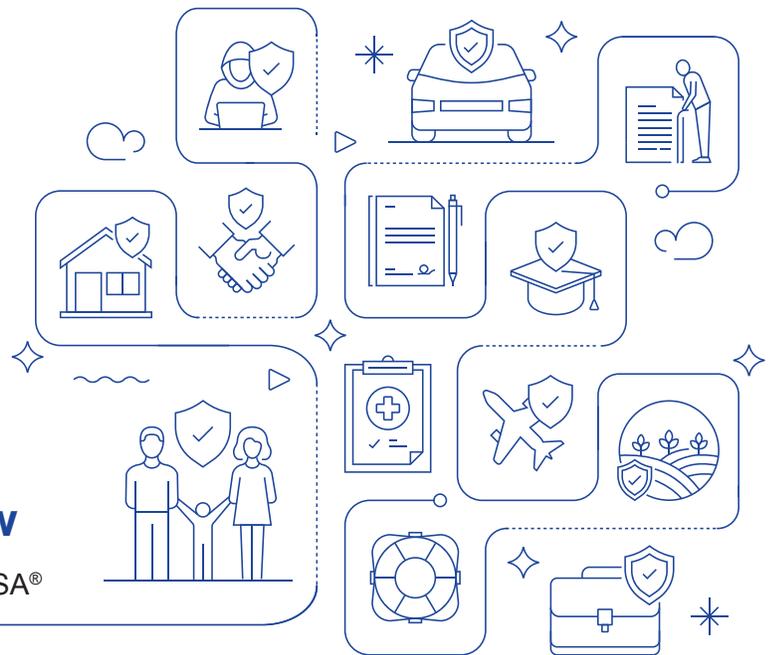


One Big Beautiful Bill Act (OBBBA): What Financial Professionals Need to Know

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On May 22, 2025, the U.S. House of Representatives narrowly passed H.R. 1, the One Big Beautiful Bill Act (OBBBA), 118th Congress (2025), by a vote of 215–214, sending the sweeping 1,018-page legislation to the Senate under the budget reconciliation process.¹ On June 16, the Senate Finance Committee released its Discussion Draft, Title VII, Subtitle A - Tax., introducing changes to key provisions, including Medicaid, various tax credits and deductions, business incentives, and the contentious State and Local Tax (SALT) cap. Because the bill is proceeding under reconciliation—a fast-track legislative process for budget-related provisions—it is subject to the Byrd Rule, which allows the Senate Parliamentarian to strike provisions that do not have a direct budgetary impact. This rule has already led to the removal of several provisions and will continue to shape what ultimately remains in the bill. Once the Senate finalizes its version, the legislation must return to the House, and both chambers must agree on identical language before the bill can be sent to the President's desk.²

As political discussions remain intense and the future of many provisions is uncertain, financial professionals should start evaluating the key provisions in both the House and Senate versions as they are currently written. This preparation will help you anticipate potential changes and highlight areas

where early planning discussions with clients could be beneficial. While the massive bill covers an array of policies ranging from tax reform and entitlement changes to business incentives, healthcare, education funding, and work requirements for public assistance programs, this article highlights some of the most significant tax, retirement, business, and benefit changes proposed under OBBBA that could impact your retirement income planning conversations, along with key considerations as we await further developments. While the bill has yet to be signed into law, recent reports indicate that Senate GOP leaders are pushing for swift passage, aiming to finalize the legislation by July 4, despite several differences that still need to be reconciled.³ It is essential that clients and prospects consult with their tax and legal advisors to evaluate how these changes apply to their unique tax situations before taking any action on the finalized legislation. Additionally, some strategies discussed may require specific licenses. Ensure you hold the appropriate credentials for any solutions you recommend.

Some Key TCJA Provisions Here to Stay under OBBBA

One of the most significant features of the bill is the proposed permanent extension of several key provisions from the 2017 Tax Cuts and Jobs Act (TCJA), many of which were scheduled to sunset

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after 2025. Unless otherwise noted, the Senate's draft version maintains alignment with the House on these provisions:

- Permanent extension of individual income tax brackets, preserving the current rate structure, increasing all brackets for inflation, excluding the 37 percent bracket.^{4,5}
- Make the larger standard deduction under TCJA permanent and repeal the personal exemption and miscellaneous itemized deductions.⁶ The Senate version would also terminate miscellaneous itemized deductions except educator expenses.⁷
- Temporarily increase the standard deduction by \$2,000 for joint filers, \$1,500 for head of household filers, and \$1,000 for all other filers through 2028.^{8,9}
- Maintenance of the higher Alternative Minimum Tax (AMT) threshold.^{10,11}
- Permanent doubling of the estate and gift tax exemption to approximately \$15 million in 2026, with inflation indexing beginning in 2027.^{12,13}

Planning Implications:

The proposed permanence of several key TCJA provisions, notably lower individual tax rates, an enhanced standard deduction, and a higher estate and gift tax exemption, has meaningful implications for long-term planning. Financial professionals should revisit income projections, Roth conversion strategies, and estate plans that were predicated on a reversion to pre-TCJA rules in 2026.

- If these provisions are indeed made permanent, the urgency to accelerate income into lower current tax brackets through Roth conversions may diminish for many clients, though not disappear entirely, especially for those nearing Required Minimum Distribution (RMD) age. Financial professionals should also evaluate the impact on charitable giving strategies, such as qualified charitable distributions (QCDs), and assess whether previously contemplated

irrevocable trust structures still align with clients' goals under a potentially more favorable long-term tax landscape.

- The permanent doubling of the estate and gift tax exemption would provide affluent families with greater planning certainty, potentially reducing the need for aggressive lifetime gifting strategies before 2026. However, until the bill is finalized, you should maintain flexibility and closely monitor the reconciliation process.

Note: While the current proposal would make many TCJA provisions 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.

Promise to End Taxes on Tips, Overtime, and Social Security: Not Quite

A key campaign promise was to eliminate federal income tax on tips, overtime, and Social Security benefits. However, the bill instead introduces temporary, income-qualifying deductions or "bonuses":

- A deduction for tips through 2028 earned by W-2 employees, phased out for highly compensated individuals (\$160,000 in 2025).¹⁴ The Senate version caps the deduction on qualified tips at \$25,000, with a phase-out for modified adjusted gross income (MAGI) exceeding \$150,000 for single filers and \$300,000 for joint filers. The change would be permanent.¹⁵
- A temporary deduction for overtime pay through 2028, excluding highly compensated employees.¹⁶ The Senate version caps the deduction at \$12,500 for single filers and \$25,000 for joint filers, with a phase-out for modified adjusted gross income (MAGI) exceeding \$150,000 for single filers and \$300,000 for joint filers. The change would be permanent.¹⁷

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- A temporary Social Security “bonus” before January 1, 2029, for seniors 65 and older up to \$4,000 annually, phased out at a rate of 4% when MAGI exceeds \$75,000 for single filers and \$150,000 for joint filers.¹⁸ The Senate version would increase this additional deduction to \$6,000.¹⁹

Planning Implications:

If enacted, the House version of the tip and overtime deductions may offer short-term tax relief for lower- and middle-income workers. In contrast, the Senate version proposes longer-term applicability. Advisors should identify eligible clients, especially those in the service and hourly wage sectors, and consider accelerating income to capture these limited-time benefits while they’re available.

- The proposed age 65+ bonus (or deduction, depending on the version) represents a partial nod to the campaign promise to eliminate federal income tax on Social Security benefits. While it falls short of full repeal, it could reduce the taxable portion of benefits for a significant number of seniors, more than half of whom currently pay tax on Social Security. For now, the provision remains temporary, with expiration set for 2028 under the House version.
- Given the uncertainty surrounding the final structure and duration of these deductions, financial professionals should monitor legislative updates closely and model short-term tax savings under both versions of the bill. These provisions may also serve as opportunities for client engagement to educate pre-retirees on the taxation of Social Security and identify potential mitigation strategies, such as income smoothing, Roth conversions, or charitable giving.

SALT Shakeup: Relief on a Sliding Scale

One of the most hotly debated provisions of the original TCJA—the State and Local Tax (SALT) deduction cap—receives an income-based

adjustment under the House version of the OBBBA. The proposal would raise the cap to \$40,000 (\$20,000 if married, filing separately) and make it permanent, but phase it down for high-income households. Specifically, the cap begins phasing down at a rate of 30% for single filers with a modified adjusted gross income (MAGI) above \$250,000 and joint filers with a MAGI above \$500,000, eventually reverting to the \$10,000 cap. Both the cap and the income thresholds would also increase by 1% annually over the next decade.²⁰ The Senate version, by contrast, retains the current \$10,000 cap, which is otherwise set to expire at the end of this year.²¹

Planning Implications:

While the House version offers potential relief for middle- to upper-middle-income clients in high-tax states, high earners will still face significant deduction limits, particularly if the Senate version prevails. Financial professionals should:

- **Evaluate timing strategies**, such as bunching deductions or prepaying property taxes (where permitted), to maximize the benefit before further phase-downs or caps.
- **Consider charitable planning tools**, such as donor-advised funds (DAFs), charitable remainder trusts (CRTs), or charitable lead trusts (CLTs), to create tax efficiency while supporting clients’ philanthropic goals.
- **Model multi-year tax projections** to help clients understand how SALT deduction changes interact with other itemized deductions, especially in states like NY, NJ, and CA, where property taxes and state income taxes are high.
- **Coordinate with CPAs and estate planners** when charitable vehicles are used in tandem with gifting strategies, especially under the potentially permanent \$15 million estate tax exemption.

The version that becomes law will determine the ultimate strategy, but planning conversations

should begin now for clients at risk of losing high-value deductions.

Business Provisions: A Boost for Pass-Throughs - But Versions Differ

The House version of the One Big Beautiful Bill Act increases the Section 199A Qualified Business Income (QBI) deduction from 20% to 23% and makes it permanent.²² The Senate version, by contrast, retains the current 20% deduction.

Other notable business tax provisions include:

- **Bonus Depreciation:** The House bill extends 100% first-year bonus depreciation for qualified property placed in service through 2029, while the Senate version goes further by making this provision permanent.
- **Expense Limitations and Audits:** Both versions impose tighter limits on the deductibility of certain business expenses and signal increased IRS scrutiny of passthrough entities.

Planning Implications:

Financial professionals serving small business owners and self-employed clients should revisit entity choice, compensation strategies, and income projections. The enhanced QBI deduction in the House bill could strengthen the case for pass-through structures in some scenarios. Meanwhile, the potential permanence of bonus depreciation, especially under the Senate version, offers meaningful opportunities to accelerate deductions and manage taxable income. Regardless of which version prevails, the increased audit exposure underscores the importance of maintaining accurate financial records and coordinating tax planning.

More Savings, More Flexibility: HSAs, 529s, MAGA & ABLE Accounts

The OBBBA expands several tax-advantaged savings vehicles, offering new planning opportunities for clients across healthcare, education, and special needs planning.

- **HSA Enhancements:** Individuals enrolled in Medicare Part A would be allowed to continue contributing to Health Savings Accounts (HSAs), a significant departure from current rules that often disrupt planning for clients claiming Social Security at or after age 65, despite plans to forgo Medicare enrollment. The bill also introduces income-based contribution increases: an additional \$4,300 for individuals and \$8,550 for families with MAGI under \$75,000 and \$150,000, respectively.²³
- **529 Plan Expansion:** The definition of qualified education expenses is broadened to support more flexible learning paths. Eligible expenses if passed, would include homeschooling costs, dual enrollment programs, online educational resources, postsecondary credentialing programs, and therapeutic education for students with disabilities enrolled in accredited programs.²⁴
- **Trump Accounts:** A new savings vehicle for qualifying children under age 18, with an annual contribution limit of \$ 5,000, until the child reaches the age of 8. A pilot program, available to children born between January 1, 2025, and December 31, 2028, will offer a one-time \$1,000 government-funded seed contribution to the Trump account. Starting at age 18, withdrawals for qualified purposes, such as education, a first-time home purchase, or starting a business, are taxed at capital gains rates. Withdrawals before age 25 are limited, and non-qualified withdrawals are taxed as ordinary income and subject to a 10% penalty. The account must be distributed when the beneficiary reaches the age of 31.²⁵
- **ABLE Accounts:** Both versions of the bill would permanently extend the ABLE-to-Work provision, allowing eligible working individuals with disabilities to exceed standard contribution limits. Rollovers from 529 plans to ABLE accounts would also be permitted, creating greater flexibility in special needs planning.²⁶

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Planning Implications:

These provisions open doors for tax-efficient saving strategies across multiple demographics. Financial professionals should revisit HSA planning for Medicare-eligible clients, highlight the expanded uses of 529 and ABLE accounts for families and special needs beneficiaries, and explore Trump Accounts as a future-focused tool for young families. Early education will be crucial in helping clients utilize these tools before eligibility windows close.

Conclusion: Navigating Uncertainty with Value

With both the House and Senate versions of the One Big Beautiful Bill Act now in play, financial professionals are entering a pivotal moment. While final legislation has yet to emerge, the potential impact on individual taxation, business planning, benefit eligibility, and retirement savings

is already clear. Those who stay informed, adjust proactively, and communicate effectively will distinguish themselves in a crowded and competitive landscape.

As lawmakers work to reconcile the two versions, now is the time to educate clients, explore planning scenarios, and prepare flexible strategies. The road ahead may be uncertain, but for those who offer clarity and leadership, it's also filled with opportunity.

Stay tuned for the outcome and be prepared to adapt client plans once the legislative language is finalized.

To review the House draft of the One Big Beautiful Bill Act (H.R. 1) click here: <https://www.congress.gov/bill/119th-congress/house-bill/1/text>. To view the Senate Finance Committee draft of the One Big Beautiful Bill Act, click here: https://www.finance.senate.gov/imo/media/doc/finance_committee_legislative_text_title_vii.pdf. Refer to the specific sections within each draft as sourced.

Sources:

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⁵Senate Finance Draft, Title VII, Subtitle A - Tax, §70101. 118th Cong (2025).

⁶H.R. 1, Title XI, Subtitle A, Part I, §110003, 118th Cong. (2025).

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⁸H.R. 1, Title XI, Subtitle A, Part I, §110002, 118th Cong. (2025).

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¹⁰H.R. 1, Title XI, Subtitle A, Part I, §110007, 118th Cong. (2025).

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¹²H.R. 1, Title XI, Subtitle A, Part I, §110006, 118th Cong. (2025).

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¹⁴H.R. 1, Title XI, Subtitle A, Part 2, §110101, 118th Cong. (2025).

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¹⁸H.R. 1, Title XI, Subtitle A, Part I, §110103, 118th Cong. (2025).

¹⁹Senate Finance Draft, Title VII, Subtitle A - Tax, §70103. 118th Cong (2025).

²⁰H.R. 1, Title XI, Subtitle C, Part I, §112018, 118th Cong. (2025).

²¹<https://www.axios.com/2025/06/16/senate-gop-one-big-beautiful-bill-text-taxes-medicaid-cuts>

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²³H.R. 1, Title XI, Subtitle A, Part 3, §110209, 118th Cong. (2025).

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²⁵H.R. 1, Title XI, Subtitle A, Part 2, §110116, 118th Cong. (2025).

²⁶H.R. 1, Title XI, Subtitle A, Part I, §110015, 118th Cong. (2025).

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