

The One Big Beautiful Bill Act (OBBBA) was big but was it beautiful?



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At over 1,000 pages, including over 100 provisions, the OBBBA was certainly big. But was it beautiful? It depends on who you ask. Many of the provisions extend the 2017 Tax Cuts and Jobs Act (TCJA) and some introduce new tax and spending policies. We will look at some of the major provisions impacting individuals below.

1. Individual Tax Rates – Made Permanent

The tax rate cuts introduced by the Tax Cuts and Jobs Act (TCJA) are now permanent. Additionally, it provides an initial inflation adjustment for the 10% and 12% brackets, in 2026. This means more favorable rates for individuals across several income levels.

2. Standard Deduction – Increased

The bill makes the larger standard deduction created under the TCJA permanent. Additionally, the amounts for 2025 are slightly expanded:

- \$31,500 for Married Filing Jointly (MFJ)
- \$15,750 for Single filers
- \$23,625 for Head of Household

These amounts will be indexed for inflation thereafter.

3. Child Tax Credit – Increased and Indexed

The Child Tax Credit will rise to \$2,200 per child, starting in 2025. This credit will also be indexed for inflation moving forward. It also makes permanent the higher phaseout thresholds introduced by the TCJA. These thresholds are \$400,000 for joint filers and \$200,000 for all other filers.

4. Qualified Business Income (QBI) Deduction – Made Permanent

For self-employed individuals or small business owners, the 20% QBI deduction has been made permanent. Additionally, starting in 2026, the OBBBA provides a \$400 minimum deduction for businesses with at least \$1,000 of QBI and increases the phase-in limitation range from \$100,000 to \$150,000 for joint filers (from \$50,000 to \$75,000 for other filers).

5. Charitable Contributions – New Deductions

Starting in 2026, taxpayers who do not itemize will be able to take a cash contribution deduction for up to \$2,000 (MFJ) or \$1,000 (S, HOH, MFS) for donations to public charities. Additionally, the 60% of AGI limit for itemized charitable deductions has been made permanent.

6. SALT Deduction – Changes to the Cap

The \$10,000 cap on State and Local Tax (SALT) deductions will be permanent. However, OBBBA increases the cap to \$40,000 (\$20,000 for married filing separately) for 2025 and \$40,400 for 2026. For tax years beginning after 2026 and before 2030, the cap will be increased by 1% per year. For tax years beginning in 2030, the cap will revert back to \$10,000 (\$5,000 for married filing separately).

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7. Estate & Gift Tax Exclusion – Increased

The estate and gift tax exclusion will be \$13.9 million in 2025 and increase to \$15 million in 2026, indexed for inflation thereafter.

8. Tip and Overtime Deduction – Temporary Benefits

Employees can now deduct up to \$12,500 of qualifying overtime earnings each year (\$25,000 for married couples filing jointly). This deduction covers only the premium portion of overtime—the “time-and-a-half” portion paid above an employee’s regular hourly rate. Employees who report tip income can now deduct up to \$25,000 of qualified tips from their taxable income each year. Both deductions begin to phase out for individuals earning more than \$150,000 of adjusted gross income, or \$300,000 for married couples filing jointly.

9. “Trump Account” for Minors – New Tax-Deferred Savings

A new savings account for minors, called the “Trump Account,” will be introduced in 2026. This tax-deferred account will allow \$5,000 annual contributions for minors, with a \$1,000 pilot credit for children born between 2025 and 2028.

As mentioned, the One Big Beautiful Bill Act is truly big—both in name and in scope. We've highlighted some of the most impactful provisions here, but there are many others worth noting, including an expanded definition of qualified K–12 expenses for 529 plans, a new deduction for auto loan interest on certain vehicle purchases, and broader benefits under the Qualified Small Business Stock rules.

If you have any questions or would like to explore how these changes may affect your planning, please don’t hesitate to reach out. We're here to help you understand the new landscape and keep your financial planning on track.

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