

Special Update

Summary of the Final Key Provisions of the One Big Beautiful Bill Act (OBBBA)

Authored By: Heather L. Schreiber, RICP® NISSA®



After weeks of legislative momentum, the One Big Beautiful Bill Act (OBBBA) was signed by President Trump on July 4, 2025, becoming Public Law 119-21.¹ The Senate passed its version of the bill on July 1, and rather than negotiate further, the House adopted the Senate's version without amendment the following day, fast-tracking the bill's path to the President's desk through the budget reconciliation process.

Last week, we released an overview of key provisions, comparing the House and Senate proposals and their potential impact on financial, tax, and estate planning. Now that the final language has been codified, this update provides a streamlined recap of those provisions as enacted in the final legislation. The enrolled bill may be found [HERE](#).

Tip: To quickly locate a specific provision within this extensive legislation, use the search function (Ctrl+F or Command+F) and enter the section number cited alongside each change. This will take you directly to the relevant language without requiring you to wade through the full text.

Individual Tax Provisions

TCJA Rates Made Permanent: The individual income tax rates enacted under the 2017 Tax Cuts and Jobs Act (TCJA), originally set to sunset after 2025, are now permanent. Select brackets will receive additional inflation adjustments. (Sec. 70101)

Enhanced Standard Deduction: The TCJA's increased standard deduction is also made permanent, with further enhancements. For tax year 2025, the standard deduction is set at \$31,500 for joint filers, \$23,625 for heads of household, and \$15,750 for all other filers. These amounts will be indexed for inflation beginning in 2026. (Sec. 70102)

Permanent Repeal of Personal Exemptions and Miscellaneous Deductions: The repeal of the personal exemption and most miscellaneous itemized deductions—originally temporary under the TCJA—is now permanent, except the educator expense deduction and the newly enacted temporary senior deduction. (Secs. 70103, 70110)

Revised SALT Deduction Cap: The itemized deduction cap for state and local taxes (SALT)

is increased to \$40,000, with a 1% annual increase through 2029. The cap reverts to \$10,000 in 2030. A phase-out applies for taxpayers with an adjusted gross income exceeding \$500,000. (Sec. 70120)

Estate and Gift Tax Exemption Expansion:

Beginning in 2026, the estate and gift tax exemption is permanently increased to \$15 million per individual (\$30 million for joint filers), with future adjustments indexed for inflation. (Sec. 70106)

No Tax on Tips, Overtime, and Social Security

Temporary Tip Income Deduction: Allows a deduction of up to \$25,000 in tip income for income-eligible workers through 2028. The deduction phases out at 10% for AGI above \$250,000 (single) and \$300,000 (married filing jointly). This deduction may be claimed regardless of whether the taxpayer itemizes. (Sec. 70201)

Temporary Overtime Income Deduction: Provides a deduction of up to \$12,500 (single) or \$25,000 (joint) on overtime income earned from 2025 through 2028. The deduction phases out at 10% for AGI exceeding \$150,000 (single) and \$300,000 (married filing jointly). This deduction may be claimed regardless of whether the taxpayer itemizes. (Sec. 70202)

Temporary Senior Deduction: Offers a deduction of up to \$6,000 (single) or \$12,000 (joint) for taxpayers aged 65 or older with MAGI up to \$75,000 (single) or \$150,000 (joint). The deduction phases out at a rate of 6% for income exceeding these thresholds. This provision also sunsets after 2028. (Sec. 70103)

Note: In its initial press release on July 3rd, announcing the passage of legislation touted as “providing historic tax relief for seniors,”

the Social Security Administration (SSA) used language that gave the impression that federal income taxation on benefits had been broadly eliminated. That same day, the SSA also sent a mass email to all income beneficiaries, echoing the same message. The original language stated, per the Correction Notice that appears at the bottom of the Release, in part: “The new law includes a provision that eliminates federal income taxes on Social Security benefits for most beneficiaries, providing relief to individuals and couples. Additionally, it provides an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they have earned.”

Understandably, this wording led many to believe that Social Security benefits would no longer be taxable for most recipients. However, it’s important to clarify that the senior deduction is a separate provision and is not directly tied to the rules governing the taxation of Social Security benefits.

While the new enhanced deduction, stacked on top of the standard deduction, may reduce the number of beneficiaries who pay tax on their benefits, it does not eliminate Social Security taxation outright for everyone. Eligibility will vary based on total income, filing status, and other factors. Clients should be advised to consult their tax professional to determine:

- o Whether they qualify for the new senior deduction
- o Whether any portion of their Social Security benefits remains taxable
- o How best to report their benefits on their tax return

The SSA has since updated its press release to provide greater clarity. The revised version reads: “*The new law includes a provision that eliminates federal income taxes on Social*

Security benefits for most beneficiaries, providing relief to individuals and couples. It does so by providing an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they have earned.”²

However, because the original version was already emailed directly to income beneficiaries, it's essential to ensure your clients fully understand the actual scope and limitations of this temporary senior deduction.

Business Provisions

Permanent 199A Deduction: The 20% Qualified Business Income (QBI) deduction for pass-through entities under Section 199A is made permanent. The Act also increases the income threshold for phase-in of the deduction to \$75,000 for single filers and \$150,000 for joint filers (up from \$50,000/\$100,000 under prior law). In addition, it establishes a minimum deduction of \$400 for taxpayers with at least \$1,000 of QBI. (Sec. 70105)

Permanent Bonus Depreciation: The 100% first-year bonus depreciation for qualified property is made permanent, eliminating the scheduled phase-out. (Sec. 70307)

HSA, 529s, Trump Accounts, and ABLER Accounts

529-to-ABLE Rollovers Extended: The ability to roll over funds from a 529 qualified tuition program to an ABLE account, originally set to expire after 2025, has been made permanent. Rollovers are not subject to income tax if they remain within annual ABLE contribution limits. (Sec. 70117 amended §529(c)(3)(C)(i)(III))

HSA-Eligible Plan Expansion: Several proposed HSA enhancements (e.g., contributions while enrolled in Medicare Part

A and the ability to make spousal catch-up contributions) were not included in the final legislation. However, effective after December 31, 2025:

- o **Direct primary care arrangements** will no longer disqualify individuals from HSA participation. (Sec. 71308)
- o **Bronze-level and catastrophic plans** will qualify as high-deductible health plans (HDHPs) for HSA eligibility purposes. (Sec. 71307)

Expanded 529 Qualified Expenses: The definition of qualified education expenses for 529 plans is broadened to include:

- o Homeschooling expenses
- o Dual enrollment programs
- o Therapeutic education for students with disabilities
- o “Qualified post-secondary credentialing expenses” through recognized credentialing programs (Sec. 70413 and 70414)

Trump Accounts & Federal Pilot Program:

A new tax-advantaged account is created for U.S. citizen beneficiaries under age 18, with key features as follows:

- o Annual after-tax contribution limit of \$5,000
- o Federal pilot program provides a \$1,000 government-funded contribution for newborns born between January 1, 2025, and December 31, 2028, contingent on providing a valid SSN.
- o **Withdrawal restrictions:**
 - No withdrawals before age 18
 - Between ages 18–25, up to 50% may be withdrawn for qualifying purposes

- From 25–30, 100% may be used for qualifying purposes; gains are taxed as long-term capital gains
- After age 30, full access to funds with ordinary income tax on non-qualified distributions.
- o **Other Notables:**
 - No contributions will be accepted before 12 months after the date of enactment of OBBBA.
 - The Treasury Secretary will maintain records for Trump accounts and will be established as individual retirement accounts with special rules for eligible individuals until the year they reach age 18. (Sec. 70204)

While several TCJA provisions were made permanent, financial professionals should keep in mind that future shifts in political leadership could result in a repeal of these changes. Long-term plans should also continue to incorporate contingency strategies to accommodate the possibility of a change to tax policy.

Sources:

¹<https://www.congress.gov/bill/119th-congress/house-bill/1/text>

²<https://www.ssa.gov/news/press/releases/2025/#2025-07-03>