk about your estate planning and if the Act impacts your particular situation.

Here is a summary of the key tax provisions of the Act which mostly involve income tax provisions:

**Estate and Gift Tax Exemption:** The estate and gift tax exemption amounts pursuant to the TCJA are made permanent. Starting in 2026, the estate and gift tax exemption will be 15,000,000 and will be indexed for inflation in continuing years. With proper estate planning, married couples will have a 30,000,000 million exemption.

**Standard Deduction:** The TCJA’s standard deduction is made permanent with some raises as well going forward. For 2025, the deduction is \$31,500 for joint filers, \$23,625 for heads of household, and \$15,750 for all other filers, with amounts adjusted for inflation annually.

**Personal Exemptions:** The elimination of personal exemptions under TCJA is made permanent.

**Individual Income Tax Rates:** The reduced income tax rates established by the TCJA are made permanent with an additional year of inflation adjustments applied to the 10%, 12%, and 22% income tax brackets.

**Child Tax Credit:** The TCJA’s child tax credit is made permanent. The maximum credit for qualifying taxpayers will be raised to \$2,200 in 2026 which is adjusted for inflation each year.

**Alternative Minimum Tax (AMT):** The increase in the alternative minimum tax exemption is made permanent. The exemption phaseout thresholds have been reset to their 2018 levels: \$500,000 for single filers and \$1 million for joint filers with adjustments for inflation going forward. Additionally, the AMT phaseout rate has been increased.

**Pass-Through Business Deduction:** The Code Section 199A pass-through deduction is made permanent. The income limitation phase-in range has been expanded for individual filers and for those filing jointly.

**State and Local Taxes (SALT):** The limit on the itemized deduction for state and local taxes is raised to \$40,000 for 2025 and with a 1% annual increase through 2029. This is subject to a phaseout for taxpayers earning more than \$500,000. However, this is temporary as the limit will return to \$10,000 in 2030.

**Bonus Depreciation:** 100% bonus depreciation expensing for certain business investments is restored and made permanent.

**Section 179 Expense:** The Section 179 increased dollar limitations for expensing of certain depreciable business assets are made permanent.

**Interest Deduction Limitation:** Limits on business interest deductions (based on EBITDA) are restored and made permanent.

#### NEW INCOME TAX PROVISIONS

**Tips:** An above-the-line deduction from taxable income for tax years 2025–2028 for tip income with a maximum of \$25,000 that decreases for individuals making more than \$150,000 a year and \$300,000 for joint filers.

**Overtime:** An above-the-line deduction from taxable income for tax years 2025–2028 for overtime pay with a maximum of \$12,500 that decreases for individuals making more than \$150,000 a year and for joint filers the deduction is \$25,000 in overtime pay and decreases begin at \$300,000 income.

**Deduction for Car Loan Interest:** A deduction for tax years 2025-2028 up to \$10,000 for new car loan interest for vehicles assembled in the United States which is subject to income-based phaseouts.

**Enhanced Deduction for Seniors:** An above-the-line deduction in the amount of \$6,000 from taxable income for tax years 2025-2028 for seniors who earn no more than \$75,000 per year or \$150,000 for joint filers.

**Trump Accounts:** New individual retirement accounts for American children born after 2024 and before 2029 to be used for qualified expenses with an initial government contribution of \$1,000 to get started. Additional allowable annual contributions of up to \$5,000 indexed for inflation is included.

#### CHARITABLE AND OTHER DEDUCTIONS

**Above-the-Line Charitable Deduction:** A permanent deduction up to \$1,000 for individuals and \$2,000 for joint filers who do not itemize for charitable contributions.

**0.5% Floor on Charitable Deductions:** Individuals will only be able to deduct charitable contributions over 0.5% of adjusted gross income as itemized deductions.

**Repeal and Phase-Out of Green Energy Credits:** The termination of certain clean energy credits, including the Clean Vehicle Credit, the Qualified Commercial Clean Vehicles Credit, the Alternative Fuel Vehicle Refueling Property Credit, the Energy Efficient Home Improvement Credit, and the Residential Clean Energy Credit.