

What Could the “One Big Beautiful Bill Act” Mean to You?

On Friday, July 4, 2025, President Trump signed into law the high-profile, much-debated One Big Beautiful Bill Act. While there are both proponents and opponents of this new bill, it's clear that the far-reaching bill should have a significant impact on many Americans for years to come.

For the most part, the new legislation makes permanent the 2017 tax cuts that were set to expire at the end of 2025, but there have also been several key additions that carry with them notable planning implications.

Key changes at a glance

Directly below, we provide a brief summary of the bill's major points.

- Permanently **extends the current lower tax brackets** of the Tax Cut and Jobs Act (TCJA), which were originally set to expire at year-end.
- **Increases the state and local income tax (SALT) deduction to \$40,000** (currently \$10,000), while also preserving the pass-through entity tax.
- Permanently **increases the estate tax lifetime exemption to \$15 million per person**, starting in 2026. The exemption was set to revert to approximately \$7 million per person in 2026.
- Adds a **bonus deduction for taxpayers 65 and older, of \$6,000 per person** from 2025 to 2028. In 2025, a married couple aged 65+ with income under \$150,000 may take a standard deduction of \$46,700 (previously \$33,200). This deduction is available regardless of itemizing or taking the standard deduction.
- Automobile deductions:
 - **Electric vehicle tax credit comes to an end on September 30, 2025.** Currently, the tax credit is \$7,500 for new cars or \$4,000 for used cars.

- **Added car loan interest deduction for up to \$10,000** of interest paid on loans from new car purchases made in 2025 through 2028 (subject to income phase out).

A more detailed summary of the legislation

If you'd like additional information regarding the points we've highlighted above, keep reading to learn more about the upcoming changes and how they may affect your finances.

From an income tax perspective, the tax brackets that had been established by the TCJA were set to expire at year-end, but with this new legislation they have now been made permanent. As well, the threshold for the estate tax lifetime exemption has been permanently set to \$15 million per individual (\$30 million for married couples), with annual adjustments for inflation going forward. The permanency of a higher exemption offers a compelling reason to revisit your estate and wealth transfer plans with a Corient Wealth Advisor. Please note that the new exemption will take effect in 2026, which means the 2025 exemption remains at \$13.99 million per individual.

With regard to the standard deduction, it has been increased for 2025 by \$750 per person to \$15,750 for single filers, and \$31,500 for married filing jointly (MFJ).

The bonus deduction for taxpayers 65 and older is \$6,000 per person through 2028. This bonus deduction phases out between \$75,000-\$175,000 for individual filers (or \$150,000-\$250,000 for MFJ).

The new legislation also introduces changes to the treatment and dollar amounts for certain itemized deductions. For instance, overall itemized deductions will now phase out for those in the 37% tax bracket. With this phase out, those in the 37% bracket will receive a lower (roughly 35%) effective tax deduction.

The SALT deduction limitation has increased temporarily, starting in 2025 to \$40,000 – but \$20,000 for married filing separately (MFS). While this increase adjusts for inflation starting in 2026, it begins to phase out for modified adjusted gross income (MAGI) in excess of \$500,000 for MFJ (\$250,000 for MFS), until it reaches a floor of \$10,000. The SALT deduction limit will revert to \$10,000 in 2030.

It's worth noting that the pass-through entity tax (PTET) deduction for small businesses has been preserved. This deduction was originally set to disappear under the House proposal.

If you're philanthropically inclined, take note of the following changes that will take effect in 2026:

- **Non itemizers:** Above-the-line deduction has been expanded up to \$1,000 (\$2,000 MFJ) and made permanent beginning in 2026.
- **Itemizers:** Imposes a 0.5% floor on charitable deductions beginning in 2026. For example, if your earnings are \$500,000, then your first \$2,500 of donations would not get an itemized deduction tax break.

Even though the changes above won't start until 2026, there's a tax-planning opportunity now to help ensure that your charitable giving will be done most tax efficiently in both 2025 and 2026.

Other important points about the new bill

- The **Child Tax Credit** has increased to \$2,200 for 2025 (up from \$2,000). The current income phaseout thresholds (\$200,000 for single filers and \$400,000 for joint filers) have been maintained.
- **Automobile loan interest** deduction for up to \$10,000 of interest paid for new car purchases starting on January 1, 2025 through 2028. The deduction phases down when income surpasses \$100,000 for single filers and \$200,000 for joint filers. This deduction only applies to automobiles assembled in the U.S.

- **Sec. 199A qualified business income (QBI) deduction** has been made permanent and keeps the rate at 20%.

- Eases the rules that limit the deduction for high-income taxpayers by increasing phaseout thresholds to \$75,000 (\$150,000 MFJ), up from \$50,000 (\$100,000 MFJ).

- **Green energy credits** expiration is being accelerated to the dates below:

- EV Credit for new and used vehicles: September 30, 2025
- Energy Efficient Home Improvement Credit: December 31, 2025
- Residential Clean Energy Credit (such as solar panels): expenditures must be made before December 31, 2025

- **529 plans expanded** to include elementary, secondary, and home-schooling tuition and expenses (capped at \$20,000 annually):

- K-12 expense deductions have also expanded to include curriculum materials, textbooks, instructional materials, online education materials, standardized testing fees and costs for tutoring provided outside of the home.

- **New tax-preferred savings accounts.** The new "Trump Accounts" are a tax-advantaged investment account for those children under the age of 18.

- Contributions may be made until the year the beneficiary turns 17, and are limited to \$5,000 annually. Distributions are only permitted in years that the beneficiary will be at least 18 years old.
- Distributions are taxable when received, but taxes are reduced based on the contributions made.
- The U.S. government will seed these accounts with a one-time deposit of \$1,000 for U.S. citizen children born between 2025 and 2029.

- **Tax deduction for overtime work** is now capped at \$12,500 (\$25,000 MFJ). This deduction does not apply to state or payroll taxes.

We will continue to assess the One Big Beautiful Bill and its potential impact on our clients. In the meantime, if you have questions about the bill or any financial strategies you might undertake to help make the most of this new legislation, please contact your Corient Wealth Advisor.

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