

Breaking down the “One Big Beautiful Bill Act”

Key provisions clients need to know

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The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. This sweeping piece of legislation includes, among other things, numerous estate planning and tax provisions that may have implications for you or your family’s financial plan. We summarize some of the most noteworthy provisions below:

Extended most Tax Cuts and Jobs Act (TCJA) provisions

- This bill makes permanent most provisions of the original 2017 TCJA. For example, current tax brackets and thresholds will be codified moving forward.
- Some fringe adjustments will apply here as well, such as an increase in the standard deduction to \$15,750 for single filers (\$31,500 for married, filing jointly).

Increased State and Local Tax (SALT) cap to \$40,000

- This is a temporary lift for the next five years; the SALT cap will revert back to \$10,000 starting in 2030.
- SALT cap eligibility will begin to phase out for those with \$500,000 in modified adjusted gross income (MAGI).
- The cap will be inflation-adjusted by 1% annually.

Throttling of itemized deductions

For filers in the top tax bracket (37%), the OBBBA reduces the effective deduction rate for itemized deductions to 35 cents on the dollar (from 37 cents).

Increased gift & estate tax exclusion amounts

Starting in 2026, the gift and tax exclusion amount will increase from \$13.99 million to \$15 million (for single filers) and continues to be inflation-adjusted.

Expansion of QSBS benefits

- [Qualified Small Business Stock](#) rules will receive an overhaul.
- Instead of a 5-year cliff for eligibility, there will be a graded approach with reduced benefits in years three and four.
- Increases the business asset cap from \$50 million to \$75 million.
- Raises the gain exclusion cap from \$10 million to \$15 million.

Charitable giving changes

- There will now be a 0.5% AGI floor for charitable deductions, a slight reduction for those who make philanthropic gifts.
- Taxpayers who take the standard deduction may now deduct \$1,000 (single filers) or \$2,000 (married, filing jointly) in qualified gifts above the line.

Enhanced tax deductions for seniors

- Those aged 65 and older will receive a \$6,000 deduction (single filers) through 2028.
- Income restrictions apply for this deduction, with a phaseout beginning at \$75,000 (single)/\$150,000 (married, filing jointly).

Tax-advantaged children's savings accounts

- The contribution cap has been set at \$5,000 annually.
- Tax treatment will depend on whether distributions are made for “qualifying expenses.”
- These accounts will be funded for children born through 2028 with \$1,000 from the federal government.

Increased K-12 limitation

- Starting in 2026, parents will be able to utilize up to \$20,000 annually for qualified K-12 expenses without incurring additional federal income tax penalties.
 - The “qualified expenses” definition has also been expanded to include tuition, books, online educational materials, SAT/ACT test fees, certain tutoring expenses, and more.

Expanded post-secondary qualified expenses definition

- Previously, “qualified expenses” were limited to tuition, fees, books, room and board, and other costs directly related to accredited post-secondary education.
 - Under the new rules, “qualified expenses” now also include any other expenses required for enrolling in a postsecondary *credential* program, as well as fees for exams required to obtain the credential and/or continuing education to maintain it.
- Based on the text of the law, this change appears to be effective as of the date of passage.

It's important to note that this is not an exhaustive list. We expect the IRS to issue further guidance about how some of these provisions will

be implemented over the next few months. If you have any immediate questions about the bill or its provisions, please contact your advisor.