

## Highlights from the One Big Beautiful Bill Act (OBBBA)

### Impacting Individual Taxes

- **Permanent extension of lower tax rates and brackets:** The OBBBA generally makes the tax rates enacted in 2017 in the Tax Cuts and Jobs Act (TCJA) permanent.
- **Standard deduction:** The nearly doubled standard deduction was made permanent. Effective for 2025, the amounts are as follows:
  - **Single & Married Filing Separately (MFS):** \$15,750 (indexed for inflation in the future)
  - **Head of Household (HoH):** \$23,625 (indexed for inflation in the future)
  - **Married Filing Jointly (MFJ):** \$31,500 (indexed for inflation in the future)
- **Child Tax Credit:** The nonrefundable child tax credit increases to \$2,200 per child beginning in 2025 and the credit amount is indexed for inflation.
- **Estate and gift tax exemption:** The increased exemption is made permanent and raised to \$15 million per individual (\$30 million for married couples) in 2026, indexed for inflation in the future.
- **SALT deduction cap:** The state and local tax (SALT) deduction cap is increased to \$40,000 per household and would be phased out for taxpayers with modified adjusted gross income (MAGI) over \$500,000. In 2030, the deduction will revert to \$10,000. This change begins in 2025 and affects taxpayers who itemize their deductions.
- **Charitable deduction for non-itemizers:** An above-the-line deduction is added for charitable contributions that starts in 2026 (\$1,000 for single filers, \$2,000 for joint filers).
- **No tax on tips and overtime:** For 2025–2028, above-the-line deductions are created for qualified tips (in certain occupations) and for overtime premium pay, subject to income and occupation limitations.
- **Enhanced deduction for seniors:** For 2025–2028, a \$6,000 deduction is available for each senior (age 65+) with income below \$75,000 (\$150,000 for joint filers). This deduction is based on age and is not impacted by social security benefits received.
- **Car loan interest deduction:** For 2025–2028, up to \$10,000 of interest on loans for U.S.-assembled new personal use passenger vehicles may be deducted, subject to income phaseouts.
- **Home mortgage interest and insurance premiums:** The \$750,000 loan limit for deductible mortgage interest expense was made permanent. The exclusion of home-equity indebtedness from the definition of qualified residence interest is also now permanent. Mortgage insurance premiums are deductible but are subject to new limitations.
- **Casualty loss deduction for personal casualties:** The limitation on personal casualty loss deductions is made permanent, however a provision is added to include state-declared disasters.
- **Energy credits:** Many energy credits now have an expiration date of 9/30/2025, while some will expire on 12/31/2025.
- **Other deductions and credits:** Several other deductions and credits, including the adoption credit, employer-provided childcare credit, paid family and medical leave credit, and education-related benefits are made permanent.
- **Beginning in 2026:** There are many tax changes, including the tax credit for charitable contributions to specific scholarship-granting organizations, changes to the calculation of gambling expenses/losses, changes to the deduction for teacher/educator expenses, limit of itemized deductions for those in the 37% tax bracket, Trump savings accounts, and additional expense withdrawals permitted for Section 529 plans.