

Understanding the "One Big Beautiful Bill Act" and Its Implications for Your Financial Future

On July 4, 2025, President Trump signed into law the "One Big Beautiful Bill Act" (OBBBA), a comprehensive legislative package that introduces significant changes to tax policies, federal spending, and social programs. Below, we provide a summary of the most significant changes for individual taxpayers. It does not cover all elements of the new bill, which is substantial and far reaching, but rather highlights pieces which we feel will be of most interest to our clients.

Key Provisions Affecting Retirees and Pre-Retirees

1

Permanent Extension of 2017 Tax Cuts

The most significant element to the package was to make permanent key provisions of the 2017 Tax Cuts and Jobs Act, passed during Trump's first term. This includes lower individual tax rates, an increased standard deduction, and an increased lifetime estate and gift tax exemption.

2

Enhanced Tax Deductions for Seniors

The OBBBA introduces a temporary tax deduction of up to \$6,000 for individuals aged 65 and older, effective from the 2025 tax year through 2028. This deduction phases out for individuals with modified adjusted gross incomes (MAGI) exceeding \$75,000 (\$150,000 for married couples).

3

Expanded State and Local Tax (SALT) Cap

The legislation raises the SALT deduction cap from \$10,000 to \$40,000 for taxpayers with modified adjusted gross incomes (MAGI) below \$500,000. For taxpayers with MAGI exceeding \$500,000, the benefit phases out, reducing the deduction proportionally based on income levels above this threshold. The increased cap is set to adjust upward by 1% annually through 2029, after which it will revert to the previous \$10,000 limit in 2030.

Changes to Itemized Deductions and Charitable Giving

Limited Itemized Deductions

In 2026, new limitations on itemized deductions will impact individuals in the 37% top marginal tax rate. This cap reduces the total allowable itemized deductions by a specified percentage, effectively limiting the tax benefit derived from deductions such as mortgage interest, charitable contributions, and state and local taxes.



Adjusted Charitable Giving

In 2026, new rules will impact the treatment of charitable contributions. For those taking the standard deduction, the Act establishes a permanent above-the-line deduction for charitable donations, capped at \$1,000 for individuals and \$2,000 for married couples filing jointly. For those electing to itemize, a 0.5% of AGI floor was introduced, allowing only contributions above the floor to qualify for a deduction.

Filing Status	Standard Deduction Charitable Cap
Individual	\$1,000
Married Filing Jointly	\$2,000

Healthcare and Family Benefits



Modified Premium Tax Credits (PTC)

Starting in 2026, OBBBA will let expire the enhanced PTCs established under the American Rescue Plan and Inflation Reduction Act. This may result in higher premiums and reduced affordability for enrollees.

Furthermore, new regulations will complicate the signup and renewal process, including shorter open enrollment periods and stricter income verification requirements.



Increased Child Tax Credit

The child tax credit has been increased from \$2,000 to \$2,200 per child and is now indexed to inflation. However, the refundable portion remains unchanged at \$1,400, which may limit benefits for lower-income families.



Added new "Trump Accounts"

The act establishes "Trump Accounts", wherein the government deposits \$1,000 for each child born between 2025 and 2028. Parents can contribute up to \$5,000 annually, with funds growing tax-deferred for use in higher education, job training, or home purchases.

These changes represent significant shifts in how families can manage healthcare costs and save for their children's futures.

Education and Savings Accounts

Expanded 529 Plans

The Act expands the scope of qualified expenses for 529 plans, allowing tax-free withdrawals for a broader range of educational costs. Notably, the annual withdrawal limit for K-12 education expenses has increased from \$10,000 to \$20,000. Additionally, qualified expenses now encompass items such as books, exam fees, tutoring, and online educational materials. Funds can also be used for workforce training and continuing education programs recognized under the Workforce Innovation and Opportunity Act.

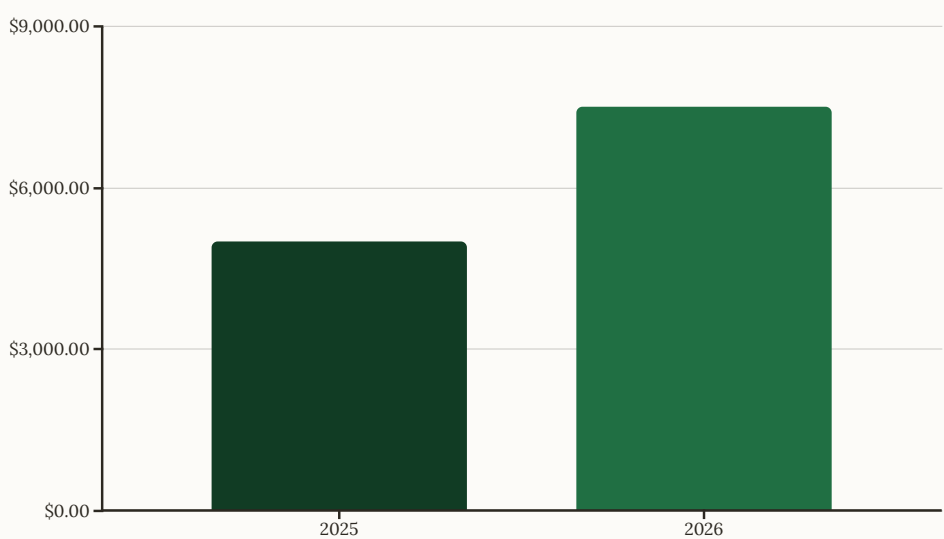
Enhanced Achieving a Better Life Experience (ABLE) Accounts

For individuals with disabilities, the Act makes permanent the ABLE-to-Work provision, which allows eligible working ABLE account holders to contribute above the standard annual limit, provided they earn income and meet specific requirements. This change offers greater contribution potential and supports long-term financial planning for individuals with disabilities.

Additional Tax Benefits

Expanded Dependent Care Assistance Programs (DCAPs)

In 2026, the annual contribution limit for DCAPs will rise from \$5,000 to \$7,500 for single individuals and married couples filing jointly.



Added Car Loan Interest Deduction

A new tax deduction for car loan interest, will be in effective for tax years 2025 through 2028. Individuals can deduct up to \$10,000 annually in interest paid on loans for new vehicles assembled in the United States. This deduction is an above-the-line deduction, meaning it is available to both itemizers and non-itemizers, broadening its applicability. The deduction phases out for single filers with a modified adjusted gross income (MAGI) over \$100,000 and for married couples filing jointly with a MAGI over \$200,000.



Financial Impact Summary

\$6,000

Senior Tax Deduction

Maximum deduction for
individuals aged 65+ (2026-
2028)

\$40,000

SALT Deduction Cap

New limit for taxpayers
with MAGI below \$500,000

\$2,200

Child Tax Credit

Increased amount per
child, indexed to inflation

\$10,000

Car Loan Interest

Maximum annual
deduction for US-
assembled vehicles

These key figures represent some of the most significant financial impacts of the "One Big Beautiful Bill Act" that may affect your tax planning and financial decisions in the coming years.

Our Commitment to Your Financial Well-Being

Verus understand that legislative changes can create uncertainty. Our team is dedicated to analyzing how the OBBBA affects your individual financial situation and will provide personalized strategies to navigate these changes. Please feel free to reach out to discuss how this legislation may influence your retirement planning, tax obligations, and overall financial goals.

Next Steps

Contact your Verus financial advisor to schedule a personalized review of how the OBBBA impacts your specific financial situation and to develop strategies to optimize your tax position under the new legislation.

The information contained within this article is provided for informational purposes only. It is provided to be a general overview of the recent tax-related legislative changes as of the publication date. Such information is subject to change as new guidance becomes available. The article is not intended to be a recommendation to take any particular action. Readers should consult their own legal, financial or tax advisors for advice specific to their circumstances.

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