

## **THE OBBBA**

The **One Big Beautiful Bill Act (OBBBA)** was signed into law on July 4. The Act is swept in scope, containing hundreds of provisions. Key measures include permanent tax cuts, increased defense spending, Medicaid reforms, energy policy changes, an increase in the debt ceiling, and enhanced immigration enforcement.

Given the complexity of the legislation, this letter does not attempt to provide an exhaustive review. Instead, we highlight the most significant provisions in the tax code that may affect you.

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### **Major Tax Code Provisions – Individuals and Businesses**

#### **1. Tax Rates and Brackets**

OBBBA makes the current tax rates permanent, which were scheduled to expire after 2025. Tax brackets will continue to be adjusted for inflation. For 2025, the top rate (37%) applies at:

- **\$751,600** for joint filers
- **\$375,800** for married filing separately
- **\$626,350** for all other individual taxpayers

#### **2. Personal Exemptions and Standard Deduction**

The Tax Cuts and Jobs Act (TCJA) repealed personal exemptions but nearly doubled the standard deduction. OBBBA makes this permanent and increases the standard deduction in 2025 to:

- **\$15,750** for single filers
  - **\$23,625** for heads of household
  - **\$31,500** for married filing jointly
- These amounts will be indexed for inflation.

#### **3. 100% Bonus Depreciation Restored**

OBBBA reverses the scheduled phase-down of bonus depreciation. Beginning January 20, 2025, businesses can again fully expense eligible property in the first year of use.

- **Applies to:** new and used tangible personal property with a recovery period of 20 years or less, qualified improvement property, and certain “Qualified Production Property” (notably for manufacturers).
- **Benefit:** immediate expensing reduces tax liability, improves cash flow, and encourages new investment.

#### 4. Immediate Deduction of R&D Expenses

Beginning January 1, 2025, domestic R&D costs can again be deducted immediately, reversing the TCJA requirement to amortize over five years.

- **Small businesses:** retroactive to January 1, 2022, allowing amended returns.
- **Foreign R&D:** remains subject to 15-year amortization.
- **Impact:** improved cash flow and stronger incentives for U.S.-based innovation.

#### 5. Estate Tax

Effective 2026, the estate tax exemption rises to **\$15 million per individual**, indexed for inflation, with no expiration date.

#### 6. Child Tax Credit

The credit increases from \$2,000 to **\$2,200 per child** beginning in 2025 and will be indexed for inflation. Income phaseouts remain unchanged: \$400,000 for joint filers and \$200,000 for single filers.

#### 7. Repeal of Select Green Energy Credits

OBBBA eliminates or reduces several energy-related credits for individuals:

- **Electric Vehicle Credit** (\$7,500) eliminated for purchases after September 30, 2025.
- **Residential Clean Energy Credit** (solar panels, windows, etc.) ends after December 31, 2025.

#### 8. Enhancements to 529 Plans

Beginning in 2026:

- Annual K-12 withdrawal limit doubles to **\$20,000 per child**.
- Qualified expenses expand to include curriculum materials, standardized test fees, tutoring, dual-enrollment courses, and specialized support for students with disabilities.

- 529 funds may also be used for skilled trade programs, licensing exams (e.g., CPA, bar), and continuing education if federally or state recognized.

## 9. Deduction for State and Local Taxes (SALT)

The \$10,000 SALT cap increases temporarily:

- **\$40,000 for 2025**
- **\$40,400 for 2026**, then indexed until 2030
- Reverts to \$10,000 in 2030  
Phaseout begins for modified AGI above \$500,000.

## 10. New Deduction for Tip Income

For 2025–2028, individuals in occupations that customarily receive tips may deduct up to **\$25,000** of tip income (\$300,000 AGI phaseout for joint filers). Applies to both employees and independent contractors.

## 11. New Deduction for Overtime Pay

For 2025–2028, workers may deduct up to **\$12,500** of overtime pay (\$25,000 for joint filers), with the same AGI phaseouts as above.

## 12. “Trump Accounts”

Children born between 2025–2028, to U.S. citizen parents with Social Security Numbers, will receive a **federally funded savings account** with a \$1,000 deposit. Parents may contribute up to \$5,000 annually (indexed), and accounts grow tax-deferred until withdrawals begin at age 18, following IRA-like rules.

## 13. New Senior Deduction

For 2025–2028, taxpayers age 65+ may claim a **\$6,000 deduction**, phasing out at \$75,000 AGI (\$150,000 joint). Available regardless of itemization.

## 14. Deduction for Car Loan Interest

For 2025–2028, taxpayers may deduct up to **\$10,000** of interest on qualifying new U.S.-assembled vehicles, subject to AGI phaseouts.

## 15. Charitable Contribution Deduction for Non-Itemizers

Beginning 2026, non-itemizers may deduct up to **\$1,000** (\$2,000 for joint filers) for charitable cash contributions. For itemizers, OBBBA imposes a new **0.5% AGI floor**, slightly reducing allowable deductions.

## 16. Adoption Credit

Beginning 2025, the adoption credit becomes **partially refundable**, up to \$5,000 (indexed).

## 17. Deduction for Mortgage Insurance Premiums

Restored permanently in 2026, subject to AGI phaseouts above \$100,000 (\$50,000 MFS).

## 18. Limit on Gambling Losses

Beginning 2026, gambling loss deductions are capped at **90% of losses**, still limited to winnings.

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## Affordable Care Act (ACA) Premium Tax Credit (PTC) Changes

OBBBA significantly modifies the ACA Premium Tax Credit:

- **Ends enhanced credits:** Temporary increases in eligibility and subsidy amounts expire.
- **Restricts special enrollment eligibility:** Individuals enrolling through special enrollment periods can no longer claim the PTC.
- **Stricter verification:** Income, residency, family size, and immigration status require enhanced verification.
- **Ends repayment cap:** Any excess PTC received must be fully repaid, regardless of income level.

### Impact:

- Higher premium costs for many participants
- Lower enrollment due to reduced affordability
- Greater financial burden for households with unpredictable income (e.g., gig workers)

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## Modernizing Federal Payments

On March 25, 2025, President Trump signed an executive order, *Modernizing Payments to and from America's Bank Account*. By **September 30, 2025**, nearly all federal

payments and collections must be electronic, eliminating most paper checks (including tax refunds).

To prepare:

- All tax payments, including estimated taxes, must be made electronically.
- Please confirm we have your correct banking details on file.

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### **IRS Mailing Addresses for Estimated Tax Payments (Form 1040-ES)**

For those who still mail estimated payments in 2025, use the appropriate address below:

- **AL, AZ, FL, GA, LA, MS, NM, NC, SC, TN, TX**  
IRS, P.O. Box 1300, Charlotte, NC 28201-1300
- **AK, CA, CO, HI, ID, KS, MI, MT, NE, NV, ND, OH, OR, PA, SD, UT, WA, WY**  
IRS, P.O. Box 802502, Cincinnati, OH 45280-2502
- **AR, CT, DC, DE, IL, IN, IA, KY, MD, ME, MA, MN, MO, NH, NJ, NY, OK, RI, VA, VT, WV, WI**  
IRS, P.O. Box 931100, Louisville, KY 40293-1100
- **International filers, U.S. territories, APO/FPO, Forms 2555/4563, dual-status aliens, non-permanent residents of Guam or U.S. Virgin Islands**  
IRS, P.O. Box 1303, Charlotte, NC 28201-1303