

Weekly Market Commentary



Key Tax and Estate Planning Changes Under the One Big Beautiful Bill Act

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In recent weeks, Congress passed the **One Big Beautiful Bill Act (OBBBA)**, a tax package that introduces significant changes affecting individuals, families, and business entities.

While some provisions offer meaningful planning opportunities, others may limit deductions or introduce new complexities. Below, we provide an overview of the most impactful changes so you can understand both the potential benefits and considerations for your own unique situation.

- **Estate-tax exemption increase.** The lifetime gift and estate exclusion increases to \$15 million per person and \$30 million per couple, indexed for inflation, and is no longer subject to sunset provisions.
- **Tax Cuts and Jobs Act (TCJA) rates made permanent.** The seven-bracket system, with a 37 % top rate, is now permanent, avoiding the automatic tax-hike that would have taken effect in 2026.
- **Standard deduction increase.** The standard deduction increases by \$750 for single filers and \$1,500 for joint filers, and remains indexed thereafter. Individuals over age 65 receive an extra \$6,000 from 2025–2028. For 2025, this means an estimated deduction of about \$15,750 for single filers and \$31,500 for married couples filing jointly, plus the additional senior bump if applicable.
- **SALT deduction relief (with phase-out).** The state and local tax (SALT) deduction cap expands from \$10,000 to \$40,000 for 2025–2029, with a 1% annual indexing adjustment. It then reverts to \$10,000 in 2030. However, the higher cap phases out at 25% of AGI over \$500,000 (\$250,000 if married filing separately), meaning high earners may receive limited benefit.
- **Expanded 529 plan uses.** 529 plans can now be used for tutoring, educational therapy, and certain online course fees, beyond just K–12 tuition, expanding flexibility for education expenses.
- **Expanded 20 % pass-through (199A) deduction.** Broader eligibility and higher income thresholds enhance after-tax cash flow for operating businesses and family LLCs.
- **100% bonus depreciation reinstated.** Immediate expensing is back for machinery, equipment, and R&D, plus full expensing for new domestic factories — especially useful for real estate cost segregation and portfolio companies.

- **"No-tax-on-tips/overtime" (2025–2028):** Tips and overtime pay are exempt from federal income tax for workers earning under \$500,000 in W-2 wages. The exemption applies to up to \$25,000 of tips and \$12,500 of overtime pay (or \$25,000 for overtime if married filing jointly).
- **Car loan interest deduction.** A new deduction allows up to \$7,500 of interest on loans for U.S.-assembled electric and plug-in hybrid vehicles
- **Child Tax Credit (CTC) increase and newborn "Trump Account."** CTC increases by \$200 in 2025 and newborns receive a \$1,000 federally funded savings account plus \$5,000 annual contribution room.
- **Endowment investment tax changes.** The bill introduces multiple tax rates on endowment investment income (up to 8%) depending on endowment size per student. The student threshold increases from 500 to 3,000 students.
- **Qualified small business stock exemption.** The exemption amount increases to \$15 million from \$10 million, and now provides smaller exemption amounts if the stock is held for 3 years and 4 years (rather than one limit for stock held for 5 years).
- **EV tax credit sunset.** The electric vehicle tax credit of up to \$7,500 ends on 9/30/2025.

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