WHAT FINANCIAL PROFESSIONALS SHOULD KNOW

Navigating the One Big Beautiful Bill

Signed into law on July 4, 2025, One Big Beautiful Bill (OBBB) is a comprehensive overhaul of tax, entitlement, and domestic economic policy with far-reaching implications for financial planning, taxation, healthcare, and investment strategy. It is pitched as a pro-growth, tax-reducing measure targeting working- and middle-class Americans, though analysis shows considerable advantages for high-income households and structural reductions in safety net programs.

Tax reform highlights

- **Historic tax cuts**: Tax cuts under 2017 Tax Cuts and Jobs Act made permanent; permanent 20% Qualified Business Income deduction; new standard deduction increases; deductions for tips, overtime, and auto loan interest.[1]
- **Estate and Gift Tax**: Exemption increases to $15 million per individual, $30 million for married couples in 2026, indexed for inflation.
- **SALT (State and Local Tax) Deduction**: Temporarily raised to $40,000 (from $10,000), phasing out for Adjusted Gross Incomes over $500K; reverts in 2030.
- **Social Security**: $6,000–$12,000 senior deduction reduces effective tax, but not all are eligible depending on income.
- **Child Tax Credit**: Increased to $2,200 per child, permanently indexed for inflation.
- **Trump Accounts**: $1,000 newborn seed accounts with annual $5,000 contribution cap, tax-deferred growth, and defined uses (education, housing, business). Limited to investments that track US equity index returns.
- **Qualified Small Business Stock (Sec. 1202)**: New cap at $15 million gain exclusion; tiered exclusion based on holding period.
- **Alternative Minimum Tax (AMT) & phase-out adjustments**: Reinstitution of lower AMT phase-out thresholds; major deduction cap mechanics revised.
- **529 Plans**: Expanded to cover K–12 and credentialing; enhanced rollover options to Achieving a Better Life Experience accounts.

Business & investment provisions

- **Bonus depreciation & Section 179**: Made permanent with increased thresholds and inflation indexing.
- **Pass-Through Entity Tax (PTET)**: Remains deductible, enhancing SALT deduction workarounds.
- **Excess business losses**: Limitation made permanent.
- **Endowment taxation**: Tiered excise tax on private university endowments up to 8%.
- **Corporate Charitable Contributions**: Deductions allowed above 1% of taxable income, capped at 10%.

Social programs & spending

- **Cuts**: Over $1 trillion cut from Medicaid/Children's Health Insurance Program; Supplemental Nutrition Assistance Program (SNAP) reductions; Medicare reforms.
- **Medicaid work requirements**: Enrollees must work 80 hours/month or meet community/school thresholds. Estimated 11.8 million will lose coverage by 2034.
- **Deficit estimates**: Projected impact ranges from $1.4 trillion in savings (White House) to $4 trillion increase (Congressional Budget Office), largely hinging on treatment of expiring tax provisions.

Phaseouts and Limitations

- Many deductions and credits phase out for Modified Adjusted Gross Incomes over $150K (single)/$300K (joint).
- Notably, itemized deduction caps reintroduced at high-income thresholds using a 2/37 formula for wage earners making over $626,350 (single)/$751,600 (married filing jointly).

Learn more

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