



## The One Big Beautiful Bill and 2026 Wealth Management Considerations

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***The One Big Beautiful Bill Act brings in meaningful tax changes for 2026 and beyond, creating new planning opportunities across income taxes, deductions, retirement, charitable giving, and estate strategies for individuals and families.***

When Congress enacted the *One Big Beautiful Bill Act* (OBBBA) on July 4, 2025, it delivered the most extensive federal tax changes in years. Beginning in the 2025 and 2026 tax years (returns filed in 2026 and 2027), individuals and families will see adjustments affecting income tax rate, deductions, retirement planning, charitable giving, and estate planning.

For many taxpayers, the most noticeable impact will come from expanded deductions and exemptions that reduce taxable income and, in some cases, may result in larger refunds. According to Treasury estimates, working American families could see tax refunds in early 2026 of \$1,000–\$2,000 on average due to provisions that affect withholding and deduction eligibility.

Here are some of the key highlights of the changes and considerations.

### **Income Tax Rates Stay Favorable**

Under OBBBA, the familiar individual tax rate structure (10%, 12%, 22%, 24%, 32%, 35%, 37%) becomes permanent, replacing a scheduled return to higher pre-2017 rates in 2026. All brackets are indexed for inflation, reducing fiscal drag and helping taxpayers keep more of their income.

For tax year 2026, the 37% top rate applies to taxable income above:

- \$640,600 for single filers, and
- \$768,700 for married couples filing jointly.<sup>1</sup>

### **State and Local Tax (SALT) Deduction Changes: A Temporary Boost**

The long-debated SALT deduction cap is temporarily expanded for tax years 2025 through 2029:

- Increased from **\$10,000 to \$40,000** for individuals and married couples filing jointly,
- With provisions that begin to phase this benefit out for MAGI above \$500,000.

This provision can yield significant federal tax savings for taxpayers in high-tax states especially through thoughtful timing of property tax payments and other deductible expenses.

### **Charitable Giving: Strategy Matters More**

Under OBBBA, the charitable deduction rules shift in two ways:

- Non-itemizers can deduct up to \$1,000 (\$2,000 married) of charitable cash contributions starting in 2026.

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- Itemizers' deductions are subject to a minimum floor (generally 0.5% of AGI) and retain a 60% AGI limitation for cash gifts.
  - ◊ Example: If your AGI is \$400,000, the first \$2,000 (0.5% of \$400,000) of your charitable contributions is not deductible.

These changes underscore the importance of giving strategy. For instance, "bunching" multiple years of contributions into high-income years or using donor-advised funds (DAFs) to maximize the tax efficiency of philanthropy.

### Senior Tax Relief

For tax years 2025 through 2028, taxpayers age 65 and over can claim an additional \$6,000 deduction on top of the standard deduction. For married couples in this group, the benefit can total \$12,000, phased out at higher income levels (MAGI exceeding \$150,000 for joint filers).<sup>2</sup>

This provision can meaningfully reduce taxable income for retired households, particularly those relying on Social Security, pensions, or IRA/401k withdrawals.

### Standard Deduction Boosts Middle-Income Relief

The law increases the standard deduction again for 2026:

- \$32,200 for married couples filing jointly
- \$16,100 for single filers
- \$24,150 for heads of household

Compared with the pre-2018 era, these elevated amounts significantly broaden the base of taxpayers who do not owe federal income tax on lower portions of their income, helping many middle-income households reduce their taxable income.

### Child and Family Credits and New Savings Vehicles

The bill also expands credits and creates new incentives for families:

- Child Tax Credit is increased to \$2,200 per qualifying child (under age 17)
- Additional Child Tax Credit: Up to \$1,700 of the credit is refundable, meaning eligible families can receive that amount as a refund even if they owe no income tax.
- New "Trump Accounts" are tax-favored savings accounts for children born between 2025-2028, offering a \$1,000 government seed fund for kids. It also allows \$5,000 annual contributions from family and others. Amounts generally cannot be withdrawn from Trump Accounts before January 1st of the calendar year in which the child turns 18 years old. After that point, the account generally is treated as a Traditional IRA and generally is subject to the same rules as other Traditional IRAs. The annual contribution limits are indexed to inflation and will adjust starting after 2027.

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These provisions not only support family financial planning but also present opportunities to integrate education or wealth-transfer goals into broader strategies.

### Estate and Gift Tax Planning: Higher Exemptions

One of the most impactful long-term changes affects estate planning:

- The lifetime estate and gift tax exemption rises to \$15 million per person (or \$30 million for a married couple) starting in 2026.

This is a large increase from prior levels and, when indexed for inflation in coming years, may significantly reduce the occurrence of federal estate tax for many families. It also creates opportunities to revisit trusts, gifting strategies, and multigenerational planning.

### Client Considerations for 2026:

With this mix of permanent and temporary provisions, effective planning becomes even more essential. Here are key checklist items for 2026:

#### Reevaluate Withholding and Estimated Taxes

The expanded deductions and favorable brackets may mean lower liability, but without updated withholding, taxpayers could see large refunds early in 2026.

#### Revisit Retirement Withdrawals and Roth Conversions

With stable brackets and larger deductions, the analysis around when to take distributions or convert to Roth accounts may shift for many retirees.

#### Optimize SALT and Timing of Itemized Deductions

High-tax state residents should work with tax advisors to time deductions and maximize benefits while the temporary SALT expansion lasts.

#### Strategic Charitable Planning

Review giving strategies, including potential bunching, donor-advised funds, or legacy planning tools, to optimize tax impact.

In summary, the One Big Beautiful Bill fundamentally reshapes the tax landscape for 2026 and beyond. While many provisions provide greater certainty and potential savings, the people who will benefit the most are those who anticipate changes and act intentionally. Working with your Wealth Counselor and tax advisor can help ensure your plan captures the full value of these reforms while also aligning with your long-term goals.

If you would like help assessing how these changes apply to your situation, your Wealth Counselor can provide personalized guidance. ■



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<sup>1</sup> Source: <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>

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