

## Major Provisions of New Tax Act



### THE ONE BIG BEAUTIFUL BILL ACT OF 2025

The One Big Beautiful Bill Act (OBBBA) was signed into law July 4, 2025. **The biggest news is that tax rates scheduled to increase in 2026 will now remain the same.**

Tax rates in 2018 were significantly reduced:

<b><u>OLD</u></b> <b><u>RATES</u></b>	<b><u>NEW</u></b> <b><u>RATES</u></b>
10.0%	10.0%
15.0%	12.0%
25.0%	22.0%
28.0%	24.0%
33.0%	32.0%
35.0%	35.0%
39.6%	37.0%

In 2026, the new rates were scheduled to revert to the old rates. **OBBBA has made the new rates permanent.**

## OTHER SIGNIFICANT CHANGES AFFECTING PERSONAL TAXES

- **New Senior Deduction of \$6,000**

- This is meant to offset the taxable portion of Social Security benefits. This is phased out between incomes of \$75,000 – \$175,000 for single and \$150,000 – \$250,000 for joint.

- **State and Local Tax Itemized Deduction**

- The cap has been raised to \$40,000 maximum in 2025 from \$10,000 in 2024. This increase begins to phase out for income in excess of \$500,000.

**PLANNING POINT** – Doubling up on the payment of real estate taxes every 2<sup>nd</sup> year may again be a good idea for clients itemizing their deductions.

- **Charitable Contributions**

- Beginning in 2026, the Charitable Contribution itemized deduction will be reduced by .5% of income.

**EXAMPLE** – Taxpayer has \$100,000 in income and contributes \$5,000. One-half percent (.5%) of \$100,000 is \$500. So the taxpayer could only deduct \$5,000 – \$500 = \$4,500.

- **Charitable Deduction for Non-Itemizers**

- During 2020 and 2021, single and married taxpayers could deduct charitable contributions (\$300 and \$600 respectively in 2021), even if not itemizing. This has been restored in 2026 to single (\$1,000) and married (\$2,000).

- **Qualified Tips and Overtime Deduction**

- Effective in 2025, taxpayers may deduct up to \$25,000 of qualified tips and \$12,500 (single) and \$25,000 (joint) qualified overtime. The regulations have not been released with the details of how these deductions will work.

- **Auto Loan Interest Deduction**

- Up to \$10,000 of interest for new auto loans taken after 2024 can be deducted. This can be taken even if you do not itemize deductions.

## **TRUMP ACCOUNTS – EXCITING NEW SAVINGS OPPORTUNITY**

Currently, you can only make an IRA contribution if you have earned income (wages). Beginning in 2026, you will be able to contribute up to \$5,000 per year into an IRA for kids 0-17 years old, even if they have no earned income. In addition, the U.S. Government will contribute the first \$1,000 for any child born in 2025 – 2027.

We will discuss this in detail in next month's newsletter. But this is an amazing opportunity to let compound interest work over a very long period.