



First Look: The One Big Beautiful Bill Act (“OBGBA”)

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An initial look at the One Big Beautiful Bill and the possible personal tax impact.

After much political jostling, deliberation and negotiation, the One Big Beautiful Bill Tax and Spending Act (OBGBA) passed through the budget reconciliation process with a simple majority and was signed into law on July 3, 2025. The OBGBA removes much of the uncertainty that we have been dealing with, at least as it pertains to taxes.

What remains the same?

Tax Brackets

The individual tax rates and brackets from the Tax Cuts and Job Acts (TCJA) of 2017 that we have been filing taxes under for the last seven years now and that were slated to sunset (expire) at the beginning of 2026 are now permanent.

Tax brackets, AMT exemption amounts, estate tax and gifting exemptions, capital gains and qualified dividends tax, standard deductions, child tax benefits, Section 199A deductions, all remain basically the same; many deduction amounts have been boosted, and all increase with inflation.

What is new?

SALT Deductions

Good news for people living in California, New York, and other highly taxed states, the State and Local Tax (SALT) Deduction has been significantly increased to \$40,000 for singles and married couples earning up to \$500,000, at which point it phases down by 30%. This increased SALT deduction lasts through 2030.

Charitable Gifting

It's back. Charitable gifting of \$1,000 for single filers and \$2,000 for joint filers can once again be deducted on tax returns without filing an itemized Schedule A.

Social Security “Bonus”

In lieu of eliminating taxes on Social Security benefits (which cannot be done through budget reconciliation) the OBGBA passed a temporary (through 2028) increased tax deduction for seniors 65 and over. The full deduction of \$6,000 is available for adjusted gross income (AGI) up to \$75,000 for single filers and \$150,000 for married filing jointly, and is phased out at \$175,000 singles and \$250,000 joint filers.



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Car Loan Interest Deductions

Interest of up to \$10,000 on loans taken for new domestically assembled cars bought in 2025 through 2028 can be deductible for individuals earning under \$100,000 and couples earning under \$200,000.

Cancelled Electric Vehicle Credit

The legislation ends the current tax credit for new and used qualifying EVs (Electric Vehicles) by October 3rd, 2025 (but for the one additional year for a small number of new EVs from manufacturers that haven't yet sold 200,000 qualifying vehicles).

New Deduction for Tips & Overtime

From 2025 through 2028, workers who regularly receive tips can deduct up to \$25,000 in qualified tip income from their federal taxable income. Eligible employees earning overtime can deduct up to \$12,500 for single filers and \$25,000 for joint filers of overtime pay from their federal taxable income. These deductions begin to phase out for taxpayers with modified adjusted gross income (MAGI) exceeding \$150,000 (\$300,000 for joint filers). Tips and overtime are still subject to SS and Medicare taxes (FICA).

Expansion of 529 Educational Savings Accounts to Cover Professional Certification

In addition to paying qualified tuition and school expenses, 529 plans can now also be used to cover expenses and fees related to obtaining or maintaining recognized post-secondary credentials. This marks yet another change in the 529 account plan rules. The Secure Act 2.0 included a provision to allow 529 plan rollovers into Roth accounts. The requirements for the rollover are somewhat restrictive, so it is good to have another use for any remaining 529 plan assets. Remember that there is no time frame on using 529 plans and the assets can be used for another beneficiary.

Flexible Spending Account (FSA) Dependent Care Increases

For plan years beginning in 2026, the dependent care FSA limit increases to \$7,500. This new limit is not indexed to inflation.

\$1,000 Baby “Trump” Account

Children who have Social Security numbers and are born in 2025 through 2028 qualify for a tax-deferred one-time payment from the federal government. The IRS might automatically create an account based on the child's tax records. If not, parents will need to open a child savings account to trigger the \$1,000 government contribution. Parents, relatives, or others can contribute up to \$5,000 annually (indexed for inflation). Employers can also contribute up to \$2,500 per year as non-taxable employee benefits. Withdrawals will be permitted once the child turns 18.



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Medicaid Eligibility

Medicaid recipients have a work, school or volunteering requirement of 80 hours per month. There are several exemptions to that requirement, but as of this writing it is not clear how the exemption will be obtained, and if obtained once, whether it will have to be reapplied for every six months.

In Summary:

The legislation has only recently been passed and there are many questions to be answered, such as exactly how does a specific provision work, and exactly which form to use, and how to file, and so on and so forth. The IRS will be updating their software and revising their existing tax forms, while the Department of the Treasury will be scrambling to issue new regulations and guidance clarifying how the new provisions of the bill should be interpreted and applied.

Your Wealth Counselors at Osborne Partners will be working to keep abreast of the changes and we are here to answer your questions and to review how the changes will apply to your individual situation. ■

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