Tax Law Update: Key Planning Insights from the OBBBA

By: Wade D. Egmon, CFP® | Senior Financial Advisor

On July 4, 2025, President Trump signed into law the informally named "One Big Beautiful Bill Act" (OBBBA), a budget reconciliation bill that includes significant spending and taxation policies. In addition to the spending policy impacts, the Bill also extends and modifies many of the provisions of the 2017 Tax Cuts and Jobs Act (TCJA), while also introducing new deductions, credits, and planning thresholds.

While the Bill includes over 900 pages of text, the focus of this article is on the tax section of the legislation. Below are the major provisions that are most likely to impact our clients and other individual taxpayers. We've included some of our brief thoughts on each provision's planning impact as well as the effective dates of the changes. One note, some of the provisions listed below have been made "permanent." The word "permanent" in this case means there is no sunset/expiration date for those provisions, however, they are subject to change should Congress decide to pass legislation in the future to make modifications. Provisions that have an expiration date will require Congressional action to extend. For those interested in reading the full or partial text, a link is included here – https://www.congress.gov/119/bills/hr1/BILLS-119hr1enr.pdf

STANDARD DEDUCTIONS & OTHER NON-ITEMIZED DEDUCTIONS

Extension of Higher Standard Deduction Amounts: The OBBBA keeps the current high standard deduction amounts from the 2017 TCJA legislation and increases them slightly starting in 2025. See the new 2025 standard deduction amounts below. The additional standard deduction for taxpayers over age 65 still applies and is separate from the enhanced senior deduction referenced in the section below.

Standard Deductions

Filing Status	2025 Original Standard Deduction Amount	2025 New OBBBA Standard Deduction Amount
Single	$15,000	$15,750
Married Filing Jointly & Surviving Spouses	$30,000	$31,500
Married Filing Separately	$15,000	$15,750
Head of Household	$22,500	$23,625
65 + or blind – Single	Additional $2,000	Additional $2,000
65 + or blind - Married	Additional $1,600 per Qualifying Individual	Additional $1,600 per Qualifying Individual

- *Effective Date: 2025, Permanent; Indexed for inflation*

GFC's Take: Taxpayers will benefit from the higher standard deduction amount being a permanent fixture in tax law, and as a result, will continue to struggle to get the benefit of their itemized deductions (ex. property taxes, mortgage interest, charitable contributions, etc.). Careful planning will continue to be important moving forward for taxpayers to get the most out of available deductions. See notes on itemized deduction changes below.

Enhanced Senior Deduction – Additionally, the OBBBA introduces a new Enhanced Senior Deduction of up to $6,000 for each taxpayer age 65 and up (up to $12,000 for married couples). As noted, this enhanced deduction is separate from the $1,600/$2,000 additional standard deduction mentioned above and is available whether a taxpayer itemizes deductions or takes the standard deduction. This deduction starts to phase out at $150,000 of modified adjusted gross income (MAGI) for married filing joint taxpayers (MFJ, $75,000 for all others) and completely phases out at MAGI of $250,000 for MFJ taxpayers ($175,000 for all others).

- *Effective Date: 2025 – 2028, NOT indexed for inflation*

GFC's Take: The Trump administration's "No tax on Social Security" campaign pledge was not able to be accomplished directly via the budget reconciliation process which was used to craft the OBBBA, so this deduction was the "workaround" to help get further relief to Seniors. For Seniors with income in or near the phaseout ranges, careful planning will be needed to preserve this deduction.

Charitable Deduction for Taxpayers Not Itemizing Deductions – For taxpayers who are not able to itemize deductions, the OBBBA creates a charitable deduction for cash contributions to qualified charities of up to $1,000 for single filers and $2,000 for MFJ filers.

- *Effective date: 2026 - Permanent*

GFC's Take: For taxpayers who do not itemize deductions, this is a helpful way to get the benefit of charitable contributions otherwise not available. This provision will help to encourage charitable giving as it can impact most taxpayers.

Deductions for Tip and Overtime Income – These provisions allow for a deduction of up to $25,000 each on qualified tip income and qualified overtime compensation for all filers (max $12,500 deduction for overtime for non-MFJ filers). Neither deduction is available for married filing separate taxpayers. This deduction begins to phase out at MAGI of $300,000 for MFJ filers, ($150,000 for all other filers).

- *Effective Date: 2025 - 2028*

GFC's Take: These deductions are the result of the Trump administration's campaign pledge of "No tax on tip and overtime income." While not a complete tax holiday for tip and overtime income, the deductions are helpful to lower-middle income workers who have this type of compensation. Note, there are rules as to what constitutes "qualified tip income" and "qualified overtime compensation" and there will surely be IRS Regulations issued later that will further clarify these rules. Additionally, while this is a deduction for federal income tax purposes, it does not reduce self-employment income for purposes of calculating SE tax.

Car Loan Interest Deduction – The OBBBA introduces a deduction for up to $10,000 of interest on car loans for new cars purchased (not leased!) in 2025 through 2028 and assembled in the United States. The deduction begins to phase out at MAGI of $200,000 for MFJ filers ($100,000 on all others).

- *Effective Date: 2025 - 2028*

GFC's Take: While an incremental benefit, this new deduction paired with a potential deduction for the sales tax paid on the car (an itemized deduction), could impact car purchase decisions and their timing and could have incremental economic impacts by helping foster demand for cars assembled in the United States.

ITEMIZED DEDUCTIONS

State and Local Tax (SALT) Deduction – In 2017, the TCJA enacted a limit of $10,000 to the SALT deduction (i.e. deduction for state and local income, sales, and property taxes) for all taxpayers. The OBBBA increased the SALT cap to $40,000 for all taxpayers ($20,000 for married filing separately), subject to phaseout for high income taxpayers. The max deduction will phase out starting at MAGI $500,000 for all taxpayers ($250,000 for MFS) and fully phases out to the TCJA $10,000 cap for taxpayers at MAGI of $600,000 ($300,000 for MFS).

- *Effective Date: 2025 - 2029, $40,000 cap and phaseout levels indexed for 1% inflation through 2029, then reverts back to TCJA $10,000 SALT cap*

GFC's Take: This will be a great opportunity for clients who are below the phaseout ranges and have larger property and/or state income tax deductions, potentially allowing them to itemize deductions where they otherwise wouldn't or to increase existing itemized deductions. For clients who have been limited in their property tax deductions and paying property taxes in January each year in hopes of doubling up in a future year, this year MAY be the year to double up. Looking at multi-year planning will help make informed decisions. Additionally, for clients with larger potential SALT deductions who are in or near the phaseout ranges, adjustments to income and deduction planning may be necessary to preserve the increased SALT deduction.

Mortgage Interest deduction – The OBBBA permanently caps the mortgage interest deduction at interest on up to $750,000 of acquisition debt and also includes mortgage insurance premiums as deductible when claimed alongside mortgage interest. At the same time, the Act permanently eliminates the deductibility interest on home equity loans and lines of credit.

- *Effective Date: 2026 – Permanent, not indexed for inflation*

GFC's Take: Since this provision is now permanent, there is more predictability for homebuyers in high-cost areas. While the $750,000 limit may remain restrictive for some, the inclusion of mortgage insurance deductibility may be helpful for first-time buyers using lower down payments.

Limitation of Itemized Charitable Deductions – Under the OBBBA, only charitable deductions that exceed 0.5% of adjusted gross income (AGI) will be deductible as an itemized deduction.

- *Effective date: 2026 – Permanent*

GFC's Take: This limitation may encourage bunching of donations in certain years to limit the impact of the new 0.5% AGI floor, which could further increase the appeal of taxpayers using donor advised funds (DAFs) to facilitate charitable giving.

Limitation on Total Itemized Deductions – Starting in 2026, a limitation on itemized deductions will apply for taxpayers in the top (37%) tax bracket that limits the tax benefit of itemized deductions to 35%.

- *Effective date: 2026 – Permanent*

GFC's Take: While only a 2% impact, for taxpayers who will be firmly in the top tax bracket moving forward, deduction planning in 2025 may help get more out of deductions in advance of the implementation of this limitation.

Miscellaneous Itemized Deductions (i.e. deductions for estate planning fees, tax preparation fees, advisor fees, etc.) are permanently repealed.

INCOME TAX BRACKETS AND CREDITS

Extension of Current Marginal Tax Brackets on Ordinary Income – The OBBBA makes the lower TCJA ordinary income tax rates permanent (as an example, see the 2025 MFJ and Single tax brackets below). These rates will be adjusted for inflation. Additionally, the 10% and 12% brackets will receive a bonus inflation adjustment in 2026.

2025 Tax Brackets - Single

If Over	But Not Over	Pay	+	Of Excess Over
$0	$11,925	$0	10%	$0
$11,925	$48,475	$1,193	12%	$11,925
$48,475	$103,350	$5,579	22%	$48,475
$103,350	$197,300	$17,651	24%	$103,350
$197,300	$250,525	$40,199	32%	$197,300
$250,525	$626,350	$57,231	35%	$250,525
$626,350		$188,770	37%	$626,350

2025 Tax Brackets - Married Filing Joint Taxpayers

If Over	But Not Over	Pay	+	Of Excess Over
$0	$23,850	$0	10%	$0
$23,850	$96,950	$2,385	12%	$23,850
$96,950	$206,700	$11,157	22%	$96,950
$206,700	$394,600	$35,302	24%	$206,700
$394,600	$501,050	$80,398	32%	$394,600
$501,050	$751,600	$114,462	35%	$501,050
$751,600		$202,155	37%	$751,600

➢ *Effective Date: 2026 – Permanent*

GFC's Take: While we can never truly call a modification "permanent," this provides more certainty around future tax rates for bracket management and a longer runway for income planning opportunities, like Roth IRA conversions. As a side note, the favorable 0%, 15%, and 20% long-term capital gains rates remain unchanged.

Extension of Higher Individual Alternative Minimum Tax (AMT) Exemption Levels – The friendly TCJA AMT exemption amount and phaseout levels will be retained permanently and inflation adjusted. However, they will be reset to their pre-2018 levels (effectively losing their 2018-2025 inflation adjustments) and will be inflation-adjusted starting in 2026. Additionally, the exemption phaseout rate will double.

➢ *Effective Date: 2026 – Permanent, Inflation-adjusted*

GFC's Take: Again, this provides certainty around future AMT implications. The friendly exemption and phaseouts will be helpful, but the loss of 8 years of inflation adjustments will catch more taxpayers in the AMT trap. Additionally, continuation of the higher exemption amounts may provide more opportunities to exercise incentive stock options to utilize the higher AMT exemption.

Child Tax Credit – The OBBBA increases the Child Tax Credit to $2,200 from $2,000 per eligible child.

➢ *Effective Date: 2025 – Permanent, Inflation-adjusted starting in 2026*

BUSINESS TAX PROVISIONS

Adjustments to Section 199A (Qualified Business Income Deduction) – Section 199A introduced a 20% deduction for qualified business income for certain pass-through income from partnerships, S corporations, sole proprietorships as well as qualified REIT dividends and MLP income. The OBBBA extends this deduction and increases the deduction limit starting phase-in amounts to $150,000 for MFJ taxpayers and $75,000 for all other filers.

➢ *Effective date: 2026 – Permanent, Phaseout ranges not indexed for inflation*

Section 179 Expensing – Section 179 allows business taxpayers to deduct the cost of certain property as an expense when the property is first placed in service rather than depreciating the property over its useful life. The OBBBA increases the maximum Section 179 deduction allowable to $2,500,000 up from $1,000,000. It also significantly increases the phaseout range of this deduction, which reduces the deduction by the amount by which the cost of qualifying property exceeds $4,000,000 (up from $2,000,000 pre-OBBBA enactment).

➢ *Effective date: 2025 – Permanent, both amounts inflation-adjusted*

Bonus Depreciation – The OBBBA permanently reinstates 100% bonus depreciation for qualified assets acquired and placed in service after January 19, 2025. It also introduces a temporary full expensing provision for longer-lived "qualified production property" with construction beginning after January 19, 2025 but before 2029 and with the property placed in service prior to 2031.

GFC's Take: Together, the above changes, along with other business provisions in the legislation, will be beneficial to small business owners and give them longer-term tax certainty. The provisions in the legislation are designed to encourage economic activity and speed up capital investments.

ESTATE & GIFT PROVISIONS

Lifetime Gift and Estate Tax Exemption - In 2017, the TCJA significantly increased the lifetime gift and estate tax exemption (the total lifetime amount that an individual could give away during their life and/or leave after death estate tax-free). The current exemption amount of $13,990,000 per individual was set to be reduced by roughly half at the end of 2025 when the TCJA provision sunset. The OBBBA increases the exemption amount to $15,000,000 per individual ($30,000,000 for married couples) starting in 2026 and retains the portability election that allows surviving spouses to utilize the unused exemption amount of their deceased spouse.

➢ *Effective date: 2026 – Permanent, inflation-adjusted*

GFC's Take: Again, this provision provides some level of estate tax planning certainty. High and ultra-high net worth individuals may need to reassess estate and lifetime gifting plans to take advantage of the continued higher exemption amounts.

MISCELLANEOUS PROVISIONS

529 Plan Enhancements - The OBBBA significantly expands what K-12 expenses 529 plan funds can cover. In addition to tuition, 529 plan distributions for K-12 expenses can now include curriculum materials/textbooks/etc., certain tutoring costs, educational therapy costs for students with disabilities, test fees, and other costs. The new rules apply to any distributions taken post-enactment of the OBBBA, with the annual limit for K-12 expenses doubling to $20,000 in 2026. The new rules also allow 529 funds to be used for postsecondary credentialing expenses such as professional certifications (e.g., CFP®, CPA), exam fees, and continuing education.

- *Effective date: July 4, 2025 for distributions for expanded expense items; 2026 – Permanent for increased $20,000 limit, Not inflation-adjusted*

GFC's Take: Families with K-12 school students or professionals pursuing licenses can now make more strategic use of 529 plans. Consider funding 529s not just for college, but as part of an ongoing professional development strategy.

HSA Contribution Eligibility Expansion Summary - The OBBBA modestly broadens eligibility for Health Savings Account (HSA) contributions. Beginning in 2025, individuals enrolled in *any* Bronze or Catastrophic plan from ACA marketplaces will be deemed to have a qualifying High-Deductible Health Plan. Additionally, people participating in Direct Primary Care arrangements that have monthly fees not exceeding $150/month for an individual or $300/month for a family will no longer be disqualified from contributing to an HSA.

- *Effective date: 2026 – Permanent, Direct Primary Care arrangement fee limits inflation-adjusted*

GFC's Take: This expansion is modest but meaningful for impacted taxpayers. It may open HSA contribution opportunities to individuals buying marketplace coverage and individuals using direct primary care models.

SUMMARY

While the above items are not meant to be a comprehensive list of the changes under the OBBBA, we wanted to highlight the key provisions that have the most potential to impact our clients. We will be working with our clients proactively to incorporate the provisions in this article into their planning.

Wade D. Egmon, CPA, CFP®
Senior Financial Advisor
(346) 867-1066
wegmon@goodmanfinancial.com

Morgann Zimmer, CFP®
Senior Financial Advisor
(713) 599-1777
mzimmer@goodmanfinancial.com

Diana Castro, CPA, CFP®
Senior Financial Advisor
(713) 599-1777
dcastro@goodmanfinancial.com

Paul E. Palmer, Jr., CFP®
Senior Financial Advisor
(346) 247-7305
ppalmer@goodmanfinancial.com

Hunter Coday, CFP®
Senior Financial Advisor
(346) 867-1058
hcoday@goodmanfinancial.com

Goodman
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MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY

Located in Houston's Galleria area, Goodman Financial has been serving clients in Texas and across the US since 1989.

5177 Richmond Ave. Suite 700
Houston, Texas 77056

Phone: (713) 599-1777