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INTRODUCTION

On July 4, 2025, President Trump signed the One Big Beautiful Bill (or OBBB) into law. The following is a brief discussion highlighting the Individual Taxpayer portion of the new law:

A. Extension and Enhancement of Reduced Income Tax Rates:

1. Under the Tax Cuts and Jobs Act (TCJA) enacted in 2017, individual tax rates were temporarily reduced. The reduced rates are: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These rates were scheduled to expire after 2025.

2. The new law makes these rates permanent.

B. Extension and Enhancement of Increased Standard Deduction:

1. The TCJA increased the standard deduction to $24,000 Married Filing Jointly (MFJ) and $12,000 for single filers. The inflation adjusted amounts for 2025 are $30,000 MFJ and $15,000 single.

2. Beginning in 2026, the new amounts are $31,500 MJF and $15,750 single filers, and both are adjusted for inflation.

C. Individual Sales and Local Taxes (SALT) Limitation:

1. The TCJA capped the individual deduction for SALT to $10,000, which was to sunset December 31, 2025.

2. The new law retroactively increases this deduction from $10,000 to $40,000 for 2025. It further increases this cap to $40,400 in 2026 and then increases an additional 1% in 2027, 2028, and 2029.

3. For higher-income taxpayers, in tax years before January 1, 2030, the cap is reduced by 30% of the excess of the taxpayer's MAGI (Modified Adjusted Gross Income) over the threshold amount.

4. The cap will revert to $10,000 beginning in 2030.

D. NEW Senior Deduction:

1. The TCJA temporarily eliminated personal exemptions through 2025.

2. The new law makes this change permanent.

3. However, the new law adds a temporary Seniors Deduction. For Taxpayers aged 65 or older and their spouses, it provides a $6,000 deduction per qualified individual for tax years beginning before January 1, 2029.

4. The Senior Deduction is reduced by 6% (but not below zero) for adjusted gross income that exceeds $75,000 (or $150,000 for MFJ).

E. NEW – No Tax on Car Interest:

1. Prior law denied individuals from deducting any personal interest paid on loans used to purchase a new personal-use passenger vehicle.

2. The new law now allows individuals (including non-itemizers) to deduct up to $10,000 of car interest per year subject to a phase out. It must be a new vehicle, secured by a first lien, and the vehicle original use must begin with the taxpayer.

3. Qualifying debt must be incurred after December 31, 2025.

4. The vehicle must be a car, minivan, SUV, pickup truck, or motorcycle with a gross vehicle weight under 14,000 pounds.

5. The vehicle must have final assembly in the US.

6. Taxpayer must include the VIN on the tax return.

7. This deduction is phased out starting at $100,000 (MAGI) for single filers and $200,000 for MFJ.

F. NEW Tax-Deferred Investment Accounts for Children:

1. The new law creates a tax-deferred investment account for children called a “Trump Account”.

2. These accounts are eligible to receive contributions from parents, relatives, employers, and other taxable entities as well as non-profit and government organizations.

3. To be eligible for an account, the child must be a U.S. citizen and have a Social Security number.

4. Contributions to these accounts are limited to $5,000 of after-tax dollars annually.

5. Funds in this account must be invested in a diversified fund that tracks an established index of U.S. equities and grow tax deferred.

6. No contributions of any kind shall be made to the account after the beneficiary has attained the age of 18.

7. Distributions are subject to some exceptions; the account holders may not take distributions until age 18.

8. A pilot program provides that for U.S. citizens born between January 1, 2025 and December 31, 2028, the federal government will contribute $1,000 per child into every eligible account.

9. If the IRS determines that an eligible individual does not have an account opened for them by the first return where the child is claimed as a qualifying child, the IRS will establish an account on the child's behalf. Parents have the option to opt out of the account.

G. Enhancement of Adoption Credit:

1. Prior law allowed taxpayers to claim a nonrefundable income tax credit for qualified adoption expenses incurred, up to a maximum of $17,280 per child.

2. The new law enhances this credit to include a refundable portion of up to $5,000, which will be adjusted for inflation.

H. Enhancement of Allowable Expenses for Qualified Higher Education Expenses for 529 Accounts:

1. The new law provides that tax-exempt distributions from 529 savings plans can be applied to more expenses paid for an elementary or secondary public, private, or religious school.

2. The expanded list of eligible education expenses includes tuition; curriculum and curricular materials; books or other instructional materials; online educational materials; tuition for tutoring or educational classes outside of the home; fees for nationally standardized tests, advanced placement exams and college admission exams; fees for dual enrollment at higher education institutions; and educational therapies for students with disabilities provided by licensed or accredited professionals.

3. The law increases the annual limit for 529 account distributions from $10,000 to $20,000 for only K-12 expenses.

4. The Law now allows 529 account distributions for "qualified postsecondary credentialing expenses."

5. A recognized postsecondary credential program is one that:

    a. is on a state list under the Workforce Innovation and Opportunity Act;
    b. is listed in the public directory of the Web Enabled Approval Management System of the Veterans Benefits Administration;
    c. prepares individuals for an exam required for a credential; or
    d. is identified as reputable for obtaining a recognized postsecondary credential.

6. A recognized postsecondary credential means any postsecondary employment credential program:

    a. accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute; or
    b. included in the Credentialing Opportunities On-Line directory maintained by the Department of Defense or by any branch of the Armed Forces.

7. Recognized postsecondary credentials also include certificates of completion of an apprenticeship registered and certified with the Secretary of Labor; occupational or professional licenses issued or recognized at the state or federal government level; and credentials as defined in Section 3(52) of the Workforce Innovation and Opportunity Act.

8. These changes apply to distributions made after the date of enactment (July 4, 2025).

I. Charitable Deduction for Individuals Who Itemize for Certain Cash Gifts:

1. Current law provides no floor for individuals' charitable contribution deductions. In addition, individuals can't deduct more than a specified percentage of their "contribution base" - generally AGI - as a charitable deduction in any year. For contributions to "50% charities," an individual may deduct up to 50% of the contribution base-the "50% ceiling." A 60% limit applies to cash-only contributions by individuals to 50% charities. The 60% rule was set to expire after 2025.

2. The new law imposes a floor of 0.5% on individual’s charitable contribution deduction. Thus, an otherwise deductible charitable contribution must be reduced by 0.5% of an individual's contribution base for the tax year. It now provides rules for the order in which the taxpayer's contributions are taken into account, and for carryforwards of contributions disallowed by the 0.5% floor.

3. The new law makes permanent the 60% ceiling for cash gifts to 50% charities and provides a formula which allocates contributions when made to both types of charities.

4. This provision is for years beginning after December 31, 2025.

J. NEW Excise Tax on Remittance Transfers:

1. The new law now establishes a 1% excise tax on any remittance transfer to foreign recipients, to be paid by the sender, to be collected by the remittance transfer provider, and to be remitted quarterly to the Secretary of the Treasury.

2. This provision is effective for transfers made after December 31, 2025.

K. Limitation on Wagering Losses:

1. Current law stated that losses from wagering transactions were deductible only to the extent of winnings.

2. The new law provides that losses from wagering transactions are the deductible up to 90% of the amount of losses in the tax year, to the extent of the winnings from such transactions during the tax year.

3. This provision applies for tax years beginning after December 31, 2025.

This report only discusses specific provisions that we consider to be of general interest to individual taxpayers and is not a complete discussion of the OBBB. Please feel free to contact us with your specific questions.