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THE ONE BIG BEAUTIFUL BILL:

A Focused Summary of a Sweeping Legislation

While opinions on aspects of the “One Big Beautiful Bill” (“OB BB”) may vary, its sweeping scope is undeniable. Signed by President Trump on July 4, this extensive law, spanning over 800 pages, stands as a cornerstone of his second-term agenda. It addresses a wide range of areas, including extension of certain aspects of the Tax Cuts and Jobs Act (“TCJA”), individual tax, business tax, border security, spending cuts, and defense. To avoid an exhaustive summary, let’s focus on some areas most likely to have an immediate impact on our clients: Personal Taxable Income, Personal Tax Credits & Incentives, Estate Tax, Business Tax, and a brief overview of the Deficit and Debt.



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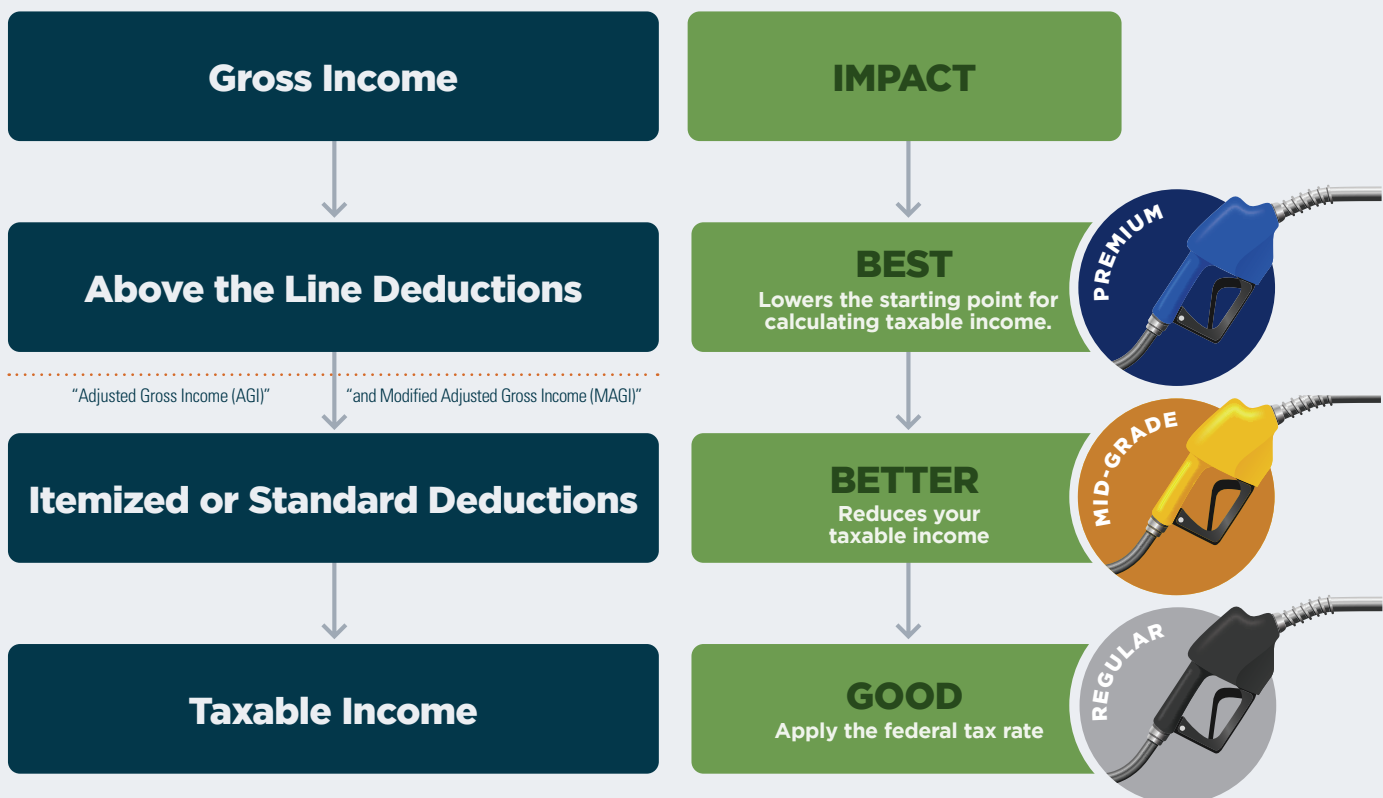
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Personal Taxable Income

While we don't necessarily think about Form 1040 when we hear about changes in the tax code, it's important to put the changes of the OBBB into context. I like to think about changes to the calculation using a gas station analogy. The changes to above the line deductions are premium gasoline, itemized and standard deduction are mid-grade gasoline and federal tax rate changes are unleaded gasoline. All of them are powerful fuel but some will give you more performance if you drive certain cars. At a high level, here is how taxable income is calculated and where changes are generally most impactful:



¹ The proper name of this legislation is "An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14." Opposition to the bill invoked budget rules to strike the OBBB name.



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Premium Gasoline (Above the Line Deductions)

All three of the following deductions apply to taxable years 2025, and sunset after December 31, 2028.



No Tax on Tips: Workers can deduct up to \$25,000 in qualified tips (cash tips received in occupations that customarily and regularly receive tips as defined by the Secretary of the Treasury) from their federal taxable income and are available to both W-2 employees and independent contractors (e.g., those receiving 1099-K or 1099-NEC forms). The deduction phases out for individuals with a modified adjusted gross income (MAGI) over \$150,000 (or \$300,000 for joint filers).

No Tax on Overtime: Workers can deduct up to \$12,500 (or \$25,000 for joint filers) for qualified overtime compensation (defined as pay required under Section 7 of the Fair Labor Standards Act of 1938 - i.e. pay in excess of the regular hourly rate). The deduction phases out for individuals with a MAGI over \$150,000 (or \$300,000 for joint filers).

No Tax on Car Loan Interest: Up to \$10,000 for interest on loans for qualified passenger vehicles (primarily those assembled in the U.S.). The deduction begins to phase out for individuals with a MAGI over \$100,000 and is fully phased out at \$150,000 (\$200,000 to \$250,000 for joint filers).

Mid-Grade Gasoline (Standard & Itemized Deductions)

Taxpayers may choose either the standard or itemized deduction but not both. Whichever you choose, the OBBB makes both more attractive.



Standard Deduction: One of the underlying goals of the TCJA and the OBBB is to streamline tax filing for most Americans. The tool to help achieve that is expansion of the standard deduction which would limit the need to itemize and list individual items each with its own rules on Schedule A of your taxes. It's estimated that approximately 90% of Americans use the standard deduction. The standard deduction is increased as follows:

Standard Deduction	Pre-TCJA	TCJA	OBBB
Single	\$6,300	\$14,600	\$15,750
Married Filing Jointly	\$12,600	\$29,200	\$31,500
Head of Household	\$9,300	\$21,900	\$23,625



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Enhanced Standard Deduction for Seniors: The Trump Campaign platform included “no tax on social security”. This promise proved impossible to keep under the reconciliation rules which require only a majority of votes to pass. Therefore, the bill expanded the standard deduction with an additional \$6,000 for taxpayers age 65 or older with modified AGI not exceeding \$75,000 for single filers (\$150,000 for married filing jointly), available for tax years 2025-2028. This change is expected to exclude social security payments from tax for about 88% of seniors.

Charitable Deductions: Even if you take the standard deduction, you can take an additional above the line deduction for charitable contributions up to \$1,000 (\$2,000 for joint filers). If you itemize, you can deduct contributions in excess of .5% of your AGI (with some modifications). The limit on cash gifts of 60% of a taxpayers' contribution base is now permanent.

Itemized State and Local Tax (SALT) Deduction Expansion: This deduction was hotly contested as states with high state and property tax rates depend on this deduction to lower the tax bill for their residents. Lower tax states feel that a high SALT deduction is a subsidy to allow high tax states to continue their taxation. Prior to the TCJA, there was no limit on this deduction. In the end, this political hot potato ended up as follows:

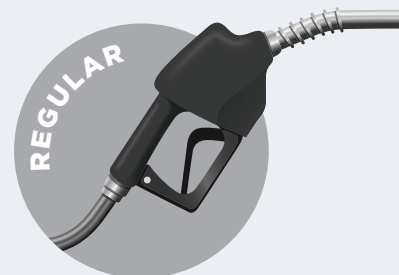
- **Increased Deduction Cap:** The current itemized deduction of \$10,000 will be increased to \$40,000.
- **Phaseout for High Earners:** The \$40,000 deduction phases out for taxpayers with MAGI over \$500,000. However, the deduction cannot be reduced below \$10,000, even for the highest earners.
- **Annual Inflation Adjustments:** Both the \$40,000 cap and the \$500,000 phaseout threshold will increase by 1% annually through 2029.
- **Reversion in 2030:** The SALT deduction cap will revert to \$10,000 in 2030, unless further legislation is passed.
- **Elimination of PTET Workaround:** The bill removes the pass-through entity tax (PTET) workaround, which previously allowed some high-income taxpayers to bypass the SALT cap by deducting state taxes at the entity level.



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Regular Unleaded Gasoline (Federal Tax Rates)

I confess it's a bit unfair to describe lowering the tax rate as unleaded gasoline because in many ways extending the current income tax rates is the most broadly beneficial change. The OBBB makes permanent the individual tax provisions of the TCJA that were set to expire after December 31, 2025. Below are the rates for 2025:



Rate	Single	Married Filing Jointly	Head of Household
10%	Up to \$11,925	Up to \$23,850	Up to \$17,000
12%	\$11,926 - \$48,475	\$23,851 - \$96,950	\$17,001 - \$64,850
22%	\$48,476 - \$103,350	\$96,951 - \$206,700	\$64,851 - \$103,350
24%	\$103,351 - \$197,300	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$197,301 - \$250,525	\$394,601 - \$501,050	\$197,301 - \$250,500
35%	\$250,526 - \$626,350	\$501,051 - \$751,600	\$250,501 - \$626,350
37%	\$626,351 and above	\$751,601 and above	\$626,351 and above

Personal Tax Credits & Tax Advantaged Incentives

A tax credit directly reduces the amount of tax you owe, dollar-for-dollar. For example: If you owe \$2,000 in taxes and qualify for a \$1,000 tax credit, your tax bill drops to \$1,000. Credits can be nonrefundable (can reduce your tax to zero, but not below) or refundable (can reduce your tax below zero, resulting in a refund). Incentives seek to create motivation to do something such as save money.

Child Tax Credit Expansion: The Child Tax Credit is increased to provide additional financial support to families, with the maximum credit increasing from \$2,000 to \$2,200 per qualifying child indexed for inflation. The credit remains available for children under age 17, with phaseouts beginning at \$200,000 for single filers and \$400,000 for joint filers, consistent with prior law.



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Trump Accounts: These accounts are a new type of tax advantaged savings account for minors that function like individual retirement accounts (IRA's but not Roth IRA's). Overview:

- **Federal Funding:** For U.S. citizens born between January 1, 2025, and December 31, 2028, the federal government will contribute \$1,000 per child into eligible accounts.
- **Private Funding:** Parents of children under the age of 18 can open these accounts beginning January 1, 2026, with annual contributions capped at \$5,000. Employers can contribute up to \$2,500. Funding must end before age 18.
- **Investments and Taxation:** All contributions and investment growth within the account are tax-free while the funds remain in the account.
- **Withdrawals:** Withdrawals prior to the age of 18 are generally not permitted. Thereafter, IRA withdrawal rules apply.

Estate Tax

Because this tax is sometimes viewed as a great benefit to the wealthy (and it certainly can be), a bit of context may be important before reciting the changes made by the OBBB. Let's go back to the year 2000 for a moment (seemingly not that long ago for someone of my age). That year the federal estate tax threshold was \$675,000 with a minimum estate tax rate of 37%. So, if you died with a house, IRA and savings totaling \$1,000,000 - a modest sum even in 2000 if you consider rising home prices - your family could be exposed to a bill of over \$120,000 (\$1,000,000 - \$675,000 taxed at 37%). Those levels caused many middle-class families to engage in complex estate planning and/or face potential liquidity issues.

With that background the OBBB changes the federal estate and generation-skipping transfer tax ("GSTT") rate as follows and will be indexed for inflation:

Federal Estate Tax & GSTT	Pre-TCJA 2016	TCJA 2025	OBBB 2026
Exemptions	\$5,450,000	\$13,999,000	\$15,000,000
Tax Rates	40%	40%	40%



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Business Tax

The OBBB aims to foster a more favorable environment for businesses by extending many of the pro-business policies of the TCJA. Much like the personal tax changes the Bill seeks to increase tax deductions while reducing regulations. In addition, the hope is that these changes will also help to return manufacturing to the United States. Here are some of the highlights:

100% Immediate Expensing (Bonus Depreciation): The bill permanently extends full expensing for business investments in equipment and machinery. Under current law, the bonus depreciation percentage was phasing down (40% in 2025, 20% in 2026, then expiring). The new provision instead allows 100% expensing indefinitely for qualified property placed in service from Jan 1, 2025 onward. In other words, businesses can continue to deduct the entire cost of equipment purchases in the first year, rather than depreciating over several years. This applies to most short-lived assets like machinery, computers, vehicles, etc.

Section 179 Expensing (Small Business Expensing): The cap on Section 179 immediate expensing is raised significantly. The bill increases the annual limit to \$2.5 million, with a higher phase-out threshold at \$4 million of investments, effective for property placed in service after 2024. These amounts will be indexed for inflation after 2026. This change lets medium-sized firms immediately deduct more of their equipment and software investments each year.

Continuation of Pass-Through Deduction: For owners of pass-through businesses (sole proprietors, LLCs, S-corporations), the Section 199A qualified business income deduction (20% deduction on business profits) is made permanent and even enhanced.

Incentives for Manufacturing Facilities: A new one-time incentive encourages building and revitalizing factories, particularly in underserved areas. The bill creates a special 100% deduction for qualified production property (factories and plants) – effectively allowing immediate write-off of the cost of building or improving certain manufacturing facilities.

R&D Cost Recovery: The bill reverses a recent change that was costly to businesses performing research and development. It restores the immediate deduction of R&D expenses (for domestic research) rather than forcing amortization over 5 years.



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Opportunity Zones and Rural Investment Incentives: Opportunity Zones – originally created in 2017 – offer tax benefits for investing capital gains in designated low-income communities, but the current program was set to wind down after 2026. A centerpiece of the bill's growth strategy is making Opportunity Zones (OZs) permanent while continuing to target truly distressed and rural areas.

- **Rolling Gain Deferral:** For investments made after December 31, 2026, capital gains are deferred for 5 years from the investment date, rather than a fixed deadline.
- **Basis Step-Up:**
 - A permanent 10% basis increase applies at the 5-year mark. The previous 15% step-up at 7 years is eliminated.
 - After 10 years, all gain at sale including depreciation recapture is excluded.
- **Rural Bonus:** Investments in rural OZs via “Qualified Rural Opportunity Funds (QROFs)” receive a 30% basis step-up and benefit from a reduced substantial improvement threshold (only 50% reinvestment required).

No Reduction of Corporate Tax Rate: The bill makes the current 21% corporate tax rate permanent rather than the scheduled reversion to 35%.

Deficit and Debt

According to the CBO's preliminary analysis, the One Big Beautiful Bill would result in a net increase in the federal deficit of approximately \$3.8 trillion over the 2026–2034 period due to tax changes. Criticism of the CBO's projections include underestimation of growth effects and selective scoring on certain inputs. In fact, the White House has issued statements claiming the bill would reduce the deficit by nearly \$1.7 trillion. This reflects a fundamental disagreement over how to account for dynamic effects and long-term savings. As always, the true impact will be seen over time.



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Conclusion

The One Big Beautiful Bill represents a comprehensive effort to reform the tax system in the United States, with significant implications for personal taxation, estate taxation, and business deductions. As with all legislation, only time will confirm whether it effectively meets its stated goals. In the meantime, and in coordination with your full advisory team, we will be closely monitoring for opportunities that may benefit you. As always, please feel free to reach out to us with any questions.

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