



One Big Beautiful Bill Act of 2025

President Trump signed into law the One Big Beautiful Bill (OBBA) Act on July 4, 2025, after months of deliberation in the House and Senate. The legislation includes multiple tax provisions that will guide individuals, business owners, and investors in planning their finances for many years to come. The legislation makes permanent most of the 2017 Tax Cuts and Jobs Act (TCJA) tax provisions that were set to expire this year, while delivering some new deductions and changes.

TCJA expiring provisions made permanent

Marginal income tax rates

The 2017 Tax Cuts and Jobs Act (TCJA) reduced both the number of marginal tax brackets and the applicable tax rates for some brackets for years 2018 through 2025, while increasing the income range covered by each bracket. The new legislation makes the TCJA rates and structure permanent.

Individual marginal income tax brackets will remain 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

Trust and estate marginal income tax brackets will remain 10%, 24%, 35%, and 37%.

The legislation also makes a relatively minor change to the way inflation adjustments are calculated for the lowest two tax brackets beginning in 2026.

Standard deduction amounts

TCJA roughly doubled the standard deduction amounts in effect at the time.

The new legislation makes the larger standard deduction amounts permanent, with an additional increase for years starting with 2025. The standard deduction amounts for 2025 are now:

- \$31,500 married filing jointly
- \$23,625 head of household
- \$15,750 single and married filing separately

Personal exemptions

TCJA temporarily eliminated the deduction for personal exemptions (\$4,050 per exemption in 2017). The new legislation makes the elimination of the personal deduction permanent.

Child tax credit

Under TCJA, the child tax credit doubled from \$1,000 to \$2,000 for each qualifying child under the age of 17. The maximum amount of the credit that could be refunded was increased to \$1,400 per qualifying child (to be adjusted annually for inflation), and the earned income threshold for refundability was dropped from \$3,000 to \$2,500 (allowing those with lower earned incomes to receive more of the refundable credit). The income level at which the credit began to phase out was also significantly increased to \$400,000 for married couples filing jointly and \$200,000 for all other filers. A Social Security number was required for each qualifying child.

The legislation also established a new \$500 nonrefundable credit for qualifying dependents who were not qualifying children under age 17.

The new legislation makes all of the TCJA changes permanent. It also increased the child tax credit to \$2,200 for each qualifying child starting in 2025, and provides that the amount will be indexed for inflation. The \$500 nonrefundable tax credit for



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dependents who do not meet the definition of qualifying children is also made permanent.

Mortgage interest deduction

Under TCJA, the deduction for mortgage interest was limited to \$750,000 (\$375,000 for married individuals filing separately) of qualifying mortgage debt. (For mortgage debt incurred before December 15, 2017, the prior \$1 million limit continued to apply.) Additionally, interest on home equity indebtedness (debt incurred for purposes other than to buy, build, or improve a residence) was made nondeductible.

TCJA changes have now been made permanent. Additionally, a previously expired provision allowing for the deduction of mortgage insurance premiums as interest is reinstated and made permanent (an AGI phaseout range applies) starting in 2026.

Estate and gift tax exemption

The TCJA temporarily doubled the \$5.6 million (2018) estate and gift tax exemption amount to about \$11.2 million in 2018, with inflation adjustments in future years.

The new legislation permanently extends the larger estate and gift tax exemption amount, increasing it to \$15 million in 2026. The amount will be adjusted for inflation in subsequent years.

Alternative minimum tax

The AMT is essentially a separate, parallel federal income tax system with its own rates and rules — for example, the AMT effectively disallows a number of itemized deductions, as well as the standard deduction. TCJA significantly narrowed the application of the AMT by increasing AMT exemption amounts and dramatically increasing the income threshold at which the exemptions begin to phase out. The exemption amounts as well as the phaseout thresholds were adjusted for inflation each year.

Filing Status	Prior Maximum AMT Exemption	TCJA Maximum AMT Exemption
Single or Head of Household	\$55,400	\$70,300
Married Filing Jointly	\$86,200	\$109,400
Married Filing Separately	\$43,100	\$54,700

Filing Status	Prior Phaseout Threshold	TCJA Phaseout Threshold
Single or Head of Household	\$123,100	\$500,000
Married Filing Jointly	\$164,100	\$1,000,000
Married Filing Separately	\$82,050	\$500,000

The significantly increased AMT exemption amounts and exemption income phaseout thresholds implemented by TCJA are made permanent.

The exemption phaseout thresholds are reset to their original levels under TCJA in 2026 — \$500,000 (single), \$1,000,000 (married filing jointly) — effectively backing out the inflation increases made over the past few years. Additionally, the rate at which the AMT exemption amount is reduced for income exceeding the phaseout threshold is increased from 25% to 50% effective in 2026.

Itemized deductions

The overall limit on itemized deductions that applied to higher-income taxpayers (commonly known as the "Pease limitation") was repealed by TCJA , and the following changes were made to individual deductions (SALT and Mortgage Interest Deductions discussed separately):

- **Casualty and theft losses** — The deduction for personal casualty and theft

losses is eliminated, except for casualty losses suffered in a federal disaster area.

- **Miscellaneous itemized deductions** — Miscellaneous itemized deductions that would be subject to the two-percent AGI threshold, including tax-preparation expenses and unreimbursed employee business expenses are no longer deductible.
- **Moving expense deduction** — Eliminated except for Armed Forces.

The new legislation permanently repeals the overall limit on itemized deductions (the "Pease limitation"). It replaces it with a percentage reduction that applies to individuals in the highest tax bracket (37%), effectively capping the value of each dollar of itemized deductions at \$0.35.

The new legislation permanently extends the elimination of the casualty and theft loss deduction, except for losses resulting from federally declared disasters and certain state-declared disasters.

The new legislation also makes permanent the elimination of miscellaneous itemized deductions, and the moving expense deduction (except for Armed Forces)

Qualified business income deduction (Section 199A deduction)

The TCJA created a new deduction equal to up to 20% of qualified business income from partnerships, S corporations, and sole proprietorships. The 20% deduction also applies to qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income.

The deduction is limited or phased out altogether, depending on factors including wages paid by the qualifying business, whether the business is a specified service trade or business (SSTB), and whether taxable income exceeds certain thresholds.

- The deduction is generally limited to the greater of 50% of the W-2 wages reported by the business, or 25% of the W-2 wages, plus 2.5% of the value of qualifying depreciable property held and used by the business to produce income
- The deduction is generally not allowed for certain businesses-businesses that involve the performance of services in fields including health, law, accounting, and consulting

The new legislation permanently extends the deduction for qualified business income and increases the phase-in thresholds for the deduction limit. It also establishes a minimum deduction of \$400 and requires a minimum amount of \$1,000 in qualified business income to claim the deduction.

Existing provisions with material changes

State and local tax (SALT) deduction

The TCJA limited individuals to an itemized deduction of up to \$10,000 (\$5,000 if married and filing a separate return) for state and local property taxes and state and local income taxes (or sales taxes instead of income taxes).

The new legislation temporarily increases the cap on the state and local tax deduction to \$40,000 (\$20,000 if Married Filing Separately). This cap is retroactively effective for 2025. The \$40,000 will increase to \$40,400 in 2026 (\$20,200 if Married Filing Separately), and by 1% for each of the following three years.

The cap is reduced for those with modified adjusted incomes exceeding \$500,000 (tax year 2025, increasing by 1 percent in each subsequent year), but the limit is never reduced below \$10,000. Specifically, the deduction limit is reduced by 30% of MAGI exceeding the phaseout threshold amount. For married individuals filing separately, 50% of the phaseout threshold amount applies (i.e., \$250,000 in 2025).

In 2030, the cap will return to \$10,000.

Repeal and phase out of clean energy credits

The new legislation significantly rolls back energy-related tax incentives. Provisions include:

- The Clean Vehicle Credit (IRC Section 30D), the Previously Owned Clean Vehicle Credit (IRC Section 25E), and the Qualified Commercial Clean Vehicles Credit (IRC

Section 45W) are all eliminated effective for vehicles acquired after September 30, 2025.

- The Energy Efficient Home Improvement Credit (IRC Section 25C) and the Residential Clean Energy Credit (IRC Section 25D) are repealed for property placed in service after December 31, 2025.
- The New Energy Efficient Home Credit (IRC Section 45L) will expire on June 30, 2026; the credit cannot be claimed for homes acquired after that date.
- The Alternative Fuel Vehicle Refueling Property Credit (IRC Section 30C) will not be available for property placed in service after June 30, 2026.

Gambling losses

The new law changes the treatment of gambling losses beginning in 2026. Prior to the legislation, individuals could deduct 100% of their gambling losses against winnings (the deduction can never exceed the amount of gambling winnings), now a new cap limits deductions to 90%.

Adoption credit

The legislation enhances the existing Adoption Credit to allow up to \$5,000 of the credit to be refundable effective 2025. The \$5,000 amount will be adjusted for inflation. The refundable portion of the credit cannot be carried forward.

529 plan qualified expenses

Effective July 4, 2025, the legislation expands the types of qualified expenses associated with enrollment or attendance at an elementary or secondary public, private, or religious school to include:

- Tuition
- Curriculum and curricular materials
- Online educational materials
- Tuition for tutoring or educational classes outside of the home, including at a tutoring facility
- Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission
- Fees for dual enrollment in an institution of higher education.
- Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies

Beginning 2026, the annual limit for 529 plan distributions relating to elementary to secondary education is increased from \$10,000 to \$20,000.

Bonus depreciation and Section 179 expensing

Additional first-year "bonus" depreciation prior to this legislation was being phased out, with the maximum deduction dropping to 40% by 2025.

The new legislation permanently establishes the additional first-year depreciation deduction at 100% for qualifying property, allowing businesses to immediately deduct the full cost of new or used equipment, machinery, and qualifying property. The 100% additional first-year depreciation deduction is available for property acquired after January 19, 2025.

Effective for property placed in service in 2025, the legislation also increases the limit for expensing under IRC Section 179 from \$1 million (indexed for inflation) to \$2.5 million, and increases the phaseout threshold from \$2.5 million (indexed for inflation) to \$4 million.

Personal casualty losses

Prior to 2018, a casualty loss deduction could be claimed for damage, destruction, or loss of property from a sudden unexpected or unusual event including storms, theft, and vandalism. For tax years 2018–2025, deductive casualty losses were limited to losses attributed to federally declared disasters.

The new legislation permanently limits the casualty loss deduction to losses attributable to federally declared disasters and from certain state-declared disasters beginning in 2026.

Miscellaneous itemized deductions

Under the Tax Cuts and Jobs Act of 2017, Miscellaneous itemized deductions that would be subject to the two-percent AGI threshold, including tax-preparation expenses and unreimbursed employee business expenses were no longer deductible for 2018–2025. The new legislation makes this change permanent.

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Educator expense deduction

The legislation creates an itemized deduction for educator expenses starting in 2026.

Educators who do not itemize deductions can currently deduct up to \$300 (\$600 if married filing jointly and both spouses are eligible educators, but not more than \$300 each) of unreimbursed trade or business expenses. The \$300 limit would not apply to educators who itemize their deductions.

Qualified opportunity zones

A Qualified Opportunity Zone is an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify if they were nominated for that designation by a state, the District of Columbia, or a U.S. territory and that nomination was certified by the Internal Revenue Service (IRS).

A Qualified Opportunity Fund is an investment vehicle that is organized as a corporation or partnership for the purpose of investing in Qualified Opportunity Zone property. Qualified Opportunity Funds offer significant tax benefits.

The new legislation allows states to designate a new round of Qualified Opportunity Zones every 10 years, and makes some modifications to requirements.

New provisions

Deduction for seniors

Effective for tax years 2025–2028, the legislation creates a new \$6,000 deduction for qualifying individuals who reach age 65 during the year.

The deduction begins to phase out when modified adjusted gross income exceeds \$75,000 (\$150,000 for married filing joint). The deduction is reduced by 6% of income exceeding the threshold phaseout amount. Full phaseout occurs at \$175,000 (\$250,000 for married filing jointly).

The legislation specifically requires that a qualifying individual's Social Security Number be included on the return.

Married taxpayers must file jointly to claim the deduction.

Tip income deduction

Effective for tax years 2025–2028, for the first time, tip-based workers can deduct a portion of their cash tips for federal income tax purposes. Individuals who receive qualified cash tips in occupations that customarily received tips prior to January 1, 2025, may exclude up to \$25,000 in reported tip income from federal taxable income.

The deduction phases out at a modified adjusted gross income of \$150,000 for single filers and \$300,000 for joint filers. For every \$1,000 of modified adjusted gross income exceeding the threshold amount, the deduction (not the maximum deduction allowed) is reduced by \$100. To claim the deduction, a Social Security Number must be provided.

This provision applies to a broad range of service occupations, including restaurant staff, hairstylists, and hospitality workers.

Married individuals must file jointly to claim the deduction.

Overtime deduction

A new temporary deduction of up to \$12,500 (\$25,000 if married filing jointly) is established for qualified overtime compensation. The deduction is phased out for individuals with modified adjusted gross income over \$150,000 (\$300,000 if married filing jointly). The deduction is reduced by \$100 for each \$1,000 of modified adjusted gross income exceeding the threshold. To claim the deduction, a Social Security Number must be provided.

Note that the deduction applies only to the difference between overtime compensation and regular rate of pay. If an individual's regular rate of pay is \$30 per hour and the individual works 50 hours of overtime at \$45 per hour, \$750 may be eligible for the overtime deduction (equal to the overtime rate of \$15 x 50 hours).

The deduction is available for tax years 2025–2028.

Married individuals must file jointly to claim the deduction.

Investment accounts for children ("Trump accounts")

A new tax-deferred account for children under the age of 18 is created, effective 2026. With limited exceptions, up to \$5,000 in total can be contributed to an account annually (the \$5,000 amount is indexed for inflation). Contributions can be made starting in July 2026. Parents, relatives, and other individuals may make contributions. Contributions are not tax-deductible, and can be made up until the year before the individual turns 18.

Employers are able to set up Trump Account Contribution Plans, under which contributions may be made to employees' Trump Accounts or the Trump Accounts of employees' dependents. Up to \$2,500 may be contributed annually for each employee. Contributions made by an employer to a Trump Account on behalf of an employee under such a plan are not included in the employee's gross income.

Certain nonprofit and government organizations may also make contributions to Trump Accounts under specific conditions. Any such contributions made to Trump accounts are not counted toward the \$5,000 annual contribution limit and are not considered income to the Trump Account beneficiary.

For children born between 2025 and 2028, the federal government will contribute \$1,000 per child into eligible accounts. This contribution does not count toward the \$5,000 annual contribution limit and is not considered income to the account beneficiary at the time made.

Distributions generally cannot be made from the account prior to the account holder reaching the age of 18, and there are restrictions, limitations, and tax consequences that govern how and when account funds can be used.

Earnings on all contributions grow tax deferred. When the account holder reaches age 18 and is able to take distributions, the account may contain amounts that are not taxable upon distribution (amounts contributed by parents and relatives) as well as amounts that are taxable upon distribution (earnings, and any contributions made by an employer, charitable or governmental entity, or as a result of the \$1,000 seed grant). The same general rules that apply to IRAs apply to Trump accounts, including:

- If there are non-taxable parent or individual contributions in the account, any distribution is considered to consist of a proportionate share of taxable and non-taxable amounts.
- Taxable distributions are taxed at ordinary income rates, and a 10% additional penalty tax applies if a distribution is made prior to age 59½ unless an exception applies.
- Exceptions to the 10% penalty include withdrawals for higher education costs and up to \$10,000 for a first-time home purchase.

To have an account, a child must be a U.S. citizen and have a Social Security number.

Trump accounts must be invested in a mutual fund or exchange traded fund that tracks the returns of a qualified index. Funds must have annual fees no higher than 0.1%.

New 0.5% AGI floor for charitable contributions

The legislation establishes a new 0.5% floor for charitable deductions beginning in 2026. Otherwise allowable charitable contributions will be reduced by 0.5% of an individual's "contribution base" which is generally the individual's adjusted gross income (AGI).

Under existing law, charitable deductions may be limited based on AGI. That is, depending on the type of charitable organization that you donate to, whether you make an outright gift or a gift in trust, and whether you contribute cash or property, you may be limited to a deduction that does not exceed 60%, 50%, 30%, or 20% of your AGI. Amounts that you are unable to deduct because of the AGI limit can be carried over for up to five years. If a charitable contribution is limited based on AGI and carried forward, and the 0.5% floor results in that contribution being reduced, the amount of the contribution reduced by the 0.5% floor is also carried forward.

Charitable deduction for non-itemizers

The legislation reinstates a tax provision that was last effective for tax year 2021. A deduction for qualifying charitable contributions is now permanently established for individuals who do not itemize deductions. The deduction is capped at \$1,000 (\$2,000 married filing jointly). Contributions must be made in cash to a public charity and meet other specific requirements. This deduction is available starting in tax year 2026.

Gambling loss deduction

Gambling losses are generally deductible (as an itemized deduction), but only up to the amount of gambling winnings. In other words, you're allowed to deduct your gambling losses to offset any gambling income that you may have, but no more.

The new legislation provides that, starting in 2026, only 90% of gambling losses are deductible. In addition, gambling losses are still limited to the amount of any gambling earnings.

Car loan interest deduction

For tax years 2025–2028, interest paid on car loans is now deductible for certain buyers. Beginning in 2025, taxpayers who purchase new vehicles assembled in the U.S. for personal use may deduct up to \$10,000 in loan interest annually. The deduction is phased out at higher incomes, starting at a modified adjusted gross income of \$100,000 (for single filers) or \$200,000 (for joint filers).

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